



COMPLAINT HANDLING

From time to time things go wrong and customers complain. However, research shows that when complaints are handled well customers are likely to be more satisfied, and demonstrate greater loyalty, than those customers who have not had a problem. Here, we remind ourselves why complaints can be so valuable and consider 10 questions you should ask when reviewing your approach to customer complaints.



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Rachel's favourite loyalty scheme is M&S because she gets lots of cash vouchers mailed and doesn't have to go through any long winded procedure to redeem points.

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Why are complaints valuable?

It's a cliché, for good reason, but complaints provide businesses with some real opportunities. For a start, a complaint gives you a chance to see your organisation through the eyes of a customer. By pointing out flaws and weaknesses you are being given a chance to make corrections and improve your performance. By improving performance customers will be more satisfied and, ultimately, you'll spend less time correcting problems. Furthermore, if you treat an unhappy customer well you are likely to benefit from heightened satisfaction and loyalty and, in turn, increased revenue and profitability. Generally speaking, customers who complain want you to put things right and restore their faith. Most customers really cannot be bothered to change suppliers and it takes a lot to drive them away. On every level it makes sense to understand what makes customers unhappy and put it right. But there's more to complaint handling than correcting the problem. Research shows that, at the end of the day, it is usually the complaint handling process that leads to customer dissatisfaction rather than the original problem itself.

When you review the way your business handles complaints, it's worth asking yourself, or your customers, just a handful of questions. The answer to all these questions should be 'yes'.

1) Do you encourage complaints from customers –and staff?

Encouraging customers to complain demonstrates to staff as well as customers, that you take complaints seriously and that you are not afraid of hearing bad news. Because staff tend to try and sort out customer complaints, management doesn't hear about a large percentage of problems and is therefore unable to take action to eradicate the cause. By encouraging staff to be open about the problems customers encounter, management is in a much better position to take corrective action. Staff can also be customers so it's also important to create a forum where staff are encouraged to feed back their experiences as customers. Staff are often in a strong position to suggest solutions as they have inside

knowledge. Businesses do sometimes shoot themselves in the foot on this one, however. If you have set targets based on reducing the number of complaints you receive you may need to rethink because if you successfully encourage customers to give feedback, complaints will increase. The most sensible approach to targeting complaints is to focus on the number of resolved complaints and customer satisfaction with the way the problem is handled rather than the number of inbound complaints.

2) Do you make it easy for customers to complain?

An unhappy customer, finding it difficult to complain is going to either give up and probably defect without you ever understanding the reason, or struggle to complain, ending up furious and frustrated by the end of the process. Customers will also share the experience with their friends and they are hardly going to be complimentary. On the other hand, an unhappy customer who finds it easy to complain is not only going to feel somewhat relieved (remember, complaining in itself is stressful for customers) but is also going to provide you with valuable insight into what's going wrong in your business. Furthermore, they are also presenting you with an opportunity to recover the relationship. Customers need to be able to complain using the channel that is most appropriate for them (not you). Not all customers may be able to write a letter or use a computer. Others may not have access to a telephone. Open yourself to complaints by making sure you accept complaints through every available channel (telephone, email, website, in person, feedback boxes etc.) Don't hide your contact details in a secret location. Remind yourself how infuriating it is when you can't find those contact details on stationery or you have tried every page on a website and still can't find the telephone number you are looking for.

3) Do you provide customers with all the information they need about your products?

Sometimes even customers don't know if

they have a legitimate reason to complain. It is useful for both staff and customers to understand when the grounds for a complaint are legitimate. If customers understand what is expected, or not expected, from your products or services they can make this decision more easily. This actually leads to a less stressful experience for the customer. All literature, websites, labelling and instruction leaflets can be used to communicate this information as well as the product itself, for example, a problem helpline sticker on a laptop.

4) Can customers, and staff, easily access your complaints procedure?

If customers do not understand what is going to happen and when it is going to happen they may feel you are not dealing with their complaint. It may take two days, it may take two weeks but customers need to know when you are going to respond to their complaint. If you do not let customers know what to expect this may lead to an increasing number of incoming queries that take up a great deal of resource. Customers are usually reasonable as long as they are understood where they stand. It is not knowing what's happening that makes them unhappy. An absence of information may lead customers to believe your complaints process is rather arbitrary. This erodes faith in the process. Promote your complaints procedure widely using all the tools available to you. It is not a weakness to admit you have a complaints procedure. Make the procedure easily accessible and available on request.

5) If necessary, do you provide customers with support and advice?

Some customers may have contact with only one member of staff. In some cases, especially if the relationship is strong, a customer may feel unable to complain to this person. This situation may arise for a range of reasons – the complaint may be about their contact or may be closely linked to the service they provide. In this situation a customer will require support. Alternatively, where a product/service involves technical know-how or specialist



knowledge it can be difficult for customers to explain their problem easily without assistance. In order to provide customers with the best possible support and advice, it is important to allow customers to complain to staff with whom they have no contact. In other situations it may be beneficial to allow someone else to complain on a customer's behalf. Furthermore, it is important to cater for special needs by employing a range of support systems. This support and assistance should also stretch to making sure your complaints procedure refers to outside bodies and organisations if relevant (e.g. ombudsman) – as in the Virginia Power example right.

6) Is your complaints procedure clear?

A procedure does not need to be long or complicated but it will ensure all staff and customers have access to a document which provides a formal framework. A clear procedure will ensure that all staff operate consistently and that all customers are treated in the same way. This will assist and empower staff, saving both time and money. But what are the features of a first-class complaints procedure? A solid procedure will include the following information:

- Full details of all channels of complaint
- Where complaints are handled/collated
- System for logging and analysing complaints
- Identification of the staff responsible
- Procedure for handling different levels of complaints
- How customers should be kept informed
- Structure of compensations
- Follow-up action

7) Do you log complaints?

The information gathered during the complaints procedure has two uses: it improves the complaint handling process itself and enables root cause analysis and eradication of the original sources of problems. In order to make the most of customer feedback you have to ensure you log the complaint, gathering the following information:

- Useful information – name, address, contact number of customer, date, nature of complaint
- Take note of the solution suggested to the customer – and how the customer responded
- Time-frame to put the matter right

Encouraging complaints at



How to complain

1. Call your personal account representative. The number is on your monthly electric bill and in the telephone directory
2. If you feel the problem isn't being handled properly, ask to speak to the supervisor.
3. Still unhappy? Really turn on the heat. Ask to speak to the District manager.
4. If the response you get still does not satisfy you, then call Customer Relations at 804-771-3117
5. If all else fails, we'll help you contact the state regulatory agency.



- Person responsible for the action
- Recommended corrective action to prevent recurrence

8) Do you acknowledge all complaints quickly?

Imagine you're a customer and you've got to the stage where you feel strongly enough to make a complaint. You make the complaint – feeling somewhat relieved that you have done something and your problem is going to be resolved. Time passes by and nothing happens – you feel your blood pressure rising. It is vital to acknowledge customers' complaints quickly. You may not be able to resolve the complaint straight away but by providing an acknowledgement the customer is at least aware you are in receipt of their complaint. Regardless of how the customer makes the complaint consider telephoning to acknowledge – it is often the quickest and most efficient way to make contact. Furthermore, in many cases speaking to the customer will give you a greater understanding of both the customer and the problem. It can also 'buy' you time as the customer is likely to be guided by your timescales.

9) Do you know much customer complaints cost your business?

Every complaining customer costs your business. If you lose a customer, as a result of handling a complaint poorly, you are also losing the customer's entire lifetime value, including: their future purchases, the opportunities to up-sell and cross-sell, and the chance that a satisfied customer would recommend you. You have also wasted the cost of acquiring the customer in the first place. Furthermore, any investment you made in handling the complaint – staff costs, materials, compensation and sundries has also been lost. Once these 'costs' are added up the total is considerable.

10) Do you make sure you follow the 'basics' of complaint handling?

It's very easy to forget the simple steps that form the basis of good complaint handling. These are:

- **Thank the complainer.**
Complaining isn't always easy and can sometimes involve the customer in a considerable amount of time and/or emotional energy.
- **Explain why you appreciate the complaint.**
Customers will contact you because they want their problem sorting out but in many cases customers also let you know about more minor issues because they want to help you. Whatever the case, be sure to let customers know you appreciate the complaint because it's going to help you improve your performance in future.
- **Apologise for the mistake.**
In most cases it is just polite to apologise. If you really do feel you are putting your business in a vulnerable position by saying sorry you can at least apologise for the customer being put in the position of having to contact you. In many cases what makes customers most unhappy is that at no time does anyone say sorry to them.
- **Promise to do something immediately.**
Customers are obviously more satisfied when they feel their complaint has been treated as a priority. You may not be able to rectify the problem straightaway but you can get the ball rolling. Remember to let the customer know what is happening.
- **Ask for the necessary information.**
Do make sure you gather all the information you need for a full and thorough investigation. If a customer does not supply all the information you need, go back to them and ask for it. There is nothing more embarrassing than going back to a customer weeks after they complained to ask for basic information you should have noticed was missing when they submitted their complaint.
- **Correct the mistake promptly.**
There is always much to be gained from correcting any mistake you have made as quickly as possible. Customers do not always expect compensation (in many cases it's the last thing they want) but they do want the mistake correcting.
- **Check customer satisfaction.**
We know that handling complaints well can increase customer satisfaction and loyalty, but handling them badly can

result in customer defection plus negative word-of-mouth. After customers have been through the complaint process it therefore pays to give them a call and understand how they feel, what went well and what didn't go so well. You should also do periodic surveys of a random sample of customers who have complained to monitor their satisfaction with your complaint handling process as well as the consequences for overall customer satisfaction and loyalty. (see below).

· Prevent future mistakes.

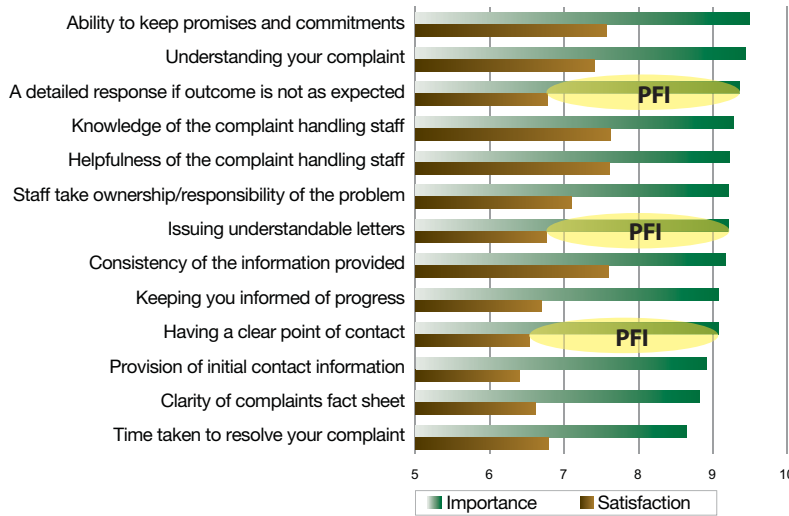
There is little point in gathering information and understanding what makes customers unhappy if you do nothing with the information to prevent mistakes from recurring. Make good use of the information you have gathered to eradicate future mistakes.

Complaints surveys

At least once a year you should conduct a survey of a random sample of customers who have been through the complaints process up to final resolution. The format should be similar to a conventional customer satisfaction survey – i.e. scoring for importance and satisfaction a list of factors that are important to customers when they are going through the complaints process. The list of customer requirements should be identified before the first complaints survey through focus groups or depth interviews with a small sample of customers who have made a complaint. To satisfy customers who have complained, you simply have to 'do best what matters most' to them during that process. The actions for improving satisfaction with your complaint handling will therefore be pinpointed by the largest gaps between importance and satisfaction. In the Chart 1 below we can see that the biggest gaps are for providing a detailed response if the outcome is not as the customer expected, sending letters that are understandable and having a clear point of contact. These things are all very actionable and improving them would make the biggest difference to customer satisfaction with complaint handling. They should therefore be flagged as PFIs (priorities for improvement).



Chart 1: Doing best what matters most

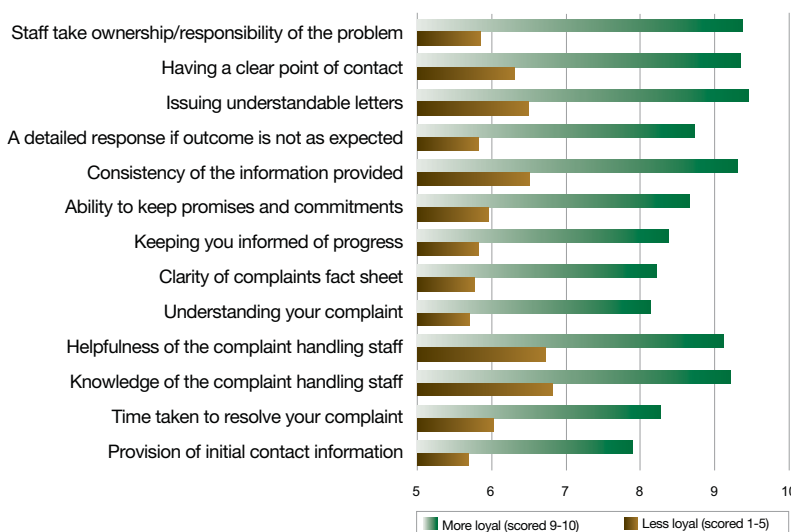


It is also essential in complaints surveys to disentangle customers' feelings about the outcome of their complaint from their satisfaction with the complaints process itself. The sequence of these questions is very important. When you ask people about a complaints experience, their thoughts usually go first to how satisfied they are with the outcome, and that tends to cloud their answers to any other questions. It's therefore best to get that out of the way first, by asking a straight forward question such as "How satisfied or dissatisfied were you with the final outcome of your complaint?" Ask for comments to explain low scores on this question. Then ask about their overall satisfaction with the

complaints process, introducing it by saying something like "Now, thinking about the way your complaint was handled, how satisfied or dissatisfied were you with the complaints process?" Then you can score their satisfaction with the longer list of factors that are important to them during the complaint handling process. From this sequence of questions you will get answers that much more accurately reflect their views of the process, not clouded by the outcome.

Of course, your main objective in all this focus on good complaint handling is to stop your unhappy customers defecting and if possible even enhance their future

Chart 2: Impact of complaint handling on loyalty



loyalty. It would therefore be very useful if you could highlight the elements of the complaints experience that make the biggest impact on future customer loyalty. To do this you need to ask a suitable loyalty question such as recommendation and compare the satisfaction scores of the most and least loyal respondents. In Chart 2 the requirements are sorted in order of the things that make the biggest difference to customer loyalty. We can see that as well as the PFIs identified in Chart 1, staff taking ownership of the problem makes a big difference to future customer loyalty so should also receive significant management focus.

Conclusions

In our work with some of the UK's leading organisations we have concluded that those handling complaints well tend to share some common characteristics such as:

Strategy

- Linking complaint handling to the company mission
- Viewing complaints as an opportunity for improvement
- Understanding the link between complaints resolution and loyalty
- Encouraging complaints from customers and employees

Processes

- A clear complaint handling process in place
- Sharing information about complaints across the business
- Using complaints data to make changes
- Having reward and recognition programmes in place for customer service staff

Measurement

- Customer satisfaction with complaint handling is objectively measured
- Complaint handling is linked to future customer loyalty
- Reasons for complaints are measured and analysed
- Cost of complaints is measured **S**

