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Identifying the dimensions of customer misconduct and its costs in the banking industry

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Abstract
The aim of this study is to identify the dimensions of customer misbehavior and its costs in the banking industry. The research method is applicable with a phenomenological approach in terms of its purpose, and qualitative in terms of its implementation method. The statistical population of the study includes 21 bank frontline employees in Tehran. The sample size was carried out with a purposive sampling method and the interviews continued until theoretical saturation. Semi-structured interviews were used to collect information. Coding and content analysis method using Maxqda software were used to analyze the data. The research findings include four overarching themes and eleven organizing themes. The theme of customer misbehavior consists of two sub-themes of non-communicational misbehavior and communicational misbehavior, and the costs of misbehavior include three overarching themes: supervisor response, short-term response, and long-term response of employees. Short-term response consists of two sub-themes of physiological and behavioral response and emotional response; the supervisor's response consists of two themes: punitive response and supportive response towards employees; and long-term responses consist of five sub-themes: individual success analysis, personality analysis, emotional analysis, intention to leave the job, and job stress. The coding validation and research findings were supported by positive feedback from participants. Therefore, customer misbehavior imposes costs on banks and involves service employees in various harms and unproductive behaviors.

Keywords:
Customer misbehavior, organizational support, costs of customer misbehavior, frontline employees, job stress

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Extended Abstract

Introduction

Service companies predominantly adopt customer-oriented service philosophies. In the service industry based on these philosophies, the role of customer-contact employees who provide the main service has been emphasized; however, these employees are exposed to a variety of stresses arising from unpredictable situations (Hwang et al., 2021). While misbehavior does occur, insights based on employee management view employees as responsible for a set of misbehaviors aimed at disrupting transactional and organizational activities, while the organization and employees are the victims of such events. This focus is in stark contrast to customer-focused research that highlights deviant customer activities. Such studies show that customers routinely misbehave during transactions (Harris & Daunt, 2013).

The service encounter is the point at which customers and employees interact, and these interactions can be positive or negative. The popular belief that “the customer is always right” is flawed because customers often engage in unfair behaviors that reveal the darker side of marketing. Service sectors such as restaurants, banks, airlines, theme parks, and hotels require frequent customer-employee interactions (Nawaz & Khan, 2024). Service management researchers and practitioners emphasize the importance of supporting employees who interact socially with customers. Although social support is vital for everyone in any organization, it is even more beneficial for customer-facing employees in the service industry, as they act as “front-line workers” and strive to meet both organizational and customer expectations simultaneously. Although a large number of studies related to social support have provided evidence of a negative effect, the function of social support in moderating these adverse effects remains controversial (Hwang et al., 2021). Consumer misconduct remains a vast area of investigation and study. In other words, while it is widely accepted that consumer misconduct is a pervasive and potentially damaging phenomenon that can negatively impact the customer experience and that controlling such behavior is crucial, it is understudied and its aspects are still hidden. Given the simultaneous importance of external customers (service recipients) and internal customers (service provider human resources), it is essential for organizations and the adoption of an appropriate customer-centric strategy to identify the costs of customer misconduct in banks so that bank management can understand the consequences of customer misconduct and plan to control customer behavior and reduce its negative consequences on the organization's human resources. Therefore, the main research question is: What are the dimensions of customer misconduct and its costs in the banking industry?

Theoretical Framework

Customer Deviant Behaviors

Inappropriate consumer behavior is often a dark and negative aspect such as theft, queue jumping, vandalism, frivolous complaints, fraudulent behavior, verbal and physical abuse of employees and other customers, and misuse of company resources. People who exhibit such behavior are called "G customers", problem customers, and ineffective customers, and the behavior they exhibit is called deviance (Xiao et al., 2022).

Motives for Customer Misbehavior

Previous research has shown that customers have different motivations for engaging in misconduct. Some individuals engage in vandalism and others engage in abuse, such as teenagers or young adults. Most of these deviant behaviors may be infrequent, but nearly all consumers engage in some form of deviant behavior, and thus consumer misconduct is often overlooked and severely underreported in crime statistics (Dootson et al., 2017).

Employee Emotional Exhaustion

Emotional exhaustion refers to "a feeling of emotional overextension and a depletion of one's emotional resources." The World Health Organization has included burnout as an occupational phenomenon in the 11th edition of the International Classification of Diseases. In this classification, burnout is considered a syndrome resulting from chronic workplace stress that has not been successfully managed. This syndrome is characterized by three dimensions: (1) a feeling of reduced energy or exhaustion, (2) an increase in mental distance from work, or a feeling of negativity or pessimism related to work, and (3) a decrease in professional performance (Gaspar et al., 2024).

Bay & Arvand (2024) investigated the effect of customer mistreatment on the helping behaviors of sports club employees with the mediating role of job self-efficacy. It shows the negative effect of customer mistreatment on the job self-efficacy of employees. Also, customer mistreatment leads to a negative effect on the helping behaviors of employees. On the other hand, the indirect effect of job self-efficacy is significant in the relationship between customer mistreatment on the helping behaviors of employees.

Zhao et al. (2024) in examining the effect of customer misbehavior on work-family conflict and employee withdrawal behaviors, indicates the effect of customer misbehavior on work-family conflict and withdrawal behaviors, which supports the mediating role of rumination and moderates peer support processes.

Research Methodology

The research method is applicable with a phenomenological approach in terms of its purpose, and qualitative in terms of its implementation method. The statistical population of the research includes 21 bank front-line employees in Tehran. The sample size was determined using purposive sampling and the interviews continued until theoretical saturation was achieved. Semi-structured interviews were used to collect information.

Research Findings

Coding and thematic analysis method using Maxqda software were used to analyze the data. The research findings include four overarching themes and eleven organizing themes. The theme of customer mistreatment consists of two sub-themes of non-communicational mistreatment and communicational mistreatment, and the costs of mistreatment include three overarching themes: supervisor response, short-term response, and long-term employee response. Short-term response consists of two sub-themes of physiological and behavioral response, and emotional response; supervisor response consists of two themes of punitive response and supportive response toward employees, and long-term responses consist of five sub-themes: individual success analysis, personality analysis, emotional analysis, intention to leave, and job stress. The validation of coding and research findings was supported by positive feedback from participants. Therefore, customer mistreatment imposes costs on banks and involves service employees in various harms and unproductive behaviors.

Conclusion

The present study was conducted with the aim of designing a model of customer mistreatment and apology in the banking services industry. The results of this study are consistent with the research of Bay & Arvand (2024), Zhao et al. (2024), Nawaz & Khan (2023), Gillison et al. (2023), Jalili et al. (2023), Sharafi & Shahoseini (2023), Salari (2020), Xiao et al. (2022), Hwang et al. (2023), and Bhattacharjee & Purohit (2023). Gillison et al (2023) showed that the perceived frequency of customer violations, concerns about customer mistreatment, and concerns about enforcing rules with these customers increase employee burnout. Customer-induced burnout reduces organizational commitment and increases turnover intention.

According to the results of this study, the following suggestion is made:

Since perceived supervisor support can reduce employees' negative feelings caused by customer misbehavior, managers should understand and use the importance of supervisor support and take positive and effective measures to strengthen employees' perceived supervisor support. On the other hand, bank frontline employees are suggested to practice and focus on the ability to effectively cope and resolve the pressure caused by customer misbehavior and the negative emotional effects caused by it.