Poor customer experience costs $40 billion per year

Customer Experience Series™ – Cost of Complaining
Australian businesses are losing more than $720 for every negative customer experience

The EY Customer Experience Series™
The EY Customer Experience Series™ has been developed to investigate consumer decision making in key sectors, focusing on pain-points and opportunities.

Cost of Complaining survey:
The Cost of Complaining findings are based on quantitative data collected from over 900 respondents across Australia. The series also draws upon the findings of a 20-year Australian social values study, AustraliaSCAN¹ which identifies key social trends and cultural change.

¹ AustraliaSCAN conducted by Quantum Market Research has been measuring social values and cultural change by interviewing a representative sample of 2000 Australians each year.

The Customer Experience Series™ — Cost of Complaining survey found that businesses have significant opportunity to improve returns by treating complaints as a key touchpoint in the customer journey, using complaints as a feedback tool and ultimately solving the root cause of their customers’ bad experiences.

The survey explored the experiences and reactions of customers in key service industries, including:

- Telecommunications
- Utilities
- General insurance
- Private health insurance
- Retail banking

The research looked into several components of a dissatisfied customer’s experience:

- The frequency of poor experiences
- Response to a bad experience
- Complaint channels used and barriers to formal complaints

$40b of annual consumer spending is impacted by poor customer experiences
More than half (56%) of the customers surveyed had reported a poor service experience over the past 12 months, with most issues encountered within the telecommunications industry (38%) and the least within retail banking (12%).

The results showed that customers generally fall within one of three behavioural segments:

- Walkers (9%)
- Talkers (60%)
- Sulkers (30%)

Additionally, 47% speak publicly with 11% posting online.

Much of the value leakage occurs within businesses due to:

- A lack of understanding of complaint segments
- High barriers to complaining
- Not addressing the root cause of the poor experience
Bad experiences are having a significant impact on Australian customers

Organisations have focused significant effort on complaints management over past years. Our research suggests that not only is there further work to be done, but that the focus must move away from complaints management and towards treating complaints as a key touchpoint within the customer journey.

The research found that customers believe there are significant barriers to making a complaint. This leads to missed opportunity for the business to interact with customers, identify root causes and minimise further brand damage. 49% of those who did nothing blamed time and effort.

Further reasons included being unable to find the correct contact details or feeling the experience would be too stressful. Furthermore, 28% of respondents who contacted their supplier were very dissatisfied with the result and only 8% were very satisfied.

When customers do complain, they are often disaffected by the process and outcome.

- 48% very or fairly dissatisfied with the ease of accessing information to help reconcile the issue
- 54% very or fairly dissatisfied with the speed in which the issue was dealt with
- 57% very or fairly dissatisfied with the quality of feedback or explanation provided
### Percentage of Households who have had an experience that could have been better:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
<th>Poor Coverage and Service Interruptions</th>
<th>Poor Customer Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommunications</td>
<td>38%</td>
<td>35%</td>
<td>30%</td>
</tr>
<tr>
<td>Utilities</td>
<td>27%</td>
<td>32%</td>
<td>25%</td>
</tr>
<tr>
<td>General Insurance</td>
<td>15%</td>
<td>35%</td>
<td>17%</td>
</tr>
<tr>
<td>Private Health Insurance</td>
<td>15%</td>
<td>27%</td>
<td>19%</td>
</tr>
<tr>
<td>Banking</td>
<td>12%</td>
<td>29%</td>
<td>27%</td>
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</tbody>
</table>
Walkers, Talkers and Sulkers all have unique behaviours; complaints management processes must reflect this

The Customer Experience Series™ – Cost of Complaining survey identified the following key types of customers who have had a less than perfect experience: Walkers, Private Talkers and Sulkers.

As well as being within one of the three categories, a dissatisfied customer could do further damage by being a Public Talker, an active brand antagonist with the ability to promote issues across a large audience.

These groups require careful consideration in service organisations and must be managed appropriately.
### Results

- Although the smallest segment (9%) it is still an important one, as almost four in five (78%) would be unlikely to consider using the supplier again in the future.
- Two in five (42%) Walkers were driven away by price/competitiveness issues.

<table>
<thead>
<tr>
<th>Walkers</th>
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<tbody>
<tr>
<td>“I can get a better experience with another provider”</td>
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</table>

- Sulkers are more likely to have experienced issues around customer service (30% vs. average of 23%) than other segments.
- If they have another similar experience almost one in two (47%) will change suppliers and one in three (29%) will make a complaint.

<table>
<thead>
<tr>
<th>Sulkers</th>
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<tbody>
<tr>
<td>“They’re all the same, I can’t be bothered”</td>
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</table>

- A large proportion of consumers were Talkers (60%) who were actively engaging with suppliers to address their issues. However very few were achieving outcomes that were in-line with their expectations.
- Customers were more likely to be driven to contact suppliers for issues with core services and ongoing issues such as incorrect billing (14% vs. average of 11%) and delays in fixing services (11% vs. average of 8%).

<table>
<thead>
<tr>
<th>Talkers</th>
</tr>
</thead>
<tbody>
<tr>
<td>“I want this issue resolved”</td>
</tr>
</tbody>
</table>

- People mentioned their experience on average to five people.
- Additionally, 11% posted their experience on social media.

### Implications

- Almost complete loss of lifetime value
- Difficult to re-obtain business
- Loss of advocacy

- Reduced life-time value through fewer cross-sell / up sell opportunities
- Reduced advocacy
- Increased cost to retain

- Ideal route enabling the supplier to reconcile the issue and deliver customer satisfaction

- Active brand antagonists
- Potentially promote issues across a large audience
Companies must promote and enhance dialogue with dissatisfied customers

To maximise customer value and consideration of future services it is essential that customers are encouraged to discuss their issues directly with the supplier and that suppliers provide an optimised contact strategy to ensure the issue can be dealt with most appropriately.

Our research looked at customers likelihood to consider the supplier for additional services following a poor experience. Whilst sulkers may not complain, only 44% would consider additional services. But, turn those customers into Talkers and this increases to 56%. However, handle a complaint poorly and the customer value is significantly impacted, with only 26% likely to consider the supplier for future services.

Therefore, organisations must consider two components of the complaint experience – make it easy and make it worthwhile.

Handle a complaint poorly and a customer is:

49% of customers didn’t bother to complain blaming time and effort

47% of customers spoke out

x2 as likely to walk away
Of those customers that contacted the supplier:

- 66% wanted to reconcile the issue
- 41% were seeking an explanation
- 26% wanted some form of compensation
- 19% wanted an apology

And only 8% were very satisfied with the outcome.
Social media have increased the risks

Our results confirmed the damage caused by the ‘iceberg effect’ of a bad experience. Nearly half (47%) of all customers spoke about the issue with two or more others, or made a comment on social media.

Respondents estimated approximately 200 people viewed a social media complaint and 46 commented or shared, with the supplier not acknowledging the comment in 75% of cases.

This demonstrates a clear opportunity for suppliers to ensure that they are open and responsive to all channels, enabling customers to voice their issues and maximise the rate of customer retention.

In addition to the three core segments of complainers, our research found that a significant number of respondents also make their dissatisfaction known more widely, either through their personal networks or public channels, especially social media. These Public Talkers have the power to influence brand sentiment within their social circles, impacting brand health and reducing brand advocacy.

Almost half of Public Talkers mentioned their poor experience to an average of 5 people, and 11% made a post or comment on social media.

49% of respondents made the post to social media to highlight their bad experience to others, 36% wanted to vent their frustrations and 19% wanted to negatively impact their supplier.
These figures, in addition to only 16% making the post to seek a response from the company, have significant implications for business’ social media strategies.

Social media has changed the customer engagement process and how organisations are seen to handle complaints has become as important as how the complaint is resolved.

<table>
<thead>
<tr>
<th>Purpose of Posting</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>To vent</td>
<td>36%</td>
</tr>
<tr>
<td>To harm</td>
<td>19%</td>
</tr>
<tr>
<td>To highlight issue to others</td>
<td>49%</td>
</tr>
<tr>
<td>To seek response from supplier</td>
<td>16%</td>
</tr>
<tr>
<td>Not acknowledged</td>
<td>11%</td>
</tr>
</tbody>
</table>

75% of social media comments were not acknowledged by supplier.
Businesses must improve across three areas

Understand your segments
Businesses have long been classifying customers in order to manage the customer sales and service experience. Organisations now need to better understand the profile of potentially dissatisfied customers.

This research has identified three complaint segments each with distinctly different response behaviours. These responses to a poor experience need to be understood and addressed to protect the brand, customer relationships and future sales opportunities.

Unlock the barriers to complaining
As outlined in this report, only a small proportion of complaints reach organisations through their formal channels, often due to a customers’ perceived effort (and reward).

Organisations must make it easy for customers to complain and, importantly, they must demonstrate they value the customer and their feedback.

By listening to dissatisfied customers at key touchpoints and responding consistently, organisations can remedy the issue at hand, and generate increased loyalty and advocacy.

Identify key pain-points
Focusing on complaints management alone does not solve the underlying issue.

Organisations must shift their focus towards minimising dissatisfaction, not simply minimising complaints.

Effective complaints management offers significant opportunities to improve the customer experience, by learning from the complaints, correcting the root cause and implementing feedback loops to encourage advocacy.
Questions to ask yourself

1. Have your improvement initiatives focused on reducing the number of complaints rather than the source of the issue?
2. Does your organisation welcome feedback across all levels?
3. Do you actively seek and act upon feedback from front line staff?
4. Do you see customer complaints as a source of innovation?
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