

The Business Case for Better Complaints Handling

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The Commonwealth Bank of Australia, recently invested over a A\$1m with the goal of increasing the number of complaints they receive. This investment was an investment in people and systems. The flow on effect from this investment was an increase of 3,000 complaints per month (over a period of 4 years). The Bank will now say that they are more efficient (able to handle many more complaints more quickly) and effective (more complaints are resolved completely and there are less repeat players being seen).

The CBA now receives between 5,000 and 5,500 complaints per month. Why would they do this? It is called Complaint Stimulation and there are some very good reasons why companies are trying to attract more complaints from their customers. In addition to attracting more complaints companies are trying to improve the way they handle complaints. The CBA now reports¹ their staff turnover in their complaint handling department is virtually zero, they are resolving more than 55% of complaints in one day, they are resolving more than 90% of complaints before they go to External Dispute Resolution processes and the changes have resulted in new and revised product offerings and greatly improved staff engagement rates.

Complaint Handling is suddenly topical in many parts of the world. In fact, my colleague, Trevor Slater and I recently wrote the first postgraduate program in Complaint Handling for a university in Australia. There are many interesting and exciting changes happening in the way companies handle complaints.

Many companies are discovering that good complaints handling has many benefits including, saving costs, increasing profits, customer retention, staff retention and engagement and risk minimisation benefits to name only a few. Perhaps it won't be too long before market analysts are quizzing companies about their dispute resolution strategies – there is a growing recognition of the value of good complaints handling.

I was recently told by a firm of financial planners that they had calculated (that within a 6 month period) they had made \$10m in fees from clients who had stayed with the firm when their complaints were handled well.

¹ Presentation at EWON conference by Derek Jenkins, then Information Manager for the Commonwealth Bank of Australia.

The new International Standard for Complaints Handling which has recently been adopted in Australia puts even greater emphasis on a systematic approach to handling complaints. I recommend that you get a copy of the International Standard (ISO 10,002) or the slightly amended Australian version (AS ISO 10,002) as it provides an insight into world's best practice.

There is more pressure and higher expectations on companies to resolve complaints quickly and efficiently.

When Do Customers Complain?

Very few companies collect data on how their customers feel about the way they handle complaints. Some companies will say they have no complaints or very few complaints.

The problem with this assertion is that many customers who have a problem with your company will never make a complaint. They may simply stop using your product, tell their friends what a bad product it is, fume or wait for the next opportunity to go elsewhere. These are flight – risk customers and they are difficult to identify because they don't make themselves known. They are a risk factor for any company because they will fly when another opportunity is presented and it will be very difficult to win them back.

Understanding why complaints are made or not made can be difficult. Not all customers with a complaint become complainants. In fact the majority of people with a complaint won't raise it with the company (69% of airline customers and 82% of car rental customers will not make complaints). To understand why this is it is helpful to understand the complex thought process that determines whether or not someone will complain.

I would like you to think for a moment about the last time you made a complaint (or wanted to). How did you feel? What were you thinking about the way the company treated you? Turn to the person next to you, say Hello and tell them about your feelings or thoughts about your complaint. Why did you complain or not complain?

The book Complaint Management, The Heart of CRM describes the many factors that a customer will weigh up in determining whether to make a complaint or not.

Customers will weigh up the cost of making the complaint, what the outcome is worth, whether there was a substantial impact, confident and whether it can be proved.

Other factors that influence whether or not people make complaints include, whether they feel safe and secure to make a complaint, the level of their dissatisfaction and their past experiences with your company and making complaints generally.

We are often dissatisfied with a product or service when it is substantially below our expectations. We tend to be satisfied when a product or service substantially exceeds our expectations. When the experience is merely what we expected we have a feeling of indifference.

We determine this based on our expectations of what we will receive versus the reality of what actually happens. Companies are often their own worst enemies because they raise consumers expectations to a point where reality will only be a disappointment. As an exercise - look at the communication that you have with your customers. Are you encouraging complaints by the messages you send?

You have heard that many customers will not complain and because of this we always suggest that companies do not rely only upon the number of complaints they receive but also obtain customer satisfaction data to provide a complete picture.

The Australian Taxation Office recently surveyed taxpayers in my country to understand how satisfied they were with the behaviour of Tax Officers. This type of information is often very informative and will assist in the improvement of complaint handling processes. 40% of taxpayers believed that the ATO staff lacked accountability and did not take ownership of the issue. In fact they had the impression that Tax Officers had a tendency to “read from a script” and were reluctant to escalate queries. Collecting this sort of data will help companies improve what they do.

Organisations that did not survey their customers believed their retention rates were higher than they actually were.¹

When you ask your customers about their concerns before they make a complaint this is what we call a ‘Complaint Stimulation Strategy’. But basically what I tell companies is that they should be welcoming, embracing, encouraging their customers to make complaints. If you don’t have this approach there will still be the same number of complaints but you may not hear about many of them so you risk losing the customer or never fixing the problem, you won’t build the loyalty that customers feel when you deal with their concern in a respectful way and some of those complaints (with no warning) might cost you greatly (perhaps through impact on brand, loss of staff, loss of customers or general escalation costs).

Some good questions to ask your customers in a customer feedback survey:

- ❑ Have you had any cause for a complaint in the past 12 months?
- ❑ If yes, did you actually complain?
- ❑ How did you make a complaint? (in person, phone, letter, email)
- ❑ Why did you not make a complaint?
- ❑ Based on your previous experiences would you complain again if you were dissatisfied?

However understanding complaints is more complex than the weighing process I have just described. It becomes more confusing when we try to understand why 2 customers who have experienced the same situation will behave very differently. There is a fabulous book that touches on this subject called *Change your Thinking*, written by Sarah Edelman PhD, an Australian psychologist. She explains why 2 people faced with exactly the same stimuli will behave so very differently.

I would like you to turn to the person next to you and tell them why 2 people in the same situation will behave so very differently.

Sarah Edelman in her book suggests that it is our belief system or value system that results in such different behaviour. Our belief system is the road map by which we live our lives, buried deep in our unconscious mind, our belief system is how we think we should live our lives, how we expect to be treated, etc.

This is why customers who experience the same stimuli, the same circumstances, will behave so differently; one customer will make a complaint their 'purpose for living' while another customer will simply accept the companies explanation or decision and get on with their life.

Complaint handling is complex. A cookie-cutter approach will not work. Complaint handlers need training, support and an appropriate system and commitment from their organization. It might be a helpful exercise to do a skills audit for your complaints handling people, to determine the skills they need to develop and improve. I also recommend that complaint handlers share their experiences their challenges and what they are learning with one another. If you are your complaint handling department then today is an opportunity to find a like minded person from another company who you can bounce ideas off, share frustrations and pool knowledge. Having such an opportunity is a great resource.

I have mentioned previously that complaint handling is very topical at the moment. Over the years we have seen an increasing interest by Australian

governments in complaints handling. There are numerous industry or company based dispute resolution systems in Australia at present. Many of them are approved by government regulators like ASIC. ASIC is the Australian Securities and Investments Commission and it enforces and regulates company and financial services laws. In Australia, all financial service providers need a licence to operate. Under s912A of the Corporations Act 2001 a licensee that provides financial products or financial services to retail clients must have a dispute resolution system in place. This means they must have their own internal complaints handling process and be a member of an external dispute resolution scheme. ASIC must approve the external DR scheme. Although many in the financial industry in Australia would complain that they are overregulated the result has been a strengthening of complaints handling in Australia.

Several companies are now differentiating themselves in the market place based on their exceptional complaint handling record, 2 examples are the insurer AAMI and the bank ANZ. One argument that I hear regularly is , it is cheaper to keep a customer than to attract a new customer. This philosophy supports good complaints handling.

But there are lots of reasons for companies to invest in better complaints handling.

- ❑ In Australia (and for some of you with Australian subsidiaries and Australian parent companies) it is a compliance issue.
- ❑ Good complaint management can increase profitability and competitiveness of a company by restoring customer satisfaction
- ❑ Avoid switching costs (ie customers changing brand/provider due to dissatisfaction) 88% of customers will repurchase a product if a complaint has been handled well²
- ❑ Avoid the cost/risk of 3rd party involvement (lawyers, external dispute resolution providers, media, etc)
- ❑ Companies are using complaint information to improve their products and meet customer expectations.

It is important for companies to develop their own rationale for dealing with complaints. Ask 'Why do we care?' and "How important is it to our bottomline or our business proposition?'

The most persuasive argument, I believe, is linking complaints handling to a company's P & L. If the decision makers in a company can understand the cost of conflict they might be prepared to invest in improving their complaint handling processes.

² Complaint Culture Survey 2005, SOCAP

What do we know about the cost of Complaints?

It is actually very tricky to calculate the cost of complaints to an organization. This is because the costs are both tangible and intangible and can be difficult to estimate.

88% of organisations do not know the cost to the organisation of conflict resolution.³

I recently spoke to a colleague at one of the big 4 financial services businesses in Australia. He told me their approach to complaints is now much more proactive. Recently when they identified some problems with their marginal lending business they went and spoke to all of the advisers and got them to approach the clients before any complaints were made. He said this proactive response was very successful because most of the clients settled with them and remained with the company.

Another company, an Energy company, in Australia told me they had analysed the cost of complaints to their organisation and had discovered that by giving their frontline staff (in the call centre) permission to spend an extra ten minutes on the phone with complainants represented a saving of several thousands of dollars per complaint.

To make complaints handling common place in your organisation use the same language as compliance. If you can lock the complaints in with compliance you can pick up issues that supplement what you pick up through auditing. Common language of reporting is important because it makes the data you collect useful across the company.

Some of the tangible costs of conflict include:

Salaries of staff who deal with complaints, costs of EDR, litigation/legal costs, compensation, staff attrition, cost of attracting new customers, training staff, admin costs, communication costs (telephone, email, letter).

Some of the intangible costs include:

Impact on brand value, loss of customer, lost business opportunities due to managers focusing on dispute, damage to reputation and the ongoing costs associated with a problematic product, etc.

Most companies don't think about the cost of conflict because they see it as an inconvenient annoyance and an adjunct to what they really do. Little wonder that most companies do not manage conflict well and allow it to escalate.

³ Survey on Return on Investment by SFI International, 2006

How do your line managers view complaints? What could you do to change the way they see complaints and prioritise the resolution of these complaints?

Some Australian companies are building in KPIs to recognise and support complaint handling. Some are putting the cost of complaints back on the departments that generated the complaint.

Complaint handling needs to be handled in the same systematic way that we manage information, people issues and financial management systems.

If you can collect data that is meaningful for your company you can:

- ❑ Budget more effectively for complaints handling,
- ❑ Provide clear complaint handling targets for staff,
- ❑ Provide rewards and recognition to staff,
- ❑ Enable your company to see the complaints handling department as a profit centre instead of a cost centre,
- ❑ Identify and prevent, preventable problems,
- ❑ Identify systemic or industry issues and address,
- ❑ Link complaint handling to customer retention and satisfaction, and
- ❑ Get buy-in from the hierarchy for the importance of effective complaint resolution.

In Summary

Don't think that low numbers of complaints mean your customers don't have complaints. Collect Customer Feedback data to provide a more complete picture.

I mentioned the Commonwealth Bank earlier and their investment in complaint handling. They certainly recognised the potential brand damage of complaints but to actually meet the challenge of complaints it was not easy.

One of the key steps was getting buy in from retail and other areas and then this reached a critical mass – no-one wanted to be the one to go to the EDR. Another factor has been the appointment of their new CEO, Ralph Morris, who is passionate about complaints. He is intimately involved in understanding the complaint story and meets monthly with complaint handling managers and the business GMs to talk about complaints.

Perhaps complaint handling seems all too hard. The reality is the best schemes are the simplest. This isn't actually rocket science it is very simple. Treat your customers the way you would want to be treated. The starting point is respecting your customers, realizing most people do not complain without good cause, if you want to be sustainable then should be listening and you should be proactive

(ignore your customers and their complaints at your own peril) If you ignore them then someone else will listen.

It surprises most people but often all a customer wants is to connect with someone from the company and that simply will satisfy them.

The longer the life of a complaint the more problematic it becomes. Try to resolve complaints as early as possible. Create a system where this is a priority.

Think about strategies to attract and encourage complaints. Your strategy might stop your customer from taking their complaint to the front page of the paper or to the EDR.

Develop a Business Case for investing in complaint handling. What do complaints cost your company? What does each stage of your complaint handling process cost your company? Invest at the earliest stages.

Give your staff the skills, resources and drive to resolve complaints. There is no 'one size fits all' approach – creativity is essential.

Recommended Reading List

The Complaint Handler's Tool Kit, NSW Ombudsman,

June 2004 www.ombo.nsw.gov.au

People Skills,

Robert Bolton, Simon Schuster Australia.

Negotiation, Theory and Techniques

Nadja Spegel, Bernadette Rogers and Ross Buckley, Butterworths.

Alternative Dispute Resolution

Tania Sourdin, Lawbook Co.

Complaints Culture Survey 2003 Australia

TMI Services Pty Ltd. Available at www.socap.org.au

Complaint Management The Heart of CRM

Bernd Stauss and Wolfgang Seidel, Thomson

(available from the AIM Bookstores)

ROI Survey, Peter Gillson,

SFI International (yet to be published) – See SOCAP website

