

SOCAP Australia

Best practice complaints handling



socap.org.au

 **socap**
the network for consumer professionals **australia**

Dedicated to best practice consumer service



Providing support, information, certification and professional development for the talented people who work in the special field of consumer relations, complaints handling and customer care.

Australian Competency and Ethical Framework For Complaint Professionals



complaints are important



talking to customers



responding to complaints



complaints record keeping

+ Small Business Complaints Toolkit



+ The Society for Consumer Affairs Professionals Australia (SOCAP) and The Australian Centre for Justice Innovation (ACJI), Monash University

Building Better Relationships Through Complaints

Complaints Handling Research



Fast facts

Fast Facts (Newcastle University and SOCAP ROI Project)

- Customer complaints, if handled well, can be an opportunity to turn an unhappy customer into a customer for life.
- A 5% increase in customer retention can increase profits by 25-95%
- A typical business hears from only 4% of its dissatisfied customers.
- Seven out of 10 complainants will do business with a company again if a complaint is resolved in their favour.
- Studies have shown that complainants who do not receive substantive satisfaction become more loyal advocates of the company than people who did not have a complaint at all, if they do achieve psychological and procedural satisfaction in the complaints handling process.

Benefits of complaints to the organisation

Work by Stauss and Schoeler (2004) identified four types of benefits of complaint management:

1. **informational benefit** (arising when information from complaints is used to improve organisational processes and products),
2. **attitude benefit** (comprised of the customer's positive feelings towards the organisation if service recovery is achieved),
3. **repurchase benefit** (obtained from retaining the customer), and
4. **communication benefits** (brought about by positive word-of-mouth and referrals).

Other benefits of complaints to the organisation

ORGANISATIONAL LEARNING

Recent work across industries in manufacturing and services has also emphasised the benefits of organisational learning that can be gained from complaint management (Johnston, 2001; Yilmaz, Varnali, & Kasnakoglu, 2016), specifically that organisational improvements and efficiencies arising from complaint information present immediate and long-term benefits for the organisation.

EMPLOYEE MORALE

It has been asserted that a supportive environment for complaint handling may be morale-enhancing and thus improve productivity and subsequent organisation performance (Yilmaz et al., 2016).

Other benefits of complaints to the organisation

CUSTOMER ENGAGEMENT

Important due to the present and financial benefits of non-transactional behaviours (such as positive word-of-mouth, co-creation opportunities and customer feedback for service and product improvement).

CUSTOMER LIFETIME VALUE

Complainant Lifetime Value is underestimated if non-transactional engagement behaviours are not taken into account (Cambra-Fierro, Melero-Polo, et al., 2015)

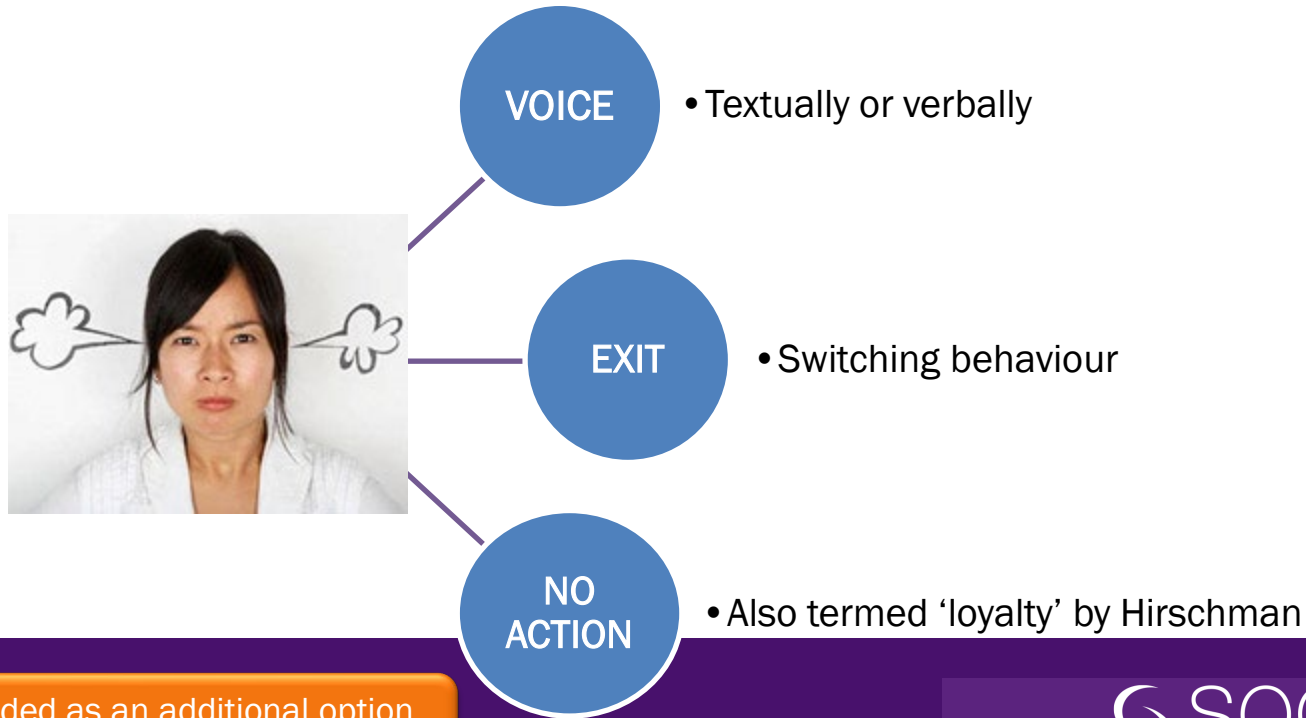
Reasons for complaining behaviour



Culture, personality traits, situational factors are all determinants of the likelihood of a dissatisfied customer making a complaint

Types of complaining behaviour

Hirschman (1970)

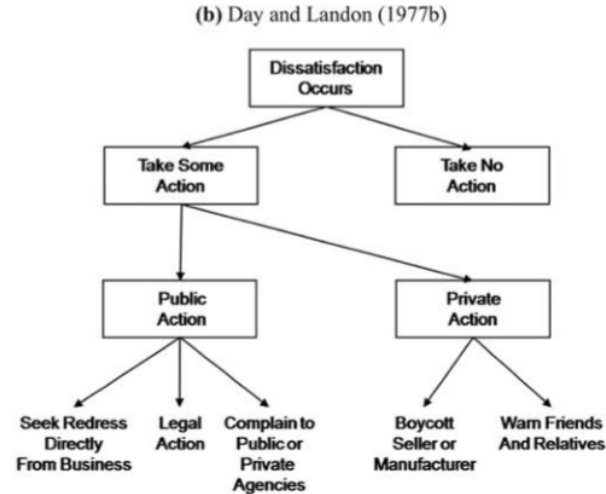


Retaliation was added as an additional option for consumers by Huefner and Hunt in 2000.

Complaining behaviour – public and private

Day and Landon (1977)'s model demonstrates that dissatisfied customers may complain:

- Publicly (directly to the organisation or a third party) or
- Privately (by boycotting the organisation or warning friends and relatives)

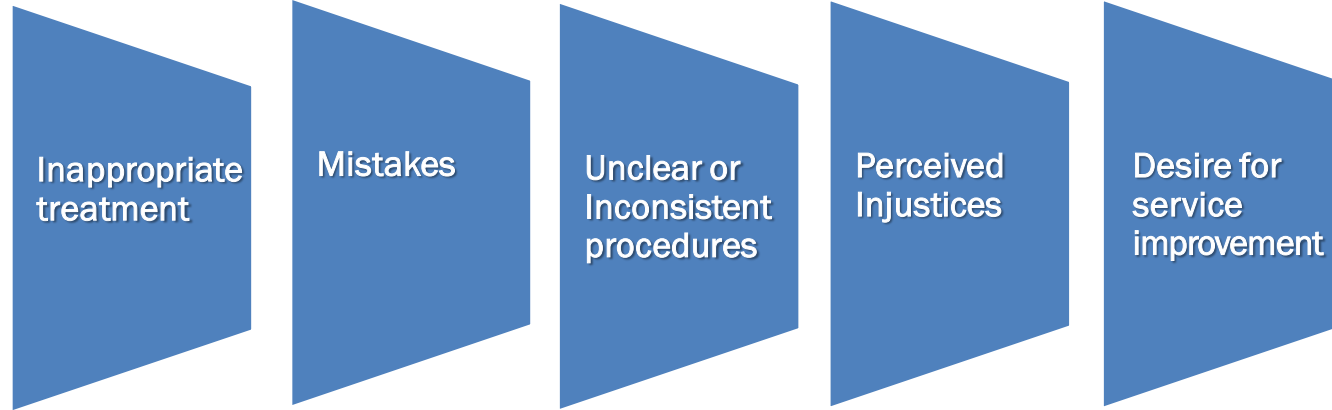


In the digital age, the private and public voice become mingled and distorted when social media channels are involved (Tronvoll, 2012)

BENEFITS & COSTS OF COMPLAINTS HANDLING

| | BENEFITS | COSTS |
|------------------------------|--|--|
| PRIVATE ORGANISATIONS | Customer retention, repurchase benefit, PWOM, organisational improvement | Lost sales/market share, customer and staff attrition, reputational damage, brand damage, compensation, increased staffing and operational costs |
| PUBLIC ORGANISATIONS | PWOM, reputational benefit, consumer trust, organisational improvement | Reputational damage, reduced customer trust, decreased engagement, compensation, increased staffing and operational costs |

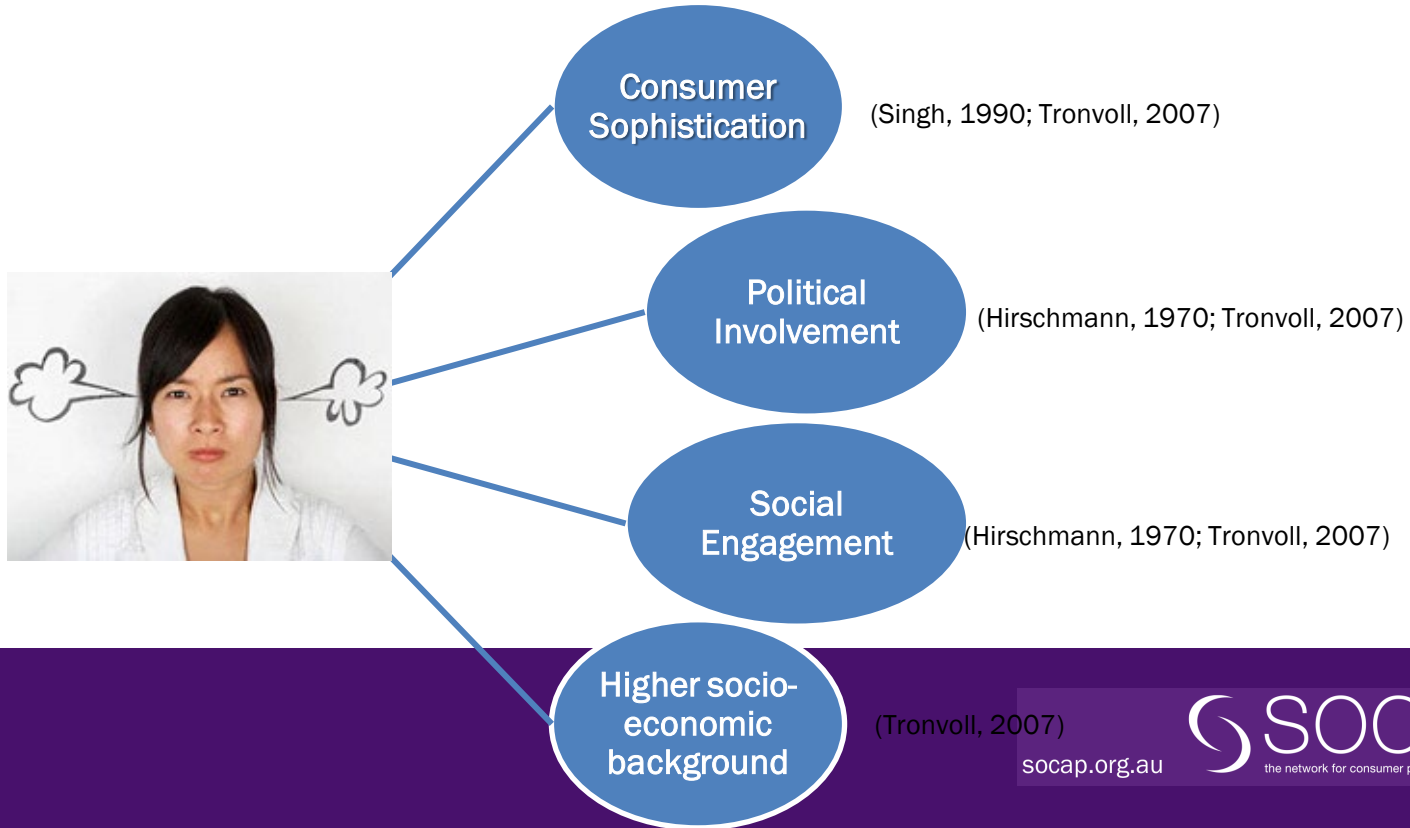
REASONS FOR COMPLAINING BEHAVIOUR – PUBLIC ORGANISATIONS (Brewer, 2007)



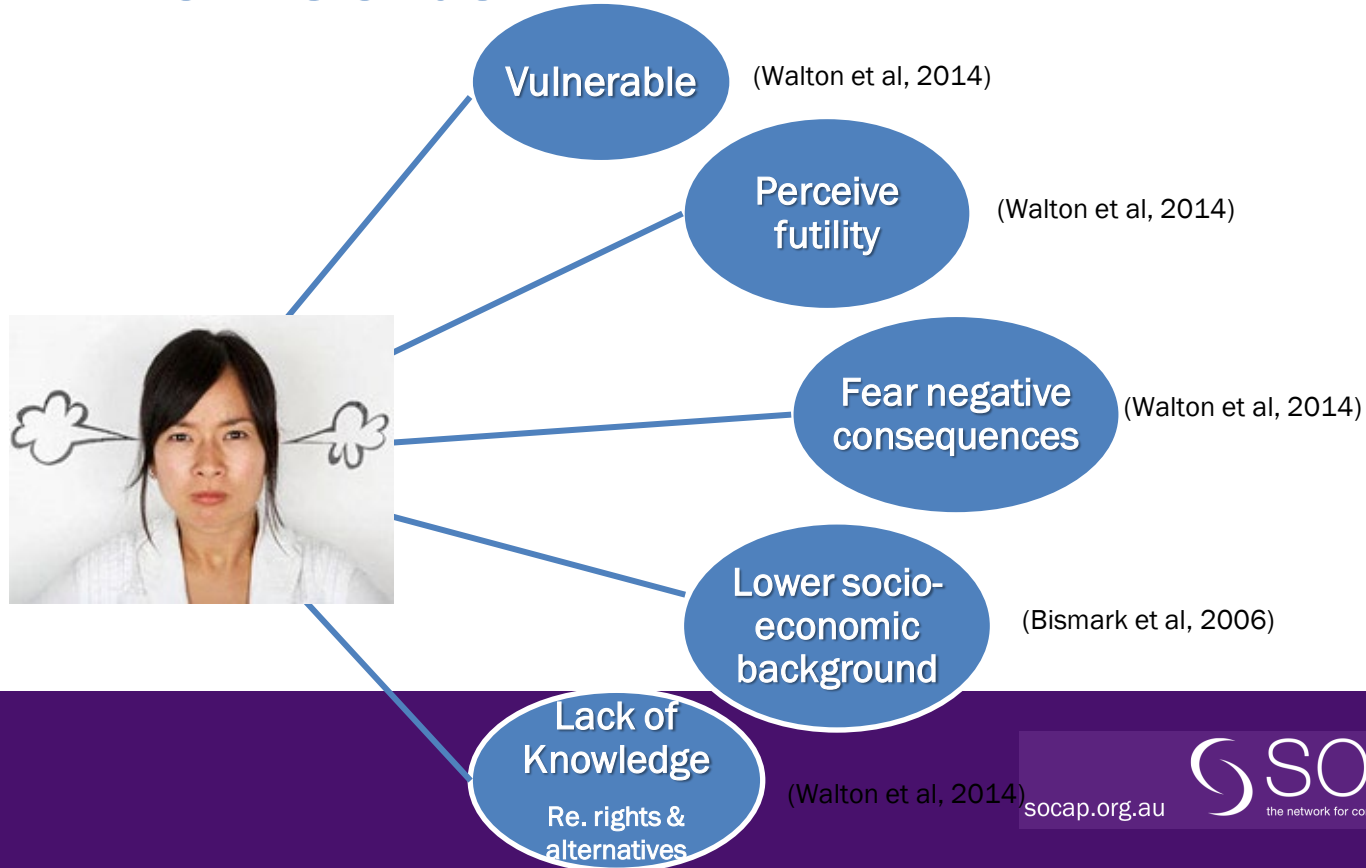
COMPLAINANTS' MOTIVES – PUBLIC ORGANISATIONS



CHARACTERISTICS OF COMPLAINANTS – PUBLIC ORGANISATIONS



CHARACTERISTICS OF NON-COMPLAINANTS – PUBLIC ORGS



Defining 'good' complaint management

The customer must feel that they've been treated fairly: **procedural justice, distributive justice and interactional justice**

Homburg et al, 2005; Yilmaz et al; (2016)

Homburg and Furst (2005); Yilmaz et al's (2016)

Cambra-Fierro et al (2015)

Johnston (2001)

Highlighted the factors: **clarity, speed, consistency, accessibility, usability, interactivity, respect, empowered employees**, using complaints to correct problems and focusing on reducing complaint-causation factors rather than the number of complaints

Organisational responsiveness is required in the form of **organic and mechanistic approaches**. The flexible complaint handling processes of the organic approach may be better for organisational learning

Timeliness, compensation and communications. There must be congruency between the loss incurred by the complainant and the benefits offered by the organisation during the complaint handling process

Australian Standard



ISO International Standard

The International Standard for Complaints Handling ISO10002-2004 stipulates nine guiding principles:

1. visibility,
2. accessibility,
3. responsiveness,
4. objectivity,
5. no charges,
6. confidentiality,
7. customer-focused approach,
8. accountability, and
9. continual improvement

(Dee, Karapetrovic, & Webb, 2004).

AS/NZS 10002:2014

- AS/NZS 10002 :2012 Complaint Management Guideline
- The new Standard was published in late October 2014. It is not an update of the 2006 Standard but a comprehensive rewrite transforming it from a complaint handling to a practical complaint management guideline. More importantly it contains a number of new requirements and lists specific obligations for senior roles in your organisation including the Chief Executive
- It contains a number of new requirements and lists specific obligations for senior roles in every organisation including the Chief Executive. Importantly the Standard now requires escalation of significant complaints and the associated systemic issues to the senior executives of the organisation.
- Complaint Standard AS/NZS 10002:2014 covers most industries in the private, as well as public sectors. Various Codes, Regulator terms of reference, ASIC guidelines and legislation require organisations to meet the requirements of the prevailing Standard.



Key changes in AS/NZS 10002: 2014

Staff responsibilities

The Standard outlines specific responsibilities for:

- CEO
- Manager
- Operations Manager
- All Staff

Some items to consider in relation to the Standard

- Complaint handling manual
- Complaint policy/Terms of Reference
- Brochures
- Product Description Statements
- Website and Intranet
- Position Descriptions



How do you cost and value a complaint?

Costs



Personnel costs



Administration costs



Communication costs



Compensation costs



Reputational costs



Escalation costs (including ombudsmen, tribunal and legal fees)

Benefits



Repurchase value



Increased stock value



Customer retention



Staff retention



Customer Lifetime Value



Customer advocacy and referral benefit



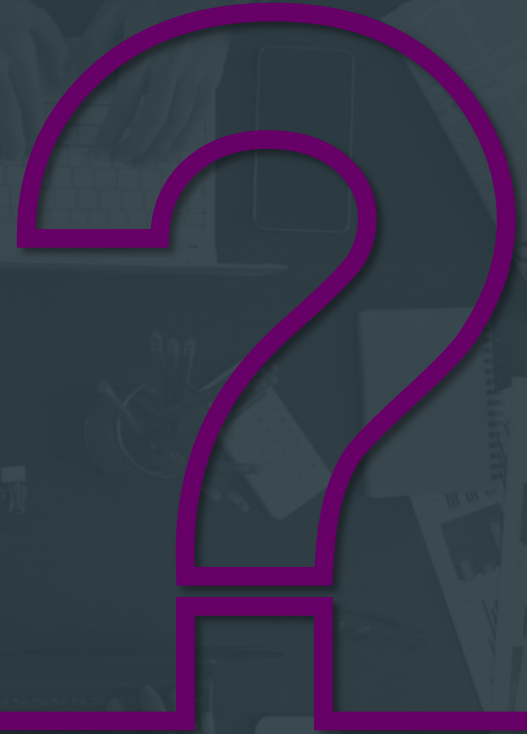
Process, service, people improvements



Decreased escalation rates to third-party agencies

CHALLENGES

**How do we attribute
monetary values to benefits?**



ROI Equation for private organisations

BENEFITS

INFORMATION

REPURCHASE

*ATTITUDE/
COMMUNICATION*

MINUS

COSTS

PERSONNEL

ADMINISTRATION

SETTLEMENT

ESCALATION

COMMUNICATION

ROI Equation for public organisations

BENEFITS

INFORMATION

*ATTITUDE/
COMMUNICATION*

~~*REPUTATION*~~

COMPLIANCE

MINUS

COSTS

PERSONNEL

ADMINISTRATION

SETTLEMENT

ESCALATION

COMMUNICATION



Annual ROI Algorithm

$$\frac{\text{NET BENEFITS}}{\text{TOTAL COSTS}} \times 100$$

(WHERE NET BENEFITS = TOTAL BENEFITS - TOTAL COSTS)

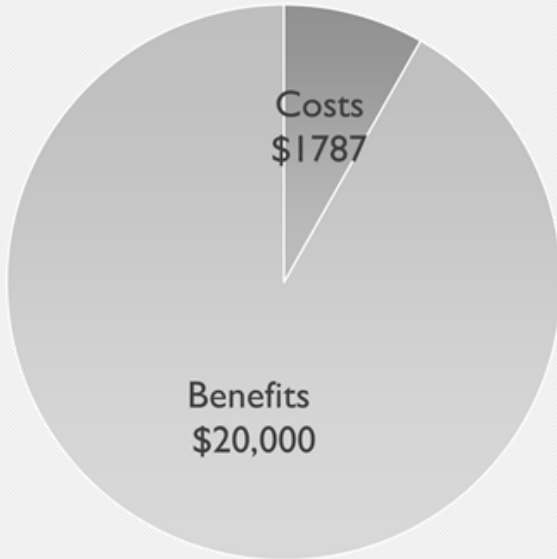
SCENARIOS...

ROI was calculated using some hypothetical scenarios using company data and estimates based on the literature

HYPOTHETICAL SCENARIO A: INSURANCE COMPANY EXAMPLE

| | | |
|-------------------------------|---|------------------|
| Cost of CCM | | |
| <u>Indirect Costs</u> | | |
| Personnel: | 37.5 hours@ \$42 per hour +30% oncosts – 25 hours (reduced number of complaints) = 12.5 hours | \$687.67 |
| Communication: | | \$1,000.00 |
| Administration: | Office space and equipment is \$237.73 per staff member per week (12.5 hours). | \$79.24 |
| Staff Recruitment & Training: | No additional training, so imputed cost of \$3.52 per complaint | \$3.52 |
| <u>FoS membership fees</u> | Per complaint | \$17.39 |
| Total Costs | | \$1787.82 |
| Benefits of CCM | | |
| Repurchase: | $MN\Delta p = \$100 * 100,000 * 0.002$ | \$20,000 |
| Total Benefits | | \$20,000 |
| ROI | $100 * (\text{Benefits} - \text{Costs}) / \text{Costs} = 100 * (20,000 - 1787.82) / 1787.82$ | 1018.7% |

SCENARIO A ROI



**The ROI for this scenario
was 1019%.**

Human dimension of complaint handling and staff welfare



Ascent of Complaint Handler



Hazards of complaints handling professional role

Many factors can impact on the wellbeing of people who deal with people each day, creating significant emotional wear and tear on the worker.



| | |
|----------------------|---|
| Customer factors | <p>Customers/clients may have unsolvable or challenging problems that need to be solved</p> <p>Customers/clients can have diverse motivations</p> <p>Needs of customers/clients can go beyond what your service is designed to offer</p> <p>Customers/clients can project negative feelings onto professionals</p> <p>Interacting with customers/clients can lead to compassion fatigue</p> |
| Professional factors | <p>High level responsibility coupled with inadequate authority and autonomy – highly stressful and perhaps even toxic</p> <p>Role overload – conflicting and competing demands</p> <p>Working in the “Age of Compliance” – pressure to be compliant – may be at odds with other demands</p> |

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| | |
|------------------|---|
| Personal factors | <p>Professionals are not robots, we all have a story, struggle with our own personal issues and challenges</p> <p>We <u>are also impacted</u> by stressful work, work overload and workplace stress. We can be 'emotionally triggered' at times by the work we do, can be challenging to get guidance as to how to deal with these triggers. Yet when this occurs we lose psychological flexibility and agility and may react to situations in reactive, dysfunction or destructive ways – which can <u>impact</u> negatively on workplace relationships or the shame and discomfort we can feel can negatively impact on how we feel about ourselves.</p> <p>A lot of customer/client <u>focussed</u> professionals struggle with the 'never feeling good enough'</p> <p>As professionals we may find it hard to know where to draw the line at times, and when to set personal and professional boundaries – they are challenging skills to learn</p> |
|------------------|---|

| | |
|--------------------------------------|--|
| <p><u>Organisational factors</u></p> | <p>Stressful or dysfunctional workplace - cynical, critical, negative colleagues, managers or toxic workplace culture</p> <p>Dealing with <u>organisational change</u></p> <p>A lot of fear in the workplace – including legal and ethical fears</p> <p>Employee engagement is at an <u>all time</u> low – about 76% of the workforce are either disengaged or actively disengaged.</p> <p>Burnout is at an <u>all time</u> high, claims for psychological injury are sky rocketing, mental health issues are skyrocketing</p> <p>Too much work, coupled with low job control and low social support at work, linked to a 2-3 fold increase of anxiety and depression amongst the workforce</p> <p>The workplace can unintentionally create the conditions that work against people fulfilling their potential</p> |
|--------------------------------------|--|

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Thank you

