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# What Unhappy Customers Want

By Marc Grainer, Charles H. Noble, Mary Jo Bitner and Scott M. Broetzmann



When Apple customers have problems with products, employees working in stores' Genius Bars provide the kind of efficient, expert guidance that many customers like.

# What Unhappy Customers Want

Companies have tried for decades to improve customer complaint resolution — without notable success. A new approach is needed.

BY MARC GRAINER, CHARLES H. NOBLE, MARY JO BITNER AND SCOTT M. BROETZMANN

IN 1976, the U.S. Office of Consumer Affairs sponsored what many consider the first national survey of customer satisfaction in the United States, asking consumers what problems they had experienced with products and services during the past year and profiling the resulting complaining behavior of those customers.<sup>1</sup> That study found that the expectations of many customers were not being met. Products people wanted were frequently out of stock, quality was often shoddy, and repairs and customer support were often poor. In the nearly 40 years since the original study, companies of every size and shape have identified customer service as an area of tremendous importance for customer retention and branding. In fact, in the minds of many managers, the ability to ratchet up customer service has become an essential element of competitiveness.

Given the amount of attention companies have since paid to improving customer service, they might expect to have seen dramatic gains in the level of customer satisfaction. However, based on



## THE LEADING QUESTION

Why has customer satisfaction with complaint handling not improved despite years of effort?

## FINDINGS

- ▶ Customer expectations are rising; customers now expect positive results and not just the chance to complain.
- ▶ Complaining customers need nonmonetary remedies (such as an apology or a chance to vent) in addition to monetary relief.
- ▶ Positive social network commentaries have more influence on others' purchasing decisions than negative postings.

the 2013 National Customer Rage (hereafter, Customer Rage) survey,<sup>2</sup> which followed the basic methodology of the original U.S. Office of Consumer Affairs survey, complainant satisfaction is lower today than in 1976. Although companies have invested in technology, call centers and other resources (such as staff training) to provide better customer service, many businesses are finding that being able to create satisfied and loyal customers is more difficult today. Hurdles include a daunting rise in customer expectations; challenges posed by the Internet, social media and online word of mouth; and poor execution of upgraded corporate complaint-handling policies.

Since the 1970s, we have been involved in researching changes in customer satisfaction, and in the past decade we have conducted six Customer Rage surveys in the United States as well as variations of this study internationally. (See “About the Research.”) Among the most interesting findings:

- The explosion of online social networking and other communication tools has raised the stakes drastically in the area of customer satisfaction. While disgruntled customers in the 1970s may have expressed their dissatisfaction to 10 friends and family, our 2011 Customer Rage survey found that modern, socially connected consumers reach an average of 280 others each time they post on social networking sites, with the potential for echo effects through “retweeting” and other viral activity on sites such as YouTube.
- When today’s customers get mad, they often tend to get *really* mad. In our 2013 U.S. survey, 68% of the respondents who had experienced customer problems during the past year were either “extremely” or “very upset.” Thirty-six percent said they had “yelled or raised (their) voice” in connection with their most serious customer problem.
- In addressing complaints, companies are failing in their efforts to create one-stop resolution with technology and people dedicated to resolving customer problems. In 2013, only 21% of complaining customers said they felt that their problems were resolved at the first point of contact; customers reported that they typically needed to make four or more company contacts before achieving a resolution.

Clearly, customer satisfaction remains a major concern. In fact, the share of customers reporting problems has grown. While 32% of consumers

reported experiencing a problem with products or services during the past year in 1976, that figure rose to 50% in 2013.

So what can companies do to improve the level of customer satisfaction in complaining situations? We have identified five areas of focus.

**1. Encourage unhappy customers to complain, but be prepared to resolve the complaints.** Early customer satisfaction research showed that the mere act of complaining had a positive effect on customers and seemed to be enough to improve their level of brand loyalty, regardless of the outcome. In the original 1976 survey, customers with problems who complained but were dissatisfied with the company’s response still reported brand loyalty nine percentage points higher than that of customers with problems who did not complain. This finding persuaded many companies that it was in their interest to solicit complaints. Indeed, it was a principal justification for the massive expansion of corporate complaint-handling programs in the past few decades.

But it seems that it’s become more difficult to retain the loyalty of complaining customers. Today, in fact, failed complaint-handling experiences result in reduced brand loyalty: When companies are unable to resolve the problems of complaining customers, brand loyalty declines and is 12 percentage points below the brand loyalty of customers with problems who did not complain. We believe that this decline reflects the increased expectations today’s customers have for corporate complaint handling. Back in the 1970s, when many companies made it difficult to complain, merely acknowledging the legitimacy of a customer’s complaint was enough to exceed customer expectations. Today, customers with complaints want companies to “get it right.” They expect businesses to handle customer service flawlessly (even if it is outsourced to a third party) and to consider every aspect of the customer experience. Simply having a complaint department or providing an email address without following up with high-quality resolution can do more harm than good.

**2. Understand what results your investments in customer service will produce.** Since the 1970s, companies have collectively invested billions of dollars in upgraded corporate complaint-handling

practices. However, poor execution of these upgraded complaint-handling practices often has diluted the impact of this investment. For example, setting up call centers where agents are not adequately empowered, customers experience long wait times or complainants are faced with complicated automated response systems rarely results in the desired payoff of increased customer satisfaction.

Only 20% of 2013 complainants were satisfied with the results of their complaining experience (compared with 23% in 1976). The 2013 survey found that 56% of customers report that they got “nothing” in response to their complaints about product or service problems (in other words, neither monetary nor nonmonetary remedies). This low level of complainant satisfaction is especially significant given the fact that today, poor complaint-handling practices have a negative effect on brand loyalty.

### **3. Recognize that technology has limits — and that some customers want to interact directly with a person.**

Given the explosion of e-commerce and social media, companies sometimes assume complaint handling should be managed online. In fact, the majority of people (66% in 2013) are using the telephone to make complaints. Only 6% of today’s complainants consider the Internet their primary channel for complaining. This suggests that “online-only” complaining options provided by some companies are insufficient and that consumers are often interested in more personal, human options. Indeed, the survey data suggest that online communication channels might be used more effectively to steer customers to live complaint handlers rather than as part of totally automated solutions. Of course, the reality is likely to be more complex, with different consumer types desiring different channels for their complaining needs, depending on the nature of the problem.

**4. Be aware that customers may be even more influenced by positive online word of mouth than by negative word of mouth.** Many executives assume that dissatisfied customers are more vocal than those who are satisfied — and that they do more damage than satisfied customers do good. A popular rule of thumb has been that dissatisfied customers will tell more people about

## **ABOUT THE RESEARCH**

This article reflects an ongoing stream of research conducted over the course of nearly 40 years by the principals of Customer Care Measurement & Consulting, in collaboration over the past 10 years with the Center for Services Leadership at Arizona State University. The initial 1976 study for the U.S. Office of Consumer Affairs asked a sample of 2,513 respondents about the nature of the problems they had experienced with products and services during the past year. This survey then profiled complaining behavior of customers who had experienced problems. As a follow-up, we fielded six National Customer Rage surveys between 2003 and 2013 in the United States and several applications internationally. Each of these surveys consisted of a statistically appropriate sampling of approximately 1,000 consumers who were carefully selected as representative of the general population. The surveys focused on the most serious problems consumers experienced during the past year (including a measure of customer rage) and the complaining behavior they took to resolve such problems. Results from the surveys were presented at the Arizona State University W. P. Carey School of Business’s annual Compete Through Service Symposium. Since 1976, Customer Care Measurement & Consulting principals have also fielded hundreds of proprietary company-specific or industry-specific surveys in North America, South America, Europe, Asia and Australia.

their experiences than satisfied ones. Of course, the viral potential of social media has raised the stakes for such comments.

However, our 2011 Customer Rage survey contained some surprises. Contrary to the accepted folk wisdom, positive comments on social networking sites actually have much more influence on other people’s purchases than negative comments. By a margin of 46% to 19%, prospective buyers cited positive posts more often than negative comments as being most influential on their future purchases. Further, by a margin of 54% to 33%, users of social networking sites were more likely to post information about their good experiences than their bad experiences. These findings suggest that companies should be just as interested in developing channels for customers to broadcast their positive experiences as they are in removing negative postings from the Web.

**5. For most customers, dissatisfaction is about more than money.** Back in the 1970s and 1980s, the focus for many companies was on cost containment — that is, keeping the amount they spent on resolving customer complaints as low as possible. While that has changed, even today there’s a belief on the part of some managers that many customers who complain are really just looking for “freebies” (for example, full or partial refunds, free products or services, etc.).

The research indicates otherwise. In our surveys, only 26% of the respondents wanted financial compensation for their lost time, inconvenience or injury. Many more complainants wanted nonmonetary remedies. The largest number, 92%, wanted to be treated with dignity. Others wanted an assurance that the problem would not be repeated (76%); an explanation (74%); a thank you (72%); an opportunity to vent (63%); and/or an apology (62%). These nonfinancial remedies can have a major influence on continued brand loyalty. We found that complainants who received nonmonetary remedies in addition to monetary relief were twice as satisfied with the action taken to address their problems as those receiving only monetary remedies (74% versus 37%). This finding suggests that simply throwing money at complaint-handling remedies doesn't make much sense. A smarter, more effective approach involves a combination of actions, including hiring better personnel, providing appropriate training and using "soft" skills such as flexible language, empathy and adaptive responses.

### **A New Approach to Complaint Resolution**

Developing the right approach to handling customer complaints can be elusive and frustrating for companies. Although technology has created new service opportunities, it has also complicated service delivery and drastically increased the opportunities for disgruntled customers to complain. Companies need to develop efficient and transparent systems that are both respectful of consumers' time and aligned with the potential economic value customers can generate both individually and collectively.

Today's consumers feel more time pressure than earlier generations, and consequently, they often are forced to make significant personal sacrifices when having to engage in a complaint situation. Despite the fact that the failure to resolve complaints during the initial contact leads to customer rage as well as decreased satisfaction and brand loyalty, "ping-ponging" customer complaints to different employees within an organization is common. Instead, frontline customer service employees need to be empowered to offer efficient, one-stop solutions for customer problems.

Sensitivity to the customer's time needs to be at the center of how management addresses customer complaints. Many customers calculate time in two ways: the time they spend on the telephone talking to (or being on hold for) a call center agent, and the total time it takes to resolve a problem. Taking a process mind-set, companies need to consider ways to minimize both of these periods.

The widespread use of social networking and media before, during and after product purchases is dramatically impacting how companies need to think about customer satisfaction. The days of assuming that you are dealing with individual customers privately are mostly a thing of the past. Companies should treat each customer interaction as if it were playing out on a Facebook page or in a YouTube video, given the possibility that the details of the customer's problem will be shared. This has serious implications for the choices companies make when handling customer complaints.

Many companies already use a customer lifetime value perspective to help determine how flexible they should be in extending product and service warranties or adjusting "standard" policies to make particular customers happy. However, that approach may not be suited to today's more highly networked environment. We suggest a broader, more open approach to resolving customer complaints — one that takes into account the fact that many interactions between companies and customers will be shared with a broad network and will therefore influence future purchases for a wide range of actual and potential consumers. This new approach needs to consider the "community lifetime value" of problem resolutions, suggesting the need for more liberal guidelines and discretion for frontline service representatives.

The fact that so many interactions with customers are communal and transparent presents big challenges for companies. Just as giving candy to some children and not others causes an outcry, providing extraordinary service to some customers and not others probably won't remain private for long. In today's environment, companies must be prepared to offer their best treatment to *everyone* to avoid being publicly savaged by unhappy customers. Companies are increasingly embracing this reality by enabling customers to share their experiences,



Frontline customer service employees need to be empowered to offer efficient, one-stop solutions for customer problems. Sensitivity to the customer's time needs to be at the center of how management addresses customer complaints.

both positive and negative. Sephora, for example, the retailer of high-end beauty products, maintains its “Beautytalk” community to allow peer-to-peer recommendations of products.

### Understanding the Specific Needs of Customers

Although many companies are trying to improve their product reliability and service systems, the challenges for consumer technology companies are especially difficult. Such companies must satisfy customer expectations in several areas at once: product design, engineering, packaging, user interface and so forth. To meet the needs of customers who are confounded by technology, consumer technology companies should consider two categories of customer service representatives: traditional “problem solvers,” who deal with defects and missing parts, and “proper use” advisers, who can instruct consumers on proper techniques for using their devices. Separating the two areas should facilitate the delivery of a higher level of customer service.

The example of Apple is instructive. Although Apple receives high marks for making products that are attractive and technologically innovative, it also employs simple user interfaces that allow many customers to operate the products without consulting user manuals. When problems do occur, employees working in stores’ Genius Bars provide the kind of efficient, expert guidance that many customers like — frequently at no charge. That is consistent with the findings of our surveys, where customers expressed a desire for more personal and caring treatment.

In addition to seeking quick and effective resolutions to practical problems, our research finds that consumers also seek to satisfy higher-order needs. When customers experience products that fail or service that disappoints, they want to be treated with dignity. They also want to be offered validation and a

chance to vent, and they want to interact with a company representative who takes ownership of and has empathy for their problems. Creating a service experience that offers these emotional benefits as well as fixing the problems is a huge challenge. It requires management to think about everything from how they hire and train employees, to the incentives and technology support employees receive, to the types of compensation extended to customers for failed service experiences. We believe that greater consideration of these factors can create a more positive service experience — and one that’s difficult for competitors to replicate.

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