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## Customer Complaint Handling: The Importance of Employee Training for Customer Service

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### ABSTRACT

Providing superior customer service and having effective and efficient customer complaint handling procedures are critical to a firm's success in the marketplace. This paper reports on a survey of Chamber of Commerce members in a community with a population of about 65,000 people with regard to their customer complaint handling policies and practices. The findings indicate that firms which train customer service employees in customer complaint handling are likely to collect, record, and respond to customer feedback and complaints in a more systematic way than those firms which do not provide such training. These firms are also more likely to systematically communicate their customer service policies to all of their employees and customers. Overall, it seems that small businesses are at a competitive disadvantage because they tend to engage less in such practices than the larger businesses. It is recommended that managers, especially in small businesses, engage in more systematic training of customer service employees and pay closer attention to the development of formal customer service policies and information systems for tracking customer complaints.

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### INTRODUCTION

Among marketing practitioners and academicians alike, the importance of customer orientation is touted as essential to a successful enterprise. A company focused on customer service will enjoy loyal and satisfied customers who reward the firm with their purchases, recommend it to others, and are less likely to switch to competitors

This paper examines the role of customer feedback in improving the performance of the firm by pointing out how to position the firm to be receptive to such input. Even when a firm considers itself to be attuned to the needs of its customers, it is important to recognize the concept of customer

service and its dynamics. What satisfies the customers today may not be sufficient to ensure their loyalty and business tomorrow. If the firm invites and is open to receiving customer feedback, especially when it is not favorable, it has the opportunity to respond to customer concerns and address them instead of losing the customer to a competing firm.

We first present a review of relevant literature on customer service and satisfaction in relation to company performance, responding to customer complaints and service recovery efforts, as well the importance of hiring and training customer service employees, followed by a set of proposed research hypotheses. Next, we discuss the research methodology and data collection in our empirical study. The results are then presented and analyzed followed by a conclusion and recommendations for future studies as well as implications for marketing practitioners.

## **LITERATURE REVIEW AND RESEARCH HYPOTHESES**

It is a widely held view that a successful firm must focus on customer needs and satisfy those needs by meeting or exceeding the customer's expected performance (Bearden, Ingram, & LaForge, 2001). Furthermore, the firm must satisfy the customer's need as well or better than its competition. A customer, though initially satisfied with a firm's product, may well have a change in attitude based on the offer of a competitor even if the purchase already made was considered satisfactory (Forbes, 2008). In essence, the firm has to meet or exceed a customer's expectations within the context of offers available to the customer from competitors. It is not unusual for a firm to attempt to hype its product offering (through promotional efforts) to entice the consumer thereby setting expectations it may not be able to meet. Examining customer complaints within the context of the airline industry, Forbes (2008) found that the number of customer complaints decreased with higher levels of service quality. Controlling for actual service quality, consumers complained more often when they expected to have received a higher quality of service.

Firms have to recognize that in their quest to continue to innovate and develop new products to meet customer needs, complaints from customers can be a valuable source of ideas (Krohe, 2006). According to research, 80% of successful new ideas for products/services come from customers. That is assuming that the firm is receptive to customer input and welcomes their feedback, including complaints about its performance in the marketplace (Maruca, 2000). Indeed, the majority of customers are actually reluctant to complain and prefer instead to simply vote with their feet and quietly take their business elsewhere. Up to 90% of dissatisfied customers will not buy again from a company that let them down, and to make matters worse they won't tell the company why they are leaving (Carr, 1999).

Customer focused firms attempt to forge a partnership with their customers by engaging in relationship marketing and treating their customers as long term investments rather than engaging in transaction marketing which is focused on short term gains (Grönroos, 1996). A common practice among businesses is to aggressively court potential new customers sometimes at the expense of current customers. The conventional wisdom behind this approach is to attempt to expand market share by taking customers away from competitors, or to convert those who are not currently customers and increase the size of the market. Many new customers are attracted to the firm's offering, however, based on word-of-mouth and positive recommendations of current customers (Osenton, 2002). Furthermore, attracting new customers is much more costly than relying on existing customers for business. Studies show that firms rely on existing customers for 90% of their business. Also, acquiring a new customer is up to six times as costly as it is to keep a current customer (Meyer & Schwager, 2007).

A firm may argue that it is looking to new customers for business because its current customers no longer want to do business with it or that they are gravitating toward the competition. If the firm is

not serving its current customers, there is no reason to believe that it will do so when it acquires new customers (Kordupleski & Simpson, 2003).

### **Customer Satisfaction and Firm Performance**

Higher customer satisfaction has been shown to increase firm value and enhance its bottom line. Chi and Gursoy (2009) found that customer satisfaction level was positively related to company financial performance. A study of nearly 200 publicly traded Fortune 500 firms from 1994 to 1997 showed that increased customer satisfaction was positively associated with increased shareholder value (Anderson, Fornell, & Mazvancheryl, 2004). The reasons include securing future revenues (Fornell, 1992; Rust & Zahorik, 1993; Rust, Zahorik, & Keiningham, 1993, 1995) and lower transaction costs associated with communications, sales, and service (Reichheld & Sasser, 1996; Srivastava, Shervani, & Fahey, 1998). Other reasons include increased cross buying (additional products, accessories, etc.), recommending the firm to other buyers, and increased price tolerance for current customers (Anderson, 1996; Bolton, Kannan, & Bramlett, 2000; Narayandas, 1998; Srivastava, Shervani, & Fahey, 1999; Verhoef, Franses, & Hoekstra, 2001).

Rothenberger, Grewal and Gopalkrishnan (2008) found that satisfaction with complaint handling was key to consumers recommending a service to others. According to Homburg, Koschate, and Hoyer (2005) satisfied customers who received higher quality service or who felt better about the product were willing to pay more. Moreover, highly satisfied customers were willing to pay higher prices as compared with less satisfied customers and the willingness to pay more was based on cumulative satisfaction rather than transaction-specific satisfaction.

Other studies support the positive relationship between customer satisfaction and the financial success of the firm. In a random telephone survey of 542 shoppers regarding service quality, satisfaction and loyalty, Sivadas and Baker-Prewitt (2000) found that service quality influenced customer satisfaction, both of which impacted customer attitude toward the store. Service quality, satisfaction, and relative attitude all influenced the likelihood of recommending a department store. Customers who were more likely to recommend a department store also tended to be more loyal to that store. A more favorable attitude, however, did not result in repeat patronage or loyalty to a department store. Using customer satisfaction data taken from the American Customer Satisfaction Index (ACSI) database, customer satisfaction was found to be positively related to shareholder value based on a sample of 99 companies (Matzler, Hinterhuber, Daxer, & Huber, 2005).

Employee satisfaction was a significant determinant of customer satisfaction and also indirectly influenced financial performance (played a mediating role by influencing customer satisfaction). Quality employee recruiting and selection, training of customer service employees, and the proper reward system are essential to improving customer satisfaction and service recovery efforts (Brooks, 2000; Kiger, 2002a). In a survey of U.S. consumers about their expectation of customer service, Dougherty and Murthy (2009) found that consumers want companies to have front-line employees who are knowledgeable and are motivated to solve their problems during the first contact. The study found that unhappy customers leave a business without warning or notice to the business about their departure. A number of companies are foregoing elaborate, centralized feedback mechanisms in favor of quickly polling the customers with the question, "how likely are you to recommend us?" Firms are using the responses to calculate their Net Promoter Score (NPS), a metric that is easy to track (Markey, Reichheld, & Dullweber, 2009). The greatest impact comes from sharing this information with the front-line employees who just served the customers and empowering them to respond to any issues raised.

## **Customer Complaints and Service Recovery**

According to Lovelock and Wirtz (2007), service recovery is an umbrella term for systematic efforts by a firm to correct a problem following a service failure and to retain a customer's goodwill. The key objective of a service recovery strategy is to win back customers who might otherwise take their business elsewhere (Griffin & Lowenstein, 2001). At the heart of any service recovery strategy is a complaint handling system that not only solves customers' problems, but also improves the service in response to complaints (Bell & Luddington, 2006).

Customers evaluate the fairness of a service recovery along the three dimensions of distributive, procedural and interactional fairness. Distributive justice refers to the perceived outcome, whereas procedural fairness involves the processes, policies, and rules by which recovery effort decisions are made (Smith, Bolton, & Wagner, 1999). Interactional fairness focuses on the interactional treatment during the service recovery process, including an apology, perceived helpfulness, courtesy, and empathy of the service staff in dealing with the recovery. Compensation is effective in restoring customers' perceptions of distributive justice, while the speed by which service failures are corrected or complaints are handled is one of the major determinants of customers' perceptions of procedural fairness (Blodgett, Hill, & Tax, 1997; Tax, Brown, & Chandrashekar, 1998). The presence or absence of an apology is strongly linked to customers' perceptions of interactional justice (Clemmer & Schneider, 1996; Goodwin & Ross, 1992; Smith et al., 1999).

Kau and Loh (2006), in a structured survey involving 428 respondents, found that the complainants' level of satisfaction with service recovery was significantly affected by perceived justice. The levels of trust, word of mouth (WOM), and loyalty were significantly higher for those respondents who were satisfied with the service recovery compared with those who were dissatisfied. Also, the respondents who were initially satisfied with the service expressed greater trust and positive WOM compared with the satisfied complainants. Finally, the dissatisfied complainants showed a lower level of trust and were more likely to engage in negative word-of-mouth behavior compared to those who were dissatisfied initially but chose not to complain.

Regardless of what caused the customer to become unhappy with the product and its performance, the important task before the firm is how to deal with a potentially unhappy customer that may be lost to competition. The customer oriented firms will make sure that they have the lines of communication open so that they become aware of the dissatisfied customers as soon as possible. Indeed, customer oriented firms would facilitate and encourage such feedback from their customers (Harari, 1997; Seltz, 1991a, 1991b).

The successful firm needs to know what it should do to have the right product and service for not just today's customer but for tomorrow's customer as well and be open to customer complaints (Broussard, 2000). Encouraging customers to voice their complaints typically enhances customer satisfaction ratings (Sparks & McColl-Kennedy, 2001). Karande, Magnini, and Tam (2007), in a study involved in an Airline setting and hotel setting, found that granting a customer a voice in the recovery process results in higher perceived procedural justice, which in turn results in higher overall post failure satisfaction. They also found that the effect of recovery voice on perceived procedural justice was stronger for established customers with long transaction histories than for new customers with short transaction histories. Procedural justice refers to whether the procedures, or criteria, used in making a decision are perceived as being fair. Providing a customer with an opportunity to voice his or her complaint influences the perceived procedural justice (Sparks & McColl-Kennedy, 2001).

Customer oriented firms not only recognize the potentially significant loss of business due to dissatisfied customers, they also realize that they have a good chance of winning them back,

especially when their competitors fail to do so. Statistics show that customers tell twice as many people about a bad experience as they tell about a good experience and typical dissatisfied customers will tell 8-10 people about their problems. Importantly, customer oriented firms are rewarded in that 70% of complaining customers will continue doing business with a firm if the complaint is resolved in their favor (Gupta & Lehmann, 2005).

### **Customer Service Employee Hiring and Training**

Hiring and training the right employees for customer service positions play a significant role in the ability of a firm to interact and respond to customer feedback and maintain loyal and satisfied customers. Research shows that employees who exhibit a positive attitude can establish rapport and empathize with others, are likely to do well as customer contact personnel, and that firms should hire the right employees specifically for customer service positions (Dougherty & Murthy, 2009; Kiger, 2002b). Liao and Chuang (2004) suggest that proper human resource practices, including hiring employees with the right personality and customer service training of these employees plays an important role in influencing service performance and customer satisfaction.

Feuer (2000) suggests that firms need to make sure they hire the right people for the job and do so for the right reasons. Jeffcoat (2002) emphasizes the importance of hiring individuals who have a positive attitude and can establish rapport and empathize with customers. He states that employees can be trained for the right skills but they must possess the right attitude at the time of hire. Bozell (2001, 2002) discusses the importance of interview preparation to hire the right employee for health care organizations and suggests that first impressions about the potential recruit should be heeded in the hiring process. A recent study by Tews, Stafford, & Tracey (2011) examined the emphasis hiring managers placed on general mental ability (GMA) and personality—agreeableness, conscientiousness, emotional stability, and extraversion—when evaluating applicant profiles for servers for a national restaurant chain. GMA was framed as either “intelligence” or the “ability to learn and solve problems.” Their study found that while GMA was considered a valuable tool, personality traits were considered more valuable in the hiring decisions.

Schneider and Bowen (2010) advocate that businesses should hire for the specific jobs required, deepen the applicant pool to increase employee quality, consider how people behave in the hiring process in the actual hiring decision, and hire for the right personality types to insure quality customer service. Furthermore, they maintain that businesses can manage staff quality by informal training to learn the company culture as well as formal training for employees to learn how to behave and act in various situations in dealing with customer complaints and other issues. They argue that the investment in hiring and training are well worth it and would pay off in having employees who have the knowledge and interpersonal skills to improve service quality and interact with customers with competence (Schneider & Bowen, 2010). According to McAfee, Glassman and Honeycutt (2002), companies such as the Disney Corporation and Ritz Carlton use elaborate and sophisticated hiring practices to ensure they hire the right employee. They subsequently follow up with intensive initial training as well as on the job training given the importance of quality customer service at these firms.

Sturdy (2000) emphasized the importance of employee service training and the benefits of using an interactive process to impart a customer service culture among service employees. Customer service positions are not clerical positions. They require unique skills, including technical knowledge, a knack for details, and great communication skills. It is important to hire the right customer service employees and provide quality training to yield top notch customer service employees (Burand, 2004). A study by Tsaur & Lin (2004) of the tourist hotels in Taiwan showed that boundary employees’ training and development were the strongest human resource management practices that improved service behavior and facilitated higher levels of service quality.

In a survey of 717 retail employees of a large retail grocery chain in UK, Peccei and Rosenthal (1997) found a significant relationship between employee knowledge and competence and employee commitment to customer service. Employee training was considered an important factor in employee knowledge and commitment. Competence was referred to as the extent to which individuals perceive that they have the necessary training, skills and competence to do their jobs well and cope with any unexpected problems in their work. When a firm invests in its employees and provides them with the training and the tools to better serve the customers, it will have more knowledgeable employees who are empowered to deal with customer comments, concerns and complaints resulting in higher levels of customer satisfaction.

### **Summary of Research Hypotheses**

The reviewed literature underscores the importance of training customer service employees in order to secure high levels of customer satisfaction and firm performance. However, while managers are likely to train employees for job performance, they often neglect to adequately train them to listen and respond to customer feedback and to appropriately handle customer complaints. We believe there is a positive relationship between training and how well employees handle the customers because they are prepared and have been “trained” to do so. Hocutt and Stone (1998) suggest that the combination of employee training and autonomy to deal with customers are essential elements in the context of service recovery and improving customer satisfaction.

Based on the reviewed literature, we expect that firms which train employees in customer complaint handling to be systematically better positioned to serve and satisfy customers than those businesses which do not provide this specific type of training. In summary:

**H1:** Businesses that provide employee training for handling customer complaints are more likely to respond systematically to customer complaints.

In this hypothesis we use the term “systematic” to mean a response based on established company policies or a standard set of options as opposed to a random response left to the discretion of the customer service employee.

**H2:** Businesses that provide employee training for handling customer complaints are more likely to hire employees specifically for customer service positions than to assign them to such positions from the general rank and file.

**H3:** Businesses that provide customer service employee training for handling customer complaints are more likely to systematically collect and record customer feedback.

**H4:** Businesses that provide customer service employee training for handling customer complaints are more likely to systematically communicate their customer service policies to employees and customers.

It makes sense that companies that provide employee training and have made such an investment would be more systematic and organized in collecting and recording customer feedback and complaints. Rogg, et al. (2001), in their study of 351 small businesses in the same industry, found that human resource practices, including employee hiring and training when coupled with the organizational climate were significantly related to customer satisfaction. We believe larger firms with greater resources more likely can afford to provide training to their employees and therefore, size matters. In other words, larger firms have more resources to spend on employees training compared to smaller firms should they choose to do so.

**H5:** As compared to smaller firms, larger firms are more likely to train customer service employees for handling customer complaints.

## **METHODOLOGY**

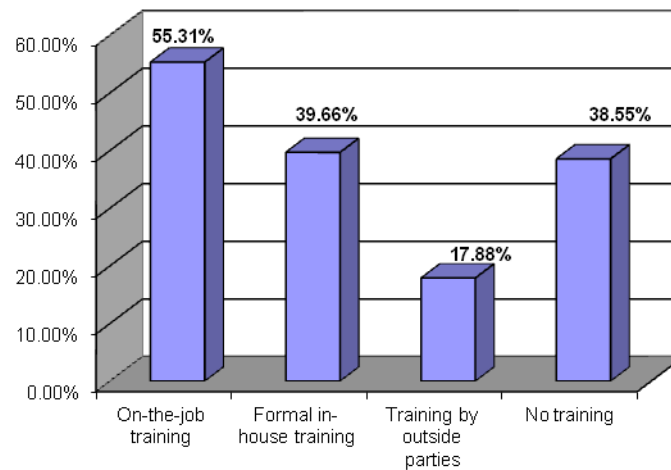
The study involved a survey of retail businesses (consumer goods and services) who were members of the Chamber of Commerce in a community of some 65,000 people. Our sampling frame included a total of 925 Chamber members who were sent the web-based survey electronically for a total of three mailings with two week intervals. Although we could not identify individual businesses participating in our survey as a condition of cooperation from the Chamber of Commerce, based on their Internet IP address we ensured that each participating firm was represented by a single response in the database. The final sample consists of 185 firms, for a net response rate of 20%.

With regard to sample profile, 65% of respondents were single-store operations. Of the remaining 35%, the majority (66%) of the 64 multiple store businesses had five or fewer stores. To evaluate the size of the firms, we asked about the firms' number of employees and their total dollar volume of annual sales. Half of the surveyed businesses had 18 employees or less, while a third had more than 35 employees. We then asked about the respondents' total annual sales. The responses show that 46% of respondents have sales of one million dollars or less, with 54% reporting sales greater than \$1 million. In the latter category, 26% have sales of between one and five million dollars and 15% have sales of over \$25 million per year. Overall, the sample profile closely matches the profile of the retail sector in the community, which is represented by a few national chains and many small businesses that are locally owned and operated. Therefore, to the best of our knowledge, the sample is a good representation of the population of interest for this study.

The main study variable was whether firms train or do not train their customer service employees on how to handle customer complaints. The responses show that a sizable portion of the sample, 39% of the surveyed firms, do not engage in any form of employee training. Among the 61% of the firms in the sample that provide training for customer complaint handling, the majority (55%) do on-the-job training, 40% offer formal in-house training, and 18% engage outside trainers (see Figure 1). In order to test the five hypotheses, we compared the 39% of the firms in the sample that do not have customer complaint handling with the 61% of the firms that do train employees, by performing Pearson chi-square tests. Table 1 reports the results of the analysis.



**Figure 1. Employee Training in Customer Complaint Handling**



In addition to the closed-ended questions used to collect quantitative data for hypothesis testing, an open-ended question asked respondents to verbally describe the company's efforts related to customer service recovery: how does the firm address the concerns of unhappy/complaining customers and win them back? The responses to this question were content analyzed and classified in five categories which are described in the next section.

## RESULTS

This section reports the results from the study in relationship to the proposed five hypotheses. With regard to the first hypothesis, significant differences were found between firms that provided employee training specifically focused on handling customer complaints and firms that did not provide such training, thus supporting this hypothesis. In all, 46.4% of firms that provided training responded based on established company policies and 29.1% did so based on a standard set of options as to how to respond. In contrast, only 5.8% of firms that did not provide training responded based on established company policies and 10.1% responded based on a standard set of options established by the firms (statistical significance level below 1%; Table 1).

The findings also lend support to the second hypothesis. More of the businesses that provided employee training for customer service positions hired employees specifically for customer service positions (53.5%) compared to assigning employees to such positions from the general rank and file employees (46.5%). In comparison, only 22.7% of the businesses, without employee customer complaint training, hired employees specifically for customer service positions. The majority of these firms, 77.3%, assigned employees to such positions from the general rank and file employees (statistical significance level at 1%; Table 1).

The third hypothesis focused on whether businesses that provided employee training for customer service positions were more likely to systematically collect and record customer feedback (including complaints), compared to businesses that did not provide employee training for customer service positions. As shown in Table 1, this hypothesis is also supported across the different methods used by firms to collect customer feedback. Businesses that provided employee training for customer service positions collected and recorded customer feedback at a significantly higher rate than businesses that did not provide employee training: 32.7% versus 18.8% via complaint boxes; 36.4%

versus 10.1% via toll-free telephone numbers ; and 55.5% versus 21.7% via the Internet. In addition, firms that do provide complaint handling training are also more systematic in the ways in which they record complaints than firms which do not: 35.5% of firms with training track complaints based on frequency and 39.01% of these firms track complaints based on severity, as opposed to 10.1% and 13.1% respectively for firms without training.

**Table1**  
**Differences between Businesses Which Train Customer Service Employees for Complaint Handling and Those Which Do Not Train**

	All Businesses (a)	Businesses with Complaint Training (N=110)(b)	Businesses without Complaint Training (N=69)(c)	Pearson Chi- Square (p-value)
<b>(H1) Employees respond to customer complaints in systematically:</b>				
Based on established company policies	29.7%	46.4%	5.8%	32.8 ( $<.001$ )
Based on a standard set of options	21.1%	29.1%	10.1%	8.9 (.003)
<b>(H2) Hiring employees for customer service positions:</b>				
Employees hired specifically for CS	44.4%	53.5%	22.7%	11.73 (.011)
Employees assigned to CS from the general rank and file	55.6%	46.5%	77.3%	
<b>(H3) Systematic collection and recording of customer feedback:</b>				
via feedback/complaint boxes	26.5%	32.7%	18.8%	4.11 (.058)
via toll-free telephone numbers	25.3%	36.4%	10.1%	15.05 ( $<.001$ )
via the Internet	41.6%	55.5%	21.7%	19.73 ( $<.001$ )
Track complaints based on frequency	26.43%	35.5%	10.1%	14.2 ( $<.001$ )
Track complaints based on severity	29.9%	39.01%	13.1%	13.96 ( $<.001$ )
<b>(H4) Systematic communication of customer service policies:</b>				
Communicated to all employees in the firm	79.5%	82.7%	75%	(.038)
Explained to customers at point of purchase	47%	56.4%	33.3%	9.02 (.003)
Posted in written at place of business	16.8%	24.5%	5.8%	10.41 (.001)

(a) numbers in this column represent % of all firm responses in the database

(b) numbers in this column represent percent of responses within the category of firms which train for customer complaint handling

(c) numbers in this column represent percent of responses within the category of firms which do not train for customer complaint handling

Hypothesis 4 involved whether businesses that provided customer complaint training for customer service employees were more systematic in communicating their customer service policies to all employees as well as customers compared to businesses that did not provide such training for customer service employees. The results support this hypothesis as well. As shown in Table 1, 82.7% of businesses that provided employee training communicated their customer service policies to all employees in the firm, 56.4% explained their policies to customers at the point of purchase, and 24.5% posted their policies at their place of business. In contrast, significantly fewer percentages of

the firms that did not provide training on customer complaint handling engaged in such practices: 75%, 33.3%, and 5.8% respectively (the significance levels of the differences are less than 5%).

The last hypothesis tested related to whether larger firms were more likely to provide customer complaint handling training for customer service positions compared to smaller firms. This hypothesis is supported based on the two measures of firm size, namely sales and the number of employees (Table 2). In terms of total annual sales, 62.9% of larger firms provided training compared to 41.8% of larger firms that did not provide such training. In contrast, 37.1% of smaller firms with sales of \$1M or less provided employee training compared to 58.2% of the smaller firms that did not provide employee training. With regard to the number of employees, 55.1% of firms with more than 18 employees provided training for customer service employees and 36.8% did not provide such training. The corresponding numbers of firms with 18 or fewer employees were 44.9% of smaller firms that provided training and 63.2% that did not provide such training for customer service employees (significance level less than 5%).

**Table 2**  
**(H5) Firm Size and Customer Service Employee Training**

	All Businesses	Businesses with Complaint Training (N=110)	Businesses without Complaint Training (N=69)	Pearson Chi- Square (p-value)
Relatively small firms in terms of annual sales volume: up to \$1M	46%	37.1%	58.2%	7.32 (.007)
Relatively large firms in terms of annual sales volume: Greater than \$1M	54%	62.9%	41.8%	
Relatively small firms in terms of number of employees: Up to 18 employees	50%	44.9%	63.2%	5.62 (.018)
Relatively large firms in terms of number of employees: More than 18 employees	50%	55.1%	36.8%	

### **Open-Ended Question Results**

The final part of the study asked respondents to provide written descriptions of the company's efforts related to customer service recovery. A large number of responses were received (110) which indicates that this question was highly relevant to respondents. In order to analyze and summarize the meanings of the written comments, content analysis was employed, common themes were identified and responses were categorized according to those themes. Overall, the categories and their relative size (number of comments) reinforce and help substantiate the quantitative results from the closed-ended questions.

The five identified themes were: (1) keep customer happy by all means, (2) employee training or having a policy in place to address the complaint/compensation in responding to customers, (3) it depends on the nature of the complaint; customer is not always right, (4) call the supervisor/manager, and (5) no policy or not recognized as an issue. A summary of the themes and the respondent comments are in Table 3.

**Table 3**  
**Company Efforts Related to Customer Service Recovery (Win Back Complaining Customers)**

Category	Sample Verbatim Responses
<p><b>1. Keep the customer happy by all means.</b></p> <p>55 responses (50%)</p>	<p>“It's very important to ‘hear’ what the problem is and then address it in a very prompt manner. If a customer has a problem with us, whether they are wrong or not is not the point. The point is how they feel, therefore, they are right and we must approach each situation accordingly. It has been our experience that if you acknowledge that you are wrong chances are your relationship with the customer will become stronger, simply, because they know that you will address the situation.”</p> <p>“We do everything possible to make the customer happy; sometimes to the extent of losing money.”</p>
<p><b>2. Employee training or having a policy in place to address the complaint/compensation in responding to customers.</b></p> <p>25 responses (23%)</p>	<p>“Our efforts include individual counseling with employees regarding customer complaints. Sometimes we will refund some money, but more often offer compensatory services instead.”</p> <p>“We train our people to lead the person away from the main area of business, away from other customers and let them talk and explain their issue. First element in addressing complaints is just LISTENING to them and understanding them. We apologize. We know that if we handle the complaint to the customers’ satisfaction, that we have a more loyal customer than we did if they'd had no complaint.”</p>
<p><b>3. It depends on the nature of the complaint; customer is not always right.</b></p> <p>11 responses (10%)</p>	<p>“We rarely get complaints, but when we do, we take one of two actions. If the complaint is unreasonable, we don't care to retain the customer. Unfortunately "the customer is always right" policy has led too many people to interpret it as a license to abuse employees. If that's the problem, I evict the customer. However, if the customer has a reasonable complaint and expresses it in a non-abusive manner, we do everything we can to make up for the error, including apologies and free merchandise.”</p> <p>“We practice Nordstrom's Policy: "Do whatever it takes to make the customer happy." If/when we realize the customer will never be happy, or we know that they are not telling the truth, we go as far as we can and inform them that for future work, they will need to seek another company to provide the level of service they are expecting as we cannot meet their</p>

	expectations.”
<b>4. Call the supervisor/manager.</b>  12 responses (10%)	<p>“We take customer complaints seriously and if line managers cannot resolve complaints, then higher levels of management contact customers to attempt resolution.”</p> <p>“Complaints are taken and followed up by a manager within a timely manner. Once full information is gathered, the client will be contacted and given the results. If they wish to escalate it, we help them through that procedure as well until an issue is resolved or decided on at the highest level.”</p>
<b>5. No policy or not recognized as an issue.</b>  7 responses (6%)	<p>“Right now, we don’t have a method of addressing unhappy or complaining customers. (Unfortunately) it seems we have had many unsatisfied customers in the past, and this segment of the business has not been dealt with correctly. We simply try to take care of the customer whether or not they are right or wrong.”</p> <p>“No process in place; our type of business rarely encounters dissatisfied customers.”</p>

The two themes that were mentioned by the most respondents were the need to keep the customer happy by all means (50%) and employee training or policies to address customer complaints (23%). One comment to reinforce the theme to keep the customer happy was:

“It’s very important to ‘hear’ what the problem is and then address it in a very prompt manner. If a customer has a problem with us, whether they are wrong or not is not the point. The point is how they feel, therefore, they are right and we must approach each situation accordingly. It has been our experience that if you acknowledge that you are wrong chances are your relationship with the customer will become stronger, simply, because they know that you will address the situation.”

Employee training or policies to address customer complaints was described as:

“We train our people to lead the person away from the main area of business, away from other customers and let them talk and explain their issue. First element in addressing complaints is just LISTENING to them and understanding them. We apologize. We know that if we handle the complaint to the customers’ satisfaction, that we have a more loyal customer than we did if they’d had no complaint.”

These comments reinforce the quantitative results and illustrate the importance of resolving customer complaints in order to maintain a strong loyal customer base.

## DISCUSSION & CONCLUSION

The literature on customer service and satisfaction underlines the importance to a firm’s overall performance and bottom line of attracting and retaining satisfied customers by interacting with customers, listening to their concerns, and resolving their complaints. Our research considered the importance of service employee hiring and training to customer service and satisfaction. Hiring

employees with a positive attitude and personality who can empathize and establish rapport with customers, as well as initial and on the job training are considered critical to firms that pride themselves in superior customer service.

The old mantra “hire for attitude, train for skill” describes the two factors we focused on in our research. Our research found that firms that hire specifically for customer service positions rather than assigning employees to such positions from rank and file also engage in training of customer service employees in one important aspect—how to handle customer complaints. Furthermore, these firms are more likely to have a more systematic approach to recording customer complaints, and responding to those complaints according to established policies. In general, these firms appear to be more focused on the importance of customer service and not leave that to informality and chance regarding the employee and customer interaction.

We found that the size of the firm measured based on total annual sales and the number of employees also made a difference similar to the patterns mentioned in the previous paragraph. In other words it seems that financial resources, to the extent we can surmise from total annual sale, and human resources, indicated by the number of employees, influence hiring and training of customer service employees and customer interaction and feedback, including complaint handling policies and procedures. It is plausible that larger firms have the resources to institute more formal training, formalized customer service policies, and more systematic communication and feedback regarding customer concerns and complaints. It also makes sense that with a larger number of employees, these firms allow greater specialization of their staff in their duties and tasks and can hire specifically for customer service positions.

Our study surveyed members of the Chamber of Commerce in a community of 65000 people. It would be helpful to conduct similar studies that consider larger communities with more diverse businesses and likely a greater incidence of larger firms in the sampling frame. We could compare customer service policies and procedures, including hiring and training practices across industries and observe common practices that emerge as rather universal and those that are more industry or situation specific. It would also be important to consider customer service policies and practices across B2C versus B2B contexts and use the findings to improve customer service accordingly.

In conclusion, any business, large or small, must hire the right employees for customer service positions and adequately train them to serve its customers. These employees need to be able to connect with the customer, empathize and be able to handle customer concerns and complaints in a satisfactory manner. Any firm that is serious about the quality of its customer service needs to possess formal complaint handling policies, to follow those policies in responding to customer complaints, and collect and record information about customer complaints and the effectiveness of employees' responses. Only in this way can firms ensure that they have a highly qualified work force placed in the front lines that can assist customers and handle problems resulting in satisfied and loyal and satisfied customers.

## **IMPLICATIONS FOR MARKETING PRACTITIONERS**

Our study found significant differences between firms that provide training for their customer service employees with regard to customer complaint handling and those which do not. While smaller firms seem to be less likely to engage in such training as larger firms, they stand to lose significant competitive advantage if they do not follow the same systematic approach as larger firms. Often, managers of small businesses feel pressured by limited resources and time and therefore tend to solve problems as they arise with whatever means they have available. As seen in our research, small businesses are less likely to train employees for customer service and complaint handling. Therefore, they are less likely to resolve complaints based on established policies, and therefore their employees are more likely to respond to customer complaints inappropriately and inconsistently

which creates a heightened risk for customer dissatisfaction. Customer satisfaction and loyalty are just as important for small businesses' profitability and long term success. Therefore, while acknowledging resource limitations, small business managers who take customer service seriously must follow the practices of larger companies and develop written policies and train employees for customer complain handling. These are low cost practices that are likely to provide a high return on investment for the company.

Employee training is critical in providing high quality customer service. While on the job training is important, formally training employees to respond to customer complaints based on established company policies is essential to insuring fair and equitable treatment of customers. Firms must consider this as a primary area of investment that is likely to provide significant return through increased customer service quality, customer satisfaction and loyalty, resulting in increased profitability and market share for the firm.

It is important that firms develop formal and well thought out customer service and complaint handling policies and have information systems in place that record, analyze, and report on the outcome of the implementation of those policies. Companies that respond to customer complaints in a haphazard way and neglect to systematically record and analyze such customer feedback, will not learn from past mistakes and will fail to improve customer service in the future. Our research shows that there is a significant association between firms' employee training and efforts to collect and record customer feedback. Evidently, firms that possess information about the nature and frequency of customer complaints, the responses provided to those complaints in the form of service recovery, and customers' post recovery behaviors, are more likely to effectively train employees to provide appropriate responses.

One cannot expect smaller firms to spend the same level of resources on training or developing formalized and systematic customer service policies and procedure. However, there are a great deal of resources, including research and publication on all aspects of customer service, training, hiring, policies, and procedures. That includes practical, easy to use books and articles that provide step-by-step guides to implementing such practices within the firm. Trade associations representing different industries provide a great deal of information, workshops and other resources intended to help their members. Government agencies at the state and federal level also provide a variety of assistance tailored toward small business in the area of customer service. It is more likely that inaction and complacency are the reasons for small businesses not taking advantage of such resources than access or cost. In the end, the organizational culture plays a critical role in the firm's willingness to embrace a customer centric culture and embrace customer service policies and procedures that work.

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