

# Effectiveness of Complaint Management in CRM System

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## Abstract

Customer Relation Management (CMR) is a tool that has shown prospect even beyond customers' retention to customers' attraction. A focus on an aspect of CRM is important to retain customers and also attract customers. The aim of this study was to propose a Complaint Management System that could add more value to CRM in businesses. The research employed the use of secondary data and telephone interview. The study showed that there is a need to re-direct attention/focus in the area of complaint management, in order to facilitate and enhance intelligence in business.

**Keywords:** Complaint Management, Customer Relation Management, Customers' retention

## 1. Introduction

Empirical underpinnings have shown that Customer Relation Management (CMR) is an important tool in every organization/industry. The act of incorporating CRM in any industry will help to add more value to such industry. For any industry to progress effectively in this competitive age, industries need to be more customer-centric in the sense that the sole priority should be customer's satisfaction. This statement holds because if a customer is satisfied with the level of services rendered to a particular firm, it informs less marketing effort with the aim of winning more customers and retaining the firm.

CRM is a tool that has shown prospect even beyond customers' retention to customers' attraction. As a common saying that 'good products sells itself', there is need for every industry or organisation to incorporate intelligence in its dealing with their customers. The act of incorporating CRM gives intelligence to any business thereby trying to gain adequate understanding of customers.

CRM is not a technological tool but rather can be seen as a strategic formulation of intelligence through bulk of information gathered by a company about their customers. CRM majorly should be implemented for highly prioritised customers whose transactions can be used to measure the level of profit for a company. CRM can be attributed to BI because it is through some of the activities of the BI such as prediction/forecasting, etc. that CRM can hold effectively. An aspect of CRM that appear to be ignored or un-noticed over the years is the idea of complaint management. Complaint Management could be seen as an act of employing automated technicality in the management of customers' complaint that could arise as a result of the usage of products and services. Complaint management is an aspect of CRM that should be given due attention. This is because, attention to this aspect of CRM will not only retain customers but will also employ strategies towards building better products and services.

## 2. Related Works

Ngai, Xiu and Chau (2009), the research paper looked at the idea of data mining in Customer relationship Management with the goal of tracing the mostly used data mining technique that has been applied in CRM for a period of 5 years (2000-2006). Studies have shown that for a good customer relations management there is a need for a system that encompasses or cut across the four major areas of good CRM such as customer identification, customer attraction, and customer retention and customer development. Researchers so far, have tried to address the major individually using one for technique or the other. The most widely used being the data mining technique. Though this technique has been used to address some element of customer retention, less attention has been given to a very vital element of customer retention known as complaint management. There is need to implement a data mining technique that can be used to offer web services to customers in terms of complaint management. The researchers also noted that, since the idea of integrating data mining techniques in CRM, no academic research paper has done intensive review in the progress of the use of various data mining techniques in CRM. Their paper went further to point out the most active used technique and also the ones that have gotten less attention in application. The researchers adopted the survey methodology where 87 articles were gotten from 7 different journal bodies. Also a classification method was embarked on, where the 87 articles were

classified in terms of CRM elements and data mining techniques. Their study showed that from the classification framework, customer retention ranks the highest in terms of research attention while customer development ranks the lowest. In terms of data mining technique usage, less attention has been paid to the use of data mining technique to manage customers' complaints.

Lin, Su and Chien (2006), the researchers opined that loss of good opportunities by any firms in order to serve customers better may increase greater opportunity for competitors to increase their market share. They also went on to argue that despite the high rate of CRM adoption by many firms, there has been a limited knowledge about CRM and its importance. The main objective of their study was to propose a knowledge-enabled customer relationship management and to show the various means by which the model can identify vital factors that will be needed in order to improve a firm's business. Thus their specific objectives were: to present a model that shows the relationship among customer knowledge sources, customer knowledge management and customer knowledge performance measurement; to carry out a comparative study of two of the selected case companies; to show how the presented model can identify the important factors that have key impact on business functionality in a specific setting. The study employed a case study and a structured questionnaire research. A sampling size of 87 collectively from the case companies was selected. The researchers also made use of ANOVA and Regression analysis tools for the comparative study and identification of the factors having the most impact on business performance. This study showed that different companies have different requirements for the knowledge customer relation management and each company has its own expectations to know how/why KM can improve CRM.

Payne and Frow (2005), the authors argued that the concept, at which CRM has been addressed over the years, has not been able to explore the real flavour of CRM. They asserted that CRM research should take more strategic focus and also identified that most of the existing CRM framework were not based on a process-oriented cross final conceptualization of CRM. Their main objective was to develop a conceptual framework for customer relationship management that will help to expand the knowledge of what CRM is and how it can be properly put in use in order to increase customer's value as well as shareholder's value. Thus their specific objectives were: to figure out alternative views of CRM; to emphasise on the strategic approach of CRM; to propose five key cross-functional processes that any organization can use to develop and deliver an effective CRM strategy; to develop a process-based conceptual framework for CRM strategy development and to review the role and components of each process. The researchers employed an interaction form of research where their targeted audience were 34 highly experienced executives, 20 executives working in CRM, marketing and IT sections of companies, 6 executives from large CRM vendors and five executives from three CRM and strategy consultancies. Also, individual and group discussions with CRM, Marketing and IT managers were held together with 18 CRM vendors, analysts and their clients. Their study added to marketing literature through resituating the poorly defined concepts of CRM in the literature and also stressing on the importance of cross-functional processes in CRM strategy. Secondly, it provided a conceptual base framework for strategic CRM whereby identifying the key elements with each process and finally provided values that added managerial insight to strategic CRM.

Lin, Su, and Chien (2005) opined that through empirical prove that the availability of customers complaint information and the effecting of such information by any firm, can add to customer retention, cost saving and some other productivity related factors needed for that firm.

Huang, Kwan and Li (2003), the researchers argued that the lack of effective system to capture customer's information in terms of understanding and behavioural response may lead to great loss. The main objective of their study was to propose a system that could be used to capture useful data from the web and also to analyse customers' behaviour. Thus the specific objectives were- to examine closely related studies on capturing and generating meaningful customers' information; to look at some marketing strategies that could be employed in order to maintain a good customer relation. The researchers employed an empirical study of a leading computer game service company where the factors for their loss on investment were identified and used as basis for a good CRM system. Their study proposed a system that will be able to manage customer relation in business operation and also help website managers to turn raw facts into intelligent data.

Rygielski, Wang and Yen (2002), In most industries today, the idea to improve customers value through careful analysis of customers lifestyle is the talk of the day. The researchers opined that CRM should not be presented to be more applicable for managing relationships between business and consumers rather has value for business customers. The main objective of their study was to interpret the concept of CRM and data mining thereby exposing the relationship between them, the benefits and ways of implementation along with the limitations. Their specific objectives were: to look at the concept of data mining and CRM; to look at the evolution,

attributes techniques and application areas of both concepts. The researchers employed a descriptive form of research method where CRM and data mining were examined closely along with their application properties. Their study concluded by ascertaining that data mining shows prospect to CRM and businesses that makes effective use of customer data and resources stands the chance of becoming more successful.

Fornell and Wernerfelt (1988) defined complaint management as a system set up by a firm in order to have the customer's grievances resolved.

A customer complaint can be viewed as some form of dissatisfaction perceived from a customer against a particular brand been purchased. Factors that can lead to customers' grievances as indicated by (Fornell and Wernerfelt, 1987) are ignorant, misunderstanding, inflated expectations and disagreements.

Fornell and Wernerfelt (1987), also added that additional customer entry to market; brand shifting or change of patronage; customer market exit and changes in purchase frequency are the major determinants of growth, stagnation and decline.

The researchers argued that marketing literature have focused mainly on obtaining additional customers; encourage brand switching and increment in the purchase frequency. These forms of measures are offensive as against defensive and very little work has been done on defensive marketing with the exception of work on brand loyalty. Their main objective is to examine the interplay between offensive and defensive measure in such a way that market share and profit cannot only be maintained but also increased. Thus the specific objectives were: to highlight on the necessary assumption about customers dissatisfaction and future purchase behaviour; to develop a model that will guide against customers migration to other firms. The researchers employed the use of economic theory and forma analysis to demonstrate how defensive marketing can be used as a major determinant of firm's marketing success and major controller of offensive market. The researchers observed that they can increase firm's market share as well as reduce its expenditures for offensive market. Studies also have shown that the two vital mechanism used by firms to detect failure are "exit and voice" (Reactive substances).

Fornell and Wernerfelt (1988), opined that most of the research works deals with attempts to discourage new entry, thereby focusing essentially on competition. Thus, there is need to introduce a defensive approach focusing on consumers. They also argued that successful marketing strategy demands for a blend of offense and defence strategy but that very little research has addressed the problem of resource allocation between them.

The researchers also noted that complaint management system can affect sales in most ways like increase in expected utility in expected utility of purchase, reduce buyer risk, can signal quality and can impact sales via word of mouth. The main objective of their research was to analyse complaint processing as a defensive tool, how it can be used to manage grievances from current customers in such that dissatisfied customers do not desert the firm. The researchers employed the use of Hirschman's exit-voice theory to show the aggregate market share dynamics which the analysis could be used to show the trade-off between advertising and complaint management. Their study/model showed that complaint management can be an effective tool for customer retention.

It has been observed that recently proposed models on improving firm's market using CRM, have down played the major role of complaint management system. The introduction of e-commerce has improved transaction where-by alleviating proximity challenges and slow transaction rate. Companies, firms and industries, need a global system that can effectively manage customers' grievances, take record of the frequency of each complains while being able to place priority on the nature of complaints being received.

### **3. Methodology**

This study employed survey methodology, where the researchers conducted interviews via telephone calls to some selected firms/Institutions in Abia and Ogun State. Also, the study made use of secondary data and traced the nature of publications on CRM from 2002 till date. In each year, the researchers selected at least one and most effective in terms of the best suit to the direction of the study. This method also informed the related works for the study and was also used as the basis for our conclusion.

#### 4. Findings

In the course of this study, it was observed that:

- Less attention is being given to this aspect of CRM system (complaint management)
- Some of the Nigerian Firms and institutions does not really see the importance of attaching value to this area of CRM
- Most current Literatures on CRM are three to four years back counting from the year 2013. This shows that the rate of research in this direction is taking a slower rate due to less attention in this area.

#### 5. Recommendation/Conclusion

Complaint management system is a great tool under CRM. This is because any firm or institution that has its goal to be customer centric needs to employ a technique for customer's retention. In addition, the researchers proposed a process complaint management model that could be used to monitor customers complain and also employing an immediate feedback response without the customer placing its action on "voice or exist" as a result of grievance. (see figure1).

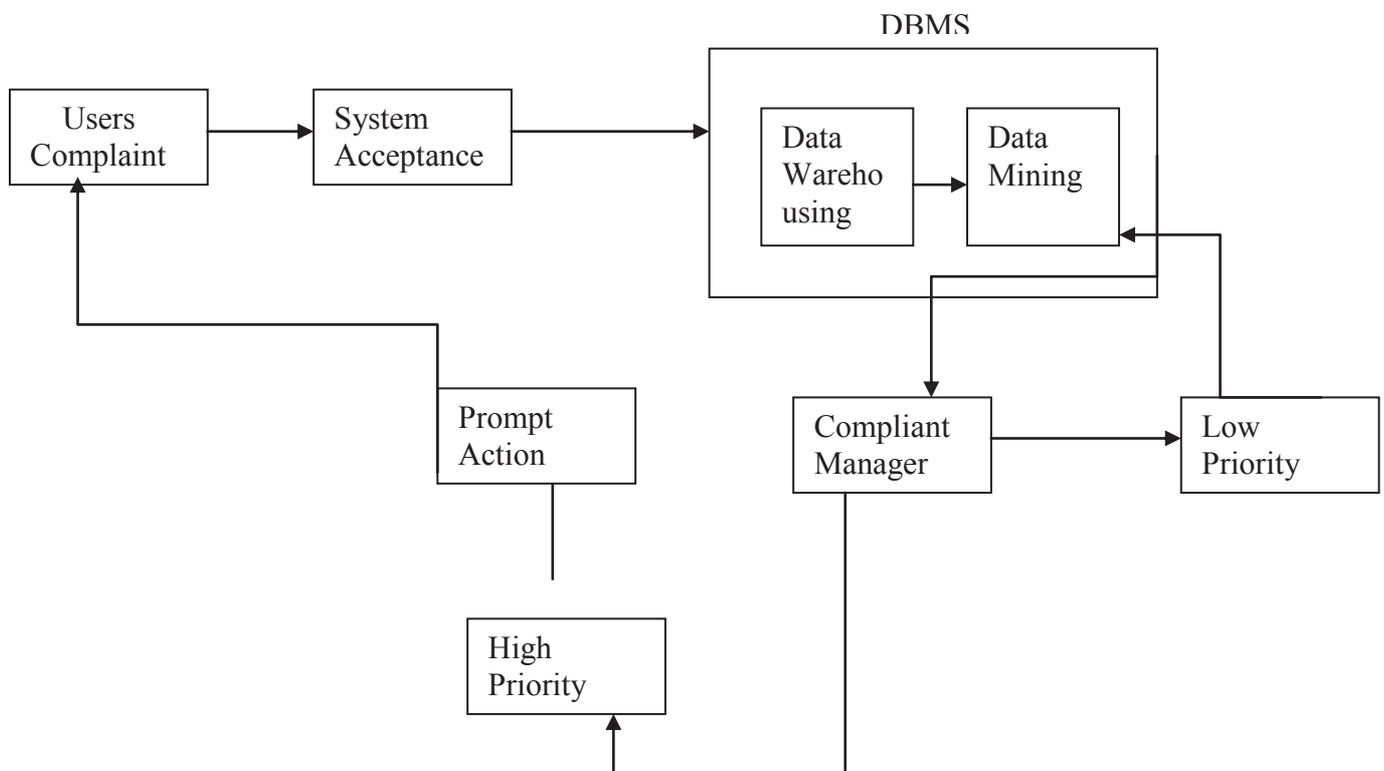


Figure 1: Proposed Complaint management System

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