

HOW MANY LOST CUSTOMERS HAVE YOU WON BACK TODAY?: AN AGGRESSIVE
APPROACH TO COMPLAINT HANDLING IN THE HOTEL INDUSTRY

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ABSTRACT

The purpose of this paper is to discuss the relationship between consumer complaint behavior and complaint handling at the corporate and unit levels in the hotel industry. Both consumer and management attitudes, behavior, and actions in regard to consumer complaints toward a major hotel chain were surveyed. An analysis was made of the hotel managements' complaint-handling procedures and the effect these had on the consumer's attitude and intention to return either to the hotel at which the complaint was made or to any hotel in the chain. The results lead to the development of more effective tools for handling complaints.

BACKGROUND

It is inherent that there are always going to be complaints in the hotel industry. We sell an intangible product that is perceived in different ways by different people. People develop expectations of the product which may not always match up with what is received. The result is dissatisfaction and potential complaint behavior. A second characteristic of the lodging industry that sets the stage for dissatisfaction is that we are a "people industry" and people make mistakes. Given that complaints of one sort or another are not going to go away, the issue becomes how to handle complaints in such a way as to turn dissatisfaction into satisfaction, gain repeat sales, and turn negative word-of-mouth into positive. The second issue is how to use complaint information to learn of our failings and prevent recurrence.

A study of research in other industries reveals some trends worth noting as they also apply to the hotel industry. Customer satisfaction is obviously important to any business. It is generally agreed to be a significant determinant of repeat sales, positive word-of-mouth behavior and customer loyalty. Customer complaints are clearly expressions of dissatisfaction. At the same time, they present an opportunity for management to respond in such a way that dissatisfaction is reduced and repeat business encouraged. It is intuitively apparent that if someone is satisfied with the resolution of a complaint, they are more likely to return. In fact, the resolution may even instill more confidence in customers when they recognize that their complaints will be dealt with satisfactorily.

If complaints are resolved, customers who are inclined to relate their negative experiences to others such as family, friends, and business colleagues may, instead, go one step further and announce their satisfaction with the handling of their complaint. When so inclined, they provide word-of-mouth advertising for the company.

Complaints also allow a business to learn of failings that may be corrected. Proper correction can help to avoid future complaints. Indeed, the potential payoff from improved understanding of complaint behavior may well exceed the cost. Costs incurred handling complaints may be more than recovered by repurchase and referrals.

Actions Taken by Dissatisfied Customers

Much emphasis in research has been on the reactions of consumers who experience strong feelings of dissatisfaction with a purchase experience. Day and Landon (1977) developed a conceptual framework that classifies the alternative courses of action that are available to dissatisfied consumers. Figure 1 presents this framework adapted for the case of hotel guests. The options of the dissatisfied consumer include: (1) taking no action at all and essentially forgetting the experience, (2) taking some form of action that is "private" in that neither hotel management nor corporate executives, nor a third party agency, learns of the complaint, or (3) taking some form of "public" action by which a formal complaint is made. These alternatives, with the exception of the "no action" option, can be used by consumers in various combinations.

Word-Of-Mouth Behavior

One form of private action that is common in response to unsatisfactory purchases is word-of-mouth behavior. Richins (1983b) found that 85 percent of the respondents in a study of consumers who had experienced a dissatisfaction with a clothing purchase engaged in negative word-of-mouth telling an average of just more than five people. In a second study, Richins (1983a) demonstrated that the majority of dissatisfied consumers participate in word-of-mouth as opposed to either taking no action or registering a formal complaint. It was found that for consumers who were dissatisfied enough to take some form of action, the less confidence they had in the effectiveness of making complaints and in the responsiveness of management, the more likely they were to participate in negative word-of-mouth as opposed to other complaint behavior.

Studying the impact of word-of-mouth communication on the acceptance of a new product, Arndt (1967) found that exposure to favorable word-of-mouth increased the probability of purchase while unfavorable comments hindered it. In fact, 54 percent of the consumers who were exposed to favorable word-of-mouth did buy the product while 82 percent of those who heard unfavorable comments did not purchase the product. Negative word-of-mouth appears to be more powerful than positive.

In 1981, Technical Assistance Research Programs (TARP) conducted a survey of people who had corresponded with the Coca-Cola Company regarding an inquiry or a complaint, in order to measure the extent of word-of-mouth communications. It was found that customers who felt their complaints had not been satisfactorily resolved typically told nine or ten others about their dissatisfaction. However, if the complaints were satisfied with the company's response, only four or five people were told about the initial bad experience. The 85 percent who were completely happy with the company's response told four or five people how well things were handled (TARP 1981).

TARP found that brand loyalty can be reinforced by satisfactorily responding to complaints and inquiries while it can be severely damaged when customers

are not satisfied with the response. Almost 10 percent of those who were satisfied with the response received claimed to have bought more of the company's product. More than 30 percent of those who were not satisfied with the response said that they no longer bought the company's products and 45 percent said that they bought less. It appears that the response of business to consumer complaints has a strong influence on repurchase behavior.

In a more recent study, it was shown that 70 percent to 80 percent of customers whose complaints were resolved satisfactorily were willing to buy other products from the same company, compared with only 10 percent to 20 percent of non-complainers. Even 30 percent of unsatisfied complainers were willing to buy other products, just because someone had at least tried to resolve their problems (Zweig

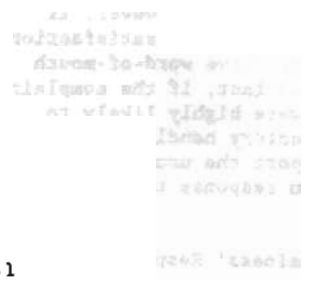
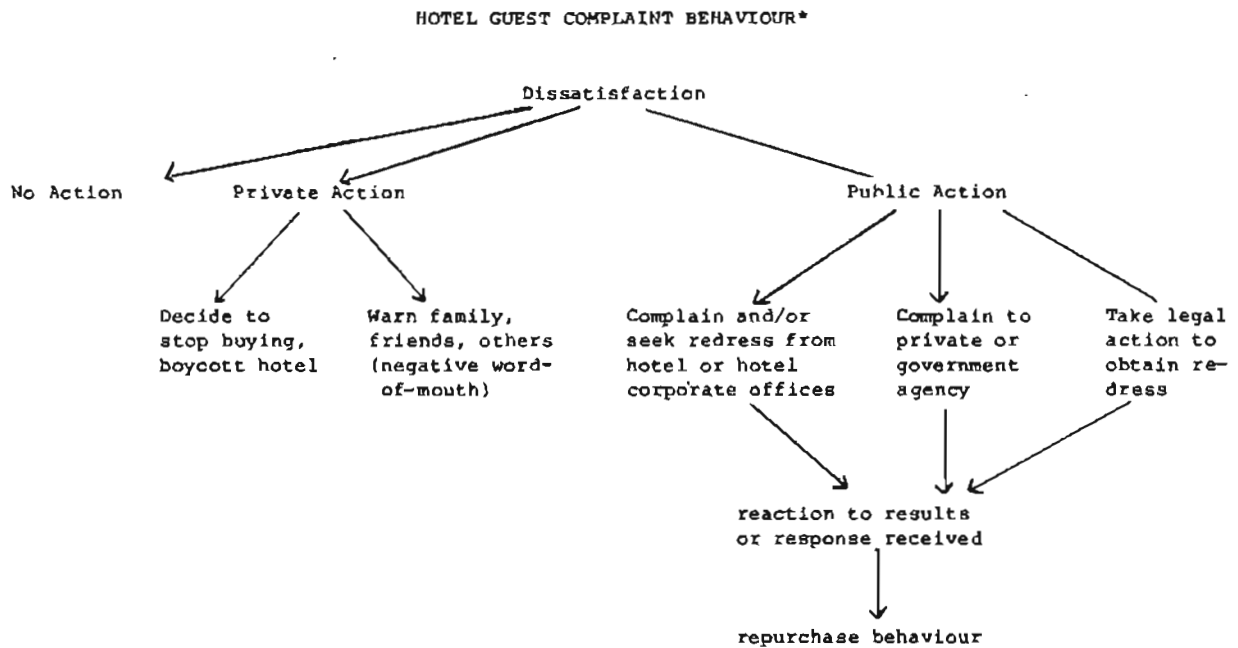


FIGURE 1



*Adapted from Day and Landon (1977) and Bearden and Teel (1983).



1986). Settling a complaint appears to engender greater customer loyalty than if the problem had never arisen in the first place.

Lewis (1983) surveyed guests who had communicated complaints to the management of a hotel. Complaints were asked about the extent to which they were likely to make a point of telling others about their complaint and the way in which it was handled. The likelihood of telling others about the complaint was found to be high (63%) as was the likelihood of telling people of how it was handled if the complaint was not handled satisfactorily (70%). However, if the complaint was handled to the guest's satisfaction, the likelihood of passing on negative word-of-mouth dropped considerably (43%). In fact, if the complaint was handled well, 66 percent were highly likely to tell the others of the satisfactory handling of their complaint. These results support the unproven thesis that word-of-mouth is a common response to dissatisfaction.

Consumer Satisfaction with Business' Response to Complaints

In order to examine the impact of business' response on complainants' attitudes and behavior, Lewis queried complainants regarding how much of their decision to choose or not to choose to stay at the hotel again was due to: a) the substance of their complaint, b) the way their complaint was handled, and c) their overall attitude toward the hotel other than their complaint. Lewis found that for those respondents who would choose to stay at the hotel again, the most influential factor in their decision was the way in which their complaint was handled. This response was highly correlated with the belief that management had investigated and corrected the problem. By contrast, for those who would not choose to return to the hotel, the most influential factor in their decision was the substance of their complaint. This response was highly correlated with the belief that management had neither investigated nor corrected the problem.

The guests who had complained and did not intend to return to the hotel appeared to have a negative attitude toward the hotel irrelevant of their complaint. It seemed that they did not believe in the management and that they were not going to be satisfied with the resolution of their problem, no matter how it was handled. It also appeared to be these guests who, regardless of the resolution, generally passed on negative word-of-mouth.

Complainants who were not satisfied with the response to their complaint were asked what would have satisfied them. While almost half said that a refund would have been satisfactory and a quarter suggested complimentary accommodation, 29 percent said that they would have been satisfied with a proper response from management, better communication, or a more pleasant relationship. In particular, those who were most disturbed about the incident that caused them to complain voiced these sentiments. Based on the results of this study, Lewis recommends that management pay closer attention to complaints and develop effective solutions that go beyond perfunctory hollow gestures.

METHODS

Collecting the data for this study involved three phases: (1) interviews with corporate and unit management, (2) an analysis of complaint correspondence, and (3) a survey of hotel guests who had written letter of complaint.

Personal interviews were held with corporate and unit management regarding policies, procedures, regulations, and, very importantly, attitudes toward the handling and resolution of consumer complaints. Management were also queried regarding specific actions taken to reduce the likelihood of repeat occurrences. The interviews gave the author a better understanding of the policies, procedures, and attitudes of both corporate and unit management towards complaints and complaint handling.

A survey was conducted of complainants who had written letters or expressed extreme dissatisfaction on an in-room guest comment card during a one year period.

Respondents completed a number of likert-type scales that queried them as to their intention to return to the hotel or other hotels in the chain, their attitudes towards the handling of their complaint, their communication with others regarding the incident, their satisfaction with the handling of their complaint, and their confidence in the hotel chain as a result of management's response. They also answered questions regarding the number and type(s) of problem(s) that led them to complain, how their complaints could have been better handled, and the means by which they would like to express their feelings in the future. Data were analyzed by both univariate and multivariate methods as well as hand tabulation.

RESULTS AND DISCUSSION

The results of this research demonstrates that it is clearly in management's best interests to handle guest complaints satisfactorily. All indications are that when guests remain dissatisfied, they not only do not repurchase but also pass on negative word-of-mouth and advise others not to use the hotel. Complaints that are satisfactorily resolved decrease the likelihood of negative word-of-mouth, increase the likelihood that the "good word" will be spread, and strengthen consumer confidence and loyalty. Although these are not new findings, there has not been a lot of empirical evidence, especially within a service industry such as the hotel business.

Assuming that some complaints will always be present (indeed, if no complaints are being expressed then business ought to be concerned about the potentially explosive body of unidentifiable dissatisfied consumers who may be switching hotels and advising others to do the same), the issue is how to tackle the problem.

CONSUMER COMPLAINT ACTION

The ways in which complaints were registered included contacting the front desk, speaking with the duty manager who may have recorded the incident in a log book, completing an in-room comment card directed to either the hotel General Manager or the company head office, or writing a letter to one of these parties. Although the exact proportion of complainants that took one form of action as opposed to another was not measured in this study, a few trends became evident in the course of interviewing hotel management and employees and reviewing complaint correspondence.

First, the majority of complainants vocalized their feelings at the local level (e.g., front desk of the hotel), and if satisfaction was not achieved, many dropped out and did not take further actions or

at least not actions of which the hotel was aware. Others took their complaint a step further. Sixty-four percent of the respondents in this study made their complaint known to an employee or the management at the time the problem arose, did not achieve satisfaction and proceeded to correspond with either the hotel management or the company head office. Writing complaints to the same management one has perhaps already encountered would seem to indicate a higher level of aggravation and a greater barrier for management to overcome if it wishes to gain resolution.

A second trend was that more complainants directed their problems to the management of the hotel at which the problem occurred than to the company head office. Levy and Suprenant (1982) also noted the tendency of complainants to deal with the local level and suggest that this may be due to an ignorance of alternative appropriate grievance procedures. According to this research, the provision of a mechanism by which feelings can be expressed does indeed increase the amount of feedback received. The amount of correspondence, both positive and negative, that developed as a result of the placement of a comment card in the guest rooms for the hotels involved in this study was overwhelming.

The fact that 36 percent of the complainants did not mention their complaint while at the hotel, combined with indications that many complainants do not vocalize their feelings at all, demonstrates that there is a need to encourage dissatisfied guests to speak up at the time that problems occur. As previously mentioned, research has shown that while complaints that are registered represent only the tip of the iceberg, most dissatisfied consumers choose to switch brands and pass on negative word-of-mouth instead (TARP 1976).

There is a need to measure the exact amount of non-vocalized dissatisfaction among hotel guests, to understand the private actions that they may be taking, and the reasons that they choose not to register complaints. It is not known how many are being rebuffed at the local level and are not taking further public action. TARP (1983) estimated that for every one complaint that reached the management of a telephone company, 50 - 100 were vocalized at the local level. In the hotel industry, it is recognized that every day there are dissatisfied guests who are finding it very easy to walk out of the doors of one hotel and down the street to the doors of a competitor. According to this current study of guests who expressed their dissatisfaction, only 35 percent were travelling on business when they encountered a problem. It is possible that the very guests who are not vocalizing their dissatisfaction are the business travellers who represent one of the hotel industry's most lucrative markets.

There is a need to make it necessary for customers to let management know that they are not satisfied and therefore present an opportunity to remedy the situation. It is in an organization's best interest to solicit complaints and to respond well. Customers should be surveyed on a regular basis and an ongoing means by which customers can provide feedback should be established. If management does not learn of customer dissatisfaction, it cannot take action to resolve it. The complaint process should be made less prohibitive in terms of time, money, and effort to customers. If the process were more efficient, perhaps more dissatisfaction would be expressed. The benefits include gaining business that would otherwise have been lost, increasing loyalty, and encouraging positive word-of-mouth advertising that would have been negative otherwise. In some cases, it may be

that customers do not understand aspects of a company's operation and that a campaign to increase their comprehension would reduce the number of complaints received. In other cases, vocalized complaints allow management to learn of failings within their operations that can be corrected so that further complaints are prevented.

Respondents in this study were asked what method they would prefer to use in expressing complaints. Twenty-four percent indicated a toll free telephone number to reach someone who would handle their complaint directly. Another twenty-two percent and twenty-one percent respectively, indicated a personal letter to the General Manager, and an in-room card addressed to the President of the hotel chain. Fourteen percent, each, indicated an in-room card to the General Manager and a personal letter to the President. Only five percent chose other means such as complaining in person at the time. This five percent may be the most significant number of all as it indicates that people do not like to complain in person and, therefore, are most likely not to do so.

Private Actions Taken by Complaining

The findings of this study indicate that consumers may be making a strong statement regarding their dissatisfaction by boycotting either the hotel or the entire hotel chain and by spreading negative word-of-mouth. Fifty percent of the respondents said it was highly unlikely that they would ever stay at the same hotel again. Of those who had been in the area of the hotel since their complaint, seventy-five percent had purposely not returned to the hotel and thirty-two percent had purposely not returned to other hotels in the chain.

The powerful influence of word-of-mouth on the attitudes and purchase behavior of others is well-accepted (Arndt 1967). In this study, complainants were found to be highly likely to tell others about their complaint and to tell an average of 12 people other than their family. They also indicated that they were highly likely to advise others not to use the hotel because of their complaint and to advise an average of eight people. These results are summarized in Table 1.

There appears to be a firm relationship between dissatisfaction with the handling of complaints resulting in lowered confidence in the hotel and perhaps the chain and increased likelihood of negative word-of-mouth behavior. It is those who do not intend to return and those who were most disturbed at the time of their complaint who do the most damage through negative advertising.

TABLE 1
WORD-OF-MOUTH BEHAVIOR OF RESPONDENTS

Likely to tell others outside family about the complaint?

Highly likely	62%
Not sure	18%
Number of people actually told (average)	12

If the complaint was not resolved?

Highly likely	73%
Not sure	15%

Likely to tell others not to use the hotels?

Highly likely	43%
Not sure	13%
Number of people actually told (average)	8

If complaint was not resolved?

Highly likely	71%
Not sure	11%

RESPONSE OF MANAGEMENT TO COMPLAINTS

Fifty-eight percent of the respondents in this study reported that they were led to complain due to a series of problems or incidents. This indicates that the hotel management involved had a number of opportunities, if they had known of them, to resolve difficulties for the same customer.

In their book, Service America!, Karl Albrecht and Ron Zemke state that in today's economy, it is the quality of service provided that gives companies a competitive edge. They recommend that companies "manage" their service and that each manager redefine his/her job in terms of its relevance to customer service. Albrecht and Zemke talk about "moments of truth" which are opportunities to reinforce a positive impression of a business or create a negative one. Each interaction between a customer and an employee is a test and the "acid test" is when dissatisfaction is involved. In order to come out of the situation in a positive light, employees need to be trained to deal well with the emotions of the complainant and given decision-making power to enable them to act immediately. In the eyes of the customer, the employee is the company.

Given that only five percent of the respondents in this current study would complain in person if given alternative means, it is up to managers and employees to encourage complaint behavior, to actually seek out complaints. Most run in the other direction! They must be trained to recognize dissatisfaction and given the incentive to take care of the customer. Perhaps we should be challenging managers and employees with questions such as "How many lost customers have you won back today?"

On the other side of the coin, employees should be given the responsibility and incentive to find

solutions to ongoing complaint situations. Often, we are too accepting of problem situations. When complaints are made, the excuses come quickly to our lips but we do not take action to stop the problem from arising again.

After the complaints were received, management had additional opportunities in which to remedy the situation. Sixty-one percent of the respondents reported that they believed their complaint could have been better handled. Thirty-four percent thought the situation could have been better handled at the time the incident occurred. Only nineteen percent felt that they should have received a rebate or complimentary rooms or meal while forty-seven percent stated they would have been satisfied with a better response from management in terms of more detailed and speedier communication, or a more pleasant tone.

The interviews conducted with management and the review of complaint correspondence indicate that common practice often involves a single course of action with the goal of simply pacifying the customer (see Figure 2). The actual form that this takes varies according to management style and the factors involved such as who the complainants are, the level of anger that they demonstrate, and the time and money required in developing a resolution. The process tends to include an apology, sometimes an explanation, rarely a promise of corrective action, and always a "thank you for letting us know so that we can improve our service." When these responses fail to satisfy complainants, it is not uncommon for management to write these individuals off as "unreasonable."

Analysis of the data in this study indicates that effective solutions to complaints go considerably beyond surface and perfunctory gestures. One of the most important aspects of response letters is the content. Guests want a full explanation of why a problem arose and they want to know what is being done to prevent a recurrence. One complainant who was satisfied with the way in which the complaint was handled commented: "The fact that: (1) I received a prompt reply to my letter, (2) a phone call from the manager, and (3) the air conditioner now works, proves that - Hotels have their clients' interests at heart - Thanks." In many cases, the content of the response is more important than any monetary compensation. Richins (1979) also documented the importance of an apology and acknowledgement of a problem to consumers as a benefit of taking complaint action. Complainants who are satisfied with the content of the responses that they receive have more confidence in the hotel as a result.

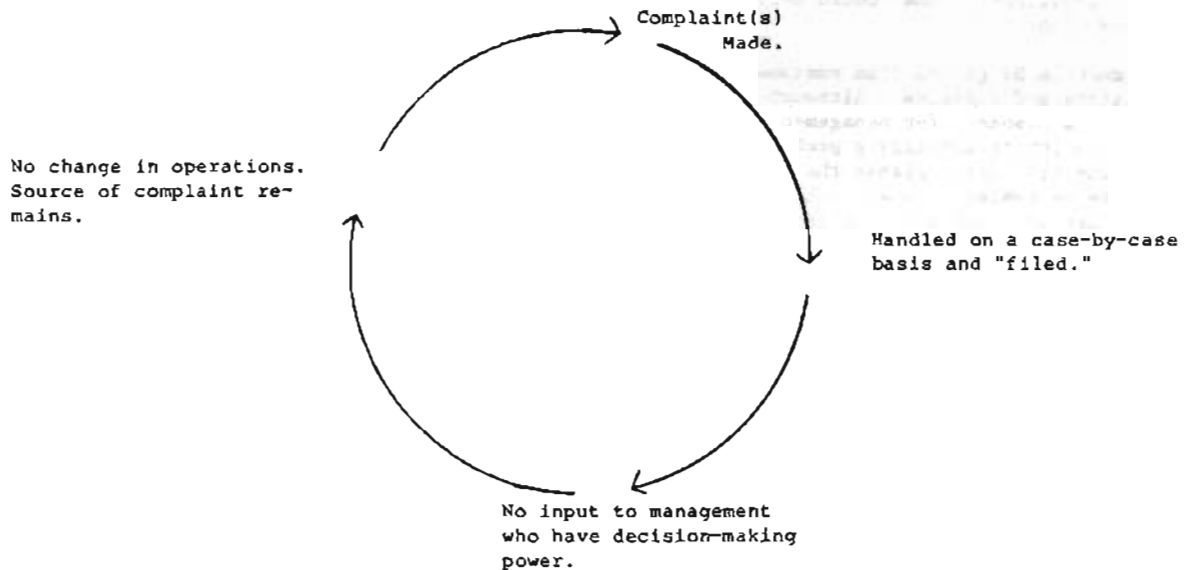
The tone of the response is very important. The responses that truly win over guests say "We goofed, we are sorry, and we want to make amends." However, management has a tendency to sound patronizing. One respondent commented that "Letters from the hotel should have been pleasant and apologetic rather than accusing and rude." Another guest said, "The wording of the response seemed to say "we will let it go this time." Such replies are bound to further aggravate already irritated complainants as are ones that state "Sorry, these things happen" or "Yours is the first complaint I have ever heard on this matter." The findings of this study bring to the surface the importance of addressing the feelings of complainants and not solely the reason for their complaint.

The speed of a response does not appear to influence guest satisfaction with the response. Although guests may appreciate acknowledgement that their complaints have been received and some notifi-

cation of progress if an investigation is going to delay resolution, it is what management responds and how it is expressed that really counts. Companies that have as their sole policy regarding complaint handling the policy that a response must be sent

FIGURE 2

THE ENDLESS CYCLE OF GUEST COMPLAINTS



within a certain period of time should perhaps re-evaluate their standards in terms of the factors that influence customer satisfaction.

INTENTION TO REPURCHASE

Consumers who have had a bad experience at a hotel are very leery of giving that hotel a second chance. For those who definitely will not return, this study shows that it is largely due to the reason for their complaint. The problem or incident that occurred has scarred the guest's opinion of the hotel for life. It is possible that there is nothing management can do to repair the damage done in such cases, and the only action to take is to prevent similar occurrences. However, for those complainants who will choose to return, it is the handling of their complaint that increases their confidence in the hotel and convinces them to come back. Such individuals appear also to have positive overall feelings toward the hotel and the satisfactory handling of their problem has increased their loyalty to the company. These results should offer incentive to management to handle complaints satisfactorily. The fact that some complaints are viewed as so severe by some individuals that they cannot be convinced to return should add further incentive to eliminate the sources of these complaints.

ACTIONS TO PREVENT RECURRENCE OF COMPLAINTS

It is not enough for management to attempt to mollify complainants and consider that the end of the matter. Indeed, it became apparent in this study

that there are complaints that are so severe that they cannot be rectified by management. In such cases, the goal of management should be to tackle the cause of the complaints and lessen the likelihood of recurrence. The action that is required to correct the sources of complaints varies according to the specific problems within each area. For example, problems regarding room condition may require major renovations or minor cosmetic improvements such as a coat of fresh paint. Improving check-in service may entail the purchase of a computer to increase the speed of service and reduce the number of reservations not in order upon guests' arrivals, or the implementation of training program to help staff deal with customers. It is complaint data that provides management with the information outlining, the exact nature of problems and the changes that are required to reduce or eliminate further complaints.

THE "BOTTOM LINE" OF COMPLAINT HANDLING

Intuitive sense and previous research indicate that complaint resolution is sufficiently important to continued marketing success to warrant special attention. The findings in this study demonstrate that the greater the degree of consumer satisfaction with complaint handling, the higher the likelihood of repeat business. It is customer satisfaction, as a result of providing high quality service, that earns repeat business. When customer dissatisfaction is experienced and expressed, it is management's responsibility to handle the situation in such a way that dissatisfaction is reduced and customers want to return. If complaint handling is perceived as a marketing opportunity then the development of an effective response system represents a potential

profit center and not an administrative expense. There is a need for further research to quantify the "bottom line" costs to companies of providing poor service and the costs that result from lost business due to negative word-of-mouth advertising. The costs of establishing and operating an effective complaint-handling system should also be quantified.

One aspect of the costs associated with complaints is the cost in terms of time and stress to employees at the local level who deal with complaints on a day-to-day basis. These are the individuals who ensure the quality of the service provided. If they could be trained to be better prepared to handle complaints and complainants, they could help achieve customer satisfaction.

There is much to be gained from customer feedback, both positive and negative. Although customer complaints can be a headache for management, they provide an opportunity to identify a problem, remedy the situation, and ultimately please the consumer. If complaints are expressed, companies have a chance of turning an otherwise lost customer into a loyal client.

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