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Customer Rage

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Are companies any better at handling customer complaints than they were 35 years ago? A 2011 study indicates that no, they are definitely not.

During 1974, Special Advisor to President Nixon and Director of the U.S. Office of Consumer Affairs, Virginia Knauer, commissioned a landmark study that investigated how companies handle customer complaints. The main focus of this research was a national probability survey of 2513 households (the White House Study) conducted in 1976. This survey profiled the problems American households experienced with products/services and examined, in depth, customer complaint handling behavior.

During the 1970's before the White House Study was conducted, business generally viewed complaint handling departments as cost centers. For this reason, relatively few corporate resources were allocated for handling customer complaints. Findings from the White House Study, however, changed this point of view significantly. Although the study found that most complaints were not being satisfactorily resolved, it also concluded that satisfactorily handled complaints could produce quite meaningful marketing benefits (continued brand loyalty, positive word of mouth communications, high ROI's, etc.).

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Therefore, during the 1980's and 90's American companies began to view corporate complaint handling programs as potential profit centers. This re-evaluation of the worth of complaint handling practices lead corporate America to invest hundreds of millions of additional dollars in this area. The assumption was that this money would be spent on improving complaint handling policies.

The Follow-up

In 2011, Customer Care Measurement and Consulting (CCMC), an Alexandria, VA management consulting and survey research firm, conducted a follow-up study of 1000 U.S. households to determine if the promise of upgraded corporate complaint handling practices suggested by the White House Study had actually been fulfilled.

The 2011 survey replicated the core questions from the original 1976 study and explored such additional issues as customer rage and the fulfillment of complainant expectations. Both studies focused on the most serious customer problem experienced during the past year. The 2011 survey produced a little good news and a whole lot of bad news.

2011 Study Findings

Problem experience. Forty-five percent of the respondents reported experiencing problems with products/services during the past year as compared to the 32% problem rate in the White House Study. The reason for this increase is not poor product quality because, by all measures, product quality is significantly better today than in the 1970's. Four other reasons, however, probably account for this increased incidence of problems.

Sensationalized stories about customer rage (e.g., both flight attendants and passengers losing control on airplanes) are reported by the media on a regular basis. Just how pervasive, however, is that phenomenon? Sixty percent of the respondents experienced rage ("extremely" or "very upset") in connection with their most serious problem. For the majority of customers, then, rage has become a significant issue in the new millennium.

TIMES HAVE CHANGED

PRODUCT/SERVICE PROBLEMS HAVE INCREASED OVER THE LAST 30 YEARS. HERE'S FOUR REASONS WHY...

1 People today own many more products/services than in the past. For example, while televisions were among the most mentioned causes of customer problems in both studies, households own many more televisions today than in the 1970's. It's not unusual for a household to own five or more sets in the 2010's. The more Televisions owned by a household, the greater the probability that problems will occur.

2 Today's products/services are much more complex than in the past. Again, to use the above example, a television in the 1970's had relatively few channels while today's sets are sophisticated computers that offer hundreds of channels and a diverse range of functionality (computer games, caller ID, email, etc.). This increased complexity greatly raises the chance that failures will occur.

3 The trend today is for manufacturers to outsource the servicing of their products. For example, such outsourcing is the rule, not the exception, with major household appliances. When service is outsourced, without proper manufacturer oversight, control is lost, and the quality of service often suffers.

4 Customer expectations are not static. What was acceptable in the 1970's may not meet today's higher level of expectations. In many cases, manufacturers contribute to this escalation in expectations by overstressing the reliability of their offerings through unrealistic advertising messages.

Lost Money and Time

The two principal types of damages reported concern lost money and time. When compared to 1976, there was a 22 percentage point drop in lost money damages (from 62% to 40%). On the other hand, lost time increased 51 percentage points (from 14% to 65%.

One cause for this increase in lost time is the nature of the most serious problems reported in 2011. Nineteen percent of today's most serious problems are related to cable/ satellite TV. Here, waiting for repair service can be a major time sink. Th is product was not a meaningful cause of customer problems in the 1970's.

For many households, lost time is a more serious issue than lost money. Not surprisingly, lost time is directly associated with customer rage.

The White House Study reported that 69% of the households experiencing problems complained to the company that caused the problem. By 2011, the percent of complaints had increased to 82%. Th is is not surprising given the adoption by American companies of aggressive complaint solicitation policies (800 number call centers, printing company contact information on product packaging, etc.).

Bupkis and double-bupkis

The Yiddish expression "bupkis," means less than nothing. Unfortunately, "bupkis" characterizes the 47% of the 2011 study complainants who felt that they received nothing as a result of complaining. Not only did they suffer because of their problems, but also they had to waste time in the futile efforts to revolve their complaints. The table below illustrates the "doublebupkis" received by the remaining 53% of the complainants. This table compares what these complainants wanted with what they got. While it might be expected that refunds would not always be offered, non-monetary remedies such as apologies or dignified treatment were likewise in short supply. Here the bad news is that business has spent a fortune establishing supposedly upgraded complaint handling programs only to give their customers "bupkis" when they complain.

DOUBLE BUPKIS | COMPARISONS BETWEEN WHAT COMPLAINTANTS WANTED COMPARED TO WHAT THEY ACTUALLY GOT

REMEDY*	WANTED	GOT
TO BE TREATED WITH DIGNITY	90%	40%
PRODUCT REPAIRED/SERVICE FIXED	77%	32%
A REFUND	49%	17%
ASSURANCE THAT PROBLEM WOULD NOT BE REPEATED	72%	19%
AN APOLOGY	62%	38%
AN EXPLANATION AS TO WHY PROBLEM OCCURED	73%	23%
A THANK YOU FOR MY BUSINESS	70%	32%
A FREE PRODUCT OR SERVICE IN THE FUTURE	32%	10%

Satisfaction with Action Taken

The real bad news, and the biggest surprise of this study, is that aft er spending hundreds of millions of dollars over the last 30 plus years to improve corporate complaint handling programs, satisfaction with the action taken to resolve problems has actually decreased. Today complainant satisfaction has dropped to 21% as compared to 23% in 1976.

CCMC estimates that the revenue at risk as a result of not satisfying complainants' most serious problems in 2011 exceeds $58 billion. Companies are spending millions to lose billions in future sales.

The marketing advantage of effective complaint handling policies. The only GOOD news reported by this study is that, as in the White House Study, the 2011 data document a significant marketing advantage associated with effective complaint-handling practices. While only 5% of dissatisfied complaints remain brand loyal, 58% of those who are satisfied intend to buy again. This 53 percentage point loyalty advantage should, in most cases, more than off set the cost of satisfying complainants.

Poor Execution of Right Policies

During the last three decades, much of corporate America has adopted a "check off the box" mentality toward complaint handling. Most companies have adopted the right practices but have not executed them effectively. They have not verified whether these polices are working and have, thereby, misled themselves into believing that simply taking action equates with effective policy. The irony is that in many instances spending less money (e.g., increasing first contact resolution) would actually improve performance.

POORLY EXECUTED

HERE'S A REALLY LONG LIST OF INEFFECTIVE COMPLAINT HANDLING STRATEGIES

- Being unable to say "No" quickly, where appropriate
- Setting unrealistic objectives (e.g., "100 percent satisfaction")
- Levels of remedies that do not correlate with increased complainant satisfaction/brand loyalty
- Limited front line empowerment
- Limited use of apology/opportunity for complainant to vent
- Poorly executed call center policies
- Inappropriate application of self-service technologies
- Long waits to reach agents
- Agent call quotas that are so high as to inhibit performance
- Case tracking software acts as a barrier to problem solving (long transition time between screens, difficult to access needed data bases, etc)
- Limited training of front line personnel who handle complaints on a face-to-face basis
- Potential of preventive analysis (identification of the root causes of customer problems) not met
- Institutionalized multi-contact resolution
- Poorly executed use of the email/web channel
- Limited/ineffective evaluation of complaint handling policies
- Fielding "we love you" surveys that produce high scores but do not truly measure performance (key drivers of satisfaction/loyalty not measured, use of IVR survey that measures only process; not outcomes, etc)
- Over–surveying customers
- Not using the results of satisfaction surveys as a tactical management tool
- Not calculating the ROI of alternative complaint handling practices

Conclusion

The findings of this study produced both good and bad news. The good news is that satisfactorily handled complaints are still associated with high levels of brand loyalty. This supports the conclusion of the White House Study that effective complaint handling practices can lead to increased profitability. Industry leaders have validated this finding by realizing high ROI's from their properly executed complaint handling initiatives. In such instances, adoption of "best practices" has had a positive impact on the bottom line. The BAD news, however, is that corporate complaint handling can be a double-edged sword. Ineffective policies lead to decreased levels of brand loyalty and negative ROI's. Unfortunately, this study finds that, from a macro-standpoint, complaint handling practices have proven ineffective. Levels of complainant satisfaction are lower today than in the mid-1970's when complaint handling departments were generally viewed as corporate backwaters.

Today, most companies have adopted many of the correct polices but have failed in the execution of these practices. Further, the upgraded investment in corporate complaint handling departments has evidently NOT kept up with customers' expectations. The challenge in the 1970's was to convince senior management to invest adequate resources in corporate complaint handling programs. Th is challenge was successfully met, due in large measure to the findings from the White House Study. The 2011 study, however, suggests that this was a Pyrrhic victory.

The challenge for the new millennium, then, is to take the substantial investment made by companies in upgraded complaint handling and actually make these policies work. The overall message for today is the same as it was 35 years ago…

"Do it right, or don't do it at all."

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