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GERENCIAMENTO DE RECLAMAÇÕES DE CLIENTES EM BANCOS CHILENOS

GERENCIAMIENTO DE RECLAMACIONES DE CLIENTES EN BANCOS CHILENOS

MANAGING COMPLAINTS IN THE CHILEAN RETAIL BANKING

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Palavras-chave

Atendimento à reclamação
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Indústria bancária;
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Reparo extensivo de
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bancários.

Palabras-clave:

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Key-words:

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Reversal.

RESUMO: Falta aos bancos chilenos informações legítimas nas quais basear suas decisões com relação ao gerenciamento dos serviços de atendimento às reclamações de clientes. Em vista desta carência, 25 clientes de bancos chilenos foram entrevistados sobre experiências passadas em reclamações feitas a seus bancos. Resultados mostram que consumidores não estariam preocupados com o tempo levado no atendimento de suas reclamações contanto que os bancos não tomassem o tempo do cliente no processo e que os funcionários destes bancos fossem honestos com relação ao tempo esperado para a solução do problema. Estes consumidores também não esperavam ser compensados por nenhum dano além do reparo de qualquer consequência negativa do erro cometido.

RESUMEN: Faltan a los bancos chilenos informaciones legítimas en las cuales basar sus decisiones en relación al gerenciamento de los servicios de atención a las reclamaciones de clientes. En vista de esta carencia, fueron entrevistados 25 clientes de bancos chilenos sobre experiencias pasadas en reclamos hechos a sus bancos. Los resultados muestran que los consumidores no estarían preocupados por el tiempo que lleva el atendimento a sus reclamos, siempre y cuando los bancos no ocupasen el tiempo del cliente en el proceso y que los empleados de estos bancos fuesen honestos en relación al tiempo esperado para la solución del problema. Estos consumidores tampoco esperaban ser recompensados por ningún daño, fuera la reparación de cualquier consecuencia negativa del error cometido.

ABSTRACT: Chilean banks lack valid information on which to base their decisions on how to manage customers' complaints. Accordingly, 25 Chilean banking customers were interviewed in-depth about past complaints experiences. The results show that customers were not concerned if banks took time to resolve a complaint, provided they did not have to spend too much of their own time on the process, and provided the bank employees were honest about the time it would take to resolve the complaint. In addition, customers did not expect to be compensated, beyond having the negative consequences of the bank mistake reversed.



1 INTRODUCTION

Service failures are inevitable and occur in both the process and the outcome of the service delivery (Lewis and McCann, 2004). Because of this, companies must be ready to respond to their customers when they complain of a service failure. In this context, all actions that an organization may take to rectify a service failure are considered to be service recovery efforts (Andreassen, 2001). Several studies in the USA and Europe examine service recovery, however almost nothing is known about service recovery in South America, and Chile in particular, which has a different cultural and socio-economic background. Culture has a clear impact on expectations of service recovery (Furrer, Liu and Sudharshan, 2000; Kanousi, 2005; Malhotra, Ulgado, Agarwal, Shainesh, and Wu, 2004; Mattila, 1999) and it is well accepted that conceptual models developed in a particular cultural context and socio-economic environment cannot be transferred directly to another one (Menguc, 1996; Spreng and Chiou, 2002; Yavas, Karatepe, Avci, and Tekinkus, 2003). Consequently, companies in Chilean banks lack valid information on which to base decisions about service recovery.

Chile has experienced a huge increase in internal customer demand as a consequence of fast economic growth during the last decade. Therefore companies must be even more ready to respond satisfactorily to customer complaints if they are to retain their customers. This issue is even more relevant due to the growing number of businesses competing in the market, which makes it easier for customer to switch suppliers if their expectations are not met. The Chilean financial sector has grown faster than other areas of the economy (Latin-Focus, 2004), and has been relatively strong despite the weak economic environment over the recent years. In part, this strength is the result of the liberalization of capital markets in 2001, which has resulted in the introduction of new financial tools, including home equity loans, currency futures and options, factoring, leasing, and debit cards. As a result, the Chilean banking sector is now one of the most developed and sophisticated in South America. Because of this, relationship marketing has become a very important issue, as has service quality, including service recovery.

There is no consensus on which dimensions are most important to customers when evaluating efforts of service recovery, and few researchers have checked the simultaneous impact of more than three dimensions (Boshoff, 1999; Davidow, 2000; Estelami, 2000; Tax and Brown, 1998). However, the most commonly reported dimensions of service recovery are compensation, employee behavior and time.

Compensation is the benefits or other outcomes that a customer receives from the supplier in response to a complaint. It could be thought that the essential response outcome to a complaint would be the correction of the problem that originated it. As a matter of fact, Duffy et al. (2006) and Johnston and Fern (1999) stated that banking customers expect the bank to listen to them and to fix the



problem. However, several researchers have mentioned that correcting mistakes is not enough for a customer to be satisfied with the way the business handles the complaint, and that the customer expects to be compensated.

Regarding employee behavior, this is the interpersonal communication between the company's employees and a complainer. Tax and Brown (1998) considered several service recovery dimensions related to the way employees should behave when handling complaints. These dimensions are: empowerment, honesty, politeness, effort, empathy, communication skills, tangibles and explanation. Empowerment corresponds to the employee's power to make decisions regarding complaints; honesty is the perceived veracity of information provided; politeness is related to whether employees are well-mannered and display courteous behavior; effort is the amount of positive energy put into resolving a problem; empathy is the provision of caring and individual attention; communication skills are the employees ability to communicate with their customers; tangibles the way employees dress and the job environment itself; and explanation is the provision of a reason for a failure (Tax and Brown, 1998).

With regards to time, this is the way in which customers perceived speed pertaining to the way their complaints were handled by businesses (Davidow, 2000). Several researchers have included this dimension in their studies (Davidow, 2000; Estelami, 2000; Tax and Brown, 1998). Results have not been conclusive because some researchers have found some impact of timeliness on service recovery evaluation and customer post-complaint behavior, and others have not. Davidow (2003) reported that of 18 studies dealing with response speed, nine reported a positive relationship between perceived response speed and post-complaint customer behaviour, three reported no relationship at all and six reported mixed results.

In Chile, there have been only a few studies of service recovery (Valenzuela, Pearson, and Epworth, 2005; Valenzuela, Pearson, Epworth, Llanos, and Vilches, 2005; Valenzuela, Rojas-Mendez, Rindfleish, Pearson, and Epworth, 2006). These studies considered only three dimensions (compensation, employee behavior and time) and showed that compensation and employee behavior were the most important dimensions for customers when evaluating efforts of service recovery. Moreover, the scale items used in these investigations were taken from research done in U.S.A but with no validation of their applicability in a different context, such as South America and Chile in specific.

In view of this lack of information, I set out to identify all the variables or dimensions that are important to Chilean retail banking customers when evaluating service recovery efforts. This research argues that there is a difference between reversing a bank's mistakes and the view of compensating customers presented in the literature and also that time should be divided into three components: customers' time, time to acknowledge the complaint, and time that banks take to resolve the complaint. In addition, I propose that the time customers spend looking for a solution to their

complaint and that reversing the negative consequences of bank mistakes are the two most important dimensions for handling complaints.

2 MATERIALS AND METHODS

To obtain information relative to the service recovery dimensions important to Chilean retail banking customers a qualitative method was used, which consisted of 25 in-depth interviews of Chilean customers. It is recommended that in-depth interviews be undertaken until saturation or redundancy is reached in respondents' opinions (Strauss & Corbin, 1990). After conducting 20 interviews the opinions converged and no new information was obtained, but an extra five in-depth interviews were undertaken as a precaution against of missing new information (Yanamandram and White, 2006). To select respondents, people who were entering or leaving a bank were approached and invited to participate in a short survey in which they were asked if they have complained to the company in the past, and then how satisfied they were with the company's response. Those who revealed extreme experiences were invited to participate in an in-depth interview.

In the interviews, respondents were asked about past complaining experiences and about those experiences that were very well or very poorly handled by banks. The reason for this is that the influence of complaint experiences on customer loyalty is greater in extreme situations (Estelami, 2000). In total, 37 experiences were considered. Twenty-four customers talked about their worst experience when complaining and thirteen talked about their best experience. All had financial products (e.g. chequing account, credit card, etc.) with one of the four most important Chilean banks, 70% were men and 30% were women (see Table 1).

Table 1 Sample Characteristics

	The Best Experience		The Worst Experience	
Total Number of Experiences	13		24	
Experiences by Bank	Scotiabank (4) Santander Santiago (3) Chilebank (2) Bci (1) Edwards (1) Citybank (2)		Scotiabank (2) Santander Santiago (13) Chilebank (3) Bci (3) BBVA (2) Boston (1)	
Experiences by Gender	Male 9	Women 4	Male 17	Women 7

Fonte: Elaborado pelos autores



These interviews were analysed in the following series of steps (Hycner, 1999):

-Transcription. All statements by each interviewee were transcribed word by word.

-Bracketing and the phenomenological reduction. The transcripts were listened to and read with openness to whatever meanings emerged.

-Listening to the interview for a sense of the whole. The tapes were listened to several times to get a sense of the whole interview.

-Delineating units of general meaning. The essence of the meaning expressed in a word, phrase, sentence and paragraph was obtained.

-Delineating units of meaning relevant to the research question. The relationship between what the participant said and the research question was established.

-Training independent judges to verify the units of relevant meaning. Two independent judges verified the findings.

-Eliminating redundancies. The redundant service recovery dimensions were eliminated.

-Clustering units of relevant meaning. The service recovery variables were clustered according to the similarity in their meanings.

-Determining themes from clusters of meaning. The central themes of each cluster were determined.

-Identifying general and unique themes for all the interviews. Both the themes common to most or all of the interviews and the individual variations were determined.

-Composite summary. A summary report was written and a diagram designed. This diagram shows the complaining process in the Chilean banking industry, including all the dimensions/clusters important to customers when evaluating banks' efforts of service recovery. This diagram illustrates the main service recovery themes found in this investigation and their relationships.

3 RESULTS

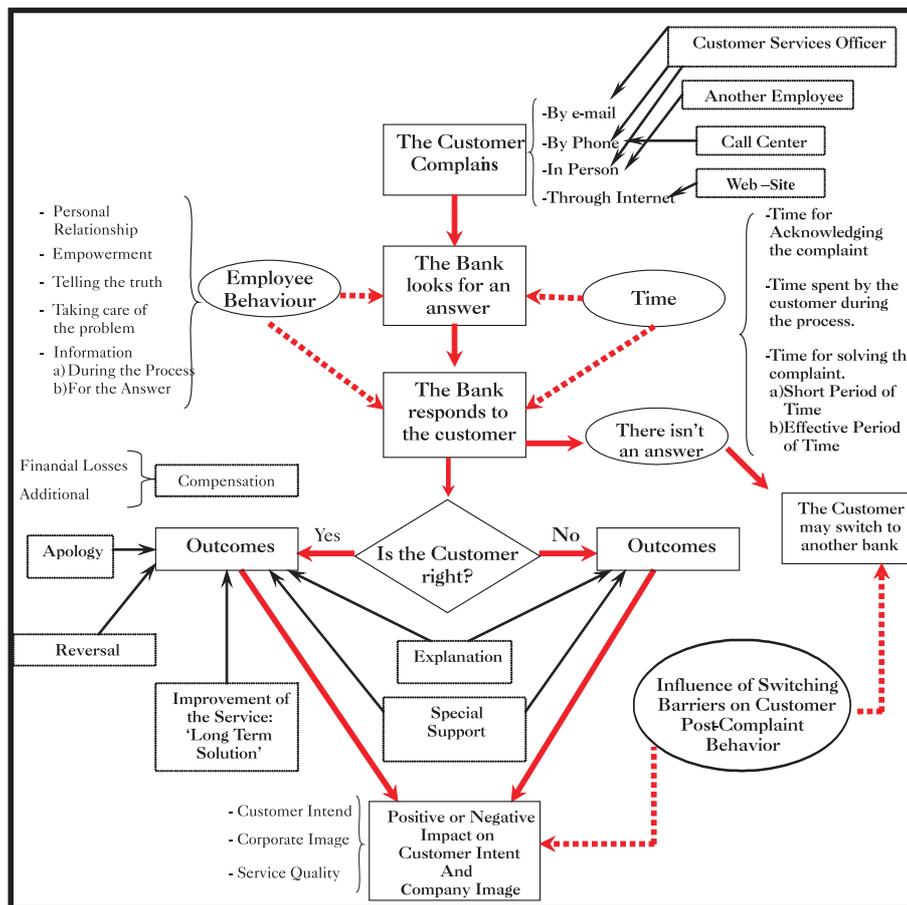
From the analysis of the in-depth interviews, the complaint process was divided into three steps (Figure 1). The first step refers to the moment customer complains and the different ways of communicating the complaint to the bank. The second step relates to the bank's process of responding to a complaint and all the dimensions that are important to customers when evaluating the responses of banks to complaints. The third step is relative to the outcome of the complaint and the different dimensions that customers expect from their banks when complaining. In each of the steps there is one

or more service recovery dimension that are important to customers. These dimensions are explained below using some quotations taken from the in-depth interviews as examples of comments made by some respondents.

3.1 EMPLOYEE BEHAVIOR

Every time customers complain they want to be treated well so they are expecting several different behaviors from banks' employees: Each of these is now discussed. (The number in brackets denotes the respondent who made the comment).

Figure 1 The Complaint Process in the Chilean Banking Industry



Fonte: Elaborado pelos autores

a) Personal Relationship. Customers want employees to be able to understand their situation and also to understand all the psychological distress that may be related with the situation that is provoking the complaint (21



respondents mentioned this dimension). For instance, one customer commented that she lost the book of her checking account so she was very concern about somebody cashing those cheques. She went to the bank and talked to her customer services officer and explained the situation, but she felt she was not treated well. 'My customer services officer was very unpleasant to talk to...she should have understood the emotional distress that I was going through' (9). Other customers commented that their customer services officers did not pay attention to what they were saying and that they felt they were treated very badly. 'The customer services officer did not listen and did not pay attention...they should listen what you are asking for' (10).

b) Empowerment. Some customers want to talk to the bank employee who has the power to give an answer to their complaints so they do not feel they are wasting their time (fifteen respondents mentioned this dimension). 'I want to talk to the person who cuts the cake (who makes the decision)' (2). Some customers reported that they complained to their customer services officers and that their customer services officers told them that they would analyze that matter. After one week or so, they contacted their customer services officers and again the same answer. This situation happened several times until these customers took the decision to talk to the bank manager, who gave them an immediate response to their complaints. After these incidents some of these customer services officers confessed to their customers that they did not have the power to solve their complaints.

c) Taking care of the problem. Customers also want bank employees who show that they really care for them and who try to look for an answer to their complaints (thirteen respondents mentioned this dimension). Several customers reported that they felt that their customer services officers were not interested in solving their complaints and that they had an excuse each time they were contacted. Because of this, customers felt they were wasting their time, but they also felt they were not important to the bank. 'I was not important to them as a customer that is the reason why they did not take care of my problem' (4).

d) Telling the Truth. Customers also want to be told the truth (twenty customers mentioned this dimension). One customer mentioned that 'he expected everybody to be straight' (1). If employees do not have the power to solve the problem, they should not tell lies to their customers, so customers would not be wasting their time. Several customers mentioned that every time they got in contact with their customer services officers asking them about their complaints, the customer services officers responded by saying: 'tomorrow I will have an answer' (21), 'we are analyzing the situation' (21), etc. Another customer said 'they told me several times that the problem would be solved but it never happened...they told me that twenty times' (9).



e) Information. Customers also want to be informed at all stages about the progress of their complaints, so they would know if banks are taking care of their problem (ten respondents mentioned this dimension). At the beginning of the process, they expect an acknowledgment of their complaint and they also want to know how long it will take to be resolved. Once that time has expired, customers require further information, even if it is only to inform them that more time will be needed to solve the problem. 'I was expecting somebody to tell me this is the problem and we are going to solve it in this way' (7). At the end of the process customers expect information about the outcome of their complaints. In this regard, some that they had to phone their banks to inquire about the outcome of their complaints and even though they were told that their complaints had been solved they were not completely happy with the amount of information they received. 'They should have called me and told me it was solved' (14).

3.2 TIME

Another important service recovery dimension is time. This concept might be interpreted in as having three different components. Each of these is explained below.

a) Time to Acknowledge the existence of the Complaint. This refers to the time the bank takes to acknowledge the complaint. Customers want an acknowledgment so they know that somebody is trying to resolve their complaint (twenty respondents mentioned this dimension). 'I knew that any cost due to the bank mistake would be reversed so I was not concerned about the time for solving the problem' (2). If the complaint is communicated by email, the customer services officer should reply as soon as possible to let customers know they received their emails and that they will analyze the situation. 'I was expecting an email that established that the bank would check what was going on' (12). Automatic and standard emails or messages on answering machines are not considered acceptable by customers. 'I do not want an automatic email...I want a personal email sent by the person in charge of handling complaints' (7).

b) Time spent by the Customer during the Complaint Process. This is the time that customers spend to find a solution to their complaint. It seems that this is the service recovery dimension that is most important to Chilean customers (all respondents mentioned this dimension) and it is very much related to the behavior of bank's employees. Customers want to talk to the bank employee who has the power to make a decision so they do not waste their time. They also want to know if they have to fill any complaint form or to produce any particular document, so they can complete the complaint process immediately and all at once. 'If you need something you have to ask me immediately...I do not want to do anything else to resolve the problem'



(14). Customers also want to be able to reduce the amount of time they invest in solving their problems by either registering their complaints by phone or going to their banks only once. 'I only had to phone my customer services officer and he took care of everything' (18). Customers also expect accurate information about how much time is needed to resolve their problems, so they can forget about it for that period of time and start to think over the complaint once the solution period of time has been reached.

c) Time taken by Banks for Solving the Complaint. It might seem logical to anticipate that the less time required to resolve the problem the better, but customers are willing to wait as long as banks establish and meet a clear time-frame to resolve the complaint (twelve respondents mentioned this dimension). 'The bank should establish a period of time for the solution of the problem' (17). Of course, the level of importance of this type of time could be expected to vary depending on the issues that caused the complaint and on the potential negative consequences of any mistakes the banks have made. For instance, one customer reported that his account was incorrectly charged with a maintenance fee that he was willing to wait as long as the bank reverses the situation (12). In contrast, another customer ordered the bank to cash some investments and to deposit the money in his chequing account but the bank did not do it for four days. He complained to his customer services officer and expected an immediate solution to the problem because he had issued some cheques and was concerned that they would be dishonored (7).

3.3 OUTCOMES

Customers expect several outcomes from their banks when handling complaints. A brief explanation of each of these outcomes is presented next.

a) Reversing Banks Mistakes. When a service failure arose, customers expect their bank to reverse their mistake and all the negative effects of it (all respondents mentioned this dimension). For instance, one customer mentioned that the bank charged \$100 to his account, he complained and, after three months, his bank concluded that it was the bank's mistake. The bank reversed the \$100 and the customer was very satisfied with that response. 'They gave me the money back' (20). Should some additional charges arise because of the bank's mistake (e.g. interest) customers expect the bank to reverse those additional charges as well. 'I do not intend to pay any interest or any other expense relative to the bank's mistake' (2).

b) Compensation for Financial Losses. Only 3 customers mentioned that they expected compensation from their banks equivalent to the interest that had lost on their money, which is considered a financial loss due to the opportunity cost of not having their money. 'They gave me my money back, but they did not give any interest' (3).



c) Additional Compensation. In some extremes cases (3 respondents mentioned this dimension) when customers consider that they had time trying to get an answer to their complaints, or that the situations had not been handled in a proper manner by their bank, they may expect an additional compensation (e.g. special discount on their interest rate on their loan, a zero fee for a credit card, etc). 'They should do a discount in interests....the bank charges you if you do not pay...they should compensate you in the same way' (18). However, it seems that this dimension is unimportant for most customers. 'Compensation is not that important if the problem is solved quickly' (17).

d) Apology. Some expect an apology from the bank (9 respondents mentioned this dimension). They want to feel their banks truly recognize their mistakes and expect a sincere apology. 'The bank manager apologized, but she asked me to deal directly with the company that was involved in the incident' (10). An apology is even more necessary when the service failure has provoked serious distress. For instance, one customer mentioned that the mistake the bank made caused him serious problems because his name appeared in DICOM (Chile's national data base of people who are late in their financial commitments). Because of the distress that the customer was and will continue experiencing, 'I am expecting an apology from them' (15).

e) Explanation. Customers are also expecting a full explanation of what happened and the reasons for the service failure (fifteen respondents mentioned this dimension). Customers want to be sure that the bank knows exactly why the service failure occurred so the problem can be fixed and prevented from happening again. For example, one customer reported that he closed all the products that he had with one bank in the way the bank requested (e.g. a letter of resignation, return of the credit cards and cheques not issued). However, he received a credit card statement 11 months later that established he had a debt of approximately \$5,000. He went to the bank and complained. The bank did a deep search and found all the documents the customer gave to the bank to close all of his products. The bank manager apologized to the customer and told him that all the money would be reversed and that that all products would be closed. Nevertheless, the customer wanted an explanation as to who was using his credit card, however he did not get any explanation from the bank, so he got the impression that nobody knew what was going on. 'I wanted an explanation, but they did not know how to explain' (3).

f) Special Support. In some special cases, customers also expect banks to look for creative ways of supporting their customers to face the negative non-financial consequences provoked by the service failure (3 respondents mentioned this dimension). For instance, one customer commented that when she opened a credit card she told her customer services officer she wanted her credit card to be paid automatically every month. After six months she realized that her bank had not done it and that she had a very



high debt. She went to the bank and complained to her customer services officer. The bank realized its mistake and reversed the interest that had been charged every month because of the unpaid balance on her credit card. Despite this, the customer needed money to pay the debt. She knew it was her duty, but she did not have the money at that time. As an alternative solution, 'the bank offered me a loan to cover the full debt with no interest' (9).

g) Service Improvement. After the complaint has been solved customers want to see that the service failure does not recur (8 respondents mentioned this dimension). Customers expect a long-term solution which entails a change in the way the service is provided. For instance, one customer deposited money using an incorrect document because of misleading information contained in that document and, because of this his money was deposited in a different account which caused him serious problems for some cheques he had issued. Apart from resolving his particular problem, he expected to see a change in the information that appears in the document so nobody else would make the same mistake. 'Despite what happened with me they have not changed the documents, so the problem might happen again' (4).

4 DISCUSSION

Despite the obvious culture differences between the USA and Chile, customers had similar expectations of their banks. In particular, they wanted to be treated well and to spend as little time as possible in looking for a solution to their complaints.

These similar expectations suggest that established mechanisms for handling complaints in the U.S.A. can probably be transferred to the Chilean context with only minor modifications to adapt them to the local reality. For instance, in the U.S.A., compensation is the single most important dimension of service recovery (Boshoff, 1999; Estelami, 2000). However, Chilean customers do not expect to be compensated by their banks to the same extent. Specifically, they would be satisfied if banks just reverse the negative consequences caused by banks failures, and would expect to be compensated in the American sense only when they spend too much time and effort looking for a solution. However, not only customers want the bank to reverse mistakes, but also they want to see improvement in service delivers so that the service failure does not recur.

In terms of time, Chilean customers do not give too much importance to the time banks take to solve the problem as long as banks tell them how long it will take to resolve the problem and provided that banks meet that time-frame. The literature shows that employee behavior is one of the most important dimension of service recovery (Boshoff, 1999; Davidow, 2000; Goodwin & Ross, 1990) and this study is in full agreement. However,



Chilean customers want to relate directly with the bank's employees or customer service officers. They do not want to listen to a message on an answering machine and, if they do so, they expect a phone call from the bank acknowledging their complaint. In particular, customers want to feel that the banks' employees care about their complaint and that they are dealing with a person who has the power to solve the problem ('to cut the cake') so they are not wasting their time. Chilean customers very much value 'honesty' and they have a need to look into the eyes of the bank's employee to see if they are telling the truth. Failure to tell the truth means loss of trust. In fact, several customers reported asking for a new customer service officer because of loss of trust.

These results underline that a distinction needs to be made between the notion of compensation and the customer's desire for reversing a mistake. In past research, compensation has been considered as the total benefits or other outcomes that a customer receives in response to a complaint. These benefits include, for instance, the financial resources that customers receive when companies reverse mistakes. However my results show that reversing a bank's mistakes it is not considered as compensation by retail banking customers, so these two concepts should be considered as different service recovery dimensions. As it was mentioned earlier, past research showed that compensation is the single most important dimension of service recovery, however, my results show that by considering compensation and reversing bank mistake as two different dimensions of service recovery, compensation becomes one of the less important ones.

Similarly, time has been interpreted as the perceived speed with which complaints are handled by companies whereas my study shows that time has three different components or dimensions: the time banks take to acknowledge the complaint, the time banks take to solve the complaint, and the time that customers spend looking for a solution to the complaint. Some previous studies reported a positive relationship between perceived response speed and post-complaint customer behavior, whereas others reported no relationship at all or mixed results (Davidow, 2003). The explanation for this apparent contradiction may lie in a failure to distinguish between these dimensions.

In conclusion, Chilean banks managers should look at the feasibility and cost effectiveness of delivering service recovery systems that consider the different outcomes expected by customers and the different types of time that are important to them when complaining. These models should be designed first and then bank's employees should be trained, so they would know exactly how to react when customers lodge a complaint and they would also be able to explain to customers the steps that have to be followed thereafter.

5 FUTURE RESEARCH DIRECTIONS

Considering that the current research focused only on one country, Chile, the study should be replicated on others South American countries in



order to determine if the conclusions can be generalised to all countries in South America. Similarly, the results of this investigation focused on the retail banking industry only; hence further research is needed to determine if the results are valid for other industries.

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