Impacts of Organizational Responses on Customer Satisfaction and Loyalty in Northern Cyprus Hotels and Casinos

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ABSTRACT

Strategically, every organization follows a specific systematic plan of action to control the service recovery procedures, namely organizational responses. Organizational responses vary due to different approaches and opinions; however, six responses are usually referenced in the literature: timeliness, redress, facilitation, credibility, attentiveness and apology. Therefore, Investigation of the impacts of organizational responses on hotel-casino customers' satisfaction and loyalty in Northern Cyprus hotels and casinos provides useful information for policy makers and managers.

Results show that while atonement, facilitation and attentiveness show statistically significant and positive relationships with customer satisfaction and loyalty, apology, promptness show different behaviors in Northern Cyprus hotels and casinos. In addition, it should be noted that creditability as an organizational response is measured but no significant result has shown up.

Keywords: Organizational responses, Service Recovery, Customer Satisfaction, Customer Loyalty.

ÖZ

Stratejik olarak, her kuruluş kurtarma prosedürleri yani örgütsel tepkileri kontrol etmek için belli bir sistematik eylem planı takip eder. Örgütsel tepkiler farklı yaklaşımlar ve görüşler nedeniyle değişebilir, ancak, genellikle literatürde başvurulan altı metod: zamanındalık, telafi, kolaylaştırma, güvenilirlik, dikkat ve özür. Bu nedenle, Kuzey Kıbrıs oteller ve casinolar otel-casino müşteri memnuniyeti ve sadakati üzerindeki örgütsel tepkilerin etkilerinin incelenmesi hareket tarzını belirleyenler ve yöneticiler için yararlı bilgiler sağlar.

Sonuçlar gösteriyor ki, telafi, kolaylaştırma ve dikkat bize istatistik olarak önemli müşteri memnuniyeti gösterirken sadakat, özür, dakiklik ise Kuzey Kıbrıs oteller ve casinolarında farklı davranışlar göstermektedir. Buna ek olarak, dikkate alınmalıdır ki beğeni örgütsel tepkiler olarak ölçülmekte ancak etkili bir sonuç olarak gösterilmemektedir.

Anahtar Kelimeler: Örgütsel tepkiler , Servis Kurtarma , Müşteri Memnuniyeti , Müşteri Sadakati.

ACKNOWLEDGMENT

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Chapter 1

INTRODUCTION

This chapter of study gives some information about the philosophy of conducting our research. In this respect, it starts with a brief background of the subject of the study and it is followed by aim of study and research objectives. Afterwards, the structure of study is introduced and the contribution of the study is represented.

1.1 Background

No one can deny the importance of complaint handling in service industries. It is believed that both academics and industry decision makers must be well aware of the effects of complaint behavior on what is perceived by the customers (Johnston & Mera, 2002).

Therefore, identification of the complaint behavior empowers the service providers in policy makings by giving a clear and deep perception of many areas such as:

- Regular problems in service industry (Johnston & Mera, 2002),

- Problems due to defects and imperfections of the service design and delivery (Marquis & Filiatrault, 2002),

- Customers' perceptions regarding the service quality (Harrison-Walker, 2001),

- Facilitation of strategic planning (Johnston & Mehra, 2002)

It is argued that customers' complaints should be welcomed favorably. If a dissatisfied customer does not complain, the service provider may lose a loyal customer (Tax & Brown, 1998).

Hence, service recovery in case of failure plays an important role in the hotel and casino industry as this industry involves an interaction between service providers and service takers. The degree of customers' satisfaction is tied to the quality of the service. Therefore, the front-line staffs of the hotels or casinos are those whose actions and attitudes shape the customers' perception (Lewis & McCann, 2004).

According to the global economic crisis in recent years, market for the hotel and casino industries have become extensively competitive. The number of visitors has decreased greatly and business travels have become globally fewer due to the money saving plans of the organizations. One can state that due to all mentioned above it would become harder for the hotel and casino industries to survive in this environment. Hence, hotels should provide high quality to satisfy their customers in order to gain customer retention and reach a state of well reputation. In addition, as Tepeci (1999) mentions, organizations that plan to benefit from their guests' loyalty are not only generating revenues out of retentions, but also they are able to minimize their advertising and marketing costs more successfully. Undoubtedly, it is not always possible to provide a perfect service. However, managers in hospitality businesses could employ various approaches in order to reach the highest level of customers' satisfaction. It is believed that an unhappy guest whose complaints are not handled properly may negatively affect the reputation of the hotel or casino and causes negative word of mouth behaviors. Therefore, as Huang (2011) suggests,

complaints should be handled effectively to decrease the exposure of the organization to the customers' dissatisfaction.

Strategically, every organization follows a specific systematic plan of action to control the service recovery procedures. So, a customer's behavior after his or her complaint is greatly dependent on the way which his or her complaint is handled in an organization (Davidow, 2000). More specifically, hotels or casinos follow various approaches and they are quite different across hotel or casino sectors. It is worth noting that although different sectors in a hotel or a casino may practice different policies, the ultimate goal is to gain the maximum degree of service recovery. Service recovery process includes various critical components which are significantly important in turning a strategy into a successful one.

Service recovery process is consisted of various components. The front-line staff is known as one of the most critical ones because they are the first layer of the organization which is interacted with complaining customers. As Johnston and Michel (2008) suggest, the more the front-line employees are trained to treat the complaints, the better it determines the amount of the responsibility of the organization toward its customers. They add in their study that it has been reported in some parts of the economy that complaints are not handled properly.

All mentioned above highlights the importance of introducing an organizational framework in order to satisfy unhappy customers. Organizational responses vary due to different approaches and opinions; however, Davidow (2000; 2003) has mentioned six responses which are usually referenced in the literature. His suggested items include: timeliness, redress, facilitation, credibility, attentiveness and apology.

1.2 Aim of Study and Research Objectives

Motivated by the studies of Ekiz (2004) and Karatepe (2006), this research focuses on the impacts of organizational responses on customer satisfaction and loyalty. Therefore, investigation of the impacts of organizational responses on hotel-casino customers' satisfaction and loyalty in Northern Cyprus hotels and casinos is the main aim of this study. More specifically, the present study focuses on casino guests in comparison with regular guests.

Accordingly, research objectives are defined as below:

- Measuring the effects of various organizational responses to complaints on hotel-casino customers' satisfaction.
- Measuring the effects of various organizational responses to complaints on hotel-casino customers' loyalty.

It is believed by the researcher that casino guests in Northern Cyprus hotels are not usually satisfied with the provided services. In addition, front-line employees are not often able to recognize the difference between casino guests and regular ones. Therefore, I hope that this research can provide a handful tool for managers to implicate practical policies in order to organize their teams effectively.

1.3 Structure of the Study

The first chapter of this study presents a summary of the background about the subject of the study. Then, it continues with an explanation of the aim of the study and finishes with an overview of the structure of the study. The second chapter introduces briefly the Northern Cyprus hotel and casino industry. The third chapter reviews the related literature. The fourth chapter proposes the model and hypotheses.

The fifth chapter presents methodology of the study and it is followed by the sixth chapter concerning about the empirical results. Finally, the seventh chapter discusses the results suggests some implications for the industry managers then in eighth chapter concludes the outcomes of the research.

1.4 Contribution of the Study

The present study tries to address what is missing in the previously available literature and what is needed to fill managerial gaps. Since no study has investigated the hotel and casino organizational responses in Northern Cyprus, this study is considered to be a useful tool to equip managers to enhance customer satisfaction and loyalty. Therefore, this study firstly recognizes the relationship between organizational responses and customer satisfaction and customer loyalty in Northern Cyprus hotels and casinos. So, the outcome of this study could provide hotel or casino managers with some information about the impact of organizational responses. In addition, North Cyprus ministry of tourism and culture could refer to the findings of this study in the policy making processes.

Chapter 2

TOURISM INDUSTRY IN NORTHERN CYPRUS

In this chapter, a brief introduction of Northern Cyprus is given which is followed by some information about its touristic potentials and places. Then, some basic facts are mentioned about this industry in Northern Cyprus.

2.1 Introduction

Turkish Republic of Northern Cyprus (TRNC) located in the northern side of island is known as popular touristic destinations. With a 3,355 square kilometers area and a Mediterranean climate, this island has gained attention in recent years from international tourists. In order to reach TRNC, one could either use airways or maritime line from Turkey (www.wikipedia.com).

North Cyprus has been affected by political issues regarding the separation of northern and southern parts. Similarly, political issues have great impacts on economy including different sectors (Altinay et al., 2005).

Political issues accompanied with economically isolated system in North Cyprus have caused an increase in the number of problems such as: shortage of qualified staff, unpredictable patterns of tourist arrivals, high dependency on Turkish tourists and indirect flights. Therefore, the development of this sector has been hindered for many years (Kilic & Okumus, 2005).

Cyprus has been known as one of the significant tourism targets with lots of historical castles and monuments. In addition, Mediterranean climate of this island is also known as another advantage for the tourism sector. Northern Cyprus government has stated tourism sector as the main indicator of economic development.

Tourism industry is known as the leading industry in Northern Cyprus influencing economic development sustainably (Kiessel et al., 2011). However, development of this industry is not efficient as Saveriades (2000) states. He mentions that Northern Cyprus has not efficiently developed its tourism industry because it has neglected the construction of a strategy which defines the tourism sector structure clearly and sustainably. In addition, Northern Cyprus dependency on Turkey has also been another critical issue to be addressed.

Figure 1: Map of Cyprus

2.2 North Cyprus Regions

From the tourism point of view, North Cyprus is mainly consisted of five various regions:

- Nicosia (the capital and called Lefkosa in Turkish),

- Famagusta (called Gazi Magusa in Turkish),

- Kyrenia (called Girne in Turkish),

- Karpaz

- Mophou (called Guzelyurt in Turkish).

2.2.1 Nicosia

Nicosia or Lefkosa is the capital city of Northern Cyprus. This city is the center of official, political and cultural events and most government sectors are located in this area. Most popular places to visit in Nicosia are Mevlana Museum, Great Inn and Kyrenia Gate. There are also some hotels and casinos in this city but not as much as other regions.

Figure 2: Kyrenia Gate

2.2.2 Famagusta

Famagusta or Ammochostos (means hidden in sand in Greek) is the main historical region of Northern Cyprus. The very first residents of this area were Egyptians. Its history backs to 300 B.C. when it was known as a port used for fishing purposes. The following figures depict some of the historical attractions of this city.
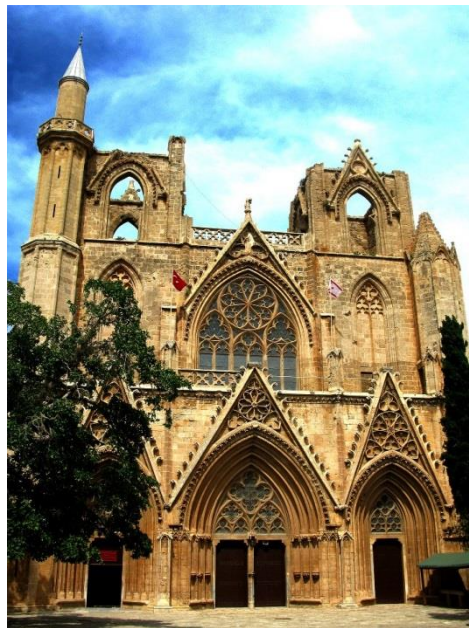
Figure 3: Famagusta Touristic Attractions (Lala Mustafa Pasha Mosque)

Figure 4: Famagusta Touristic Attraction (Salamis Ruins)

As the historical attractions of this city are popular, a lot of new hotels, casinos and tourist residents have been built during recent years. Figure 4 and Figure 5 depict examples of hotels built in coastline and a hotel-casino complex in Famagusta region.

Figure 5: Hotel in Famagusta Coastline (Sky Venus Hotel)

Figure 6: Hotel-Casino Complex in Famagusta Region (Salamis Hotel and Casino Complex)

2.2.3 Kyrenia

This city is known as the pearl of the island and is recognized as the heart of Northern Cyprus tourism. Many hotels, casinos and restaurants are located in this region around the harbor.

As this city is the center of tourism of island, lots of hotels and casinos are receiving many guests and tourists from all over the world. Figure 7 shows an example of hotel and casino complex around the Kyrenia harbor.

Figure 7: Hotel-Casino Complex in Kyrenia

2.2.4 Karpaz

Karpaz is one of the regions which is not affected by development of constructions in the Northern Cyprus and there are still unspoiled and natural scenes such as Golden beach. Therefore, it is mainly famous for wild donkeys, natural landscapes and there are not plenty of luxurious hotels such as Kyrenia and Famagusta regions. One of the main historical sites in Dipkarpaz is the ruins of "Ayios Philon".
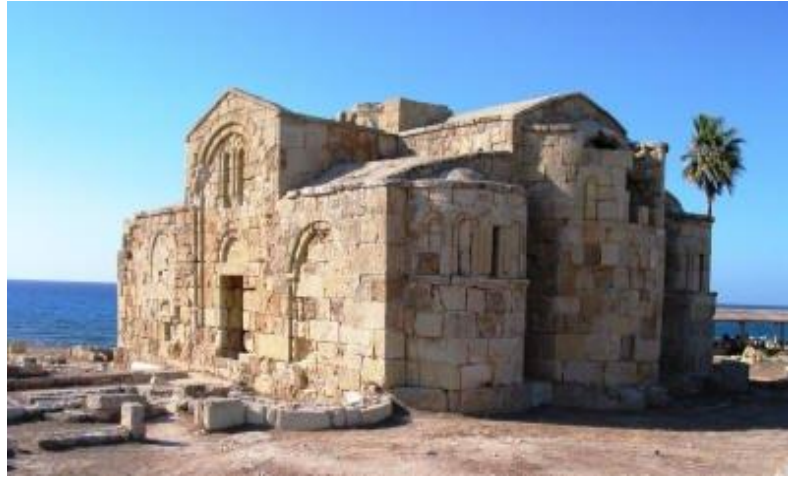
Figure 8: Ayios Philon (Karpaz)

2.2.5 Guzelyurt (Morphou)

Guzelyurt and Lefke with over 12,000 population. "Guzelyurt" is internationally known as "Morphou". In Turkish it means "beautiful place". It has been situated at the foothills of Trodos Mountains. It is famous for its fruitful soil. Most of the fruit and vegetables in Cyprus are produced in Guzelyurt and the city is surrounded by citrus trees (www.turkishcyprus.com). The city is famous for its citrus trees and strawberries (www.whatson-northcyprus.com). Guzelyurt is one of the places in North Cyprus, which has been less touched by tourism industry and left pristine. During the first two weeks of June there is an orange festival as well. The most important historical site of Guzelyurt is St.Mamas Monastery.

Figure 9: St Mamas Church and Icon Museum

2.3 Tourism Industry in Northern Cyprus

All mentioned emphasizes the importance of tourism industry in this country. In North Cyprus as a tourist destination, there are many hotels and inns for tourist accommodation which are ranging from 1,2,3,4 to 5 star hotels. According to the North Cyprus hoteliers association, there are around 91 hotels and casinos in North Cyprus. Amongst them, there are twelve 5 star hotels. There are eight 5 star hotels in Kyrenia, 2 in Iskele, 1 in Famagusta and 1 in Nicosia. As Kyrenia is the most attractive place for tourists, most of the hotels and inns are located in this picturesque city.

Base on the website of the ministry of tourism, environment and culture, the number of beds in North Cyprus in December 2011 was around 19, 162. This figure is around 19,867 at the same time in 2012.

According to the related literature (Altinay & Hussain, 2005), hotels and casinos play a significant role in the economic development of Northern Cyprus by providing job opportunities for local people and demanding goods from local businesses. In addition, their tax payments have great impacts on government income.

Hotels are mostly positioned close to the beaches. Also, casinos are taken into account as an attraction for tourists mostly Turkish, Greeks and from Middle East.

Global crisis affected Northern Cyprus hotels like other tourism industries all over the world. Accordingly, some hotels stopped their operation when the number of tourists was declining rapidly. In 2008, only a small number of tourists visited

Northern Cyprus, less than 142,736. However, the recovery started from 2009 and this figure rose up to 147,418.

Unfortunately, there are some improper management strategies which inversely affect customer satisfaction. One can list low occupancy rates, untrained staffs, low quality in services and seasonality according to the related literature (Arasli, 2002; Nadiri & Hussain, 2005).

Ekiz and Arasli (2007) state that there is not only a proper complaint handling framework in most of Cypriot hotels, but also policy makers are not planning for a higher service quality.

Undoubtedly, there are many natural and cultural attractions in Northern Cyprus. So, in order to enter international market of tourism, Northern Cyprus hotels and casinos need to plan strategically to attract more tourists. This issue highlights the importance of investigating the factors which affect the tourists' perceptions of Northern Cyprus. By referring to the differences among these perceptions, managers and decision makers would be more powerful to enhance the quality of tourism sector.

2.4 Basic Facts about Northern Cyprus Tourism Sector

Ministry of tourism, environment and culture of Northern Cyprus has reported that the number of tourists who have visited North Cyprus has raised from approximately 1 million in 2011 to 1,150 million in 2012. In addition, it is mentioned in the report that September is known to be the first moth in terms of frequency of tourist arrivals (www.tckb.gov.ct.tr). According to the last statistics published on the ministry of

tourism and culture website, in the first month of 2013 a 0.2% of decrease has been seen in the number of arrivals comparing to the same time in 2012.

Moreover, out of 1 million people visited North Cyprus almost 80 percent of them were Turkish citizens, where the rest 20 percent hold different nationalities. Among nationalities visited North Cyprus, British tourists have been ranked the first followed by Iranian, German, Russian and Netherland, respectively. In table 1, top five foreign tourist arrivals during 2011 and 2012 have been given and in table2 tourism income of Northern Cyprus from 2002-2011 has been depicted.

Table 1: Tourist Arrival in North Cyprus

Foreign Arrivals	2011	2012	Change (%)
Britain	50.846	47.594	-6.4
Iran	18.897	22.014	16.5
Germany	18.079	24.754	36,9
Russia	12,150	13.108	7,9
Netherlands	10.256	18.686	82,2

Table 2: Tourism Income
(Adopted from www.northcyprus.cc)

YILLAR (YEARS)	NET TURİZM GELİRİ (MİLYON USD) (Net tourism income)	DIŞ TİCARET AÇIĞINI KARŞILAMA ORANI (%) (The ratio of net tourism income to the trade balance)
2002	114,1	43,2
2003	178,8	41,9
2004	288,3	36,4
2005	328,8	28,0
2006	303,2	23,2
2007	381,0	26,2
2008	383,7	24,0
2009	390,7	31,1
2010*	405,8	26,9
2011**		

Chapter 3

LITERATURE REVIEW

The first chapter briefly reviewed an introduction to the subject of study and then provided a summary of research objectives. In this chapter, a review of the related literature on the concept of the study is presented. Accordingly, three main parts are described in the following sections: Firstly, the related literature of organizational failures and different types of failures are discussed briefly. Secondly, the organizational recovery concept and its options which are presented in the literature are reviewed. The last part of this chapter is concentrated on organizational responses and their dimensions are investigated in detail.

3.1 Organizational Failures

As it is mentioned in the study of Tax and Brown (1998), all businesses are trying to reach the maximum level of customer retention and to keep their customers' loyalty at its highest degree. Therefore, if hotels or casinos are looking for a sustainable stream of income and a steady flow of retained customers, they have to take care of their service quality.

Many researchers (Yavas et al., 2003) have shown that either mistakes in the behaviors of personnel or failures in providing main services occur frequently in service industries. Similarly, Bitner, Booms and Tetreault (1990) suggest that these factors can indirectly cause some negative consequences for organizations.

According to the literature, two types of failures are mentioned for organizations by Bitner et al. (1990) and Keaveney (1995): failures of outcomes and failures of processes. The first type of failure is related to the tangible assets or services of an organization. For instance, in case of hotel industry, overbooked rooms of a hotel or unavailable items of the hotel menu can be listed as outcome failures. In case of casinos, overcrowded stations or improper service by waiters can be called a service failure. The second type of failure is associated with the delivery process of the service such as socially-incorrect behaviors of frontline employees in hotels or casinos and long waits for receiving services. The bottom line of failures is customer dissatisfaction which is accompanied with negative repercussions for service providers such as losing customers and increasing negative word of mouth behaviors (Hoffman & Kelly, 2000; Blodgett et al., 1997).

3.2 Organizational Recovery

Organizations are continuously trying to improve the quality of their services and goods. Lewis and Spyrakopoulos (2001) define organizational recovery as the plans which the managers of organizations employ as a reaction to organizational failures.

The study of Zemke and Bell (1990) defines organizational recovery more precisely as the post-complaints efforts done by organizations to satisfy an aggrieved customer to return. In addition, Zemke (1994) suggests that organizational recovery is known as the loyalty of an organization to the quality. Similarly, Boshoff (1997) complements the previous ideas by introducing organizational recovery as a critical factor which affects customers' satisfaction in an overall framework.

In the context of service industry, service recovery is defined by Michel, Bowen and Johnston (2006) as the plans implicated by business encounters in order to compensate their customers for service failures. Recently, economic crisis has also intensified the competitiveness of the industry by putting more pressure on service providers to improve the quality of their services up to the highest level. Therefore, an organization which is willing to survive in the market should actively practice the best policies to keep its customers satisfied.

It is shown in some studies (Johnston & Michel, 2008; Susskind & Viccari, 2011) that many organizations have become more aware of the importance of service economies and customer-focused strategies in recent decades. Undoubtedly, service recovery should be managed properly in order to avoid unfortunate consequences in terms of revenues and reputation. Moreover, handling of customers' complaints is not only essential ethically, but it is also a determinant of profitability in an organization (Slusarczyk, 2003).To sum up, while organizations are in the process of decision making, they have to take service recovery strategies into consideration in order to be able to handle potential problems (Orsingher, Valentini & De Angelis, 2009).

3.3 Hospitality and Service Recovery

Service industry, especially hotels and casinos, is highly sensitive to the service quality because of the intangibility of its assets. Since the customers care about the way they are handled in case of service failure, the service recovery process can be translated as a summary of what managers believe to deliver to their guests. As Rio Lanza et al. (2008) state in their study, each department in hotels and casinos act

toward guests in a special level of service which is the main measure of successful service delivery.

As hospitality industry operates within a framework which is limited to their customers' preferences, it is not possible to eliminate errors and dissatisfactions completely. For instance, in case of a hotel, a guest may not be satisfied with the way which the room is decorated or a guest may not like the way which the food is prepared. Or, in case of a casino, a customer may not receive his or her drink on time or maybe receive it incorrectly. Hence, service recovery can play an important role in making long-term relationships between customers and hotel and casinos.

To sum up, if managers are interested in increasing their customers' satisfaction, they should understand the impacts of service recovery on the guests' perceptions which shape the repurchase behavior of customers (Susskind & Vicaari, 2011).

3.3.1 Service Recovery Performance

Service industries are highly dependent on customer satisfaction. Therefore, in case of a service failure, frontline staffs are the first interfaces of an organization who are expected to be responsible for service recovery. It is declared by Babakus et al. (2003) that frontline staffs have a vital role in customer satisfaction.

In the related literature, it is stated that when a customer is complaining from a service failure, a proper service recovery by frontline employees affect the final customer satisfaction positively (Maxham & Netemeyer, 2002).

Similarly, repurchase purposes are undoubtedly accompanied by proper service recoveries. Karatepe (2006) suggests that customer satisfaction is affected by well-done recoveries significantly and positively.

However, complainants who are not handled properly could spread negative information about the organization and indeed affect customers' commitment toward the organization (Rod & Ashill, 2010).

In this respect, a study by Kelly et al. (1993) has investigated some reports collected from some organizations in case of service failures. It is mentioned in this study that organizational reports reveal that organizations recover service failures with various options. One of the options discovered is the discount.

Discounts are used in order to compensate complainants of service failures caused by the organization. The second discovered option of service recovery was correction. In this option, a simple correction such as repairing or explaining has been used as a service recovery.

All mentioned above notifies the importance of equipping an organization with powerful means of service recovery in order to satisfy customers suffered from service failures.

3.4 Customer Retention in Service Industries

It is obvious to all managers in the service industry that customer retention requires high levels of attention. In other words, customer loyalty is one of the most precious assets of a service provider. In the literature (Karatepe, 2006), it is indicated that the cheapest marketing strategy is to gain the customers' loyalty. In addition, attracting

new customers needs competitive marketing strategies which have growing costs. Similar studies by Ha and Jang (2008) and Gruber et al. (2009) claim that service recovery helps managers to regain for customer's loyalty by handling service failure. In this way, customers feel that the organizations are happily satisfied and their loyalty is attained. So, service recovery process could be called the second chance of organizations to correct any failure and regain the customer's satisfaction in order to fortify the mutual relationships.

According to the literature, in fact only 5 to 10 percent of dis-satisfied customers complain (Tax & Brown, 1988). In addition, organization may mistakenly believe that a dis-satisfied customer is recovered while he or she is not actually. This process may result in unpleasant actions such as negative reviews and word of mouth (Gelbrich & Roschk, 2011).Therefore, organizations may not be totally aware of the customer's complaint while the complaint is spreading via word of mouth or online networks.

3.5 Employees' Retention in Service Recovery

Employee retention has the same level of importance in the service industries. Satisfied employees significantly affect the organization success in providing service to the customers, especially in the hotel or casino industry. For instance, when a customer faces a service imperfection in the hotel or casino, the first interaction of dis-satisfied customer is toward the front-line staffs. More precisely, the receptionist is usually the first person who receives and handles the complaint. The response of the receptionist determines the customer perception of the service recovery process (Gruber et al., 2009).

The managers should not only strategically plan to ensure that their policies are implicated and followed effectively, but also prepare their personnel through training programs. If they do so, they will be able to provide the best level of service recovery accompanied by the customer's satisfaction. So, as Swanson and Hsu (2011) indicate, empowered employees who are trained effectively are prepared to handle the complaints if any service failure happens.

3.6 Organizational Responses

In the Gelbrich and Roschk (2011) study, organizational responses are defined as the first efforts of an organization to response a complaining customer.

The main organizational responses which are mostly cited in their literature are: redress, apology, attentiveness, credibility, facilitation and timeliness. In the figure 8, a summary of organizational responses to dis-satisfied customers and their impacts on the post-complaint behavior of complainers is shown.
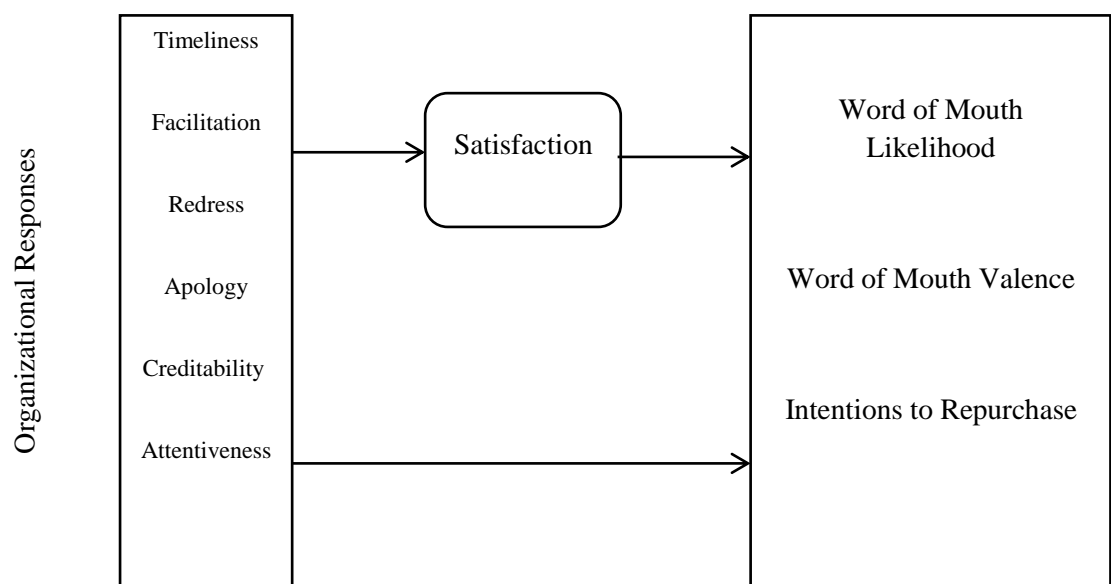
Figure 10: Organizational Responses to Complaints and Their Impact on Post-complaint Customer Behavior (Based on Davidow (2000)

In addition, Boshoff (1999) introduces six organizational responses including:

- Atonement: the act of compensating for improper service quality in order to satisfy a complaining customer.

- Communication: This dimension involves all aspects of a communication including timing, style and frequency in the process of giving information.

- Feedback: Feedback is referred to the information which is provided by the organization to the customers regarding the procedures for finding solutions in the presence of a problem.

- Empowered Employees: an empowered employee decides and acts as an agent representing an organization.

- Tangibles: the physical appearance of employees is called tangible. In other words, any physical tool which is used by employees to provide services or handle complaints is a tangible.

- Explanation: the first narrative description which is provided by the organization to its customers in order to explain why an event has happened.

3.6.1 Redress (Atonement)

According to the study by Davidow (2000), redress is defined as the organizational response which a customer receives from an organization in reaction to his or her complaint.

One of the most effective responses to a complainer would be compensation. Returning the complaining customer to its initial point before dissatisfaction is the least thing which an organization can do. Davidow (2000) mentions that customers are expecting to be given compensation in case of service failure and they evaluate the service recovery of an organization based on their actual outcomes. In other

words (as Tax & Brown (1998) claim), a complainer looks forward to receiving compensation in case of service failures.

3.6.2 Apology

Redistribution for wrongdoing which is done by an organization in exchange with its customers is defined as apology (Smith et al., 1999). Therefore, this state of satisfaction has psychological value (Davidow, 2000). As Boshoff (1999) states, an apology represents that an organization knows that they have not been successful in keeping its customers satisfied, so they are going to recompense by taking the complaint seriously and try to solve it quickly and efficiently.

It is believed that apology is an inevitable part of successful and positive service recovery (Zemke, 1994). Even though it is believed that apologies can survive an organization in case of failure, many organizations do not have any specific plant to give apologies out. Various ways are suggested for presenting an apology. However, Zemke and Bell (1990) suggest that the best way is personal.

Empirical findings in the related literature show that apology is related with the satisfaction of complainant and this relationship is statistically significant (Boshoff & Leong, 1998).

3.6.3 Attentiveness

As frontline employees are the first layer of organization which serve the customers, their actions regarding the service quality are important (Andereassen, 2000). Bowen and Schneider (1988) stated that these interactions can be either physical or psychological. Hence, frontline employees should be physically and psychologically consistent with the mental pictures of guests (Hartline & Ferrell, 1996).

The way that frontline employees respond to a complaint plays an important role in the perceptions of customers. Not only the form of response at which is provided is important but also its content is determinant (Bitner, Booms & Tetreault, 1990). Therefore, the customers may not be satisfied by a single service failure, but an improper response accompanied with a service failure can cause dissatisfaction. In conclusion, the frontline employees should be trained enough in order to meet the expectations of customers, otherwise, they may cause dissatisfaction.

Attentiveness of employees also affects the word-of-mouth behaviors of customers and has great impacts in the process of making decisions for repurchases. Blodgett, Wakefiled and Barnes (1995) found that the more rudely the customers were behaved by front-line employee, the more negative word-of-mouth were distributed and the less repurchases were planned. Davidow's findings (2000) also confirm that this dimension of organizational responses can greatly affect the possibility of getting involved in word-of-mouth behavior.

Post-complaint behaviors are important for organization. In a study done by McCollough, Berry and Yadav (2000), it is shown that if employees cannot behave politely or are not trained enough to act professionally; they affect the customers' satisfaction significantly. Their findings also prove an important conclusion. It claims that there is a mutual relationship between the impacts of redress and attentiveness which increases the level of satisfaction. It is worth noting that this relationship may become negative and reduces the level of satisfaction.

3.6.4 Credibility

Credibility originates when an organization has compensated for a service failure, but it should be stated what it is planned to be done in case of future failures

(Davidow & Dacin, 1996). If there is any organizational response, it can shape the customers' perceptions regarding the credibility of the organization. Therefore, when the customer believes that the organization is going to do its best to resolve the problem in future, his or her satisfaction from the service recovery increases. This process shows that the interpretation of response is the most important part. As Johnston and Mehra (2002) mention, when an organization provides an environment in which a customer is encouraged to complain, it is indirectly making an unhappy customer to a loyal one.

3.6.5 Facilitation

Davidow (2000) defines facilitation as one of the dimensions of organizational response. He says that an organization's plans, policies and strategies to serve and handle a complaint establish the concept of facilitation. In other words, an organization must provide a framework to facilitate the process of complaining for customers. However, it should be notified that the existence of a facilitated system does not guarantee that the organization is dealt with all complaints effectively. Therefore, Johnston and Mehra (2002) suggest that making a specific contact point facilitates the process of complaint registration for the customers.

Empirical results show that a facilitated process of complaining affects customer satisfactions positively (Durvasula, Lysonski, & Mehta, 2000). In the contrary, it is reported in the literature that facilitation and post-complaint behavior are not significantly related together (Davidow, 2000). Another study shows that facilitation and repurchase intentions are positively associated (Fornell & Wernerfelt, 1988).

3.6.6 Timeliness

Timeliness is referred to the quickness of an organization to a complaint. Therefore, in the process of service recovery, a quick response is worthy (Johnston & Mehra, 2002). In addition, customers are sensitive how fast the organization handles the complaints (Gilly, 1987). A slow and late response is not favorable by customers (Lewis & Spyrakopoulos, 2001).

A study by Gilly and Gelb (1982) shows the speed of response is related with the customer satisfaction positively. In addition, Conlon and Murray (1996) proved in their study that repurchase intentions are a function of response speed.

This chapter reviewed the related literature and discussed the previous related studies in this field. In the following chapter, the hypotheses and model of study will be introduced and discussed.

3.7 Customer Satisfaction and Customer Loyalty

Service companies strive to provide zero-error service in order to enhance customer satisfaction and develop long-term customer relationship, but even for the best firms it is difficult to avoid mistakes completely during the service delivery process (Wen et al., 2013). In addition, customer satisfaction is a concept that has received a great deal of attention in the literature due to its potential influence on consumer purchase intentions and customer retention (Abubakar & Mavondo, 2013).

Prior studies have suggested that high levels of customer satisfaction are associated with increased customer loyalty (Karatepe,2006). Empirical research has demonstrated that satisfied complainants are more likely to have repurchase

intentions and use positive word-of-mouth communication (Blodgett and Anderson, 2000; Maxham and Netemeyer, 2002).

It is also worth mentioning that customer loyalty is a strategic objective for managers and is considered an intangible strategic asset that will enhance organizational performance (Goncalves & Sampaio, 2012). Therefore, investigating its determinants has drawn continuous attention from researchers.

Chapter 4

PROPOSED MODEL AND HYPOTHESES

This chapter of study introduces the conceptual model of the study. This model is suggested in accordance with the related literature, specifically Karatepe (2006) study. Then, based on the proposed model, the hypotheses are originated and discussed. The hypotheses are also consisted with what is discussed in the literature.

4.1 Proposed Model of Study

According to cognitive appraisal theory, Bagozzi (1992) indicate that "emotions arise in response to appraisals one makes for something of relevance to one's wellbeing". In other words, the way individuals evaluate the event generates the emotions, not the event itself. Therefore, in this study, reformulation of attitude theory (Bagozzi, 1992) is employed. As this theory suggests, a person perceives the quality of past, present and future outcomes individually and this process leads to emotional responses which is followed by coping responses. Hence, the way an organization plans to handle complain can shape customers' perceptions of satisfaction and loyalty.

Service firms have been seeking effective organizational responses to complaints with a view to satisfying unhappy customers (Karatepe & Ekiz, 2004) because these responses shape the customers' perceptions and emotional responses.

Although effective service recovery results in complainant satisfaction and loyalty (Spreng et al., 1995; Smith and Bolton, 1998; Gilly and Hansen, 1992), many complainants are dissatisfied with the way in which their complaints are handled (Johnston and Mehra, 2002). It is still the case that few service firms learn from their mistakes and problems (Tax and Brown, 1998).

The conceptual model of study is depicted in figure 9 which represents how different organizational responses affect complaint satisfaction and loyalty. This study has proposed a model based on a study by Karatepe (2006). This model depicts how different organizational responses could affect complainant's satisfaction and loyalty. Similarly, it illustrates the relationship between customer satisfaction and loyalty.

As we reviewed the literature in the previous chapter, Johnston's study (2001) proposes main organizational responses as atonement, facilitation, promptness, apology, attentiveness and creditability.

In addition, these organizational responses play an important role between service providers and customers. Bitner's study (1990) reveals the importance of these responses in the satisfaction of customers. His study shows that customers perceive a negative impact from a service when:

- There is not any form of response for the complaints including apology, compensation and explanation;
- None of frontline employees are not giving care for complaints;
- Complaints are not provided with assistance in order to find a solution for the complaints.

According to all mentioned and Conlon and Murray (1996), Lewis (1983) and Hart et al. (1990), highlight how positively organizational responses can affect the perception of customers regarding satisfaction and loyalty.
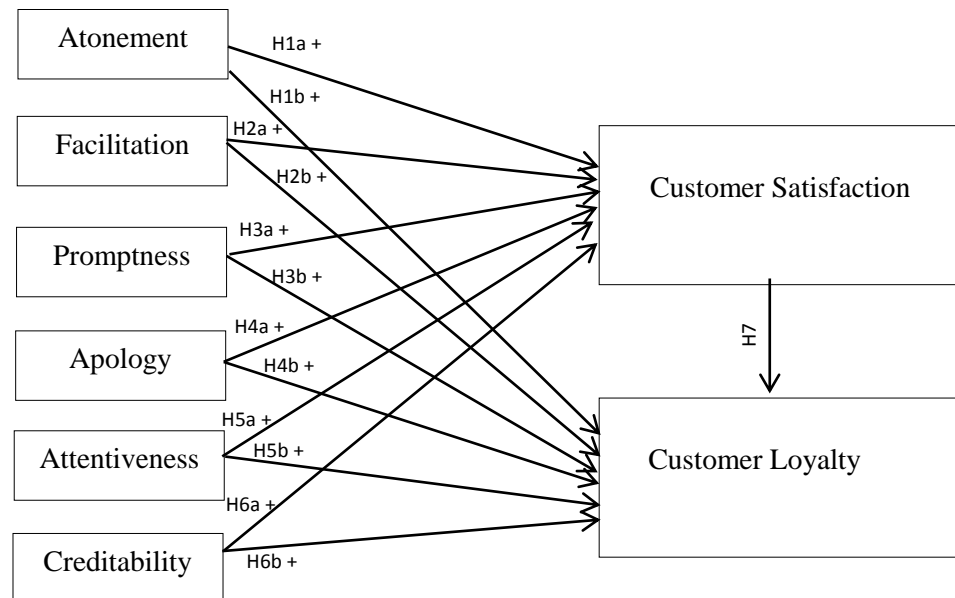
Figure 11: Proposed Model of Study
Adapted from Karatepe (2006)

In this thesis, there are several possible complaint recovery frameworks that could serve as a basis for this study. However, Smith, Bolton, and Wagner (1999) looked only at satisfaction (and not repurchase or word-of-mouth activity) as a dependent variable, while focusing only on some of the organizational response alternatives. Boshoff (1999) developed and validated a six-factor scale, but it has never been tested. Tax and Brown (1998) classified the actual organizational responses as fairness or justice dimensions, which were then used as antecedents to post-complaint customer behavior, thus limiting managerial usefulness. According to Davidow (2000), there are six different dimensions of organizational responses to complaints (timeliness, facilitation, redress, apology, credibility, and attentiveness)

that affect post-complaint customer behavior. Karatepe (2006) also has analyzed the impacts of different dimensions of organizational responses on complainants' satisfaction and loyalty.

Therefore, hypotheses are proposed based on the relevant literature and the validity of hypotheses is investigated by using data collected from Northern Cyprus hotels and employing statistical analyses on the data in SPSS.

4.2 Hypotheses

Based on the proposed conceptual model of study, hypotheses are proposed. Firstly, the previous findings are discussed for each dimension of organizational responses. Then, our study hypotheses are introduced.

It is also worth noting that proposed hypotheses primarily take organizational responses into consideration and investigate their relationships with customer satisfaction and loyalty. Then, the presence of relationship between customer satisfaction and customer loyalty, resulted from organizational responses, are hypothesized.

4.2.1 Atonement

As it is mentioned in Davidow's study (2000), customers evaluate the organizational responses based on how their complaints are served and how they would be compensated. An undeniable expectation of a complainant would be compensation (Tax & Brown, 1998).Boshoff's study (1997) emphasizes that atoning for a service failure increases complainant's satisfaction to a higher level. There are also evidences that increasing levels of atonement is associated with increasing levels of satisfaction among complainants (Davidow, 2003).

According to what was discussed above, following hypotheses can be built for the relationships between atonement and complaint satisfaction and loyalty:

H1a: Atonement has a significant and positive impact on complaint satisfaction.

H1b: Atonement has a significant and positive impact on complaint loyalty.

4.2.2 Facilitation

The way in which an organization acts to satisfy a complainant is namely the facilitation of that organization (Davidow, 2000). Moreover, it is stated by Johnston and Mehra (2002) that dissatisfied customers could be changed to loyal ones. A study done by Goodwin and Ross (1992) shows there is a significantly positive relationship between facilitation and satisfaction of complainants. Moreover, it is believed that a service provider who is strategically enables to handle dissatisfied customers can successfully increase the level of their customers' satisfaction. And, as Davidow (2003) mentions, post-complaint behavior is highly dependent on the way an organization's policies are formed to receive complaints.

Hence, the relationship between facilitation and customer satisfaction and loyalty can be hypothesized as below:

H2a: Facilitation has a significant and positive impact on complaint satisfaction.

H2b: Facilitation has a significant and positive impact on complaint loyalty.

4.2.3 Promptness

Undoubtedly, a fast response to a complaint is highly effective in the process of customer satisfaction (Johnston & Mehra, 2002). In addition, a complainant does not like to wait for a long time to be handled (Lewis et al., 2001).Therefore, the higher

speed the response has, the higher the complainant satisfaction would be (Gilly & Gelb, 1982). Swanson and Kelly (2001) state speedy responses ensure positive WOM.

Hence, in the light of what discussed above, hypotheses are proposed as below:

H3a: Promptness has a significant and positive impact on complaint satisfaction.

H3b: Promptness has a significant and positive impact on complaint loyalty.

4.2.4 Apology

It should be noted that an organization has to be careful about the psychological aspects of a service failure. Davidow (2000) suggests that apology should be known as the psychological compensation. Zemke and Bell (1990) suggest that the best way to offer an apology is the personal one. Empirically, it is revealed that there is a significant relationship between apology and customer satisfaction (Boshoff & Leong, 1998). Moreover, a more recent study by Yavas et al. (2004) states that apology and decisions of repurchases are related significantly and positively.

In the light of above discussions, following hypotheses are proposed for the relationship between apology and complainant satisfaction and loyalty.

H4a: Apology has a significant and positive impact on complaint satisfaction.

H4b: Apology has a significant and positive impact on complaint loyalty.

4.2.5 Attentiveness

As frontline employees are continuously interacting with customers, both physical and psychologically, their interactions with customers, namely attentiveness, are significantly crucial in the process of service recovery (Andreassen, 2000).

Therefore, frontline employees' behaviors should be homogeneous with the way customers expect (Hartline & Ferrell, 1996). If complainants receive proper responses, they would be satisfied (Goodwin & Ross, 1989). Furthermore, post-complaint behaviors of customers are greatly affected by the attentiveness of frontline employees (Davidow, 2003). Finally, some studies (Davidow, 2000; Yavas et al., 2004) empirically indicate that attentiveness and customers' satisfaction are positively correlated.

Hence, according to the related literature, following hypotheses are proposed for the relationship between attentiveness and customers' satisfaction and loyalty:

H5a: Attentiveness has a significant and positive impact on complaint satisfaction.

H5b: Attentiveness has a significant and positive impact on complaint loyalty.

4.2.6 Creditability

Credibility originates when a guest has compensated for a service failure, but it should be stated what it is planned to be done in case of future failures (Davidow & Dacin, 1996).When a service failure occurs, complaining customer expects to receive a proper explanation (Keaveney, 1995). Therefore, as researches show, the more creditability an organization gains, the higher customers' satisfaction will be (Yavas et al., 2004).

So, according to above, we have proposed following hypotheses for the relationship between the creditability and customer satisfaction and loyalty.

H6a: Creditability has a significant and positive impact on complaint satisfaction.

H6b: Creditability has a significant and positive impact on complaint loyalty.

4.3 Customer Satisfaction and Customer Loyalty

Service industry academics have greatly investigated the relationship between satisfaction and loyalty in the related literature. Davidow (2000) suggests a definition for customer satisfaction as: the overall feeling of a customer after the company's response to his or her complaint. In addition, Yi (1990) and Zeithaml (1996) characterize loyalty as the behavioral concepts. They argue that behavioral aspects, including repurchase intentions, word of mouth communication and recommendations, define the concept of loyalty.

Many studies, including Jones and Sasser (1995) and Heskett (1994), propose that there is a positive relationship between customer satisfaction and loyalty. In addition, there are empirical studies (Blodgett & Anderson, 2000; Maxham, 2002) depicting that customer satisfaction results in a positive word-of-mouth behaviors and repurchase intentions.

Hence, the relationship between customer satisfaction and loyalty is hypothesized as below:

H7: Customer satisfaction has a significant and positive relationship with customer loyalty.

To sum up, the following figure (Figure 10) depicts all hypotheses which were proposed in this study.

Hypothesis	Description
H1a	Atonement has a significant and positive impact on complaint satisfaction.
H1b	Atonement has a significant and positive impact on complaint loyalty.
H2a	Facilitation has a significant and positive impact on complaint satisfaction.
H2b	Facilitation has a significant and positive impact on complaint loyalty.
H3a	Promptness has a significant and positive impact on complaint satisfaction.
H3b	Promptness has a significant and positive impact on complaint loyalty.
H4a	Apology has a significant and positive impact on complaint satisfaction.
H4b	Apology has a significant and positive impact on complaint loyalty.
H5a	Attentiveness has a significant and positive impact on complaint satisfaction.
H5b	Attentiveness has a significant and positive impact on complaint loyalty.
H6a	Creditability has a significant and positive impact on complaint satisfaction.
H6b	Creditability has a significant and positive impact on complaint loyalty.
H7	Customer satisfaction has a significant and positive relationship with customer loyalty.

Figure 12: Summary of Hypotheses

Chapter 5

METHODOLOGY

This chapter of study introduces the methodology which is used for empirical study. Firstly, deductive approach is explained briefly and then it is notified why this approach is employed in this study. Afterwards, some information is given regarding the sample of study which is followed by a brief description of data collection process and characteristics of questionnaires. Finally, a summary of data analysis methodology is presented.

5.1 Deductive Approach

This method is well recognized in academic researches. In this method, a general reasoning is discussed in order to reach a specifically detailed confirmation. In other words, deductive reasoning is a top-down approach which starts from a theory raised from a topic of interest (Graziano & Raulin, 1993).
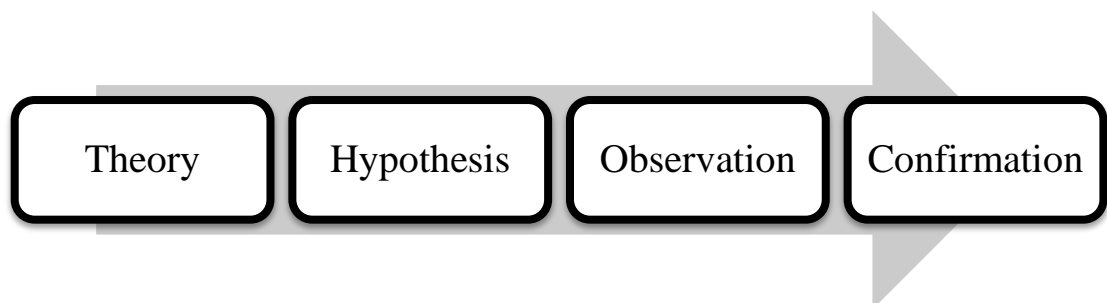

Figure 13: Deductive Approach Scheme
(Graziano & Raulin, 1993)

Then, hypotheses are built based on the theories and concepts which are discussed in the related literature. Afterwards, data collection is needed to test the validity of proposed model and hypotheses. Finally, based on the results, one would be able to accept or reject hypotheses. The following figure depicts a summary of this approach.

5.2 Overview

The scope of this study is to explore the effect of organizational responses on customer satisfaction and loyalty in Northern Cyprus hotels and casinos. In this respect, research question is converted to a conceptual model and some hypotheses are extracted based on this model. In order to test the validity of proposed model and hypotheses, a total of 261 respondents in hotels/casinos were asked to fill out questionnaires regarding their experience in Northern Cyprus hotels/casinos (including hotels in Famagusta , Kyrenia, Lefkosa).

5.2.1 Population and Samples

This thesis targeted the guests residing in Northern Cyprus hotels. In this respect, a sample of both Turkish and International guests were asked to fill the questionnaires.

Judgmental sampling procedure was applied (Judd et al., 1991). The research team screened the respondents for eligibility to participate in the study. Specifically, only those guests who had experienced service failures and reported their complaints during their stay were given questionnaires. Respondents were requested to fill out the questionnaires in a self-administered manner and return them directly to the research team.

The demographical results showed that the questionnaires were answered by all the available guests over 18 years old who were either staying in a hotel or playing in a casino in Northern Cyprus. Around 300 questionnaires were distributed among people from different nationality. Around 40 questionnaires were excluded, since respondents did not answer the minimum required questions. Finally 261 questionnaires were used for final analysis.

It is also worth noting that questionnaires were designed in both Turkish and English formats in order to serve different language needs among the respondents.

5.2.2 Questionnaire Measures and Structure

In order to collect data, we decided to set up a questionnaire. The questionnaire is consisted of two main parts: The first part is concerned about the personal information of respondents including age, gender, education level and purpose of visit. In the second part, respondents respond to questions which are designed to address the factors of our study.

In this respect, questionnaires represent different questions which are targeting different categories. In order to answer the questions, scale numbers are suggested from 1 to 5 based on five-point Likert-type scales ranging from 5 for 'Strongly Agree' to 1 for 'Strongly Disagree'. Moreover, corresponding categories are organizational responses, namely atonement, facilitation, promptness, apology, attentiveness and creditability, followed by customer satisfaction and loyalty.

All items for the organizational responses, customer satisfaction and customer loyalty were measured by composite scores generated by multi-item scales (Hair et al., 2003). The relevant writings were canvassed in order to measure the constructs

specified in the conceptual model. Atonement, facilitation, promptness, apology, creditability, attentiveness, complainant satisfaction and loyalty were measured using three (3) items each from Davidow (2000) and Karatepe (2006). Moreover, each individual item was measured by means of a five-point Likert-scale with verbal labels ranging from "strongly disagree" to "strongly agree". As previously mentioned, this study has employed some control variables. Therefore, age is measured via a six-point scale consisting of 18-27, 28-37, 38-47, 48-57, 58-67 and 68+. Gender is controlled by a binary variable considering a male or female. Similarly, education level is measured by a five-point scale namely primary school, secondary or high school, vocational school, university first degree and graduate degree. Finally, purpose of visit is defined as four-point scale including business, vocation, visiting friends or relatives and other. A sample of the questionnaire which is used in this study is attached in Appendix.

5.2.3 Data Collection Procedures

In order to collect data for this study, guests staying in five stars hotel-casinos in different cities of Northern Cyprus were targeted. In this respect, one complex in Lefkosa, the capital city, three complexes in Kyrenia, the most touristic city, and one in Famagusta, historical city, were chosen. As they were hotel-casino guests the main factors were the quality of casino and hotel services in selecting the hotel. Questionnaires were designed in English and Turkish languages to serve respondents with different nationalities. However, most of the guests were from Turkey.

The survey was originally prepared in English and then translated into Turkish using the "back translation" method (McGorry, 2000). The cross-linguistic comparability of the questionnaire was checked with faculty members of a Turkish university who

were fluent in both languages. The aim was not so much a literal translation as an accurate rendering of meaning (as similar as possible to the original English version) (Yavas et al., 2004).

To get the permission for the data collection process, human resource managers, F&B service managers and casino managers were met. Then, questionnaires were allowed to be distributed in lobbies and restaurants of hotels and some were allowed to be sent to the guests' rooms. Finally, 261 questionnaires were successfully collected out of 300 distributed questionnaires during October to September 2013.

5.3 Demographic Variables

All mentioned intensifies the importance of defining some demographic variables to clarify the background of respondents. In this study, age, gender, education level and the reason of visit are chosen as control variables.

5.4 Data Analysis

According to the prepared questionnaires, questions were scaled from 1 to 5 for organizational responses dimensions. In addition, customer satisfaction and loyalty were also measured by a five-point scale. Based on data, correlation analysis is conducted to check the validity of hypotheses.

Chapter 6

RESULTS

In this chapter of study, the findings of this thesis are represented. Broadly speaking, the demographic analysis of the sample is depicted. Then, the hypotheses of the study are tested and results are shown. In addition, reliability test results are also given.

6.1 Descriptive Statistics Analysis

As mentioned before, organizational responses tested in this study are atonement, facilitation, promptness, apology, attentiveness and creditability. Then, according to the proposed model of study, the possibilities of any correlation between these variables and customer satisfaction and loyalty are investigated based on the developed hypotheses.

In order to collect data for this study, three hundred questionnaires were distributed among guests in Northern Cyprus hotels and casinos. It is worth noting again that only 261 questionnaires were completed by respondents. In the following table (Table 1), a summary of frequencies in our sample is depicted. As it is appeared in the Table 1, about 36.8 percent of respondents were between 28 and 37 years old. Therefore, the majority of respondents were in this level of age.

As mentioned above, 261 respondents filled out the questionnaire out of which 46.7 percent were women while 52.3 percent were men. Hence, our sample has almost the same proportion of women and men.

Another control variable asked in the questionnaire was the education level of respondent. In this respect 5 categories were defined. As it is shown in the table 1, majority of respondents (24.1 percent) had secondary or high school education level. However, respondents with university first degree were also close to majority with a 22.6 percent of total.

Table 3: Profile of Respondents (n=261)

	Frequency	Percentage (%)
Age		
18-27	44	16.90
28-37	96	36.80
38-47	53	20.30
48-57	47	18.00
58-67	12	4.60
68 and Above	9	3.40
Total	261	100.00
Gender		
Female	121	46.70
Male	138	52.30
Total	261	100.00
Education		
Primary School	9	3.40
Secondary or High School	63	24.10
Vocational School	23	8.80
University First Degree	59	22.60
Graduate Degree	107	41.00
Total	261	100.0
Purpose of Visit		
Business	71	27.20
Vocation	120	46.00
VFR (Visiting Friends and Relatives)	25	9.60
Other	45	17.20
Total	261	100.00

The last item asked was purpose of visit. It can be seen in the table 1 that 46 percent of respondents had chosen Northern Cyprus as their vocation destination. In addition, 27.2 percent of respondents are in Northern Cyprus because of business issues and visiting friends and relatives (VFR) and other reasons are 9.6 and 17.2 percent, respectively.

6.2 Correlation Analysis

After having a review of frequencies and descriptive statistics, correlation analysis would be the next step to investigate whether there are correlations between our variables. In this respect, it is hypothesized that each variable has a positive and statistically significant correlation with customer satisfaction and loyalty, individually. Afterwards, customer satisfaction and loyalty are investigated in accordance with each other. The results of correlation analysis are shown in Table 2.

Table 4: Correlation Analysis

Variables	1	2	3	4	5	6	7	8
1. Atonement	1							
2. Facilitation	0.532**	1						
3. Promptness	0.426**	0.061	1					
4. Apology	0.582**	0.336**	0.624**	1				
5. Attentiveness	0.536**	0.670**	0.125*	0.456**	1			
6. Creditability	0.273**	0.025	0.712**	0.572**	0.039	1		
7. Customer Loyalty	0.363**	0.605**	-0.118	0.141*	0.641**	-0.167**	1	
8. Customer Satisfaction	0.489**	0.647**	0.012	0.340**	0.728**	0.049	0.770**	1
Mean	2.44	2.23	3.16	2.93	2.27	3.09	2.20	2.32
Standard Deviation	0.748	0.983	1.139	0.869	1.010	1.148	1.030	1.131

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

6.2.1 Correlation Analysis between Organizational Responses and Customer Satisfaction

As previously discussed, conceptual model of study proposes that organizational responses affect customer satisfaction positively. In order to test the validity of these hypotheses, correlation analysis is done and the results are shown in the Table 2.

According to the results, except for promptness ($r = 0.012$) and creditability ($r = 0.049$), a positive and statistically significant correlation exists between organizational responses and customer satisfaction in Northern Cyprus hotels and casinos. It is worth noting that promptness and creditability also represent a positive relationship but this relationship is not statistically significant. Therefore, we cannot rely on them.

6.2.2 Correlation Analysis between Organizational Responses and Customer Loyalty

After conducting correlation analysis for the relationship between organizational responses and customer satisfaction, customer loyalty is the next step to be investigated. The following table depicts the results for correlation analysis between organizational responses and customer loyalty. According to the table of results (Table 2), all organizational responses except promptness represent a statistically significant status. However, creditability shows a negative correlation ($r = -0.167$) with customer loyalty.

6.2.3 Correlation Analysis between Customer Satisfaction and Customer Loyalty

Service industry academics have greatly investigated the relationship between satisfaction and loyalty in the related literature. Davidow (2000) suggests a definition

for customer satisfaction as: the overall feeling of a customer after the company's response to his or her complaint. Therefore, the correlation between customer satisfaction and customer loyalty is analyzed and the results are shown.

According to the table of results, there is a positive and statistically significant correlation between customer satisfaction and customer loyalty ($r = 0.77$). Our results are consistent with the related literature.

6.3 Reliability

It is also helpful to run a reliability test to check the reliability of sample. In this respect, Cronbach's Alpha is conducted for organizational response components is 0.78 and for customer satisfaction and loyalty is 0.86. It should be noted that figures above 0.70 are considered acceptable (Nunnally, 1978). Therefore, the internal consistency of our sample is verified by these Cronbach's Alphas.

Chapter 7

DISCUSSION

This chapter of thesis presents some evaluations based on the findings of the study about the impact of organizational responses on customer satisfaction and loyalty. Afterwards, some managerial implications are given which could be useful for practical situations in this industry. Then, limitations of study and opportunities for further research are given.

7.1 Evaluation of Findings

In this study, Northern Cyprus hotels and casinos were investigated in two aspects; firstly, the impacts of organizational responses on customers' satisfaction and loyalty were studied. Secondly, the relationship between customer satisfaction and loyalty was investigated separately. Empirically, our findings show that organizational responses, in overall terms, affect customers positively. In addition, customer loyalty is also affected positively by organizational responses except in case of creditability and promptness. A summary of our hypothesis testing result is shown in Table 3.

Evaluation of findings show atonement is positively and significantly correlated with customer satisfaction. Moreover customers commitment to an organization might be improved according to the type and amount of compensation offered to customers. Karatepe (2006) also suggests a positive relationship between customer satisfaction and atonement. Although, there are some cases in which the amount of compensation offered to complainants does not significantly affect their commitment to the

organization (Garrett, 1999), our results show that Northern Cyprus hotel guests' loyalty is correlated with atonement significantly.

Table 5: Summary of Hypothesis Testing

Hypothesis	Null Hypothesis	Statistical Significance
H1a	Accepted	Statistically Significant
H1b	Accepted	Statistically Significant
H2a	Accepted	Statistically Significant
H2b	Accepted	Statistically Significant
H3a	Rejected	Not Statistically Significant
H3b	Rejected	Not Statistically Significant
H4a	Accepted	Statistically Significant
H4b	Accepted	Statistically Significant
H5a	Accepted	Statistically Significant
H5b	Accepted	Statistically Significant
H6a	Rejected	Not Statistically Significant
H6b	Rejected	Not Statistically Significant
H7	Accepted	Statistically Significant

In addition, the outcomes of this study suggest that promptness does not show any significant correlation with neither customer satisfaction nor loyalty. This outcome could be explained either by difference between perceived responses time and actual response time (Gilly, 1987) or cultural differences.

Apology has shown different impacts in the related literature. The present study offers a positive and significant impact on both satisfaction and loyalty. Therefore, it can be inferred that apology is significantly important in the process of complaint handling. Although there are mixed findings regarding the effects of apology on satisfaction, repurchase intentions, and word-of-mouth communication (Davidow,

2003), our results suggests that apology as a positive service encounter should be provided as part of an overall complaint-handling process to create satisfied and loyal customers. Moreover, our results are consistent with Karatepe and Ekiz (2004).

Moreover, this study suggests a positive and significant correlation between facilitation and both satisfaction and loyalty of customers.

Findings of this study suggests a positive and significant correlation between attentiveness and both satisfaction and loyalty of customers. In the literature, attentiveness is posited to have a major effect on post-complaint customer behavior (Davidow, 2003). Therefore, our results are consistent with the relevant literature.

On the other hand, it is worth noting that there is not a statistically significant relationship between creditability and customer satisfaction.

As mentioned, our results showed that creditability and promptness does not offer a positive relationship with customer loyalty. In addition, promptness even shows a negative relationship with customers' loyalty. In case of promptness, it could be said that customers are not concerned with the perceived response time might be more important for complainants than actual response time (Gilly, 1987). The other fact could be cultural differences (Karatepe and Ekiz, 2004).

Creditability does not also show a significantly positive relationship with customer loyalty. The frontline employees should be trained to provide responses regarding creditability and they should be empowered and improved in their efforts to handle complaints effectively. This is especially important in the Northern Cyprus hotels

and casinos because of lacks of qualified frontline employees in this industry (Karatepe et al., 2003). Therefore, one possible reason for this insignificant relationship could be lack of training in Northern Cyprus hotels and casinos.

7.2 Managerial Implications

This study suggests some implications which can be employed practically by managers who are willing to increase the commitment of their customers.

Firstly, as attentiveness and facilitation have the highest positive correlation with customer satisfaction, a manager could be successful in satisfying customers' complaints by providing an environment in which complaints would be received openly by frontline employees. Moreover, frontline employees should be trained properly to handle complainants.

Therefore, frontline employees should be well aware of the importance of complaint receiving and handling effectively. This issue has to be taken into account specially in North Cyprus since a scarcity of qualified employees exists (Karatepe et al., 2003).

Secondly, managers should be able to establish mechanisms to guarantee that customers do not hesitate to complain and ensure them that any complaint would be taken into consideration in future. Therefore, an increase in the number of service failures could lead to an increase in the number of complaint resolutions.

Finally, as this study shows, promptness does not suggest any significant relationship with customer satisfaction. This outcome could be a signal suggesting that a quick response is not necessarily an acceptable response by complainant. Therefore,

managers should train their employees in a way that enables them to perceive the real demands of a complaining customer.

7.3 Limitations of Study and Avenues for Future Studies

One of the main limitations of this study is selection of a single industry which can lead to generalization of results. On the other hand, perhaps the absence of longitudinal study can be considered a limitation too.

In addition, this study did not go through the measurement of failure magnitude. Therefore, future studies can focus on how different types of failures and how different magnitudes would affect customer satisfaction and loyalty.

Moreover, customer satisfaction might occur through other types of organizational responses. For instance, effort, process control and flexibility could be mentioned as other possible organizational responses. These can be targeted by future studies.

Method biases are a problem because they are one of the main sources of measurement error. A measurement error threatens the validity of conclusions drawn from observed associations among measures and is known to have both a random and a systematic component. Common methods bias has to be assessed and controlled. Therefore, future studies may assess supervisors' perception too regarding these relationships in order to prevent common method bias.

Last but not the least, other service industries could be investigated in order to evaluate the validity of the results of this study. Industries such as travel agents, restaurants and banks with large sample sizes could affective enhance the empirical support of the present study.

Chapter 8

CONCLUSION

In this study, Northern Cyprus hotels and casinos were investigated in two aspects; firstly, the impacts of organizational responses on customers' satisfaction and loyalty were studied. Secondly, the relationship between customer satisfaction and loyalty was investigated separately. Empirically, our findings show that organizational responses affect customers positively. In addition, customer loyalty is also affected positively by organizational responses except in case of creditability and promptness.

In order to categorize our conclusions, our empirical findings are summarized for each organizational response:

This study suggests that atonement is positively and significantly correlated with customer satisfaction. Moreover customers commitment to an organization might be improved according to the type and amount of compensation offered to customers.

The outcomes of this study suggest that promptness does not show any significant correlation with neither customer satisfaction nor loyalty. This outcome could be explained either by difference between perceived responses time and actual response time (Gilly, 1987) or cultural differences.

Apology has shown different impacts in the related literature. The present study offers a positive and significant impact on both satisfaction and loyalty. Therefore, it

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can be inferred that apology is significantly important in the process of complaint handling.

Facilitation: This study suggests a positive and significant correlation between facilitation and both satisfaction and loyalty of customers.

This study suggests a positive and significant correlation between attentiveness and both satisfaction and loyalty of customers.

The present study suggests that there is not a statistically significant relationship between creditability and customer satisfaction.

Finally, consistent with earlier studies, the present study shows that customers' commitment is enhanced by high levels of customer satisfaction.

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