

Complaint Management in the Manufacturing Industry

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Abstract: *To maintain a competitive edge and satisfy customers in a way that fosters a long-term connection, manufacturers are changing their business model from one that is product-dominated to one that is customer-centric. Company performance is seen to be influenced by how complaints are handled. It is essential to look at a company's internal complaint handling management to identify the critical elements that affect how well complaints are handled in the manufacturing sector.*

We propose conducting a series of case studies with managers from different manufacturing organizations by participating in semi-structured, face-to-face interviews.

Keywords: *competitive advantage; customers; the producers; managed complaints.*

1 INTRODUCTION

In several sectors of customer relationship management, the importance of service management has increased dramatically in recent years (Pyon, Woo & Park, 2011). Due to the belief that those satisfied customers are loyal and profitable, developing and maintaining strong customer relationships is now seen as an essential component in most business environments (González, 2015). As a result, service quality and customer satisfaction have emerged as crucial business objectives (Homburg & Koschate, 2007). The importance of after-sales service cannot be underestimated if a long-term buyer-seller connection is to be achieved (Ahn & Sogn, 2009; Gaiardelli, Sacconi & Songini, 2007; Lovelock & Wirtz, 2014).

There must be improved goods developed around the primary benefit of the purchase as well as genuine items that provide customers with additional services and benefits (Kotler & Armstrong, 2014). So when a customer buys a front loader from Volvo CE, they are actually purchasing a complete connectivity solution rather than just a front loader.

According to studies, producing quality out of the product is only the minimum necessary requirement; service programs that are directly related to the physical product, such as financing, delivery, warranty, maintenance and repair, are becoming increasingly important (González, 2015) and are driving the industrial sector through a process known as "servicing" (Ahn & Sogn, 2009, p.5371).

In most manufacturing enterprises, the after-sales business is carried out to meet customer requirements and is recognized as a significant business opportunity, a competitive advantage, a source of income and profit, and a provider of information for other operations (Gaiardelli et al., 2007).

The aftermarket industry has a potential market three to five times larger than the original purchase in the last ten years and has often been considered to be more profitable than the original items (Ahn & Sogn, 2009). In addition, studies by Gaiardelli et al. on European manufacturers and their after-sales networks from 2007 showed that the after-sales business in industrial product businesses generates about 40%–50% of total revenue, with an average profitability of 20%–

25%. This proves that the after-sales service has a great potential for revenue, but the management of the after-sales service is not a simple process.

Getting things right the first time could be the first law of service quality and productivity, according to Lovelock and Wirtz (2014). However, it is impossible to ignore the incidence of continuous failure, which can occur for a variety of reasons, including those beyond the organization's control, real-time performance, customer interaction, and product characteristics. The probability of product failures could be greatly increased by such specific product characteristics. Customers can take a variety of actions in response to a product failure, including public ones, such as complaining to the Consumer Protection Authority or spreading negative impressions to others, as well as private ones, such as severing ties with the company and calling rival companies (Lovelock & Wirtz, 2014). Homburg and Fürst (2005) agree that dissatisfied customers are often more inclined to stop doing business with the supplier and go to a rival. According to Govindan, Rajendran, Sarkis, and Murugesan (2015), firms that have to switch suppliers as a result of poor management practices would incur extremely high switching costs, and those with a poor reputation in the competitive economy would suffer a significant loss of brand image. Therefore, an organization's regularity in handling complaints and issues in a fair manner decides whether it fosters long-lasting buyer-seller connections with its customers or leads them to look elsewhere for their business needs.

An internal or external customer's verbal or written statement of dissatisfaction with a good or service is referred to as a "customer complaint" (QFinance Dictionary, 2016).

If handled properly, complaints can provide businesses with a fantastic opportunity to improve the quality of their goods and services to consumers, as well as learn about product defects and service delivery issues (Tronvoll, 2012).

2 PROBLEMS ADDRESSED

Effective complaint handling can increase customer loyalty and retention, according to studies (Ang & Buttle, 2006; Homburg & Fürst, 2005).

If customers get satisfactory responses to their complaint, they are more inclined to stay (Conlon & Murray, 1996). In addition, resolving complaints is a good way to learn about areas where the quality of a product or service can be improved (Filip, 2013). However, not all companies are aware of this. Some companies work hard to adopt and support customer-oriented policies, while others pay little attention to developing a systematic approach to handling consumer complaints (Homburg & Fürst, 2005).

Some companies make efforts to handle complaints by offering customers multiple ways to resolve their issues, including prompt response to complaints, investigation or justification of complaints, and compensation, including refunds, price reductions, and product replacements. However, customer reactions to the services offered by companies continue to vary. (Cambra-Fierro et al., 2015) Managing customer complaints is seen as a difficult process because different consumers have a wide range of complaints. Furthermore, the benefits customers want and what companies want to offer are different (Crié, 2003). According to Gregoire, Tripp, and Legoux (2009), even the same technique used to compensate consumers for a comparable problem may work for some customers but not for others.

The high incidence of consumer dissatisfaction with the company's handling of complaints further highlights the complexity of the process. According to earlier research by Homburg and Fürst (2005), more than half of consumers who complained were dissatisfied with the way their complaints were handled. According to Andreassen (2001), 40% of consumers who experienced service failures were dissatisfied with the company's complaint handling procedures.

According to Homburg & Rudolph (2001), complaint handling is a significant factor in determining industrial satisfaction and has particular significance for industrial marketing.

Customer satisfaction in commercial services also relies heavily on prompt actions (Durvasula, 2010). Although buyers do not want flawless products, they expect manufacturers to respond quickly to broken items (Cohen, Agrawal & Agrawal, 2006). Researchers have also observed that in order to increase operational and financial success as well as customer profitability, businesses should devote marketing resources to their complaint handling tactics to the greatest extent possible (Cambra-Fierro, Melero & Sese, 2015; Johnston, 2001). It is therefore important to recognize the value of increasing the efficiency of complaint processing.

Efficiency is the ability of a firm to create a certain level of perceived service quality within a specific resource structure in the context of business operation, especially in the context of business services (Grönroos & Ojasalo, 2004). The best result a company can deliver depends on how efficiently it uses resources such as people, technology, systems, information and time in the service process.

Most studies on customer complaint resolution have focused on consumer goods and services, while

business-to-business markets have received less attention in this area (Brock, Blut, Evanschitzk & Kenning, 2013). For businesses in the B2B sector, it is essential to have an effective strategy for resolving consumer complaints (González Bosch & Tamayo Enrquez, 2005; Homburg & Fürst, 2005). In addition, customer-related factors of perceived fairness in handling complaints are the main focus of studies on customer complaint handling (Homburg, Fürst, and Koschate 2010). Only a few studies (Homburg & Fürst, 2005; Johnston 2001) have analyzed how companies respond to customer complaints. Therefore, it is important to analyze both theoretically and empirically the key elements that affect the effectiveness of complaint processing.

3 THE ELEMENTS OF THE COMPLAINTS MANAGEMENT SYSTEM

3.1 After-sales support in the manufacturing sector

Services are “any activity, benefit, or satisfaction offered for sale that is fundamentally intangible and does not result in ownership of something,” according to Kotler & Armstrong (2014, p. 248). A physical product may or may not be connected to the creation of a service. Today's customers expect to receive certain non-physical services throughout the life cycle of a product in addition to the promised high-quality items (Murali, Pugazhendhi & Muralidharan, 2016).

For manufacturing companies, the tangible and intangible elements of customer service cannot be separated in today's business environment, and rivalry is present not only in the product itself but also in creating value for consumers (Murali, et al., 2016).

To increase their competitiveness in the market and ensure long-term growth, industrial firms have increased their efforts to add services to their core product activities. Business services in the manufacturing sector often involve a variety of tasks, including technical support, routine maintenance and repair, delivery of spare parts and upgraded products, customer service, consulting and training, and financial arrangements (Saccani, Songini, & Gaiardelli, 2006).

The purpose of an organization's after-sales service department is to respond to customer requests. One of the most crucial tasks of the department is to address customer complaints, which will be discussed in more detail in the next section (Murali, et al., 2016).

3.2 Handling complaints

Complaints management, according to Hart, Heskett and Sasser (1990), is the method companies use to address and learn from service failures in order to regain the trust of their customers. According to Alvarez, Casielles and Martn (2010), complaint handling management refers to how companies manage customers who are dissatisfied with certain areas of their service.

It is essential to manage complaints, especially when it comes to maintaining relationships with consumers. Applying effective complaint handling management helps companies to satisfy complaints, which leads to favorable results, such as personal diffusion of positive experiences, willingness to repurchase, etc. A valuable technique for gathering information and identifying defects in the quality of a product or service is handling complaints. Additionally, by serving as a quality control measure, complaints can help companies identify problems before they become widespread.

Sound and prompt actions are a major factor in customer satisfaction with complaint processing. In other words, effective complaint handling is necessary for consumers. In addition, a superior complaint management strategy can help companies better allocate their time and money, which will improve their operational and financial performance (Homburg et al., 2010).

One of the most important aspects of customer relationship management operations is the processing of customer complaints (Alvarez et al., 2010). By solving problems, providing value and ensuring customer satisfaction, effective complaint management could help companies improve not only their competitive advantages, but also operational efficiency and superior financial performance.

4 CONCLUSIONS

Knowing what to do in response to consumer complaints is essential for complaint handlers. As a result, businesses should focus on developing complaint handling policies. Firms can manage operations that rebuild lost consumer trust when there are policies that specify what should be done and who can do it. The requirement for a claims manager to make quick judgments needs to be met.

Company policy is a key element in how complaints are handled. Dealing with customer complaints is usually rushed. A well-established policy that accurately reflects what is really happening can reduce the time spent debating what needs to be done and by whom.

There are formal policies and informal policies that deal with how complaints are handled. Informal policies are relevant when dealing with circumstances where complaints are difficult to resolve using formal guidelines, so they can be seen as a compensation for the absence of formal policies. Formal policies are recommendations for typical ways to help consumers.

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