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The Impact of Complaint Management on Customers Retention

Banking Industry in Sweden and Lebanon

Faculty of Education and Economic Studies
Department of Business and Economic Studies

Hummam Wasfi and Olena Kostenko
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Supervisor: Ehsanul Huda Chowdhury
Examinator: Maria Fregidou-Malama

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ABSTRACT

Title: The Impact of Complaint Management on Customer Retention
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Authors: Hummam Wasfi, Olena Kostenko
Supervisor: Ehsanul Huda Chowdhury
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Aim: The purpose of this study is to examine or inspect the aftermath of effective complaint management structure in relevance to customer’s retention in banking industry.

Design/methodology/approach: The framework is structured on the bases of determining the strength of the relationships between the following variables complaint management, customer’s satisfaction and loyalty. Whereas, quantitative data were gathered via questionnaire, and further analyzed using SPSS, particularly, employing the relationship measurement tools Correlation and Linear regression analysis to calculate the extent to which each variable affects the other.

Findings: The aftermath of analysis led to fundamentally privileged outcome, whereas, subsequent to computing the extent to which complaint management influences customer retention, we were able to extract three formulas to determine the linear relationships between the variables that stimulate this calculation process.

Suggestions for future research: To enhance the representation of sample, future studies should target more cities with variant circumstances, and apply this type of analysis to other industries

Originality: This study contributes idiosyncratic evidence to companies on the systematic influence of complaint management on customer’s retention, furthermore, repercussions of these findings has led to analysis distinguishing the distinctive response of customers to complaint management in Sweden and Lebanon.

Keywords: Complaint Management, Satisfaction, Loyalty, Retention, Banks, Sweden, Lebanon.
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To Dr. Bassem Mamaari & Dr. Maria Fregidou-Malama,
for their guidance and provision,
& To our beloved parents
1. Introduction

This chapter embodies the scheme of this study, whereas the research motif is presented, in addition to an outline of the research plan and the research objective.

The contemporary advancement of commerce and emerging of markets has led to radical economical fluctuations and inflamed fierce competition (Narteh, 2013a). As a result, the consumer today has a multitude of alternatives to exceed his expectations when making a purchasing decision, whereas, rivalry has reached its climax (Leal & Pereira, 2003). Consequently, given the assumption that loyal customers are a vital ingredient of a sustainable business operation, therefore, retaining these customers is no doubt an interactive catalyst that will systematically influence the long-term success of any enterprise in today’s service-driven economy. In this regard, customer retention strategy signifies the vaccine that must be utilized by enterprises to diminish the risk of substitutes (Komunda & Osarenkhoe, 2012).

Given these dynamics, and in order to attain and sustain the state of customer satisfaction, this research underlines the nexus between complaint management strategy in relation to customer satisfaction and loyalty. Meanwhile, the objective in this study is to provide empirical evidence that effective complaint management strategy has a positive impact on customer’s satisfaction and loyalty, research shows that the correlation between complaint management and customer loyalty are important for two reasons. Primarily, customers who voice their complaints embody the most loyal of customers and consequently it should be the firm’s top priority to enhance their service in order to retain these loyal customers (Eccles & Durand, 1998). Also, satisfied customers will enhance the company’s market share by spreading positive word-of-mouth and performing as a costless marketing power, whereas, their counterpart will have the opposite impact (Raman, 1999; Hocutt, Bowers & Donavan, 2006). This argument is further reinforced by studies that show that dissatisfied customers tell about ten to twenty people about their bad experience (Edvardsson, Tronvoll & Höykinpuro, 2011), conversely, satisfied customers will trust the firm to a large extent and are more likely to repeat their purchase and talk positively about their successful purchase to their acquaintances (Fecikova, 2004).
In the medley of these beliefs, this study highlights the dynamic role of effective communication between suppliers and their customers, particularly, in complaint management structure. Inevitably, a well-founded communication structure constitutes an elementary component of the complaint-handling process; as a result, effective communication is a significant variable in our paradigm (Andreassen, 2000). Following Boshoff (1997) the mass of customers who experience service failure do not report that dysfunction to the supplier. Consequently, as a result of unreliable communication tools, lots of firms lose clients without extending cognition of what went wrong. That being said, therefore, firms have to stimulate and facilitate communication channels with their clients so as to receive feedback and suggestions on their service.

Subsequently, to further strengthen our argument, this research will underline another advantage of effective complaint handling resembling in satisfied customers acting as advocates of the firm through spreading positive word of mouth. In this conception, Hocutt et al. (2006) acknowledged the process of effective complaint-handling as an art, whereas, the existence of the three essential elements in the process that are high redress, responsiveness and courtesy, will lead costumers to end up more satisfied with the service than when no service failure occurs (Hocutt, Bowers & Donavan, 2006). These findings were further explained by Duffy et al. (2006) were they demonstrated that customer’s satisfaction is not positively affected by an apology that does not include a serious recovery action, customers must be given the chance to elucidate their complaints and these problems must be the firm’s top priority (Duffy, Miller & Bexley, 2006). That being said, the major elements of effective complaint handling are an apology, remedy, explanation, attentiveness and promptness (Boshoff, 1999; Smith & Wagner, 1999, Yavas et al., 2003).

Within this framework, due to the increase of competition and demand on the financial institutions we have chosen the banking industry as the scope of our research, whereas, empirical data will be collected by examination of the relationships between banks and their clients. To further explain, consistent with Leal and Pereira (2003) the banking industry occupies a unique position in complaint management, simultaneously, it has also been identified as a financially competent field that has had an apparent progression in their services based on valuable consumer behavior research (Leal & Pereira, 2003). Furthermore, primary data will be collected from University of Gavle in Sweden and the Lebanese American University in Lebanon. In this
regard, interestingly, approximately 88% of the market share of the total deposits and loans within Sweden are held by the four largest banks namely, Swedbank, Handelsbanken, Nordea and SEB (Swedish Bankers' Association 2013). Implicitly, the Swedish banking industry is essentially subjugated by the aforementioned four banks, whereas, in Lebanon approximately 87% of loans and deposits are held by 24 banks (Chahine & Safieddine, 2008; Association of Banks in Lebanon, 2012). Given this, the significant variation in statistics regarding the number of banks in each country has attracted our adherence to underline customer’s response to complaint management in both Sweden and Lebanon. Indeed, the two countries are poles apart in their economic circumstances (Chahine & Safieddine, 2008), therefore, the assimilation of the two research arenas will accumulate a dyadic integration to avoid bias in our findings and ensure a more representative sample.

In this formulation, this study has adopted quantitative methodology, whereas, data were collected using a questionnaire that was distributed to students and faculty in University of Gavle and Lebanese American University. Further, results of quantitative research was analyzed via SPSS (software package used for statistical analysis), in particular, utilizing the relationship measurement tools, correlation and linear regression analysis in order to postulate an answer to the following research question

“To what extent does effective complaint management influence customer’s satisfaction and loyalty? ‘’

Subsequently, this study underlines the difference in customer’s response to complaint management between the two countries, Sweden and Lebanon.
2. Theoretical framework

This chapter postulates a multitude of previous studies in the fields of complaint management and customer relations, whereas, subsequent to screening a variety of deliberate philosophies and establishing a valid literature foundation in this area, three hypotheses regarding the relationships between (complaint management, customer satisfaction and loyalty) will be advanced to be examined in the following chapters.

2.1. Service recovery and Complaint handling

2.1.1. Service recovery: its evolution and importance

In recent years, service recovery has received a lot of attention by researchers and marketers due to the importance of service quality in the competitive environment of the contemporary service era. In 1970s and early 1980 “service recovery” was meant to deal mostly with damages within telecommunication, renovating of computers or recuperating from natural destructive forces (Brown, Cowles & Tuten, 1996, p.34). Since then, more and more marketers together with scholars have stressed an importance of being not only reactive toward service problems (Andreasen & Best, 1977) but also potential long-lasting benefit from recovery which can manifest itself thorough enhancing customer loyalty and spreading positive word of mouth (Berry, Zeithaml & Parasuraman, 1988). After publication an article “The profitable art of service recovery” written by Hart et al. (1990) attention toward unsatisfactory service encounters and complaint handling efforts was changed into proactive one while recognition of the strategic role of service recovery in competitive environment, that requires creative thinking and well-deliberated strategy in attempt to retain customer’s goodwill (Brown, Cowles & Tuten, 1996; Lovelock & Wirtz, 2011).

Moreover, service recovery has been receiving more and more attention in response to the increasing customer expectations caused by the intensive competition in the marketplace. In an attempt to attract more customers, marketers tend to give outstanding promises to differentiate the service among rivals that consequently leads to escalating customer’s expectations (Brown, Cowles & Tuten, 1996). In this regard, Grönroos (1990) points out that it is much easier for marketers to give promises but it is much more difficult to manage employees to meet customer’s hopes; consequently over-promising contributes to creating a “gap” – the difference between customer expectations, based on exaggerated promises, and actual customer perception.
of offered service (Zeithaml, Berry & Parasuraman, 1993; Hamer, 2006). Given these dynamics, the necessity to assimilate high customer expectations and competition of service provider, results into an increasing need of employing effective service recovery strategies (Brown, Cowles & Tuten, 1996).

2.1.2. Complaint handling versus Service recovery
Service recovery can be defined as an action undertaken by service provider in response to service failure (Grönroos, 1990) in attempt to deliver service right at the second try (Berry, Parasuraman, 1991; Zemke & Bell, 1990). Following Lovelock and Wirtz:

‘Service recovery is an umbrella term for systematic efforts by a firm to correct a problem following a service failure and to retain a customer’s goodwill” (2011, p.354).

Having said that, service recovery is a broad concept that is regarded as a proactive customer retention tool, service recovery is supposed to address the failure encounters before complaints are lodged (Bendall-Lyon & Powers, 2001). On the other hand, complaint handling is a major part of service recovery and is majorly characterized by the following actions: a) encouraging complaints to enhance service quality; b) creating a special complaint department ; c) ensuring a quick and fast response on lodged complaints; d) installing a complaint database e) affirming that all unsatisfactory service encounters are identified; f) using compliant database for tracking trends for further improvements (Bendall-Lyon & Powers, 2001). In this regard, as current study aims to investigate effect of effective complaint handling on customer satisfaction and customer loyalty, further focus will be done on this particular component of servicer recovery concept.

Essentially, intangible nature of services makes it difficult to understand and meet customers’ expectations meanwhile increasing the likelihood of errors which can take place both from operational and consumer’s perspectives (Parasuraman, Zeithaml & Berry, 1991). Giving this dynamic, conducting business in service industry implies elaboration of systematic approach for effective complaint handling and Zemke and Bell define it as:

“a thought-out, planned, process for returning aggrieved customers to a state of satisfaction with the organization after a service or product has failed to live up to expectations” (1990, p.43).

In this notion, consistent with Thwaites and Williams (2006) it is five times more expensive to attract new customers rather than retaining existing ones. Additionally, disappointment with the
offered service may lead to spreading negative word of mouth, this idea is further reinforced by the findings of Sousa and Voss (2009) and Morrisson and Huppertz (2010) who claimed that, dissatisfied customers may tell from ten to twenty people about their bad experience, whereas if the problem is resolved successfully, it usually is shared amongst up to five people on average. Moreover, Tax and Brown (1998) argues that only about 5% to 10% of customers who are dissatisfied with offered service lodge their complaints to service provider. In this regard, Stephens and Gwinner (1998) provide numbers of reasons which explain customer’s unwillingness to complain. It is suggested that among those are follows: 1) customers regards complaining as an action which does not worth efforts; 2) customers does not believe that refund/ compensation will be maid; 3) customers consider complaining as unpleasant situation and usually do not know how to lodge compliant and to whom; 4) customers may avoid conflict if it involves people who they know and have to cooperate with again (Stephens & Gwinner, 1998).

Additionally, Goodwin and Verhage (1990) have pointed out in their study, that the complaint behavior is dependent on the customer perception role and social norms of society; more specifically, customers are discouraged to voice their complaints and criticize the service provider’s work if they consider that they have low power of influence and are unable to control, impact or question the service provider’s expertise due to social norms or lack of professional knowledge in certain service field (for instance, medicine, jurisprudence etc.). In this sense, studies related to customer complaint behavior distinguishes between four main reasons that urges customers to lodge the problem, among those are follows: a) to get refund compensating economic loss; b) to escape anger and recover self-esteem; c) to help improving service quality (in case of high customer involvement into service delivery like university or main bank); d) or just because of altruistic motivation aspiring to prevent other people experiencing the same problem (Lovelock & Wirtz, 2011). That said, effective complaint handling implies developing and employing thoughtful procedures that implies encouraging customers to lodge complaints and returning disgruntled customers into delighted one.

Indeed, risk of unsatisfactory service encounter is higher and role of effective complaint handling is more important in highly competitive environment with abundance of choices of alternative
substitutes (Lovelock & Wirtz, 2011). In this regard, a research conducted by Narteh (2013b) sheds a light upon key factors that determine retail bank switching. Findings of this study indicate that failure to deliver core service appropriately as well as defection in complaint handling is the main determinants of customers’ decision to switch banks, besides, the author points out that factors which explain switching customer behavior in developing countries are not essentially different from the reasons which account for retail banking switching in developed countries.

Following Lovelock & Wirtz (2011) complaint handling efforts should be regarded as investments which help to retain customers and protect long-term stream of profit. Policies of complaint handing management may imply apologizing, excusing or material compensation (Dube & Maute, 1994) as well as redoing core service right at the second try correcting what went wrong (Zemke & Bell, 1990). In this regard, Miller et al. (2000) divide complaint handling strategies into two types: psychological and tangible strategy. The psychological approach is focused on actions like explaining the problem to the customer and apologizing whereas, in this case, emphasis is applied on communication; meanwhile, the tangible approach is concentrated on refunding and material compensation.

Similarly, Parasuraman et al. (1988) suggested that the problem resolution process consists of two dimensions: a technical and a functional dimension. The technical dimension is considered as an outcome of complaint handling, more specifically what customer receives eventually after the service provider’s efforts to fix the problem, whereas, the functional dimension relates to process of its execution. Furthermore, Berry and Parasuraman (1991) emphasize the prominence of functional dimension in complaint handling process and point out that the outcome is more essential while delivering original service; yet it can depend on type of service at the point.

Generally, studies on service encounters have occupied focus of business scholars to a broader extent in US rather than in other countries including developing ones; additionally, in essence with Raven and Welsh (2004) Middle Eastern countries are considered as under-research areas at large. Simultaneously, apart from the work conducted by Bitner et al. (1990), Brown et al. (1996), Andreassen (2000), Sousa and Voss (2009), Morrisson and Huppertz (2010), Komunda and Osarenkhoe (2012) less attention has been paid to impact the effective complaint on
customer behavior especially in banking industry. Moreover, findings of previous studies in the service recovery field are arguable. For instance, some studies argue that effective complaint handling is able to enhance customer satisfaction higher than if no failure has occurred in the first place, so called “service recovery paradox” (Smith & Bolton, 1998; Hansen & Danaher, 1999). However, other scholars such as Sousa and Voss (2009) point out that effect of service recovery paradox do exist but not substantial, whereas McCollough et al. (2000) completely reject significant impact of effective complaint handling on customer satisfaction and loyalty. Moreover, consistent with Winsted (1999) people with different cultural background have different expectations from service provider towards service encounters. Having said that, this research is aiming to contribute to a growing body of knowledge about service encounters and customer satisfaction by examining relationships between effective complaint handling and customer patronage behavior in commercial banking industry of Lebanon and Sweden.

2.2. Customer loyalty

In earlier studies, loyalty has been described as a repetitive purchasing behavior for the same product or brand over time (Jacoby & Kyner, 1973). In this regard, loyal customers continue their acquisitions from the same service provider and they are very likely to patronize new services/products; moreover, loyal customers tend to spread favorable word of mouth by recommending the services or products to others (Fisher, 2001; Oh, 2006). In the following study, (Dick & Basu, 1994) argue, that depending on customer patronage behavior and relative attitudes toward a service provider, customers exhibit different levels of commitment/loyalty. In essence with Oliver (1999), attitudinal and behavioral approaches can be applied to measure customer loyalty, where the attitudinal approach is identified as favorable attitude towards a particular supplier which is a result of a satisfactory and positive experience with services/products; in this case customers trust the supplier, and consequently recommend the product to others (Gustafsson, Johnson & Roos, 2005). The second approach analyzes customer purchasing behavior and investigates the frequency of procurement of the same service/product in loyalty assessment (Jones & Farquhar, 2003).

Following Dick and Basu’s (1994) framework, Rowley (2005) investigated the nature of loyalty and proposed speculative model and categorized loyalty into 4Cs: captive, convenient, contented and committed. Captive loyalty is characterized by repetitive patronage behavior of customer
toward certain brand or service due to absence of other alternatives, such customers do not have a wide range of choices, to switch or they just consider switching costs too high and inconvenient. In this case, customer attitude towards a brand/service is neutral. Furthermore, intermittent purchasing decision is another reason of being bound up with a service/product provider as it can be in financial service industry. In this notion, customers often are subscribed to a variety of financial services from different service providers; however mortgage credit is likely to take place with only one of them. Undoubtedly, a mortgage account is described by relatively high switching costs; hence, customers in this case exhibit captive loyalty having had a difficulty to terminate the relationship. However, service provider should not consider its customer as unlikely to switch, because in conditions of high competition the customer can be poached by rivals, who can handle circumstances with high switching costs (for instance, compensating mortgage redemption payments or removing some formalities making switching process earthier). In case of having big share of captive customers, firm is suggested to develop strategies oriented on strengthening relations with its customers alongside both behavioral and attitudinal dimensions, because such type of clients can be lost due to fluctuations in market structure or personal circumstances (Rowley, 2005).

Consistent with Rowley (2005) convenient loyalty is characterized by a recurrent visiting behavior with low engagement into buying process and is associated with routine without any particular affection toward brand/provider. Generally, following factors as location, opening hours, membership discounts etc. are the only determinants of loyalty; consequently, such customers are vulnerable to fluctuations in structure of the market or in personal life and ultimately can be lost by the availability of a more convenient alternative, despite their satisfaction with the current product or service (Rowley, 2005).

Contented loyalists exhibit positive attitude toward brand/service provider but indolent in their purchasing behavior. In this case, customer’s purchasing decision in favor of certain service/product is based only on meritocracy. More precisely, they repeat their acquisition for specific items, simultaneously, do not expand their expenditures over other services/products of the same brand, because each purchase decision is done separately based on its merits; in this regard, additional services/products can be considered as irrelevant to customer’s requirements.
For instance, clients can be tied to the same mortgage service for a decade but might be uninterested in additional services offered by the provider, in this case, brand does not play significant role in their purchase behavior, and nevertheless, they share positive experience of consumed service/product of certain brand with their acquaintances creating another opportunity for potential customers. In this type of structure, such customers can be lost if they are offered better alternative value or due to product/service failure. Effective complaint handling strategies can play key role of retaining this group of loyal customers and often can be considered as an opportunity to demonstrate company’s commitments to its customers and to strengthen the relationships between the two sides cultivating a more proactive purchasing behavior from the consumers (Rowley, 2005).

To this end, the most promising type of customers is committed loyals. Consistent with Rowley (2005) this group demonstrate positive proactive dynamics along both dimensions, attitudinal and behavioral ones, being besotted with the brand that result into favorable word of mouth exchanges with acquaintances. Furthermore, these customers barely consider other brands, and regard alternative purchases as unnecessary or trivial and associate it with risks making them resistant to substitutes. Therefore, suppliers must distinguish the prominence of these customers and consider respective investments in their retention, particularly, in case of service failure or competitors’ attacks. On the other hand, the customer is also aware about the value of the relationship and may have higher expectations from complaint handling efforts in case of service failure; otherwise reaction likely will be quite negative because these customers await reciprocal loyalty (Rowley, 2005).

Based on pervious discussion, it is suggested that every individual is involved in all types of loyalty in relation to different suppliers, brands or products and triggers to switching are also different depending on category of loyalty the customer belongs to (Rowley, 2005). Indeed, customer retention is an essential element in marketing strategy, hence it is important to observe and understand factors that determine and enhance retention ratio and customer loyalty (Narteh, 2013a).
2.3. Effective complaint handling and loyalty (H1)

In essence with Tax and Brown (2000) enhanced complaint handling system contributes to greater customer loyalty. In this sense, based on justice theory, it is revealed that customer satisfaction with service provider’s complaint handling efforts is conditioned by three dimensions of fairness as follows: outcome justice, interactional justice and procedural justice. In particular, during complaint handling process customers assess the ultimate result which is received, interpersonal relations with employees throughout complaint incidence and the process employed to fix the problem (Tax, Brown & Chandrashekaran, 1998), moreover, Tax’s et al. (1998) study has found out that previous positive experience with service provider diminishes impact of poor service recovery; additionally, it is demonstrated that dissatisfaction with complaint handling decrease level of commitment, whereas satisfaction with recovery procedure has an immediate positive impact on customer loyalty and trust and this is in parallel with the findings of (Andreassen, 1999).

Furthermore, in their study Stauss and Schoeler (2004), provided strong empirical evidence to support the positive relationship between effective complaint handling and customer retention. The authors shed the light over strategic importance of complaint management in terms of customer relationship management and provide managers with practical instrument to measure returns on complaint handling efforts. Following these authors, only a miner number of companies calculate complaint management profitability in terms of repurchase benefit; moreover, it is widely considered that customer and complaint management departments are cost producing units that contribute to a greater pressure over complaint managers proving substantiality of their activities (Stauss & Schoeler, 2004). In an attempt to solve the dilemma, the scholars have visualized that returns on complaint management stimulates about 312.8 per cent. After reducing repurchases benefit by complaint management costs, it is calculated that profit of complaint management set against infusions into complaint management constitutes 312.8%; this number shows considerable effect of effective complaint handling on customer retention and loyalty, this argument is further reinforced by the findings of (Oh, 2006). Consequently, the first hypothesis is proposed as the following:

H1. Effective complaint handling has a positive effect on loyalty.
2.4. Effective complaint handling and customer satisfaction (H2)

Customer satisfaction is an assessment of supplied services or products meeting or exceeding customer’s expectations (Crosby, Evans & Cowles, 1990). In this regard, comparison of prior expectations towards services/products with actual consumption perception constitutes consumer evaluation which can result into dissatisfaction, satisfaction or delight depending on whether customer’s expectations are disconfirmed, met or exceeded (Oliver, 1980). In this regard, Oliver’s (1980) disconfirmation model has become a foundation of widely-known RECOVSAT which is a tool developed by (Boshoff, 1999) to assess customer’s satisfaction with complaint handling efforts in contrast to prior customer expectations. RECOVSAT instrument evaluates the level of satisfaction along six dimensions of complaint handling, namely communication, feedback, empowerment, atonement, explanation and tangibles. In particular, according to this tool in order to ensure that complaints are handled successfully, the service provider through effective communication is supposed to provide dissatisfied customers with feedback as for progress made to solve the problem through empowered frontline employees who are able to fix the problem on the spot, providing apologizes and ensure that customer is not “out of pocket” and staff is dressed in proper way working in a tidy and professional environment (Boshoff, 2005).

In this regard, in essence with Hocutt et al. (2006) while investigating the impact of effective complaint handling on customer assessment of supplied service have found that responsiveness and employee courtesy are key aspects of complaint management strategy. The authors emphasize that responsiveness and staff courtesy dramatically affect customer’s evaluation of provider’s complaint handling efforts enhancing customer satisfaction, and decreasing negative word of mouth intentions. Additionally, findings of Boshoff (2005) draw attention that communication has the most significant impact on loyalty in case of complaint management. This discussion if further supported by Ruyter and Wetzels (2000), who suggest that effective communication and explanation have a positive effect on customer’s evaluation of complaint handling efforts. Similarly, Lewis and Spyrokopoulos (2001) based on their study argued that a list of factors which are important to consider in attempt to provide positive recovery experience satisfying customer complaints, among those the following: speedy and honest response,
listening, attention, care, flexibility, courtesy, communication, fixing the problem and financial compensation.

Furthermore, Boshoff (2005) postulates that fulfillment of the fundamental elements of complaint handling process will lead to cumulative satisfaction with recovery efforts that consequently will result into customer retention and loyalty in the long run. This follows the findings of Bitner et al. (1990), they are the first scholars who while investigating favorable and unfavorable incidents within service field have proved using quantitative research method that appropriately managed service failure can turn distressed customer into a satisfied one. Similarly, Brown et al. (1996) while examining service recovery as a relationship tool in retail store settings, they have proved that effective complaint handling should be considered as a mean to enhance customer satisfaction despite the incident of service defection. However, findings of this research suggest that effective problem resolution per se cannot be regarded as a sufficient strategy to enhance customer satisfaction and focus should be done on achieving consistency of service quality because latter one has a greater bearing in long term perspective where complaint handling is just a mean to achieve service reliability. Based on aforementioned discussion the second hypothesis is suggested as:

H2. Effective handling of customer complaints affects positively customer satisfaction.

2.5. Customer satisfaction and its relation to loyalty (H3)

In their study, Chumpitaz and Papariodamis (2004) provide a robust evidence concerning the direct relationship between satisfaction and loyalty pointing out that satisfaction plays mediating role in formation of loyalty elements in a business-to-business context. Their results reinforce findings of earlier studies that suggested that customer satisfaction is a predictor of repetitive behavioral intention (Cronin & Taylor, 1992; Anderson, Fornell & Lehman, 1994; Zeithaml, Berry & Parasuraman, 1996). Likewise, Anderson and Sullivan (1993) have discovered that steady repurchase customer behavior is significantly interrelated with stated customer satisfaction throughout different types of product. On the other hand, results of Bowen and Chen (2001) research reveal a non-linear relationship between customer satisfaction and loyalty in service industry, pointing out that minor changes in customer satisfaction lead to significant fluctuations in customer loyalty. The authors argue that only extremely satisfied customers
demonstrate active positive attitudinal and behavioral intention towards the service provider through patronage behavior and talk about their positive experience with acquaintances. Subsequently, this outcome is in consistent with earlier studies by Oliva et al. (1992) who indicate two key levels that affect relation between loyalty and satisfaction. In particular, when satisfaction achieves certain point, loyalty increases dramatically; whereas if satisfaction has minor declination, loyalty falls down significantly (Oliva, Oliver & MacMillan, 1992). Consequently, the preceding fact means that having satisfied customers is not enough; managers should aim to make their customers extremely satisfied in order to boost customer loyalty with patronage behavior and positive word of mouth (Bowen & Chen, 2001).

Essentially, according to Reichheld and Sasser (1990) bottom line of service firm can be enhanced by 100% only at the cost of escalating customer retention ratio by 5 %. Admittedly, the percentage of retention shows to what extent current customers are satisfied with offered service/product (Narteh, 2013a). Further, findings of Kelley and Davis (1994) underline satisfaction as an essential element of customer and employee dedication. In regard of banking sector, a study conducted by Narteh (2013a) shows that satisfaction with bank service, perceived quality, bank’s image and availability of electronic bank services are the key factors that determine student’s loyalty in retail banks of Ghana. Simultaneously, other studies in this field suggest that the main determinants of customer satisfaction are quality of core service, pricing, process of service delivery, environment where service is consumed and relationship developed with client over time (Lymperopoulos, Chaniotakis & Soureli, 2006; Walker, Smither & Waldman, 2008; Al-Eisa & Alhemoud, 2009 ).

Within banking industry customers can exhibit genuine commitment toward service provider (Srinivasan, Anderson & Ponnavolu, 2002) or be falsely loyal, which means that even if customer is dissatisfied, one will stay with bank because of other reasons related to external factors (Afsar et al. 2010). In this regard, Afsar et al. (2010) while investigation determinants of customer loyalty in relation to banking industry on the basis of Pakistan, the aforementioned author have found out that loyalty is affected by the following elements: satisfaction, trust, perceived quality and switching costs; moreover, all of these factors are interrelated and do highly influence each other. Other studies, namely (Chumpitaz & Papariodamis, 2004; Wang et al., 2004 p.178; Komunda & Osarenkho, 2012) also support positive correlation between
satisfaction and loyalty, however it is pointed out that relationship is not all the time linear (Oliva, Oliver & MacMillan, 1992; Matos et al., 2009) especially in case of highly competitive environment with low switching costs and if offered services/products are not substantially differentiated (Morrisson & Huppertz, 2010). Having said that, satisfied customer still may exhibit switching behavior (Bloemer & Odekerken-Schroder, 2002) unless service provider does something extraordinary to delight his clients (Torres & Kline, 2006). Hence, based on aforementioned discussion the third hypothesis of the present study is postulated as follows:

H3. Customer satisfaction leads to repeat patronage behavior and favorable word of mouth reference to others.

2.6. Characteristic of banking services

Banking industry offers services oriented towards intangible assets (Lovelock 1983), that requires maintaining superior quality due to the fact that banks offer undifferentiated products (Marla, 1996), consequently contributes to a higher bargaining power of customers and challenges related to customer retention (Karatepe, 2011). However, on the other hand Levesque and McDougall (1996) points out that the banking industry is characterized by relatively high switching costs that may contribute to captive loyalty described by Rowley (2005). In order to survive, the banks should be proactive and responsive to changes of external environment offering not only basic range of services (like deposit, loans and bank accounts) but also other products (for instance, leasing, fund management etc.) (Zineldin, 2002). Moreover, customers’ deposits are not stable in comparison with loans. In this case, clients switch banks easily, but the wider range of bank services customer purchases, the higher possibility that customer will remain with the same bank (Zineldin, 2002).

Essentially, Lovelock (1983) defines customer relationship within banking industry as “membership” and points out that banking service is characterized by discrete operations and customization where service providers are aware of their customer’s needs and tend to build continuing, formal relationship to ensure repetition of patronage behavior. Ultimately, customer satisfaction and customer loyalty in banking industry is significantly influenced by convenience of the offered service and the level of competition (Levesque & McDougall, 1996). In this notion, a number of studies, namely Anderson et al. (1976), Thwaites and Vere (1995), emphasizes that convenience and accessibility are key factors that determine customer choice...
towards a certain bank and directly affect customer satisfaction and repetitive patronage behavior. Additionally, the conventional aspect in banking industry is related to the nature of the offered service. In this sense, some services require the physical presence of a customer in a bank or specific branch; hence, the increasing number of branches contributes to greater accessibility and convenience (Lovelock, 1983). However, in their study, Hinson et al. (2011) underlined that geographical location is not as important, whereas, the authors argue that adherence to the best high quality of modern world practices is a key determinant of a bank’s success. Similarly, in a relevant study conducted by Narteh (2013a), shows that satisfaction with bank service, bank’s image and availability of electronic banking services are the key factors that determine loyalty in retail banking. Further, Narteh (2013a) argues that due to the development of informational technologies, the availability of electronic banking services has become an import factor that affects consumer’s bank choice.

To this end, taking into account that customers with high level of commitments have higher expectations from their service provider (Kelley & Davis, 1994), it is assumed that consistency of service quality is a determinative factor that affects customer loyalty in banking industry where effective complaint handling serves as a tool to sustain good quality.

2.7. Contextual background: the banking industry of Lebanon

Lebanon is regarded as a developing country, which due to its trading history and geographically favorable location has become a financial center of the Middle East (Raven & Welsh, 2004), which is known as oil-rich region (Abbasi & Hollman, 1993). Discovering commercial quantities of oil in the 1930s in Gulf area contributed to boosting transformations in the desert countries of the Middle East with further industrialization and improving living standards (increased social mobility, communication, better education and healthcare) (Abbasi & Hollman, 1993; Ali, 1990).

According to Hofstede et al. (2010) Lebanon is regarded as collectivistic societies (IDV 38) with relatively high power distance (PDI 80) and to a slighter extent score uncertainty avoidance index – 68 UAI; moreover, Lebanon scores low at long term orientation dimension (Hofstede, Hofstede & Minkov, 2010 p.259). Following Donthu and Yoo (1998), Furrer et al. (2000), Dash et al. (2009) culture influences customer expectations and perception of service quality. In this regard, Donthu and Yoo (1998) relating Hofstede’s et al. (2010) power distance, uncertainty
avoidance and long term orientation dimensions to customer expectations of service quality, for which they point out those customers from high-power distance countries, are characterized by lower expectations of service quality. In essence with Dash et al. (2009), high PDI customers value the tangible aspects of offered service; short-term oriented and high-uncertainty-avoidance customers are found to have higher overall service quality expectations (Donthu & Yoo, 1998). In this sense, service providers especially in financial institutions are regarded as more powerful and respected by their customers due to competence, expertise and knowledge they possess in certain professional field of activities; hence, in such cultures customers perceive service provider’s work is beyond of their grasp and service providers are likely to treat their customers differently than in developed countries (Donthu & Yoo, 1998). Thereby, such acceptance of power inequality results into lower overall service quality expectations set by customers. Further, “weak power” consumers are more tolerant toward service failure, poor reliability and responsiveness of “powerful” bank compare to their counterparts from low power distance cultures, where the latter ones expect and accept high service quality (Donthu & Yoo, 1998; Furrer, Liu & Sudharshan, 2000). Moreover, it is worth noting that quality standards in developing countries on average are not clearly defined, which means that quality of offered service may not be controlled (Raven & Welsh, 2004), consequently may contribute to lower customer expectations (Raven & Welsh, 2004).

Banking industry of Lebanon is considered as stable and reliable, which plays an important role in the economy of the country. In this sense, Lebanese banks remain to be the main source of financial resources for private individuals and business units of Lebanon (Raven & Welsh, 2004; Association of Banks in Lebanon, 2011). Based on the annual report published by Association of Banks in Lebanon (ABL), as of 2012 there are 71 banks operating in Lebanon, whereas, 51 are commercial and 17 are investment banks (Association of Banks in Lebanon, 2012). Being historically open to overseas, there are 11 representative offices 12 branches of foreign banks including Arab ones operating in Lebanon. That said, the total 984 branches are well-distributed across the country relevant to the dispersion of its economic activities. Bancarization\(^1\) rate of Lebanon is relatively high in relevance to other Arab and developing countries and consists of 29.3 commercial bank branches per 100,000 adults as of 2013 (The World Bank Group, 2014b).

\(^1\)Bancarization refers to the accessibility and usage of financial services at large and banking services in particular; precisely, this term reflects to what extent the numbers of bank branches are spread within a certain location (Anastasi et al., 2006)
Lebanese banks continuously improve and develop their systems for payment increasing the number of ATM machines to facilitate their banking services. In this regard, statistics shows that, as of 2013, the number of ATM machines is 41.33 machine per 100 000 adults (The World Bank Group, 2014a). Further, banks in Lebanon continually improve the tools of payment issuing smart cards that display partnership between business units, communication networks (smart phone applications to facilitate payments). In terms of electronic services, Lebanese banks meet the level of standards of some developed countries regardless of the need to spread contemporary culture of payments among the people and exert more efforts into social development, particularly, in rural areas (Association of Banks in Lebanon, 2012).

2.8. Contextual background: the banking industry of Sweden

Sweden is regarded as highly developed economy with 8th highest income per capita scoring highly in such national performance as health, education, democracy and life quality at large (CIA, 2014). As of December 2012 Swedish banking market consisted of 117 banks, whereas, foreign subsidiaries and branches are composed of 29 entities; however, 75 per cent of the total market share is concentrated between the four largest banks as namely, Swedbank, SEB, Nordea and Handelsbanken (Swedish Bankers' Association 2013). In this notion, as of 2013, there are 21.8 commercial bank branches and 43.1 ATM machines per 100 000 adults (The World Bank Group, 2014a; The World Bank Group, 2014b).

In 1990 Swedish legislative framework allowed foreign banks to open their branches that contributed to increasing numbers of banks for the last two decades (Swedish Bankers' Association, 2008). Despite the fact that the banking market is controlled mainly by the four aforementioned banks, competition within the industry still remains intensive due to the advent of foreign rivals and other local financial institutions entering traditional banks’ territory (Zineldin, 2002); consequently, this has led to significant structural changes that are taking place within financial market of Sweden nowadays (Swedish Bankers' Association, 2008). Moreover, due to the rapid development of information technologies, the importance of convenient access to branch offices has decreased and now customers’ shifted their use to internet service banking enabling customers to access the traditional banking service via internet. The changes in financial market and development of new technologies has contributed to increasing
opportunities for financial institutions to perform their services, and further intensifying competition within industry (Swedish Bankers’ Association, 2008).

Study conducted by Zineldin (2002) has revealed that location of bank for Swedish customers is not a chief aspect in bank selection. In this regard, factors such as transaction accuracy, effectiveness in complaint handling, speed of service, friendliness and helpfulness of bank personnel are found to be the main determinants of service provider selection; moreover, this study shows that Swedish customers value quality of staff performance, technologically – based services and bank’s reputation, whereas, excellence of these aspects can compensate lower bank performance at other factors. The findings of Zineldin’s (2002) research suggest the customers in Sweden value “functional quality” (how service is delivered) over “technical quality” (what is eventually delivered, what customer receives). Moreover, Swedish banks offer almost the same range of services/products and such marketing tools as interesting advertising or recommendations are not effective instruments in influencing the bank selection (Zineldin, 2002). Hence, it is important for banks to ensure in delivering a high service quality as Swedish customers are not price sensitive and need an efficient delivery system and service quality (Zineldin, 2002).

According to Hofstede et al. (2010) study, Sweden is considered as individualistic country (IDV71) scoring low at uncertainty avoidance (UAI 29) and power distance (PDI 31) dimensions and somewhere in the middle at long-term orientation index (LTO 53). Following Dash et al. (2009) customers from low power distance countries expect reliable and responsive service having high overall service quality expectations. Also, according to the aforementioned author, consumers that are part of individualistic societies have lower expectations toward empathy and assurance while delivery process. However, this assumption contradict findings of Donthu and Yoo (1998) who suggest that individualistic consumers do expect empathy, assurance and confirm that they have high expectations of overall quality.

2.9. Synthesis and research model

Having revised studies conducted in the service field, we can say that, effective complaint handling leads to customer satisfaction which consequently leads to customer loyalty. Moreover, if the service provider’s efforts towards problem resolution exceed customer expectations it will
lead to customer loyalty which manifests itself through positive customer attitude and repurchase behavior. In this regard, customer satisfaction plays mediating role to enhance customer patronage behavior after effective problem resolution. However, the impact of effective complaint handling on customer satisfaction and customer loyalty is conditioned by external factors, such as culture and specific characteristics of banking industries of two countries. In this regard, external factors determine customer expectations as for service quality which can enhance or diminish positive impact of effective problem resolution.

In this regard, visual demonstration of our research model is presented in Figure 1, where the blue lines represents the relationship between the identified variables (three yellow squares, respectively, effective complaint management, customer satisfaction and customer loyalty) and corresponds to the three hypotheses developed on the basis of the existing theories and previous studies; additionally, the arrows represent direction of effect of one variable on the other. External factors are represented in cycle and considered as independent force, which influences the positive impact of effective complaint handling on customer satisfaction and customer loyalty. Customer satisfaction square is relatively smaller in size in order to emphasize its mediating role between effective complaint handling and customer loyalty. Figure 1. A conceptual framework (own-construction):

**Figure 1: Conceptual framework**

Source: Own construction
3. Methodology:

This chapter sheds the light on the research design, to stimulate the process of advancing the methods employed and the rationale behind their selection, this chapter will be subdivided into sections featuring the following banners: design, approach, data collection and testing, reliability and validity.

3.1. Research design and method:

In order to fulfill the purpose of this study two research designs were considered. According to Malhotra (2007) depending on what a researcher aims to examine, what type of information is needed to achieve the set goal, what size of sample is required, how it is supposed to be analyzed and what type of results/outcomes are expected to receive, research design can be identified as exploratory or conclusive one. In this regard, exploratory research relates to the type of study that aims to provide understanding and shed the light over a problem, or to identify a course for further actions and develop necessary approach to solve the problem in further research. In this case the research process does not have an accurate structure, whereas, the required information is not clearly identified and the data sample is not representative. In this type of research both secondary and primary data can be used, while, primary data is usually obtained through expert or pilot surveys, and subsequently qualitatively analyzed. The results of exploratory research are tentative and usually yield a conclusive finding or more research (Zikmund, 1997, Malhotra, 2007).

Conversely, conclusive research aims to examine a certain hypothesis or test the relationships between specific variables. In this case, the research process is well-structured and formal, whereas, the necessary information is clearly identified and usually this type of research is based on a large and representative size of sample. Moreover, the data obtained can be both primary and secondary and acquired through survey/panel, although analyzed using quantitative methods. In this regard, the results gained through this type of research are conclusive in nature and can be used for managerial implications among practitioners (Malhotra, 2007).

To this end, the main differences between the two types of research designs are summarized in Table 1.
### Table 1: Differences between Exploratory and Conclusive Research

<table>
<thead>
<tr>
<th></th>
<th>EXPLORATORY</th>
<th>CONCLUSIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objective:</strong></td>
<td>To provide insights and understanding</td>
<td>To test specific hypothesis and examine relationships</td>
</tr>
<tr>
<td><strong>Characteristics:</strong></td>
<td>- Information needed is defined only loosely;</td>
<td>- Information needed is clearly defined;</td>
</tr>
<tr>
<td></td>
<td>- Research process is flexible and unstructured;</td>
<td>- Research process is formal and structured;</td>
</tr>
<tr>
<td></td>
<td>- Sample is small and non-representative</td>
<td>- Sample is large and representative;</td>
</tr>
<tr>
<td></td>
<td>- Analysis of data is qualitative.</td>
<td>- Data analysis is quantitative</td>
</tr>
<tr>
<td><strong>Findings/Results</strong></td>
<td>Tentative</td>
<td>Conclusive</td>
</tr>
<tr>
<td><strong>Outcome</strong></td>
<td>Generally followed by further exploratory or conclusive research</td>
<td>Findings used as input into decision making</td>
</tr>
</tbody>
</table>

Source: Adapted from Malhotra (2007, p.80)

Additionally, Malhotra (2007, p.80) distinguishes between two types of conclusive research designs, namely Cross-Sectional and Longitudinal research design. In this regard, the cross-sectional study is considered as the most used amongst marketing researchers, which means obtaining data from the target population. Contrariwise, the longitudinal design measures the same sample of respondents on the same variables repetitively, that allows the researchers to observe changes in the studied population overtime. Giving this dynamic, the cross-sectional study provides a picture of the examined variables at single point of time, whereas, the longitudinal design enables a researcher to get a series of snapshots of the variables of interest, this way, giving an opportunity to observe changes in the studied sample over time (Malhotra, 2007). Following Bryman and Bell (2007) conducting two or more cross-sectional studies within the same period of time with further comparison is captioned as “comparative design”. In this regard, comparative study implies carrying out a research of the same phenomena in two or more countries utilizing the same measuring instrument with the intention of observing differences/similarities of the examined issues in different national contexts. Comparative design put researches in a favorable position to verify the theory as well as to provide with greater understanding and awareness of the studied phenomena in different socio-cultural settings (Bryman & Bell, 2007).
Further, depending on the problem that is aimed to be inspected or the goal that is set to be achieved, researchers originate qualitative or quantitative primary data (Malhotra, 2007). Visual demonstration of research data classification is presented in Figure 2.

**Figure 2: Classification of Marketing Research Data**

![Classification of Marketing Research Data Diagram]

Source: Adapted from Malhotra (2007, p.143)

In this regard, Malhotra (2007) draws an analogy between qualitative/quantitative research and exploratory/conclusive research. It is suggested that qualitative research provides with insights of examined problem seeking for answers to questions why and how certain phenomenon takes place (Denzin & Lincoln, 2005); additionally, occasionally this type of research is employed to explain results of quantitative research enabling scholars to obtain deep understanding of investigated phenomenon (Zikmund, 1997). To escape misusing and misinterpretation of findings of qualitative research, qualitative research should not be generalized and considered as conclusive in nature for further recommendation of final decision making. Controversially, the aim of quantitative research is to develop theories or hypothesis regarding certain phenomenon by quantifying data that requires a large size of sample. In this regard, quantitative primary data is examined by applying statistical analysis, whereas, numbers enable the researches to avoid bias. Results of quantitative research are conclusive in nature and can be generalized by applying to larger size of population (Malhotra, 2007). In this notion, the summarized differences between quantitative and qualitative research are presented in Table 2.
Fundamentally, three hypotheses were postulated to fulfill the purpose of the study, and further tested to prove the relationship between identified variables. Moreover, the information needed for conducting the research was collected utilizing the existing theoretical framework, which served as a framework for developing the questionnaire. In this sense, however, before the final survey was distributed, pilot survey was conducted among respondents of the test-group. This helped the researchers to improve the questionnaire trying to avoid ambiguousness in questions and ensure that the respondents provide clear and precise answers. The final questionnaire was distributed in the two countries amongst 199 respondents, who were representatives in developing and developed economies and belong to diverse socio-economic groups. Further, the collected data was quantitatively analyzed applying correlation and regression analysis for the entire data sample obtained from Sweden and Lebanon, as well as per each one of the countries mentioned separately. Quantitative analysis was employed utilizing special software Statistical Package for the social Science (SPSS), Version 20.0. Afterwards, the obtained outcome was linked to previous research results in the current field and subsequently was followed by drawing conclusions and giving managerial implications which can be applied by practitioners in decision making. Having said that, based on the classification of marketing research designs introduced by Malhotra (2007), to fulfill the goal of the current study, conclusive cross-sectional research design was applied, whereas, some characteristics of exploratory type of research were also

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**Table 2: Qualitative versus Quantitative Research**

<table>
<thead>
<tr>
<th></th>
<th>Qualitative Research</th>
<th>Quantitative Research</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objective</strong></td>
<td>To gain a qualitative understanding of the underlying reasons and motivations.</td>
<td>To quantify the data and generalize the results from the sample to the population of interest.</td>
</tr>
<tr>
<td><strong>Sample</strong></td>
<td>Small number of non-representative cases</td>
<td>Large number of representative cases</td>
</tr>
<tr>
<td><strong>Data Collection</strong></td>
<td>Unstructured</td>
<td>Structured</td>
</tr>
<tr>
<td><strong>Data analysis</strong></td>
<td>Non-statistical</td>
<td>Statistical</td>
</tr>
<tr>
<td><strong>Outcome</strong></td>
<td>Develop an initial understanding</td>
<td>Recommend a final course of action</td>
</tr>
</tbody>
</table>

Source: Adapted from Malhotra (2007, p.144)
observed. Following Zikmund (1997) each conclusive research comprises features of exploratory one, like designing a pilot version of survey instrument and analyzing existing studies/theories to sharpen the concept and narrow down the aim of the study. Moreover, comparative study was also applied to find similarities and differences in customer behavior in two different national contexts. Subsequently, the justification and explanation of chosen research design will be discussed in following chapters.

3.2. Approach

Depending on the method of establishing relationship between theory and empirical evidence there are two widely used research approaches which are considered by scientists in attempt to explain empirical findings, namely Induction and Deduction (Capaldi & Proctor, 2008). Inductive approach is applied when researchers execute a specific observations of reality adduce patterns and set up tentative hypothesis which is followed by broad generalization and creating a theory (Bryman & Bell, 2007). On the other hand, deductive approach is an opposite method to inductive and applied approach, whereas, when a researcher bases his study on existing theories establishes a logical relationship between concepts by developing hypothesis and then to concrete empirical evidence (Neuman, 1997); afterwards the assumed hypothesis are tested enabling scientists to verify whether the theory is in consistent with the reality. Having said that, this study was conducted using a deductive approach, whereas, the researcher formulated theoretical framework and developed hypothesis, which later on were tested based on empirical evidence; furthermore, the research findings were compared to the existing literature to draw conclusions and suggestions for further research.

3.3. Instrument and measurement

To fulfill the purpose of this study, a survey research method was applied as appropriate tool to collect primary data. This technique allows the researchers to obtain respondent’s opinion, attitude and describe their behavioral patterns (Zikmund, 1997). Basically, an additional advantage of survey research lies in the possibility of obtaining accurate and quick primary data while covering large number of respondents (Zikmund, 1997). Further, the questionnaire was constructed to reflect the research hypothesis and perceive customer feelings related to the overall satisfaction with their bank service, also customer’s expectations from service provider in
case of service failure and customer behavior pattern in response on effective/poor complaint handling management. Before the final questionnaire was applied, the researchers had designed a pilot survey instrument and administrated among respondents of test-group to test it for ambiguities and comprehension. Afterwards, various changes and improvements were incorporated which was followed by employing coefficient Cronbach’s alpha to ensure internal consistency reliability of items in the scale. In this regard, value of coefficient alpha has consisted 0.788, which indicates high internal consistency of items and thus reliability of used measurement. Thereby, the questionnaire is consisted of four parts, respectively, the first section brought customers to recall the possible unsatisfactory purchase experience and reflect their feelings and expectations in dealing with their service provider; whereas, the second part was oriented to banking strategy in handling the service problems, simultaneously, the third section is related to customer’s reaction and intention in response to the bank efforts in managing customer complaints; and finally, the last section entails questions regarding the demographic characteristics (age, gender) and length of relationship with the bank. Demographic information was used to identify whether male’s customer behavior, intention and attitude on the subject are the same as that of females and whether respondents in different ages differ in their responses.

Within this framework, a five point Likert scale was applied to measure customer satisfaction, complaint handling management and customer loyalty aspects varying from “strongly agree” to “strongly disagree”. A Likert scale is considered as balanced rating scale with odd number of categories (Malhotra, 2007). Traditional guidelines suggest employing scale with odd number of categories to avoid obtaining neutral or indifferent responses from the respondents, where the number of categories should be between 5 and 9 (about seven plus/minus two)(Malhotra, 2007). Moreover, one of the advantages of using a Likert scale lies in its simplicity of interpretation. More specifically, it is easy to construct and administrate by researchers, while respondents easily understand and comprehend how it should be used regardless whether the survey is conducted by phone, e-mail or face-to face interview.

In order to ensure the reliability of the collected data the control question was put into questionnaire to escape falsified responses due to inadvertency of the respondents. If statements that my bank meets customer expectations as well as takes adequate time to respond to a lodged complaints reflect respondent’s agreement and at the same time express agreement on statement
that my bank doesn’t notice the complaint made by customers, means that respondent contradict him/herself and does not go through questionnaire attentively.

3.4. Data collection

Subsequently, 199 data samples were collected in University of Gävle, Gävle, Sweden and in the Lebanese American University, Beirut, Lebanon. In this regard, the larger the sample sizes, the more reflective and representative the results are, yet, there is no golden rule to determine how large should it be; although in quantitative methods the minimum number is 30 for each group of respondents (Zikmund, 1997). To ensure that primary data embraces various demographic and socio-economic groups, the sampled population in Lebanon and Sweden was approached at a business event, where attendees were representing diverse group of employees, students, business owners and entrepreneurs, both male and female. In this regard, Dr. Bassem Mamaari, a lecturer at the Department of Management in the Lebanese American University has facilitated the process and contributed to this study by collecting the data from Lebanon and giving valuable opinion from the Lebanese perspective. Furthermore, to collect reliable data, questionnaires were distributed personally and respondents were instructed face-to-face if some questions were found to be vague in order to escape misunderstanding and misinterpretations. This method helped the study in three major ways, first, it ensured that the answers were not being filled in randomly and, second, it allowed the scholars to explain each and every question to the respondents in person to ensure their understanding of the questions and guarantee a valid answer, particularly, since the study is conducted in English in two countries where English is not the first language, and third, it allowed the scholars to communicate on a personal level with the respondents and receive immediate feedback. Despite of all these advantages to the oral questionnaire technique, the negative aspect of this it that it requires extra time, which explains the number of sample in the study, (n=199). Survey is considered as an efficient and reliable technic of data collection if the questions are asked and answered at the convenience of representative sample of individuals; hence, attendees were approached and asked about their agreement to participate in survey and those who gave approval were provided with the questionnaire.
3.5. Data analysis

After having collected the data, the questionnaires were verified whether all questions are answered and whether the control question indicates respondent’s diligence. Further, information from the customer’s survey (demographic characteristics, length time of relationship with bank, data reflecting customer satisfaction, customer behavior and bank’s complaint management) was entered into special software Statistical Package for the social Science, version 20.0 and further analyzed. Subsequently, the information from the survey was assessed and further interpreted in the following sequence. Firstly, to compare responses customer survey was descriptively analyzed using frequencies and percentages. Further, correlation analysis and Pearson’s coefficient were applied to examine relationship and level of liaison between variables. Afterwards, linear regression analysis was applied in order to identify predictors of customer loyalty and customer satisfaction. In this regard, to prove the first hypothesis complaint handling was determined as an independent variable, whereas customer loyalty was identified as dependent variable. Thereby, to examine second hypothesis, effective complaint handling was detected as independent variable, meanwhile customer satisfaction was assigned as dependent variable. For testing third hypothesis, customer satisfaction was considered as a predictor, whereas, customer loyalty was assigned as dependent variable. In this sense, correlation and regression analysis were applied for the whole sample size from both countries, and afterwards responses from each country were analyzed separately. Explanation of nature of two aforementioned statistical analyses is discussed below.

3.5.1. Correlation analysis

Correlation analysis is a procedure to identify linear relationship between two variables, for instance, X and Y. More precisely, it looks to determine the existence of straight–line relationships between the variables indicating the level of variation in X in relevance to the variation in Y. This analysis was introduced by Karl Pearson; statistical indicator used in correlation analysis and is named after Karl Pearson as Pearson correlation coefficient. That said, the coefficient of correlation (r) is used to inspect the strength of the relation between variables, whereas, the value of the r varies between -1 to 1. In this regard, if the value of coefficient is positive means the relationship between the identified variables is moving in the same direction, whereas the negative value of the coefficient indicates opposite relationships. Furthermore, when
the value of coefficient is equal to 1 it indicates a perfect positive relation, meanwhile, if the value of coefficient is somewhere between 0.6 – 1 it designates a strong positive correlation, and when it varieties between 0.3-0.6 it indicates a moderate relationship (Malhotra, 2007; Zikmund, 1997).

3.5.2. Regression analysis

Regression analysis a statistical tool used to analyze the relationship between one dependent and one or more independent variables to examine the following issues: a) to determine whether the independent variable, or predictor, explains any variations in the dependent variables; b) to inspect the strength of the relationship between the variables, thereby determining to what extent the predictor influences the variation in the dependent variable. Moreover, it is worth noting that the establishment of the relationship between dependent and independent variables in case of regression analysis does not imply causation. More precisely, regression analysis deals with extent and nature of association between the examined variables and does not imply causal relationships between them. In this regard, primary measure of regression is ‘’R’’, the value of R indicates how precise the predictor is in predicting the results, in another context, how strong is the relationship between the identified variables. Another output of regression is ‘’R^2’’, R^2 provides the researcher a more accurate measure and it describes the extent of variance in the scores explained by the independent variable or the predictor. The value of R^2 ranges between 0 and 1, and is not subjected to any golden rule, the researcher is given the liberty to interpret the value of R^2 based on the relationship studied (Malhotra, 2007; Zikmund, 1997).

3.6. Reliability and Validity

3.6.1. Reliability

To ensure the accuracy of the measurement used in the study several approaches of assessing reliability were considered. Reliability refers to the "consistency" and "repeatability" of research measures, which means to what extent the measurements are free from error, whereas, by consistent we imply whether the scale generate steady results if the same repeated measurement is applied (Malhotra, 2007; Zikmund, 1997). In this notion, such measuring instrument as questioner has to include reliable questions which would produce precise answers from
respondents. That said, for instance, putting in scale such options as “often” or “seldom” is unlikely to provide with reliable answers as perception of frequency and rarity is different for different people. The goal of achieving reliability of data should be developing measuring instrument which would generate the same results each time the analysis is applied, if a scholar conducts a research on the same subject repeatedly. High association between scores, which were gathered through different administrations of the same scale, means that the measuring instrument is reliable and scale comprises consistent results (Zikmund, 1997). Following (Malhotra, 2007) there are three approaches for evaluation of reliability:

- Test – Retest Reliability
- Alternative – Forms Reliability
- Internal Consistency Reliability

Test-retest reliability implies administrating the same example of scales between respondents in different time interval, usually in two or four weeks, ensuring that conditions of measuring process are approximately the same. In order to identify similarities in replies, correlations coefficient is applied; the higher value of correlation coefficient explains higher measurement of reliability. In this regard, there are number of disadvantages of this type of the test, among those are the follows: respondents may remember replies from the first time and are likely to provide the same answers; due to obtaining favorable information about measured object within time interval between measuring processes respondents’ attitude and hence answers are likely to be different; in certain cases time can be sensitive aspect and thus prevent to apply this test of reliability (Malhotra, 2007).

Alternative – Forms Reliability implies developing of two different forms of scales which measure the same object and are equal in terms of content; in this case, respondents are measured in two different time interval, between two to four weeks by two different sets of scale items. In order to evaluate reliability using this test, correlation coefficient is also applied. In this notion, disadvantage of this approach is that it is timing consuming and additionally it is quite difficult to develop two equivalent forms of the scale in respect to the content (Zikmund, 1997).
The last one, which is internal consistency reliability, is applied to evaluate internal consistency of items in scale through summing several items in order to form an entire score for the whole scale. For applying this assessment approach usually Cronbach’s alpha coefficient is used. In this regard, value of coefficient alpha varies from 0 to 1, where magnitude above 0.6 indicates high internal consistency of items and thus reliability. It is worth noting that value of Cronbach’s alpha tends to be higher with increasing numbers of scale items and such a way the magnitudes of the coefficient can artificially and inappropriately raised (Malhotra, 2007).

To this end, in our study, internal consistency reliability approach and coefficient alpha were applied to ensure that internal consistency and reliability of used measurement. Test-retest and alternative forms reliability approaches were rejected due to disadvantages that are related to time consumption, large sample size (N=199), difficulties to conduct survey in two countries twice.

### 3.6.2. Validity

The term validity refers to measuring the instrument’s ability to measure what is elected to be measured (Zikmund, 1997). In this regard, researchers are supposed to ensure the validity of the measurement applied, whether it will actually calculate what is intended to measure and whether it will help to reach the set goal. There are two types of validity: internal and external validity. Internal validity relates to the process that ensures whether the statements used in questionnaire are in parallel with research objective and whether the conclusions obtained after analyzing the data will be relevant to the purpose of the study. Therefore, questionnaire was developed based on the framework and methods that are effectively leveraged by previous researches related to the field of research. Additionally, pilot survey was administrated among respondents of test-group to ensure clarity of the questions and to avoid using ambiguous statements, which consequently contributed to a greater opportunity of developing a valid questionnaire. Furthermore, while statistical data analysis of the study construct validity will be established; this approach implies verifying the empirical evidence with theoretical logic regarding the investigated concept (Bryman & Bell, 2007).
Conversely, an external validity refers to the term ‘generalizing’ which means to what extent the findings of the research can be applied to other people in other places in different times (Trochim & Donnelly, 2007). Having said that, the external validity of the current study is considered as a high one, because the respondents were selected applying random procedure; moreover, the respondents were representatives of developing and developed countries and inhabitants of a capital city and a town. In this sense, to embrace representatives from various demographic and socio-economic groups, the sampled population in Lebanon and Sweden was approached at a business event, where attendees were representing diverse group of employees, students, business owners and entrepreneurs, both male and female. However, as the respondents of the research were mainly well-educated people, external validity concerning people aspect suggested by (Trochim & Donnelly, 2007) is limited, which means that findings of the research explains customer behavior only within educated students.

It is worth noting, that reliability of measuring instrument is an essential aspect of the overall validity. However, reliability per se is not a sufficient attribute and significantly interrelated with validity. Giving these dynamics, validity cannot be obtained without having reliable measurement (Zikmund, 1997; Malhotra, 2007).
4. Empirical Findings

In this chapter, a presentation of the important findings will be delivered with the empirical data. To further demonstrate, the first part of this section will explain in details the description of the sample, meanwhile, the second part will present correlation ratios between the different variables tested, and the third section will exhibit the results of the regression analysis applied to the variables. Additionally, as a result of interesting similarities and differences observed in the data collected from the two research arenas, Sweden and Lebanon, further correlation and regression tests will be applied to each of the hypotheses once in terms of the data collected from Sweden and, again in terms of the data collected from Lebanon, to compare the variant customer behavior and the deviating response to complaint management in the two countries.

4.1. Sample Description

The total number of respondents from the two countries is 199, 131 from Lebanon and 68 from Sweden, whereas, the dominating number of respondents, 106, are females, and 93 are males (see table 3), the majority of the respondents 103, were between the ages of 40 and 49, meanwhile, there is only 5 respondents from both countries who are over 50 (see table 4). In this pattern, the length of the relationship between the customer and the bank is identified with 104 of the respondents which constitute 52.3% of the sample to have more than four years relation with their banks, whereas, only 15 respondents which are 7.5 % of the sample have less than one year long relationship with their banks (see table 5). Furthermore, the respondents in both countries deal with a variety of banks. Whereas, the number of banks is sixteen in Lebanon and seven in Sweden, which provides a wide range to avoid bias.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Lebanon</th>
<th>Sweden</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>80</td>
<td>13</td>
<td>93</td>
</tr>
<tr>
<td>Female</td>
<td>51</td>
<td>55</td>
<td>106</td>
</tr>
<tr>
<td>Total</td>
<td>131</td>
<td>68</td>
<td>199</td>
</tr>
</tbody>
</table>

Table 3: Gender Distribution of Sample

<table>
<thead>
<tr>
<th>Age</th>
<th>Lebanon</th>
<th>Sweden</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-29</td>
<td>2</td>
<td>31</td>
<td>33</td>
</tr>
<tr>
<td>30-39</td>
<td>36</td>
<td>22</td>
<td>58</td>
</tr>
<tr>
<td>40-49</td>
<td>90</td>
<td>13</td>
<td>103</td>
</tr>
<tr>
<td>50+</td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>131</td>
<td>68</td>
<td>199</td>
</tr>
</tbody>
</table>

Table 4: Age Distribution of Sample
Subsequently, a correlation analysis was used to determine the validity of the three hypotheses and prove the relationship between the indicated variables. A correlation analysis is a statistical function used for testing the relation between two or more variables and the level of liaison between them. That said, the coefficient of correlation \((r)\) is used to investigate the strength of the relation, while, the value of the coefficient is between \((-1\) and \(1)\) and \((r)\) is located in the correlation table where the two values cross. There is a variety of types of correlation analysis in SPSS which are used for specific purposes, in this research, *positive and negative correlation* is used to diagnose the direction of the relation alongside the strength of the relationship. (i.e. if the value of coefficient is positive means the relationship between the two variables is moving in the same direction and vice versa). Furthermore, when the value of coefficient is equal to 1 it indicates a perfect positive relation, meanwhile, if the value of coefficient is somewhere between \(0.6 - 1\) it designates a strong positive correlation, and when it varieties between \(0.3 - 0.6\) it entitles a moderate relationship. Interestingly, SPSS stars relations that seem to have a remarkable correlation regardless of the number of coefficient, the program advice the researcher to double check the stared values for interesting findings (Malhotra, 2007).

In this pattern, the interpretation of our correlation analysis has resulted in interesting outcomes. And as suggested by Table 6, first, it has indicated that the Swedish respondents have longer relationships with their banks than the Lebanese respondents by 40.3%. Second, the results
indicate that the Swedish respondents are 29.4% more loyal to their banks than the Lebanese. Third, the analysis has specified that a weak positive relation \((r = .135; \text{Sig.} = .057; p < 0.1)\) exists between the instantaneous complaint handling by the bank with the number of years the customer has dealt with the bank. Fourth, effective complaint handling by the bank is diagnosed to have a high positive correlation with customer satisfaction \((r = 0.670; \text{sig.} = .000; p > .01)\). Fifth, there seems to be a slight positive correlation between customer loyalty and gender, specifically, female customers are beheld to be more loyal customers to their corresponding banks, whereas, \((r = .150; \text{Sig.} = .005; p < 0.5)\).

Further, the findings indicate that the length of the relationship has a slight positive correlation with customer’s loyalty \((r = .200, \text{Sig.} = .005; p < 0.5)\). And lastly, customer loyalty is indicated to have a strong positive correlation with effective handling of customer complaints by their respective banks \((r = .654; \text{Sig.} = 0.000; p < .01)\). (See table 6, whereas, the red blocks highlights the aforementioned significant correlations in the text)

<table>
<thead>
<tr>
<th>SWEDEN &amp; LEBANON</th>
<th>Country</th>
<th>Age</th>
<th>Gender</th>
<th>YDB</th>
<th>CS</th>
<th>CH</th>
<th>CL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
<td>Pear Corr.</td>
<td>1</td>
<td>-.059</td>
<td>.404**</td>
<td>.403</td>
<td>.089</td>
<td>.094**</td>
</tr>
<tr>
<td>Sig. (2-tail)</td>
<td>.405</td>
<td>.000</td>
<td>.000</td>
<td>.213</td>
<td>.186</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td>Pear Corr.</td>
<td>-.059</td>
<td>1</td>
<td>-.141*</td>
<td>-.216</td>
<td>.012</td>
<td>-.052*</td>
</tr>
<tr>
<td>Sig. (2-tail)</td>
<td>.405</td>
<td>.049</td>
<td>.002</td>
<td>.864</td>
<td>.466</td>
<td>.927</td>
<td></td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td>Pear Corr.</td>
<td>.404**</td>
<td>-.141*</td>
<td>1</td>
<td>.169**</td>
<td>.086*</td>
<td>.097</td>
</tr>
<tr>
<td>Sig. (2-tail)</td>
<td>.000</td>
<td>.049</td>
<td>.017</td>
<td>.232</td>
<td>.177</td>
<td>.035</td>
<td></td>
</tr>
<tr>
<td><strong>YDB</strong></td>
<td>Pear Corr.</td>
<td>.403</td>
<td>-.216</td>
<td>.169**</td>
<td>1</td>
<td>.130</td>
<td>.135**</td>
</tr>
<tr>
<td>Sig. (2-tail)</td>
<td>.000</td>
<td>.002</td>
<td>.017</td>
<td>.068</td>
<td>.057</td>
<td>.005</td>
<td></td>
</tr>
<tr>
<td><strong>CS</strong></td>
<td>Pear Corr.</td>
<td>.089</td>
<td>.012</td>
<td>.086*</td>
<td>.130</td>
<td>1</td>
<td>.670*</td>
</tr>
<tr>
<td>Sig. (2-tail)</td>
<td>.213</td>
<td>.864</td>
<td>.232</td>
<td>.068</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td><strong>CH</strong></td>
<td>Pear Corr.</td>
<td>.094**</td>
<td>-.052*</td>
<td>.097</td>
<td>.135**</td>
<td>.670*</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tail)</td>
<td>.186</td>
<td>.466</td>
<td>.177</td>
<td>.057</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td><strong>CL</strong></td>
<td>Pear Corr.</td>
<td>.294</td>
<td>.007</td>
<td>.150*</td>
<td>.200</td>
<td>.626**</td>
<td>.654**</td>
</tr>
<tr>
<td>Sig. (2-tail)</td>
<td>.000</td>
<td>.927</td>
<td>.035</td>
<td>.005</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed)**
**Correlation is significant at the 0.05 level (2-tailed)**
RED BLOCKS highlights the aforementioned significant correlations in the text

Table 6: SPSS Correlation Table
4.3. Regression Analysis

Subsequent to the correlation analysis, further analysis was applied to test the given variables and further validate the three hypotheses. In essence with Statistics Laerd, regression analysis a statistical tool used to foresee the value of one variable using another variable. In this notion, the variable that is anticipated to forecast is entitled the *dependent variable*, whereas, the fixed variable that is used to predict the aforementioned variable is captioned as the *independent variable or the predictor*. Further, the primary measure of regression is ‘‘R’’, the value of R indicates how precise our predictors are in predicting the results, in another context, how strong is the relationship between the two variables. Another output of regression is ‘‘R$^2$’’, R-squared provides the researcher a more accurate measure and it describes the extent of variance in the scores explained by the independent variable or the predictor. The value of R$^2$ ranges between 0 and 1, and is not subjected to any golden rule, the researcher is given the liberty to interpret the value of R$^2$ based on the relationship studied.

Within this framework, prior to applying linear regression analysis, the data set ought to confirm having the six essential qualities for linear regression to ensure precision and validity of the analysis outcome. To further explain, the first criterion entails the ability to measure the two variables on the ratio level, whereas, the second condition requires the presence of a linear relationship between the two variables, and third, the absence or elimination of significant outliers and so on. Having ensured the potential of the data set to pass the linear regression analysis the analysis was applied successfully and resulted with the following findings:

I. The first regression, holding constant the independent variable or the predictor which is complaints (effective handling of customer complaints by the bank) to calculate the impact of effective complaint handling on the loyalty of customers to their respective banks. Results of regression has shown that effective complaint handling by the banks explains 65.40% of the variance in customer loyalty, whereas, (R=.654;R$^2$=.428;Sig=.000) and the formula for the best fit line being as follows:

\[ f(\text{Customer Loyalty})= 1.521 \times \text{Complaints-Handling}+17.459 \]

Thus, supporting our first hypothesis that customer loyalty is enhanced by effective handling of their complaints.
II. The second regression, holding constant the independent variable or the predictor which is complaints-handling to determine the effect of complaints-handling with the dependent variable which in this case is customer satisfaction. The aftermath of the analysis shows that effective handling of customer complaints by their corresponding banks explains 76.00% of the variance in customer satisfaction, whereas, (R=.670; R²=.449; Sig=.000). The formula for the best fit line being as the following:

\[ f (\text{Customer Satisfaction}) = 0.711 \times (\text{Customer Complaints}) + 9.792 \]

This thereby, supports our second hypothesis that effective handling of customer complaints positively enhances the level of customer’s satisfaction.

III. The third regression, holding constant customer satisfaction as an independent variable or predictor and customer loyalty as a dependent variable, so as to calculate the effect of customer satisfaction on the level of clients loyalty to their respective banks. The repercussion of the analysis indicates a strong relation between the two variables, whereas, customer satisfaction explains 62.6% of customer loyalty (R=.626 ;R²=.398; Sig=.000) and the best fit line’s formula being

\[ f (\text{Customer Loyalty}) = 1.040 \times (\text{Customer Satisfaction})+17.075 \]

Consequently, the aforementioned formula supports our third hypothesis, particularly, customers who are satisfied with their banking service are service are radically on a higher level of loyalty to their respective banks.

4.4. Comparison of Customer Behavior

4.4.1. Correlation Analysis

Furthermore, the next step was separating the data by country into two sets to compare the dissimilarity in customer behavior in the two research arenas. In this sense, the results indicate that there is a tangible difference in customer behavior between Lebanon and Sweden and as follows:
i. The outcome of the correlation analysis imply that the relation between effective complaint handling and customer satisfaction is positive and high in Lebanon (r=.713; significance=.000) meanwhile, it’s positive yet moderate in Sweden (r=.372; Significance=.002).

ii. Besides, the liaison between customer loyalty and customer satisfaction is positive and high in Lebanon (r=.729; significance=.000), whereas, it is positive nevertheless low in Sweden (r=.228; significance=.074).

iii. To this end, the relationship of customers level of loyalty to effective handing of complaints is high in Lebanon (r=.716; Significance=.000) and moderate in Sweden (r=.441; Significance=.000). (See tables 7 and 8)

<table>
<thead>
<tr>
<th></th>
<th>SWEDEN</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Age</td>
<td>Gender</td>
<td>YDB</td>
<td>CS</td>
<td>CH</td>
<td>CL</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pearson Corr.</td>
<td>-1.000**</td>
<td></td>
<td>-.123</td>
<td>-.138</td>
<td>.109</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.738</td>
<td>.318</td>
<td>.261</td>
<td>.375</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>68</td>
<td>68</td>
<td>68</td>
<td>68</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>Pearson Corr.</td>
<td>-.109</td>
<td></td>
<td>.146</td>
<td>-.085</td>
<td>-.045</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.738</td>
<td>.318</td>
<td>.261</td>
<td>.375</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>68</td>
<td>68</td>
<td>68</td>
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</tr>
<tr>
<td></td>
<td>Pearson Corr.</td>
<td>-.138</td>
<td></td>
<td>.138</td>
<td>-.085</td>
<td>.372**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
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<td>.318</td>
<td>.234</td>
<td>.002</td>
<td>.074</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>68</td>
<td>68</td>
<td>68</td>
<td>68</td>
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</tr>
<tr>
<td></td>
<td>Pearson Corr.</td>
<td>-.109</td>
<td></td>
<td>.138</td>
<td>-.045</td>
<td>.218*</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.375</td>
<td>.375</td>
<td>.713</td>
<td>.002</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>68</td>
<td>68</td>
<td>68</td>
<td>68</td>
<td>68</td>
</tr>
</tbody>
</table>

*Correlation is significant at the 0.05 level (2-tailed). **Correlation is significant at the 0.01 level (2-tailed)
RED BLOCKS highlights the aforementioned significant correlations in the text

Table 7: SPSS Correlation (Sweden's data set)
4.4.2. Regression Analysis by Country

Within this framework, a regression test was applied twice for each of the three hypotheses, once in terms of the Swedish data, and again in terms of the Lebanese data; the outcome has confirmed a slight variation in customer behavior towards banking practices in Sweden and Lebanon. Whereas, the first linear regression analysis holding constant complaint handling or (CH) so as to predict the impact of effective complaint handling on customers' loyalty (CL), the outcome of the analysis show a tangible difference in customer behavior, whereas, effective complaint handling explains 71.3% of customer’s loyalty in Lebanon; meanwhile, it explains only 45.3% of customer’s loyalty in Sweden.
Furthermore, the aftermath of the second regression test shows a similar variation, whereas, effective handling of customer’s complaints explains 71.6% of customer’s satisfaction in Lebanon, whereas, in Sweden it predicts 44.1% of customer’s satisfaction. In this sense, the most significant contrast which we found very interesting is the dissimilarity in customer behavior between Sweden and Lebanon, Customers being satisfied with their banking service in Lebanon grants 72.9% of their loyalty to their respective banks, whereas, in Sweden it only awards 24.7% of customers loyalty (see table 9).

In this line of reasoning, these results constitute concrete facts to be considered by investors and bank managers operating in both countries and other countries in similar conditions in their strategic planning process. Consequently, given these dynamics, a detailed analysis of these findings will be delivered in the following chapter whereas we will also elaborate how these differences can be utilized in the realm of financial institutions.

<table>
<thead>
<tr>
<th>Regression</th>
<th>Country</th>
<th>R</th>
<th>$R^2$</th>
<th>Sig.</th>
<th>F(x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Complaints Handling (CH) &amp; Customer Loyalty (CL)</td>
<td>Lebanon</td>
<td>.713</td>
<td>.508</td>
<td>.000</td>
<td>CL = 1.125CH+17.154</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td>.453</td>
<td>.206</td>
<td>.003</td>
<td>CL = 1.014CH+22.681</td>
</tr>
<tr>
<td>2 Complaints Handling (CH) &amp; Customer Satisfaction (CS)</td>
<td>Lebanon</td>
<td>.716</td>
<td>.513</td>
<td>.000</td>
<td>CS = .756CH+8.677</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td>.441</td>
<td>.195</td>
<td>.001</td>
<td>CS = .417CH+17.055</td>
</tr>
<tr>
<td>3 Customer Satisfaction (CS) &amp; Customer Loyalty (CL)</td>
<td>Lebanon</td>
<td>.729</td>
<td>.531</td>
<td>.000</td>
<td>CL =1.079CS+15.048</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td>.247</td>
<td>.061</td>
<td>.042</td>
<td>CL =.535CS+32.672</td>
</tr>
</tbody>
</table>

Table 9: Results of regression analyses with data split by country
5. **Analysis and Discussion**

This part of the research will feature a detailed examination of the sample description, the findings, and ultimately emphasize the variant response in customer response to complaint management in Sweden and Lebanon.

5.1. **Examination of Sample Selection and Sample Distribution**

In this configuration, subsequent to having the data subjected to several types of analysis and having demonstrated the results, this section elaborates accumulation and validation of the outcome by relating the results of this research to findings of previous research, in addition to the author’s perspective. Whereas, in order to facilitate the process to the reader. This section will be in the chronological sequence of events starting by sample selection and data collection and ending with the final outcomes, their significance, and impact.

Given these dynamics, in order to avoid bias and to harvest more reliable findings we have chosen two countries with both similarities and differences that best serve their purpose of ensuring sustainability of the findings. In this notion, both Lebanon and Sweden have a large number of Banks in operation which is 71 and 117 respectively, this multitude of banks in both countries yields high competition and customer sophistication due to availability of alternatives that also suggests a large frame of reference for the customers (Raven & Welsh, 2004). Therefore, banks in both countries have to spend a considerable amount of time, effort and resources in execution of continuous research in the field of customer magnetism and retention strategy in order to survive this severe competition. In the light of those facts, the researchers were led to believe that, as a reason of this high banking sophistication in both arenas, examining the impact of effective complaints-handling structure and customer satisfaction on customer loyalty in Sweden and Lebanon together will result in tangible findings and provide a bigger picture to significant details that would add ultimate value and increase originality of this study.

On the other hand, in terms of cultural dimensions the two countries are poles apart in terms of culture, when compared via Hofstede’s *et al.* (2010) cultural measurement tools. In this sense, following Hofstede’s *et al.* (2010) model the power distance indicator for Lebanon were calculated to be 80%, meanwhile, Sweden scored 31% in the same dimension, likewise, in regard of (individualism vs collectivism) Lebanon scored 38% categorizing itself in the column of
collectivist societies, whereas, Sweden scored 71% in the same dimension labelling itself as one of the top individualistic societies and so on.

This cultural difference is highly significant as it indicates that we are dealing with a diverse range of in culturally distant countries, whereas, in addition the culture variance, the two research arenas are contradictory in terms of political stability, economical setting and indeed geographical location. Given this scenario, the diversity in the sample chosen equips this study to avoid bias, provide more reliable results, and increase originality of findings.

Interestingly, more was done in order to avoid bias and rushed answers to the questionnaire, the researchers decided to use a different technique which is an oral questionnaire, whereas, each of the questions in the survey was asked to the respondents orally, meanwhile, the researchers were the ones to mark the answer in the survey. This method helped the study in three ways, first, it ensured that the answers were not being filled in randomly and, second, it allowed the scholars to explain each and every question to the respondents in person to ensure their understanding of the questions and guarantee a valid answer, particularly, since the study is conducted in English in two countries where English is not the first language, and third, it allowed the scholars to communicate on a personal level with the respondents and receive immediate feedback. Despite of all these advantages to the oral questionnaire technique, the negative aspect of this it that it requires extra time, which explains the number of sample in the study, (n=199). Nevertheless, the scholars evaluated their options and decided that the advantages of the oral questionnaire technique weighs more that the disadvantages, and therefore has decided to go with a relatively smaller number of sample for the sake of ensuring accurate outcome.

As for the sample description, the largest represented group in the study which constitutes (n=103/199) of the respondents aged between 40 and 49 years. Consequently, the high concentration of respondents of this group in the sample has added a broader vision to the responses, and as a result of their age, their answers exhaled of genuine experiences, whereas, most of them have more than one frame of reference since they have dealt with more than one bank in their adulthood.

Furthermore, 52.3% of the sample which constitutes the frequency of (n= 104 respondents/199) have dealt with the same bank for the period of more than four years. Indeed, the large focus of
this group indicates that more than half of the respondents have at least four years of dealing with the bank which we considered a reasonable time to draw conclusion on whether these clients are satisfied with the service or not, and therefore, these respondents are in the right place to advance their opinion about their banking service.

As for gender distribution, the number of respondents is almost divided fairly between the two genders, whereas, the number of female respondents from both countries was (n =109/199), meanwhile, males constituted (n=93/199) of the total sample. The fair assimilation of both genders in the sample has led to more representative selection process since men and women often have different perception of values including loyalty (Alvesson & Billing, 2009).

5.2. Examination of Correlation between Variables and Verification of Hypotheses

In this regard, two types of analysis were utilized to examine the relationship between the given variables that are correlation and regression analysis for the data set as a whole (results from both Sweden and Lebanon). Conveniently, this section will go over the findings of both analyses simultaneously in the purpose of analyzing the outcome of each hypothesis in the identical aforementioned sequence.

5.2.1. Discussion on H1

As the results of correlation analysis indicated a positive correlation of (r=.654; Sig=. 000; p<.01) between effective handling of customers’ complaints by the banks and customer’s loyalty, the first hypothesis of this research was validated. To further authenticate this outcome and provide details on this correlation, we have applied linear regression test on the same relationship, holding complaints handling as the independent variable and customer’s loyalty as dependent variable. In this notion, the results of linear regression has presented that effective complaint handling by the banks explains 65.40% of the variance in customer loyalty, whereas, (R=.654;R²=.428;Sig=.000).

Given this, the preceding findings affirm the outcomes of other studies in the field of customer retention such as that of (Andreassen, 1999; Tax & Brown, 2000; Stauss & Schoeler, 2004; Boshoff, 2005; Oh, 2006), whereas, these studies have emphasized the positive impact of effective complaints-handling on customer’s retention strategy and loyalty. In their pioneer work
Stauss and Schoeler (2004) argue that a lot of companies are not aware of the essential prominence of effective complaint handling structure. In this notion, these companies fail to secure the effective complaint handling structure as they face difficulties to calculate the direct impact it has on customers’ retention, additionally, they find it hard to compute the financial yield of the latter on profit which causes them to losing clients continuously as a consequence of this knowledge deficit.

This knowledge deficit in this area is no doubt dangerous and causes a direct threat to a company’s market share. Stauss and Schoeler (2004) emphasizes, a key factor into acquiring an effective complaint handling structure is to employ a system to determine the benefits of complaint management in all its forms, in order to reach transparency in terms of the profit income of the latter instead of regarding it as a cost. Essentially, on his part, Boshoff (2005) taking into consideration the importance of determining the benefit of effective complaint management strategies, he develops a model ‘‘RECOVSAT’’ to determine the benefit of service recovery and assess its impact on customers behavior, whereas, his model were proven highly effective in its purpose, therefore we have underlined that it is highly recommended for contemporary enterprises to utilize the findings of Boshoff (2005) in assessing the outcomes of complaint management.

Within this framework, the earlier data provides empirical evidence about the strong nexus between loyalty and conflict management. In his deliberate contribution to complaint management literature Boshoff (2005) asserts that customers will become more loyal to the firm if they were assured that serious actions will be taken towards their complaints based on embedded corporate policies, Additionally, his conclusions also suggest that a large aspect of complaint management structure is effective communication, which also corresponds to verdicts of literature revision in this study that highlights the prominence of enhanced communication structure by indicating that 70% of customer who are unsatisfied with their services will not complain, and about 30% that only report their problems (Eccles & Durand, 1998), and therefore, taking serious actions of the common difficulties that are faced by those reporting customers is no doubt an essential part of the firm’s attempt to retain all the 100%. In this formulation, the firm must regard these frequently reported errors by the 30% as a hint of the problems that the other 70% might have confronted and did not communicate to the firm.
5.2.2. Discussion on H2

Subsequent to discussing the impact and prominence of the correlation between complaint handling and customers’ loyalty that was found in this research, investigating the second finding is no less vital than the first one despite its extreme relevance, confidently, customers’ satisfaction is interrelated to their loyalty, however, the existence of both is a key factor for success to companies and must be examined separately.

In this sense, outcome of correlation table (6) indicated a high positive connection between influential handling of customers’ complaints by their respective banks with customers’ satisfaction, whereas, (r=0.670; sig. = .000; p>.01). Consequently, the second hypothesis in this research was supported. Furthermore, results of linear regression holding constant the independent variable complaints-handling to determine its effect on customers’ satisfaction, indicated that effective handling of customer complaints explains 67.00% of the variance in customer satisfaction, whereas, (R=.670; R² = .449; Sig=.000). This empirical evidence equips us with additional tools to argue that substantial adherence must be paid to customers’ needs, and their complaints must become the firm’s top priority, particularly, since a minor positive change in the level of their satisfaction can lead to radical enhancement of loyalty (Oliva, Oliver & MacMillan, 1992).

Furthermore, the authors emphasized that conflict management exhales more paybacks than loyalty, whereas, it will also serve as a costless marketing power to the firms due to positive word of mouth, loyal customers frequently talk about their positive experiences with their service providers to their acquaintances promoting the firm and dramatically increasing its market share (Raman, 1999). On the other hand, when customers’ expectations are not met, negative word of mouth will be spread and they will advise others against purchasing the suppliers’ product/services. Studies of Hocutt et al. (2006), underlined that in order to attain the state of customers’ satisfaction, employee’s responsiveness to complaints must be associated with courtesy and understanding, additionally, and employees must demonstrate concern in handling these complaints and exhibit and instant action.

This idea is reinforced by the belief that complaining customers’ embodies the most loyal ones, and they are utmost expected to repeat the purchase, besides, studied of Eccles and Durand
(1998) strengthen the argument by stating that when their reported errors are handled properly by the supplier, these complaining customers will promote the firm more than if their expectations were met in the first place, ultimately, by taking about their experience with the firm in effective complaint-handling and their consequent satisfaction.

Within this philosophy, sustainable complaint management continues to receive significant adherence as a consequence of the radical increase in customer expectations that arises with the increasing competition in the marketplace. Whereas, a firm on its part must provide a reason for the purchaser to select its product over those of other firms, many companies today promise customers’ satisfaction with services, yet, the number of those who keep their promises is not nearly relevant to the latter. For this reason, service managers need to comprehend the prominence of keeping promises, whereas, failure to do so will not meet the customers’ expectations when they were guaranteed to be served at certain level of proficiency and within a certain timeframe, which will ultimately lead to customers’ dissatisfaction despite the fact that the error reported was well recovered (Brown, Cowles & Tuten, 1996). In this sense, therefore, companies must develop their complaint management strategy in careful consideration of their physical and human resources to as to keep their promises and retain their clientele.

Also following Brown et al. (1996) service providers should focus on two main aspects when designing their complaint management structure, the first is, portraying a transaction focus at the moment when the complaint is being reported, ensuring the professional attitude and courtesy by the staff responding to complaints, an explanation of the error and an apology on behalf of the firm and extending the clients time frame and procedure of the complaint handling process goes a long way in customers relief. The second, depicting a relationship approach since the key motif of complaint management to firms is not merely to improve the after sale service and recover the error reported, but also to enhance the delivery process of the service and pledge assurance of a gratifying experience to their clients. Furthermore, the second aspect underlines consistency of delivery and reliability for the purpose of enhancing a long-term relationship with the customers.

In the light of these facts, we have to highlight that the preceding ingredients of service quality and complaints management are essential to regulate the re-purchase process and ensure the level of satisfaction, meanwhile, the is always a possibility for mistakes and defects to happen, there should be no tolerance in terms of amending those errors. In this regard, our finding has
indicated specified that a weak positive relation \( r = .135; \text{Sig.} = .057; p<0.1 \) exists between the instantaneous complaint handling by the bank with the number of years the customer has dealt with the bank (See table 6).

**5.2.3. Discussion on H3**

Unremittingly, the authors were able to affirm the last hypothesis which is meant to accumulate the findings of the first and second hypotheses to reach the goal of the research question in this study while preserving the main objective that is to attain customer’s loyalty via enhanced complaint management. Whereas, results of the correlation table (6) exhaled domineering results \( (r= .626, \text{Sig}=.000; p<.01) \) in terms of the relationship between satisfaction and loyalty. Furthermore, results of the second analysis provided more support, whereas, the repercussion of linear regression between satisfaction and loyalty indicates a strong relation between the two variables, with the following calculations, customer satisfaction explains 62.6% of customer loyalty \((R=.626; R^2=.398; \text{Sig}.=0.00)\).

In essence with Narteh (2013a), customer loyalty is defined as the repetitive purchase over a period of time of a product that is selected amongst several of other alternatives by an individual or group or a company. In his article, Narteh (2013a) argues that attitudinal and behavioral approaches are the best way to measure customers’ loyalty as discussed in the literature section. Moreover, he emphasized that the primary determinant to loyalty is effective service quality that leads to customer satisfaction and ultimately loyalty which strengthen our argument.

Studies of Leal and Pereira (2003) indicate that customer satisfaction is a prediction of loyalty, whereas, their findings emphasizes that an apology by the frontline employee on behalf of the firm in case of service failure is an important factor to customer satisfaction, additionally, in critical situations, compensation were proven to have a larger impact than an apology in customer retention.

To this end, the fact that errors happen is somehow an acceptable and unfortunate mistake, but choosing to tolerate their occurrence is a decision. Indeed, it is a choice that will lead the firm to losing clientele and depict a bad reputation in the market place. That said, complaint
management is about making the best out of the situation for the benefit of both the firm, and their clientele.

In this notion, Japanese car manufacturer Toyota, which in 2012 were considered the largest car manufacturer in the world in terms of production, has demonstrated a fundamental example in terms of achieving customer satisfaction and loyalty via effective service quality and complaint handling (Pravda.Ru, 2012). In 2012, Toyota motors withdrew more than 7.5 million vehicles from around the globe because of malfunctioning power-window-switches; this vehicle withdrawal was distributed between the United States, Europe, China, Japan, and other markets. Furthermore, the recall was the largest for the car manufacturer since 2009, whereas, more about 12 million cars were withdrew for different minor dysfunctions (Pravda.Ru, 2012). In the aforementioned occasion, the window switch dysfunction error was reported recurrently by their service branches which caused the manufactured to recall several models although most of the cars were functioning appropriately. In our perception, despite the high cost that this car manufacturer has spent in this occasion, Toyota has demonstrated an ideal model of responsible service quality in regard to attempts of sustaining a certain level of value in their products so as to withstand customer satisfaction, and sustain competitive advantage. Toyota were aware that despite the high cost of recalling 7.5 million vehicles in one year, they will preserve their brand imagine and gain market respect, further, they will gain customers’ respect and loyalty in the longer term. Today the 8th of May 2014, according the British business news BBC, Japanese car manufacturer has recorded a dramatic significant growth in its profit over the past two years, Toyota has verified its profit in sales up to $17.8bn up to March 31st, 2014 which is double the profit made a year ago (BBC, 2014).

5.3. Comparative analysis:

Despite the fact that the findings of this study strongly support all the three hypotheses that were developed on the basis of theoretical framework of the study, the results derived from each country separately differs in a way that has attracted our adherence. In an attempt to explain why the strength of the relationship between effective complaint management, customer satisfaction and customer loyalty differs in Lebanon and Sweden, the findings presented in empirical part of the research will be further discussed and analyzed from the perspective of external factors.
related to cultural differences of customers, competition and specific characteristics of banking industries of both countries.

5.3.1. **Comparison of the relationship between effective complaint handling and loyalty in Lebanon and Sweden:**

Considering correlation tables (7 and 8), the analysis conduct on the data sets from both countries separated has revealed that the strength of relations between effective complaint handling and customer loyalty in Lebanon is essentially stronger rather than that in Sweden. In this regard, correlation coefficient derived from Sweden’s data set is \( R=0.441^{**}; \) sig. =0.000 whereas correlation coefficient retrieved from Lebanon’s data set is \( R=0.716^{**}; \) sig. =0.000 (see Table 7 and Table 8 respectively). Results of regression analysis shows that 71.3% of the variance in customer’s loyalty of Lebanon is determined by effective complaint handling \( R=0.713; R^2=0.508; \) Sig. =0.000); whereas, in case of Sweden effective complaint accounts only for 45.3 % of customer’s loyalty to the service provider \( R=0.453; R^2=0.206; \) Sig. =0.003).

Within this framework, in an attempt to understand the essential variations in results between the two countries further analysis in relevance to brand equity will be applied in this section. Following Tax et al. (1998) accumulative goodwill (equity) is achieved through previous satisfaction experiences with the organization that positively impacts evaluation of complaint handling efforts, and even decreases the negative impact of poorly managed complaint incidents. More precisely, satisfaction with the prior encounters diminishes negative outcome of poorly managed customer complaint, because customers still are willing to deal with service provider taking into account the relationship with the provider based on previous satisfying experience (Tax, Brown & Chandrashekaran, 1998). Moreover, initial unfavorable experience with organization increase customer expectations from service recovery (Tax, Brown & Chandrashekaran, 1998). Further, consistent with Donthu and Yoo (1998) the customer overall expectations from delivered service are higher in countries that score relatively low at Hofstede’s et al. (2010) power distance dimension such as Sweden; whereas, customer expectations in Lebanon are lower, as this country scores higher at power distance.

That being said, customer expectations in the two countries varies due to Hofstede’s et al. (2010) power distance dimension, it is likely that impact of effective complaint handling will be
greater on customer attitude and repurchase behavior in the case of Lebanon compared to Sweden. Customers in Sweden expect and accept high quality service, whereas Lebanese customers have lower overall service quality expectations, presumably, it is more challenging for complaint managers in Sweden to employ effective recovery actions that will exceed the high customer expectations, and utilize the occurrence of service failure for renewing customer’s commitment.

Additionally to the aforementioned discussion, different levels of liaison between effective handling of customer’s problems and loyalty in the two countries can be explained by different scores at Hofstede’s et al. (2010) individualism dimension. Following Hofstede et al. (2010) Sweden is considered as an individualistic society, whereas Lebanon is regarded as collectivistic society, in this regard, people who belong to individualistic cultures prioritize their own interest over the reference group; hence, customers are more likely to prioritize their own interests without taking into consideration the interest of the service provider. Having said that, customers from individualistic societies such as Sweden are likely to have a low level of tolerance in case of delivering poor service quality, and afterwards are likely not to be interested in developing long term relationship with service provider. It can be explained by specific cultural characteristics related to the individualism dimension that suggest that individualistic customers are well-experienced and feel free entering or leaving the reference group they belong to, essentially, having overall high tendency to terminate the relationship with the service provider in case of experiencing poorly handled complaint. Conversely, customers from collectivistic societies prioritize group over personal interest, which means that they are more likely to have high level of tolerance in case of service failure and they wouldn’t simply leave the service provider, essentially, having overall tendency to establish and maintain long lasting relationship with the bank because one is considered as member of their in-group (Donthu & Yoo, 1998).

5.3.2. Comparison of the relationship between effective complaint and customer satisfaction in Lebanon and Sweden:

Having compared the distinctive response of customers to complaint management using findings of correlation analysis applied to each country separately, it was revealed that the significance of relationship between customer satisfaction and effective complaint handling in Lebanon is
substantially stronger than that in Sweden, whereas, (Lebanon: \( r = 0.713^{**}, \text{ sig.} = 0.000; \) Sweden: \( r = 0.372^{**}, \text{ sig.} = 0.002 \)). Therefore, according to Oliver (1980) the customer evaluation of perceived service can result into dissatisfaction, satisfaction or delight depending on whether their expectations are disconfirmed, met or exceeded. In this regard, Lebanon belongs to high power distance culture (Hofstede, Hofstede & Minkov, 2010). Based on their study, Donthu and Yoo (1998) we can explain this phenomenon as if the “weak power” Lebanese customers are likely to have lower level of service quality expectations and are more tolerant towards “powerful” service provider’s reliability and responsiveness shortcomings than their counterparts from low power distance Sweden. Consequently, it seems that effective complaint handling employed by banks in Lebanon exceed low customer expectations making customers delighted which ultimately lead to a greater satisfaction as also described by Oliver (1980).

Conversely, based on empirical findings in this research, we can observe that complaint management has lower influence on customer satisfaction in case of Sweden. Essentially, the reason behind this phenomenon can be explained that Swedish customers expect and accept high level of service quality from the service provider as it is suggested by Donthu and Yoo (1998). Additionally, Dash et al. (2009) also point out that customers from low power distance countries assume reliable and responsive service having high service quality expectations. Giving this dynamic, it is likely that complaint handling efforts employed by banks in response to failure encounters simply meet Swedish customer expectations and does not lead to extra delight as it is the case for Lebanese customers; thereby, higher customer expectations in Sweden explains the less significant moderate relationship between effective complaint handling and customer satisfaction. Whereas, to further support this claim, our results of linear regression analysis reinforces this suggestion showing that effective complaint handling in Lebanon determines 71.6% of the variance in customer satisfaction (\( R=0.716; R^2=0.513; \text{Sig.}=0.000 \)), on the other hand, in case of Sweden it explains about 44.1% of the same variable (\( R=0.441; R^2=0.195; \text{Sig.}=0.001 \)).
5.3.3. Comparison of the relationship between customer satisfaction and loyalty in Lebanon and Sweden:

This step of analysis underlines the variation in customer’s response to satisfaction in relevance to loyalty in the two tested countries. Whereas, after comparing results of correlation analysis applied for each country independently, a variance in strength of liaison between the two variables was observed between the results of analysis of two countries. Implicitly, in case of Sweden Pearson’s correlation coefficient is ($R=0,218*$; sig. $=0,074$), whereas in Lebanon the coefficient is ($R=0,729**$; sig. $=0,000$). Thus, the extent of positive correlation between satisfaction and loyalty is substantially stronger in Lebanon compared to Sweden. Similarly, repercussions of linear regression analyses further supports our claim by indicating that satisfaction in Lebanon explains 72.9% of customers loyalty ($R=0,729$; $R^2=0,531$; Sig.=0,000); whereas, in Sweden customer satisfaction grants only 24.7% of customer committed intention ($R=0,247$; $R^2=0,061$; Sig.=0,042).

In their study, Bowen and Chen (2001) argue that only extremely satisfied customers demonstrate positive attitudinal and behavioral intention toward service provider through patronage behavior and spreading favorable word of mouth. Essentially, additional efforts should be employed by the firm to exceed level of customer expectation and attain loyal who demonstrate positive attitudinal and behavioral actions as described by Rowley (2005).

In this sense, it is more likely that Swedish customers being representatives of low power distance culture have higher expectations toward service delivery comparing to their counterparts from high power distance Lebanon. In this regard, the relevant articles concerning characteristics of banking industries in Sweden and Lebanon suggests that on average banks within both countries deliver similarly high quality service. Both countries have equal level of bancarization, where the bank branches as well as automated teller machines are distributed to the same extent across countries depending on the location of their economic activities.

Furthermore, the customer service of Lebanese banks meet level of standards of some developed countries and try to keep pace with development of new technologies meeting new upcoming customers’ needs. Further, in the following studies the authors Anderson et al. (1976), Thwaites and Vere (1995) point out that convenience and accessibility are key factors that determine the
customer choice towards a certain bank and directly affect customer satisfaction and repetition of purchasing act; in this regard, Lovelock (1983) emphasizes that the increasing number of bank branches contributes to a greater accessibility, however, findings of Narteh (2013a)’s research points out that due to the development of informational technologies, availability of electronic banking services has become an important factor that affects the consumer selection of the bank. Thereby, taking into account contemporary banking and modern practices of payment including electronic banking services are still inadequately spread among Lebanese customers, the geographical bank location remain to play a key role in the choice of bank to the Lebanese customer.

To this end, based on the aforementioned claims, we came to a realization that bank managers have to design their complaint management strategy taking into account vital elements such as customer behavior, expectations and competition. Whereas, in this study, despite the similar service quality provided by the Swedish and Lebanese banks, Lebanese customers seemed to be more inclined to recognize complaint management efforts by their banks than the Swedes, due to lower expectations of quality provided. Therefore, given these dynamics, Lebanese banks have to underline effective complaint management to retain customers, and besides sustaining effective complaint management, Swedish banks have to look for additional incentives to exceed their customers’ expectations and ultimately ensure their loyalty.
6. Conclusion

The final chapter of this research highlights the limitations endured, the scientific contribution of the study, and a brief conclusion of the previous chapters.

6.1. Study limitations and Suggestions for Future Studies

This study has accumulated dynamic findings to extend our cognitions in the field of complaint management and customers’ service, despite the existence of few research limitations that will be explained in this section. In this regard, it can be argued that the two cities chosen to collect the primary data does not quiet represent the countries intended to be examined. Whereas, Beirut is the capital of Lebanon, and does not reflect an accurate representation of the country as a whole, moreover, our first research arena, the Lebanese American University is one of the most expensive educational centers in the middle-east with extremely high tuition fees that can only be afforded by upper-class community. In the same pattern, our second research arena, the city of Gavle might not be a good representation of Sweden as a whole considering its small size. Furthermore, larger sample size could have yielded a more representative data, although due to time limitations, it was regarded that focusing on 199 respondents to get accurate and valid responses was the best alternative.

Given these limitations, we emphasize that, to enhance the representation of sample, if applicable, future studies should target more cities with variant circumstances, in order to draw a full picture of the countries included in comparison. On the other hand, this study has focused on utilizing quantitative research methodology since the focus here was on statistical analysis and extracting formulas to calculate the impact of variables on each other, whereas, another approach to this topic can be an expansion to employing both quantitative and qualitative research methodology so as to go in depth in attaining more information and genuine examples from bank managers. In this sense, the triangulation approach can look at this topic from a different perspective and perhaps results in more managerial implications. Moreover, meanwhile this study has focused its analysis on the banking industry; future studies might consider testing other industries, such as car manufacturing, or telecommunication, so as to advocate effective after sale service and make sure that customer complaints are well heard and taken into account, and true value is being delivered in all products.
6.2. Scientific Contribution

The singularity of this research is embodied in the valid presentation of the direct link between the efforts that companies invest in responding to customer’s complaints and the tangible profit rewarded in return over that investment. In this regard, it does not necessitate a specialist to illustrate that complaint handling leads to satisfaction; yet, the challenge in this study was to mathematically calculate to what extent complaint management enhances satisfaction and loyalty. Many studies in this field have emphasized the importance of complaint management in modern enterprises, yet, this study were able to extract formulas to compute how much complaint management enhances the overall profit.

Moreover, the multitude of previous studies in the fields of complaint management and customer relations was revised in this research and the screening of a variety of deliberate ideas and establishing of a valid literature foundation has led to an strong integration of the past philosophies with current or modern evidence.

Furthermore, findings of this research is advanced by the selection of sample, whereas, the two countries are poles apart in many aspects including economical standing, and even customers response to effective complaint management, evidently, the diversity in sample selection enhanced the originality of this research, and consequently, led to more reliable findings.

6.3. Managerial Implications

Assimilating the philosophies of the past with modern evidence in the current study has formed a tool for bank managers to underline the importance of customer retention, particularly, with the increasing competition in the industry. This research provides managers formulas to calculate the profit margin with the enhanced complaint management structure. Further, this study demonstrates with empirical evidence that the impact of complaint management on customer retention varies from a country to the other and is dependent on multiple factors such as culture, competition, customer behavior, and level of sophistication of service. That is being said, therefore, bank managers have to design their complaint management strategy taking into account these vital elements. For instance, in this study, despite the similar service quality provided by the Swedish and Lebanese banks, Lebanese customers seemed to be more inclined
to recognize complaint management efforts by their banks than the Swedes, due to lower expectations of quality provided. Therefore, given these dynamics, Lebanese banks have to underline effective complaint management to retain customers, and besides sustaining effective complaint management, Swedish banks have to look for additional incentives to exceed their customers’ expectations and ultimately ensure their loyalty.

6.4. Summary and Reflection

Intensifying the prominence of customers’ loyalty, this research underlines the idiosyncratic connection between customers’ satisfaction and loyalty via effective complaint management structure. Implicitly, this study is aimed to advance an answer to the following question ‘what is the impact of effective complaint management on customers’ loyalty?’, In this regard, we have revised a multitude of research in this area, focusing on the remarkable works of Oliver (1980), Bitner et al. (1990), Dick and Basu (1994), Brown et al. (1996), Tax et al. (1998), Andreassen (1999), Andreassen (2000), Tax and Brown (2000), Leal and Pereira (2003), Boshoff (2005), Rowley (2005), Lymeropoulos et al. (2006), Oh (2006), Walker et al. (2008), Al-Eisa and Alhemoud (2009), Komunda and Osarenkhoe (2012), Lovelock and Wirtz (2011), Narteh (2013a). Subsequently, realizing the difficulties that firms face to calculate the profit generated from effective complaint management, and the impact of the latter on satisfaction and loyalty, three hypotheses were postulated to empirically determine via statistical analysis the liaison between the three following variables; complaint management, satisfaction and loyalty.

In this configuration, as a result of the sophistication and enhancement of complaint management in banking industry, a questionnaire was developed to examine the relationship between banks and their clients, focusing on the impact of banking service and complaint handling in attempt of customer’s retention. Within this framework, so as to get a broader perspective and more reliable findings, the study was conducted in two contrasting countries in terms of economic circumstances, customer behavior and other factors. Whereas, responses to the questionnaire were collected from University of Gavle (Gavle, Sweden), and Lebanese American University (Beirut, Lebanon) during April 2014, escalating a total of 199 valid responses to the questionnaire.
Subsequently, the outcome of quantitative research was analyzed via SPSS (software package used for statistical analysis), in particular, utilizing the relationship measurement tools, correlation and linear regression analysis. In this notion, the repercussion of the analysis led to fundamentally privileged findings, whereas, after computing the extent to which each variable affect the other, we were able to extract three formulas to determine the linear relationships between the variables and stimulate its calculation process.

Furthermore, emphasizing the distinction of these relationships, the scholars developed a detailed analysis to compare the findings with previous research and validate the outcome, moreover; an evaluation of customer behavior was executed to compare the responses of banking customers to complaint management in the contrasting research arenas, Sweden and Lebanon. Additionally, highlighting other privileges and determinants of loyalty, such as communication and positive word of mouth; meanwhile, loyal customers play a protagonist role in advocating brands and consequently increasing its market share via spreading positive word of mouth, the establishment of an effective communication structure is an essential and imperative aspect of loyalty to stimulate the complaint handling process and receive immediate feedback on the service provided.

That said, repercussions of this research provide solid data regarding the vital adherence that firms must pay to customers’ needs and complaints, and the necessity to design sustainable complaint management strategy so as to retain current customers, protect brand imagine, and ultimately transform a onetime customer into a lifetime client.
References:


Association of Banks in Lebanon 2012, 2012-last update, Annual report 2012. Activity And Performance Of The Lebanese Banking Sector In 2012: Part Four [Homepage of


Appendix

Regression 1: Indep: Complaints

Variables Entered/Removed\(^a\)

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a. Dependent Variable: CustSat

b. All requested variables entered.

Model Summary\(^b\)

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Model Summary\(^b\)

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a. Predictors: (Constant), Compliants

b. Dependent Variable: CustSat

ANOVA\(^a\)

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a. Dependent Variable: CustSat

b. Predictors: (Constant), Compliants
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*a. Dependent Variable: CustSat*

### Casewise Diagnostics

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<td>8.84707</td>
</tr>
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<td>133</td>
<td>-5.125</td>
<td>12.00</td>
<td>25.4416</td>
<td>-13.44159</td>
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</table>

*a. Dependent Variable: CustSat*

### Residuals Statistics

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
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<tbody>
<tr>
<td>Predicted Value</td>
<td>18.3282</td>
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<tr>
<td>Std. Residual</td>
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<td>3.373</td>
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<td>.997</td>
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</tbody>
</table>

*a. Dependent Variable: CustSat*
Regression 2, Indep: Complaints, Dep: Loyalty

Variables Entered/Removed\(^a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Variables Entered</th>
<th>Variables Removed</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Compliants(^b)</td>
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</table>

a. Dependent Variable: Loyalty

b. All requested variables entered.

Model Summary\(^b\)

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
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<tbody>
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<td>1</td>
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ANOVA\(^a\)

<table>
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<tr>
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<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig</th>
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<tbody>
<tr>
<td>Regression</td>
<td>2902.342</td>
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<td>2902.342</td>
<td>147.498</td>
<td>.000</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>3876.402</td>
<td>197</td>
<td>19.677</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6778.744</td>
<td>198</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Loyalty

b. Predictors: (Constant), Compliants
Coefficientsa

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
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<th>Sig</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
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<td>2.274</td>
<td>7.678</td>
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</tr>
<tr>
<td>1</td>
<td>Compliants</td>
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a. Dependent Variable: Loyalty

Residuals Statisticsa

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predicted Value</td>
<td>31.2843</td>
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<td>44.8090</td>
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<tr>
<td>Std. Predicted Value</td>
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<td>1.884</td>
<td>.000</td>
<td>1.000</td>
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<tr>
<td>Std. Residual</td>
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a. Dependent Variable: Loyalty

Regression 3: ALL - Enter

Variables Entered/Removeda

<table>
<thead>
<tr>
<th>Model</th>
<th>Variables Entered</th>
<th>Variables Removed</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Compliantsb</td>
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</tbody>
</table>

a. Dependent Variable: Loyalty

b. All requested variables entered.
### Model Summary

<table>
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<tr>
<th>Mode 1</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>.654(^a)</td>
<td>.428</td>
<td>.425</td>
<td>4.43590</td>
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### Model Summary

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<td>F Change</td>
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<tr>
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<td>147.498(^a)</td>
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</table>

a. Predictors: (Constant), Compliants
b. Dependent Variable: Loyalty

### ANOVA

<table>
<thead>
<tr>
<th>Model 1</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
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<td>1</td>
<td>2902.342</td>
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<td>.000</td>
</tr>
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<td>Residual</td>
<td>3876.402</td>
<td>197</td>
<td>19.677</td>
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<td></td>
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<td>Total</td>
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<td>198</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Loyalty
b. Predictors: (Constant), Compliants
## Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
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<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>Beta</td>
<td></td>
</tr>
<tr>
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<td>2.274</td>
<td>7.678</td>
<td>.000</td>
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<tr>
<td>1 Compliants</td>
<td>1.152</td>
<td>.095</td>
<td>.654</td>
<td>12.145</td>
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</table>

a. Dependent Variable: Loyalty

## Residuals Statistics

<table>
<thead>
<tr>
<th></th>
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<th>Std. Deviation</th>
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</thead>
<tbody>
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<td>52.0230</td>
<td>.448090</td>
<td>3.82861</td>
</tr>
<tr>
<td>Residual</td>
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a. Dependent Variable: Loyalty
## Questionnaire

<table>
<thead>
<tr>
<th>Satisfactorily</th>
<th>STRONGLY AGREE</th>
<th>AGREE</th>
<th>SOMEWHAT AGREE</th>
<th>DISAGREE</th>
<th>STRONGLY DISAGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>My bank meets my expectations</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>My bank assigns adequate time to respond to complaint</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>My bank doesn’t notice the complaints made</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>My Bank apologizes whenever a complaint is made</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Complaint Management</th>
<th>STRONGLY AGREE</th>
<th>AGREE</th>
<th>SOMEWHAT AGREE</th>
<th>DISAGREE</th>
<th>STRONGLY DISAGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>My Bank makes me feel valued</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>My bank provides information about handling of complaints</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>The employees are friendly and helpful</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>My bank stick to their timing promises</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loyalty</th>
<th>STRONGLY AGREE</th>
<th>AGREE</th>
<th>SOMEWHAT AGREE</th>
<th>DISAGREE</th>
<th>STRONGLY DISAGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>When I am disappoint with the bank service, I change my bank</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Rank your perception of effective communication</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>I change my bank, if communication is not smooth</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>When I am happy with the service I promote my bank to others</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>I am happy with the services of my bank</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>I am loyal to my bank</em></td>
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</tbody>
</table>

### Demographic Data

<table>
<thead>
<tr>
<th>Age</th>
<th>5 (15-19)</th>
<th>4(20-29)</th>
<th>3(30-39)</th>
<th>2(40-59)</th>
<th>1(60+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>Female</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Name of Bank</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years of Relationship</td>
<td>4-less than 1 year</td>
<td>3(1-2 years)</td>
<td>2(2 -3 years)</td>
<td>3(3-4 years)</td>
<td></td>
</tr>
</tbody>
</table>