Effective management of customer complaints

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Abstract

Customer satisfaction is the aim of every business. However, it is inevitable that customer dissatisfaction in the form of customer complaints could arise. Effective management of customer complaints is key to addressing such grey areas. This study discusses the various effective management strategies for handling customer complaints.

Introduction

Customer satisfaction is a critical marketing priority because it determines volume of sales, positive fecommendation, and customer loyalty (Gelbrich et al., 2015; Tseng & Huang, 2007). Hence, every business aims to meet customer demands, especially in service industries, in which there is constant direct contact with customers (Gelbrich et al., 2015). Customer demands are different, and because of the rise in consumer awareness in recent years, meeting customer demands is difficult, leaving customers dissatisfied (Gelbrich et al., 2015). In addition, Hart, Heskett, and Sasser (1990) indicated that having no defects is an unattainable goal, no matter how precise the processing, how strict the training, or how advanced the technology.

Customer dissatisfaction can lead to negative future decisions, decline in repurchase, business set back or even damage to the reputation of the service providers. Organizations must be aware that dissatisfied customers may cause damage in their chosen actions for responding to dissatisfaction. Hirschman, in 1970 proposed that customers may respond to a problem by ceasing to consume the product, telling management or employees what is wrong and what is expected, or staying with the supplier and anticipating that goods and services will improve. Rusbult, Zembrodt, and Gunn (1982) identified a fourth response to dissatisfaction, namely neglect in which customers may remain apathetically silent, not caring about their relationship with the supplier. Alternately, customers may adopt more aggressive means to express their dissatisfaction and damage companies.

Huefner and Hunt (2000) identified six categories of customer retaliation in response to a dissatisfying service experience: cost or loss, vandalism, trashing, stealing, negative word of mouth, and personal attack. In particular, negative word of mouth has far-reaching consequences (Ferguson & Johnston, 2011; Money, Gilly, & Graham, 1998; Singh, 1990). Spreading negative word of mouth to a provider's existing and potential customers causes the provider to lose credibility or suffer a tarnished reputation, which can result in substantial revenue loss from multiple sources. The emergence of e-word-of-mouth has enabled consumers to obtain collective power over companies, as a negative online comment can seriously influence the company's image and reputation (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004). In addition, some customers may invoke a third party (e.g. reporting to a consumer agency or taking legal action), which is critical because

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it represents a higher-order coping strategy regarding failed services (Ferguson & Johnston, 2011; Hansen, Swan, & Powers, 1996; Singh, 1990). Notably, these behavioral responses are not mutually exclusive; they can be deployed individually or in combination (Ferguson & Johnston, 2011; Singh, 1990).

The response of customers to dissatisfaction are the outcome of a complex decision process involving multiple factors such as problem type, customer expectation, customer emotion, cost and benefit consideration, and the relationship of customers and providers. A considerable amount of research has been devoted to examining the decision-forming factors and trajectory, the follow-up effects of customer's behavioral responses to failed services, and the outcome of service recovery (Cho, 2013; Ferguson & Johnston, 2011; Levesque & McDougall, 1996; Mattila & Ro, 2008; Nimako & Mensah, 2014; Ro, 2015; Singh, 1990; Zeelenberg & Pieters, 2004).

Customer complaints should be seen as an indicator of organizational performance assessment, indicating some problems or failures in internal processes that need quick recovery in order to avoid migration of profitable customers. Moreover, businesses must learn that the consequences of losing customers are both profit decrease and negative word of mouth. Hence, this study discusses effective management of customer complaints, a key aspect of ensuring that customers' demands are met.

Effective strategies for managing customer complaints

Resolving complaints involves the strategies used by companies to solve and learn from product and service failures in order to strengthen the organization's reliability in the eyes of the customer (Hart et al., 1990). Hence, developing an effective complaint management process must take into account customer expectations and justice dimensions in order to achieve higher levels of customer satisfaction and avoid switching behaviours. Services recovery strategies must cover both internal and external complaint management objectives (Jeschke et al., 2000).

Internal objectives are focused on employees that directly interact with customers facing difficulties and influence their subsequent satisfaction. The list of internal goals should contain: informing the employees about complaint management procedures, ensuring that policies and rules for handling complaints are accepted by employees, training and motivating employees to manage conflicts and to create positive experiences in customer interactions, developing an internal marketing approach.

External objectives are customer-focused and involves the following: regaining customer satisfaction, securing customer portfolio and straightening business relationship, extending sales through cross selling activities, generating positive word of mouth, collecting and using the customer complaints information to improve products, services and internal processes, avoiding negative perceptions and unfavourable influence on corporate image. Achieving external objectives depends on organizational commitment in meeting internal aims.

An effective recovery strategy deals with carrying out planned activities, which can be summarized in three major steps: stimulate and receive complaints, resolve complaints, and send feedback to the customer (Bateson & Hoffman, 1999). Actively encourage customers to express dissatisfaction is a necessary task for organizations, if we take into account the reluctance of customers to make complaints (Maxham III & Netemeyer, 2002). Therefore, a good way to stimulate complaints is to identify which are customer reasons for not sending a feedback to the organization, and then solutions can be sought to decrease or remove these obstacles.

According to Lovelock and Wirtz (2004), the barriers perceived by customers to express dissatisfaction are related to: customer inconvenience with complaining procedures, consumption of time and energy to complain, the lack of customer confidence in the actions performed by organizations to remedy the problems or to address the causes of dissatisfaction, the customer fear of being treated in a rude manner, to be scolded or to feel embarrassed in discussions with employees. Another barrier that may occur is the customer uncertainty about their own ability to evaluate the quality of products and services. This is especially the case with technical products, complex or specialized services in areas as medicine, architecture, law etc.

Various strategies have been recommended to organizations in order to decrease the above mentioned communication barriers. The first consists of feedback facilitation through free phone numbers, postal and electronic addresses written on all customer correspondence, business documents and communication materials.

The second recommends ensuring customers about the importance of their complaint messages and organizational actions that will be performed to solve the problems (Michel, 2001). Thus, the customer should be informed about the service recovery procedures and product improvements by using telephone, mailing or e-mail contacts.

The third strategy is to turn customer feedback into a positive experience by sending thanking messages to customers that complained and training employees to be courteous and polite to customers (Lovelock & Wirtz, 2004). Organizations have developed various procedures to receive customer complaints. The most common involve the use of free telephone lines, physical forms found in the place of consumption, links on organizational web sites, and information obtained from qualitative and quantitative marketing researches (Bateson & Hoffman, 1999).

Employees who directly interact with dissatisfied customers are trained to follow a set of communication rules or behavioural norms to avoid possible conflicts. These involve admitting mistakes without taking a defensive attitude, sending a message of empathy to the customer, and estimating the time needed for recovery. Once the company received customer claims, the complaint resolutions process begins. This process involves setting procedures to clarify what actions will be performed by employees in negative situations or bad customer experiences (Kelly et al., 1993). Procedures development is done by anticipating main areas or critical incidents in the business relationship. These involve situations and times when there is a high likelihood of errors occurrence. Therefore, identifying high frequency problems and their causes enables the organization to establish standards or predetermined solutions for employees' activity.

Standards clarify issues about the period of time for complaint resolution, the way employees should communicate with the customer during settlement of the claim, the type and amount of compensation that will be provided to affected customers. At the same time, it should be noted that some procedural flexibility is needed in situations where new problems arise. The solution may consist of empowering front line employees to develop their own answers for service recovery (Mosora, 2012). Sending feedback to the customers is the stage focused on the communication process, which takes place between the employee and the customer after settlement of the claim. The employee contacts the customer to inform him about complaint handling activities, causes that generated the problem and measures to be taken by the management in order to avoid a similar negative incident in the future (Jeschke et al., 2000). The message sent to the customer can be standardized (for routine problems) or customized (for special complaints) in terms of problem magnitude or customer value. An important objective of this last stage is researching customer perceptions on the quality of complaint management process.

Customer feedback is requested in order to identify the level of satisfaction with the compensation received, the speed of problem solving and other issues of complaint handling (Filip, 2011). The practice evidences show that prompt reaction of the organization and timely resolution of negative situations may lead to relationship continuity for about 95 percent of customers who have made a complaint.

Conclusion

Customer complaints is an avenue for businesses to improve their operations and enhance customer relationships, thereby increasing customer loyalty as well as business profitability. Therefore, effective management of customer complaints is key to achieving these aims. Furthermore, by designing an integrated complaint management system, organizations have the opportunity to learn from customer feedback and to exploit their complaints in order to reduce weaknesses, improve business performance, avoid future negative experiences, and consequently reestablish customer satisfaction, loyalty and relationship commitment.

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