

When Will We Ever Learn: Why the Revolution in Corporate Complaint-Handling Has Failed So Far and How Businesses Can Turn this Around

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Before the 1980s, most American companies viewed customer care initiatives such as responding to complaints as a necessary evil, at best, and as a significant administrative cost, at worst. Companies all too often approached complaint handling as an adversarial process where they were pitted against “unreasonable” customers and “anti-business” regulatory agencies.

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1. BACKGROUND

Before the 1980s, most American companies viewed customer care initiatives such as responding to complaints as a necessary evil, at best, and as a significant administrative cost, at worst. Companies all too often approached complaint handling as an adversarial process where they were pitted against “unreasonable” customers and “anti-business” regulatory agencies.

Any customer care focus was generally on narrow legal issues. Most efforts were directed towards rebutting individual customer claims and heading off additional consumer protection regulation. Many companies viewed complainants as trying to take unfair advantage of business, rather than as customers whose continued brand loyalty and positive word of mouth could be a valuable marketing asset.

During this same time frame, consumer advocacy groups likewise followed a legalistic strategy. They concentrated their efforts on the adjudication of individual customer claims and on strengthening the consumer protection regulatory framework. (e.g., during the mid-1970s, consumer groups supported the establishment of a consumer protection agency at the federal level). They viewed business with suspicion and, as a general rule, felt that the legal system, not the marketplace, was the best forum for resolving customer problems.

With the advent of the “Reagan revolution” in the 1980s, however, there was a major reassessment by business of its approach to handling customer complaints. In the almost four decades since, the adversarial/regulatory point of view has largely been replaced by marketplace/profit center considerations. Instead of litigating “who’s right and who’s wrong,” companies now tend to concentrate on “being number one in customer satisfaction.” Instead of hiding from complaints, today many businesses actually solicit them. What was once viewed as a nuisance/cost center is now more often than not thought of as a powerful retention marketing strategy. This increased priority given to corporate complaint handling practices constituted a major element of the customer care revolution that emerged in the United States during the last quarter of the twentieth century.

2. THE WHITE HOUSE STUDY

Research initiated by the Nixon administration made a significant contribution to this change in business practice. During 1974, Special Advisor to the President and Director of the U.S. Office of Consumer Affairs, Virginia Knauer, commissioned a study that investigated how companies handled customer complaints. The main focus of this research (the White House Study) was a national probability survey of 2,513 households conducted in 1976.ⁱ These interviews were administered in the respondents’ homes. This survey profiled

the problems American households experienced with products/services and examined customer-complaining behavior.

The finding from the White House Study that initially caught business' attention was the existence of a positive relationship between complaining and continued brand loyalty. As Table 1 illustrates, this relationship applied even when complaints were not satisfactorily resolved. Evidence of this was the fact that dissatisfied complainants with both serious (more than \$100 financial loss) as well as relatively minor (\$1 to \$5 financial loss) problems reported brand loyalty uplifts in the range of nine percentage points when compared to the loyalty of customers who didn't complain about their problems.

Uplift in Brand Loyalty from Non Complainants To...	Minor Problems	Serious Problems
Satisfied Complainants	+33%	+44%
Dissatisfied Complainants	+9%	+9%

Table 1
Brand Loyalty Uplift: White House Study

Note: In the White House Study, satisfaction with the action taken to resolve complaints was measured using a five item, ordinal word scale. Satisfaction was defined by the top three boxes ("received more than I asked for," "completely satisfied," and "not completely satisfied but the solution was acceptable"). Dissatisfaction was defined by the bottom two boxes ("not completely satisfied but I did get something" and "not at all satisfied").

The fact that the White House Study found most complaints were not satisfactorily resolved (only 44% of complainants felt that their expectations were exceeded, were completely satisfied, or that the resolution was acceptable) didn't dampen business' newfound enthusiasm for complaint handling. On the contrary, the "Hawthorne-like" effect, identified by this study, where incremental brand loyalty was gained even when complaints were handled ineffectively, provided business with a kind of marketing "free lunch" that applied to 56% of all complainants.

The greatest marketing payoff, though, was the uplift in brand loyalty between non-complainants and those who were satisfied. Here satisfied complainants with serious problems reported an uplift of 44 percentage points while there was a 33 percentage point uplift for those experiencing minor problems.

Product/service problems have always been a major contributor to customer churn. These data from the White House Study suggested that complaint-

handling could be an effective strategy for keeping customers who otherwise would have been lost. Few marketing campaigns can claim credit for the magnitude of the incremental increase in the brand loyalty resulting from satisfying complainants.

The White House Study further found that satisfying complainants could result in quite desirable ROIs. The study also concluded that, whether in growth or mature industries, the cost of keeping existing customers was less than finding new ones. These findings, plus the incremental brand loyalty uplift data, became major justifications for business' newly found interest in proactively soliciting complaints.

As the Washington Post reported in her October 30, 2011 obituary:

... Mrs. Knauer showed that it was good business to cater to consumers. She commissioned a study...demonstrating that companies could prosper more through good customer relations than by attracting new customers through advertising.

The U.S. Office of Consumer Affairs made promotion of this finding the centerpiece of its agency mission from the Ford through the Reagan administrations.

This reevaluation of the worth of complaint-handling practices led corporate America to invest billions of additional dollars in this area. Inbound customer care call centers, policy adjustments beyond warranty limits, satisfaction surveys, upgraded customer facing employee training programs, and the assignment of customer relations managers to retail outlets are examples of the expanded customer friendly initiatives adopted by business. The assumption of business was that this investment would improve corporate complaint-handling practices, and thereby increase the percentage of satisfied complainants.

With this background, today's question is: did business reap the rich marketing benefits promised by the White House Study as a result of the increased priority given to corporate complaint-handling practices?

3. THE CUSTOMER RAGE STUDIES

Introduction

Customer Care Measurement and Consulting, LLC (CCMC), in conjunction with the W. P. Carey School of Business, Arizona State University (ASU), has conducted a series of seven follow-up studies (interviewing a total of 7,114 U.S. households) to determine if the promise of upgraded corporate complaint-handling practices suggested by the original White House Study has actually

been fulfilled. These telephone surveys (Customer Rage Studies), fielded from 2003 to 2015, replicated the core questions from the original 1976 study and explored such additional issues as customer rage and the fulfilment of remedy-related expectations.ⁱⁱ (Both the White House and Customer Rage Studies focused on the most serious product/service problems experienced by the households during the year preceding these surveys.)

The follow-up Customer Rage Studies have produced a little GOOD NEWS and a whole lot of BAD NEWS.

Does the Relationship Between Complaining and Brand Loyalty Reported by the White House Study Still Hold True Today?

Over the past four decades, the positive relationship between complaining and increased brand loyalty has become “conventional wisdom” in the customer care field. The more recent Customer Rage Studies, however, report that only half the original brand loyalty uplift paradigm still applies.

As Table 2 indicates, the brand loyalty uplift between non-complainants and dissatisfied complainants no longer exists. On the contrary, for both seriousⁱⁱⁱ and minor^{iv} problems, the Customer Rage Studies report that dissatisfied complainants are now 11 percentage points less brand loyal than non-complainants.

Increase/Decrease in Brand Loyalty from Non Complainants To...	Minor Problems	Serious Problems
Satisfied Complainants	+18%	+23%
Dissatisfied Complainants	-11%	-6%

Table 2
Brand Loyalty Increase/Decrease: Customer Rage Studies

Note: The dissatisfied response categories to the satisfaction with the action taken to resolve complaints question used by the Customer Rage Studies differed from those used by the White House Study in two aspects. First, the fourth box response category used the terminology “but some action was taken” instead of “but I did get something.” Second, a sixth response category was added: “I was not at all satisfied because no action was taken.” Those providing the sixth response were coded as dissatisfied complainants.

The bad news, then, is that the marketing “free lunch” identified by the White House Study is over. It now no longer pays, in added loyalty, for business to handle complaints ineffectively.

While the second half of the incremental brand loyalty uplift paradigm (the benefits resulting from satisfying complainants) still applies, the magnitude of

this marketing advantage is substantially diminished. Now the marketing uplift for satisfied complainants is only 18 and 23 percentage points for minor and serious problems, respectively.

Therefore, the good news is that business can still gain a marketing advantage by satisfying complainants. The bad news is that simply soliciting complaints, without satisfying the complainers, no longer makes economic sense. Today, then, it is necessary for business to maximize the percentage of satisfied complainers for corporate complaint-handling practices to earn a meaningful ROI.

Has Business' Added Investment in Corporate Complaint-Handling Led to Increased Complainant Satisfaction?

In order to most effectively exploit the true promise of the White House Study, complainant satisfaction needs to be significantly higher than the level reported in the mid-1970s when less than half of complainers were satisfied with business' efforts to resolve their product/service problems. The most disappointing finding and biggest surprise from the Customer Rage Studies is that complainant satisfaction has actually decreased. After spending literally billions of dollars to improve corporate complaint-handling programs over the past decades, satisfaction has dropped to 40% as compared to 44% in 1976. This means that the early promise of upgraded corporate complaint handling practices remains largely unfulfilled.

With this in mind, the next question to be addressed is why haven't business' efforts over the last four decades led to increased complainant satisfaction?

Possible Explanations Why Complainant Satisfaction Hasn't Increased

"Bupkis" and "Double Bupkis"

Three sets of factors influence the level of complainant satisfaction: process (first contact resolution, timeliness of response, customer care agent performance, etc.), external factors (severity of customer problem, state of the economy, cost of the offending product/service, damages caused by customer problems, etc.), and remedy. While process and external factors certainly have an impact on satisfaction, CCMC's research suggests that remedy is by far the most important determinant of complainant satisfaction.^v

The best way to describe the remedies received by complainants from the Customer Rage Studies is to use the Yiddish expression, "bupkis."^{vi}

Complainants were asked whether they had gotten any relief as a result of contacting the offending business. In 2015, 63% responded that they “got nothing” as a result of complaining. In other words, they got “bupkis.”

The remaining 37% of complainants were read an exhaustive list of both monetary and non-monetary remedies and asked if they had wanted, and if so, whether they had gotten, any such relief. As Table 3, illustrates, these complainants felt that business had given them relatively little for their efforts.

Remedy	% Wanted	% Got
To be treated with dignity	93%	32%
Offending company put itself in my shoes	83%	19%
An assurance that my problem would not be repeated	81%	15%
My product repaired/service fixed	80%	25%
An explanation of why the problem occurred	80%	18%
To be talked to in everyday language; not scripted response	79%	29%
A thank you for my business	76%	27%
An apology	75%	28%
Just to express my anger/tell my side of the story	58%	35%
My money back	57%	18%
A free product or service in the future	44%	8%
Financial compensation for my lost time, inconvenience or injury	42%	5%
Revenge	24%	2%
Other	14%	2%

Table 3
What Complainants Wanted Vs. What They Got In 2015: Double Bupkis

Note: Shading indicates non-monetary remedy

There was minimal monetary relief reported such as a refund or getting the offending product repaired/service fixed. Further, and most surprising, such non-monetary remedies as apologies or explanations as to why the problem had occurred were likewise in short supply.

Therefore, it's likely many of those complainers responding that they had got something may have felt they ended up with "double bupkis;" a lot of effort for very little return. It is difficult to imagine how complainant satisfaction would increase given the "bupkis-like" remedies being offered by business.

Customer Rage

Another factor to consider is customer rage. Sensationalized stories about customer rage are reported by the media on a regular basis. Whether road rage or upset passengers on airplanes, it is safe to say that rage today is worse than in the mid-1970s. Results from the 2003 – 2015 surveys illustrate just how pervasive this phenomenon has become. Sixty-six percent of the respondents to these surveys experienced rage ("extremely" or "very upset") in connection with their most serious product/service problem. For the majority of those households experiencing problems, then, rage has become a significant issue in the new millennium.

The Customer Rage Studies report evidence of a negative relationship between complainant satisfaction and rage. Eighty-two percent of the problems reported by dissatisfied complainers caused customer rage. On the other hand, only 60% of those problems reported by satisfied complainants caused rage; a difference of 22 percentage points.

This suggests that it may be more difficult to satisfy complainants who have experienced rage. This rage may be acting to mitigate corporate efforts to satisfy complainants. The bad news is that there is little prospect that the level of customer rage will decrease any time soon.

Changing Customer Expectations

Customer expectations are another factor that have an influence on complainant satisfaction. Such expectations are not static. What was acceptable in the mid-1970s may no longer measure up to today's higher expectations.

Given business' generally negative attitude toward handling complaints in the mid-1970s, it is safe to assume that most customers expected relatively little when they complained. When the White House Study was conducted, responding to a complaint letter within weeks may have been an acceptable norm. On the other hand, in the age of the internet, the expected response time for a complaint submitted by email may be within minutes/hours.

It's not just the consumer movement that has raised customer expectations. Business can also claim much of the credit. Companies contribute to this

escalation in expectations by over stressing the reliability of their offerings through unrealistic advertising messages or by promising 100% satisfaction. Therefore, although business has upgraded its efforts to facilitate the submission and resolution of complaints, these initiatives may not be sufficient to keep up with today's rising customer expectations.

The Nature of Today's Customer Problems

Today's customer problems are different and more difficult to resolve than in the past.

In 2015, five out of the ten products/services that caused the most problems (cable TV/satellite, telephones {land and mobile}, consumer electronics {non-computer}, computer services {e.g., internet providers} and computer equipment) hardly existed in the 1970s. Resolving complaints about these products/services is much more difficult than handling complaints dealing with such top tier problem types from the White House Study such as mail service, clothing, or food.

While both the telephone and automobiles were among the product types that caused the most problems in both studies, there is a substantial difference between these products today and in 1976. Telephones from the 1970s were quite simple instruments while today most offer a wide range of sophisticated functionality (caller ID, call waiting, voice mail, e-mail, and a myriad of apps, etc.). Automobiles from the 21st century, likewise, offer a wide range of new and highly technical features (GPS, entertainment systems, multiple computers for operations and diagnostics, etc.). The upgraded complexity of these products, then, can add to the difficulty of satisfying complainants.

Companies Do All the Right Things the Wrong Way

The problem with the "upgraded" complaint-handling practices initiated by business since the Reagan years may not be one of adopting the wrong programs but, instead, may be the result of poor execution.

Customer care call centers provide a good example of this point. All too often, when customers attempt to contact such centers, they're put on hold for unreasonably long periods, can't easily navigate confusing automated response systems, aren't able to reach a live agent when necessary, and, if they do reach a live body, the agent may not be empowered to act on the complainant's problem.

When run ineffectively, such call centers can be the subject of double customer rage. First, the customer is upset about the problem that led to the call.

Second, even if the problem is ultimately solved, the pain suffered in contacting the call center may engender an additional bout of rage.

This scenario has become so much of a cliché that some companies have actually designed major advertising campaigns that satirize the poor call center service offered by their competitors (*e.g.*, Discover Card's "Peggy" television ads).

Another recent example concerns a major airline that experienced significant delays answering customer calls as a result of restructuring its customer care call centers. This problem was so severe that it emailed an apology for the poor service to its "premium" level frequent fliers; regardless of whether these customers had actually tried to contact the airline.

The problem doesn't lie with the use of call centers *per se*. On the contrary, going back as far as the White House Study in the 1970s, those centers that were run effectively, both satisfied a high percentage of complainants and earned positive ROIs.^{vii} On the other hand, ineffectively managed centers generally reported low levels of complainant satisfaction and returned negative ROIs.

In sum, it's probably more of an issue of poor implementation than the inherent nature of the customer care initiatives adopted by business that has had the biggest negative impact on complainant satisfaction. If this is the case, a good rule of thumb for business would be to DO IT RIGHT, OR DON'T DO IT.

SO WHAT: WHY SHOULD BUSINESS CARE ABOUT UPGRADING ITS CUSTOMER COMPLAINT HANDLING PRACTICES?

There are two marketing-related reasons why business should care: 1) the retention of existing customers; and 2) conquest sales to new customers.

First, extrapolating from the 2015 Customer Rage Study data to the U.S. population as a whole, 60,480,000 households experienced at least one product/service-related problem during the twelve months preceding the survey (% of problem incidence x number of U.S. households). This translates into an eye-popping revenue at risk to business of \$202,124,160,000 (number of households experiencing at least one product/service problem during the twelve months preceding the survey times the mean cost of those products/services that caused these households' most serious customer problems). Given today's low levels of complainant satisfaction (and the "bupkis"/"double bupkis" phenomenon), much of this revenue is not being recovered by business.

The revenue at risk calculated here only applies to households' most serious problems. When households' less serious problems are considered, the total yearly revenue at risk would be substantially higher.

Second, one of the most effective marketing tools available to business for winning new customers is word of mouth communications to friends, neighbors, relatives, etc. In the 2015 Customer Rage Study, households reporting problems told an average of 16.9 people about their experience. Again, given the low levels of complainant satisfaction, most of these communications were negative. (Fifty-three percent of the word of mouth reported in the 2015 Customer Rage Studies was negative.^{viii}) With the advent of posting on the internet, one person can now reach many thousands or more with a few key strokes.

In sum, those businesses that don't handle complaints effectively put their market share at significant risk. They stand to lose both existing and future customers.

This does not mean that business should give in to unreasonable customer demands. On the contrary, business should always do a cost-benefit analysis where the cost of the remedy is balanced against the value of the customer's future patronage/word of mouth communications. If there is nothing that can be done to save the unhappy customers' future patronage or to mitigate their negative word of mouth, the value of the remedy offered should be minimized. However, because the demands of most complainants are reasonable, a complaint based marketing strategy can be quite successful.

A ROAD MAP FOR INCREASING COMPLAINANT SATISFACTION

Although the Customer Rage Studies have well documented the aggregate poor performance of business to satisfy complainants, there is some cause for optimism. A road map does exist for improved complainant satisfaction, and these recommendations will cost business little, and in some cases will actually save money. This roadmap of best practices consists of six sets of recommendations.

1. Proper Use of the Telephone

CCMC's 2015, the Customer Rage Study reported 72% of complainants using the telephone as their primary channel for complaining. Therefore, a key to improving satisfaction rests with the proper use of the telephone to handle complaints.

The 2005/2006 Conventional Wisdom Study catalogued the telephone complaint-handling practices that customers liked and disliked. Using a 0-10 point scale (where “10” meant “WOULD SIGNIFICANTLY INCREASE YOUR SATISFACTION” and “0” meant “WOULD SIGNIFICANTLY DECREASE YOUR SATISFACTION”), a sample of customers, who had submitted telephone complaints about product/service problems during the preceding year, rated the influence of 85 complaint-handling practices on their satisfaction. The objective of this study was to determine the validity of those assumptions that are the basis for contemporary complaint-handling practice.^{ix}

Scores from this study that were 2.50 and below are considered to be strongly negative. Five sets of complaint-handling practices that fall into this negative territory bear special mention.

First, many call centers that handle complaints try to piggyback sales campaigns onto their response to customer problems. The thought is that, once the company has the customer on the telephone, it's possible to “kill two birds with one stone.”

While from a productivity standpoint such practices may seem to make sense, the findings from the Conventional Wisdom Study argue strongly against mixing sales efforts with complaint-handling. Selling after resolving the problem (1.58), selling before resolving the problem (1.23), and continuing to sell after being told “no” (1.01) were among those complaint-handling practices that caused the most dissatisfaction.

Second, telephone technology was another area that caused dissatisfaction. Examples of such practices were “when they transfer you to another department, you have to use an automated telephone system before you talk with an agent” (2.43), “you're told how to reach a person only after you've had to listen to a long message” (2.15), and “when you must use an automated telephone system, there's no option to talk to a person” (1.19). Complainant satisfaction suffers when companies make it difficult to talk to live agents.

Third, agent response practices like talking too fast and an inability to understand agents because of their accents received strongly negative ratings of 2.38 and 1.98, respectively.

The speed problem is often as a result of setting unrealistically high agent call-handling quotas. When this is the case, the data suggest that quality is more important than quantity. Handling fewer calls well is better than closing more calls badly. Productivity at the cost of complainant satisfaction will rarely translate into increased brand loyalty.

Accent is a more complex issue. In some cases, accent can impede understanding. Failure to successfully communicate with customers makes it difficult to resolve their complaints. Accent can also suggest outsourcing outside the United States; another significant cause of dissatisfaction.

While training can sometimes improve agent response practices (proper greetings, anger diffusion techniques, etc.), speed and accent problems are more often the result of strategic call center policies; not a deficiency in agent skills. In this instance, misplaced productivity and cost concerns can result in lower complainant satisfaction.

Fourth, on the basis of anecdotal data, one of the most maddening customer care practices is having to repeat information that has already been provided. This ranges from customers having to repeat long numeric ID numbers to being asked to restate the reason why they're calling. In this instance, the anecdotal data mirrors Conventional Wisdom Study results. Having to repeat information received a strongly negative score of 2.15.

Basic case tracking software should preclude the need to repeat case-related information when the caller is transferred to a second agent or when the customer makes a follow-up call. Numeric ID's are often used to access information from the company's customer database. If these links are in place, customers should not have to be asked for their numeric ID twice. Most modern call centers, then, should not need to ask their customers to unnecessarily repeat information.

Fifth, as would be expected, remedy has the greatest impact on complainant satisfaction. Getting "none of the things you ask for" received the lowest score of the 85 complaint-handling practices that were being rated; a strong negative score of 0.66

In the real world, of course, resolution of customer complaints is not necessarily an all or nothing proposition. While it may not be feasible to give complainants everything they want, it is generally possible to give complaining customers something (partial monetary compensation, an apology, an opportunity to vent, etc.). Getting partial resolution to the customers' problems scored 3.55. Although, still a negative rating; this complaint-handling practice received a score more than five times higher than giving complainants nothing.

Scores from the Conventional Wisdom Study of 7.50 and above are considered to be strongly positive. These customer preferences covered a wide range of complaint-handling practices.

The positive side of remedy (“you get everything you ask for”) has the strongest influence on satisfying complainants. This received a score of 8.92; the highest rating given to any of the 85 telephone complaint-handling practices.

Agent response practices also strongly influence complaint satisfaction. Follow through on promises (8.91), agent knowledge (8.85), courtesy (8.72), empowerment (8.65), 24/7 agent availability (8.63), use of plain English (8.43), and agents telling complainants their names (7.87) all scored in the strongly positive range.

Ease of finding the number to call in order to reach the offending company is another strong positive influence on complainant satisfaction. Putting the number on the product, on the bill, product packaging, and product advertising all received scores above 7.50.

Other telephone practices that received strong positive scores included; being given a unique case reference number if there is a need to call back (8.15), timeliness of response (8.55), being told how long it will take to resolve the complaint (8.34), being able to contact the same agent if the complaint can't be resolved in one contact (7.76) and, when the call is initially answered by an automated response system, being given the option to talk to a live agent at the beginning of the instructions (7.87).

Recommendation The Conventional Wisdom Study identified 16 strongly negative and 27 strongly positive telephone complaint-handling practices. Whenever possible, companies should avoid these negative practices and adopt the positive ones.

2. First Contact Resolution/Ping-ponging

One of the key metrics used to assess corporate complaint-handling practices is the rate of first contact resolution. The White House Study found that 33% of complainants made only one contact to the place where the offending product/service was purchased. More than forty years later, the rate of first contact resolution as reported by the 2003 – 2015 Customer Rage Studies has dropped to 14%.

The importance of first contact resolution is recognized by the Conventional Wisdom Study. This complaint-handling practice rated fourth out of the 85 telephone practices being assessed with a score of 8.81.

All things being equal, the fewer contacts complainants need to make to resolve their problems; the higher the level of satisfaction. The 2003 – 2015 Customer Rage Studies reported substantial drops in complainant satisfaction when the customer found it necessary to make multiple contacts. There was a drop from

60% complainant satisfaction for one contact to 48% when two contacts were required. Only 26% of complainants were satisfied when three or more contacts were reported.

The irony for business is that the greater the number of contacts, the higher the administrative cost incurred and the more monetary remedy that is needed to resolve the complainant's problem. Therefore, many businesses are spending the bulk of their complaint handling budgets on those customers who are the least satisfied, who will be the least brand loyal in the future, and who are responsible for the most negative word of mouth.

A somewhat more sensitive metric is ping-ponging (the average number of contacts needed to resolve a complaint). This metric better takes into account any skew towards multiple contacts. Here again the average ping-ponging rate reported by the White House Study (3.5) is lower than that found thirty-plus years later by the Customer Rage Studies (4.1).

Recommendation In order to improve complainant satisfaction, business should increase first contact resolution and decrease the rate of ping-ponging. First contact resolution targets should be above 50%. Ping-Pong rates should be below 1.5. (Of course, companies that handle complex complaints dealing with expensive products/services will generally score worse on these metrics than businesses handling simple problems with small ticket items).

The trick to improving performance on such metrics is to assign realistic improvement targets and let management formulate product/company-specific policies designed to achieve these objectives. The key is tailoring the remedial policies to fit every company's unique needs.

3. The Power of Non-Monetary Remedies

Data from the 2004 – 2015 Customer Rage Studies report an intriguing relationship between the type of remedy received and complainant satisfaction.^x Not surprisingly, those who felt they got only non-monetary remedies reported the lowest level of satisfaction (21%). Those who received only monetary remedies nearly doubled their level of complainant satisfaction to 37%. What is more interesting, though, is the satisfaction uplift reported by complainants who got both monetary and non-monetary remedies. Here the level of complainant satisfaction increased to 74%.

Providing both monetary and non-monetary remedies, then, recognizes that to resolve customer complaints, business must deal with both fixing the offending product/service problems as well as with addressing customer emotions. Best practice is to use apologies, opportunities to vent, etc. to defuse customer rage.

Use of such techniques can significantly shorten the staff time required to handle especially difficult problems, thereby decreasing personnel costs.

Recommendation Whenever feasible, business should offer complainants both monetary and non-monetary relief. This approach may mitigate the extent of the “double bupkis” phenomenon.

4. Outsourcing

Outsourcing the handling of customer complaints has been a growing trend over the last two decades. The logic for this policy is twofold.

First, companies outsource as a cost containment strategy. Outsourcing agencies argue that they offer savings on personnel, facilities, technology, etc.

Second, the trend in recent years has been for business to concentrate on core competencies. Most companies do not have a core competency in best practice, complaint-handling. This is most often the case in areas such as customer care personnel and telephone technology. The argument, then, is that outsourcing agencies can offer higher quality complaint handling services.

While school is still out on the validity of these rationales, the Conventional Wisdom Study provides a complainant perspective on outsourcing. Here the reaction to outsourcing was decidedly negative. Outsourcing outside the United States received a strong negative rating for both telephone (2.01) and email (2.17) complaint handling. Even the general concept of outsourcing (“using an outside agency to answer your complaint”) was viewed negatively (a 3.29 score for telephone and 3.08 for email complaints).

Evidence that business has begun to recognize the marketing disadvantages of outsourcing overseas is found in a Consumer Cellular television ad campaign. These ads stress the fact that Consumer Cellular’s products come “with great customer support, right here in the U.S.” Further, most of the automobile companies that outsourced overseas have brought their call centers back to the U.S.

The savings from outsourcing overseas are largely based on the low personnel costs in these international complaint-handling centers. Such savings, however, can be illusory.

For example, international centers often have higher ping-pong rates. (More customer call backs are required to resolve the product/service problem than would be the case in a comparable U.S. center.) Because companies are typically charged by the call, not the case, the true cost of resolving the customers’ complaint may be camouflaged.

Done correctly, outsourcing should be transparent to the complainant. When transparent, these negative feelings toward outsourcing should not be a cause of complainant dissatisfaction.

Unfortunately, transparency is all too often not the case. Accent, lack of product/service knowledge, incorrect grammar, lack of empowerment, etc. are examples of the factors that may suggest to complainants that their problems are being handled by outsourcing agencies.

When Ford first established its complaint-handling call center, it used this center as a training ground for new hires who would ultimately be assigned to other departments (e.g. the field organization) of the company. This year to two-year assignment created a cadre of future executives that had been sensitized to customer needs. When Ford outsourced its call center function, this OJT training vehicle was lost.

Recommendation Before deciding to outsource the complaint handling function, business must weigh any of the potential benefits against complaints' negative attitudes toward this policy. If the decision is to outsource, this doesn't mean that a company should wash its hands of any complaint handling responsibility. On the contrary, management oversight of the outsourcing agency is extremely important. Formulating response rules, content of training programs, timely provision of remedies, and satisfaction surveys are among those areas where providing such oversight is critical.

5. Satisfaction Surveys

Satisfaction surveys of complainants have become a standard tool for evaluating the performance of customer care agents, administrative support systems (e.g. telephone technology), and response rules. Used correctly, data gleaned from such surveys can serve as an important management tool.

The Conventional Wisdom Study addressed what impact fielding these surveys had on complainant satisfaction. The results from this study provided a mixed set of reviews.

For telephone complaints, asking the complainant "if you are satisfied with (the) response before ending the call" (6.60) and "they ask you to take a satisfaction survey a few days or weeks after you've called for help" (5.70) had a positive influence on complainant satisfaction. Survey practices that had a more negative impact on satisfaction included: "you're invited to take a satisfaction survey at the end of the call, using an automated telephone system" (4.33), "they encourage you to say you're completely satisfied if you receive a satisfaction survey" (3.83), and "they don't address your concerns after you use a survey to tell them you're dissatisfied" (1.62)

Similar findings were reported for email complainants. While being requested to participate in a survey (5.06) had a neutral impact on complainant satisfaction, being coached (asking complainants to respond that they are completely satisfied) and not addressing problems raised in responses to a survey, had negative (3.80) and strongly negative (1.45) impacts, respectively, on satisfaction.

On occasion, satisfaction surveys may be designed in ways that measure complainant satisfaction incompletely. For example, surveys administered at the end of a complaint call are effective tools for assessing agent performance but don't measure the impact remedies that are to be delivered in the future. (e.g., it may be days after the call is completed before it is possible to determine whether the defective product has been fixed.) Both process and outcome measures are necessary to accurately gauge the level of complainant satisfaction.

In other instances, survey instrumentation may be a problem (e.g. use scales that are biased toward the positive). Such surveys can be designed to produce high scores and not accurately measure performance. This most often happens when complainant satisfaction is tied to financial incentives or is used in advertising campaigns.

Finally, some surveys try to measure too much. As a result of asking too many questions and not focusing on those relatively few items that are the key drivers of complainant satisfaction, management may direct remedial action towards improving performance in low scoring areas that have little influence on satisfaction.

Recommendation When fielding satisfaction surveys, business should refrain from coaching complainants and respond to any problems raised by returned questionnaires. Further, basic rules of survey design should be followed in order to measure complainant satisfaction accurately.

6. The Internet as a Channel for Complaining

The Customer Rage Studies reported that the internet is still not a major channel for complaining. Only 4% of complainants designated the web as their primary channel for complaining in 2003. Internet usage for complaining had only increased to 11% by 2015. While the trend is upwards, the internet is still no match for the telephone as the primary channel most customers use for submitting complaints to business.

When the effectiveness of internet vs. telephone complaint handling practices was compared, in terms of complainant satisfaction, there was not a much of a

difference. Forty-three percent of telephone vs. 41% of internet complainers were satisfied.

Next, the 2011 Customer Rage Study included two sets of questions that focused solely on internet usage.

First, complainants were asked whether they had posted information about their most serious problem on any of four specified types of websites (the offending company's site, social networking sites, social media sites, and/or sites that review products/services). Twenty-seven percent had posted on at least one of these sites. By 2015, this percentage had escalated to 44%. While not complaining behavior *per se*, these postings often contain information about the complaining experience.

When asked why they posted on these sites, more than half of the reasons given related to deterring others from having similar bad experiences. This suggests that business should be concerned about the potential of market damage resulting from such postings.

Second, the study found that internet users can be quite discerning interpreters of the information they receive via the web. When social networking^{xi} users were asked whether postings about good or bad experiences with products/services had the most influence on their future purchasing decisions, good experiences were designated as most influential by a margin of more than two to one (46% to 19%). Further, by a margin of 53% to 33% these respondents were more likely to post information about good as opposed to bad experiences.

Recommendation While the use of the Internet for complaining is increasing, it would be a mistake for business to disproportionately invest in this channel. This is especially true given the fact that complaining via the web provides no advantage in complainant satisfaction.

Forcing customers to use the web may be a short sighted policy. Business should be concerned that any cost savings resulting from channeling complainants to the web may be offset by the increased dissatisfaction of customers who find it easier to use other preferred channels to complain. Customers should be allowed to use the channels of their choice.

This has been the approach that has been taken by Esurance. Although this insurance company's business model stresses use of the internet, the theme of its advertising campaigns has been that the customer has a choice of channels, "People when you want them, technology when you don't." The tagline to its marketing campaign has been "insurance for the modern world, click or call."

While the web still may not be the primary channel for submitting complaints, the 2011 Customer Rage Study does find that postings about customer problems reach a wide audience. To date, much of business' concern has focused on deterring/removing negative postings. The 2011 survey, however, suggests that these efforts may be somewhat misplaced. Instead, the data suggest that a higher priority should be given to promoting the posting of positive experiences. Upgraded complaint handling practices can be an effective means for increasing such positive postings.

The Bottom-Line Implications of These Recommendations

If these recommendations are adopted by business, it is not unreasonable to project an aggregate national increase of 10 to 15 percentage points in complainant satisfaction. Given the relationship between satisfaction and brand loyalty reported by the Customer Rage Studies, this should lead to the incremental retention of billions of dollars' worth of sales that otherwise would have been lost. Further, there would be additional sales made to new customers due to the increase in positive word of mouth communications resulting from more satisfied complainants.

CONCLUSION

The White House Study from the mid-1970's found a positive relationship between complaining and brand loyalty. On the basis of this finding, the U.S. Office of Consumer Affairs advised business to increase investment in corporate complaint-handling practices.

The argument was that soliciting complaints would result in an uplift in brand loyalty even if customer problems were not satisfactorily resolved. Satisfying complaints would result in an even higher uplift in brand loyalty. This would allow business to retain billions of dollars of sales that otherwise would have been lost. The increased positive word of mouth communications resulting from satisfying complainants would be an added marketing plus. Over the last 30-plus years, business has bought into this argument and has invested heavily in upgraded complaint-handling programs.

The Customer Rage Studies (2003-2015) found a somewhat mitigated relationship between complaining and brand loyalty. It now only pays to solicit complaints if the customer ends up being satisfied.

The good news, however, was that satisfying complainants still resulted in enough increased incremental brand loyalty to form the basis of a meaningful retention marketing strategy. The bad news was that the early promise of upgraded complaint-handling practices remains largely unfulfilled. The

investment in expanded corporate programs has not paid off in increased complainant satisfaction. On the contrary, satisfaction has actually decreased over the past 30-plus years.

Complainant satisfaction has not increased because of both external and internal factors.

External factors like rising customer expectations and the more complex products/services that dominate today's market place probably have contributed to the depressed levels of satisfaction. The same holds true with the escalating customer rage that characterizes society today. On the internal front, business' miserly provision of remedies ("bupkis" and "double bupkis") certainly has not been a policy designed to improve satisfaction.

The primary reason satisfaction has not increased is that, all too often, companies "do all the right things, the wrong way." The programs being utilized by business to handle complaints are basically sound. The fault lies less with these programs but more with issues of poor execution.

Findings from the Customer Rage and Conventional Wisdom Studies do, however, provide some basis for optimism. A road map of six recommendations is proposed that, if adopted, could improve aggregate national complainant satisfaction by 10-15 percentage points. Implementing these recommendations would cost business little or nothing. In fact, some probably would save business money (*e.g.*, decreased ping-pong).

It should be possible to retain billions of dollars of future sales that business might otherwise have lost. This optimism is based on the premise that only by improving PERFORMANCE will the original promise of upgraded corporate complaint-handling practices ever be fulfilled.



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FOOTNOTES

ⁱ For a detailed description of the findings from this survey, see [A National Survey of Complaint- Handling Practices Used by Consumers](#), NTIS PB-263-82 (Washington, D.C.: U.S. Office of Consumer Affairs, 1976)

ⁱⁱ The results of the first Customer Rage Study were released in 2003 in the Customer Care Alliance working paper, Grainer, Marc, Broetzmann, Scott, and Cormier, Cynthia; “Customer Complaint Handling – The Multibillion Dollar Sinkhole” and in Grainer, Marc, Broetzmann, Scott, and Cormier, Cynthia, “Checkmate: Complaint Handling at an Impasse with Rage,” Customer Relationship Management, pp. 12 – 16, October, 2003, Volume VIII, Number 5. In recent years, CCMC has released the results of the Customer Rage Studies at ASU’s Compete Through Service Symposiums (e.g., In 2013, “Will We Ever Learn?: The Sad State of Customer Care in America”). A detailed presentation comparing findings from 2015 with those from the previous six waves of the Customer Rage Studies can be found at www.customercaremc.com. The eighth wave of the Customer Rage Studies is being fielded during the summer of 2017.

ⁱⁱⁱ The 1976 “more than \$100” financial loss figure corrected for inflation is more than \$400 today.

^{iv} The 1976 \$1 to \$5” financial loss figure corrected for inflation is \$1 - \$20 today.

^v See CCMC’s 2011 working paper, Broetzmann, Scott, Grainer, Marc, and Beinhacker, David, “Why the Customer Care Revolution has Failed: The Fallacy of Conventional Wisdom.”

^{vi} The literal translation of “bupkis” means nothing.

^{vii} The White House Study provided business with a detailed set of formulae for calculating the ROI of complaint-handling call centers. Using these formulae over the past 30-plus years, the 100’s of company-specific studies conducted by this article’s authors and CCMC have validated the finding that well run call centers usually earn positive ROI’s while poorly managed centers generally produce negative ROI’s.

^{viii} Earlier waves of the Customer Rage Studies did not ask respondents whether the word of mouth communications that they reported were negative or positive.

^{ix} This study of 702 respondents was fielded in late 2005 and early 2006. Included in this respondent base was a group of customers who had submitted e-mail complaints during the preceding year. The same 0 – 10 point scale was used to measure the extent to which 62 e-mail complaint handling practices influenced satisfaction. The ratings on the 85 telephone and the 62 e-mail complaint handling practices can be found on CCMC’s web site (www.customercaremc.com) in the 2011 working paper, Grainer, Marc, et. al., “Why the Customer Care Revolution Failed: The Fallacy of Conventional Wisdom.”

^x A comparable set of “what did you want/what did you get” questions was not asked in the 2003 wave of the Customer Rage Studies.

^{xi} Social networking sites were those that had a defined set of followers/friends/contacts as opposed to social media sites that anyone could access.

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