



The Raphael Report

**Observations on marketing,
advertising, sales and
promotions
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I'm Sorry

"I'm sorry."

Two difficult words for businesses to say.

The customer returns an appliance that doesn't work.

Another brings back a recently purchased limited edition print because "the color clashes with my room."

Still another says what they bought from you is not what they thought it would be or do.

Do you disagree, argue, point out their inadequate ability to judge?

I hope not.

Instead, you should simply say, "I'm sorry," and offer to make any changes they want. Result: you not only satisfy them but also create an advocate who returns to her community raving about your admitting a mistake, quickly correcting it and, "That's the place you should go next time you want to buy (fill in name of product)."

The annual University of Michigan study on Consumer Satisfaction reports this index is declining to about 80 percent. Translation: two out ten customers are not happy with how they're treated in the business world.

Stew Leonard, owner of one of the most successful supermarkets in the US does a 100 million dollars annual business in one of his stores. He was listed in the Guinness Book of Records for doing more business per square foot than any other retailer. Listen to him tell the story of how he discovered the wisdom of saying, "I'm sorry."

"A customer returned a carton of buttermilk and told me it had a bad smell. I sniffed it and said, 'Smells all right to me.'

"She insisted the buttermilk had a bad odor. I said it didn't. Soon the two of us were playing the children's game of 'Does not!' 'Does so!'

"I finally gave her a new quart. She took it and said, 'I'll never shop here again.'"

Stew later reflected on what happened and said, "The average supermarket shopper spends \$246,000 in her lifetime in a supermarket. For the price of a quart of buttermilk, I lost one of these customers."

The Wharton Business School in a recent newsletter describes this happening as part of what they say is The Year of the Apology.

Dennis Kozlowski, Tyco International's CEO apologized to his firm's investors because the company had a nearly \$2 billion loss. Didn't help much because he was indicted for alleged sales tax evasion and using company dollars for personal expense. "Sorry" came too late.

Merrill Lynch gave a public apology for their analysts' e-mails that "may have appeared inconsistent with Merrill's published recommendations." This was a sort-of-sorry statement that was lessened by adding that the apology "constituted no evidence of wrongdoing with Merrill's published

recommendations.” This weakened the apology, calling to mind Oliver Wendell Holmes’ definition that “an apology is only egoism wrong side out.”

McDonald’s recently apologized to Hindus and vegetarians for mislabeling their french fries and hash browns as vegetarian when they were using oil with beef traces. They also gave a \$10 million settlement.

They were really sorry.

The recent merger of major chains with smaller independents often means changing the nature, environment and merchandise of the successful independent for the cookie-cutter plan-o-gram the larger chain uses in their other stores.

Example: The giant food retailer Safeway bought a family-owned small grocery chain in the Philadelphia, Pennsylvania area. They eliminated the tried and proven products the independent offered and substituted the chain's brands.

This change was quickly followed by a dramatic decline in sales.

Safeway apologized on radio, TV and in newspaper ads acknowledging the changes initiated by their store managers since the acquisition created customer dissatisfaction. Saying, in effect, “Oops, we’re sorry,” promising to replace the shelves with merchandise the customer knew and wanted.

Especially when industry figures showed Safeway customers were defecting to competing supermarket chains.

Question: Are there steps, techniques, directions to think about and use when a customer comes to complain? Sure. In our retail business we put together a step-by-step routine for our staff to learn and use whenever an unhappy customer returned.

FIRST: Listen to their complaint. Don’t interrupt. They’ve probably rehearsed what they’re going to say to you several times.

SECOND: After they’re finished say, “I’m sorry you had this problem.”

THIRD: Don’t offer excuses. Look for solutions.

FOURTH: Give them, in proven Corleone fashion, an offer they can’t refuse: an exchange of merchandise or a refund of their purchase. Their choice. But always remember to express regret at their unhappiness.

Your goal is to make the customer happy. Best solution: Make your apologies and act of contrition one-on-one. The problem with whipping yourself with thrushes in public is that it may make consumers who were unaware of the problem say, “Hey, I didn’t know they were doing those terrible things.”

What's the problem with not apologizing or admitting an error even if the error was only slight or, in rare cases, unacceptable? This: Your customer will repeat your unwillingness to come up with any solution to their problem to their friends over the phone, at work or the weekly card game. The situation then grows exponentially with the re-telling and eventually doesn’t resemble what really happened. Consumers are very susceptible to what they hear about you.

FACT: Make your customer happy and they will tell three other people.

FACT: Make your customer unhappy and they will tell eleven others.

Stanley Marcus (of Neiman-Marcus fame) said it well, “Once you establish excellent service, you provide a safe harbor to which customers can always return.”

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