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Source: Government of Canada

1. Executive Summary

As part of their efforts to decrease the likelihood of consumer problems arising, and to respond effectively when complaints and difficulties do occur, businesses employ a wide range of consumer complaints management (CCM) techniques. In addition to addressing the immediate problems of individual consumers, firms may develop Consumer Complaints Management initiatives in response to competitive pressures, to obtain feedback on how to improve products and services, and to reduce the likelihood of government having to intervene to solve a problem. Consumer Complaints Management initiatives are applied by businesses, and are not required by law. They may be developed by single firms, or created for and applied by many firms.

Who Should Read the Guide

The objective of the Guide is to assist businesses and industry associations contemplating Consumer Complaints Management initiatives, and those that have initiatives in place but wish to consider ways of improving them. It is recognized that readers may already be familiar with various aspects of Consumer Complaints Management, and that some parts of the Guide may be more relevant to some audiences than others.

Organization of the Guide

The Guide first discusses what Consumer Complaints Management initiatives are, the business case for Consumer Complaints Management, examples, and the strengths and weaknesses of Consumer Complaints Management, and then provides suggestions for their effective development and implementation.

Types of Consumer Complaints Management

Consumer complaints management takes many forms, from preventive to internal complaints-handling, external dispute resolution and comprehensive approaches.

Preventive Consumer Complaints Management initiatives help build and maintain relationships by reducing the chances that problems will arise in the first place and lead to complaints. Initiatives include educational activities directed at both consumers and businesses, improvements in the design of products and services, customer service guarantees and policies, and codes that set out service commitments and consequences for failure to meet those commitments.

Internal complaints-handling initiatives are techniques employed within a firm to address problems, complaints and conflicts. Examples include toll-free complaints assistance and in-house customer service representatives, published returns policies, ombudsmen and adherence to complaints-handling standards.

External private dispute resolution techniques are used when complaints cannot be adequately handled within the firm. Although there may be legal implications flowing from the use of such techniques, they operate outside the public court system. Examples include industry association ombudsmen, third-party mediation, arbitration, and private tribunals and councils.

Comprehensive Consumer Complaints Management initiatives combine preventive, internal complaints handling and external dispute resolution elements to provide a graded range of responses.

Consumer Complaints Management Implementation

The Guide sets out an eight-step process for creating and implementing Consumer Complaints Management initiatives, from problem definition through to publication, review and continual improvement. A summary checklist of elements of successful consumer Complaints Management initiatives is included. A number of tips and suggestions are provided, including the following:

- be flexible and adopt an incremental approach
- draw on existing institutional structures
- provide a range of options
- draw on the credibility and expertise of consumer organizations
- hire the right people to do the job
- draw on existing standards, criteria and benchmarks, when available.

Successful Consumer Complaints Management

Research suggests that effective Consumer Complaints Management initiatives are highly visible, transparent, accessible, easy to use and affordable. The initiatives typically have the explicit commitment of employees at all levels of the organization. Successful programs operate quickly, provide a regular flow of information to the people involved, ensure privacy and security, and include incentives for compliance and disincentives for non-compliance. Effective implementation depends on adequate financing, a good communications plan, regular review, consistent, fair treatment, and open and transparent processes.

More Information on Consumer Complaints Management

The Guide is intended as a primer, a stimulus for action. It cannot possibly answer all of the questions that arise in various circumstances. For those interested in exploring Consumer Complaints Management matters in greater depth, a list of useful publications is provided at the end of the Guide.

2. Introduction

It is hard to imagine a customer transaction not vulnerable to problems and complaints, be it buying groceries, connecting to cable service, purchasing a car or having a home repair done. Nor is it hard to see why businesses benefit from making concerted efforts to prevent and respond to customer complaints.

Research shows, in fact, that companies attract and keep customers when they follow customer service standards and policies that prevent problems from arising, and are honest, fair and responsive when things go wrong. Customer complaint management (CCM) encompasses techniques, processes and systems that lessen the chance of customers having problems and allow businesses to respond fairly, efficiently and effectively when complaints arise.

Although many firms and industry sectors already carry out some form of customer complaints management, surveys suggest that many Canadian customers are not satisfied with how businesses respond to customer problems.

The immediate objective of this Guide is to increase awareness among businesses, customer organizations and governments of existing Customer Compliant Management initiatives, and to provide suggestions for developing effective programs. The long-term objective is to improve business practices in the marketplace by providing practical information about responsive Customer Compliant Management initiatives that can serve as benchmarks for effective complaints management. It is clear that individual firms and industry associations are usually in a leadership position in creating good market-based complaints management initiatives. But customer organizations can also take the lead in developing such initiatives and help industry with its work in this area. For governments, effective Customer Compliant Management initiatives increase the likelihood that customer problems will be resolved at the source, allowing governments to concentrate their efforts on “bad actors.”

The Guide discusses Customer Compliant Management initiatives developed by individual firms as well as sector-wide programs, in both the conventional and online marketplaces. Rather than providing a comprehensive digest of Customer Compliant Management initiatives and being a detailed how-to manual, the Guide is designed to be a point of departure.

The first part of the Guide describes various types of Customer Compliant Management initiatives, provides examples of these initiatives, and discusses their strengths, weaknesses and other characteristics, and the conditions in which they are successful. The second part of the Guide outlines eight steps for developing and implementing effective complaints management initiatives. The Guide is the culmination of research and consultation to prepare case studies of existing complaints management initiatives and research papers, as well as a workshop that discussed the findings in these papers. To keep the Guide as concise as possible, only brief references are made to the underlying research.

3. Market-Based Customer Complaint Initiatives

Businesses know that customers expect prompt, courteous attention and accurate information when conducting a transaction. They want the goods and services they buy to be of acceptable quality, and for the merchant to act quickly and appropriately when problems arise.

Customer complaint management (Customer Compliant Management) initiatives are mechanisms, approaches and techniques merchants use to increase customer satisfaction with their products and services. These initiatives attempt to anticipate and prevent problems and complaints from arising, promptly and appropriately address complaints through internal processes, and, when internal complaints-handling processes prove insufficient, resolve disputes fairly, effectively and efficiently through external private dispute resolution approaches. Below, we explore these three aspects of Customer Compliant Management individually, and conclude by noting that some initiatives take a comprehensive approach to Customer Compliant Management. The expenses associated with developing and implementing effective customer complaints management could be considered a cost of maintaining good customer relations.

As described in this Guide, Customer Compliant Management initiatives are:

- voluntary (i.e. not expressly required by law)
- developed and implemented by individual firms or industry associations, governments, or customer or standards organizations
- applicable to a single store or company, several firms or organizations, an entire sector or many sectors

- usually initiated in response to, or anticipation of, customer or competitive pressures, the real or perceived threat of government action, or a combination of these
- operated within a legal framework that includes customer protection, competition and contract law components.

Effectively preventing and resolving complaints can be rewarding for businesses. Research suggests, and the examples in this Guide show, that businesses can promote customer loyalty, enhance their reputation and gather valuable market intelligence by developing and adhering to service standards, policies and guarantees that signal honesty and integrity to customers, and decrease the likelihood of problems occurring.

The Business Case for Customer Compliant Management Initiatives

Research reveals that complaints are one of the most important types of communication customers have with businesses, and constructive responses to complaints can help retain customers who would otherwise take their business elsewhere.

Through the implementation of effective complaints management initiatives, businesses can detect and resolve customer service problems that, until that point, they didn't even know they had.

Customer Loyalty and Effective Complaints Management: The Competitive Edge

In a vibrant marketplace, in which firms match each other on products and services and price, how does one firm gain a competitive advantage? Research suggests that building customer loyalty is key, and that customer complaints management is an effective way to do so.

Customers show their loyalty by repeatedly shopping at a store and recommending a store, product or service to friends and relatives. A recent Canadian survey found that, depending on the retail category, between 40 and 70 percent of customers could name a company to which they consider themselves loyal. One of the best ways of building customer loyalty, the survey suggested, is to build a long-term relationship of trust. Customers consider a favourable return policy to be the number one way for a company to earn their loyalty. Trust is also built when the company shows that it understands its customers' needs, values customers as individuals, delivers on promises, and is responsive and accessible.

Positive staff attitude, shown by honesty, helpfulness and cheerfulness, also plays a large role in building a trust relationship. In contrast, being rude to customers, acting as if it didn't matter whether or not customers were there, or ignoring customers leads to customer desertion.

Consequences to Business of Dissatisfied Customers

The results of a U.S. survey showed that unhappy customers, even when they don't complain, have a negative effect on a business.

- About half the time, customers who have a problem with a product or service are not likely to tell the company about it.
- Nine out of ten of these "silent critics" will probably take their future business to a competitor.
- One out of every two customers who complain are not thoroughly satisfied with the company's efforts to solve the problem.
- Dissatisfied customers typically tell between seven to nine other people about an unsatisfactory experience with a company.

- Negative information has twice the impact of positive information on purchasing decisions.
- Word-of-mouth is one of the most important factors influencing a customer's decision to buy from a company.

4. Preventive Customer Complaint Handling Initiatives

Preventive Customer Complaint Management initiatives help organizations build and maintain relationships, diminishing the likelihood that problems will arise and develop into complaints. These initiatives include educational activities directed at both customers and businesses, customer service policies, guarantees, refund and exchange policies, benchmarks, internal audits and codes that set out service level commitments, and consequences for not meeting them.

Preventive initiatives are the “front end” of comprehensive Customer Complaint Management systems. Effective preventive Customer Complaint Management initiatives are well publicized, adequately funded, consistently applied and well monitored. Because preventive Customer Complaint Management initiatives can take the form of voluntary codes, we urge readers to review the publication *Voluntary Codes: A Guide for Their Development and Use*, available from Industry Canada's Office of Customer Affairs and on the Web (<http://strategis.ic.gc.ca/volcodes>).

Examples of Preventive Customer Complaint Management Initiatives at Individual Businesses

A pizza chain widely advertises that when its pizzas do not arrive within a certain time the pizza is free. By establishing an up-front policy about delivery and offering clear compensation for when the commitment is not met, customers have an assured outcome (either pizza on time or free pizza). Customers know in advance what to expect so complaints are minimal, and the “on time or free” policy becomes an important competitive advantage.

A major Canadian discount retailer has a service guarantee policy concerning the accuracy of its checkout scanners. When there is a discrepancy between the price of a product at the checkout and the advertised price or the price on the shelves, the customer gets the product free when it is valued at up to \$10 or a \$10 discount when it is worth more than \$10. As with the pizza delivery policy described above, the price accuracy policy gives customers an assured positive outcome. When fully enforced and publicized, the policy creates a strong stimulus for the business to ensure that prices are accurate and thus avoid giving away free products. It also creates a strong incentive for customers to review their receipts. The policy demonstrates that the retailer is honest and has integrity, and is an important factor in a customer's decision to continue to shop at a particular store.

Examples of Industry-wide Preventive Customer Complaint Management Initiatives

Advertising Standards Canada (ASC) has a pre-clearance service for advertisements. Firms submit advertisements for review by a panel of experts prior to use in the marketplace. This process greatly decreases the likelihood of complaints about an ad. ASC also develops standards for the advertising industry and the public, publishes information about its activities, and provides advice to firms and the public. Taken together, these efforts enhance understanding by all parties of the issues surrounding advertising before problems occur.

The Cable Television Standards Council administers customer service standards on issues such as confidentiality and security of customer information, as well as cable television

service commencement, continuation and termination. The Council regularly conducts on-site visits with members to ensure ongoing compliance with the standards. Public and industry knowledge of the standards decreases suspicions that individual customers or member companies are being treated arbitrarily and unfairly, and adherence to the standards diminishes the likelihood that complaints will arise. The customer service standards were developed by the Canadian Cable Television Association with input from industry, government and customers.

Under the Alberta New Home Warranty Program, participating builders are certified to ensure that they are competent in the trade and financially solvent. The program also provides customer education publications and seminars, as well as builder education courses. Through the up-front certification program, and related education initiatives, there is greater assurance of quality workmanship and a decreased likelihood of customer problems arising.

5. Internal Complaint Handling Initiatives

Internal complaints-handling initiatives are processes and measures companies use internally to address customer problems, complaints and conflicts. Examples include complaints assistance through toll-free telephone numbers and in-house customer service representatives, internal ombudsmen and adherence to complaints-handling standards.

Examples of Internal Complaints-handling Initiatives

Many of Canada's banks have internal customer problem resolution processes. A pamphlet, typically provided at bank branches or via the Internet, sets out the basic elements of the process. Usually, the first step is contacting the branch customer service representative, and, if this proves unsatisfactory, the branch manager. Banks frequently offer a toll-free line, fax or mail option so customers can communicate with a specialized customer service representative about their unresolved complaints. For customers who are still not satisfied, most banks have an internal banking ombudsman. There is also an ombudsman for the entire banking industry.

Complaints-handling Standards for Business

Standards Australia, the British Standards Institution and the Argentinian Standards Organization have all developed complaints-handling standards. Standards Australia has also developed a guide to preventing, handling and resolving disputes. The International Organization for Standardization (ISO) is now developing an international standard on complaints handling, with participation from Industry Canada's Office of Customer Affairs. All of these standards initiatives set out benchmarks for the development and implementation of effective complaints-handling initiatives, emphasizing the need for fair, transparent, efficient processes operated by well-trained employees, the importance of adequate financing, and a system for tracking and monitoring complaints.

6. External Private Dispute Resolution Initiatives

External private dispute resolution initiatives operate outside the organization against which the complaint was made, and outside the courts, although there may be legal implications that result from resolving disputes this way. Examples include third-party mediation, arbitration, tribunals, councils and external ombudsmen.

Commonly Used External Dispute Resolution Techniques

Mediation is a process in which disputing parties, with the help of a mediator (a neutral third party), identify the disputed issues, develop options, consider alternatives and try to reach an agreement. The mediator facilitates the process, but does not advise parties, nor impose an outcome.

Arbitration is a process in which disputing parties present arguments and evidence to a neutral arbitrator, who then decides the matter. Generally, arbitration decisions are binding on the parties.

Private tribunals or councils are non-legislated adjudicative bodies usually consisting of more than one individual with special knowledge of the area. The members of the tribunal or council hear arguments and evidence from both parties in a dispute according to pre-determined rules and processes, and then make a decision that may be binding on at least one of the parties.

While mediation, arbitration and tribunals are processes in which the quality and quantity of information available for decision making depends almost exclusively on what the parties provide, the same is not true of processes involving private external ombudsmen. An ombudsman has the power to investigate complaints on behalf of individuals (and thus to collect information in addition to what the parties may have) and to make recommendations. External ombudsmen usually operate at a sectoral level and tend to be used after internal processes (including an internal company ombudsman) have been tried and found unsatisfactory by one party.

Examples of External Dispute Resolution Initiatives

The Canadian Motor Vehicle Arbitration Plan (CAMVAP) is a non-profit corporation with a board of directors including representatives of provincial and territorial governments, customer organizations and the automobile industry. CAMVAP is funded by automobile manufacturers, with fees based on market share and past CAMVAP case performance. CAMVAP arbitrates disputes that customers have been unable to resolve directly with dealers. A customer completes a CAMVAP claim form, and the manufacturer must reply within 10 days. The customer is then given a choice of three arbitrators who come from a variety of backgrounds but are not automobile experts. The customer and dealer must agree to accept the decision of the arbitrator. More than 60 percent of the arbitrators' rulings to date have been in the customer's favour.

In 1988, the Canadian Cable Television Association established the Cable Television Standards Foundation, an arm's length body of the Association, although funded by industry. The Foundation appoints the Cable Television Standards Council, which hears customer complaints that were not resolved with individual cable companies. The Council has three members: one with judicial or quasi-judicial experience, one who is an industry representative, and one who is a customer or public interest representative. The Council's decisions are binding on cable companies, although customers can appeal to the Canadian Radio-television and Telecommunications Commission (CRTC). A company that refuses to comply with a Council decision may be compelled to resign from the Foundation, and thereafter be subject to direct CRTC regulation. Customers bear no costs for complaints handling or adjudication. Between September 1992 and August 31, 2001, the cable television industry received more than 23 000 complaints. Over the entire history of the Council, there have been only 15 Council adjudications, none of which the CRTC overturned.

The Canadian Banking Ombudsman (CBO) is available to customers once they have tried to resolve their complaint through their bank's internal complaints-handling process and ombudsman. The CBO receives written submissions from parties, investigates and then, when appropriate, makes non-binding recommendations to the banks. To date, the banks

have always complied with CBO recommendations. The CBO is required to publicly report any refusal to comply. The CBO is structured as a non-profit corporation, with a majority of its directors being independent of the banks. Participating banks fund the CBO based on market share. There is no cost to the customer who brings the complaint.

Characteristics of Effective Internal Complaints-handling and External Dispute Resolution Initiatives

Internal complaints-handling and external dispute resolution initiatives are distinct approaches usually designed to operate sequentially (i.e. internal complaints-handling techniques are exhausted before trying external approaches). Nevertheless, they share many characteristics, and successful programs frequently have similar attributes.

- The initiative is well publicized through retail outlets, and in advertisements, pamphlets and literature.
- Employees are trained in handling complaints and resolving disputes, and are courteous with customers, good listeners and imaginative problem solvers.
- The process is adequately funded and the appropriate logistical arrangements are in place to make it work.
- Regular review and monitoring take place to ensure that the program works and that continuous improvement occurs.
- It is easy for customers to use the program through toll-free numbers, fax, mail or e-mail.
- The process is free for customers.
- The response is speedy.
- There is continuous communication with customers throughout the process to keep them up to date.
- There are time limits for each stage of the process and these are made known to complaining customers.

For external dispute resolution processes, there are institutional mechanisms, such as an independent board and a non-profit structure, in place so that the independence and neutrality of the redress process is ensured, and seen to be ensured.

7. Comprehensive Complaints Management Systems

Complaints prevention, internal complaints handling and external dispute resolution operate on a continuum. Typically, there is increased attention to formality and rules of procedure the further one proceeds from complaints prevention to external dispute resolution. There is no single "right" approach to Consumer Complaints Management initiatives, as the proper approach depends on the type of product or service in question, the character of the consumers, the distinctive characteristics of the industry sector, the size and sophistication of the merchant, the existence of an effective merchant association, the expense of the Consumer Complaints Management mechanism, and the extent and nature of regulatory oversight. In some cases, a combination of approaches may be adopted. When a firm or sector adopts an approach that integrates all three components, this is considered to be a comprehensive Consumer Complaints Management system.

Examples of Comprehensive Complaints Management Systems

The Cable Television Standards Foundation operates a comprehensive complaints management system with the cooperation of its members. The system includes preventive aspects such as customer service standards, site visits to ensure compliance, a structured

complaints process with time limits for each member company, informal mediation by Cable Television Standards Council staff, formal adjudication by a three-person panel, publication of Council decisions, and a random callback policy to ensure that consumers are satisfied. Members that do not adhere to the standards may have their membership revoked.

The Better Business Bureau (BBB) operates a comprehensive complaints management system in conjunction with and on behalf of its members. Its system includes preventive aspects such as reliability reports and consumer alerts, referral of complaints back to companies for internal complaints handling, and a wide range of external dispute resolution processes. Members may have their membership (and their right to display the BBB logo in their promotional material) revoked when they fail to comply with BBB requirements.

Consumer Complaints Management Initiatives and Electronic Commerce

The increased ability of consumers to use the Internet to search for and purchase goods and services from merchants located anywhere in the world presents many potential advantages to consumers: enhanced convenience, increased access to information about products and services, improved choice and lower prices. This potential can also benefit merchants. In particular, small and medium-sized businesses may be able to substantially expand their markets using electronic commerce, unencumbered by expensive activities associated with building and operating new retail facilities.

However, buying a good or service online differs considerably from buying something at a bricks and mortar establishment. Instead of being able to see, touch and feel what they wish to buy, online consumers are more dependent on technology-based substitutes to decide about the appropriateness of the product or service and the reliability of the merchant. When dealing with online merchants, consumers must pay increased attention to many things:

- product and service characteristics and key safety issues
- delivery and return policies
- what consumer information the merchant gathers, how the merchant uses it and when, and whether it is disclosed to third parties
- safeguards to ensure that consumer information is securely held
- concerns about the security of the transaction
- currency, customs and tax issues
- concerns about whether the products asked for will arrive on time and intact
- techniques for dealing with consumer concerns should problems arise.

In addition, there is the added complication of determining what laws apply to a particular transaction, and how to enforce those laws across multiple jurisdictions. For all of these reasons, consumers have consistently expressed reservations about buying things online.

Businesses, governments, consumer organizations, standards organizations and others are all trying to solve problems associated with online shopping — using preventive approaches, as well as internal complaints handling and external dispute resolution techniques.

Complaints prevention techniques for electronic commerce include using voluntary codes in conjunction with seals or logos (called Trustmark programs) to signal merchant reliability. As part of the codes, merchants make commitments about information disclosure and protection, contract formation, delivery and return policies, and provision of internal complaints-handling and external redress programs. Standalone online redress services may also be part of Trustmark programs.

Trustmark programs may be particularly useful for small and medium sized enterprises with comparatively low consumer profiles that are seeking entry into new consumer markets. More established firms may rely to a greater extent on their pre-existing brand image and reputation, since this may provide sufficient indication of reliability to consumers.

Redress mechanisms associated with Trustmark programs typically include complaints-handling and money-back guarantee services, and third-party mediation and dispute resolution initiatives. When properly designed and administered, Trustmark programs can enhance the effectiveness of consumer redress.

8. 8 Step Model for Developing Complaint Management Initiative

Step One: Define Problem and Gather Information

- What problem is the Consumer Complaints Management initiative intended to address? Is there baseline data pertaining to the needs and concerns of consumers on which to draw? What are the objectives of the Consumer Complaints Management initiative, and does everyone agree with them? Finding common ground on the problems being addressed and the objectives of the initiative is essential to moving ahead with solutions. Industry Canada's Office of Consumer Affairs has developed a diagnostic tool to help companies identify problems with complaints handling.
- What are the options for resolving the problem, and what are the potential costs, drawbacks and benefits of each solution? Industry Canada's Office of Consumer Affairs has developed a diagnostic tool to help businesses identify ways of improving refund and exchange policies. There may be value in looking to the experience of merchants in other sectors and jurisdictions.
- Have all the people and organizations that could be involved or affected by the Consumer Complaints Management initiative been identified, and have their interests or concerns been taken into account? For example, the views of a cross-section of upper management and rank and file officials within affected organizations, representatives of consumer organizations, and government officials should all be taken into consideration. Clearly, the range of identified individuals will depend on the initiative in question. A single pizza delivery company may not need to directly involve anyone outside the organization when developing a "30 minutes or free" delivery policy, but it would be wise to identify and articulate the interests of the drivers (e.g. the delivery policy should not put drivers at risk).

Step Two: Hold Preliminary Discussions With Major Stakeholders

The objective of this stage is to test the tentative conclusions reached in the information-gathering phase and identify partners willing to help develop the Consumer Complaints Management initiative. Looking beyond like-minded industry colleagues to more broadly affected interests such as consumer group representatives and government officials can help to confirm initial perceptions of the initiative or stimulate useful revisions. Informal bilateral sessions may be appropriate in many situations, and focus groups are also useful for testing new ideas.

Step Three: Create a Working Group

Having the right people on the working group is essential. They should be dependable, credible and knowledgeable, represent the diversity of affected stakeholders, and have the necessary time and resources to commit to the project. Frank discussion should take place at the outset about the group's objectives, members' responsibilities, anticipated workloads and outcomes, and the ground rules about how the group will operate (e.g. decision making by consensus, rotating chairs).

Within the organization, an effort should be made to ensure that frontline employees (who will play a major role in implementing the Consumer Complaints Management initiative), managerial staff and key organization leaders are included.

Consumer Complaints Management proponents may wish to explore the feasibility of inviting a government representative to participate in the working group, since relevant government agencies and departments can provide important expertise and advice. Even when they do not agree to participate as working group members, relevant government departments and agencies should be consulted early on in the development of the Consumer Complaints Management initiative.

To ensure that the full range of concerns is heard, it is very useful to invite knowledgeable consumer group representatives to participate in the working group. Consumer groups can provide a wealth of information and valuable perspectives about complaints issues, and their input can give Consumer Complaints Management initiatives additional legitimacy. "[A consumer group] told us things about our own product that we didn't even know," said John Tory, President and CEO of Rogers Cable Inc. This has led Rogers to develop new ideas and services.⁸ Consumer groups and Consumer Complaints Management initiators should work together to maintain the credibility and independence of the participating consumer group. Regular communication with the full consumer group community is also useful. When consumer group representatives are involved, it is strongly recommended that some form of remuneration be offered, such as an honorarium and compensation for travel expenses.

When selecting consumer group representatives, a good fit — both of the group and of the individual within the group — is particularly important. Care must be taken when identifying the right consumer groups and inviting the appropriate representatives within the groups. In this regard, it is recommended that the consumer groups be fully informed of the goals of the Consumer Complaints Management initiative, the development and implementation processes, and the particular roles and responsibilities of the consumer group representative. This ensures mutual understanding, builds trust and sets the groundwork for a good working relationship. Before agreeing to participate, the consumer group representative will likely want to know the following:

- whether all the major players are at the table
- the views of relevant government agencies on the initiative
- the track record of the Consumer Complaints Management proponent for similar initiatives
- whether there is commitment from the organization's leaders
- the openness and accessibility of the decision-making process
- the roles and responsibilities of all working group participants.

Step Four: Prepare Preliminary Draft and Explore Appropriate Structures

In preparing a preliminary draft of the initiative, working group members will likely identify who (people, organizations and new institutional structures) will be responsible for which aspects of implementation. For example, certain employees may perform key new functions, and a new agency or management structure may be created to help with implementation. Several of the Consumer Complaints Management initiatives discussed in Part One of this Guide are housed in separate non-profit bodies dedicated specifically to complaints management or dispute resolution (e.g. the Canadian Banking Ombudsman, Advertising Standards Canada's national and regional consumer response councils, and the Cable Television Standards Council). The advantage of such new structures is greater perceived and real independence from other aspects of the organization's activities. The credibility of complaints handling and dispute resolution decisions is likely to increase when decision makers are seen to be at arm's length from the organization's other activities and officials.

In other situations, ad hoc use of neutral third-party mediators or arbitrators may be sufficient (e.g. as used by the Better Business Bureau). In such situations, there needs to be criteria for assessing the expertise of the third parties. Creation of new structures and use of new parties to help with complaints handling may involve considerable expense, which should be factored into design considerations from the outset.

Step Five: Consult With Stakeholders

The working group draft of the initiative should be considered a point of departure. Thorough consultations concerning the draft with all interested parties will help prevent problems later. One good approach is to work outward, from those most likely to be directly affected to those less likely to know about the initiative.

For industry-wide initiatives, once the working group has agreed to a draft, it should invite, using a public announcement in appropriate media, comments from anyone interested, allowing a reasonable time for comments to be returned. Direct solicitation of comments from known interested parties is also advised. A consultation plan can be useful. It should include roles for high-profile officials with good communications skills to explain the Consumer Complaints Management initiative and receive feedback. Typically, this feedback would go to the working group, which would then discuss how and to what extent the final draft would reflect the comments.

Step Six: Announce and Publicize the Initiative

As mentioned earlier, a Consumer Complaints Management initiative that is not adequately publicized has little chance of succeeding. Participating merchants (including managers and employees), consumers and governments all need to know what the initiative is and how it affects them. A good communications plan is important. It should identify who must be made aware of the Consumer Complaints Management initiative, who should receive a copy of its terms, and how the individuals and groups will be reached. The communications activities might include an awareness campaign addressing such matters as the use of a logo, publicity endeavours such as advertising and speeches, pamphlets, and a notice that firms and organizations can display on their premises. There must be adequate funding to ensure that these communications activities are properly carried out.

Step Seven: Implement the Initiative

The following are essential elements of effective implementation.

Adequate financing. When there is not sufficient funding, a Consumer Complaints Management initiative risks being nothing more than words on paper, potentially frustrating consumers and bringing the reputation of firms into disrepute. The salaries of complaints-handling specialists, communications budgets, payment of consumer group representatives' expenses, and costs associated with operating new decision-making bodies need to be taken into account from the outset. Possible self-financing levies (e.g. paying dispute resolution experts on a per use basis) need also to be carefully worked out before the program is launched.

Phased-in implementation. There may be value in implementing the initiative in phases. For example, a program might operate only in certain jurisdictions at first, or apply only to certain types of transactions. Alternatively, the program could initially operate on a "pilot" (limited term) basis. The advantage of the phased-in approach is that it allows administrators to test the viability and practicality of a program, and make appropriate adjustments before unveiling a full and comprehensive initiative.

Ongoing communications initiatives. In addition to initial communications activities, there need to be regular information updates — quarterly, bi-annually or annually — to tell affected parties how the program is working and about any changes in operation or other developments.

Step Eight: Monitor, Review and Improve the Initiative

Regular monitoring, review and continual improvement of program terms and operation should be designed into Consumer Complaints Management initiatives from the outset. When and how often the monitoring and reviews take place should be based in part on how long it will take to generate data on effects and objectives achieved. To measure the impact of a Consumer Complaints Management initiative, data is needed on the situation prior to the Consumer Complaints Management initiative being launched (i.e. baseline data) and at frequent intervals thereafter. This data can be used not only to determine weaknesses in Consumer Complaints Management initiative design and operation, but also to demonstrate results. The Cable Television Standards Council, for example, does a random callback of consumers who have had problems to find out how well the process worked. The Canadian Motor Vehicle Arbitration Plan (CAMVAP) uses an independent survey firm to collect and interpret information from all clients concerning its dispute resolution system. Such processes provide vital feedback to the organization, so it can understand where systemic problems lie and how they may be corrected.

It may be useful to model the review methodology after the initial development process. An independent third party who conducts parts or all of the assessment can provide a more detached perspective and perhaps lend more credibility to the process. For example, every five years, CAMVAP hires an independent consultant to thoroughly review its operations.

9. Elements of Successful Complaint Initiatives

A Summary Checklist for Individual Firms

For many firms, the elaborate approach to developing Customer Complaint Initiative initiatives outlined above may be unnecessary, and may exceed available resources. Even when the eight-step model is inappropriate, there is still much that can be done by individual firms to decrease the likelihood of complaints arising and to properly respond to them when

they do occur. The following represents a summary checklist of key elements of successful Customer Complaint Initiative initiatives within individual firms.

- Develop and communicate policies and procedures to decrease the likelihood of problems arising and to ensure certain positive outcomes should problems occur.
- Designate a location to receive complaints that are visible and accessible, and publicize its existence.
- Develop a system for record keeping, so that complaints data can be easily communicated to top management, analyzed and used to monitor the efficiency and effectiveness of complaints response. Process and record complaints as they occur, in appropriate categories. Assign complaint handling to the appropriate person.
- Acknowledge the complaint, preferably personally, bearing in mind any special needs of the customer.
- Investigate and analyze the complaint fairly, getting both sides of the story and keeping records of all meetings and developments.
- Resolve the manner according to company policy, keeping the customer informed throughout the process, including prompt notification of a proposed settlement.
- Follow up with the customer to ensure that he or she is satisfied. When necessary, refer the complaint to a third party dispute resolution service.
- Prepare and file a report on how the complaint was resolved, and periodically analyze complaint data.

Tips and Suggestions for Developing Customer Complaint Initiative Initiatives

The following tips and suggestions are of potential use to those developing and implementing comprehensive, multisector Customer Complaint Initiative initiatives or more modest single-firm Customer Complaint Initiative programs.

Be flexible and patient. Original conceptions of the problem and possible solutions will likely change as new information becomes available, difficulties develop or circumstances change. Developing Customer Complaint Initiative initiatives is, in large part, a learning process.

Draw on existing institutional structures. For many firms, industry associations represent known quantities — trusted intermediaries with the profile and experience to bring parties together and broker differences. Associations can provide forums for discussion and serve as a basic institutional structure for moving Customer Complaint Initiative initiatives from concept to implementation. However, as discussed earlier, implementation may necessitate creation of new, more specialized structures beyond the capability of conventional industry associations.

Don't assume that "if you build a Customer Complaint Initiative initiative, they will come." Once a program has been announced, ongoing efforts are needed to ensure that Customer Complaint Initiative initiatives are visible and accessible to customers at the right time and in the right place. The following are examples of techniques to maintain the profile of a Customer Complaint Initiative:

- a logo on a retailer's door
- a notice on a company's invoices and statements and in electronic communications
- a clickable logo on a merchant's Web site that takes customers to more detailed information
- pamphlets placed at the point of transaction.

Provide a range of options. When it comes to matters of customer complaints management, one size definitely does not fit all. The nature of customer problems differs

significantly depending on the particular issue, the product, the customer and other factors. When a number of Customer Complaint Initiative options are available, the likelihood increases that the appropriate response will be found, and both the customer and the merchant will be satisfied. Comprehensive services, from prevention through internal complaints handling to external dispute resolution, provide maximum choice.

Set a time limit for each stage of the process. Time limits provide a pre-determined structure for both the customer and the merchant, and give guidance about what to expect. Customers and staff alike need to know the deadlines and the consequences for missing them.

Draw on the credibility and expertise of customer organizations. In addition to being involved in the development of initiatives, customer groups can provide ongoing assistance through participation on advisory panels or committees, membership on the board of directors, participation in a formal panel, or direct involvement in implementation, monitoring and dispute resolution.

Hire the right people to do the job. Effective complaints management personnel have the following characteristics:

- good communication skills
- the ability to empathize with unhappy customers
- enthusiasm for and a commitment to effective, fair and efficient complaints management
- thorough knowledge of the organization's structure and processes
- the ability to objectively assess all relevant factors about complaints from the point of view of both the customer and the company
- the ability to identify systemic complaints and to devise strategies to deal with them
- training in mediation, facilitation or arbitration, as appropriate.

Dispute resolution providers must have sufficient skills and training to competently fulfill the function. While formal legal training is not required, knowledge of basic legal concepts and relevant laws, standards, codes and international agreements is essential.

Draw on existing standards, criteria and benchmarks

Standards Australia, the British Standards Institution and the Argentinian Standards Organization have all developed complaints-handling standards, and Standards Australia has published a guide to preventing, handling and resolving disputes. The International Organization for Standardization (ISO) is developing an international standard on complaints handling. The Canadian Standards Association and the Bureau de Normalisation du Québec are developing e-commerce standards for customers.

A complaints-handling approach could be built into a company's overall approach to quality management, such as the ISO 9000 quality management system. The multistakeholder Principles of Customer Protection for Electronic Commerce is another useful benchmark on which to draw. The American Arbitration Association developed the Model Standards of Conduct for Mediators for customer mediators to follow (<http://www.adr.org>; click on Rules/Procedures in the menu on the left side of the screen, and then Ethics and Standards; the title of the document will appear as a clickable link in the main part of the screen). The Society of Professionals in Dispute Resolution developed ethical standards for dispute resolution professionals (<http://www.acrnet.org/about/committees/ethics.htm>). Protect the personal information of customers. While complaints oriented data can help businesses improve their products and services, great care must be taken to ensure that the personal information of customers is fully protected, in keeping with federal and provincial laws.