



RETAINING CUSTOMERS BY HANDLING COMPLAINTS

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Customers for retail and service firms are the primary reason for being in business. Customers are the lifeline of any business and it is important to keep current patrons by avoiding or minimizing customer dissatisfaction.

How many dissatisfied customers do you have?

Most business people think they have few dissatisfied customers because most do not complain. A recent study indicated that the average business never hears from 96 percent of its unhappy customers. For every complaint received the average business has another 26 customers with problems, at least six of which are serious.

How can this be true? Think of your own record as a consumer and as a complainer. How often have you been less than satisfied with a product, a service, a meal in a restaurant, or a wait in line? And how often have you complained to the management, the manufacturer, or the retailer?

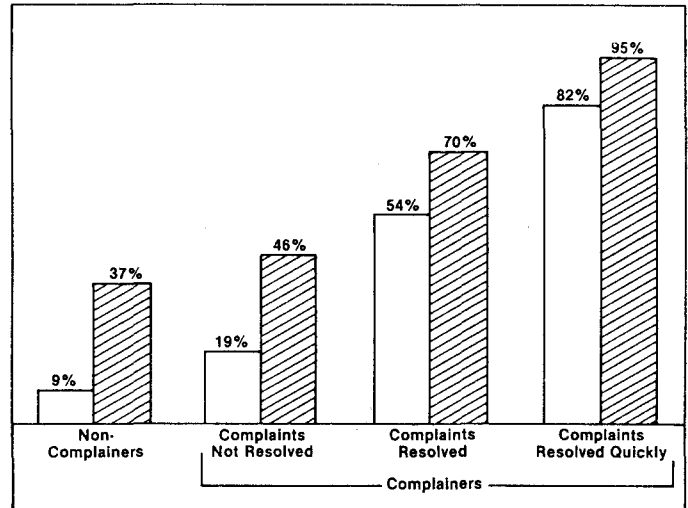
Customers are just like you: they don't complain. These reasons are most often cited:


- It is not worth my time or trouble.
- Complaining will do no good — no one cares.
- I don't know where or how to complain.
- The business owner/ manager may be a neighbor, attends the same church, etc.


Some business people think the customer is not all that unhappy. However, noncomplainers dissatisfied with the product or service are the least likely group to buy from your firm again. Even a complainer who gets no response to his complaint is more likely to buy your products again than is a non-complainer. Between 65 and 90 percent of your dissatisfied noncomplainers will not buy from you again and you will never know why.

Customers who have problems and complain are giving you a chance to keep their business. Surveys show that you can win back between 54 and 70 percent of these complainers by resolving their complaints. Results indicate that up to 95 percent of this group will become loyal customers again if their complaints are handled well and promptly.

How Many of Your Unhappy Customers Will Buy From You Again?



 % of customers with minor complaints (\$1 to \$5 losses) who will buy from you again.

 % of customers with major complaints (over \$100 losses) who will buy from you again.

Source: Direct Selling Educational Foundation, a Washington, D.C. not-for-profit public educational organization, "Customers Mean Business... Survey Shows You Have More Dissatisfied Customers than You Think," 1982.

Keeping the customers you have

How much is a good customer worth? If a good customer is worth having, it is worth your effort to apply every strategy to keep that customer coming back.

A certain amount of customer turnover is inevitable. Some business people think they can afford to lose some customers because they can replace them with new ones. However, attracting and retaining new customers is expensive. Marketing data indicate it costs five times as much to get a new customer as it does to keep an existing one.

Do you keep customer turnover to a minimum? Are you sure you suffer only natural and unavoidable losses? The following self evaluation of your business will give you an indication of how well you are doing.

Check the "yes" and "no" blanks that apply and total the number of "yes" and "no" responses at the bottom.

Customer relations self evaluation

	YES	NO
1. Do you realize that your established customer, even the small ones, are your best accounts because they're easier to sell and require fewer "special deals"?	_____	_____
2. Do you make a special effort to get the message across to <u>all</u> your customers that they're important to you?	_____	_____
3. Do you go out of your way to keep people committed to coming back to your business?	_____	_____
4. Do you tailor your service to the customer's particular needs?	_____	_____
5. Do your customers usually call on you when they have a tough problem to solve?	_____	_____
6. Do you provide any unique and special services for your customers they would find difficult to duplicate?	_____	_____
7. Are your customers genuinely convinced you have their interest and welfare at heart?	_____	_____
8. Is it your policy never to take a customer for granted?	_____	_____
9. Do you go out of your way to learn as much about each customer as you can?	_____	_____
10. Do you follow up to make sure your customers' orders are filled accurately and delivered on time?	_____	_____
11. If a customer registers a complaint, do you handle it promptly?	_____	_____
12. Do you always follow up on problems and complaints to make sure their resolution is satisfactory to the customer?	_____	_____
TOTALS	=====	=====

Your rating can be determined by summing the "yes" answers.

Sum of YES answers = _____ (your rating).

Compare your rating with the rating scale below:

<u>If your score is:</u>	<u>Indicates:</u>
11 to 12	Your good customers are probably loyal.
10	Better than average
8 to 9	Mediocre to fair
Below 8	You may be needlessly losing established customers to competitors and it's time to reassess the service you've been giving them.

Unhappy customers complain to others

While 96 percent of the unhappy customers do not complain to you, they do let off steam and spread their dissatisfaction with the product or service. They complain to other customers and potential customers — family, friends, associates at work and anyone else who will listen. They feel wronged and frustrated and want to talk about it.

According to consumer surveys, a person who has had an unpleasant experience with a business will tell 9 or 10 other people. Approximately 13 percent will tell more than 20 other people. This negative word-of-mouth can be very harmful to a business. In today's complex marketplace more and more consumers are basing their purchasing decisions on the advice of people they know.

An unhappy customer cannot be kept quiet. However, you can regain their support by solving complaints quickly. These customers may not only come back, but it will give them something positive to talk about.



A customer who has had a good experience with a business will tell an average of five other people, some of whom will become new customers. If a customer has a complaint resolved quickly and courteously, he wants to tell others about his good fortune and his good sense (after all, he had the courage to complain). Speedy complaint resolution can help you keep present customers and attract new ones by changing word-of-mouth advertising from negative to positive.

Recommendations for managing consumer complaints

I. Effective Policy for Handling Consumer Complaints

Every business, regardless of its size or the price of its products, needs an effective policy for managing consumer complaints. Effective complaint management enhances a firm's reputation, builds consumer confidence and loyalty, and attracts new customers. By talking back when they believe they have not received their money's worth, consumers give businesses an opportunity to correct the immediate problem and restore goodwill. Experience shows that customers who complain about products or services continue to shop with the business and buy the products they complain about — if they believe the complaint was resolved fairly.

Effective complaint management can result in increased sales, better products, improved personnel performance, and business efficiencies. Complaints are an inexpensive source of market research. When properly compiled, complaint data can indicate how consumers interpret your advertising, how products and services meet (or do not meet) consumer expectations, and how consumer information can be improved.

Careful complaint management can save unwanted costs. For example, negative word-of-mouth publicity from dissatisfied consumers means lost revenue and requires additional investment in advertising to attract replacement customers: It is beneficial to the business to settle complaints promptly and equitably when they are first registered.

II. Importance of Policies and Procedures For Effective Complaint Resolution

Management attitudes are reflected in the conduct of employees and the performance of the

business. Management's responsibility begins with the preparation of written policies and procedures for speedy and fair complaint resolution. The complaint program and business policy on refunds, exchanges, and repairs will vary, of course, depending on the nature of the product or service, the terms of the purchase, and other factors.

These policies and procedures should be put in writing and communicated to the appropriate personnel, with emphasis on accountability of each employee for fair and courteous complaint resolution. Employees can save customers the frustration of repeatedly filing the same complaint or having to turn to outside agencies for assistance.

In small firms, owners and managers should be personally involved in customer relations on a regular basis. In larger companies, a separate department may be established to operate a complaint management system and evaluate consumer response to products and services. People with this responsibility need to be patient, articulate and able to balance fairly the interests of the business and those of the consumers.

III. Procedures For Handling Complaints

Basic principles of sound complaint management apply regardless of the size or type of business. The process need not be costly or elaborate, as long as the essential functions are performed efficiently, courteously, and fairly. The salesperson may not be at fault, but he or she usually is the one who must correct the situation.

The salesperson can effectively handle complaints by attempting to reach a win/win situation, not a win/lose situation. This solution must be acceptable to both parties rather than an imposed decision by one or the other. Therefore, both parties must participate in the decision and feel that it is acceptable.

Basic steps for effective complaint management include the following:

- Listen to the customer and acknowledge his or her complaint. Customers do not register complaints with only a casual interest in their disposition. Complaining involves some inconvenience and possibly expense. Loyal customers with strong feelings are often involved.

- Develop empathy or show concern for the customer. Personalize the response.

- Ask questions to identify and analyze the problem. Obtain the customer's ideas concerning possible alternative solutions.

- Resolve the complaint according to policy. Decide in a fair manner what you are responsible for and initiate some positive action to remedy the situation.

—Follow through with the proposed resolution. When it can not be immediately resolved, keep the customer informed of progress and notify promptly when a settlement has been reached. Keep a notebook of promised action.

—Keep a record of complaints and proposed action for resolution. For most small firms this can be accomplished by simply requiring salespeople to write on a 3" x 5" card each complaint handled that day. These cards should be given to the manager daily. Complaints should be studied, followed up and tabulated periodically to determine trends.

Handling customer complaints by telephone

Complaints are not always voiced in person but may be made through a written letter or over the telephone. The manner in which these complaints are handled is just as important as those handled face-to-face with the customer because the person handling the complaint may not be the salesperson that made the sale.

The first rule for answering the telephone is to answer promptly. Based on personal experience, it is frustrating to wait and wait for the other person to answer the phone. If you are voicing a complaint it is even more disturbing if you have been kept waiting.



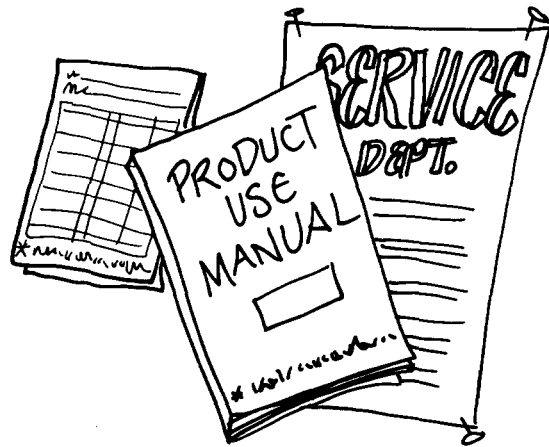
The second rule is to answer politely and project a voice of friendliness as you identify yourself and the name of the business. This is just good common sense, for the person expressing a complaint may often be irate and a friendly voice may reduce some tension.

If you cannot handle the complaint yourself do not keep the customer waiting. Locate the person who will be able to make some form of adjustment even if it is only temporary satisfaction until the complaint is brought directly to the store by the customer. Don't hang up or ignore the complaint. If you told the customer that you would consult a supervisor, it's important that you follow through.

IV. Publicize and Explain Complaint Procedures to Employees, Consumers, and the Public

A complaint management system must be visible and accessible in order to serve consumers and accomplish your firm's goals. Management, sales, service and public relations personnel should all cooperate to make the complaint system accessible to consumers. There are many ways to publicize the system, including:

- On posters and signs in the sales and service area.
- On contract forms and sales slips.
- In charge account mailings.
- In manuals concerning the use of the product and its care.
- In advertising — your firm's complaint system could be the theme of an advertising campaign.
- On product packaging and labeling.



Informing consumers of their responsibilities can help avoid misunderstandings and unnecessary complaints. Advise the consumer to carefully read product literature, use and care instructions and terms of the sale.

V. Use Complaint management To Reduce Future Complaints

Complaints and complaint trends tell a businessperson how to do a better job by alerting management to problems which need prompt attention and correction. Furthermore, these trends indicate long-range opportunities for problem prevention and product innovation. A well-planned system for screening and recording complaint data can provide answers to important questions such as:

- Do salespeople treat the customer courteously and with a willingness-to-serve attitude?
- Are the number of complaints about the product or service increasing? If so, why?
- Are products over-sold or over-advertised?
- Is advertising clearly understood?
- Are salespeople overzealous?
- Do product disclosures (such as labeling, warranty information, and service agreements) need to be improved?

To obtain this valuable feedback, complaint reporting must generate information that is timely for the owner/manager. When necessary, immediate action can be taken. Other information can be summarized to detect trends which may require future action.

VI. Retailers Should Resolve Complaints

Direct, swift, and informal complaint resolution at the place of purchase is advantageous to all concerned. Resolving complaints at this level avoids unnecessary consumer frustration and preserves the direct buyer/seller relationship. It will usually be easier, quicker and more economical than if the consumer has to contact the manufacturer.

Retailers, manufacturers and service outlets mutually benefit by keeping each other informed of complaints and complaint trends and cooperating when necessary to see that complaints are satisfactorily resolved. Some laws assign overlapping responsibilities to all businesses in the distribution chain for disclosing information to consumers and for identifying and correcting problems associated with products and services.

In cases where complaints cannot be resolved directly between consumer and retailer or manufacturer, an unbiased third party may be used. Some consumers and businesses may use various agencies and the courts. Use of the court system is costly and cumbersome for both sides and usually can be avoided if a good faith effort is made to resolve disputes.

There is no single formula that will provide universal relief for dissatisfied consumers. However, fair, courteous and prompt complaint handling will improve the chances of the customer remaining loyal to your business.

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