
UNIT 11 ETHICAL PRACTICES IN CUSTOMER SERVICE AND GRIEVANCE RESOLUTION IN RETAIL

Structure

- 11.0 Objectives
- 11.1 Introduction
- 11.2 Need for Ethical Practices in Customer Services and Complaint Resolution
- 11.3 Customer-centricity and Empathy
- 11.4 Transparency and Honesty in Customer services
- 11.5 Fairness and Non-discrimination in Customer
- 11.6 Ethical Grievances Handling Process
- 11.7 Deviation of Product and Service Commitment
- 11.8 Complete Feedback Loop to Customers
- 11.9 Let Us Sum Up
- 11.10 Key Words
- 11.11 Answers to Check Your Progress
- 11.12 Terminal Questions

11.0 OBJECTIVES

After studying this unit, you will be able to:

- Discuss ethical practices in customer service;
- Identify challenges to ethical practices in retail;
- Discuss the significance of transparency and honesty in customer service;
- Distinguish between customer-centricity and empathy;
- Identify the ethical grievance handling process.

11.1 INTRODUCTION

In the retail industry, customer service plays a very pivotal role, and more importantly, grievance handling is an extremely important aspect for the customer. Business grows with customer trust; it is a gradual process. Customers check the retailers with their real-time experiences and then build

an image in their minds based on the experiences. The main differentiator is how customers are treated in retail stores when they face problems with the products or services offered by the retailer. It is a word-of-mouth process where new customers visit the retail outlets because existing customers have spoken positively about the retailer. Honesty is a key element in managing customers' emotions; these emotions are triggered when customers have grievances. This is a time to show honesty and commitment to solving the problems with the right solution. In this unit, we will study various ethical elements that relate to ethical ways of providing customer service and handling grievances.

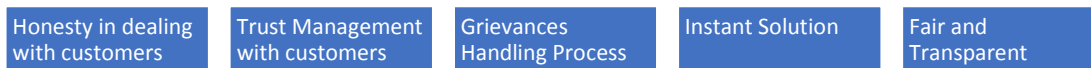


Figure 11.1 Pillars of customer trust

11.2 THE NEED FOR ETHICAL PRACTICES IN CUSTOMER SERVICES AND COMPLAINT RESOLUTION

Retailers across the world try to be ahead of the competition within the industry, they need to be different from others. The most important differentiator is customer service. We will discuss the need and why retailers feel it is essential to have ethical practices in customer service and complaint resolution. Now let us discuss those needs:

- **Win Customer Trust and Loyalty:** The retail business is a repeat customer business. The same customers must come as repeat customers, and new customers are obviously needed. Fair policies and a customer management process help win customers trust and loyalty. We all know the acquisition of loyal customers never happens; it is a gradual process that is achieved by existing customers.
- **Builds Brand Image:** Good governance in customer service and customer complaint resolution help in building a long-term brand image. Loyal customers are created, which in turn helps grow retailers' sales and customer base. Word-of-mouth publicity is created by the customers.
- **Customer Satisfaction:** Resolving complaints ethically and efficiently enhances customer satisfaction. Satisfied customers are more likely to become repeat customers and may even advocate for the business to others.
- **Long-term Business Stability:** Long-term sustainability is a result of a genuine approach to solving customer problems in the retail outlet. Negative publicity by a few customers is negated to build positive talk all around.

- **Faster Adaptability:** If the foundation of a company is ethical, it is often more adaptable to changes in the business environment, which builds a culture of continuous improvement and faster resolution to customer needs.
- **Retailers Build Employee Morale and Constructive Engagement:** Employees working in a good and ethical environment are likely to feel high about their It brings positive culture and leads to high morale in the employee engagement process.
- **Customer Retention:** Effective complaint resolution, grounded in ethical principles, is a key factor in customer retention. Customers buy freely or do business with retailers freely, as they know that they will get quick resolution to their problems.
- **Competitive Advantage:** Companies with ethical processes with retailers build positive and competitive advantages for the retailer. Customer preference increases dramatically with the help of ethical processes.

11.3 CUSTOMER-CENTRICITY AND EMPATHY

Customer centricity and empathy both play an important role in building ethical customer service. In this process, customers are shown and feel transparency in handling queries and solutions through an approach of empathy. Customers are given due respect and consideration in every interaction. The sole objective of a company is to manage customers as ethically as possible to win their trust in the long run.

Let us understand customer centricity first. It means that the whole process built into the customer service department revolves around the customer solutions and the ease of managing them as much as possible, as well as standardization in the complete process. A lot of empowerment are given to customer service to deal with customers in any situation. Companies focus on building loyal customers over a period.

“Looking at the customer vs. thinking like a customer” There are companies that claim to be customer-centric, but they are only customer-focused. Real customer centricity comes when companies start thinking and designing themselves internally, the way customers think...

Companies Dealing with needs vs. dealing with wants.

Customer-focused companies deliver products that the customer wants, but true customer-centric companies will focus on the true needs of the customer, solve customer problems, and suggest the best solutions to them to deliver the most value to them.

Companies provide solutions vs. produce products and services.

With a customer-focused approach, the company would try to identify which of the products or services matched the wants of customers. But with a customer-centric approach, the company will provide a solution to the customer's needs to deliver a positive long-term experience.

Empathy means looking at the customer's mind and feelings. Understand the situation of customers in detail by having effective communication, listening to them, trying to resolve their problems, and providing the best solutions. Empathy is something that is built through good customer service with the help of rigorous training and the regular adoption of training at work. As a business, it is the ability to understand what a consumer experiences when they use company products or services. Companies with well-trained customer service agents will always score more appreciation than normal customer service agents.



Figure 11.2, Source:- <https://www.helpcenterapp.com/blog/empathy-in-customer-service/>

There are ways an agent can show empathy: -

Actively listening to customer conversation	Understand the real problem and agony which a customer is passing through	Do clarification by asking right questions	Tone of an agent should be very polite and helpful
Avoid quick judgment. Don't be judgmental in advance	Show empathy but avoid sympathy	Summarize with the customer on problems area and possible solution	Be attentive in the whole conversation with the customer.
Provide solution instantly as per process or take time to revert	Revert to customers promptly without any follow up	Be transparent in the overall communication with the customer	

11.4 TRANSPARENCY AND HONESTY IN CUSTOMER SERVICES

Transparency and honesty both go together in building trust with customers; the absence of any one approach may not be able to build loyal customers.

Getting loyal customers is very cost-effective for any retailer to be successful. Transparency means that the information provided is full of all the required details; nothing is hidden. Whereas honesty means the intent of the company towards their customers. Are they honest in dealing with the customers? These are the fundamental principles for providing excellent customer service. It builds first trust, positive relationships, and then loyalty with customers.

Let's discuss some of the elements needed to build transparency and honesty in fostering relationships with customers.

- **Clarity in Communication with Customers:** Make clear and concise communication; avoid using complicated, difficult, or complicated words that might confuse the customer. All the policies, terms, and conditions must be clearly written, and customers must be informed through emails and written signage inside the retail store.
- **Clear Communication of Limitations:** Sell the best products and services. In case any limitation is present in any product or service, clearly explain through some communication to the customer. It is always good to make expectations clear to customers to avoid future disappointments.
- **Promptness and Accurate Information:** It is always good to reply promptly and accurately. Don't rush things; take a pause; decide what is to be communicated well; think through it; then speak to the customer with clarity, honesty, and transparency. Customers admire clear communication.
- **Accept Mistakes:** Customer trust builds more deeply when a retailer accepts the mistake and gives the right solution to the customer so that the customer does not suffer. If anything is to be communicated with transparency and honesty, it is better to control future expectations with clarity.
- **Realistic Promises:** Extend promises that are easily fulfilled. Don't exaggerate the promises. It should be realistic, and in all possible situations, retailers should be able to meet those promises.
- **Build a Culture of Feedback and Reviews by:** Feedback is a goldmine; always catch it. Retailers can build a culture of feedback and reviews by building the correct processes for managing them. Negative feedback is always considered constructive feedback—an opportunity to work on it for the customers.
- **Empowerment to Team:** The customer service team can work on the laid-down process, and the required training can make them more empowered to take the right decisions or guide customers facing any queries or problems.

- **Easy to Access Policies:** Customers search for help online or in a retailer store. It is better to write all exchange, return policies, or other terms and conditions on the website and in a retail store. The customer team should know all the latest policies to guide customers promptly and timely.
- **Communication on New Up-dates:** The customer experience is extremely important in a retail store. Any change in the timing of the store, any policy change, any new promotions, any new product arrivals, or special discounts can be communicated to the customers in a timely manner. Here, retailer proactive communication works very well to keep the misunderstanding away.
- **Data Security:** Retailers can play a proactive role through email communication with customers about how they protect customer data, what policies are followed, etc. This way, retailers can build more trust and transparency with the customer.

These are the measures and processes retailers can follow to build trust in the long run with their customers. Customers become more confident about shopping at the retail store. They see value and transparency overall in dealing with them.

Check Your Progress A

1. Why are ethical practices in customer service important?
2. What is meant by customer trust?
3. Differentiate between customer-centricity and empathy.
4. Explain how transparency and honesty can be built in customer service.
5. Which of the following statements are **True** or **False**?
 - (i) “Grievances handling process” is one of the pillars in customer trust.
 - (ii) Ethical customer service practices enhance employee morale.
 - (iii) Customer centricity and empathy have no relevance in building ethical customer service.
 - (iv) Clear communication with customer creates transparency.
 - (v) Data security is not required in customer service.

11.5 FAIRNESS AND NON-DISCRIMINATION IN CUSTOMER

Customers have a fundamental right to be treated with fairness and non-discrimination. The impact to the business is always positive, brand image is also then built. What fairness and non-discrimination mean, treating

customers with fairness and honesty, all customers are treated equally, irrespective of age, gender, ethnicity, religion, and disability. The product displayed in the retail store should be made available to all customers with fairness and offers or promotions running should be for all customers, avoid offering special offers to specific sets of customers or community. Non-discriminatory approach is always helpful. The access of products display can be made considering disabled customer's as well to some extent. While making the marketing campaigns always make it for all people and culture. Never use any discriminatory punch line or communication in any advertising campaign. Companies may have many policies to build fairness and non-discrimination, but employees also must be trained well on a regular basis to implement the policies effectively on the ground. They need to be trained on diversity, inclusion, and anti-discrimination policies with examples. Employees to be trained to respond to customer queries promptly without any kind of discrimination with customers. They should treat all customers with respect and be courteous to all of them irrespective of their background. Data security or privacy is always a big concern for all retailers. There should not be any discrimination while handling customer data. All customer's data is treated equally with importance by the company. Promote customer feedback in a retail store and use it to understand and address any potential biases or discriminatory practices. Continuously assess and improve your processes to ensure fairness. Retailers adhere to anti-discrimination laws and regulations in the store jurisdiction. Periodically review policies to ensure compliance with evolving legal standards. Community engagement with local people where the retail store is situated to understand local concerns and belief systems. These are the areas where a retailer must focus to build the fairness and non-discrimination processes.

11.6 ETHICAL GRIEVANCES HANDLING PROCESS

Some principles are extremely important for retailers to understand and put them into practices to reduce grievances of the customers.

- **All issues are important:** Never minimize an issue of customers without understanding them in detail. Customers appreciate even the smallest issue is listened to and sorted out with full satisfaction. By minimizing the issues, we generally disrespect the customer, they are always like to be listened to.
- **Process implementation:** Customers always expect instant response to their problems. Well defined processes when followed inside a retail store minimize the grievances and build more loyal customers. For example- Customers bought a product and soon after billing within the retail stores got damaged. One way is that we respond to the customer by saying it is billed now and cannot be replaced. On the other hand, the broken product can be replaced with a fresh product as

it is broken inside the store. These are moments of truth. Every customer cherishes this kind of responses. It is just an example. There could be many examples like this to prove to the customers that retailers care for them.

- **Emphasize with the customers:** Never argue with the customer, listen to them carefully ask relevant questions, always tell I understand the concern. It just means that you understand the feeling of the customer.
- **Understanding mistakes happens:** It is always nicer to accept mistakes and work on resolving the mistake. Customers always understand the genuine approach by a company or retailer. Customers will appreciate the person that it is acknowledged. This also reinforces retailer brand and culture.
- **Provide resolution:** Customers with a grievance always look for some speedy solution by a retailer or company. Agent handling the customer must have knowledge of managing such situations in the past, must train agents well on processes laid down to manage such situations.

11.7 DEVIATION OF PRODUCT AND SERVICE COMMITMENT

Deviation of product and service commitment generally occurs in every business including retail businesses. Let us first understand why such a deviation occurs.

- **Over commitment in the products offered to customers and wrong service level commitments.** If a retailer's intention is to dupe customers, then the retailer cannot survive in the long run. Generally, the intention is right, but the right set of processes and people are not in place to conduct the business. Some of the examples are as follows:
 - Faulty product was sold to the customer. Now the customer is asking for a refund.
 - Packed products were sold, but there were some issues with defective products.
 - Staff oversell the customer by giving misleading information.
 - The customer came with the problem, and customer service initially said yes to solve it but later denied it.
 - The customer bought the product, and after 24 hours, he wanted an exchange, which the staff denied as they didn't have knowledge of SOPs.

- Quality assurance by a retailer is a key aspect for any customer to consider when making purchases. Post-purchase support by a retailer must be supported by the manufacturer too. While selecting the product, there should be a strong check on the manufacturer's background, market credentials, and manufacturing process. Do they have a quality assurance department in place within the company? Do they have all the required licenses and approvals as laid down for the industry by the government? Deviation in service level or product deviation generally occurs when it is not supported by the manufacturer in the case of warranties.
- An audit of service levels conducted by a retailer periodically is required to build trust with customers and loyalty. Regular review guides the retailer to correct the bottlenecks in the laid-down processes and helps in correcting them to improve service commitment levels with the customers.
- Avoid misleading representations in the form of advertisements or verbal communication by the marketing and sales team to customers. Over exaggeration is also a major reason for overcommitment and unnecessary increases in expectations, leading to issues in servicing customers later.
- Ensuring the customer signage is well defined with clarity. Customers should be provided with the service level committed through signage, if any. Confusing signage can be removed from the stores.
- Training helps in managing product and service level issues. Teams at the retail store can be trained on store operations and product training regularly. Even refresher courses can be planned periodically and can help solve many issues relating to the service levels in the retail store.
- The retailer can define SOPs considering the competition in similar industries. The SOPs should be fair and transparent to help customers get the right resolution to their problem. Retailers try to work long-term to build brand reputation in the market. Regular training on SOPs is a key aspect here. The customer service team's responsive approach is key. If they are well trained on the right SOP's (standard operating procedures), they can help customers with high service levels within the store.

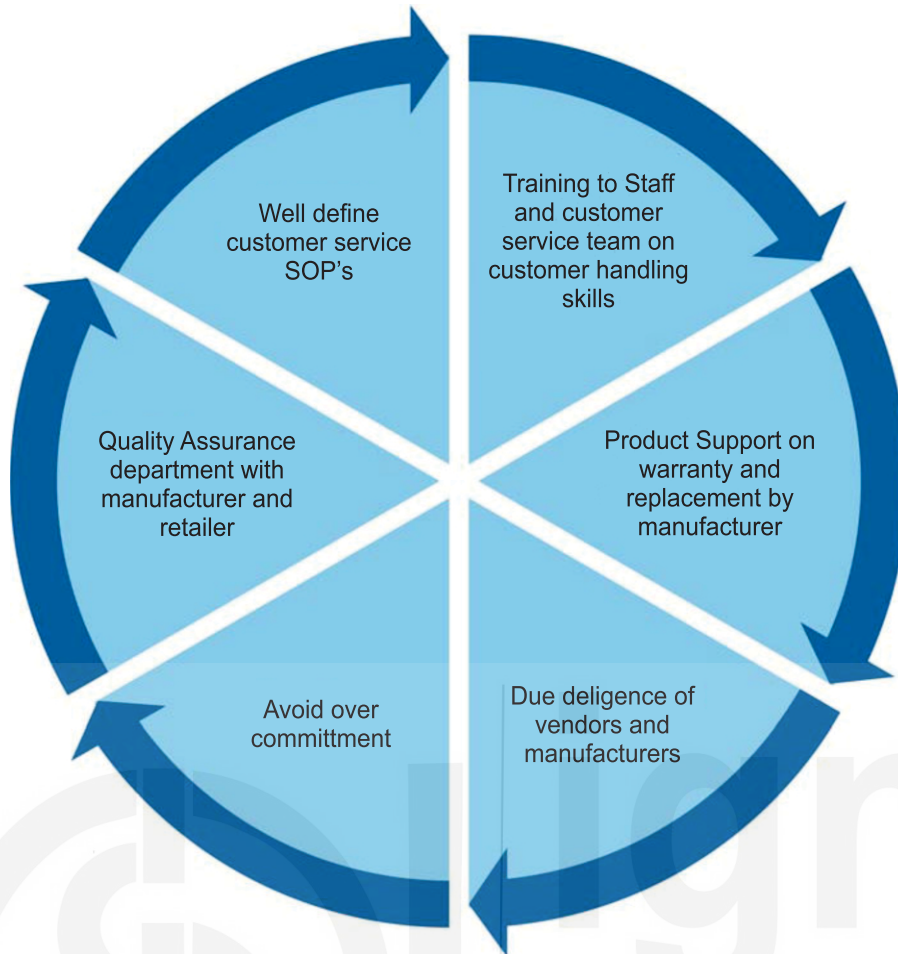


Figure 11.4 Map of key pointers to manage product and service levels

11.8 COMPLETE FEEDBACK LOOP TO CUSTOMERS

A complete feedback loop means collecting and analysing customer feedback to build and enhance service levels. Let us discuss the structured approach.

- **Collection of Customer Feedback:** Retailers can collect feedback through multiple channels, including surveys, email, online forms, social media, and feedback directly from staff and the customer support team.

Feedback touch points: In a product buying usage life cycle, feedback can be collected from the customer, for example, at the time of purchase, during the purchase, and post-purchase with a time gap. It can provide real, accurate feedback about product quality. Feedback can also be collected anonymously to get real feedback from customers.

Analysis of Received Feedback: The different buckets can be created for multiple channels of feedback. Buckets can be categorized into further categories, for example: good quality feedback, bad quality feedback, customer service feedback, user experience feedback, dissatisfied customers,

product quality feedback, service-related feedback, and billing-related feedback. Combine quantitative data (e.g. ratings) with qualitative insights (e.g., comments) for a holistic understanding.

Data Interpretation: Data interpretation can guide on recurring issues, positive feedback, etc.; further, it can be drilled to impact level data understanding, for example, frequency of issues and alignment with retailer overall strategy.

Acknowledge Customer Feedback Mechanisms: Informing customers about the feedback received is valuable to the retailer. This process requires a close push so that all customer acknowledgements are sent and managed effectively.

Customer Updates: Regularly update customers with any changes in process or policy that could prove to be beneficial to them. It helps customers stay updated and feel more empowered when shopping from the retailer.

Cause and Effect Analysis: understanding customer feedback data deeply and finding cause and effect analysis of all the feedback, whether positive or negative, may help identify the real root cause of a problem.

Feedback Sharing: Department-wise feedback is important to share with other functions or departments so that they understand the real issue and, collectively, as a company, resolve such issues in a timely manner. Treat all the feedback as a gold mine to understand and resolve to build a strong brand in the market.

Customer Engagement: To strengthen the feedback mechanism, regular reviews of the feedback and an action plan to improve the complete process using technology may help the retailer stay ahead of the competition. Forums, webinars, etc. are the best tools to deepen understanding of customer challenges and build a sense of commitment towards the community.

Closure of Feedback.: All the queries and feedback received from customers can be communicated back to them with a specific action point to inform the customers. Customers love this communication and feel empowered.

Establish Metrics: Define key metrics and KPIs to measure the success of the feedback loop process. Regular monitoring and assessment of these metrics may help in making informed decisions.

Data Integration with Systems: Integrate feedback data with other systems (e.g., CRM, support systems) to create a common customer profile.

Check Your Progress B

1. What are the ethical principles in grievances handling?
2. What is the reason for deviation of product and service commitment?

3. What do you mean by complete feedback loop to customer?
5. Which of the following statements are **True** or **False**?
 - (i) Customers have a fundamental right to be treated with discrimination.
 - (ii) Process implementation is vital to grievances handling.
 - (iii) Deviation of service commitment generally occurs in every business.
 - (iv) Mis-representations in the form of advertisements is acceptable by customers.
 - (v) Retailers can collect feedback through multiple channels.

11.9 LET US SUM UP

In the retail industry, customer service plays a very pivotal role, and more importantly, grievance handling is an extremely important aspect for the customer. Business grows with customer trust. Customers check the retailers with their real-time experiences and then build an image in their minds based on the experiences. Retailers across the world try to be ahead of the competition within the industry, they need to be different from others. The most important differentiator is customer service. Customer centricity and empathy both play an important role in building ethical customer service. In this process, customers are shown and feel transparency in handling queries and solutions through an approach of empathy. Customers are given due respect and consideration in every interaction. The sole objective of a company is to manage customers as ethically as possible to win their trust in the long run. Transparency and honesty both go together in building trust with customers; the absence of any one approach may not be able to build loyal customers. Getting loyal customers is very cost-effective for any retailer to be successful. Transparency means that the information provided is full of all the required details; nothing is hidden. Whereas honesty means the intent of the company towards their customers. Customers have a fundamental right to be treated with fairness and non-discrimination. The impact to the business is always positive, brand image is also then built. What fairness and non-discrimination mean, treating customers with fairness and honesty, all customers are treated equally, irrespective of age, gender, ethnicity, religion, and disability. Some principles are extremely important for retailers to understand and put them into practices to reduce grievances of the customers. A complete feedback loop means collecting and analysing customer feedback to build and enhance service levels.

11.10 KEY WORDS

Metrics	: Metrics are measures of quantitative assessment commonly used for comparing and tracking performance.
Customer Centricity	: Customer-centricity is a business strategy that's based on putting your customer first and at the core of your business.
Empathy	: the ability to imagine how another person is feeling and so understand his/her mood.
Data Security	: Data security is the process of safeguarding digital information throughout its entire life cycle to protect it from corruption, theft, or unauthorized access.
Resolution	: Solving or settling a problem, dispute, etc.

11.11 ANSWERS TO CHECK YOUR PROGRESS

A 5. (i) True; (ii) True; (iii) False; (iv) True; (v) False

B 5. (i) False; (ii) True; (iii) True; (iv) False; (v) True

11.12 TERMINAL QUESTIONS

- 1) Discuss the need of ethical practices in customer service.
- 2) Highlight the importance of customer centricity and empathy.
- 3) Discuss the role of transparency and honesty in fostering relationships with the customers.
- 4) Discuss the importance of fairness and non-discrimination in customer service.
- 5) What is meant by giving a feedback loop to the customers? Discuss its importance.
- 6) What do you mean by an effective follow up mechanism with the customer?

11.13 REFERENCES

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