

---

**Mike Hayward**

was, until 2004, Direct Marketing Manager at Cornhill Direct responsible for general insurance marketing. Subsequently he worked as a consultant and for the last two years has been helping a major international insurance group, Allianz SE, increase their understanding of customers by improving complaint management across the globe. This has involved bringing together internal expertise and external good practice to produce guidance that can be implemented in any market and certifying local projects to ensure that they meet quality standards. He has recently joined Higos Insurance Services as Marketing Manager.

**Keywords:** complaints, customer dissatisfaction, categorisation, loyalty

## Listen to expressions of dissatisfaction

Mike Hayward  
Down Lodge  
79 Church Road  
Winterbourne  
Bristol BS36 1BY, UK  
Tel: +44 7710 353803  
E-mail: mike.hayward@talktalk.net

# Opinion Piece

## Complaint management

Mike Hayward

Received: 23 January 2008

### Abstract

Customers are contacting organisations all the time about their dissatisfaction with products and services. If an organisation really wants to understand its customers, the first thing it should do is to ensure that it has effective complaint management processes in place. Customers' complaints provide real, first-hand feedback to an organisation and should be the first place to look to understand why customers may be dissatisfied with your products or services. *Journal of Direct, Data and Digital Marketing Practice* (2008) **9**, 321–323. doi:10.1057/dddmp.2008.1

### Listen to what your customers are saying to you

Imagine the following scenario: business volumes are dropping, customers are no longer staying with your company and the message comes down to Marketing from the Board: find out why this is happening. Marketing then jumps into action and brings in a market research agency; a budget is established, a customer survey is devised, a target group of customers is selected, focus groups are arranged. Several months and a lot of money later you may (or may not) get an answer. Depending on the answer, Marketing may then devise some form of expensive loyalty programme to try to incentivise customers to stay with you.

Now consider an alternative scenario. Customers are contacting your company all the time; many of these customers are making clear that they are dissatisfied with your products and services. Why not just listen to what these customers are saying to you? It is almost certain that their expressions of dissatisfaction will contain the key to understanding why business volumes are dropping and customers are leaving. Not only that, but you get this information for free!

Of course, life is seldom as simple as that. Expressions of dissatisfaction, or complaints, are often regarded as a troublesome side effect of doing business. The emphasis is usually on reducing complaints to the minimum number. Invariably this means that the pressure is on to record as few complaints as possible and usually this means that only formal, written complaints are captured and reported to the Board. Many, many more verbal complaints that are quickly dealt with in the call centre never get recorded at all and the knowledge that they contain is lost forever.

### **Many customers are dissatisfied but very few complain**

#### **How many customers are really dissatisfied?**

The extent of customer dissatisfaction can vary significantly across industries and services and each organisation will need to ask its own customers about their dissatisfaction. It is, however, not unreasonable to assume that around 25 per cent of all of your customers will be dissatisfied with your products and services at any one time. Of these, on average less than one per cent will actually make a formal complaint. Many more, perhaps a third, will register their dissatisfaction in some way, even if that dissatisfaction is not recognised by your company. Moreover, the rest will not even bother to tell you that they are dissatisfied — they feel that there are too many barriers to complain and that their dissatisfaction will not be taken seriously. Instead, they will remember their dissatisfaction and be constantly susceptible to defecting to the competition.

### **Make it easy to complain**

#### **Encouraging complaints**

So, what do you need to do to make sure you can really learn from customer dissatisfaction? First, you have to make it easy for your customers to complain; indeed, you need to try to encourage complaints. Of course, if you succeed, you will increase the numbers of complaints. This might sound shocking until you realise that actually all this dissatisfaction exists now; all you are actually doing is trying to find out more about it. So, how do you do this? Well first, you need a complaint policy that actually welcomes complaints. This means making it very clear that you want to hear from your customers when they have a problem, that you will listen to them and that you will do something about it.

Of course, you can have the most wonderful policy but ruin everything by hiding it away in the small print. So, make sure that your policy is visible and easily found; for example, ensure that there is a clear link to it on your website.

### **A good categorisation system for complaints is essential**

#### **Categorise and analyse complaints**

So, step one is complete and suddenly you are getting increased numbers of complaints. Great, the pile is growing and someone asks you what you are learning. You then get the graduate trainee to go through the pile of complaints to try to understand what the issues are. Is this really the best approach? From the start, you should think very clearly about how you are going to best be able to understand and analyse the complaints you receive. The key to this is to devise a good categorisation system. For a good marketing department this should not be an issue; simply focus on customer touch points, what happens at each and what customers and staff tell you can go wrong at each. Don't just talk to each other in marketing though; the people who can really tell you what is going on are in the call centre or the field talking to customers on a day-to-day basis. They will very quickly be able to tell you where the main defects are in your company that cause your customers grief.

Armed with a good categorisation system you are well down the road to being able to understand what is troubling your customers and identifying the issues you need to get right to avoid this in future.

### **Empower staff**

Of course, good categorisation does not solve the immediate customer problem. This needs to be addressed at the front line. The key, as in so many aspects of customer service, is to ensure that your staff are empowered to deal with the problem at the point of first contact with the customer. Indeed, the vast majority of complaints can and should be dealt with at first contact, but they must be recorded!

### **Be proactive**

### **Identify defects and address them**

The one major downside of complaint management is that it is reactive — you wait for the customer to contact you with their problems. As I have already pointed out, two thirds of dissatisfied customers do not bother to do this — they just suffer in silence. If you really take dissatisfaction seriously, you should be proactive and try to identify the areas which you know are causing problems, and then intervene early to stop them. This can be done at a very basic level simply by identifying defects and designing actions to address them. However, for those with sophisticated data analysis capabilities there is a real opportunity to look for patterns of behaviour that may indicate something has gone wrong and give you a chance to fix it.

### **Customers who complain are your most loyal customers**

### **Use complaints to reduce defection and increase loyalty**

Underlying my appeal for better complaint management is my recognition of the fact that people who complain fundamentally wish to remain your customers. By complaining, they are giving you a chance to fix the problem, regain their loyalty and feel they are really a valued customer. Indeed, for the customer, having a complaint dealt with effectively really shows how the organisation cares for them and values their input. This is much more likely to be effective in cementing loyalty and generating repeat purchases than any number of incentive gifts or other freebies. Indeed, when considering where to start when trying to reduce defection and increase loyalty what better place is there to start than with complaints?

#### **Recommended Further reading**

Barlow, J. and Møller, C. (1996). *A Complaint is a Gift*, Berret-Koehler Publishers, Inc, San Francisco.

Stauss, B. and Seidel, W. (2004). *Complaint Management: The Heart of CRM*, Thomson, Ohio.