Faculty Working Papers

CONSUMER COMPLAINTS AND BUSINESS RESPONSE

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College of Commerce and Business Administration
University of Illinois at Urbana-Champaign

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Consumer Complaints and Business Response

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Since consumerism reared its critical head in the mid-to-late 1960's, individual businesses, industry groups and local Better Business Bureaus have substantially increased their consumer complaint handling capabilities. Firms such as American Motors have affectively used consumer concerns as a positive vechicle for improving market share. The appliance industry has substantially improved its market creditibility through the industry-wide Major Appliance Consumer Action Panel (MACAP). At the same time government agencies and consumer organizations have said that business has not been doing enough and have increased their pressure on business to improve its responsiveness to consumer complaints and have urged the establishment of more and better non-business mechanisms to handle consumer complaints. The renewed interest in a Federal Consumer Protection Agency is simply the latest manifestation of this concern. Given the energy expended on both sides of this issue in recent years, it is surprising that the debate has been conducted in the absence of any basic data on consumer complaint behaviors and business' response. We simply have not had answers to such questions as:

1. Just how often do consumers feel they have problems with the products and services they buy?
2. How often do consumers voice their complaints about these products and services to business?
3. Do businesses get a representative sample of consumer complaints? Are some problems voiced more often than others?

4. Who voices these complaints? Are they a small vocal minority or do they represent a broad spectrum of the consuming public?
5. Just how good are complaint handling processes? How often are consumers satisfied with business' handling of their complaints?
6. How do industries compare with each other in the frequency with which consumers perceive problems, speak up about them and/or receive satisfaction? Which industries ought be considered as doing a good job from the consumer's standpoint and which a poor job?

This article reports data from a national urban sample designed to answer these questions. The data provide a base of comparision for managers to assess their present performance in complaint management and a base against which to track future successes or failures. The article also offers several key suggestions to help ensure that that future is successful.

The Present Study

Data on consumer satisfactions with 28,574 purchases in 26 product and 8 service categories were collected in the spring of 1975 in a telephone interview study of 2419 households in 34 major metropolitan areas in the continental U.S. Products and services in the study were chosen to reflect the major categories in the consumer price index and categories (like "mail order") where consumer problems have been reported to be very heavy. The study was jointly sponsored by the Center for Study of Responsive Law and Call for Action, a media based consumer action organization. The latter organization was responsible for conducting the field interviews under the supervision of one of the co-authors. Analysis was carried out at the University of Illinois.

Problems

The first question the study asked was: "How often do consumers feel dissatisfied with the products and services they buy?" It turns out that the answer to this question in part depends upon the definition one uses and whether one is describing a product or a service. If one simply asks consumers whether a purchase in a given category was "unsatisfactory" or "somewhat unsatisfactory" on a four point scale, about 11 percent of products and 13 percent of service purchases included in this study were described by respondents as unsatisfactory. Because it is highly subjective, there are, however, several problems with this kind of global measure. What one consumer means by "somewhat satisfied" may not be the same as what another means by the same term. Satisfaction, further, is related to expectations. This can have the perverse effect that as a manager improves his product performance and consumer expectations increase, perceived satisfaction with products and services may actually decrease.[1]

For these reasons, the study sought a more objective measure of satisfaction by asking about specific purchase problems. This was done in two ways; asking those who were dissatisfied what the problem was and asking those who were satisfied whether the purchase could have been better in any way. Since the latter involved a probe for additional information, the tables that follow distinguish between responses without a probe (initially described as "unsatisfactory") and those elicited with a probe (initially described as "satisfactory"). In later sections, we will consider responses given without a probe to be particularly serious problems.

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[1]For a fuller discussion of measurement problems see: Alan R. Andreasen, "A Taxonomy of Consumer Satisfaction/Dissatisfaction Measures."

This procedure yielded data on two broad kinds of problems as noted in Table 1. First, about seven percent of all problems simply involved complaints about price. The spring of 1975 was a period of rapid inflation, and many of our respondents, when asked about problems with purchases said something to the effect that "it should have cost less," (particularly when we asked "how could it have been better"). Since these complaints are much more likely to be responsive to changes in general economic conditions rather than to direct managerial action, we have eliminated such problems from our "objective" measure of consumer satisfaction.

TABLE 1 ABOUT HERE

This leaves us with the incidence of non-price complaints as our basic measure of industry performance. By this criterion, about 20 percent of all purchases involved some dissatisfaction, about one-half being mentioned before our probe and one-half after. [Table 1]. While the use of a probe may have introduced some upward bias in these figures, the types of problems mentioned after the probe were virtually identical to those mentioned before. A more important source of upward bias, however, is the fact that not all problems perceived by consumers are necessarily valid. At a recent American Management Association Conference on handling consumer complaints, business representives in both consumer and industrial markets estimated that the proportion of valid complaints they receive ranges anywhere from 20 to 80 percent. This upward bias may, however, be partly or completely offset to the extent consumers are unaware of defects in products that are only observable to experts.

Table 1

PERCEIVED PROBLEMS BY
PURCHASE CATEGORY

	Satisfactory			Unsatisfactory		Other and no answer	(N)
	No problem	Price-only	Non-price	Price-only	Non-Price		
Infrequently Purchased Products							
Denture/hearaid	73.2	2.8	7.7	.7	14.8	.7	142
Car	63.5	3.0	18.5	.5	13.8	.7	827
Vacuum cleaner	70.4	2.5	14.4	-	12.4	.3	355
Eyeglasses	74.3	3.2	8.6	.7	12.2	.9	834
Tape/stereo	77.5	1.2	9.9	.2	11.0	.2	564
Washer/dryer	75.6	.8	12.2	-	10.6	.8	254
Camera	81.8	1.4	6.5	.3	10.5	.3	354
Bicycle	72.6	1.6	14.9	-	10.0	.9	430
TV set	77.2	1.6	11.1	.2	9.7	.2	495
Calculator	80.4	2.0	7.9	.2	9.1	.4	494
Floor covering	78.7	2.3	10.7	-	7.8	.4	522
Air conditnr	78.3	1.1	12.0	-	7.4	1.2	175
Tires	82.6	4.7	6.2	.5	5.8	.2	1041
Radio	84.1	2.2	8.0	-	5.1	.7	414
Lamps	90.3	1.2	5.9	-	2.6	-	340
Total Infrequently Purchased Products	78.4	2.2	9.5	.3	9.2	.5	8576
Frequently Purchased Products							
Mail order	66.1	.9	11.7	.2	19.4	1.7	1277
Toys	66.3	1.9	14.8	.1	15.9	1.1	1049
Clothing	64.4	5.5	14.9	.6	13.2	1.4	2135
Jewelry/watch	77.1	.9	7.8	.4	12.7	1.1	803
Furniture	72.6	3.5	12.2	-	11.2	.6	690
Grocery items	35.5	28.1	15.2	8.1	10.6	2.7	2402
Pots/pans	81.4	2.1	7.0	-	9.4	-	710
Book/record	83.7	2.5	6.9	.1	5.8	1.0	1566
Blanket/sheets	84.6	3.5	6.3	.1	5.3	.3	1069
Tools	86.2	2.2	6.8	.3	4.2	.5	650
Cosmetics	85.2	4.7	5.7	.4	3.5	.5	1939
Total Frequently Purchased Products	67.5	8.5	11.2	1.8	9.8	1.2	12215
ALL PRODUCTS	72.0	5.9	10.5	1.2	9.5	.9	20791
Services							
Car repair	55.8	5.8	13.5	1.4	21.5	2.2	1277
Appliance rep'r	60.9	5.2	9.6	2.3	19.9	2.1	563
Home repair	65.6	4.4	9.8	.4	18.6	1.2	537
Car parking	57.0	10.3	8.2	6.0	15.2	3.1	683
Film Develop'g	75.9	3.8	9.4	.7	9.1	1.2	1250
Legal services	76.8	3.6	7.2	3.1	8.2	1.0	388
Med/dent care	75.9	6.4	8.3	1.5	6.6	1.2	1910
Credit	80.4	5.5	4.6	2.0	6.0	1.6	1191
ALL SERVICES	69.9	5.7	8.9	1.9	12.0	1.6	7783
ALL PRODUCTS AND SERVICES	71.4	5.8	10.0	1.4	10.2	1.1	28574

The second question the study sought to ask was which product and service categories yield the most problems and which the ~~least~~ fewest? To answer this, it is first important to note that product purchases have been split into two groups. This is to account for the fact that some product categories like groceries and clothing ~~were~~ are quite broad. And although respondents were asked to tell us only about their last purchase in these categories, it is possible that many of them scanned a history of purchases in these categories and reported to us whether they had a problem with any purchase over the last year or so. The fact that the "problem rates" for the two sets of product data are similar gives us some confidence that our data ~~may not be~~ are not unduly biased by this problem.

To return to the question raised earlier, clearly the worst offender from the consumer's standpoint is the automobile repair industry. Over one out of three of these purchases yielded complaints such as "poor workmanship," "wasn't done right in the first place," and so on. Close behind car repairs were appliance and home repairs and mail order purchases, toys, automobiles, vacuum cleaners and clothing. At the other end of the scale, the best performing product categories were lamps, tires, cosmetics, tools, blankets and sheets and credit purchases all with non-price problems appearing in 12 percent or fewer cases. The latter data may support the argument of Donald Hughes, Manager of the Consumer Research Division at Sears, Roebuck that, based on his experience, a 10 or 12 percent problem rate may be the lowest figure one could expect to achieve in any survey of consumer problems with products and services.

Voicing Complaints

What do consumers do about their dissatisfactions with products and services? The most common response was to do nothing; well over one-half of all non-price purchase problems yielded no action. The actions that were taken were distributed as follows:

Contacted Manufacturer or retailer	79.1%
Contacted non-business complaint-handling organization	2.4
Changed products or sellers	12.3
Other actions	6.2
	100.0%

The infrequent use of third parties is a surprising finding in two respects. First, businesses have complained in the public media of late that there is too much outside meddling in normal relations between buyers and sellers. Our data would suggest that "meddling" in individual complaints is a very rare case. In only one in twenty-seven cases where consumers are motivated to take any action about a problem did they end up talking with official third parties. And in over one in four of these cases they dealt with a business-sponsored complaint handler like the Better Business Bureau or a professional association. The complaint adversary system thus clearly begins with business and only rarely moves to the public ~~form~~ forum. Second, the finding is surprising because much governmental policy making in the consumer complaint area is based upon submitted complaints. As our data make clear, the government is operating with only the very tip of the iceberg--and our analysis suggests that this "tip" may not be very representative of the types of complaints consumers actually perceive. This is obviously a very weak base for effective government regulation.

Given that some problems go the government but many are never voiced at all, how frequently, then, do consumers actually talk back to business about their problems? The answer, as indicated in Table 2, is that consumers complain to sellers or formal complaint-handling organizations (who presumably in turn contact business) in about four out of ten cases where they had non-price problems. The likelihood that a consumer will speak up ranges from a high of 62.5 percent for non-price problems mentioned without a probe for infrequently ~~single~~ purchased products to a low of 26.9 percent for problems with frequently ~~multiple~~ purchase products mentioned after a probe. This pattern is to be expected since (a) problems that occur to respondents only after a probe are probably less serious and (b) infrequently purchased products tend to be much more expensive than those in the frequent purchase categories.

TABLE 2 ABOUT HERE

Across product and service categories, consumers seem least reluctant to complain about problems with their dentures or hearing aids or with home repairs where, as noted in Table 1., problems appear very frequently. On the other hand, despite the fact that vacuum cleaners and toys are major sources of dissatisfaction only 29 and 22 percent of complaints in these categories ever reach management's ears. In general, it appears that while there is little relationship between the dollars involved in a purchase and the likelihood that a problem will occur, there is a relationship between expense and the likelihood that a complaint will be voiced to management. Seriousness also shows up in the type of problem about which people complain: the more serious the problems, the more often it is voiced. For example, when the product is unusable because of breakage or lack of freshness or when merchandise is lost or late consumers are much more likely to let business know about it.

Table 2

VOICING RATES FOR NON-PRICE PROBLEMS BY STRENGTH OF PROBLEM AND PURCHASE CATEGORY (In order of voicing rate for all problems)

	After Probe		Before Probe		All problems	
Infrequently Purchased Products						
Denture/hearing aid	54.5	(11)	81.0	(21)	71.9	(32)
Air conditioner	50.0	(20)	76.9	(13)	60.6	(33)
Tape recorder/stereo	47.3	(55)	70.5	(61)	59.5	(116)
TV set	44.4	(54)	72.9	(48)	57.8	(102)
Car	50.0	(151)	67.6	(108)	57.1	(259)
Eyeglasses	45.1	(71)	63.7	(102)	56.1	(173)
Bicycle	44.4	(63)	61.9	(42)	51.4	(105)
Camera	43.5	(23)	54.1	(37)	50.0	(60)
Washer/dryer	41.9	(31)	53.8	(26)	47.4	(57)
Calculator	21.1	(38)	68.9	(45)	47.0	(83)
Tires	31.3	(64)	62.7	(59)	46.3	(123)
Floor Covering	23.2	(56)	52.5	(40)	35.4	(96)
Vacuum Cleaner	12.0	(50)	47.8	(46)	29.2	(96)
Radio	24.2	(33)	23.8	(21)	24.1	(54)
Lamps	0.0	(20)	55.6	(9)	17.2	(29)
TOTAL Infrequently PURCHASED PRODUCTS	37.6	(740)	62.5	(678)	49.5	(1418)
Frequently Purchased Products						
Mail order items	34.9	(63)	74.5	(102)	59.4	(165)
Furniture	40.5	(84)	77.6	(76)	58.1	(160)
Book/record	42.9	(105)	61.1	(90)	51.3	(195)
Jewelry/wristwatch	34.9	(63)	53.0	(100)	46.0	(163)
Grocery store items	32.5	(360)	41.6	(250)	36.2	(610)
Tools	15.9	(44)	63.0	(27)	33.8	(71)
Clothing	26.2	(312)	40.4	(280)	32.9	(592)
Toys	16.1	(155)	28.3	(166)	22.4	(321)
Blankets/sheets	12.5	(64)	31.6	(57)	21.5	(121)
Pots/pans/utensils	10.0	(50)	23.9	(67)	17.9	(117)
Cosmetics/toiletries	11.0	(109)	19.7	(66)	14.3	(175)
TOTAL FREQUENTLY PURCHASED PRODUCTS	26.9	(1409)	44.6	(1281)	35.3	(2690)
ALL PRODUCTS	30.6	(2149)	50.8	(1959)	40.2	(4108)
Services						
Appliance repair	45.3	(53)	75.0	(112)	65.5	(165)
Home repair	51.0	(51)	72.3	(94)	64.8	(145)
Car repair	55.2	(172)	63.0	(273)	60.0	(445)
Credit	48.1	(54)	58.0	(69)	53.7	(123)
Film developing	29.3	(116)	43.4	(113)	36.2	(229)
Medical/dental care	28.3	(152)	38.3	(120)	32.7	(272)
Legal services	25.0	(28)	32.3	(31)	28.8	(59)
Car parking	14.3	(56)	29.0	(100)	23.7	(156)
ALL SERVICES	38.6	(682)	54.6	(912)	47.7	(1594)
ALL PRODUCTS AND SERVICES	32.5	(2831)	52.0	(2871)	42.3	(5702)

A key point for management here is that consumers' decisions to voice compliants are based on what is important to them not necesarily what is important to business.

As a result, there are many kinds of problems which were reported to us that can be important to management which were not voiced to business. A case in point is the design of products or ways of providing a service. This was the second most frequently mentioned problem in our study after product breakage. It represented 11.6 percent of all problems yet was only 6.4 percent of all the problems voiced to business. Clearly management needs to know if consumers are dissatisfied with a product's design. Yet because consumers presumably think that nothing can be done to benefit them personally, they don't bother to take action on design problems; they can simply change brands next time they buy. Data from direct surveys of consumer problems such as the present one therefore are essential to provide a full picture of product problems so that quick corrective action can be taken to prevent future erosion in market share.

Consumers voice complaints that are important to them and/or have a high probability of being resolved. This portrait of a careful, calculating consumer runs contrary to the views of some businessmen who view consumer complaints as the work of a small core of wild-eyed crazies who delight in vexing corporations. Indeed, data in Table 3 indicate that consumer complainers represent a relatively broad sample of the consuming public. There does not appear to be a "heavy half" of complainers. Half the complainers only generate three quarters of the complaints; twenty-eight percent generate only fifty-three percent of the complaints.

TABLE 3 ABOUT HERE

There is surprisingly little variation across households in their propensity to voice a complaint about a given type of product. There is a somewhat greater tendency for those who are active consumers or who are in the middle or upper classes to both perceive problems and to take action about them. A detailed discussion of these findings is currently in preparation. However, the suggestion is distressing that those who are in the lower classes may underutilize the complaint handling system since it is they who can least afford the loss from an unsatisfactory product or service.

Satisfaction with the Complaint Handling Process

How often do consumers feel their efforts to tell business about their problems yielded satisfactory outcomes? For all product and service categories, 56.5 of voiced complaints were resolved to the complete satisfaction of consumers and a further 9.5 percent resulted in at least some satisfaction (i.e. yielded mixed results) (Table 4). Lower cost ~~multiple~~ frequently purchased products received the highest satisfaction rates presumably because business was more likely to make good on potentially disputable complaints if little money was involved in order to maintain customer goodwill. At the other end of the scale, services yielded the lowest levels of satisfaction with appliance repairs and medical/dental care producing only one in three satisfied outcomes.

TABLE 4 ABOUT HERE

The satisfaction data just reported tell how well voicing consumers are satisfied with management's complaint-handling procedures. Still, this measure only describes performance given that a consumer voiced a complaint.

Table 3

FREQUENCY OF COMPLAINING

Voiced Complaints	% of All Respondents		% of Complainers		% of Complaints	
0	46.8%		-		-	
1	25.5		47.9%		23.5%	
2	13.0		24.4		23.8	
3	8.2		15.4		22.6	
4	3.3		6.3		12.3	
5	1.5	5.5	2.9	12.4	7.0	30.0
6 or more	1.7		3.2		10.7	
	100.0%		100.0%		100.0%	
Base	2419		1288		1288	

Table 4

RESULTS BY PURCHASE CATEGORY
(Voiced Non-Price Complaints Only)

	Satis-factory	Unsatis-factory	Mixed	Other	(N)
Infrequently Purchased Products					
Washer/dryer	80.8	15.4	3.8	-	26
Camera	71.4	21.4	7.1	-	28
TV set	61.1	13.0	22.0	3.7	54
Tires	59.3	25.9	14.8	-	54
Calculator	57.9	18.4	15.8	7.9	38
Tape/stereo	57.4	19.7	16.4	6.6	61
Car	56.4	30.5	8.3	4.5	133
Bicycle	56.4	27.3	14.5	1.8	55
Eyeglasses	54.3	19.6	20.7	5.4	92
Vacuum cleaner	48.0	36.0	12.0	4.0	25
Floor covering	46.7	36.7	6.7	10.0	30
TOTAL INFREQUENTLY PURCHASED PRODUCTS	57.5	24.3	14.5	3.7	649
Frequently Purchased Products					
Clothing	75.3	18.7	4.0	2.0	198
Book/record	75.2	17.1	2.9	4.8	105
Toys	69.4	14.3	9.7	5.6	72
Cosmetics	69.2	26.9	3.8	-	26
Mail order	67.5	18.8	2.5	11.3	80
Grocery items	60.1	32.3	4.4	3.2	248
Furniture	59.2	14.5	15.8	10.5	76
Tools	58.3	25.0	16.7	-	24
Jewelry/watch	57.7	22.5	14.1	5.6	71
Blankets/sheets	56.0	40.0	4.0	-	25
TOTAL FREQUENTLY PURCHASED PRODUCTS	65.8	23.1	6.5	4.7	944
Services					
Home repair	52.6	29.5	12.8	5.1	78
Car repair	49.8	36.0	9.2	5.0	261
Credit	49.3	29.0	2.9	18.8	69
Film developing	45.2	38.1	8.3	8.3	84
Appliance repair	35.5	43.9	15.9	4.7	107
Med/dent care	34.5	46.4	8.3	10.7	84
Car parking	29.8	63.8	4.3	2.1	47
ALL SERVICES*	43.9	39.7	9.2	7.2	746
ALL PRODUCTS AND SERVICES	56.5	28.7	9.5	5.3	2339

*The following purchase categories each have fewer than 13 resolved compaints; they are not listed in the table, but their values are included in the totals. Radio, air conditioner, lamps, pots/pans/utensils, hearing aid/dentures, legal services.

Should managers also be responsible for the number of complaints voiced? Results in Table 5 rather dramatically point up the extent of unresolved dissatisfaction out there in the marketplace. Only one in four of all non-price problems consumers perceive in their purchases are ever satisfactorily resolved. This figure ranges from a high of one in three for problems mentioned before a probe for the more expensive, frequently purchased products to a low of one in five for problems mentioned after the probe for infrequently purchased products. Several individual purchase categories have substantial numbers of unremedied non-price problems. Consider the following figures for the percentage of all purchases where a problem mentioned without prompting (e.g., a relatively serious problem) was not remedied satisfactorily:

Car repairs	14.8
Appliance repairs	14.6
Car Parking	13.9
Toys	12.8
Mail order	9.8
Clothing	9.2

It is not surprising that in several of those cases consumers are turning to state and federal government for some kind of relief. Indeed, Helen Hall of HEW's Office of Consumer Affairs says that automobiles, appliances and mail order are three of the four most frequently mentioned complaint categories in correspondence received by her office.

TABLE 5 ABOUT HERE

TABLE 5

Percentage of Satisfactorily Resolved Problems

	Infrequently Purchased Products	Frequently Purchased Products	Services	Total
Before Probe	32.8 (678)	29.1 (1281)	21.3 (912)	27.6 (2871)
After Probe	25.5 (740)	19.6 (1409)	23.3 (682)	22.0 (2831)
All Problems	29.1 (1418)	29.1 (2690)	22.3 (1594)	24.9 (5702)

Conclusions

The data from this study permit both an optimistic and a pessimistic view of business's performance in the consumer complaint area. The optimist may take the data and praise business in the following terms:

> Hasn't business done well! In only 10 of every one hundred purchase instances do people mention a non-price problem before being pushed by those interviewers. Half of these problems were voiced to business by consumers and probably many of those that weren't were either not valid or of the type that management couldn't really be expected to remedy. Finally, almost sixty of those complaints that were voiced were completely satisfactorily resolved and a further 10 percent resulted in at least partial satisfaction. Certainly, this is performance that is hard to improve.

On the other hand, there is also adequate evidence to support the business critic:

> Business ought to be ashamed! In only seven purchases out of ten are consumers completely satisfied. Over half the sample had at least one non-price purchase problem. And when they did have a problem, consumers were not brave enough to voice their dissatisfaction to management in six out of ten cases. When they did, in only a little more than half the time were they fully satisfied. The business community that often proclaims "satisfaction guaranteed" satisfactorily resolved only 24 percent of all non-price problems. In some categories like car or appliance repairs or mail order, as many as one in seven purchases results in a relatively serious unresolved consumer problem.

It is the last two figures and the general pattern of responses that sway the authors toward the pessimistic view of business performance. Business should be alarmed at the amount of unresolved dissatisfaction there appears to exist in the marketplace. Those who voice complaints are active consumers who will challenge the system head on. If their complaints are not satisfied they presumably will lead the chorus of criticism about the business system and its unresponsiveness to consumer needs. Those who don't ever bother to complain at all may represent an even more potentially explosive group. As Warland, Herrmann and Willits have noted, those who are upset but take no action are "a frustrated and even possibly an alienated group of consumers. ...In frustration they direct their anger toward the system, viewing both business and government in very negative terms."[2]

Recommendations

What should business do? Our first major recommendation is that management make consumer satisfactions data of the type reported here an integral part of their management information systems. Such data can have several key managerial payoffs, particularly as repeated measures are made and trends plotted over time. Among the kinds of information that can be provided are the following:

1. Consumer satisfactions data can tell management much more about the nature product and service problems that complaints sent in through traditional channels cannot. Our data show clearly that many kinds of problems, particularly those involving design, are problems consumers are reluctant to voice. Yet their correction can be critical to a product or service's continued success or failure.

2. The data can tell how much unresolved dissatisfaction remains in the marketplace. Management cannot tell this simply by looking at the number of complaints sent in or consumers' satisfaction with the handling of their complaints. Both of these figures could improve--complaints could drop in number and more of them could be satisfactorily resolved--while discontent grows if what is happening is that consumers cut down sending tough complaints to the company perhaps believing that "there's just no point, these people just don't care." By looking at both unvoiced and unsatisfied complaints management can keep track of an important source of potential damage to the company's reputation and a potential stimulus to greater government intervention in the marketplace.

Given that the appropriate measurement system can be designed how, then, can management improve its performance? Obviously one key is improved products and services so that the rate of perceived problems declines. This, as we have suggested, is a task that can be materially assisted by the new data base. But it is also important to note that the problems we have been discussing are perceived problems. Whether a consumer perceives a problem is in part a function of his or her expectations. Many complaint managers find that a significant source of voiced complaints is the practice of salesmen overpromising product or service performance. Clearly, this source of bloated expectations must be curbed where it exists.

One of the difficulties in achieving this reform is that complaint managers are often not well situated organizationally nor have adequate organizational clout to effect changes in the performances of line personnel.

In our opinion, the reduction of consumer complaints is sufficiently critical to organizational success to warrant the establishment of a top level complaint review committee including senior marketing, production, accounting, and service personnel made responsible (and given the authority) for improving complaint performance. This, we believe, can significantly reduce coordination problems while lodging responsiblity with those who can make a difference in company performance.

The next source of difficulty we have pointed up is in voicing: half of all serious complaints are never mentioned to business. The obvious solution is to market the complaint handling system to customers. Customers should both be encouraged and find it physically easier to tell business when things go wrong. This would involve improved advertising and point-of-sale promotion, product inserts, toll-free numbers and the like, all designed to tell customers that you want to know when things go wrong. This recommendation, of course, flies in the face of conventional business thinking: don't encourage complaints, deal with them well if they appear but more complaints mean more cost to the company. This, of course, implies that there are no benefits or at least that benefits do not outweigh the costs of complaint management. It is our position that the opposite is true. Two large benefits can accrue from soliciting more complaints: (1) as we have already shown, management will get better data about product and service problems and (2) more consumers will be ultimately satisfied with the product. To ignore rankled customers is to ignore lost resales and very bad word-of-mouth that can ~~be~~ have a serious rippling impact on company sales.

The third avenue for improving complaint performance is in better handling of the complaints actually received. Formulation of careful, speedy procedures to handle complaints can improve consumer satisfactions. Many complaint

managers believe that the faster the complaint is handled the more satisfied the consumer will be no matter what the problem or the outcome. Many of these managers are now substituting telephone response systems for the past's elaborate written follow-up systems. Many of these managers are finding telephone-based system to be not only more effective but less rather than more costly.

The last recommendation to be made concerns company attitude. It is unfortunately too often true that complaining consumers are looked upon by business as "the enemy." This in part explains why management often does not want to encourage complaints: it ~~writes~~ invites the enemy to your doorstep. It is also why complaint handlers often technically satisfy complaints but still leave the customer angry: the "enemy" mentality begins with the assumption that the customer is wrong and only grudgingly admits otherwise. Yet we have tried to show here that the customer-with-a-problem is not part of a small coterie of chronic complainers, that he or she has valuable data to bring to the company, and that if he or she remains unsatisfied the future cost to the business in sales, directly and through damaging word-of-mouth, can be substantial. If full value from complaint management is to be gained key personnel must (a) want to hear from complaining consumers and (b) believe that the consumer is right until proved otherwise. Because we believe that effective complaint generation and handling can play a significant role in marketing success, these critical positive attitutes must first be adopted at the top. As with any new business philosophy, the staff will follow only when they believe top management is fully committed. It is a commitment we believe management must adopt if it is to maximize its success in the increasingly "consumerist" business environment of 1970's and 1980's.