Increasing Customer Satisfaction

Through Effective Corporate Complaint Handling

United States Office of Consumer Affairs in Cooperation with Chevrolet Motor Division General Motors Corporation.
The information presented here is drawn from two major studies of consumer complaining behavior and the consumer complaint handling practices of business, government, and voluntary groups. The first of these, the landmark Consumer Complaint Handling In America, was commissioned by the United States Office of Consumer Affairs (USOCA) and carried out by Technical Assistance Research Programs Institute (TARP) between 1974 and 1979. The second, a 1985-86 Update of the original study, also by TARP, was a joint effort of the USOCA and five member agencies of the Federal Consumer Affairs Council.*

John Goodman, Marc Grainer, and Dr. Arlene Malech are the principal authors of the Update (Consumer Complaint Handling In America: An Update Study).

The Update's message for business is clear. Since the original study many companies, including several of the nation's largest, have found that effective complaint handling and complaint prevention systems result in:

-RETENTION OF CUSTOMERS
-INCREASED REVENUE
-IMPROVED QUALITY AND EFFICIENCY.

This summary of the lessons for business of these studies is directed to the needs of senior corporate management. We believe that once senior managers are aware of the manifest bottom-line benefits, they will improve their complaint handling and prevention systems to increase customer satisfaction and enhance their companies' ability to compete.

We thank the Chevrolet Division of General Motors Corporation for their generosity and vision in printing this booklet for USOCA. Chevrolet and other divisions of General Motors quickly grasped the significance of our findings on complaint handling and prevention and restructured their systems accordingly. This demonstrates that the nation's largest company can also be one of its most forward-looking.

Copies of the complete text of the Update may be obtained by writing Update, U.S. Office of Consumer Affairs, Washington, D.C. 20201 or calling (202) 634-4319.

Virginia H. Knauer
Special Adviser to the President for Consumer Affairs
and
Director, United States Office of Consumer Affairs

* Contract HHS-100-84-0065 awarded via competitive bid to TARP (703 G St. SE, Washington, D.C. 20003) was funded by the U.S. Department of Health and Human Services, U.S. Postal Service, Consumer Product Safety Commission, Consumer Information Center of the General Services Administration, and the Federal Trade Commission, in cooperation with USOCA.
Table of Contents

INTRODUCTION: ACHIEVING CUSTOMER SATISFACTION

WHY IT PAYS TO HANDLE COMPLAINTS

PROFILES OF INNOVATIVE COMPLAINT HANDLING PRACTICES

1

3

11
INTRODUCTION: ACHIEVING CUSTOMER SATISFACTION

The formula below describes in simplified fashion how customer satisfaction is created:

- **Doing the Job Right the First Time** + **Effective Complaint Handling** = **Increased Customer Satisfaction/Brand Loyalty**

Clearly, the most important determinant of customer satisfaction is **DOING THE JOB RIGHT THE FIRST TIME**. This goal dictates good design/engineering, manufacturing, sales, and service practices. In a complex production/distribution chain, however, where everyone from manufacturer to retail clerk must always perform competently, problems will occur, even in the best managed companies.

Such problems are costly, both to the company and the customer. When they occur, **EFFECTIVE COMPLAINT HANDLING** practices are required to maintain customer satisfaction. For a complaint handling system to be effective, it must: (1) solve the individual consumer’s problem, as well as; (2) identify and correct the root cause of the problem. Thus, **EFFECTIVE COMPLAINT HANDLING** is fundamental feedback necessary for **DOING THE JOB RIGHT THE FIRST TIME**.

The result is **INCREASED CUSTOMER SATISFACTION**, which translates into **INCREASED BRAND LOYALTY**. Old customers continue buying, and positive word of mouth results in new customers.

This United States Office of Consumer Affairs study focuses on the **EFFECTIVE COMPLAINT HANDLING** component of the customer satisfaction equation. It explains precisely why it pays to handle consumer complaints rather than dismissing them as a costly and time-consuming irritant and presents seven examples of companies whose complaint handling systems represent the state of the art in the mid-1980’s.
**WHY IT PAYS TO HANDLE COMPLAINTS**

**Consumer Problem Experience.**

Do significant numbers of consumers experience problems with the products and services they purchase?

The National Consumer Survey (NCS), sponsored by the USOCA, found that nearly one third of the households interviewed had experienced at least one significant consumer problem during the year preceding the survey. Of households reporting problems, more than 60 percent reported financial losses averaging $142. Nearly 15 percent of the problem households reported lost time from work (e.g., waiting for repair people) in resolving their most serious problem.

Other research supports these NCS findings. One study found that approximately one out of four purchases resulted in some type of problem experience. Another survey reported that more than 70 percent of the respondents had experienced some type of problem with grocery products. Customer service has become so poor that the February 2, 1987 issue of *Time* devoted its cover story, *Puleeze! Will Somebody Help Me?*, to the frustrated American consumer.

**Tip of the Iceberg Phenomenon.**

Research indicates that many consumers who experience problems with the products or services they purchase do not complain. More than 70 percent of the respondents in a survey of consumers with service problems did not complain. Another national study of problems with both products and services found similarly that nearly 70 percent did not complain.

In this decade, TARP has studied complaint submission rates in many industries. Chart 1 reports levels of unarticulated complaints in four representative product/service areas. These findings indicate strongly that many consumers who experience problems do not complain.

When people do complain, they usually contact the retailer. The NCS found that only 5 percent of initial complaints were made to the manufacturer.

**MANY CUSTOMERS DO NOT COMPLAIN**
(Percentage of Customers Experiencing Problems With Selected Products/Services Who Did Not Complain)

![Bar Chart](chart1.png)

Source: TARP Industry Specific Data

[CHART 1]
Why Unhappy Consumers Do Not Complain.

Research identifies three principal reasons why people don’t complain:

- Complaining wasn’t worth their time and effort.
- They believed complaining wouldn’t do any good; no one wanted to hear about their problems.
- They didn’t know how or where to complain.

Each reason indicates that the consumer has lost confidence in the company that supplied the defective product or service.

Level of Complainant Satisfaction with Problem Resolution.

The fact that so many dissatisfied consumers believe “it’s not worth the effort” to complain or “no one would do anything” to resolve their problems suggests consumer pessimism. Unfortunately, this pessimism may be well founded. Studies report disturbingly low rates of consumer satisfaction with complaint handling outcomes.

The NCS reported more than 40 percent of the households experiencing consumer problems were unhappy with the action business took to resolve their complaints. Those problems causing the greatest financial loss to the consumer had the lowest satisfactory resolution rates. Chart 2 reports representative complainant dissatisfaction rates in different industries.

The Relationship Between Complaining and Brand Loyalty: Market Impact.

Why should business seek complaints and satisfy complainants? Very simply, complaints handled properly can have a significant effect on the corporate bottom line.

NCS results indicate a strong positive relationship between complaining and brand loyalty. Chart 3 summarizes these findings.

Where minor ($1 to $5 losses) complaints were resolved to the consumer’s satisfaction, 70 percent of the complainants reported that they would maintain brand loyalty. Among those whose minor complaints were not satisfactorily resolved, 46 percent still indicated they would repurchase the problem product or service. But, only about a third of those with minor problems who did not complain at all said they would repurchase.

Source: TARP Industry Specific Data

CHART 2
HOW MANY UNHAPPY CUSTOMERS WILL BUY AGAIN?

- % of customers with minor complaints ($1 to $5 losses) who will buy again.
- % of customers with major complaints (over $100 losses) who will buy again.

Source: National Consumer Survey
In households with major complaints (potential financial loss estimated to be greater than $100) the same positive relationship between complaining and continuing brand loyalty was reported. Of those who complained and whose problems were satisfactorily resolved, 54 percent declared they would maintain brand loyalty. Even where complainants were not happy with the resolution of their high-cost problems, 19 percent expressed their intent to repurchase. However, only 9 percent of the noncomplaining households said they would continue to purchase the offending product or service.

Although many managers view complaints as a drain on resources, these survey data suggest that, on the contrary, complaints may be an extremely valuable marketing asset. Taken as a whole, they show that, among households experiencing consumer problems, those that complained exhibited far stronger continuing brand loyalty than those that did not complain.

Complaints are opportunities to rectify customers' problems. Companies that respond to these opportunities are rewarded through continuing brand loyalty, generally in direct proportion to the degree of their responsiveness.

On the other hand, while noncomplaining dissatisfied consumers may not be angry enough to complain, a large majority are unhappy enough to switch. Ironically, the problems of these noncomplainants are usually relatively easy to resolve. If given a chance, companies could retain many of these customers. This sometimes large pool of noncomplainants represents a very substantial lost marketing opportunity.

It is normally less expensive, given the high cost of marketing, to resolve the problem of a consumer than to replace him or her with a new customer, especially in highly competitive industries. The NCS data, therefore, strongly suggest that it is in companies' self-interest to solicit complaints, and solicit them aggressively.

Industry-specific research further emphasizes the remarkable relationship between complaints and continuing brand loyalty. A study in the telecommunications industry, for example, found that repurchase intentions ranged from 31 percent for noncomplainants to 75 percent for satisfied complainants. Of dissatisfied complainants, 43 percent reported a repurchase intention, again indicating that a potential marketing advantage is created even when a complaint is not satisfactorily resolved.

Caution, however, is necessary when translating these findings into policy. The positive market impact of complaining can be totally negated by ineffective corporate complaint handling practices.

Some companies handle complaints so poorly that they would be better off not soliciting complaints. In these cases, the repurchase intention of dissatisfied complainants may actually be lower than that of noncomplainants. In an assessment of how a toll-free number was handling complaints about consumer telecommunications products, for example, TARP found that noncomplainants reported an 11 percent higher brand loyalty than dissatisfied complainants. An evaluation of a major car rental company's complaint handling department found the same trend.

**HOW MANY UNHAPPY CUSTOMERS WILL REMAIN BRAND LOYAL?**

[Chart showing intent to repurchase]

Source: TARP Industry Specific Data

CHART 4
Both companies operated ineffective complaint handling systems. They took too long to act on complaints and both had created unrealistically high customer expectations regarding the remedial action that would be taken. These companies raised customer expectations and then did not meet them, the worst possible outcome from both the companies’ and their customers’ perspectives.

Such cases are unusual, but their occurrence demands that, before a company adopts an aggressive complaint solicitation strategy, corporate complaint handling policies should be thoroughly reviewed and upgraded where necessary. For complaint handling to be effective as a marketing strategy, companies must be willing to make a serious commitment to resolving consumer problems.

A 1981 study conducted for Coca-Cola, U.S.A., forcefully validates the relationship between complainant satisfaction and brand loyalty. Complainants whose problems were not resolved satisfactorily reported a 25 percent repurchase intention. The brand loyalty of those complainants who felt the corporate response was acceptable was 62 percent, and jumped to 94 percent for those complainants whose problems were resolved to their satisfaction.

Other industry-specific research concerning a large ticket durable good, financial service, and automotive service similarly evidences the relationship between complainant satisfaction and brand loyalty. These findings (Charts 4, 5, and 6) demonstrate the marketing advantages of an effective complaint handling system in a variety of industries.

In sum, to maximize the marketing benefits of complaint handling:

1. Solicit complaints. As a general rule, the brand loyalty of consumers who experience problems increases when they complain.

2. Design corporate complaint handling policies to optimize complainant satisfaction in order to create the highest levels of continuing brand loyalty.
The Relationship Between Complaining and Line Loyalty: Market Impact.

The satisfactory resolution of problems with one product or service may affect customers' loyalty to others offered by the same company. A study of complaint behavior in the automotive service industry asked consumers who had submitted complaints about service whether they would purchase automotive accessories (e.g., tires) from the offending retailer. The results (Chart 7) indicate a strong relationship between complainant satisfaction and line loyalty.

Only 32 percent of consumers unhappy with the response to their complaints said they would return for future automotive needs. Line loyalty moved to 51 percent for consumers who found the response to their complaints acceptable, and skipped up to 69 percent for those whose problems were completely resolved.

A similar relationship between complainant satisfaction and line loyalty (Chart 8) was found in the financial services industry. Consumers who registered complaints with a major financial services company were asked whether they would purchase other products (travel services, direct mail items, insurance, etc.) from the company. Among dissatisfied complainants, only 17 percent reported line loyalty, increasing to half for those who found the response acceptable, and jumping to 80 percent among those completely satisfied with the action on their complaints.

HOW MANY UNHAPPY CUSTOMERS WILL REMAIN LINE LOYAL?

![Chart 7: Automotive Service](chart7.png)

![Chart 8: Financial Service](chart8.png)

Source: TARP Industry Specific Data
The Corporate Complaint Handling Department as a Profit Center.

Clearly, it makes economic sense for companies to seek and resolve consumer complaints. The logic of this customer-centered strategy is at the heart of such works as In Search of Excellence that stress the value of companies getting closer to their customers.

With the renewed emphasis on contact with one's customers, it should be no surprise that 1980's corporate America is beginning to recognize the link between complaint handling and profits. A 1984 Business Week article, Making Service a Potent Marketing Tool, highlighted the ways companies are using complaint handling and customer service policies in their marketing strategies. Major American companies such as American Express, General Motors, and General Electric were cited for realizing the marketing benefits of complaint handling and understanding the potential of the corporate complaint handling department as a profit center. Profit has been the impetus behind the recent growth of toll-free 800 numbers for complaint handling.

In a corporate environment, strategic issues such as the value of soliciting complaints are normally decided on the basis of bottom line considerations. Management typically wants to know whether the economic benefits resulting from handling complaints will be greater than the costs. With this in mind, TARP developed an economic model for calculating the return on company dollars invested in complaint handling. As Chart 9 indicates, corporate complaint handling units in diverse industries can be substantial profit centers.

A good example of the increasing recognition of the bottom line benefits of complaint handling can be found in the automotive industry, identified in the mid-70's by the NCS as one of the eight industries most subject to consumer problems. At that time there was little in the way of good complaint handling practices anywhere in the industry. Since then, however, General Motors, an industry leader, has seen the benefits of effective complaint handling. In 1983, after reviewing USOCA's study Complaint Handling in America, GM prepared an internal white paper, Too Few Complain, which advocated that "it's just good business to get dissatisfied customers to tell you about their problems."
Automotive News (April 1984) quoted Lloyd Reuss, then Vice President and Group Executive, Chevrolet-Pontiac-GM of Canada Group as saying:

We have to find them (car owners with problems). We have to actually solicit complaints. If we are able to do a good job of satisfying them the first time, we not only win them as customers but they tell their friends, neighbors, and other people about their satisfactory experience. It is very important ... We are trying to make it easier to complain, fix those complaints the first time, and depend on that word of mouth to get around.

During the 1980's, a number of domestic and foreign automakers have adopted this approach to complaint handling.

Complaint handling can have positive impact on profits in several ways. Responsiveness retains the patronage of consumers who, but for their complaining experience, would have switched brands. In addition, appropriate complaint handling policies can reduce costly third-party/liability claims.

But perhaps most important, effective complaint handling can produce significant sales beyond those to the segment of the population which had problems resolved. Positive word of mouth influences consumer purchasing decisions. The reputation created by responsive complaint handling is often the deciding factor in consumer choice among competitors.

Moreover, an effective complaint handling unit not only resolves individual consumer problems, it identifies and corrects their root causes. Addressing root causes reduces aggregate complaint handling costs, because complaint volume decreases, and, once problem causes are identified, product/service quality can be improved, which generally has a positive impact on sales.
A variety of innovative policies and technologies are used by companies to solicit and resolve consumer complaints and to prevent consumer problems from occurring. The purpose of these illustrative examples is to improve public awareness of the state of the art in both the prevention and handling of consumer complaints.

General Electric

General Electric’s primary customer contact unit is the GE Answer Center®. Consumers can call the Center toll free, 24 hours a day, seven days a week, to get information about GE consumer products and services. The Center, which handles both complaints and inquiries, is located in Louisville, Kentucky.

The Center handled approximately 2.6 million phone calls in 1985. A third of the consumer calls were prepurchase inquiries; a third concerned product use and care after purchase; and a third involved service, including where to get service and how to diagnose problems and “do it yourself.” Only about 5 percent of the calls handled by the Center were actual complaints, and 90 percent of all calls were closed on first contact.

Approximately 140 front line agents and 50 technical specialists staff the Center. The front line agents receive five weeks of training prior to working independently on the telephone. Center agents can handle approximately 85 percent of all incoming calls. Calls dealing with difficult questions or problems are transferred to technical specialists who have an average of seven years’ experience with General Electric.

Six features of the Center bear special mention:

- Consumers learn of the Center not only from literature and labeling, but also via major national print and television advertising. Even if customers discard product literature, they are frequently reminded that the Center is available should a problem occur. This advertising also demonstrates that GE stands behind its products.

- The Center’s 24-hour schedule makes service available whenever a customer may need it, say when the freezer fails at 8:00 p.m. or the oven stops working on Thanksgiving Day. Many companies believe a 24-hour schedule is too expensive, preferring to answer calls only during a defined workday (e.g., from 9:00 a.m. to 6:00 p.m.). GE finds that 24-hour operation doesn’t cost significantly more because off-hour telephone charges can be as much as 60 percent lower, offsetting staffing costs. Also, the usual Monday morning peaks, which require additional staff, are substantially reduced.

- GE’s response support system is fully computerized, with a fast response-time data base of more than 750,000 answers, allowing agents to quickly access the proper answer, as well as identify the closest “good” dealer, provide the caller with dealer hours of operation, and even give specific dealer location directions. In 1985, 800,000 referrals, many of which became sales, were directed to dealers whom GE knew had previously provided satisfactory service. This both prevents complaints and provides retail outlets with a strong incentive to give good service.

The GE Answer Center® is the state-of-the-art customer assistance 800 number now operating in the United States.
The Center manager reports to a GE executive vice president. This formal linkage with senior management facilitates use of complaint/inquiry data to prevent future problems and identify marketing opportunities.

GE has identified personality traits and abilities critical to the development of successful telephone agents. These are reinforced during the five weeks of initial training. Agents also receive another 100 hours of training annually, so they remain well informed and well practiced.

The Center's evaluation policies and incentive programs are especially innovative. Evaluation encompasses not only call monitoring, but also surveys of customers with whom agents have spoken. These surveys show that 91 percent of callers are "very satisfied" or "satisfied" with the results of the call. Agents are also asked to rate themselves on defined evaluation criteria and then work with their supervisors to improve performance. Telephone agents receive recognition through office ceremonies and appearances in national advertising. Customer satisfaction and call quality are equally as important as productivity in the Center's reward system.

**Polaroid**

Polaroid's primary customer contact unit is the Consumer Resource Center (CRC), located in Cambridge, Massachusetts. The CRC operates an 800 number for consumer assistance and has staff in five regional offices around the United States. It shares its headquarters offices with the Technical Hotline Unit, which provides assistance to industrial customers. Polaroid has used an 800 number for complaint handling for more than 13 years.

The CRC has 18 front line representatives in Cambridge, and 5 back-up representatives. They handle both telephone calls and consumer correspondence. The field offices are staffed by 20 additional representatives. During 1984, the CRC handled approximately 320,000 contacts. Currently it handles up to 1,500 telephone calls a day, of which 40 percent are product use calls, 20 percent are pre-purchase calls, 20 percent are promotion-related (another type of pre-purchase call), and 20 percent concern service. Only one half of the 20 percent related to service (10 percent of all calls received) are actual complaints, while the rest involve obtaining service.

Seven CRC innovations are especially noteworthy:

- The automated call director allows calls to be offloaded to CRC regional offices when staffing at headquarters is insufficient. For example, calls to headquarters can be offloaded to offices in western time zones at the close of normal East Coast business hours. Even during regular East Coast hours, one out of ten calls is shifted to reduce the peak staffing levels needed at headquarters.

- Complaints are aggressively solicited. The 800 number is embossed directly on Polaroid cameras and placed in bold print on almost all literature, promotions, and film packs.

- Polaroid has adopted very flexible response formulation guidelines. Representatives have wide latitude to do whatever is necessary to make the customer happy. Also, representatives are cross-trained and given experience on the Technical Hotline so that they can handle most technical/industrial calls.

- For mail control, Polaroid uses the date of the customer's letter as the input date, rather than the date received. The response timeframe, then, is dictated by the customer rather than the company.

- The CRC captures market intelligence. Using protocols formulated by product management and the CRC, up to six questions are asked of all customers meeting appropriate criteria, e.g., owning a certain model of camera. This obtains marketplace feedback on a particular issue in a matter of days at minimal cost to the company.
The CRC complaint data base is used to identify and correct the root causes of customer problems. The results of this preventive analysis are submitted to senior corporate management on an ongoing basis.

On the theory that solving a problem shows that the company stands behind its products, Polaroid is aggressively using the CRC 800 number as a cross-selling device. When representatives feel they have effectively resolved a customer's complaint, they bring other products and accessories to the customer's attention. To generate further sales, taped messages highlighting special products run while the customer is on hold. These messages also reduce the percentage of calls that are abandoned by customers because they shorten customer perception of "wait time."

General Motors Corporation

GM, headquartered in Detroit, is the nation's largest manufacturer of automotive products. The company's automobiles and trucks are sold through an extensive network of franchises throughout the country. In the past two decades, competition in the automobile industry has sharply increased. To succeed in this highly competitive marketplace, GM has adopted several innovative problem prevention and complaint handling policies:

Buick and Chevrolet Divisions established Customer Satisfaction Core Groups, in 1981 and 1985, respectively. Each Core Group consisted of three senior executives assigned for approximately six months to develop a strategy for their divisions to increase customer satisfaction. Not necessarily executives with backgrounds in customer relations, their rank was sufficient to have their recommendations taken seriously by senior management, but not too high to preclude full-time Core Group responsibilities. The Core Groups developed detailed recommendations, with supporting program plans, for increasing customer satisfaction.

Buick, Chevrolet, and Pontiac have established 800 numbers for customer complaints. USOCA research, as well as GM in-house studies, showing the positive marketing benefits of soliciting complaints were cited as principal reasons for establishing these 800 numbers. Noteworthy features of these GM 800 numbers include:

- The GM 800 numbers are primarily complaint clearinghouses. Normally, staff record data on the customer's problem and assign the complaint to the field, usually a dealership, for action.

- Special dealership-based complaint handling programs—Buick's CAP and Chevrolet's CS Net Program—have been established to prepare for the volume of complaints referred by the 800 numbers. Dealerships adopt complaint handling procedures aimed at resolving individual complaints, as well as correcting the root causes of customer problems.

- 800 number personnel get special training in defusion of anger telephone techniques. Instead of rushing customers off the telephone, staff give them adequate time to ventilate their anger and supply necessary complaint data.

- The 800 number data base supplies early warning of problem trends. The information is used by other division departments to formulate solutions to customer problems.

- Sophisticated computer networks link the 800 numbers to their field offices and dealerships. Chevrolet has designed state-of-the-art software for both complaint handling and information requests.

- Buick and Chevrolet have set up complainant satisfaction tracking systems. After final action on their complaints, a five-item questionnaire is sent to complainants covering satisfaction with problem resolution, repurchase intention, satisfaction with 800 number performance, and professionalism/timeliness of complaint handlers. An index of complain-
satisfaction/repurchase intention is used to rank order the performance of dealerships. A management by exception approach is used to focus limited customer relations resources on improving the performance of those dealerships with the lowest index scores.

• Buick uses its 800 number as a proactive sales tool. Advertising encourages consumers to call for product information and to arrange for test drives. The 800 number personnel refer such leads to the appropriate dealership.

At the corporate level, GM administers an ongoing Customer Satisfaction Index Survey Program. A detailed questionnaire dealing with customer satisfaction measures (e.g., with warranty service) is sent to owner samples from each GM division six months after purchase. Results are used to compare field office and dealership performance. Individual GM divisions also have their own customer satisfaction tracking surveys. For example, Buick, Chevrolet, and Cadillac survey new car purchasers shortly after delivery in order to measure satisfaction with sales and delivery practices.

American Express Corporation

Based in New York City, American Express provides financial and travel related services in more than 130 countries. Its autonomous divisions provide a wide range of financial and other services including charge cards, travel, merchandise, international banking, travelers cheques, insurance, financial planning, and investments. This diversity and the fact that a single customer may be served by several divisions, led American Express to a number of innovations to facilitate rapid response to consumers and prevent future complaints:

• In its 1985 annual report American Express stressed the importance of service quality and complaint handling to its employees and stockholders. It featured full-page photographs, with statements, of employees who handle and prevent complaints. This management emphasis on customer service increases corporate commitment to complaint response and prevention.

• American Express Travel Related Services Company has established an Annual Great Performers Award for employees who provide customers with high levels of service. The award citations appear in the company's annual report.

• Because the services provided by American Express operating divisions are so diverse, the corporate Office of Public Responsibility has acted as a catalyst to form a cross-company task force to address how to assure consistently excellent service. This task force deals with such issues as:

  • What are the key expectations of customers?

  • How well is American Express meeting them and what are the bottom line implications of not meeting them?

  • What policy or procedural improvements are needed to assure that service meets these expectations?

  • How best to respond to customers whose expectations are not met?

• The Travel Related Services Company and the Executive Consumer Relations unit field an annual complainant satisfaction survey, which includes such issues as general customer expectations, complainant satisfaction, and repurchase intention. This provides an incentive to satisfy complaining customers and facilitates management by exception.

• American Express makes it easy for customers to complain or ask questions about their charge card bills by printing the appropriate toll-free number on customers' statements.
Northern Telecom, Inc.

An international manufacturer of telecommunications equipment with its U.S. headquarters in Nashville, Northern Telecom is a leading maker of digital PBX and large telephone switching equipment. In 1980, Northern Telecom began a Customer Satisfaction Program to develop a uniform method of measuring "quality." The program has been expanded to encompass all contact between Northern Telecom and its customers, from presale to ongoing maintenance and repair service. The approach is to measure quality from the customer's point of view. Other corporations measure customer satisfaction with products and services, but few do it as systematically and comprehensively as Northern Telecom. Their customer satisfaction tracking system is the heart of Northern Telecom's problem prevention effort:

- The core of the current tracking system is a series of three product/division-specific questionnaires. The first focuses on sales and marketing services, delivery, installation, and repair; the second on product performance; and the third on key attributes of ongoing product use. Each survey instrument measures satisfaction and repurchase intention which form the basis of a performance index.

- The customer satisfaction tracking system, administered by headquarters' Quality Assurance Department, provides division managers with data on customers' specific concerns, as well as an objective appraisal of division strengths and weaknesses. This approach permits management by exception, enabling Northern Telecom to concentrate its resources in areas of greatest impact.

- Questionnaire format and methodology minimize customer response burden while assuring that Northern Telecom obtains timely information. The simple report formats allow pinpointing of areas where action is necessary and areas where performance is exemplary.

Digital Equipment Corporation

Makers of minicomputers and a wide range of computer telecommunications equipment, DEC's headquarters is in Maynard, Massachusetts. Although it sells primarily to other companies and handles complaints on a decentralized basis, an annual independent survey conducted by International Data Corporation rated DEC the best field service provider of all major U.S. computer companies in 1984. Several innovations in problem prevention contributed to this:

- Maximization of product quality and customer satisfaction has been adopted as a corporate objective. Costs are secondary to this. DEC believes that costs associated with improving quality will be more than offset by long term success in the marketplace. According to DEC, if improvements in quality/satisfaction cannot be justified in terms of strict cost/benefit analysis, the "arena of decisionmaking" has been too narrowly defined.

- A Manager of Quality (and customer satisfaction) reports directly to the corporate Executive Committee and has a mandate to do whatever necessary to improve service, product quality, and customer satisfaction. This reporting level and broad mandate assure that DEC's problem prevention initiatives receive the required field support.

- Recognizing that management perceptions of customer wants may be mistaken, DEC has conducted detailed research to identify service transactions and product attributes which are most important to customers. This also identifies areas where service improvements are not warranted so that resources allocated to improve product service quality are used most productively.
Neiman-Marcus

A national retail company operating specialty stores as well as a mail order service, Neiman-Marcus' headquarters is in Dallas. Two innovative problem prevention practices used by the company in telephone orders of merchandise are:

■ A first-class mailing to customers confirms the details of any complex order (e.g., engraved items). Customers are asked to call the 800 number immediately if any errors are found. This minimizes shipment of incorrect orders and consumer complaints. During peak telephone order periods, such as Christmas, Neiman-Marcus sends mailgrams to assure customer awareness of their orders' status.

■ Neiman-Marcus telephone representatives receive special briefings on product aspects which might lead to unmet customer expectations. If the actual color of a dress differs from what is shown in the catalog, representatives can so advise customers. Representatives also provide advice and help customers select clothes that will coordinate, reducing returns and increasing customer satisfaction.