

ASSESSING THE IMPACT OF COMPLAINTS MANAGEMENT SYSTEM IN HOSPITALITY ORGANIZATIONS IN EGYPT: A CUSTOMER- ORGANIZATION PERSPECTIVE

Ashraf Tag-Eldeen¹

*Hospitality Management & Business Administration, Faculty of Tourism & Hotels
Alexandria University Egypt.*

Received 29 February 2020; Accepted 14 April 2020; Published 27 July 2020

The highly-competitive environment of hospitality operations requires a solid approach and a robust supporting system for customer retention. While concepts like Customer Relations Management (CRM) and Total Quality Management (TQM) proved to be vital to maintain such customer loyalty, a more critical and supportive system, i.e., complaints management is also required to back up a long-term customer-operation relationship (Samsona and Terziiovskib, 1999; Stone, 2011).

The significance of fostering a complaints management system in hospitality operation stems from the fact that retention of existing and loyal customers is a real marketing priority. In the meantime, it is a key component of customer relationship management and an explicit element of TQM system. Sustaining such a complaints management system requires a distinctive response, effective, and systematic handling (Ro and Wong, 2012).

It is also well-recognized that the unique characteristics of hospitality services e.g. variability, inseparability, and intangibility provoke failures while providing the service, and hence complaints are unavoidable. Moreover, these characteristics place an even more constraints on management to be more alert and develop strategies that would allow them to recover from any operational failures that might arise (Bosch and Enriquez, 2005; Rodie and Martin, 2001). It should also be acknowledged that placing a complaint is not the end of the customer-operation relationship. On the contrary, it could be a good chance to develop and restore a better or even loyal relationship (Hoffman and Chung, 1999).

Although, the hospitality industry can be perceived as an industry vulnerable to customer-organization conflict due to the nature of the characteristics of the services provided, it can also be considered to be at an advantage to enhance

¹Correspondence to: Ashraf Tag-Eldeen, Professor of Hospitality Management & Business Administration, Faculty of Tourism & Hotels Alexandria University, Egypt, E-mail: a.tageldeen@alexu.edu.eg

and strengthen its ties with its customers even with those who had negative experience (Heung and Lam, 2003).

Furthermore, complaints are not yet recognized as an operational value. Rationally, complaints provide a real source of information and marketing intelligence for the management that need to be properly investigated and analyzed. Therefore, the main goal of this empirical research is to look at how significant is complaints management for hospitality operations and how it impacts on organizational performance (Johanson and Woods, 2008; Lee and Ko, 2012; Lo and Lamm, 2005). Some of the potential impacts may include, *inter alia*, influences on customer retention, competitive advantages and quality of the services provided. Moreover, the moral aspect of frontline employees will be addressed (Robbins and Miller, 2004).

Despite the growing interest in receiving customers' feedback as an effective tool to monitor the performance of hospitality organization, very few operations consider a robust system of complaints management. The knowledge about how to successfully develop and implement a complaints management system is limited and not supported as an organizational policy. It is mainly developed based on intuition or individual initiatives from senior and top management. Therefore, the objectives of this study are to investigate the current applications/standards of complaints management system, to explore its value and impact on hospitality organizations' performance in Egypt, and finally, to emphasize the relevant implications and recommendations for the hospitality industry practitioners for improving the existing customers' complaints management systems and strategies. Hence, the research problem can be stated in the following question: "What is the impact of complaints management system on hospitality organizations' performance?"

In an attempt to investigate the most efficient and effective way to handle customer complaints, researchers like Stauss and Seidel (2004) investigated the complaint management process; a process that starts with complaint stimulation, complaint acceptance, complaint processing, complaint reaction, complaint analysis, complaint management controlling, and complaint reporting. It has been established that 5 to 10% of unsatisfied customers complain directly to the company and, therefore, the management has to maximize the number of direct customer feedback and remove any barrier that hinder the customer feedback. The technology has further supported this approach by using E-mails, or online complaint forms, or even by providing IPADs at the lobby to communicate directly any complaint to the management on the spot (Stauss and Seidel, 2004). It is also important to realize the significance of the role of human resources; namely customer-contact employees who receive at least 65% of filled complaints (Brown, 2000).

The different approaches for complaints management extends to the conceptual branch of organizational learning and development. According to La and Kandampully (2004), management of service failure catalyzes organization-wide learning and triggers initiatives at various levels - operational, strategic, and conceptual - that guide the implementation of value-enhancing and product innovations. In fact, service recovery is not just a 'damage-control' mechanism

affecting the first-line service level, but part of the organization's strategic planning to ensure that its offerings are continuously improved.

The psychology of complaints and service recovery along with customers' expectations were also scrutinized to understand the engagement and emotional attachment of customers associated with the issue. Robbins and Miller (2004) addressed the phenomenon of engagement, emotional attachment, and service recovery which means that the guest will be more likely to return and spend more with the property if, and only if, proper handling of the problems and service recovery was fulfilled. Additionally, the emotional aspect extends to employees as well. Possession of effective complaints management system and proper handling of complaints have proved to influence the performance of employees in many areas. The association of emotional labor and the influence of work environment in hospitality operations impact on employees' absenteeism rate, employees' level of satisfaction and subsequently on retention rate (Johanson and Woods, 2008; Lee and Ko, 2012; Lo and Lamm, 2005).

There is no doubt that mishandling customers' complaints/dissatisfaction could ruin the reputation of the hotel operation as most customers are likely to engage in private complaint behaviors such as word-of-mouth communication and ceasing to patronize the hospitality operation.

Further, it is quite important to identify the pattern of complaints behavior (Heung and Lam, 2003). Participants also confirmed the significance of "*Net Promoter Score*" (NPS) with reference to customers feedback as regards how likely customers may recommend the property to friends and colleagues and how likely they may return to the hotel property. Overall measures of satisfaction and NPS are chiefly used as internal and external benchmarks of performance. Holding of database for customers' complaints is also of great eminence. The objective is to use "*RECOVSAT*" instrument which measures satisfaction with six dimensions of service recovery - communication, empowerment, feedback, atonement, explanation and tangibles (Boshoff, 2005). Customers' feedback is the best way to improve performance and guest experience. How well a complaint is managed is a key determinant of consumer satisfaction, which maybe correlated with loyalty (Stone, 2011).

Regarding employees' satisfaction and employees' retention rate, the results supported the compatibility with positive employees' moral as clear and established complaints procedures are in place. The psychological and emotional impacts of conflict are significantly minimized with an established handling of complaints' system. Reduction in numbers of complaints and improvements of operational performance impacted positively on both employees' retention and guest loyalty and repeat business.

An interesting result was the transparency of communicating complaints to corporate or head office. While the norm for some time was to hide/cover operational problems from senior management, it has become more of a demand by some Headquarters to receive customers' feedback and complaints in many forms and in various frequencies. This trend is growing and is being justified to support both product development and marketing strategies.

A key significant outcome was the role of social media reflecting the impact of technological advances on many aspects of goods and service markets along with the emergence of a new customer segment i.e. '*millennials*'. The term of electronic customer relations management (e-CRM) with reference to handling

Tag-Eldeen

customers' complaints via the social media is a reflection of this trend (Cho et al., 2002).

Authors like Cambra-Fierro et al. (2015), Stauss and Schoeler (2004), and Stone (2011) have confirmed that designing effective complaints management system would maximum financial performance from many perspectives. They also emphasized that the system needs to focus on process improvement and employees' motivation and moral, rather than customer satisfaction per se. Respondents also confirmed a strong relationship and link between operational financial performance and complaints' processes, satisfaction, retention, process/product improvement, employee attitude and retention.

Finally, successful complaints handling and recovery tend to counterbalance service failure and produce good return on investment. More specifically, excellent service recovery can enhance customer satisfaction and loyalty, increases re-patronage, market share, and positive word-of-mouth. Benefits also extend to improved branding and superior design of the service/product. Service failure should be considered an opportunity to impress customers with good service performance.

In conclusion, this research paper highlighted the significance of sponsoring a complaints management system to support the operational quality and enhance the organization-customer relationship. The primary implications for this research for practitioners could be accentuated as developing a robust and reliable complaints management system and feedback. This system should be a top-management priority and must be monitored regularly and dealt with effectively. Further, a statistical record should also be maintained and communicated to key operational management figures and associated members of staff. Lastly, technology applications should be considered for the purpose of efficiency and effectiveness of handling customers' complaints. Software applications will definitely facilitate monitoring, follow-up, and more importantly establish efficient channels of communication with hospitality operations' customers in general and complainants in particular.

REFERENCES

- Altinay, L. & Paraskevas, A. (2007). Planning research in hospitality & tourism. London: Routledge.
- Blodgett, J.G., Wakefield, K.L. & Barnes, J.H. (1995). The effects of customer service on consumer complaining behaviour. *Journal of Services Marketing*, 9(4): 31-42.
- Bosch, V.G. & Enriquez, F.T. (2005). TQM and QFD: Exploiting a customer complaint management system. *International Journal of Quality & Reliability Management*, 22(1): 30-37.
- Boshoff, C. (2005). A re-assessment and refinement of RECOVSAT - An instrument to measure satisfaction with transaction-specific service recovery. *Managing Service Quality*, 15(5): 410-425.
- Brown, S.W. (2000). Practicing best-in-class service recovery. *Marketing Management*, 9(2): 8-9.
- Bryman, A. (2015). Social research methods. Oxford: Oxford University Press.
- Cambra-Fierro, J., Melero, I. & Sese, J. (2015). Managing complaints to improve customer profitability. *Journal of Retailing*, 91(1): 109-124.
- Chacko, H.E. & Nebel III, E.C. (1990). Qualitative research: Its time has come. *Hospitality Research Journal*, 14(2): 383-391.
- Cho, Y., Hiltz, R. & Fermestad, J. (2002). An analysis of online customer complaints: Implications for web complaint management. The 35th Annual Hawaii International Conference on System Sciences. Hawaii: IEEE-Computer Society, pp: 2308-2317.

- Creswell, J.W. (1994). *Research design: Qualitative and quantitative approaches*. Thousand Oaks, CA: Sage Publications, Inc.
- Davidow, M. (2003). Organizational response to customer complaints: What works and what doesn't. *Journal of Service Research*, 5(3): 225-250.
- Easterby-Smith, M., Thorpe, R. & Lowe, A. (2012). *Management research: An introduction*. (4th ed.). London: Sage Publications Ltd.
- Etikan, I., Musa, S.A. & Alkassim, R.S. (2016). Comparison of convenience sampling and purposive sampling. *American Journal of Theoretical and Applied Statistics*, 5(1): 1-4.
- Estelami, H. (2000). Competitive and procedural determinants of delight and disappointment in consumer complaint outcomes. *Journal of Service Research*, 2(3): 285-300.
- Fielding, N.G. and Fielding, J.L. (1986). *Linking Data*. Newbury Park, California: Sage Publications, Inc.
- Foster, S.T. (2004). *Managing quality: an integrative approach*. New Jersey: Pearson Prentice Hall.
- Heung, V. & Lam, T. (2003). Customer complaint behaviour towards hotel restaurant services. *International Journal of Contemporary Hospitality Management*, 15(5): 283-289.
- Hirschman, A.O. (1970). *Exit, voice, and loyalty: Responses to decline in firms, organizations, and states*. Cambridge, MA: Harvard University Press.
- Hoffman, K.D. & Chung, B.G. (1999). Hospitality recovery strategies: Customer preference versus firm use. *Journal of Hospitality and Tourism Research*, 23(1): 71-84.
- ISO - International Organization for Standardization (2014). *ISO 10002: Quality management—customer satisfaction – guidelines for complaints handling in organizations*. Genève, Switzerland: ISO. Accessed on 17 August, 2017. Available online at: <https://www.iso.org/standard/65712.html>.
- Johanson, M.M. & Woods, R.H. (2008). Recognizing the emotional element in service excellence. *Cornell Hospitality Quarterly*, 49(3): 310-316.
- Johnston, R. (2001). Linking complaint management to profit. *International Journal of Service Industry Management*, 12(1): 60-69.
- Johnston, R. & Michel, S. (2008). Three outcomes of service recovery: Customer recovery, process recovery and employee recovery. *International Journal of Operations & Production Management*, 28(1): 79-99.
- Kim, J.H. & Chen, J.S. (2010). The effects of situational and personal characteristics on consumer complaint behavior in restaurant services. *Journal of Travel & Tourism Marketing*, 27(1): 96-112.
- Koo, D.M. (2005). The fundamental reasons of e-consumers' loyalty to an online store. *Electronic commerce research and Applications* 5: 117-130.
- Kvale, S. (1996). *Interviews: An Introduction to Qualitative Research Interviewing*. Thousand Oaks, CA: Sage Publications, Inc.
- La, K.V. & Kandampully, J. (2004). Market oriented learning and customer value enhancement through service recovery management. *Managing Service Quality*, 14(5): 390-401.
- Lee, J.H. & Ko, C. (2012). Reducing burnout and enhancing job satisfaction: Critical role of hotel employees' emotional intelligence and emotional labor. *International Journal of Hospitality Management*, 31(4): 1101-1112.
- Lo, K. & Lamm, F. (2005). Occupational stress in the hospitality industry - An employment relations perspective. *New Zealand Journal of Employment Relations*, 30(1): 23-47.
- Reichheld, F.F. & Sasser, W.E. (1990). Zero defections: quality comes to services. *Harvard Business Review*, 68(5): 105-111.
- Robbins, T.L. & Miller, J.L. (2004). Considering customer loyalty in developing service recovery strategies. *Journal of Business Strategies*, 21(2): 95-109.
- Rodie, A.R. & Martin, C.L. (2001). Competing in the service sector, the entrepreneurial challenge. *International Journal of Entrepreneurial Behaviour & Research*, 7(1): 5-21.
- Ro, H. & Wong, J. (2012). Customer opportunistic complaints management: A critical incident approach. *International Journal of Hospitality Management*, 31(2): 419-427.
- Roussinov, D. & Zhao, J.L. (2004). Text clustering and summary techniques for CRM message management. *The Journal of Enterprise Information Management*, 17(6): 424-429.
- Samsona, D. & Terziousskib, M. (1999). The relationship between total quality management practices and operational performance. *Journal of Operations Management*, 17(4): 393-409.
- Singh, J. & Pandya, S. (1991). Exploring the effects of consumers' dissatisfaction level on complaint behaviours. *European Journal of Marketing*, 25(9): 7-21.
- Silverman, D. (2000). *Doing qualitative research: A practical handbook*. London: Sage Publications Ltd.
- Sparks, B.A. & McColl-Kennedy, J.R. (2001). Justice strategy options for increased customer satisfaction in a services recovery setting. *Journal of Business Research*, 54(3): 209-218.

Tag-Eldeen

- Stauss, B. & Schoeler, A. (2004). Complaint management profitability: What do complaint managers know? *Managing Service Quality: An International Journal*, 14(2/3): 147-156.
- Stauss, B. & Seidel, W. (2004). Complaint management, the heart of customer relations management. Ohio: American Marketing Association.
- Stichler, J.F. & Schumacher, L. (2003). The Gift of customer complaints. *Marketing Health Services*, 23(4): 14-15.
- Stone, M. (2011). Literature review on complaints management. *Journal of Database Marketing & Customer Strategy Management*, 18(2): 108-122.
- Zairi, M. (2000). Managing customer dissatisfaction through effective complaints management systems. *The TQM Magazine*, 12(5): 331-337.
- Zineldin, M. (2006). The royalty of loyalty: Customer relations management, quality and retention. *Journal of Consumer Marketing*, 23(7): 430-437.