

When Customer Service Goes Bad...

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As the economy progresses toward full employment and individuals with lesser skills enter the labor market, companies are challenged anew to ensure customer satisfaction. New employees need to be trained in the proper behavior. And all employees need to keep up with changes in technology that are revising the established ways of doing business. To a certain extent, technology has made it easier (or harder in some cases) for employees to cover up inappropriate conduct. The multitude and complexity of transactions result in a wide variety of errors that firms may not have had to contend with previously. Firms need to correct these errors promptly and install controls to minimize their recurrence and impact.

In business dealings, consumers take it for granted that they will be treated equitably, courteously, and honestly. They assume that the goods and services they purchase will be of an acceptable standard of quality and that, if not, satisfaction can be readily obtained. They expect fair treatment by sellers without being subjected to discrimination or violation of privacy rights.

For ordinary day-to-day transactions, consumers have a wide variety of remedies to resolve their problems; however, they are not interested in implementing these remedies unless no better alternative is plausible. Most remedies are costly, time-consuming, and extremely frustrating, so consumers prefer that firms accept the responsibility for consumer rights. Companies that refuse to do so find themselves out of favor when the economy becomes less robust.

How can companies improve customer service? The first step is to become aware that new ways of doing business require revised methods of ensuring customer satisfaction. Six experiences of the author and several colleagues can serve as examples of the most outrageous or inexcusable behavior. The incidents were discussed during a round table conference of what business needs to

improve upon. For our purposes here, the names of the colleagues and firms have been changed to protect privacy. Four of the cases involved large public corporations whose stock is listed on the New York Stock Exchange.

The Escrow Experience

Jack owned a condominium in a country club where association dues were \$400 a month. In March he received notice that \$800 of dues (January and February) were past

due. He immediately called the bookkeeper, who discovered she had charged the two payments to another "Jack" account and promised to correct her mistake. In July, Jack sold the condominium. On July 31, he paid the August association dues by the first of the month, as required. As part of the routine procedures, he disclosed to Escrow in writing that there were no outstanding claims against the condominium.

On August 5, Jack called Escrow to determine whether closing had taken place as scheduled and to make arrangement for his check. He reminded Escrow that he had paid the August association dues of \$400. Upon receiving his escrow accounting statement two days later, however, Jack discovered that \$480 (\$400 of association dues for March and \$80 for the period August 1 to August 5) had been paid by Escrow to the homeowners' association. In addition, he was not given credit by Escrow for the August payment. Thus, in essence, Jack paid the March dues

Advances in communication technology boost efficiency but can also generate errors and protect incompetence. The solution is a clear commitment to customer service.

twice and \$480 for August. Only \$80 was Jack's share for August and the remaining \$320 was the responsibility of the new buyers. So Jack was entitled to a refund of \$800.

Jack immediately collected his canceled checks for 1998 and called the association office. He was informed that the former bookkeeper had been fired, and the replacement was an outside bookkeeping firm that had kept the association's books before the fired bookkeeper was employed. He contacted the owner of the bookkeeping firm, who pulled up the file and told Jack that he was delinquent for March association

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dues and that the disclosure notice had been sent to Escrow prior to receiving his check for August. Jack and Ms. Owner compared his canceled checks with the postings to his account, and soon discovered that the former bookkeeper had not corrected the erroneous posting of the January 1998 payment. Ms.

Owner stated she didn't know which month's dues were missing, so she simply told Escrow it was March. But she promised that she would correct Jack's account and inform Escrow that payments had been made for March (which was really January) and for August. Thus, it appeared that the problem would be resolved quickly and Jack would receive his \$800 refund.

The \$800 was not refunded, however, and the sequence of events thereafter became hopelessly tangled. For more than a week, Ms. Owner denied she had received \$400 from Escrow for March (January). During the next two weeks, Jack made ten telephone calls and wrote three letters to Escrow, the bookkeeping firm, and the president of the homeowners' association (who was a real estate agent by occupation, but not personally involved in the sale of the condominium). Each of the three parties blamed each other for the errors and miscommunication and could not agree on how to solve the problem. Ms. Owner maintained that the escrow account had to be reopened and association dues for August deposited by the new buyers. Escrow refused. Ms. Owner would not pay the \$800 to Escrow or Jack. The president's involvement was less clear, other than that she was "looking into the matter."

After two weeks, Jack discovered that the \$400 for January and \$80 for the short period of August (from Escrow) and the \$400 for August (from Jack) were in the homeowners' bank account. To expedite the matter, he suggested that

Ms. Owner refund the \$800 to him immediately and that the association collect the remaining three weeks for August from the new buyers. But Ms. Owner had now taken a defensive position, and Escrow refused to be involved beyond telling Jack repeatedly that the association was going to refund his money. On August 24, Ms. Owner was still denying to Jack that \$800 was owed him; not being familiar with the escrow accounting statement, she said that in two weeks she was going to refund only \$400 (for January) to Jack. Then she hung up on him. Immediately, Jack wrote a formal demand letter for the \$800 to all three parties, including a statement that he would be filing action in the small claims court.

Eleven days later Jack received a check for \$800. He noticed that the envelope was postmarked the preceding day, but the check was dated 11 days earlier. Later, he found out from another member of the homeowners' association that upon receiving Jack's demand letter, the president had ordered Ms. Owner to refund the \$800 to Jack immediately. The check was prepared and signed by the president on August 25, but a belligerent Ms. Owner had delayed mailing it until September 4.

Clearly there is enough blame here to cover everyone. Knowing that the previous bookkeeper had been fired for not being efficient, Ms. Owner should have contacted Jack before telling Escrow that he was delinquent in paying his dues. A review of Jack's account would have indicated a history of timely payments. A quick telephone call to him could have saved much confusion. Additionally, Ms. Owner should have notified Escrow immediately when the August payment was received. The check was mailed on July 31, cleared the bank on August 6, and Escrow prepared its accounting on August 7. The mail usually takes one day, so it is probable that Ms. Owner was not prompt in opening mail, depositing funds, and posting accounts.

Escrow too was at fault. It had received a written statement from Jack in July that there were no outstanding claims. Moreover, Jack's August 5 telephone call should have alerted Escrow to question the accuracy and currency of Ms. Owner's report.

The entire problem could have been resolved in less than 15 minutes after Jack and Ms. Owner identified the error. Escrow should have faxed the escrow accounting statement to Ms. Owner, which would have validated that Jack was entitled to an \$800 refund. A check should have been issued immediately. Any doubt Ms. Owner might have had could have been resolved by a conversation with the president.

The country club was located in an upscale neighborhood in a small metropolitan area, where the local reputation of businesses is im-

portant. Jack had substantial power to influence the future success or failure of the bookkeeping firm and the escrow company. He could have written letters to the association membership of 220 families and filed complaints with the Better Business Bureau and the press. Yet Ms. Owner and Escrow did not appear to understand that negative publicity could adversely affect their ability to attract and retain customers, or to be cognizant of the value of good public relations.

This situation raises a host of other questions. If Jack was indeed delinquent in January dues, why didn't he receive a delinquency notice each month? Why hadn't late penalties been assigned? Does the association prepare an outstanding balance report each month? If the homeowner who received credit for Jack's payment was paying his association dues on time, the latter account should reflect an overpayment—a possible but unlikely situation, as few individuals prepay their accounts. Why does it take five to ten days after homeowners pay their dues for the checks to clear the bank?

Paying off the Mortgage

In July, Old Mortgage Company sold Peter's home mortgage to New Mortgage Company. Peter made the August payment to New Mortgage, then decided he would pay off the balance. When he contacted New Mortgage for procedures, balance due, and so on, his call was answered by the company's automated telephone system. So Peter entered the required data and was informed in writing a few days later of pay-off procedures. Validating that the \$24,700 balance was correct, he contacted his stockbrokers, Efficiency Brokers, to determine whether they could wire the appropriate amount to New Mortgage. Efficiency Brokers was pleased to be of service. From Peter's written authorization, they wired the money to New Mortgage on Friday, August 14. They also advised Peter that he should contact New Mortgage on Monday, August 17, to confirm that the wire had been received and was posted correctly to his account.

On Monday, Peter called New Mortgage Company, where an employee denied receiving the wire but told Peter not to be anxious because posting sometimes took two days. Peter called again on Tuesday and Wednesday, but still no wire. After each conversation, he apprised Efficiency Brokers of the situation. New Mortgage, Efficiency Brokers, the wire service, and Peter all double- and triple-checked that all the numbers involved in the transfer were correct. Efficiency Brokers and the wire service confirmed that the wire had been sent on August 14. On Wednesday, August 19, New Mortgage said it would "look" for the wire. On Friday, August 21, in-

formed Peter that no wire had been received and Peter notified Efficiency Brokers accordingly.

Now the branch manager of the brokerage firm became personally involved. He told Peter that a federal law mandated that the recipient of a wire had to return the money within 24 hours if the appropriate account could not be located for it. The branch manager attempted to set up a conference call between himself, the wire service, and New Mortgage, but was unable to get an appropriate person on the telephone at New Mortgage. On Monday, August 24, he finally succeeded in effecting the conference call. New Mortgage confirmed it had "found" the money, that the wire had indeed been received on August 14, and that it would credit Peter's account. Efficiency Brokers' manager relayed the information to Peter and suggested he double-check his account the next day. Peter called New Mortgage on Tuesday, Wednesday, Thursday, and Friday. Each day his account still had not been corrected, but the firm kept stating there was no problem; it had received the wire and would backdate the posting to August 14. On Monday, August 31, the account was finally corrected, and the following day Peter received a written confirmation.

Because of New Mortgage's automated telephone system, the written confirmation of the amount owed had no name or signature. The only identification on the document was "Authorized Company Representative" and a number, but future contacts with this person (number) proved to be impossible. Authorized representatives who answered telephone calls to New Mortgage provided only their first names to the callers. Peter was unable to talk with the same representative twice because they were always assisting other callers and did not return calls. The final confirmation and notification of follow-up activities also did not include any personal identification, number, or signature.

This situation is similar to procedures previously practiced by the Internal Revenue Service, wherein taxpayers could not identify or talk with the people who mail out deficiency notices. Such systems protect the identification of the incompetent.

The episode also raises a series of questions. Where did New Mortgage put the \$24,700 on its books for 17 days? Was receipt of the cash recognized at all? If cash was debited, what account was credited? If a "Don't Know," "Suspense," or other temporary account was credited, why was there no continuous surveillance of this account to solve each unidentified wire? Why was the money not returned to Efficiency Brokers within 24 hours? New Mortgage maintained that Efficiency erroneously entered the account number—a highly unlikely story, as there were four identifications (customer name, amount, account

name, and wire transfer number). Even if it were true, a simple e-mail request to the wire service would have confirmed the accuracy of the account number. On August 14 and 15, why didn't the investigators find the wire? (How many wires does New Mortgage receive each day from Efficiency Brokers' wire service in the amount of \$24,700?)

Like many firms, during the time a telephone caller is waiting to be connected with the appropriate party, New Mortgage continuously played the message, "Do not hang up. Your call is important to us. A representative will be with you shortly." To amuse himself during the many long, tedious calls, Peter counted the number of times he heard this message. The total was 392.

The Health Claim Fiasco

Susan suffers from a chronic health problem and is required to take a series of routine blood tests each month. Her primary insurance company covers most of the charges. The secondary, Confused Insurance Company, is responsible for approximately \$100 a year. Because of the small amount involved, in December 1997 Susan billed Confused Insurance for three years of claims. The laboratory furnished a complete record of all tests and monthly amounts (total only) paid by the primary insurance company and the patient. Susan provided Confused with the laboratory statements and copies of all primary insurance payment records. When no reimbursements were received, Susan made 15 follow-up calls from February through May.

The pattern was always the same. A very polite service representative would bring up Susan's account on the screen, listen patiently to what Susan said, and promise reimbursement within a couple of weeks. However, no checks were sent. Like New Mortgage Company, Susan was never allowed to talk with the same representative twice, calls were never returned, and only the representative's first name was provided. Eventually, after considerable pressure by Susan, explanations (excuses) were provided: "The computer is down"; "We are installing a new system"; "The check is in the mail"; "We are working on it"; and finally, "We have lost all the primary insurance company's records." Would Susan provide another copy of all primary insurance papers? She complied. Still no payments were made. When she requested to talk with a supervisor, they said they had no supervisors. On three occasions she asked for the name of the president, but they did not know his identity.

Susan checked her Value Line Investment Service for the president's name. In July 1998, she wrote him a detailed letter and offered to settle for \$300, which was the amount the laboratory

report showed she had paid. Within two weeks she received a letter of apology from the "supervisor" at the claim center. The explanation offered was that the claims were too complicated for the representatives and had been referred to a more experienced processor. The supervisor denied receiving Susan's letter accompanying the second copy of the primary insurance payments. Ironically, when payments were finally made to Susan, the claim reports showed the exact amount for each test paid by the primary insurance company. How Confused Insurance knew these amounts when they maintained they had lost the first set of paperwork and did not receive the second set was never explained. Susan was further informed that each month's charges would have to be processed separately, because the computer could not handle more than one month at a time. Accordingly, over the next three weeks Susan received 36 checks, each between \$2.20 and \$14.00. The total amount of the 36 checks was \$3 more than the \$300 settlement she had suggested to the president.

The Decorating Nightmare

Nancy decided to replace the carpeting in her large home. After visiting several flooring companies she selected Decorating Service, a local firm within a mile of her home. The sales representative made several trips to Nancy's home with samples and offered decorating advice. A contract was signed on January 19 in the amount of \$12,000 (\$5500 for installation of hard floors in four rooms and two halls, and \$6500 for carpeting for the remainder of the house). The entire amount was payable in six months. Installation of the hard flooring was scheduled for January 29 and 30 and the carpet on February 5 and 6. Nancy was told that part of the hard floor installation might be delayed a week or so because some material had to be back-ordered. The hard floors (except for the back-ordered material) and the carpeting were installed as scheduled.

One of the rooms to be re-floored with hard wood was the office that Nancy and her husband used extensively for business and investing purposes. The computer, fax machine, printer, and other office machines were temporarily transferred to the kitchen table and counters. The executive desks were put on end in another room and the file cabinets were moved to the center of the office.

An inconvenience of a couple of weeks was considered acceptable by Nancy and her family, but it was three months before work was completed, creating chaos in their business and personal lives. Four rooms and the kitchen became inoperable. Office work slowed to a crawl. Cooking and eating at home were impossible. Enter-

tainment was nonexistent. What was previously considered to be an inconvenience eventually became a nightmare.

During February and March, the salesperson stayed in contact with Nancy, telling her repeatedly that the material had not come in and the factory was uncertain when it would be manufactured. On April 6 the salesperson left a message on the answering machine that the material was in but, due to backlog, it could not be installed for two weeks. On April 15 the installers arrived and commenced work; however, they did not complete the work in the office because of another appointment. The work was rescheduled for April 20, but the installers failed to appear or contact Susan. After three hours Susan finally reached the installer, who apologized for the mix-up. Another appointment was set for April 22 at 8:30 a.m. When Susan arrived home at 8:00 a.m., a message on her answering machine said that the installer had come early and, because she didn't answer the door, he went to another job. He left his beeper number, but attempts to beep him failed. The salesperson was not taking or returning telephone calls.

During the three months, Nancy had talked unsuccessfully several times with a supervisor. Company employees refused to give her the owner/president's name. On April 22, Nancy found out that Decorating Service was a corporation and the president was at another location. She obtained his name and address from the state corporate registration agency and sent him a registered letter, which informed him that if the work were not completed by May 6, Nancy would consider the contract canceled and would pay only for the carpet. At noon the next day when Nancy came home from work, she found a message on her answering machine requesting her to call the corporate office. Two hours later the installers arrived and completed the work. Although the installer apologized, he blamed the scheduler for the confusion. Nancy did not receive any other apologies or monetary compensation, even from the president.

Several of Nancy's friends and neighbors were so impressed with her home that they were interested in contracting with Decorating Service to replace their flooring. But when Nancy informed them of all the difficulties, time lost, and frustration she experienced, not one order was placed. The salesperson in particular lost several large commissions, which was unfortunate because her decorating advice was excellent and she was probably powerless to solve the problems.

The 403(b) Dilemma

Peter, an accountant, has participated in a 403(b) retirement program for many years. At the time

he originally signed up for the program, participating institutions authorized by his employer were limited to a relatively few annuity firms. After several years, despite an AAA rating, the company in which Peter invested his 403(b) funds unexpectedly went bankrupt. Because the funds were held in trust, they were not subjected to bankruptcy proceedings and were eventually taken over by another institution, The Questionable Annuity Company, which assumed the provisions of the original contract. In the interim, Peter authorized another firm to receive the current withholdings. Thus, the funds in Questionable Annuity were, in substance, frozen. Each quarter Peter received a report of his account from Questionable Annuity that reflected a satisfactory rate of return. Fifteen years later, when Peter turned 59, he decided to manage the funds himself. So he asked Questionable Annuity to transfer the funds in a tax-free rollover, with annuity payments to be made directly to Progressive Brokers. Because of the wide spread between the cash surrender value and annuity value, he elected to take payoffs over the minimum period, which was five years. Accordingly, he contacted Questionable Annuity for the appropriate forms and procedures.

Nine months and 82 hours of Peter's time were eventually needed to effect a reasonable (but not satisfactory) transfer. Four different divisions of Questionable Annuity were involved in the transaction. Numerous erroneous forms were mailed to Peter from employees who did not understand a tax-free rollover or know how to process the forms.

Again, the service representatives who answered the telephone did not seem to have any idea of what was going on, nor did they care to find out.

Questionable Annuity issued six checks before the situation was solved. Peter returned the first check because it was made out to him instead of as a direct deposit to Progressive Brokers.

The company put a stop payment on the second check after it had been received and deposited by Progressive. Income tax was erroneously withheld from the third check. The amounts of the fourth and fifth checks were also computed incorrectly.

Peter repeatedly asked for an explanation of how the annual payment was computed. The sole response he received was from a clerk who

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clearly had no concept of annuities, interest rates, or the original contract. The contract included a minimum payoff, which Questionable Annuity refused to honor, even though it was only a 3 percent rate of return. The representatives "pretended" they did not know what Peter was talking about, and maintained they could not check the contract because it was filed in another department.

Peter made 22 telephone calls and wrote eight letters, three of which were mailed to the vice-president. The latter did not bother to reply, but turned them over to a manager, who either ignored them or made another mistake. The manager would not take telephone calls directly from Peter or return his calls. Neither would the vice-president. In his last letter to the vice-president, Peter threatened legal action and the filing of complaints with Consumer Protection and the Attorney

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General. He also threatened to notify his employer, the Securities and Exchange Commission, and other appropriate regulatory bodies.

The minimum amount in the original contract was eventually authorized for distribution. Peter is unhappy with the amount but doubts he would be successful in taking legal action. Naturally, the year-end 1099 form was also erroneous, as was the 1099 in the following year. Both showed that the entire payment was distributed to Peter rather than as a tax-free rollover, thereby necessitating another series of telephone calls to obtain revised 1099s. Peter is expecting an inquiry or audit from the Internal Revenue Service.

In hindsight, Peter does not know whether this firm is grossly inefficient or if the runaround was a deliberate attempt to defraud customers. Few recipients would have the expertise to assess the accuracy of annuity payoffs, the tax implications, or whether the payments were in compliance with the original contract. The complexity of the transaction, the numerous errors, and the series of events made it difficult for Peter to compose a complaint understandable by the typical addressee. Moreover, he questions whether any government agency or his employer would take any action. Still, knowing that many other employees have funds with Questionable Annuity and that they will be withdrawing them shortly, he worries about his ethical obligation of informing them of his experience and alerting them to

questionable payments. Privacy laws protect the identity of other policyholders, so Peter is unable to contact them directly.

The Ski Trip Experience

Mary and her extended family planned a ski trip to a well-known resort. Reservations were made for four days and each person took care of his or her own travel arrangements. The hotel offered a courtesy car to and from the airport every half hour. Upon arriving at the airport, Mary went to the courtesy car pickup stop, where the first driver simply ignored her and drove by. Half an hour later the second driver passed her and several other customers. They screamed at him to stop, which he finally did half a block away. The passengers had to carry their luggage to the van, and the driver made no effort to help them in or out of the van. When she checked into the hotel, Mary filed a written complaint.

At 10:00 that evening, her daughter, Tina, arrived at the airport three hours late due to stormy weather. She went to the courtesy pickup station, but no van arrived at the scheduled time. When she called she was told that the driver did not make that run because he had to put gasoline in the van.

The next day, Mary and Tina went skiing. Mary's brother, Martin, was scheduled to arrive later that afternoon by private car. Mary left a message at the front desk to be given to Martin when he checked in, informing him that they had gone skiing and would be back by 5:30 p.m. to join him for dinner. When she returned, she asked the desk clerk if the message had been delivered to Martin. The clerk said "yes," but that he left without checking in. The next day, Mary asked Martin why he didn't respond to her note. A puzzled Martin replied that due to the weather and poor road conditions, he did not arrive at the hotel until after 11:00 p.m.

During the Thursday skiing, Tina injured her knee. By Friday it was obvious that medical attention was needed. Accordingly, her uncle took her to the emergency room. By late afternoon the remaining seven relatives had arrived and everyone dined together in the hotel dining room. Tina had her leg in a cast, so immediately after dinner she wanted to retire to her room. But the hotel had re-keyed the lock to her room. There was no telephone or chair in the hall, so she had to stand on one leg leaning on her crutches for the 15 minutes it took her mother to go to the front desk and get the key issue resolved. No explanation or apology was given.

The bill placed under the door on checkout day was erroneous, so Mary called the front desk to explain the error. The desk clerk said she would correct the bill, but when Mary checked

out three hours later, the bill had not been corrected. No one would admit to taking her call or knowing anything about the error. Mary had to spend half an hour to get her account corrected, which took only three strokes on the keyboard.

In all fairness, the hotel room and restaurant food and service were excellent. Two weeks later, Mary received an apology for the poor courtesy car treatment and an offer of a room upgrade on her next trip. By now she was so disgruntled she threw the letter in the wastepaper basket. Ten family members returned to their homes in six different states to warn family and friends against staying at the ski resort.

Consumer Remedies

In none of the above situations (except possibly the Questionable Annuity Company) was there any evidence of fraud. In most of the cases, the situation resulted from prior events that had taken place many years before. The mortgage payoff resulted from a mortgage obtained 15 years earlier and sold three times in the interim. The escrow problem arose from Jack owning a condominium in a county club. The transaction supporting each incident was ordinary and typical of those entered into by many individuals. Although the customers were eventually successful to a reasonable degree, the process was time-consuming and extremely frustrating.

How can consumers protect themselves from incompetent and improper behavior? In some ways, such protection is more difficult even than against fraud, where usually the best safeguard is never to enter into questionable transactions. Bargain offers are usually not bargains and should be avoided. Telemarketers, door-to-door salesmen, and Internet overtures should be viewed with suspicion. Unless consumers have firsthand evidence that no fraud is intended, they should shop in more trustworthy establishments. Contracts should be structured up-front to reduce the likelihood of fraud. Other strategies include obtaining oral promises in writing, analyzing the claims, checking out the people making the assertions, seeking the advice of experts, and finding out as much as possible about a transaction before entering into it. Reading the fine print of the contracts, verifying the history of the contractors, and monitoring investments are also helpful.

It is important for consumers to follow up promptly on complaints. People tend to have short memories and are not motivated to resolve a six-month-old problem, even if legally obligated to do so. The complaint process should follow a logical sequence; contacting the president before discussing the matter with the salesperson is unwise. And the consumer must be consistent and patient during the follow-up pro-

cedures. In difficult cases, the strategy involves "wearing down the opponent."

In all six described cases, the consumers attempted to resolve the issue by telephone calls, letters to the firm, letters to top management, negotiation, threats of lawsuits, and complaints to appropriate regulatory bodies. But there are other remedies too. If a product is involved, contacting the retailer who sold the item, consulting the manufacturer, and exercising warranty contracts (extended or implied) can be effective. If none of these tactics work, customers can work with consumer action groups, governmental agencies, and the media. Sometimes self-regulatory agencies, such as the Better Business Bureau, and professional organizations can provide valuable help. Finally, consumers can resort to the small claim court for small dollar amounts and the civil courts for more material suits.

ACTION BY BUSINESS

In spite of a robust economy, the bankruptcy and failure rates of businesses continue to be very high. Some of this can be attributed to lost sales and failure to attract new customers. Management must realize that the primary responsibility for providing satisfactory goods and services rests with their firm, not with customers forcing compliance. By the time a consumer's complaint is received, it is usually too late to retain the goodwill of the customer, especially if employees engage in "it's-you-against-me" conduct. No amount of advertising and customer promotion will be effective in enticing such a customer to frequent the establishment again.

Management should remember that customers live in a stressful society. Leisure time is at a premium and people do not want to expend 20 or 30 hours in unnecessary and unfruitful haggling over one transaction. If a substantial amount of money is involved, the consumer is apt to incur interest and possibly late charges, as well as suffer an opportunity loss of income forgone during the problem resolution period. Firms, which are already difficult to deal with, are seldom willing to compensate customers for such losses.

Management should also be aware that most consumers do not complain, but simply take their business elsewhere. Unfortunately, executives might not know this has occurred or what the reason for it is; hence they are handicapped to institute corrective action. Unhappy customers tend to spread their stories of dissatisfaction to friends, family, neighbors, and peers, as Mary's family did. The more outrageous the conduct in their opinion, the more likely they will talk about it to others.

Of course, companies have to protect themselves against unscrupulous employees and cus-

tomers who pry on congenial firms. The woman who buys an expensive evening gown to wear once to a party and returns it for credit the next day is an obvious example. Some customers can be unreasonable in their demands and confused about the facts. An experienced representative should be able to identify many of these situations and attempt to resolve the issue to the satisfaction of both parties. The negotiation will not always be successful, so the representative must decide whether the customer's goodwill is worth retaining. Firms need good controls to prevent fraud as well as detect errors. A sound control system prevents most potential complaints and provides an efficient source of information, quickly resolving many issues before they become explosive and individuals' personal integrity is at stake. Guidance on control systems is available in accounting, IT, and control books and articles.

Modern society demands that firms take a new look at some of their operating practices. The irritation caused by technology needs to be addressed. Although most of the following comments refer to telephone calls, many are equally applicable to other forms of personal contact.

Customer Representatives

The use of a pool of customer representatives to answer the telephone or monitor service booths generates a lot of problems. In four of the above cases, the firms used telephone customer representatives; in the other two cases, various employees or subcontractors represented the firms. Several problems are apparent here. The service representatives tend to band together informally or perhaps subconsciously to cover each other's unacceptable performance. However, when pressed to resolve inefficiencies, they often shift the blame to others.

It is nearly impossible for a customer to talk to the same representative twice; the latter is always busy with other calls. Nor do representatives always return telephone calls even if a message is left. Thus, the customer is constantly repeating the story to someone new. Representatives are reluctant to refer calls to supervisors. When they do, customers are left dangling on the telephone for what may seem like hours. Typically, loud music or obnoxious recordings add to their distress. If the call is long distance, the customers are further frustrated as the cost of the call increases and no resolution is in sight.

Unless rewarded, representatives have little incentive to be efficient. To them, each new consumer contact is a burden and will create an additional demand on their time and patience. Calls are accepted with misgivings and the employee may be powerless to resolve the issue. It

is easier to lie, provide excuses, or make promises that never intend to be kept. After all, the employee is unlikely ever to have to deal with the complainer again.

Employees' performance should be monitored, usually by personal observation. Good supervision does not mean "breathing down an employee's back," but continuously ensuring that the work is being done satisfactorily. However, upper management should be aware that supervisors are equally motivated to cover up problems in the hopes that the complainer will go away. Stonewalling is a highly effective approach; unfortunately for the firm, most unsatisfied consumers do go away and never return.

Customers should have the option of having their telephone calls recorded. A consumer who exercises that option should be given a recording number to refer to later. This would provide a record of the call, the facts, and the resolution offered. Employees are less likely to mistreat a customer if they know calls are being recorded. The recording can help monitor employee behavior, train employees, clarify facts, and resolve problems.

Company policy should require that representatives identify themselves by a full name, or at least by a number in high-security firms. "This is Debbie Smith" or "This is Debbie, representative No. 18" would provide the consumer with a contact person. It is maddening for consumers to ask to speak with Debbie, then hear a response such as, "Which Debbie? We have three of them." No correspondence should leave the company without the signature and identification of the individual originating the correspondence.

Clearly, customer representatives should be fully trained to handle most calls. Employees with "attitude" problems should be assigned to a position that does not require contact with the public. If a representative does not know the answer to a question or how to solve a problem, the call should be transferred immediately to a more knowledgeable person who should identify his or her name, position, telephone and fax numbers, and postal and e-mail addresses. He or she should become the consumer's "personal representative" and be held responsible for an efficient and effective resolution of the problem.

Lying and Excuses

Companies should impose heavy penalties for lying. In all of the above cases, the customers were lied to—often more than once. Lying has become a very fashionable way of avoiding responsibility for behavior, even to the lofty level of the president of the United States. Nevertheless, it should not be tolerated. Recording telephone calls and requesting signatures on corre-

spondence are two ways of reducing its likelihood. Honest differences of opinion can exist, but blatant lying should be heavily penalized. It serves no good and can cause a great deal of harm. Customers nearly always know immediately or eventually that they have been lied to. Moreover, it is unethical. A simple apology—"I am sorry for the error. We will correct it immediately"—can be very effective in retaining customer goodwill.

Representatives should be required to respond to all consumer inquiries promptly, generally within a day. If a complaint cannot be resolved immediately, the representative should periodically provide a progress report to the consumer, rather than forcing the consumer to follow up. In the mortgage situation, the consumer should not have to do the calling. After Peter's first call inquiring whether the wire transfer had been received, the representative should have taken the responsibility of locating the wire and ensuring that the account was credited appropriately. If the representative was skeptical of Peter's assertion that money was wired from his account to New Mortgage, she could have confirmed it with Efficiency Brokers. When a problem is solved, the consumer should be notified immediately, rather than allowing both parties to waste time with follow-up calls.

The "too-busy" excuse is not acceptable. If there is genuinely too much work over the long run, additional employees should be hired. Short-term fluctuations and uneven work flow can be handled by better scheduling. With a little effort, most firms can easily identify peak periods. Mondays are busy days for escrow firms; Saturdays and 5:00 p.m. are peak periods for grocery stores. A little ingenuity can go a long way in managing uneven work flow. During busy periods, some tasks can be postponed, the number of workers increased, temporary help acquired, and overtime used. New Mortgage ran a continuous recording stating that if the lines were busy, the consumer should call back at a more convenient time. When that time was, however, was not disclosed.

Much of the too-busy excuse is really the result of incompetent performance. In all of our cases, the firms' employees and the consumers expended numerous hours on issues in which errors should not have occurred in the first place. Even more troublesome, a dedicated employee could have solved all of the problems in less than a day—and perhaps even minutes.

Communication Devices

Telephone calls should be answered promptly. Blasting consumers with a continuous recording—"Your call is important to us. Do not hang up"—is not only irritating but also questionable.

How can consumers feel important when they are ignored and their time is treated as worthless? The opposite is more likely; consumers will think the firm does not care about them at all.

Electronic telephone systems should include a loop whereby callers can always backtrack on the menu and be able to access a live individual.

Companies with a great deal of public interaction and complex transactions should install a hot line and consider hiring problem-solvers for transactions beyond the expertise of the service representatives. Customers should be told that such services are available. Individuals whose duties are to serve the public should use understandable titles. For example, the concierge booth in a hotel lobby should be appropriately renamed "Information."

"Upper management should be aware that supervisors are equally motivated to cover up problems in the hopes that the complainer will go away."

Role of Management

The most important control is the attitude of top management. Executives must set the atmosphere for the firm. Employees have little motivation to excel if they know that management doesn't care, is not likely to monitor their performance, and will not reprimand them when inept, or reward them for superior performance. The vice-president at Questionable Annuity is an illustration of a top manager who has established an environment conducive to unsatisfactory performance and perhaps even dishonesty.

Firms should keep records of the type of inquiries and complaints received. Then they can train employees to handle recurring questions expediently. A review of the complaint log will indicate a trend toward certain types of problems the firm needs to address. Controls need to be established to minimize the occurrence of those problems.

Mark purchased an extensive electronic system from a national supplier. The sales force was held responsible for customer satisfaction and had substantial authority to resolve disputes. Most of their compensation consisted of commissions. The delivery personnel were responsible for installation if a consumer requested help. When the delivery people arrived at Mark's home at the scheduled time, they discovered they had brought the wrong

merchandise. Mark immediately called the salesperson, who promised he would be at Mark's home within the hour with the correct merchandise and would personally oversee the installation. The salesperson not only kept his promise, but also apologized to Mark and offered him a \$50 rebate for a future purchase of selected items. The installation was completed that afternoon to Mark's satisfaction. A report was filed with the warehouse manager to ensure that the erroneous merchandise was returned, investigate why the error occurred, and determine how it could be prevented in the future.

Penny booked a cruise with a well-known cruise company. When she arrived at the airport in a foreign city where she would board the ship the next day, she could not find her luggage. Unknown to her and the bus driver, someone had taken her luggage already and sent it to the wrong hotel. So Penny filed a missing baggage claim with the airline. After checking into her hotel she contacted the cruise ship representative.

Upon realizing that Penny was tired and stressed out, the representative suggested that Penny eat lunch at the company's expense while the problem was resolved. After lunch Penny was given \$100 to buy necessities, and was informed that if the luggage were not found by the time the ship sailed, she would be given a choice of two lucrative settlements. Penny felt somewhat relieved, believing that a legitimate effort was being made to rectify her problem.

After two hours, the representative located the luggage, which was transferred by taxi to Penny's hotel. The representative personally delivered the luggage to Penny's room, apologized for the error, and told Penny to keep the \$100. Then she investigated the reason for the error's occurrence. A new employee was responsible because he did not understand that he was to put the luggage on a bus only after the customer had identified the luggage and the correct bus. To

prevent the problem from recurring, he was counseled on the correct procedure.

In both these cases, the customers' complaints were taken seriously, action was immediate, a resolution was effected, apologies offered, and preventive measures were executed. Mark and Penny were both satisfied and continued to patronize the firms.

Customers must be ranked first because they are a company's most important stakeholders. Without satisfied customers, the firm is doomed to failure. With modern technology and sophisticated business transactions, managers can rethink their approaches to customer relations. E-mail, faxes, and electronic telephone service can be highly cost-efficient and effective if properly used. But they can also cause employees to hide their incompetence. The situation is analogous to the computer error excuse that was so prevalent in the 1970s and 1980s. The real truth was that the error was usually human.

Neither unsatisfactory service nor unethical behavioral can be condoned. In the final analysis, then, top management must establish a proper atmosphere. If managers are customer-oriented, employees are likely to respond accordingly. Management must be cognizant that disgruntled customers will probably not complain or patronize the firm again; rather, they will spread their stories to others who will avoid dealing with the company. Managers will not know what sales were lost because of customer dissatisfaction. With a detrimental effect on the bottom line of the income statement, the result can be a fast retreat to the bankruptcy court. □

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