

Recovering Customer Loyalty
— When Things Go Wrong —

A
Complaint
Is a



Gift

Janelle Barlow and Claus Møller

Foreword by Tony Hsieh, CEO of Zappos.com

Second Edition, Revised and Expanded

an excerpt from

***A Complaint is a Gift:
Recovering Customer Loyalty When Things Go Wrong***

by Janelle Barlow and Claus Moller
Published by Berrett-Koehler Publishers

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INTRODUCTION

The Customer Speaks

It has been over ten years since the first edition of *A Complaint Is a Gift* was published. It's embarrassing to admit that we naively believed poorly handled complaints would be a thing of the past as a result of the widespread distribution the original edition enjoyed. We heard a number of "wow" examples, such as a medical supply company in Kiev, Ukraine, that completely reorganized its approach to complaint handling based solely on the contents of the Russian-translated version. With examples like this from around the world, we assumed we'd soon be able to stop talking about complaints—even though we would miss that. Complaints are a fun topic for speeches. Stories about poorly handled complaints arouse a great deal of eye rolling and tongue clucking. We thought everyone would have understood that complaints are gifts.

It didn't happen. In a 2006 survey of 3,200 U.S. and European consumers, 86 percent of respondents said their "trust in corporations has declined in the past five years."¹ In 2007, RightNow Technologies reported that after suffering a negative service experience,

- 80 percent of U.S. adults decided to never go back to that company
- 74 percent registered a complaint or told others
- 47 percent swore or shouted
- 29 percent reported they got a headache, felt their chest tighten, or cried
- 13 percent fought back by posting a negative online review or blog comment²

Finally, a Gallup poll commissioned by the Better Business Bureau, conducted between August 22 and September 8, 2007, found that 18 percent of adult Americans said their trust in business had dropped in the last year. Yet 93 percent of those surveyed said a company's reputation for honesty and fairness is extremely important to them. The report concludes that if companies don't deliver what they promise (the source of most complaints), customers will go somewhere else.³ It's not a pretty picture.

While the ideas from this book have influenced a great many people, companies still get things wrong, and customers continue to complain—if we're lucky. Service providers too often either blame customers for the mistakes they complain about or make them prove their positions. In many cases, they take so long to respond that customers forget what they complained about when they finally hear back from organizations. Customers frequently are forced to talk with robotic electronic voice systems that feebly attempt to replicate real conversations, and unfortunately, in some cases, these exchanges are better than live human interactions. And we won't even cite the statistics for how long customers wait on telephones to talk with someone. When they finally are connected with a live person, it's often someone living halfway around the world who reads from a script. Many customers become so frustrated with this type of communication that by the time they get to talk with someone, they start out angry and are automatically labeled problem customers—even though they may have been trying to buy something or have a simple question answered.

The deck is stacked against businesses trying to satisfy their customers. Customers expect satisfactory service. As a result, unsatisfactory service stands out. Because it stands out, it is more likely to be remembered and weighed more heavily compared to everything that went right. Ten transactions can go right, but that one mistake is what grabs consumer attention. This reality demands that we focus on what we can learn from customers who aren't happy.⁴

Organizations, however, don't seem to learn from their customers, as witnessed by the fact that most consumers face repeats of the very problems they already complained about. Most importantly, many service providers still see complaints as something to be avoided, as indicated by

the fact that many organizations continue to pay bonuses to their managers based on reductions in complaints. Yet surveys conducted around the world demonstrate over and over again that companies with the best-rated service in their industry are the most profitable. It's really that simple. And complaint handling is an integral part of that service rating.

It is true that many people and organizations have learned how to handle complaints better. Several large companies have instituted sophisticated technological approaches to more efficiently respond to complaints. And many companies educate their staff in the best ways to respond to upset customers. But every year, a new group of service providers show up to work in organizations around the world—fresh representatives who haven't had the advantage of the training offered by their employers. (Given the high rate at which call-center staff leave their jobs, they probably wouldn't have much use for that knowledge in any case.) Every year, new types of complaints are presented by consumers. Eager and desperate managers somehow continue to delude themselves into thinking that the best tactic is to eliminate all the problems that create complaints, as if zero defects is actually attainable. And today, twelve years since *A Complaint Is a Gift* hit the bookshelves, more and more complaints are made public on the Internet, posted in vitriolic tones by dissatisfied customers.

Because of what customers are forced to endure, many call-center staff regularly have to serve unpleasant, upset customers whom they personally did nothing to create. Yet to be good service providers, they must be able to calm these customers down and deal with them in a way that makes them want to return to do business again at some time in the future. Unfortunately, many staff take customer bad behavior just as personally as customers take the bad service they have been offered, and staff defensive reactions leak out onto customers.

Is it any wonder that most call centers have such a difficult time holding on to staff unless they offer the best-paying jobs in the area? This rapid and regular loss of staff requires constant hiring of new, untrained staff. As a result, many call centers do not have staff who know how to effectively handle complaints, let alone understand that a complaint is being delivered unless it is spelled out with the precise words "I have a complaint."

Academic research on complaint handling hasn't revealed earth-shaking new information since we surveyed studies for the original book. Greater and greater refinement, however, of what happens in the complaint process has been achieved over the past ten years. For example, more research has been conducted on differences of complaining styles between different national groups.⁵ This more detailed knowledge about consumer behavior has opened up additional areas to be researched. Here's our conclusion after reading hundreds of research studies:

- The more we know about service recovery, the more complex our understanding becomes.
- The more we know, the more we need to know to get the results we want with service recovery.
- The more we know, the more we need to experiment to see what works in specific situations.

While specific data may have changed, the research conducted in the 1960s through the 1990s has, more or less, held into the 2000s. No complaints there! In fact, it would be scary to think that a completely new understanding about complaints has popped up, necessitating an entirely new approach to complaint handling. Bottom line: the concept that a complaint is a gift holds true today as much as it did over ten years ago. Complaints are never going to go away, and organizations and their staffs need to adopt a strategy that enables them to recover customer loyalty when things go wrong.

What's Changed

What has changed is that many organizations, led in this direction by very convincing research,⁶ have gained a deeper understanding about how important effective complaint handling—service recovery, as it has been referred to since the early 1980s—is in retaining loyal customers. These organizations understand the cost they pay in loss of both customers and staff when upset and dissatisfied customers are not handled well.

Several organizations have also come to recognize that effective service recovery is an important part of creating powerful brands. In 2004, *Branded Customer Service* (by authors Janelle Barlow and Paul Stewart) examined the importance to brands of effective complaint handling.⁷ The conclusion: customers are remarkably forgiving of brands with promises that are not initially delivered as long as brand representatives respond to customers effectively, make good on original promises, and demonstrate that matters are improving. It also helps if the brand has a strong market image. One big key here is to rein in the marketing department so it does not make promises that the rest of the organization can't deliver.⁸

Janelle Barlow also coauthored *Emotional Value* during this period.⁹ *Emotional Value* went into depth on how broken promises, mistakes, and inappropriate treatment affect customers emotionally. Some customers will accept outrageous mistakes as long as service providers are sincere, helpful, and concerned. At least they'll accept mistakes if they don't regularly recur. If staff maintain an attitude that feedback is one of the best types of communication they can have with customers, strategically they start off on the right foot to build emotional value with customers.

Saying "thank you" for negative feedback is just as powerful today as it was a dozen years ago. More importantly, the strategy behind thanking for feedback is even more important today than it was in 1996. Our mind-sets really do influence how we respond to our customers, and "complaints as gifts" is a powerful business mind-set for delivering service when our best efforts have collapsed and we don't give customers what they expect.

Before we tell you how this new edition is organized, let us start this tale with an extraordinary "feel-good" example of complaint handling that is going to be talked about for a long time at Family Fare, a North Carolina convenience store chain. It's a "remember the time," epochal example for showing Family Fare store operators that they must never dismiss even the smallest customer disappointment that at first glance is due to just an honest mistake.

We'll set the foundation first. Family Fare aspires to offer the best customer service of any U.S. convenience store—period. It invests a

substantial sum of money in educating its store owners and managers about the brand of service it wants delivered and how to handle complaints. The company has created a simple brand promise and works like crazy to deliver it perfectly.

Family Fare is a classic example—of the type covered by Patrick Barwise in *Simply Better*—of building a brand by getting the fundamentals right most of the time.¹⁰ Family Fare wants to be a midweek grocery store; it knows it can't compete for the weekend supermarket shopping excursion. But it also doesn't have to be a bottom feeder, gouging customers with high prices when they have nowhere else to shop. Family Fare stores are clean and well lighted, and staples are often priced the same as at supermarkets. Most Family Fare customers know the store operators (among the nicest and most sincere people you'll ever meet) personally and love them. They are community for a bunch of people.

Lee Barnes, president, lives and breathes customer service. Complaints sent by e-mail to the Family Fare Web site come directly to him, and he responds personally. The following complaint was, in his words, a "real heart stopper." Sitting in his car (hopefully not driving!), Barnes read a complaint (on his BlackBerry) from a customer who said she was refused entry into an Xbox sweepstakes because her home address was not close enough to a Family Fare store. She wrote that she owned rental property near one of the stores and that her military husband purchased gas there. She was so incensed, she would never shop again at a Family Fare, and other military families that she knew would follow suit. "What a pity that you overlook customers who WORK near your locations even if they don't RESIDE by them. There are simply too many other places for us to buy our gas and sodas. Good Bye. Next time maybe you should hire someone with promotional experience to execute future giveaways." Ouch. Her words stung—and from a military family.

Barnes sent a quick response from his BlackBerry thanking her for contacting him and assuring her that he would make it possible for her to enter the sweepstakes. It turned out that there was no problem with her address. Back-end Web commands unfortunately kicked people in her situation out of the contest. She wasn't the only one, but she was the only one who complained. Once back at his office, Barnes sent the

customer a longer message, again thanking her for bringing the situation to his attention so that he could help her and improve Family Fare's customer experience. In an engaging letter, he told her that he would never have otherwise known and that he would personally sign her up for the contest.

Her response to this second letter was considerably toned down. She said that two of her friends had had the same problem. More valuable information was given to Family Fare when she also indicated that the first e-mail she sent to complain didn't go through because, according to an error message, she was more than ten miles away from a Family Fare store. In a third communication, this "complaining customer" wrote about her life and her children. "Okay well now you're just being too darned nice so I won't boycott your stores. I really do love Family Fare." In a two-page e-mail, the woman revealed that her husband's company commander had been killed the morning she had sent the original complaint. She had an adopted son and recently had taken in two additional foster children, one born addicted to drugs. The older son's birthday was coming up and he wanted an Xbox, but they simply couldn't afford one on their military budget. As she said, "Soooooooooooo I see your contest and I'm thinking, 'hey I will WIN Jess an Xbox,' but alas, I was unable to enter. It was just sort of the last straw at that moment."

By this time, Barnes and his customer were on a first-name basis. He was touched and decided to give Jessie an Xbox, whether he won or not. The company's Web designer, who was also thoroughly involved, offered a video game to go along with the Xbox. The customer's next letter carefully explained that she wasn't after sympathy or charity. In fact, she was embarrassed by what she had originally written. As she said, "I don't expect you to send us a game system. I just find it refreshing that a business truly cares, listens AND responds to a customer's complaint." Barnes responded that he hadn't heard a request for sympathy; the company had an extra Xbox, and he felt that sending it to Jessie and his younger brother was a way to thank her for taking the time to explain her Web site problems so they could be fixed. Two weeks later, Jessie had his Xbox. The thank-you letters from mother and sons are difficult to read without tearing up.

This example is about much more than just retaining a customer, though you can be sure that will happen. The story line is emotional and human. This mother's grief and complaint gave Barnes and Family Fare a chance to behave as humanitarians. At a nitty-gritty customer service level, however, Barnes created a classic teaching example that shows all his store owners what can happen when a complaint is received from someone who simply buys gasoline and soda pop at a convenience store.

Most complaints don't create such opportunities to show how good you really are. Most complaint examples don't let you in on a person's personal life in a way you never would have experienced without the complaint. Most complaint examples, however, all have a little piece of what happened in this remarkable situation. When they come along as complete as in this case, treasure them. Everyone benefits.

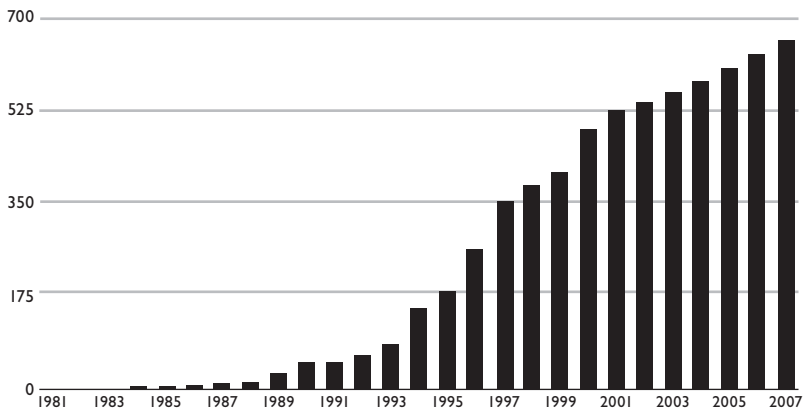
And don't worry that the next time you offer an Xbox competition, everyone will write complaint letters with made-up sob stories to get a free one. You'll recognize the believable when it happens.

The Complaint Is a Gift Metaphor

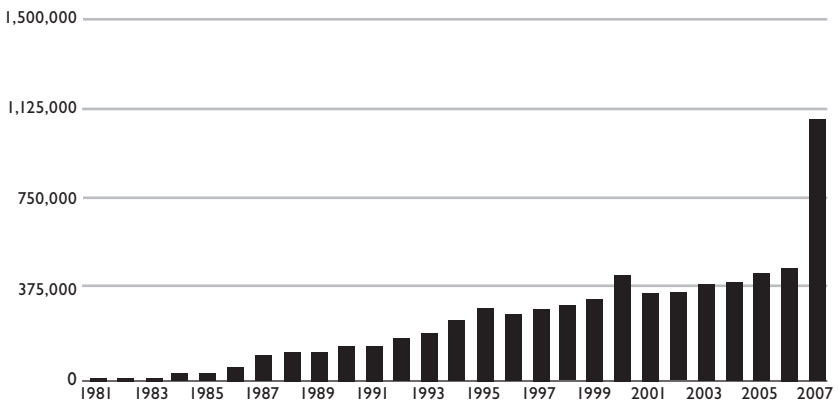
Without customers, businesses simply do not exist. Yet it seems as if customers have only recently been discovered. It is in the last twenty-five years or so that customers have begun to be talked about in a meaningful way. Today, phrases such as *total customer service*, *customer centricity*, *customer-driven marketplace*, *customer satisfaction indexes*, *customer-oriented culture*, *customer-centered selling*, *customer care*, *core and peripheral customer services*, *customer sensitivity*, *internal and external customers*, *customer focus*, and even *soft and hard customer relationships* regularly roll off the tongues of businesspeople—especially consultants.

Service recovery courses (on how to turn dissatisfied customers into loyal ones) have been among the most popular seminars around the world for quite some time. In the service industry today, the concepts of service and quality have become inexorably linked. For the first edition, we conducted a Dialog computer search of articles written since 1981 mentioning customer complaints in academic journals and uncovered

a dramatic increase in articles, reflecting an explosion of interest in the topic. Since that time, the academic interest in complaints and service recovery has steadily increased, as the graph below indicates. And to take full advantage of the Web, we decided to see how many entries about customer complaints were listed by Google for each year within the same time period.¹¹ The results are presented below.



DIALOGUE LISTINGS FOR COMMUNICATION, SERVICE, AND MANAGEMENT ARTICLES



GOOGLE LISTINGS FOR "CUSTOMER COMPLAINTS"

Obviously, there are repeats in the Google listings, and without going through each year's listings in detail, it is impossible to know how many earlier entries are relisted. But as the years advance, the numbers continue to steadily increase, except for the period following 2000. It is difficult to say for certain what caused that decline in listings, but many will recall that it seemed almost impolite to complain after the events of September 11, 2001. In 2007, there was a dramatic increase, probably caused in part by all the cross-linking done by bloggers. The steady increase over the years (except for the post-2000 drop) demonstrates that there has been a great deal more information and interest about complaints as each year has passed.

The concept of *customer* has expanded over the past twenty-five years. *Customer* means not just the paying customer but anyone who receives the benefit of goods and services, including patients in hospitals, students in schools, and public-transit riders. It has also come to mean internal organizational customers, such as work colleagues and bosses. Though some may not like calling their friends and family members customers, many customer ideas apply equally well to personal relationships. We will discuss some of them in this book.

The message is clear: customers have moved to the center of the discussion. Or you might say, customers have gone to the top of the organizational hierarchy. And every single management book on service and quality will echo Peter Drucker's original 1951 refrain: customers are the reason we get to stay in business.

Yet all too often we forget this. Many companies have their "we live for our customers" talk down to a fine art but believe that issuing orders about this topic is all they need to do. As service consultants, we have met far too many executives who just don't comprehend that it's not enough to tell staff to behave a certain way. "We told them that already," they lament, as if simply telling people to change will ever be enough. Dozens of customer surveys suggest that there is enormous room for improvement in how customers are treated once they have bought and, at times, before they buy. Employees, and the systems they are forced to operate in, persistently get in the way of customers' having a positive experience. This is particularly meaningful because of the ever-growing

shift from a goods economy to a service economy. In the United States in 1920, the service sector was responsible for 53 percent of the nonfarm workers; by 1960 that percentage had jumped to 62 percent; in 2000 the number increased to 81 percent. This pattern is consistent in every developed economy in the world.¹²

If businesses are truly interested in developing a customer-centric culture, heightening customer care, or providing total customer service, then customer dissatisfaction should be of central interest. One of the most direct and meaningful ways customers can express their dissatisfaction to companies is through what we have come to call a complaint.

In fact, most businesses view complaints as either proof of failure on their part that they would rather not admit or as confirmation of their suspicion that customers are out to get something for nothing. However a company is inclined to perceive or experience complaints, most companies desire to eliminate them. Yet complaints are one of the most direct and effective ways for customers to tell businesses that there is room for improvement. And if in a competitive market economy this improvement does not occur, customers will take their business elsewhere. It is very likely that they will eventually receive equally dissatisfying service from another company and will return to the first company after a period of time. But customer churn is very costly to businesses and has a strong negative effect on brand equity.

The metaphor we use in this book is that of complaints as gifts. Complaints are a feedback mechanism that can help organizations rapidly and inexpensively shift products, service style, or market focus to meet the needs of their customers—who, after all, pay the bills. It is time for all organizations to think of complaint handling as a strategic tool—an opportunity to learn something about products or services that maybe they did not already know—and as a marketing asset, rather than a nuisance, a cost, and a royal pain.

Customer complaints provide one of the primary and most direct means to communicate with customers. After all, how many consumers pick up the phone to just chat with organizations if they have no problems? Customers practically have to be bribed to get them to fill out survey forms. But when a complaint situation occurs, there's at least a small

chance that customers will talk with us directly. We'd better be prepared to listen.

This book speaks to those who deal with customers, those who would like to benefit from customer feedback, and those who have the responsibility of retaining dissatisfied customers as loyal ones. We suggest that a fundamental change in attitude is required if businesses are going to retain complaining customers. If companies get better at complaint management and complaint handling and begin to see complaints as gifts, they will open clearer lines of communication with customers. Our goal is to show you how a strategic shift in how you view customer complaints can be the first step to improve and, indeed, grow your business.

How This Book Is Organized

A Complaint Is a Gift is divided into three parts. The first part, "Complaints: Lifeline to the Customer," examines the strategy that will help us maintain a positive mind-set toward complaining customers. This part establishes the value of listening to customers. The role of complaint handling as a strategic tool for cultivating more business is presented. We will also consider why most dissatisfied customers rarely complain. (The overwhelming majority of them never do, though the Internet may be impacting that.) We look at what is in the mind of complaining customers in terms of what they say, do, and want when they are not satisfied.

The second part, "Putting the Complaint Is a Gift Strategy into Practice," focuses on how to handle the complaints you do receive. We review our eight-step Gift Formula for keeping our language, interactions, and actions consistent with the belief that a complaint is a gift. We've learned a lot about how that formula can be used even more effectively. We also address specific suggestions for turning angry customers into partners. (We stopped calling them terrorist customers after September 11, 2001.) Complaint letters are discussed as a special category of complaints. When this book was first published, the Web was a forum just beginning to be available for upset customers. Remember, it wasn't until 1995 that large numbers of people even began to use the Internet. In the last ten years, what used to be a whisper can now easily become a global

shout. The good news is that we are far from defenseless to complaints posted on the Web. We therefore consider how organizations can use the Web to their own advantage.

The first edition of this book had a part titled “How to Make Your Organization Complaint Friendly.” Because this book has been expanded by over fifty pages, we have decided to put the discussion of this topic on the TMI US Web page (www.tmius.com). There you will find papers you can download and comment on. We’ll keep updating (1) how to align your service recovery with your brand position, (2) how to evaluate your policies and systems so they are complaint friendly, and (3) how to develop and sustain a complaint-friendly culture. On our Web page you’ll also find an implementation process for making your organization more customer focused by concentrating on managing complaints.

Because of the considerable feedback we received from readers of the first edition of *A Complaint Is a Gift*, we decided to add an additional part: “Dishing It Out and Taking It In: The Personal Side of Complaints.” People have told us that applying the Gift Formula within their marriages has actually saved them! One of the best ways to find out what customers want is to listen to their complaints. And one of the best ways to improve a personal relationship is to notice when someone is upset and to respond in a way that leads to resolving the conflict. Quick dialogue, with open lines for feedback from friends, colleagues, and family members, that moves toward resolution of others’ irritations—complaint management, so to speak—can keep relationships harmonious and make them even stronger. If we hint to our partners that we do not want to hear any nagging, our partners may not say anything about what is bothering them, but it does not mean that they are not bothered. Like customers, they may leave without saying much. Or perhaps they’ll bash us on MySpace. Gordon Bethune, CEO of Continental Airlines until 2004, says, “You can’t take your girlfriend for granted, and you can’t take your customer for granted. Every time, it always works out the same way. Somebody else gets them.”¹³

At the conclusion of each chapter is a set of discussion questions about complaints and what you or your organization can do about them. These questions can be used at staff meetings to stimulate discussion and

understanding of customer complaints or as part of training efforts to improve complaint handling.

Actual cases of successful organizations managing and handling customer complaints are presented. We have expanded our examples and replaced most of the ones used in the original edition. We did receive feedback that our examples were too focused on the airline industry, the industry that so many love to hate. We listened to our readers, and as a result, we have broadened our array of industry examples, even though some of the best examples of bad service and poorly handled complaints are still coming from the airlines. (We, and most of our professional colleagues, happen to spend quite a bit of time sitting in airplane seats, so we hear about or notice a lot of bad service and associated complaints or a lack of them.) We recommend borrowing good ideas from other companies, even other industries, so just because you are not running an airline does not mean you cannot learn from airlines and their disastrous satisfaction records. In fact, many industries eventually go through some type of crisis, just as the airline industry is currently experiencing. September 11 and intense competition from “no frills” airlines shook up an entire industry, and airlines have had to learn how to adjust.¹⁴ Wally Bock, blogger par excellence, says, “Ideas that are almost sure to work are the best practices of other companies in your industry. But the breakthrough ideas often come from outside, from an industry that routinely solves a problem that’s new to you.”¹⁵ We agree.

All of our examples are very real. If we got some details wrong, we apologize in advance. In most cases, when the experience was negative, we removed the company name unless the company is no longer in existence or the complaint is part of the public record. This was a careful decision. It is tempting to conclude that a company provides poor service or offers poor products after hearing just one example. In fact, some customers will leave a business, never to return, because of one slipup. Every company makes mistakes from time to time. We would not want our readers to decide that a particular company is bad because someone had a reason to complain.

Finally, this book contains a lot of summarized research data. Readers will quickly learn that there is a great deal of variation in the literature

on complaints, but all the research points in the same direction: customers who are dissatisfied generally do not complain, and when they do, their feedback is all too often poorly handled and inadequately managed. If we are to treat complaints as gifts, we have to make major shifts in both our behavior and our thinking. The good news is that opportunity exists for almost all organizations to make dramatic improvements in how they handle complaints.

PART ONE



Complaints

Lifeline to the Customer

When customers feel dissatisfied with products and services, they have two options: they can say something or they can walk away. If they walk away, they give organizations virtually no opportunity to fix their dissatisfaction. Complaining customers are still talking with us, giving us an opportunity to recapture their interest so they will be more likely to buy from us again. In the world of the modern Internet, word of mouth has grown from simple dinner-table conversation to a global shout at a banquet with thousands of diners. So as much as we might not like to receive negative feedback, customers who complain directly to us are giving us a gift.

If we shift our mind-set to see complaints as gifts, we can more readily learn from difficult situations. Customer complaints continue to be one of the most available and yet underutilized sources of consumer and market information; as such, they can become the foundation for a company's quality and service recovery programs. This is no small gift!

In order to better understand complaining customers, part I of this book explores the mind of the complaining customer. With understanding comes acceptance. We must welcome these complaining and admittedly difficult customers at times and make them want to come to us with their feedback instead of trashing us behind our backs.

A Complaint Is a Gift Strategy



It's not easy to listen to complaining customers all day long. The following tirade by a service representative venting on the Internet is not all that different from many we have heard in person. You can almost hear the conflict this service provider is experiencing about her job, especially when she confronts an upset customer.

Customer complaints suck. Customers complain 90 percent of the time because they have had a bad day and need someone to take it out on. I work for a wireless company and I get so many complaints that it is sickening . . . My job is to help the customer, but there is a limit that any employee of any company can tolerate. I am sick of customer complaints. No matter how hard I try, customers are not satisfied within the limit of what we as employees can do by company policy . . . but when a customer comes into an establishment with an attitude from the start, it is hard to keep a level head when they are screaming at you and accusing you of being rude.

Anonymous

How About a Slightly Different Scenario?

Imagine that a friend comes to visit on your birthday with a lovely present in hand. The first thing you would say after greeting him or her would, most likely, be an expression of gratitude. “Thank you. Thank you for coming and thank you for the lovely present.” Your entire verbal and nonverbal language would signal your pleasure at seeing your friend and receiving the gift.

What if you then opened this gift and found a CD purchased just for you? What would you say? “Wow! I’m so pleased. I’ve wanted this CD for some time. How thoughtful of you to get it for me. How did you know this is my favorite artist? I’ll think of you every time I listen to it.” Okay, maybe not that profuse but something along those lines.

Now imagine that a customer has called you with a complaint. “My name is Chris Cooper, and your wireless service never works. I keep getting disconnected, and your advertising goes on and on about how you can be heard anywhere in the country. And that’s not all. My first bill had charges for calls I know I didn’t make. But that doesn’t surprise me. If you can’t get the connections right, you probably can’t get your billing right!” Would you say, “Thank you for calling and telling us about this. How thoughtful of you. We really appreciate it”? Probably not.

But when we receive a birthday present, we do not hesitate. We say, “Thank you.” Why do we do this? Because a friend took time to get us something special—in most cases. What about complaining customers? Are they friends? Or do they look like enemies? What are they trying to do? What are they giving us?

Complaining customers are giving us an opportunity to find out what their problems are so we can help them and they will be encouraged to come back, use our services, and buy our products. It’s as if they have gifted us with a blog written just for us: “A Chance to Survive: Listen to Me and You’ll Stay in Business.” So don’t say, “Go away. I’ve already got one CD by this artist, and I don’t want to listen to another. I’m too busy.”

When encountering the customer who complains about phone calls that are continually dropped and repetitive billing errors, many com-

pany representatives will start by asking a barrage of identification questions: “What is your name? How do you spell that? What is your phone number? What is your address? When did you start your service? What is the product number of your telephone? (By the way, if you don’t have it handy, it’s on the bottom of your phone in such tiny digits that you’ll need a magnifying glass to read it.) Do you have your monthly bill in front of you? What is our order number? What is your Web order number? What is your PO number?¹ When did you send in your last payment?” They may blame billing by sighing and saying, “We hear a lot of complaints about incorrect billing.” They may attack their own company by saying, “Those dropped calls happen a lot. It’s rather unbelievable that our advertising says we’re the best in the business. If that’s true, it makes you wonder about all the other wireless companies.” If customers are very lucky, they will get an apology.

But very few customer service people will say “Thank you” right off the bat. They may thank you at the end of the conversation, by which time you may be so annoyed, it’s a meaningless phrase.

What if someone gave you a CD for your birthday and you responded with a barrage of questions: “Where did you buy it? Did you pay cash or charge it? Did you pay full price for it or get it at a discount store—or on eBay? Come on. Fess up. How many songs does it have on it? Have you already listened to it and downloaded it onto your iPod? Why did you give it to me if you haven’t heard it yourself? Based on some silly best-seller iTunes list, you want me to spend my time listening to this thing?” You would never be so ungracious about a gift unless you have genuine social problems, in which case no one would be likely to give you a gift in the first place. You would say, “Thank you,” and you would mean it—even if you already had a copy of this CD or didn’t like most of the songs on it.

The mind-set of customer-facing staff has a huge influence on what is going to happen in any service encounter, particularly when complaints are being made or help is requested. In a study relevant to the impact of mind-set on complaint handling, researchers at the University of Alabama questioned how service employees themselves impact the use of self-service technologies (SSTs).² Employees whose mind-set was that SSTs helped them do their own jobs better took time to educate customers

facing problems on how to operate the SST devices. When faced with customers who couldn't get the devices to do what they wanted, employees who held the mind-set that SSTs are a burden and not a convenience for anyone would simply step in and operate the devices themselves. Their customers didn't have a chance to learn themselves, ensuring that when they returned they would face the same difficulty. Mind-set definitely matters, even though the service employees had no awareness of how their attitudes were impacting their behavior.

A survey of European retail banks revealed a direct connection between the way that leaders at financial institutions think about complaints and the way that customers behave when they have a complaint and ultimately how they are treated.³ Customers, in other words, can sense that an organization sees complaints as a gift or as a necessary evil. An in-depth study of two Swedish banks also supports the idea that the way branch managers think about complaints impacts how customers are treated and how they respond. The researchers found that successful managers used complaint handling as their *primary* tool for creating long-term customer satisfaction with small-business customers.⁴

So, how can we begin to internalize the strategic idea that a complaint is a gift? It starts by understanding what a complaint is.

What Is a Complaint?

In simplest terms, complaints are statements about expectations that have not been met. They are also, and perhaps more importantly, opportunities for an organization to reconnect with customers by fixing a service or product breakdown. In this way, complaints are gifts customers give to businesses. Everyone will benefit from carefully opening these packages and seeing what is inside.

On the surface, customers may complain that their newly purchased blue jeans shrank or the color ran and ruined a load of white clothing. At a deeper level, customers are giving the store where they bought the item an opportunity to respond so they will continue buying more clothing from that business.

On the surface, customers may complain that the vacuum cleaner they just purchased doesn't suit their needs. At a deeper level, they are testing the retailer to see how it takes back the vacuum cleaner.

On the surface, customers may complain that they waited on hold for three and a half hours to get help setting up their expensive new computer. At a deeper level, they are speaking about their fears that they made a stupid purchasing decision, a fear that will periodically rear up to impact how they think about their computer during the years it remains functional.

On the surface, customers may complain to the grocer that the turkey they purchased did not contain any giblets, which they discovered only on Thanksgiving day itself, when the store was closed. At a deeper level, customers are wondering whether the grocer will take their word for it and how the store will compensate them for this disappointment.

On the surface, customers let their insurance agents know in no uncertain terms that when they call the insurance company to ask a simple question, their calls are not returned for days. At a deeper level, customers are warning their agents that they may look at a competitor when their policy comes up for renewal.

What do you suppose most service representatives hear—the surface complaint or the deeper message? We contend that, unfortunately, all too many hear only the direct, surface message. (“You won't believe what I heard today from a customer! Their turkey didn't have any giblets. I say, ‘Get a life.’ People are starving, and they are complaining because their twenty-five-pound turkey didn't have any giblets!”) And the end results are mismanaged complaints, lack of empathy, and loss of customers.

When organizations listen to customers with open minds and more flexible points of view, they can experience complaints as gifts. Unfortunately, most of us don't like to hear complaints and we erect enormous psychological blocks to hearing them. Even more fundamentally, as we will discuss later, most customers simply don't grace us with their complaints. They just take their business elsewhere.

Why We Don't Like Complaints

On the surface, it seems apparent why complaints have a bad reputation. Customers are saying that they do not like something about us. Who likes to hear that? It means there's something wrong with us. Complaints are about blame, or what psychologists call negative attribution.

When something positive happens, people have a tendency to attribute it to themselves or to take credit for their own behavior. For example, a customer buying a dress will likely think herself rather clever for finding it if she receives compliments on it, even if a shopkeeper clearly found the dress, brought it to the buyer, and urged her to purchase it.

Something different happens, however, when a failure occurs. Most of us like to blame other individuals or systems when things aren't working out. In fact, according to Saint Louis University research, customers tend to blame specific firms or specific individuals. For customers, this usually means that employees, specifically those we are eye-to-eye or ear-to-ear with, are to blame when there is a product or service failure. Employees do the same thing in reverse. When they hear complaints, they tend to blame the customers, and when customers engage in socially unacceptable behavior (such as shouting or swearing), employees almost always develop a negative attitude toward them. When employees hold this negative judgment, they tend not to make product exchanges for customers, or at a minimum, they do not make product exchanges easy.⁵ Many employees understand, however, that blaming customers is not a behavior likely to get them high marks from customers or promoted by their managers, so they mask their feelings and try to come up with more acceptable theories as to why things went wrong. A common explanation is that the organization, its policies, or management is to blame. Employees may say to customers, "I'd really like to help you, but there's nothing I can do. Our policy . . ." or "My hands are tied. I'll get in trouble if I do that for you. Sorry."

Unfortunately, blaming policies has little impact on customers because it does nothing to resolve their problems. Nor does it stop customers from blaming the employees. Even if employees indicate that they do not

agree with the policies that are stopping them from satisfying customers, most customers don't separate employee behavior from company policies. The father of modern attribution theory, Fritz Heider, notes that most of us attribute blame to individuals rather than the circumstances surrounding a product or service failure.⁶ For example, if a service provider says, "I know this sounds ridiculous, but I need . . .," customers will likely think, "If it's ridiculous, then why are you asking for this information?"

Most service delivery today is complex, and a number of firms or individuals may have been involved in the service failure.⁷ This means that service providers need to carefully explain what happened without sounding as if they are attempting to pass blame onto someone else. They can probably accomplish this by saying, "I'm going to take responsibility for this, even though several people were involved. We need to find out what happened so I can solve this problem for you."

Wegmans Food Market, a popular chain in the upper northeastern United States, operates under the promise "Every day you get our best," and that means "[we] will listen to your complaints so [we] can get better." Wegmans, founded in 1916, has won more than thirty significant awards for its uniqueness and customer service and for "changing the way we shop." It won the 2007 Food Network Award for the Best Grocery Store.⁸ And Wegmans has been named one of the one hundred best places to work in America by *Fortune* magazine every year since the list started in 1988. It was number one in 2005, number two in 2006, and number three in 2007.⁹

Wegmans honors the implicit contract that customers assume has been made: if they do not like what they purchased, if it does not meet their needs, if it is substandard, or if they have changed their minds, they are buying the right to say something about this. It asks for complaints on its Web site; feedback forms are easy to fill out, and it is obvious someone reads them. The site states clearly that a live person will address the complaint and get back to the customer within a few days. We tried it, and it works. The vice president of consumer affairs, Mary Ellen Burris, incorporates information about complaints into her weekly columns, letting consumers know what Wegmans is doing about the

feedback it receives. In one column posted on the Wegmans Web site, for example, she noted that customers complained about not being able to clearly see measurement lines on one of its detergent caps. Wegmans listened and changed the cap color.

Complaining Customers Are Still Customers

In order for us to treat complaints as gifts, we need to achieve a complete shift in perception and attitude about the role of complaints in modern business relationships. This requires separating the message of the complaint from the emotion of being blamed, which, in turn, means understanding the dynamics of disappointed people and rethinking how complaints can help us achieve our business goals. Consider these examples from the homebuilding industry, and imagine what these companies would say if they were asked if complaints are gifts.

- Marvin Windows and Doors learned that the wood frames on its windows and doors were rotting. It turns out that the complaints came in after the one-year warranty period was up. The cause of the problem was actually wood preservative provided by Pittsburgh Paint and Glass (PPG). PPG refused to take responsibility for the rotting, but Marvin Windows did. It replaced the damaged products, ditched PPG as a supplier, and sourced a better preservative so it could extend its product warranty from one year to ten. In 2007, after also winning the award in 2006, Marvin Windows received the highest numerical score in the J. D. Powers and Associates Award for Builders and Remodelers.
- Dryvit produces exterior insulate and finish systems. Moisture was rotting its siding products basically because of builder installation mistakes. Dryvit took responsibility and created a moisture drain to keep its product dry. Dryvit also increased its warranty to ten years. Following this change, Oak Ridge National Laboratory, the most respected testing facility of the U.S. Department of Energy, ranked Dryvit's product 84 percent higher than the next-best-performing system.¹⁰

- In the late 1980s, Louisiana-Pacific Building Products began hearing complaints about rotting of its InnerSeal siding, especially in the wet Pacific Northwest. Eight hundred thousand homes had used the product, and a major class-action lawsuit was filed. Louisiana-Pacific decided to take responsibility, even though the rotting was an installation problem, not a product problem, and replaced the damaged siding. The company completely redesigned the siding so it would work in humid climates, called it SmartSide, and announced a fifty-year warranty. After taking a major hit in the press, six years later the company more than regained market share. It, too, has been recognized with numerous awards.¹¹
- Dudley Webre purchased a lumberyard in Luling, Louisiana, when that area wasn't an up-and-coming business sector in the region. Webre went directly to his contractors to find out what was bothering them. It turned out that they had a serious problem that Webre could help them with. Lumberyards typically shipped only full truckloads, which meant that the contractors had to safeguard their inventory against theft. Webre sent out smaller loads, which eliminated the theft problem and resulted in a savings to his customers from reduced pilferage, even though they ended up paying more for the lumber. Between 1982 and 1994, Landry Lumber and Building Supply increased its business by 300 percent.¹²

Customers who take time to complain have at least a little confidence in the organization. After all, if they're complaining, they are still customers somewhat. Former president Bill Clinton, campaigning for his wife in the tightly fought Democratic Party 2008 nomination process, told a story intended to inspire all the campaign workers to keep contacting undecided voters. He said that when he was governor of Arkansas, he never gave up on getting someone's vote. Clinton was campaigning at an oil company where, because of government action, three hundred jobs had been saved. Clinton met an employee who obviously didn't like him and told him, "I'm never voting for you. If you were the last person on earth, I wouldn't vote for you." Clinton told the man, "Hey, I saved your

job.” The man responded, “Yeah. But you only did it so you’d have one more person to tax.” Clinton said, “I marked him as undecided.”¹³

All those customers who come to you with their complaints are also undecided. They’re still talking with you. Don’t give up.

Treating Customers as Honest Is Part of the Complaint Is a Gift Strategy

See complaints through the eyes of your customer and you have a better chance of viewing complaints as a gift. Imagine that whatever the customer is complaining about has just happened to you. What would you be thinking and feeling? How would you react? What would you expect? What would it take to make you happy? What response would be necessary for you to walk away from this encounter and feel good about your complaint and better about the company? Being treated as if you are honest would be a beginning point.

Are there customers who try to rip your business off? No doubt there are. But companies cannot treat all customers as if they were thieves in order to protect themselves against the few who are. Guy Kawasaki, author of the best-selling book *Selling the Dream*, writes on his blog, “The point is: Don’t assume that the worst case is going to be the common case . . . If you put in a policy to take care of the worst case, bad people, it will antagonize and insult the bulk of your customers.”¹⁴

It is estimated that 1 to 4 percent of customers will systematically try to cheat.¹⁵ Most companies factor in this kind of behavior as part of the cost of doing business, though obviously it would be better to minimize that type of loss. No doubt the Internet has spawned a number of scams. Fraudulent activities of all types have exploded on the Web. The key is to keep your fraud antennae on alert without offending customers who would never cheat you.

George Sarris, owner of The Fish Market Restaurant in Birmingham, Alabama,¹⁶ received a demand for \$6.89 from a disgruntled customer who supposedly had dined in his restaurant. Sarris gets close to his customers, so when he couldn’t remember this particular customer, he became suspi-

cious and decided to put on his detective cap. He made a few telephone calls and learned that this disgruntled diner had been busy eating all over town, demanding \$6.89 from everyone! Most of the other restaurants simply paid up because the amount was so small.¹⁷ This type of scam even has a name: Phony Customer Con. In such an instance, it's best to write a very pleasant, courteous response (follow the Gift Formula in chapter 6) and indicate that you will be more than happy to return the sum in question. Don't in any way question the integrity of the "customer," but ask for a copy of the receipt or for more details for your own records. If you want, include a self-addressed stamped envelope to make it easy for this person to respond—in case the complaint is legitimate.

Always be aware that if someone does try to take advantage of your organization through exaggerated claims, chances are that other customers who witness your interaction will be impressed that you treated the customer with respect and considered the feedback a gift. Onlookers will be more reasonable when expressing their own complaints.

Tom Weir, executive editor of *Grocery Headquarters*, describes watching a swearing, ballistic customer return a carton of milk that had supposedly been purchased earlier in the day but was way past its sell-by date and was spoiled. The manager of this supermarket remained seated in a booth overlooking the checkout lanes and yelled back that customers should always check expiration dates before buying anything. This is a good example of advice that blames. After all, how many of us check sell-by dates every time we shop? Since when have customers become responsible for inventory control?

It's not a pretty story, but Weir poses some interesting questions about the message sent to the customers who watched this scene. What was being said to them? Weir asks. Were they taught a lesson as to what would happen to them if they had a complaint? What was the impact on this supermarket brand? Did the customers conclude that this is the chain's policy? And then Weir asks about the message the store staff received. Do they not have to take any guff from angry customers? If this is the case, then where is the line drawn after which staff get to attack customers?¹⁸ Obviously, the other customers saw an out-of-control

customer, but as Weir points out, they probably also noted that this customer had a legitimate complaint and was treated rudely. The customers who were watching may have questioned whether the company was genuinely interested in taking care of its customers.

The moment individuals or companies give any hint that they view complainers with suspicion or rudeness, customers will take a defensive position or fight back. Or even worse, they may go away angry and not say anything to the company headquarters but tell everyone they know, and the company will have no chance to defend itself.

Some individuals lack gracious social skills and may appear inappropriate when they complain. They get nervous and may seem harsh, angry, or even stupid. They may not have experience with what is reasonable. The service provider must learn to focus on the content of the complaint and the emotions presented and not whether the complaint is delivered in a socially acceptable way. This is asking a lot of service providers, but if they adopt the mind-set that complaints are gifts, they start from the best foundation to handle one of the most difficult aspects of customer relations.

this material has been excerpted from

***A Complaint is a Gift:
Recovering Customer Loyalty When Things Go Wrong***

by Janelle Barlow and Claus Moller

Published by Berrett-Koehler Publishers

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