

*Think Tank - September 2002*

## **Complaints vs. Customer Satisfaction**

**By John Kemp**

***“I’m scared to implement an official complaints procedure for fear of damaging our customer satisfaction numbers. What will the likely short term and long term impact be?”***

Why are people so worried about encouraging complaints? Customers who complain usually do so because they want to continue to do business with you but have a problem that is undermining that relationship. Sorting the problem helps to protect and extend that association and also identifies and gives you the opportunity to resolve issues that may be upsetting other customers as well. By knowing about such issues you have the perfect opportunity to address them and, by so doing, improving both future customer loyalty and organisational effectiveness.

But in *corporate-land* nothing is quite so clear-cut is it? I cannot recall the number of times I have seen targets aimed at reducing the number of complaints. This ensures that most issues slip below the radar and any reporting, and subsequent improvement rarely happen.

While I’m having a rant – lets have a pop at customer satisfaction indices as well! Some organisations are only interested in the score – and it’s as easy as pie to get good results. All you need to do is phrase the questions positively and ensure only happy customers are allowed to respond and you can guarantee world-class customer satisfaction.

But such organisations are only fooling themselves. I remember a story about one CEO who upon receiving the latest customer satisfaction report commented, *“It gives me a warm feeling to know that the customer satisfaction score is up again for the fourth straight year but can someone tell me why profitability and market share are down again?”*

A satisfaction index – or more appropriately a loyalty index – can be very useful in comparing performance across different parts of a business or as advance warning for future problems but it must be honest. Don’t allow such measures to be abused in the quest for good news.

But let’s get back to complaints. Complaints provide a valuable opportunity to understand the concerns your customers have and to put them right before they defect. Effective handling of complaints also allows you to prove to your customers that you value their business and that you are serious about meeting their needs.

The problem is that many organisations still don’t take complaints seriously and do the minimum necessary to resolve them rather than grab the opportunity to learn from mistakes. This has led to a number of industries setting up controls and escalation processes to regulate poor complaint management. There are already ombudsman schemes for many sectors including financial services, estate agency, funerals, lawyers, local government and the health service to name but a few. The FSA (Financial Services Authority) is also now requiring all financial service organisations to submit bi-annual returns on the number of complaints they receive and the timeliness of their responses.

This has resulted in many financial services companies going into panic mode to ensure they have the systems in place to report on complaints. Whilst this has been excellent business for companies providing complaint management systems most have still missed the point that

complaints are an opportunity and instead of grasping an opportunity to use complaints more effectively are more worried about what the FSA will do with the complaint statistics they will be collecting.

Here are my five guidelines for maximising the return from complaints:

**Be open and positive about complaints** – Don't penalise people for receiving complaints but reward them for resolving them.

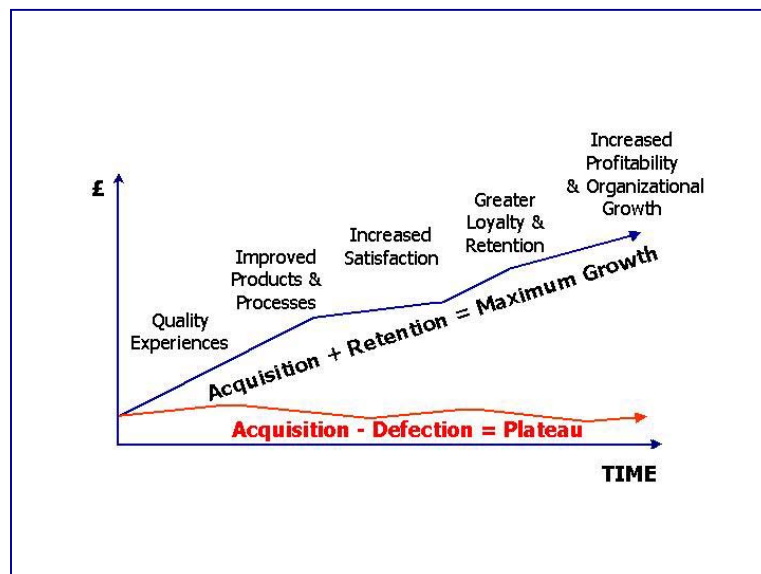
**Encourage front-line resolution wherever possible** – Research consistently shows that satisfaction and future loyalty is higher when issues are resolved promptly at the first point of contact. This requires knowledge, empowerment and motivation. Give front line staff the tools to do the job and measure the right things. Contact centres driven by call duration do not resolve problems they simply postpone them.

**Provide an escalation and support service to the front line** – Front line staff need access to specialist information and guidance and sometimes escalation to a higher level cannot be avoided. Provide a dedicated back-up team to support the front line.

**Collect data on all issues** – Typically complaint data only represents the tip of the iceberg – those few customers who have fought their way to the top. If complaint data is to be meaningful it needs to be collected across the organisation. Establish systems to efficiently log issues across all contact points and establish a central reporting system to coordinate feedback.

**Use feedback to improve performance** – The information provided by complaints is free customer research. Ensure that it is not wasted and use it to drive organisational improvements that will enhance your customers' experience and retain their loyalty.

So to summarise - encourage complaints because handled well they will enhance loyalty and the feedback they provide is the best unpaid customer research available! Any short-term hassle will be more than offset by long-term improvement opportunities.



**CRL solutions**

150 Church Hill Road Cheam Sutton Surrey SM3 8NF  
+44 (0)20 8641 5109  
[www.CRLsolutions.co.uk](http://www.CRLsolutions.co.uk)