

Whitepaper

# Why effective complaint handling matters

Delivering outstanding customer service



**Prosell**

When performance matters

# Foreword by Mark McDermott

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Successful organisations are constantly rethinking their products and the quality of service delivered. It is clear that the availability of new technologies and changes in the behaviour and preferences of consumers have transformed the business landscape over the past decade.

However, despite these changes, business growth continues to be a critical driver of performance, as measured by total returns to shareholders (McKinsey 2015). Sustained growth requires organisations to have the ability to win and keep customers. So what are the key drivers of good acquisition and retention strategies? Clearly, having a good grasp on the customer journey and the ability to respond to ever evolving customer needs, are key to customer satisfaction and customer loyalty. And within this mix, effective complaint handling also plays an important role.

This ebook considers why customer loyalty still matters, how to improve the customer journey to deliver greater satisfaction and the importance of an effective approach to handling complaints in today's multi-channel world.

We hope you find the document thought provoking. If you would like to discuss how to develop a more effective approach to complaint handling in your business, please do get in touch. We would love to hear from you.

**Mark BW McDermott, Prosell Learning Limited**

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# 1 Why customer loyalty matters?

If a business is to achieve long-term growth and a superior return on investment, customer satisfaction is key. There is no doubt that dissatisfied customers and customer defections impact your bottom line – the statistics are compelling:

- US enterprises lose an estimated \$83 billion each year due to defections and abandoned purchases caused by a poor customer experience:  
“The average value per lost relationship is \$289 per annum, with the biggest losers being cable and satellite TV, financial services and computer products.”  
(Genesys, 2010)
- Consumers are communicating more about their experiences, both good and bad, with social media amplifying the effect:  
“On average, they tell 15 people about their good experiences (up from 9 in 2011), and 24 people about their bad experiences (up from 16 in 2011)”.  
(Amex Global Customer Service Barometer: US Findings, 2012)
- Customers are willing to defect, when not satisfied:  
“US credit card providers often deal with annual churn rates of about 20 percent, and mobile phone carriers in Europe battle 20 to 38 percent churn”.  
(Harvard Business Review, 2013)

- Customer satisfaction rapidly drops when consumers have to contact the business several times to resolve an issue:  
“Customer satisfaction scores drop by over 50% points among those who have to contact multiple times”.  
(The CX Act Touchpoint Study, 2013)
- Effective customer journeys provide competitive advantage:  
“Companies whose most important customer journeys outperform those of their competitors for customer satisfaction, outperform their competitors on revenue growth rates.”  
(Harvard Business Review, 2013)



## Losing customers stunts growth

Disloyalty has been shown to inhibit corporate performance by a staggering 25% to 50% (Reichheld, 2001). The findings of Reichheld showed that a 5% increase in customer retention could significantly affect the customer net present value: 35% for software firms, 95% for advertising agencies, 90% for life insurance and 84% for home insurance.

Another study across 16 countries, estimated that businesses in these countries lost \$338.5 billion each year due to poor service leading to customers defecting to the competition and abandoning their purchases. The average value of each lost relationship across the surveyed countries was \$243 per year (Genesys, 2015).

## A good customer experience drives up loyalty

Organisations that deliver an above average customer experience can derive significant rewards. One US hotel chain, which improved its customer experience from below average to above the industry average, was shown to have revenue gains of \$1.364 billion (Manning and Bodine, 2012). Significant revenue gains in terms of additional purchases, reduced churn and word of mouth benefits were also possible across a range of sectors – from wireless service providers, airlines, insurance firms, credit card providers and banks.



### The link between retention and share of wallet

A North American bank found powerful evidence of the link between customer loyalty and value creation when it set out to explain striking differences in the performance of its branches—a more than 50% gap between the best and the worst as measured by share of wallet and customer retention.

Surveys conducted by the bank pointed to a distinguishing feature of its better-performing branches: the ability to turn moments of truth to advantage by solving problems effectively and a willingness to emphasise the financial needs of its customers, over the branch's own sales priorities.

Growing loyalty toward the bank translated directly into a bigger share of the customer's wallet. Similar research on and analyses of European banks typically expose a 20% gap in share of wallet between customers who have positive experiences and those who have negative or mixed ones.

**The 'moments of truth' in customer service**  
Marc Beaujean, Jonathon Davidson and Stacey Madge, 2006

# 2 Your customer journey

## Gain competitive advantage by delivering an outstanding customer experience

Offering a highly personalised service, based on good data, is widely accepted as the norm in today's multi-channel world. Businesses which deliver on outstanding experience can reap significant rewards – greater customer satisfaction, reduced churn, increased revenues and greater employee satisfaction (Rawson, Duncan and Jones, 2013). To gain competitive advantage, the key factors in the customer journey that determine the customer's perception of the quality of service received, must be clearly understood.

### The holistic experience counts

Interestingly, in protracted interactions with an organisation, a single good customer experience does not necessarily dictate the overall impression of the customer experience. The cumulative experiences across multiple touchpoints and multiple channels can impact on the level of customer satisfaction.

For example, in the case of a telecommunications company, despite each individual interaction being viewed as positive during the onboarding of its new customers, the overall onboarding experience was perceived as negative due to its length and the number of required transactions with the company (Rawson, Duncan and Jones, 2013). Furthermore, company policies or misaligned sales incentives might be further exacerbating the situation.

### Seamless service

Consumers expect organisations to provide a single customer view, however the company might choose to deliver the service. For example:

- Consumers when calling a firm expect customer service agents to be aware of previous conversations or emails
- Customers expect to be able to buy online and make returns either by post or in person to a physical outlet
- Internal processes or the use of subcontractors etc. are of no interest to consumers, who expect a seamless service

The provision of a seamless service can place heavy demands on a company's support functions – but are essential to the smooth running and delivery of outstanding customer service.

### Establish emotional connections with customers

Organisations that deliver outstanding customer service often have the ability to develop an emotional connection with their customers. In today's digital world, personal contact, the ability of a company's people to engage and to provide instinctive responses that considers customers' needs can deliver real competitive advantage.

Teams need to be empowered to take the initiative and think outside the box to deliver a solution that satisfies the customer.

## Create a blueprint of the customer journey and touch points

Developing customer journeys for a firm can be a complex undertaking, requiring assembling information from a variety of cross company sources – from call monitoring to market research to operational data. Mapping the customer journey can be extremely helpful to identify all customer points of contact with an organisation.

Embedding the customer journey in your operation processes is essential to success, with four key requirements (Rawson, Duncan and Jones, 2013).

Organisations need to:

- Identify the journeys in which they must excel
- Understand their current performance level in each customer journey
- Build cross-functional processes that support these journeys
- Institute cultural change to sustain the journeys

Cross-function teams should be consulted when developing the map, as their input can provide a more rounded view. The overview will highlight how each individual role fits into the bigger picture and identify areas in which the business should invest time and resources.

## How the blueprint will help

- **Create an end-to-end customer journey**

In many businesses, their people only see a segment of the customer journey. By mapping the customer journey from start to finish, everyone from every function can have complete visibility of the process

- **Identify interactions that are important to your customers**

Which interactions with your business are particularly important to your customers? Are your frontline people handling these moments well – or do these interactions represent a missed opportunity to establishing an emotional connection with your customers?

- **Identify weak points or pinch-points**

The map will help identify weak points or particular parts of the service, which might be generating a disproportionate number of customer complaints

- **Establish a “Line of visibility”**

Identify which roles are clearly client facing and those ‘behind the scenes’ roles, which a customer might not directly see, but could have a significant impact on the overall customer experience. These support roles should not be neglected, as they might be critical to delivering outstanding customer service

- **Develop a strategic approach to customer experience**

The blueprint will help organisations make rational decisions on revenues, costs and capital expenditure for every element of the process

Given the clear link between moments of truth and share of wallet, every customer-facing business should identify the points of interaction relevant to its industry. In airlines, for example, there are about 30 of these potential service interactions, from reservations and upgrade requests to check-in, boarding procedures, and baggage handling. All offer the potential for moments when something goes so badly wrong that a customer defects. Only a few can provide positive moments—opportunities to intensify the customer’s loyalty to a carrier.

**The ‘moments of truth’ in customer service**  
 Marc Beaujean, Jonathon Davidson and Stacey Madge, 2006

Creating a seamless customer experience presents a vast array of challenges for many businesses, with barriers such as organisational structure, the complexity of the customer experience and difficulty in unifying different sources of consumer data being cited as major hurdles (Econsultancy, 2011).

### Monitoring customer satisfaction

Monitoring satisfaction is key to see the impact of evolving customer preferences and an organisation’s improvement in performance.

There are a range of tools available, such as:

- Net Promoter Score, which measures whether customers would recommend your business to others
- Customer satisfaction monitors
- Customer complaint reports, in terms of volume and reason

## What the research says

Organisations need to have a clear idea of what their customers want and how to improve the overall customer experience. Across a number of studies, a number of common themes are identified including; the knowledge and helpfulness of the staff as well as the effectiveness of the support systems and the degree to which the transaction was personalised.

### 1. Factors that impact customer satisfaction

Research commissioned by Genesys identifies a number of factors that can have a significant impact on the level of customer satisfaction (see table below). Unsurprisingly, competent customer service representatives are by far the most important factor (78%), followed by convenient communication channels (48%).

The most significant factors in satisfying customer experiences (% of Respondents)	
Experience	% of Respondents wanting
Competent customer service representatives	78%
Convenient communication channels	48%
Proactive approach in reaching out to me	37%
Personalized transaction	38%

Source: Genesys, October 2009

## 2. The Genesys Research 2010

Research also identified the root causes of poor customer service as:

- Being trapped in automated self-service
- Being forced to wait too long for service
- Repeating themselves
- Agents lacking the skills to answer the enquiry

## 3. What matters to UK consumers

“Which”, the UK organisation which champions the consumer, carries out a regular survey on “Best and worst brands for customer service: 100 big brands are rated for customer service.” Consumers were asked to evaluate businesses on a number of factors, based on their experiences with that organisation:

- Valued as a customer
- Knowledge of product or service
- Helpfulness of staff
- Resolving complaints and problems
- Access to customer support

Organisations at the top of the table were recognised for their welcoming, knowledgeable people whilst companies at the bottom of the list were slated for their rude, unhelpful staff providing standardised replies.

## 4. Preferred channels

Toluna Econsultancy research (2011) looked at consumers’ preferred methods of contact with an organisation:

### Telephone

While 39% of respondents preferred to contact a firm via the telephone, 48% said it was the most frustrating channel, citing call queues, automated systems and premium numbers as causes of dissatisfaction.

### Email

44% of respondents preferred to contact a business using email.

### Post

9% of respondent’s preferred method of contact was the post.

### Visit the retail outlet

9% of respondents’ preferred to visit the physical reatail outlet

Live chat and Social media are likely to have increases in importance for communicating with consumers in the future.

## 5. Understand your customer journey

To deliver an outstanding customer experience, organisations will need to have a clear idea of what matters to their consumers at every touchpoint. This is no easy task due to the complexity of a business’ systems and processes, but is key to long term success.



# 3 Effective customer complaint handling

Developing an effective complaint handling process can be complex and can involve many functional areas in the business: customer service, marketing, IT, finance, operations and human resources. To be successful, a consistent approach across the business will need to be adopted, always with the customer experience in mind.



## Developing an effective multi-channel complaint handling process

The cornerstone of a successful customer retention programme is an effective approach to resolving customer complaints. Customers should be encouraged to complain. This allows the organisation the opportunity to put things right and derive the word-of-mouth benefits from a complaint satisfactorily resolved. Complaints also help to identify the real source of the problem and help improve processes to reduce similar problems – for example, invoicing problems might be caused by errors made earlier in the process.

## Make it easy to complain

For every complaint made, there are 25 silent but unhappy customers (TARP Research, 1999). A complaining customer gives you the opportunity to resolve the issue and identify areas where your service could be improved. So make it easy for your customers to complain and encourage their feedback.

## Get it right, first time

First contact resolution is key to successful complaint handling. Customers understand that things do go wrong from time to time – it is how you put things right that count. It is no surprise that if an unhappy customer has to contact a business several times, customer satisfaction drops dramatically.

### Provide multi-channel customer service

Organisations should not require customers with complaints to use only one method of contact. Let consumers choose the method of communication that best suits them - telephone, email, web-chat, social media post etc. Interestingly, research shows that telephone contact for the time being is still by far the preferred method of contact (52%) followed by email (23%) (CXACT, 2013). However, organisations should be prepared for this to change in the next few years, as the use of social media becomes increasingly prevalent.

### Empower your frontline staff

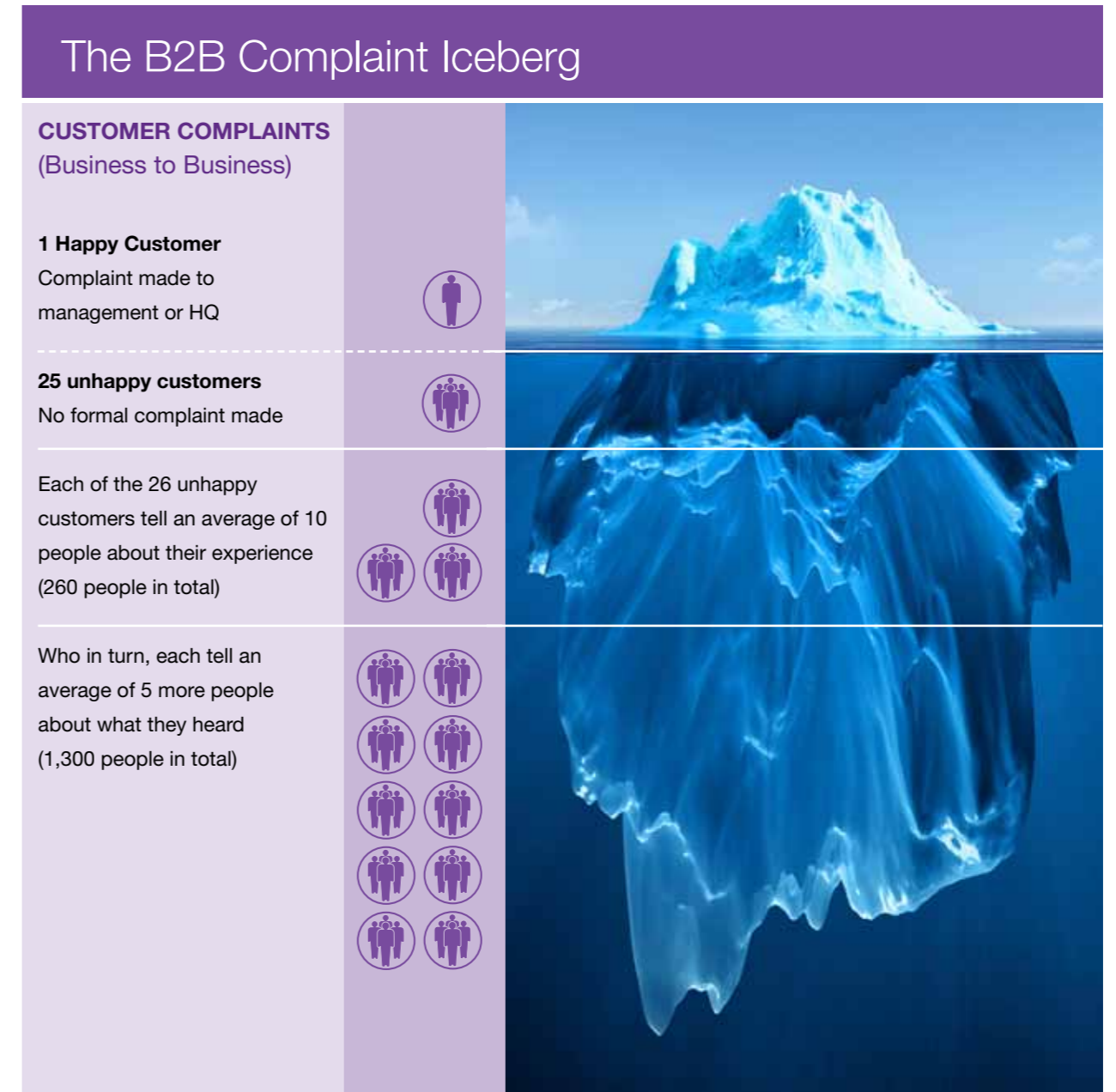
Your frontline teams are the face of your business and are responsible for delivering the brand promise. Allow these employees to use their initiative to put things right quickly, with the minimum of fuss.

### Train and coach employees

All frontline employees should receive training for handling customer complaints and dealing with difficult customers. Unhappy customers might complain directly to your delivery driver or your receptionist – these frontline people should be trained and prepared to take responsibility for handling the complaint and any required follow-up.

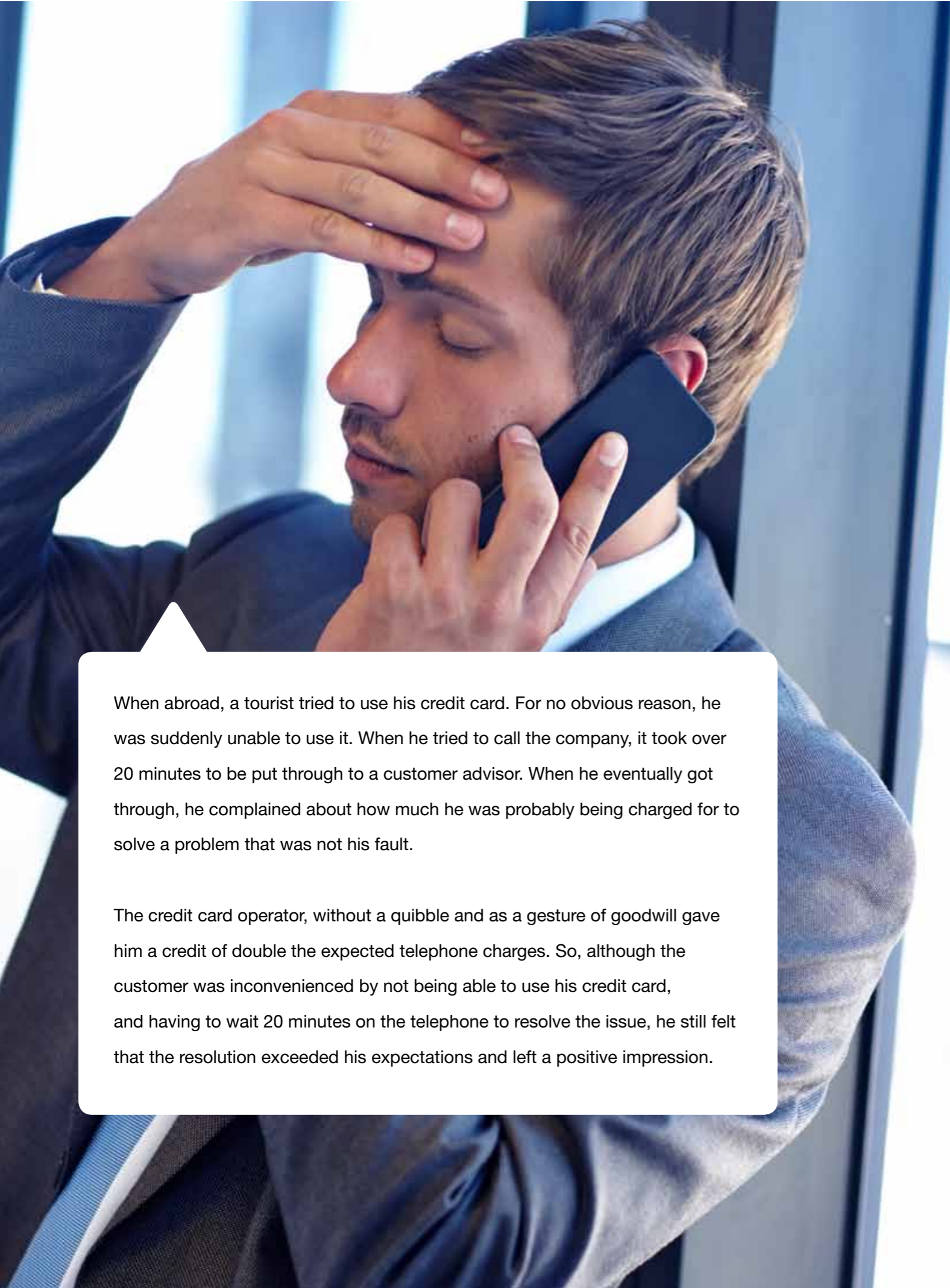
### Make the break up easy

From time to time there might be no satisfactory resolution. Should a customer insist on leaving and move to a competitor, make the transfer as smooth as possible, without any unnecessary hurdles to jump. Leaving a positive impression could pay future dividends.



Average number of people who hear about a problem for every one formal complaint to Management: 1,560

Sources:  
 - TARP Research, June 1999  
 - Direct Selling Educational Foundation, 1982



When abroad, a tourist tried to use his credit card. For no obvious reason, he was suddenly unable to use it. When he tried to call the company, it took over 20 minutes to be put through to a customer advisor. When he eventually got through, he complained about how much he was probably being charged for to solve a problem that was not his fault.

The credit card operator, without a quibble and as a gesture of goodwill gave him a credit of double the expected telephone charges. So, although the customer was inconvenienced by not being able to use his credit card, and having to wait 20 minutes on the telephone to resolve the issue, he still felt that the resolution exceeded his expectations and left a positive impression.



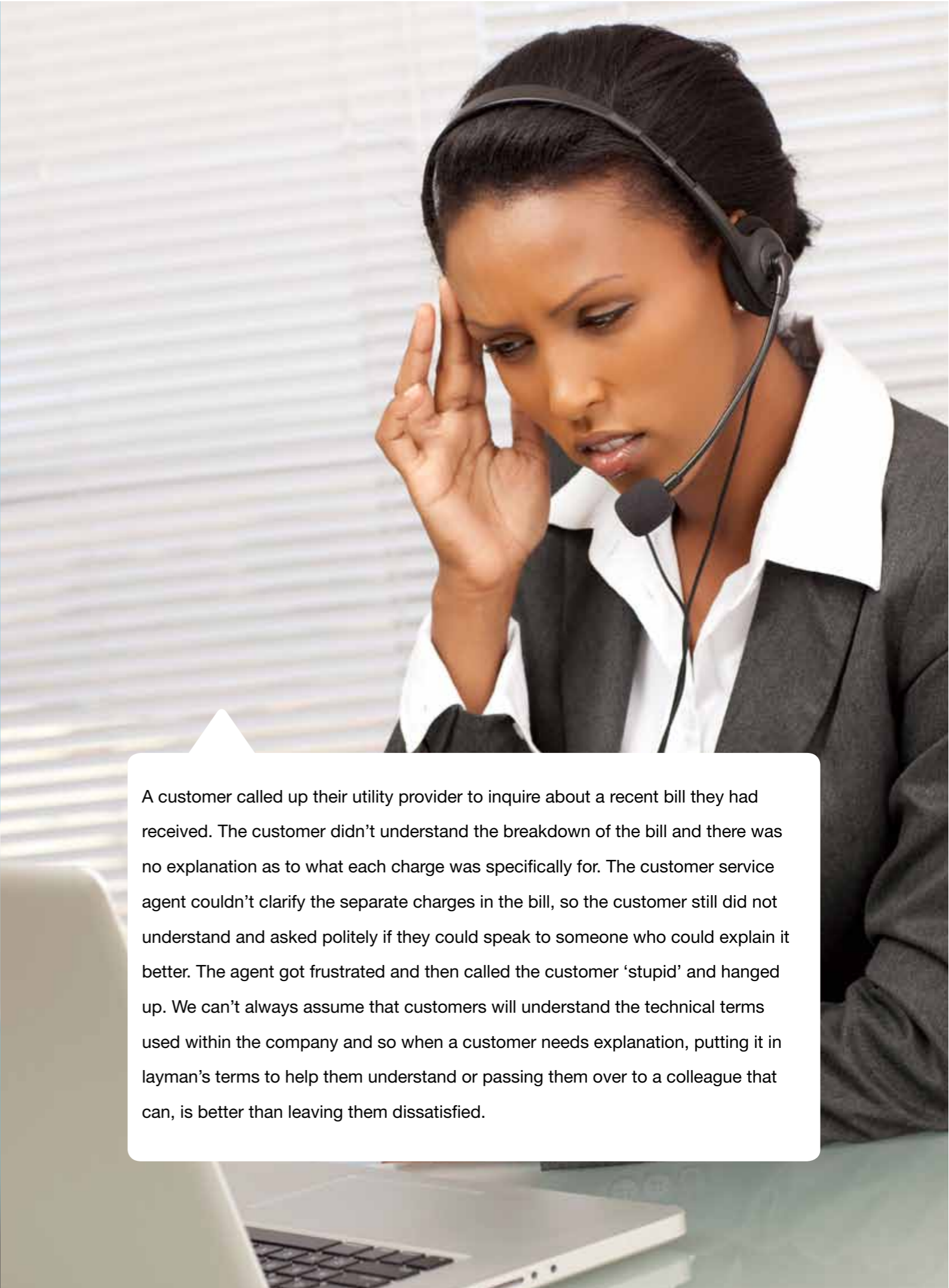
A business traveller decided to stay in a serviced flat for a week's trip. After a long journey, he arrived to find the apartment had not been properly prepared. Throughout his week's stay, the servicing company did not manage to resolve the situation satisfactorily.

On returning home, the traveller eventually managed to get a proportion of the payment refunded – but only after several weeks and several emails. So even though the ultimate outcome was perceived as reasonable, the time and effort required left a negative impression.



A tourist visiting London was trying to get directions from a staff member at a railway station. However, the tourist did not speak English and the staff was struggling to understand them. Despite this, the staff member was able to use their work iPad to translate and communicate with the customer.

Sometimes there are uncontrollable circumstances that can affect the level of customer service but what sets brands apart is when employees use innovative ways to overcome these obstacles to provide excellent customer service.



A customer called up their utility provider to inquire about a recent bill they had received. The customer didn't understand the breakdown of the bill and there was no explanation as to what each charge was specifically for. The customer service agent couldn't clarify the separate charges in the bill, so the customer still did not understand and asked politely if they could speak to someone who could explain it better. The agent got frustrated and then called the customer 'stupid' and hanged up. We can't always assume that customers will understand the technical terms used within the company and so when a customer needs explanation, putting it in layman's terms to help them understand or passing them over to a colleague that can, is better than leaving them dissatisfied.

## Effective complaint handling in practice: AIR model

The AIR model is a useful three-step model to help teams in handling complaints effectively:

### 1. Acknowledge

The “Acknowledgement” phase is where team members show that they are actively listening to the customers. By leaning forward, having open body language, maintaining eye contact and giving verbal nods (hmm, ok, I see etc.). The use of voice (pitch, pace, tone, pronunciation etc.) can demonstrate empathy and show that the customer’s issues have been recognised.



### 2. Isolate

Customer service and sales teams will need to show that they have understood the customer’s complaint. Asking questions and restating the issue will allow frontline people to probe and ensure that they are clear about the real issues. Tone and pitch are important: an inappropriate tone can impact on the customer’s perception of how the complaint is being managed.

Once the real issues has been isolated – such as a delivery not arrived on time, return costs not explained or poor quality of service – this can be confirmed by restating the problem, using the facts given. And if appropriate, this is the time for sales and customer teams to apologise.

### 3. Resolve

Consider which solution the customer is looking for. This might be a replacement product, a rescheduled delivery etc. Interestingly, sometimes customers just want their issue acknowledged or resolved on behalf of future customers. Customer service agents should check that they have responded to a customer’s concerns and resolved it to their satisfaction.



### Conclusion

Winning and retaining profitable customers is the cornerstone to a successful business strategy. There is no doubt that an effective complaint handling approach plays an important role in an organisation's customer retention strategy.

Complex systems and processes in the context of the customer journey need to be reviewed. Can these processes be simplified to improve the customer experience? Where are there pinch-points that are generating customer complaints or customer defections? Are customers able to complain through a channel that suits them?

How good is your business at putting things right? Customers understand that from time to time things do go wrong. It is the way you resolve the issue that sticks in people's minds and that gets recounted numerous times.

There is no quick fix, but it requires hard-work and commitment throughout the organisation. But the benefits are clear – an effective complaints handling strategy is good for your brand and good for your business.



# 4 Handling customer complaints: Your action plan

- 1 Benchmark current levels of satisfaction and identify key sources of complaints
- 2 Review your key customer journeys and adapt to reflect your customer's changing needs. Improve systems and processes to reduce the level of complaints
- 3 Ensure your customers can complain via their preferred channel – which could include social media, live chat, visit to store or a letter
- 4 Support business transformation with on-going training and coaching programmes to embed changes in your team's attitudes and behaviours so as to deliver the required service levels over the long-term
- 5 Senior management must lead from the front and communicate the organisation's vision
- 6 Middle management / frontline management's role is crucial in delivering outstanding customer service at every customer touch-point by supporting frontline employees
- 7 Monitor impact of changes, identify new areas for improvement and avoid complacency



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Prosell provides customised training and coaching programmes, using a blend of traditional classroom methods and the latest mobile technology, to improve the performance of sales and customer service teams. With 30 years of experience and over 200 trainers, Prosell can quickly roll-out programmes in a variety of languages around the world that deliver measurable results.

## What sets us apart

We take the time to get to know you, your business and your long-term goals. Only then we will develop a programme that is designed to improve the performance of your sales and customer services teams. Our approach is designed to change behaviour – aiming to achieve a long-term, positive impact on your business.

For more information on our programmes:

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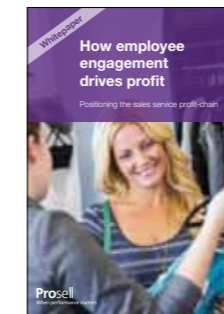
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