

MARKETING INTELLIGENCE APPLICATIONS
OF UNSOLICITED CONSUMER COMPLAINT
INFORMATION FOR LARGE CORPORATIONS.

A STUDY OF THE MAJOR
HOUSEHOLD APPLIANCE INDUSTRY

Thesis for the Degree of D. B. A.
MICHIGAN STATE UNIVERSITY

William Howard Brannen

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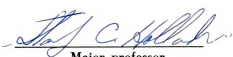
"Marketing Intelligence Applications
of Unsolicited Consumer Complaint
Information for Large Corporations,
A Study of the Major
Household Appliance Industry"

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ABSTRACT

MARKETING INTELLIGENCE APPLICATIONS OF UNSOLICITED CONSUMER COMPLAINT INFORMATION FOR LARGE CORPORATIONS: A STUDY OF THE MAJOR HOUSEHOLD APPLIANCE INDUSTRY

by William Howard Brannen

Management can use information feedback from the market to adjust a firm's behavior to its constantly changing market environment. Marketing intelligence is derived from unsolicited as well as solicited information flows from consumer to firm. The purpose of this thesis was to investigate marketing intelligence applications of unsolicited consumer complaint information for large corporations. It was hypothesized that unsolicited consumer complaints (a) potentially and (b) actually provide a source of marketing intelligence for marketing management.

The basic research design was the descriptive case study method. Studies of the consumer complaint marketing intelligence practices of eight selected major household appliance manufacturers provided evidence for testing the above two hypotheses. These studies included (a) structured and unstructured personal interviews with company executives and (b) observation of company records and procedures for processing complaint information. A theoretical background for the study was provided by a functional theory of marketing information and by a review of the available consumer complaint literature.

Evidence from case study findings was used to determine if the selected manufacturers did or did not use unsolicited consumer complaints as a source of marketing intelligence. The usefulness of complaint intelligence and its unique advantages and limitations were analyzed.

The findings support both hypotheses. Several examples of marketing intelligence application of information from unsolicited consumer complaints were found for the case study companies. The principal area of application was product management. Distribution channel control and evaluation was also frequently mentioned as an area of application. Complaint intelligence was often used to apprise marketing management of the existence and severity of a problem. Unsolicited consumer complaints can and do act as an effective marketing information feedback mechanism for marketing management.

A practical result of the research was the statement of recommended manufacturer practices for handling unsolicited consumer complaints for marketing intelligence purposes. Topics covered included (a) organization for centralized complaint receiving and handling, (b) classification and management reporting of complaint information, and (c) methods for evaluating the representativeness and significance of consumer complaint information for marketing intelligence purposes.

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I am especially indebted to Professor Stanley C. Hollander, chairman of the guidance committee for this dissertation. He encouraged me from the beginning, imparted to me high ideals of scholarship, and patiently gave considerable time from his busy schedule to make this study a true learning experience for me. I am also in the debt of Professors Paul E. Smith and Leo G. Erickson, both of whom actively served on my committee. I thank the entire committee.

The cooperation of the eight participating major household appliance manufacturers, and of their executives, is greatly appreciated.

I also thank my wife, Kathy, whose expert typing was but one small part of her total contribution to this research.

God willing, my future professional achievements may in some small way help to repay these debts.

William H. Brannen



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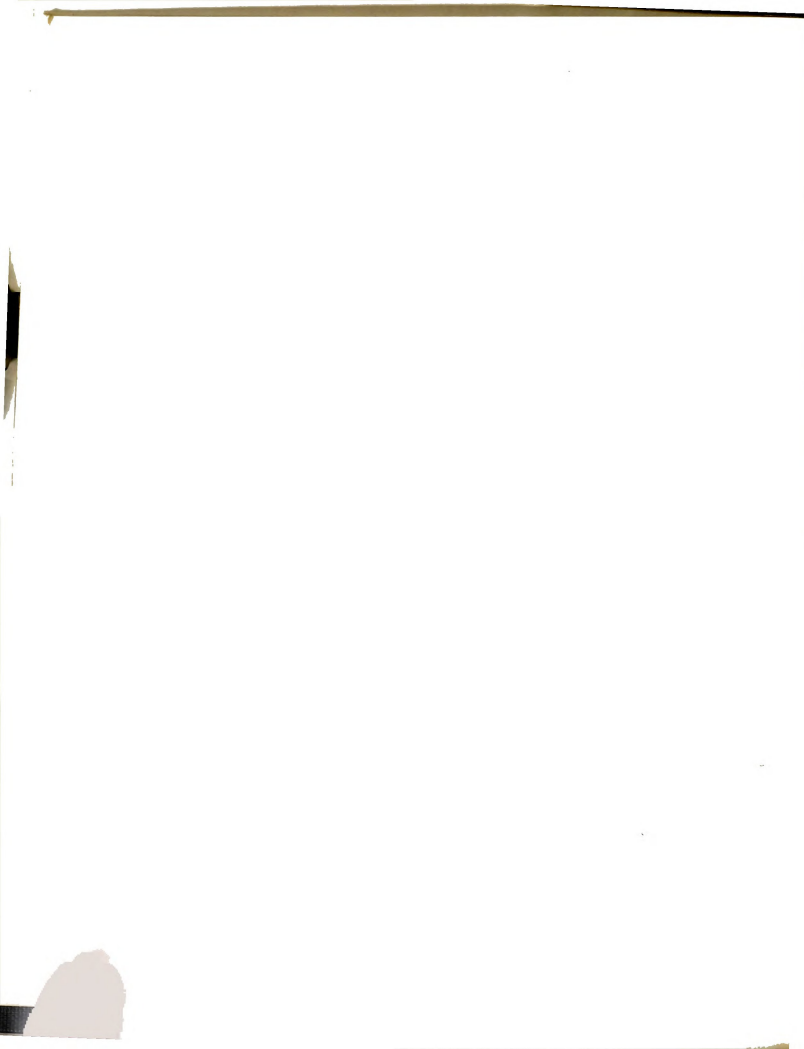


GENERAL INTRODUCTION TO THE STUDY

If in a free market a market segment is not satisfied, the firm's marketers must become aware of this dissatisfaction, preferably before the dissatisfaction results in lost sales, in order to correct the situation. In the open marketing system, necessary feedback information or marketing intelligence may be gained from (a) actively soliciting such information from the market, (b) taking advantage of that information which flows to the firm without solicitation, or (c) a combination of the above two forms in which all potential sources of marketing intelligence are utilized to their optimum points, and in which alternate sources supplement and verify each other to produce the optimum marketing intelligence total.

The two hypotheses of this study are that unsolicited consumer complaints¹ (a) potentially and (b) actually provide a source of marketing intelligence for marketing management. The hypotheses apply to manufacturers of consumer goods, more specifically to manufacturers of

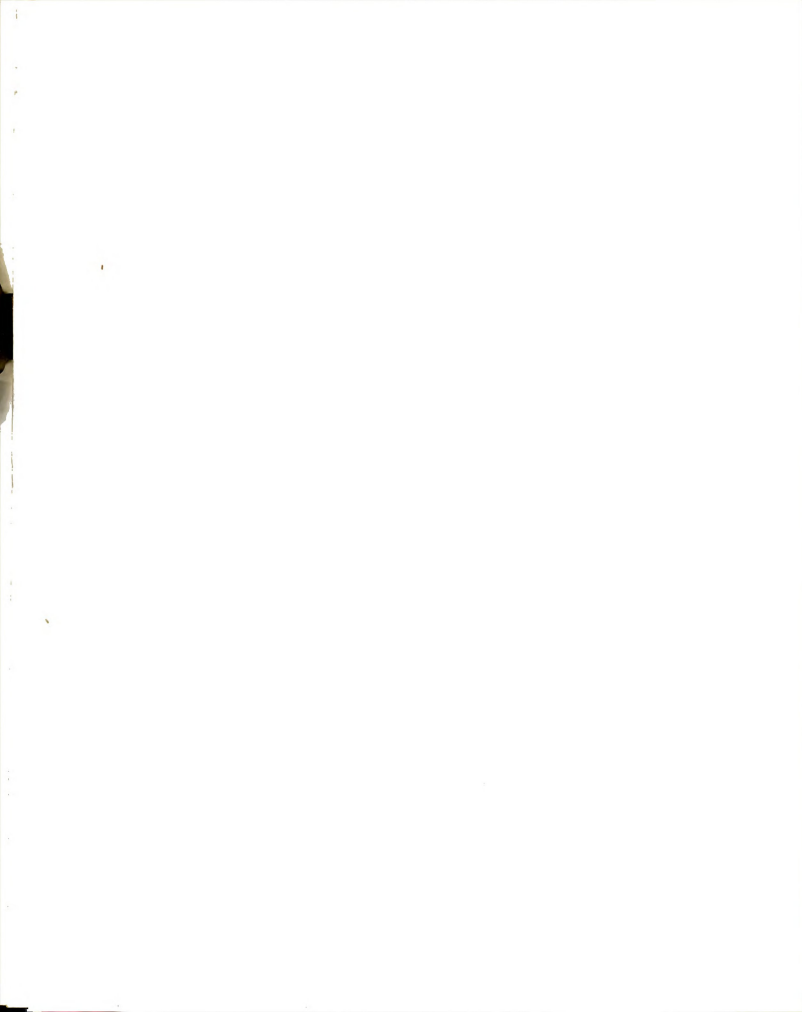
¹An unsolicited consumer complaint, sometimes referred to in this report as a consumer complaint or a complaint, is a voluntary expression of consumer dissatisfaction communicated to the manufacturer.



major household appliances,² and in particular to those major household appliance manufacturers described. To support the hypotheses, the study offers empirical case study data from eight major household appliance manufacturers about consumer complaint marketing intelligence collection, handling, analysis, reporting, and marketing application.

From an analysis of the case study findings and the literature, conclusions are drawn about the hypotheses and other consumer complaint matters. A practical result of the study is the program of recommended manufacturer practices for handling unsolicited consumer complaints for marketing intelligence purposes.

²Major household appliances, often referred to as "white goods" within the industry, are those electrical and other nonportable instruments intended primarily for use in the home for the performance of some household chore.



CHAPTER I

THEORETICAL BASIS FOR THE STUDY

Introduction to the Chapter

The purpose of this chapter is to provide a theoretical framework which will give meaning and perspective to the empirical case study findings of later chapters. The thesis of this paper treats information from unsolicited consumer complaints as one-form of marketing intelligence; ie., as a part of the marketing information feedback system. In so doing, the systems approach is used to show relationships between consumer complaints and other aspects of the marketing system.

The systems or functionalist theory proposed in this chapter is also known as the holistic approach or the holistic-dynamic approach. Wroe Alderson says, "Functionalism is that approach to science which begins by identifying some system of action, and then tries to determine how and why it works as it does. Functionalism stresses the whole system and undertakes to interpret the parts in terms of how they serve the system."¹ Thus, both the structure and function of the systems are to be

¹Wroe Alderson, Marketing Behavior and Executive Action (Homewood, Illinois: Richard D. Irwin, Inc., 1957), p. 16.



considered from the point of view that function determines structural form.

In order of presentation, briefly described are (a) the marketing system, (b) the information system, and (c) the marketing information system. Within this marketing information framework, a detailed functional and structural analysis is made of the unsolicited consumer complaint as a form of marketing intelligence.

A Systems Approach

The Marketing System

In this portion of the chapter, the marketing system of the firm is briefly described as a subsystem of the total business system of the firm. Conceptually, the firm's marketing system extends beyond its legal boundaries to include marketing intermediaries such as wholesalers and retailers, ultimate consumers, and facilitating agencies.

The marketing system which follows is an open system. Staudt and Taylor show by using the famous furnace-thermostat analogy of the information theorists that the marketing system cannot be a linear system, cannot be a closed-circuit system, but must be a system which is both circular and open. Their reasoning is summarized as follows:

In summary, a marketing mechanism is needed which not only maintains a reasonable state of adjustment to the existing over-all market



environment (single thermostat in the house), but which also takes account of the varying needs of particular market segments (a thermostat in various quarters of the house), and which can anticipate impending outside events or forces which should be taken into account (outside thermostat). A marketing system must be of this sort because all the forces which influence the system cannot be "internalized"--that is, outside factors over which the firm has no control will inevitably influence the character of its marketing effort. Consequently, a circular-flow system is needed that can best be characterized as an open-circuit feedback system.²

The primary function of the marketing system may be stated as, "to translate potential demand into company sales, to facilitate the timely delivery of goods and services to markets so as to create the greatest consumer satisfaction at the largest total profit for the firm, and to support and reinforce company marketing systems so that they survive, adapt to change, function efficiently, and grow."³ This is more specifically and meaningfully expressed in terms of the functions of marketing which are the market delineation, purchase motivation, product adjustment, physical distribution, communications, transaction, and post-transaction functions.⁴ Other groupings

²Thomas A. Staudt and Donald A. Taylor, A Managerial Introduction to Marketing (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1965), p. 17.

³William Lazer and Eugene J. Kelley, "The Systems Approach to Marketing," Managerial Marketing: Perspectives and Viewpoints, eds. William Lazer and Eugene J. Kelley (Homewood, Illinois: Richard D. Irwin, Inc., 1962), p. 192.

⁴Staudt and Taylor, pp. 25-26.



of the functions of marketing are also available.⁵

The structure of the marketing system may be briefly described in terms of the following four main component subsystems: power, communication, inputs and outputs, and internal and external adjustments.⁶ The power subsystem evolves directly from the factor of relative status or position within the system and power imposes a pattern upon the use of energies of participating members. Communication, consisting of the transmission of a series of signs or signals and their interpretation by a recipient, is discussed in the next section. Inputs and outputs give the marketing system the characteristics of an operating system. The factors of production are combined as inputs in order to obtain utility as the output of the marketing system. The subsystem of internal and external adjustments is the mechanism which takes into account the fact that the balance between the marketing system and its environment may change. In order for the marketing system to properly adjust to its environment, good marketing intelligence, or open-circuit feedback, is needed to provide constant surveillance of the market. The marketing system must be able to properly adapt because the market

⁵See E. D. Mc Garry, "Some Functions of Marketing Reconsidered," Theory in Marketing, ed. Reavis Cox and Wroe Alderson (Homewood, Illinois: Richard D. Irwin, Inc., 1950), pp. 263-279.

⁶Alderson, p. 35.

holds at least a veto power over the entire system.

The above brief description of the marketing system and the following comments on the information system are intended to provide some background for an understanding of the marketing information system and the marketing intelligence subsystem, including one of its components, consumer complaints.

The Information System

Information Theory

Communication or information theory, pioneered by Dr. Claude Shannon⁷ and Norbert Wiener,⁸ has developed since the start of World War II. The theory (a) treats communication as a problem in statistics, (b) focuses attention on the large-scale, or overall, aspects of communication, (c) provides a unit of measurement for the amount of information in classes of messages, (d) shows how the maximum rate of transmitting error-free information over any system can be computed, and (e) divides the information system into several components; namely, a source, a transmitter, a channel into which noise enters

⁷Claude E. Shannon and Warren Weaver, The Mathematical Theory of Communication (Urbana: The University of Illinois Press, 1964), (Previously published by Shannon in other form).

⁸Norbert Wiener, Cybernetics (New York: John Wiley & Sons, Inc., 1948).

along with information, a receiver, and a destination.⁹

The information theory outlined above and described in detail by Shannon and Wiener is a mathematical, rather than a general, theory of information. It has; however, been applied in a nonmathematical manner in various attempts to construct information theories applicable to several different disciplines. Considerable debate exists among information theorists as to the legitimacy of such an approach. Communication (information) problems exist at three levels; namely, (a) the technical level, which deals with the accuracy of transmitting the symbols, (b) the semantic level, which deals with how precisely the transmitted symbols convey the desired meaning, and (c) the effectiveness level, which deals with how effectively the received meaning affects conduct in the desired way. Shannon and Weaver contend that the three levels of problems overlap in such a way that the mathematical theory which is intended for the technical level can properly be generalized to all three levels.¹⁰ The popular refutation to this position is a book by Colin Cherry.¹¹ The position taken in the present chapter is that a general

⁹Adrian M. Mc Donough, Information Economics and Management (New York: Mc Graw-Hill Book Company, Inc., 1963), pp. 45-46.

¹⁰Shannon and Weaver, p. 4.

¹¹Colin Cherry, On Human Communication (New York: Science Editions, Inc., 1961).

theory of information or communication does not exist at the present time, but that Wiener, Shannon, and others certainly formed the basis upon which current communication models and systems can be built.

Communications Model

The words communication and information are used interchangeably for present purposes, especially when used as adjectives to describe the system. In addition, communication may be thought of as a process and information as that which is transmitted by this process.

The systems model presented here can be used for either mass or interpersonal communication. Basically, the model is a nonmathematical version of Shannon's theory with some slight changes by various other authors. Staudt and Taylor,¹² using Berlo¹³ as a source, diagram a model similar to the one presented below.

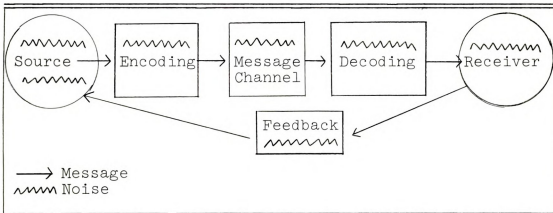
The structural components of the information system are noise, the information source, a message, the encoder (encoding), the message channel, the decoder (decoding), the receiver, and feedback. The function of the information system is to serve the system of which it is a subsystem. In other words, it is not an end in itself, but exists to perform a function in a larger system, for

¹²Staudt and Taylor, p. 355.

¹³David K. Berlo, The Process of Communication (New York: Holt, Rinehart, and Winston, 1961), p. 31 ff.

example, a marketing system. Communication facilitates subsystem interaction in order that the goal of the overall system may be achieved. Specific ends of a specific information system (the consumer complaint form of marketing intelligence) are mentioned in a later section.

Fig. 1.--Communications model



Noise is an undesirable structural component of the communication system. Noise originally referred to those unwanted additions which are added to the signal but are not intended by the information source.¹⁴ Examples of this engineering usage of noise are static and television picture distortion. The concept of noise has been extended to include all factors which serve to distort a message or reduce its fidelity. Such factors are audible sound, a distraction, a misinterpretation, different meanings assigned to the same word by different people, mind wandering, etc. As is shown in the diagram

¹⁴Shannon and Weaver, pp. 7-8.

of the communication system, noise can occur anywhere in the system.¹⁵

According to the information theorists, the information source selects a desired message out of a set of possible messages.¹⁶ In all human communication, the source is the person or group of persons with a purpose for engaging in communications. The purpose of the source must be expressed in the form of a message. The message is translated into code, or a systematic set of symbols, by an encoder. For example, in human communication, the vocal mechanism of the source may act as the encoder. A message exists in a message channel which acts as a medium or carrier. For communication to occur, somebody (a receiver) must be at the other end of the channel to listen, read, etc. The receiver does not receive the message directly. The message first passes through a decoder which puts it in a form which the receiver can use. Fidelity of transmission is affected by at least four kinds of factors which exist in the source and receiver. These are communication skills, attitudes, knowledge levels, and position within a socio-cultural system.¹⁷ Upon reaching the receiver, information feedback may traverse the same channel or use a different channel.

¹⁵Staudt and Taylor, p. 354.

¹⁶Shannon and Weaver, p. 7.

¹⁷Berlo, p. 30 ff.

The Marketing Information System of the Firm

Feedback can exist within an information system.

Also, an information system, acting as a subsystem of the marketing system, can perform the feedback function for the marketing system of the firm. When a communication system incorporating feedback is in operation, communication messages are actually flowing in at least two directions. In marketing terms, communication originates with either the marketing management or with the consumer acting as information source. When marketing management is the source, the consumer is the receiver, and vice versa. In each case, the messages from the receiver may be regarded by the information source as feedback. Therefore, to adequately represent the two-way flow in the marketing situation requires a set of two models; namely, one in which marketing management is source and consumer is receiver, and one in which consumer is source and marketing management is receiver.

However, the two-model scheme is also highly oversimplified in comparison to the actual marketing information system because in actual practice there are many messages being sent by many marketing sources to many different marketing receivers. The possible combinations are limited by the total number of marketing messages, institutions, intermediaries, people, etc. It is not practical to construct a systems model which includes all the possibilities of combinations, and the previous model

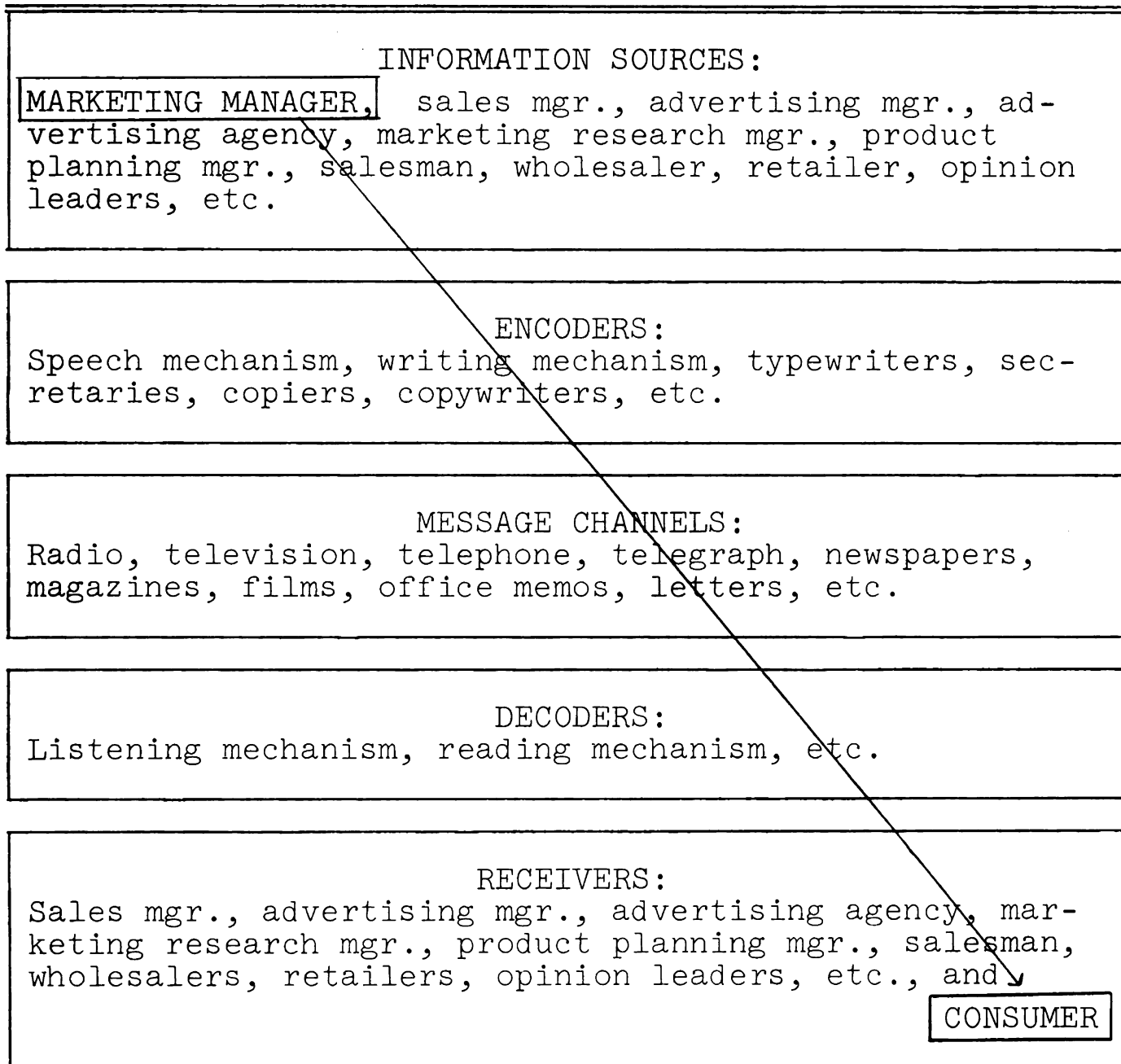


can be used to help explain each of these individual possible combinations. It must be remembered; however, that these combinations do not exist independently of each other. They interact interdependently to form an overall marketing information system of the firm. Some of the possible combinations which may be fit into the general information systems model are shown in the two following figures. Only a few of the myriad possible combinations are included, and the realization of this fact immediately leads the author to the conclusion that the only possible comprehensive information systems theory is one of a mathematical nature as proposed by Shannon and other information theorists.

The two figures, Figures 2 and 3, list series of items which may in any particular marketing communication be used as information source, encoder, message channel, decoder, and receiver. Any single marketing communication, whether from firm to consumer as in Figure 2 or from consumer to firm as in Figure 3 in its direction of flow, has an information source, encoder, message channel, decoder, and receiver. A complete communication of information either from marketing manager to consumer or from consumer to marketing manager would probably necessitate the stringing together of several of these listed, and perhaps some unlisted, possible combinations.



Fig. 2.--Some possible combinations for the information systems model when the messages go from firm to consumer

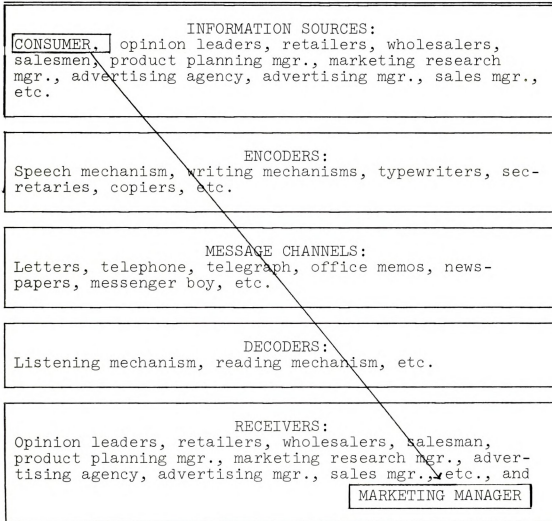


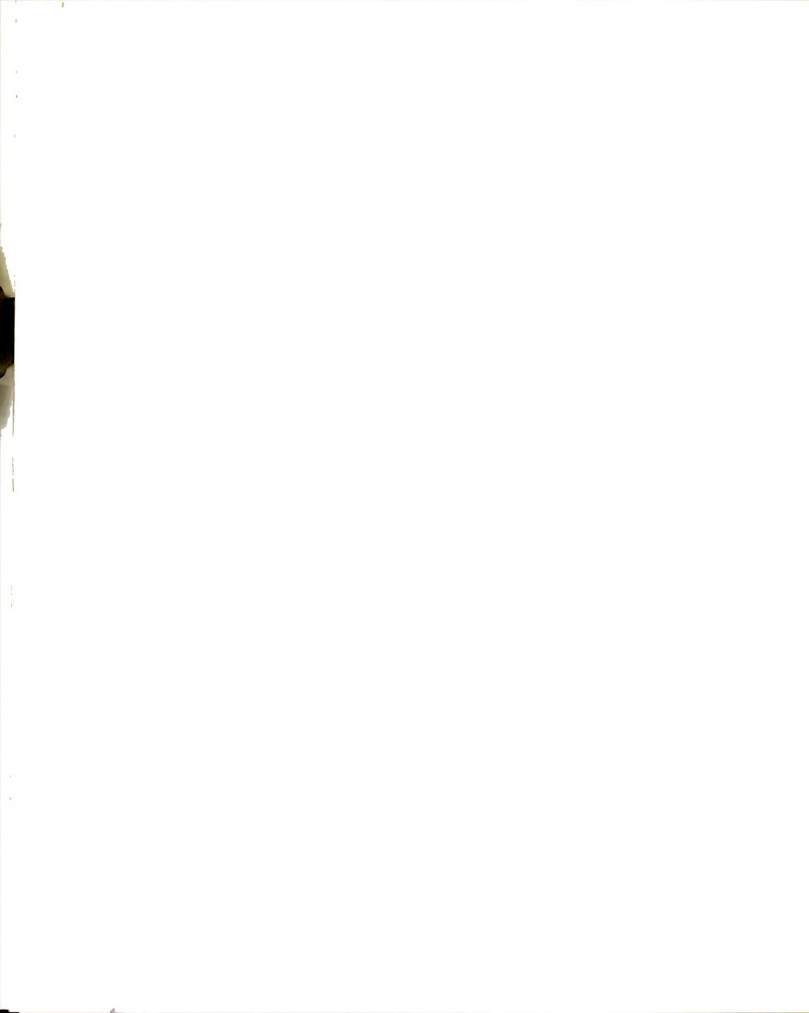
In summary, the general framework of the problem area is concluded at this point. Ideas from both the marketing system and the information system have been combined to describe the marketing information system of the firm. The remainder of this chapter deals with the specific consideration of unsolicited consumer complaints as a form of marketing intelligence; ie., the feedback portion of the marketing information system from the point of



view of the firm.

Fig. 3.--Some possible combinations for the information systems model when the messages go from consumer to firm
(feedback from point of view of firm)





Functional Analysis of Complaints and the
Marketing Intelligence Subsystem

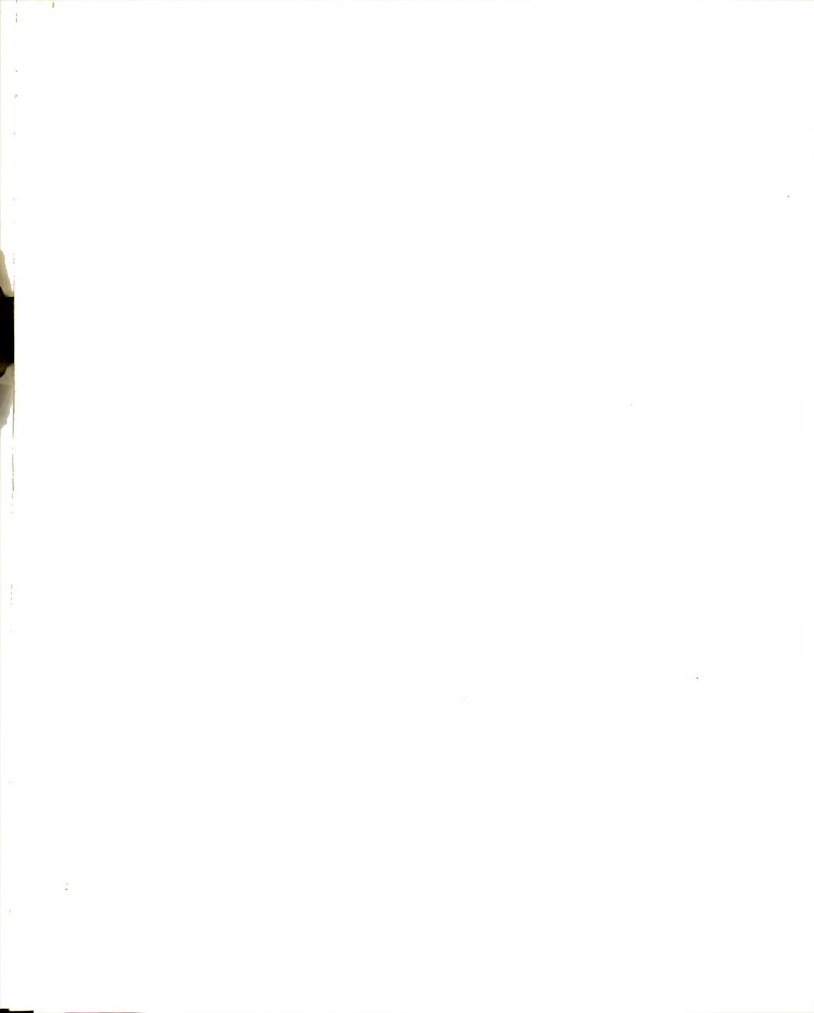
Introduction

Information is not an end in itself. In this section, one type of information; namely, marketing intelligence, and especially the unsolicited consumer complaint as a form of marketing intelligence, is examined as a means to specifically stated ends. This same means-ends relationship is examined later in the study in terms of the case study findings.

A large portion of that part of the marketing information system which flows from the consumer to marketing management may be regarded as a marketing intelligence system. Marketing intelligence is used here to mean a broader and more inclusive term than the narrow usage of the term marketing research. "It incorporates all useful marketing information, whether systematically obtained by objective research and experimentation, derived from mathematical manipulation of data, or generated by other means of surveillance, reconnaissance, monitoring, and reporting."¹⁸

Perhaps marketing intelligence is simply another name for marketing research, broadly defined. However, use of the term does emphasize multi-source information

¹⁸Ralph S. Alexander and Thomas L. Berg, Dynamic Management in Marketing (Homewood, Illinois: Richard D. Irwin, Inc., 1965), pp. 500-501.



for marketing control purposes. This is summarized as follows:

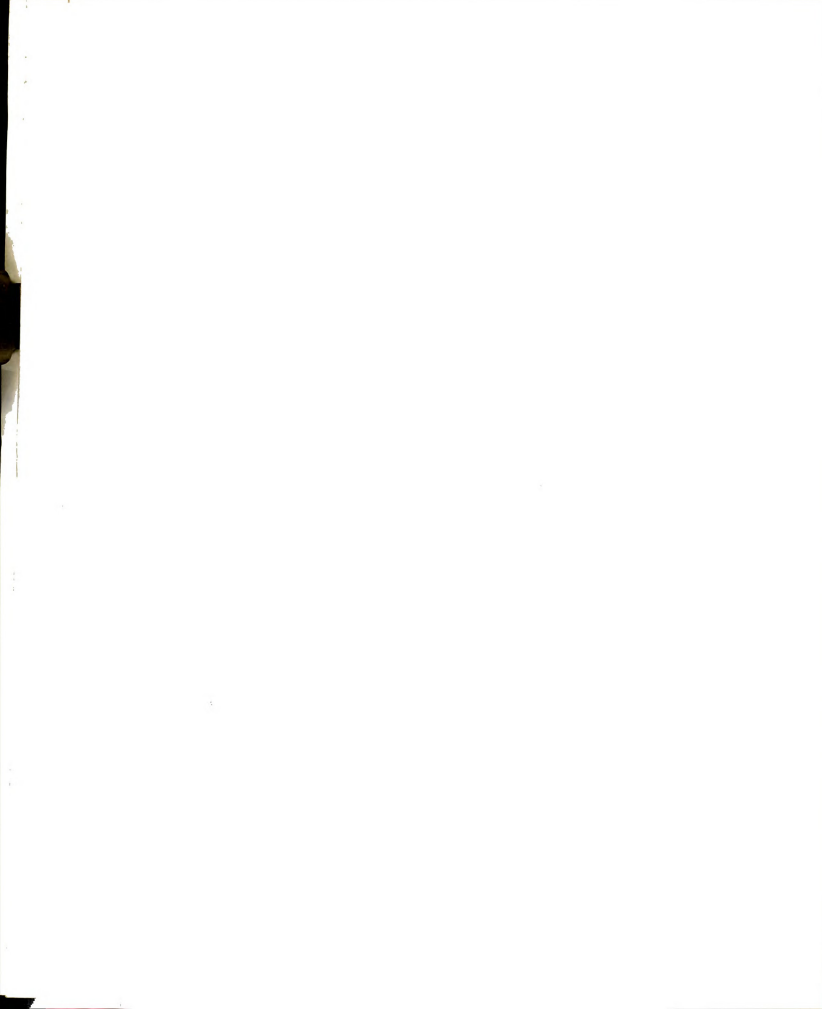
Success in the entire marketing intelligence function depends largely upon the prompt, efficient, and rational assembling of scattered and heterogeneous bits of information into a complete structure of decision premises and situational variables which will adequately support a total marketing effort. This, in turn, depends upon an adequate cross section of intelligence sources and information types. There is great danger in unduly stressing a single source or type of information: it may be as garbled and unreliable as a rumor mill and will rarely provide the depth and range of material that is essential. Additional sources are required to fill intelligence gaps, and multiple sources can serve (a) as cross-checks on each other to verify reliability, (b) as benchmarks to reveal the true significance of isolated bits of data, and (c) as a means to discover important relationships between different kinds of marketing information.¹⁹

The Marketing Intelligence Function of Consumer Complaints

As a form of marketing intelligence, the consumer complaint is involved in management's performance of a function of marketing; namely, the post-transaction function. This function of marketing recognizes that feedback after the sale is essential. The function is concerned with " . . . assuring the satisfaction of the product in use and the follow-through activities which provide feedback for more effective performance in the continuous functioning of the marketing system."²⁰ The specific ends for which consumer complaint marketing

¹⁹Ibid., pp. 518-519.

²⁰Staudt and Taylor, p. 26.



intelligence serves as a means are discussed in later chapters.

Traditional Approaches to Consumer Complaints

Business firms seem to display three basic attitudes toward consumer complaints. These may be called the nuisance approach, the public relations approach, and the marketing management approach. The first regards consumer complaints as a necessary evil of doing business. Commentators frequently suggest that this approach should be avoided in favor of the public relations approach. The public relations approach, which is the one usually recorded in the literature, regards complaints as an area of public relations or customer relations in which the firm must say and do certain things to maintain goodwill of the immediate customer who is complaining. The marketing management approach, probably more common in practice than is currently recognized and reported in the literature, incorporates the possibility of the above two traditional approaches but goes on to recognize the consumer complaint as a form of marketing intelligence.

Introductory marketing textbooks are practically void of any mention of complaints from consumers or other customers. This absence may perhaps be explained away by the general approach taken in some introductory texts. Or, it may be that too many other marketing concepts are deemed more important so there simply isn't room for

mentioning complaints. Marketing management texts devote slight attention to complaints. Alderson mentions customer complaints while discussing the marketing approach to quality control and the customer service approach to research.²¹

Attention is given consumer complaints in retailing texts. The complaint discussion, usually a part of a broader discussion on customer services, treats such public relations aspects as the costs, practices, organization, policies, and procedures for handling complaints, returns, and adjustments. Practical research studies have also been carried on at the retail level of distribution on the subject of complaints.²² The fact that retailing texts devote considerable attention to complaints may partially at least be explained by the practical orientation of these books. The closeness of the retailer to the consumer, along with the attitude that the "customer is always right" of many department and other stores, may also account for more emphasis on complaints. The principal emphasis in the retailing literature is the customer relations or public relations approach. However, the retailing literature does go beyond the public relations approach and into the marketing management

²¹Alderson, pp. 447, 462.

²²For example, George Plant conducted a study of complaints for the National Retail Merchants Association and Jules Labarthe reports complaint findings of retail testing laboratories. See bibliography for citations.



approach in discussing causes of complaints, analysis and control of complaints, etc.

In a previous section, the suggestion was made that marketing intelligence may be the same thing as marketing research broadly defined. Consumer complaints are considered in this paper to be a form of marketing intelligence. However, consumer complaints as such are not discussed extensively in most marketing research texts. If complaints are mentioned at all in marketing research books, they are treated as one of many forms of company records or internal data. Total attention given to company records is also somewhat limited in marketing research texts. External data has traditionally received more attention and it probably provides more interesting reading.

Salesmanship and sales management books quite often contain brief discussions about complaints. This includes consumer complaints but usually emphasizes complaints of industrial buyers. Most of these books follow the public relations approach. The main topic of discussion is how complaints can be handled so the company salesman can secure future orders. Marketing textbooks in other areas such as advertising, public relations, wholesaling, etc. are relatively void of any mention of consumer complaints.

Sales Management and Printers' Ink magazines are major sources of consumer complaint articles in the



periodical literature. Here, as in other periodicals, the main emphasis is on the public relations approach in handling complaints.

Selected Examples of the Public Relations Approach

A few articles using the public relations approach may be cited to show the emphasis upon maintenance of goodwill among the complainants.

1. A writer in Sales Management advocates the sales approach rather than the legal approach in handling complaints. Six rules are given for restoring friendly relations.²³

2. In another article, the five rules given for writing adjustment letters are (a) answer complaints promptly, (b) be courteous, (c) make allowances cheerfully, (d) avoid arguments, and (e) make good with deeds.²⁴

3. A third article describes the system used for handling complaints at Allied Radio Corporation, a mail-order distributor of electronic parts. Allied views complaints as opportunities to hold present customers and gain referral business.²⁵

²³Hector Lazo, "Be Fair, Be Prompt, Be Human in Handling Complaints and Adjustments," Sales Management, LXVIII (May 1, 1952), 80-84.

²⁴Herbert W. Green, "When Your Customer Is Sore, Be Quick, Be Courteous, Be Fair," Sales Management, LXVII (August 1, 1950), 58-62.

²⁵Kenneth E. Clair, "Customer Complaints: Problem or Opportunity?" Public Relations Journal, XVIII (May, 1962), 25-26.



4. A brief article by an advertising executive claimed that his consumer complaint letters did not evoke responses from many companies and that some companies which did respond lost much potential public relations value by answering late, etc.²⁶ Two succeeding issues of the same magazine carried rebuttals in which company presidents and other top executives of various companies claimed to be doing a good public relations job in handling complaints.

Other examples could be cited; however, the above are sufficient to demonstrate that the main concern of this approach is to treat complaints as positive opportunities to create good customer relations. The marketing management approach described below goes one step further.

Examples of the Marketing Management Approach to Complaints

The marketing management approach emphasizes the marketing intelligence aspects of consumer complaints. This approach to complaints is relatively unreported when compared to the traditional nuisance and public relations approaches. To the knowledge of the author, no comprehensive studies are available which treat unsolicited consumer complaints as a source of marketing intelligence. However, some of the following examples do comprehensively

²⁶Lawrence Mc Cracken, "So I Wrote the Company President a Letter," Printers' Ink, CCXXXIV (February 16, 1951), 104.



cover some of the more-limited aspects of this approach. The articles deal with complaints of ultimate consumers and other users.

Two scholarly-written articles were found which cite similar statistical techniques for determining specific causes of complaints.²⁷ These authors treat complaints as information feedback to management leading to investigation of possible problem areas. Their method is essentially an adaptation of a statistical quality control method. One of these authors says of the method:

This simple and reliable technique provides an objective decision rule by which to determine when the observed variation in the rate of consumer complaints may be considered assignable to some specific cause, and when it may be considered to arise from chance or common causes. Identification of a specific cause is much simpler than identification of a common cause. Similarly, removal of a specific cause is much the easier of the two.²⁸

Professor Samuel Myers regards the data compiled by testing laboratories concerning consumer complaints as a source of information for producer guidance concerning consumer demand.²⁹ His article deals primarily with

²⁷Wm. A. Mac Crehan, "Watch Your Customer Complaints," American Machinist, XCIII (June 30, 1949), 67-70 and Jean Namias, "A Method to Detect Specific Causes of Consumer Complaints," Journal of Marketing Research, I (August, 1964), 63-68.

²⁸Jean Namias, "A Method to Detect Specific Causes of Consumer Complaints," Journal of Marketing Research, I (August, 1964), 63.

²⁹Samuel L. Myers, "Consumer Complaints: A Source of Information for Producers," American Dyestuff Reporter, (March 6, 1961), pp. 25-28, 51.



consumer complaints on textiles which result in laboratory testing for laundries, drycleaners, department stores, mail-order houses, and manufacturers.

Quality and other complaints are discussed in the Quality Control Handbook.³⁰ The practical chapter describes how complaints can be used as a source of information. Included is a discussion of significance of complaints, effect of unit price and time on complaint rate, and the processing of complaints.

Other articles report how specific companies employ the marketing management approach to complaints. For example, The Detroit Edison Company has a system for "inventorying" customer complaints.³¹ Another article describes the uses of packaging complaints by several manufacturers.³² A brief article describes the benefits received by Ford and by Beech Aircraft from the ways in which they use complaints.³³ Ideas from many of the sources cited above are incorporated into this paper in later sections.

³⁰Joseph M. Juran, Quality Control Handbook (New York: Mc Graw-Hill Book Company, 1962), pp. 12-1 to 12-15.

³¹E. O. George, "Inventorying Customer Contacts," Edison Electric Institute Bulletin, XXVII (May, 1959), 199-204.

³²"How Do You Handle and Benefit from Packaging Complaints?" Modern Packaging, XXXIV (May, 1961), 63-64.

³³"Use Your Customers' Complaints," Steel, CXXXVII (February 13, 1956), 105.

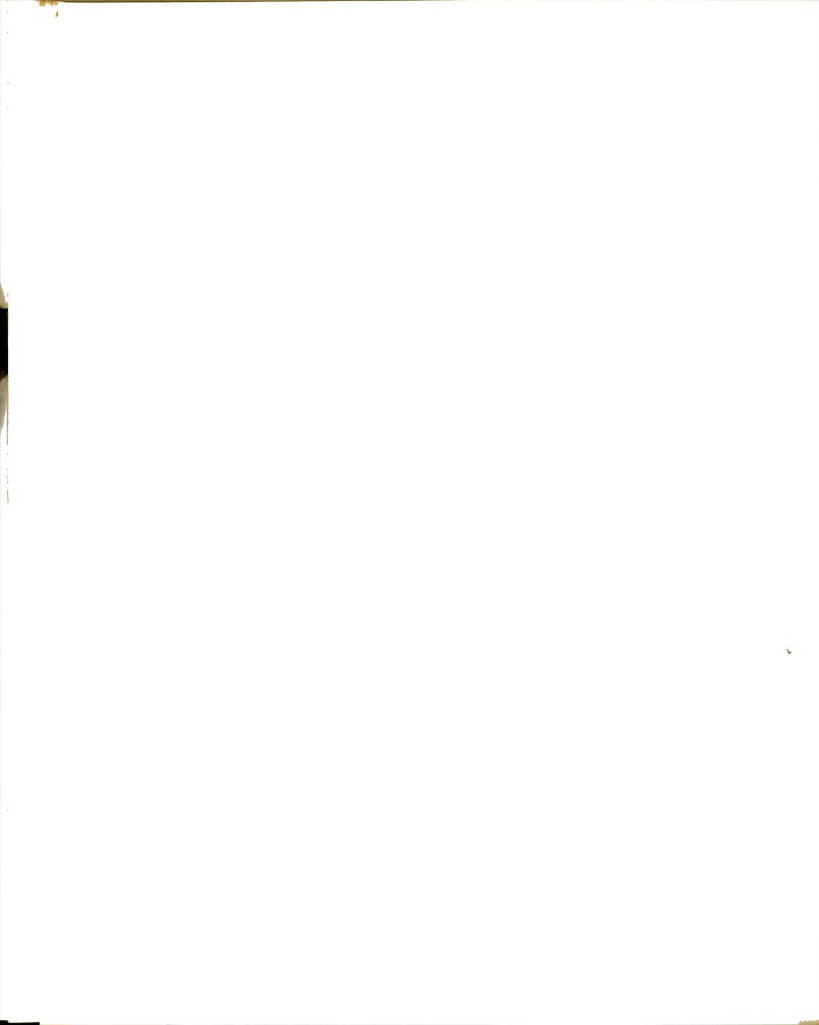


The sparse literature available on the marketing management approach to consumer complaints indicates a need for the present research. Some important unanswered questions about complaints as a form of marketing intelligence include: How significant is a single complaint? Of what population are complaints representative? What kinds of information can be gained from complaints? To be used for what purposes? How can the intelligence function be best performed? Answers to these and to other questions must be sought.

Relationship of Complaint Management to Various Functional Areas of Marketing Management

Marketing management is sometimes, for purposes of convenience, conceptually divided into such areas as advertising, marketing research, salesmanship, etc. Below are considered such possible divisions as service, marketing research, quality control (in a broad sense), and others. Complaints relate to these areas in particular ways.

If the product of the manufacturer may require service after the sale, such as in the case of major household appliances, a special service department or customer service department may exist to administer such service even though the actual service is not performed by the manufacturer. Complaints can be caused by the servicing as well as the sale of the product. The possibility of generating complaints from the performance of service is



illustrated by the recent rise in the number of complaints of automobile owners caused by the failure of dealer servicing to keep pace with expanded new car sales and extended warranties.³⁴ However, the more basic relationship between consumer complaints and service is that the service department is often used to handle and correct a complaint situation regardless of the initial cause. The service department seems to be a logical choice for handling consumer complaints, at least from public relations and technical points of view.

A relationship between marketing research and consumer complaints is illustrated by the similarity of information each may produce and by the fact that many marketing research activities such as consumer surveys act as a stimulus to consumers and result in an increased number of complaints, although such complaints are not strictly unsolicited. Information from traditional marketing research activities and from complaints may or may not be used in an integrated way.

Some, but not all, consumer complaints are quality complaints. It is admitted by many manufacturers that they do not produce the highest quality product which is possible from an engineering point of view. Manufacturers state that most customers could not afford the high price that would be necessary. If a manufacturer uses a

³⁴The Wall Street Journal, October 11, 1965, pp. 1, 19.



marketing approach to quality control to arrive at the right qualities for the markets he is serving, he should expect some quality complaints, but not very many. An orderly method of recording, analyzing, and servicing complaints is a starting point for specifying realistic quality requirements.³⁵

Complaints also relate to other areas. Sales must overcome sales resistance from complaints. Overselling and misleading advertising bring about complaints. Sales training and product planning attempt to reduce complaints. Other relationships also exist.

Organization for Marketing Intelligence

In view of the many relationships of consumer complaints to the various functional areas of marketing management, and in view of the traditional approaches to consumer complaints in industry and the literature, it seems unlikely that optimum information can be gained and used from the consumer complaint source in the absence of a definite and organized effort to gain such marketing intelligence. One organization plan for intelligence services, of which marketing intelligence from consumer complaints is one small part, is suggested by Kelley:

The Vice President, Intelligence Services, has six departments reporting to him: marketing research, economic research, market data, administrative data, internal information, and reports. The

³⁵Alderson, p. 447.



library could be made a separate department (the seventh), or could be put under market data.

In addition, a Special Projects Department might be added. This would undertake special research, involving covert sources of information, both internal and external.³⁶

Other organizational possibilities exist. More is said on the optimum method of organizing the marketing intelligence function under the marketing management approach to consumer complaints. First, the structural components of the consumer complaint form of marketing intelligence are considered.

Structural Analysis of Consumer Complaints and the Marketing Intelligence Subsystem

Introduction

In a previous section, the structural components of any communication system were listed as source, encoder, message channel, decoder, receiver, message, noise, and feedback.

The consumer complaint flow of marketing communication is here divided into two stages or phases for purposes of analysis. Conceptually, the two phases are (a) from the consumer-source to the customer relations portion of the company and feedback to individual consumers and (b) from customer relations to marketing management and general feedback to the market. The first phase is a

³⁶William T. Kelley, "Marketing Intelligence for Top Management," Journal of Marketing, XXIX (October, 1965), 21.



recognition that the sole purpose, from the point of view of the company, of handling consumer complaints is not simply the marketing intelligence purpose. The company cannot afford to neglect the public relations function. Combinations other than the two-phase process described here are also possible. However, the two-phase description seems to be a reasonable approximation of the common situation in which the marketing management of a company delegates the performance of certain functions (such as the public relations handling of complaints) to subunits of the organization (such as the customer relations portion of the service organization). If the marketing intelligence function of the second phase is to be performed efficiently and effectively in practice, the present conceptual division must not be regarded as an attempt to exclude cooperation in performing both the public relations and marketing intelligence functions. In other words, even though the two phases will be referred to as the public relations phase and the marketing intelligence phase, each of the two functions is performed to some extent in the phase of the other. This is so because the customer relations subunit acts as receiver of phase one and source of phase two.



The Public Relations Phase

The Consumer-source

Theories of rational consumer behavior picture the consumer as a problem solver who goes into the market and makes purchasing decisions to satisfy wants and needs. This same basic rationality is generally applicable to the consumer when he makes the decision to complain. He is a problem solver who makes a complaint decision in order to satisfy wants and needs. However, at times the message of the consumer may be so filled with emotion as to raise doubts about the rationality of the source. Nevertheless, the basic act of complaining is generally rational even though emotional noise may considerably distort the message. In short, all meaningful communication has purpose.

In terms of the economic approach, the consumer-source, who is the originator of a complaint, expected to receive a certain utility when the decision was made to purchase the product or service. These expectations were based upon advertising, personal selling, advice from friends, etc. If the product or service fails to live up to these utility expectations, the consumer experiences a net loss in utility and becomes dissatisfied. A complaint communication may or may not result.

The consumer may choose not to complain because he sees no substantial net gain in utility from such action. One writer charges, "I think the observable reluctance of



the majority of Americans to assert themselves in minor matters is related to our increased sense of helplessness in an age of technology and centralized political and economic power."³⁷ In answer to this charge, another writer states, "It's not that we don't want to complain, or haven't the nerve, or are too benumbed by the massiveness of society. It's just that the pay-off is so abysmally low and the weight of frustration any red-blooded American male can carry is limited."³⁸

If the consumer chooses to complain, his reasoning in utility terms may approximate the following discussion. Disutility, the amount of which varies from person to person, is often experienced by the consumer due to (a) effort to initiate a communication and (b) possible future frustrations over the matter. However, and again to varying degrees, consumers gain utility by psychic satisfaction from expressing hostilities to an audience. A further consideration is the expected response of the message receiver. Different consumers have various expectations that receivers will take actions resulting in various expected amounts of utility. For each individual, rational, dissatisfied consumer the question to be answered is: Will a net positive expected utility result from

³⁷William F. Buckley, Jr., "Why Don't We Complain?" Esquire, LV (January, 1961), 101.

³⁸Richard Salzman, "Aftermath: Why Don't We Complain?" Esquire, LVI (November, 1961), 77.

initiating a complaint and from subsequent response and action from the receiver?

Encoding and Decoding

The most common method used by consumers to encode complaint messages to manufacturers is the mechanism for the written or typewritten letter. Evidence suggests that considerable noise or distortion enters the communication process in the encoding stage. Much of this noise is filtered out by experienced decoding.

Many consumer complaint communications probably fall far short of the encoding guide suggested by Consumers' Research:

- 1) Telephone calls are a poor way to register a complaint; they put the burden of getting the facts down and on record, on someone who may be casual, inattentive, or just plain lazy. Set down in writing the following information about the item:
 - a. The brand name and model number of the item, or other identification.
 - b. The price you paid.
 - c. Where you bought it.
 - d. When you bought it.
- 2) Outline clearly just how the product or service failed, or fell short of requirements; why you are dissatisfied with it.
- 3) Explain what effort you have made to remedy the difficulty; what this cost in time or money.
- 4) Send this information first to the retailer who sold the product to you, and in writing, especially if it is a large department store or other large organization.
- 5) If you do not obtain satisfaction in a reasonable length of time, write to the manufacturer addressing the letter to the president of the company or the vice president in charge of service at the company's home office.
 - a. Send a copy to the local dealer, and so state on the original.
 - b. Send a copy to the local distributor, and so state on the original.

6) State specifically what adjustment you wish to have made. Keep in mind, however, that an appliance out of order can usually be made to operate, and it will almost never be replaced by a new one even if you were unlucky enough to have bought a "lemon." On the other hand, a garment that has failed in some important respect may be replaced.

7) Before you mail anything, be sure that you have been reasonable, factual, clear, specific, patient, and firm, that you have been sufficiently detailed in your statement that the dealer or manufacturer will have a good basis on which to work with his own people or with a supplier.³⁹

After the encoded message is transmitted through a message channel, it must be decoded before the receiver can respond. When consumer complaint messages are sent to manufacturers, the decoding function often is performed by a centralized receiver.

The Message Channel

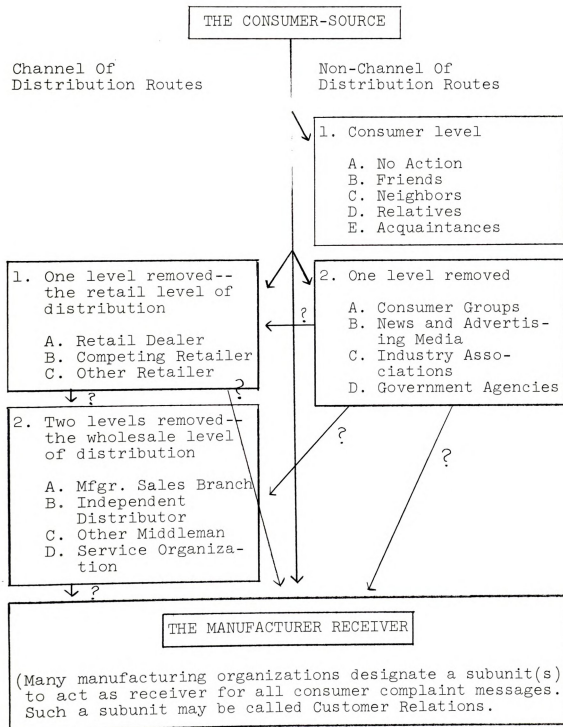
The message channel is the medium or carrier of the message. For present purposes, the channel route is more interesting than the specific vehicle employed. The usual vehicle is the letter. The basic outline of the message channel routes for consumer complaints to manufacturers is shown in Figure 4 on the following page.

The message channel for consumer complaints may, but need not, follow the channel of distribution backwards from the consumer to the manufacturer. Complaint message channels have here been divided into those which do and do not retrace the distribution channel. The various

³⁹"Have You a Kick to Make?" Consumers' Research Bulletin, XLIII (September, 1960), 21.



Fig. 4.--Outline of message channel routes for unsolicited consumer complaints to manufacturers





alternative routes outlined in Figure 4 are discussed below. The non-channel of distribution alternatives, appearing on the right-hand side of Figure 4 are discussed first.

The consumer may choose to take no action of any kind; ie., he may choose not to communicate. However, to assume that dissatisfaction would not at least influence the future purchase decisions of the individual consumer may be somewhat unrealistic. Secondly, the dissatisfied consumer may complain to friends, neighbors, relatives, and acquaintances. This kind of word-of-mouth advertising is very influential in the sale of certain types of products and can be disastrous for the manufacturer. The chances that a complaint message will reach the manufacturer through this channel are very slight.

Other non-channel of distribution institutions to whom the dissatisfied consumer may complain include the following groups: consumer groups, news and advertising media, industry associations, and government agencies. Examples of consumer groups are Consumers' Union, Consumers' Research, and the various Better Business Bureaus. Quite often these institutions do forward copies of consumer complaints to the company cited in the complaint. However, the cited company may be a retailer. Therefore, the chances of such a complaint message reaching the manufacturer are not too great.



General news and advertising media and women's service media are sometimes employed as complaint message channels. The most effective of these media in forwarding complaint messages to manufacturers are magazines which operate institutes. Examples of such magazines are Good Housekeeping and Parents'.

Industry associations and government agencies are also employed as complaint message channels. For example, for major household appliances, associations such as American Home Laundry Manufacturers Association and National Electrical Manufacturers Association might be used. The offices of state attorney generals are also used. The federal government office which seems to be most involved in consumer complaints in recent years is that of Mrs. Esther Peterson whose title is Special Assistant to the President for Consumer Affairs. Practices of forwarding complaint messages to the manufacturer vary among the agencies mentioned above.

The complaint message may also travel through the channel of distribution in opposite direction to the product flow. Consumers may complain to the retailer who sold the product, to a competing retailer, or to any other retailer. If the product is one in which the retailer carries many competing brands; eg., major appliances, the complaint message may be used as a source of information by the retailer rather than forwarded to the manufacturer.



At the wholesale level, the consumer complaint may be directed to a manufacturer sales branch, an independent distributor, or some other middleman selling the product in a particular geographic location. If the product requires after-sale service, the servicing organization may be utilized as a complaint channel. Noise, originating from the intermediary, can be expected to clog the complaint message channel because the intermediary does not always have the same point of view as either the consumer-source or the manufacturer-receiver. The question marks appearing in Figure 4 indicate that the channel may not always be clearly open through intermediaries to the manufacturer.

A consumer complaint message channel is also available directly from the dissatisfied consumer to the manufacturer. The consumer, and not the manufacturer, selects the message channel route. If the consumer truly desires to register his complaint with the manufacturer, the direct route is often more accessible than routes which pass through intermediaries. Employment of the direct route offers the manufacturer the maximum opportunity to create good public relations and to gain marketing intelligence from consumer complaints.

The Manufacturer-receiver

The consumer-source may intend that his complaint message be received by a particular individual or officer



of the manufacturing company. However, in actual practice, even though the consumer may be well-advised to address his remarks to the company president, the manufacturer chooses to delegate a subunit of the company to act as receiver for the entire company or division with regard to consumer complaint messages. The subunit which receives and handles complaints on a centralized basis is often given the name of customer relations and is often a part of the service department.

The Consumer Complaint Message

The complaint message is an expression of consumer dissatisfaction from a real or imagined cause. Although some complaint messages are simply uninformative and emotional outbursts, the majority of complaint messages at least hint at some cause of dissatisfaction to the consumer in some relationship with the manufacturer's product, service, advertising, dealer organization, or some other aspect of the offering. Quite often the message also indicates that some action or response on the part of the manufacturer is expected. In a few cases the message may be a legal one. For example, a depressed Cadillac buyer threatened to sue General Motors for more than one million dollars.⁴⁰

⁴⁰The Wall Street Journal, April 30, 1965, pp. 1, 10.



Noise: Representativeness,
Validity, and Significance

Noise is an undesirable structural component which can occur anywhere in the communication system. Examples of noise are (a) vehemence which the consumer-source encodes into the message, (b) the tendency of a retailer or other portion of the message channel to suppress rather than forward a complaint message to the manufacturer, and (c) the preconditioning of the company receiver to believe that his products are superior. Many of these forms of noise can be recognized and to some extent the manufacturer can compensate for the noise. Of major importance to the manufacturer in both the public relations and marketing intelligence aspects of consumer complaints is the collective problem of noise from consumer complaints in total. Major noise problems are the representativeness, validity, and significance problems. Of what population are those consumers who complain representative? What complaints are valid or justifiable? And, what level or rate of complaints is of significance to warrant investigation and possible action? Although these questions are probably more directly related to the second or marketing intelligence phase of the communication process, they also have a bearing on the first or public relations phase. For purposes of convenience, they are discussed here.

Representativeness refers to inclusion within a sample of all the important kinds of units which are



included in the population from which the sample was drawn. If the complaint messages as a group are considered as a sample, the question arises: Of what population, if any, is this sample representative? Is the sample representative of all consumers of the product, of all dissatisfied consumers, or merely of chronic complainers? Available evidence suggests that manufacturers do not know the answer but that the information from complaints is being used in certain ways under some assumptions. Manufacturers assume that complaints are not representative of opinions of all consumers. The attitude of one is:

Although P & G insists that consumer mail can create a lot of good will, it warns that to assume that a company's daily mail is a cross-section of consumer opinion is dangerous, as only a small segment of the population bothers to write to manufacturers. Radio and TV fan mail, however, is watched closely for pronounced trends, which sometimes guide the company in making program changes. Similarly, repetitive patterns are watched for in all letters of complaint, criticism, commendation or inquiry. Such patterns have stimulated P & G to extend research, re-examine advertising themes, and review sales policies.⁴¹

In general, complaints are not regarded to be representative of the opinions of all consumers or of chronic complainers. Chronic complainers, or repeaters, can be easily detected. Complaints are regarded as representative of some in-between group of consumers who for various reasons are dissatisfied. In spite of the apparent

⁴¹"Pen Pals Can Be Good Public Relations," Printers' Ink, CCLXIII (May 23, 1958), 60.



lack of knowledge of the representativeness of complaints, not to mention the problem of the proportionality of the sample, complaint information is used.

Validity means that we have measured the thing that we intended to measure. Two questions are really involved here. First, does the consumer have a valid reason to complain; and secondly, is the complaint validly stated so that the complaint information received by the company may be used as valid marketing intelligence? The first question really asks whether or not the complaint is justifiable. The following table reports the justifiability of complaints to retailers as reported by laboratory testing. In terms of percentages, more complaints were judged to be unjustifiable or traceable to consumer-use conditions than were determined justifiable.

The true justifiability of a complaint is not so important as what the consumer thinks. As is pointed out in several articles and in case study interviews, if the consumer really believes he has a valid complaint, he does have a valid complaint regardless of what the laboratory might indicate. For public relations purposes, adjustments may be made to maintain goodwill regardless of justifiability. Of more importance; however, is the fact that for purposes of marketing intelligence, what the consumer thinks may be more important than what is actually so. For example, numerous consumer complaints were received about a fabric used in women's blouses.



Over the years the complaints were considered unjustifiable by major department stores. Even so, adjustments were promptly made. In spite of the unjustifiability of the complaints, the market share for the fabric showed a marked decrease.⁴²

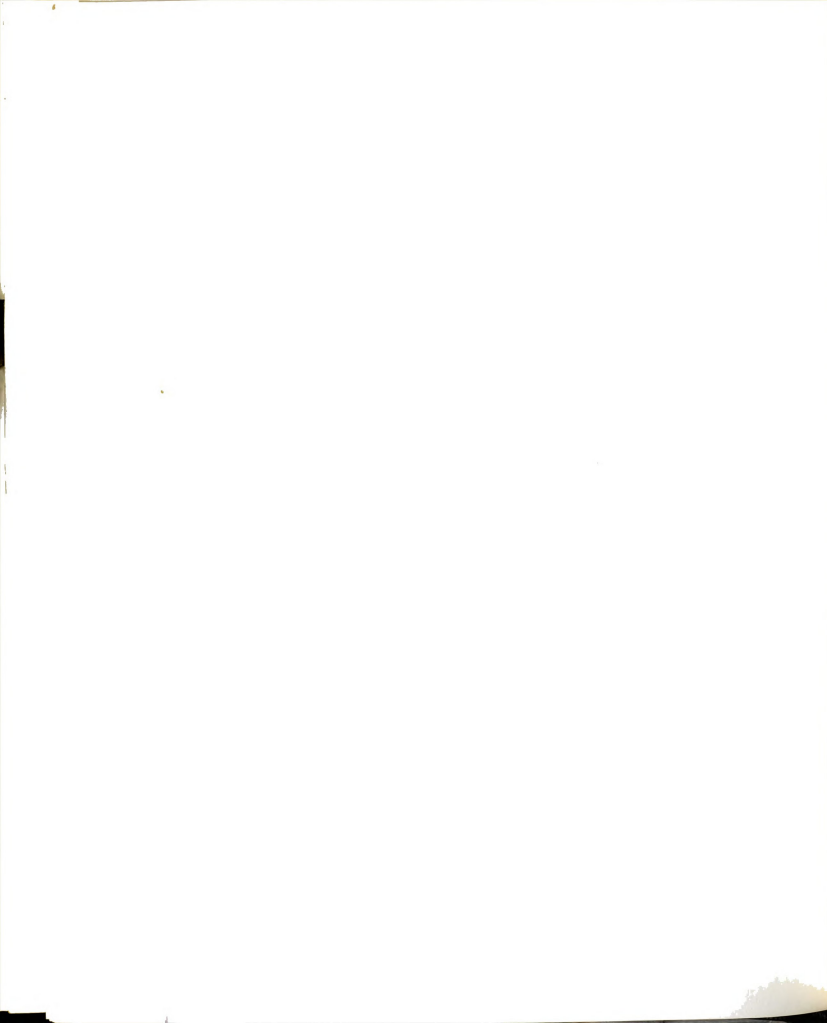
TABLE 1.--Number of customer complaints of unsatisfactory merchandise appraised by sponsor of laboratory and justifiability of complaints, 1953⁴³

Sponsors of Laboratory	No.	Justifiable		Unjustifiable	
		Merchandise at fault		Customer at fault	
		No.	%	No.	%
Wm Filene & Sons, Boston	5888	3110	52.8	2788	47.2
Macy's, New York	1333	516	38.7	817	61.3
Gimbel Bros Phila.	1002	422	42.1	580	57.9
Kaufmann's, Pittsburgh	904	323	35.7	581	64.3
R H Stearns, Boston	595	224	37.6	371	62.4
J C Penney, New York	551	267	48.5	284	51.5
Saks, New York	358	129	36.0	229	64.0

The question of whether or not the complaint is validly stated brings up the problem of complaint investigation to determine validity. As was indicated above,

⁴²Myers, p. 26.

⁴³Ibid.



retailers may use testing laboratories to determine validity. The major appliance case studies of a later chapter mention complaint investigation by manufacturer field service personnel, by distributor and dealer service personnel, and by headquarters technical experts. Consumer complaint information may also be validated by checking it for consistency with other sources of marketing intelligence.

Significance refers to the importance or meaning given to a complaint or complaints. Significance questions are: what is the significance of a single complaint, what are the factors which influence the level or rate of consumer complaints, and what level or rate of complaints is statistically significant?

From both the public relations and marketing intelligence points of view, the significance given each consumer complaint is often considerable because very few dissatisfied customers bother to complain. For example, one report states that duplicate complaints to department stores are rarely submitted about identical products. The author states that one complaint may represent one hundred or more sales of a product. He cites a case in which six complaints represented two hundred sales of robes, "that were so poorly constructed that even hand washing caused the seams to ravel and open, and the first



machine washing ruined every seam in the garment."⁴⁴

Some of the factors which influence the rate of consumer complaints are the economic climate, the temperment of individual customers, the seriousness of the defect in terms of the customer's viewpoint and the value of the product.⁴⁵ If the economic climate is a buyer's market the consumer is more likely to complain whereas in a seller's market or a wartime economy he can be far less demanding. Differences in temperment of individual customers helps to explain the situation in which the same product has generated complaints from some consumers but not from others. The third factor, the seriousness of the defect from the customer's viewpoint is illustrated by the fact that premiums which are quite important to children often cause more complaints to breakfast food manufacturers than does the cereal, even though the monetary value of the premiums is quite small.⁴⁶

The effect of unit price on complaint rate is not known exactly. It is logical to assume that, other things being equal, the complaint rate and unit price will vary directly. The following quote is to the knowledge of the author the most comprehensive published

⁴⁴Jules Labarthe, "Ten Thousand and One Customer Complaints," Textile Research Journal, XXIV (April, 1954), 329.

⁴⁵Juran, p. 12-3.

⁴⁶Ibid.



statement on the matter:

Available data on complaint rates suggest strongly that unit price of the product may be the largest single factor in determining complaint rates.

For example, a company making shotgun shells proof-fires a sample of the product. From this proof firing it is determined what is the rate of misfires, or "squibs." The company also received some field complaints about squibs. It is found that the number of squibs in the outgoing product is about fifty times the number of squibs complained about. Hence for this product (priced at about 10 cents) the ratio of complaints to serious defects is 2 per cent.

In like manner it was found that for razor blades (selling at about 3 cents) the ratio of complaints to serious defects is under 1 per cent.

Ratios on some other products have been found to be as follows:

		Ratio of Complaints to Serious Defects
An article of clothing	About \$5	About 10%
A small electrical appliance	About \$30	About 25%
A large electrical appliance	About \$200	About 50%
A motor vehicle	About \$2000	About 70%
A large engineered facility	About \$50,000	100% ⁴⁷

The base upon which the percentages in the above quote were calculated is "serious defects" as would be determined by factory inspection whether or not such inspection actually occurred. Some companies calculate the ratio of complaints to sales. The use of either or both "serious defects" and sales as a base is an attempt

⁴⁷Ibid., p. 12-4.



to avoid the practical difficulty that manufacturers face. They are unable to calculate the ratio of complaints to dissatisfied consumers directly. However, by combining Juran's figures, or by using better estimates if such are available, with the consumer complaint to sales ratio, a manufacturer can arrive at the ratio of consumer complaints to dissatisfied consumers. The time factor, of course, must be considered in relating complaints to sales or production figures. More is said about such calculations in the recommendations chapter.

Determining what level of complaints is statistically significant can be accomplished fairly satisfactorily by techniques reported by Mac Crehan and Namias.⁴⁸ Their technique, which is also discussed in the recommendations chapter, deals only with the numerical aspects of the complaint rate; ie., the statistical significance of rates of complaint as a means of isolating specific causes of complaints from common causes of complaints. In other words, the technique deals with the complaint rate problem in relative rather than absolute terms. The technique also does not consider the qualitative aspects of complaint significance.

In conclusion, in this subsection several noise

⁴⁸Wm. A. Mac Crehan, "Watch Your Customer Complaints," American Machinist, XCIII (June 30, 1949), 67-70 and Jean Namias, "A Method to Detect Specific Causes of Consumer Complaints," Journal of Marketing Research, I (August, 1964), 63-68.



problems have been raised. Partial answers and promises of more-nearly complete answers in future chapters have been given. More noise problems are raised in the discussion of the second or marketing intelligence phase of complaint communication.

Feedback

The first phase feedback from company-receiver is an individual feedback to the specific consumer-source who has complained. Such feedback may take either or both the following two forms: (a) acknowledgment of the receipt of the message and (b) response to the message in the form of some action. Another alternative, no feedback, appears to be quite uncommon today in spite of the fact that an acknowledgment or reply without remedial action or adjustment may cost the manufacturer anywhere from eighty cents to ten dollars a reply depending on the salary of the person who writes it and the research required.⁴⁹ Quite often feedback is initiated by the centralized company-receiver of the complaint. Acknowledgment may sometimes appear under the signature of the president or other company officer. Feedback may travel the same message channel route as the original complaint message. However, quite often the acknowledgment form of feedback uses a speedy and direct route while the action feedback

⁴⁹Peter Landau, "Bouquets and Brickbats in the Company Mailbag," Management Review, XLVIII (December, 1959), 55.

message channel may follow the channel of distribution route or some other message route determined by the nature of the complaint. As was mentioned in a previous section, rules for effective feedback or handling of complaints are often stated in public relations discussions on complaints.

The Marketing Intelligence Phase

The Customer Relations Records-source

The original and ultimate source of consumer complaint marketing intelligence is the consumer-source. However, in the two-phase flow concept of marketing communication adopted for the present discussion, the proximate source for the second phase is the same customer relations subunit which acted as receiver in the first phase. A communication source has a purpose for communication. The purpose(s) of communication of the customer relations organization have probably for the most part been defined by some higher authority in the company organization. The customer relations purpose was mentioned in connection with feedback in the first phase. Can and should there be a communication flow from customer relations to marketing management with a marketing intelligence purpose?

The above question is analogous to asking whether sales receipt records can and should be used for marketing intelligence purposes as well as for financial purposes.



The position taken here is that a positive answer should be given to both questions. In other words, the useful information which can be obtained from performing the customer relations function represents a source of information for marketing management. However, if the information is to be of maximum benefit, the source (ie., the customer relations subunit) must be aware of and dedicated to the specific purpose(s) of such a communications flow. These purposes determine how messages are encoded, what message channels are used, what messages are transmitted, who the specific intended receivers are, and what noise and feedback can be expected.

Encoding and Decoding

The need for encoding consumer complaint information into a proper reporting form is demonstrated by the following statement:

Summarized complaint data are needed not only to identify repetitive or chronic field troubles, but for executive reporting as well. One of the penalties of lack of executive reports is that a high official may get exercised over some individual instance and undertake a personal investigation. The result is usually to give undue attention to some isolated instance, thereby increasing the cost needlessly. High officials who regularly receive good reports on the status of complaints are less prone to become exercised by some individual case.⁵⁰

Two separate kinds of encodings can be made by customer relations to marketing management. One encoding takes place when an individual complaint becomes

⁵⁰Juran, p. 12-14.



Communicated to marketing management for purposes of possibly correcting the individual, specific situation which caused the particular complaint. However, this one-at-a-time procedure is primarily for immediate customer relations purposes rather than for marketing intelligence purposes. The normal kind of encoding, which is for marketing intelligence purposes, often involves classification, tabulation, and analysis of complaint data.

A necessary first step in encoding consumer complaint information is to have all complaints recorded in writing. Such a step would also facilitate the customer relations handling of complaints. The Detroit Edison Company developed a "Customer Contact Inventory" system under which the company asks all personnel who contact customers to report all customer complaints plus any other comments and inquiries to a central staff group. The complaints are then classified by the function involved into such categories as service, appliance sales, charges for electricity, personnel, etc.⁵¹ Other companies also centrally record complaints.

Individual complaints may then be assigned classification codes. The Detroit Edison system has such a code. The code classification scheme may be the same as, or compatible with, the scheme used by quality control or other departments. The method of tabulation to be used,

⁵¹George, pp. 201-202.



hand or machine, will influence the elaborateness of the classification scheme and the cross-classifications possible among such categories as product, place, time dollars involved, cause, etc.

Once the complaint information has been classified, tabulated, and analyzed; it must be presented or available in a meaningful form to those members of marketing management who are in a position to use the information. This means that the information should be presented in such a way as to minimize the decoding task of the marketing management receivers. For example, field sales managers or service managers will not be interested in the same things as product planners. It should also be mentioned that some information may be encoded and transmitted in nontabular form. Recommended encoding (management reporting) practices are given in the recommendations chapter.

The Message Channel

The internal message channels suggested here, presuppose that consumer complaints are received centrally by a company subunit such as customer relations or a complaint bureau. This centralized receiver acts as the source of the internal flow. Otherwise, the message channel route could be so lengthy and circuitous as to prove ineffective for either public relations or marketing intelligence purposes. Also, the so-called internal, or marketing intelligence phase may involve message

Channels or feedback loops which encompass extra-legal parts of the company marketing system such as the manufacturer-dealer system.

Marketing intelligence from complaints, along with other internal information, can move on either (or both) a formal or informal basis in four directions in relation to organization structure. These directions are vertically downward and upward, and horizontally back and forth.⁵²

The customer relations subunit is typically a supervisory level staff department reporting to the service department. From this starting point, formal complaint intelligence message channels follow the formal organization structure to designated marketing management receivers. Also, informal channels develop to fill gaps. If the company has a centralized intelligence service, consumer complaint intelligence can be channeled in the same manner and routes as other forms of marketing intelligence.

The vehicles used to transmit consumer complaint marketing intelligence should vary depending on such factors as intended receiver, intended use, the time element, and others. Written reports, oral reports, committee and informal meetings are among the vehicles discussed in the chapter on recommended practices.

⁵²Kelley, p. 20.

The Marketing Management Receiver

Various functional units of marketing management are the receivers of marketing intelligence generated from consumer complaints. Since information is a means to an end rather than an end in itself, the information needs of these marketing units should determine which units are receivers of what specific information. For example, field service is interested in information about service satisfaction while product planning is interested in consumer reaction to product features. Each unit is primarily interested in information which has a bearing on those areas which are defined to be problematic to the job of that unit. These areas of responsibility are defined in the "organizational constitution" through which decision rules are institutionalized.⁵³ The resulting decision making processes involve both a political process and the ways in which executives think as a result of intelligence received and its interpretation.

The Marketing Intelligence Message from Complaints

What is the nature of marketing intelligence derived from consumer complaints and what is its relationship to other forms of marketing intelligence? In this study, the following definition is used: An unsolicited

⁵³Arthur L. Stinchcombe, "The Sociology of Organization and the Theory of the Firm," Marketing and the Behavioral Sciences, ed. Perry Bliss (Boxton: Allyn And Bacon, Inc., 1963), p. 276.

consumer complaint, sometimes referred to as a consumer complaint or a complaint, is a voluntary expression of consumer dissatisfaction communicated to the manufacturer. However, no marketing intelligence exists until the consumer complaint message is used as a source of facts to serve decision-making premises in marketing.

Problems of representativeness, validity, and significance were discussed in a previous section. And, of course, the substantive material of different marketing intelligence complaint messages does cover a variety of subject matter. Among the relationships possible between marketing intelligence from unsolicited consumer complaints and marketing intelligence from all other sources are (a) complements, (b) supplements, (c) supplants, and (d) singly, or in some combination, all these three relationships, depending on such factors as use, time, message content, etc. The concept of marketing intelligence excludes by definition the possibility that complaint intelligence is unrelated to other forms of marketing intelligence. And the variety of marketing intelligence use situations suggests that the fourth possibility (complements, supplements, and supplants singly or in some combination) mentioned above most nearly represents the way in which the consumer complaint marketing intelligence message is regarded. This heterogeneous nature of the complaint intelligence message considerably complicates the problem of determining what is an optimum



Program of marketing intelligence from consumer complaints.

Noise

Noise can occur in the second phase as well as in the first phase of the process. Some problems discussed in the first phase are also applicable here. Additional noise problems of particular interest here are described below. Noise can occur in all the components of the communication system of the second phase. However, most of the noise is not peculiar to the consumer complaint form of marketing intelligence but is common to all forms of marketing intelligence.

The first distortion takes place when customer relations, the company records-source, perceives the facts. Here the facts are interpreted through built-in biases and the psychological frame of reference of the customer relations personnel. Further noise occurs when the customer relations source encodes the message into some language or code classification. Marketing management has similar noise problems in its roles of decoding and receiving the message.

Even greater noise problems can result in the message channel. Typically, the message channel from the company records-source in customer relations to top marketing management is not direct. Particularly in upward communication, several relay stations or filtering devices



may act as gatekeepers for upward information flows.

Noise is likely to increase as the number of filters increases. Kelley says of the problem:

In practice, most of the information received by top management has been put through multiple relay points, multiple filters, and multiple frames of reference. The result must be a picture of reality that is highly abstracted and highly distorted.

Moreover, the information will probably be biased in a given constant direction by folkways, mores, group ways of seeing things introduced by the history, traditions, and interests of the company. This results in everybody in the firm tending to look at things the same way.⁵⁴

Kelley then describes another form of noise which is especially applicable to information of the negative variety. He says:

Another biasing factor in upward communication is the fact that the subordinate tells the "boss" things the subordinate knows the boss wants to hear. The "underling" learns that it is not always expedient to convey unfavorable or discouraging facts. And the subordinate, due to his conditioning, may well ignore the disturbing information that he receives, suppress it, and not consciously even have it to transmit.⁵⁵

Noise cannot be completely eliminated. Steps can be taken; however, which will reduce noise to a tolerable level to permit effective communication. One such step is to open direct communication channels from marketing intelligence services to top marketing management. The simple recognition of the existence of noise can also do much to reduce its effect.

⁵⁴Kelley, p. 24.

⁵⁵Ibid.



Feedback

Two feedback loops can originate with the marketing management receiver of the second phase. One loop is a response loop which goes back to the customer relations company records-source of the second phase. The other loop encompasses both phases of the complaint communication process. This feedback loop which begins with the marketing management receiver has its termination at the consumer level with the company's market in general. This feedback loop to the market in general is the marketing offering of the company as the marketing decisions were affected by the consumer complaint form of marketing intelligence.

Summary

The components of the second or marketing intelligence phase have been described. The first and second phases are related through customer relations personnel who act as the decoding receiver of the first phase and as the encoding source of the second. The centralization of such consumer complaint handling functions within a single subunit of the company emphasizes the need for developing an optimum program for handling consumer complaints. Such a program should meet both the public relations and marketing intelligence needs of the company.

Toward an Optimum Program for Marketing Intelligence
from Consumer Complaints

The tendency exists among profit conscious managements to evaluate their various efforts in quantitative dollar terms. Should not then the cost-creating activity of generating marketing intelligence from consumer complaints be so evaluated? Even if agreement about the desirability of such an evaluation could be reached, considerable practical measurement problems remain.

In discussing the budgetary control of marketing intelligence services in general, Kelley says:

In connection with budgeting, little is presently known about the proper decision rules for intelligence services. For every department, obviously there is a point at which the marginal cost of an additional unit of information to the company is just equal to the marginal utility (enhanced tactical or strategic power on the market, more efficient operations internally leading to cost reduction, etc.) derived from it.

This kind of analysis would be desirable for the Vice President of Intelligence Services to utilize in his budgetary justification. At present methods of measuring and calculating this are unavailable.⁵⁶

Mc Donough, in the preface of a comprehensive book on management information, says, "I should state as clearly as possible that I am not attempting to explain how an individual places a specific value on a specific piece of information. If my efforts here are successful, I shall have succeeded only in giving the individual who must place values on information a framework that may aid

⁵⁶Ibid., p. 22

him in his task."⁵⁷

Thus, Kelley says that methods are not presently available for measuring the value of marketing intelligence and Mc Donough disclaims any specific measure. A marketing management text states:

Little has been written to guide managers on the economics of marketing intelligence. Yet the intelligence function must ultimately be evaluated in terms of both costs and benefits. How can a marketing manager decide when getting marketing intelligence is worthwhile? In theory the answer is very simple. Marketing intelligence is worthwhile whenever the cost of getting it is less than the costs, risks, and consequences of not getting it.⁵⁸

The text then goes on to suggest that the problem can be solved in a statistical decision theory framework. However, Alexander and Berg also abandon this approach to a practical solution because too many of the figures used in the framework must be nothing more than guesses.

In discussing the "paradox of cost vs. results," Lothrop says that attempts to measure the results from research are a carry-over from the accounting measurement of areas like production. He concludes, "From an administrative point of view, I venture to say that the best solution is to assign the whole matter of getting results for the money spent to a trusted technical director, to support him and then to have faith that something good

⁵⁷Mc Donough, p. VIII.

⁵⁸Alexander and Berg, p. 508.

will happen. It very likely will."⁵⁹

The problem of measuring marketing intelligence results in order to obtain an optimum program was mentioned in an earlier section in connection with the nature of the intelligence message. For example, consumer complaint marketing intelligence which is complementary (ie., is not available from other sources) to the other forms of marketing intelligence, must be measured by different criteria than that which is a supplement or a supplant. The complexity of the measurement problem suggests an interesting parallel between the measurement of marketing intelligence activity and the measurement of advertising effectiveness. Total advertising effectiveness has not been satisfactorily measured, but some criteria do exist which indicate effectiveness of partial aspects of advertising. For example, readership scores may be used to indicate how many readers saw an advertisement. Likewise, could not some of the partial aspects of marketing intelligence be measured by some criteria?

The position taken here is that, at the present time, an optimum program of managing marketing intelligence from consumer complaints or any other source is possible and even desirable; however, the quantitative

⁵⁹Warren C. Lothrop, Paradoxes in Research Administration, Marketing And Transportation Paper No. 4 Michigan State University (East Lansing: Bureau Of Business And Economic Research, 1959), p. 91

measurement by management so that they will know when the optimum is approached is not practically possible at the present time. And even if such theoretical measurement does become possible in practice, the cost of such measurement may prohibit its use. Also, as Lothrop hinted above, quantitative measurement in the short run may not be applicable to a creative research function such as marketing intelligence. Therefore, while an optimum program may not be practically definable in total, some company consumer complaint practices do seem to produce better marketing intelligence results than do others. The outlining of such practices is a far less ambitious task than the description of a total optimum program. It does represent; however, a practical first step by supplying guides that may be used by management to move in the direction of an optimum program. Recommended company practices concerning consumer complaints and marketing intelligence derived from them are therefore suggested in the recommendations chapter. Such recommendations are based upon the empirical case research and other research of this study.

CHAPTER II

RESEARCH DESIGN OF THE STUDY

Introduction and Problem Definition

The basic research design was the descriptive case study method. The complaint handling practices of eight manufacturers were studied intensively. These case studies were supported by an analysis of the theory and review of available literature on the topic.

The two hypotheses of the study were that unsolicited consumer complaints (a) potentially and (b) actually provide a source of marketing intelligence for marketing management. The method of proof used to support, or reject, the hypotheses was case study investigation into the complaint practices of the eight manufacturers to determine if these manufacturers did or did not use unsolicited consumer complaints as a source of marketing intelligence. Implicit in the acceptance or rejection of the hypotheses were qualifications such as the usefulness of complaint intelligence and its unique advantages and limitations.

From comparisons of case study similarities and differences and from other sources, the researcher has drawn generalizations and judgments which are reported in the chapters on conclusions and recommendations.

Informal Investigation

The informal investigation of the problem consisted of a search of the literature, informal interviews with retailers and manufacturers, and a pilot case study.

The existing marketing and public relations literature, although relatively void of the marketing intelligence aspects of complaints, provided orientation for the study. Informal interviews were held with department and other retail store executives and with executives of manufacturers. The pilot case study of Company A was conducted to (a) test the adequacy of techniques used in the case portion of the research design and (b) provide substantive data. The research techniques of the pilot study varied so little from those of the entire study that the results of the Company A case are included as a part of the major study.

The Case Studies

Described here are data collection procedures used for the case studies. Published or secondary sources of data were also used.

Selection of Respondent Companies

After the decision was made to limit case studies to the major household appliance industry, a sampling of companies was selected on the basis of availability. However, a nonstatistical attempt was made to achieve a

balanced representation of the major appliance industry. The sample included large, highly-diversified, multi-product manufacturers as well as smaller, narrow-line manufacturers. The identity of case study companies was disguised to the extent that actual names are not used in this report. However, descriptions of company practices are not disguised in any manner. Case study companies, divisions, or subsidiaries are identified in this report as companies A through H according to the chronological order in which the cases were conducted.

Contacting the Respondent Companies

The researcher made initial contact with the companies by letters addressed to company presidents, division vice presidents, or other top executives whose names were secured from published sources. A sample letter is part of the appendix. These top executives typically forwarded the researcher's letter to the company executive most involved with consumer complaints. These men then became the researcher's major contacts with the companies. Initial contact with the top executive level was intended to serve two purposes; namely, to provide the approval and authority for the study from a high-level company executive, and to allow the top man in the organization to direct the researcher to those executives whose areas of responsibility include consumer complaints. Through the major contacts, other company personnel were

made available to the researcher. Although some were reluctant at first, all companies contacted agreed to cooperate.

Use of Interview and Observation Techniques

The personal interview was the primary tool used to collect data. In addition, personal observation was made of forms used, file systems, etc. Both techniques were employed solely by the researcher. No additional research personnel were used.

The interviews with the several executives did vary considerably in the specific pattern which was followed. However, the general framework described below was common to all interviews.

The opening statement was followed by an unstructured interview with the executive. During this unstructured interview, the respondent was allowed and encouraged to talk freely about any and all phases of consumer complaints or closely related areas. The interviewer did interrupt occasionally during the unstructured interview in order to clarify a point or to press the respondent to talk more about a specific subject area.

The unstructured interview was terminated when the executive appeared to have exhausted the subject areas of discussion. At this point, the interviewer changed to a structured form of interview in an attempt to extract more information from the executive. This structure was

introduced by the use of an interview guide. A copy of the guide appears in the appendix. The same guide was used for all interviews although it was realized that some executives would not be familiar with all areas covered by the guide.

During all interviews, notes were openly taken by the researcher. Upon termination of the interview, as time permitted, additional information, which was remembered from the interview, was added to these notes. As soon as possible after the conclusion of the interviewing for the day, the notes were rewritten.

The observation consisted of visual inspection of the consumer complaint records, forms and instructions for the handling of consumer complaints, regular and special reports made concerning consumer complaints, and related forms used such as owner survey questionnaires and congratulatory letters. Copies of many of the forms were given the researcher for further study.

At the conclusion of all interviewing with each company, a copy of the completed case study was sent to each company. Most companies replied by giving approval and suggesting slight changes to the reports.

Other Elements of the Research Design

Each case study was originally written as a separate and complete case. The findings of these cases appear in the findings chapter and are summarized at the end of that

chapter. From the case study findings and other sources of information, judgments were made and recommended company practices regarding marketing intelligence from consumer complaints were formulated. Conclusions regarding the hypotheses, and related conclusions or generalizations, were reached through analysis of comparative case study findings and through integration of case findings with data from published sources.

The principal contribution of the study is to demonstrate empirically that unsolicited consumer complaints do act as a source of marketing intelligence. Notable among the many limitations of the research are (a) the restrictions of a limited number of cases within a single industry, (b) a research design which does not permit statistical proof, (c) unknown bias of the researcher, and (d) resource capabilities limitations which necessarily limited the scale and scope of the research.

CHAPTER III

FINDINGS OF THE STUDY

Introduction

The findings of the eight individual case studies are presented below in chronological order. The last section of this chapter summarizes some of the important findings for the cases as a group.

Company A

Company Organization and Marketing Background

Company A is composed of five groups; namely, aerospace and defense, consumer products, electric utility, industrial, and international. One of the six divisions of the consumer products group is the major household appliance division. This study was concerned with all those commercial product departments which go together to make up the major appliance division of the consumer products group. The specific product departments were home laundry, range, dishwasher and disposall, household refrigeration, and air-conditioning. The study was also concerned with the distribution, finance, and service organization (DFSO) which performs the distribution, finance, and service functions for all five product departments of

the major appliance division. The DFSO also performs these same marketing functions for television receivers and for console model stereo sets.

The study also encompassed the wholesale level of distribution in so far as Company A acts as its own wholesaler and service organization in some markets. The most common channel of distribution for Company A major appliances is from manufacturer to either an independent distributor or a Company A district, then to a retailer (dealer), and finally to the consumer. The wholesale level also sells directly to institutional buyers.

The major appliance division came into existence as a separate division in 1951. This part of the company is not a late comer to organized marketing research activity. They have been performing commercial (or marketing) research since about 1932 according to the present divisional manager of marketing research.

The organization structure within each of the five product departments differs somewhat. For example, each product department has a marketing research manager. These men work with the divisional marketing research manager, but each reports directly within his own department. In the range department, the marketing research manager reports to the product planning manager. In the other product departments, both the marketing research manager and the product planning manager report directly

to the director of marketing of their respective departments. Each product department also has a product service manager who reports to the department but also works very closely with the product service section of the distribution, finance, and service organization (DFS0). The product service section of the DFS0 has primary responsibility for handling consumer complaints.

The Stated Company Philosophy toward
Consumer Complaints

A former product service manager since 1926 believes that the company attitude toward consumer complaints has gradually changed over the years from the former attitude of regarding complaints as a "necessary evil" of doing business. The area of consumer complaints really came into its own shortly after World War II at a time when quality slipped. The present philosophy of the manager of the product service section of the DFS0, was known by many other top executives in the company. Basically, his philosophy is to regard complaints as an opportunity rather than a nuisance.

One executive stated that the objectives of Company A in handling consumer complaints were to have the consumer courteously handled in order to win back goodwill and to get the cause of the complaint in order to eliminate the cause. His assistant, the consumer relations supervisor, stated that the specific objective in handling consumer complaints is to handle the complaints to satisfy

the consumer, in the best interest of Company A. This same statement of objective was given by the product service manager at the district level.

Operationally, the consumer service supervisor is in the focal position to carry out the philosophy on consumer complaints. His functions will be pointed out later; however, it should be mentioned here that he does actively communicate his views. This is evidenced partially by a five-page letter of July 1, 1964 sent to all district/distributor product service managers. The subject line of the letter reads, "Philosophy of dealing with Customer Complaints."

Another piece of evidence regarding the company philosophy on consumer complaints was that all executives interviewed were of the opinion that in general, consumer complaints were valid. Also, each product department provides what is known as a concessions reserve. This is a fund to provide for concessions; i.e., something not really due the consumer in the eyes of the company, but which is given for some reason anyway.

Further evidence of the philosophy in operation was offered by a product planner who stated that Company A can't get away with as many complaints, or sources of complaints, because people expect more from Company A due to past performance, advertising, etc.

Closely-related Consumer Satisfaction
Information Solicited by Company A

Company A does not rely entirely upon unsolicited consumer complaints. The company takes the initiative in a number of different ways in order to learn of consumer satisfaction. Among them are owner surveys, open letters, service tickets, purchase warranty registration cards, the submitted ideas unit, a consumer clinic, other consumer marketing research efforts such as mobile display exhibits and group dynamics sessions, and contact with distributors and dealers.

Owner surveys.--The typical owner survey is a mail questionnaire survey of recent purchasers of a Company A major appliance. The sample for owner surveys is usually purchasers who have purchased within the past three months, according to one interviewee or who have owned their purchase at least six months, according to another interviewee. If consumer dissonance is an important factor, the time difference may affect the results of these surveys. Nevertheless, the sample is chosen from actual purchasers who have sent in purchase warranty registration cards. An owner survey is conducted about once a year for each product by the marketing research people.

Owner surveys attempt to measure the level of owner satisfaction with the product in general, installation, performance, wear, capacity, operation, ease of use, etc. For example, a few questions from one owner survey ask:

1. Now that you have had it awhile, how do you like your new Company A Built-In Range?
(Please check.)

(	)	Very much
{	}	Quite well
{	}	Fairly well
{	}	Not too well
(	)	Not at all

2. What do you particularly like about it? _____

3. Is there anything you dislike about it? _____

Similar questions relate to more specific things such as likes and dislikes of the baking performance of the oven. The "dislike" questions, which give rise to consumer complaints, are constructed and classified on the basis of past experience, but new complaints do arise; therefore, the classifications used in analyzing these complaints must be revised on the basis of responses received. Unsolicited consumer complaints are sometimes used to make up questions to be used in owner surveys. Those complaints which are received on owner surveys, which in the opinion of the marketing research people call for some sort of reply, are sent to the product service section for appropriate action.

Open letters.--An open letter is a letter of congratulations sent to recent purchasers of certain Company A major appliances, in which the company invites the purchaser to tell the company what the purchaser thinks of the appliance. Such letters are sent to all purchasers

who sent in purchase warranty resistration cards until a large enough response is obtained to get a leveling of the data. The responses to open letters are classified into "well satisfied", "qualified satisfied", and "dissatisfied". The responses which fall into the "dissatisfied" category are listed according to reason why. The listing and copies of the replies are then sent to the product planners and engineers of the product department involved.

Service tickets.--Seven of the Company A districts send in to headquarters a copy of every service ticket on every service call the district makes for all Company A major appliances. The service tickets, representing a ten per cent audit, are for the metropolitan areas served by these few districts. Rural areas of districts are serviced by retailers rather than the company service organization and therefore do not send in service tickets. These service call tickets are used as an indicator of consumer satisfaction by matching them against the number of purchase warranty registration cards to create an index of service calls to the number of various models and products sold and in use.

In addition, one out of every five completed service calls results in a follow-up rating card on which the consumer may rate service. This is however a rating of Company A as a service organization and not as a manufacturer. These rating cards are used to make up the

Customer Satisfaction Survey Report. This report shows how each of the districts ranks with other districts and with past performance on such things as keeping service appointments, courtesy, cost of service, etc.

Purchase warranty registration cards.--Consumer complaints of the unsolicited variety have been written on, and have accompanied these cards. However, the blank space is kept to a minimum on these cards in an effort to discourage their use for such purposes. One very important purpose of these cards is to provide an indicator of sales volume. The cards provide Company A with a quick sales volume activity index since a rather constant percentage of purchasers send in the cards. The cards are not used to solicit consumer complaint information because frequent changes in the card would upset return percentages and lessen their value as a sales indicator.

Submitted ideas unit.--The submitted ideas unit is the portion of the company to which consumers are directed to send suggestions which the consumers feel may be worthy of compensation. In actual practice, this unit is not a fruitful source of information from consumers since Company A people have already thought of most of the ideas which are submitted. The real function of this unit is to afford legal protection to the company and to handle the suggestions in a good public relations manner.

Consumer clinic.--Company A does maintain a panel,

referred to as a consumer clinic, composed of about two hundred women. The clinic excludes Company A employee families, advertising agency families, and families of attorneys. This clinic is primarily used for testing new and different products.

Other marketing research.--Numerous other marketing research activities are performed to gain a knowledge of consumer satisfaction. Among these are small group dynamics sessions about appliances and mobile display units from which consumer interviewing is conducted. Other consumer research is also done for Company A on major appliances where the manufacturer is not identified in order to obtain consumer satisfaction information from nonpurchasers of Company A products.

Contact with districts, distributors, and dealers.--From retailers, Company A receives dealers' interpretations of consumer satisfaction. This information is received at model change time, when retailers visit the plant, and from departmental marketing specialists who frequently call upon dealers.

The product service managers of several of the product departments have a "Ten Most Popular Complaints of the Month" report which is compiled by contacting the districts and distributors. This nonstatistical report emphasizes current problems about which the wholesalers are concerned. In addition to the above, numerous telephone calls, letters, and questionnaires go from district

to headquarters. Also, any special surveys conducted by a district about the area of consumer complaints are reported to DFSO at headquarters.

Handling of Unsolicited Consumer Complaints

This portion of the paper will show how unsolicited consumer complaints are handled for purposes of taking care of the immediate complaints. Later sections deal with analyses, reports, and marketing information obtained from complaints. In other words, this section deals with the mechanical handling of immediate complaints.

Unsolicited consumer complaints about major household appliances may be received at several different places within Company A. Among these places are any office of the major appliance division at headquarters, any office of the Company A executive offices, the former Company A offices located elsewhere, and the offices of regional vice-presidents. Regardless of the office to which the consumer makes his complaint, all unsolicited consumer complaints about major appliances (except those directed to the district level) are, in theory at least, handled centrally by the consumer relations unit of the product service section of the distribution, finance, and service organization of the major appliance division. Evidence indicates that this is true in practice as well as theory.

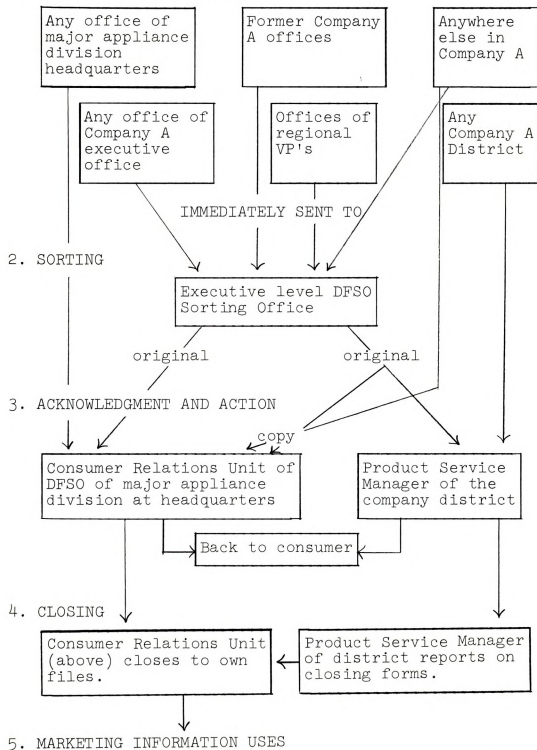
The consumer relations unit is composed of a manager, two male assistants who act as correspondents, and four secretaries and clerks. The full time of these people is devoted to the handling of complaints. In addition, each district has one person whose primary responsibilities are in this area, although this person may also have other duties.

Figure 5 on the following page illustrates the paths which complaints take from the time they are made to Company A by the consumer until they are considered closed by Company A. Retailers and distributors are not considered to be part of Company A and are therefore not included in Figure 5.

Most unsolicited consumer complaints are received by mail. Therefore the machinery for handling complaints is built around this medium. For receipt of complaints at points other than headquarters or a district, the complaints are sent immediately, without acknowledgment of any kind, to the executive level DFSO sorting office. Although the DFSO serves only the major appliance division for most functions, the executive level DFSO acts as a clearing house for all consumer correspondence for the entire company. By its own initiative in the area, the executive level DFSO sorts and funnels all consumer mail to the proper person. If the complaint is concerned with major appliances, the original correspondence is sent

Fig. 5.--The structure and flow of unsolicited consumer complaints within Company A

1. RECEIPT OF COMPLAINT



directly to the proper Company A district if a district exists for the geographic area in question and if the district can be of help in handling the complaint. In addition, a copy is sent to the consumer relations unit at headquarters. If the major appliance complaint is from a consumer whose geographic area is served by a distributor (not an official part of Company A), the consumer letter is sent only to the consumer relations unit at headquarters. No correspondence goes to the distributor because Company A feels that the consumer has written Company A and is therefore entitled to a reply from Company A rather than from a distributor of its products.

Correspondence is forwarded immediately without acknowledgment by the original recipient for two reasons. First, speed is very important in dealing with a dissatisfied consumer. Acknowledgment would merely delay the proper handling of the complaint. Secondly, many times the person who received the complaint is not familiar with the specific problem area involved. Therefore, he can do little or nothing to remedy the situation and he may actually make things worse. For example, the president of Company A probably knows very little about the workings of major appliances.

Complaints received by the product departments at the major appliance division are also forwarded to the

consumer relations unit. Also, the centralized mail room at headquarters considers the consumer relations unit to be the "all other" category for all consumer correspondence not sent to a specific individual.

The responsibility for actually handling major appliance complaints rests with the consumer relations unit of the product service section. To this end, an elaborate system has been set up.

Complaints are classified into three basic types; namely, executive, regular, and legal. An executive complaint is one which is received through some Company A executive to whom the complaint was specifically addressed. A regular consumer complaint is one which does not qualify as an executive complaint and which does not involve legal aspects which would require the advice of an attorney. A legal consumer complaint is one which in the opinion of the consumer relations manager has legal overtones which could possibly involve the company in some kind of legal action. In addition, complaints received from legal bodies, such as the offices of the attorney generals of the several states, are also treated as legal complaints. The consumer relations manager, who has some law school background, personally handles all legal complaints, but only to the extent that he acts as a clearing house between the consumer and the company attorneys. All mail at Company A is time-stamped, and

the time allowed for acknowledging and closing a complaint varies among the three categories of complaints.

Complaints received by media other than mail are handled in similar fashion. All complaints are acknowledged by the same communication medium which the consumer used.

After prompt acknowledgment, the complaint must be investigated to determine what action, if any, is warranted. To perform this investigation, the consumer relations unit works with the product department, primarily through the product service manager of the product involved. When it is necessary to investigate in the field, the district product service manager is called upon. Marketing specialists, attorneys, and others are called upon according to the nature of the problem. The complaint is then closed by the consumer relations unit at headquarters.

At the district level, the determination of what is and is not an unsolicited consumer complaint to a manufacturer is a difficult task because the Company A district acts as both a wholesaler and as a service and repair organization. As can be noted in Figure 5, complaints may be received by the district from within the company. Complaints received in such a manner are definitely unsolicited consumer complaints and are treated as such.

The possibility exists for the district to receive complaints from outside sources. Here is where the problem arises. Communications from outside sources are received. Which, if any, of these communications are unsolicited consumer complaints to Company A as a manufacturer of major appliances? Definitionally, none would be considered as such if the definition of complaint were applied and the district was considered to be a wholesale and service organization rather than part of the manufacturer. Regardless of the problems of definition, a very small number of actual complaints are received by the district, according to both headquarters and district personnel. Most of the expressions of consumer dissatisfaction received by the district are about its service operations. Where district offices exist they are listed in telephone directories. Even so, most consumers who express a hard-core complaint write directly to headquarters. Consumer contacts received by the district include requests for service, requests for information, and other inquiries.

If an unsolicited consumer complaint to the manufacturer is received at the district, no information concerning the complaint is forwarded to headquarters unless (a) the consumer was not satisfied and therefore contacted headquarters or (b) a service ticket involved in the case was audited by headquarters. Only a negligible

number of the small number of complaints received by the district ever get to headquarters. None of the interviewed executives felt that the information loss involved was very important.

Complaints which the district received from within the company are handled by the district in a manner specified by the mechanically new system for handling consumer complaints. This system, which began on March 30, 1964, measures the performance of the district. The system is built around a closing report which the district must file with headquarters for all consumer complaint correspondence. Analysis made of these reports is discussed in the next section. A closing report is a four-part, pre-numbered form which is sent by headquarters to the district for each complaint. The first part is filled out by the district and returned to headquarters at the close of the complaint. Part two is a carbon of part one for the records of the district. Part three is filed numerically by headquarters until replaced by part one sent from the district. Part four is filed alphabetically by headquarters. These closing reports serve as a vehicle for noting classifications (see next section) of complaints for future analysis in addition to providing for automatic control and follow-up of all complaints.

The three main reference sources to which the



district product service manager may turn for help in handling consumer complaints are the Policy and Procedures Guide, the Product Service Procedural Guide, and memos and letters from headquarters.

One notable exception to complaint handling as described in the above paragraphs is that all correspondence received from Consumers' Union is answered by a technical person who has a Ph. D. because consumer relations has found Consumers' Union reluctant to believe anyone whose job appears to be in the marketing department.

Analyses and Reports Made of Unsolicited Consumer Complaint Data

All unsolicited consumer complaints which come to the attention of the consumer relations unit at headquarters are classified at the time of receipt on the bases of type of complaint and product to which they are applicable. That is, these complaints are fitted into the proper place in a precoded classification system. Some misclassification results from classifying at the time of receipt because the consumer may complain about one thing when she really meant that something else was her problem. However, the consumer relations manager stated that this was a small problem and the amount of misclassification involved was negligible.

On the basis of product, each product line is given a numerical code to be used in machine tabulation, analysis, and reporting. These product lines are refrigerator,



freezer, room air conditioner, range, dishwasher, disposall, water heater, combination washer-dryer, washer, dryer, central heating and cooling, television, stereo, and cannot identify or all others (ironers, cabinets, etc.).

On the basis of type of complaint, a similar numerical coding exists. The coding classifies complaints by area of responsibility into five categories; namely, miscellaneous, product departments, distributor service, retailer service, and general. Numerical coding further subdivides these five broad categories into narrow, more descriptive categories. For example, under product departments, complaints are on product quality-in warranty, product quality-out of warranty, and warranty complaints.

All unsolicited consumer complaints handled by the consumer relations unit are included in the various reports prepared by them. However, some complaints and complaint information are forwarded to product service managers and others in advance of the time when summary reports are prepared. Complaints are not combined in any way with solicited information to form special tabulations. Many types of analysis which have not been performed in the past appear to the author to be at least potentially available through the use of the new closing report system which uses machine tabulation. For example, product complaints are not presently, but could be, analyzed by



price lines. However, the system is newly introduced and a determination of what information can be gained at what cost must be made. An additional point which should be mentioned is that the tabulations and analyses made by the consumer relations unit may not be suited to the exact needs of all potential users of such information.

The consumer relations unit prepares reports by districts on a monthly and quarterly basis. Monthly reports show all open correspondence by file numbers. Quarterly reports show the number of correspondences received for each category of complaint. This report is broken down by district and shows percentage comparisons of each district to the national average. The monthly and quarterly reports are sent to each district product service manager. Summary reports are available within the product service section. In addition, subsidiary reports are sent to the appropriate product departments which are in a position to remedy a particular situation. Reports on special studies are prepared on an unscheduled basis.

Marketing Information from Unsolicited Consumer
Complaints, and Uses Thereof

Briefly stated, useful marketing information has been obtained by the major appliance division from unsolicited consumer complaints.

First, the complaint information was used to remedy



the immediate situation with the individual consumer who complained. However, more important in the long run may be the uses to which the various kinds of complaint information are put. These uses better enable Company A to discover and take advantage of marketing opportunities.

Consumers may make complaints about a great variety of things. Obviously, not all information from complaints has the same marketing use value. Some of the areas in which specific examples were cited of marketing use of complaint information are (a) product planning and design, (b) discovering new marketing opportunities, (c) consumer education, (d) marketing research, and (e) employee morale.

Product planning and design examples.--Complaint statistics and correspondence are seen by the product planners at planning meetings. When planning a product, Company A predicts and plans for a certain percentage of service calls. For example, if in the past the company has had trouble with a particular type of door seal (as evidenced by complaints and service calls), then in the planning of a new model, a determination would be made as to how and at what cost the former high ratios of complaints and service calls to sales could be corrected by product changes. In every case of product planning, the initial cost of product vs. the number of complaints and service calls received must be weighed to determine the



optimum satisfactory product. For reasons of simple economics, product changes will be made if they can eliminate a design feature which has been expensive to service while in warranty. If it is determined that a product has an inherent design disadvantage which can be altered, Company A will attempt to change the design to eliminate the disadvantage because the company figures that if some of the product purchasers expressed dissatisfaction through complaint, owner survey, etc., then many potential purchasers probably did not buy the product because of the disadvantage.

Another product planning example is provided by a design change in automatic home washers. A device was added to filter out the lint which had formerly remained in the clothes. Unsolicited consumer complaints provided one of the important sources in learning about this problem.

Merely a single complaint resulted in a slight design change in a dishwasher. The consumer stated that an opening for a hinge fitting was too large. Her small child had stuck his finger into the opening while the mother was closing the top-loading door. In addition to making arrangements with the consumer for the slight injury which resulted, Company A redesigned the hinge opening area to provide a protective shield.

An example of a design change which was partially



the result of complaints over a long period of time was changing the position of pushbutton controls on ranges, from the front of the range where they are easily accessible to small children as well as housewives, to the back of the range out of the reach of small children.

The transparent plastic vegetable tray in refrigerators, considered a desirable feature by many consumers, was abandoned for many years by Company A until a better plastic was developed which did not crack and on which the company received very few complaints. In the range department, complaints were one reason which caused a change in materials from a plasti-glass, translucent material used in trim on some models.

As a result of unsolicited consumer complaints, a brake was developed for top-loading automatic washers to quickly stop the tub when the lid was opened. This was necessary to keep hands and arms of users from being injured if they reached into the washer.

In answer to an educational call on a consumer who complained that her refrigerator sounded offensive, the company learned that sound frequencies are objectionable to women which are not objectionable to men. In the future, the company used both sexes in testing product noise of the various models.

Discovering new marketing opportunities.--A competitor had a "no frost" refrigerator which was high cost operationally according to consumer groups. This

complaint was leveled generally at the industry. Therefore electric utility companies discouraged the purchase of "no frost" refrigerators by their customers in order to avoid complaints about high utility bills. Company A compared operation cost of its "no frost" refrigerator to comparable models of six major competitors. When the Company A unit proved to be most efficient, Company A used national advertising to promote the low operating cost of its product. By doing so, Company A turned a complaint against the industry into a positive selling advantage.

In about 1956 and 1957, the largest number of solicited and unsolicited consumer complaints received by the refrigerator department were about cracked and broken plastic parts on the inner door. Company A therefore bought a higher priced, more durable plastic and absorbed the additional cost by using the feature as a selling point.

The company has found that in those cases where a service contract is sold along with the product, the chances that a complaint will result are substantially reduced. Company A is therefore interested in increasing the sale of service contracts in an attempt to reduce consumer dissatisfaction.

Consumer education examples.--Through complaints Company A was made aware of the existence of a warranty problem on transmissions of automatic laundry equipment. The



warranty statement did not mean the same thing to company and consumer. When transmission trouble occurred, entire transmissions were exchanged by repairmen rather than attempting to repair the defective part in the home. Under the warranty, parts were free but the consumer was charged for labor in the home to exchange the transmissions and in the shop to replace any defective parts in the removed transmission. Through a study of consumer complaints of high labor costs, changes were made in the warranty.

A company specialist on product performance pointed out that complaints have been used in many cases to help publish better user booklets which explain how to use the product. A special study was done on dishwasher complaints. This resulted in the creation of a new instruction booklet for users.

Marketing research and other examples.--The marketing researchers have used unsolicited consumer complaints as a source of ideas such as suggesting areas where further study and investigation may be warranted and as suggesting kinds of questions which should be asked in the solicited kind of marketing research surveys such as owner surveys.

For employee morale purposes, actual complaint letters have sometimes been circulated among the management of a product department simply to remind them that their



past efforts have not been perfect. Actual complaints have also been used (or misused) to help a manager reinforce a desired decision and convince the rest of management of the correctness of his position.

Company A has never used names of consumers who have complained to make up a list of names for use in marketing research or other purposes. The consumer relations manager felt that an attempt to solicit additional information from these persons might give the impression that the complaint had been slighted. Interest in complaints is high at model change time, but statements in complaints are treated as tentative hypotheses rather than as facts. Complaint information does have a time advantage over owner surveys and some other communications, but reports from technical personnel usually contain more-specific information. Both solicited and unsolicited complaints do provide useful information which is difficult to obtain in other ways.

Strengths and Weaknesses of Unsolicited Consumer Complaints

The previous section discussed and gave examples of marketing uses of complaint information. Such information has been advantageously used. What are some of the other advantages and disadvantages of complaints as a source of marketing information?

Although the number of unsolicited consumer complaints is relatively small (a minute fraction of a

per cent) in comparison to sales, complaints are received in sufficient quantity to permit a fair breakdown of the data. However, some of the subgroupings resulting from the breakdown are so small that changes in the number of complaints within such subgroupings are not considered to be numerically significant.

While complaints may be received in sufficient quantity, the data received is not quantitative in nature. Such quantitative data must be received from technical personnel who supply product quality reports. Besides the fact that many consumers are unable to write in such a way as to be easily understood by anyone, many of the Company A executives are technically trained people who find it difficult to understand communications which are not phrased in their particular technologies.

Complaints are sometimes cloaked with emotion. This does give the company some idea of the depth of feeling that consumers have; however, this expression of emotion is less useful for marketing purposes than would be a complete and specific statement of the facts of the problem.

Some executives felt that the number of complaints could not be used as an accurate index of the level of consumer satisfaction because various factors besides the amount of consumer dissatisfaction affect the level of consumer complaints. For example, the Company A districts

receive more service calls but fewer complaints in summer months, supposedly because people are not willing to take the time to write letters during nice weather. The consumer relations unit did a study which showed that consumers of some parts of the country, New Jersey and California for example, were much more prone to make complaints than other consumers. Also the number of complaints tends to rise as the amount of publicity Company A receives from executive speeches and other sources rises.

Company A executives who commented on the subject agreed unanimously that complaints are almost always valid. They consider the complaint to be valid even if in fact nothing is wrong. The mere fact that the consumer thinks that something is wrong makes the complaint valid.

Consumer complaints are not the first information received about a subject in most cases. However, complaint information is received and made available prior to many other forms of consumer information. Approximately one third of the complaints received are within the one year warranty period. For present uses, speed is considered to be adequate. The most important uses of such information are for product planning and design. For these purposes, complaints are quite often one of several sources of information used by the company. Complaints point out areas where further investigation may be

warranted and enable the company to make friends while becoming aware of the problems of consumers; however, not all consumer dissatisfactions reach Company A via this voluntary medium.

Company B

Company Organization and Marketing Background

Company B is an operating division of a large corporation. The major household appliances manufactured and sold by the division include refrigerators, freezers, refrigerator-freezer combinations, clothes washers, clothes dryers, dishwashers, food waste disposers, electric ranges, and room air conditioners. The division also makes coin-operated washing machines, commercial ice cube makers, and commercial and automobile air conditioning.

The chief executive of the division is the vice president and general manager. Reporting directly to him are the following seven managers: general sales manager, personnel manager, director of purchasing, chief engineer, director of reliability and quality control, works manager, and controller. The executive committee of the division is composed of the general manager and his seven immediate subordinates. These same eight individuals comprise what is known as the reliability and quality control committee. The service manager whose domain includes unsolicited consumer complaints, reports to the

general sales manager. A customer relations department, whose complete title is product performance and customer relations department, reports to the service manager. The customer relations department is composed of two full-time men and two full-time women. The organization is structured on the basis of functions rather than on a product-line or some other basis. For example, customer relations handles consumer complaints for the entire division and the reliability and quality control department performs the inspection task for the entire division.

Company B appliances are sold to consumers from independent retailers called dealers. Independent and company-owned sales headquarters located in thirty cities throughout the United States sell to the dealers. These sales headquarters are supplied directly from the plants and are called zones if they are company-owned. Company B is in the long-term process of replacing all private units with company-owned operations. Each sales zone has a service representative who contacts the dealers. Institutional and other sales may vary from the channel of distribution outlined above.

The Stated Company Philosophy toward
Consumer Complaints

The divisional service manager stated that the Company objective in handling consumer complaints was, "customer satisfaction of our products, our service, and our dealer organization." Company B executives state



that anyone who writes a consumer complaint to them is one of their customers and that this represents an opportunity for the company in customer relations. In summary, the company takes the public relations approach toward consumer complaints.

Closely-related Consumer Satisfaction
Information Solicited by Company B

Company B does not rely entirely upon unsolicited consumer complaints. The company takes the initiative in a number of different ways in order to learn of consumer satisfaction. Among the company-initiated sources of information are user surveys, the five-year letter survey, the dealer panel, "pink sheet" reports from zone representatives contacting dealers, weekly reports of sales representatives, magazine and newspaper advertisements asking for complaints, and telephone surveys on dealer service.

User surveys.--The typical Company B user survey is a mail questionnaire survey of persons who have purchased Company B major appliances within the past three to six months. User surveys are usually conducted once a year for each product or product grouping.

Solicited complaints received via user surveys are sent to customer relations for remedial action if in the opinion of the marketing research people such complaints involve situations which on an individual basis can be corrected by customer relations.

Five-year letter survey.--This mail survey is very similar to the user survey with the exception that the sample is drawn from owners who have purchased within the past five years.

Dealer panel. Company B selects a panel of dealers on a geographic basis, and on the somewhat biased basis of ability to maintain good records. This panel reports work orders on service rendered for products in warranty and the products represented by the dealer panel constitute a twelve to fifteen per cent sample of total Company B products in warranty. Dealer panel records are maintained centrally on punched cards.

"Pink sheet" reports.--These postal card report forms are used by zone representatives to report to headquarters concerning complaints made by dealers when contacted personally by the representatives. Actually this device, which is addressed to the general service manager, is used more for the purpose of making the dealer think his complaints are being heard so that the salesman can get an order. Gaining marketing information is a secondary purpose.

Weekly sales reports.--Every Friday each sales representative, whether he had any major problems or not, is required to send to headquarters a weekly report which states any major problems of the week.

Magazine and newspaper advertisements.--A recent magazine advertisement asked the question, "Did you ever

hear of anyone who had trouble with a Company B product?" In response directly traceable to this national magazine advertisement, Company B received between one-hundred and one-hundred and fifty letters of complaint.

In a Detroit experiment, which was duplicated in a few other cities, Company B placed a newspaper advertisement which asked, "How is Company B service in the Detroit area?" The telephone number listed in the advertisement received seven or eight phone calls.

Telephone surveys on dealer service.--In metropolitan areas, telephone surveys are conducted on an irregular basis to check on the level of dealer and franchised service.

Much of the actual work on marketing research surveys such as those mentioned above is performed by the corporate level marketing research organization. For example, the corporate level performs such functions as sample selection, questionnaire design, mailing, editing, tabulating, and report writing. At the Company B divisional level, the marketing research department submits problem areas for investigation, performs some survey research, and most importantly synthesizes marketing research results for management as problems related to accumulated results arise.

New device committee.--Company B also has a new device committee which receives unsolicited consumer complaints which also contain suggestions of product



change. This committee is more of a legal protection than a means of dealing with marketing information.

Handling of Unsolicited Consumer Complaints

Major household appliance complaints may be received by corporate level offices, by Company B zone offices, or by any office of Company B headquarters. All unsolicited consumer complaints as well as requests for literature and other consumer correspondence, are handled centrally by the customer relations department. As was previously stated, this four-person department is a part of the service department.

Figure 6 on the following page illustrates the paths which complaints take from the time they are made to Company B by the consumer until they are considered closed by Company B. Retail dealers and distributors are not considered part of Company B and are therefore not included in Figure 6.

Most complaints are received by mail. Therefore the machinery for handling complaints is built around this medium.

Consumer complaints received at the corporate level and at zone offices are forwarded to the customer relations department. Likewise, complaints sent to other offices in the Company B division are forwarded to customer relations. The customer relations department also receives all consumer mail not addressed to specific

Fig. 6.--The structure and flow of unsolicited consumer complaints within Company B

1. RECEIPT OF COMPLAINT

Any office of
Company B
headquarters

Corporate level
offices

Any Company
B Zone
Office

2. SORTING

SENT TO

Company B centralized
mail room at
headquarters

3. ACKNOWLEDGMENT AND ACTION

Customer relations
department at
headquarters

Customer relations
manager at zone
level

For
investigation
if necessary

Back to consumer

4. CLOSING

Customer relations
department (above)
closes to own files

Zone customer relations
manager reports on
closing forms

5. MARKETING INFORMATION USES

executives elsewhere in the division.

Not all consumer correspondence is of the complain variety. Requests on where to get service, parts, etc. are not considered complaints by Company B even though



they recognize that such requests indicate a lack of dealer identification, etc.

Company B calls an unsolicited consumer complaint letter a "registered" letter and classified such letters into four categories:

1. The corporate letter is one sent to the corporate level of the large corporation.
2. The executive letter is one sent to any specific Company B executive at headquarters.
3. The public relations letter is one which is not addressed to a specific individual but is sent to "public relations," the "complaint department," etc.
4. The zone letter is any complaint letter sent to the zone level.

The customer relations department sends the consumer a same day acknowledgment of the receipt of the letter. The acknowledgment tells the customer that the matter is under investigation at headquarters or that headquarters has referred her letter to the zone and that she will hear from them. The customer relations man at the zone level (if a zone is involved) very quickly receives copies of the (a) unsolicited consumer complaint letter, (b) closing report form, and (c) acknowledgment letter from headquarters. If the complaint is to be settled at headquarters, the customer relations department gets necessary information from other departments and handles the complaint.

When the complaint has been settled, it is closed to the files of the customer relations department at headquarters. The closing report form is a four-copy preprinted form used to insure closing control by headquarters. The completed form shows (a) what happened to cause a complaint, (b) how the complaint was settled, (c) whether or not the consumer was made happy. If a complaint is not closed within ten days, a "ten day form" is used for follow-up.

To insure uniform handling of complaints, Company B has a detailed manual on the topic. This manual is used by both headquarters and the men in the field. The manual describes the entire handling process and utilizes flow charts on procedures to be followed at each step. The manual shows how to score letters by sales zones. Scoring is the assigning of code numbers for mechanical tabulation.

Analyses and Reports Made of Unsolicited Consumer Complaint Data

All unsolicited consumer complaints are coded for mechanical tabulation and are printed out on a tape which contains the explanatory code. The basic tabulation of complaint data is by dealer and by service supervisor. The card deck is maintained for the period covering the past twelve months. Tabulations and cross-tabulations are on the bases of zone, service supervisor, dealer,



what caused the complaint, how the complaint was settled, how the complaint could have been prevented, and whether or not the customer was satisfied. The tabulation of the past three years uses model numbers, but prior tabulations are by product line only. Solicited and unsolicited consumer complaint information are not combined.

The print out or report is sent on a quarterly basis to zone sales managers, and zone service supervisors. At headquarters the reports are made available to customer relations, the service manager, the general manager, the sales manager, and the reliability and quality control committee which is composed of the same people as the executive committee.

Marketing Information from Unsolicited Consumer Complaints, and Uses Thereof

The marketing uses of consumer complaints at Company B seem to be influenced by the fact that complaints are handled by customer relations which lies within the service department. Uses of complaint information in the service area are noticeably present. The two areas of greatest use of complaint information are dealer and zone improvement and product improvement.

In the dealer and zone improvement area, complaints have been used to catch an unfit dealer at an earlier time than would be possible by relying on sales data. Complaints are used as a zone performance control by

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plotting zone against zone for number of unsolicited consumer complaints per 1,000 products in use, or in warranty. Complaints are also used in developing the dealer-principal technical training program and the dealer-principal customer relations program. In the latter program, actual complaint letters are used at the meetings.

Consumer complaints are used as an indication of product performance by reliability and quality control; however, this is not considered to be strictly a marketing area at Company B. According to the service manager, "Design will be changed a long time before we ever get the letters." Therefore the limited area of product improvement which is affected by complaints deals mainly with reliability and quality control. However, Company B has also used complaint information in the area of serviceability of the product. For example, if the company can save money on servicing the product by a design change, based upon unsolicited consumer complaints about high service charges, the change will be made. The relay switch of the refrigerator was relocated from the back to the front to avoid the necessity of moving the appliance to replace the relay switch. This change saved time and money and reduced consumer complaints about high service charges, scratched floors, etc.

Company B does not solicit other kinds of marketing information (use them as a panel, etc.) from consumers



who have complained. The company does however survey a sample of consumers whose complaints have been closed as a check on the consumer satisfaction with the closing.

The limited area of use of consumer complaint information may be due to the nature of the information itself and to the organization structure of the division; however, the attitude of protecting information considered to be confidential cannot be overlooked. When the researcher commented that Company B was somewhat more protective with its information than some competitors, he was informed that information did not flow freely within the company itself. The general company rule is that nobody is given information unless and until he needs such information.

Strengths and Weaknesses of Unsolicited Consumer Complaints

The advantages and disadvantages were expressed in reference to the ways in which Company B uses complaint information. Company B does receive a sufficient number of complaints to indicate service levels and the most advantageous use made of such information is strengthening the dealer organization.

Generally, all complaints are considered to be valid by Company B. The company follows up all letters of complaint to check the validity. This is done either at headquarters through the customer relations department



or in the field by service supervisors and zone customer relations managers, depending on where the complaint can be validated.

One individual in the customer relations department has done some preliminary research on how representative complaining consumers are of all consumers. The inconclusive results were not available.

Company C

Company Organization and Marketing Background

Company C is the household appliance division of a large corporation. In addition to other brand names, it markets the following products under the Company C brand: refrigerators, freezers, gas and electric ranges, automatic and wringer washers, gas and electric dryers, room air conditioners, dishwashers, garbage disposers, and dehumidifiers.

The chief marketing executive of Company C is the vice president and sales manager. The general service manager reports directly to him and the customer relations department composed of a manager and four girls, is directly subordinate to the general service manager. Technical service and field service also report to the general service manager. The manager of the customer relations department has responsibility for handling all unsolicited and solicited consumer complaints.

Retail dealers who sell Company C products to



consumers are supplied by either the company-owned whole-sale organization called zones or by independent distributors who in turn are supplied directly from the factory. Service is performed by the sellers, and in addition by service contractors (independent appliance servicing organizations) in metropolitan areas. Company C also performs service for the metropolitan area of its headquarters. The field sales and service organization is built around a regional manager assisted by one or two regional representatives and aided by service supervisors. Institutional sales differ from the above channels.

The Stated Company Philosophy toward
Consumer Complaints

Unsolicited consumer complaints are regarded as opportunities by the customer relations manager who stated that most complaints are not really product complaints but are human problems in the dealer areas of selling, delivery, and servicing and in the consumer area of using the product. He stated further that the company objective in handling complaints is, "to see to it that all products are made to operate according to design in support of our warranty and service policies to the extent that good business practices are used for the benefit of corporation, distributor, dealer, and user." This means that in practice the company may at times extend itself beyond the limits of its expressed warranty.



Closely-related Consumer Satisfaction
Information Solicited by Company C

The company takes the initiative in a number of different ways in order to learn of consumer satisfaction. Among the company-initiated sources of information are the consumer survey of recent purchasers, service ticket analysis, consumer sentries, consumer panels, and placing of new products in homes.

Survey of recent purchasers.--This consumer survey is conducted periodically (not every year because of budget limitations) for each product or product grouping. In these surveys, questions concerning consumer satisfaction do result in solicited complaints from consumers. These solicited complaints are turned over to the customer relations manager for handling where they are treated in the same manner as unsolicited consumer complaints. The above type survey is the only marketing research done by Company C's marketing research staff on the subject area of consumer satisfaction. Other surveys do at times touch on this area.

Service ticket analysis.--The service department keeps track of the volume of replacement parts on the various models. From a sampling of the service contractors and distribution points, the service department at headquarters gets service tickets for all service performed on products in first year warranty. By knowing product sales for an area from dealer sales reports which



enable dealers to get compensated for warranty, the service department can find that service for any product in any area is a certain percentage of sales. These service ticket percentages are then discussed at the monthly quality control meetings. However, the service department statistician warns that service ticket information may not represent the actual product situation because of human elements in the diagnoses of servicemen.

Consumer sentries.--These independent, outside home economists are given products to use in exchange for their comments about the products.

Consumer panels.--This term, as used at Company C refers to the group of persons brought together to compare Company C and competitive models for product features.

Products in homes.--Company C products are also placed in homes of company personnel. The company executives feel that this is a biased source of information. Products have also been placed in homes in very humid areas of the country to test performance under such conditions.



Handling of Unsolicited Consumer Complaints

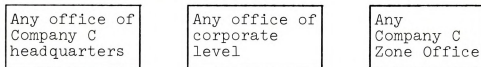
Complaints may be received by Company C at company-owned zone offices, by the corporate level, and by the Company C headquarters. Complaints made to a zone are handled there if possible and no word of such complaints is received by Company C headquarters. Complaints addressed to either the corporate level or the Company C division are in effect sent to the same building and centralized mail room. Such consumer complaints, along with other consumer correspondence such as requests and complimentary letters, are forwarded to customer relations.

Figure 7 on the following page illustrates the paths which complaints take from the time they are made to Company C by the consumer until they are considered closed by Company C. Retail dealers and distributors are not considered part of Company C. Complaints to them are therefore not included in Figure 7.

Consumer complaints on appliances received by any Company C zone office are handled at the zone level. Complaints to a specific executive of Company C or the corporate level, to the corporation or division, or to any office of either, are sent without acknowledgment to the customer relations department. Nobody else in the organization answers such consumer mail. Not all correspondence from consumers is of the complaint

Fig. 7.--The structure and flow of unsolicited consumer complaints within Company C

1. RECEIPT OF COMPLAINT



2. SORTING

Centralized mail room at headquarters

3. ACKNOWLEDGMENT AND ACTION

Company C customer relations department at headquarters

Back to consumer

For investigation if necessary

Field Service Supervisor and/or Distributor-Zone Service Manager

Back to consumer

4. MARKETING INFORMATION USES

Distributor-Zone Service Mgr., Service Office, Field Service Supervisor, Distributor-Zone Principal, Quality Control, Regional Sales Mgr.

5. CLOSING

Company C customer relations department at headquarters

6. OTHER MARKETING INFORMATION USES



variety. However, requests and complimentary letters are treated as complaints for ease of handling.

Company C classifies complaints as executive and regular based upon whether the complaint was addressed to a specific company executive or simply the corporation. Both kinds of complaints are treated the same; however, in the executive complaint the company recognizes the fact that all persons handling the complaint are acting as personal representatives of the executive to whom the complaint was addressed. All design suggestions received from consumers are sent to the patent attorney of the company.

After prompt acknowledgment by the customer relations department, the complaint must usually be investigated to determine its validity and what action will be taken. If the investigation takes place at headquarters, the customer relations department may call on any part of the organization for information and assistance. If the complaint requires field investigation, this is done by the field service supervisors or the service manager of the distributor or zone.

The system of handling complaints incorporates the use of a seven-copy complaint form. The form is not pre-coded. It contains blank space upon which the customer relations department can place whatever pertinent information was contained in the letter. It also has space

for information on the product, model number, serial number, installation date, dealer, and service company. The distribution point (independent distributor or company zone) service manager receives two copies of the form. About half of the space on the form is blank space for his reply to the customer relations department. It states, "Reply--Note: No case will be considered closed unless you have personal knowledge that necessary corrective measures have been taken and completed." Others receiving a copy of the form are the service office, the field service supervisor, the distributor-zone principal, product quality control, and the regional sales manager.

When the unsolicited consumer complaint has been settled to the satisfaction of the customer relations manager, the complaint is closed.

Company C does not employ a company manual to insure uniform handling of complaints. Memos and bulletins are used to accomplish this task. For the most part, complaints are treated individually both in their handling and in the marketing uses thereof. This explains why copies are sent to all the managers mentioned above, and why in Figure 7 the Marketing Information Uses section comes prior to the Closing section. This is explained further in the following sections.

Analyses and Reports Made of Unsolicited
Consumer Complaint Data

Company C tabulates unsolicited consumer complaints each month by distribution points (zones or distributors) and by product. The tabulation for the entire division is derived from information which appears on the owner complaint follow-up form for each distribution point. The tabulation is strictly numerical. It does not classify complaints by type, cause, etc. This monthly numerical summary report does show for each product and each distribution point the year-to-date sales, year-to-date complaints, complaints of the past month, year-to-date per cent of complaints to sales, and age of open complaints for present and previous month. Open complaints are grouped in 1-30 days old, 30-60 days old, and over 60 days old. All open complaints of 30 or more days are negative factors in the evaluation of field service personnel. Customer relations sends copies of the monthly numerical summary report to the vice president of the division, the sales vice president of Company C, the regional sales managers, to engineering, and to product managers. These product managers are assigned to promote a product or product group by product design, planning, and other staff marketing activities.

In lieu of a written report on the topic, unsolicited consumer complaints are discussed each month at the quality control meeting. In this way, the information is



available sooner than it would be from a formally prepared report. In attendance at these meetings are product engineers, manufacturing people, product service technicians, the general service manager, the technical service manager, quality control, the chief inspector, purchasing, and design.

In addition to the above analyses of unsolicited consumer complaints, those complaints which are solicited on surveys are handled and analyzed by customer relations and such analyses are presented to marketing research and to the advertising agency.

Marketing Information from Unsolicited Consumer Complaints, and Uses Thereof

The fact was mentioned in the previous two sections of this paper that unsolicited consumer complaints are handled and analyzed at Company C on an individual basis. This non-bureaucratic, informal, individual approach also applies to marketing information and uses of complaint data. Marketing information uses take place both before and after the closing of the complaint. However, no rigid system exists to insure that such information is used. Before the closing, the distribution of the seven-copy complaint form does convey the essence of the stated complaint to the distribution point service manager, the service office, the field service supervisor, the distributor-zone principal, product quality

control, and the regional sales manager. However, until the reply section of this form is completed by the investigator, the validity of the complaint is unknown to all potential users of the information. Until that time, a potential user of complaint information knows only what the consumer says is wrong with product, service, etc. After the investigation and closing, the user can be more certain of the validity.

Specific marketing uses of complaint information are (a) as part of training program materials, (b) for product quality control purposes (used in a broad sense as part of marketing), (c) for control and evaluation of distribution point performance, and (d) for finding and correcting individual specific problem situations. This last use is probably the most important at Company C.

Training program.--A portion of the training programs for Company C and distributor personnel is conducted by the customer relations manager. Complaints are used for program development and for topic materials of the customer relations portion of these training sessions.

Product quality control.--This is considered a marketing use here because the term is used broadly to include more than the simple inspection function. It includes insuring that product performance in use is according to design. Unsolicited consumer complaints reviewed at the monthly quality control meetings provide information for this use.

Control and evaluation.--The monthly numerical summary report mentioned in the previous section reports the number of total complaints and open complaints by age of complaint for each distribution point (distributor or company zone). These figures are converted in the report to percentage of current sales for use in evaluating distribution point performance.

Individual specific problem situations.--The finding and correcting of individual specific problem situations is probably the largest use numerically, and one of the most important marketing uses of consumer complaint information. The variety of marketing uses applied on an individual basis at the point where the problem situation exists (not company wide) includes discovering that a serviceman needs training in a certain area, finding inadequate parts inventories at servicing organizations, and nearly every other conceivable type of problem situation involving people in the sale, delivery, servicing, or use of the product. Most problem situations involve people problems rather than product problems, according to the customer service manager.

Company C does not use complaining consumers as a source of solicited information beyond the necessary investigation to validate the complaint. The marketing research department reports receiving no useful information for marketing research survey purposes from the



customer relations department.

Strengths and Weaknesses of Unsolicited Consumer Complaints

The previous section discussed and gave examples of marketing uses of complaint information. Such information has been advantageously used, particularly on the individualistic basis. The Company C customer relations manager sees potential disadvantages in using complaint information on a tabulated rather than an individualistic basis. He states that the number of complaints is meaningless unless it is stated in terms of sales. And even then, consumer complaints cannot be meaningfully tabulated by kind of complaint because the person doing the tabulating does not have enough information from the consumers' letters. The customer relations manager treats every complaint as a real and valid problem that must be solved, but he says he really doesn't know if a specific consumer complaint is valid. Complaints, although a fraction of a per cent of current sales, are received in sufficient quantities to permit more extensive tabulations if such tabulations were desired by Company C. Complaints are used as a supplementary source of marketing information at Company C.

Company D

Company Organization and Marketing Background

Company D manufactures and sells a complete line of major household appliances under the Company D brand name. In addition, the firm manufactures a wide variety of major household appliances for a large retailer. This case study specifically excludes the private label portion of Company D's business. All consumer complaints received by Company D on private label products are forwarded to the retailer with no acknowledgment or action by Company D. These complaints are considered to be those of customers of the retailer about products of the retailer.

Company D claims to be the only major household appliance manufacturer with a vice president in charge of customer quality and service. This department of customer quality and service, employing over 600 persons, is divided into (a) customer assurance, (b) parts supply and (c) field service and service development. The customer relations department, which is also part of customer quality and service and handles all consumer correspondence for the company, works closely with the above three parts of customer quality and service. The customer relations department is staffed by three men and four women.

In the organization described above, Company D

considers the customer relations department to be a part of a total concept of customer satisfaction. Later in this case, an attempt is made to show how the consumer complaint activities of the customer relations department fit in with the product life cycle analysis of the customer assurance people and with the service evaluation and control activities of the field service and service development people.

Company D appliances are sold to consumers from independent retailers called dealers. These dealers are supplied by sixty-three (63) independent distributors and ten (10) company branches which operate in the same manner as independent distributors. Branches and distributors are supplied from the factories. Institutional and other sales vary from the channel of distribution outlined above.

Thirty-nine field service representatives administer Company D's service interests throughout the country. Under a new program of manufacturer franchised service, Company D franchises dealers and service organizations. Company D also has a new warranty servicing program. This program places a Company D representative at each distribution point in charge of in-warranty service administration. The actual servicing is however performed by whomever the customer chooses. These two new programs are mentioned later in connection with complaints.

The Stated Company Philosophy toward
Consumer Complaints

Briefly stated, the objective of Company D in handling unsolicited consumer complaints, and in much of the customer quality and service activity, is customer satisfaction after the sale. Company D executives state that the product is not really sold until the first service call or other contact by dealer or distributor after the sale. The customer relations manager says that his theoretical objective is to work himself out of a job by finding and eliminating the causes of consumer dissatisfaction.

Closely-related Consumer Satisfaction Information
Solicited by Company D

Company D does not rely entirely upon unsolicited consumer complaints for consumer satisfaction information. In fact, unsolicited consumer complaints are merely one small part in the comprehensive program at Company D. Both the (a) field service and service development and (b) customer assurance portions of the customer quality and service department are actively seeking consumer satisfaction of Company D service and products.

Customer assurance conducts extensive customer satisfaction research throughout the entire product life cycle. The customer assurance program may be divided roughly into four areas; namely, (a) preliminary exploration, (b) pre-production check, (c) production controls,



and (d) follow-through with the users. Customer assurance views its product life cycle activities in terms of the preventive requirements of (a) taking the pulse of the customer, (b) feeding customer specifications into the product cycle, (c) customer field test, and (d) audit product to customer specifications; and the corrective requirement of taking corrective action where necessary. The purpose of the preventive action is to minimize the need for corrective action although corrective action is a continual process. Unsolicited consumer complaints fit into this picture in the "pulse taking" phase and in the corrective phase.

The consumer satisfaction information solicited by the customer assurance program is described briefly below. These activities include test city service call analysis, out-of-warranty reports, purchaser surveys, special studies, field testing by home economists, the key personnel product interchange program, and other user testing. In addition, the field service and service development people perform a continuous service survey, engage in service auditing, and perform periodic service rating of distributors. Company D distributors also engage in soliciting satisfaction information from consumers. Such distributor efforts are sometimes published in the outside Company D house organ for service people.

Test city service call analysis.--This is a continuous survey of all service tickets for all Company D



service in eighteen test cities. This represents a five per cent sample of Company D's service market. Service incidence data is provided.

Out-of-warranty reports.--These reports are received on all major products and are based upon a sampling of owners who are surveyed about such topics as availability and cost of out-of-warranty servicing.

Purchaser surveys.--A sampling of recent purchasers is personally interviewed about ninety days after purchase. These recent purchasers are asked their likes and dislikes about product features and the product in general. These same persons are again interviewed a year later to discover if any changes in opinion have taken place.

Special studies.--Included in this category are group discussions with potential purchasers and surveys with users of competitive products. Also included here are topics studied for current interest such as life expectancy, plastics, door closings, etc.

Field testing.--The field testing done by home economists, some of whom are engineers, takes place in the early product concept stage of product development. These home economists test product performance of mock-up models under various conditions of use.

Key personnel product interchange program.--This program which provides new models to wives of management

has resulted in some worthwhile suggestions.

Other use testing.--Products are placed in homes for customer use testing. These customers are then interviewed about a variety of things concerning the product. Customer assurance also maintains a field team of customer service engineers to solve problems and get product performance information.

Service survey.--In this survey, a return post card asking about the in-warranty service is sent to every customer who has an in-warranty service call. Names are secured from claims to Company D for parts.

Service audits.--These unannounced audits are conducted at least once a year in each distributor's area. Customers who have had recent service calls are telephoned and interviewed. The customer assurance manager says that this technique, and some of the others mentioned above, often uncover "icebergs" or things which were not quite bothersome enough to talk over with the serviceman or write about to the company.

Service ratings.--Distributors are rated monthly by the service development department on the level of service performance. Distributors also perform their own surveys on service.

All complaints of consumers received through the solicited means mentioned above are, in theory at least, forwarded to the customer relations department for handling.

Handling of Unsolicited Consumer Complaints

This portion of the paper shows how unsolicited consumer complaints are handled for purposes of taking care of the immediate complaints. Later sections deal with analyses, reports, and marketing information obtained from complaints.

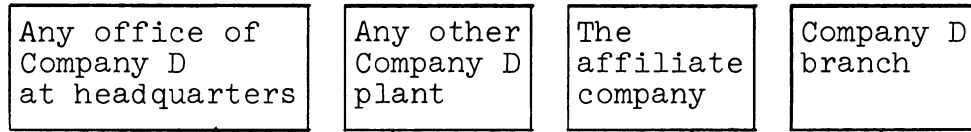
Major household appliance complaints are received by Company D at headquarters, at other plants, at an affiliate company, and at Company D branches. All unsolicited consumer complaints, along with certain other consumer correspondence, are handled centrally by the customer relations department.

Figure 8 on the following page illustrates the paths which complaints take from the time they are made by the consumer until they are closed out by Company D. Retail dealers and distributors are not considered part of Company D. Complaints to them are therefore not included in Figure 8. Complaints received by a Company D branch are handled at the branch level.

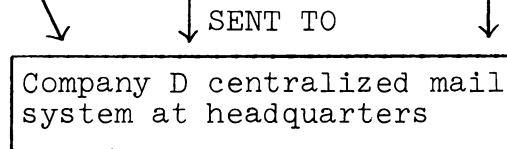
Complaints to a specific executive or to the corporation at headquarters, any other Company D plant, or to the affiliate company concerning any aspect of Company D major appliances are channeled through the centralized mail system, without acknowledgment or action by the original recipient, to the customer relations department. Nobody else in the company answers such consumer mail.

Fig. 8.--The structure and flow of unsolicited consumer complaints within Company D

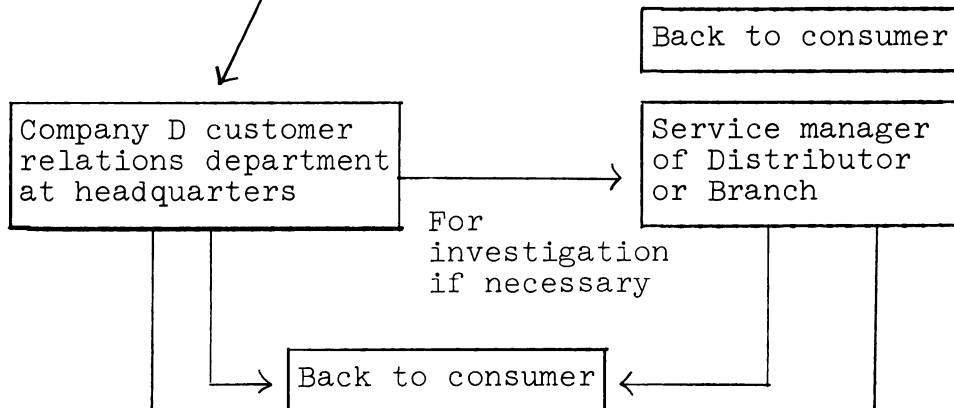
1. RECEIPT OF COMPLAINT



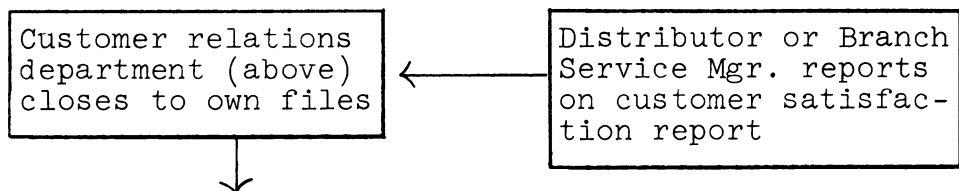
2. SORTING



3. ACKNOWLEDGMENT AND ACTION



4. CLOSING



5. MARKETING INFORMATION USES

Executives forwarding complaints to customer relations may ask for and receive notice of action taken to close out the complaint. The customer relations department



classifies complaints into three types and has three similar report forms to be used in handling the three types. The three are executive, initial, and recontact. An executive complaint, sometimes called a presidential, is one addressed to the president or chairman of the board of Company D. Such complaints are answered by personal letter. An initial complaint, calling for a form-letter reply, is one which does not qualify as an executive complaint. A recontact is a complaint on which the consumer is rewriting the company within ninety days of the original complaint.

Customer relations acknowledges the consumer complaint upon receipt, sometimes via telegram in the case of executive complaints. The acknowledgment tells the consumer that the complaint is under investigation at headquarters or has been referred to the service manager of the distributor in her area. If the complaint is referred to the distributor, the distributor is sent within twenty-four hours a copy of the consumer letter and two copies of either the initial, executive, or recontact customer satisfaction report. One copy is for the files of the distributor and the other copy is to be returned completed to customer relations within two weeks. An additional two partial copies of the customer satisfaction report are retained for the files of customer relations.

The customer satisfaction report mentioned above has spaces for the following information to be filled in on all four copies at the customer relations department: customer's name and address; distributor and field representative number and name; product name; origin, due, and closed dates; complaint code; and factory recommendations. The portion of the report to be completed by the distributor provides space for additional identification data about product and dealer, action, customer reaction, and service history.

If a complaint can be handled entirely at headquarters, the customer relations department calls upon any portion of the company for the necessary information.

Upon settlement, the complaint is closed-out to the files of customer relations at headquarters by the return of a satisfactorily completed customer satisfaction report.

Company D does not use a manual as such, but the procedures for handling unsolicited consumer complaints are spelled out in sufficient detail in writing to insure uniform handling.

Analyses and Reports Made of Unsolicited Consumer Complaint Data

The customer relations department maintains the unsolicited consumer complaint files for a period of two full years in addition to the current year. All consumer

complaints are number coded by kind of complaint. This coding is done after the complaint has been investigated. Until a year or two ago, this numerical coding was used for the routine computer analysis of unsolicited consumer complaints. Complaints are still given the numerical codes, and the codes are used for special tabulations; however, the routine computer tabulations have been discontinued. The reason given for discontinuing these regular computer tabulations was that the quantitative information derived was essentially a duplication of information provided in the test city service call analysis. However, complaints are being analyzed and reported in several ways.

Of major importance are the special studies which customer relations performs on a routine basis for customer assurance. Such special studies of complaints take place either when the customer relations manager notices something unusual which may be of interest to customer assurance, or when customer assurance is working on a particular problem and desires a tabulation of consumer complaints on the problem area.

A report on overdue complaints is prepared and sent to the service development department for each distributor-principal. In addition, these reports are sent to the Company D field representative of the area and to the distributor-principal service manager. Consumer

complaints are also reported for each distributor by dealer and by cause. This report is used in meetings with the distributor. In addition, each distributor regularly receives a complaint to sales ratio report.

A report listing the number of unsolicited consumer complaints per month by product is sent to each of the product divisions. From this numerical report, the divisions may, and quite often do, ask for more details regarding such things as a rapid rise in number. That is, if the numerical report warrants further investigation, customer relations is asked to supply the reasons behind the numbers. In addition to prepared reports, the customer relations manager has extensive personal communications with the product divisions and the customer assurance department.

Marketing Information from Unsolicited Consumer Complaints, and Uses Thereof

Company D does derive useful marketing information from unsolicited consumer complaints. The marketing information derived appears to fall into the following broad areas of marketing application; namely, control and evaluation of the marketing and service programs of the manufacturer, control and evaluation of dealer and service agency performance, control and evaluation of distributor (or branch) performance, customer education, training, and customer assurance programs in product development.

Manufacturer marketing and service.--In general, Company D uses the reduction in the number of unsolicited consumer complaints accompanied by an increase in sales to indicate that the quality of its products and marketing programs is improving. A similar general indicator is the increase in the number of complimentary letters the company receives from consumers. Specifically, complaints have been used as a measure of the effectiveness of two relatively new programs. These two programs are the franchise service program and the new warranty service program. The ratio of consumer complaints to sales has been reduced in those areas where either or both of these programs have been introduced by Company D.

Dealer and service agency performance.--Company D executives feel that the mere fact that the customer relations department has in existence a program for handling complaints and keeping account of them has improved the level of performance of dealers and service agencies. Through unsolicited consumer complaints, Company D finds out about dealers and service agents who need to be upgraded or replaced.

Distributor (or branch) performance.--The service development department rates each distributor (and branch) on a quarterly basis. Distributors are graded on the basis of a possible one-hundred per cent. Factors which combine to make up the one-hundred per cent are distributor performance in the areas of warranty, parts,

training, dealer contacts, literature, complaints, and quality of service. Customer complaints, worth a possible total of six points, are scored by the service development department on the basis of information forwarded from the customer relations department. A distributor receives four points for handling complaints within the prescribed time period and two points if his complaint to sales ratio does not exceed a prescribed figure. A score of under five points is considered unacceptable for complaints and a total score under eighty per cent is considered unacceptable performance. Score results are discussed in meetings with the distributors and in some actual cases distributors have been discontinued for low performance.

Consumer education.--Unsolicited consumer complaints have been used by Company D to discover areas of needed consumer education and to rewrite owner manuals.

Training.--Several field service representatives of Company D have received a portion of their training in the customer relations department. In addition, the service training department recognizes that a "nice" customer; ie., one who never complains, also never comes back. Service trainers therefore go to field service representatives, who are aware of complaint areas, to get materials for training programs.

Customer assurance programs.--It has already been mentioned that the customer assurance department is in

close contact with the customer relations department and that customer assurance routinely requests special tabulations of consumer complaints from customer relations. Such routine special tabulations enter into the customer assurance program at two points; namely, the "take pulse" phase and the corrective phase. Unsolicited consumer complaints are one of the means used by Company D to take the pulse of the customer in order to draw up customer specifications which can be fed into the product cycle. Company D defines a customer specification as, "a statement representing a summary of customers' complaints, desires and/or requirements which is supported by documented evidence showing sources, magnitude and severity of the item." This is a major use of consumer complaint information. Complaints are also used as a guide to necessary corrective action to be taken. An example of the use of complaint information for corrective action is provided by the use of a special tabulation of complaints to determine that the covering material used on the racks of dishwashers needed to be changed.

Complaints are also used for manufacturing quality control purposes. Product suggestions received from consumers by customer relations are passed along to the engineering departments of the product divisions. Company D has solicited some additional information from persons who had complaints. In addition to the normal

investigation of complaints, the customer relations department sent out a mail questionnaire asking consumers how satisfied they were with the handling of their complaints. This survey took place about four years ago and lasted for nearly a year on a continuous basis.

Strengths and Weaknesses of Unsolicited Consumer Complaints

Company D does use consumer complaint information advantageously for those purposes mentioned in the preceding section. Company executives did state that the area of use was somewhat limited by certain disadvantages of this kind of information. One disadvantage cited was that the consumer tends to blame the product and the manufacturer for her dissatisfaction with the dealer. Also, consumer complaint to sales ratios must be used with the reminder that people in some areas of the country, particularly the New York area, are more prone to complain than are others.

Consumer complaints are generally regarded to be valid by Company D. In the field, the check on validity is made by the distributors or branches. If the consumer does not have a valid complaint in the opinion of the customer relations manager, he will tell her so. However, this does not mean that Company D will not go to reasonable lengths to satisfy a customer.

A final disadvantage is that as a source of marketing information, the elaborate computer tabulation of

complaints by kind of complaint proved to be a duplication of the information received on the test city service call analysis. The test city survey has the advantage of larger numbers. However, complaint information continues to be used in a meaningful way as a part of Company D's total program of customer satisfaction.

Company E

Company Organization and Marketing Background

Company E, probably best known for its range products, manufactures and/or markets a relatively complete line of major household appliances for the kitchen. Its products include a complete line of free-standing and built-in gas and electric ranges and ovens, refrigerators, dishwashers, and garbage disposers. Other products are ventilation hoods, sinks, and cabinets.

About a year ago, the structure of Company E's service organization was changed to establish the consumer service division. This division is a major unit of the company. The consumer service division is composed of the quality control, service, and the replacement parts departments. The service department and the consumer correspondence section, which reports to the replacement parts department merely for purposes of supervision, are directly involved in the handling of unsolicited consumer complaints. The home service department, a home economics

department, is also directly involved with some types of complaints although home service is a part of the sales division.

The main channel of distribution for free-standing ranges is from manufacturer to retail dealer to consumer. The main channels of distribution for built-in ranges are (a) from manufacturer to builder who sells the appliance as part of a house, apartment, etc. and (b) from manufacturer to distributor or company branch to retail dealer to consumer. Other Company E products may be sold through any of the channels described here. Company E uses fifty warehouses and ten branch offices to help sell and distribute the products from its nine plants.

Company E holds its dealers responsible for servicing the product. A dealer may discharge this service responsibility by employing his own service department or by contracting for service with an outside service agency.

The Stated Company Philosophy toward Consumer Complaints

The two stated objectives of Company E in dealing with consumer complaints are (a) to take care of the consumer's problem situation so that the appliance is working properly and (b) to make good use of the data provided by complaints so the company will know where it stands product-wise. In the handling of complaints, Company E attempts to answer the consumer as soon as possible

in order to provide an easy solution to the problem before the consumer becomes too irritated. The president himself, using answers supplied by the consumer correspondence section, answers many consumer letters addressed to him.

Closely-related Consumer Satisfaction
Information Solicited by Company E

Company E does not rely entirely upon unsolicited consumer complaints for consumer satisfaction information. The company takes the initiative in soliciting such information in the following ways: warranty service records and parts returns, product life tests in laboratories, field tests in consumers' homes, personal interviews with new product purchasers, service ticket analysis, private label store panel audit, mail survey questionnaire of new purchasers, and other surveys at irregular intervals.

Warranty service records and parts returns.--This information is a by-product of dealer claims for parts used to service products that are in warranty. Warranty service records are maintained by product and by kind of complaint. The service department tabulates the replacement parts to sales ratio. Warranty service records and parts return information have the disadvantage of lagging several months behind production.

Product life tests.--These accelerated laboratory tests are performed by quality control.



Field tests.--Company E places approximately one hundred units of new products in homes of consumers for testing in the field.

Personal interviews.--For new products, the consumer service division personnel call at homes of persons who purchased the product during the first three months of sale in order to get consumer reaction to such new products.

Service ticket analysis.--This is a continuous survey of all service tickets for all Company E service in three cities where Company E branches are located.

Private label store panel audit.--One hundred retail stores serve as a panel for sampling the service and replacement parts requirements for the major appliances which Company E manufactures for a large retail chain. The information received from this source is also applicable to Company E branded products in so far as the Company E brand is similar to the private label products.

Purchaser survey.--A mail questionnaire is included in a certain percentage (limited to about 25% for budgetary reasons) of the products shipped by Company E. Returns from this purchaser survey are no longer tabulated on a regular basis because the responses to the questions did not vary significantly over time. However, Company E continues to send the questionnaire because the company secures useful information concerning individual

situations and the statistical tabulation can be performed when desired. If consumer complaints accompany purchaser survey returns, such solicited complaints are handled along with unsolicited consumer complaints.

Other surveys.--The manager of the consumer service division reports that other surveys dealing with consumer satisfaction are made on an irregular basis. He is currently planning such a special survey of consumer satisfaction.

Handling of Unsolicited Consumer Complaints

This portion of the paper shows how unsolicited consumer complaints are handled for purposes of taking care of the immediate complaints.

Major household appliance complaints are received by Company E headquarters, at other Company E plants, and at Company E branches. Figure 9 on the following page illustrates the paths which complaints take from the time they are made by the consumer until they are considered closed by Company E. Retail dealers and distributors are not considered part of Company E. Complaints to them are therefore not included in Figure 9. Complaints received by a Company E branch are handled at the branch level and complaints received by any plant other than headquarters are handled at the point of receipt. In neither case is any information concerning the complaint normally forwarded to headquarters.

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graph TD
    A[Company E headquarters] --> B[Centralized mail system at headquarters]
    C[Any other Company E plant] -- SENT TO --> B
    D[Company E branch] --> B
    B --> E[Resorted by secretary of consumer service division]
    B --> F[To specifically designated addressee]
    E --> G["1. Consumer correspondence section, or  
2. Service department, or  
3. Home service department"]
    F --> G
    G --> H["1. Consumer correspondence section, or  
2. Service department, or  
3. Home service department, or  
4. Other addressee aided by investigation of consumer correspondence section"]
    H --> I[Back to consumer]
    H -- "For investigation if necessary" --> J["1. Dealer  
2. Company E field service rep.  
3. Company E salesman"]
    J --> I
    I --> K[4. MARKETING INFORMATION USES]
    L[2. SORTING] --> B
    M[3. ACKNOWLEDGMENT, ACTION, AND AUTOMATICALLY CONSIDERED CLOSED BY COMPANY E] --> G
    N[Back to consumer] --> I

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Consumer complaints and other correspondence addressed to a specific Company E executive at headquarters are sent by the centralized mail system to the addressee. The addressee may at his own discretion forward a consumer complaint to the consumer correspondence section, the service department, or the home service (home economics) department for complete handling or for assistance in securing an answer. This statement is also true when the original addressee is the consumer correspondence section, the service department, or the home service department. That is, if one of these three departments feels that another of the three departments could better handle the problem, the complaint may be forwarded.

All consumer correspondence, including unsolicited consumer complaints, not addressed to a specific individual is usually sent by the mail room to the consumer service division. A secretary in the consumer service division then resorts the complaints according to whether they can best be handled by the consumer correspondence section, the service department, or the home service department. For example, all complaints concerning food would be sent to the director of home service for handling.

The consumer correspondence section, employing the time of two and one half persons, answers most of the

consumer complaint letters and prepares answers for other persons such as the president. An attempt is made to answer all letters within three days. In answering letters of complaint, the consumer correspondence section uses individually-typed form letter responses for routine problems and individual letters for other problems. The same procedures are used by the service department and the home service department, both of which answer complaints about their own subject areas. If field investigation of the validity of the complaint is necessary, this is done first by the retail dealer, then by the Company E field service representative accompanying the dealer personnel, and finally if necessary by the Company E salesman accompanying dealer personnel. Complaints received with solicited information such as survey returns are handled in the same manner.

Company E uses no forms, other than copy machine duplicates of consumer letters and company responses, in the handling of complaints. Company E does not normally follow-up to get feedback information concerning the satisfactory completion of the problem situation solution. Only when the consumer is not satisfied and writes again to the company does Company E learn of the inadequacy or nonperformance of a promised solution. However, if Company E service people were involved in the field investigation of a complaint, the consumer call would be

recorded on the work report of the service representative. Company E normally assumes a consumer complaint to be closed when the company responds to the consumer.

Company E does not use a company manual to describe complaint handling procedures. The present procedures are well-established and have evolved over a long period of time. A subsidiary of Company E uses exactly the same procedures as Company E for handling complaints. Company E personnel set up the system for the west coast appliance producer.

Analyses and Reports Made of Unsolicited Consumer Complaint Data

Over a period of five years, Company E used about five different systems for handling, analyzing, and reporting unsolicited consumer complaint data. The present system was devised about three years ago. Under the present system, all three places where complaints are handled; ie., the consumer correspondence section, the service department, and the home service department keep daily records of consumer complaints. These daily records are forwarded to the quality control department of the consumer service division where the information from the above three departments is combined with other unsolicited complaint information from dealers, distributors, salesmen, etc. This combined information is then combined on a monthly basis by model, product, date of



complaint, and kind of complaint. This combination report is kept in the quality control department of the consumer service division. That is, no distribution is made of the written report itself. However, the data from such reports is used at the weekly consumer service meeting. The weekly consumer service meeting, at which consumer satisfaction with Company E products is the main topic of discussion, is attended by the president, the vice president of sales, those sales product managers whose products are scheduled for discussion, representatives from production and engineering, and the manager of the consumer service division. The use of complaint information in this meeting constitutes the principal use made of the data.

Any detailed analyses performed on the above data are done by the quality control portion of the consumer service division. One quality control man has responsibility for each product. This individual analyzes both solicited and unsolicited information for his particular product. The consumer service division also calculates the consumer complaint to sales ratio for model, product, date, and kind of complaint. No other regularly-scheduled reports are made of unsolicited consumer complaint data. The director of home service reports that if she feels that an excessive number of complaints have been received on a particular topic, she will send a special report on

the matter to the director of merchandising and the director of new products.

Suggestions from consumers for the improvement of the product, regardless of where in the company such suggestions are received, are sent to engineering, and sometimes to sales if product design is involved.

Consumer complaint information is also distributed on an individual basis at the time of handling the complaint. Copies of individual complaint letters are sometimes sent to sales and to engineering. Copies of all Company E responses to consumers are sent to the Company E salesman of the area where the consumer resides.

Marketing Information from Unsolicited Consumer Complaints, and Uses Thereof

Company E does derive useful marketing information from unsolicited consumer complaints. The marketing information derived appears to fall into the following broad areas of marketing application; namely, evaluation of dealer and service agency performance, consumer education, quality control used in a broad marketing sense, and product development.

Evaluation of dealer and service agency performance.--Both service organizations and retail dealers have been discontinued by Company E because these organizations failed to correct situations which resulted in an excessive number of unsolicited consumer complaints.



Consumer education.--Many consumer complaints result from improper use of the product because the user did not read the owner manual. In an effort to increase readership of manuals, information received from consumer complaints has been used to redesign and rewrite the owner manuals. Company E now supplies the product purchaser with a separate owner manual written for each specific model of the product. Formerly purchasers received a combination manual which described the use of several models. In addition, Company E now supplies all purchasers with a general booklet describing the nature of operation and use of the product category.

Quality control.--A frequent cause of consumer complaints is the performance of purchased components. Consumer complaint information has been used in selecting and working with suppliers of components. A specific example is provided by the thermostat on the range featuring the automatic burner. As a result of consumer complaints, Company E changed to a more reliable supplier for the thermostat.

Product development.--Through the weekly consumer service meetings many product changes have been made as a result of information from unsolicited consumer complaints. Product improvements as well as new products are also discussed in the meetings of the product committee. This committee composed of the president and men



from engineering, manufacturing, and sales is made up of some of the same individuals who are present at consumer service meetings. The following are specific examples in which unsolicited consumer complaint information was a significant or dominant factor in product design changes.

Both the lift-up range top and the slide-out oven were direct results of unsolicited consumer complaints about the difficulty in keeping the appliance clean.

The lift-up range top provided easy cleaning, but resulted in consumer complaints that rust was forming on the under side of the range top. This complaint, confined to gas ranges in certain areas of the country, was found to be caused by certain impurities in the gas. A vent was added to the gas range to eliminate the cause of complaint.

As a result of complaints that the gas burners were difficult to clean if spills got on all the small holes where the gas comes out, Company E redesigned the burner to eliminate the holes and to make the gas outlet part of the burner easily detachable for cleaning.

A consumer complaint that the door seal around the oven was difficult to clean influenced Company E to make the oven door seals removable for easy cleaning.

Excessive surface (exterior) temperature is an age-old consumer complaint about ovens. The problem has not been completely corrected, but Company E has recently

introduced a better insulating technique (by allowing air to pass between the insulation and the outer surface of the oven) in order to minimize the problem and the number of complaints resulting from it.

After receiving a substantial number of unsolicited suggestions from consumers to the effect, Company E put two large-size burner elements (instead of one) on ranges. This is a recent change.

Unsolicited consumer complaints, in some cases prompted by competitors pointing it out as a product disadvantage, about the low height of the upper oven on ranges resulted in slightly raising the height of upper ovens to allow more room for large pans between the burner level of the range top and the overhang of the upper oven.

Additional examples of the use of consumer complaint information are provided by the dishwasher. Redeposition of dirt on dishes in dishwashers was a serious consumer complaint about the product. Therefore Company E, after extensive experimentation with several impeller arrangements, redesigned the entire dishwasher to incorporate an arm impeller which rotated in both directions. Also, as a result of unsolicited consumer complaints, the roller on which the dishwasher rack slides will be fastened by a rivet in the future instead of the present fastener device.

Strengths and Weaknesses of Unsolicited Consumer Complaints

Company E does use unsolicited consumer complaint information advantageously for those purposes mentioned in the preceeding section. An advantage of complaints is that they provide information sooner than do some other sources. However the information provided is often vague. Company E executives feel that complaints are valid most of the time. Validity is investigated by dealers, field service representatives, and Company E salesmen. However, in many cases the user's own misuse of the product is the real cause of the complaint. Consumer complaints do give company executives a feel for how well they are satisfying the consumer. Complaints do provide information for needed changes. However, complaints must be combined with other sources of information to be most useful.

Company F

Company Organization and Marketing Background

Company F currently produces and sells under the Company F brand name the following major household appliances: wringer washers, automatic washers, gas and electric automatic dryers, and combination washer-dryers. The company does no private-label business. Company F is exclusively a laundry equipment manufacturer although the company once manufactured other appliances.

Unsolicited consumer complaints to Company F are usually handled within the marketing department. Reporting to the vice president of marketing is the general service manager. Reporting directly to the general service manager is the manager of product service whose responsibilities include handling adjustments, service publications, and consumer complaints. Those persons who actually handle most of the complaints report to the manager of product service. This includes two service supervisors, a product specialist, and two secretaries.

The channel of distribution for Company F products is from the manufacturer, through three different types of wholesaling arrangements depending on the geographic area involved, to retail dealers, and to consumers. Most sales are direct to retail dealer; ie., the wholesaling function is most often performed by Company F salesmen operating from branch offices used in combination with public warehouses and direct factory shipments. However, in a few areas the physical distribution functions of wholesaling are performed by primary dealers. A primary dealer is a limited-function wholesaler who earns the difference between carload and less-than-carload price by performing the physical distribution function. The third wholesaling arrangement is the wholly-owned Company F subsidiaries which act as distributors.

Service is performed by servicing dealers and in metropolitan areas service is also performed by central



service organizations, many of which are owned independently. Company F field service assistants are attached to branches for service instruction purposes. Most branches also have a branch service manager.

The Stated Company Philosophy toward
Consumer Complaints

The specific objectives of Company F in handling unsolicited consumer complaints are (a) to build maximum consumer acceptance of and confidence in Company F products and (b) to channel all specific failures through engineering, research, and inspection personnel in order to improve the product. All Company F responses to consumers are individually dictated. The company attempts to do all it can, even beyond the expressed warranty responsibilities, within reasonable limits and within prevailing policies to make the consumer satisfied. For example, Company F will replace a part but not an entire appliance because the company feels that any appliance can be repaired.

Closely-related Consumer Satisfaction
Information Solicited by Company F

Company F takes the initiative in soliciting consumer satisfaction information in the following ways: service call analysis, replacement parts analysis, purchaser surveys, service surveys, testing new products in homes, competitive brand surveys, and field service reports.



Service call analysis.--The central service organizations in the Los Angeles and Newark, New Jersey areas submit service call records for all service calls made in these two areas. Weekly and monthly reports for products in first and second year of service are made to determine the ratio of service calls to sales.

Replacement parts analysis.--Parts failure is analyzed by tabulating factory shipment trends and by tabulating "no charge" replacement parts claims.

Purchaser surveys.--Twice a year, Company F surveys by mail a sampling of recent purchasers of various Company F models. Names are secured from warranty registration cards. Marketing research compares changes in answers from survey to survey for each category of questions.

Service surveys.--Mail surveys are conducted on both in-warranty and other service of Company F products. Two basic types of service surveys have been conducted. One is apparently used as a check on replacement parts charges made by servicing dealers and organizations. The other mail survey is more extensive and involves many areas of service satisfaction. Solicited complaint information results from both surveys.

Testing new products in homes.--New products, such as the electronic dryer, are placed in consumer homes in the plant area to learn of consumer satisfaction about such subjects as degree of dryness.

Competitive brand surveys.--From a national probability sample, Company F has surveyed recent purchasers of all brands of washers. The purpose of this survey was to learn of consumer satisfaction with competitive as well as Company F products and features.

Field service reports.--These individual reports are sent in by field service assistants for all visits made by them to homes of consumers.

Complaints received in the above solicited methods are handled in the regular manner if they require responses to the consumer involved.

Handling of Unsolicited Consumer Complaints

Major household appliance complaints are received by Company F at its headquarters, at its branches, and by its subsidiary distributors. Figure 10 on the following page illustrates the paths which complaints take from the time they are made to Company F by the consumer until they are considered closed by Company F. Retail dealers are not considered part of Company F. Complaints to them are therefore not included in Figure 10. Complaints received by a Company F branch or distributor-subsiary are normally handled at the point of receipt. In neither case is any information concerning the complaint normally forwarded to headquarters unless (a) a field service report is made because a home visit is necessary or (b) the volume of complaints on a certain topic reaches the



Fig. 10.--The structure and flow of unsolicited consumer complaints within Company F

1. RECEIPT OF COMPLAINT

Any office of
Company F
at headquarters

Any Company F Branch or
Distributor-Subsidiary

2. SORTING

Centralized mail
room at headquarters

Specifically designated
addressee

3. ACKNOWLEDGMENT AND ACTION

Product Service
Department or other
Service Personnel
at headquarters

Back to consumer

For investigation
if necessary

1. Dealer
2. Company F field
personnel

Back to consumer

4. CLOSING

Product Service
Department at head-
quarters closes
automatically or
upon receipt of
satisfying report

Dealer sends
Satisfaction Report
if requested by
headquarters

5. MARKETING INFORMATION USES

point that headquarters is advised of the problem.

Consumer complaints and other correspondence addressed to a specific Company F executive at headquarters are sent by the centralized mail system to the addressee. The addressee then forwards the consumer complaint to the product service department for handling. All consumer correspondence, including consumer complaints and service inquiries not addressed to a specific individual, is normally sent by the mail room to the product service department. One exception is that correspondence involving washability and other home economics problems is handled by the home service (home economics) department. Some correspondence initially sent to home service may be passed along to product service, and vice versa.

A secretary in the product service department checks for previous correspondence of the consumer and sorts the mail into wringer washer, automatic laundry equipment, and other. The product service department employs one service supervisor for wringer washers and one for automatic laundry equipment. Part of the job of each service supervisor is to handle consumer correspondence. Other consumer complaints are handled by the product service manager, a product specialist, and sometimes the general service manager.

Through a system of blocking and coding, the product service department identifies the geographic area and the

regional representative covering that area. From this location file system they get the block number and the nearest Company F dealer to the point of origin of the consumer complaint. Complaint letters are answered, or at least acknowledged within two or three days of receipt. Company F replies are individually dictated letters. The product service department also writes the dealer involved and encloses a copy of the Company F response to the consumer. In addition the Company F manager of the region involved receives a copy of (a) the response to the consumer and (b) the Company F letter to the dealer. Serious complaint problems, such as those involving an improperly operating appliance, are marked for follow-up in the files before they are considered closed. Complaints marked for follow-up are closed when a satisfying report is received from the dealer. Other complaints are considered closed automatically.

If field investigation of the validity of the complaint is necessary, this is first performed by the dealer and then if necessary by Company F field personnel.

Consumer complaints received with solicited information such as survey returns are handled in the same manner. Some complaints are handled by telephone. Consumer suggestion letters involving possible legal rights are sent to the legal department and the director of research.



Company F does not use preprinted forms for handling complaints. The one exception to this is that a field service report form is used when a field service assistant makes a home call in connection with a complaint.

Company F does not use a specific company manual in handling consumer complaints. However, the branch procedural manual and the adjustment policy manual do cover topic areas often involved in complaints. No step-by-step procedure for handling complaints is outlined in these manuals. Handling procedures at headquarters are well-established. Each year Company F holds a week-long conference for branch service managers, distributor service managers, and field service assistants. The single topic of this conference is all the various phases of consumer complaints.

Analyses and Reports Made of Unsolicited Consumer Complaint Data

In the past, all unsolicited consumer complaints were analyzed on a regular basis by kind of complaint. Company F presently keeps records of number of complaints by kind for wringer washers. This analysis is not distributed on a regular basis but is used in special meetings. For automatic laundry equipment, complaints are no longer tabulated on a regular basis. However, special tabulations are done when problem areas are under study.

The product service manager stated that Company F receives consumer complaint information on faulty design sooner from indirect sources such as dealers and branches than it does directly from consumers. Such information, as well as individual consumer complaint letters, is routed to product planning. Any time a complaint of dealer or consumer origin is received from a dealer, a report goes to inspection, production engineering, assembly, and research and development. Field service reports of field service assistants' calls at homes of consumers are another reporting device. Finally, copies of Company F responses to consumers and letters to dealers sent to regional managers constitute a method of reporting to field personnel. Of all the above reports, the wringer washer analysis of complaints by kind is the only summary report of unsolicited consumer complaints prepared on a regular basis.

Marketing Information from Unsolicited Consumer
Complaints, and Uses Thereof

In spite of the lack of summarized analysis and reporting of complaints, through the use of the present methods of handling unsolicited consumer complaints, Company F has been able to derive useful marketing information from this source. In general, Company F personnel felt that over a period of time they did find out how serious a problem area was from complaints. If Company F



received enough complaints, changes would be made. Complaints are used in the evaluation of product performance, especially in determining consumer expectations.

Specific examples of the marketing use of complaint information are primarily concerned with product development and improvement. However, consumer complaints are an additional factor used by regional management to evaluate the level of performance of dealers and service organizations.

Through consumer complaints to dealers, the manufacturer learned that one of its products was leaking oil on the floor because of the design of the automatic lubricating device.

Consumers complained to the manufacturer that the open lid on the automatic washer hit the timer knob, and they feared that this would ruin the finish. Company F states that because of the quality of the paint used, the finish would not be harmed. However, through unsolicited complaints the company did learn of this cause of anxiety to the appliance owner.

From consumer complaints and other means, Company F learned that under certain conditions rust stains formed on wringer washers. To combat the problem the company now applies an acrylic lacquer as a finish.

Based upon unsolicited consumer complaints, Company F now uses a high-torque (more powerful) motor on wringer washers. Consumers, primarily in the South, were

burning out the motors through misuse with extension cords, electrical overloads, etc.

Because of consumer complaints that the V-belt on the gas wringer washer kept slipping off, the product service department requested that the problem be corrected. The shape and material of the belt were changed to effect the correction.

Product planning does ask the product service department for information about numbers and trends in unsolicited consumer complaints about different things. For example, during the Korean War, because of parts shortages, Company F produced an automatic washer which in fact had a cold water rinse cycle even though the cycle was not labeled on the machine as a cold water rinse. Company F is now considering the sale of a machine with a labeled cold water rinse cycle. The manager of product planning therefore asked product service about the consumer complaint record of the Korean War model. However, as was pointed out by the manager of product planning, this is not a very good example because human memory was used to supplement old, incomplete records.

Company F does not use complaining consumers as a group for carrying on solicited marketing research. The marketing research department does not use unsolicited complaints as a source of ideas for questionnaires.

Strengths and Weaknesses of Unsolicited
Consumer Complaints

Company F does use unsolicited consumer complaint information advantageously for those purposes mentioned in the preceeding section.

Advantages of complaints are somewhat offset by disadvantages such as (a) complaint information must be used in combination with other information, (b) complaint information often merely verifies what has already been learned from other sources, and (c) complaints are often incomplete in facts and biased in presentation.

Company G

Company Organization and Marketing Background

Company G, a subsidiary of a large corporation, probably best known for its refrigerators, freezers, and combination refrigerator-freezers, also produces and markets room air conditioners, central air conditioning systems, and dehumidifiers.

The responsibility for handling complaints to Company G is located in the service department. The service manager is aided by two administrative assistants who are directly involved in the handling of complaints from consumers, dealers, and distributors. Another individual in the service department devotes his full time to answering unsolicited consumer complaint letters.

Consumers typically purchase Company G products

from retail dealers who, depending on geographic location, are supplied by branches (subsidiaries of Company G), independent distributors, or by salesmen on a direct-to-dealer basis which uses warehouses for physical distribution. These wholesalers are supplied by Company G. Company G maintains field service representatives who call on independent distributors and dealers of dealer-direct areas. Consumers receive service on Company G products from servicing dealers and from service organizations.

The Stated Company Philosophy toward
Consumer Complaints

At the time of this writing, Company G is unique in the industry by offering a five year warranty on labor and parts for the "total appliance." This warranty is similar in operation to those offered by the auto industry. Expressed in the warranty are responsibilities of both the buyer and seller. The director of marketing stated that the number of consumer complaints has been fewer since the five-year, expressed warranty has been in effect. This new warranty policy is intended to be a device for selling additional product and service, in addition to retaining good-will on the original sale. Because of this warranty policy and because Company G wishes to protect its quality image with distributors, dealers, and consumers, the company handles consumer complaints promptly in order to achieve its objective of

increased sales.

Closely-related Consumer Satisfaction
Information Solicited by Company G

Company G does not rely entirely upon unsolicited consumer complaints for consumer satisfaction information. The company takes the initiative in soliciting such information in those ways discussed below.

Owner surveys.--These mail questionnaire surveys, sampling a portion of the warranty card registrants, are conducted at irregular intervals. Consumer satisfaction information is obtained in answers to questions. In addition, respondents may attach to the questionnaire their own expressions of dissatisfaction. Complaints which accompany solicited responses are handled in the normal manner described in the next section.

Distributor service surveys.--Company G has surveyed service customers of distributors to find out if the service was satisfactory. However, the primary purpose of such surveys has sometimes been to determine whether or not actual service was performed for which the distributor had made claims for reimbursement.

Other.--Personal visits of Company G executives with dealers is another source of information. At one time, Company G did make a regular tabulation of service call analysis. However, this practice has been discontinued. Replacement parts analysis is not done on a



regular basis, but the raw data are available for such tabulations when they are desired. Likewise, the consumer complaint to sales ratio is not computed, but necessary data for such a computation are available and the computation has been made in the past.

Handling of Unsolicited Consumer Complaints

Complaints are received by Company G at its single location. Figure 11 on the following page illustrates the paths which complaints take from the time they are made to Company G by the consumer until they are considered closed by Company G. Retailers and wholesalers are not considered part of Company G. Complaints to them are therefore not included in Figure 11. Complaints received by retailers and wholesalers are normally handled at the point of receipt and information concerning such complaints, if forwarded at all, is forwarded to the manufacturer on an informal and voluntary basis.

Consumer complaints and other correspondence addressed to a specific executive in Company G are sent by the centralized mail system to the addressee. The addressee may at his own discretion forward a consumer complaint to the service department for complete handling or for assistance in securing an answer. Consumer complaints not addressed to a specific individual are sent by the mail room to the service department. One correspondent in the service department answers the bulk of the consumer

Fig. 11.--The structure and flow of unsolicited consumer complaints within Company G

1. RECEIPT OF COMPLAINT

Company G headquarters

2. SORTING

Centralized mail system

Service department

To specifically designated addressee

3. ACKNOWLEDGMENT, ACTION, AND AUTOMATICALLY CONSIDERED CLOSED BY COMPANY G

1. Service department or
2. Other addressee aided
by investigation of
service department

By
1. Dealer
2. Distributor
3. Company G
personnel

For investigation
if necessary

Back to consumer

4. MARKETING INFORMATION USES

letters. Other service department personnel answer consumer letters and letters from dealers and distributors. An attempt is made to answer all consumer letters within three days with either a form letter or individual letter. Copies of replies to consumers are also sent to the Company G regional sales manager, the distributor (or other wholesaler of the area), and the dealer service manager



or service company. If field investigation of the validity of the complaint is necessary, this is done by the dealer, distributor, and/or Company G personnel. Complaints received with solicited information such as survey returns are handled in the same manner. Extremely urgent consumer complaints may be handled by telephone or by a personal visit to the home by a Company G field service representative who submits a written report of the situation.

Company G does have a manual which outlines procedures and form letters to be used in handling consumer complaints. The company relies primarily upon copies of consumer letters and company responses, rather than printed forms, to expedite the handling of complaints. Company G does not ordinarily receive follow-up information on complaints and considers complaints to be closed when the company responds to the consumer.

Analyses and Reports Made of Unsolicited Consumer Complaint Data

On a monthly basis, Company G tabulates unsolicited consumer complaints by number and by kind of complaint. The tabulation is not regularly broken down in other ways such as by geographic area, model, etc. However, if a problem becomes evident, or is currently under study, special analysis will be done. Consumer complaint information is distributed on an individual basis by sending

copies of Company G answers to letters to the regional sales manager, the distributor (or other wholesaler), and the dealer service manager or service company. Written reports of field service representatives, who visit consumer homes in extreme consumer complaint situations, are forwarded by the service department to the merchandising committee at Company G. Field service reports are also fed to the product group involved. A product group is composed of representatives from service, engineering, and production and is concerned with a Company G product.

The merchandising committee, composed of the vice president of subsidiaries, the vice president of marketing, the director of advertising, and other top marketing executives, receives a combination of all consumer complaint information derived from consumer letters, telephone calls, weekly reports of service personnel, and special reports. The merchandising committee and the product groups, operating at different levels, are the two chief recipients of consumer complaint information at Company G headquarters.

Marketing Information from Unsolicited Consumer
Complaints, and Uses Thereof

Company G does derive useful marketing information from unsolicited consumer complaints. The following are examples of situations in which consumer complaint information has been used, usually in combination with other



sources of information, in making marketing decisions. The examples cited deal with (a) evaluation of dealers and service organizations and (b) product improvement by improved design and features.

Unsolicited consumer complaints are one means by which evaluations in the field are made of dealers and major appliance servicing organizations. A reverse statement is also true; ie., prior knowledge of the level of performance of dealers and service organizations is used by Company G in evaluating complaints of consumers.

From unsolicited consumer complaints, Company G learned that a batch of compressors which were purchased components was defective. By using serial numbers, Company G was able to locate and replace the defective components and obtain reimbursement from the supplier.

From unsolicited complaints and from an owner survey, Company G found that the refrigerator egg tray was capable of holding only small size eggs. The design was changed.

Consumers, dealers, and distributors all requested that Company G add a door stop. This feature was added.

Unsolicited consumer complaints about the offensive odor of the product led the company to discover that under certain operating conditions a sealer produced the odor. The company changed to a different sealing compound to correct the problem.

As a result of complaints from consumers, dealers, and distributors, a heater switch was added to the refrigerator to eliminate, while the door was open, the burst of warm air which the machine normally produced during a certain cycle.

Through unsolicited consumer complaints, Company G learned that the complete system of one model it produced did not meet the design standards of the company. The company then offered a generous trade-in allowance to those consumers who had purchased the faulty model.

From consumer complaints over a long period of time, Company G was made aware of a faulty gasket problem. The example illustrates the difficulty in attempting to discover some things before the product is actually in the home. The gaskets were laboratory tested by a machine which opened and closed refrigerator doors. However, it was not until unsolicited consumer complaints were received that the company realized that the gaskets were not suitable under actual home-use conditions. In other words, the controlled opening and closing in the test laboratory did not accurately simulate actual opening and closing practices in the home.

Strengths and Weaknesses of Unsolicited Consumer Complaints

Company G does use consumer complaint information advantageously for those purposes mentioned in the



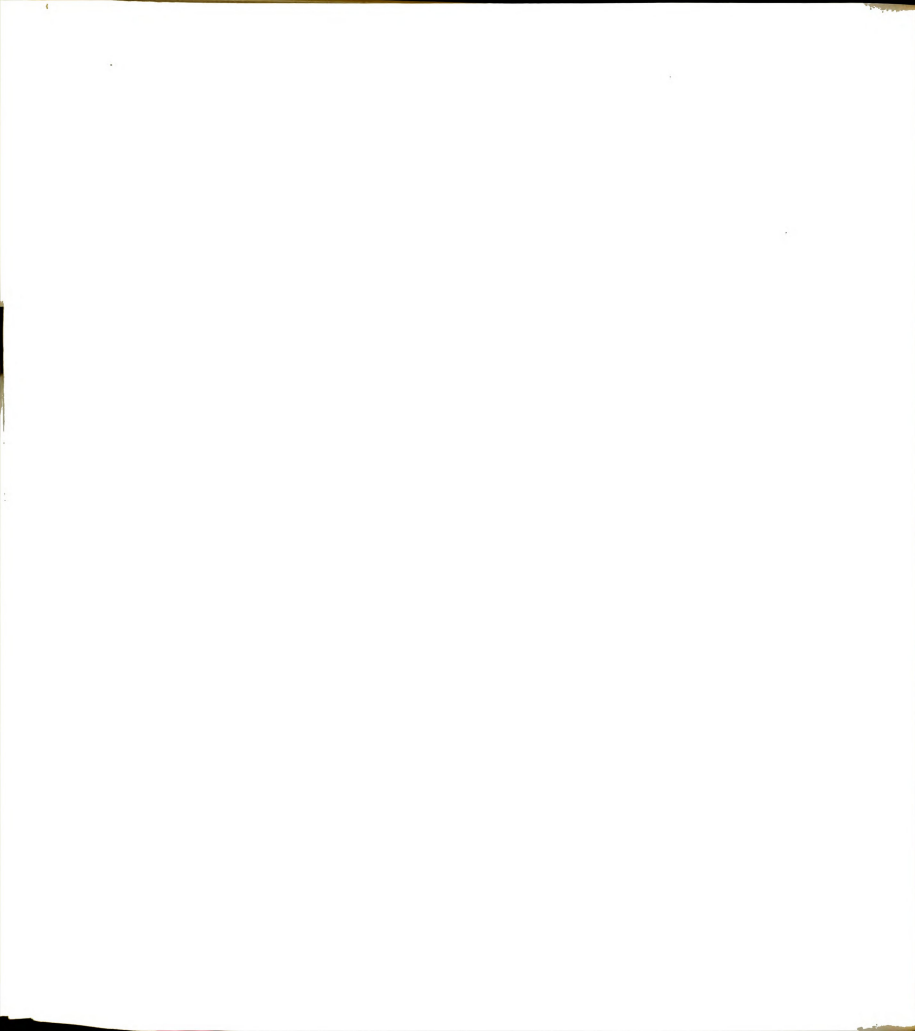
preceeding section. The principal advantage cited for consumer complaint information is that this source provides the company with some information which is not normally available through other means. The gasket example in the previous section illustrates this point. The chief disadvantage of complaints is that consumers are not always objective and factual.

Unsolicited consumer complaints are considered to be valid by Company G. The company realizes that complaints are sometimes slightly distorted. Therefore Company G checks on validity through dealers, distributors and its own field personnel. Such factors as history, nature, and source of the consumer complaint are also considered when the company evaluates complaint validity.

Company H

Company Organization and Marketing Background

Company H, a division of a large corporation, manufactures and sells major household appliances. Products sold under the Company H brand are refrigerators, combination refrigerator-freezers, freezers, air conditioners, and electric ranges. Company H does not manufacture its own electric range, but does manufacture some products sold under private labels. This case study deals with major household appliances sold under the Company H brand.



The service organization is headed by the general service manager, to whom the national service manager reports, in turn, to whom the manager of customer relations reports. The manager of customer relations for Company H has primary responsibility for handling all consumer complaints. He is assisted by secretarial help in this task.

With very few exceptions, all sales of Company H products are from the manufacturer, through independent distributors, through retail dealers, to consumers. The independent distributors of Company H products usually carry a broad line of electrical products for the home. Company H exercises only limited control over these independent wholesalers. In the field, Company H has six regional service managers and eleven regional sales managers contacting its eighty-five distributors. Service operations are also maintained by distributors, dealers, and service contractors.

The Stated Company Philosophy toward Consumer Complaints

Company H executives regard consumer complaints as an opportunity to demonstrate by prompt action to purchasers that a wise choice was made when a Company H product was purchased. They feel that the reputations of the factory, distributor, dealer, and service company are at stake. To achieve their objective of having satisfied

customers who are boosters of their products, the manufacturer works through distributors in handling consumer complaints.

Closely-related Consumer Satisfaction
Information Solicited by Company H

Company H does not heavily rely upon unsolicited consumer complaints for consumer satisfaction information. The company takes the initiative in soliciting such information in those ways discussed below.

Owner surveys.--Company H has from time to time sent mail questionnaires to a sampling of recent purchasers whose names were obtained from warranty registration files. Information about the acceptance of product features is gained in this way. The engineering department also uses the owner survey to determine if engineering changes have caused problems.

Service call analysis.--This is a continuous survey of all service calls for contracted in-warranty service in the Detroit area. Geographically the test area is being enlarged to include the New York area, and eventually to include from six to twelve major markets throughout the country. The data are electronically processed and many cross-tabulations are available concerning product failure while in warranty. Service call analysis reports are sent by the service department to production, engineering, and quality control.



Regional service manager reports.--All reports of regional service managers are combined into monthly summary reports.

Questionnaires to company personnel.--All employees purchasing Company H appliances are sampled by mail questionnaire. This is recognized as a biased source of information.

Parts analysis.--An unsophisticated analysis of parts usage is sometimes performed on a special basis.

Handling of Unsolicited Consumer Complaints

Major household appliance complaints are received by Company H at headquarters and at the corporate level. Unsolicited consumer complaints and other consumer correspondence are normally handled by the customer relations manager.

Figure 12 on the following page illustrates the paths which complaints take from the time they are made to Company H by the consumer until they are considered closed by Company H. Retail dealers and distributors are not considered part of Company H. Complaints to them are therefore not included in Figure 12.

Consumer complaints and other correspondence addressed to a specific executive are sent by the centralized mail room to the addressee. These letters and all letters dealing with customer relations and not addressed to a specific individual are forwarded to the secretary

Fig. 12.--The structure and flow of unsolicited consumer complaints within Company H

1. RECEIPT OF COMPLAINT

Any office of Company H
at headquarters

Any office at the
corporate level

2. SORTING

Centralized mail
room at headquarters

Specific
addressee

Service department

3. ACKNOWLEDGMENT AND ACTION

Customer relations mgr.
within the service dept.

Service mgr. of
distributor

Acknowledgment
to consumer

For
investigation and handling

Back to consumer

Sometimes, dealer
or service
company

4. CLOSING

Automatically considered closed,
or if placed on hold, it is
closed upon receipt of satisfactory
report from distributor, by the
manager of customer relations

Distributor
Service mgr.
send satisfac-
tory report

5. MARKETING INFORMATION USES



of the service department. This secretary sorts all service department mail and sends to the customer relations manager all the consumer mail. The customer relations manager, with secretarial help, answers most of the consumer correspondence. A very few complaints are handled by the national service manager.

An attempt is made to answer all letters within two days. However, for the most part, the manufacturer does not actually handle consumer complaints. This responsibility has been shifted by Company H to its distributors. The distributors, in turn, sometimes rely upon dealers and service companies to handle the actual complaint.

For service inquiries and requests for product information, the customer relations manager sends the consumer a postal card reply giving the consumer the name and telephone number of the distributor and stating that the distributor will answer the questions of the consumer or give the consumer the name and address of the nearest dealer or service company. In cases such as this, a copy of the consumer letter is sent by customer relations to the distributor service manager. If the consumer has previously contacted the distributor, the Company H customer relations manager writes the consumer to the effect that Company H has asked the distributor service manager to contact the consumer, or have a dealer or service company make such a contact. On a footnote to the copy



of the Company H response to the consumer sent to the distributor, or in a separate letter to the distributor, the manufacturer makes known its suggestions to the distributor. Contact with the consumer and action taken are the responsibility of the distributor.

A very few first consumer letters, and all subsequent letters from consumers, are placed upon hold for a follow-up. For such complaint letters, after a period of from one week to one month, the Company H customer relations manager sends a follow-up letter to the distributor requesting the present status of the complaint. When a satisfactory report is received from the distributor, the complaint is closed by the customer relations manager. Company H usually uses individually-typed form letter responses to first letters, and individual letter responses to subsequent consumer correspondence.

In shifting the responsibility for handling unsolicited consumer complaints from the manufacturer to the distributor, Company H made provisions for giving assistance to the distributor when needed. For example, if the complaint problem is on a new product, Company H sends a copy of the technical bulletin to the distributor, and if a specially-designed kit has been prepared to correct the problem, customer relations places such a kit on order for the distributor. If a letter is received from a distributor or dealer requesting help from the manufacturer, the letter is given to one of the two product



engineers who are employed by the Company H service department. These men usually know the answers or can get the answers from the engineering department. The reply is then forwarded by the customer relations manager to the distributor or dealer.

Consumer complaints to distributors and dealers are handled at the point of receipt. Company H uses bulletins for describing complaint handling procedures, but does not have a manual on the subject. Suggestion letters received from consumers are always forwarded to the engineering department.

Analyses and Reports Made of Unsolicited Consumer Complaint Data

Before Company H began to use service call analysis, they did tabulate unsolicited consumer complaints by kind of complaint at the time of receipt. At the present time, complaints are not tabulated on a regular basis but are tabulated over short periods of time on a special basis. Consumer complaints are used as a warning flag to indicate those potential problem areas that warrant further investigation by other means. Under normal conditions, after a complaint is closed, there is no further use made of it. However, if too many complaints of a particular kind or on a new topic were being received, a special tabulation would be made by the customer relations manager and would be reported to the national service manager, who would then report the situation to the



general service manager and to engineering. Reasons given for not tabulating unsolicited consumer complaints on a regular basis include poor reporting of complaint action from the field because (a) Company H tries to get fast action and (b) Company H must work with independent distributors who sometimes do not report well.

Consumer complaints are used by a monthly meeting known as the quality control meeting. Information from special tabulations and selected complaints is made available. Those attending the meeting include the vice president of operations and top-level representatives from sales, service, engineering, production, and quality control. The presence of the vice president means that decisions can be made involving changes unless the changes involve design. If design changes are involved, design engineering will then be contacted by the process engineers.

Some consumer complaints are always reported to the executives involved, on an individual basis. For example, damage complaints are always channeled by the customer service manager to the director of technical training. Other complaints are on an individual basis brought to the attention of the product engineers of the service department who pass the information along to the engineering department and pass along to the distributor service managers the means of correction.



Another method used to communicate consumer complaints and other consumer satisfaction information is the quarterly meeting at which regional service managers and headquarters executives carry on discussions about current problem areas.

Marketing Information from Unsolicited Consumer Complaints, and Uses Thereof

In spite of the lack of regular tabulation of complaints, Company H does derive some useful marketing information from this source. Consumer complaint information is used in combination with information from other sources. That is, complaints are used as a device for helping to uncover potential problem situations that require further investigation before a decision is made. Company H executives do not claim to get much information from complaints. Some specific examples in which unsolicited consumer complaints did prove to be useful are described below.

Interior refrigerator door and racks.--Unsolicited consumer complaints to the factory were the source of discovery of this problem. Consumers complained that the door racks were falling off. This was a new product so the complaints were tabulated over a period of time and during the same time period the regional service managers also questioned distributors in order to get additional information on the problem. A report was then sent to engineering and the size of the plastic inner door was



changed slightly to correct the situation.

Compressor noise.--Unsolicited consumer complaints about excessive noise when the refrigerator compressor turned off led the company to discover that a compressor jig in the factory needed some adjustment to eliminate such noise. This problem occurred shortly after a change was made in the compressors used for refrigerators.

Lower top shelf.--From consumer suggestion letters, the refrigerator top shelf was lowered slightly in order that the shelf could accommodate tall bottles.

Rigid refrigerator shelf.--Shortly after the second world war consumers complained that the top shelf of the refrigerator bowed. This was due to the heavy load of several large milk bottles. The top shelf was made more rigid to avoid this problem.

Company H does not perform additional marketing research upon complaining consumers as a group.

Strengths and Weaknesses of Unsolicited Consumer Complaints

Company H does to a limited extent use unsolicited consumer complaints. Complaints are used to trigger further investigation and are used in combination with other sources of information. A further advantage cited is that complaints point out weaknesses and deficiencies, but also suggest to engineering some changes which consumers desire. Complaints are received in sufficient quantities to be useful; however, for some kinds of

problems, complaints to the factory are not as timely as other sources of information. The major disadvantage cited by Company H is that using consumer complaints can be very dangerous because the company hears from a very small percentage of the product users. They feel that the opinions of this small minority may not in many cases represent the opinions of the vast majority of users. That is, from consumer complaints alone, the universality of the problem cannot be determined. A further disadvantage is that complaints are vague and are sometimes overstated.

Validity is normally investigated by the distributor or his dealer or service company, and not directly by the manufacturer. Company H's six regional service managers do sometimes become involved in checking on the validity of complaints.

Summary of Findings of the Case Studies

For convenience and summary purposes, some of the more important findings of the eight case studies are combined below under the same headings used in the cases.

The eight major household appliance manufacturers in the case studies include three individual companies and four divisions and one subsidiary of five other companies. These major appliance manufacturers may be divided between a broad-line group that includes Company A, Company B, Company C, and Company D and a narrow-line



group that includes Company E, Company F, Company G, and Company H. Although some differences exist, particularly in relation to the amount of ownership and/or control by the manufacturer, the channels of distribution used by the eight manufacturers are quite similar. The narrow-line manufacturers are somewhat more inclined to deviate from the conventional distribution channel of manufacturer--company zone or independent distributor--retail dealer--consumer. In all case study companies, most complaints to the manufacturers are handled on a centralized basis by a subunit which is a part of or closely related to the service portion of the business.

The company attitude toward consumer complaints may be described as (a) the nuisance approach, (b) the public relations approach, or (c) the marketing management approach. The stated company philosophies and actual practice may vary. Stated philosophies of five of the manufacturers definitely emphasize the public relations approach. The stated philosophies of Company D, Company E, and Company F indicate the marketing management approach.

Closely-related Consumer Satisfaction Information Solicited by the Companies

The following summary table lists the various methods that interviewees claimed their companies used to solicit consumer satisfaction information. The judgments as to the intensity of use of each method by each manufacturer are those of the researcher.

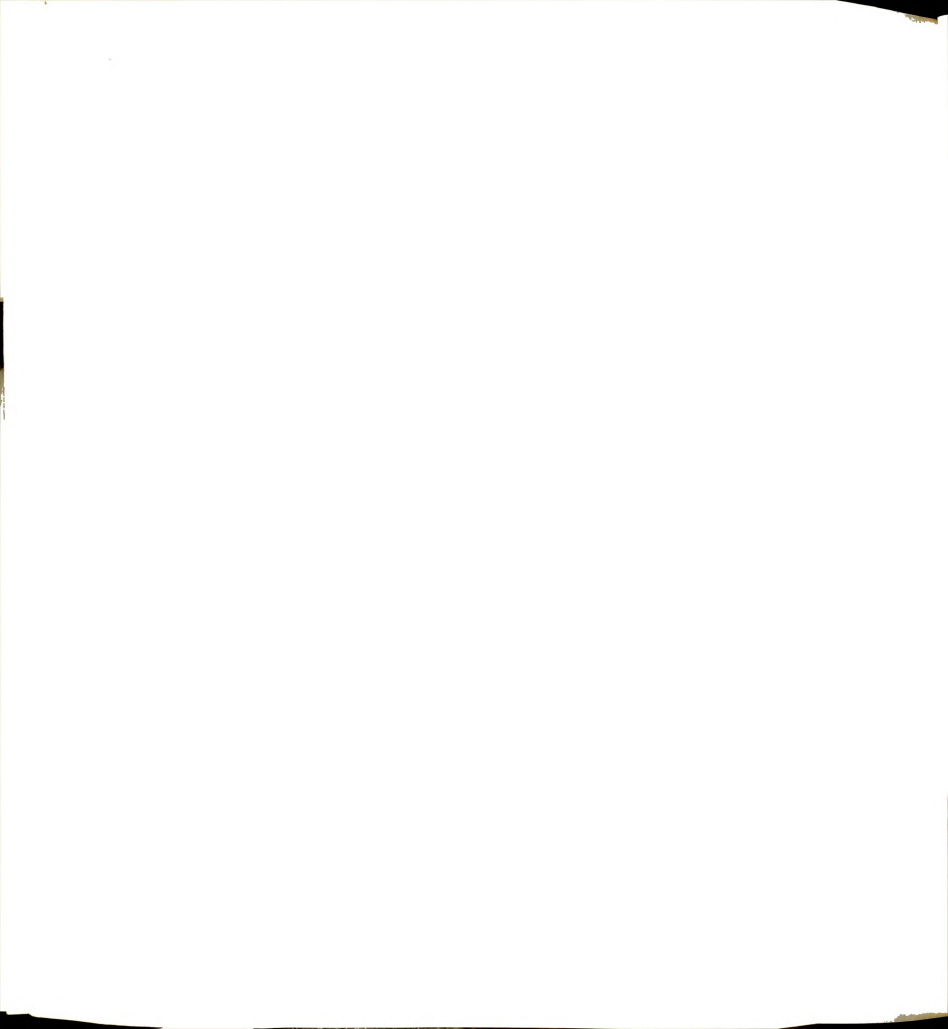
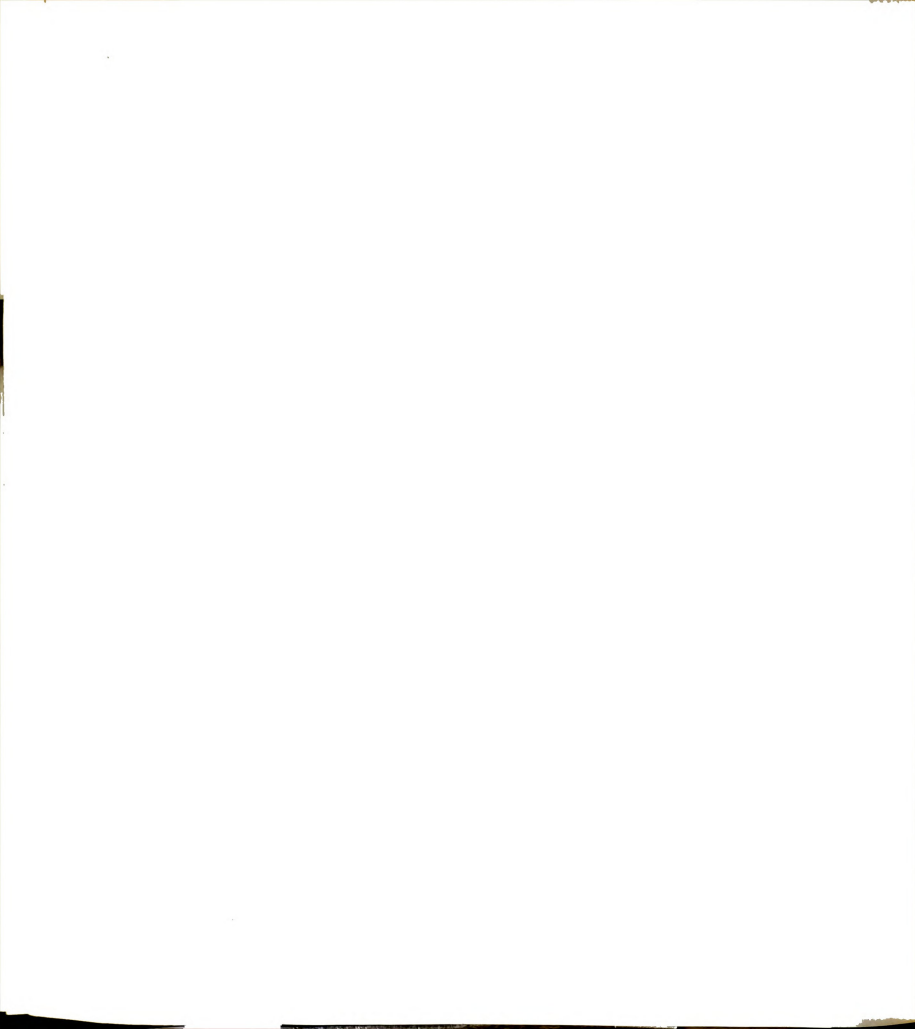


TABLE 2.--Number and extent of methods for soliciting consumer satisfaction information, as reported used by major appliance manufacturers*

Methods	Manufacturers								Total	
	A	B	C	D	E	F	G	H	(M)	(P)
Owner (user, purchaser) mail survey	3	3	2	0	1	3	1	1	7	14
Service call analysis	2	2	2	2	2	2	0	2	7	14
Service surveys and audits	2	2	0	3	0	3	2	0	5	12
Consumer use-test panels	2	0	2	2	2	2	0	0	5	10
Sales and service field reports	2	2	0	0	0	1	0	2	4	7
Company personnel product use	0	0	2	2	0	0	0	2	3	6
Recent purchaser personal interviews	0	0	0	3	2	0	0	0	2	5
Warranty service records and parts turn analysis	0	0	0	0	2	2	0	0	2	4
Out-of-warranty purchaser surveys	0	2	0	2	0	0	0	0	2	4
. Product use by dependent home economists	0	0	2	0	0	0	0	0	1	2
. Media advertisements soliciting complaints	0	2	0	0	0	0	0	0	1	2
. Open letter purchaser survey	2	0	0	0	0	0	0	0	1	2
. Other related search	2	0	2	2	1	2	1	0	6	10
Total mentions (M)	7	6	6	7	6	7	3	4	46	
Rank of companies by mentions	1-3	4-6	4-6	1-3	4-6	1-3	8	7		
Total points (P)	15	13	12	16	10	15	4	7		92
Rank of companies by points	2-3	4	5	1	6	2-3	8	7		

*The methods included in the listing and awarded points for the companies are those which were specifically noted by company personnel as methods of soliciting

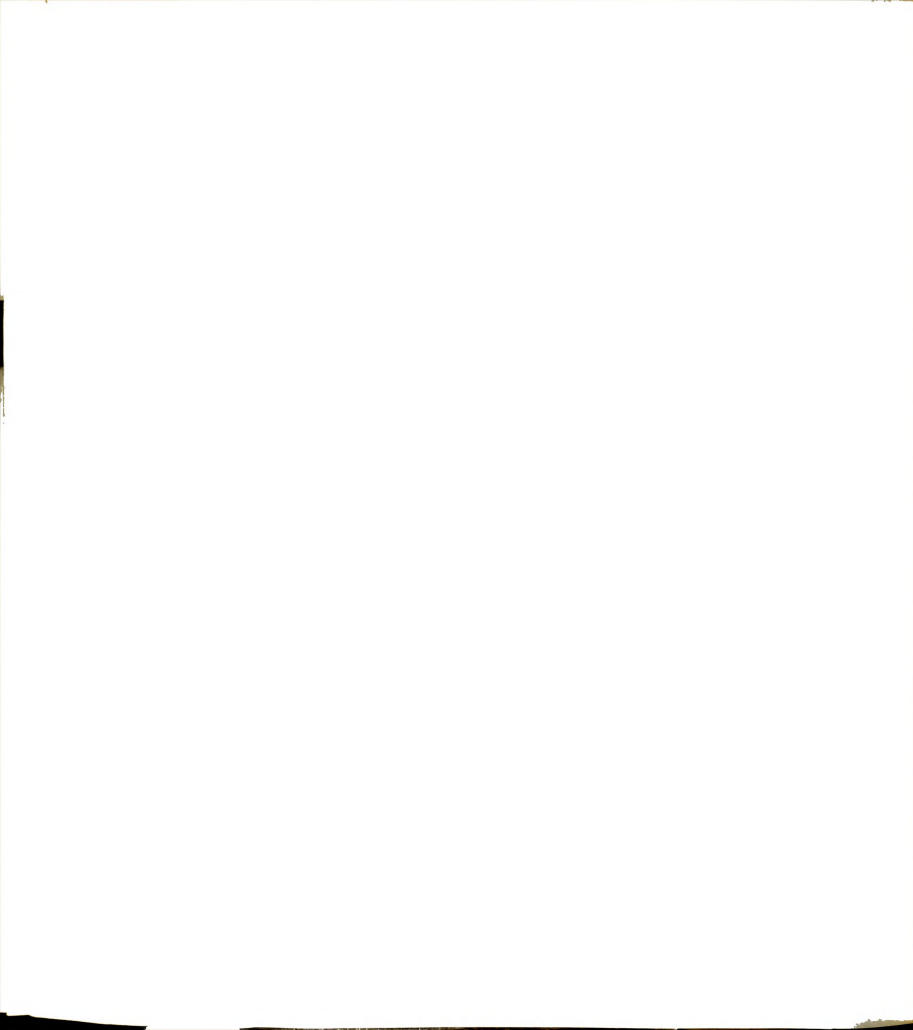


consumer satisfaction information. It is very likely that (a) not all methods have been listed and (b) not all companies have been awarded points for all methods used. The key for judging extent of methods reported used by the companies awards no points if the method is not used or not reported, one point for slight or less than average use (in comparison to other case study companies), two points for average use, and three points for intensive, extensive, or greater than average use.

Although the summary table has some weaknesses, it does indicate that (a) all surveyed manufacturers solicited consumer satisfaction information by various methods, (b) some narrow-line companies were less active than the others, and (c) a few methods are popular among most of the companies.

Handling of Unsolicited Consumer Complaints

Complaints are handled on a centralized basis by all case study firms. Minor differences exist among firms in receipt, sorting, and acknowledgment practices. Four degrees of mechanization are exhibited in the handling of complaints. Most highly-mechanized are the computer systems of Company A and Company B which utilize multi-copy, preprinted, coded forms along with complaint letters and company responses. Second is the Company D system which is similar to the above except that the coding is used for special tabulations only. Third is the Company C multi-copy, preprinted form system. And least mechanized are the relatively similar letter file systems of the remaining four companies.



Degree of follow up and closing control exercised by the manufacturers also varies. The practices of Company A, Company B, Company C, and Company D may be described as requiring follow up and formal closing reported on all complaints to headquarters. Companies F and H follow up on the more serious and on second complaints, and assume all other complaints closed upon answering the consumer. Companies E and G provide for no automatic follow up by the company.

In general, the broad-line manufacturers are more mechanized in handling complaints and exercise more follow up and closing control than the narrow-line manufacturers. Complaint handling practices may increase or decrease the marketing intelligence capabilities of the companies.

Analyses and Reports Made of Unsolicited Consumer Complaint Data

All case study firms except Company H and the automatic laundry portion of Company F perform some tabulation and analysis of complaints on a periodic or continuous basis. And all firms at least perform complaint analysis irregularly under certain circumstances. A judgment ranking of the tabulation and analysis efforts of the eight firms shows Company A's total program to be most comprehensive, followed in descending order by companies B, E, D, C, G, F, and H.



The following listing shows by companies the complaint marketing intelligence reported in writing and orally to individuals, committees, and other groups.

Fig. 13.--Complaint marketing intelligence reported to whom, by companies

Description of Complaint Marketing Intelligence Reporting	To Whom Reported
<u>COMPANY A</u> - All complaints by type, product, and area of responsibility; HQ summary and by districts monthly and quarterly; precoded computer system; product dept. subsidiary reports; special studies and individual complaints.	<u>COMPANY A</u> - HQ product service section, district product service mgrs., product division product service mgrs. who report at product planning meetings.
<u>COMPANY B</u> - Coded computer system; by zone, service supervisor, dealer, cause of complaint, how settled, how could have prevented, whether consumer was satisfied, and by model number.	<u>COMPANY B</u> - At zones to sales mgrs. and service supervisors; at HQ to customer relations, service mgr., sales mgr., general mgr., and the reliability and quality control committee which is same as executive committee.
<u>COMPANY C</u> - Monthly by distribution points (zones or distributors) and by product; by age for open complaints.	<u>COMPANY C</u> - Appliance division VP, sales VP, engineering dept., product mgrs., and regional sales mgrs.; and complaints discussed at monthly quality control meeting.
<u>COMPANY D</u> - Special studies for customer assurance; for each distributor by dealer and by cause, and open overdue complaints; numerical summary by products; system is computed coded for use when desired.	<u>COMPANY D</u> - Customer assurance dept.; field reps., distributor and distributor service mgr.; service development dept.; and product divisions.

COMPANY E - Complaint to sales calculated by model, product, date, and kind of complaint, for all complaints combined; some special reports.

COMPANY F - Special tabulations only (no regular) for automatic laundry; number of complaints by brand for wringer washer; other special and individual complaint reports.

COMPANY G - Monthly by number and kind of complaint; and special and individual reports.

COMPANY H - Not tabulated on a regular basis; special tabulations and individual use.

COMPANY E - Weekly consumer service meetings composed of president, sales VP, sales product mgrs., production and engineering, mgr. of consumer service division.

COMPANY F - Special meetings; individual reporting to product planning, regional mgrs., and possibly to inspection, production engineering, assembly and r & d.

COMPANY G - Combination of all complaint information to the merchandising committee; individual and special reporting to regional sales mgrs., distributors.

COMPANY H - National service mgr., general service mgr., and engineering; at monthly quality control meeting; regional service mgrs.

Marketing Information from Unsolicited Consumer Complaints, and Uses Thereof

The following sixty-five examples of consumer complaint marketing intelligence are empirical evidence that manufacturers of major household appliances do gain and use marketing intelligence from this source. The lengthy listing of complaints, users, and purposes in Figure 14 is summarized here from the eight case studies because of the importance of these findings and for easy reference. More is said about the ways in which complaint intelligence is used.

Total number of examples cited by companies are Company A 15, Company B 5, Company C 4, Company D 10, Company E 13, Company F 6, Company G 8, and Company H 4. Some of the examples are more specific than others. The classification of the examples into groups in Table 3 is somewhat arbitrary. In spite of such difficulties, the table shows that nearly two-thirds (41) of the examples are about some aspect of change in the physical product.

In a real sense, the discovery and description of marketing uses of consumer complaint intelligence represents the conclusion of the case study portion of the research.

Fig. 14.--Listing by companies of consumer complaint marketing intelligence, user, and purpose

Consumer Complaint Marketing Intelligence	Used by Whom	For What End or Purpose
<u>COMPANY A</u>		
1. Tabulated complaints and service calls on old models	Product planners at planning meetings	Product planning and design specifications; eg., door seals
2. Tabulated complaints about lint in automatic washers	"	Addition of filter device
3. Single complaint about hinge opening on dishwasher	"	Protective shield added
4. Complaints over long period of time, and other sources	"	Position of push button controls on range changed

5. Tabulated complaints about plastic tray breakage	Product planners at planning meetings	More durable plastic used for transparent vegetable tray
6. Tabulated complaints and other sources about material	"	Change in translucent plastiglass trim on ranges
7. Complaints of arm injuries	"	Added brake to top-loading washer
8. Single complaint about offensive sound of refrigerator	Product testing	Company now uses both sexes to test for product noise
9. General complaint against industry of "no frost" refrigerator operation	Product planners at planning meetings	Tested own product against competitive models and advertised favorable results
10. Tabulated complaints over time about cracked and broken plastic parts on refrigerator doors	"	Used more durable plastic and absorbed additional cost by using this as a selling feature
11. Tabulations showed fewer complaints when service contract was sold with product	Customer relations dept., marketing mgt. of depts.	Increased interest in service contract sales
12. Regular and special tabulations of complaints about automatic laundry transmission warranty	Customer relations dept., laundry marketing mgt.	Changes in warranty
13. Complaints of product performance in use	Product service section	Publish user instruction booklets
14. Complaints about new products, features, etc.	Marketing research	Source of ideas and areas for study



5. Individual complaints

Head-
quarters
mgt.Distribution of
actual complaints
among mgt. for
morale purposesCOMPANY B. Tabulated complaints about
dealer performanceSales mgr.
& service
mgr.To catch an unfit
dealer at an early
time. Complaints in
general and actual
complaintsService
dept.For developing
dealer-principal
technical training
and customer re-
lations programs. Tabulated complaints and other
product quality
complaintsReliability
and quality
control
committeeOne indicator of
product performance. Tabulated complaints of high
service chargesService
dept. &
reliability
and qc
committeeRelocation of
refrigerator relay
switch

. Tabulated complaints by zone

Service
dept.A zone performance
controlCOMPANY C. Complaints in
generalCustomer
relations
mgr.Training program
materials for
company and dis-
tributor personnel. Untabulated
quality complaintsMonthly
quality
control
meetingInsure performance
in use according to
design. Tabulated complaints by distri-
bution point

VP sales

Distributor control
and evaluation. Individual and
untabulated complaints

Varies

Unspecified indi-
vidual problem
situations



COMPANY D

1. Tabulated complaints geographically	Service development dept.	Measure of effectiveness of franchise service program
2. Tabulated complaints geographically	"	Measure of effectiveness of warranty service program
3. Tabulated complaints geographically	"	Spot dealers and service agencies that need to be upgraded or replaced
4. Tabulated complaints and open complaints	"	Distributor or branch performance--quarterly ratings
5. Complaints in general	Customer assurance & home service dept.	Discover areas where consumer education is needed and re-write owner manuals
6. The handling of complaints	Customer relations & service training depts.	CR dept. used to help train field service reps.
7. Complaints in general	Service training	Source of materials for training programs
8. Special tabulations of complaints	Customer assurance	To draw customer specifications in the product life cycle
9. Special tabulations of complaints	"	To guide necessary corrective action in product life cycle; eg., change dishwasher racks
10. Product quality complaints	Customer assurance, quality control	Quality control



COMPANY E

1. Excessive number of complaints	Consumer service div., sales	Evaluation of dealer and service agency performance
2. Complaints in general	Dir. of home service, consumer service div.	Redesign and rewrite owner manuals
3. Tabulated complaints on quality of purchased components	Consumer service div., quality control, weekly consumer service meeting	Change to new supplier for component; eg., thermostat for automatic burner
4. Tabulated complaints of cleaning difficulty	Weekly consumer service meeting, product committee meeting	Lift-up range top
5. Tabulated complaints of cleaning difficulty	"	Slide-out oven
6. Tabulated complaints of rust under lift-up range top	"	Design with vent to eliminate problem
7. Tabulated complaints of cleaning difficulty	"	Redesign gas burner for easy cleaning
8. Tabulated complaints of cleaning difficulty	"	Redesign oven door seals for removable easy cleaning
9. Complaints over a long period of time about excessive surface heat	"	New insulating technique used
10. Complaint suggestions tabulated about need for additional large burner element	"	Two large sized burner elements on ranges



1. Tabulated complaints stimulated by competitive salesmen about height of upper oven	Weekly consumer service meeting, product committee meeting	Raised height
2. Long standing complaint about reposition of dirt in dishwashers	"	Redesign dishwasher completely and incorporate two-directional arm impeller
3. Tabulated complaints about leakage	"	New fastener device for dishwasher rack roller

COMPANY F

. Untabulated complaints geographically	Product service manager	Evaluation of dealer and service organization performance
. Untabulated complaints that open lid of automatic washer hit timer knob	"	No corrective action taken because not considered to be a <u>real</u> problem (a decision) because of high quality finish
. Tabulated complaints and other sources on rust stain problem on wringer washer	Product service manager, product planning, and r & d	Applied acrylic lacquer as a finish
. Tabulated complaints of wringer washer motor burning out	"	Motor change to compensate for consumer use conditions
. Tabulated complaints that v-belt on gas wringer washer kept slipping off	"	Belt change on gas wringer washer
. Consumer acceptability of cold water rinse cycle on	Product planning	To determine acceptability of proposed new model



automatic washer--
ere there com-
plaints?

COMPANY G

. Tabulated com-
plaints about dealer
and service agency
performance

Service
department
& sales
department,
merchan-
dising
committee

Evaluation of deal-
ers and service
agencies

. Tabulated com-
plaints about de-
fective purchased
component compressors

Service
department,
merchan-
dising
committee,
purchasing

Replace defective
components, sup-
plier relations

Tabulated com-
plaints and other
sources that egg tray
is too small

Merchan-
dising
committee

Size of tray
changed

Tabulated com-
plaints and other
sources that refrig-
erator door stop be-
ded

"

Door stop added

Tabulated com-
plaints of offensive
product odor

"

Change to different
sealing compound

Tabulated com-
plaints and other
sources that refrig-
erator produced hot
r when door opened

"

Added heater switch
to refrigerator

Tabulated com-
plaints on one
particular model

"

Model considered a
design failure;
discontinued design;
appropriate cus-
tomer relations
action taken



3. Tabulated com- plaints over a long period of time of faulty door gasket	Merchan- dising	Gasket changed, but company also learned that laboratory testing did not simulate home-use conditions
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COMPANY H

Untabulated com- plaints that refrig- erator door racks were falling off	Service department, engineering, monthly quality control meeting	Size changed on interior plastic door and racks
Untabulated com- plaints about exces- sive refrigerator compressor noise	"	In-use quality control--quiet performance, (also mfr. qc--slight adjustment to jig)
Untabulated con- sumer suggestions that tall bottles would fit top re- frigerator shelf	"	Lowered shelf
Untabulated com- plaints that top re- frigerator shelf bowed	"	Made shelf more rigid for heavier loads

Strengths and Weaknesses of Unsolicited
Consumer Complaints

The case study companies do use complaints as a
source of marketing intelligence for those purposes
mentioned in the previous section. Major disadvantages or
weaknesses cited by the companies in using complaints are
emotion, vagueness, incompleteness, overstatement,
lack of technical language in complaints; (b) influ-
ence of outside factors such as geography and publicity



TABLE 3.--Number of consumer complaint marketing intelligence uses cited by companies

Areas of Use	Number of Examples by Company								Total
	A	B	C	D	E	F	G	H	
Product management: the planning, design, change, development, improvement, and/or quality control of the physical product (examples: 1-8; B 3, 4; C 2; 8, 9, 10; E 3-13; 2-6; G 2-8; H 1-4)	8	2	1	3	11	5	7	4	41
Channel of distribution evaluation and control (A 1, 5; C 3; D 3, E 1; F 1; G 1)	0	2	1	2	1	1	1	0	8
Consumer education (A 12, 13; 5; E 2)	2	0	0	1	1	0	0	0	4
Training (B 2; 1; D 6, 7)	0	1	1	2	0	0	0	0	4
Miscellaneous:									
New opportunities (A 9, 10, 11)	3								
Idea source (A 14)	1								
Mgt. morale (A 15)	1								
Individual problems (C 4)			1						
Evaluate mfr. programs (D 1, 2)				2					
Total Misc.	5	0	1	2	0	0	0	0	8
TOTAL	15	5	4	10	13	6	8	4	65
MARK ORDER	1	6	7-8	3	2	5	4	7-8	

*Numbers under each company correspond to Figure 14.



on complaint to sales ratios; (c) unknown representative-
ness; (d) difficulties in obtaining meaningful tabu-
lations which do not simply duplicate other sources; and
(e) dangers of failure to use complaint intelligence as
merely one part of a total program.

Offsetting advantages or strengths of the consumer
complaint source are (a) the number of complaints are
usually sufficient for tabulation and analysis, (b) com-
plaints are usually valid as indicated by investigation,
(c) for some information, complaint intelligence is more
timely than that from other sources, (d) some complaint
information is unavailable from other sources, and (e)
complaint intelligence is well-suited for pointing out
weaknesses and possible areas of change and for trig-
gering further investigation

Summary

For convenience in reference, and not to be totaled
in any quantitative manner, the inter-company comparisons
are presented in Table 4.



E 4.--Inter-company summary comparisons

Comparison Items	Manufacturers							
	A	B	C	D	E	F	G	H
broad (B) or narrow product line	B	B	B	B	N	N	N	N
stated public relations (PR) or market-management (M) philosophy toward complaints	PR	PR	PR	M	M	M	PR	PR
rank order comparison of reported use of methods of soliciting customer satisfaction information, by points	2-3	4	5	1	6	2-3	8	7
degree of mechanization in handling presented in 1 to 8 rank order, 1 is most mechanized)	1-2	1-2	4	3	5-8	5-8	5-8	5-8
degree of follow up closing (presented in 1-8 rank order)	1-4	1-4	1-4	1-4	7-8	5-6	7-8	5-6
degree of tabulation and analysis of complaints (1-8 rank order)	1	2	5	4	3	7	6	8
complaint intelligence examples cited in 1-8 rank order)	1	6	7-8	3	2	5	4	7-8



CHAPTER IV

RECOMMENDED MANUFACTURER PRACTICES FOR HANDLING UNSOLICITED CONSUMER COMPLAINTS FOR MARKETING INTELLIGENCE PURPOSES

Introduction to the Chapter

This chapter sets forth recommended manufacturer practices for handling complaints for marketing intelligence purposes. The recommendations do not constitute a full or optimum program for handling complaints. Areas of discussion which are noticeably excluded or mentioned incidentally are the public relations and office process aspects.

The practices recommended here are not for a particular industry or manufacturer; however, the influence of the major household appliance case study findings can definitely be noted. Although the recommended practices are specific and are suggested for a hypothetical firm, they can hopefully be adapted to fit the needs of different firms in different industries. Without specifying a degree of similarity, the assumption is made that the hypothetical firm is sufficiently similar to the case study manufacturers in those things which importantly affect consumer complaints and complaint handling.



actices for marketing intelligence purposes.

The two-phase framework of the consumer complaint marketing intelligence system, described in the theoretical chapter, is used here. Recommended practices are mostly limited to the second phase although management exercises some influence and control over parts of the first phase.

The Customer Relations Department:
Receiver and Source

Positive action must be taken on the part of the manufacturer if unsolicited consumer complaints are to be advantageously for public relations and marketing intelligence purposes. A prime requisite is a considerable degree of geographic and organizational centralization in handling complaints. An organizational subunit, sometimes called a complaint bureau or customer relations department, should be charged with the responsibility for handling all consumer complaints for the entire company or operating division. This customer relations department acts as a centralized decoder-receiver of complaint messages from consumers and as the central source of records and encoder of complaint intelligence to marketing management.

Organization of the Customer Relations Department

The entire company organization structure cannot be organized around the function of handling consumer complaints



public relations and marketing intelligence purposes. Important as complaints may seem in the present study, their place in the total business operation is quite small. In spite of the present temptation to stress the importance of the customer relations manager, his immediate superior would most often not be the company's top marketing executive. The following recommended organization assumes that a service organization exists, at least at the headquarters level. For products requiring service, as can be noted in the major appliance case studies, the knowledge requirements for handling both product and service complaints can be found among service personnel who can be taught the necessary public relations and marketing intelligence collection skills. The quality control department is a logical choice for handling customer relations if a headquarters service department does not exist. It is interesting to note that while the case study manufacturers recognized the public relations aspects, none of these manufacturers handled consumer complaints through public relations departments.

Internal organization of the customer relations unit is relatively simple because of the usual small

Formal horizontal relationships should be established between customer relations and (a) the customer relations counterparts for the wholesale level of



tribution, (b) technical service personnel, and (c) representatives from product planning. If the manufacturer has an established marketing intelligence organization, as described by Kelley¹ and outlined in the next chapter, such a unit could be used for distributing consumer complaint intelligence to service, product planning, and other users. However, in the absence of such an organization, organizational relationships must be defined between customer relations and all users of complaint marketing intelligence.

Functions of the Customer Relations Department

Under a marketing management approach, the two basic functions of the department are in the areas of public relations and marketing intelligence. In many companies, the marketing intelligence purposes are made secondary to public relations purposes. In any event, marketing intelligence from consumer complaints should not be an end or purpose of the department and the specific end uses of consumer complaint marketing intelligence should be defined for the customer relations department. Initial definition of such uses should be made, preferably in writing, by the marketing management and the customer relations department. This principle of specifying the problem or objective for a management subunit was

¹William T. Kelley, "Marketing Intelligence for Top Management," Journal of Marketing, XXIX (October, 1965), 4.



discussed by Stinchcombe² and is illustrated by Company D. In the Company D case, for example, customer specifications used by the customer assurance department in the product life cycle are defined as being partially the result of complaint intelligence. Such definition of purpose by the user facilitates the determination of intelligence collection requirements by customer relations.

Recommended Receiving and Handling of Complaints

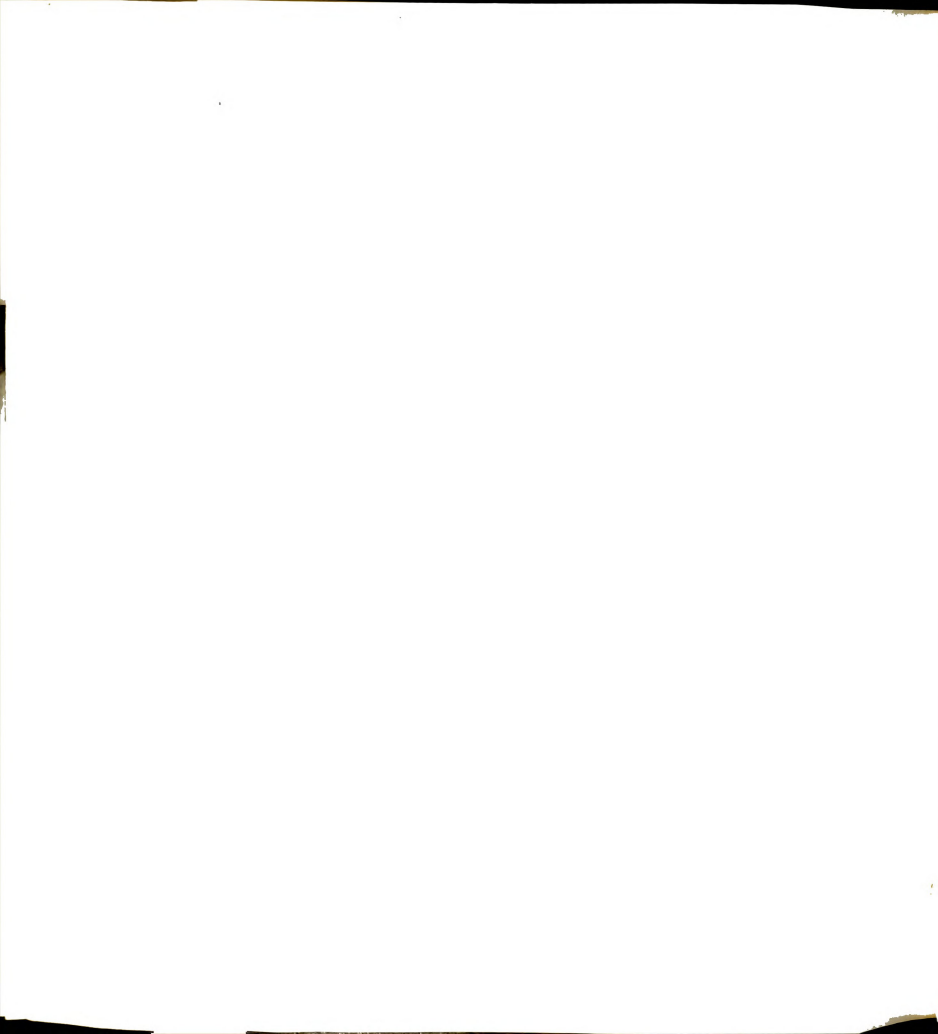
Receiving and handling practices recommended for customer relations are (a) provision for centralized receiving and a written record of all complaints, (b) provision for investigation, follow up, and closing of all complaints, and (c) integration of the handling and classification system used for public relations purposes with tabulation and analysis requirements for marketing intelligence purposes. Several positive steps can be taken to promote centralization and recording of complaints. First, a top management directive to all parts of the company that complaint correspondence is to be handled by customer relations, is necessary. However, to be effective, the customer relations department must overcome and show why and how it can do a better job of handling

²Arthur L. Stinchcombe, "The Sociology of Organization and the Theory of the Firm," Marketing and the Behavioral Sciences, ed. Perry Bliss (Boston: Allyn and Son, Inc., 1963), p. 276.



plaints. Centralization can be facilitated by using desired company address on all products, labels, insets, etc. and by training of mail employees. Preprinted or precoded forms encourage recording. Special problems which arise if the manufacturer desires to secure complaints made to branches or wholesalers probably weigh any advantages from such a high degree of centralization.

A complaint handling system which provides for investigation, follow up, and formal closing of all complaints promotes good public relations, but it also prevents information loss and misinformation from decreasing the intelligence value of consumer complaints. Economic considerations may dictate that detailed investigation be undertaken only for those complaint situations which are statistically attributable to specific rather than common causes or chance. However, this refers to that form of investigation or search action which may be called further study of a problem which has been pointed out by consumer complaints. In any case, individual complaints should be satisfactorily investigated for purposes of validation. Investigation is necessary to validate the information contained in the original complaint and to secure additional needed information. Such investigation may take place in the field or at the factory. Field investigation, necessitated by various factors as product size, can be carried on by



manufacturer field personnel or by channel of distribution personnel. Investigation at headquarters may involve technical service, quality control, or other personnel. However, the responsibility for investigation remains with the customer relations department. A system which provides for follow up on all complaints not closed helps to insure that some complaints are not neglected and also reveals information about "open" as well as "closed" complaints. The formal closing requirement forces someone to make a positive decision that the complaint should be closed rather than merely letting the complaint disappear by itself. In general, the case studies indicated that the larger, broad-line firms exercise more follow up closing control than other firms. This may or may not be a function of size; however, such practices are recommended here.

The third recommendation, an integrated classification system, is simply a reminder that terminology, coding, and other parts of a classification system for complaints must be compatible with both the public relations and marketing intelligence requirements of the company. More is said about this later.

Encoding and Decoding Recommendations

Marketing intelligence messages can be encoded from individual consumer complaints and/or from groups of complaints classified into categories for tabulation and



lysis. In any case, a necessary early step is for customer relations to interpret and record for each complaint such information as (a) consumer identification, (b) product identification data, (c) a description of the complaint, (d) description of company handling and investigation, (e) causes, (f) remedial action, (g) geographic location, (h) date, and others factors which would prove useful in evaluating individual situations and serve as bases for classification.

Complaints used on an individual basis for intelligence purposes should be validated before use. Complaints used on a classified basis may be validated either before or after classification and use. All complaints should be validated. Validation before use reduces encoding and decoding noise; however, this takes time. Use before validation by ignoring or estimating the amount of noise or error from misclassification increases the currency but reduces the accuracy of marketing intelligence. Either method can prove to be satisfactory.

Questions arising in connection with a classification system for complaints for marketing intelligence purposes are: Should complaints be classified at all? What are the criteria of a good classification system? What bases of classification should be used? What classification systems have been used by other companies? If, what is recommended?



Complaints should be classified for use in tabulation and analysis. Marketing intelligence use of complaints on an individual basis alone is quite often unsatisfactory. The summary of case study findings indicates several uses of classified, tabulated information.

Wasson says of criteria that the six conditions which a good research category set must fulfill are:

1. The degree of subdivision within the set must be great enough to reveal any differences between those items measured or observed which would effect decision and subsequent action.
2. The categories chosen must be such that the market or business elements so classified can be identified for purposes of subsequent action.
3. The categories used should be based on a single classificatory principal (extent of buying action, social class, place of residence, or other basis relevant to the kind of action or decision to be taken).
4. The classification should be all-inclusive (There should be no element of observation or measurement which does not fit neatly into one or another of the categories used).
5. Classification should be such that every element of observation can be placed in one and only one of the classifications (i.e., such that categories chosen should be mutually exclusive).
6. The categories used should be homogeneous (all substantially alike) from the standpoint of the kind of interpretation to be made of study results.³

The bases of classification for the category sets could be determined by the purposes for which the

³Chester R. Wasson, Research Analysis for Marketing Decision (New York: Appleton-Century-Crofts, 1965), 179.



analysis is to be used. Of concern here are the public relations and marketing intelligence requirements, compatibility with other departments such as quality control, and the available tabulation capabilities.

Classification systems used by other companies are reported in the cases, suggested by the reporting methods listed in Figure 13 of the case study summary, and are mentioned elsewhere in the study.

A recommended classification system, designed to serve those marketing uses which the case study systems were found to serve, would use such bases of classification for category sets as product, model or model number, geographic area by wholesale marketing territories, dealer, warranty status, date of complaint, cause of complaint, area of responsibility in company, how settled, how could have been prevented, and whether or not consumer was satisfied. The number and complexity of actual and potential tabulations and cross tabulations will depend on the availability of machine or other tabulation capacity.

Encoding should put the information in a form which will minimize the amount of decoding necessary on the parts of marketing management users of complaint intelligence; however, the user must decode and apply the intelligence to the specific problem or use-situation involved. In other words, the decoding task should be simplified as much as practical by uncluttered reports, etc. For



ample, Company A retains a summary report for the headquarters product service section, sends a geographic subsidiary report to districts, and another subsidiary report to product departments.

Later in this chapter, in the subsection on the use of the so-called statistical control method, are shown specific examples of analysis and reporting of consumer complaint marketing intelligence.

Message Channel Recommendations

Message channel recommendations are necessarily restricted since the established organization structure and communication channels of the firm are not going to be significantly changed merely to accommodate consumer complaint marketing intelligence. Message routes and methods are discussed here, but the discussion does not include the designing of report forms or the efficiencies of committee operation.

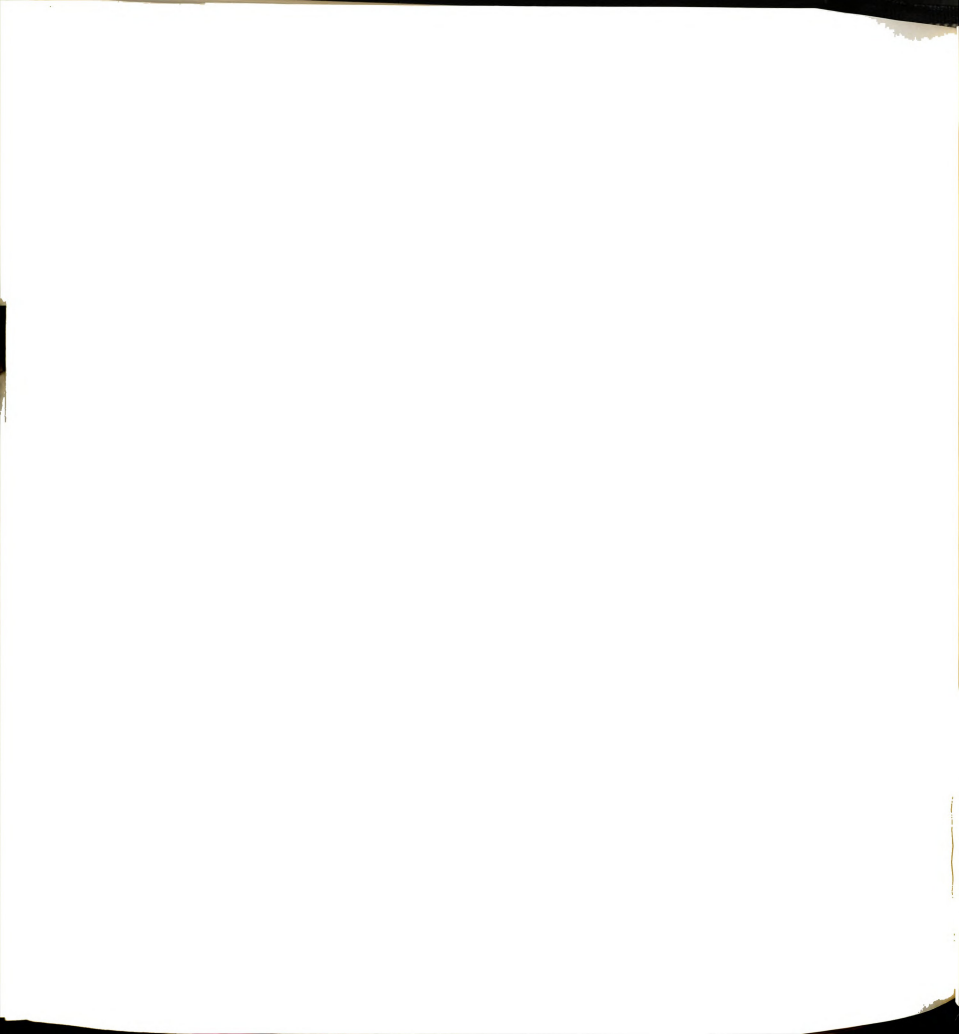
Recommended message channel routes are the established formal routes supplemented where necessary by informal routes to all those members of marketing management who are in a position to use the information. If a centralized intelligence service (as briefly described in the first chapter) exists in the firm, this service and the established routes should be used.⁴

⁴See William T. Kelley, "Marketing Intelligence for Management," Journal of Marketing, XXIX (October, 1955), 19-24.

Principal available message channel vehicles are written reports, oral reports, committee meetings, and informal meetings. Written reports and committee meetings are recommended because their formal nature insures that complaint information, often of a negative variety, will at least be discussed. Oral reports and informal meetings are recommended when necessitated by the time factor. The proper mixture of formal and regularly scheduled written reports and committee meetings, and oral reports and informal meetings will depend on individual company situations. For example, Company E seemed to very successfully rely on committee meetings more heavily than did some other case study companies. Marketing management receivers of reports and participants of committee meetings are identified in the next section.

Marketing Management Receivers of Complaint Intelligence

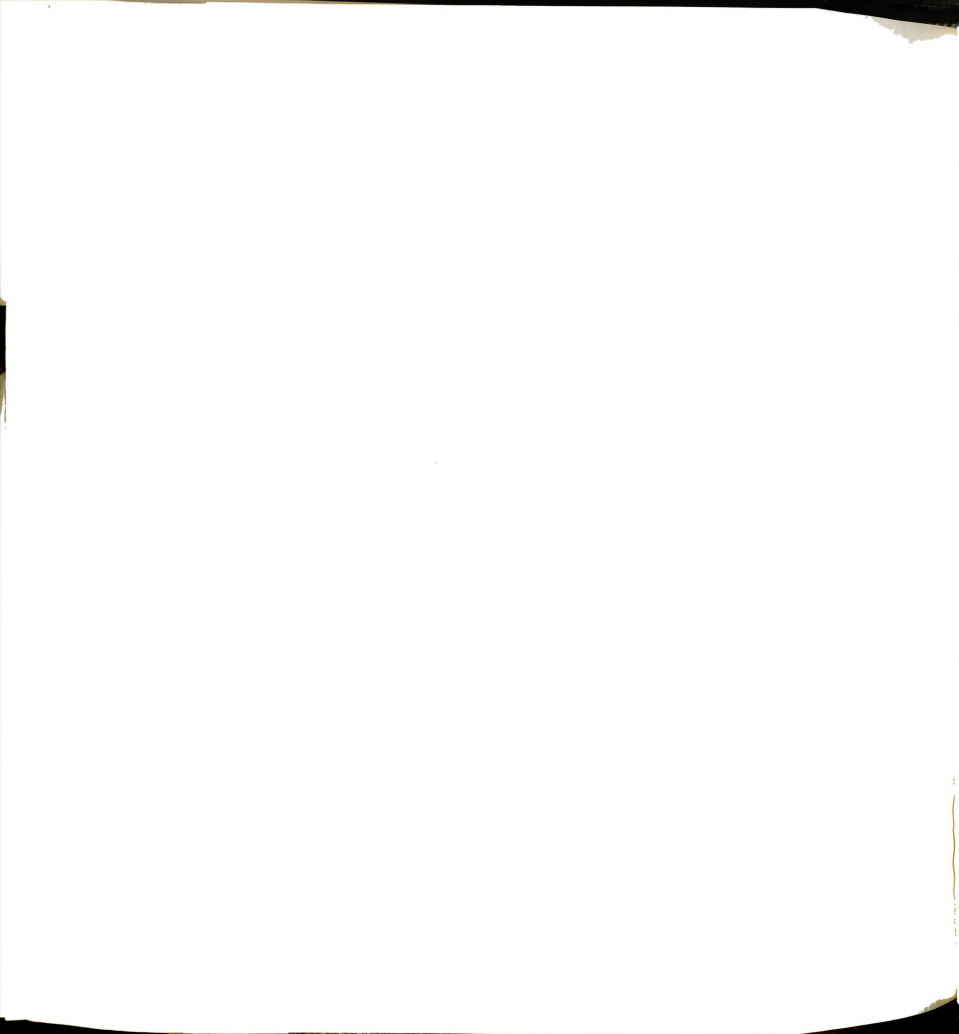
The traditional starting point in marketing research is matching marketing intelligence with marketing management. It is a management unit with a problem. In the present study, the communications approach first focuses attention on the information source. It is recommended here that in actual practice both source and management unit be used as starting points. First, all marketing management units should be generally apprised of actual and potential



marketing intelligence available to them. From this general listing, each management unit must decide (or have decided for it by superiors) what types of consumer complaint and other marketing intelligence may be useful to the unit in the solution of recurring problems. Specifications regarding the intelligence which units wish to receive on a regular basis should then be sent to customer relations. The initiative for the program may be exercised by a centralized intelligence department, customer relations, or a marketing management unit which regards complaint intelligence as very desirable. Also, a management unit with a nonrecurring or specific market-related problem may request on a special basis consumer complaint marketing intelligence bearing on the problem situation.

Management units which may typically be expected to use complaint intelligence are suggested by the examples in Figures 13 and 14 of the case findings summary. The examples in Figure 14 and the areas of use in Table 3 of the same section suggest purposes for which complaint intelligence might be used by other manufacturers.

Though titles vary from company to company, noticeable among the users are product planning, quality control, service, and customer relations departments and committees. Product management, which includes the planning, design, change, development, improvement, and/or quality control of the physical product, was the area of use in



e cases which accounted for nearly two-thirds of the examples. This area of use is recommended as worthy investigation by other manufacturers.

Recommendations for Reducing Noise in the Consumer Complaint Marketing Intelligence Message

Slight alteration makes the following detailed recommendations about message fidelity of consumer complaint marketing intelligence applicable to many businesses. Some of the ideas used here have been mentioned in the first chapter under a subheading on noise. Recommendations regarding representativeness and significance are made here. Investigation for validity has already been recommended.

Representativeness

Representativeness refers to the inclusion within a sample of all the important kinds of units which are included in the population from which the sample was drawn. If the complaint messages as a group are considered as a sample, of what population is such a sample representative? Manufacturers have assumed that the population is dissatisfied consumers. Such a general assumption may be sufficient for many uses and users of complaint intelligence. For example, if complaint intelligence is used to point out problems which may be worthy of further investigation, the representativeness question is not too important. However, information about the



representativeness (and proportionality) of the sample is sometimes desired.

The use of an experimental design is recommended as a means for determining representativeness. Performing such an experiment once or at infrequent intervals on a sample basis could serve as an adequate guide to representativeness. The objective of such an experiment would be to determine the population of which complaining consumers taken as a sample would be representative (and proportional).

To determine the population of which complaining consumers are representative, the similarities and differences would be compared between (a) a control group composed of consumers who had complained and (b) an experimental group (the hypothesized population or a sample known to be representative of it). Hypothesized populations might be (a) consumers in general, (b) known consumers of the product as evidenced by warranty registration cards, or (c) some other group. Important kinds of factors which should be similarly included in both experimental and control groups are such factors as geographic location, age, income, sex, occupation, education, etc.

Professional marketing research consultation may be necessary in conducting such an experiment; however, a relatively simple experimental design such as "after only a control group", should suffice.⁵

⁵Harper W. Boyd and Ralph Westfall, Marketing Research Newwood, Illinois: Richard D. Irwin, Inc., 1964) p. 109.

Significance

roduction

Significance refers to the importance or meaning given to a complaint or complaints. The significance of a single complaint, factors affecting the rate of complaints, and related topics were discussed in the first chapter. The following recommended company practices involve specific quantitative measures of the significance of consumer complaint marketing intelligence.

Definitions of Terms Used

For convenience, several terms used throughout the remainder of this section are defined in this subsection. In general, calculations involving these terms can be made for the entire firm or for a part such as a territory or product.

Consumer complaints is the total number of consumer complaints (as previously defined) received by a manufacturer in a given time period.⁶

Sales (in units) is the total number of units of product sold to consumers in a given time period. This figure may necessarily be an estimate.

Production (in units) is the total number of units

⁶This study has been primarily concerned with manufacturers whose products are ultimately sold to the consumer level; however, the present analysis could also be extended for manufacturers and others serving other markets.



product produced in a given time period.

Serious defects is the number of products in a given time period that would be considered defective by factory inspection whether or not such inspection actually took place.

The sale-to-complaint time delay factor is the normal time lapse from the sale of the product to the consumer to the receipt of the complaint by the manufacturer.

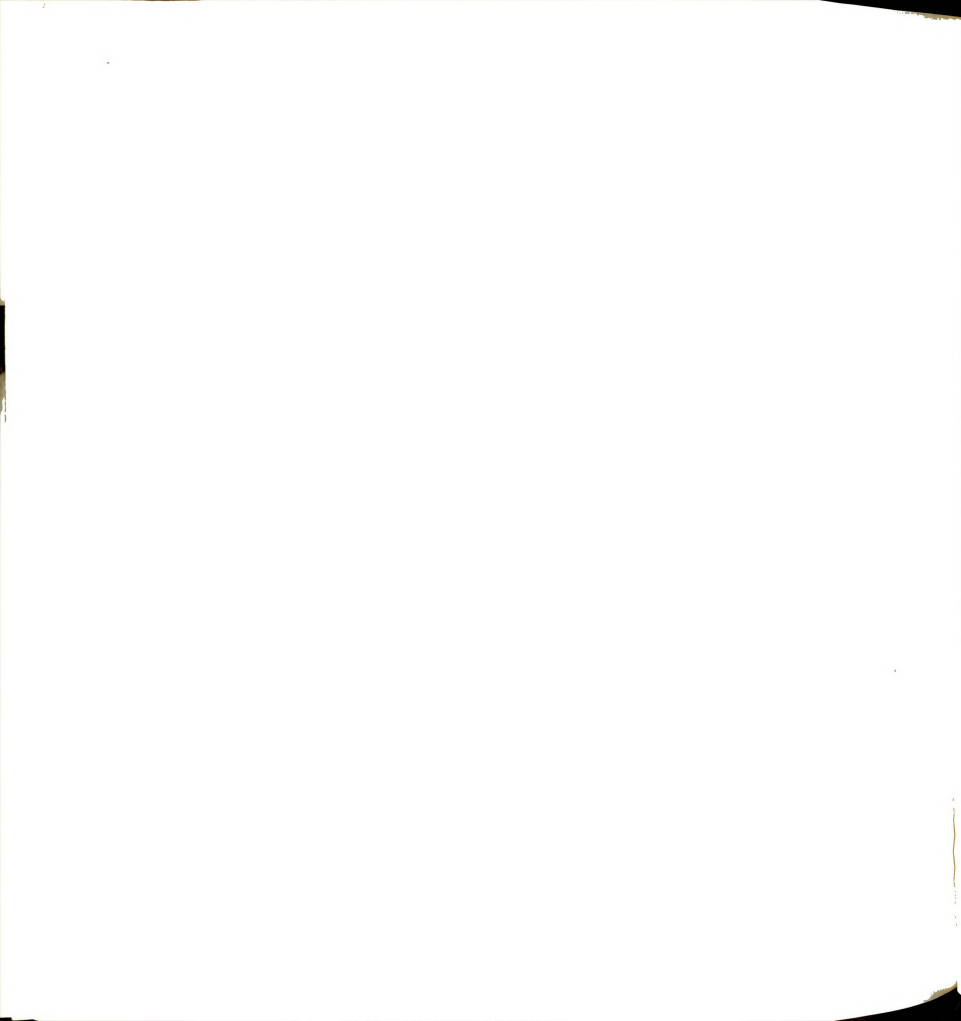
The production-to-sale time delay factor is the normal time lapse from production of the product to sale of the product to the consumer.

The total time delay factor is the sum of the production-to-sale and sale-to-complaint time delay factors.

Units in use by consumers is the estimated total number of units of the product currently in use by consumers, regardless of when produced or sold.

The propensity to complain is a measure of the likelihood that an unsatisfactory sale will result in a complaint. For example, a propensity to complain of twenty-five per cent means that on the average one of every four dissatisfied consumers will complain. It is the ratio of consumer complaints to unsatisfactory sales.

Satisfactory sales (in units) is sales about which consumers are satisfied.



Unsatisfactory sales (in units) is sales about which consumers are dissatisfied regardless of whether or a complaint is received.

If the above definitions are not satisfactory or compatible with present company usage, the individual company should construct and publish its own list of terms and definitions on the subject. By qualification and combination, the above terms can be used to construct ratios, indexes, and relationships as the ratios of consumer complaints to sales, serious defects, production, items in use by consumers, and others described in the following sections.

of the Statistical Control Method

The following description of this method borrows freely from separate articles by Mac Crehan and Namias.⁷ The so-called statistical control method is a general technique which may be applied in analyzing complaints of any product. Namias says:

It may also be useful in testing physical materials for quality, production rates, accidents, personnel turnover, demerit rating, and in fact in most situations where a decision must be made on whether to attempt to take corrective action on causes of greater than expected variation.⁸

⁷Wm. A. Mac Crehan, "Watch Your Customer Complaints," American Machinist, XCIII (June 30, 1949), 10 and Jean Namias, "A Method to Detect Specific Causes of Consumer Complaints," Journal of Marketing Research, I (August, 1964), 63-68.

⁸Jean Namias, "A Method to Detect Specific Causes

The purpose of the technique is to show when the observed variation in the rate of consumer complaints may be assigned to a specific cause and when it may arise from chance or common causes. The identification and removal of a specific cause is simpler.

To avoid additional calculations, the Namias example of how the technique was employed by a manufacturer of several brands of soft drinks is summarized below.⁹ The chart and the table from which it is derived, Figure 4 and Table 5, were established by the following steps and computations:

The average rate of complaint p for all brands is $p = r/n$ where r is the total number of complaints and n is the total number of units sold; then $186/71,758 = 25.9$ complaints per 10,000 units (= rate).

The rate of complaint for each brand, p_i , is then computed (see column 4 in Table 5). The rate for brand 1 is $p_1 = r_1/n_1$. For example, for brand no. 1, $p_1 = 19/2,529 = 19.77$ complaints per 10,000 units sold.

r_i the "expected" number of complaints for each brand is shown in column 5. This is the number of complaints for Brand i that one would expect on the average, if the rate of complaint $p = 25.9$ per 10,000 units would apply to each brand. The "expected" number

Consumer Complaints," Journal of Marketing Research, I (August, 1964), 63-64.

Ibid., pp. 64-66.

of complaints for brand $i = pn_i$. Hence for brand no.

1, $pn_1 = 25.9 \times 2,529 = 6.55$ per 10,000 units.

The upper and lower 2-sigma limits are computed for

the number of complaints, r_i (columns 6, 7), from

$$\sqrt{Er_i} \pm 1)^2.$$

$$\begin{aligned} \text{For brand no. 1, } r_U &= (\sqrt{6.55} + 1)^2 \\ &= (2.56 + 1)^2 = \\ &12.67 \text{ (upper limit)} \end{aligned}$$

$$\begin{aligned} r_L &= (\sqrt{6.55} - 1)^2 \\ &= (2.56 - 1)^2 = \\ &2.43 \text{ (lower limit).} \end{aligned}$$

The upper and lower 2-sigma limits are computed for

the rate of complaint, p_i (columns 8, 9) from

$$\frac{\sqrt{Er_i} \pm 1)^2}{n_i}.$$

limits are plotted on Figure 15 above each brand

number. (They can be connected by vertical lines.)

$$\begin{aligned} \text{For brand no. 1, } p_U &= \frac{12.67}{2,529} \\ &= 50.10 \text{ complaints per} \\ &10,000 \text{ units (upper} \\ &\text{limit)} \end{aligned}$$

$$\begin{aligned} p_L &= \frac{2.43}{2,529} \\ &= 9.61 \text{ complaints per} \\ &10,000 \text{ units (lower} \\ &\text{limit).} \end{aligned}$$

These limits provide a criterion for action.



the points p_i are plotted on Figure 15 in the order of brand number (column 4). The plotted points will show variation in the rates of complaint from one brand to another. These variations may or may not indicate that specific causes are at work. Their relation to the computed limits answers this question.¹⁰

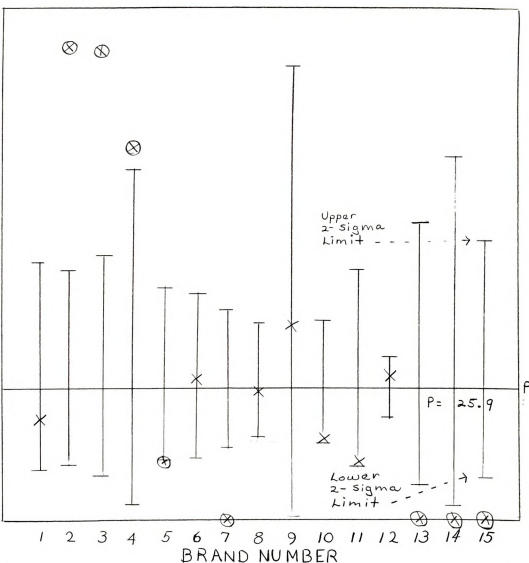
The action limits shown in the figure are based on sigma which corresponds to a level of significance of .05 (roughly 5 percent). Namias favors the 2-sigma limits over 3-sigma limits because experience shows that it is economical to err occasionally in looking for specific causes of difference when they do not exist in order to fail only rarely to discover causes when they do exist.¹¹ When the lower limit as computed turns out to be negative, it is put at zero, since a negative limit is impossible.

The points for brands 2, 3, 4, 5, 7, 13, 14, and 15 are outside the action limits. Complaint rates for brands 2, 3, and 4 are significantly high and for brands 5, 7, 13, 14, and 15 are significantly low. Immediate investigation should be undertaken to determine the specific causes of variability of the above points. In the case of brand 2, for example, the search for specific causes revealed a need for worker training to correct the problems on

¹⁰Ibid., pp. 65-66.

¹¹Ibid., p. 64.

- 15.--Action-limits for determining brands with rates significantly different from all brands¹²



⊗ Points outside limits indicate existence of special causes of difference

¹²Ibid., p. 64.

TABLE 5.--Computation of action-limits

(1)	(2)	(3)	(4)	(5)
Brand number	Number of units sold	Number of com- plaints	Rate of complaint (per 10,000 units)	Expected number of complaints
	n_i	r_i	$p_i = r_i/n_i$	$Er_i = pn_i$
1	2,529	5	19.77	6.55
2	2,792	26	93.12	7.24
3	2,166	20	92.34	5.61
4	955	7	73.30	2.48
5	3,566	4	11.22	9.24
6	3,914	11	28.10	10.15
7	5,886	0	0	15.26
8	8,547	22	25.74	22.15
9	528	2	37.88	1.37
10	7,115	11	15.46	18.44
11	2,731	3	10.99	7.08
12	26,627	75	28.17	69.02
13	1,612	0	0	4.18
14	885	0	0	2.29
15	1,905	0	0	4.94
Total	$n = 71,758$	$r = 186$	$p = 25.9$ $Er = pn = 186.00$	

$p = r/n = 186/71,758 = 25.9$ complaints per 10,000 units sold (= rate).

TABLE 5.--Continued¹³

(6)	(7)	(8)	(9)	(10)	(11)
Limits for r_i		Limits for p_i		Points outside limits	
$(\sqrt{Er_i+1})^2$	$(\sqrt{Er_i-1})^2$	$\frac{(\sqrt{Er_i+1})^2}{n_i}$	$\frac{(\sqrt{Er_i-1})^2}{n_i}$		
r_U	r_L	p_U	p_L	high	low
12.67	2.43	50.10	9.61		
13.62	2.86	48.78	10.24	x	
11.36	1.88	52.45	8.68	x	
6.60	0.33	69.11	3.46	x	
16.32	4.16	45.77	11.67		x
17.56	4.80	44.86	12.26		
24.11	8.47	40.96	14.39		x
32.60	13.76	38.14	16.10		
4.71	0.03	89.20	0.57		
27.98	10.82	39.33	15.21		
13.40	2.76	49.07	10.11		
86.68	53.44	32.55	20.07		
9.24	1.08	57.32	6.70		x
6.30	0.26	71.19	2.94		x
10.37	1.49	54.44	7.82		x
				3	5

brands 2, 3, and 4. An investigation was also conducted into the causes of significantly low rates of complaint in order to determine if the low rates were caused by real reasons or by laxity in reporting or clerical error.¹⁴

Continued use of the technique by computing adjusted action limits about an adjusted central line will enable management to evaluate its performance. The adjusted

¹³Ibid., p. 65

¹⁴Ibid.

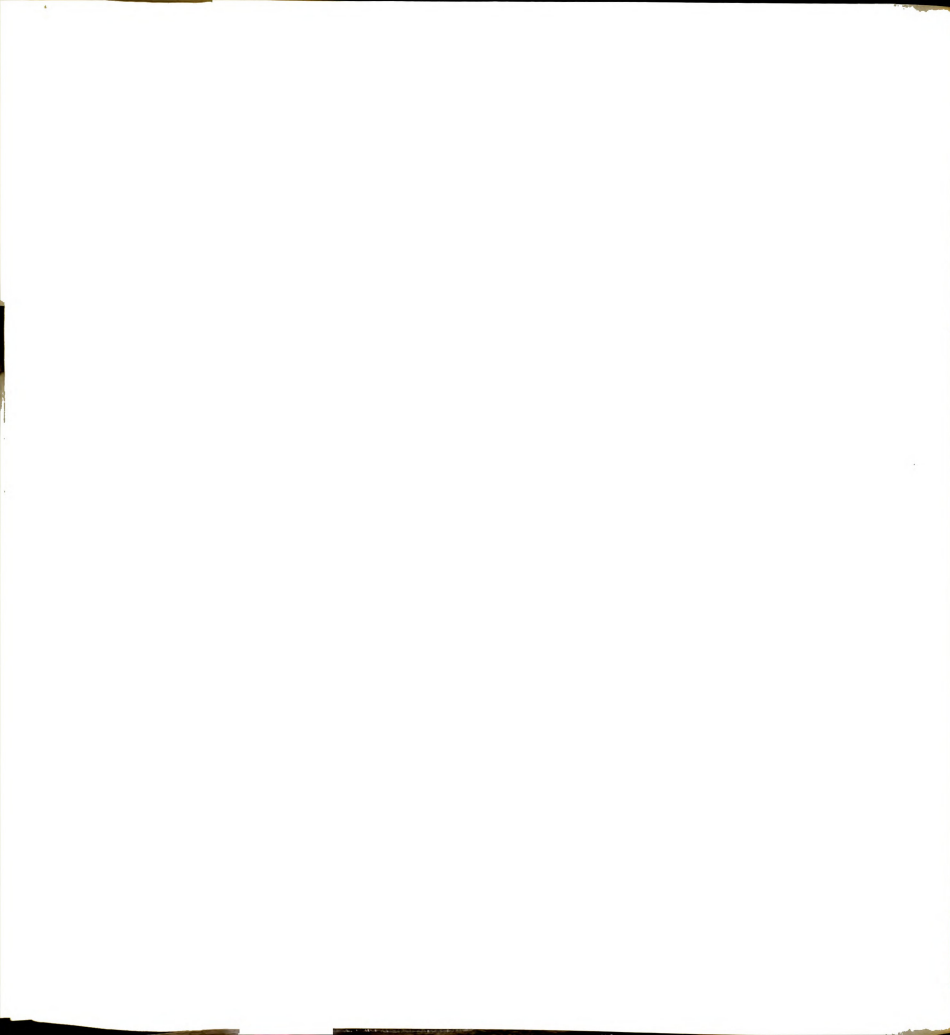


chart is calculated in the same manner as the first except that the data for the corrected situations (2, 3, and 4) are excluded from the calculations. The adjusted central line may be used as an assumed standard value of p for constructing the chart for the next period. This standard value may be revised again as new information is provided.¹⁵

The above example compares complaint rates using brand as the basis. However, this same technique can and probably should be used for analyzing complaints on such bases as model, wholesale territories, and other previously mentioned bases of classification.

The Time Delay Factor in Relating
Complaint Intelligence to
Certain Other Data

For certain uses of consumer complaint marketing intelligence the time delay factor becomes important. For example, if quality control records are kept according to production dates, complaint data about in-use performance should be related to the proper production date for comparison. Or, if a change(s) in the design of the product was made, complaint intelligence would be misleading unless management knew whether the product complained about was produced before or after the change. The actual time delay factor may be sought for each

¹⁵Ibid., p. 67.



individual complaint situation or it may be estimated by applying an average or normal delay factor. The use of the average method will be satisfactory for many users, particularly if the average is recalculated every six months or so.

For individual use or for use in establishing the average, important dates can be identified by various means. Date of production is often identifiable by date stamp or serial number. Date of sale to consumer can often be established on a retail store sampling basis or by use of purchase warranty registration cards. The original date of receipt of complaint should be recorded by customer relations. Thus, the production-to-sale, sale-to-complaint, and total time delay factor can be calculated as desired. The following example shows one averaging method for assigning complaints to the month in which the unit was produced. The example uses an eight month weighted average. Individual company experience may indicate some slight changes.

Another type of calculation over time should be mentioned. This is the cumulative complaint rate over time. Comparison of cumulative complaint rates since a common date such as date of first production may be helpful in evaluating the merits of a new design, marketing program, etc. over that which it replaced.

Fig. 16.--How to assign complaints to month in which unit was produced¹⁶

COMPLAINT TIME ANALYSIS SHEET									
Elapsed Time: Months	Number of Complaints 5 10 15 20 25						A Total Complaints	B Cell Value	A x B Totals
1									
2	//						2	2	4
3	///						3	3	9
4	////						5	4	20
5	////	////	////	/			16	5	80
6	/////						4	6	24
7	/						1	7	7
8	/						1	8	8
9									
Computation: $\frac{\sum fx}{n} = \frac{152}{32} = 4.75$ Average Delay Factor $n = 32$ $\sum fx = 152$									

Time lag between receipt of complaint and month in which unsatisfactory equipment was produced is determined from above data. For example, with 4.75 average delay factor, complaints received in May are charged against January production. Procedure is to record all complaints received in given month. Figures for past eight months then form basis for computation. When figures for new month are added, those of oldest month are dropped, and "cell" values from 1 to 8 are assigned consecutively to each month starting with oldest. Column totals are equated as shown to give delay factor.

¹⁶Wm. A. Mac Crehan, "Watch Your Customer Complaints," American Machinist, XCIII (June 30, 1949), 68.

Other Measures of Complaint Significance

In the Namias example, the ratio of consumer complaints to sales was used in a statistical manner to measure complaint significance. This ratio and other measures may be used in either statistical or nonstatistical ways to measure complaint significance. Some such measures which may warrant popular usage are described here.

The consumer complaints to sales ratio is one of the most popular performance measures used. It is easily calculated and easily understood. However, if used as an indicator of consumer dissatisfaction it could be misleading in some situations. For example, as was pointed out in the first chapter, the propensity of consumers to complain varies. Price of the product is the chief cause of variation. Therefore, complaints to sales ratios of differently priced products cannot be compared directly.

The consumer complaints to serious defects ratio can be used as an indicator of the propensity to complain. Percentages resulting from this calculation were given in the first chapter. Also, through experimentation the quality control and customer relations departments of the individual company may calculate the propensity to complain for various products. Caution should be used in such calculations to insure that only quality complaints (not all complaints) are compared to serious defects.

The consumer complaints to sales ratio divided by the propensity to complain may be used as an indicator of the rate of unsatisfactory sales. For example, if there are five complaints on sales of one thousand units and the propensity to complain is twenty-five per cent, the rate of unsatisfactory sales is two per cent. ($5/1,000 \div 25/100 = 2/100$). The rate of satisfactory sales is one hundred per cent minus the rate of unsatisfactory sales.

Although the above relationships do not themselves explain anything, they do enable management to arrange the figures in useful ways. A rate of unsatisfactory or satisfactory sales, even though calculated by an estimated propensity to complain, can sometimes be quite useful. Other measures, such as the consumer complaints to production ratio (which is the same as the consumer complaints to sales ratio adjusted for time), or the consumer complaints to units in use by consumers ratio, could also be calculated if desired. Calculations involving units in use would be meaningful for products with a considerable length of useful life, especially if the complaint pattern was dispersed over time.

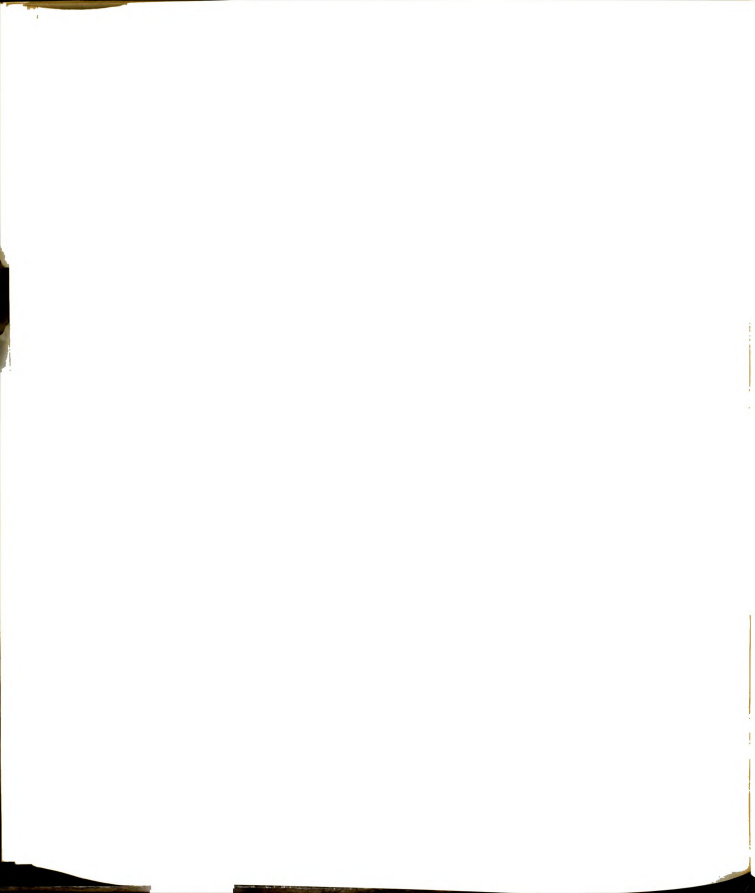
The Desired Rate of Satisfactory Sales

Consumer goods manufacturers should receive some consumer complaints. How many? Too few complaints may indicate that the manufacturer is incurring costs to provide a level of satisfaction above that desired by the

market which it serves. Too many complaints involve needless costs of complaint handling and warranty service. Also to be considered is the cost of replacing dissatisfied customers through advertising and other sales efforts.

Although it is generally considered a desirable improvement over past performance to reduce consumer complaints, this is not necessarily always true. Introducing specific changes to remedy common, rather than specific, causes of complaint may create more variability by injecting trouble where none previously existed. On the other hand, time and money are wasted through failure to recognize specific conditions. It is therefore economical to look for a specific cause when there is more variability than is expected on the basis of chance (common cause) alone.¹⁷ By eliminating specific causes, the rate of complaints can be reduced; however, since all common causes are ultimately specific if the analysis is carried to the extreme on enough different bases, management must determine the desired rate of satisfactory sales by executive judgment as well as statistics.

¹⁷Namias, p. 63.



Shortcomings of Complaints As a Guide to Consumer Satisfaction

Marketing intelligence from consumer complaints does not present a complete picture of consumer satisfaction or dissatisfaction. In addition, the complaint rate may be a biased indicator. Some firms say the rate is naturally higher in some geographic areas. The rate is said to increase whenever company executives give speeches or engage in other publicity activities. Increased company identification can make it easier for the consumer to complain. Other biasing factors were mentioned in the first chapter. For the most part, such biases are not major. Bias of some sort is inherent in any marketing research technique.

Recommended Feedback

Two feedback loops, an altered offering to the market and a response loop to the customer relations department, should originate with marketing management receivers of complaint intelligence. Feedback to the market is the result of actual use of complaint intelligence in the company's marketing programs. Such use should be planned for and included as a regular part of company marketing programs such as the product development program, training programs, channel of distribution evaluation programs, etc. The feedback to the customer relations department should also be provided for to serve as a control for getting the right marketing intelligence

to the proper persons. In practical terms, such feedback could be accomplished by periodic review of the consumer complaint marketing intelligence program.

CHAPTER V

CONCLUSIONS OF THE STUDY

Basic Conclusion of the Study

The basic conclusion and the major contribution is: the study supplies sufficient empirical evidence to support the hypotheses that unsolicited consumer complaints (a) potentially and (b) actually provide a source of marketing intelligence for marketing management. The case study examples of use of consumer complaint marketing intelligence are the evidence. The recommendations offered in this study as to company practices, based upon both published and case study materials, lend additional support to the thesis by illustrating ways in which companies may better utilize this intelligence source.

The marketing ends or purposes for which complaint intelligence was used in the case study examples are shown in Figure 14 and Table 3 in the summary of findings section. Figure 13 of the same section lists the users. The most frequent use for consumer complaint marketing intelligence for all case study companies combined is product management. For this and other areas of use mentioned in Table 3, the way in which complaint intelligence is often used is to point out a problem situation

which requires further investigation by other means. For example, Company D programed complaint intelligence as a regular part of the drawing of customer specifications and taking corrective action in the product development cycle. In other words, complaint intelligence is used to make management aware of the existence and severity of the problem. Complaint intelligence may sometimes suggest a solution; however, its primary contribution is to point out a problem and indicate what the cause may be. An entire chain of decisions resulting in product change or development usually involves additional forms of marketing intelligence. This is so because such positive marketing decisions must be based upon more than the negative information from complaints.

Although differences do appear to exist among the case study companies in the extent to which each uses complaint intelligence, two areas of use are common to most companies. These are the physical product management area mentioned above and the area of channel of distribution evaluation and control. An overall impression, based upon different company needs because of such differences as company size and product line breadth, and based upon more than simply the number of uses cited in each case study, leads to the conclusion that the marketing management concept of complaint intelligence does prevail, but to varying degrees, in the case study



companies. The programs of Company A and Company E illustrate this approach to a high degree in both comprehensiveness and results obtained. Company D, Company B, Company G, and possibly Company F (in descending order) also exhibit the marketing management approach, but to somewhat lesser degrees. Company C and Company H appeared to be relatively less concerned with complaints as a source of marketing intelligence. However, the above statements are judgments, and it should be remembered that programs of all case study companies displayed merit.

Consumer complaints are potentially and actually an effective marketing information feedback mechanism from the market to the marketing management of the manufacturers.

Other Related Conclusions

The following conclusions and generalizations relate to the hypotheses in some way or at least relate to the theoretical aspects of consumer complaint marketing intelligence described in the first chapter. Many of these conclusions and generalizations are tentative in that the supporting evidence is neither complete nor conclusive.

Relation of Complaint Intelligence to Other Marketing Intelligence

Consumer complaint marketing intelligence is frequently used in combination with intelligence from other

sources. In the summary of findings it was reported that (a) the case study manufacturers all solicited consumer satisfaction information, although (b) some narrow-line companies were less active, and (c) a few methods of soliciting such information are popular among most of the companies. Some firms such as Company A and Company D were judged to rank relatively high in both (a) methods used to solicit consumer satisfaction information and in (b) their programs of securing intelligence from unsolicited consumer complaints. Other firms ranked relatively low in both. However, the case studies indicate frequent exceptions to a pattern in which companies rank either high or low in both solicited and unsolicited programs. Therefore, it cannot be concluded that firms having good solicited programs tend to also have good unsolicited consumer complaint marketing intelligence programs, and vice versa. This may partially be explained by the organizational separation of these two intelligence gathering functions. Even so, the nature of complaint intelligence, as indicated by the advantages and disadvantages cited in the summary of findings, indicates that complaint and other forms of marketing intelligence about consumer satisfaction tend to reinforce each other.

Organization Structure and Definition of Objective

Company organization structure and definition of objective regarding consumer complaints appear to influence

marketing intelligence results obtained from complaints.

Organization structure and channels of communication affect the end uses of consumer complaint marketing intelligence in so far as information which is unavailable to certain parts of the company cannot be used by those parts to define and/or solve problems. For example, restrictive communications policies as reported in the Company B case probably tended to restrict the usage of complaint intelligence.

The advance, and preferably written, definition of objective tends to enhance results obtained. Specifically, the definition of the production of marketing intelligence as an objective of handling unsolicited consumer complaints tends to improve results. The further definition of specific ends or purposes for which complaint intelligence is to be used is also advocated to improve results. In other words, a management subunit tends to consider as problematic and worthy of its effort only those things which have by definition of its management task been assigned as problematic to it. Therefore, results are improved by defining the task of the customer relations subunit to include the production of complaint intelligence for purposes specified by marketing management receivers of such intelligence. Company D and Company E are examples of companies which provide such definition. Company C and Company H, undoubtedly due in part

to their philosophies regarding the value of complaint intelligence, are examples of companies which largely neglected such definition.

Generalizations About Consumer Complaint Marketing Intelligence As an Information System

Complaint intelligence is sometimes unique in that such information is unavailable from other sources. It reflects actual, in-use experience with the product or service.

Reported company experience shows (a) the significance of consumer complaint marketing intelligence can be measured, (b) when necessary, the representativeness of complaint intelligence can be estimated by experiment, and (c) the justifiability of complaints and the validity of complaint intelligence can be determined by investigation.

Neither the costs of consumer complaint marketing intelligence nor the optimum program were determined. However, certain cost-creating activities are common to both public relations and marketing intelligence purposes. A sound public relations program for the handling of complaints can facilitate the program for consumer complaint marketing intelligence and a weak public relations program can limit the intelligence capabilities from the complaint source.

Relatively comprehensive complaint intelligence programs exist among both the larger, broad-line and the

smaller, narrow-line case study companies. Generally, the programs of the former do exhibit a higher degree of handling mechanization, follow up and closing control, and tabulation and analysis. These more elaborate systems may be more necessary and more fruitful for larger firms. However, the case studies indicate that some minimum degree of mechanization, follow up and closing, and tabulation and analysis is necessary for obtaining effective consumer complaint marketing intelligence results. This minimum, commensurate with the needs of the individual company, is influenced by company size and breadth of line. Higher degrees of mechanization, follow up and closing, and tabulation and analysis at least provide increased capability for the complaint intelligence program. Given sufficient capabilities for company needs, favorable management attitude toward the use of complaint intelligence is likely to be a major determinant of the effectiveness of the complaint intelligence program.

Current Literature and Practice

Current literature on the topic of consumer complaints, mentioned in the first chapter, suggests the importance of the public relations aspects of consumer complaints to manufacturers. Although such a conclusion is incidental to the present study, the case study companies, in so far as they are representative of the major

household appliance industry or of manufacturers of consumer durables in general, do provide evidence of doing a good public relations job in the area of consumer complaints.

The present study shows that the case study companies use complaint intelligence as an effective feedback mechanism from the market to marketing management. Further study is necessary to confirm the belief that the same is true of the industry in general, of other manufacturers of consumer durables, and of other manufacturers and marketers.

Increased Use of Complaint Intelligence

In the future, some increase in the use of consumer complaint marketing intelligence by manufacturers and other marketers can be expected because (a) more is known and is being learned about how to use this source, (b) increased competitive pressures will necessitate a greater need for information feedback from the market, (c) the total use of marketing intelligence will increase and the consumer complaint form will share in this increase, and (d) more knowledgeable consumers will have a greater propensity to complain and this will tend to increase the relative value of this source by increasing both the quantity and message fidelity of consumer complaint marketing intelligence.

Recommendations for Further Research

It has been said that the work of research is never finished; ie., the findings and conclusions of one study create new problems and raise new questions.

Although practical limits exist as to the advisability of attempting to secure certain facts about a subject such as unsolicited consumer complaints, the present pioneering study does suggest that more could be learned about (a) how widespread are the consumer complaint public relations and marketing intelligence practices described in the case studies; (b) the dissatisfied consumer, studied from the viewpoints of marketing and other disciplines; and (c) the entire field of marketing intelligence, particularly from unsolicited sources. In addition to these general suggestions, some of the minor conclusions of this chapter may suggest areas where further research would be beneficial.

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APPENDIX A

Introductory Letter

(Company name) is of interest to me in connection with my doctoral dissertation in business administration. I am currently on leave from the marketing faculty of Xavier University and I am completing work on a doctoral degree at Michigan State University.

The subject of my dissertation is Consumer Complaints As A Source Of Marketing Information To Manufacturers Of Major Household Appliances.

The core of this dissertation involves a small number of intensive case study projects. I am soliciting your cooperation to enable me to prepare the (company name) case study.

What I would like to do is spend a day or two in (city name) at the earliest convenience of (company name) to investigate firsthand:

- A. How complaints are received by (company name).
- B. What routines and procedures have been established by (company name) to handle consumer complaints.
- C. What statistical analyses, if any, are made of unsolicited consumer complaints.
- D. What positive actions are taken by (company name) to solicit complaint information from consumers.
- E. What broad kinds of information are obtained.
- F. What marketing or other purposes are served by this information.

This data will be compiled into a case study and submitted for your approval before further use.

I am not familiar with the organization structure of (company name); however, those executives with whom I would like to speak are those whose areas of responsibility do in any way involve them with consumer complaints.

I would appreciate a chance to talk with these men in the very near future. For your convenience I have enclosed a stamped, self-addressed envelope and a carbon copy of this letter on which you may indicate when I may visit your company. If you wish to telephone me, my number is Area Code 517 355-2954.

Day(s) convenient for my visit _____
Time of appointment _____
Office & person to contact upon arrival _____

I shall be grateful for your assistance in this vital phase of my research.

Very truly yours,

Wm. H. Brannen

APPENDIX B

Interview Guide

SUGGESTED AREAS OF DISCUSSION

1. Sources and receipt of consumer complaints.
2. Handling of consumer complaints.
3. Analyses made of consumer complaint data.
4. Information obtained from consumer complaints.
5. Marketing uses for consumer complaint information.
6. Strengths and weaknesses of consumer complaints as a source of marketing information.
7. Closely-related information which is solicited from consumers.
8. Background data about the company and its marketing operations.
9. Other areas of discussion with interviewee related to consumer complaints.

SOURCES AND RECEIPT OF CONSUMER COMPLAINTS

1. In a rough diagram, show all the routes through which consumer complaints are received.
2. Mail--
 - A. Centralized mail room?
 - B. Who determines distribution of mail not sent to a specific person?
 - C. To whom are complaint letters sent if not addressed to a specific person?
 - D. Is a single office charged with answering all consumer mail?
3. Other--Discuss other sources.



HANDLING OF CONSUMER COMPLAINTS

1. Does the company operating manual outline procedures, etc. for the handling of consumer complaints? (Is a copy available?)
2. May I follow through a few "typical" consumer complaints (actually or on paper) from the receipt of the complaint by the company to the ultimate disposition and final use of the complaint?
3. Name all persons in the organization structure who have any responsibility for the handling of consumer complaints. What are the specific responsibilities of each person?
4. What office procedures, forms, etc. are used in the handling of consumer complaints? (Are copies available?)
5. What are the specific objectives of the company in handling consumer complaints?

ANALYSES MADE OF CONSUMER COMPLAINT DATA

1. What tabulations and analyses of consumer complaint data have been made?
2. How were the data classified and what breakdowns were made of the data?
3. Name all persons to whom the various reports are sent.
4. Are dummy copies of reports available?
5. If no tabulations and analyses of consumer complaint data have been made, may I examine the files for a past period in order to tabulate, categorize, and analyze consumer complaints for the past period?

INFORMATION OBTAINED FROM CONSUMER COMPLAINTS

1. What specific kinds of marketing information (if any) can be obtained from consumer complaints?
2. What marketing information has been gained in the past from consumer complaints? (Give specific examples.)
3. Are consumer complaints valid? How does the company check on validity?

4. Is additional marketing information ever solicited from those persons who make unsolicited consumer complaints? (If so, give examples.)

MARKETING USES FOR CONSUMER COMPLAINT INFORMATION

1. For what specific marketing purposes has (or could) consumer complaint information been used? What are the areas of marketing research application of consumer complaint information? (Give both broad areas and specific examples.)

STRENGTHS AND WEAKNESSES OF CONSUMER COMPLAINTS AS A SOURCE OF MARKETING INFORMATION

1. In your opinion, what is the single, most-important advantage of consumer complaints as a source of marketing information?
2. What are other advantages?
3. What is the single, most-important disadvantage?
4. What are other disadvantages?
5. How do such factors as the time element, quantity of complaints, validity of complaints, etc. affect the usefulness as a source of marketing information?

CLOSELY-RELATED INFORMATION WHICH IS SOLICITED FROM CONSUMERS

1. Describe all solicited (surveys, consumer panels, etc.) information which the company gets from any consumers after the product has been purchased. (Give specific examples.) (Are copies of forms used available?)
2. Are these activities (or the information) combined in any way with unsolicited consumer complaint data?

BACKGROUND DATA ABOUT THE COMPANY AND ITS MARKETING OPERATIONS

1. Channels of distribution.
2. Products (Major household appliances).
3. Company marketing organization structure.



4. Associations, research agencies, sponsors, etc.
5. After-sale service and warranty.
6. Other sources of information which would be helpful for this topic.

OTHER AREAS OF DISCUSSION WITH INTERVIEWEE RELATED TO
CONSUMER COMPLAINTS





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