



Professional
Warranty Service
CORPORATION



The Court of Public Opinion Is In Session

When ice enveloped the outlets and wood floors of Jennifer Wyton's Northern Illinois home, she discovered her brand-new house was missing insulation. Unhappy with her builder's response to the emergency, she took her story to ABC News.

She wasn't the only one. The network collected similar stories and complaints made by various homeowners across the nation and broadcast them on its Nightline News program. Fourteen affiliate networks throughout the country also ran the piece. In certain instances, the stories told were dramatic and effective.

Whether the homeowners' claims were accurate or not, the story serves as a wake-up call to builders. The court of public opinion is now in session, and it's your reputation on trial.

How Public Opinion Works

Public opinion has long served as a means for customers to air their frustrations. Today the internet has amplified their voices—and their power—exponentially.



Now the court of public opinion is being used more deliberately, and more often, as a redress mechanism. Unhappy customers are increasingly bypassing established dispute resolution processes and taking their case directly to their peers on Facebook, Twitter and other forms of social media. Every week, more than a million people view tweets about customer service, more than 80 percent of which are negative. Some go viral, reaching thousands or even millions of people and provoking a costly backlash against the businesses in question.

Every week, more than a million people view tweets about customer service, more than 80 percent of which are negative.

“No longer are you on top of the mountain, blasting your marketing message down to the masses through your megaphone,” says *Scientific American*. “All of a sudden, the masses are conversing with one another. If your service or product isn’t any good, they’ll out you.”

It’s a huge risk for all businesses—especially home builders, whose customers are often anxious when making the biggest purchase of their lives. More than seven in 10 buyers expressed anxiety about buying a home, which has been declared more stressful than bankruptcy, divorce and even bereavement. For new-home buyers, the uncertainties of the construction process add another layer of stress.

When things go wrong, all that pent-up anxiety makes them increasingly likely to vent their vexation on social media or in an online review. Once in the public eye, businesses must navigate a court system that plays whole new set of rules.

‘Laws’ of the Court of Public Opinion

1. Perception is reality. A sympathetic story can spread like wildfire even if it’s unverified. Often times, the truth is in the eye of the beholder and subject to the whims of the crowd.

2. Businesses are at a disadvantage. Public sympathy tends to favor the consumer, putting businesses at an inherent disadvantage. If a customer’s claim seems plausible, it’s likely to be received favorably.

3. Reputation is a commodity. Reputational justice is dispensed in this court, where the penalty is reputation loss. The costs are paid not just in dollars, but in the time and effort spent rebuilding your image (if you can).

What Prompts Customers to Persecute?

1. They feel poorly treated.

No matter the industry, seven in 10 negative buying experiences are based on how the customer feels he or she is being treated. Quality issues with a new home don’t upset buyers nearly as much as receiving poor service when they have a complaint.

“Today’s builders need to be extra diligent because in an up-market, home buyer satisfaction declines as builders get their feet stuck in the mud of compressed production schedules, too few quality trades, and overly aggressive sales targets,” says customer experience expert Bob Mirman. “When this happens, builders too often forget about the importance of the customer experience.”

When builders deliver an extraordinary customer experience, they get positive word-of-mouth, a top-notch local reputation and increased referrals in return. Builders with the highest customer care scores sell as many as 50 percent of their homes from referrals, compared to the national average of 6 to 8 percent. There’s little distinction these days between marketing strategy, reputation management and customer care. “Customer service is the new marketing,” says entrepreneur Derek Sivers.

What You Can Do

- **Communicate early and often.** Staying in touch with buyers even after closing day can go a long way toward reversing perceptions. For example, Florida builder Minto Communities has a structured system for communicating with buyers, which ensures consistent contact from the time the contract is signed to the end of the first year after move-in.
- **Manage customer expectations.** Set initial expectations with home buyers about the construction process, what types of structural issues are common in a new home, how you'll respond to complaints and what your process is for resolving disputes. "Aim to impress by your actions, not by your promises," Mirman advises.

 **Eliminate unnecessary barriers between you and your customers.**

2. Businesses fail to leap on the problem.

If there's one thing we can take away from the ABC News investigation, it's that homeowners perceive certain builders as reluctant to fix their mistakes. In interviews with news reporters, they accused their builders of being slow to respond, flat-out refusing to correct their work and even attempting to wait them out until their warranties expired.

One homeowner reported having to "go to war" with her builder and still wasn't able to get her complaint resolved before her warranty ran out.

Whether it's true or not, it's up to builders to turn that perception around. If the builders in question had made satisfied homeowners more of a priority—by going out of their way to attend to concerns and issues in a more timely fashion—they most likely could have circumvented numerous homeowner complaints. And if the clients had felt their concerns were being addressed, they wouldn't have felt the need to turn to the media for help.

What does an effective response look like? When dozens of new homeowners complained about weak foundations and shoddy construction work, one Colorado builder responded by doubling the size of its warranty department to help speed its response to customer concerns. "We are not going to stop until everything is taken care of—period," the builder publically declared.



What You Can Do

- **Take responsibility... the quicker, the better.** Whenever possible, be the first to share bad news, even if it's about a mistake you made. Showing an unreserved willingness to solve the problem can go a long way toward making clients happy. Do it quickly, and homeowners will be six times more engaged with your brand.
- **Apologize.** Even more important than speed is empathy. Empathetic support makes customers nine times more engaged. Add an apology, and satisfaction rates hit 74 percent.
- **Respond with all hands.** Avoid a limited or insufficient response and utilize all available resources, including outside partners, to formulate an effective plan to deal with problems quickly and consistently. Be sure that the entire company is aware of the issue, how you responded and how they should respond if contacted by customers or the media to avoid inconsistencies.

 **Take the time to address unhappy customers and do everything in your power to remedy the situation. It's not only worth keeping their business, but also avoiding any negative word of mouth exposure.**

3. Customers don't trust internal complaint processes.

Having an internal process for handling home buyer disputes is important, but it's not enough to mitigate your reputational risk in today's social media climate. You need a partner with expertise in dispute resolution—and so do your buyers.

When homeowners have a complaint, they will often believe that the process is biased unless an independent party is involved. They may question the results of any process that they perceive as builder-driven. And this can prompt them to turn to the court of public opinion, which they may feel offers their best shot at a fair solution.

By enlisting an independent, third party to administer their structural warranty program, builders demonstrate good faith and instill confidence in buyers. As a result, unhappy homeowners are less likely to turn to social media when they have what they perceive as a fair alternative for getting their complaints resolved.



What a Third-Party Provider Can Do

- **Promote communication with buyers.** After you close on a home, it's natural to want to throw your resources into new projects with profit potential. A trusted home warranty provider can help shepherd buyers through the homeownership process so you can focus on what you do best—building houses buyers want.
- **Provide an exceptional home warranty experience.** Six in 10 homeowners strongly value home warranties. Having a proven structural warranty program in place with a highly rated third-party administrator is an essential element in managing builder risks (and buyer perceptions).
- **Give buyers an advocate they trust.** Nearly eight in 10 homeowners find significant value in having an independent, third-party warranty company as their advocate to drive resolution of their claims. A top-rated warranty service provider helps ensure the fair resolution of warranty disputes while educating all parties as to the warranty's terms and limitations by:

- ✓ Educating all parties as to the warranty's terms, conditions and limitations.
- ✓ Properly setting customer expectations regarding the warranty and dispute resolution process.
- ✓ Providing mediation or, if necessary facilitating arbitrations with third-party independent arbitration service providers.

Managing Risks in the Court of Public Opinion

A strong, proven structural warranty in place with a highly-rated 3rd party administrator and partner can assist in improving communications and setting proper expectations with home buyers; help builders quickly respond to and resolve issues, and promote goodwill with homeowners; and increase the level of trust between builders and their customers and the process of dispute resolution; all with the goal of managing risk, changing perceptions, appropriately servicing clients and protecting reputations in the court of public opinion.



This report is a product of [PWSC](#), a leading provider of best-in-class new home warranty products and home warranty services. They are experts when it comes to [home builder warranties](#), [home warranties for homebuyers](#), and [realtor home warranty solutions](#). We invite you to learn more [about PWSC](#).



**Professional
Warranty Service**
CORPORATION

Confidence You Can Build On.

Professional Warranty Service Corporation (PWSC) headquartered in Chantilly, Virginia, is the leading provider of new home warranty products and administration services to the largest tier of domestic residential construction firms.