



*The very mention of the idea of dealing with customer complaints causes many managers to feel uncomfortable, anxious and sometimes panicky. Here are some strategies to help.*

## Dealing with Customer Complaints

**C**ustomer complaints can be a real challenge. At times it seems the only time your business is noticed is when there's some problem — usually involving customer complaints.

Business is complex. It simply isn't possible to do everything right all the time. Things can go wrong at any point in time and many of these things, such as weather, are beyond your control as a manager. The business environment is getting more competitive in many ways, and electronic information exchange is a key factor here. Online ratings and reviews and websites with instant price comparisons are a few examples of how the competitive environment is changing. As a manager, it's natural you feel threatened in this environment. Yet, as manager you are held responsible when things go bad as well as when things go well, so you want to do everything you can to turn negative situations into positive situations.

Customer complaints can be an opportunity for you and your business. Effectively dealing with customer complaints cannot only appease the unhappy customer, but also build loyalty. In many cases a business's most loyal customers are those who had a bad experience — because the firm responded to and corrected the bad experience and in the process, showed

the customers they truly cared for them. In the eyes of many customers, it is not so much whether your business gets it right the first time — but how your business reacts to mistakes.

### **The cost of customer dissatisfaction**

When you calculate the cost of customer dissatisfaction, consider it in terms of customer lifetime value. What is the net present value of the income from business with that customer from now into the future?

Add to this the fact it is much more costly for a business to get a new customer than to keep an existing customer.

And, the cost may be greater if this customer spreads negative word-of-mouth marketing and makes it more difficult for you to recruit other customers.

Remember also that your handling of customer complaints can turn a dissatisfied customer into an extremely loyal customer.

### **The meaning of customer dissatisfaction**

Think of your own personal experiences as a customer. Consider two or three situations where you were pleasantly surprised by the way in which a business handled what could only be described as a “less than optimal” situation. Now consider two or three situations where you were left feeling angry, frustrated and powerless. What are the components that made these situations different for you?

Two recent experiences with stays in major hotel chains illus-

trate how businesses deal ineffectively and effectively with a mistake. In one case the hotel had overbooked and upon arrival at 11:30 p.m. on a hot summer night (with credit card confirmation for late arrival), one of us was not only forced to accept another hotel of lower quality but also had to endure a one-hour taxi ride . . . only to get to a hotel where the air conditioning was not working well. When we tried to express complaints to the hotel staff, we were told that nothing could be done and that our complaints were unreasonable.

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In the first case the mistake was very costly to the customer in terms of a lengthy taxi ride and uncomfortable conditions in a hot hotel room. You can only imagine how frustrated the customer felt, and upon voicing dissatisfaction received the message that they were the one being unreasonable.

In the second situation the customer was left feeling very important in spite of the fact that initially there was a problem. In this case the customer has a new level of loyalty to that hotel and is communicating positive word-of-mouth advertising. From the perspective of the hotel, the upgrade to the nicer room most likely had

a very small marginal cost, especially if the room would not have been used that night anyway.

### **Strategies for success**

All this is great in theory, but how does that translate into practice? Here are some specific strategies you can adopt.

#### *1. Make dealing with customer complaints a part of your business strategy*

When you are developing your business strategy, specifically plan for those situations where things won't go according to plan and customers will have complaints and establish ahead of time how you will react. If you rely on *ad hoc* reactions to customer complaints, you are more likely to be inconsistent and run the risk of making some customers even more upset when they find out they received much smaller compensation for similar mistakes. Some firms institutionalize this in the form of a guarantee. This is perhaps easier if you are selling a product like feed, where the guarantee might be something like: “If you are dissatisfied with this product for any reason, you may return it for replacement or refund.”

#### *2. Have a system in place to find out about problems*

Have you ever been frustrated with a business experience and decided there, on the spot, to never return to that business? Did you later realize that nobody in the business ever even knew that they lost you, not to mention why

they lost you?

If your business is running like this, you can be making mistakes with customers and not even know about it; this could be costing your bottom line. To find out about problems, encourage employees to listen to customers and provide feedback to you as a manager; have a customer complaint box (both physically in your retail outlet and electronically on your website); and directly ask customers from time to time how things are going. You may be surprised what you hear when you show you are really listening to your customers. Once you know what is bothering your customers, you can take action to correct your mistakes.

### 3. Listen to customers — sometimes that is all it takes

Perhaps the most important rule you can follow is to always listen to your customers when they have a complaint. In many situations, customers will understand that things happen beyond your control and you cannot get it perfect all the time. If you don't listen to them, they feel powerless and frustrated. In contrast, if you listen to them and let them know that you understand and will do everything possible to make sure things are better the next time, that is often all it takes to make them happy.

### 4. Respond when you receive a complaint

If the most important rule is to listen, the second most important rule is to respond when you do receive a complaint. When a customer has taken the time and energy

to provide you with information via a complaint, there is nothing more frustrating to them than not getting a response from the business. No response from your feed store or grain elevator is a further signal to the customer that the business doesn't care. To ensure that you don't let complaints "fall between the cracks," assign one employee to be responsible for responding to customer concerns and complaints. In addition, you might institute a policy that all customer complaints will result in communication back to the customer within two business days. Finally, make sure the employee responsible fulfills his/her duties in this area.

### 5 Empower employees

Many businesses do not empower their employees to deal directly with customer complaints because they are concerned this will turn into a series of *ad hoc* decisions that are inconsistent across customers, or result in decisions that are costly to the business, and thus have negative consequences for the business. However, we all have experienced, as a customer, the frustration that occurs when employees are not empowered. In addition, often a quick response is the most important thing in the minds of the customer.

You can get around the negative aspects of empowering employees by having your policy dealing with customer complaints well established. Have guidelines in place for responses to different types of potential mistakes or problems, and make

sure your employees understand these guidelines. You can then empower your employees to follow through. Since your customers will be getting immediate feedback, they will in most cases be much more satisfied.

### 6. Train employees

When we think of many of the situations where we have voiced a customer complaint, it often stemmed from a situation where an employee was trying to do a job he/she was not trained for and did not have the experience to complete successfully. One of us recalls buying paint from a major department store and wondering how they could mess up the routine process of mixing the color. Upon voicing a complaint, it was discovered it was the employee's first day on the job and she had not received any training on how to mix paint. The cost to the department store due to our dissatisfaction was most certainly greater than the cost they would have incurred in training the employee on how to mix paint.

Training costs may seem high, but be sure and consider the costs if your employees are not adequately trained and mistakes result.

### 7. Ask customers why they left and make it easy for them to give feedback

When you lose a customer, be sure and ask them why they left your business. This simple process can be carried out by having a policy of every few months going through your customer records. If you have not done business with a customer in the last three months,

send them a message to see if something is wrong. Give them a phone call, a personal visit or mail them a letter with a short questionnaire and stamped return envelope. Not everybody will tell you why they left, but many will, and these responses will improve your business.

It's important to make it easy for your lost customer to provide feedback. In other words, don't make it seem there will be a "cost" to the customer for responding. For a customer, the cost can come in terms of both time and money.

*8. Demonstrate you really care about your customers*

In spite of our fast-paced world of instant communications, people still want to feel important. You want to develop policies and implement them so you demonstrate that you really care about your customers. Employing the strategies listed above should help.

**Rise to the challenge**

Take a fresh look at how you handle customer problems and see if there are any changes which

***"Have guidelines in place to handle complaints and make sure your employees understand these guidelines."***

would benefit your business. Are you losing customers in situations where a different response may have resulted in an extremely loyal customer? Handling customer complaints — while a real challenge — can provide you with hidden opportunities. Make sure your firm rises to the challenge! ■