



Business Book Summaries

Using Consumer Feedback As A Strategic Tool

A COMPLAINT IS A GIFT

By Janelle Barlow & Claus Moller

Don't you hate getting complaints? Perhaps you shouldn't so much, because complaints are the most direct way in which your customers tell you how to run your business.

After you have worked hard to deliver a service or a product, customers have the gall to let you know your efforts do not suit their purposes or meet their needs.

Are we to welcome these kinds of statements and confrontational behaviour?

Yes. That is precisely the point.

To use Marshall McLuhan's words, the *medium* may be a complaint. Customers may moan and groan — seemingly unfairly — but their *message* is vital information to any business.

Complaints are gifts. Complaints provide a great feedback mechanism that can help organisations rapidly and inexpensively shift products, service style, and/or market focus to meet the needs of the customers — who, after all, pay the bills and are the reason why we remain in business in the first place.



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A COMPLAINT IS A GIFT- THE SUMMARY

It is time for all organisations to think of complaint handling as a strategic tool — an opportunity to learn something about our products or services we did not already know — and as a marketing asset, rather than a nuisance or a cost.

Without customers, businesses simply do not exist. Yet it seems as if customers have only recently been discovered. It is only in the last 10-15 years that we have begun to talk to customers in any meaningful way.

Today, such phrases as total customer service, the customer-driven marketplace, customer satisfaction indexes, customer-oriented culture, customer-centred selling, customer care, customer sensitivity, internal and external customers, customer focus, and even soft and hard customer relationships regularly roll off the tongues of businesspeople — especially consultants.

Customer complaints have been found to be one of the primary means to communicate directly with the customer. Service Recovery courses (how to satisfy dissatisfied customers) are currently among the most popular seminars throughout the world. In the service industry today, the concepts of service and quality have become inexorably linked.

The Reason We're In Business

The message is clear. Customers have moved to the centre of the discussion. Or, as you might say, customers have gone to the top of the organisational hierarchy. And every single management book on service and quality will echo the refrain: customers are the reason we're in business.

Yet all too often we forget this. It would appear that we have our "talk" down to a fine art, but we frequently do not "walk" it.

If businesses are truly interested in developing a customer-oriented culture, heightening customer care, or providing total customer service, then this dissatisfaction should be of central interest. One of the most direct and meaningful ways customers can express their dissatisfaction to companies is through what we have come to call a complaint. Too bad we didn't start by calling it "customer feedback."

In fact, most businesses view complaints as proof of some failure on their part that they would rather not admit to, as confirmation of their suspicion that customers are out to get something for nothing. However the company is inclined to perceive or experience complaints, the desire is to eliminate them. In fact, many companies set targets to reduce the number of complaints they receive.

Rather than falling prey to the seductive allure of complaint reduction, we need to talk about complaint management or handling, except in very specific circumstances. Complaints are one of the most direct and effective ways for customers to tell businesses that there is room for improvement. And, if in a competitive market economy this improvement does not occur, customers will take their business elsewhere.

WHAT IS A COMPLAINT?

In simplest terms, a complaint is a statement about expectations that have not been met. It is also, and perhaps more importantly, an opportunity for an organisation to satisfy a dissatisfied customer by fixing a service or product breakdown. In this way, a complaint is a gift customers give to a business. The company will benefit from opening this package carefully and seeing what is inside.

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On the surface, a customer may complain that his newly-purchased sweater shrank, or its colours ran and ruined a load of white washing. *At a deeper level, the customer is giving the store where he bought it an opportunity to respond, so he will continue buying more clothes from this supplier.*

On the surface, a customer may complain that the boot on her just-purchased luxury car does not close well. At a deeper level, she is saying she may buy her next car from the same dealer if satisfied with how the dealer handles this small problem. This customer is testing her car dealer.

On the surface, the customer complains to her grocer that the turkey she purchased did not contain any giblets, which she only discovered on Christmas Day itself when the store was closed. At a deeper level, the customer is wondering whether the grocer will take her word for it, and how the store will compensate her for her disappointment.

On the surface, customers let their insurance agents know in no uncertain terms that when they call the insurance company to handle a simple question, their calls are not returned for days. At a deeper level, customers are warning their agents they may consider a competitor when their policy comes up for renewal.

What do you suppose most service representatives hear — the surface complaint or the deeper message? Unfortunately, all too many hear only the direct, surface message. And the end results are mismanaged complaints and loss of customers.

When organisations listen to customers with open minds and more flexible points of view, they can experience complaints as gifts.

Unfortunately, most people do not like to hear complaints, and we put up enormous psychological blocks when we hear them. Even more fundamentally, most customers simply do not grace us with their complaints. They just take their business elsewhere.

WHY WE DON'T LIKE COMPLAINTS

To consider complaints as gifts, we first have to accept the notion that customers always have the right to complain — even when we think their complaints are stupid, unreasonable, or cause inconveniences.

Part of the buying agreement customers make is, that if they do not like what they purchased, if it does not meet their needs, if it is substandard, or if they have changed their mind, they are buying the right to say something about this.

In order for us to treat complaints as gifts, we need to achieve a complete shift in perception and

attitude about the role of complaints in modern business relationships.

This requires separating the message of the complaint from the emotion of being blamed, which, in turn, means understanding the dynamics of disappointed people and rethinking how complaints can help us achieve our business goals.

Customers who take time to complain still have some confidence in the organisation. *Customers who complain, after all, are still customers.* In most cases, it is less of a hassle just to take their business to the competition, so those who do complain are showing some degree of loyalty.

PUT YOURSELF IN THE CUSTOMER'S SHOES

See complaints through the eyes of the customer and you have a better chance of viewing complaints as a gift.

Imagine that whatever the customer is complaining about has just happened to you. What would you be thinking and feeling? How would you react? What would you expect from this organisation? What would it take to make you happy? What response would be necessary for you to walk away from this encounter and feel good about your complaint and the company?

Are there customers who try to rip the company off? No doubt there are. But companies cannot treat all customers as if they were thieves in order to protect themselves against the few who are. It is estimated that approximately 1 to 1.5 per cent of customers will systematically try to cheat.

Most companies factor this kind of behaviour in as part of the cost of doing business. And, if someone does try to take advantage of the company through exaggerated claims, chances are that the customers who witness this interaction will be impressed that the service provider did not make the customer feel guilty, even though he or she rightfully could have done so. This will leave those on-lookers feeling more comfortable about expressing their own dissatisfaction.

The moment individuals or companies give any hint that they view complainers with suspicion, customers will fight back. Or, even worse, they may go away angry and not say anything to the company but tell everyone else they know — when the company has no chance to defend itself.

Some individuals lack gracious social skills and may appear inappropriate when they complain. They get nervous and may seem harsh, angry, or even stupid. *The service provider must learn to focus on the content of the complaint and not on the way the complaint is delivered.*

This is asking a lot of service providers, but, if they can see complaints as gifts, then it really does not matter how the gifts are wrapped.

COMPLAINTS DEFINE WHAT CUSTOMERS WANT

Customer complaints tell organisations how to improve services and products — and thereby help to maintain market share.

If businesses are able to identify and meet customer wants and needs, customers will generally pay more for their products.

The company, in turn, will spend money on developing products that it knows its customers want. *Repeat customers and their repeat business lower per-unit sales costs.*

Time and time again, when companies listen to customers, they learn how to fashion products and services to meet customer needs, how to revamp internal processes for greater speed and accuracy, and how to lay the groundwork to better serve the customer.

In many instances, the information a company obtains through customer complaints is impossible to get through any other means. Even if complaints are several levels away from the consumer, companies can learn about specific service gaps and product failures. Companies are being presented with an opportunity to prove their commitment to customers by addressing these concerns, even when the complaint seems minor.

Complaints that customers bring directly to businesses are the most efficient and least costly way of getting information and understanding customer expectations about products and services.

Other more costly and less direct methods for communicating with the customer include reviewing customer expectations in parallel industries; conducting transaction-based studies, such as using mystery shoppers or external auditors; or conducting comprehensive customer expectation research.

Big companies can afford to conduct or commission market research of the type noted above; small companies *must* rely on their customers to tell them what they think about their products and services.

Listen... And Respond

Customers, in most cases, are not going to generate ground-breaking ideas for companies. They will not suggest that Ford invent a minivan; they will not encourage Sony to invent the

walkman. Innovation is the purview of any company's research and development department. But customer feedback can help fine-tune product concepts for particular groups of people.

Furthermore, businesses may never understand customer needs until there is some kind of product or service failure.

Complaining customers tell the company what does not work once the product has been invented, or as it is being sold or serviced.

For businesses that need to be responsive to quickly-changing market conditions, listening and rapidly responding to complaints help the company stay in touch with customer expectations.

Convenience stores, for instance, sell items that may remain in demand for just a few months. Customer complaints ("Why don't you carry....?") rapidly communicate changing marketplace interests to the company.

Other, less trendy businesses have learned this lesson as well. Market research can be static compared to the complex, dynamic, talking marketplace.

Marketing experts measure what they think is important, especially if the primary means of gathering customer feedback is the typical ratings report card.

Hotels ask about cleanliness of their rooms and friendliness of staff. Guests *expect* these things. What *satisfies* them may be firm, non-lumpy mattresses in quiet rooms that have big light bulbs in the lamps next to the beds so people can easily read themselves to sleep.

Unfortunately, hotels almost never ask questions about light bulb sizes, or mattress lumps, or even quiet rooms. But if hotels listen to complaints, and even encourage them from guests, they may learn about low-wattage light bulbs, lumpy mattresses, and the noisy elevators or vending machines that can be heard through thin walls.

Market research can reveal these kinds of issues if carefully conducted, but complaints will cut to the quick.

In addition to calling attention to product defects, service shortcomings, and poorly designed systems, complaining customers can also alert managers to front-line personnel problems.

Customers are usually the first to know when the company is being poorly represented by staff.

In fact, managers may never learn about poor treatment of customers through simple observation of staff because employees generally behave better when their managers are around.

Customers For Life

You might say that customers buying inexpensive services are not worth significant sums of money. Here is where the long view is critical. Each dry cleaning exchange, for example, may only be 10 or 15 dollars. Over a lifetime, however, a customer can easily spend around \$30,000 on dry cleaning. And this says nothing about the number of friends or relatives a satisfied customer might send to a responsive dry-cleaning establishment. Domino's Pizza calculates that over just a 10-year period, regular customers are worth about \$5,000. Based upon its research, Bain and Co., the Boston-based consulting group, estimates that profits can be boosted 25 to 95 per cent — from just a five per cent decrease in customer defection rates. What easier way to retain customers than by better handling of customer complaints? Certainly, consumer research tells us that a lot more than five per cent of customers leave because of poor complaint handling. An IBM study suggests that if customers are left with an unresolved problem, less than half say they will repurchase. On the other hand, if customers feel their problems have been satisfactorily resolved, almost all say they will give the company another chance.

The Value Of A Customer Over A Lifetime Of Buying

Loyal customers are not easily produced, though disloyal ones are. The multitude of statistics generated in this area suggest that if customers believe their complaints are welcomed and responded to, they will more likely repurchase.

In addition, long-term customers are not only easier to sell to, but they are also easier to serve because they know how to get their needs met; they know your products, your people, and your systems for conducting business.

Non-Complainers Must Be Factored Into Complaint Statistics

Even though companies can tell a business how it is performing in the marketplace, many companies hide the bad news of complaining customers from themselves. They do not factor the non-complainers into their statistics. If the frequently cited statistic that 26 out of 27 service customers do not complain when things go wrong is correct, then to get an accurate count of dissatisfied customers, service companies should multiply the number of complaints they receive by 27. One hundred formal complaints equals a potential 2,700 dissatisfied customers in the service industry.

The Danger In Setting Goals To Reduce Customer Complaints

Rather than trying to reduce the number of complaints, organisations need to encourage staff to seek out complaints, because this will define what customers want.

If a company's goal is to have fewer complaints this year than last, it is a very easy goal to accomplish. Staff will get the message and simply not report complaints to management.

Companies should be very careful when setting goals to reduce complaints. Doing so can be costly. Because a hotel chain was receiving a large number of call-in complaints about cleanliness, the CEO suggested a comment card be readily made available in the hotels to control the call-in complaints that were tying up toll-free reservation lines. The filled-in comment cards were to be collected by each hotel manager, batched, and then sent on to headquarters each month.

This approach would both enable the hotel managers to take immediate action to solve the cleanliness problems, and would save postage. Reduction in complaints was tied to a bonus plan.

After the system was in place for a period of time, the manager who had one of the dirtiest units received one of the lowest complaint ratings. When asked how he did it, he responded: "I'm the one who mails in the cards, but I screen them first. Why cut off your own legs?" Some time later, this hotel, which also won bonuses for the least number of complaints, was shut down by the health department. In the meantime, other hotels in this chain had followed the lead of this clever manager who knew what to do with complaints.

Responsive Companies Create Opportunities For Customers To Complain

Sometimes complaints are hidden from companies because of the structure of their business. As a result, companies have to be creative in how they *hear* about customer complaints. Some amusement parks, for example, outsource critical aspects of their business, many subcontracting their food services, allowing park owners to concentrate on park management. Subsequently, food complaints decrease, or, at least, complaints reported by the food services to park management decrease.

From the perspective of those who attend the amusement park, however, that bad hot dog or surly treatment by a vendor is not the responsibility of the subcontracted restaurant, but of the park. Park attendees probably do not know that the restaurant is not directly managed by the park. The park, in turn, may know nothing of the bad service and, thus, be unable to fix it.

Some companies conduct customer satisfaction surveys to learn more about hidden complaints.

This is a good idea, to a point. But, who normally participates in such surveys? Existing customers. Unless the company makes a point to ask everyone who used to buy, it is polling only those people who are still buying. These customers are still sufficiently satisfied, so they are staying with the company.

Customer satisfaction surveys are generally not a representative survey of dissatisfied customers. They may give you some ideas, but you need to go after the ones who have left and find out why they left. Then the company can find some real gifts.

If companies only look at the people who ordinarily complain, rather than seek out additional feedback from non-complaining customers, they may not have a representative cross section of who is dissatisfied or why. People who complain tend *not* to be typical of the total population with unvoiced complaints.

Word-Of-Mouth And Complaint Behaviour

Businesses are understandably interested in what the public says about them. Word-of-mouth advertising can make or break a business or product; and every dissatisfied customer who leaves a business represents a potential threat in the marketplace. Complaints can work for or against your company in the following ways with respect to word-of-mouth:

1) *People are much more likely to believe a friendly recommendation than an advertiser's promotional statements.*

Every bad word told and retold about a business becomes that much more difficult to overcome through marketing promotions. People are far more willing to listen to the advice of a good friend than they are to believe a multi-million dollar advertising campaign. Negative word-of-mouth can even affect an entire industry dramatically.

2) *Effective complaint handling can be a powerful source of positive word-of-mouth.*

Nordstrom Department Store has probably had more positive words written about it than any other

major department chain in history. A well-known and often-told story about Nordstrom is the "Case of the Bald Tyres." Supposedly, an elderly man walked into a Nordstrom store and asked for a refund on his car tyres, which were obviously used and balding. Without question, it is said, Nordstrom cheerfully refunded his money. Nordstrom does not sell tyres.

Some people have difficulty with the "bald tyres" story because they think it will encourage customers to cheat businesses. This may be true in a certain number of cases. Certainly, if Nordstrom found hundreds of people coming in off the streets with bald tyres demanding money, it would not continue with its no-questions-asked approach.

But consider what such an example is worth in word-of-mouth advertising. If Nordstrom is willing to refund on a product it does not sell, imagine how hassle-free its guarantees must be on products it does sell! This "Case of the Bald Tyres" has been described on the front pages of several newspapers, including the *Wall Street Journal*, *USA Today*, and the *New York Times*. It has been discussed in dozens of books, and probably hundreds of speakers have mentioned it in customer service speeches to hundreds of thousands of people around the world. How much would such advertising cost? Is it even possible to put a price on such positive public relations?

3) *The more dissatisfied the customers become, the more likely they are to use word-of-mouth to complain about the business.*

This is common sense. In fact, if customers walk away angry with unexpressed complaints that do not get handled, there may not be much a company can do to stop negative word-of-mouth.

But if companies make it easy for customers to complain, and handle these complaints, dissatisfaction levels will decrease, negative word-of-mouth will lessen, and positive word-of-mouth may be generated. It almost seems as if many customers simply want to tell someone about their problems, and if they do not tell the company then they will find another audience. In the case of Nordstrom, we expect the public to say fewer negative things about that store because part of the Nordstrom reputation is "We'll take it back — no questions asked."

In other words: *Bring us your complaints. We want to fix the problems.* Companies gain when they demonstrate to their customers that they are receptive to legitimate complaints.

To control negative word-of-mouth, companies must ensure that small- and middle-level problems do not blow up into big customer dissatisfactions.

The best way to do this is by encouraging complaints and then effectively handling them.

Bad News Travels Faster Than Good

Dissatisfaction is a more popular topic of conversation than satisfaction. For example, if people are standing at a bus stop and the bus arrives on time, most will not praise the service of the local government transit authority. "Wow, look at this, the third time this week, on time! Those guys are really something." But if the bus is late, perfect strangers will grumble to each other about the bus company's lack of efficiency and accountability. This will remind them of every other social problem there is to complain about. And no one will think this is in any way abnormal. It is also so much easier to complain when there is no one around who can do anything about it.

Complaining Customers Are Among The Most Loyal Customers

Research has found that if companies can get customers to complain directly to them, they can minimise damage. Customers who do complain about their dissatisfactions are also more likely to repurchase, even if their complaint is not handled satisfactorily. In fact, the same research concluded that customers who do not complain are the least loyal customers. *Those who may complain become the most loyal customers.* They are more likely to tell their inner circle how pleased they are that the company addressed their complaint, even if the problem was not resolved to their liking. If the problem is resolved satisfactorily, they will tell even more people about the successful resolution of their problem than if they had received good service in the first place. The researchers found that if the problem is resolved successfully, customers will tell five others, whereas if customers receive good service initially, they will only tell three others.

This is probably the strangest set of statistics generated in the complaining customer arena. A company actually has a chance of increasing positive word-of-mouth advertising if it recovers dissatisfied customers.

THE GIFT FORMULA

We must become so comfortable with the idea that a complaint is a gift that there is no hesitation in our responses. If our attitude is deeply ingrained, as in the case of saying "Thank you" when we receive a gift, then when someone complains to us we will truly welcome it as something of value. We will not have to

think our way through this; our natural response will be as if we have received a gift.

How can we do this? First, the company must talk the language of complaint-giving as gifts. The idea needs to be reinforced at every meeting, on wall posters, and in all conversations and training sessions about customer service. Second, the company's policies, compensation systems, mission, vision, values, and managerial behaviour must be aligned to support the gift-friendly philosophy.

Finally, we must learn some fundamental techniques for handling complaints. This can be done by using the following Gift Formula.

Eight-Step Gift Formula

The Gift Formula is a step-by-step process that, in its optimal form, is delivered in a set order. There may be occasions, however, when it will be more appropriate to vary the sequence. The steps are as follows:

- 1) Say "thank you."
- 2) Explain why you appreciate the complaint.
- 3) Apologise for the mistake.
- 4) Promise to do something about the problem immediately.
- 5) Ask for necessary information.
- 6) Correct the mistake — promptly.
- 7) Check customer satisfaction.
- 8) Prevent future mistakes.

1) Say "Thank you"

Do not think about whether customers have a legitimate complaint or not. Just consider the complaint valuable information — a gift. We need to create immediate rapport with our customers and we need to meet them on their own ground. There is no better way to make someone feel welcome than to say: "Thank you."

2) Explain why you appreciate the complaint.

"Thank you" by itself can sound empty. You need to qualify it by saying something about how hearing the complaint will allow you to better address the problem. "Thank you for telling me...[or] Thank you, I'm happy you told me so I can fix this for you (or repair the damage we have done...)[or] Thank you. I'm happy you shared this because it gives me a chance to improve our quality, and this is what I intend to do." Or simply, "Thank you for letting me know."

3) Apologise for the mistake.

It is important to apologise to customers, but it should *not* be the first step. You create a more powerful rapport with customers by saying, "Thank you. I appreciate your telling me about this." *Then*

comes the apology: "May I apologise? I'm really sorry this happened."

4) Promise to do something about the problem immediately.

Once you have apologised, do not ask for anything else right away. Do not start to interview the customer. Service recovery has two aspects: psychological and tangible. The psychological dimension helps everyone feel better about the situation that has created dissatisfaction. The tangible dimension is doing something to fix the situation. Tangible responses are steps that will cost money or time. Steps one through four of the Gift Formula are part of the psychological response; they cost nothing and are easy to implement. It is also easy for companies to discount their significance.

5) Ask for necessary information.

"In order for me to give you efficient service, could you please give me some information?" Do not say, "I need some information, otherwise I can't help you." You are the one asking for help from the customer. They are the ones who have brought you the gift. Ask only for what is necessary.

6) Correct the mistake — promptly.

Do what you said you would do. A sense of urgency will be greatly appreciated by the customer. Rapid responses say you are serious about service recovery. A sense of urgency lets you get back in balance with the customer. The Gift Formula will not be adequate if you do not fix problems to the customer's satisfaction.

7) Check customer satisfaction.

Follow up. Call your customers back to find out what happened. Ask them directly if they are satisfied with what you did for them. If you do this, your customers will likely buy from you again. If appropriate, tell them what you are doing to prevent this from happening in the future so that they feel good about having helped you with their complaints. Thank them again for their complaints. You are now in partnership with them.

8) Prevent future mistakes.

Make the problem known throughout the organisation so that this kind of problem can be prevented in the future. Fix the system without rushing to blame staff.

Punish your processes, not your people. Staff members will be more likely to pass along complaints to management if they know this is the company's approach to complaints.

A Final Word

Customer complaints can give businesses a wake-up call when they're not achieving their fundamental purpose — meeting customer needs.

They are a feedback mechanism that can help organisations rapidly and inexpensively shift products, service style, and market focus.

As this summary so clearly shows, businesses that don't value their customers' complaints suffer from costly, negative word-of-mouth advertising and loss of valuable repeat business.

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