Effective Complaint Management

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Chapter 1: Understanding and defining customer dissatisfaction

MOST CUSTOMERS are delighted if an organisation simply delivers what it has promised. But customers also consider that an organisation’s ability to put things right when they go wrong enhances their reputation. Customers are increasingly willing to complain about a poor service or faulty product. In 2006, the UK National Complaints Culture Survey revealed 46 per cent of customers were likely to complain about a problem with a service compared to 60 per cent likely to complain about a poor product. Also, the recent emergence of social media has expanded opportunities for customers to express dissatisfaction, even if organisations are unwilling to provide the opportunity themselves.

Many people within organisations consider complaints as negative and senior management often require the implementation of a complaint reduction strategy. Is this the right approach? Or, should organisations focus on maximising efficient complaint management strategies to reduce customer dissatisfaction?

If an organisation sets targets for reducing complaints, internal behaviours may be affected and result in policies being developed that reduce accessibility and report only the most serious or persistent complaints.

A complaint reduction strategy is also unlikely to be effective in situations where customers are reluctant to voice complaints. In Ireland, for example, the Health Service decided to run a campaign promoting the right of customers to complain because:

“People are sometimes afraid to make a complaint or raise a concern. They’re especially nervous when they are in hospital, because they fear repercussions. Some also buy into a culture where the medics know everything and you don’t ask questions.”

However, organisations are increasingly starting to understand that the complaining customer often wants to continue an existing relationship with an organisation despite the fact that something is wrong. Many customers do not use the word ‘complaint’ and some organisations use different terms to describe expressions of customer dissatisfaction. Yet the principles are the same and even clever wording cannot hide the need to deal with customer dissatisfaction positively, promptly and effectively.

Evidence of industry improvements was made clear in the recent audit of UK complaint processes by gas and electricity regulator Ofgem, which observed:

“We are also aware that British Gas records all contacts and hence their higher figure almost certainly reflects a stronger culture of recording rather than being evidence of poor performance. This practice also appears to provide a higher percentage of complaints resolved that day or the next. We are keen that suppliers record all complaints and learn from them hence a high level of reported complaints is not, of itself, a concern.”

More worryingly, many customers still cannot be bothered to complain and most are reluctant to use a formal or official
process. A customer who takes the time to complain and is confident that the recipient will listen and take action is a customer who wants to be loyal. An organisation with a high level of complaints might be open and responsive to customers rather than having a high level of customer dissatisfaction.

Where people are dissatisfied, there is a low propensity for them to go on to make a formal complaint. Our survey of people who had used the UK National Health Service (NHS) and social care services in the past three years found that around 14 per cent were in some way dissatisfied with their experience. Of these, only five per cent went on to make a formal complaint compared to 30 per cent who made a formal complaint about adult social care services. The main reason people did not complain formally was that they did not feel anything would be done as a result.3

Complaints escalated to senior managers, solicitors or even to a sector ombudsman are time consuming, costly and often less than constructive. The escalation of a complaint is often caused by a less than open response lower down the organisation and earlier in the process.

A 2003 study commissioned by the Financial Services Authority (FSA) found that 78 per cent of respondents who had been dissatisfied with the handling of a complaint had chosen to give up rather than take the complaint further. How many switched provider or reduced their business with the company? How many had expectations that could have been met by the company concerned?

Customer expectations and emotions
Some customers will exercise choice within the marketplace rather than complain, purchasing a service or product from the organisation’s competitor or simply deciding that the product or service was a luxury purchase not worth pursuing, especially in a demanding economic climate. Sometimes choice is limited. Customers may be committed to a long term financial product or utility service where switching may not be straightforward and likely to cause a certain amount of inconvenience. In these situations, the customer balances the potential inconvenience of pursuing a complaint against that of switching to another provider.

But even when a customer has limited choice, an organisation can risk losing other business opportunities with that same customer along with future renewal of long term products and services. A customer will remember excellent experiences and poor experiences but will quickly forget mediocre experiences.

Often customers are simply expecting an organisation to apologise and fix the reported problem, for example, get a faulty product replaced or the service fixed. However, if inconvenience and frustration is subsequently experienced during resolution, customers are more likely to request financial compensation from the organisation.

Customers of public services often have limited or no choice of provider. Tax paying citizens and those receiving welfare benefits or applying for permission to develop are unable to choose a different state to deal with (unless through the very extreme and unlikely choice of migration!). Yet depending on the impact of a problem, these customers may lose confidence and trust in the services received and go elsewhere for a solution such as ombudsman, elected representatives, advocacy organisations and the courts. Or they may shop the system by contacting several different departments, senior managers and agencies in an attempt to find the answer or solution, furthermore increasing the workloads and overall costs of service in those organisations.
Citizen feedback about government services can also provide a check on bureaucratic abuse and corruption, help governments to understand the concerns and needs of citizens and provide citizens with a voice. Elections also provide citizens with a voice but only take place at intervals and may be heavily influenced by large, national campaigns.\(^5\)

A study of consumer emotions\(^6\) in Australia concluded: “On the whole, failing to meet expectations does much more harm than exceeding expectations does good.” The study found that customers who complained to an organisation and were completely satisfied with the response felt reassured, relieved, grateful and impressed. Their satisfaction and loyalty was restored to the same level as those customers who had not experienced a problem; but those who had a less than satisfactory experience of making a complaint felt exasperated, insulted, disgusted, cheated and angry. The study concluded that organisations would be unlikely to be able to restore a relationship with these customers.

**Customer satisfaction and loyalty**

A key benefit of effective complaint management is that a promptly resolved complaint is considered by most customers to be a great service experience. Customers have increasingly high expectations of customer service but are accepting when things go wrong as long as they experience prompt attention and resolution.

The costs of poor complaint management for commercial companies are well-known. During early 2010, a survey commissioned by the UK Office

<table>
<thead>
<tr>
<th>What customers wanted and got in response to their complaints</th>
<th>WANTED</th>
<th>GOT</th>
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<tbody>
<tr>
<td>My product or service repaired or fixed</td>
<td>84%</td>
<td>27%</td>
</tr>
<tr>
<td>An assurance that my problem would not be repeated</td>
<td>83%</td>
<td>17%</td>
</tr>
<tr>
<td>An explanation why the problem occurred</td>
<td>78%</td>
<td>18%</td>
</tr>
<tr>
<td>Able to express anger or to tell my side of the story</td>
<td>72%</td>
<td>33%</td>
</tr>
<tr>
<td>An apology</td>
<td>70%</td>
<td>24%</td>
</tr>
<tr>
<td>A thank you for my business</td>
<td>69%</td>
<td>22%</td>
</tr>
<tr>
<td>My money back</td>
<td>57%</td>
<td>11%</td>
</tr>
<tr>
<td>A free product or service in the future</td>
<td>33%</td>
<td>6%</td>
</tr>
<tr>
<td>Financial compensation</td>
<td>25%</td>
<td>1%</td>
</tr>
<tr>
<td>Revenge</td>
<td>15%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Table 1: Analysis of customer complaints and responses\(^*\)
of Fair Trading (OFT) found that 82 per cent, or four out of five people, said their response to poor service would be to tell their friends and family never to use that business and almost a third said they would write a negative review on the company’s website. Some respondents even said that with the increasing use of social media, they would tweet about a company or set up a Facebook complaints group.

The OFT survey also confirmed the benefits to companies of good service. Of the consumers who received good service, 85 per cent said they would recommend that company to their friends and family; and one in three said that they would contact the business to thank them.

The retention of customers increases an organisation’s revenue and profitability, as customers who are happy buy more, pay more and therefore generate long term and sustainable revenue streams. Increasing the number of loyal customers also lowers marketing costs since retaining existing customers requires less spend than the time taken to attract new customers.

Robert Johnston’s study on complaint management and profit identified that organisations can also achieve financial benefits by using information from complaints to improve both operational and organisational-wide processes; and by satisfying and retaining employees but that this is contingent on the organisation’s complaint culture.

Wider benefits of effective complaint management

An effective complaint scheme helps an organisation build a culture of continuous improvement across products and services. The best strategy-led organisations in both public and private sectors are recognising that improving systems for capturing complaints data provides information about all core and internal operations.

Effective management of customer complaints can:

- Reduce risk to reputation;
- Improve customer satisfaction, confidence, trust and enhancing loyalty; and
- Improve employee satisfaction as employees are empowered to resolve customer problems rather than experience daily customer anger and frustration.

Reduced risk to reputation

In an age of increasing self-service, a customer’s post-sales interaction with a service provider occurs when the customer either needs an answer to a complex query or has experienced a problem that requires resolution. Therefore, customers will often judge an organisation based on personal experience of the organisation’s problem solving (or complaint handling) capabilities. Organisations that are perceived to handle problems and complaints poorly will ultimately develop a reputation that is poor and be will left to handle the associated bad publicity. Indeed, these organisations may have generally high levels of customer satisfaction but if complaints are frequently handled badly, the organisation’s overall market credibility and image will be tarnished.

Improved customer satisfaction, confidence and trust

The goal of complaint handling should be to turn a negative into a positive and to turn an unsatisfied customer into a satisfied and loyal customer. Commercial organisations will want to make sure that the customer is retained and the potential for any future financial detriment to the business is reduced.
Effective Complaint Management

When handling a complaint, public sector organisations are often faced with delivering a difficult decision that is unlikely to satisfy the customer. However, recent research into satisfaction with complaint handling and outcomes suggests that customers’ overall satisfaction is influenced far more by the handling rather than the outcome. Any organisation whether commercial, government or not-for-profit, has the potential to build a customer base that has trust in the organisation’s ability to listen and learn from mistakes and explain its actions and policies. Customers will then have the confidence to report problems.

**Improved employee satisfaction and engagement**

Effective complaint management together with a positive organisational culture empowers employees to resolve customer problems and avoid daily stress in dealing with customer anger and frustration. Employees experiencing regular stress will be more likely to become absent from work, experience poor health and leave the organisation. Johnston’s study found that complaint management is most likely to have a positive impact on an organisation’s financial performance when employees are trained, given processes that are easy to use and empowered to take action towards resolving complaints.

British Gas and Telefónica’s telecommunications giant O2 introduced schemes that not only enhanced the empowerment of front-line employees to resolve customer issues but also allowed employees to provide feedback on any concerns about policies and processes that were having a negative impact on customers. Both companies identified significant improvements in employee retention and financial performance.

Complaint management also provides organisations with the opportunity to better manage customer expectations. Often, complaints suggest unmet expectations and customers complain because marketing and promotional activities have raised expectations beyond what can be delivered. But the organisation is not in complete control of their customers’ expectations. External influences such as the media can also play an important role in raising customer expectations in terms of the level of service that should be received. But it is the amount of interaction surrounding a complaint where an organisation has the ability to communicate reasonable options and outcomes.

Complaints can also be used to understand the voice of the customer and can feed directly into the development of new service propositions and new products and into the continuous improvement of customer processes. Unresponsive, difficult-to-access processes create disruptive customers who become costly, time-consuming customers with low expectations and a lack of understanding of the processes they are required to follow. But disruptive customers can effectively expose flaws in the organisation’s services and policies. The following paragraphs highlight the benefits of effective complaint management:

**Early warning of service breakdown or product failure**

A complaint management system should be capable of allowing trends to be analysed and promptly identify emerging issues about a specific service or product.

**Prevention of repeat complaints**

If complaints are well managed and appropriate corrective action is taken when things go wrong, the occurrence of
the same problem occurring should be prevented or at least reduced.

Reduced debts
Dissatisfied customers may delay or withhold payments for a service incurring extra collection expenses for the provider. Studies of business-to-business relationships reveal that satisfied customers pay on average 14 days earlier than unsatisfied customers.

Free consultation
Organisations often invest heavily in carrying out market research, consultations and surveys to discover the views and opinions of customers about specific subject matters. But an open and accessible complaints process is often informing an organisation about those same views and opinions on a daily basis, providing an opportunity for more targeted consultation activities and lower costs.

Reduced litigation costs
Complaint management should be the most effective tool an organisation has against the compensation culture. Promptly resolved complaints do not result in legal action and any financial compensation required is likely to be much less than that provided within a legal process. But most customers simply want an apology and the problem quickly resolved. However, research has identified that up to 25 per cent of complaining customers are seeking a financial remedy, although further research demonstrates that this is dependent on both the service or product of contention and the amount of stress and frustration that a customer experiences during the process of getting the initial problem resolved.

A global brand retailer introduced a customer care approach to the resolution of accident complaints. A resulting 79 per cent of these complaints were resolved without the need for the customer to get legal representation. The company also obtained a two per cent reduction in referrals to the public liability insurer.

Improved targeting of resources
If funding for services is scarce and cutbacks are implemented, customers will often give their feedback by complaining if reduced levels of service are experienced. Organisations can use the information to quickly decide if this is acceptable or additional action is required and the complaints should also provide managers with the ability to make evidence based decisions rather than asking for more resources based on a gut-feeling.

Enhanced customer knowledge
An organisation’s complaint handling activities often result in customers becoming better educated about company processes. A complaint may be an opportunity for a customer to learn about how an application form should be completed (reducing future costs of processing incomplete or incorrectly completed forms).

More praise and compliments
Customers appreciate a problem being solved and are often more likely to give unsolicited praise based on such experiences. A well-known high street retailer discovered that 80 per cent of compliments received had actually been generated as a result of their complaint handling activities.

Common principles
An effective complaint management scheme will ideally include the following principles:

- Accountability – The organisation delivers accountability for the handling and management of complaints from the most senior level, giving maximum
volume to the voice of the customer within the organisation’s activities;

- **Resources** – The organisation allocates adequate resources to deal with complaints received;
- **Training** – The organisation provides training to employees to make sure those who deal with customers understand the procedures and follow them properly;
- **Empowerment and ownership** – The organisation empowers employees with the authority to quickly and efficiently handle routine complaints;
- **Escalation** – The organisation implements procedures to make sure that unresolved or serious complaints are notified to key employees and the problem is dealt with by someone with the appropriate expertise;
- **External review** – The organisation also introduces a mechanism that is made available to a customer when internal procedures become deadlocked; and
- **Follow up** – The organisation develops procedures to ensure lessons are learnt and that the products, services and complaint processes are improved.

### Defining a complaint

Many organisation-based complaint management schemes attempt to define a complaint so that it is clearly recognised and understood within the organisation. However, many organisations choose to simply consider a complaint to be a complaint.

“It isn’t for the organisation to decide whether the person has a complaint. If I’m the service user or the consumer and I think I’m complaining, I undoubtedly am,” said the independent complaints reviewer of the UK Charity Commission.¹⁰

Industry regulators and public sector organisations have long debated the definition of a complaint, attempting to distinguish between a problem report (i.e. a customer reporting a fault that requires attention) and a complaint (i.e. the customer complains that the fault has not been corrected). But often the most successful and reputable complaint management processes, particularly within retail and hospitality sectors, are the simplest and recognise that only customers complain. Interestingly, the consultations that preceded Ofcom’s decision in 2010 to introduce a minimum standard for communications providers’ complaint procedures discovered several companies held the view that an open definition (as suggested for use by Ofcom) should be replaced by an alternative.

Options regarding the definition of a complaint offered by Ofcom include:

- Where the consumer was alleging a breach of the terms and conditions of the service;
- Where the complaint was in writing; and
- Where the consumer used the term complaint, where the subject matter of the complaint is within the jurisdiction of the ADR schemes, or where the consumer alleged they were suffering from financial loss or material inconvenience.

Fortunately, Ofcom decided not to close the definition, which the organisation defines as:

- An expression of dissatisfaction made by a customer to a communications provider related to either the communications provider’s provision of public electronic communications services to that customer; or the complaint handling process itself; and
- Where a response or resolution is explicitly or implicitly expected.
The International Standard (ISO 10002) for handling complaints requires that all complaints should be logged – however made.\(^{11}\) The reality has been that many organisations in the public sector and regulated complaint management environments often only log official, formal or repeat complaints. This approach is taken because an organisation considers that the amount of staff time required to capture details of complaints resolved informally, would not deliver sufficient benefits to the organisation. However, many businesses are aware that these low-level (or first contact resolutions) can often provide a greater insight into the organisation’s operations than the less common issues that escalate when often more complex but isolated issues are being handled.

The UK States of Guernsey feedback and complaints department define a complaint as: “An informal complaint usually refers to a minor matter for which there are readily available solutions and which can be handled by the employee directly responsible for the provision of the service in question or by his/her line manager.”\(^{12}\)

The use of informal and formal or official definitions can also help create a culture where complaints are perceived to be serious or minor and potentially, an environment where the knowledgeable customer is aware of the terminology and processes to follow in order for his/her complaint to be taken seriously. But other customers receive responses that lack attention and are unable to escalate issues that remain unresolved on the front-line.

This distinction can also create a culture of under-reporting of the actual amount of dissatisfaction being experienced by the organisation’s customers. The Queensland Ombudsman in Australia audited 57 councils and found that almost half did not have a proper complaints process and the majority did not use it. Each council registered an average of less than three complaints each year. Instead, they were found to have used other informal processes.\(^{12}\)

The FSA regulations do not require companies to report complaints that are resolved by the end of the next business day. However, the regulator does promote the benefits of these complaints because they can deliver:

- Happier customers, leading to improved customer loyalty;
- Opportunities to examine and put right weaknesses in the company’s service early on, reducing future similar complaints;
- Reduced follow up correspondence requirements under FSA complaints rules; and
- Reduced administration as there is no need to report complaints resolved within one business day to the FSA.

The UK National Consumer Council’s 1991 report on social housing complaint procedures found that 90 per cent of housing complaints had been made informally to front line employees. The report identified that: “Unfortunately, many public services seem to regard the role of front line staff in this informal procedure as not part of their complaints procedure…it does nothing for the large bulk of complaints business which is carried out by front-line staff.”\(^{13}\)

These findings were again confirmed when the Department of Health carried out a review in 2001 of social care and health complaint procedures. The review recognised that informal suggests a lack of seriousness about a complaint and proposed that the word informal should not be used.\(^{13}\)

If defined, a policy will implement an ‘open’ or ‘closed’ definition of a complaint.
Open definitions will focus on defining a complaint as dissatisfaction focused on the relevant organisation, while a closed definition will attempt to define exactly which actions or activities will be included (and implicitly those activities that are excluded).

<table>
<thead>
<tr>
<th>Definition</th>
<th>Organisation</th>
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<tbody>
<tr>
<td><strong>Open</strong></td>
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<tr>
<td>Expression of dissatisfaction with Cancer Research UK including the services we provide and/or the behaviour of any member of staff</td>
<td>Cancer Research UK</td>
</tr>
<tr>
<td>Any expression of dissatisfaction whether justified or not about our services, employees or policies</td>
<td>Devon County Council</td>
</tr>
<tr>
<td>Any expression of dissatisfaction made to an organisation related to any one or more of its products, services or the manner in which it has dealt with any expression of dissatisfaction, where a response is either provided by or on behalf of that organisation at the point of contact, or a response is explicitly or implicitly required or expected to be provided soon after</td>
<td>The Ofcom Approved Code of Practice for Complaints Handling (UK)</td>
</tr>
<tr>
<td>A statement of dissatisfaction with a specific trader made by a consumer to a complaint handling body in relation to the promotion, sale or supply of a good or a service, use of a good or a service or after-sales service</td>
<td>European Commission (for use by European complaint handling bodies)</td>
</tr>
<tr>
<td>A complaint is: ‘An expression of dissatisfaction about the council’s action or lack of action or about the standard of a service, whether the action taken or the service was provided by the council itself or body acting on behalf of the council.’ A complaint is not an initial request for a service to be delivered</td>
<td>Tameside Council (UK)</td>
</tr>
<tr>
<td>A complaint is an expression of dissatisfaction by one or more members of the public about the Council’s action, lack of action, or about the standard of a service whether the action was taken by the Council itself or a person acting on behalf of the Council.</td>
<td>London Borough of Greenwich (UK)</td>
</tr>
<tr>
<td>A complaint is an expression of dissatisfaction with any aspect of the Commission provided services made by people with disabilities, their families, carers and/or advocates, that is not typical of regular communication or feedback regarding the person receiving a service, and for which a remedy is sought that needs the involvement of management staff to achieve.</td>
<td>Disability Services Commission (Western Australia)</td>
</tr>
<tr>
<td><strong>Closed</strong></td>
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Table 2: Open and closed definitions of a complaint
Table 2 provides examples of complaint definitions ascending from the most open definitions to the most closed.

In Table 3, the Economic Regulation Authority for Western Australia provides clear advice to all energy and water services providers on how to define a complaint and provides additional assistance with definitions of enquiries and other communications.  

Some definitions are also supported by an exclusions clause in relation to complaints that cannot be considered within the complaint procedure. Exclusions will often include staff complaints about pay and pension issues, complaints that are already being dealt with or were previously dealt with using legal proceedings or other statutory procedure (such as an appeals procedure that handles appeals against decisions made). However, some organisations, again most commonly in the public sector but occasionally also in businesses operating within a regulated environment, will also attempt to exclude dissatisfaction about a policy. For example, a local authority might suggest that customers have the right to voice dissatisfaction about a policy to an elected representative (who is ultimately responsible for deciding on policy). But the approach is inconsistent and many organisations will still consider that understanding and being able to explain the reasons for a policy or identifying and addressing a flaw within the policy dissatisfaction with policies provides a valuable insight for consideration and assistance in future decision-making.

References

In assessing a complaint, the following overarching principles apply:

- An expression of dissatisfaction – Could be anger, customer states they have a complaint, clearly annoyed or unhappy;
- A response or resolution explicitly expected – The customer states they are seeking some action to address their concern, even if they are not able to identify and state what action is required;
- A response or resolution implicitly expected – Requires the customer service agent to interpret that the service provider is expected to take action to deal with the problem; and
- The matter is a result of some action undertaken by the energy retailer or water utility, or some action that could or should have been undertaken by the energy retailer or water utility.

A key component of the definition is the requirement for a response or resolution to be explicitly or implicitly expected. This is designed to eliminate vexatious complaints, in that a customer must be seeking a response or resolution of some kind.

An enquiry is defined as a request by a customer for information about a product or service provided by the service provider that does not reflect dissatisfaction.

Other communication is where a customer contacts the service provider with an actionable request.

Only complaints need to be classified, collected and reported. If dissatisfaction has not been expressed or the customer has not sought resolution, the matter should not be classified and recorded as a complaint.

Table 3: Definitions and guidance for a complaint procedure
10. ‘Cause for complaint? How charities manage complaints about their services’ report, RS11 v03/06, Charity Commission, Liverpool, UK, 2005.
16. Ibid.