

THE BUSINESS BENEFITS OF EFFECTIVE COMPLAINTS HANDLING

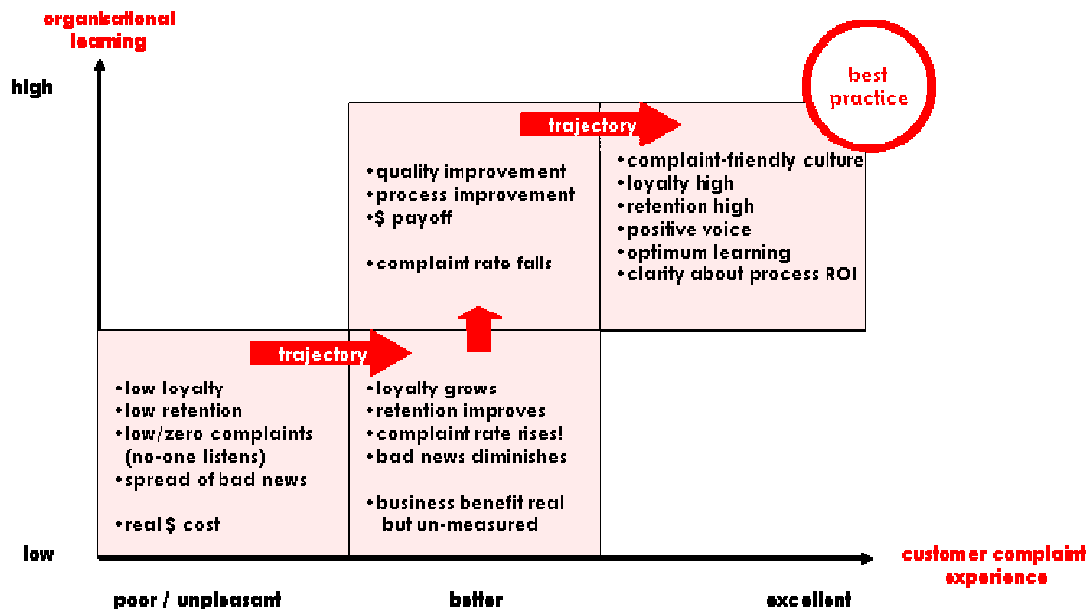
Listening to your customers, especially to their complaints, is more than just good manners. It's good business, with a real bottom-line effect.

The research evidence is clear. High quality complaints processes yield two important outcomes, both of which deliver a positive return on investment:

- Dealing well with an individual complainant typically retains their custom when they might otherwise exit the relationship. Indeed, it often strengthens their loyalty, decreases the spread of bad-news stories and promotes positive word-of-mouth messages about the complaint-handling experience.
- Organisational learning, process improvements and fixes to root causes emerge from review and analysis of complaints. There is also evidence that staff stress reduces, morale improves, effectiveness is enhanced and retention rates rise in organisations with a high quality approach to complaints handling.

There is an obvious business benefit here, but it's one that managers do not always see. For many, complaints handling is a second-tier issue, with daily pressures of product, price, profit and competitors consuming their attention. That's regrettable, and can condemn an organisation to perpetually overlook a ready source of business value. Moreover, it's a source that can be tapped with little or no additional investment.

There is a predictable trajectory from indifferent complaints-handling processes to 'better' and then 'best' practice.

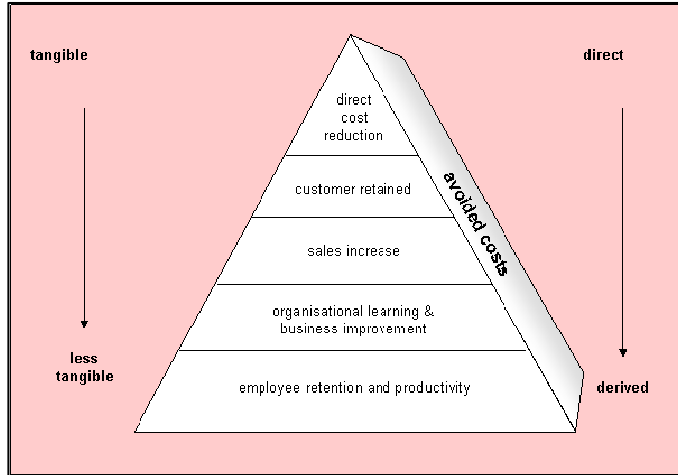


As the trajectory is followed, return on investment in complaints-handling begins to be realised. Some of these are obvious and direct, such as retained customers, continued sales and more efficient business processes. Others are less tangible and less direct but no less real, such as staff morale and retention. Each brings avoided costs as well. Examples include reduced PR costs, reduced marketing costs to find new customers, and lower staff turnover which also reduces costs.

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LOCATING THE ROI

There have been a number of studies which reveal the costs of complaint handling, escalation and, conversely, failing to handle complaints well, or at all.



A British Airways study found that those who complained directly (and thereby got the matter off their chest) cost the airline about one tenth as much as those who said nothing but later exited the relationship.

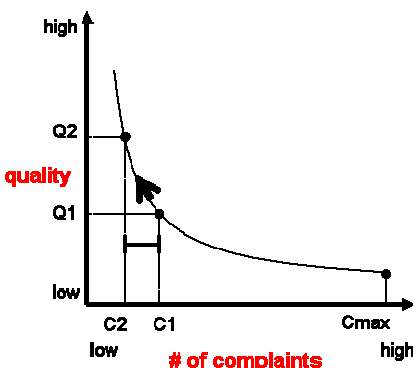
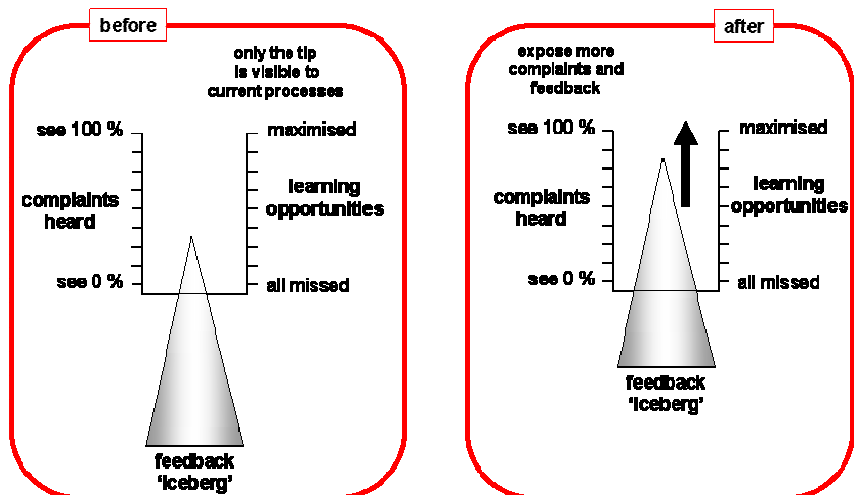
A UK national health service study put some numbers to what common sense tells us: that front-line handling of a customer complaint has a cost (in that case, from a few pounds to about £100) but that, when an issue escalates to more senior staff, the cost goes up about 100 fold, and goes up an astonishing 1,000-fold when it gets to government or Ombudsman level.

IT MAKES SENSE TO GROW COMPLAINT VOLUMES

Looking beyond handling complaints "well" when they are received, there is the matter of deliberately growing the volume of complaints. The 'iceberg' effect shows that most people with a legitimate reason to complain choose not to do so. Most complaints don't reach the surface – they are never reported to the organisation.

There are dozens of reasons for this which have been well researched for four decades. They include the importance of the matter, how angry the customer is, the customer's desire to make a difference, and the accessibility and hostility of the complaints process, amongst many others.

Best practice complaints-handling involves actively seeking feedback rather than being a passive recipient of it.



Some organisations argue they prefer focus groups over customer-initiated feedback because, for organisational learning purposes, they say it isn't necessary or cost-justified to hear from 1,000 customers what they can hear by asking a focused few. What that argument overlooks is that every complaint, no matter how small, if well-handled is a loyalty-building moment of truth for that customer, almost literally worth its weight in gold. Why let 19 out of 20 of those opportunities pass by if you can intercept them, affordably?

Against the backdrop of wanting to grow complaint volumes is the conundrum that, as process quality improves, there are progressively fewer reasons for customers to be dissatisfied, so the learning opportunities presented when customers do voice their concerns diminish unless active steps are taken.

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GETTING THE CULTURE AND PROCESSES 'RIGHT' PAYS OFF

These factors build a strong business case to lift that 'iceberg' out of the water and to deliberately tap into it to grow customer loyalty, recover at-risk customers (even for 'trivial' issues) and to maximise organisational learning. Doing so demands a complaint engagement policy and procedures which resonate with these insights.

Taken collectively, these ideas and themes prompt some questions. What constitutes 'good', 'better' and 'best' practice in complaints handling? Is there hard, research-based evidence showing a linkage between excellent complaints handling and business benefit and profit? Can processes which achieve and sustain a growth in feedback volume be made affordable? The answers are yes, yes and yes.

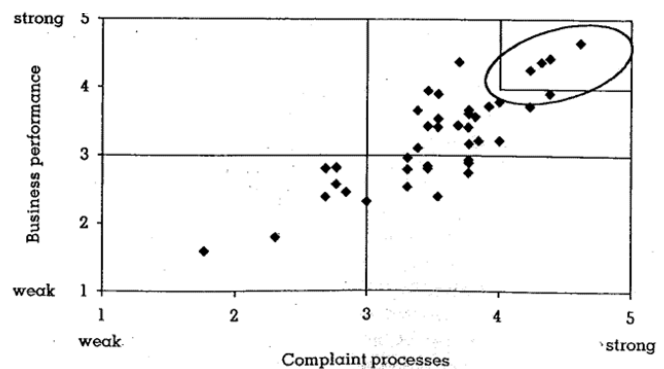
Clear guidance about complaint engagement processes is available from the international standard ISO 10002. It identifies 9 guiding principles that underpin best-in-class complaints-handling policy and processes. These are visibility, accessibility, responsiveness, objectivity, freedom from charges, confidentiality, customer focus, accountability and continual improvement. The standard offers advice on the development of a complaints-handling framework, its planning and design, operation, and maintenance and improvement.

Academic research in the field of customer complaints goes back some 40 years. This research has much to teach today's organisations. Some recent studies set out to investigate and quantify the relationship between complaint-handling processes and business performance. A strong relationship was found, the evidence being a high correlation coefficient of 0.8.

The top-performing organisations in that study then had their complaints processes reviewed in great detail to illuminate cultural and process insights that could be generalised.

Twelve key insights emerged which might be said to represent best practice today.

RELATING COMPLAINT PROCESSES TO BUSINESS PERFORMANCE



KEY INSIGHTS TO BEST PRACTICE COMPLAINTS HANDLING

1. speed, with a human face

- use technology to augment personal contact.

2. tease out complaints

- actively elevate the iceberg.

3. no-blame culture

- no need to reward staff for collecting complaints but never shoot the messenger.

4. create closure

- not the same as follow-up! What was the customer outcome?

5. proactive top-level management

- passive 'support' not good enough.

6. complaints are a strategic issue

- a mistake to presume complaints are always 'operational' in origin.

7. mix central / decentral handling

- local focus but ensure corporate learning.

8. report / communicate internally

- don't restrict reports to a 'special' few. Sharing widely raises understanding.

9. an internal complaints system, too

- customers are not the only ones who can tell you what's wrong.

10. survey satisfaction after complaints

- satisfaction with complaint outcomes more important than normal customer sat surveys.

11. ensure staff see benefits from complaints

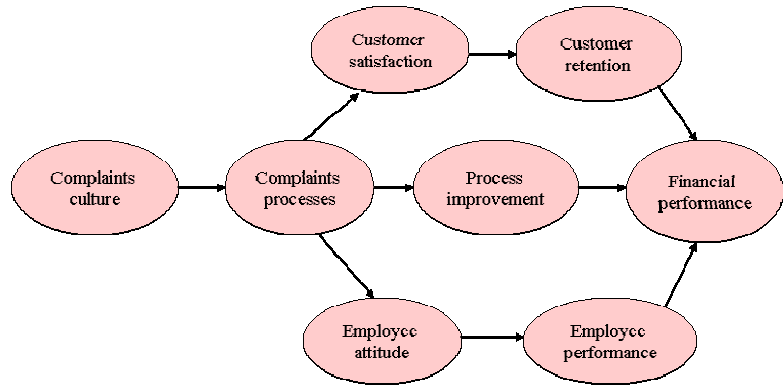
- improvements which follow motivate staff.

12. ensure senior staff see ROI

- essential to have means to assess costs and returns – these motivate managers

**POSITIVE CORRELATION BETWEEN COMPLAINTS PROCESS
AND FINANCIAL PERFORMANCE**

Other related research has investigated the relationships between organisational culture, complaints-handling processes, and three important types of business result – customer satisfaction and retention, process improvement, and employee performance. It shows strong correlation coefficients as high as 0.9 in the relationships between culture, process improvement, customer satisfaction and retention, employee attitude and performance and the net influence these collective factors have on financial performance¹.



The three identified pathways to profit, via customer satisfaction and retention, process improvement and employee attitude and performance all have strong positive correlation coefficients connecting back to complaints-handling processes. This shows that there is a clear connection between complaints-handling and financial performance.

USE THE INTERNET

Growing complaints volume affordably is also a challenge. Making engagement processes visible, accessible and non-intimidating is part of the issue but technology is often required to keep the marginal cost of handling each complaint low, especially as volumes rise. Although research and common sense suggest that a personal touch is important, it is also true that human-mediated processes are the most costly, usually have restricted hours of availability and limited multi-lingual capability. In an increasingly web-savvy world, we are seeing e-communication emerge as a rapidly growing tool. The Internet presents a potent, accessible and low-cost medium for growing feedback volume whilst containing costs of doing so. Web forms and email are today's fastest-growing engagement medium between businesses and their customers, and can help in lifting that 'iceberg' out of the water..

Principal sources:

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Best Practice Complaint Management
Academy of Management Executive
2002, Vol 16, No. 4, page 145

Robert Johnston
Linking Complaint Management to Profit
International Journal of Service Industry
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2001, Vol 12, Issue 1, page 60

LISTENING POST

is a specialised Australia-based consulting and software services company focussed exclusively on customer feedback management.

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¹ Listening Post has adapted and refined those approaches to develop its **LP ROI** methodology which analyses complaint process costs, results and return on investment