



Complaint handling at the Schindlerhof Hotel with praise and assessment cards

Rödiger Voss and Thorsten Gruber provide an example of effective complaint handling in the German hospitality industry.

Many companies still regard customer complaints as an unpleasant waste of time and money. They install barriers to the customer's decision to complain and some (frontline) employees even make customers believe that they do not even have the right to complain. Although the majority of companies still treat customer complaints negatively and react to service failures inappropriately, there are also positive exceptions.

The award-winning Schindlerhof Hotel (SH) is one such example. This company takes customer complaints seriously.

Realised benefits of handling complaints

SH has realised that the costs of acquiring new customers are far higher than the cost of keeping existing customers. It has internalised the principle of lifetime retention value of customers. In most restaurants, a valuable guest who comes to dine once is viewed to be worth €25. In SH's restaurant he is viewed to be worth €100,000, even though he also spends €25 with SH. So how is this calculated?

If SH's staff not only satisfies, but delights him, he will visit the restaurant 40 times per year. This

makes €1000 (€25x40). If SH is able to delight this customer further he will dine there for the next 20 years. That is 20 x €1000 which equals €20,000. The guest will probably tell five other people how much he enjoyed the restaurant. Thus, SH has a guest who is worth €100,000 (5 x €20,000).

Therefore, if customers are dissatisfied, SH always tries its best to strengthen the fragile relationship with the customer by handling complaints effectively. In particular, in the case of a guest complaint, SH aims to restore customer satisfaction in general and to prevent customers



from quietly switching to other providers. The company also attempts to inhibit the occurrence of negative word-of-mouth communication and wants to encourage the occurrence of positive word-of-mouth communication instead.

SH tries to gain information from the incident to identify company structural and process weaknesses (weak spots) and to discover new market chances. Moreover, SH believes that complaints from guests are a valuable source of information for the company to improve its service. SH, however, has also realised that it can only improve a negative situation if it knows about it and that it will only be able to achieve the set goals mentioned above by including its guests in the improvement process.

Praise and assessment cards

In 1987, SH introduced the praise and assessment card system, which is the company's most important tool for assessing customer satisfaction and dissatisfaction. The system has been updated many times, as additional information was acquired.

At first, SH used one standardised card for the whole company. In 1989, the company decided to introduce specific cards related to the situation in each department, in order to comprehensively record different customer requirements. In 1991, each department was marked in a different colour, and in 1994 the 'key

visuals' and the fourth 'Smilie' were added. Finally, the date of the customer's visit was added in 1995.

SH has kept the format brief and accurate. The easier it is to fill in the card, the higher the response rate will be. Guests can find the cards on every table in the restaurant, in every room and in the foyer of the conference rooms. Furthermore, a card is enclosed with every bill together with a stamped self-addressed reply envelope.

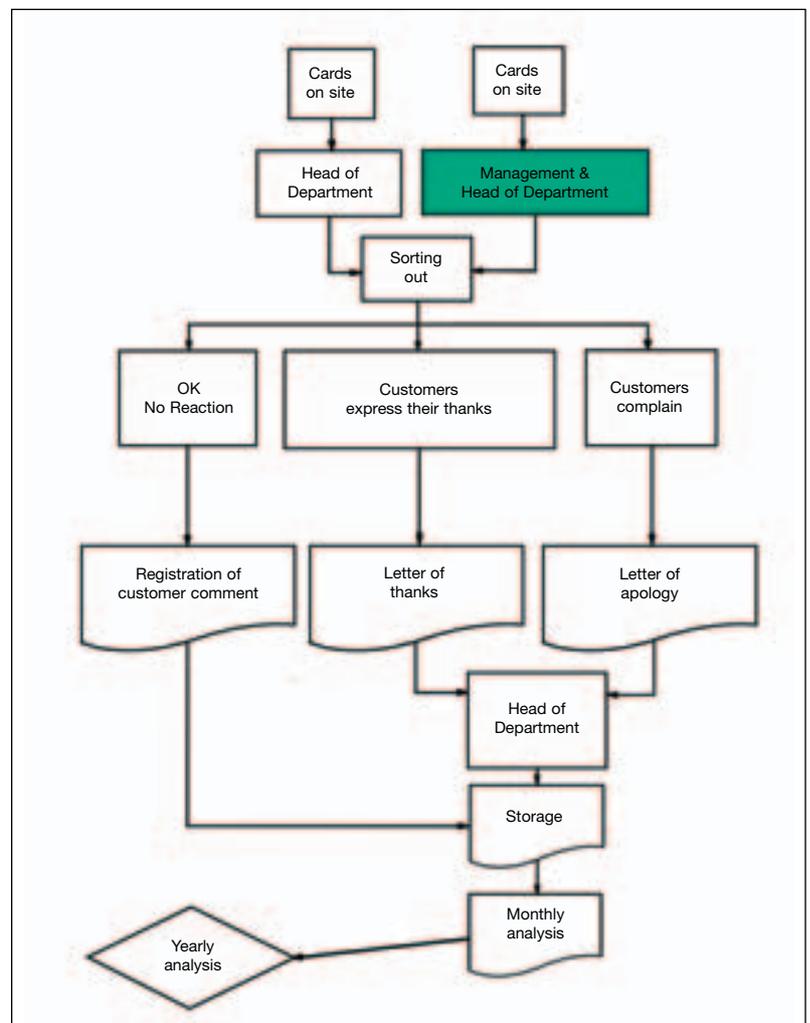
Guests can return the praise and assessment cards at several locations on SH's premises. There are small letter boxes in front of the reception, in the entrance hall of the restaurant and in front of the entrance to SH's creative centres. The letter boxes in the reception and the restaurant are emptied every day by the hotel management. The letter box in the conferencing room is checked by the conference manager. Every day, SH gets 15 to 20 cards back from guests on site and three to five cards are returned in the mail.

All cards with the first Smilie unticked are regarded as complaints. It is company policy to handle even minor complaints immediately and lavishly. All collected cards (on site/by

mail) are checked daily, which is one of the main duties of company management. Customers receive an answer to their filled out praise and assessment cards within a day and the chosen type of compensation depends on the seriousness of the complaint (ranging from a voucher for an aperitif to an invitation to an overnight stay with dinner).

SH responds using standardised text modules and a personal signature. Any complaints affecting SH's basic skills, such as product and service quality, have the highest priority. Each criticism is regarded as an opportunity for improvement.

Up to 1995, the praise and assessment cards were added up and filed only once a year en bloc, when drawing the annual target plan. Since 1996, the company has been evaluating these cards monthly and summarising the results at the end of the year. This change was made with the introduction of the ISO 9001 management system and to be better able to deal with any fluctuation. SH found, when checking the process, that the once-only assessment at the end of the year seemed to be too superficial. Unlike the annual assessment, the



monthly evaluation shows peaks for praise and complaints. As a consequence, quicker reactions are now possible. Furthermore, instead of counting only the total number of complaints, as in the past, SH now distinguishes between:

- Number of letters sent thanking guests for their praise (= thanks)
- Number of letters sent apologising (= apology)
- Number of letters with both (= thanks & apology)
- Number of cards without any reaction.

Processing of praise and assessment cards

SH has also begun to allot complaints

by department, to levy costs for compensation and to divide the complaints into software (human mistakes) and hardware errors (for example, the heating breaking down). The department managers set their targets in accordance with this strategy. They also decide how to respond to any complaints regarding their own departments. They must ensure that the cause of the complaint is identified, dealt with and eliminated. Therefore, department managers must be versed in using problem solving tools.

A budget of €10,000 has been created for the whole complaint management process. This investment policy has been made in

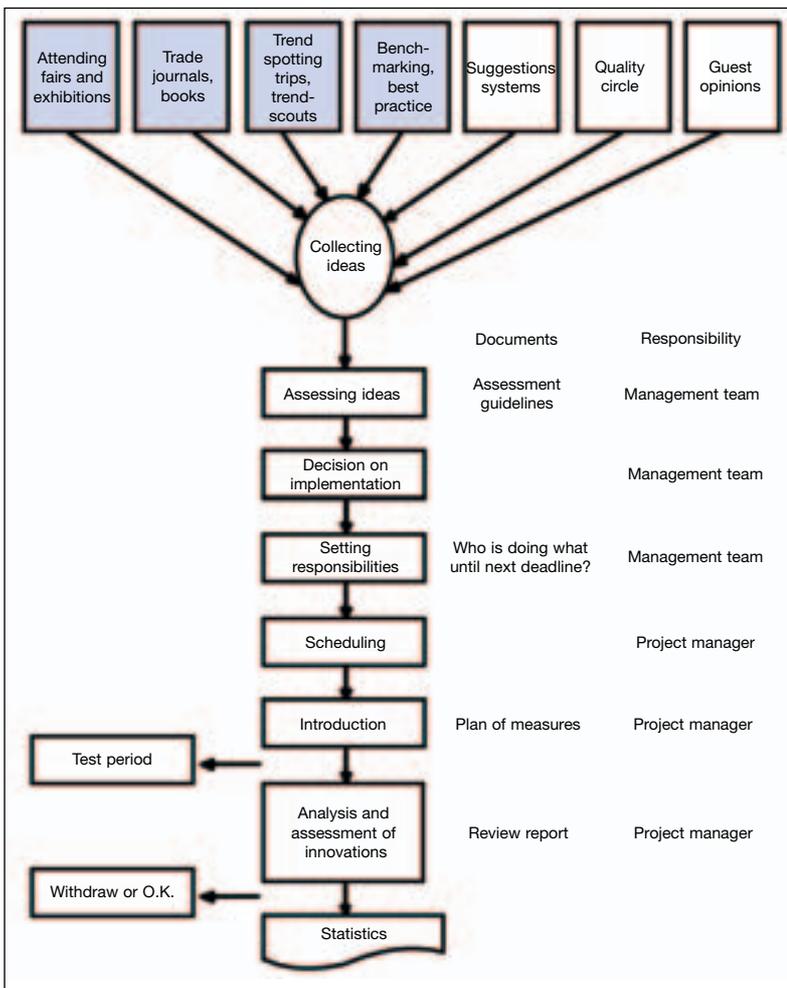
the context of SH's regular marketing plan and the company is not thinking of reducing this amount. In addition, this policy helps to eliminate frequent sources of complaints, thus making the budgeted amount available for more lavish compensation – even in the case of minor complaints. Kobjoll offers the following illustrative examples.

In the conference area, the steps to one room need to be fitted with rubber edging strips. They are too slippery and this caused one guest to fall. Our conference manager arranged for this to be fixed on the same day. Putting the problem right cost 24 marks – two glasses of champagne.

A problem at reception provides another example. There was a mistake in a guest's bill, which meant he had to pay it himself, although it should have been debited to his company. The hotel employs a lot of trainees and this can sometimes happen. However, we returned the amount of just over 200 marks to the guest and his company received a letter from us saying he had been our guest – so no new bill was issued to the company. The quality cost of this was 200 marks.

Example for monthly evaluation of praise and assessment cards. [Source: Own diagram, based on official Schindlerhof document].

2.252	Guests stayed at the hotel		
2.492	Guests were in the conference area		
3.567	Guests were in the restaurant		
2.350	Guests were at the banquet		
404	Guest were in the bistro		
11.065	Guests total		
311	Cards were received =	2.8% (feedback from guests)	
166	responses =	53.4% (feedback from us)	
145	no responses =	46.6% (storage)	
+			
Thanks		124	
Quantity	Article	Purchase Price in €	Total value in €
110	Appetizer	12.00 €	1.320.00 €
7	Key fobs	5.00 €	35.00 €
4	Children cocktail	2.50 €	10.00 €
2	Cards	10.00 €	20.00 €
1	Break fast/double bedroom + 2 x menus	230.00 €	230.00 €
0	Silver key fob	17.50 €	0.00 €
0	Bottle of champagne	55.00 €	0.00 €
			1.615.00 €
+ -			
Thank/ Apology		30	
Quantity	Article	Purchase Price in €	Total value in €
21	Appetizer	12.00 €	252.00 €
2	Appetizer for one person	6.00 €	12.00 €
4	Cards	10.00 €	40.00 €
3	CD	20.00 €	60.00 €
0	MC	12.50 €	0.00 €
0	Silver key fob	17.50 €	0.00 €
0	Miscellaneous		0.00 €
			364.00 €
-			
Apology		12	
Quantity	Article	Purchase Price in €	Total value in €
2	Appetizer	12.00 €	24.00 €
1	Cappucino for 22 persons	55.00 €	55.00 €
3	Fixed Menu for 1 person	42.50 €	127.50 €
3	CD	20.00 €	60.00 €
1	Card	10.00 €	10.00 €
1	Bottle of champagne	57.50 €	57.50 €
1	Break fast/double bedroom + set meal	157.50 €	157.50 €
			491.50 €
Complaints			
0	Hotel	0.00 €	
1	Conference	12.00 €	
2	Kitchen	206.25 €	
3	Restaurant	191.25 €	
1	Housekeeping	20.00 €	
4	Total company	62.00 €	
11		491.50 €	
This month we gave away the following presents:			
Quantity	Article	from	Price
3	Cards	REC	30.00 €
2	Ducklings		5.00 €
			Total value
			35.00 €
In total we paid this month for reimbursements, apologies and for presents:			
			2.505.50 €



fittings were installed. Guests even had a significant influence on the design of the bathrooms as they desired more storage space, towel heaters, new lighting and room thermostats, which were all put in the new bathrooms.

In another case, guests complained about the impossibility of paying bills with Maestro cards. SH reacted by installing the required equipment within a few months. These examples indicate that SH is always open to suggestions and change. The company takes complaints seriously and uses complaint information to find new and better solutions for its customers.

SH is a classic example for efficient and strategic complaint handling. The company is always willing to learn from complaints as it is genuinely interested in guests' opinions and uses their suggestions to continuously improve processes and services. As a result, SH does not regard complaints as an unpleasant waste of time and money, but as the opportunity to improve its performance and be better able to delight their customers in future encounters.



The award-winning Schindlerhof

The Schindlerhof is centrally located in Northern Bavaria (Franconia) between the cities of Nuremberg, Fürth and Erlangen. Klaus and Renate Kobjoll opened the hotel in 1984 as a small German country inn and restaurant, situated in a 300-year-old listed building. Today, it is one of the most well known and favoured seminar and conference venues in Germany.

The SH has 95 rooms which are designed either in modern or rustic form. Some rooms have a specific theme. For example, there are rooms named after famous car brands (Rover, Jaguar, Ferrari, Smart) and 24 rooms are designed in the Japanese Ryokan style. The occupancy rate is 68 per cent, which is high considering the figure for the region is around 40 per cent. SH runs three restaurants, a bar, a bistro, and a banquet with approximately 400 seats in total.

SH also offers facilities for creative conferencing. One conference centre, which is named DenkArt, is a new and unparalleled conference world. The aim was the creation of an ideal structure for impetus and innovation in the conference area. The capacity of all conference facilities is about 75 per cent.

The SH team has won numerous awards, on both a national and international basis, confirming the hotel's remarkable position in the privately owned hotel scene in Germany. SH won the European Quality Award 1998, which is an award presented by the European Foundation for Quality Management (EFQM). In the same year, it also won the Ludwig-Erhard-Prize of the German Association for Quality.

In 2003, SH won the European Quality Award for Outstanding Customer Focus, which is a special prize awarded by the EFQM, as well as the Ludwig-Erhard-Prize for a second time. In addition, SH was selected as Best Hotel for Seminars by two German business journals and it also received the Marketing Award from the Hotel Sales and Marketing Association. Finally, SH also won the European Quality Award for Outstanding People Development and Involvement in 2004.



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