

Using Social Media to Manage Customer Complaints: A Preliminary Study

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Abstract

As Social Media platforms have become increasingly popular among customers, Firms are still exploring ways to harness the potential of these platforms. The viralness of these platforms increases the reach of customer complaints and exacerbates the impact from follow-up comments by the dissatisfied customers. By analyzing complaint tweets and drawing from Justice theory, we explore how organizations should cope with customer complaints on social media platforms. Our preliminary analysis shows that several important mechanisms that can be used to cope with customer complaints. Practical and theoretical implications are discussed.

1. Introduction

Social media employs mobile and web-based technologies to create highly interactive platforms via which individuals and communities share, co-create, discuss, and modify user-generated content [19]. Social media has been increasingly gaining momentum among top management as tools to enhance organization's internal collaboration, information flows, employee morale (e.g., [17]), and interact with their customers, business partners, suppliers as well as competitors ([8], [11]). In particular, the extensive use of social media by individuals and companies has transformed the traditional mechanisms of customer-to-company and customer-to-customer interactions [11] and made it an emerging field for research [1].

Although a wide variety of firms have adopted social media tools, it is still challenging for many firms to derive business value from social media use ([8], [17]). For example, in 2009, a survey of nearly 1700 executives worldwide notes that one-third of all respondents reported no measurable benefits derived from social media use [4]. Another survey of 1060 executives worldwide in 2010 finds that only 30% of executives reported that their companies have adopted social media for internal use and reaped positive effects from it [17]. Both practitioners and researchers notice that even with same tools, different results can be

achieved from social media use [8]. This could be due to the fact that companies have not paid attention to the unique features of social media and incorporate them in the use of social media for organizational benefits [17].

In particular, social media has empowered customers to freely convey their opinions and comments in their social network [19]. These comments and opinions are considered important in influencing organizational images, other customers' purchase decisions ([8], [30]) and customer satisfaction (e.g., [26]). The influence of such comments is further increased by the unique features of social media. For example, viralness of social media enables negative comments to reach a huge number of audience [18], increase negative exposure, thereby severely damaging organizational image and profitability. Second, social media postings can be contagious. A posting on social media platforms may arouse tons of follow-up comments as well as similar postings from other patrons [11]. This may exacerbate the impacts of negative comments, e.g., customer complaints, if companies did not respond/attend to them properly [11]. Considering the unique features of social media, further investigation is needed to understand how to handle customer comments via social media tools. Indeed, firms are eager to know how to handle customer comments on social media platforms, especially customer complaints.

Previous literature on social media has explored the general benefits of social media (e.g., [8], [19]), the influences of social media on customer participation and profitability [25] and consumers' purchase behavior [12]. Only one study deals with how to manage customer comments/ dialogs via social media tools [11]. However, little research has examined the coping mechanisms that organizations used to deal with customer complaints.

By drawing on justice theory and related literature, this paper aims to explore how organizations should cope with customer complaints. Following a qualitative positivist method, we delve into the field data collected from Air New Zealand's Twitter account and content analyze those tweets. Preliminary results identify several important mechanisms for organizations to cope with customer complaints, i.e., problem acknowledgement, responsiveness, process

transparency, and engageability. Also, it highlights the importance of problem specificity and emotion intensity in affecting the effectiveness such mechanisms. This study has developed testable hypotheses from content analysis. This study concludes by discussing the expected theoretical contribution and practical implications.

2. Conceptual Foundation

In this section, we describe justice theory which lays the theoretical foundation for our study. Justice theory has been found valuable in explaining individual's reaction to conflict situations [14]. Justice theory has also been well applied to explain customer complaint handling in previous literature (e.g., [3], [26]). In this study, we use justice theory to guide the process of identifying the mechanisms that companies used to successfully cope with customer complaints via social media tools. The theory is only applied to help derive relationships between concepts identified in our study.

2.1. Justice Theory

Justice theory is shown to be useful in identifying antecedents to psychological processes ([5], [7]) and explaining individual's reaction to conflict situation [14]. In the literature, three types of justice, namely distributive, procedural, and interactional justice, are suggested as relevant to explain the psychological process of social interaction [23]. First, distributive justice focuses on the outcome of a social exchange or interaction [14]. Notably, distributive justice is related to the principles of equity and equality [26]. This concept purports that individuals' attitudes towards an interaction (e.g., conflict) are influenced by fair outcome distribution [24]. In the context of customer complaints, distribution justice can take the form of fair compensation (e.g., refund, repair, credit, replacement and/or apologies) and acknowledgement of inconvenience or issues [26]. When they perceive fairness in handling their complaints, customers tend to be satisfied, have a higher trust for the company and spread positive word of mouth about it.

Second, procedural justice refers to the perceived fairness of the means by which the ends are accomplished [21]. It focuses on the availability of fair structural mechanisms used in social interaction ([10], [21]). It encourages firms to interact (e.g., resolve conflicts) in ways that help build a continuing relationship with customers, even when outcomes are unsatisfactory to one or both parties [9]. Individuals view the procedure as fair when the organizational structure provides unambiguous assurance to their concerns [28] and freedom to communicate views. Procedural justice is fostered where organizations use a

consistent and unambiguous way to interact with customers [6] and show flexibility of procedures to reflect customers' circumstances [2]. Past studies have suggested the importance of transparent process (e.g., process transparency), timely response (e.g., responsiveness), and flexibility on handling customer complaints [26]. For instance, in a study of service complaints, Tax et al. [26] have found that process control by customers, transparent handling complaints, and timely responses will contribute to successful complaint handling.

Third, interactional justice focuses on the fairness of the interpersonal treatment that people receive during the enactment of procedures [6]. Fair interpersonal treatment reflects the degree of politeness, concern, and honesty in the complaint process, as well as the provision of an explanation and meaningful effort in interaction (e.g., resolving a conflict) [26]. It emphasizes the importance of dyadic interaction which differs from other justice types related to interactions [7]. Several studies have revealed the importance of interactional justice to customers' attitudes towards complaint handling. For example, research suggests that communications between customers and employees and the effort expended to resolve a conflict (e.g., engageability) affect customer satisfaction.

Extant research has attempted to draw on the justice theory to explain conflict or complaint handling (e.g., [3], [26]). However, it has not been applied to explain customer complaint handling on social media platforms, where unique features of social media platforms (e.g., viralness and empowered customers) make it more difficult for companies to successfully handle customer complaints. Based on the discussion above, we derive problem acknowledgement from distributive justice, process transparency and responsiveness from procedural justice, and engageability from interactional justice that may affect customer complaint handling via social media.

3. Research Method

Given that the target phenomenon of our research, the process of how companies handle customer complaints on social media platforms, is a newly-emerging and complex practice, we employed a content analysis approach to address our research questions [15]. Content analysis is suitable for studying the content of communications and focuses on interaction through messages, since it will provide a systematic and objective description of the attributes of communications [16]. We select Air New Zealand as the company for our study, specifically, Air New Zealand's Twitter account. Air New Zealand Twitter account was selected because (1) its offering is more

related to experience products, (2) it has a good reputation in handling customer complaints on social media platform, and (3) the data is publically available. We obtained all the tweets on Air New Zealand's account (FlyAirNZ) from February 5, 2009 to November 27 2011 using a tool. Totally, we crawled around 36623 tweets.

We identified the steps used to code content from previous literature [22] and adapted it to our study. These steps are shown in Table 1. We hired two

undergraduate students to code the tweets for this study. Following the step described in Table 1, we trained the two coders separately and asked them to code the tweets independently. They are asked to categorize the tweets (i.e., what the tweets are about) and code how Air New Zealand deals with customer comments via Twitter and find support for justice-related mechanisms.

Table 1: Content Analysis and Qualitative Coding	
Step 1	Read through the tweets and develop an overall understanding of the data
Step 2	Make notes when interesting or relevant information is found
Step 3	Go through the notes and group them into different categories/ themes
Step 4	Compare all of the categories and make sure whether some categories can be merged or if some need to be sub-categorized
Step 5	Identify the relationships among categories and find evidence to support them

4. Data Analysis and Preliminary Results

Through the content analysis, we found that directly acknowledging the inconvenience caused and the cause of the problems and apologizing could be a good practice to calm customers down and may help regain customer trust and their satisfaction. For example, one customer complained about reward card. Air New Zealand replies to the complaint by directly acknowledging delay and apologizing for the mistake. The tweets said:

"If you're a NZ airpoints member waiting to receive ur new OneSmart card we apologise for the delay-they should be all out in a few weeks."

"So sorry for the delay. What is your AP number and we'll look into it."

In the context of airline services, some enquiries may be timely critical and need to be responded soon. Quickly responding to customer comments is also important to make customers happy and generate customer trust. We have found some tweets to indirectly reflect the importance of quick response. See the feedback from customers regarding responsiveness.

"@FlyAirNZ A very big thank you for your quick response. I am very impressed and rest assured AirNZ is still the airline for myself and team!"

"@FlyAirNZ great - thanks so much for your quick responses!"

"@FlyAirNZ it worked, yay thanks! nice one on the quick replies too - esp on a Friday afternoon when you should be drinking a wine!"

Also, Air New Zealand put a lot of effort to invite customers to elaborate their concerns and engage them in a communication to companies. Engaging customers in communicating their problems is a way to understand their concerns and effectively solve their problems. Patient explanation and engagement will help increase customer satisfaction and trust. This to some extent reflects Air New Zealand does care about their problems and get satisfied with their services. Take the conversations between Air New Zealand and one customer as an example.

"Customer Y: can you arrange someone to credit back Airpoint Dollars on my account for non granted upgrade on NZ8, 9th Jun Member # 6485949 thx"

Air New Zealand: Hi these should be credited back if you didn't get the upgrade

Customer Y: I know. They usually are, but this time they haven't been.

Air New Zealand: Please call our team on 0800 247 764 so they can check your account :)

Customer Y: can't you just get someone to do it? Details are all there. Don't want to have to call anyone.

Air New Zealand: Sorry due to security reasons we can't do this via twitter."

Process transparency on how to deal with customer complaints is also important. This makes customers feel that they can control the process themselves.

“Thankfully @FlyAirNZ it is clear for us to know the process of handling our enquiries”

As noted by the coders, the degree to which customers clearly describe their problems (problem specificity, that is, how specifically a customer’s comment is coded) can also affect how Air New Zealand deals with their comments.

“you mean to see Auckland? Sorry if you can clarify what you mean that would be great.”

Furthermore, customers complain with emotions. How strongly the emotions are embedded in the complaints

may affect how effectively companies deal with the complaints. For example, one customer posts

“Well @FlyAirNZ you put me on a sucky delayed flight from LAX to SFO and now I'm going to miss my flight to AKL. Unimpressed. ”

“Just flew @flyairnz from Auckland to LA - Fish Pie was on the menu, MOST disgusting food ever! I used to rate @flyairnz but horrible flight!”

To handle such emotion intense comments, Air New Zealand may need to expend extra effort. Therefore, problem specificity and emotion intensity may interact with those practices. The definitions of important factors identified are shown in Table 2.

Table 2. Deriving Important Constructs for Customer Complaint Handling	
Constructs	Definition
Problem acknowledgement	The degree to which companies honestly acknowledge the problem, service failure, or inconvenience caused and take fair responsibility for it
Process transparency	The extent how transparent the processes are used to handle complaints
Responsiveness	The extent to which companies quickly respond to complaints
Engageability	The extent to which companies expend effort to engage customers in a conversation to explain their concerns
Problem specificity	The extent how specifically a customer’s comment is coded
Emotion intensity	The extent to which customers complaints with intense emotions

5. Proposed Hypotheses

Through the content analysis, we identify important factors that may affect the effectiveness of customer complaint handling and customer satisfaction. Based on justice theory and content analysis findings, we propose that problem acknowledgement, process transparency, responsiveness, and engageability directly affect customer satisfaction while problem specificity and emotion intensity moderates their effects. The proposed model is shown in Figure 1

5.1. Problem Acknowledgement

Fairly acknowledging the misconduct, service failure or problems makes customers perceive that the company is willing to take responsibility and trustable ([26]. This could be important step for the company to regain customer satisfaction. Further, acknowledging the problem can also reduce the tension of conflict and

pave a path for peaceful communications between customers and the company. Therefore, we propose

H1: Problem acknowledgement is positively related to customer satisfaction with complaint handling

5.2. Process Transparency

To keep the process of complaint handling transparent is to show customers that every step has been fairly taken. Such a perception of procedural justice enables customers to trust the company and is willing to communicate with them [13]. Further, process transparency enables customers to know what happens next and gain a sense of control on the process. This could also make customer satisfied with process of the complaint handling. Thus, we propose

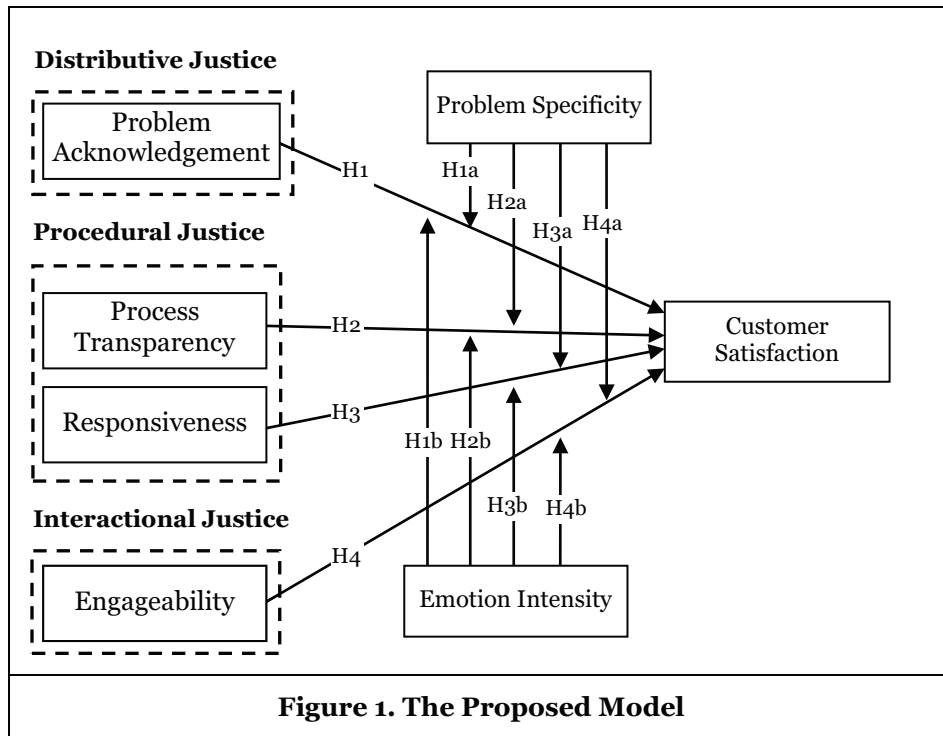
H2: Process transparency is positively related to customer satisfaction with complaint handling

comments. Conversely, long waiting time will make customers even angrier and less satisfied with the complaint handling. Therefore, we propose

5.3. Responsiveness

Timely responding to customers' complaints can reduce customer anger and their uncertainty about how to deal with the problems. Timely response also shows that the company cares about their customers'

H3: Responsiveness is positively related to customer satisfaction with complaint handling



5.4. Engageability

Engaging customers in a communication enables the company to understand their concerns and effectively solve their problems. To engage customer in a communication, the company needs to show patience in explanation and expend effort to resolve a conflict. This will help increase customer satisfaction. Hence, we postulate

H4: Engageability is positively related to customer satisfaction with complaint handling

If the problems or concerns have not been clearly expressed by customers, it will increase the difficulty to handle customer complaints. In particular, the company needs to guess about customers' problems and respond accordingly. This could increase the

possibility of irrelevant responses to customer complaints which make customer less satisfied. Conversely, if problems are specifically coded, it is easier for the company to understand the problem and cope with them accordingly. Overall, problem specificity will affect the effectiveness of the above mentioned complaint handling practices. Hence, we hypothesize

H1a: Problem specificity positively moderates the relationship between problem acknowledgement and customer satisfaction with complaint handling

H2a: Problem specificity positively moderates the relationship between process transparency and customer satisfaction with complaint handling

H3a: Problem specificity positively moderates the relationship between responsiveness and customer satisfaction with complaint handling

H4a: Problem specificity positively moderates the relationship between engageability and customer satisfaction with complaint handling

If customers complain with strong emotions, the company needs to exert extra to reduce the emotions before they start to handle the problem. Strong emotions can also affect customers' perception on justice of complaint handling and increases the difficulty of satisfying customers. Thus, we postulate

H1b: Emotion intensity positively moderates the relationship between problem acknowledgement and customer satisfaction with complaint handling

H2b: Emotion intensity positively moderates the relationship between process transparency and customer satisfaction with complaint handling

H3b: Emotion intensity positively moderates the relationship between responsiveness and customer satisfaction with complaint handling

H4b: Emotion intensity positively moderates the relationship between engageability and customer satisfaction with complaint handling

6. Discussions and Implications

Social media is becoming important for firms to manage their customers and adapt to the environment. However, how to handle customer complaints via social media can be challenging for firms [11]. A lot of companies have reported the difficulty of using social media to manage their customers [17], especially handling complaints. To explore the mechanisms of coping with customer complaints, we conducted a preliminary content analysis on the Tweets from Air New Zealand. The results are used to derive hypotheses on the direct and interactional effects of those factors on customer satisfaction.

6.1. Expected Theoretical Contributions

Theoretically, this paper aims to contribute to the literature in two ways. First, although social media is considered as an important means for firms to manage customers, few studies have explored how companies use social media to handle customer complaints. To address this gap, we derive important mechanisms for complaint handling from justice theory and related literature. We preliminarily test the importance of those mechanisms through content analyzing tweets

from Air New Zealand. We further hypothesize the influences of such mechanisms on customer satisfaction. The model aims to extend previous literature [26] by suggesting the relationships between complaint handling mechanisms and customer satisfaction and proposing testable hypotheses. This could help researchers better understand the role of social media use in enhancing customer satisfaction with firms by successfully handling complaints. This could also enrich the currently limited understanding on complaint management via social media in the IS field, thereby facilitating future research in this area.

Second, this paper aims to contribute to the justice theory by extending its applicability to explain complaint handling via social media. It also aims to extend the perspective by proposing that these justice-related complaint handling factors can directly and interactively explain customer satisfaction. Our content analysis findings suggest that to better handle complaints, justice-related factors interact with complaint features to affect customer satisfaction.

6.2. Expected Practical Implications

For practitioners, the study aims to provide insights on how a company can successfully use social media to handle complaints. This paper suggests that in order to better handle complaints, justice-related factors should be considered together with complaint features to affect customer satisfaction. In addition, this paper provides suggestions to recover from customer complaints and regain customers' satisfaction. As the preliminary findings suggest, companies should quickly respond to complaints, engage customer in a conversation to explain their concerns, keep the process transparent, and fairly acknowledge the problems. The company should also consider the features of complaints to determine how to handle complaints.

7. Limitations and Future Work

As a research in progress, this study needs further work and the hypotheses require empirical validation with a large sample size. First, the findings were based on a preliminary content analysis study. As a limitation of the methodology, the findings in our study may not be generalizable to other contexts. Future research should code the constructs and conduct statistical analyses to test the model. Specifically, future work will develop an instrument for the model constructs and collect data to test the hypotheses. By adopting a sequential, qualitative-quantitative approach, we will continue this study by testing the hypotheses through survey and

coding data. As the purpose of using the mixed method is to leverage the strengths of each approach [29], we use the qualitative approach first to gain insights into the factors that are likely to affect customer complaint handling and customer satisfaction. Subsequently, we will use the quantitative approach to validate our hypotheses.

Second, the model is proposed based on justice theory in this study. Other perspectives or theories could be applied to examine customer satisfaction with complaint handling. For example, the influence of trust and brand reputation on customer satisfaction with complaint handling could be examined. Overall, this stream of research can help us to understand the practices required to be successful in handling customer complaints via social media. Another theoretical lens could also be helpful for this study, i.e., sense making.

10. References

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