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## Original Article

# An analytical study of complaining attitudes: With reference to the banking sector

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**ABSTRACT** Service failures in retail banking tend to have a negative impact on service quality and, consequentially, on customer satisfaction. This heightens the need for effective complaint handling. This article attempts to profile and segment bank customers on the basis of complaining attitudes and perception of complaint handling mechanisms (of banks). Cluster analysis suggested that bank customers can be divided into four segments: *non-complainers*, *switchers*, *prompt complainers* and *positive thinkers*. Further, AHP has been deployed to prioritize complaint categories for different clusters. This study attempts to provide a roadmap (for banks) for designing effective and customized service recovery strategies.

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## INTRODUCTION

The Indian services industry is on a high road to globalization and fast track expansion-led growth. Marketing practices in India are undergoing a subtle transformation. The focus has shifted from

broadly defining segmentation and targeting strategies to micro-segmentation and value-based practices. The changing consumption and savings profile of the Indian consumer has opened doors for many marketers who want a share of the wallet of the ‘great Indian consumer’. Currently, India is witnessing a marketing boom not witnessed before. One of the major reasons for this phenomenon is the rapid growth in the services sector. Post 1991, there has been a huge

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impetus to services *per se*. As the economy increasingly opens up, customers are getting newer and better choices.

### Service failure and service recovery

Recently, there has been a shift from a transaction to a relationship focus in marketing. Customers should be treated as partners and the firm must make long-term commitments to maintaining these relationships with quality service and innovation. Relationship marketing essentially represents a paradigm shift within marketing – away from acquisitions/transactions focus towards a retention/relationship focus. Relationship management is a philosophy of doing business, a strategic orientation that focuses on keeping and improving current customers.

It is sometimes felt that one of the major areas in which services marketing is distinct from product marketing is in the level of interaction between the service provider and the service consumer. Real marketing takes place at this 'confluence' and many relationships are created or destroyed at this confluence. Consequently, businesses are trying to offer high-quality services in order to generate customer satisfaction leading to customer repurchase and building long-term customer loyalty.

However, no service can truly offer a foolproof experience, which is why service failure remains a problematic issue for almost every firm in the world.<sup>1</sup> Ensuing customer evaluations could affect the company's bottom line either positively or negatively. Customers might become more loyal and recommend the firm to their friends and relatives or even exit the firm and badmouth their negative experiences to all and sundry. Banking operations abound with several critical incidents of service 'accidents'. Despite its strategic relevance, many service companies (including banks) are not giving complaint management the importance it deserves.<sup>2</sup> Corrective measures such as complaint management are only punitive and not preventive. Moreover, these are often vaguely defined and not explicit enough to help the consumer in any way.

Most organizations face important challenges in customer complaint handling, namely: they

do not recognize its importance, have no technologies or systematic approach, have cultures adverse to customer complaints and, finally, have not embraced the concept of quality management.<sup>3</sup> An effective service recovery will generate a range of positive customer responses with complaint handling being seen as a key element in service recovery. All actions that an organization may take to rectify a service failure are its service recovery efforts.<sup>4</sup> Tax and Brown<sup>5</sup> identified three dimensions of perceived fairness in the service recovery process: 'procedural justice' (involving policies and rules for the service recovery), 'interactive justice' (involving employees who provide the service recovery and their behavior) and 'outcome justice' (pertains to the compensation for the service failure and related losses). Zeithaml and Bitner<sup>6</sup> suggested six essential components of an effective service recovery process as follows:

- Fail-safe your service (do it right the first time)
- Welcome and encourage complaints
- Act quickly
- Treat customers fairly
- Learn from recovery experience
- Learn from lost customers.

Hence an effective service recovery system can comprise of the following<sup>7</sup>:

- Conduct research, monitor complaints, develop 'complaints as opportunity culture' (for identifying service complaints)
- Develop an effective system of training for complaints handling (for resolving complaints effectively)
- Conduct root-cause analysis (for learning from the recovery experience).

In addition, service recovery continues to receive increased attention, in part owing to rising customer expectations and competitive marketplace responses designed to meet and exceed those expectations.<sup>8</sup> Finally, firms working under changing market conditions must listen and rapidly respond to customers' complaints in order to remain in touch with their expectations.<sup>9</sup>

Service recovery planning ought to be based on research-based knowledge in order to avoid the harmful impact of service failure.<sup>10</sup> And, as mentioned earlier, the increase in competition calls on firms to improve the quality of services they offer in order to increase the probability of retaining their customers.

Responding effectively to consumer complaints can have a significant impact on satisfaction, repurchase intentions and the spread of word-of-mouth. However, in order to understand how best to deal with service failure and how best to handle complaints, it is essential to understand the way in which consumers react to service failure and how they respond to different approaches of service recovery.

### Understanding service failures

A customer may experience several types of service failures. Classifying those failures is a useful first step in understanding consumer reactions and identifying potential recovery strategies. Bitner *et al*<sup>11</sup> used the critical incident technique to identify a service failure classification model that has been widely adopted by other researchers.<sup>12,13</sup> On the basis of this, service failures were classified as follows: (1) unavailable service, (2) unreasonably slow service, and (3) other core service failures. Unavailable service refers to services normally available that are lacking or absent such as an unavailable chequebook, and so on. The second type of service failure relates to employee responses to individual customer needs and special requests. The third type of service failure arises from employee behaviors that are totally unexpected by the customer. These actions are not initiated by the customer, nor are they part of the service delivery system. Subcategories of this group include (1) level of attention, (2) unusual actions, (3) cultural norms, (4) gestalt (societal/cultural insult), and (5) adverse conditions. The unusual action subcategory includes employee behaviors such as rudeness, abusiveness and inappropriate touching.

### INDIAN BANKING INDUSTRY

Banking sector is the backbone of any economy. Commercial banks play an important role in the

development of economies by effective and optimum mobilization of resources and their allocation. The banking sector in India has undergone a significant transformation in the past few years because of economic reforms. There is a mix of players in this sector (public sector banks, private banks and foreign banks). Currently there are 493 banks (297 scheduled banks and 196 regional rural banks). There are 28 public sector banks that account for 87 per cent of the total bank branches (and 74 per cent of deposits). The numbers of foreign banks are 42, while private ones are 32.<sup>14</sup>

Substantial liberalization of the financial services sector has taken place since onset of the financial sector reforms. This led to banks functioning increasingly under competitive pressures. This scenario has not only introduced the concept of marketing in the Indian banking sector but has also brought the dimension of customer satisfaction to the forefront. It has become very important for banks to retain their existing customer base as cost to acquire a new customer is significantly higher than cost of retaining an existing one.<sup>15–18</sup>

Hence, to gain and sustain competitive advantages in the fast changing retail banking industry (in India), it is crucial for banks to have an in-depth understanding of what customers want from them with respect to services being offered. The trend of banks shifting from a product-focused view to a customer-focused one has been developing recently as financial products become increasingly hard to differentiate in fiercely competitive markets. Retail banks in India are consequently directing their strategies towards increasing customer satisfaction and loyalty through improved service quality.

A bank can create a distinct image by providing differentiated services (empathetic customer relationship management, single window facilities, remote access by means of mobile and internet banking, services with affinity offers, pricing with de-packaged solutions, staffing branches with more specialized advisors, private wealth management services, simplified account-opening processes, more-robust online access, integrated services, queue management

services and so on) to its customers. This requires recognition of the importance of customers and the necessity to address their need through innovative operational strategies and better customer services. Customer-focused approach is important, because there are high customer–marketer interactions in this type of set-up, the quality of service is determined to a large extent by the skills and attitudes of the people delivering the service. It is reported that 90 per cent of retail-bank switching in the Asian Banking market occurs because of pricing (interest rates, lending rates, credit rates and other service charges), service quality and inconvenience.<sup>19</sup> However, in case of Indian banks, pricing is regulated, so it is not a differentiating factor between banks. Hence service quality being delivered becomes the driving force for determining of a bank of one's preference.

Superior service performance leads to higher customer satisfaction and positive word-of-mouth. Conversely, service failures tend to have a negative impact on satisfaction and word-of-mouth. This calls for effective complaint handling and service recovery mechanism in the retail-banking sector in India.

### **Organizational responses to service failures**

In our current study we would like to make a thorough assessment of how customers respond to poor service delivery in the banking sector, and more importantly why they do not complain. When a consumer experiences a service failure – that is the service fails to match expectations and the consumer is dissatisfied, a number of responses are possible. A number of researchers<sup>20–26</sup> have attempted to identify and explain the different ways in which consumers respond to failure. Understanding this process is important from an organizational perspective, not least because service recovery can only be initiated if the organization is aware of a service failure but because customer complaints are probably one of the most effective ways of collecting such information. Unfortunately, many customers do not complain following a service failure, but they do engage in activities such as negative

word-of-mouth and brand switching.<sup>27</sup> Hence many organizations may miss out on the opportunity to undertake service recovery because they do not know that a failure has occurred.

### **OBJECTIVE OF THE STUDY**

Aforementioned discussion substantiates the underlying premise of our study that there is a need to develop an in-depth insight into the complaining behavior displayed by customers (vis-à-vis banking services), and categorize customers into homogenous groups, on the basis of similar complaining attitudes. This segmentation of customers into homogenous groups will help us to understand the complaining attitudes of different customers thus profiling them. This will further help in formulating effective and customized complaint handling and service recovery strategies for the banking sector.

### **RESEARCH METHODOLOGY**

We have used Conclusive Cross-sectional Descriptive Research Design<sup>28</sup> to study the complaining attitude and behavior of bank customers. The survey instrument deployed was a closed ended questionnaire. The questionnaire was divided into two sections. In the first section, complaining attitude and behavior, level of satisfaction/dissatisfaction, types of complaints, channels for complaining and so on were examined. These attitudinal and behavioral aspects were identified by a detailed exploratory identification process. This included discussions with banking services experts and bank personnel and content analysis of the pilot survey. The two steps followed in the pilot study were:

- A small-scale survey of bank customers to obtain their views regarding perception towards banking services in India.
- Focus group discussions held with bank customers and representatives of different major banks operating in India.

Pre-testing of the initial (rough) questionnaire was performed on a sample of 50 respondents to

identify and eliminate potential problems in questionnaire administration. These respondents were chosen by quota sampling method. Efforts were made to include wide variety of respondents by defining quota of 3–4 for each category. The respondents in the pretest survey were similar to those who would be included in the actual survey with respect to demographic characteristics. In other words, respondents for the pretest and actual survey were drawn from the same population of bank customers using approximately the same quotas. All aspects of the questionnaire were tested including the content, wording, sequencing, difficulty in understanding the questions, instructions and so on.

The purpose was to ensure inclusion of all essential dimensions related to complaining attitude and behavior of bank customers. Simultaneously, a cautious approach, consisting of ‘protocol analysis’, ‘debriefing’ and ‘content analysis’, was adopted to avoid fundamental flaws (misunderstanding of items, unreadable options and so on) in the final questionnaire.

Protocol analysis consisted of analyzing reactions of respondents to different questions. In debriefing, they were asked to describe the meaning of each question, to explain their answers and to mention any problem they faced in answering and so on. In content analysis of the pilot survey, the responses (oral as well as written) were categorized and classified. Then they were coded for tabulation purpose. Thereafter the frequency counts (of different categories) were compared. The method deployed was qualitative content analysis (inductive category development and deductive category application).<sup>29</sup>

After content analysis and detailed discussion and deliberations, the questionnaire was modified, eliminating some questions and including those that had been missed out initially.

In the second part, information related to different socioeconomic and demographic criteria like income, age, profession, educational qualification, account status and so on was collected. Quota (multistage) and shopping mall intercept sampling schemes have been employed with the questionnaires being sent

to approximately 1200 respondents (bank customers). However, only 1100 questionnaires were found complete in all respects. The response rate was 92 per cent. The use of banking, types of complaints, complaining attitude and reactions towards service failures might be different across different demographic segments. Considering the heterogeneity among different groups, an attempt has been made to keep the sample fairly representative across demographics by constructing quotas according to these demographic characteristics (Table 1).

The areas of our sampling were various cities like Lucknow, Delhi, Mumbai, Bangalore and Kolkata. The time frame of the study was December 2008 – July 2009. Primary-stage

**Table 1:** Demographic characteristics of respondents

<i>Demographic characteristics</i>		<i>Frequency</i>	<i>Percentage</i>
Age	Below 25	131	11.9
	25–35	213	19.4
	36–45	316	28.7
	46–60	300	27.3
	Above 60	140	12.7
Income (p.m.)	Below 15 000	211	19.2
	15 000–25 000	357	32.5
	25 000–35 000	293	26.6
	35 000–50 000	164	14.9
	Above 50 000	75	6.8
Occupation	Student	172	15.6
	Independent/ business	232	21.1
	Service (private sector)	255	23.2
	Service (public sector)	362	32.9
	Housewife	77	7.0
Education	Intermediate	229	20.8
	Graduation	498	45.3
	Postgraduation	373	33.9
Gender	Male	590	53.6
	Female	510	46.4
Length of A/C	Less than 1 year	104	9.5
	1–4 years	210	19.1
	5–9 years	373	33.9
	10–15 years	336	30.5
	More than 15 years	78	7.1
Account status	Single A/c holder in single bank	620	56.4
	Multiple A/c	480	43.6
	Total	1100	100.0



**Table 2:** Reliability statistics

	Cronbach's $\alpha$	Number of items <sup>a</sup>
Overall satisfaction and related aspects	0.876	3
Complaint handling	0.823	5
Attitudinal aspect	0.732	6
Complaint issues	0.794	6

<sup>a</sup>Number of variables included in the reliability estimation.

sampling units were the bank customers, while the secondary stage sampling units were various banks (public sector as well as private sector), markets, shopping malls, institutions and localities of the above-mentioned cities. In order to make the sample representative, sampling was performed in various banks, marketplaces, shopping malls, office complexes and some residential localities considering the desired quotas. The questionnaires were administered personally to ensure the authenticity of information provided by the respondents.

We have examined the reliability of the data to check whether random error causing inconsistency and in turn lower reliability is at a manageable level or not, by running the reliability test. For various sets of associated factors used in the questionnaire (as determined by applying exploratory factor analysis across various parts of the questionnaire), values of coefficient alpha (Cronbach's  $\alpha$ ) have been obtained. Among the reliability tests that were run, the minimum value of coefficient alpha (Cronbach's  $\alpha$ ) obtained was 0.732 (Table 2) (which is substantially higher than 0.6), which shows that data have satisfactory internal consistency reliability.

## SEGMENTATION OF BANK CUSTOMERS ON THE BASIS OF THEIR COMPLAINING ATTITUDE

Cluster analysis is a technique used to examine interdependence relationships between whole set of variables. The objective is to classify objects or respondents into relatively homogeneous groups based on the set of variables considered. It tries to achieve within group homogeneity and between group heterogeneity, that is, to

minimize within group variation and maximize between group variations.

In order to gauge the complaining attitude of the customers, 13 variable-statements as segmentation criteria were used. These variables were selected on the basis of a detailed identification process consisting of content analysis of the pilot survey, discussion with bank personnel and so on. These statements are primarily reflective of customers' complaining attitudes and their perception towards banking services (on a Likert scale of 1 = Strongly disagree, 5 = Strongly agree).

There are several acceptable methods for performing a cluster analysis.<sup>30</sup> Although hierarchical clustering methods were popular in the past owing to the advantage of being fast, these methods can be misleading because outliers influence the results substantially and undesirable early combinations may persist throughout the analysis.<sup>31</sup> Non-hierarchical clustering methods are less susceptible to the outliers when they are used with specified initial seed points.

'Hierarchical clustering' procedure has been used here in tandem with 'Non-hierarchical' method. The 'Hierarchical' procedure has been used, at the initial stage, to identify the optimum number of clusters. While using the 'Hierarchical' method, there is no need of pre-specifying number of clusters and cluster centers, which is needed for Non-hierarchical method, so it is convenient and effective at the initial stage of identification. The method used was agglomerative clustering based on squared Euclidean distances. To decide upon appropriate number of clusters, we look for a sudden jump in the distance coefficients as we read down the 'coefficient' column in the agglomeration schedule. The stage before the sudden change indicates the optimal stopping point for merging clusters. In the agglomeration schedule thus obtained (Table 3) there is a sudden jump (values of coefficient changing from 48.000 to 56.500) starting from the stage 1096, suggesting a four-cluster solution.

The number of clusters as obtained by the Hierarchical method need to be confirmed using various criteria.<sup>32</sup> For this purpose, we have used criteria like: the change of Schwarz's Bayesian

**Table 3:** Agglomeration schedule

<i>Average linkage (between groups)</i>						
<i>Stage</i>	<i>Cluster combined</i>		<i>Coefficients</i>	<i>Stage cluster first appears</i>		<i>Next stage</i>
	<i>Cluster 1<sup>a</sup></i>	<i>Cluster 2<sup>b</sup></i>		<i>Cluster 2<sup>b</sup></i>	<i>Cluster 1<sup>a</sup></i>	
1	370	1082	0.000	0	0	71
2	345	1079	0.000	0	0	668
3	1075	1078	0.000	0	0	476
4	1057	1076	0.000	0	0	14
5	343	1074	0.000	0	0	335
6	364	1073	0.000	0	0	163
7	356	1071	0.000	0	0	223
8	363	1070	0.000	0	0	833
9	334	1067	0.000	0	0	74
10	361	1066	0.000	0	0	246
1086	1	34	38.026	1084	1085	1087
1087	1	20	39.446	1086	1065	1088
1088	1	92	40.338	1087	1036	1089
1089	1	26	40.615	1088	1081	1090
1090	1	128	40.904	1089	938	1092
1091	46	160	42.021	1077	1082	1094
1092	1	373	44.424	1090	1083	1094
1093	209	371	44.750	0	1078	1096
1094	1	46	45.416	1092	1091	1095
1095	1	831	47.972	1094	0	1098
1096	209	648	48.000	1093	0	1098
1097	151	444	56.500	1079	0	1099
1098	1	209	57.448	1095	1096	1099
1099	1	151	79.323	1098	1097	0

<sup>a</sup>Cluster 1: The first object/cluster of the pair of clusters that are combined at any stage of agglomerative clustering.

<sup>b</sup>Cluster 2: The second object/cluster of the pair of clusters that are combined at any stage of agglomerative clustering.

Criterion (BIC),  $R$  squares ( $R^2$ ), variances of a different number of cluster solutions have been used and the elbow criterion.<sup>33</sup> They also suggested a four-cluster solution.

On the basis of the results of Hierarchical Clustering, four numbers of clusters were used as inputs in non-hierarchical clustering ( $k$ -means cluster). Thus, an initial seed from hierarchical analysis results was used for non-hierarchical clustering analysis.<sup>33,34</sup>

We have used  $k$ -mean clustering to establish the final cluster membership of the respondents. Here, Optimizing Partitioning Method was used, which optimizes overall criteria like average with-in cluster distance and with-in group variance. So, with-in cluster variance is minimized and between cluster variance is maximized in an ANOVA-like fashion.<sup>35</sup>

After obtaining the 'optimum' number of clusters, discriminant analysis was used to find out whether the clusters so obtained were significantly different or not. The results from

Table 4 clearly indicate that groups show different means for all the 13 variables under consideration ( $\text{sig.} = 0.000 < 0.05$ ). So all the variables, when considered individually, are significant for differentiating between groups. Considering the value of Wilks' lambda, we can say that the variable 'Switch to another bank after non-response' is the most important discriminating factor responsible for the creation of four clusters, with the lowest value of Wilks' Lambda (0.391). This is followed by 'Should not complain unnecessarily' (0.537), 'Usually get quick and satisfactory response to complaints' (0.637), 'My bank has efficient complaint handling mechanism' (0.769), and so on in the decreasing order of their discriminating power.

The discriminant analysis performed to find out significant difference between clusters gave three discriminant functions. Considering the results of Table 5, we can say that all discriminant functions have high Eigenvalues (substantially more than 1 in each case) and low values of

**Table 4:** Tests of equality of group means

	<i>Wilks' lambda</i>	<i>F</i>	<i>Sig.</i>
My bank has efficient complaint handling mechanism	0.537	314.522	0.000
Complain promptly if not satisfied	0.821	79.423	0.000
Usually get quick and satisfactory response to complaints	0.637	208.214	0.000
Switch to another bank after non-response	0.942	22.356	0.000
Banks must have efficient complaint handling mechanism	0.815	82.976	0.000
Many times don't know where to complain	0.926	29.279	0.000
Shouldn't complain unnecessarily	0.391	569.062	0.000
Banks can make mistakes and will ratify (remedial measures)	0.872	53.748	0.000
Nothing comes off the feedback forms	0.963	14.063	0.000
Complaint responsive bank has greater credibility	0.798	92.533	0.000
Generally satisfied with my bank	0.788	98.254	0.000
Can claim damages for poor service delivery	0.972	10.647	0.000
Tend to judge service quality of bank by its complaint handling	0.769	109.669	0.000

Wilks' Lamda. This indicates that the proposed model is valid for discrimination among the four group of respondents obtained from cluster analysis, further with a *P*-value of approximately 0.000 (in all the cases); we can say that this model is significant for discrimination. Validity of the model is further corroborated by a high Hit Ratio of 94 per cent (Table 6).

As the statistical significance of the discriminant functions is established, we further examined the contribution of individual variables to the discriminant functions. The structure matrix gave the relative contribution of each of the variables to the discriminant function (Table 7). Larger the absolute value of the coefficient of structure matrix more is the contribution of that variable in the respective discriminant function.

### Results: Segmentation analysis

The results obtained from *k*-mean clusters are used to interpret and profile the four clusters,

**Table 5:** Summary of canonical discriminant functions

<i>Function</i>	<i>Eigenvalue</i>	<i>% of variance</i>	<i>Cumulative %</i>	<i>Canonical correlation</i>
<i>(a) Eigenvalues</i>				
1	1.910 <sup>a</sup>	45.6	45.6	0.860
2	1.663 <sup>a</sup>	32.6	78.2	0.823
3	1.412 <sup>a</sup>	21.8	100.0	0.791

<sup>a</sup>First three canonical discriminant functions were used in the analysis.

<i>Test of function(s)</i>	<i>Wilks' lambda</i>	<i>Chi-square</i>	<i>df</i>	<i>Sig.</i>
<i>(b) Wilks' lambda</i>				
1 through 3	0.076	2809.164	39	0.000
2 through 3	0.221	1644.395	24	0.000
3	0.323	706.537	11	0.000

**Table 6:** Classification results<sup>a</sup>

		<i>Cluster number of case</i>	<i>Predicted group membership</i>				<i>Total</i>
			1	2	3	4	
Original	Count	1	631	19	9	9	668
		2	0	72	1	1	74
		3	4	3	167	4	178
		4	5	9	2	164	180
	%	1	94.4	2.8	1.4	1.4	100.0
		2	0.0	97.3	1.3	1.4	100.0
		3	2.25	1.7	93.8	2.25	100.0
		4	2.8	5.0	1.1	91.1	100.0

<sup>a</sup>94 per cent of original grouped cases correctly classified.



**Table 7:** Structure matrix

	<i>Function</i>		
	1	2	3
My bank has efficient complaint handling mechanism	0.517 <sup>a</sup>	0.311	−0.488
Complain promptly if not satisfied	0.335 <sup>a</sup>	0.149	−0.163
Usually get quick and satisfactory response to complaints	0.229 <sup>a</sup>	0.071	0.210
Switch to another bank after non-response	0.667	−0.703 <sup>a</sup>	0.193
Banks must have efficient complaint handling mechanism	0.272	0.274 <sup>a</sup>	0.248
Many times don't know where to complain	0.070	0.112 <sup>a</sup>	0.056
Shouldn't complain unnecessarily	0.429	0.170	−0.443 <sup>a</sup>
Banks can make mistakes and will ratify (remedial measures)	0.167	0.219	0.345 <sup>a</sup>
Nothing comes off the feedback forms	0.207	0.222	0.339 <sup>a</sup>
Complaint responsive bank has greater credibility	0.172	0.219	0.324 <sup>a</sup>
Generally satisfied with my bank	0.062	0.047	0.277 <sup>a</sup>
Can claim damages for poor service delivery	−0.003	0.073	0.243 <sup>a</sup>
Tend to judge service quality of bank by its complaint handling	0.023	0.014	0.202 <sup>a</sup>

<sup>a</sup>Largest absolute correlation between each variable and any discriminant function.

so obtained. Table 8 provides a statistical comparison of the clusters, helpful in identifying and profiling the clusters. The respondents are clustered on the basis of 13 statements describing complaining attitude and perception towards bank services. The clusters have been named as 'Non-complaining customers' (60.73 per cent), 'Switchers' (6.73 per cent), 'Prompt complainers' (16.18 per cent) and 'Positive thinkers' (16.36 per cent). Table 9 provides the information related to socioeconomic and demographic profiles of the different clusters.

### The 'non-complainers' cluster

This segment consists of those bank customers who generally do not complain following a service failure. Majority of the respondents (approximately 61 per cent) belong to this segment. Many times they do not know where and how to complain (mean score 4.75). They believe that customers should not complain unnecessarily (mean score 3.95). It is against their basic beliefs and values to complain promptly if dissatisfied (mean score 1.31). They accept that banks can make errors and should be given a chance to redress the complaints (mean score 4.05). They are moderately satisfied with the services of their banks (mean score 3.45). They also do not believe that banks should essentially have a complaint handling mechanism (mean score 2.23) and do not tend to judge the service

quality of a bank by its complaint handling efficiency (mean score 1.76) (Table 8).

Taking into cognizance the demographic characteristics of this segment (Table 9), these customers are primarily public sector employees, have medium to high educational qualification and belong to the middle income group. They are usually persistent single account holders, in the age bracket of 35 and above.

There are primarily two categories of customers who do not complain, one who do not know where or how to complain and the second who know where to complain but do not complain because of other reasons. It is commonly found that most of the customers do not know where to complain, as evident from the results of non-parametric chi-square test (for this segment only). Chi-square test is most appropriate for testing equality of several proportions. As seen in Table 10, the chi-square value is significant ( $\text{sig.} = 0.000 < 0.05$ ). The test results reflected that there is significant difference in responses towards ignorance vis-à-vis complaint channels, with 57 per cent of respondents belonging to this segment agreeing with the statement that many times customers do not know where to complain (Table 10).

We further tried to prioritize the main causes of not complaining for the second group (who know where to complain but still do not complain). For this purpose we used a qualitative analysis tool – Analytic Hierarchy Process (AHP)<sup>36,37</sup>

**Table 8:** Cluster descriptives

Cluster	No. of cases	My bank has efficient complaint handling mechanism	Complain promptly if not satisfied	Usually get quick and satisfactory response to complaints	Switch to another bank after non-response	Banks must have efficient complaint handling mechanism
(a)						
1 Non-complaining	668.000(60.73 %)	3.74	1.31	2.92	3.88	2.23
2 Switchers	74.000(6.73 %)	1.49	4.09	1.12	4.37	4.14
3 Prompt complainers	178.000(16.18 %)	2.03	4.7	3.42	4.01	4.64
4 Positive thinkers	180.000(16.36 %)	4.55	3.02	4.42	1.25	2.57
F	—	138.867	91.675	173.413	562.941	75.219
Sig.	—	0.000	0.000	0.000	0.000	0.000
Cluster	No. of cases	Many times don't know where to complain	Shouldn't complain unnecessarily	Banks can make mistakes and will ratify (remedial measures)	Nothing comes off the feedback forms	Complaint responsive bank has greater credibility
(b)						
1 Non complaining	668.000(60.73 %)	4.75	3.95	4.05	2.48	2.34
2 Switchers	74.000(6.73 %)	3.98	2.04	3.19	4.55	3.08
3 Prompt complainers	178.000(16.18 %)	2.14	1.12	1.04	3.83	3.69
4 Positive thinkers	180.000(16.36 %)	3.67	4.39	4.59	1.44	4.43
F	—	22.237	196.760	45.215	11.966	54.531
Sig.	—	0.000	0.000	0.000	0.000	0.000
Cluster	No. of cases	Generally satisfied with my bank	Can claim damages for poor service delivery	Tend to judge service quality of bank by its complaint handling		
(c)						
1 Non complaining	668.000(60.73 %)	3.45	2.3	1.76		
2 Switchers	74.000(6.73 %)	1.37	3.63	3.8		
3 Prompt complainers	178.000(16.18 %)	2.41	4.65	4.35		
4 Positive thinkers	180.000(16.36 %)	4.51	2.76	3.03		
F	—	97.389	23.807	50.052		
Sig.	—	0.000	0.000	0.000		

Number in each cell indicates the mean for the variable (for that cluster). 1 = Strongly disagree ... 5 = Strongly agree.

for this segment. AHP is designed for situations in which ideas, feelings and emotions are to be quantified and decision alternatives based on them are prioritized. AHP is a multi-criteria decision-making procedure. Here the decision maker provides weighted preferences for the criteria, which are used to determine the preferences for the decision alternatives. AHP is used because of its suitability for undertaking quantitative as well as qualitative analysis. This approach differs from other multi-criteria methods as subjective judgments are readily included and inconsistencies are dealt with appropriately. AHP revealed (Figure 1) that there

is prioritization of causes for not complaining, with 'feeling that nothing comes of it' (with a weight of 45.5 per cent) as the most important cause. The second most important cause is 'a bad experience earlier' (weight of 27.4 per cent). Hence these causes are reflective of the complaining attitude of this cluster.

Although customers belonging to this segment usually do not complain, it is incorrect to assume that they do not have problems or dissatisfaction related to banking services. In order to obtain an insight into the attitude of these customers, AHP was deployed (Figure 2). Results from AHP revealed that non-complaining customers perceive

**Table 9:** Demographic profiles of bank consumer segments

Demographic characteristics		Cluster 1		Cluster 2		Cluster 3		Cluster 4		Pearson $\chi^2$	Sig.
		Non complaining		Switchers		Prompt complainers		Positive thinkers			
		n	%	n	%	n	%	n	%		
Age	Below 25	36	5.4	36	48.7	40	22.3	18	10.1	49.4	0.000
	25–35	85	12.7	23	31.4	71	40.1	34	18.8	—	—
	36–45	216	32.4	7	9.5	35	19.4	58	32.2	—	—
	46–60	232	34.7	5	6.4	15	8.4	49	27.2	—	—
	Above 60	99	14.8	3	4	17	9.8	21	11.7	—	—
Income (p.m.)	Below 15 000	133	19.9	20	26.4	17	9.3	42	23.1	40.9	0.000
	15 000–25 000	264	39.5	14	19.5	24	13.4	55	30.4	—	—
	25 000–35 000	178	26.7	13	18.1	58	32.4	44	24.3	—	—
	35 000–50 000	65	9.8	17	22.4	55	30.7	27	14.9	—	—
	Above 50 000	27	4.1	10	13.6	25	14.2	13	7.3	—	—
Occupation	Student	98	14.7	25	33.3	30	16.8	21	11.5	37.1	0.000
	Independent/business	126	18.8	20	27.7	51	28.6	35	19.7	—	—
	Service (private sector)	140	20.9	20	27.2	59	33.3	36	20.1	—	—
	Service (public sector)	269	40.2	6	7.8	31	17.4	56	31.3	—	—
	Housewife	36	5.4	3	4	7	3.9	31	17.4	—	—
Education	Intermediate	158	23.7	9	11.7	27	15.3	35	19.6	28.4	0.000
	Graduation	297	44.5	30	40.7	83	46.9	87	48.3	—	—
	Postgraduation	212	31.8	35	47.6	67	37.8	58	32.1	—	—
Gender	Male	345	51.6	46	62.3	102	57.4	97	53.7	18.1	0.000
	Female	323	48.4	28	37.7	76	42.6	83	46.3	—	—
Length of A/C	Less than 1 year	28	4.2	42	56.8	17	9.5	17	9.6	31.9	0.000
	1–4 years	110	16.4	26	35.7	36	20.3	37	20.8	—	—
	5–9 years	254	38	6	7.5	63	35.4	51	28.1	—	—
	10–15 years	228	34.1	0	0	55	31.1	52	29.1	—	—
	More than 15 years	49	7.3	0	0	7	3.7	22	12.4	—	—
Account status	Single A/c holder in single bank	390	58.4	20	27.7	87	48.7	123	68.4	20.4	0.000
	Multiple A/c	278	41.6	54	72.3	91	51.3	57	31.6	—	—
Total		668	100	74	100	178	100	180	100	—	—

*n*=Number of customers in the corresponding demographic category for a particular cluster; %=percentage of customers in the corresponding cluster.

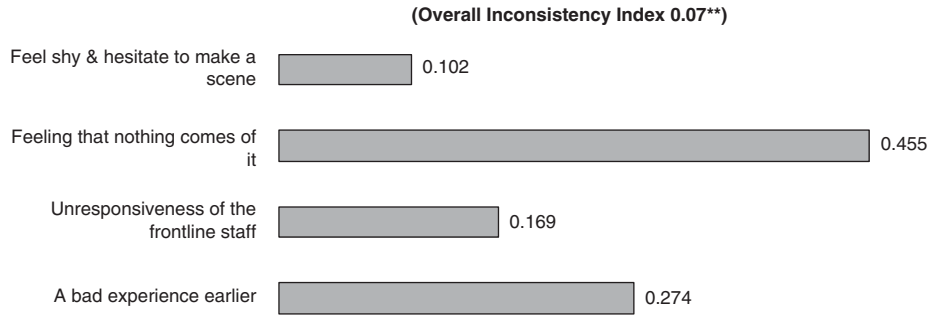
**Table 10:** Chi-square test frequencies

<i>Don't know where to complain</i>			
<i>(a) Test statistics</i>			
Chi-square(a)	396.240		
df	4		
Asymp. Sig.	0.000		
	<i>Observed N</i>	<i>Expected N</i>	<i>Residual</i>
<i>(b) Don't know where to complain</i>			
Strongly disagree	42	133.6	−91.6
Disagree	110	133.6	−23.6
Can't say/neutral	134	133.6	0.4
Agree	276	133.6	142.4
Strongly agree	106	133.6	−27.6
Total	668	—	—

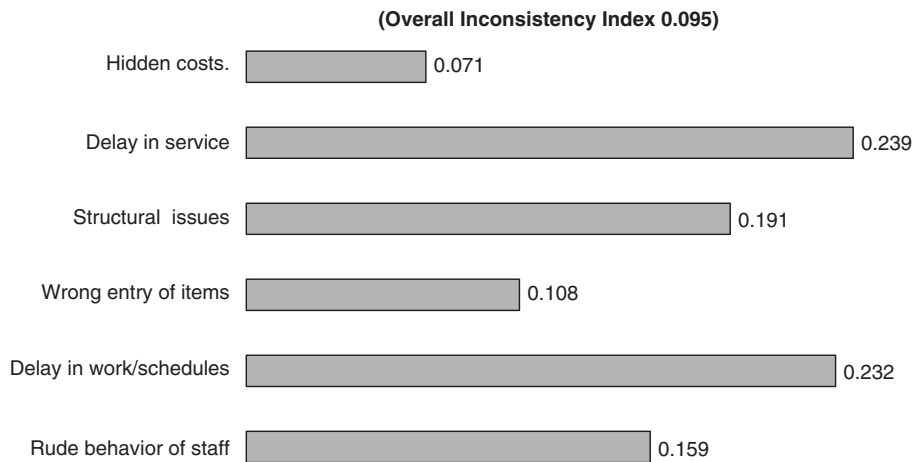
issues related to *delay in service* (relative weight = 23.9 per cent) and *delay in work/schedule* (relative weight = 23.2 per cent) as most important. They are followed by other problem areas related to *structural issues* and *rude behavior of staff*. So, these customers also prioritize problem areas in the banking services.

### The 'switchers' cluster

This segment consists of customers whose basic belief system supports the view that one should complain promptly if not satisfied (mean score 4.09) and switch over to another bank in case the



**Figure 1:** Prioritization of causes of not complaining for service failure (non-complaining cluster).  
(\*\*Inconsistency index: Measure of deviation from consistency in pairwise comparison. Value is below the critical level).



**Figure 2:** Prioritization of problem areas (non-complaining cluster).  
(Inconsistency index: Measure of deviation from consistency in pairwise comparison. Value is below the critical level).

complaint is not redressed satisfactorily (mean score 4.37). Such customers, however, believe in complaining but do not expect very positive results or satisfactory redressal even after complaining (mean score 1.12). They judge the service quality of a bank by its complaint handling efficiency (mean score 3.80). These customers are primarily not harboring a very positive image of their bank in terms of service quality, that is, they do not believe that their banks have efficient complaint handling mechanism (mean score 1.49), nor do they believe in the promptness of the response to complaints (mean score 4.55). Hence they are generally not satisfied with their banks (mean score 1.37) (Table 8).

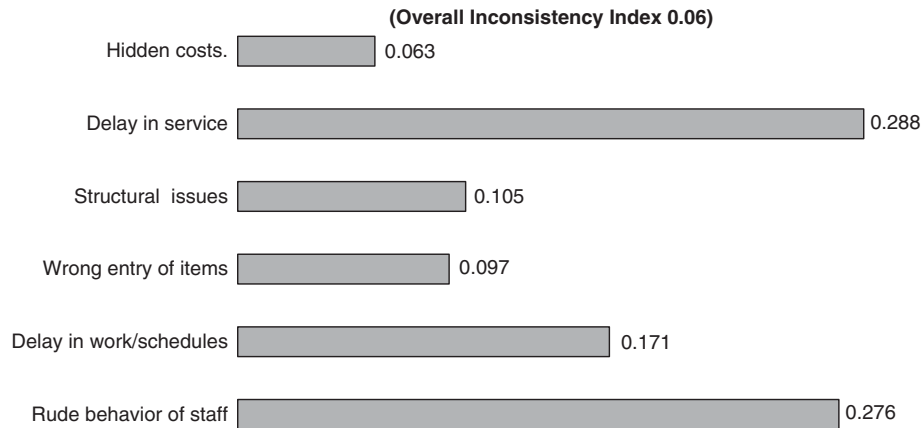
This segment has a minimum number of respondents (6.73 per cent). Considering their

demographic profile (Table 9) they were primarily students, businessmen or private sector employees. They were young, highly educated and multiple account holders in different banks.

To develop a better understanding of service failures and complaints made, the most frequent complaints made by customers of this cluster were analyzed. We considered two broad categories of complaints: human factor-related complaints and systemic factor-related complaints.

The human factor-related complaints were primarily related to rude behavior of bank staff, or delay in work and service provided; and the systemic factor-related complaints were wrong entry of items, structural issues like website or computer not working, or hidden costs.

AHP was again employed for the purpose of hierarchically ranking the various types of



**Figure 3:** Prioritization of complaint issues (switchers cluster).  
(Inconsistency index: Measure of deviation from consistency in pairwise comparison. Value is below the critical level).

complaints made by the 'switcher' (Figure 3). Customers attributed a hierarchy to the various complaints with *delay in service provided by bank staff* and *rude behavior of bank staff* as the most important, followed by *delay in work/schedule*. All the predominant complaints with reference to this cluster were human factor-related complaints.

### The 'prompt complainers' cluster

These customers also primarily believe in complaining promptly in case of service failure or dissatisfaction (mean score 4.70) and claiming for damages in case of poor service delivery (mean score 4.65). Although they do not consider switching to another bank an immediate option, they may consider it in case of bank not responding satisfactorily to their repeated complaints (mean score 4.01). These customers being prompt complainers believe that not always do banks take prompt remedial measures in case of complaints (mean score 1.04). Overall these customers believe that banks must have efficient complaint handling and recovery channel (mean score 4.64) and it is this efficiency that determines the service quality of a bank (mean score 4.35). This cluster consists of 16.18 per cent of customers (Table 8).

Demographics (Table 9) indicate that this cluster comprises of customers belonging to high income group who are well educated, in the middle and younger age group. Primarily they are businessmen and private sector employees.

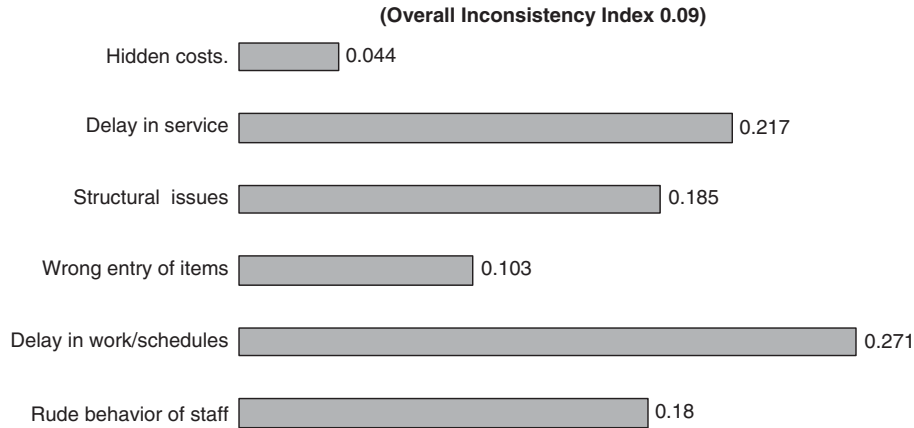
Proportionally single-bank account holders and multiple-bank account holders are equal in this cluster, but tend to be more loyal.

AHP was again employed to prioritize various types of complaints made by 'prompt complainers'. Complaints related to *delay in work/schedule* followed by *delay in service* were the most predominant and important complaints lodged by these customers. In this segment, complaints related to *structural issues* and complaints regarding *rude behavior of staff* were at the third place (Figure 4). Hence, systemic complaints dominate in this case.

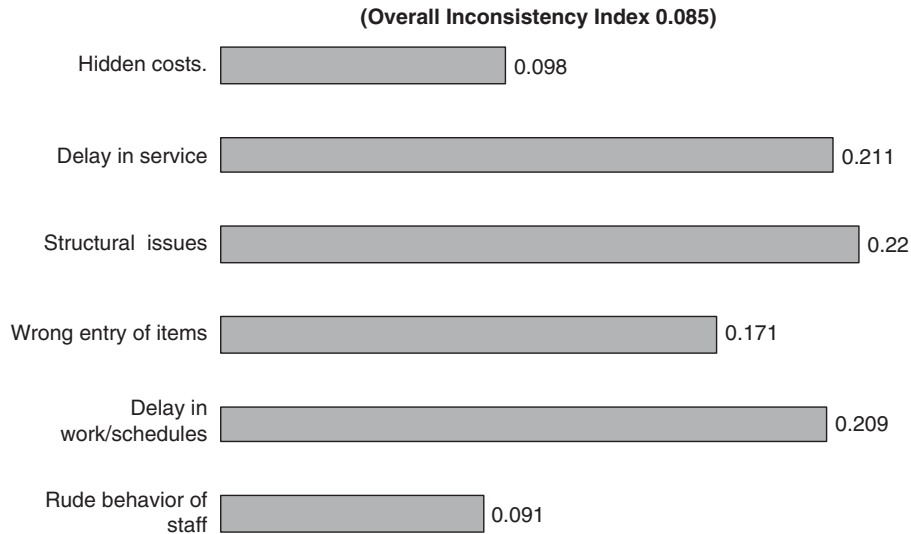
### The 'positive thinkers (optimistic)' cluster

These customers are rather optimistic in their outlook and believe that their bank has an efficient complaint handling mechanism (mean score 4.55) and it is important for banks to have one for greater credibility (mean score 4.43). They are also generally satisfied with their banks' services (mean score 4.51) and complaint redressal (mean score 4.42). Being optimistic, they also have a higher acceptance of mistakes by banks (mean score 4.59) and do not believe in switching (to another bank) promptly (mean score 1.25) (Table 8). 16.4 per cent of the respondents belong to this cluster.

Demographics indicate that this cluster comprises of middle-aged and old customers belonging to lower and middle income group. They are well educated and largely in public



**Figure 4:** Prioritization of complaint issues (prompt complainers cluster).  
(Inconsistency index: Measure of deviation from consistency in pairwise comparison. Value is below the critical level).



**Figure 5:** Prioritization of complaint issues (positive thinkers cluster).  
(Inconsistency index: Measure of deviation from consistency in pairwise comparison. Value is below the critical level).

sector services or housewives. These customers are primarily persistent single account holders (Table 8).

When AHP was applied for analyzing the relative hierarchy of complaint categories vis-à-vis this segment, the results revealed that despite the prioritization of different types of complaints (Figure 5), both human and systemic complaints share the burden. Complaints related to *delay in work/schedule*, and *structural issues* are at the top of the hierarchy, immediately followed by

complaints of *delay in service* but complaints related to *rude behavior of staff* occupy a back seat.

## DISCUSSION AND MANAGERIAL IMPLICATIONS

This article attempts to profile and segment bank customers on the basis of their complaining attitudes and perception towards complaint handling mechanism of banks. The results from cluster analysis suggest that bank customers can be divided into four segments on the basis of



their complaining attitude. These segments are *non-complainers*, *switchers*, *prompt complainers* and *positive thinkers* (*optimistic*).

The first segment is of non-complainers. Majority of customers belong to this segment, which substantiates global findings that customers generally do not complain. They do not complain because of their ignorance about the complaint channels and/or their lackadaisical attitude. Results reveal that customers of this segment are primarily dissatisfied with technical glitches like delay in service or work and structural issues. One probable explanation is that these types of service failures are accepted as minor failures if they are rare in occurrence. Although such issues may not result into immediate defection to a competitor as such, they may accumulate over time to have a cancerous effect on the customer–bank relationship.<sup>38</sup> These problems are not forgotten and become significant when they recur, increasing the likelihood of defection.<sup>39,40</sup> Analysis reveals that the primary reasons for the customer inertia vis-à-vis complaints related to service failure is the feeling that nothing will come out of it, so why waste time and efforts, followed by instances of poor service recovery.

This cluster presents the biggest challenge before the banks. Here, banks need to first profile this segment, and then plan customized complaint handling mechanisms. Customers who do not complain are more likely to switch quietly and the bank would also loose out on their referrals. Hence, it would be cost-beneficial to develop and maintain a proactive complaint handling mechanism for this segment rather than loosing out on a *customer's lifetime value* including referrals.<sup>6,7</sup> So, banks need system to track and identify failures, viewing them as opportunities to save and retain customer relationship. Increased customer retention owing to proper complaint handling suggests that this system should be regarded more like a profit center rather than a cost center. Efforts to tackle this challenge should be multidimensional – encouraging customers to complain through continuous communication, providing multiple complaint channels (adding special toll-free phone lines, linking to bank

websites, displaying complaint box in bank branches, providing video terminals and so on) with adequate advertisement to increase visibility, and finally effective and customized mechanisms for complaint redressal.

The second segment comprises of customers, who are not only prompt complainers but also have a tendency to defect to another bank, in case of service failure and lack of proper response to their complaints (switchers). These types of customers have a low tolerance zone. According to Folkes (cited in Blodgett<sup>41</sup>), some customers believe that similar problems are likely to recur, with the consequence of negative word-of-mouth or switching.<sup>42</sup> Although the number of such customers is not very large, they can cause great harm to the service provider because of negative word-of-mouth. Results from AHP indicate that human factor-related complaints predominate. Banks need to adopt customized service recovery and customer retention strategies for this segment. Efforts should be deployed for understanding the psyche behind the switching behavior (through continuous communication with the customers) and discouraging defection.

The third segment is that of 'prompt complainers'. This segment is easily identifiable because of their vocal reactions to service failures. The complaint handling mechanism for this segment should focus on employee training and empowerment to deliver the promises made to customers.<sup>43,44</sup> In case of this cluster, caution needs to be exercised at every service encounter with the philosophy of getting it right the first time itself. Efforts related to complaint handling should be such that customers should be satisfied with not only the fairness of outcome but also with the procedure of service recovery. It is important that customers believe in the seriousness and honesty of the complaint handling and service recovery efforts of the firm.

The last segment comprises of positive thinkers or optimistic customers. They have substantial confidence in the complaint handling mechanism of their bank. They tend to be loyal. They play the role of loyal apostles for the bank spreading positive word of mouth and recommendations.

Such customers should be recognized by a well-designed incentive system.

Economics of customer satisfaction and retention justify allocation of resources to customer complaint management<sup>40</sup> for this segment. Incentives schemes will further cement the relationship with their customers ensuring long-time loyalty, positive word-of-mouth and increased customer's lifetime value.<sup>6,7</sup> Research indicates that there is a correlation between service quality, customer satisfaction, increased sales, profits and customer loyalty.<sup>45,46</sup> The so-called 'service recovery paradox',<sup>47-50</sup> purports that customers who are dissatisfied with services can be converted into greatly loyal and satisfied customer through effective service recovery, than if the problem had never occurred.<sup>51-54</sup> Likewise, poor service recovery intensifies dissatisfaction more so than the original complaint.

The study showed that all those customers who complain ('complainers', 'switchers' and 'positive thinkers'), directly equate service quality of a bank with the efficacy of its complaint handling mechanism. These customers also attached greater credibility to banks having an efficient complaint handling mechanism and tend to recommend such a bank to others. The 'non-complainers' cluster comprises primarily of those customers whose basic beliefs and values do not subscribe to complaining promptly. Hence they do not tend to judge the service quality of a bank by its complaint handling efficiency. However, a bank can adopt some proactive measures (regular feedbacks, e-mails and so on) gaining an insight into the psyche of such customers. This might encourage the non-complaining customers to express their views about the services of the bank more freely.

After an exhaustive qualitative and empirical analysis, one fact that is obvious is the significance attached to the complaint handling mechanism of a bank by its customers. Thus, all the recommendations suggested henceforth are primarily aimed at improving the efficacy of the complaint handling mechanism of a bank, and consequentially its overall service quality. Complaint Management Systems, and bank

policies related to satisfactory handling of complaints, vary from case to case. However, the commitment and continuing involvement of bank management is critical for successful complaint resolution and optimum use of complaints as a management tool. Managers need to discover innovative ways to improve both the complaint-management system and the fairness of remedies offered to customers.

## Management's role

Management attitudes are reflected in the conduct of the employees and the performance of the bank. Top level commitment to effective complaint management establishes the motives and incentives for all personnel to strive for consumer satisfaction. Management's responsibility begins with the preparation of written policies and procedures for speedy and fair complaint resolution. After being put in writing, they should be communicated to all appropriate departments, emphasizing the accountability of individual employees to resolve complaints fairly and courteously. If clear lines of authority are established, consumer problems can be solved quickly and effectively. Management should regularly review and, when necessary, find ways to improve complaint management procedures – improving co-ordination between various departments.

## Complaint handling staff

Complaint managers need to be patient, articulate and able to strike a balance between the interests of the bank with those of the customer. All members of the front-line staff should be familiar with the policies of the bank. Training can strengthen complaint handling skills, and heighten the staff's awareness of the special needs of customers from different cultural, economic or educational background.

The following practical approaches can be used for an effective complaint handling mechanism:

- *Customer satisfaction indices:* Surveying customers about their level of satisfaction and plotting the results can help managers understand just how satisfied or dissatisfied customers really are. These

indices being quantitative can be compared from different time periods, locations and business units.

- **Segmentation:** Segmenting the customers, identifying their complaining attitude and behavior. Designing customized complaint handling mechanism according to specific requirement of the particular sector. Observing the results of the customized solutions and accordingly modifying them to suit specific needs.
- **Feedback:** To ensure early detection and quick resolution of mistakes, it is important to review the bank's approach to soliciting and acting on customers' comments, complaints and questions.
- **Market research:** It is most critical to understand why customers switch. Most customers are rather hesitant in sharing the real issues behind switching decisions. Hence, earnest questioning of departing customers is required to serve a two-pronged objective: to comprehend and eliminate service lapses resulting in switching; and make a last ditch attempt to retain the customer. In order to get a balanced view, a periodic feedback system for the retained customers also needs to be devised. Both categories of responses can be used for improving upon the lacunas in the services and reinforcing the positive features.
- **Front-line personnel:** The members of the front-line staff, who have direct contact with customers, should be well trained to listen effectively and make earnest attempts at amends when a customer has a bad experience. These personnel must also have access to processes, to be able to record and circulate this information to all relevant people in the bank.
- **Strategic activities:** Some banks practice very high level of relationship management with their customers (especially the high net worth customers), giving them the status of strategically important partners, rather than mere customers

Thus, banks should try to perform all service operations accurately and efficiently and live up to their promises. The objective being that customers should feel safe, delighted and satisfied

in dealing with the bank. If the company is careless in performing the service, makes frequent mistakes and is casual about keeping its service promises, then customers lose confidence in the firm and little can be done to regain it.<sup>3</sup> Satisfactory complaint resolution is a prerequisite for customer retention.<sup>55</sup> Customer complaint satisfaction refers not only to the problem solution offered but also to additional attributes of the complaint handling process; like demonstration of true commitment, sincere efforts for service recovery and so on. This will be helpful in customer retention. In context of the Indian retail banking sector provision of competent service, individualized attention, employees' knowledge and courtesy, effective complaint handling mechanism including continuous communication and the ability of the firm and its employees to inspire trust and confidence are the most important elements of customer satisfaction and retention.<sup>56</sup>

## CONCLUSIONS

This study opines that bank customers do not represent a homogeneous population vis-à-vis their attitude and behavior towards complaints related to banking operations. Formation of clusters/segments reveals that along with between-heterogeneity there is fair amount of within-homogeneity among these groups. These segments should be analyzed by banks in order to know about customers' behavior, attitudes and types of complaints related to various aspects of banking services and operations and design appropriate service recovery strategies. The four identified customer segments (on the basis of complaining attitude and behavior) reveal distinct consumer attitudes and perceptions. This calls for customized service recovery measures, in order to ensure customer satisfaction. In the current competitive scenario these findings can act as a strategic tool to achieve competitive advantage and customer satisfaction.

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