

In customer service, when is a full refund justified?



With the potential online virality of every customer complaint, the act of compensation is no longer just about redressing a grievance, says the writer. It has become a combination of making genuine amends for the specific incident and strategic reputation management. Maintaining stellar service standards has become imperative for businesses across industries. PHOTO: LIANHE ZAOBAO

Businesses are under more pressure than ever to meet service standards when complaints go viral on social media.

Hannah H. Chang

Customer service today operates under an intense spotlight.

A negative customer experience has the potential to reach millions in this hyper-connected world.

Take, for instance, the experience of a New Zealand couple aboard a Singapore Airlines (SIA) flight from Paris to Singapore. They were seated next to another passenger's "snorting, farting" emotional support dog and eventually moved from their premium economy seats to economy ones when they felt the situation to be unbearable (there were no other seats available in premium economy).

Emotional support pets are certified as necessary companions for the mental or emotional well-being of their owners during travel.

An earlier offer of KrisShop vouchers worth \$200 and travel vouchers worth \$320 was

rejected by the couple, who wanted a full refund. The dispute was settled recently after months of back-and-forth, with SIA providing a reimbursement of about \$1,600.

This incident raises questions about service expectations and compensations.

A DIFFICULT BALANCE

With the potential online virality of every customer complaint, the act of compensation is no longer just about redressing a grievance. It has become a combination of making genuine amends for the specific incident and strategic reputation management.

Maintaining stellar service standards has become imperative for businesses across industries.

There are indeed many instances where customers do not get what they paid for and the grievances are reasonable and relatable. Several years ago, a video went viral showing a passenger, despite having paid for a ticket, being forcibly dragged off an overbooked United Airlines flight.

It's understandable when consumers feel let down, or even cheated, after investing their hard-earned money in a product or service that is not delivered as promised. Moreover, businesses in some sectors are known for charging surprise fees when customers least expect them,

which feels like a bait-and-switch ploy rather than good service.

On the other hand, we've all heard tales of some customers making bizarre claims or demands. For example, a British Airways passenger complained about a flight delay from Jamaica to London earlier in 2023. The delay was caused by an

Situations of unwarranted service negligence may deserve to be called out, but missteps due to genuine human error or circumstances beyond a business' control may warrant more understanding. On the business side, a starting point may be a commitment to continual improvement and keeping customer satisfaction at the heart of service operations.

unexpected onboard medical emergency in which another passenger died. The customer grievance, shared on social media, showed the passenger's frustration over the disrupted in-flight services and lack of a "thorough flight experience", with the passenger demanding compensation from the airline.

Should businesses always address customer grievances in a manner demanded by the customer? When do these situations cross the line from genuine grievance to an unreasonable sense of entitlement?

Businesses face the challenging task of identifying legitimate grievances and attempts to get undue benefits. They must approach it carefully to avoid setting precedents that encourage unrealistic expectations or undue demands in future exchanges with existing and potential customers.

For businesses as service providers, it is often a difficult balancing act between offering genuine redress and not setting precedents that encourage unreasonable demands.

Well-defined policies and principles can help businesses evaluate the validity of claims in situations and protect the rights of customers. For instance, refund policies can act as an assurance to customers that businesses stand behind their

products and services.

However, when these refunds become frequent, they also risk becoming Band-Aids that fail to fix deeper issues. It may be difficult to foresee all possible scenarios in designing compensation policies, particularly when unique situations collide with unfortunate timing, resulting in unresolved situations.

Interestingly, a 2017 global survey by American Express highlighted that customers in Singapore were among the most demanding, as well as the most generous in rewarding good service, when it came to customer service. That indicated a heightened attention towards customer service and underscored the need for businesses to up their game in a competitive market.

But not all customer complaints stem from genuine grievances. For instance, a customer at a Toast Box outlet in Singapore allegedly tossed a tray at an employee over dissatisfaction with the service. In another incident, a patron at a chicken rice stall was reported to have demanded the sacking of an employee for missing chilli sauce in the order.

Such instances underscore the extreme pressures businesses and their employees face daily.

Prevention can be more effective than cure. In addition to

setting clear policies for refunds or compensation, this might mean rigorous staff training or setting clear guidelines for unique scenarios (like boarding animals).

Monitoring online sentiment can help businesses stay ahead of brewing issues. Social media listening can detect customer sentiments, such as rising complaints, in online discussions, allowing businesses to address concerns in real time.

Emerging technologies such as artificial intelligence (AI) and large language models present promising opportunities for businesses to get ahead of customer issues before they occur or escalate. They might help in identifying root causes that could create further issues. For example, AI chatbots can be used to handle routine customer inquiries and issues round the clock, while simultaneously analysing conversations to identify frequently raised concerns.

Pand.ai, a local fintech start-up, offers a bilingual chatbot named GINA.sg to help car owners in Singapore navigate myriad motor insurances based on owners' individual needs, concerns and profiles. Vouch, another local start-up, works with hotels such as Andaz Singapore and Pan Pacific Singapore to provide AI-enabled digital concierge services that help answer guest inquiries.

A SHARED RESPONSIBILITY

Many customers first try to reach out to the company or service provider before taking their grievances to social media. This allows for a proactive way of treating customer grievances in a timely manner.

In the interaction between businesses and consumers, there is a shared responsibility. While businesses need to evolve, learning from any missteps and prioritising customer welfare in delivering their promises, consumers also need to approach situations with reason.

In today's digital landscape where complaints can go viral instantly, consumers should use discretion in exerting this influence judiciously. Situations of unwarranted service negligence may deserve to be called out, but missteps due to genuine human error or circumstances beyond a business' control may warrant more understanding.

On the business side, a starting point may be a commitment to continual improvement and keeping customer satisfaction at the heart of service operations. Senior management can set the tone for a customer-centric culture while also investing in staff training, such as for employees on the front line of customer service.

Policies designed with clarity and fairness can go a long way, as would proactive and transparent communication in complex, grey-area situations. In the past, some companies have lost public trust after years of perceived customer mistreatment. It's often much more difficult to regain credibility and rebuild trust than to maintain good relationships with customers in the first place.

Though this may not be easy to achieve when parties feel wronged, it begins with each party upholding their part of the social contract.

◆ Hannah H. Chang is associate professor of marketing at Singapore Management University.