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Handling System of Consumer Complaints Through Cooperation of Manufacturers and Retailers

Yoshio Kajiwara

The Consumer-Protection Sectinal Meeting of the National Living Council states—in its interim report on "Remedies of Consumer Harms and Dangers," October 1976 — the necessity of preparing handling systems of consumer complaints through cooperation of retailers and manufacturers:

> It seems that, at present, consumers bring their complaints to retailers in most cases; however, for some complaints, manufacturers and others—not retailers—may be considered responsible, and it is supposed that their knowledge is necessary to handle some of the complaints. Thus it is more desirable that, as for such complaints, retailers should willingly inform manufacturers of their contents; and that retailers and manufacturers, in cooperation should try to handle them smoothly and properly.[1]

It is a fact that, although most consumer complaints are brought to retailers as is mentioned above, cooperative complaint-handling systems of retailers and manufacturers have not yet been established. What matters in this interim report is that, as is clear in the expression, "... retailers should willingly inform manufacturers of their content...," it is probable that: retailers are thought to be not willing in the preparation of such consumer-complaint-handling systems; or that they are regarded as being obliged to act progressively in that preparation. The actual conditions are just the opposite. That is to say, though manufacturers should

1) The Consumer—Protection Sectional Meeting of the National Living Council, *Remedies of Consumer Harms and Damages* (October 1976) ; Economic Planning Agency, *Proposals for Social Welfare : National Living Council Reports* (November 1976).

lead retailers in preparing above-mentioned systems, manufacturers—afraid of their possible retreat in channel control—do not make efforts to establish such systems.[2)]

We have, since May 1975, been conducting nation-wide researches into the relations of manufacturers and retailers; the purpose of this chapter is—referring to the results of those researches too, and mainly to the research reports of the National Living Center—to examine in a realistic light the questions concerning the preparation of consumer-complaint-handling systems through cooperation of manufacturers and retailers. Only, the National Living Center reports, chiefly employed here in this study, have not been collected in direct connection with such matters of complaint-handling, so that there is some problem in the actual usage of them; but there are no other reference materials available, and their use may be regarded as permissible at the first stage of the study.

1 Kinds of consumer complaints and where they are lodged

According to the National Living Center researches, more and more consumers were obsereved to suffer some dissatisfaction and/or harm as to purchased goods: 22.7% (1974) —24.2% (1975) — 39.5% (1976).[1)] What goods caused dissatisfaction/harm were, in the '76 research (these ratios are as against the dissatisfied/harmed households): foods, 62.9%; apparels, 29.2%; electric appliances, 27.1%; furniture, 10.9%; cosmetics, 8.2%. The transition from 1974 onward shows, as in Table 1, that—among the classified goods—foods increased drastically; apparels did somewhat; and some decreases were seen in cars, burning oil, and propane gas.

Why, and how, were they dissatisfied and/or harmed? The

2) Yoshio Kajiwara, "Changes in Consumer Behavior, and the New Role of Retailers," *Quarterly Journal of Consumption and Distribution* (JapanEconomic Newspaper Co., January 1978).

1) Natoinl Living Center, *Report on the 7th Survey of National Living Trends* (March 1977), p. 9.

Table 1. Transition in Unsatisfactory/Harmful Products (M.A.) (%)

Products	1974	1975	1976	
	Ratio A*	Ratio A	Ratio A	Ratio B**
Foods	42.1	43.7	62.9	24.8
apparels	22.6	23.9	29.2	11.5
Electric Appliances	31.6	32.8	27.1	10.7
Furniture	6.1	6.0	10.9	4.3
Cosmetics	7.8	6.7	8.2	3.2
Others	3.6	7.8	7.6	3.0
Medicines	5.7	3.7	5.9	2.3
Burning Oil	11.6	5.2	3.6	1.4
Equipment for Leisure Time Amusement	1.6	1.3	3.5	1.4
Cars	7.7	4.2	3.5	1.4
Propane Gas	5.3	4.1	1.7	0.7
Lands/Houses	4.3	3.9	1.7	0.7

*Rotio A: against dissatisfied households
**Rotio B: 〃 all the sample households
National Living Center, *Report on the 7th Survey of National Living Trends* (March 1977), p. 18.

same '76 research of the National Living Center shows, as in Table 2, that many complained of product qualities and durability. In Table 2, of the items concerning dissatisfaction/harm, 1—5 and 8 should be attributed to manufacturers' responsibilities; 6 and 7 to retailers'. It is observed that very many of them are attributable to manufacturers' responsibilities.

Where did consumers put in their complaints about dissatisfaction in purchased goods? The National Living Center reference material shows that, as in Table 3, it was most often "to retail stores (and the like)" (30.5%); next "to manufacturers" (7.2%). Also, their complaints about harms/dangers in purchased goods were, as in Table 4, most often brought "to retail stores (and the like)" (19.8%); next "to manufacturers" (4.9%).

Thus, the complaints are most frequently brought "to retail stores (and the like)" ; nevertheless, as will be mentioned later,

Table 2. Contents of Disstisfaction/Harm :

	Order	1	2	3
	Products	Foods	Ap-parels	Electric Appli-ances
	No. of Cases	648	301	279
(1)	Bodily harm caused/almost caused	2.8	2.7	3.9
(2)	Sanitary/safety problems, e. g., alien substance, rot	64.2	1.0	0.0
(3)	Broken goods/soon broken/no durability	0.0	19.3	38.0
(4)	Quality/efficiency/function/effects different from expectations	4.6	26.2	38.0
(5)	Goods different from standard/indication/ advertisement	2.6	15.9	2.5
(6)	Short measure/weight	2.8	0.7	0.4
(7)	Expensive purchase, e. g., cheaper elsewhere	9.3	29.2	12.5
(8)	Problems in packing/vessel, e.g., excessive packing, raised bottom	9.1	0.3	0.4
(9)	Others	2.2	2.3	3.2
	Not clarifed	2.5	2.3	1.1

National Living Center, *Report on the 7th Survey of National Living Trends* (March 1977), p.19.

Classified by Products (M.A.) (%)

4	5	6	7	8	9	9	11	11
Fur-niture	Cos-metics	Others	Medi-cines	Burning Oil	Eqpt. Leisure Time Amuse-ment	Cars	Prpoane Gas	Lands/ Houses
112	84	78	61	37	36	36	17	17
0.0	22.6	7.7	11.5	2.7	2.8	13.9	5.9	0.0
0.0	2.4	1.3	8.2	5.4	0.0	0.0	0.0	0.0
44.6	2.4	44.9	3.3	0.0	33.3	8.3	0.0	0.0
17.9	20.2	23.1	29.5	10.8	25.0	55.6	23.5	35.3
7.1	8.3	2.6	6.6	5.4	2.8	5.6	0.0	29.4
0.0	2.4	1.3	0.0	16.2	0.0	0.0	11.8	0.0
19.6	17.9	6.4	31.1	43.2	30.6	2.8	23.5	5.9
0.9	13.1	3.8	1.6	0.0	0.0	0.0	5.9	0.0
6.3	6.0	6.4	6.6	10.8	5.6	11.1	29.4	11.8
3.6	4.8	2.6	1.6	5.4	0.0	2.8	0.0	17.6

Table 3. Where Complaints about goods Were Put In (M.A.) (%)

Number of Samples	1,030
Retail stores/repair shops/salesmen	30.5
Manufacturers	7.2
Governmental counselling systems, e. g., "Consumption/Living Centers"	1.0
Consumer organizations	0.6
Others	0.7
Nowhere	61.9

National Living Center, *Report on the 7th Survey of National Living Trends* (March 1977), p. 20.

the systems at present are so made that consumer complaints are, in most cases, directly handled by manufacturers. Furthermore, consumers in many cases did not put in their complaints anywhere, which may possible mean that it was because of the inconvenience that they did not speak up ; this inconvenience caused by the fact that handling of complaints, through retail stores, was not conducted in general.

Then, through what routes did consumers lodge their complaints with manufacturers? The National Living Center report conversely shows that, as found in Table 5, consumers did that not so much through retailers/branch offices as for themselves, i. e., individually; which fact signifies that a large portion of consumer complaints brought to retailers must have stopped there, not reaching manufacturers. It should be noted here that Table 5 is different from other materials in that: the items were divided into six parts—i. e., "the complaints were brought to manufacturers through (1)

Table 4. Where Harm/Danger Complaints Were Put In : Classified by Causes $\left(\frac{\text{No. of Cases}}{(\%)}\right)$

Place \ Cause	Total	Defects of the product itself in its construction/mfg. processes	Faults of retail stores & transportation traders	mistakes in usage/treatment	Not clarified
Total	630 100.0	268 100.0	82 100.0	77 100.0	203 100.0
Manufacturers	31 4.9	19 7.1	5 6.1	2 2.6	5 2.5
Retail stores/repair shops/ salesmen	125 19.8	56 20.9	32 39.0	10 13.0	27 13.3
Governmental counselling systems, e.g., "Consumption/Living Centers"	0 0.0				
Couselling systems of consumer organizations	1 0.2	1 0.4			
Others	9 1.4	5 1.9		2 2.6	2 1.0
Nowhere	418 66.3	184 68.7	45 54.9	63 81.8	126 62.1
Not clarified	46 7.3	3 1.1			43 21.2

Notional Living Center, *Report on the 7th Survey of National Living Trends* (March 1977), p. 151.

Table 5. Routes Through Which Complaints Were Lodged: Classified by Insdustry (weighted scores)

Route \ Industry	Total	Foods	Textile, Chemical, etc.	Machinery/ Tools
Total	1,994 100.0	625 100.0	739 100.0	630 100.0
Industrial organizations	91 4.6	31 5.0	36 4.9	24 3.8
Consumer organizations	145 7.3	55 8.8	44 6.0	46 7.3
Administrative organs/ consumer centers, etc.	385 19.3	135 21.6	116 15.7	134 19.7
Retailers/branch offices, etc.	562 28.2	174 27.8	208 28.2	180 28.6
Directly by individual consumers	704 35.2	226 36.2	264 35.7	214 32.4
Others	107 5.4	4 0.6	71 9.6	32 5.1

National Living Center, *Investigtions Into Actual Conditions Concerning Consumer-Accommodation Companies* (March 1977), p.55. Made out of Table II—2

industrial organizations, (2) consumer organizations, (3) administrative organs/consumer centers (4) retailers/branch offices (5) directly by individual consumers, and (6) others"; those six were ranked, starting from the most frequent medium; the first was given 6 points, the second 5,..., and the last 1; and thus the relative importance of each was decided.

As for complaints about harms/dangers, Table 4 above shows the relationship between their possible causes supposed by consumers and where such complaints were put in

Of the complaints brought to "retail stores (and the like)," a high rate is occupied by "faults of retail stores and transportation traders"; however, it is also true that, of the same complaints (above), many are attributable to manufacturers' responsibilities,

e. g., "defects of the product itself in its construction/manufacturing processes"; and this fact may point to the urgent necessity of preparing the complaint-handling system through cooperation of manufacturers and retailers.

2 How retailers should treat consumer complaints; and how consumer complaints are solved (seen separately according to where the complaints are put in)

One of our distribution researches, as in Table 6, shows how retailers treat the put-in consumer complaints.[1] The largest

Table 6. Retailers' Treatment of Consumer Complaints
(No, of stores)

Question: "How do you handle consumers' complaints about products and prices?"					
Choice \ Product	Electric Home Appliances	Synthetic Detergents	Food Oils	Cameras	Fountain Pens
1. Directly inform manufacturers.	64.0	83.3	80.0	58.3	71.4
2. Want to inform manufacturers, but they will not listen at all.	5.8	0.0	0.0	16.7	14.3
3. Dispose of the complaints within the store; no information conveyance to manufacturers.	23.3	16.7	20.0	16.7	14.3
4. No particular management.	7.0	0.0	0.0	8.3	0.0
	(N=86)	(N=30)	(N=25)	(N=60)	(N=35)

Researches conducted by Nagasaki University.
Period: May 1975—Angust 1976
Places: Tokyo, Osaka, Hiroshima, Fukuoka, Nagasaki, Sasebo
(N=number of collected answers. Researches continued; interim totalizations.)

1) Interim findings and totalizations of our continuous distribution researches conducted since May 1975.

Table 7. Ways of settling Harm/Danger Complaints: Classified by Places Where They Are Put In $\left(\frac{\text{(No. of Cases}}{\%}\right)$

Way of Settling the Matter \ Place	Total	Manufacturers	Retail stores/ Repair shops/ Salesmen	Governmental Counselling Systems, e.g., "Consumption/Living Centers"	Counselling Systems of Consumer Organizations	Others
Total	166 100.0	31 100.0	125 100.0	0 100.0	1 100.0	9 100.0
Had the product replaced.	82 49.4	19 61.3	62 49.6			1 11.1
Had the payment refunded.	4 2.4		4 3.2			
Had the product repaired.	28 16.9	4 12.9	23 18.4			1 11.1
Reparation in cash only, e.g. doctor's bills, compensation.	3 1.8	2 6.5				1 11.1
Understood the matter when explained.	2 1.2		1 0.8			1 11.1
In negotiation with the other party concerned.	2 1.2		1 0.8			1 11.1
Other ways of settling the matter.	8 4.8		5 4.0			3 33.3
Simply conveyed to the other party concerned.	32 19.3	3 9.7	27 21.6		1 100.0	1 11.1
Not clarified.	5 3.0	3 9.7	2 1.6			

National Living Center, *Report on the 7th Survey of National Living Trends* (March 1977), p.157.

percentage of them answered that they directly informed manufacturers; it may be that retailers do their duty by and large. However, when we tried to see how manufacturers treated such cases, many unfavorable opinions of retailers were collected in our researches, for example: "On being informed of the complaints, manufacturers do listen, but that is all"; "Their solutions are not quick enough"; and "Manufacturers should try to settle the matters more in sincerity." This signifies that manufacturers have not yet sufficiently established systems for handling consumer complaints conveyed through retailers. Furthermore, manufacturers, in some cases, entirely refuse such systems, as shown in the following comment of retailers: "Want to inform manufacturers, but they will not listen at all." Also, some retailers dispose of the complaints within their stores; which is most conspicuous in the case of large stores that have their own particular systems for handling consumer complaints.

The National Living Center report, as in Table 7, shows how consumers' complaints about harms/dangers are settled (classified by places where the complaints are put in). The table demonstrates that many (21.6%) of the complaints put in "retail stores (and the like)" are "simply conveyed to the other party concerned"—the same as the above-mentioned results of our distribution researches. This must be fully remembered as a proof of fact that manufacturers do not provide systems for the purpose of consumer-complaint handling through retailers.

3 Problems in manufacturers' direct-management systems of consumer complaints

Increasingly more manufacturers have now become ready to listen to consumers, directly handling their complaints.[1] As has been mentioned in Section 1 here, consumers often fail to put in

1) National Living Center, '76 *Investigations Into the Present Conditions of Companies' "Consumer—Counselling,"* pp.3—4.

their complaints anywhere, which may possibly mean that manufacturers' direct-handling systems of complaints are inconvenient to them. Moreover, as has been mentioned in Section 2, many of the complaints brought to retailers are simply conveyed to the other party concerned (i. e., manufacturers); and this tells that manufacturers have not yet set up complaint-handling systems through retailers-still leaving defects thereof.

Manufacturers' chennel control is now forced to diminish in power by the development of supermarkets and consumers' tendency toward independent consumer behavior. In this trend of manufacturers' channel control, inclined to recession, their dependence upon retailers as regards complaint-handling makes it still harder for manufacturers to rule retailers' market conducts. Even under conditions that manufacturers' control over retailers' & wholesailers' conducts is getting more and more difficult, manufacturers still try to hold their right to channel control, and they yet demand of retailers special efforts for maintaining prices and promoting sales in the process of distribution; which may be understandable as being done by enterprises, but is it not the more advanced policy for manufacturers to willingly evaluate retailers' new role, so as to improve their relations with consumers?[2] It should be recognized here anew that the establishment of efficient handling systems of consumer complaints is now coming to occupy a very important position among manufacturers' marketing policies. Moreover, complaint-handling is not meaningful merely for solving and dealing with consumer complaints; it must be valued in the aspect of absorption of consumer needs; and its significance as a marketing policy should properly be recognized.

It may be favorable, both socially and to manufacturers, that

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2) As for manufacturers' recession in channel control and retailers' complaint-handling as a new role of them, refer to: Yoshio Kajiwara, "Changes in Consumer Behavior, and the New Role of Retailers," *Quarterly Journal of Consumption and Distribution* (Japan Economic Newspaper Co., January 1978).

manufacturers should soon establish complaint-handling systems through retailers; nonetheless, as for the characteristics of such cooperative systems, many questions remain yet to be solved; trials are yet to be made of many points. Still, our distribution-researches, which have consecutively been held since 1975, offer such possible characteristics as: (1) to set up a special counselling system for receiving consumer complaints conveyed through retailers; (2) when retailers take the responsibility and try to solve such complaints as are seemingly due to manufacturers' responsibilities, manufacturers too bear the cost; and (3) as for replacement of goods through retailers, manufacturers guarantee a certain amount of commission, if not so large as the profit margin in sales.

On the other hand, *retailers* should recognize that cooperative consumer-complaint-handling systems of manufacturers and retailers mean, to themselves, more than their services alone for manufacturers. In many cases, consumers—although they may trust manufacturers to some degree—are basically apt to distrust retailers. At the time of the supply-shortage caused by the "Oil Crisis," prices varied very much among respective retailers due to the opportunistic price-raising, and some retailers were incapable of the supply of goods; which facts, in particular, rendered many consumers unyieldingly distrustful of retailers.

As to such consumers' distrust of retailers, it seems that there should be a way to regain their trust by resolving complaints addressed to retailers themselves, i. e., consumer complaints of retailers' sales methods, etc.; furthermore, by retailers' participation in the attempt to settle consumer complaints about products sold, a new path will perhaps be opened toward the early recovery of consumers' trust. Moreover, under the inflation and stagnation after the "Oil Crisis," consumers have come to select stores, as well as brands, freely; "store-loyalty" is now on the decline. Thus it is becoming a question of grave importance to retailers to find out how to recover "store-loyalty." "Store- loyalty" cannot be given back

to retailers by means of their emphasis on services or of excessive store-differentiation, which—it may be said—consumers do not positively ask for. It seems that the way to recovering "store loyalty" should be the emphasis upon services that are substantially advantageous to consumers. Retailers' participation in the handling of complaints about products is a short-cut, too, to the recovery of "store-loyalty." Recently, in Japan also, it is becoming a general trend to regard manufacturers as responsible for harms caused by deficient products and for defective goods,[3] for which reason in part, some consider it favorable for consumers to directly put in their complaints to manufacturers; but it cannot simply be concluded thus. It is still true that cooperative complaint-handling systems of manufacturers and retailers are necessary for consumers.

The research of the Economic Planning Agency (January 1977) tells where consumers brought their complaints, about product-defect harms, and demanded remedies. The number of the cases of defect-harm is 1,907; 980 (51.4%) of which complained and/or demaned remedies; of those, 858 cases—the highest rate, 45.0%—were brought to retailers, wholesalers, salesmen, and repair shops; only 111 (5.8%) to manufacturers.[4] It must be noted here again that consumers lodge their complaints by far most frequently with retailers and suchlike.

To study the preparation of cooperative complaint-handling systems of manufacturers and retailers, more data are yet to be needed. Reference materials are not enough particularly in respects of consumers' evaluation of retailers' ways of receiving their complaints, and of their evaluation of manufactacturers' direct-handling of complaints. It may be added that some manufacturers have, for some time now, been handling consumer complaints through retailers. The systems are not always the same; for instance,

3) Economic Planning Agency, *Remedies of Consumer Harms and Damages* (July 1975), pp. 18~20.

4) Economic Planning Agency, *Reports on the Results of Researches Into Consumer Harms and Damages* (January 1978), pp. 57~59.

some include affiliated retailers alone, and some include others also. Therefore, more reference materials are necessary as regards the contents of the presently practiced systems of manufacturers for managing complaints through retailers, and as regards retailers' evaluation, too, of such systems. A still further question, it may be added, is how the matter stands between large-scale-retailers' independent complaint-handling systems and manufacturers.

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