

Achieving Customer Satisfaction in Global Marketplace

This invited session was designed to provide members of ACCI with information about work taking place to develop international quality management standards for customer satisfaction and to provide a forum for discussion on this initiative.

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Session Overview

A suite of standards are currently under development under the auspices of the ISO Technical Committee on Quality Management, the same body that is responsible for the world recognized standards on quality management – ISO 9000. This new group of standards on customer satisfaction has been driven by consumer voices – consumer organizations, consumer professionals in business and government regulators who were looking for innovative ways to address consumer problems in the global marketplace and to increase consumer confidence.

These standards are being developed with input from countries around the world. Representatives from business, government, standards bodies, trade associations, academia and consumer organizations have been active in this work. Complaints occur when the delivery of a product or service by a supplier does not meet the expectations of the customer. This could be caused by problems with the delivery deadlines, after sales service, performance of the product, use of personal data or terms of the contract. In today's world, consumers are becoming more demanding and expect vendors to provide high quality customer service. While products and services now cross borders and e commerce is growing throughout the world, many consumers lack confidence in the marketplace and are looking for ways to determine whether a particular seller can be trusted.

National laws and regulations are not adequate to deal with consumer problems when, for example, the supplier and customer are from different countries. Government consumer protection agencies are no longer able to fulfill their mandates when it comes to cross border shopping. To help address these issues on a global basis, governments looked for international solutions. Some countries such as Australia and the UK turned to voluntary standards on complaints handling as one solution. Led by these initiatives, ISO decided that international solutions were needed and work began in 2002 to develop a series of standards on customer satisfaction. The suite of standards will provide international best practices.

The session included presentations from individuals involved in the work to develop these standards and provided the different perspectives from government, business and consumer advocacy. The discussant provided a response to the presentations and gave some background about the role of voluntary standards in the marketplace. He indicated that this area of standards work has specific relevance for ACCI and it will be important to continue to update consumer professionals and members of ACCI on the progress of this work. Questions from the audience focused on how these voluntary standards might be implemented in the marketplace. For example, it is critical that those individuals who provide mediation and arbitration are properly trained to consistent criteria and are neutral. There was also a good discussion about the use and promotion of these standards in regions such as the Far East and how these standards might complement consumer protection laws in these countries. The conclusion of the session was that there is considerable interest in the use of voluntary standards to address consumer issues and ACCI should continue to focus on this area of consumer policy.

ISO Customer Satisfaction Standards and Global Consumer Protection: A Progress Report (Kernaghan Webb)

The marketplace is increasingly complex and is changing rapidly, both at the domestic and the global level. At the same time, the state of consumer protection is evolving. For example, there is an increasing importance in the area of services which present unique customer service delivery challenges. The volume of goods moving across borders is increasing as barriers to trade are reduced. Plus, the rise in Internet transactions poses particular

challenges for buyers and sellers. Many businesses want to find ways to provide advance information to consumers concerning what to expect in terms of products and services and post transactions protections.

Research shows that customers become loyal to organizations that show they understand customer needs, value customers as individuals, deliver on promises and are responsive and accessible. In today's marketplace business can achieve a competitive edge through improvements in customer satisfaction. Organizations that put in place effective customer satisfaction codes and complaint response mechanisms are well placed to demonstrate that they understand and intend to meet the needs of their customers.

The work to develop ISO standards for customer satisfaction was based on recommendations from ISO's Consumer Policy Committee (ISO/COPOLCO), which identified a need for international standards in the area of complaints management, from prevention through to redress. COPOLCO felt that there was a need to provide guidance for both the electronic marketplace as well as the traditional marketplace. ISO's Technical Management Board approved a new work item on complaints handling and then later approved work to proceed on codes of conduct and dispute resolution systems. At that time, there was no Technical Committee specifically focused on the consumer or demand side of the marketplace. As a result, the work was assigned to the existing Technical Committee on Quality Management – the Committee responsible for the successful ISO 9000 series of standards on Quality Management. One of the directions provided by the Technical Management Committee was that these new standards would be guidance only – they would not be specifications or form part of an auditable management system. As a result the language of the standards uses “shoulds” rather than “shalls”.

The following three standards are part of a broader integrated framework for enhanced customer satisfaction. The standards include:

ISO 10001 – codes of conduct (complaints prevention)

ISO 10002 – complaints handling within the organization originally the subject of the complaint

ISO 10003 – dispute resolution by parties external to the organization originally the subject of the complaint

To fully understand this work, it is necessary to understand what ISO is and how it works. ISO stands for the International Organization for Standardization. Its name is derived from the Greek word for “equal”. It is a federation of national standards bodies from 145 countries around the world. It is not a government or inter-governmental organization. The member bodies may or may not be affiliated with government. All ISO standards, when published, are voluntary standards and are market driven, rather than legislative requirements. Although they are voluntary, these standards are developed in response to market demand and are based on consensus among interested parties and as such, have widespread use. ISO has published over 13,500 standards since 1947. In the area of ISO 9000, over 600,000 facilities have been certified to these quality management standards. Governments may adopt ISO standards as part of their regulatory framework. It is important to note that ISO standards are directed at all organizations, not just businesses.

ISO standards are developed through international consensus among experts drawn from business, government, consumer and other NGO's, academia, etc. All participation is voluntary. Within each member country, the draft standards are circulated for comment to interested parties, through processes established by national standards bodies.

Initially, there was concern by the consumer constituency that customer satisfaction standards did not belong under the auspices of the ISO 9000 series Technical Committee. However, experience has shown that this forum is an appropriate home for the development of these standards. Essentially, ISO 9000 is centrally concerned with customer satisfaction. Additionally, because ISO 9000 has such a high worldwide profile, there is an increased likelihood that the new standards will have greater take up by organizations around the world. However, it is important to understand that these new standards are “stand-alone” standards and do not have to be implemented within an ISO 9000 management system.

ISO 10001 on Codes of Conduct focuses on complaints prevention. Codes of Conduct are defined as promises to customers, which are used by organizations to address such issues as product delivery within pre-determined time frames; product returns; handling of personal information of customers; advertising; pricing; fair trading; and stipulations concerning particular attributes of a product or its performance. Some examples of codes include:

- Pizza delivery promises that pizza is delivered within 30 minutes or it is free
- Retailer promises free product if discrepancy between advertised price and the price at the check out counter
- Train company promises trip will take 20 minutes or money refunded
- Hotel promises customer satisfaction
- Health clinic promises to meet appointment times

By communicating such promises to customers in advance of transactions, and having in place systems to ensure their implementation, there is an increased likelihood of customer satisfaction and decreased potential for customer frustration and uncertainty regarding what it is they will receive and the consequences if they do not receive it. The structure of this standard includes the following elements:

- Guiding Principles (capacity, visibility, accessibility, responsiveness, accuracy, and accountability)
- Code framework (responsibility and authority, commitment and policy)
- Planning and design (research, stakeholder engagement, draft code and performance indicators, procedures, communication plan)
- Implementation (deploying resources, training, corrective action, communications)
- Maintenance and Improvement

ISO 10002 - Complaints Handling is designed to address complaints using the resources and expertise within

the organization. It is a key element in maintaining customer loyalty. This standard puts in place a process designed to ensure that complaints are promptly and appropriately addressed. ISO 10002 has now been published and national standard bodies have adopted it for use in their countries. The structure of this standard includes:

- Guiding Principles (visibility, accessibility, responsiveness, objectivity, and confidentiality)
- Complaints handling framework (responsibility and authority, commitment and policy)
- Planning and design (objectives, activities, resources)
- Operation (complaint receipt, tracking, assessment, investigation, response, communication, closing complaint)
- Maintenance and improvement

The third standard in the series is ISO 10003 – External Dispute Resolution and this standard is currently under development . Richard Woods of the BBB will explain this standard in more detail below.

ISO 10001 on Codes of Conduct is currently at the committee draft stage and it is expected that it will be completed in late 2006. 10002 has been published and 10003 is currently at the committee draft stage. It is also expected that this will be published in late 2006. Input to the development of these standards is welcome from all consumer professionals.

Guidelines for External Dispute Resolution (Richard Woods)

The ISO Guidelines for External Dispute Resolution are intended to help businesses develop a structure for using alternative dispute resolution as part of a global customer satisfaction process. While codes of conduct set expectations for interactions between a business and its customers, internal complaint handling and external dispute resolution are in effect ways to determine whether the business is living up to those expectations. These activities in turn feed information back to the organization so it can improve its operations and products, and increase the likelihood of customer satisfaction.

The BBB system is a confederation of 130 private, non-profit organizations throughout the US and Canada. The Council of BBB is the umbrella organization for all local BBBs. Our mission is to foster the highest ethical relationship between consumers and business. The BBB system has been setting and applying standards for marketplace ethics for almost a century. We do this through education, resolving consumer complaints, and setting standards for good business practices. Each BBB is supported largely by membership dues from businesses that agree to abide by our standards. There are currently 350,000 business members of BBBs. In 2004, consumers contacted the BBB 45 million times for general consumer information, reports about particular businesses or charities, or help in resolving complaints. Through the Council, the BBB system develops national ethics programs, including standards for advertising practices, online commerce and privacy, and charitable organizations.

Dispute resolution (DR) is one of our primary activities. BBBs handled 1 million complaints last year. After a complaint is initiated by a consumer, BBBs typically attempt resolution through a series of procedures beginning with a kind of shuttle diplomacy and ending with binding arbitration if both parties agree. The BBB is obviously a strong proponent of dispute resolution as a means of repairing relationships with dissatisfied customers. But from our experience, many businesses are ambivalent about DR: it seems they are concerned that dispute resolution can encourage more customers to complain who would otherwise just go away. Therefore incentives must exist for businesses to engage in DR. Incentives in the form of both “carrots and sticks” have enjoyed mild success. One obvious incentive is customer retention. The more insightful organizations understand that engaging their customers demonstrates a high-level of commitment that keeps them coming back. Of course, dispute resolution can

also play a role in gaining new customers. Businesses that differentiate themselves in the marketplace by adopting a trustmark will couple their promise to abide by a code of conduct with a commitment to dispute resolution as a way to enforce that promise. Legal incentives for dispute resolution also exist. For example, for warranty claims arising under federal law, nonbinding dispute resolution can be a required step before consumer may file in court. As another example, many state lemon laws allow manufacturers to avoid some statutory penalties by offering nonbinding DR. These influences explain in part the willingness of car manufacturers to participate in BBB AUTO LINE, the BBB system's program for resolving motor vehicle warranty complaints.

DR can also reduce the costs of handling complaints. It is a common understanding that the costs of resolution go up as the dispute drags on – not only process costs of staff time and attorney fees, but also the value of the settlement itself. Intervention by a neutral body can help the parties resolve the complaint earlier and less expensively. We are also seeing more businesses – and sometimes whole industries – seeking savings in litigation costs by incorporating binding arbitration into their customer agreements.

These Standards themselves should be a particularly effective incentive: they will serve to educate the business community about dispute resolution and the many forms it can take. For example, most successful consumer dispute resolution takes place at a very informal level, by helping consumers address their complaint to the right person. In fact, this is one of the principal distinctions from commercial DR. These Standards suggest that the consumer dispute resolution provider initially offer facilitation or shuttle diplomacy processes that are more efficient and accessible for both parties. As the Standards educate businesses about this and other aspects of consumer DR, and businesses understand that it need not consume tremendous resources, the business community should be more comfortable in adopting dispute resolution as a tool for satisfying customers. The goal of these Standards, then, is to provide this guidance regarding best practices in DR, how to implement it, and how to use dispute resolution and its results effectively.

An important aspect of the Standards is that they allow businesses flexibility in deciding what kind of dispute resolution might work best in each instance. Note that the focus of the Standards is on business organizations that consider or engage in DR. We did not draft guidelines applicable to dispute resolution providers directly. Because this is an international standard, we wanted to use terms that would be recognizable everywhere. Unfortunately, not all dispute resolution terms are used in the same way. The meanings of the words conciliation, mediation, and arbitration may differ in subtle or significant ways in different countries. So we defined our own terms for use in the Standards. Two words I'll use extensively today are "organization", meaning the business that is involved in a dispute with its customer, and "provider", meaning the entity that provides dispute resolution services.

The Standards begin by presenting the guiding principles of effective consumer DR. Business organizations looking to use dispute resolution should employ a process or provider that operates in accordance with these foundational criteria. Guiding Principles include: Consent, Accessibility, Suitability, Fairness, Competence, Timeliness, Confidentiality, Transparency, Legality, Capacity, and Continual Improvement. For the most part, these principles will not be shocking to anyone familiar with DR. There is generally a worldwide consensus on how dispute resolution should operate. But in the context of best practices for consumer DR, the Standards do take some positions that extend these principles a little further than you might find in the business-to-business context. For some examples, we'll look at the principles of Consent, Fairness, and Transparency.

Consent: The first principle presented is consent: participation should be voluntary and based on full knowledge of the dispute resolution process and possible outcomes. In particular, consent to dispute resolution should not be a required condition in consumer transactions. This principle is consistent with legal standards applicable in most of the world. In the US, however, it is legal to insert in consumer contracts a provision requiring the parties to use arbitration instead of going to court – for short, mandatory binding arbitration (MBA). Although legal in the US, MBA in consumer contracts is still controversial. Many organizations see MBA as an efficient and appropriate means of resolving customer disputes and containing costs. Consumer groups believe MBA prevents consumers from effectively enforcing their rights. Keeping in mind that the objective of this Trilogy of ISO Standards is to maximize customer satisfaction, the dispute resolution Standards conclude that best practice is to refrain from requiring a commitment to binding arbitration – instead allowing the parties to elect arbitration after they have better information about the ramifications of such a commitment. We expect to see some interesting comments on this point.

Fairness: Most consumer disputes involve transactions of fairly small value. If dispute resolution is to be a viable alternative for consumers, the cost of participating must be reasonable. This leaves most or all of the costs of dispute resolution to the business party. Therefore, a number of steps should be taken to ensure that dispute resolution staff and neutrals are impartial and fair, so the outcomes they generate will be seen by both parties as independent. These are some of the procedural protections the Standards list as important to a fair process:

- The dispute resolution provider should follow published procedures that give parties equivalent opportunities to participate.
- Compensation of mediators and arbitrators should not be affected by particular outcomes.
- Where the provider is funded by one party, the provider's staff and management should not be involved in the specific resolution of any dispute other than (1) performing administrative functions, (2) applying basic eligibility requirements, and (3) ensuring observance of procedures.
- The provider should disclose to the parties the identity of the assigned neutral and any known conflicts, and give an opportunity to challenge the appointment.
- The provider should communicate to the parties the neutral's scope of authority, and should ensure that any decision falls within that authority.
- And, the provider should disclose the criteria its decision makers will use – that is, whether the decision will be based on a code of conduct to which the organization subscribes, applicable legal principles, or general principles of fairness and equity.

Transparency: To facilitate consent and effective participation, the public should have access to information about the provider and the dispute resolution processes it offers. Before they can make well-informed decisions about whether to participate, consumers must be able to learn about the benefits and risks of dispute resolution generally and the named dispute resolution provider in particular. The Standards therefore suggest that consumers have access to detailed information about the provider and its effectiveness. Information that a provider should consider making public includes: how to file claims, including its fee structure; types of disputes it handles and dispute resolution methods offered; basis for deciding disputes (codes, law, equity); expected time frames; what information will be kept confidential – the provider's confidentiality policy. The Standards suggest that the consumer dispute resolution provider might publish an annual report about its aggregate operations, including info such as number of disputes received, how they are resolved, and timeliness of resolutions. The dispute resolution provider might also choose to publish its decisions, though in a manner consistent with its confidentiality policy.

Now that the organization knows what to look for in a dispute resolution provider, the remaining sections of the Standards discuss the quality management principles that give a framework for integrating dispute resolution into the organization's internal systems. The planning and design phase involves identifying opportunities for improvement in current complaint handling processes and developing specific responses. The organization should first evaluate its current complaint resolution efforts to determine the need for DR. The organization can use the results of its diagnosis to determine:

- which complaints are best suited for DR,
- what remedies will be made available,
- which dispute resolution processes will be used, and
- how dispute resolution processes can generate data about system failures and opportunities for improvement.

The operations phase involves implementing the dispute resolution system by establishing an operational flow of responsibilities. It is important that the responsibilities of organization staff be coordinated with the provider's dispute resolution procedures, so that they are adequately prepared to interact with the provider during claim intake, mediation or arbitration, and implementation of any resolution.

Finally, as with any management process, the organization should devote resources to maintaining its dispute resolution system and improving its effectiveness. For example, the organization should track pertinent information about the causes of disputes and how the disputes are resolved. The organization should analyze this data to identify problems and trends in the organization's products, customer satisfaction efforts, and its utilization of DR. This function provides the feedback loop that integrates dispute resolution into the organization's quality management systems.

Taken as a whole, these Standards thoroughly address what an organization can expect when considering dispute resolution for customer disputes, and how it can be used most effectively. The Standards should encourage more organizations to adopt dispute resolution as an additional tool for satisfying customers.

Consumer Perspectives on ISO Customer Satisfaction Standards

(Geneviève Reed)

Option consommateurs is a Canadian non-profit association based in Montreal, Quebec and is active in national issues. Our mission is to defend and promote consumers' rights by assisting them both individually and collectively, by providing them with information, and by advocating on their behalf to decision-makers. Over the

years, Option consommateurs has developed expertise in the areas of: financial services, agri-food, energy, access to justice, trade practices, indebtedness, e-commerce, and protection of privacy. Each year, we reach around 10,000 consumers directly and many more through extensive media coverage. We are actively involved in consumer representation activities. We participate in working groups, steering committees and task forces and represent consumer interests on various Boards of Directors. We work with the private, public and not for profit sectors. We also carry out large-scale consumer research projects in partnership with key organizations and produce a variety of research reports, policy papers and buyers' guides.

The work we are doing on the ISO Working Group on Codes of Conduct and Dispute Resolution Systems is our first participation into the world of international standards. We have been participating since May 2004 and it has been a rich professional experience, combining active participation and learning.

Since the beginning of the process, there has been a good input from consumer representatives. The seed documents used to develop the international standards are all consumer-focused references such as the Alternatives Dispute Resolution Guidelines from the Global Business Dialogue on Electronic Commerce. Consumers International (CI) provided significant input to these guidelines. Another source document is Voluntary Codes: A Guide for Their Development and Use, published by the Government of Canada. This guidance document was also developed with strong input from Canadian consumer organizations.

One of the areas where we have had to work collaboratively with other experts is to figure out how to use the ISO 9000 Management System Standard framework for this area of consumer policy. This has been challenging but there is good cooperation between the ISO 9000 experts and the consumer policy experts and the current drafts reflect this important balance.

One of the areas where it is difficult to reach consensus is in the area of terminology. For example, the consumer experts on the working group have a problem with using the term "product" used for both goods and services. However, this is required to have consistency with ISO 9000 terminology. We prefer to have a separate term for "goods" and "services". We also may think about how we would wish to see "consumer" defined. These standards are intended to be used for "customer" transactions, which encompass both businesses and individuals.

One of the greatest challenges for international standards work is that all committee work is conducted in English. This does present a challenge for those members where English is not their first language.

The work on these standards has advanced well from the perspective of consumer interests as the Convenor of the Working Group, Dr. Kernaghan Webb is an expert in consumer policy with a strong understanding of consumer issues.

Working in the international forum requires a unique set of skills. First and foremost, there is a need to develop diplomacy skills and be able to work with other experts in an international context. This is critical if these standards are to be applicable around the world. In addition, these standards will prove to be efficient if they are applied in many organizations of different types (private, public and non-profit) and sizes. One of the current challenges is to understand the diverse statutory and regulatory requirements around the world and how the standards will impact in these different regimes.

International standardization presents some real challenges for consumer representation. The most challenging of these is the lack of resources to support this work. Most consumer organizations do not have the resources to participate in this work. Time and financial support is required. However, it is critical that these consumer standards are developed with a balance of interests and consumer representatives are critical for this work. ISO standards are not well recognized by most consumers and consumer organizations, so there is a need to build public awareness about ISO and these standards and their potential use. To be effective at the international level, there is a need for consumer representatives to focus their efforts on key consumer issues. Priority setting is critical.

Once the work to develop the standards is completed, the next challenge will be implementation. The standards are not great value unless they are put into practice. As a consumer organization, we would want to find "champion" organizations who will want to implement these guidelines in order to enhance their level of consumer satisfaction. One of the challenges is that these standards are voluntary – we will need to communicate about the incentives associated with implementing these in organizations. It is also important that these standards be applied by private sector, public and non-profit organizations. To get organizations to use the standards, standards bodies will need to promote the standards and have effective methods of getting these standards into the hands of decision makers. We feel that there is a role for consumer organizations in helping to get these standards put into practice.

Finally, there is much research that is needed in this area. We need consumer researchers to address a number of research questions, including:

- role of consumer representatives in standards development
- how to ensure balanced representation in standards work
- how to develop consumer representatives expertise in standardization

- ways to increase awareness of consumer and consumer organizations in standards work
- how standards are referenced in legislation – effective policy models and smart regulations
- role of standards in protecting consumers vs legislation
- past experiences and effectiveness of consumer participation in standards work.

We would be pleased to share our experiences with other consumer professionals and researchers and to work collaboratively on these research questions.

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