

## **CHAPTER TWO**

### **LITERATURE REVIEW**

This chapter describes the literature review performed for the purpose of this study. It explains the description of complaint, the importance, the elements and procedures of a complaint handling system.

#### **2.1 Introduction**

Most of complaints arise because of poor communication between the organization, their staffs and the customers or public. Or, dues to information of the organization's services are not clear and widely publicized. However, good communication will only reduce complaints but not eliminating them. Constructive responses to complaints should be done to retain customers.

Studies done by Council of Better Business Bureaus, United States of America (1998) found that among the major causes of consumer complaints are product services. For examples; poor product quality, maintenance difficulties, inadequate or poor repair work, delays in delivery of goods/services, failure to fulfill product or service warranties and incompetent or discourteous staffs.

The studies also reveal that in some organization, complaints are considered an opportunity to rectify problems. Frequently, it provides constructive inputs in improving products, upgrading services, or adapting marketing practices. The organization with a positive philosophy has a competitive edge by

establishing an effective and innovative complaint handling system. The management philosophy embraces customer satisfaction as a primary goal of their organization instead defending their organization in the face of complaints.

Complaints are an inexpensive market source. The complaint data is capable to identify the level of customer's satisfaction and signaling the management for quality improvements.

Complaints should be utilized as a tool in identifying management procedures to be improved, reviews the conduct of staff, consultants, contractors and respond effectively to cases of dissatisfaction.

## **2.2 Definition of Complaint**

Every organization has a different definition of complaint due to the differences in their operational activities, policies, philosophies and services. Complaint handling system needs to set out the definition of complaint that works for the organization and its particular circumstances.

The Ombudsman's Effective Handling Guidelines (1997) defined complaints as any expression of dissatisfaction with products or services offered or provided. It also suggests that the overriding aim of any complaints process is to turn dissatisfied customers into satisfied one. Speedy and effective remedies at the first point of contact are the best way to overcome this. The internal system that are operated by the service provider are principally concerned with 'consumer disputes'.

The Ministry For The Arts, Australia (2000) defines complaint as an expression of dissatisfaction with respect to the level, quality and timeliness of

services provided, or, with the level or quality of communication, or, because to the failure to comply with an established practices or procedures. Or, due to lack of action by the organization or its staff affecting an individual or group of customers.

### **2.3 Importance of Complaint Handling System**

Most dissatisfied customers do not complain. Without complaints service providers are seriously disadvantaged in obtaining valuable feedback on the performances of the organization, its staff delivery of their services and customer satisfaction. Complaints are valuable management tools. It can derived information in structuring educative programs and develop strategies in addressing deficiencies in service providing and professional performance.

A complaint handling system should be handled professionally and may be as part of turnaround strategy. Effective system should be able to sustain and strengthened customer loyalty and increasing the organization image. It indicates that the organization cares and improves due to the customer's contact. Usually, in government services, it will promote public confidence.

Research done by Technical Assistance Research Programs Inc. in Consumer Complain Handling in America (1986) reveals that: -

- About 50% of the time, customers who have problem with a product or services are not likely to tell the company about it.
- Nine out of ten of these 'silent critics' will probably take their future business to its competitors.
- Even when a customer does complain, one out every two will not thoroughly satisfied with the company's effort to solve the problem.

- Dissatisfied customers typically tell between seven to nine other people when they have had an unsatisfactorily experience with a company.
- Negative information has twice the impact of positive information on purchasing decisions.
- Word-of-mouth is one of the most important factors influencing a customer's decision to buy from a company.

The research also found that consumers often do not complain because they believe it not to be worth their time; they do not know where or how to complaint; and they believe complaining will not do any good. This means that the consumers are skeptical about the organization's willingness or ability to resolve complaint fairly. Thus, simply withdraw their patronage and criticize the organization to others.

Complaints can be a source of valuable information about recurrent problems. It provides ways to understanding the root causes of customers problems and guiding in helping the target core processes to be improved especially reducing cost and improve services. Thus, drives the business decisions and strategic planning of the organization that leads to changes in policy, guidelines and procedures.

## **2.4 Elements of Complaint Handling System**

A good complaint handling system tends to resolve most complaints swiftly and as close as possible to the source of the problem. The system should be able to enhanced customer/provider relationship by improving the level of customer satisfaction and also recognize customers right in commenting and lodging complaints.

According to Ministry of Fair Trading, Western Australia (2000), there are five essential elements of complaint handling system as discussed below.

#### **2.4.1 Commitment**

There should be a commitment at all level of the organization towards an efficient and fair complaint handling system. This includes acknowledging that the customers have the right to complain, openly seeking feedback from them and having a written procedure about the complaint handling system available to customers.

The system should set standards and objectives against its assessed performance with systematic record of all complaints including the progress and outcomes of the complaints. Regular reviews should be conducted and reported. Actions should be taken on identified area for improvement.

#### **2.4.2 Fairness**

The system shall operate fairly, equitably and efficiently. Also, it shall have credibility in complying the demands of procedural fairness such as the rights: to respond, to receive reasons for decision in writing, to review and appeal and should be independence from the parties to the complaints.

The complainant and respondent should be provided with information and all views should be heard and taken in account in a balanced resolution. It should be fair to all parties especially from the complainant and being complained.

### **2.4.3 Effectiveness**

To ensure efficient and effective system, adequate resources shall be made available. The staff responding to the complaints should have the authority and ability to decide remedies for immediate effect. This is to ensure the complaints received to be dealt quickly and courteously.

### **2.4.4 Accessibility**

Information of procedure in making complain should be readily available and simple to understand. The system should accessible and user-friendly to all customers with informative materials in lodging complaints.

Written complaints handling policy should be visible, publicized to customers and staff, accessible and easy to understand. It should avoid employing barriers or discouraging complainants from making complaints or from having their complaints heard.

### **2.4.5 Accountability**

The complaints received and their resolution should be recorded. Operation of a complaint handling system should be reviewed and appropriate report should be done regularly. Systematic problems should be identified and rectified. Outcomes should be viewed whether satisfy the community standards and expectations.

The system should be transparent and decision-making or resolution must be open. Accountability for proper operation of the system should apply to both complainants and the organization.

It is advisable to establish reasonable target time limits in resolving complaints. The time standards are as an aid to managing complaints and discipline and managing customer expectations.

## **2.5 Procedures of Complaint Handling System**

In general, complaint handling system depends on the nature of organization such as the nature of product/service or customer pattern. There is no single way in developing the system and the organization from time to time will discover new methods in improving the system and the fairness of remedies.

The complaint handling system should be structured and operate simply, effectively and quickly. Speed is essential in responding to customer dissatisfaction. The customers should be assured that care and prompt action shall be taken to resolve reasonable complaints. Due to that, complaint handling system procedures shall be monitored to ensure the complaints are being handled properly, fairly and promptly.

The Office of Consumer Affairs, Canada (1998) outlines the essential procedure of complaint handling system as discussed below.

### **2.5.1 Designate Location to Received Complaint**

Strategic and appropriate place should be selected in receiving complaints that is visible and accessible to customers. Customers need to know where and how to file complaints. The system should be publicized to encourage customers to voice dissatisfaction and to make good intentions of the organization apparent.

### **2.5.2 Develop Record-Keeping System**

Standard form shall be prepared for recording, categorizing and filing complaints database. The system should be designed to perform the function to communicating complaint data to management, permit swift identification and responses when complaints need to be coordinated with other departments or distribution network.

### **2.5.3 Logging Data**

Procedure in recording the date and pertinent information of the complaints shall be formalized. The complaints and any relevant data shall be logged in by categorizing it for resolution and record keeping. For example, type and the exact location of the problems occur. A brief description of the problem should also be listed to ensure for exercise control and proper follow-through. It is advisable to assign the complaint to one person for handling.

### **2.5.4 Investigating**

Thorough review of the facts based on the customer's description shall be done. Information may be obtained by inspecting the product/service performed, search for in-house records or follow up with the customer for any necessary additional information.

### **2.5.5 Acknowledging**

Prompt acknowledgement is able to ease the customers by demonstrating awareness and preserving goodwill especially when the complaints are unable to be resolved immediately. It is advisable to notify the customers the period of time required completing the action on the complaints and to personalize the response.

### **2.5.6 Formulating Solution**

This procedure explains the ability to perform solution. The solution shall be consistent with the established policy of the organization. Among important criteria to be taken into considerations are the customer's expectation, cost versus benefit of alternative solutions and comprehensiveness and fairness of the solution.

### **2.5.7 Responding**

The complainant should understand the response. Response should be clear and appropriate and must address the issues raised in the original complaint. A polite and understandable explanation of decision is able to preserve goodwill, even though sometimes the decision is adverse. It is advisable to avoid excessive technical jargon.

### **2.5.8 Following-Up**

This is the critical step to ensure the effectiveness of the system. The complainant shall be contacted to verify the level of satisfaction of the resolution. Not satisfied customers shall provide direct feedback. Initial screening should trigger immediate action, if necessary and statistical summaries should identify trends and long-term actions.

### **2.5.9 Report Preparation**

The complaint data should be periodically analyzed and evaluated. Complaint statistics and action proposal should be circulated to appropriate department. It should also include an action plan for complaint prevention.