



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



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To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v10-i12/8282>

DOI:10.6007/IJARBSS/v10-i12/8282

Received: 16 October 2020, **Revised:** 02 November 2020, **Accepted:** 29 November 2020

Published Online: 10 December 2020

In-Text Citation: (Arumugam et al., 2020)

To Cite this Article: Arumugam, N., Subramaniam, A. L. B., Mylvaganam, G., & Singh, K. K. M. (2020). Customer Satisfaction Perpetuates Loyalty: A Case Study. *International Journal of Academic Research in Business and Social Sciences*, 10(12), 149–161.

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Vol. 10, No. 12, 2020, Pg. 149 - 161

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INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



www.hrmars.com

ISSN: 2222-6990

Customer Satisfaction Perpetuates Loyalty: A Case Study

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Abstract

Courier services have become increasingly popular with the advent of Internet shopping. However, customers may not always experience the best service. Hence, the problems related to a customer's delivery experience do not only jeopardize the courier's brand image but also its business footing or reputation. How these courier services address and handle customer complaints in substandard delivery experience determines customer satisfaction which is an integral aspect in maintaining long-standing consumer loyalty. This study (1) gauges how conflict resolution affects customer satisfaction in the complaint handling process and (2) determines to what extent customer satisfaction perpetuates customer loyalty. A local courier service was chosen for this study and analysis was carried out on data gathered from Twitter as well as semi-structured interview sessions with five participants, who were randomly selected. It was found that the approach taken to resolve a conflict significantly influences customer satisfaction in the complaint handling process. When customer complaint is handled within the constructs of procedural, interactional, and distributive justice there is a positive experience, subsequently increasing customer satisfaction with the responsiveness in the handling process. This study also revealed that there is a significant correlation between customer satisfaction and customer loyalty - the higher the level of customer satisfaction, the stronger the customer loyalty.

Keywords: Customer Complaint Handling, Customer Satisfaction, Customer Loyalty

Introduction

Customer satisfaction, an attitude adopted by a customer, specifies the extent to which brands, products and services fulfil the customer's requirements and expectations. Customer loyalty, on the other hand, refers to constancy, not only to repurchase a product or service but to do so despite the presence of situational factors that may potentially affect switching behaviour. Cakici, Akgunduz and Yildirim (2019) described a satisfied customer as one who expresses positive remarks about an acquisition, experiences gratification in a buying context and potentially advises it to other people, has revisit intentions and will pay little attention to other brand products and advertisement. Thus, customer satisfaction which is crucial in every business generates customer loyalty.

According to Tolba, Seoudi, Meshreki and Shimy (2016) customer loyalty is influenced by how consumers perceive the quality and fairness of the complaint handling process. The researchers grouped the factors which determine customers' perceived fairness into three dimensions or constructs of justice: procedural justice, interactional justice and distributive justice. The construct of procedural justice reflects the extent to which customers perceive the process of complaint handling to be timely, have control over the issue, are given the opportunity to express feelings about the problem and able to present information relevant to influence the results of the complaint (Goodwin & Ross, 1992; Tax et al., 1998, Min et al., 2014). Interactional justice, however, is the degree to which the customer recognizes the compensation received as a result of the complaint process to be fair (Bies & Shapiro, 1987; Gilliland, 1993; Siu et. al., 2013). Finally, distributive justice is the fairness of interpersonal treatment experienced by customers when the company's employees tackle the complaint handling procedures with empathy, politeness, and determination and provide a comprehensive explanation in the distribution of benefits and burdens (Boatright, 2013; Darwish et al., 2018). Therefore, this study explores how complainants who experience higher levels of distributive, procedural and interactional justice perceive customer satisfaction, which subsequently influences customer loyalty to a product or service.

Figure 1: The Conceptual Model of Complaint Handling (adapted from Tolba et al., 2016)

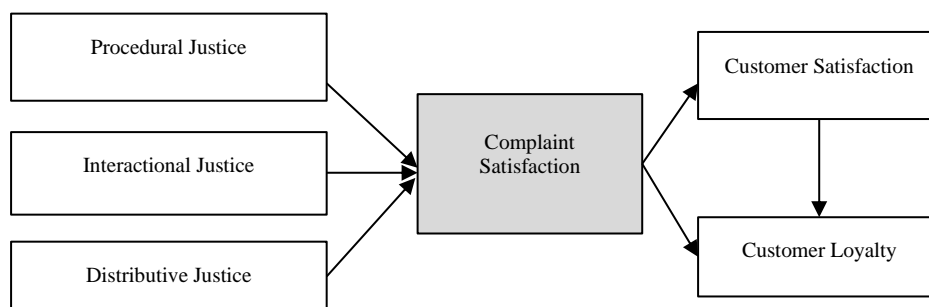


Figure 1 illustrates the conceptual model of complaint handling which was adapted from Tolba et al (2016). The model points out that procedural justice, interactional justice and distributive justice influence the degree of satisfaction towards complaints, and inevitably the degree of customer satisfaction and loyalty.

J&T Express Malaysia is a popular courier service selected by most Malaysians from a long list of other courier companies available in Malaysia. This study researches customer satisfaction towards the complaint handling services provided by J&T Express Malaysia, a courier service provider in Malaysia that offers a wide-range of services which include delivering messages, packages and mails. J&T Express was founded in 2015 and is currently one of the most prominent courier services in Malaysia due to its advanced IT management systems, which have enhanced the company's express delivery services and customer service qualities through the availability of the fastest, most convenient and efficient claim processes. This tech-based logistics company has expanded rapidly in the Southeast Asia region with express courier delivery as its core business. J&T Express, initially an Indonesian logistic company, is fundamentally involved in logistics and package delivery. It has undergone rapid growth with more than 4,000 offices, 3,000 drop-points, 200 gateways with outsized supply equipment and more than 50,000 employees.

Other courier services worldwide are also recognized for their speed, security and tracking service as they offer a faster and more secure alternative to the conventional mail service. This delivery sector is considered essential in the e-commerce industry since most businesses or e-retailers heavily dependent on courier services to assist in their deliveries. Haron, Bakar, Haron and Hui (2017) highlighted that 38% of e-shoppers were displeased with their online purchases due to delivery snags caused by courier services. The issue of negative delivery experience among e-shoppers does not only jeopardize the courier's brand image but also the business' image as customer's satisfaction is vital to sustain long-term loyalty. According to Ngo and Nguyen (2016), customer loyalty is heavily motivated by customer satisfaction. Most consumers prefer to frequent service providers who have ensured positive experience with minimal or no risk in their shopping encounter. Kaura, Prasad and Sharma (2015) also noted in their study that service quality measurements have directly impacted customer satisfaction and loyalty. They also added that there is a positive relationship between service quality and consumers' intention to repurchase and inclination to recommend. Istanbulluoglu (2017) cited that complaint-handling strategies play a significant role in business marketing. Effective strategies of complaint handling increase customer satisfaction and customer loyalty, whereas ineffective strategies intensify the risk of losing current and steady customers who have been satisfied in the past. Appropriate and efficient approaches or responsiveness in handling customers' complaints could provide opportunities for businesses to not only resolve the complications that have occurred, but also transform them into satisfying encounters. Hence, effective complaint handlings favourably influence previously dissatisfied customers, namely through improved repurchase behavior and increased service usage (Zena & Hadisumarto, 2012).

Establishing successful and long-lasting relationships with customers is crucial in today's competitive business settings since the ultimate strength in commerce is the customer portfolio. According to Cambra-Fierro, Melero-Polo and Sese (2016), a customer portfolio is influential in shaping a company's present and future financial achievement. However, the customer service landscape is yet to comprehend the value-added benefits of building strong relationships and engagement with the customers especially even more so when mistakes or failure to provide the best practices may occur. Kaura, Prasad and Sharma (2015) indicated that customer satisfaction and loyalty are interrelated to complete service quality. Dissatisfied customers have a strong propensity to switch organizations and are more likely to select competitors who offer best-quality services.

Kaura, Prasad and Sharma (2015) further presented several dimensions of service quality that include employee behavior, tangibility and information technology. The researchers noted that all businesses should exploit effective strategies in the complaint handling process especially when managing and attending to their customers' positive and negative inquiries. According to Cambra-Fierro, Melero-Polo and Sese (2016), complaint handling can be defined as a "formal organizational procedure for registering and processing customer complaints that is consistent with complainants' needs". The performance of the complaint-handling system is measured against customer-oriented guidelines when dealing with complaints. Subsequently, clear, relevant and timely solutions to resolve grievances are pertinent to increase customer satisfaction to sustain customer loyalty.

On the other hand, Istanbulluoglu (2017) defined complaint handling as an approach used by every company to resolve service disappointments in order to cope with the dissatisfaction

experienced among customers. Effective and successful complaint management is advantageous for businesses to increase customer satisfaction and maintain loyalty. An effective and successful complaint management system will, therefore, include the ability of the company to provide effective customer response, reduce negative buzzes, increase loyalty and retain customers. He further added that a positive customer experience guarantees customer loyalty since the manner in which an employee responds to customers' enquiries or complications has a snowball effect.

Nevertheless, handling customers' complaints effectively and efficiently is significant when introducing a new service in the local arena and competing with larger organisations. Many past studies have measured the impact of service on customer satisfaction and loyalty; however, there exists a gap in research which covers an extensive review into the relationship between customer engagement and complaint-handling process efforts. In order to address these gaps in research, this study aims to determine the relationship between customer satisfaction and the complaint-handling process with consumer loyalty.

This current study explores how Malaysian customers perceive the quality and fairness of the complaint handling process, and how complaint handling perceptions/experiences affect customer loyalty. Below are the research questions:

RQ 1: In what way does conflict resolution affect customer satisfaction?

RQ 2: What is the relationship between customer satisfaction and customer loyalty?

Methodology

In this study, a qualitative approach was employed. It involved two stages of data collection. In Stage 1, data in the form of tweets (on Twitter) were gathered from 15 March to 15 June 2020, during the Movement Control Order (MCO). Data was analysed and tabulated to identify patterns in responses involving 51 data tweets on customers' perceptions regarding the manner in which their complaints were handled (how their calls and reports were being responded to). The data was numbered (month-count); the tweets were tabulated (refer to Appendix B) and classified into two categories, based on the attitude (tone) projected by clients in their posts or comments. Next, semi-structured interviews were conducted with five (5) participants to obtain comprehensive information about their experience with the courier service provider in handling their complaints.

Result and Discussion

The following section will elaborate on the findings to answer Research Question 1.

Tolba, Seoudi, Meshreki and Shimy (2016) indicated that customers' loyalty to a service provider is dependent on their perception towards the quality and fairness observable in the handling of their complaints.

Conflict resolution and customer satisfaction

Customer satisfaction is substantially affected by the way a conflict is resolved. In this context, conflict is represented by the customers' complaints, and the resolutions identify how J&T Express responds to and handles these complaints. The varied methods used to overcome complaints affect customers' satisfaction levels. The findings from the analysis of the tweets gathered were classified into several distinct themes.

1. Data from Tweets (Twitter)

Approachable and Competent Staff in Some Branches Increase Customer Satisfaction

The tweets selected from March 2020 until June 2020 found 51 entries closely related to customer complaint handling processes. From these 16 reflected positive comments, thus indicating that customers were satisfied with the services received from J&T Express. A tweet from April, 2020 specifically mentioned the location of a J&T branch which offered satisfactory service: "I've been to J&T Express Gunung Rapat. Staff were good, service was good" [4-03]. This was similar to another two tweets (in May 2020 and June 2020) which specifically praised the service provided by the J&T branch in their area. In Machang, a tweet in May stated that "Services in J&T Machang never disappoint me" [5-01] while another customer in Mukah tweeted that the "J&T Mukah branch has very friendly staff" [6-01]. A tweet from a customer in Tanjong Karang (April, 2020) specifically stated that she received good service and her phone calls to the branch were never ignored ("Tg Karang's service was okay. My calls were picked up" [4-06]).

These tweets indicate that in several branches of J&T Express courier service staff employ a varied approach to address customer complaints. While the disposition of staff plays a vital role for some customers to reflect quality service, for others the immediate availability of staff is fundamental to guarantee consumer satisfaction.

Lack of Facilitation, Promptness, Clarification, Attentiveness and Atonement Affects Customer Satisfaction

On the other hand, the other 35 tweets indicated dissatisfaction with how complaints were handled. Most frustrations stressed incompetence in facilitation (knowledge on the platform to complaint on), promptness (the time taken to respond to complaints), clarification (elaboration on the response to their complaints), attentiveness (the genuine and sincere interaction between the customers and the company) as well as atonement (how customers feel after the interaction). Each subtheme is explained in the following paragraphs and illustrated with extracts from the tweets gathered.

i. Inaccessible Customer Call Service Impacts Customer Satisfaction Negatively

15 of the tweets specifically mentioned how customers could not reach the customer service centre to lodge a complaint, or did not receive a response at all. The number of complaints reached the highest in March compared to April and June (6 out of 15), with March experiencing peak online trade and transactions due to the Movement Control Order (MRO) and preparations being made for the Eid celebration in most Malay households. Dissatisfaction over service included: "I couldn't even talk to the operator." [5-06], "The customer service contact number cannot be reached by any creature on earth." [5-09], "Very difficult to get them to answer our calls" and "The customer service line was difficult to get through." [5-14].

ii. Absence of Facilitation in terms of Complaint Placement

Besides difficulties in getting through the customer service line, two out of the 35 tweets highlighted how customers were unsure about where to park their complaints. A tweet in April indicated that a customer was uncertain of an effective way to contact J&T, especially with the MCO being enforced, "Movement is currently restricted due to MCO; so where else

can I issue my complaint?" [4-11]. One more tweet in a more disapproving tone wrote "J&T service, out!" [4-13].

The above customers experienced inefficient facilitation and promptness with regard to how their complaints were handled. These include unclear instructions on where to lodge a complaint and an unresponsiveness to queries. During the MCO, when these tweets were extracted, J&T Express encountered a surge in demand for services. Hence, busy customer service lines led to unattended calls and reports, which affected speed in service.

iii. Intolerable Explanation and Treatment when Addressing Customer Complaints

Some tweets (10 tweets out of 35 tweets) cited how customers managed to get through, but were not satisfied with the explanation given to them. Several customers complained that they were blamed for the complaint they reported, "When I called them back, they told me my parcel was problematic, *blablabla* it's an overnight parcel..." [4-18]; other tweets mentioned that they were not given suitable explanations, but only excuses. Referring to a tweet in April, a complainant said "I'm boycotting J&T (and GDEX). Very slow service, keep on using MCO as an excuse." [4-20]. In May, another customer tweeted "...came to the branch for pick-up, they gave me excuses such as the system is down but I caught a glimpse of the stockpiled parcels behind them" [5-07]. In June, a customer indicated that J&T's call centre provided "bad service" and he/she was given the explanation 'We couldn't deliver, no staff' 'but when I get there I see eight (8) staff just relaxing.'" [6-08]

With excuses replacing clarifications, it is evident that the complaint handling process lacks interactional justice and customers demand this to gain satisfaction (Tolba et al., 2016). The flawed interactional justice in complaint handling is also stark in the following remarks made by some customers. One customer cited that the "Staff were not friendly at all." [6-04]. A tweet in April stated that he/she experienced bad over-the-counter customer service when she encountered "Rude front desk staff." [4-22]. This is not the only tweet highlighting poor counter service, as another tweet in May also mentioned that "...service is getting worse" [6-08] and "Customer service is extremely bad." [5-05]. Several customers also encountered similar services but via the call centre. In one tweet, he/she mentioned that "... I called the operator (of the customer service) but the way she responded was as if she's in a fight with her husband." [5-11].

While these inputs reinforce how facilitation, promptness and attentiveness play a vital role in the complaint handling process and conflict resolution, it is also pertinent to identify other factors which generate customer satisfaction in complaint handling, and how they perpetuate loyalty to a service or product. Much of the data (tweets) in this research reflect expressions which are exclusive to and dependent on the complainants' emotions and judgments at the time the posts were made.

Data from the Semi-Structured Interview

In order to respond to the second research question and obtain comprehensive data, a semi-structured interview was carried out with five participants to analyse their perceptions on the experience they encountered when interacting with J&T Express concerning complaints reported. This section of the research will specifically address Research Question 2: What is the relationship between customer satisfaction and customer loyalty?

An overview of the Participants responses in relation to all the three dimensions or constructs of justice in customer complaint handling is provided below:

Table 1: An Overview of Responses on All Dimensions of Justice

| | Participant A | Participant B | Participant C | Participant D | Participant E |
|-----------------------|---|---|--|---|---|
| Procedural Justice | Complaints take longer time to be resolved | They'll entertain us, but this takes time | Very slow in responding, but still get response | Barely got any response | Receive responses, but slow |
| Interactional Justice | They apologised in a satisfactory manner, and provided sufficient explanation / clarification | A scripted apology was received, provides explanation / clarification when addressing the complaint. Lacks courtesy | They don't seem honest when apologising. Never explained the problems. | Not really convincing in apology, poor effort and not genuine when explaining | Machine-like apology. Repeats general excuses when explaining |
| Distributive Justice | I feel at ease after complaining, they handled it well | I am dissatisfied, blames the customer (wrong details, etc.) | Calls weren't picked up, unfair treatment | Responses takes too long, but feel better once problems were addressed | Unfair treatment, complaints got deleted |
| Satisfaction | Satisfied | Not satisfied | Not satisfied | Undecided | Not satisfied |
| Loyalty | Will re-use services, will recommend to others | Will discontinue services, will never recommend to others | Will discontinue services, will never recommend to others | Will discontinue services, will never recommend to others | Will discontinue services, will never recommend to others |

In Table 1 the positive as well as negative dealings experienced by J&T Express courier service users are listed. They are tweets extracted from Twitter which reflect the participants' perceptions and opinions on the complaint handling process. However, of the five Participants, four expressed their dissatisfaction and refusal to engage J&T Express to meet their courier needs in the future. A cross analysis of the coded interview transcription reveals three major themes, which are relevant to Research Question 2: What is the relationship between customer satisfaction and customer loyalty?

Negative Feedback: Poor interactional justice in complaint handling

First, it was found that poor interactional justice has a significant impact on customers' satisfaction in the handling of complaints. Participants B, C, D and E expressed the most dissatisfaction and this is reflected in their comments which target at lack of promptness and poor explanation or resolution to grievances. This indicates that customer dissatisfaction towards a service is closely tied to the type of responsiveness received.

Participant C specifically mentioned that "I saw by myself in one of the J&T hubs, there was one client who asked 'Where is my parcel?'. They didn't say sorry about it. They just said 'Luckily we found your item,' I think this was not genuine at all" [line 13-14]. Participant D mentioned that she is never given a clear explanation. She claimed "I had a few bad experiences with J&T actually. They never clarified why the parcels were delayed for a few weeks or damaged" [line 13-14]. Participant D specifically mentioned that he received a 'machine-like' explanation, where "...they keep repeating the same general excuses [line 15-16]. Such responses highlight how the service users above were displeased with the explanation they were given, and the treatment they received. The factors contributing to the displeasure correspond with a finding in the study done by Tolba et al. (2016), who established that customers value being heard, having their complaint handled in a timely manner and feeling that they have control over the process although the actual outcome may not be as desired. Gelbrich and Roschk (2011) also reported that cumulative satisfaction, which is the primary antecedent of customer loyalty, is a critical aspect in interactional justice.

Customers' Overall Experience

The second major finding established in this study is that customers' experience (whether positive or negative) on the dimensions of justice affects their satisfaction towards complaint handling. Participant A experienced many positive encounters in all the dimensions of justice (procedural, interactional and distributive), hence the high level of satisfaction. Participant A specifically mentioned that when it comes to extending an apology, "they do apologise in a satisfactory manner and for me this is acceptable" [line 12-13]. She also remarked that the explanation she received was fair: "The team managed to provide sufficient clarification and I think it is well-explained" [line 13]. This is in line with the positively toned tweets highlighted earlier where some of the customers were satisfied with the service provided by J&T Express; although, this was dependent on the location of the branch they conducted business with.

Despite the positive encounter experienced by Participant A, Participants B, C, D and E on the other hand, had worse experiences, leading to the dissatisfaction they felt in the way J&T Express handled their complaints. First, when it came to extending an apology, Participant B claimed that "Honestly, it is a scripted apology. They are dealing with thousands of customers and the way they apologized was just part of the script. It's not really genuine for me" [line

12]. This response is similar to Participant B, who also stated that “I don't think that they are honest when they seek an apology. I think they did it just for the sake of their work” [line 11]. Another aspect of interactional justice that these three participants described as unsatisfactory focused on the explanations given to their grievances. Participant C commented: “I think they just put the blame on others. For example, the customer services blame the courier guy for not calling the client, and their explanation was not convincing at all. They should know what happened because they can track it but then they just assume that it is not their problem as long as the item is received. Then the problem was solved” [line 14-15]. This same participant later voiced her dissatisfaction over the customer complaint handling service.

Therefore, there is a relationship between perception on dimensions of justice in complaint handling and customer satisfaction. This finding corresponds with that of Tolba et al. (2016) who reported that customers who perceived their experience positively would have a high level of satisfaction for the service because efficient complaint handling encourages the continuation of a productive relationship between the disputants, even when the outcome is not satisfactory to one or both parties. In addition, Osarenkhoe and Komunda (2013) also discovered that when a service failed to meet the desired outcomes of a customer's complaints (do not respond to complaints, do not listen attentively), disappointment and dissatisfaction increase.

Experience Impacts Satisfaction and Inevitably Customer Loyalty

Finally, the third major finding in this study, based on the semi-structured interview, is that customers' satisfaction based on their experience (with the dimensions of justice) impacts loyalty to a service. Participant A had good experience in all the justice dimensions, hence his satisfaction level with the service was high. He stated that “So far, I am satisfied and I think they have provided good customer service through calls” [line 27]. He added that he would recommend the service to others: “J&T would be one of the options that I would recommend to my close friends/family if they needed a courier service. I've never encountered a bad experience with J&T so far, so, yes, I would use their service again in the future” [line 28-29]. This demonstrates the extent satisfaction influences loyalty.

On the other hand, Participants B, C, D and E had undesirable experiences in all the justice dimensions, and expressed their low satisfaction with the service. Participant B detailed his dissatisfaction: “Like I've mentioned, I had some bad experiences with this courier service so I'm not gonna say I'm satisfied with their service since I've used other services and they're way more efficient compared to this one” [line 28]. Participant C also voiced her doubts when asked to rate the overall customer complaint service as positive or negative, as she stated, “I'm not satisfied. Just 50-50...positive and negative both also got” [line 24]. Participant D elaborated on his displeasure with J&T Express with reference to the different quality of service he received compared to his previous experience, “...because actually they used to be good, but it's like something happened and their quality dropped significantly” [line 34-35].

With such dissatisfactions expressed, all three participants reported their discontinuation of the service, preferring others. Some participants stated that unless options are limited, they will avoid engaging J&T Express for future courier needs. Participant D specified that “I will never use (J&T) unless I am desperate to use it” [line 38]. A similar response was recorded

from Participant C: “If I have no option I will use it again. If I have an option I won't choose J&T” [line 33]. Some of the participants mentioned that they would not discourage people from using the service, but would still share what they experienced. Participant B said “I'm not going to make generalised statements just because I had bad experiences with them but I would share my experiences with other people and it is totally up to them to decide” [line 29-30]. This response is quite similar to what Participant C said: “In the term of recommendation, I would tell other people to choose other couriers if they don't want to suffer like me” [line 36-37].

The above statements reiterate that customer satisfaction impacts customer loyalty. With the positive recommendation stated by Participant A, as well as the decision to discontinue services with J&T Express as voiced out by Participants B, C, D and E, it is evident that when customer satisfaction levels in complaint handling service is high, customer loyalty remains constant. This finding validates a study done by Karatepe (2006) who reported that complainants who experience higher levels of distributive, procedural, and interactional justice report increased satisfaction, hence leading to loyalty for a product or service. Yap, Ramayah and Shahidan (2012) who conducted a similar study in the context of banking reported that satisfaction has a positive effect on trust and this trust encourages loyalty to the bank. Osarenkhoe and Komuda (2013) in their findings also reported a significant relationship between satisfaction and loyalty. When the service is rated as extremely satisfying in terms of overall quality, it urges customers to recommend a supermarket's products and services to others (Rothenberger, Grewal & Iyer, 2008).

Conclusion

The findings from the tweets (Twitter) gathered and the data obtained from the semi-structured interview found that different branches of J&T Express employed varied conflict resolution strategies. These strategies have a profound outcome on satisfaction. Being friendly and competent in the service industry increases customer satisfaction. In some branches of J&T Express Services, which lacked such qualities, customers were left feeling discontented, thus pressuring them to post their grievances on Twitter. It was also discovered that there is a positive correlation between customer satisfaction and customer loyalty. A high level of procedural, interactional and distributive justice increases satisfaction levels among customers. When conflict is handled with justice or fairness (incorporating the three dimensions of justice for complaints handling), customer satisfaction is guaranteed as expectations are met. This perpetuates customer loyalty. Therefore, it is recommended that courier services like J&T Express and others improve the procedures related to the handling of complaints and decision-making processes. Furthermore, staff training to improve interpersonal skills to provide interactional fairness is also suggested. Finally, managers should emphasise the importance of outstanding interpersonal skills when recruiting new staff as service providers.

The current study has its limitations. First, it only involved 5 participants who were J&T Express clients. Hence, future research in similar fields and topics should incorporate an increased number of participants including experts in the field of courier service and customer service to provide robust data on the customer handling process. Next, this study was carried out in 4 months and data collection from social networking sites only encompassed Twitter. Other social media websites like Facebook and Instagram could have also been observed over

a longer duration to obtain valuable insights on customer satisfaction and the role it plays in loyalty for a service.

This study holds important practical implications for organizations that offer services such as courier service, to comprehend the benefits of building strong relationships with their customers. Besides demonstrating the importance of addressing customer complaints to gain customer satisfaction and loyalty, it also highlights that quality of resolution is pertinent. There are also managerial implications for courier services whereby they may need to make effort to improve their delivery services to fulfill the wishes and needs of the customers. As customer satisfaction is the key to uphold loyalty, service-oriented organizations like courier services should welcome customer feedback for business to thrive. All in all, it appears that detaining an existing customer seems more profitable than gaining a new one. Finally, this study also contributes to a better understanding of the influence of social media platforms such as Twitter, Facebook and Instagram which will benefit future research.

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