

EFFECTIVE COMPLAINTS HANDLING DRIVES BUSINESS GROWTH

Does your company treat complaints like gifts?



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A primary objective in business is to keep our customers and to have them spend more with us over time. In marketing terms, this is called maximising the life-time value of the customer. Unfortunately, most companies don't achieve this.

One of the hidden reasons is the poor manner in which complaints are handled. There is a low awareness of the importance of complaints handling in Asia. The impact is that, despite the customer service training programmes and despite the marketing and branding efforts of companies, ineffective or poor complaints handling processes hold back business growth.

Let me give you some statistics to back this up. Well known research conducted in the USA, and backed up by TMI's research around the world, confirms that unhappy customers don't tell the service provider. Rather, they tell lots of other people and then stop doing business with that service provider when they get the chance.

DISSATISFACTION & COMPLAINTS

One survey showed that 26 out of 27 customers who have had a bad service experience do not complain. The first message from

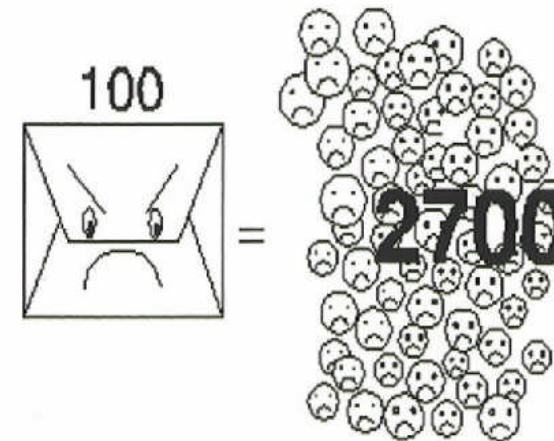
this is that you should not judge customer satisfaction by the number of complaints that you don't get! For example, let's assume that an organisation gets 100 complaints. In most cases, these would be made over the phone or face-to-face. Based on the statistics, this would mean that the real number of dissatisfied customers is 2700!

But, as the marketers say, there's more! Dissatisfaction is a more popular topic of conversation than satisfaction. In fact, the research says that 90% of dissatisfied customers tell 9 other people.

This means that there is a major ripple effect when we receive complaints. In fact, 100 complaints converts to a total of 21, 870 people hearing about them! In other words, 100 complaints signals that the purchase decisions of almost 22,000 people have been affected.

Think about your experience. My guess is that you are influenced to buy, or not buy, from particular businesses, based on the word of mouth from your relatives and friends. Again, research says that word of mouth is the most powerful influence on buying decisions.

When I lived in Australia, there was an air-conditioning company that advertised heavily in the newspapers. However, there was a lot of "underground" advertising that eventually



pulled the company down - it was the groundswell of negative word of mouth from dissatisfied customers who told others "don't deal with them!"

NO COMPLAINTS?

Why don't people complain? There are a number of reasons. In Asia, people don't want to offend. Other reasons are that customers do not feel that their complaints are welcomed, they do not know who to complain to, they do not know how to complain or they don't want to take the time and "hassle" of complaining.

In Australia, TMI worked with a major bank and, as a result, a Key Performance Indicator was to increase the number of complaints that were captured by the bank. This did not mean that the bank was trying to create dissatisfied customers, but rather, that it wanted them to talk to the bank rather than their friends.

The strategy worked. The number of complaints captured rose from 10,000 to 40,000 a year in just 18 months, and customer satisfaction and customer loyalty both increased.

Most companies in Asia do not appreciate the importance of complaints handling as a part of their service strategies and employee training programmes. In order to turn a negative situation with a customer into a positive one, organisations should train staff with customer contact with the skills to handle complaints effectively. In fact, TMI trains organisations to treat complaints as gifts.

DEALING WITH COMPLAINTS

The starting point to our Gift Formula is to train staff to thank the person for making the complaint and to explain why the person's complaint is appreciated. When people complain, we have to deal with two issues - the customer's emotion and the customer's complaint.

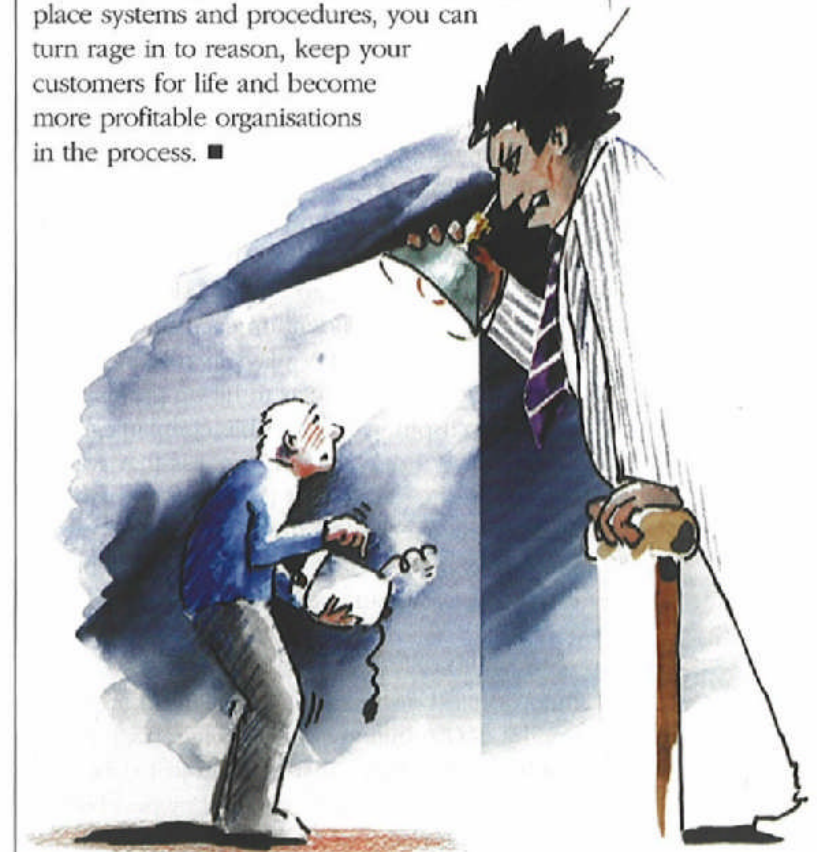
The first step is to deal with the emotion, and then to do something about the complaint.

Another essential element is a Complaints Procedure. This procedure should make it easy for customers to complain, because if they complain to your organisation and you deal with it well, you will create a loyal customer. The procedure should include time and communication standards, so that complaints are resolved quickly and the customer is kept up to date.

Research shows that 55-70% of those who complain in writing remain customers if they receive a rapid reply. It is therefore important to have systems in place to respond quickly. TMI through its international complaints research has identified other key organisational factors required for effective complaints handling, including empowerment of staff to take action, availability of information, and staff recognition.

The key message behind this article is that effective complaints handling can be an effective strategic tool to for business growth. However, the research indicates that more than half of all attempts to process customer complaints lead to even greater dissatisfaction. But it need not be so.

By focusing on training staff and putting in place systems and procedures, you can turn rage in to reason, keep your customers for life and become more profitable organisations in the process. ■



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