# Customer Complaints - Tip of the iceberg

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*Abstract – There is a huge amount of dissatisfied customers who forgo making complains, and a number of articulated complaints, which have not been registered. This phenomenon gives rise to a discussion of the actual magnitude of the problem and its repercussions to service quality and market share. This paper addresses the problem of unrevealed customer dissatisfaction by making account of its magnitude, characteristics, and by providing a selection of recommended remedies.*

Key words – customer complaints, feedback, service experience, service quality.

## I. Introduction

The growth of the service sector in world economy has been accompanied with the increased interest in service quality management developments, including service recovery.[1] It has been found that customers' complaints are disproportionately rare in relation to the actual number of dissatisfied customers.[2] Moreover, there is a considerable amount of complaints being concealed.[3] The "underwater portion" of dissatisfied customers who do not complain is of vital importance for service business prospects, since it both constitutes threats, and potential benefits for the service companies. Thus, on the one hand, the dissatisfied customers who do not decide to complain tend to share the information of their bad service experience with their friends and acquaintances, who will pass the bad news to others, which is bound to substantially deteriorate the company image. Moreover, a huge information gap as to the causes of customers' dissatisfaction leads to misinterpretation and wrong allocation of decisions. On the other hand, increasing the number of registered complaints would enhance the feedback from the customers, as an invaluable source of information about the key areas of service problems that need to be resolved. Therefore, effective measures should be taken to encourage more feedback and alleviate the volume of complaint concealment so as to increase the influx of the useful data of customer service problems.

## II. Customer annoyance iceberg – facts and figures

As Goodman reports, according to TARP, 50% of customers who experience problems will complain to a front line person, while only 1-5% will extend their complaint to a local manager or the company HQ. The complaint rates vary in direct proportion to the volume of the monetary loss experienced by the customer. When the purchase of packed goods and/or small ticket items (i.e. less expensive products or services) is involved, 96% of dissatisfied customers do not decide to complain, or they make a complaint to the retailer, whereas in the case of large ticked items, 50% of unsatisfied customers will complain to front line staff, and 5-10% customers will extend their complaint to the management level. Complaint rates also vary in terms of type of problems. Problems arising from pocket monetary loss generate relatively high complaint rates (50-75%) while the incidents of mistreatment, bad quality, and incompetence only lead to 5-30% complaint rates to the front-line employees.[4]

According to Stauss and Seidel, an empirical study conducted among customers of an insurance company, based on a sample of more than 10,000 customers, indicated that 55% of the annoyed customers have not complained despite having a good reason to do so.[3] The data, reported by Stauss and Seidel, of the share of annoyed customers in respect of the selected sources of their annoyance and the rate of forgoing complaints in relation to those annoyance sources provides some insight into the distribution of annoyed customers in respect of both criteria.

TABLE 1

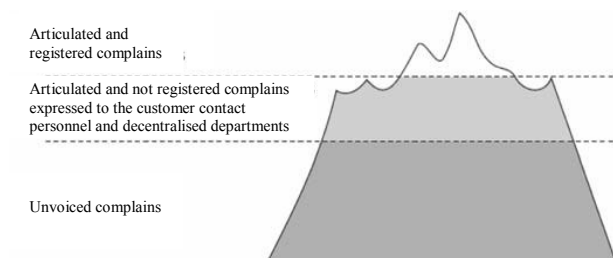PROBLEM-SPECIFIC NON-ARTICULATION OF ANNOYANCE

| Reasons for Annoyance | Share of annoyed Customers | Non-Articulation Rate |
|---|---|---|
| **Annoyance about:** | | |
| …the employees in the headquarter | 5.3% | 37.8% |
| …the sales representatives | 17.1% | 71.3% |
| …the amount of claim refunding | 10.0% | 38.2% |
| …the handling of claim settlements | 19.5% | 46.3% |
| …the handling of alternation of contacts | 13.7% | 47.1% |
| … writings form the insurance company | 17.2% | 36.6% |
| … pricing | 5.0% | 39.0% |
| … consulting services during concluding a new contract | 3.3% | 73.3% |
| … agent change | 2.0% | 76.3% |

(Adopted from Stauss and Seidel 2008: 37)

As it is presented in TABLE 1, the three most frequent causes of the customers' annoyance applied to problems with the handling of claim settlements (19.5%), writings from insurance company (17.2%), and sales representatives (17.1%), while the most frequent non-articulated complaints applied the problems involving agent change (73.3%), consulting services during concluding a new contract (73.3%), and the sales representatives (71,3%). The above data indicates that the companies whose management is aware of the need of having a realistic view of the problems concerning

customer satisfaction should take into consideration both the distribution of the sources of problems being experienced by the customers, and the rate the complaint articulation. Such analysis will facilitate the appropriate allocation of measures taken to stimulate complains.

Apart from frequent instances of forgoing complaints by distressed customers, a good number of complaints are not documented in complaint departments. As Stauss and Seidel report, a research aimed at examining the phenomenon of hidden complaints, conducted among business customers revealed that 46% of all articulated complaints were not registered.



Articulated and
registered complains

Articulated and not registered complains
expressed to the customer contact
personnel and decentralised departments

Unvoiced complains

Adapted (with changes) from: Heskett, Sasser and Schlesinger 1997: 179

Fig. 1. The iceberg phenomenon of complaint management
(Adopted from Stauss and Seidel 2008: 38)

As a result, the total of dissatisfied and annoyed customers whose negative opinions of their service encounters have not been documented consists of the number of cases in which the unhappy customers forego complaining and the cases in which their articulated complaints are concealed. Consequently, the tip of the customer annoyance iceberg is even less visible that could be expected.

## III. Why are customers reluctant to complain?

What lies at the root of the customers' negative attitude to making complaints is the process of upbringing, their beliefs, emotions, and also their first-hand experiences. A great number of customers tend to believe that making a complaint would cause them to stand out and face confrontation, which they often fear, especially when having already had bad service experiences with complaining. Therefore, they forego complaining as they anticipate that doing so will make them feel bad. Another tendency being displayed by dissatisfied customers is the belief other dissatisfied customers will make a complaint anyway, so why bother? What the customers seem to fear the most is that their complaint will be met with lack of interest, blame, lack of trust or even rudeness. Besides, there is usually no extra time that could be devoted to engage in actions that they believe are doomed to fail. [5]

## IV. Why do employees conceal complaints?

Among the motives which drive employees do restrain from logging complaints in a Customer Complaint Sheet some are shared by front-line customer-contact staff and managers, including supervisors, and some are exclusive to one of the groups of employees. In a study conducted by Thus, as Harris and Ogbonna, it was revealed that two most predominant motives for complaint concealment shared by employees at both levels were: the perception of complaints as being unfair, the expectations of unhappy customers as being unrealistic, and viewing the act of complaint logging as excessively time consuming and being more costly than informal actions. The four most predominant motives for complaint concealment among front-line customer-contact employees were: desire to suppress any information that would put their work quality in unfavourable light, perceiving a complainer as being rude or unpleasant, disregard of complaints delivered by serial complainers (many of whom are daily visitors longing for company and sympathy), and the employees' emotional state of alienation, which is relatively rare. The three most common motives for complaint concealment among supervisory and managerial staff were: to protect friends or family (in which cases they attempted to persuade dissatisfied customers to forgo making a formal complaint and if this failed and the complaint had been registered, they took the risk to remove the complaint from the Customer Complaints book), the anticipation of obtaining a gain such as financial rewards, bonuses or promotion in the event of only few complaints being directed towards them or their area of responsibility, and avoidance of additional work (the excuse for which some supervisors seek to find in the fact of its being time-consuming and demotivating). [1]

TABLE 2

MOTIVATIONS BEHIND CONCEALING COMPLAINTS

| Motive | Percentage of incidents involving customer-contact employees | Percentage of incidents involving supervisors/managers |
|---|---|---|
| *Front-line employee motives* | | |
| Personal protection | 29 % | |
| Customer unpleasantness | 23% | |
| Serial complaint avoidance | 16% | |
| Alienation | 7% | |
| *Common motives* | | |
| Perceived unfairness | 14% | 15% |
| Limited time | 12% | 15% |
| *Manager/supervisor motives* | | |
| Protection of friends and family | | 35% |
| Instrumental gain | | 19% |
| Avoidance of additional work | | 15% |

*Note:* Percentages may not total 100 due to rounding

As the data presented in TABLE 2 indicates, personal protection and customer unpleasantness were predominant motives for customer-contact staff to conceal complaints (29% and 23% respectively) while protection of friends and family was a predominant motive for supervisors/managers to conceal complaints (35%).

## V.  Why should complaints be encouraged?

Encouraging feedback leads to an increase in the complaint rate, which results in decreased engagement in negative word-of-month behaviour. According to research conducted by Nyer and Gopinath only 8.3% of the dissatisfied customers decided to make a complaint while not being expressly encouraged to voice their opinion of their service encounters, while 41.9% of the dissatisfied customers complained when they had been asked to provide feedback by filling in forms.[6] Interestingly, among dissatisfied customers who did not complain at all, 37.1% engaged in negative word-of-month behaviour, while only 15.6% of dissatisfied customers from the group of customers who complained engaged in negative word-of-month behaviour. The above evidence supports the arguments in favour of complaint encouragement as a means to prevent the, so called, *ripple effect*, which, as Dixon et al. explain, manifests itself in that the unsatisfied customers not only change their service providers but also inform a number of prospective customers of their disappointment with the service they have received.[7] Dixon et al. report that 48% of the customers with bad experience with service will share the bad news with others, whereas only 23% of customers with positive experience will tell other people about them.

As the number of dissatisfied customers who complain is only a small part of the total of dissatisfied customers, undertaking the performance of analyses of complaints will only partially allow for full understanding of customers' expectations. However, such analysis can be a source of useful information concerning more and less serious problems that occur in the service system. By making their compilation and analysis, followed by feeding them back to employees, the company wins the opportunity to apply corrections and adjustments. For example, L.L. Bean Company, which specialises in retail, mail-order and e-commerce of clothing and outdoor recreation equipment, collects information of complaints by putting them into categories labelled with names of products, in which the designated staff tally and summarise them on daily basis, and subsequently make the processed information easily accessible for all employees.[8] Owing to this procedure, the top management is able to systematically review the key areas of quality problems causing customers' dissatisfaction, whereby desirable improvements can be introduced promptly. Furthermore, collecting complains offers the company employees the opportunity to obtain more detailed and rich information about their products and services. A good example of this mechanism has been demonstrated by Procter & Gamble Company whose 800-number phone line facility allows customers to call and tell about their problems and complaints. In order to be able to display expertise by providing professional assistance, the contact employees receiving the calls are required to learn much more about their products than their colleagues who are not engaged in performing this task.

## VI.  How to encourage more feedback?

The best way to encourage complaints is to make it easy for an annoyed customer to complain. For example, as Zeithaml et al. report, British Airways installed customer-complaint booths at Heathow Airport, where the upset passengers could present their complaints in front of cameras, so that all their objections and remarks were videotaped.[8] The benefit of providing such facility was double-fold. On the one hand, the annoyed customers were given the opportunity to give vent to their frustration, and on the other hand, British Airways Management obtained access to vivid information about customers' problems and expectations. This facility is also a good example of incorporating a proactive approach into service provision.

## VII. Proactive approach to service provision

The contact personnel of companies that want to be proactive, rather than reactive, will ask the customer for their feedback before they have to face more unpleasant situations of dealing with complaints. Pro-active approach to customer service includes asking customers daily about their perceptions of the received service when interacting with them. The customer is asked whether their expectations have been met, and how they think the service could be improved. The customers are also well informed of the possibilities to make a complaint, which is owing to detailed information of addresses, phone numbers, and names of contact personnel, being published in advertising materials.
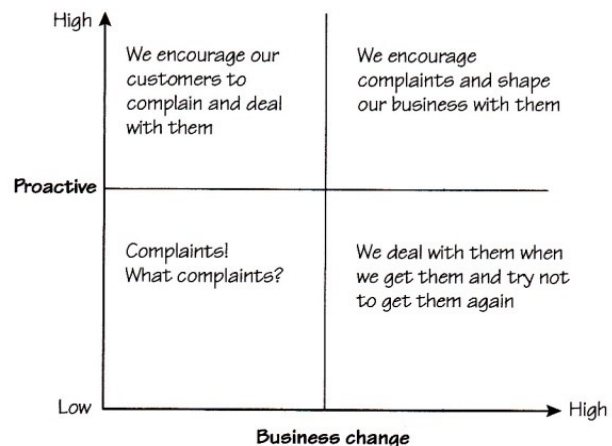


Fig. 2. The service-recovery matrix
(adopted form Stevens 2010: 94)

An interesting example of proactive approach to customer service and service complaint handling has been provided by Jan Carlzon, the president of SAS (Scandinavian Airlines) who emphasizes the benefits of "flattening the traditional organizational pyramid" for the purpose of creating a more customer-oriented company.[9] This can be accomplished by broadening the employees'

knowledge of all the airline operations, and empowering them with the sufficient authority to effectively deal with problems being reported.

## VII. How to manage complaints?

The aim of complaint handling is to facilitate the customers' attempts to counterbalance their losses sustained in the course of an unfortunate transaction. Since the losses vary in nature, depending on their worth of value, source, and characteristics, the recovery measures include two categories: economic and social. Economic measures constitute material benefit, such as product replacement, refund, or time saving, whereas social measures pertain to symbolic and emotional gains in the form of providing apologies or explanations.[10] Since the above mentioned measures enumerated within the two categories are part and parcel of service recovery process, they are present (with varied intensity) in the three components of the complaint handling process: timelessness, compensation, and communication.
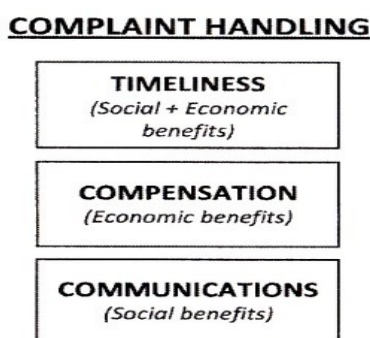


Fig. 3. Components of complaint handling (adapted from J. Cambra-Fierro et al. 2005: 111)

*Timeliness* refers to degree of promptness in responding to, or handling, the complaint by an organization. Conley suggests that it is of primary importance to respond promptly – i.e., within 10 to 15 minutes – to a customer's complaint (whether it has been communicated via a phone call, and e-mail, or a letter).[11] Even when the employee appointed to deal with complaints is preoccupied with other urgent tasks, they should drop everything and tackle the complaint right away. Such instant response should be given irrespective of whether the responding agent has a solution to the problem, or not. In the event of not yet being having a reasonable solution, the best course of action for such agent is to apologise for the failure and ask for a 24-hour time to let them investigate the problem. This action is a way of communicating to the customer that they are not being ignored, and that they should feel as being respected. Consequently, this prevents unhappy customers from experiencing a growing resentment and from denouncing the company to dozens of their friends and acquaintances by word-of-mouth behaviour.

*Compensation* constitutes a tangible component of complaint handling as it involves refunds, price discounts, product replacement, repairs and additional expenses incurred by the organization to repair the failure. Interestingly, Dixon et al. report that it is not exceeding the customer expectations while taking *compensation* measures that contributes to increasing rate of customers loyalty, but removing the causes of recurring complaints, such

as having to provide the same information repeatedly due to their being transferred to another representative, or another service channel (e.g. from phone line service to website).[8]

The third component of complaint handling, labelled as *Communication,* includes providing apologies and explanations about the causes of the service failure. The act of admitting the company's mistake combined with a sincere apology and explanation communicates empathy and respect, which often alleviates the feeling of frustration caused by the service failure. This appears to be in keeping with the study results presented by Clopton et al. who indicate that such qualities as: willingness to listen to customer complaint and good knowledge of products, being displayed by a salesperson receiving complaints, will significantly enhance favourable post-complaint responses from the customers, and will increase the likelihood or repurchase.[12]

## Conclusion

This paper has attempted to review the key aspects of the "consumer annoyance iceberg phenomenon" with a view of stressing the magnitude of this problem. Another aim of this paper has been to provide arguments in favour of encouraging more complaints by using effective measures to facilitate feedback from the customers.

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# Literature Scan In Turkey Devoted To Identify Entrepreneurship Levels Among University Students

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*Abstract – Entrepreneurship is a fact which is researched jointly by the economy, business, sociology and psychology disciplines. Entrepreneurship is the activity of putting new ideas to work as the simplest definition. At the economies acknowledged the importance of entrepreneurship, efforts for raising the entrepreneur numbers and importance given to them is raising. This research is made for compile and evaluate the works made for designating the levels of entrepreneurship among university students in Turkey. As a result of the study, the common directions, deficiencies of the former researches and suggestions for further researches are presented*

Key words – Entrepreneurship, University students,

## I. Introduction

Entrepreneurship is a fact which is prominent in the national and international economies and is important for the economic development. Because of the fierce competition environment nowadays, companies' existancy is dependant to economical development and progression. Entrepreneurs are helping social welfare to grow by generating employment thanks to their investments aimed to fulfill and decide social requirements. Besides its contribution it is a process supplying social welfare by providing economic growth, increasing productivity, providing technological innovations, to help information and to providing structural renovations. People who are using their funds to produce and sell a good or service and so aiming to make profit and taking the risk of making a loss are named as entrepreneurs. As it can be seen, there is a risk factor in the nature of entrepreneurship. As a result of the number of people taking risks and go into action raising, economic development of the countries are also accelerating.

In the parallel of rising number of people who are entrepreneurs it will also bring along the country economic development. Because of that, many countries are giving lectures about entrepreneurship in schools. The aim of these lectures are raising knowledge of the youth about entrepreneurship and to contribute the raising of number of entrepreneurs in the country at the coming years. Our country is also aiming to reach these purposes by giving entrepreneurship lectures to the students in many schools. Students decide being an entrepreneur by making healthy decisions while learning what entrepreneurship is, how its done and what they need to be careful about to be an entrepreneur.

## II. Conceptual Framework

Entrepreneurship concept is brought to economy literature at 18th century by French Richard Cantillon with his literary work. At the years of 1800 by John S. Mill, it took place at English literature In 20th century and Entrepreneurship theory emerged (Schumpeter, 2000). Entrepreneurship is a fact which is being studied by different disciplines such as economy, business, psychology and sociology. Every discipline has a different perspective of defining entrepreneurship. Because of that, entrepreneurship fact has too many definitions in general manner. Some of those are;

• Entrepreneurship is to take action, to attemt, to start (Aytaç and Ilhan , 2007: 107)

• Entrepreneurship is to create new organisations (Gartner, 1989-62)

• To emphasize inequalities for taking the opportunities, to examine alternative production processes and optimize them (Avşar, 2007)

• Entrepreneurship is to see opportunities that others cannot see and being able to convert them to business ideas and tendency to taking risks (Titiz, 1994)

• Entrepreneurship is all of the entrepreneurs taking risks, chasing opportunities, actualisation and renovations processes. (TUSIAD 2002:34)

• Entrepreneurship is to discover new procurable wealth and to find new purposes to acquire them (Harper, 2008:616)

• To take risks, to catch innovations, to utilize the opportunities and all the actualisation processes about them (Tekin, 2004:9)

• Entrepreneurship is a different value creation process including personal satisfaction and economic rewards as a result of consuming needed time and effort and taking economic, physical and social risks. (Akpınar,2011:14)

When the definitions of the entrepreneurship are examined it can be seen the terms of opportunity, innovation and taking risks are commonly used. By using these terms it is possible to present a definition as entrepreneurship is the all of the processes of risk taking by utilizing the opportunities to create new goods, new organizations, new production processes or by finding new markets.

Entrepreneurship is a fact with a lots of features in it since it is one of the base facts of the societies and economies. Because of that, there are facts entrepreneurs have to have and fulfill. These facts are named as entrepreneurship facts.

Functions an entrepreneurship has to fulfill are as follows; (Çelik and Akgemci, 1998: 19).

• **To create a new good or service:** Entrepreneurs does not confine themselves to what they have and they