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SCHOOL OF GRADUATE STUDIES

ASSESSING THE CUSTOMER COMPLAIN HANDLING STRATEGY
OF COMMERCIAL BANK OF ETHIOPIA

By: YONATHAN ABRAHAM

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YONATHAN ABRAHAM

ID No.SGS/0758/2007A

Advisor: - TEMESGEN BELAYNEH (PHD)

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APPROVED BY BOARD OF EXAMINERS

_____ Dean, Graduate Studies	_____ Signature & Date
_____ Advisor	_____ Signature & Date
_____ External Examiner	_____ Signature & Date
_____ Internal Examiner	_____ Signature & Date

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of my advisor. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

St. Mary's University, Addis Ababa

Signature

June, 2017

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List of Acronyms

CBE - Commercial bank of Ethiopia

ATM - Automated Tailor Machine

CCB - Customer compliant behavior

WOM - Word of mouth

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ABSTRACT

The study sought to assess the effectiveness of customer complaint handling procedures at the Commercial Bank of Ethiopia. The general objective of the study was to examine major areas of customer complaint in the past 3 years and try to see the bank's mechanism and effectiveness of the bank's customer complaint handling strategy. This study was conducted using a descriptive research design. A respondent sample of 100 respondents from selected branches of the bank was sampled to respond to the data collection instrument. The study employed accidental sampling technique. Data was collected through questionnaires. Findings showed that most complainants have made complaints just once or twice predominantly about automatic teller machine (ATM) failures and delay in service delivery at the bank due to poor internet connection. The study showed that the reactions of most customer complainants were mostly an expression of disappointment, negative perceptions about the bank, telling other people about their complainants and having an overall mindset of negativity against the bank. Finally the finding shows that majority of customers were dissatisfied with the bank's complaints handling practice. Based on the findings, the study recommended that management of Commercial Bank of Ethiopia to integrate a complaint mechanism / button into the ATM machines to enhance complaint taking and a two stage complaint management system is to deal with customer complaints.

Key words: Customer Complaint, Complaint Handling, Service Quality, Customer Satisfaction.

CHAPTER ONE

INTRODUCTION

This chapter presents the general idea of the whole thesis. It covers the background of the study, statement of the problem, research questions and objectives of the study, significance of the study, scope of the study and organization of the study.

1.1 Background of the Study

Customer complaint is a customer's expression of dissatisfaction towards a product, service or purchasing situation (Nakibin et al., 2011). Tronvoll (2012) calls it a formal or informal customer report regarding a problem with a product or service. Research has shown that, the way a company handles company complaints can affect its business success in the long term (Robert-Lombard, 2011). Gelbrich & Roschk (2010) assert that poor complaint handling procedures could damage company-customer relationship and cause customer dissatisfaction. It could promote negative word of mouth advertising causing potential customers to refrain from doing business with the company. It could cause low customer loyalty and significantly chances of customer retention. Awara (2010) opines that poor customer complaints handling ultimately cause companies to lose customers thereby losing market share, whilst the recruiting of new customers through marketing promotions cost money, effectively reducing company profitability.

Today service providers are investing substantial resources on strategies and tactics, which aim to establish equilibrium between customer expectation and that attributes of the service being provided. So when companies retain effective customer complaint handling procedures, customer attrition is reduced, customer satisfaction is increased, sales figures are boosted and customer loyalty and retention assured (Robert-Lombard, 2011).

Complaint management is the way in which companies systematically handle problems in customer relations (Jeschke et al., 2000). According to Johnston (2001) cited in Hansen et al. (2009) it involves the receipt, investigation, settlement and prevention of customer complaints and recovery of the customer. A customer complaint is a report from a consumer providing documentation about a problem with a product or service or again, is any expression of dissatisfaction by a customer or potential about customer delivery or a product by the company or its agents (Landon, 1980).

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 & Donovan, 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) .

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 & Donovan, 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).

Banking industry in Ethiopia is consequently put into lot of pressures towards increase in competition. Various strategies are formulated to retain the customer and the key of it is to enhance the customer complain handling. Effective customers complain handling is particularly essential in the banking services context because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage. Nowadays, complain handling has received much attention because of its obvious relationship with customer satisfaction and customer retention.

Commercial Bank of Ethiopia (CBE) was legally established and took its shape as a share company in 1963. CBE took over the commercial banking activity of the then state bank of Ethiopia which was originally founded in 1942. The state bank of Ethiopia had been responsibly engaged in performing the duties of both commercial and central banking (CBE 2008/09). Commercial bank of Ethiopia is a state owned bank. CBE plays an important role in the country's economy and dominates the market in terms of asset, deposit, capital, and customer base and branch network. While CBE faces a growing competition in the banking industry from private banks, it still stands in the leading position with its long year bank service experience (CBE 2008/09). The rich experience of the bank in the service market & its strong capital base and large branch network enabled CBE to attract and overcome extremely high demand from both private and public companies and gave the bank the opportunity to increase its revenue in a sustainable base (CBE 2009/10).

CBE had 1168 branches across the country by June 30, 2016. Combines wide capital base with 30,000 talented and committed employees. It had about 13.3 million account holders as of June 30, 2016. the total asset of the bank is 384.6 billion. Currently the bank operates above 250 branches in the capital city of the country (CBE website).

1.2 Statement of the Problem

The current Ethiopian customer is increasingly becoming self-aware of the need to receive high quality service and to have their complaints over goods or services addressed by companies they deal with. Coupled with that is the increasingly fast-paced competition for excellent customer service amongst banks, handling customer complaints effectively has become a real point for competitiveness. When companies show an inability to deal with customer complaints, customer allegiance could be affected, resulting in high customer turnover and low customer retention. Morrisson & Huppertz (2010) stated that, when companies fail to effectively handle customer complaints, that particular customer could be lost in the process, sparking a chain reaction involving the customer telling at least 27 others, who might also continue to spread negative news about the company involved.

In light of these assertions, it is imperative that banks should perfect their customer handling procedures to avoid the bleak repercussions that come with failure. The challenge here is that, most banks hardly, if not never, assess their customer complaint procedures to find out if it is delivering in terms of handling customer complaints effectively.

Due to this, some banks adopt a nonchalant approach to customer complaints, especially if it is related to customer service, oblivious of the latent harm being caused to the bank. Like most other banks, CBE has in a long while not taken a comprehensive look at its customer complaints management process and therefore cannot be confident of its effectiveness in dealing with customer complaints. To support the above argument, a random pilot study was conducted with customers on effort made by the bank in handling complaints. Accordingly, the finding shows that, customers waiting for long in the bank to get the service they inquired due to poor and slow internet connection. They also complaining spending long time to withdraw cash from ATM as the machine operation are surprisingly slow; moreover, no mechanisms exist to forward their complaints around the cash machines. It is for those reasons and the need for the bank to continuously be at the forefront of customer service and banking excellence in Ethiopia, that therefore by those reasons this study has become imperative.

1.3 Research Questions

To achieve the research objectives of the study the following research questions are developed seeking answer in the research

1. What are the major areas of customer complain in the past 3 years?
2. What mechanisms in place for customers complain?
3. What is the attitude of customer towards the effectiveness of customer complain handling?
4. How effective is the bank customer complain handling?

1.4 Objectives of the Study

1.4.1 General Objective

The general objective is to investigate customer complain handling system at the Commercial Bank of Ethiopia (CBE)

1.4.2 Specific Objectives

The following are specific objectives to be addressed in this research

- To examine major areas of customer complain in the past 3 years
- Explore the available customer complain mechanisms for customer complain
- Evaluate attitudes of customer on effectiveness of the bank's customer complain handling
- To evaluate customers reaction subsequent to complaints and resolution

1.5 Significance of the Study

This study is going to be used as a useful source of information for CBE to know the overall level of customers' complain handling, the factors associated with customer complain handling and serve as an input to improve customer complain management policies, guidelines and practices so as to attain customer satisfaction.

The research also contribute to the body of knowledge as it explore the extent of customer complain handling, it may serve as spring board and as well as an input for future researches undertaken by researchers concerning to customer complain handling in the banking industry in particular and for all financial service providing institutions in general.

The research helps to enhance the student researcher knowledge and experience to undertake research in the future carrier development.

1.6 Scope of the Study

The research could be more fruitful if it would be conduct on a wider scale of the country. Due to time and financial constraints, undertaking exhaustive study involving all branches and units of the CBE becomes impossible. Thus, the study would be confined to assess customer complain handling of Sefere selam and Merkato branch for the last three years (2014-2016). The present study would base on a small sample size and areas covered in Addis Ababa branches only, therefore the results of this study could not be generalized.

1.7 Definition of key Terms

Facilitation: As cited by Karatepe and Ekis (2004) from Davidow (2000), facilitation refers to “the policies, procedures and tools that a company has in place to support customer complaints.

Effort: refers to the energy put into and displayed by the employees while resolving the consumer problems/complaints (Karatepe & Ekis, 2004).

Explanation: refers to the information given by the service provider regarding to the causes of the service failure (Ekis & Arasli, 2007).

Promptness: refers to the organization' ability of responding to customer problems/complaints in a timely manner (Ekis & Arasli, 2007).

Complainant Satisfaction: refers to the complainant's over all contentment with the service recovery efforts or the complaints handling activities (Stauss, 2002).

1.8 Organization of the Study

The research thesis has five chapters. The first chapter deals with research introductions including background, statement of the problem, objectives, scope of study, definition of terms, and significance of the study. In the second chapter, conceptual frame work of the study and review of related literature presented in a detailed manner. In the third chapter Methods of the Study are described in detail. In the fourth chapter, facts and figures obtained from both primary and secondary sources are presented, discussed and analyzed. Based on the fourth chapter, summary of major findings, conclusions and possible recommendations are made in the fifth chapter.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter explores the related and the relevant previous studies conducted in this area. It focuses on what previous studies have said about the organizational responses to consumer complaints and their impacts on complainant's satisfaction and customer retention. Literature was sourced from journals, web articles, books, news reports and other sources considered to be credible.

2.1 The Concept of Customer Complaint

A complaint is an expression of dissatisfaction, about the standard of service, actions or lack of action by an organization to an individual. According to Tronvoll (2012) it is an action taken by an individual who involves communicating something negative regarding a product or service. Crié (2001) assert that it will be based on the perceived dissatisfaction with a product, a service or an event in the course of the buying process or during the consumption. Hoyer & McInnis (2010) further argues this dissatisfaction is based on the customer's feelings and perception. This view is very significant in the services domain since quality evaluation to a certain degree is based on customer's subjectivity and failure in services can affect customer outcome and service process (Hansen et al., 2009).

Complaint management is the way in which companies systematically handle problems in customer relations (Jeschke et al., 2000). According to Johnston (2001) cited in Hansen et al. (2009) it involves the receipt, investigation, settlement and prevention of customer complaints and recovery of the customer. A customer complaint is a report from a consumer providing documentation about a problem with a product or service or again, is any expression of dissatisfaction by a customer or potential about customer delivery or a product by the company or its agents (Landon, 1980). Tronvoll (2012) Argue this processes can be likened to information processing in an organization. The goal is to stabilize customer relationships that are at risk and to assure a specific level of quality by creating a consistent business environment regarding personnel.

2.2 Nature and Scope of Customer Complaint

Customer complaints behavior (CCB) has often in marketing been seen as either a static and post-purchase activity or as a dynamic adjustment process. This issue is still debated. A complaint

provides an opportunity for service recovery followed by a chance to educate the customer, strengthen loyalty and evoke positive Word of Mouth (WOM) comments. Successful organizations encourage customers to complain (Tronvoll, 2012).

It is because of the dynamic competition in the service sector that there is a growing interest in understanding how customers evaluate the service experience (Stauss & Seidel, 2005). So since all organizations experience some degree of customer dissatisfaction (Ndibusi & Ling, 2006), it makes it crucial to study post dissatisfaction behaviour of customers. Research by Casado et al., (2011) suggests that consumer complaint behavior (CCB) is a complex phenomenon.

Organizational responses and implications for customer experience outcome like problems of lost customer lifetime value and behavioral intentions (Tronvoll, 2007). Complaint behavior is not being well handled in terms of customer service (Kim et al., 2003; Ndibusi & Ling, 2006). There is need of feedback and action to reduce their negative effect. Basing on the above, marketers are today seeking information on consumer behavior and how to handle customer complaints. Information and feedback from customers are generally acknowledged as important factors in achieving a positive marketing outcome (Maxham & Netemeyer, 2003). Unfortunately, most of the customers do not complain after service failure dissatisfaction, but exit (Tax et al., 1998). Therefore, organizations need to understand how customers react to service failure and the providers' efforts towards recovery.

Customer complaint behavior (CCB) refers to the responses triggered by perceived dissatisfaction that is neither psychologically accepted nor quickly forgotten in consumption of a product or service (Homburg & Fürst, 2005). A commonly used definition of customer complaining behavior was suggested by Singh (1990), who conceptualized it as a set of multiple (behavioral and non-behavioral) responses, some or all of which are triggered by perceived dissatisfaction with a purchase episode. On their part, Jacoby and Jaccard (1981) had earlier defined it as an action taken by an individual that involves communicating something negative regarding a product or service.

Complaining by satisfied consumers is considered outside the realm of Customer complaints behavior (Singh 1990). Traditionally, the common determinant of complaining behavior was described as dissatisfaction. Consumer dissatisfaction is a result of the discrepancy between expected and realized performance (Ndibusi & Ling, 2006). Dissatisfaction is based on disconfirmation of expectation (Oliver, 1987) and it is defined as a customer experience that is less than the perceived

expectation. Negative disconfirmation occurs when the service performance does not live up to prior expectations.

During service encounters, consumers expect zero-defects in service delivery. Despite the service provider's attempts to offer consistent, high-quality service to consumers, service failures may still occur because of the critical service characteristics of inseparability and variability. Service delivery is heterogeneous across service encounters due to the variability in situational factors and individual differences between consumers and service employees (Singh, 1990). Dissatisfaction is identified as the independent factor that is necessary to trigger consumer complaints (Johnston & Michel, 2008).

However, many consumers who are dissatisfied may not take any complaint actions, and those who take actions expect to get justice (Gruber et al., 2009). For customers who feel that justice was not served, they are likely to feel angry, and may engage in negative WOM or may exit (Blodgett & Anderson, 2000). It has been argued that organizations may recover customers after one failure; however, it may be difficult to recover from multiple failures. This requires well planned communication effectiveness with appropriate dialogue and interactions.

2.3 Theoretical Review of Customer Complaint and Management

2.3.1 Equity Theory

Consumers are prone to spread a negative WOM when they perceive an unfair response to a service failure. When customers perceive that they have not been sufficiently compensated for the damage, they may feel even more annoyed than they were subsequent to the failure. This is because a report of a service failure may imply unfair treatment of the customer; service recovery must therefore re-establish justice – from the customer's perspective. With effective handling of complaints, consumers will perceive fair treatment. In the case of a service failure, individuals will perceive inequity and they will try to restore equity by complaining. According to Gruber (2011), complaining customers develop their equity or fairness perceptions by evaluating three facets of the complaint handling encounter: the fairness of the decision making criteria, procedures and policies used to accomplish the final outcome (procedural justice), the fairness of the obtained tangible outcomes (distributive justice) and the interactional justice or manner in which the service complaint handling process is carried out (Tax et al., 1998). Equity theory is relevant where exchange takes place because it is a notion of fairness; and it is conceivable that one or both parties perceive inequity in an exchange (Maxham and

Netemeyer, 2003). Equity theory seems quite tenable in a service failure context because consumers usually perceive an inequity following a service failure. When inequities arise, equity theory provides a meaningful framework for shaping consumer perceptions of satisfaction, purchase intent and WOM. The relationship between equity sensitivity and recovery expectations has not been empirically established. Benevolent customers may hold less stringent expectations than entitled customers, but the existence of these groups has not been empirically established (Ruyter & Wetzels, 2000).

Several researchers have used equity theory in the explanation of service failure and consumer responses to the failure (Maxham & Netemeyer, 2003). The argument is that consumer ratings of failing organizations will increase when they offer fair recovery efforts. Researchers have suggested that consumers are prone to spread a negative WOM when they perceive an unfair response to a service failure. Therefore, when customers perceive that they have not been sufficiently compensated for the damage, they may feel even more annoyed than they were subsequent to the failure (Maxham & Netemeyer, 2003). This is because a report of a service failure may imply unfair treatment of the customer; service recovery must therefore re-establish justice – from the customer's perspective (Michel et al., 2009).

2.3.2 Perceived Justice Theory

Service researchers have turned to theories of organizational justice to explain customers' reactions to service recovery (Tissot, 2003). Justice perceptions are the individual subjective assessments of organizational responses. The subjective evaluation of the response of the complainant is crucial because perceptions are the subjective, often biased, interpretation of reality that account for individual behavior (Gelbrich & Roschk, 2010). Blodgett and Anderson, (1994) contend that prior research demonstrates that the behavior of complainants depends largely on their perceptions of justice. Higher levels of distributive, interactional and procedural justice lead to more favorable repatronage intentions and a decreased likelihood of negative WOM (Blodgett & Anderson, 2000). Complainants who perceive that justice is not served likely become even angrier, engage in negative WOM and exit (Tax et al., 1998). Distributive justice is outcome justice. It focuses on equity issues in the mind of the customer – an appraisal of the benefits received relative to the costs (money and time) associated with them. When the organization does not deliver on expected benefits, leading to a sense

of being unfairly treated, this necessitates recovery. In recovery, customers may expect a refund, an apology, or/and compensation (Michel et al., 2009).

Distributive justice involves dealing with decision outcomes; namely, the principles of equity and equality. Every customer who initiates a complaint expects some outcome to result from it and it is the expectation of positive outcomes that drives consumer complaint decisions (Oliver, 1997). Most often, however, dissatisfied consumers want a refund, replacement, or compensation when they complain, and most studies of post complaint satisfaction show that distributive justice in the form of compensation has the greatest impact on customer satisfaction with recovery, repurchase intentions and loyalty (Smith et al., 1999; Tax et al., 1998). Interactional justice refers to how customers perceive the way they are treated; treatment is perceived as fair when complainants assume that information is exchanged and outcomes are communicated in a polite and respectful manner. A complainant procedure is considered fair when it is allegedly easy to access, provides the complainant with some control over the disposition, is flexible and is concluded in a convenient and timely manner, (Gelbrich & Roschk, 2010). Customers should be treated as individuals whose specific requests are acknowledged. Procedural justice refers to process fairness and the evaluation of the procedures and systems used to determine customer outcomes, such as the speed of recovery (Tax et al., 1998) or the information communicated (or not communicated) about the recovery process (Michel, 2002). Procedural justice involves dealing with decision-making procedures, or having a complaint procedure the customers perceive as fair. Consumer evaluation of the interaction dimension suggests that the quality of the interpersonal treatment and communication during the encounter are likely to be heavily weighted by consumers when evaluating service encounters (Smith et al., 1999). However, procedural fairness could be mitigated by a rude, impersonal interactional style through which information is obtained and outcomes are communicated. Therefore, employees have the task of handling customer complaints equitably. In case of unfair treatment of the customer, service recovery must re-establish justice (from the customer's perspective). This is because justice during service recovery is determined by the customer.

2.3.3 Attribution Theory

Attribution theory provides a basis for understanding how consumers respond to service failures (Folkes 1984); and predicts that the perceived reason for a service failure influences the level of consumer satisfaction. Attributions are the perceived causes of a failed service situation (Bitner

2010). Bitner (2010) argues that the perceived causes can be classified into three dimensions, including locus (who is held responsible), controllability and stability. Regarding controllability, it refers to causes one can control such as skills compared to causes one cannot control such as others' actions (Weiner, 2000).

Attribution theory is concerned with how individuals interpret events and how this relates to their thinking and behavior. Heider (1958) was the first to propose a psychological theory of attribution; and Weiner (1986) developed a theoretical framework that has become a major research paradigm of social psychology.

Attribution theory assumes that people try to determine why they do what they do, like attribute causes to behavior. Weiner, (2000), asserts that attribution theory is the systematic study of the perception of causality. Maxham & Netemeyer (2003) stated that extant research has found attribution to help explain consumer perceptions and intentions in regard to their service recovery experiences; influence customer communication and recovery outcome effects on satisfaction and repurchase intentions.

There is a well-founded argument in using the attribution construct as a mediator between disconfirmation and service encounter satisfaction Bitner (2010). Kim et al., (2010) and Maxham and Netemeyer (2003) assert that attribution has a direct effect on cumulative satisfaction and repurchase intentions. Attribution search may follow a negative and unexpected event or failure (Weiner, 2000); and attribution theory is the systematic study of the perception of causality. In a complaint behavior context, product and service failure is the kind of negative and unexpected event that has been shown to bring about causal search; attributed to internal or external locus. When retailers are thought to have control over the cause of product failure and it is stable,

Consumers feel angry and desire revenge more than when the retailers are believed to lack control over the failure. The outcome of a purchase situation could be attributed to

Something temporary (unstable), or to something stable.

Disconfirmation of an expectation acts as an important causal agent for generating attribution processing. This means that events that do not conform to expectations may trigger the search for an explanation for the event (Laufer, 2002). Attribution may follow an expected event or failure (Weiner, 2000). Weiner (2000) further reasoned that the enduring interest in attribution theory is due to its focus upon the universal concern with the explanation why a particular event or outcome has come about and the consequences of phenomenal causality. Swanson and Kelley (2001) stated that

extant research has found attribution to influence customer communication, recovery expectations and recovery outcome effects on satisfaction and repurchase intentions.

Attribution could help explain consumer perceptions and intentions in regard to their service recovery experiences. Bitner (2010) presents a well-founded argument in using the attribution construct as a mediator between disconfirmation and service encounter satisfaction.

In conclusion, organizations need to strive to achieve perceived justice while handling customer complaints. In case of service failure, individuals will perceive inequity and they will try to restore equity by complaining and to go through service recovery.

Unfortunately, many service organizations have developed reactive service failure strategies that focus on complaint management rather than service recovery issues. Just a few organizations seem to be gaining benefits of recovered customers (Johnston & Michel, 2008). The relationship between perceived justice, complaints handling and satisfaction with service recovery as they pertain to different post-complaint behavioral responses have not been investigated (Casado et al., 2011).

2.4 Handling Customer Complaints

Complaints and the processes for handling them are important issues for service providers because they have the potential to have an adverse effect on customer satisfaction and loyalty (Anderson, 1994). Two major areas of research are on the motivation or antecedents for complaining behavior (Bolfing, 1989); customer factors like demographic characteristics (Tronvoll, 2007); attitudes and experience with regard to complaining behavior (Singh, 1990). Research on CCB has focused mainly on the customer's attitude towards complaining (Richins, 1983), attribution of blame and the likelihood of a successful solution (Singh, 1990). Lovelock et al., (2001) recommends effective generic guidelines in the successful resolution of complaints. They include acting expediently to resolve the issue; acknowledging mistakes without being defensive; not arguing with customers; openness in solving the problem; considering the possibility of compensation trying to regain the goodwill of customers (McCole, 2004).

Despite the fact that organizations appreciate the importance of managing complaints, overall customer satisfaction after a failure has not improved (Michel et al., 2009). Organizations should encourage dissatisfied customers to complain so that they can solve the problem and retain the customer. Unfortunately, organizations that do not rise to the challenge of complaining customers are turning down the important opportunity of reclaiming and improving a relationship. Owing to the

apparent importance of effective complaints handling, there is a research gap on how organization management should treat all complaining customers to create complaint satisfaction. Organizations keep trying to improve the service quality but basing on the nature of the service, overall customer satisfaction remains a problem in organizations.

A meta-analysis of satisfaction with complaint handling has identified antecedents such as expectation, performance and disconfirmation of expectations (Szymanski & Henard, 2001) while another study has looked at the affective responses to complaint handling experienced by the customer (Varela-Neira et al., 2010). From the Meta analyses perspective, complaint handling is judged by post-complaint customer behavior such as repurchase intentions and WOM activity (Gruber, 2011). Further research is needed in order to establish a clear line between an organization's response to a complaint and the impact that that response has on post-complaint customer behaviors.

There is also need to quantify the effects of each response dimension on PCB to plan an effective service recovery (Gee et al., 2008). To address this research gap, the researcher ought to develop and empirically test a model based on CCB; complaints handling mechanisms and customer behavioral responses. Service recovery has an outcome dimension (Duffy et al., 2006), which is "what?" the customer receives as part of the organization's efforts to recover, whereas the process dimension of service recovery is concerned with "how?" recovery is achieved. Duffy et al. (2006) suggest that the outcome dimension is more important when the original service is delivered, but the importance of the process dimension is accentuated in service recovery.

However, this may depend on the service in question. Kau & Loh (2006) contends that service recovery involves interaction between a service provider and a customer; a shortfall in the provision of the original service, a response to the shortfall, and a desired result to turn a dissatisfied customer into a satisfied one.

2.5 Customer Complaint Procedures

It is essential for a firm to have an effectual response when a complaint takes place. This should be seen in the form of the quality of the reply, ability to address customers concern and perception and plan for future prevention. Behrens et al. (2007). Various authors have separately tried to conceptualized complaint management process. For example, Wysocki et al. (2010) identifies three important aspects of the complaint process which includes (i) activity seeking customer complaints;

(ii) recognizing the type of customer that is complaining; and (iii) responding appropriately based on the type of complainants.

Complaint management should be evolved through a four-stage process starting with an in-depth analysis and strategic use of past complaints and results Adams (1993). Cook & Macaulay (1997) deal with the rather normative concept of empowered complaint management. Important elements in this concept include a positive and proactive (non-defensive) attitude towards complaints, fast reply and simple solution, and those complaint handlers should be regarded as an important part of the company. Johnston (2001) however, supports the operational view on complaint management which advocates for the process by which complaints are handled and customers recovered.

The proponents of operational view on complaint management process argued for speedy response, reliability, and consistency of response, ease of access to the complaint process, keeping the complainant informed, and well-trained staff who understand the complaint process (Johnston, 2001) for successful implementation of complain management process. Hansen et al. (2009) categorized operational view on complaint management into three sub-dimensions: (i) complaining accessibility; (ii) retailer-customer interaction; and (iii) compensation policy.

It is important that the retailer convinces his/her customers that complaints are welcome and that they will be handled seriously Hansen et al. (2009). Since Johnston (2001) asserted mistakes are an unavoidable feature of all human endeavor and complaints are a natural consequence of any service. This may imply that if a retailer receives only few complaints, it could be dissatisfied consumers are just switching to a competitive retailer without voicing a complaint (Goodmann, 1999) or if the customer is uncertain on where/or how to deliver the complaint or, even worse, if the customer doubts the retailers interest in receiving the complaint (Hansen et al., 2009).

Retailer-customer interaction stress a complaint process where customers are more interested in obtaining a fair and serious procedural treatment rather than specific result of the complaint process (Kim et al., 2010). Saxby et al. (2000) supported this view and argue that consumers are always occupied with obtaining procedural justice, which according to Sheppard et al. (1992) can be termed perceived fairness of a process that culminates in an event, decision, or action. Hansen et al. (2009) suggested a situation where customers feels exposed to a poor retailer-customer interaction cannot necessarily be compensated by a favorable outcome of the process. Davidow (2007) asserted customer dissatisfaction can also take place during the complaint process.

It is therefore imperative retailers welcome complaints and treats them seriously with positive attitude during the process. Hansen et al. (2009) further suggested the principal motive for complaining is his/her perceived loss and consequently would be expectant of reimbursement or compensation in any of the following forms offering price reductions, repair or exchange of poor products (Hui & Au, 2001). Blodgett et al. (1995) suggested interactive justice carries a heavier weight which implies fair settlements or distributive justice is not enough. It is therefore imperative for customers to be treated with such values including empathy, courtesy, honesty, and politeness (Tax et al., 1998). Chase & Dasu (2001) further argue that whether compensation and reaction is perceived as appropriate is dependent on the kind of failure that occurred. For example financial or tangible reactions are appropriate when there has been a loss of economic resources or there has been a problem meeting demands and an intangible reaction is seen as adequate in the case of a loss of social resources and in the case of failures in the process caused by employee's behavior (Chase & Dasu, 2001). Kim et al., (2010) also argue the scale of the failure also has an impact on the evaluation of the compensation. The social exchange theory suggests that the value of the exchanged goods, the loss perceived by the client and the recovery measure should be balanced (Kim et al., 2010).

2.6 Customer Feedback after Complaint Handling

Once customers have complained about a product or service and the complaining management has been satisfactory, their behavior and attitude can change. Customers can decide to patronize the product or reuse the service provider. Besides, a positive complaining experience can generate positive word-of-mouth (Resnik, Gnauck & Aldrich, 1977; Gilly, 1987; Blodgett, Wakefield & Barnes, 1995, Blodgett et al., 1997).

Nevertheless, the so called recovery paradox, the fact that a successful service recovery can make dissatisfied customers even more satisfied than customers already contented with the product or the service needs to be better documented: a successful service recovery is invaluable, but it will not restore customer satisfaction to pre-service failure levels. Trying to do it right the first time is still valid (Kau & Loh, 2006). On the contrary, customers dissatisfied also by the complaining procedure are more likely to exit and to choose negative word-of-mouth. This remark stresses the responsibility of companies: the combination of a failed service encounter and a failed recovery results in a heightened negative response (Voorhees et al., 2006). Hardly customers will complain also for a poor complaint handling and no study has been identified on this specific subject. The particular

combination of satisfaction/dissatisfaction with a product or service and satisfaction/dissatisfaction with the service recovery process and complaint behavior, allow grouping customers in four distinct categories (Kau & Loh, 2006): Ordinary satisfied, customers, dissatisfied non-complainants, satisfied complainants and dissatisfied complainants.

2.7 Effective Complaint Handling and Customer Satisfaction

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 is 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 Spyropoulos (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.

2.8 Effective Complaint Handling and Loyalty

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 & Chandrashekar, 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 et al (2005), 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 minor 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 et al, 2005). 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).

2.9 Conceptual Framework

Recognizing the importance of responding effectively to consumer complaints, many service providers have established effective and innovative systems for resolving consumer complaints. Within any industry, those companies with a positive philosophy and a reputation for fair complaint-management are likely to have a competitive edge. Research into the consumer complaints behavior reveals that only a fraction of the dissatisfied consumers complain to firms and, thereby, give organizations the opportunity to correct what has gone wrong (Heung & Lam, 2003; Ndubisi & Ling, 2005 and Phau & Sari, 2004). Some of the unhappy consumers do not simply complain because of their skeptical about the business's willingness or ability to resolve disputes fairly (Blodgett, Wakefield & Barnes, 1995).

Consumers simply withdraw their patronage and criticize the company or the service to others (Heung & Lam, 2003 and Ndubisi & Ling, 2005). With respect to these problems faced by many service providers including CBE, this research aims to examine the effects of organizational responses to complaints (e.g. apology, atonement, attentiveness, facilitation, effort, promptness and explanation) on complainant satisfaction.

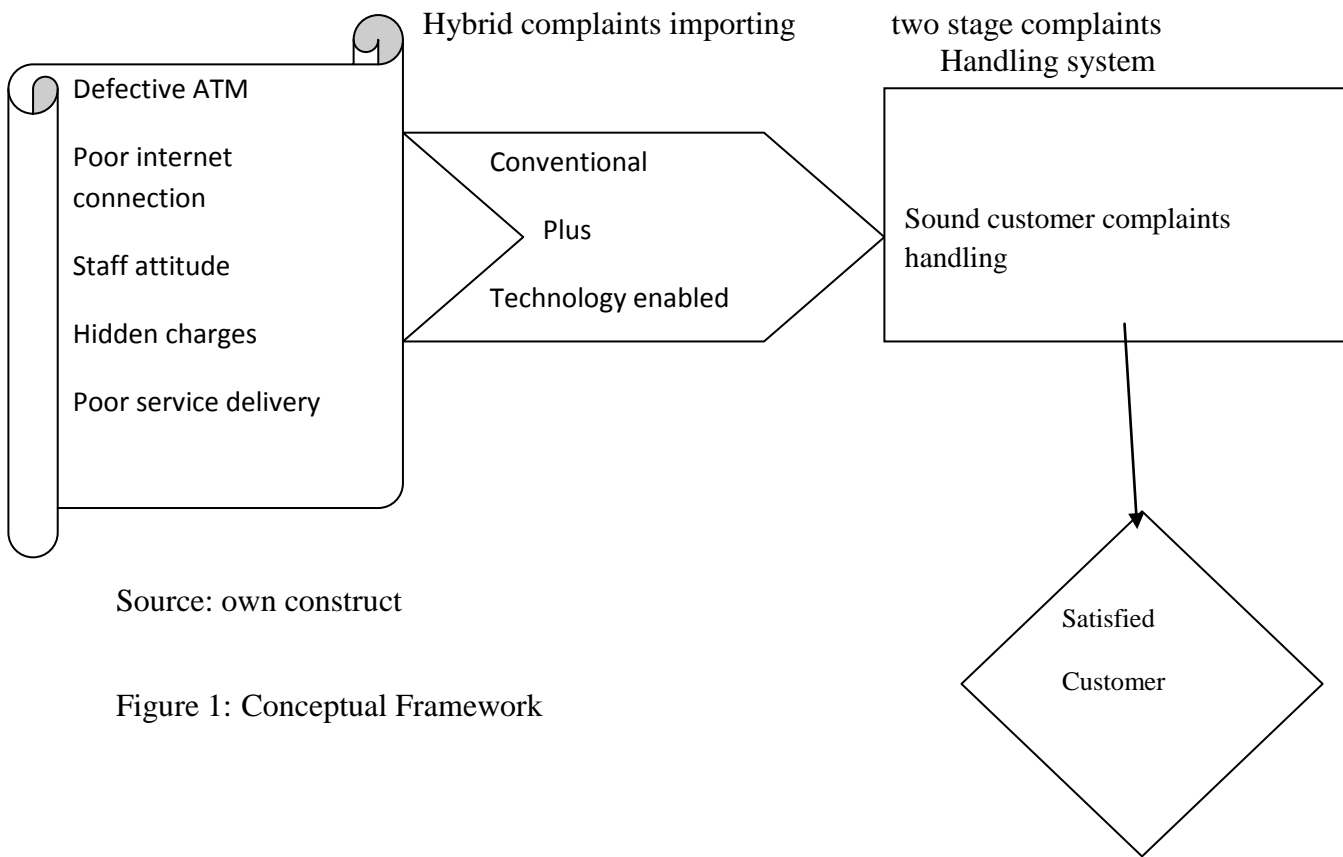
Customer satisfaction can be linked to what organizations do in response to consumer complaints (McCole, 2004). As human beings, service failures are inevitable but, it is important for organizations to take corrective actions with the objective of satisfying offended customers. Regarding the CBE,

there have been considerable consumer complaints generated by many problems. Apart from being dissatisfied with the initial problems encountered, many consumers are likely to be unsatisfied with the ways in which their complaints have been addressed. Sometimes it is not only the initial service failures that cause dissatisfaction but also the service provider’s lack of appropriate responses to failures. With regard to this, it is important that organizations have systems, techniques and procedures in place that can effectively respond to consumer complaints.

To deal with the research problem effectively the following conceptual framework is laid down for the study based on theoretical frame work presented in the literature review.

Conceptual framework for the study

Complaints triggers



Source: own construct

Figure 1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter deals with the research methodology used in this study. It covers, research design and methodology, sources and tools of data collection, target population, sample size and sampling techniques and methods of data processing and analyzing.

3.1 Research Design

A research design is a guide the researchers in the process of collecting, analyzing and interpreting the data collected for the research. The researcher used the descriptive form of research design to in undertaking the research. Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collected. This research design is used because it often uses visual aids such as tables, graphs and charts to aid the reader in understanding the data distribution. Because the human mind cannot extract the full import of a large mass of raw data, descriptive statistics are very important in reducing the data to manageable form. (Glass & Hopkins, 1984). Thus, this research design fit for the purpose as the research explores how customers complain is handled by CBE.

3.2 Sources of Data

To address successfully the research problem, both primary and secondary source of data used. The sources of primary data were customers of the bank that using service provided by the two branches (Sefereselam and Mekato). Secondary data gathered from published and unpublished documents of the bank, which includes the bank's procedure for customer complaint handling, records of complaints made by customer, customer data base, annual reports and others.

3.3 Data Collection Tools

To collect the primary data, the researcher used questionnaire. Structured questionnaire used to collect data from sample customer respondents to collect primary data. The questionnaires were prepared based on Likert scaling format, which requires the respondents to indicate a degree of agreement or disagreement with each of a series of statements or questions.

3.4 Target Population

The populations of this study were customers of Sefereslam and Mekato branch of CBE. CBE has 1168 branches that are distributed across the country and out of which around 250 branches are found in Addis Ababa. Currently it has more than 13 million customers in Ethiopia. As per the information from Management Information system department, 1.6 million of the total customers are found in Addis Ababa. The target populations for the study were those who are subscribed in Sefereslam and Mekato branches. The branches were selected as they are serving a large number of customers and performing all banking functions. The branches have about 40,000 customers who are using various service of the bank.

3.5 Sampling Technique and Sample Size

In the two branches there are about 40,000 total customers using various serves provided by the banks. Branches are selected using judgmental sampling technique as they are serving large number of customer. In selecting customers from the two branches accidental sampling technique was used. Accidental sampling method has been used as customers can be contacted when they appear in the bank. To determine the sample size, a formula developed by Yamane, 1967 would be applied. That is,

$$n = \frac{N}{1 + N(e)^2}$$
$$40,000/1+40,000 (.1)^2$$
$$n= 100$$

Where, n= Sample size

N= Total of population
e= Sampling error (10%) at 90% of level of confidence.

Using this formula, considering 10 percent margin of error, 90 percent level of precision and a proportion of 90 percent for the maximum possible degree of variability the sample size taken from the population is 100 respondents. Thus, 100 respondents were contacted when they appear in the bank to get services provided by the bank by the researcher in two working days and time.

3.6 Methods of Data Processing and Analysis

In order to analyze the collected data for this study the researcher used different techniques. The responses were edited and variables have been coded before analysis. The quantitative data was presented in frequency and percentage distribution tables. Analysis made using descriptive statistical tools, such as percentage and frequencies and mean.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This chapter dealt with the presentation of data as well as the analysis and discussion of it. The chapter is segmented into two sections: the first section discussed the analysis of respondent's demographic data whilst the second part analyzed responses to the research questions. Tables and charts were used to present the data and frequency distribution, percentages and means used to analyze the data.

A total 100 questionnaires were distributed to the bank's customers, out of which 90 questionnaires properly responded and returned. 10 questionnaires were discarded as they were defective and some customers were not made complains. The response rate is 90%, thus, data presentation, interpretation and analysis made based on responses provided by 90 respondents.

4.1 Demographic Characteristics of Respondents

This section showed the distribution of the study respondents by their demographic characteristics. The study analyzed respondent's demographic data to determine whether the sampled respondents were sufficiently qualified to respond to the data collection instrument. Qualification in this sense referred to the respondents ability to understand the requirement of the data collection instrument (educational level), give credible, matured responses (experience) that could be statistically analyzed. The study analyzed data on such demographic characteristics as gender, age category, highest educational qualification, area of employment and duration of banking with CBE.

Table 1 showed that males constituted a slightly higher percentage of the study sample making up 50(56%). Females were however, represented with 40(44%). This statistical make-up mirrors the overall customer gender distribution statistics amongst the customers of the bank and therefore, the percentages obtained can be perceived as representative of the study population. This finding showed that the study was able to achieve equity in the distribution of respondents by gender.

Table 1: demographic characteristics of respondents

Gender Distribution		
Sex	Frequency	Percentage (%)
Male	50	56
Female	40	44
Total	90	100
Age Distribution		
Age	Frequency	Percentage (%)
18-30	8	9
31-45	38	42
46-60	33	37
> 60	11	12
Total	90	100
Academic Qualification		
Level of Education	Frequency	Percentage (%)
Certificate/diploma	32	36
Degree	47	52
Post graduate	11	12
Total	90	100
Employment type		
Employment Type	Frequency	Percentage (%)
Civil servant	25	28
Businessmen	36	40
Self-employed	19	21
Students	10	11
Total	90	100

Source: questionnaire

In terms of age, Table 1 shows 8(9%) 18-30 years old, 38(42%) 31-45 years old, 33(37%) 46-60 years old and 11(12%) 11(12%) were above 60 years.

Respondents were sampled from all age categories although clearly more respondents were aged between 31-45 years and 46- 60 years compared to respondents under 30 years and those above 60 years. The findings showed that although the number of respondents in some age brackets were higher than others, there remains an equitable distribution of respondents across the age divide. The differences in percentages could be explained by Yin (2005) assertion that under social surveys that focus on economic links, there is likely to be skewness in favor of the active working ages compared to younger and older people. A higher percentage for respondents between 31 and 60 years was acceptable due to the economic inclinations of a research as it focused on the banking sector.

Table 1 also showed the distribution of respondents by highest academic qualification. The study showed that the customers of CBE were an adequately educated mix of people, with 47(52%) having achieved a degree and 11(12%) having achieved post-graduate degrees. The study showed that the least educated respondents of this study had attained certificates and diplomas from various accredited institutions in Ethiopia. The high level of academic qualification amongst the study respondents gives indications of their capacity to understand the requirements of the data collection instruments.

Also, distribution of respondents by type of employment they were engaged in showed that businessmen /women and civil servants dominant the customer populations. Businessmen form 36(40%) of the study sample whilst civil servants form 25(28%). Self-employed customers form 19(21%) and student's customers were 10(11%).

Table 2 Years of Banking with CBE

Years	Frequency	Percentage
1-5 years	31	34%
6-10 years	43	48%
11-20 years	16	18%
More than 20 years	0	0%
Total	90	100

Source: questionnaire

The above shows the distribution of respondents by the number of years they have been banking with CBE. Accordingly, 43(48%) used the bank service for 6-10 years, 31(34%) been with the bank for 1-5 years, 16(18%) served by the bank for 11-20 years.

It is evident from the table that customers with diverse lengths of experience with CBC. The study concludes that the length of years a customer conducts business with a bank does not preclude complaints if the customer finds it necessary to make the complaint. Perceived customer loyalty does not prevent a customer from recognizing poor service and making complaints to that effect. The sampling of customers with diverse experiences banking with CBE enriches the study with representative views and opinions that would enhance generalization of the study findings.

4.2 Data Records of Prevalent Complaints over the Last 3 Years

Research question one sought to examine data records of prevalent complaints over the 3 years study period.

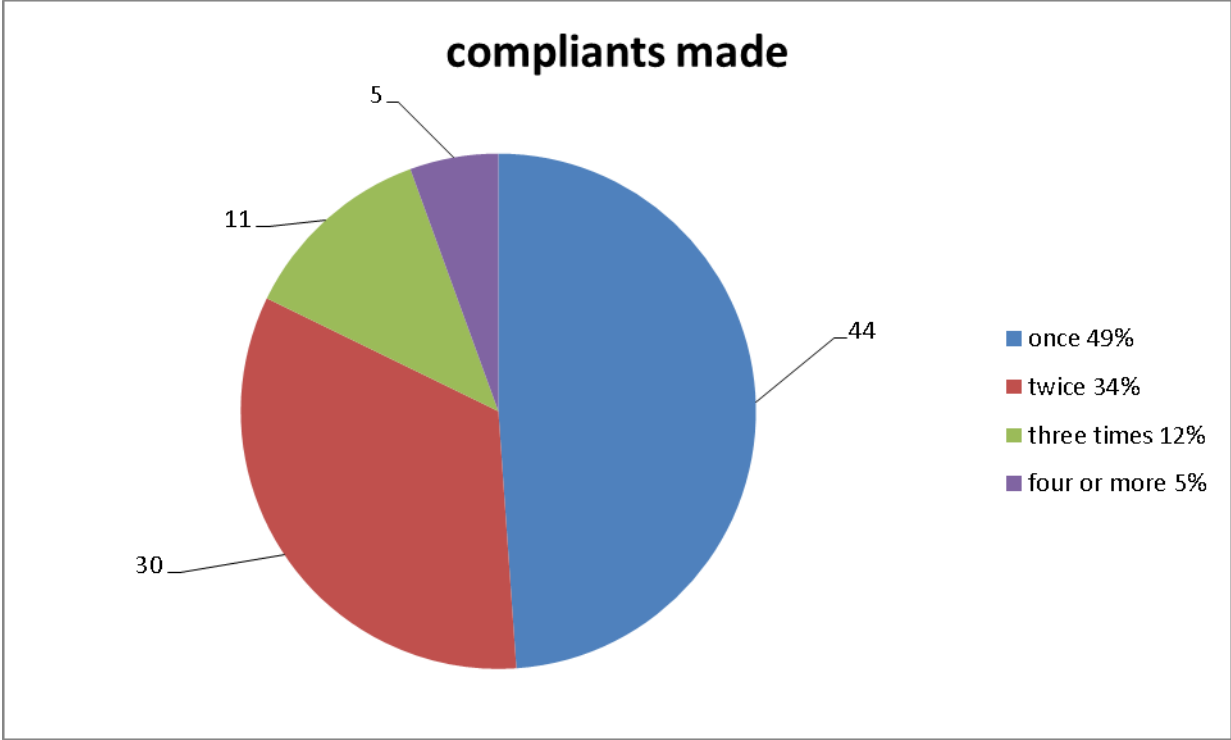


Figure 4.1 Number of Complaints Made Per Complainant

Source: questionnaire

Figure 4.1 showed the number of complaints made per customer complainant. Accordingly, 44(49%) made complaint once, 30(34%) complained twice, 11(12%) have made three times and the rest 5(5%) made complaints four or more times. Thus, the study showed that most complainants have made

complaints just once or twice. The percentage values show that the percentage of customers who had made two complainants in last 3 years represented almost half of the study sample. This indicates either dissatisfaction with the bank's complaint resolutions mechanisms or that the bank keeps making new customer service mistakes, giving customers the opportunities to complain.

However, the study also showed that as number of complaints made rose, number of complainants lowered, indicating that not many people make complaints after making them once or twice. The study concludes that most complainants make one complaint and it is the resolution process that determined if on another instance, another complaint was necessary. A lowering complaint count might indicate a relative effectiveness of the bank's complaint resolution system or a loss of believe by customers in the system.

The findings correlate with the Equity theory of marketing which states that consumers are prone to spread a negative WOM when they perceive an unfair response to a service failure. When customers perceive that they have not been sufficiently compensated for the damage, they may feel even more annoyed than they were subsequent to the failure. This is because a report of a service failure may imply unfair treatment of the customer; service recovery must therefore re-establish justice – from the customer's perspective. With effective handling of complaints, consumers will perceive fair treatment. In the case of a service failure, individuals will perceive inequity and they will try to restore equity by complaining.

According to Tronvoll (2012), the manner in which complaints are handled significantly influences future complaints. Nicolau & Mas (2011) in a study of bank customer complaints handling procedures in selected Asian countries, findings indicated that regardless of culture or any demographic factors, the consistency of complaints to a large extent depends on the customer belief in the company's complaint resolution procedures. The study opined that a weak procedure would discourage further or future complaints whilst a strong effective procedure would discourage further complaints but encourage future complaints. A weak complaint procedure may negatively influence customer retention whilst a strong one may positively influence customer retention.

To determine the effectiveness of CBE Bank's customer complaints procedure, the study went further to examine data records of prevalent complaints over the 3 years study period to determine the dominant complaints and how their resolutions affect customer retention.

N O.	Complaints made by the customer	SA	A	U	D	SD	Total	%
1	Excessive delays at the bank due to poor network	27 (30%)	43 (48%)		15 (17%)	5 (5%)	90	100
2	Bank staff bad interaction		23 (26%)	16 (18%)	34 (38%)	17 (18%)	90	100
3	ATM withdrawal failure and delay	37 (41%)	39 (43%)		8 (9%)	6 (7%)	90	100
4	defective ATM machines / cards	20 (22%)	21 (23%)	9 (10%)	32 (36%)	8 (9%)	90	100
5	identity theft / cyber-crime		3 (4%)	25 (28%)	35 (39%)	26 (29%)	90	100
6	Poor customer service delivery	12 (13%)	25 (28%)	10 (11%)	39 (43%)	4 (5%)	90	100
7	excessive / hidden charges		7 (8%)	10 (11%)	49 (54%)	24 (27%)	90	100

Table 3 major complains made by complaints

Source: questionnaire

The above table showed that the study took 7 items for prevalent complaints and all items had been complaints made by one or more customers. The study showed that items 1 and 3 were the most dominant or prevalent complaints received by CBE in the 3 years study period. More than half of the study samples were found to have made complaints about automatic teller machine (ATM) withdrawal failures 76(84%) and excessive delay in service at the bank due to poor network 70(78%). Significant percentages of respondents made complaints about defective ATM card 41 (45%), poor customer service delivery 37 (41%), staff bad interaction 23(26%).

Varela-Neira et al., (2010) in a study of predominant customer complaints in 15 banks in 3 Mexican cities found that customer complaints mostly centered on deficiencies in electronic transactions. Casado et al., (2011) in a study of 12 south American banks made similar findings, indicating a predominance of complaints relating to electronic transactions like ATM service deficiencies and other illegitimate charges on customer accounts. As it has been showed in the finding and indicated in the statement of the problem the bank has frequent complaints caused by electronic transaction deficiencies and delay in service deliver by the bank staffs due to poor internet connection. Thus, the bank needs to take serious measures to address the mentioned problems.

4.3 Customer Complain Handling Mechanisms

Providing a comprehensive access to customers to forward their complaints is an important aspect of complain management as it gives opportunity for customer to voice their concern. Having multiple mechanisms to receive complaints also perceived as encouraging customers to complain the service dissatisfaction and this will help organizations to improve their service as well as to retain customer. Thus, creating accesses for customer complaint is an ingredient for effective complains procedure. Accordingly, mechanisms in place to import customer complaints at the CBE are examined in this section.

NO.	Rate the availability of complaining Mechanisms	SA	A	U	D	SD	Total	%
1	Suggestion box	27 (30%)	44 (49%)		10 (11%)	9 (10%)	90	100
2	The banks telephone	26 (29%)	49 (54%)		11 (12%)	4 (4%)	90	100
3	Email and text			16	47	27	90	100
4	Mini-customer satisfaction survey after service	18 (20%)	32 (36%)	15 (17%)	19 (21%)	6 (7%)	90	100
5	Electronic register			22 (24%)	44 (49%)	24 (27%)	90	100
6	Electronic device integrated to ATM				56 (62%)	34 (38%)	90	100
7	Suggestion Log book	21 (23%)	34 (38%)	17 (19%)	10 (11%)	8 (9%)	90	100

Table 4 Mechanisms for customer complaints

Source: questionnaire

With regard to the available complaining mechanisms, respondents rated the bank's telephone as widely used, which accounts 75(83%), suggestion box rated second 71(79%), log book rated third 54(60%) and mini-customer satisfaction survey fourth 50(55%). Electronic means are totally unavailable. This, indicates that the bank rely on conventional mechanisms to receive customer complaints. Despite the banks aggressively embarking on opening more branches and placing a large Number of ATM to create access to customer, it's complain receiving mechanism fails to take advantage of the current technology to provide technology enabled mechanisms to enhance the customer complain management. Bodey & Grace (2006) also argue that, if consumers are not given

organizational channels and opportunities to complain, they will voice concerns to others outside the company and their satisfaction degree will decreased.

The most frequent complaints made were related to the bank’s ATM malfunctioning and customers face the problems were look for telephone and suggestion box to forward their dissatisfaction in working days, however, on Sunday and public holiday’s customers have no means to complain and this situation aggravate customer anger and disappointment. Thus, the bank require to rethink about its customer complain receiving mechanisms so as to make fundamental change in the area.

4.4 Customer complain handling Effectiveness

The following table sought to find out customers attitude towards the bank complaints handling effectiveness.

The study conducted frequency as well as mean analysis to gauge response patterns. Mean values were calculated to identify the central tendencies (averages) of data. With a likert response scale of 1 – 5 (with the key: 1=strongly disagree, 2= disagree, 3=uncertain, 4= agree and 5=strongly agree), a mean value higher than 3 indicates that majority of the study respondents agree with a particular questionnaire instrument / variable whilst a mean value less than 3 indicates majority disagreement.

Table 5 effectiveness of the complaints management

NO.	The bank complain handling Mgt	SA	A	U	D	SD	Mean
1	The bank acknowledge customer complaints	23 (26%)	36 (40%)		21 (23%)	10 (11%)	3.45
2	Front line workers are empowered to handle complaints		15 (17%)	12 (13%)	47 (52%)	16 (18%)	2.28
3	The bank provide prompt decision for customer complaints		22 (24%)		50 (55%)	18 (20%)	2.28
4	The bank communicate decisions to complaints	33 (37%)	28 (31%)		10 (11%)	19 (21%)	3.51
5	I were satisfied with the bank’s decision	11 (12%)	21 (23%)	5 (6%)	30 (33%)	23 (26%)	2.71

Source: questionnaire

As shown from the table, the bank acknowledges a complaint as it was witnessed by majority of respondents which accounts 59(66%) has a mean value 3.45. With regard to empowering front line workers to deal with the complaints, majority of respondents disagree, that accounts 63(70%) and has a mean value 2.28. The banks ability to make quick decision on customer complaints was also asked to respondents, 68(76%) with the mean value 2.28 confirmed that decisions were delayed. However,

complaints decisions were communicated to the complainants as 61(68%) and a mean value of 3.51 respondents agree with the statement. Respondents were asked to reflect the degree of their satisfaction on decisions made by the bank on matters they complained, in this regard, more than half of respondents 53(59%) with the mean value of 2.71 witnessed their dissatisfaction.

The finding supported by the proponents of operational view on complaint management process which argued for speedy response, reliability, and consistency of response, ease of access to the complaint process, keeping the complainant informed, and well-trained staff who understand the complaint process (Johnston, 2001) for successful implementation of complain management process. As it has been stated in this argument, absence of well-trained front line staff and lack of speedy response resulted in customers dissatisfaction which questioning the effectiveness of the banks complain management practice. The finding also supported by Michel et al., 2009 despite the fact that organizations appreciate the importance of managing complaints, overall customer satisfaction after a failure has not improved. Organizations should encourage dissatisfied customers to complain so that they can solve the problem and retain the customer. Unfortunately, organizations that do not rise to the challenge of complaining customers are turning down the important opportunity of reclaiming and improving a relationship. Thus, the study pinpoints that the bank's customer complain system is ineffective from the customer's point of view and this indicates the need for develop and use of improved complain handling system by the bank.

4.5 Reactions of Complainants over Identified Complaints and resolution

The following table sought to find out the reactions of complainants over identified complaints and its resolution.

The study conducted frequency as well as mean analysis to gauge response patterns. Mean values were calculated to identify the central tendencies (averages) of data. With a likert response scale of 1 – 5 (with the key: 1=strongly disagree, 2= disagree, 3=uncertain, 4= agree and 5=strongly agree), a mean value higher than 3 indicates that majority of the study respondents agree with a particular questionnaire instrument / variable whilst a mean value less than 3 indicates majority disagreement.

Table 6 Customer reaction over complain resolution

NO.	Customer reaction over the complaint resolution	SA	A	U	D	SD	mean	Sd
1	I was disappointed in the bank	20 (22%)	40 (45%)		22 (24%)	8 (9%)	3.47	1.40
2	perceived the bank negatively	27 (30%)	41 (45%)		15 (17%)	7 (8%)	3.73	1.34
3	I contemplated switching banks	12 (13%)	20 (22%)	5 (6%)	39 (43%)	14 (16%)	2.74	1.41
4	I actually switched banks	13 (14%)	21 (23%)	9 (10%)	32 (36%)	15 (16%)	2.83	1.03
5	I opened an alternative account with another bank	12 (13%)	16 (18%)	8 (9%)	39 (43%)	15 (16%)	2.67	1.09
6	kept transactions on my CBE account a low rate	34 (38%)	44 (49%)		7 (8%)	5 (6%)	4.1	1.42
7	I told other people about the failings of the bank	21 (23%)	40 (45%)		23 (25%)	6 (7%)	3.52	1.35

Source: questionnaire

The above table showed that the study took 7 items for reactions of complainants over identified complaints and resolution and the mean score of 4 of these reactions had mean scores higher than 3. This indicates that majority of the study sample agreed to (or accept) statements 1,2, 6 and 7 but reject statements 3,4,5 and 6. From the table, the study concludes that the reactions of most customer complainants were mostly an expression of disappointment, negative perceptions about the bank, telling other people (potential customers) about their complainants (and probably the failure of the bank to adequately resolve it) and overall mindset of negativity against the bank.

These findings find correlations with some previous study findings and assertions in literature. Ndibusi & Ling (2006), in a study of 20 banks in Kenya found that customer complaints were often born out of disappointment and showed itself mostly in disappointment, feelings of negativity and bad word of mouth. Johnston & Michel (2008) put forward similar positions, stating that when customers find defects in products or services, disappointments crop up, leading to feelings of negativity against the company or business involved.

The study also showed although complaining customers are mostly disappointed and may contemplate switching banks or closing their accounts entirely, most customer do not practiced these conceptions and mostly return to doing business with the bank. Lerman (2006) posits that customers,

complaining directly with high expectations over a firm, are still in the hope of changing and unwilling to abandon the firm immediately. If their complaints could be dealt with well, some dissatisfied customers will be turned into satisfied ones and have a favorable view of the firms, then the overall customer satisfaction will increase. The complains contain a lot of important information such as product design, quality control and improvement of management, which are helpful to the firms for providing more satisfactory products and services. McCole (2004) thought that the indirect complaint behavior normally indicates a degree of consumer dissatisfaction, company unresponsiveness or related factors, which can severely threaten marketing relationships and effectiveness. According to the viewpoint of Bart & Dirk (2005), if customers who do not complain to the firm when dissatisfied, the company will lose the opportunity to rectify the problem (Fornell & Wernerfelt, 1988) and to restore the customer's satisfaction level (Lerman, 2006).

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). In line with this, Raman, 1999; Hocutt, Bowers & Donovan, 2006, also stated that, 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.

It evident that most customer complainants reactions were mostly an expression of disappointment, negative perceptions about the bank, telling other people about the failure of the bank to address complaints were the outcomes of the bank's overall in effectiveness of complaints handling strategy, that require the bank to improve the all aspects customer complaints management.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Major Findings

The study conducted to determine the effectiveness of customer complaints handling practice of the Commercial Bank of Ethiopia. This section presents major findings of the study.

Majority of respondents found made complaints on service dissatisfaction once 49% and twice 34%. Customers made limited complaints can be justified by various factors among others, disappointment with the bank's previous compliant resolution, lack of access to forward their complaints or satisfaction with the service provided by the bank might be contributing factors. This finding supported by Tronvoll (2012) finding stated that the manner in which complaints are handled significantly influences future complaints. Also it was argued by Nicolau & Mas (2011) in a study of bank customer complaints handling procedures in selected Asian countries, findings indicated that regardless of culture or any demographic factors, the consistency of complaints to a large extent depends on the customer belief in the company's complaint resolution procedures. The study opined that a weak procedure would discourage further or future complaints whilst a strong effective procedure would discourage further complaints but encourage future complaints.

In line with the above finding, the study extended to explore complaints made by the bank customers in the past three years. To this end, service failure occurred due to ATM malfunctioning rated as the most complaint area for customer complaints. Service failure at the bank hall due to deteriorated internet connection was the second area that precipitates customer complaints in the bank. These two areas becomes the most frequent area for customer complaints as the current technology revolutionized the way financial institutions conduct their business. Thus, customers significantly inclined to technology based service provision for speedy service and convenience. A number of studies showed the same result, amongst, Varela-Neira et al., (2010) in a study of predominant customer complaints in 15 banks in 3 Mexican cities found that customer complaints mostly centered on deficiencies in electronic transactions. Casado et al., (2011) in a study of 12 South American banks made similar findings, indicating a predominance of complaints relating to electronic transactions like ATM service deficiencies.

The study also went to identify mechanisms in place for customer complaints so as to provide access and facilitate customer complaints over service dissatisfaction. Accordingly, the research finding is that customers were used dominantly the bank telephone, suggestion box and log book which are found only in the banks compound. It is true that the bank's customer complaints importing mechanism relay on conventional and traditional ways. Despite, the bank's great effort to avail ATM machines for customers convenient, it fails to incorporate technology enabled customer compliant receiving mechanisms in addition to the conventional ways so as to provide customers a comprehensive access to voice their concern to the bank. This is not only denying a hybrid access to customers, it also limit the banks chance of getting customers valuable comments on the bank's service delivery that can be used to improve the bank's service provision as well as the way customer complaints handled so as to remain competent in the banking industry. In relation to this finding, Bodey & Grace (2006) argue that, if consumers are not given organizational channels and opportunities to complain, they will voice concerns to others outside the company and their satisfaction degree will decreased.

Respondents were asked to reflect the degree of their satisfaction on the bank's customer complaints management. In this regard, majority of them confirmed that the bank acknowledge complaints made by customers and decisions made by the bank concerning to complaints were communicated to the respective complaints. Nevertheless, delay in decision making and lack of empowering front line workers to handle customer complaints decrease customer satisfaction. Thus, overall customer satisfaction on the banks complaints handling is found not a promising one as majority of respondents expressed their dissatisfaction. For successful implementation of complain management process Johnston, 2001 argued for speedy response, reliability, and consistency of response, ease of access to the complaint process, keeping the complainant informed, and well-trained staff who understand the complaint process.

The last but not the least, issue dealt by the study was to assess complaints reaction over the identified service failure and decisions passed by the bank. The finding is that, reactions of most customer complainants were mostly an expression of disappointment, negative perceptions about the bank, telling other people (potential customers) about their complainants (and probably the failure of the bank to adequately resolve it) and overall mindset of negativity against the bank. McCole (2004) thought that the indirect complaint behavior normally indicates a degree of consumer dissatisfaction,

company unresponsiveness or related factors, which can severely threaten marketing relationships and effectiveness. On other hand Raman, 1999; Hocutt, Bowers & Donovan, 2006, asserts that, 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.

In the nutshell, the bank's complaints management found ineffective to address customers perceived service dissatisfaction which calls for bank to make all rounded effort to improve the situation.

5.2 Conclusions

The purpose of this study was to assess the effectiveness of customer complain in the Commercial Bank of Ethiopia. Data was obtained from a questionnaire given to 100 sampled customers at Sefere-selam and Merkatto Branch out of which ten responses were considered invalid for the analysis. Data collected from the survey questionnaire was analyzed using descriptive analysis tools like frequency, percentage and mean value. The following conclusions were drawn from the study.

Accordingly, the first research question dealt with the major complaints made by the customer over the last three years. The study showed that most complainants have made complaints just once or twice; also substantial number of respondents had made comments more than twice. The research concludes that customer made complaints limited to once or twice is due to lack of access to complain around the ATM as majority of the customer complaints were related to ATM associated. Another factor that a discouraging customer complaint is that, customers perceived the bank as not making sufficient effort to deal with complaints.

More than half of the study samples were found to have made complaints about automatic teller machine (ATM) failures and spending more time to get service at the bank due to poor internet connection. The current customer wants more efficient time saving and speedy service, thus, customers are inclined to use ATM as it saves their time as well as its accessibility. However, ATM mostly encountered service failure due to poor internet connection and system interruption as a result customers were forced to wait long time at ATM point. Moreover, unattended ATM's run out of cash which also cause inconvenient to customers. Thus, the malfunctioning ATM machines lowering customer satisfaction and becoming a major area of complaints.

Service delivery within the bank is another area for major complaints as internet connection sometimes surprisingly slow, thus customers complain about long waiting time to get service they inquired.

The second research question aimed at exploring mechanisms in place to receive customer complain. To this end, the finding was that the bank relied on conventional ways to import customer's complaints dominantly, the bank telephone, suggestion box and log book. Complain mechanisms used by the bank are only available in working days within working hours; as a result customer face problem on Sunday, public holidays and during night in using ATM has no means to pose service dissatisfaction which aggravates customer anger. Thus, the bank failed to provide customer a comprehensive mechanism trough integrating conventional and technology enabled means's to forward their service dissatisfaction.

The third research question investigate customers attitude towards the effectiveness of the banks complain handling system. Accordingly, the finding is that the bank acknowledges customer's complaint which is a good practice as customers feels that their concern is recognized. Moreover, the bank made effort to communicate decision made on complaints to customer that can be taken as a positive aspects of complain handling. However, the research found that, front line staffs are not empowered to deal with customer complaints and decisions on complaints were delayed. Thus, these factors affect customer satisfaction and they perceive the banks customer complaints management one that is ineffective.

Assessing customer's reaction subsequent to identified complaint and its resolution was the research question to be addressed in the study. The finding is that, reactions of most customer complainants were mostly an expression of disappointment, negative perceptions about the bank, telling other people (potential customers) about their complainants (and probably the failure of the bank to adequately resolve it) and overall mindset of negativity against the bank. Thus, negative word of mouth and perceiving the bank negatively by customers affect the reputation and public image.

5.3 Recommendation

The research forwarded the following recommendations to improve the banks complaints handling system so as to enhance customer satisfaction.

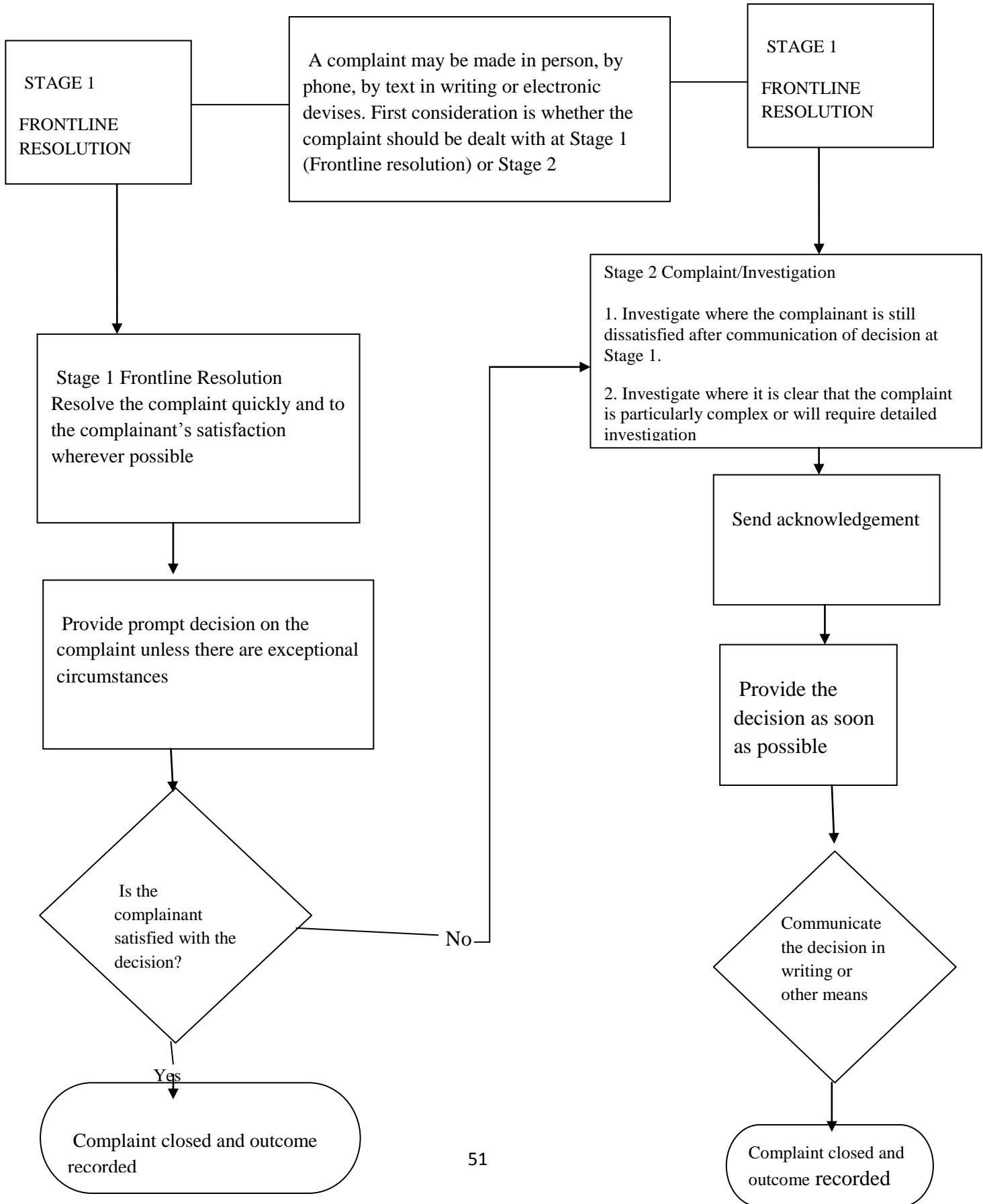
5.3.1 Using hybrid customer complaint importing mechanisms

The study found that most complaints were about ATM machine malfunctions and deficiencies. Complaints about such deficiencies can only be forwarded to the bank during the day when the bank is open. Customer complaints become impossible when ATM service is deficient at night and holidays. This may not only deny the bank a chance to address its customer needs but also a chance to implement critical service improvements. Owing to this fact, the study recommends that banks institute mechanisms to take complaints at night or during off hours. The study recommends that a complaint box be posted besides ATM stations physically to take complaints. Another way would be to integrate complaint receiving mechanisms into ATM services such that complaints can be made electronically by just pressing a button. This would relieve customers of some frustrations that go with poor service at the time it is encountered and positively influence retention. Moreover, the bank can use short SMS complaints importing mechanisms that enable customer to forward their complaints using their mobile phone. Thus, the research recommends the bank to use the mix of conventional and technology enabled comprehensive mechanisms to receive customer complaints.

5.3.2 Using a two stage customer complains handling

Stage one, the bank needs to empower front line workers to handle customer complaint, thus, front line staffs should be equipped with knowledge and skills of compliant management trough training. Using front line workers enables the bank to give on the spot response to complaints on complaint issues that can be handled by them. Customer complaints that cannot be handled by front line workers and unsatisfied customers on front line staffs resolution should be referred to stage two for detail investigation and resolution by the bank's responsible high officer (managers). This approach help the bank to improve the overall customer complain handling practice of the bank so as to enhance the customer satisfaction. Graphic representation of the suggested to stage customer compliant approach is as follow.

Figure: 3 Two Stage Customer complains handling



5.3.3 Improve the Overall Internet Connection and Network

A customer compliant area next to the ATM was poor internet connection at bank which makes customers to wait for long to get service. Thus, the bank needs to improve the overall internet connection using high capacity servers and other enhanced advanced technologies. Besides, the bank should work in collaboration with other banks so as to create alternative means of getting service to ATM users.

5.3.4 ATM Attendant

The bank needs to assign ATM attendants especially for those which are not located around the bank. Attendants should be given training on maintaining broken machines as well as to check machines run out of cashes. This will help to ensure the proper functioning of ATM so as to avoid customer inconvenience.

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APPENDIX

APPENDIX: QUESTIONNAIRE

Dear Respondent,

I am interested in studying customer complain handling strategy in CBE especially in **Sefereslam** and **Merkato branches** that may lead to handle complains as soon as possible

Please take some time off your busy schedule to respond to this questionnaire in fulfillment of an academic requirement. Please provide true and honest responses only.

Tick a response or multiples of it where appropriate and write down responses in spaces provided where required. Please maintain confidentiality by NOT writing down your name or any identifying details.

Thank You.

Section A: Respondents' Demographic Data

Please tick [] in the appropriate box provided to indicate your answers.

1. What's your gender? () Male () Female

2. Which age category do you belong?
() 18-30years () 31-45years () 46 – 60years

3. What is your highest academic qualification?
() Basic Level Education () Certificate / Diploma () Degree
() Post-Graduate / Masters () Other, Please specify.....

4. What is your area of employment?
() Civil Servant () Businessman
() Farmer () Student () Unemployed () Other, Please specify.....

5. How long have you been / did you bank with commercial bank of Ethiopia?
() 1-5 years () 5–10 years () 11-20 years () over 20years

Section B: Responses to Research Questions

6. You are recorded in commercial bank of Ethiopia customer complaints log book as having made a complaint within the past 3 years. Is this information correct?
() Yes () No () Other, Please specify.....

7. How many complaints have you had to make?
() One () Two () Three () four or more

Please indicate your agreement of disagreement to the following statements to Please use the following key:

(Key: SD= Strongly Disagree, D=Disagree, U=Unsure, A=Agree, SA= Strongly Agree)

Complaints made

NO.	Complaints made by the customer	SA	A	U	D	SD
1	Excessive delays at the bank due to poor network					
2	Bank staff bad interaction					
3	ATM withdrawal failure and delay					
4	defective ATM machines / cards					
5	identity theft / cyber-crime					
6	loan deduction anomalies					
7	Poor customer service delivery					
8	excessive / hidden charges					

Are there other complaints that you would like to add? Please state them here. _____

Mechanisms to receive customer complain

NO.	Rate the availability of complaining mechanisms	SA	A	U	D	SD
1	Suggestion box					
2	The banks free telephone					
3	Email and text					
4	Mini-customer satisfaction survey after service					
5	Electronic register					
6	Electronic device integrated to ATM					
7	Log book					

Please specify other complain receiving mechanisms used by the bank _____

Customer complain handling procedure and its effectiveness

NO.	The bank complain handling	SA	A	U	D	SD
1	The bank welcomes customer complain					
2	The bank acknowledge customer complaints					
3	Front line workers are empowered to handle complaints					
4	The bank provide prompt decision for customer complaints					
5	I were satisfied with the bank's decision					

Customer reaction after Complain

NO.	Customer reaction over the complain resolution	SA	A	U	D	SD
1	I was disappointed in the bank					
2	perceived the bank negatively					
3	I contemplated switching banks					
4	I actually switched banks					
5	I opened an alternative account with another bank and					
6	kept transactions on my CBE account a low rate					
7	I told other people about the failings of the bank					