

# Managing Complaints

## Introduction

Complaints are a central part of the voice of the customer – telling you whether you are meeting customers' needs. Although products and services are increasingly being designed to avoid complaints and to allow customers to fix problems themselves, Merlin Stone, Head of Research at The Customer Framework and widely esteemed academic, outlines recent developments and argues that marketers should be aware of the increasing importance of managing complaints as part of the marketing mix.

Avoiding complaints is clearly the primary goal. Where complaints are unavoidable, the recovery process becomes important in protecting reputation and managing customer loyalty. Changes in society's values and behaviour, however, make this something of a minefield for companies who now operate in an environment where trust has been eroded on both sides of the relationship. For managers, the implications are clear – hearing, managing and responding to complaints is as important as it always was. However, in a world where channels are mixed and social media are prevalent, achieving that requires adapted organisational behaviours and integrated communication tools.

## Avoiding Complaints

Most customers want suppliers to be easy to deal with, for there to be no or few surprises in getting service from them or their products. If there are unpleasant surprises, they want issues to be resolved quickly and painlessly.

Increasingly, companies are designing products and services to allow customers to fix problems themselves, thus avoiding complaints. This makes financial sense, since the cost of rectifying a mistake can be high, relative to the initial costs of supply. It also helps to protect brand reputation, which could be damaged by complaints, particularly if a customer decides to voice their problem through social media, and – worse – if that voicing is not picked up by the supplier.

One source of complaints is the consumer buying the wrong product. Today, however, leading suppliers do a great job of carrying reviews and access to review sites on their own sites. After all, most suppliers would rather sell the product that best matches customer needs, even if it produces a lower margin, than sell the wrong product at high margin and be faced with a dissatisfied customer. Today, consumers can rarely cite lack of product information and subsequent poor choice as a reason for complaint.

However, the consumer is not the only active participant in the transaction and companies need to be careful that their motivational and incentive practices do not lead to the wrong service being sold (a nice modern variant of “Who sold you this, then?”). We have seen this much publicised in the financial sector, incurring the wrath of customers and eventually also of regulators and leading to massive refunds. The culprit in such cases is usually found to be marketing and sales processes that were designed to drive volume at all costs, irrespective of whether a product suits a customer.

## The Recovery Process

Having an issue that warrants a complaint is often the trigger for the customer to voice their perceptions and feelings for the first time. Being able to voice (and being able to do so easily) acts as a release of pressure and may create a sense of equity –customers simply feel happy that they are being listened to.

However, it is now easier to complain to the world than it is to complain to the supplier. This is why many suppliers are focusing their efforts on keeping all their channels of complaint fully open and becoming actively involved in social media channels. Customers may want to voice opinions at any time in their journey, via any channel, before, during or after failure/problems, at times of critical incidents or moments of truth, not only after they have bought or received a product or service. So listening must be much more “open-eared”.

A poorly managed complaint leads to the double exposure of complaint about both the original issue and the quality of the recovery process. Regulators often focus not just on whether the complaint was justified, but also on how it was handled. This is partly because it is what politicians and consumers expect them to do. In other words, companies are held to account for how they manage complaints as well as whether they cause lots of complaints. After all, nobody really expects 100% faultless service, but they do expect complaints to be treated with respect and for customers to feel that they are getting a fair crack at the whip.

Equity and fairness in the recovery process is often as important to customers as the outcome of recovery. Customers who see themselves as loyal have greater equity expectations, which is why it is important for those handling a complaint or recovery process to have access to data which informs them of the customers’ previous history. This allows them to establish whether customers are really loyal, as they claim, or whether they are just complaining to get a better deal.

Even if recovery is very good, it is dangerous to rely on the “recovery paradox”, where customers with problems become more loyal than customers who have never experienced failure. The effect of the initial failure may outweigh the benefits of a good recovery, unless the customer has experienced truly excellent recovery. In practice, there is little chance of the recovery being so excellent as to outweigh the negative effects of the initial service or product failure.

## The Good, The Bad And The Ugly

Sadly, we live in a culture characterised by an erosion of trust. This has been widely recorded by many social researchers. Trust has declined across the board. Even previously trusted organisations or people are often given short shrift. Customers trust companies much less than they used to, and this distrust is mutual. This is substantiated by the facts. Many companies have behaved to customers worse in the last few years, and vice versa.

On the customer side, the willingness to cheat and lie has risen, as has been well documented in studies of university students, partly because they too have been subject of

what they perceive to be unwarranted claims by the university to be putting students first. When these individuals leave the education system, they have already acquired a culture of beating the system, and that comes into its own when it comes to finding fault with suppliers.

The trend of “de-shopping” has been well researched by academics. This is where customers fabricate a complaint and take an item back after using it for a day or two, having all the time intended to do this. As a result, suppliers must be on their guard when they receive a complaint. Bad customers, who tend to complain vociferously and dishonestly, need to be managed effectively. However, the first defence against dishonest complaining is to know that it takes place, enabling the company to identify it and to work out whether it is a repeated behaviour where failure to detect and manage is leading to positive reinforcement.

### **Implications For Managers**

Although products and services are increasingly designed to avoid complaints, marketers should be aware of the significant impact complaints can have on both profitability and brand reputation. Understanding the attitudes and beliefs of target customers is essential for companies to minimise potential sources of complaints through better product or service design, to encourage customers to voice their issues to companies clearly and quickly and to manage complaints from customers more effectively when they are received.

Marketers must work closely with other departments in the company, such as retail or call centre operations, to develop a recovery process that balances the cost of complaints to the company with the issue of equity between company and customer. In addition, in identifying and responding to complaints, companies should consider carefully how to balance the use of new channels, such as social media, with existing channels, such as the contact centre and store, or published and broadcast media.

### **Further Reading**

1. Stone, M and Starkey, M (2011) The Possible impact of university corruption on customers ethical standards”. Database Marketing & Customer Strategy Management, 18(3) 154-170
2. Stone, M, Chalder M. and Gamble, P (2000) Managing good & bad customers in practice, Journal of Database Marketing 7(4); 356-380
3. Precipitous decline in trust “shows British core values are wobbling”, <http://www.ioe.ac.uk/newsEvents/53523.html>

## Biography

Merlin Stone is Head of Research at The Customer Framework. He is author or co-author of many articles and 30 books on customer management. The UK's Chartered Institute of Marketing listed him in 2003 as one of the world's top 50 marketing thinkers, he was nominated as one of the 20 most influential people in the direct marketing industry in a Precision Marketing readership poll in 2003, while NOP World nominated him in 2004 as one of the 100 most influential individuals for their input and influence on the development and growth of e-commerce and the Internet in the United Kingdom over the previous 10 years. He is a Fellow of the Chartered Institute of Marketing and an Honorary Life Fellow of the UK's Institute of Direct Marketing. He is also on the editorial advisory boards of several academic journals. He is now a visiting professor at De Montfort, Portsmouth and Oxford Brookes Universities and an Associate Lecturer in Economics at the Open University.