CUSTOMER COMPLAINTS MANAGEMENT:
Drive Loyalty and Mitigate Risk Across Your Organization
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Customer Complaints Management:
Drive Loyalty and Mitigate Risk Across Your Organization

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INTRODUCTION

Customer experience is one of the most important differentiators for any organization. Many industries are witnessing a levelling of innovation because of the broader democratization of technology, which means no organization can afford to rely on simple product differentiation to gain customers and win in new markets. Listening to the Voice of the Customer (VoC) is therefore one of the most important things organizations can do to meet the current and future needs of their customers.

Listening to the VoC does not always mean that organizations are going to hear good things. Customers are rarely as motivated to speak to organizations as they are when something has gone wrong, and customer complaints therefore represent a significant portion of the VoC. While no one likes to hear what they have done wrong, knowing how to capture, manage, and analyze customer complaints can yield significant insights that can help organizations meet the current and future needs of their customers.

WHAT IS COMPLAINTS MANAGEMENT?

First of all, what is a “complaint”? According to ISO 10002:2018 Quality Management – Customer satisfaction – Guidelines for complaints handing in organizations, a complaint is an “expression of dissatisfaction made to an organization, related to its product or service, or the complaints-handling process itself, where a response or resolution is explicitly or implicitly expected. Complaints can be made in relation to other processes where the organization interacts with the customer. Complaints can be made directly or indirectly to the organization.”

Complaints management, therefore, is the aggregate of tools, processes, and behaviors the organization uses to collect, classify, analyze, and act on customer dissatisfaction, with both software solutions and human interaction with customers playing vital roles. This close integration of tools and behaviors to enhance the customer experience means that effective complaints management is a vital part of any organization’s quality management system (QMS) to mitigate the potential for catastrophic product failure and brand damage.
WHY DOES COMPLAINTS MANAGEMENT MATTER?

Managing complaints is more than simply making individual customers happy by addressing their problems. Instead, complaints are indicators that suggest larger problems that an organization needs to address to enhance product development, mitigate risk, and find opportunities for growth and innovation by meeting specific customer requirements. While many organizations believe that customer dissatisfaction can be traced to poor performance from the organization’s frontline workers, research shows that no more than 20% of that dissatisfaction is caused by worker error or negative attitude. In fact, most problems are attributable to process errors, reinforcing the evidence that suggests that customer complaints are both symptomatic of potential systemic problems in the organization and useful diagnostic tools for isolating and correcting those problems. (Goodman, 2006) While customer complaints are frequently stigmatized as negative events that successful organizations should avoid, the enlightened organizations of tomorrow see them as vital inputs for enhancing customer satisfaction and experience.

WHAT CAN COMPLAINTS MANAGEMENT PROVIDE FOR AN ORGANIZATION?

Customer loyalty is an obvious and compelling justification for complaints management. Research has revealed (Goodman, 2006) that unhappy customers who complain to an organization about a product or service and have those complaints addressed and resolved are subsequently

- 30% more loyal to the brand than a customer who is unhappy but doesn’t complain, and
- 50% more loyal than customers who are unhappy and complain but are dissatisfied with the organization’s response.

When organizations manage and anticipate complaints effectively by modifying products to meet customer needs and keeping customers informed about how to avoid dissatisfactory product or service experiences in the first place, they can experience an increase in loyalty of up to 20 to 30 percent, as shown by more positive reactions to questions about customer satisfaction in survey-based research. (Goodman, 2006)
Managing customer complaints is also an important part of managing risk. Clauses 4.1 and 4.2 of ISO 9001:2015, in which risk management plays a central role, highlight the importance of including customers among the stakeholders that form a part of the organization’s risk profile. Customer complaints are therefore an important way of measuring the satisfaction of some of the organization’s most important stakeholders. The input this measurement provides to a QMS can help the organization to embrace the opportunities for growth and innovation that are illuminated by effective risk management. (Radziwill, 2018)

Using complaints management to diagnose specific product- or service-related process errors can have a significant impact on reducing the cost of poor quality (COPQ). Figure 1 shows four types of quality-related costs:

**FIGURE 1**

<table>
<thead>
<tr>
<th>TYPE OF COST</th>
<th>DESCRIPTION</th>
<th>EXAMPLES</th>
</tr>
</thead>
</table>
| Prevention   | Planned costs that result from designing and implementing a QMS and preventing quality failures | - Quality planning  
- Training  
- Quality assurance |
| Appraisal    | Costs that result from measuring the effectiveness of a QMS | - Verification  
- Audits  
- Supplier assessment |
| Internal Failure | Costs that arise when the manufacturer discovers quality failures before products or services are delivered to customers | - Manufacturing waste  
- Excessive scrap  
- Rework to correct errors |
| External Failure | Costs that become apparent after products have reached the marketplace | - Repairs  
- Warranty claims  
- Returns  
- Managing customer complaints |

Of the four types of quality costs, external failures are by far the most expensive, especially when factoring in additional hidden costs like brand damage, decreased customer retention, and employees spending costly time addressing quality failure instead of on quality innovation. While complaints management appears to be most effective at addressing external failure, it’s a vital tool for diagnosing the systemic process failures that can infect an entire organization.

Finally, complaints management is a significant contributor to the overall customer experience. While many organizations continue to maintain a transaction-based relationship with customers, those that differentiate themselves in the marketplace are embracing the Total Customer Experience (TCE) that is composed of the way customers incorporate products, services, and the post-transactional relationship into the very fabric of their practical and emotional lives. (Freeman & Radziwill, JoQAT, 2018)

True customer relationships are deeper for today’s differentiating organizations than they have ever been, and effectively managing customer dissatisfaction should be a priority for every organization that values quality. Product designers should also incorporate what they learn from these customer interactions when creating products and services that complement the TCE and can also anticipate and avoid potential customer dissatisfaction.
WHAT ARE THE CHALLENGES OF COMPLAINTS MANAGEMENT?

Organizations can only solve the problems they know about, so organizations that don’t provide opportunities and incentive for customers to provide feedback are missing a vital component in their quest for constant improvement and enhanced customer experience. When customers feel that providing feedback doesn’t do any good, that it won’t produce increased satisfaction, or that it won’t lead to avoiding future dissatisfaction (and therefore isn’t worth the trouble), they experience “trained helplessness” — the feeling that complaining to the organization about dissatisfaction is futile. (Goodman, 2006). When customers experience trained helplessness, the organization has achieved a dangerously low level of customer satisfaction and brand loyalty.

Not all complaints are created equal. While some complaints relate to relatively low-impact events like poor customer service, short shipment, or late delivery, others could have a much more significant customer impact with the potential for financial loss, injury, or even loss of life. The more significant and costlier the problem is, the higher the complaints rate is likely to be, ranging from five to 10 percent for minor problems to 50 to 75 percent for more significant problems. (Goodman, 2006).

Perhaps the most significant challenge with complaints management is a lack of an effective process for collecting and organizing complaints to facilitate both resolution and trend analysis. With customers lodging complaints across a wide variety of communication channels, including email, customer response surveys, and social media, many organizations have difficulty keeping track of all the information. It’s not unusual to find these complaints piling up in the personal email accounts of frontline workers or customer experience representatives, and very often they are recorded in nothing more sophisticated than simple spreadsheets. Without effective processes for collecting negative customer feedback, organizations are unable to apply any of the sophisticated mechanisms for analyzing it, such as the Kano model, Quality Function Deployment (QFD), Analytic Hierarchy Process (AHP), or Conjoint Analysis (CA). (Freeman & Radziwill, JoQAT, 2018). Without the opportunity to engage in rigorous analysis of customer complaints, organizations lose the opportunity to mine the VoC for the deep insights it can provide about the customer experience.
Organizations looking to avail themselves of the opportunities that arise from effective complaints management should begin by reviewing the international standards and guidelines that relate to quality management, as customer satisfaction is a fundamental component of an effective QMS. Figure 2 describes some of the most important standards in this area.

**FIGURE 2**

<table>
<thead>
<tr>
<th>TITLE</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISO 9001:2015 Quality Management Systems - Requirements</td>
<td>An international standard for quality management systems (QMS). It provides a framework for improving quality for organizations looking to provide products and services that consistently meet the requirements and expectations of customers and other relevant parties in the most efficient manner possible.</td>
</tr>
<tr>
<td>EFQM Excellence Model</td>
<td>A European model that provides a path to excellence and a common vocabulary for organizations to achieve quality excellence.</td>
</tr>
<tr>
<td>Baldrige Excellence Framework</td>
<td>A framework that provides a systems perspective for organizations to achieve ongoing quality success.</td>
</tr>
</tbody>
</table>
Given the priority of the VoC in the guidance on quality management, a dedicated complaints management application should be a standard element of QMS software. While the application could function as a standalone, the organization will benefit most when complaints are integrated into a larger framework that includes Product Management, Defect Tracking, Nonconformance Reporting (NCR), and Corrective Action Reporting (CAR). This way, complaints can be tracked through to completion, and patterns can be identified between quality events.

All VoC information can provide useful diagnostics in the context of the entire QMS if the information sources are integrated. Because complaints are not simply isolated events, the complaints management application should be part of an integrated solution. It is vital to remember that complaints management allows for collection, analysis, and action – and thus naturally supports a Plan-Do-Check-Act (PDCA) approach to quality management. Just entering complaints data into a spreadsheet will not close the loop.

The complaints management application should allow the recipient of the complaint to collect as much information as possible. The application should facilitate this in both mobile and desktop versions, the former being particularly important given that three-quarters of customer complaints go to frontline workers who might access the QMS software entirely through their mobile devices. (Goodman, 2006). The important information the application collects in the initial complaints should include:

- Complaint type
- Location
- Customer contact
- Complaint validation
- Warranty information
- Product information, if relevant, including:
  - P.O. number
  - Serial or Lot number, and
- Severity, Occurrence, and Detection (SOD).

The open complaint should provide an input into an action plan, which can be a simple plan with one activity or a more complex plan that coordinates multiple activities. Employees tasked with completing each activity, as well as their supervisors or auditors, should be notified of their responsibilities for completion. Action plans should include the following information:

- Type of action required
- Specific action required
- People responsible for completing the action
- Target date for completion, and
- Type of review for completed actions.
Complaints management should be closely integrated with NCR and CAR, which allows for the analysis of the process failures behind the complaints, such as the suspected cause, and for the information relating to the immediate containment action. NCRs should include the following information:

- NCR type
- Detailed description of the issue
- Product
- Defect code
- Units affected
- Serial or lot number, and
- Immediate containment action.

The CAR should allow for additional details that complement the complaints, such as the following:

- Root cause analysis using:
  - 5 Whys
  - Cause Library
  - Checklists
  - Fishbone
  - Gap Analysis
- Simple and complex action plans
- Business impact, and
- Severity, Occurrence, and Detection (SOD).

**CONCLUSION**

Although organizations usually think of complaints as something to be avoided, they can provide valuable insights into opportunities for improvement. As a result, managing customer complaints as part of a larger VoC effort is a vital part of any organization’s QMS. Only by using an application that is fully integrated into other QMS software modules will an organization be able to successfully conduct a deep analysis of their customer relationships to support a data-driven approach to quality management. Organizations looking to get the most out of their QMS to enhance overall customer experience should understand the importance of the VoC to their quality approach, the standards and guidelines that illuminate the path to quality success, and the software applications that provide the tools to collect, analyze, and prioritize customer complaint information.
REFERENCES

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