Customer Complaint Behavior and Triggers: A Qualitative Study

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ABSTRACT

This research investigates the relationship between the types of complaint and triggers. We examine the fundamental question of do customers complain and if they, then under which type of trigger they complain more. Specifically, we examine mobile service provider, as services present a unique challenge for marketers. The human element of service delivery creates many opportunities for failure. In this research various sub-stages of the purchase stage of mobile buying process were identified and complaint responses at each sub-stage were studied. Qualitatively it was investigated that customer complaints were caused by which trigger at each sub-stage. Research results reveal compliant is caused mainly due to reactional trigger irrespective of buying sub-stage of purchase and situational trigger has least impact.

KEYWORDS: Customer switching, mobile services, triggers

JEL CLASSIFICATION: M31

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INTRODUCTION

No company can afford to neglect customer complaints issue else it will lead to customer churn. In today's competitive global marketplace, it is estimated that an average business loses 20% of its customer base each year. Most industry experts agree that it costs 5 times more to replace a customer than it does to retain one (Hart, Heskett, and Sasser 1990). As it costs much more to acquire and service new customers than current ones, so it makes good business sense to listen to customer complaints, address them and that will reduce customer churn to the minimum (Reichheld 1996). Companies need to understand the variables that influence customer compliant. Customer complaint is a sort of predictive information. The predictive information becomes crucial as it gives the service provider a window to proactively fix the glitches in service and contain churn, thereby improving bottom lines. Firms who heed, and respond appropriately to, consumer complaints can increase satisfaction (Durvasula, Lyonski and Mehta 2000), ensure higher repurchase intentions (Halstead and Page, 1992) and prevent customers from switching (Fornell and Wernerfelt, 1987). A complaint provides the firm with the opportunity to change an annoyed customer into a loyal one (Hart, Heskett and Sasser 1990).

Ideal industry to study consumer complaints is services. As, services present a unique challenge for marketers because the opportunities for failures are greater. The people element of service delivery allows less control of the production process, heterogeneity of service delivery, perishability, joint production and consumption of services, and intangibility also creates potential miscommunication of what a service entails. This paper focuses on mobile phone industry in India.

Indian telecom landscape has today emerged as one of the most dynamic business segments in the country. The last five years, in particular, have witnessed a plethora of changes in this industry. These changes have taken place in almost every aspect of the business, be it pricing strategies, policy legislations such as the unified license regime or foreign investment legislations. At the same time this industry is witnessing a problem of high customer complaint and churn.

According to research firm Gartner, churn rate in India is anywhere between 42 percent to 72 percent per annum, one of the highest in the Asia-Pacific region. Considering that the cost of acquiring a new customer is as high as Rs 3000, the losses are immense. Usually, such a high churn rate is witnessed in more mature markets where operators try to attract customers from competitors since market growth is saturated. But with one of the lowest telecom penetrations, the Indian market is anything but mature. Then what are the reasons for this trend? Listening to customer voice or understand customer complaints patterns can provide answers to above question and reduce churn in this industry. But, lost customer problem stems from the fact that 70% to 95% of dissatisfied customers do not bother to complain to the service provider (Harari 1992). Thus, however small number of customer complaint companies may have it can be ignored as most of the customer chooses not to complain. Customer complaints thus can't be ignored by mobile service providers at any cost.

There is no doubt that consumer complaints should be an invaluable source of information used to make strategic and tactical decisions (Kasouf et al, 1995) and develop a customer-focused culture (Plymire, 1991). Jagdip

Singh (1996) emphasizes that despite this growing significance, our current understanding of when consumer complaint is quite limited. Many researchers have researched customer complaint area from various perspectives such as Jagdip Singh (1998) in his seminal work has studied consumer complaint intentions and behaviour. In another research by Arthuer and Anderson (1977) have explored how customer perceive defects, voice complaints and obtain redress.

Another important concept has been studied by Ross Inger and Edvardsson Bo (2004) in this field namely triggers. As per their research customers switch or complaints because of three types of triggers, namely, situational trigger, reactional trigger and influential trigger. Triggers represent the reasons why customers begin to consider switching at all; in other words, why they enter a switching path.

Inspite of many theoretical models that address consumer complaint behavior (Singh, 1988; Singh and Widing, 1991; Blodgett and Granbois, 1992; Boote, J. 1998) there is a knowledge gap between consumer complaints and trigger patterns. To bridge this gap the present research has been undertaken. This research focuses on which type of trigger that causes customer complaints. However it is difficult to generalize a relationship between consumer complaints and triggers. Starting point would be to map customer buying decision process. As customer motives, reasons of purchase, and his service expectations would vary from stage to stage. This in turn generates different type of customer complaints and for different reasons at various stages. This will clarify that at various buying behaviour stages what triggers customers to compliant. Consumer buying process consists of pre-purchase, purchase, consumption, and post consumption stage. This research has focused only on purchase stage. As literature review pointed out that maximum customer complaints happen at purchase stage. This is due to mismatch between the need of the customer and products offered by the company.

Conceptual Framework

Situational trigger consists of a change in the customer's situation outside of the customer relationship per se. Situational triggers are defined as changes in the customers' own lives, not necessarily related to the service provider at all. Influential triggers are factors related to the competitive situation. Competitors' efforts to increase their market share comprise the most common influential trigger. Such as, higher churn is generally attributed to the numerous tariff options available to customers. If an operator doesn't anticipate market needs or does not provide value-added services offered by the competitor, then the customer is likely to churn. A reactional trigger influences the customer's susceptibility to switching as a result of a change within the company. This change may consist of a drop in the quality of the products or services compared with past performance by the same company, or it could be associated with organizational changes. A customer may also churn due to billing disputes with a particular vendor—billing fraud also comes into play. it is the quality of customer service that prompts a customer to churn or remain loyal. Other than this, some of the key factors that encourage churn are inadequate network coverage, which includes dropped calls that occur in places where network coverage is thin and blocked calls that occur when the demand for network services exceeds capacity.

In the current market scenario there is hardly any difference in offerings, prices and quality of service offered by different operators. This is where customer service and value-added services come into play.

Trigger makes customer sensitive to the switching determinant. It gives the switching path energy and direction. For example when customer express price as switching determinant, it is a perceived determinant that is connected to the trigger in a particular configuration. It is not the switching determinant that is a decisive factor, it is the trigger, which gives energy and direction. The trigger provides direction and the switching determinant gives the performance.

Many subscribers shift to another vendor due eight reasons for the customer complaints or switching in service settings.

These reasons are, situational triggers includes involuntary switching (customer moved, provider closed etc.).

Reactional trigger include, core service failure (service mistakes, billing errors etc.), Service personal failure (Uncaring, impolite, unresponsive, and unknowledgeable), response to service failures (negative response, no response, and reluctant response). It also means pricing related (High price, price increase, unfair pricing, and deceptive pricing) eight, inconvenience (Location, wait for service, and wait for appointment).

Influential trigger include, competition (found better service) (Keaveny and Susan, 1995).

RESEARCH METHODOLOGY

First literature review has been done to understand the customer compliant and trigger research advancements. To broaden the understanding interactions with many experts have been done. Experience survey has been conducted with GM marketing, head post-paid card, manager relations, credit and collection manager, team leader welcome letter, and team leader retention to isolate the probable reasons of compliant.

Previous researches have shown that maximum churn (customer complaint and dissatisfaction) happens at purchase stage. Thus, in first phase the various sub-stages within purchase stage were mapped. At each and every sub-stage of purchase process compliant pattern were studied.

We used a qualitative methodology, in depth interviews. Samples of 24 mobile service customers were selected. These are those customers who are customer of current mobile service provider for last six month. This helped us uncover influential trigger also if any. Extent of the research is recent mobile service provider customers residing in the NCR who have defected previous mobile service provider in last six month. Focus of this research is post paid category. Primary data collection pertains

to the period 2008. Sampling Frame used for the study includes list of Customers who have taken new account recently in the month of Jan, Feb, Mar and April, May, June 2008.

Purchase sub-stages, customer complaints and triggers

Our study identified that in mobile services that purchase stage consist of five sub-stages viz, dealer touch point, welcome visit, welcome letter, welcome call, and first bill activity. Given below are the results of qualitative research on consumer complaints and triggers at each sub stage:

Purchase sub-stage 1: Dealer touch-point

In this industry first touch point of customer with the product is at dealer outlet from where he buys his SIM card. Industry experts opine that there can be lot of misinformation given by the dealer to generate more sales. Now once the payment has been made the subscriber has no other alternative but to stick with whatever is being offered otherwise his deposit will be forfeited. Dealer misinformation is just a small part of the lost customer cause. Why is this dealer misinformation not detected earlier? Why is it that the subscriber complains only after receiving the first bill? Clearly some sort of gap exists. However we could not get any sample of customer who had complaint at this sub-stage. But, interestingly any mismanagement at this stage manifest in customer compliant at later sub-stages.

Thus, Mobile companies undertake activity during purchase stage to inform the new customer and welcome him to their telecommunication. These activities are undertaken so that new customer adapts to the system, technology, and is informed about a talk plan and services offered by company to overcome the initial misinformation, if any, given by the dealer.

Purchase sub-stage 2: Welcome Visit or Pre Personal Verification

The activity is conducted under the supervision of manager, credits and collections. The purpose of this activity is to establish a credit status of the customer who

wants to avail of the service. These credit ratings assist in deciding up to what extent leverage can be given to a customer later on during his lifecycle. Whenever a customer fills up a form for a post paid connection at the dealer his details are forwarded to the credits and collections department. The department then outsources these details to its six agencies in Delhi that specialize in conducting personal verifications. Once the details have been verified the information is passed on to the activations team which then takes care of the activation of the sim card with in the stipulated time.

These agencies have verifying agents who go to the customers address as mentioned on the form and verify the details furnished by him. This activity takes twenty hours time in total. The data is sent by Telecommunication Company to agencies in two lots at 9 a.m. and 3 p.m. These agents have a particular verbiage, which they have to follow. This verbiage / script has all the details which are to be confirmed from the customer and also what is to be briefed to him. In all the verbiage has been divided in to six broad categories viz.

1. Introduction

2. Verification

3. Personal Details

4. Information on value added services

5. Explanation of tariff plan and bill format

6. Explanation of Payment options.

Here it is important to note is that explanation of tariff plan is to be done by the verification agency representative (point no. 5). Field visit has been done along with two verification agency representatives in the areas of South Ex. and R.K. Puram in Delhi.

It has been observed that in the welcome visit, the agent covered the first four points properly. However he did not even care to mention the fifth point. Rather he was not aware of the plan the customer was inquiring about. For instance, one customer stated:

"Customer: You have the monthly rental scheme of Rs.125 per month that is what I have subscribed is it not?

Agent: Oh! Yes, madam your monthly bill would be 125."

However, ABC telecommunication have no plan of Rs. 125 monthly rental !!!

In another case of corporate account the problem has been that agency representative did not have all the forms. A corporate customer had applied for four numbers but the agent had only three verification forms.

It has been found that the only few customers are available at their residence during the daytime (majority of them were at office during that time). The end result is that the agent wastes his time and effort. Therefore the detail is confirmed with the person at home. Only the personal information is confirmed in these cases. Nothing else was explained like tariff plan call charges, and pro rata charges etc because of non-availability of the customer at home.

Also another issue is that the data is sent to the agency by 9 am however the same is given to the agents around 11 am and in case of the afternoon lot the data is sent at 3 pm and the agents gets it by 5 pm. The back office work at the agency takes too long which leaves the agents with less time to do their job properly.

These incidents show the lack of knowledge on part of the agent. However he argued about the lack of information about the customer's plan, training given by the agency and time to complete the work assigned.

From above qualitative research following deduction can be made:

"Customer Complaints at welcome visit stage are caused due to reactional trigger none of them are influential and situational trigger".

Purchase sub-stage 3: Welcome Letter

This is carried out under the supervision of team leader, connections of Telecommunication Company. After the activation, a letter is sent to the customer formally welcoming him to telecommunication. This letter contains a brief about his talk plan, call rates, rentals, value-added services, complimentary services, promotional packages taken etc. The script of the letter is absolutely fine. It covers all the important aspects. However qualitative research shows that the term 'Bill Cycle' is confusing for the subscriber.

Purchase sub-stage 5: Welcome Call

The activity is performed under the supervision of manager, GPRS. As the name suggests a call is made to the subscriber after his number has been activated welcoming him to Company and informing him about his talk plan, call rates applicable, bill cycle, payment options, payment centers, value-added services. The activity has been outsourced to 'verifying agency'. A team of 8-10 executives make outbound calls to the subscribers on their mobile phones and if there is no answer then a call is made on the landline. During this phase 10 calls has been heard and following observations are made:

- Sometimes accidentally a call on the cell phone as well as the landline had been made which irritated the customer.

- Customer complains that he has received number of calls for the same information. An issue especially with the corporate accounts.

- Dealer misinformation…

  - Dealer will come and explain how to use the handset but no one has visited the customer.

  - There is misinformation about scheme 399. The subscriber claims that the dealer said he would get back Rs.125 in his first bill now customer wants to disconnect.

  - Customer shifted from previous service provider he was promised mobile to mobile will be complimentary. Now he says if he does not get the same in the first bill he will not pay and will disconnect.

  - Subscriber claims dealer said that he can convert back to pre-paid after one month and the deposit will be refunded.

- ◆ Plan is Talk 150; the subscriber claims that the Dealer said rental will be 125. Now he wants the same or will churn.

- ◆ To one customer the agent had said that he will get Rs.850 back. The customer is a Hindi speaking. He feels dealer has taken advantage of and wants to defect.

- Network problems in some areas.

- Delay in delivery of SIM card. Activation date is 16th day of the month as shown by ABC system, the welcome call is made on the 25th day. The customer has still has not received the SIM card or has received it on the 24th day. Out of 40 odd calls at least 10 customers complained of not receiving their SIM cards or had received the card a day before the welcome call was made. The fault may be on the dealers' part but it needs to be rectified.

From above qualitative research following deduction can be made:

"Customer Complaints at welcome letter and call stage are caused by mostly reactional trigger, few by situational and none by influential trigger."

Purchase sub-stage 6: First Bill Activity

The activity is carried out under the supervision of manager, retention department of telecommunications. The purpose of the activity is to call up the subscriber after he receives his first bill and clear out any queries if he has any. The activity has been outsourced to an agency. The activity is being done satisfactorily based on the results; however the initiative could be from our side rather asking the customer if he has any problems. Some interesting facts have been noticed during this phase of qualitative research.

Many subscribers didn't know where to pay their bills as it became due. Some time customers have been irritated when they received their first bill as they found discrepancy in what dealer claimed and what has been charged. What is surprising is that why it have not been detected at the time of the welcome visit or welcome call.

From above qualitative research following deduction can be made:

"Customer Complaints at first bill activity are caused by reactional trigger and none of them are influential and situational trigger".

Based on above qualitative research hypothesis that can be stated and tested by future quantitative research is:

H1:   Customer Complaints at welcome visit stage are highly correlated to reactional trigger.

H2:   Customer Complaints at welcome letter and call stage are highly correlated to reactional trigger.

H3:   Customer Complaints at welcome letter and call stage are weakly correlated to situational trigger.

H4:   Customer Complaints at welcome visit stage are highly correlated to reactional trigger.

Managerial Implications

- In case of welcome visit and welcome call possibly it would be better to call up the customer and take an appointment. Whether meet him in his office or at his residence. Categorize the data and accordingly distribute it to the agents. Or ask the customer to inform someone at the residence and have all the details ready with them. Let the customer know that the activation will not take place until this activity is completed. Also incase of personal verification cases the agent should know for what purpose he is going to the customer. Since it is an already activated number, taking an appointment will make his work easier and will bring desired result from the activity.

- The process of receiving the forms from the dealer needs to be streamlined. It could be made online. The dealer must write the plan on the form or screen in front of the customer.

- Agents must be educated about the various schemes that company is running and they should be instructed categorically that they should explain the tariff plan along with verification of the account. Customer education is required. Perhaps this is the

most important aspect. Pursuing this would, to some extent, help reduce churn as the customer will get what he had asked for. This can overcome the problem of dealer misinformation also.

- Customer feedback form should be sent so that customer can give feedback to the company that they have been explained the tariff plan by agents.

- Agency should also change their form timing from 9 and 3 to 9 and 12. So that they can be crosschecked on that very day.

- Rather than the using the term 'Bill Cycle' the actual date from which the service will be withdrawn could be mentioned. Also bringing it out in Hindi or for that matter in local language could give it that customized look.

CONCLUSION

The Study suffers from the following limitations: Firstly, very limited organized literature on lost customer assessment in Indian context is available and therefore it can't be exploded in great detail. Secondly, the findings of the present study are based on post-paid customers only. Thirdly, it is a qualitative study thus generalization cannot be done for whole population, however consumer insights are very important for marketing and can't be ignored. For generalized conclusion, the findings need to be confirmed on diverse category of sample like on prepaid customers. Fourthly this study focuses only at the initial stage of purchase cycle, whereas many other stages such as consumption, and post consumption stage was not scope of this study. Fifthly, keeping in mind the time and cost constraints and sensitivity of data, we have considered only few determinants of lost customer assessment. Many other factors related to customer switching like perceptions of quality in the banking industry, overall satisfaction, lack of alternatives, variety seeking and service encounter failure has not being considered in the study.

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