

# Consumer *Complaints* Management

A Guide for  
Canadian Business

Canada

 Ontario

Québec 

 NOVA SCOTIA

New  Nouveau  
Brunswick

Manitoba 

 BRITISH  
COLUMBIA

*Prince  
Edward  
Island*

 Saskatchewan

Alberta

 GOVERNMENT OF  
NEWFOUNDLAND  
AND LABRADOR

GOVERNMENT DE  
TERRE-NEUVE ET  
DU LABRADOR

Yukon

 Nunavut

 Nunavut



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## A Guide for Canadian Business

Developed on behalf  
of the federal,  
provincial and  
territorial ministers  
responsible for  
consumer affairs

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The Office of Consumer Affairs will regularly revise the online version of this Guide (<http://strategis.ic.gc.ca/SSG/ca01763e.html>) to reflect recent developments and provide new information. Please send suggestions for improving the Guide, questions or comments to:

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# 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 CCM 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. CCM 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 CCM 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 CCMs, 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 CCM initiatives are, the business case for CCMs, examples, and the strengths and weaknesses of CCMs, and then provides suggestions for their effective development and implementation.

## Types of CCMs

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

**Preventive CCM 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 CCM initiatives** combine preventive, internal complaints-handling and external dispute resolution elements to provide a graded range of responses.

## CCM Implementation

The Guide sets out an eight-step process for creating and implementing CCM initiatives, from problem definition through to publication, review and continual improvement. A summary checklist of elements of successful CCM 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 CCMs


Research suggests that effective CCM 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 CCMs**

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 CCM matters in greater depth, a list of useful publications is provided at the end of the Guide.

# Introduction



It is hard to imagine a consumer 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 consumers when they follow customer service standards and policies that prevent problems from arising, and are honest, fair and responsive when things go wrong.

Consumer complaints management (CCM) encompasses techniques, processes and systems that lessen the chance of consumers 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 consumer complaints management, surveys suggest that many Canadian consumers are not satisfied with how businesses respond to consumer problems.

The immediate objective of this Guide is to increase awareness among businesses, consumer organizations and governments of existing CCM 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 CCM 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 consumer organizations can also take the lead in developing such initiatives and help industry with its work in this area. For governments, effective CCM initiatives increase the likelihood that consumer problems will be resolved at the source, allowing governments to concentrate their efforts on “bad actors.”

The Guide discusses CCM 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 CCM 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 CCM 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. A summary of the Market-driven Consumer Redress Workshop (Ottawa, January 25 and 26, 2001) and several market-driven consumer redress case studies (Ottawa, 2001) are available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca01643e.html>).

**Readers should not interpret the mention of any particular CCM initiative as endorsement of the firms or initiatives by federal, provincial or territorial governments, or by those who prepared the Guide.**

## Part One

# Market-based Consumer Complaints Management Initiatives

### What are Consumer Complaints Management Initiatives?

Businesses know that consumers 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.

Consumer complaints management (CCM) 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 CCM individually, and conclude by noting that some initiatives take a comprehensive approach to CCM. The expenses associated with developing and implementing effective consumer complaints management could be considered a cost of maintaining good customer relations.

As described in this Guide, CCM initiatives are:

- voluntary (i.e. not expressly required by law)
- developed and implemented by individual firms or industry associations, governments, or consumer 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, consumer or competitive pressures, the real or perceived threat of government action, or a combination of these
- operated within a legal framework that includes consumer 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 consumers, and decrease the likelihood of problems occurring.

## The Business Case for CCM Initiatives

### Using Consumer Complaints as Market Intelligence

Research reveals that complaints are one of the most important types of communication consumers 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.<sup>1</sup>

### ***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 consumer 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 consumers 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.<sup>2</sup>

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1. For more information, see C. Weiser, "Championing the Customer," *Harvard Business Review* (November-December 1995), pp. 113–116, and F. Reichheld, "Learning from Customer Defections," *Harvard Business Review* (March-April, 1996), pp. 56–69.
  2. From *Consumer Eyes 2000*, a survey conducted by Acumen Research. Report highlights are available at <http://www.acumenresearch.com/ce2k.html>.



## 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.<sup>3</sup>

- 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.

## Preventive CCM Initiatives

Preventive CCM 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 consumers 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* CCM systems (see page 21). Effective preventive CCM initiatives are well publicized, adequately funded, consistently applied and well monitored. Because preventive CCM 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 Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/volcodes>).

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3. From *Effective Customer Relations: Dependable Tips and Helpful Information*, which includes a summary of the findings of the Consumer Complaint Handling in America study by Technical Assistance Research Programs, Inc. The document is available at <http://www.bbb.org/library/customer.asp#LinkA>.

## Examples of Preventive CCM 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.<sup>4</sup> 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 consumers 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 CCM 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 publication *Market-driven Consumer Redress Case Studies: Advertising Standards Canada* is available from Industry Canada’s Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca01652e.html>).

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

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4. In Quebec, a coalition of consumer groups, retail trade associations and the Quebec consumer protection office has developed a similar policy.

industry knowledge of the standards decreases suspicions that individual consumers 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 consumers. The publication *Market-driven Consumer Redress Case Studies: Cable Television Standards Council* is available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca01656e.html>).

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 consumer 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 consumer problems arising. The publication *Market-driven Consumer Redress Case Studies: Alberta New Home Warranty Program* is available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca01660e.html>).

## Internal Complaints-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<sup>5</sup> and adherence to complaints-handling standards (see, page 18). Key characteristics of effective internal complaints-handling initiatives are set out on page 21.

### 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

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5. An ombudsman has the authority to investigate complaints on behalf of individuals and recommends how to handle the problem.

ombudsman for the entire banking industry (see page 20). The publication *Market-driven Consumer Redress Case Studies: The Canadian Banking Ombudsman and the Individual Bank Ombudsmen* is available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca01653e.html>).

## Complaints-handling Standards<sup>6</sup> 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 Consumer 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.

## 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, as discussed on page 30. Examples include third-party mediation, arbitration, tribunals, councils and external ombudsmen (see box, opposite).

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6. As used here, *standards* are documents approved by a recognized body that provides, for common and repeated use, rules and guidelines for products or processes. In Canada, teams of volunteers representing many stakeholders develop National Standards System standards through a consensus process. Standards development organizations have a pre-established, credible approach to developing standards. In addition, certification organizations audit compliance with standards. As discussed on page 25, Canada is in the process of developing consumer e-commerce standards that address complaints prevention and response. For more information concerning the standards system, see *Participating in the Standards System: A Handbook for Consumer Representatives* (Ottawa, 2000), available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca01580e.html>).

### **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, consumer 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 consumers have been unable to resolve directly with dealers. A consumer completes a CAMVAP claim form, and the manufacturer must reply within 10 days. The consumer is then given a choice of three arbitrators who come from a variety of backgrounds but are not automobile experts. The consumer 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 consumer's favour. The publication *Market-driven Consumer Redress Case Studies: Canadian Motor Vehicle Arbitration Plan* is available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca01689e.html>).

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 consumer 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 consumer or public interest representative. The Council's decisions are binding on cable companies, although consumers 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. Consumers 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 publication *Market-driven Consumer Redress Case Studies: Cable Television Standards Council* is available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca01656e.html>).

The Canadian Banking Ombudsman (CBO)<sup>7</sup> is available to consumers 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 consumer who brings the complaint. The publication *Market-driven Consumer Redress Case Studies: The Canadian Banking Ombudsman and the Individual Bank Ombudsmen* is available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca01653e.html>).

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7. At the time of publication (March 2002), the federal government was participating with provincial regulators and members of the financial services industry in discussions concerning the creation of a comprehensive financial services ombudsman to include all financial services sectors. This undoubtedly will affect future operations of the CBO.

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

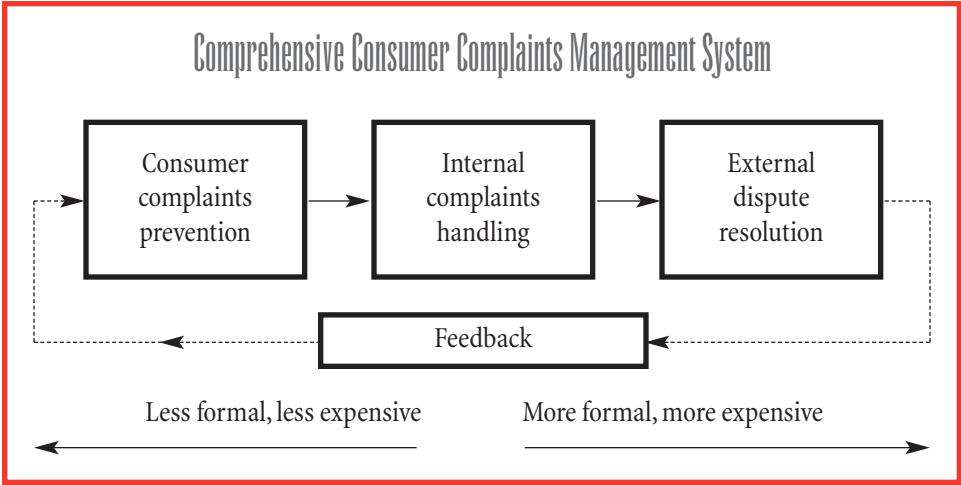
Internal complaints-handling and external dispute resolution initiatives are distinct approaches usually designed to operate sequentially (i.e. internal complaints-handling techniques are exhausted before trying external approaches). Nevertheless, they share many characteristics, and successful programs 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 consumers, 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 consumers to use the program through toll-free numbers, fax, mail or e-mail.
- The process is free for consumers.
- The response is speedy.
- There is continuous communication with consumers 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 consumers.

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.

## 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 CCM 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 CCM 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 CCM 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 (see page 20), publication of Council decisions, and a random call-back policy to ensure that customers are satisfied. Members that do not adhere to the standards may have their membership revoked. The publication *Market-driven Consumer Redress Case Studies: Cable Television Standards Council* is available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca01656e.html>).

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. The publication *Market-driven Consumer Redress Case Studies: Better Business Bureau* is available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca01654e.html>).



## CCM 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: see page 24) 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. Stand-alone 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.

### **Characteristics of Effective Online Trustmark Programs**

- The program covers the full range of consumer concerns, from provision of clear and adequate information to facilitate informed decisions through to personal information protection, transaction security and effective processes for contract formation, contract fulfilment and redress (see Online Redress, page 26).
- There is meaningful involvement of a wide range of stakeholders in the development and implementation of the program.
- The trustmark administrators offer compensation to consumers (i.e. insurance is in place) when members do not comply (see, for example, the WebAssured program at <http://www.webassured.com>).
- There is adequate funding and logistical arrangements are in place to ensure the program runs properly.
- Staff are trained to provide customer service and complaints-handling and dispute resolution services.
- Merchants are evaluated before receiving the trustmark. As a result, the risk of uncooperative merchants with poor complaints management processes joining is low.
- There are real incentives for merchant compliance, and disincentives for non-compliance, such as loss of use of the trustmark or adverse publicity.
- There is an effective communications and publicity campaign about the program and how it operates.
- The program is free to consumers, and convenient to use.
- There are regular public information updates about the program.
- The program responds quickly.
- There is continuous communication with consumers throughout the process to keep them up to date.

- There is a time limit associated with each stage of the process that is made known to consumers.
- Regular review and monitoring (preferably by a third party) takes place to ensure that the program works and that continuous improvement occurs.

### ***U.K. Consumer Organization Develops CCM Initiative***

The United Kingdom's Consumers' Association has developed Web Trader, a CCM trustmark program for online merchants. Web merchants agree to abide by a set of consumer protection commitments, and, when approved by the Consumers' Association, can display the Web Trader logo on their Web sites. When problems arise, the Association helps consumers seek redress, and the merchant may lose the privilege of displaying the Web Trader logo. Consumer organizations in nine other European countries now operate Web Trader programs, and the program is looking to expand beyond Europe.

For more information on the Web Trader program, go to <http://www.which.net/webtrader>.

### ***Other Examples of Trustmark Programs***

#### **BBBOnline**

The Better Business Bureau (BBB) has developed an online merchant reliability code with a seal. Approved merchants put a BBBOnline logo on their Web sites that links to the BBB site so consumers can determine in advance which companies participate in the program and learn about redress mechanisms for when complaints are not resolved internally.

#### **Canadian Code and Standard**

Based on the *Principles of Consumer Protection for Electronic Commerce*, Industry Canada's Office of Consumer Affairs is leading a multistakeholder initiative to develop a code of good business practice for e-commerce that features preventive, internal complaints-handling and external dispute resolution elements.

A standard based on the principles and code is also being developed by the Canadian Standards Association and the Bureau de normalisation du Québec, with federal and provincial government, industry and consumer group participation. The code and standard are intended to be the basis for trustmark programs.

## Online Redress

The government-industry-consumer Working Group on Electronic Commerce and Consumers, spearheaded by Industry Canada's Office of Consumer Affairs, developed the *Principles of Consumer Protection for Electronic Commerce*. The principles address information disclosure, personal information protection, contract formation and fulfilment, delivery and redress, among other things. Businesses that adhere to the principles are less likely to have problems that will result in consumer complaints. Principle 5 specifically pertains to redress, stipulating that "consumers should have access to fair, timely, effective and affordable means for resolving problems with any transaction." The document *Principles of Consumer Protection for Electronic Commerce: A Canadian Framework* is available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca01180e.html>).

Online redress mechanisms are another way of addressing complaints about purchases made both online and in the conventional offline marketplace. There are opportunities and challenges associated with developing effective online redress initiatives (see box, opposite). Individual merchants can develop internal online complaints-handling systems, and then supplement them with external online redress systems.

When developing online redress programs, organizations should keep the following points in mind.

- Online redress offers opportunities for faster communications, secure negotiations and unmediated computerized assistance.
- Computer software can be used to enhance the redress process.
- Online mediators need to be skilful in written communications and distance negotiation, not just verbal interaction.
- There is no ability online to physically inspect goods, and it may be difficult to generate the same type of cooperative atmosphere as is possible in face-to-face mediation.
- It is difficult to authenticate the identity of the parties, confidentiality (when necessary) may be difficult to protect, and evidence difficult to submit. Such challenges must be met without compromising accessibility of consumers.
- Online redress providers should be prepared for a sudden increase in the volume of requests every time they improve online accessibility.

### ***Online Redress: Opportunities and Challenges***

Online redress offers firms a number of opportunities for enhanced redress-related communications with customers, when compared with traditional redress mechanisms, including the following:

- potential for faster and more efficient communications
- convenience
- less emotionally fuelled than face-to-face meetings
- less intimidating
- more of a level playing field for parties, since they have equal presence
- an automatic record of proceedings, which facilitates tracking of progress
- ability to easily publicize non-compliance
- potential for innovative uses of technology to improve redress mechanisms (e.g. automatic translation, real-time conferencing and computer-assisted negotiation).

In addition to these opportunities for enhanced communications, online redress presents a number of significant challenges, including the following:

- no visual or verbal cues to assess credibility of parties
- less than 100 percent reliability of e-mail as means of communication
- electronic system only works when both parties have compatible equipment and there are trained and capable personnel responding promptly to complaints
- less pressure to settle online than there is in a face-to-face meeting
- difficult to accommodate consumers with poor literacy skills or who do not have access to e-mail
- challenges accommodating linguistic and cultural differences between parties
- need to ensure the security of confidential communications and documents
- need to devise simple methods of authenticating parties' identities
- publicity can attract huge volumes of complaints, leading to a need to filter out unworthy complaints
- need to offer high-quality service at affordable rates to consumers, without compromising independence.

While online redress mechanisms may be part of trustmark systems, they need not be. A number of online redress programs stand alone, used by any number of merchants and their customers, whether or not those merchants participate in more comprehensive trustmark programs. For example, one company provides a stand-alone program (one of several redress-oriented services offered by the company). When businesses cannot resolve a problem internally, they can turn to this company's online mediation service, which features trained and qualified mediators. The company reports that it successfully resolves more than 80 percent of its online cases. Large commercial ventures with high profiles may be particularly good candidates for the services of stand-alone redress programs as a complement to their own internal complaints prevention and handling initiatives.

### **Benefits of Effective CCM Initiatives**

The Guide has thus far discussed what CCM initiatives are, the business case for CCM initiatives, examples of preventive, internal complaints-handling, external private dispute resolution, and comprehensive complaints management initiatives, and the distinctive situation of CCM initiatives in the context of electronic commerce. With this background, the Guide now examines the benefits of effective CCM initiatives and, in the next section, the drawbacks of poorly designed CCM initiatives.

For consumers, effective CCM initiatives offer a number of benefits.

- Preventive measures help assure consumers that a company is meeting customer service and reliability standards, and that when it does not consumers will be compensated in some way.
- Information is available up front about how a business responds to consumer problems.
- The number of problems with the products or services of a particular merchant or group of merchants likely decreases.
- When compared with using the courts to complain, CCM initiatives allow comparatively quick, fair and inexpensive solutions to consumer problems.

For businesses, CCM initiatives can be advantageous in a number of ways.

- They can stimulate more efficient, fair and effective operations that minimize consumer problems. This puts firms in a more favourable light with the public, customers, government and others, and may have the added benefit of reducing the pressure for new laws or regulations.
- Significant consumer feedback can be used to devise better products and services.
- There is a likely reduction in costly and acrimonious legal disputes.
- They complement existing laws, thereby improving relations with government agencies and regulatory bodies.

For governments, the use of CCM initiatives by firms can have several advantages.

- Public policy objectives can be furthered through non-regulatory means.
- They may complement or expand traditional regulatory regimes.
- They can go beyond the minimum standards and criteria set in law.
- The need for government intervention may be decreased.
- Standards and criteria may be set or adjusted more quickly and less expensively than by using laws and regulations.

## Drawbacks of Poorly Designed CCM Initiatives

While CCM initiatives can have significant benefits for all parties, they can also have harmful effects when not properly developed and administered.

- They can frustrate or mislead consumers. As well, CCM initiatives not backed by action can have legal consequences under deceptive advertising laws.
- When there is inadequate disclosure about the operation of a CCM initiative, it can be difficult for consumers, governments and businesses to tell whether the initiative is working. It can also make it difficult for consumers to be treated fairly. For example, when consumers cannot find out about previous redress actions, it is difficult for them to decide which redress option to use. This may bring a seemingly well-intentioned and effective CCM initiative into disrepute.
- Poorly designed or implemented CCM initiatives bring negative publicity and lead to loss of trust or business.
- CCM initiatives that attempt to restrict the ability of consumers to use other techniques (i.e. resort to the courts) or impose hidden costs on consumers are likely to provoke significant negative reaction.
- CCM initiatives that raise expectations but do not deliver can slow or prevent the introduction of needed laws. In the short term, this harms the parties or interests that should have been protected. In the long term, it can cause consumers or governments to mobilize against the organization or sector.
- Multifirm CCM initiatives that restrict merchant access to the market, decrease choice or increase price may have anti-competitive effects. Under the provisions of the *Competition Act*, CCM initiatives may not be used to substantially reduce competition, prevent non-participating firms from entering the market or negatively affect consumers by significantly raising prices, reducing service or limiting product or service choice.
- CCM initiatives should not create barriers to interprovincial or international trade. A CCM initiative that prevents firms from entering and competing in a market may attract the attention of national or international trade authorities.

- CCM initiatives can create an “uneven playing field,” since not all merchants may choose to participate. This is not necessarily bad. A firm or group of firms can develop a CCM initiative to show leadership and gain a competitive advantage in a particular area or activity. However, from a consumer perspective, this means that there is no assurance that all firms offer the same protections and redress services. Consumers might develop a false sense of security about products, services or firms not actually the subject of a CCM initiative. As well, firms that do conform may be penalized: they may have to bear unrecoverable costs associated with adhering to CCM initiatives and could be tainted by the non-compliance of others (so called “free riders”).
- CCM initiatives that are not adequately funded may frustrate both industry and consumers.
- Fees can frustrate and discourage consumers from using CCM initiatives, thus negatively affecting the image of the firm and decreasing the likelihood that it will receive feedback concerning areas for improvement.
- Disciplinary actions by CCM administrators that do not provide participating firms with a real opportunity for notice and comment prior to action may be negatively perceived and lead to legal action. Lax or inadequate disciplinary actions can reduce credibility and fail to stimulate appropriate corrective action.
- CCM initiatives on their own may be insufficient to respond to particularly serious consumer problems. For example, when a consumer has been physically harmed or has suffered large financial losses as a result of using a product or service, going to court may be necessary.

As this list suggests, the potential drawbacks of poorly designed or implemented CCM initiatives can be significant, so the decision to develop a CCM initiative should not be taken lightly. It takes considerable time, energy and resources to successfully develop and implement a CCM initiative, and even then it may not achieve the hoped-for results.

## **CCM Initiatives and the Law**

Although market-based CCM initiatives are not required by law, they nevertheless operate within a framework of law. The prospect of a disgruntled customer taking a firm to court, or complaining about that firm to a government consumer protection agency, creates a strong incentive for businesses to meet the redress needs of consumers from the outset and thus avoid potentially expensive and acrimonious legal actions and bad publicity.



From a consumer standpoint, the courts represent an important avenue of final redress should other options prove insufficient, but the expense, time commitments and complexity of court processes tend to make judicial recourse impractical for small transactions.

Legal recourse is particularly difficult in crossborder transactions, as it is often unclear which law applies, what is the most appropriate forum for recourse, and how enforcement of judgments will be handled. This is particularly the case in electronic commerce transactions, when the consumer might be in one country and the merchant in another.

A troubling new development in the United States has been the inclusion in the terms of some consumer contracts of a provision mandating usage of a particular form of redress, despite the fact that this pre-designated form of redress may not be convenient, appropriate or fair to the consumer. These clauses are not in the best interests of consumers, and have been very poorly received. For example, dissatisfied consumers in the U.S. have generated negative publicity about firms engaging in this practice. For these reasons, use of such clauses has been roundly condemned by American consumer organizations.

The perception that government may develop a regulation to deal with a problem when the private sector does not address it on its own can motivate firms to develop a non-regulatory redress response. The Canadian Motor Vehicle Arbitration Program, the comprehensive complaints management system of the Cable Television Standards Foundation, and the Alberta New Home Warranty Program are all examples of CCM initiatives that were developed in response to the prospect of government regulation.

The law also constrains use of CCM initiatives. A CCM initiative must not be used in an anti-competitive manner to decrease choice, price or access to the market. Similarly, federal, provincial and territorial deceptive marketing legislation acts as a safeguard that firms will meet their CCM commitments, because when they do not they may be making misleading or deceptive representations.

Courts can and have applied legal notions of fairness to CCM initiatives to protect industry members and consumers. Industry associations must be careful to structure their CCM initiatives so that there is adequate notice to affected members of any proposed disciplinary actions, as well as an opportunity for meaningful response. Recent court decisions have confirmed the obligation of industry associations to be fair to members in such circumstances, or risk having their decisions overturned.

Depending on the jurisdiction, mediation and arbitration may also be subject to judicial review for procedural breaches and misapplication of the law. Binding arbitration is commonly used for high value commercial,

labour and other disputes involving complicated issues. In order to bind parties, arbitration must meet legal standards of due process and fairness, and is subject to judicial review, as well as to domestic and international laws regarding enforceability. Requiring consumers to waive their rights to judicial recourse as a precondition of arbitration may not be necessary in order to resolve the dispute, and is risky given the standards of fairness that must be met before such waivers are enforceable. This may also discourage participation by consumers who have more trust in the public justice system, even if it is less efficient and convenient, and more expensive. When binding arbitration is used, it is essential that the consumer's agreement to be bound is fully informed and voluntary, and that the consumer fully appreciates what he or she is giving up in exchange for arbitration.

### Role of Consumers in Effective Complaints Management

There is no question that much can be done by consumers themselves to decrease the problems and frustrations associated with making complaints. Industry Canada's Office of Consumer Affairs developed *Complaining Effectively*, a helpful guide that covers key points to remember about complaining effectively, strategies for success, sample complaint letters, how to use small claims court, and other matters. *Complaining Effectively* is available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca00742e.html>).

## Part Two

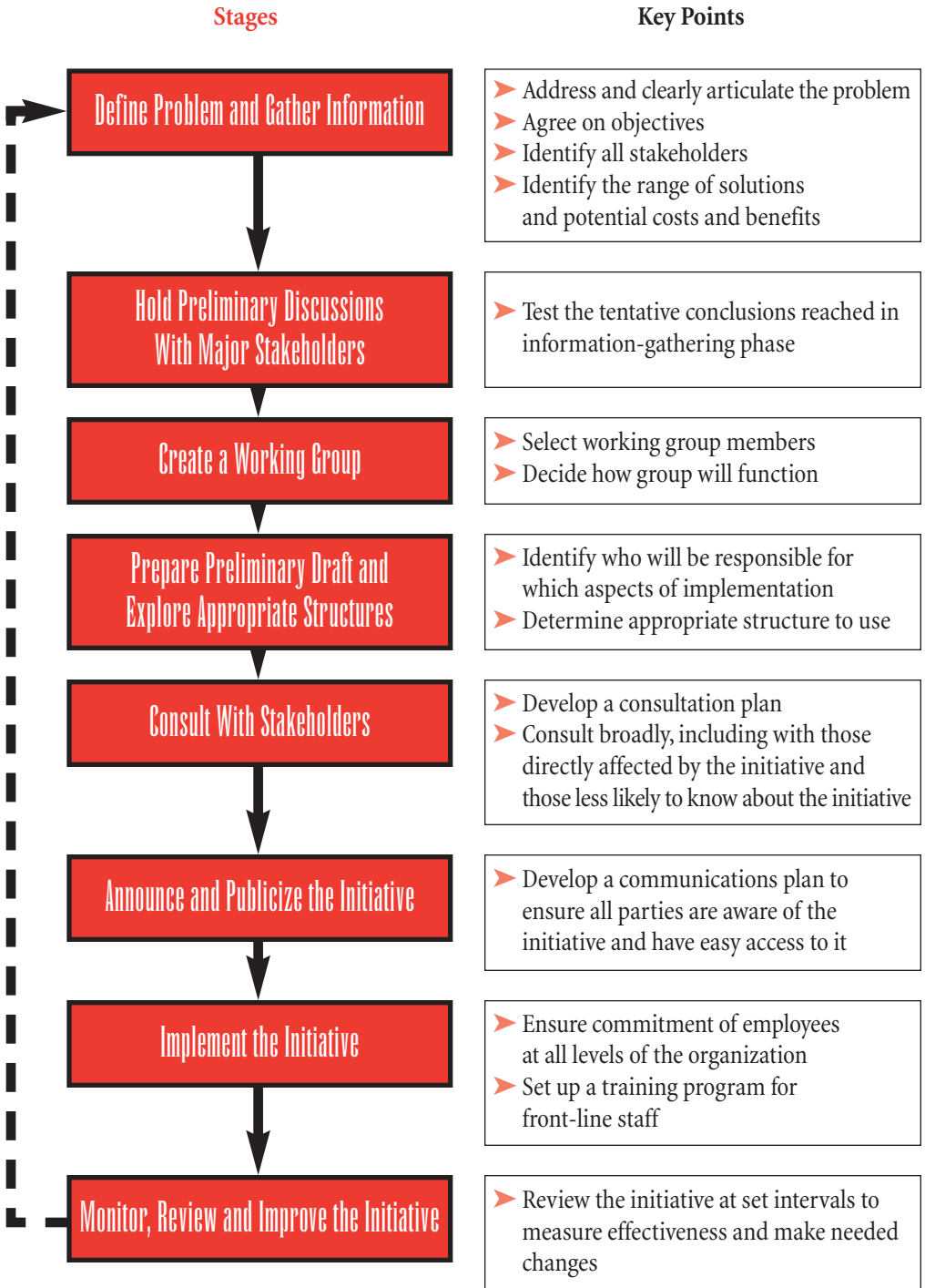
# Developing and Implementing CCM Initiatives



As we saw in Part One, CCM initiatives encompass preventive techniques, internal complaints-handling approaches and external dispute resolution programs. These come in a wide variety of shapes and sizes, and are initiated for many reasons. Comprehensive consumer complaints management systems are preferred options in many circumstances, since they integrate all three components. But just as there is no one “correct” CCM initiative, so too there is no single approach to developing CCM initiatives.

Developing comprehensive CCM systems requires a step-by-step approach and, likely, more resources than creating a single preventive measure. Similarly, developing an internal complaints-handling process is likely to be quite different from creating a new system of mediation or arbitration, introducing an external ombudsman, or creating a new decision-making tribunal. By the same token, the process for developing CCM programs for single firms may be considerably less elaborate and formal than that for larger and more complex multifirm initiatives. The eight-step process set out below is a “one-size-fits-all” approach, describing the full range of questions and factors to consider when designing CCM initiatives. There are aspects of the process that do not likely apply to smaller and less comprehensive CCM initiatives. For this reason, a short checklist of elements of successful complaints management initiatives within firms is also provided, following the eight-step model. Then, some general tips and suggestions and a number of sources for more detailed help are provided.

## An Eight-step Model for Developing CCM Initiatives



## **Step One: Define Problem and Gather Information**

- What problem is the CCM 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 CCM 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. This tool is available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca00882e.html>).
- 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. The tool is available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca00948e.html>). 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 CCM 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 CCM 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 front-line employees (who will play a major role in implementing the CCM initiative), managerial staff and key organization leaders are included.

CCM 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 CCM 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 CCM 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.<sup>8</sup> Consumer groups and CCM 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 CCM 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

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8. As reported in K. Damsell, "Nothing sells like customer service," *The Globe and Mail*, April 30, 2001.

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 CCM 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 CCM 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 CCM 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 CCM 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 CCM 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 CCM initiative risks being nothing more than words on paper, potentially frustrating customers 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 CCM 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 CCM initiative, data is needed on the situation prior to the CCM initiative being launched (i.e. baseline data) and at frequent intervals thereafter. This data can be used not only to determine weaknesses in CCM initiative design and operation, but also to demonstrate results. The Cable Television Standards Council, for example, does a random callback of customers 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.

### Elements of Successful CCM Initiatives: A Summary Checklist for Individual Firms

For many firms, the elaborate approach to developing CCM 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 CCM initiatives within individual firms.<sup>9</sup>

- 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 is 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.

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9. The following draws from the Managing Consumer Complaints section of the Office of Consumer Affairs' online publication, *Customers First*, available at <http://strategis.ic.gc.ca/SSG/ca00873e.html>.

- 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 consumer.
- 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 CCM Initiatives

The following tips and suggestions are of potential use to those developing and implementing comprehensive, multisector CCM initiatives or more modest single-firm CCM 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 CCM 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 CCM 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 CCM initiative, they will come."**

Once a program has been announced, ongoing efforts are needed to ensure that CCM initiatives are visible and accessible to consumers at the right time and in the right place. The following are examples of techniques to maintain the profile of a CCM 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 consumers to more detailed information
- pamphlets placed at the point of transaction.

**Provide a range of options.** When it comes to matters of consumer complaints management, one size definitely does not fit all. The nature of consumer problems differs significantly depending on the particular issue, the product, the consumer and other factors. When a number of CCM 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 consumer and the merchant, and give guidance about what to expect. Consumers and staff alike need to know the deadlines and the consequences for missing them.

**Draw on the credibility and expertise of consumer organizations.** In addition to being involved in the development of initiatives, consumer 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 consumers
- 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 consumer 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 fulfil 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 consumers.

**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 Consumer Protection for Electronic Commerce* are another useful benchmark on which to draw. The American Arbitration Association developed the *Model Standards of Conduct for Mediators* for consumer 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.spidr.org/ethic.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.

## Where Can I Get More Help?

To explore the subject of consumer complaints management in more depth, readers may wish to consult the following sources.

- *Summary of the Market-driven Consumer Redress Workshop* (Ottawa, January 25 and 26, 2001), available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca01658e.html>)
- *Market-driven Consumer Redress Case Studies*, available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca01643e.html>)
- *Customers First*, a summary of guidance and information from Canadian, American and other sources, available from Industry Canada's Office of Consumer Affairs and on the Web (<http://strategis.ic.gc.ca/SSG/ca00864e.html>)
- the Australian Government's *Directory of Consumer Dispute Resolution Schemes and Complaint Handling Organisations 2000* (<http://www.treasury.gov.au/publications>; click on Consumer Affairs and then General Publications; the document title will appear in an alphabetical list)
- United States Federal Trade Commission guide, *How to Resolve Consumer Disputes*: [http://www.freeadvice.com/gov\\_material/ftc-resolve-consumer-disputes-8-93.htm](http://www.freeadvice.com/gov_material/ftc-resolve-consumer-disputes-8-93.htm)
- Society of Professionals in Dispute Resolution (now part of the Association for Conflict Resolution): <http://www.spidr.org>
- *Voluntary Codes: A Guide for Their Development and Use*: <http://strategis.ic.gc.ca/volcodes>
- *Participating in the Standards System: A Handbook for Consumer Representatives*, available from Industry Canada's Office of Consumer Affairs or on the Web (<http://strategis.ic.gc.ca/SSG/ca01580e.html>)
- the Society of Consumer Affairs Professionals in Business regularly conducts research and publishes information about improving customer service (<http://www.socapcanada.org>)
- e-Satisfy (also known as Technical Assistance Research Programs, Inc. — TARP) conducts surveys and research with online merchants about customer satisfaction (<http://www.e-Satisfy.com/services.htm>)