



Optimising Customer Complaint Management in Financial Services

FEBRUARY 2016 MARKET REPORT

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This report includes insights and comments from the following customer experience leaders across the financial services industry:



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Foreword

In an ideal world the customer experience you provide is excellent and consistent, so your users are always happy with the service and you never get any complaints. However, we don't live in an ideal world. Making mistakes is human and happens even in a professional environment. It's how you handle those errors that can make or break your relationship with a customer.

This CX Network Market Report provides you with insights into the customer complaint management landscape within financial services, with guidance on how to best manage customer complaints, a case study, and top tips from customer experience leaders within the industry. The report is aimed at helping you optimise your strategy towards greater complaint handling to ensure customer satisfaction and long-term loyalty.

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The Importance of Customer Complaint Management

The latest Consumer Action Monitor from UK regulator Ombudsman Services¹, shows that British consumers complained more than 66 million times about products or services in a single year, equating to a staggering 1.4 per person living in Britain. When there is cause to complain, Brits are more likely to do so than American consumers (61 per cent versus 50 per cent), and the most common sectors for complaints were retail (28 per cent), telecoms (15 per cent), energy (11 per cent) and banking/finance (7 per cent), making financial services the fourth most complained about sector overall.

"Customer complaint management is a critical part of the customer experience strategy."

Stephen Ingledew, Managing Director, Marketing and Customers at Standard Life plc

Despite this hefty number of complaints, the research also finds that as many as 71 million problems were not acted upon, due to the perception that complaining is 'too much hassle' (43 per cent) or won't result in a satisfactory conclusion (27 per cent). Furthermore, unresolved issues can lead to dissatisfaction with organisations, public outcries of frustration (31 per cent of those questioned for the Ombudsman Services research, escalated their complaint to social media), and ultimately a loss of customers.

"Effective complaint management provides valuable insight into how customers are really being treated and identifies processes that need to be improved."

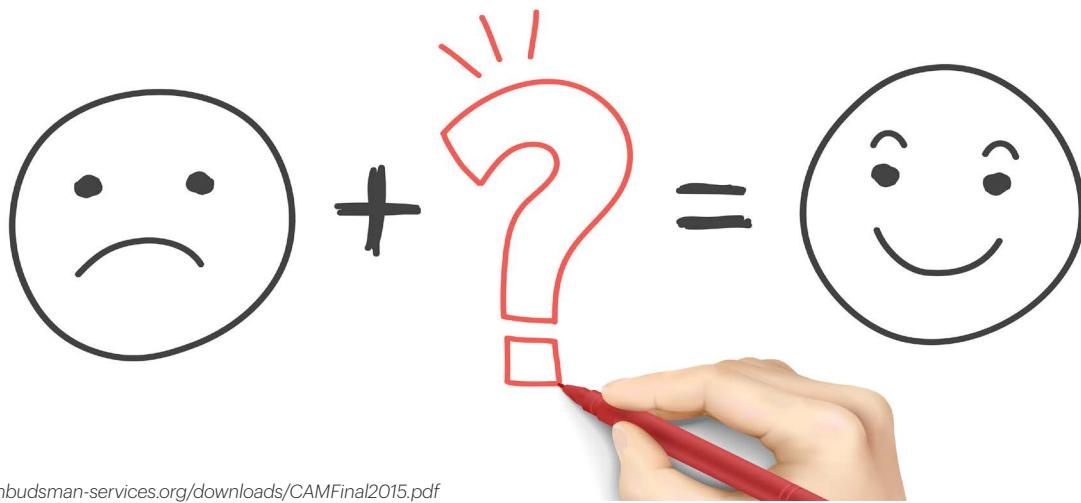
Jeremy Strong, Head of Retail Banking Customer Service at Ulster Bank

Stephen Ingledew, Managing Director, Marketing and Customers at Standard Life plc, said that customer complaint management "is a critical part of the customer experience strategy". He explained: "It is a fundamental building block in driving continuous improvement in customer experience and engagement. I believe how a business responds to complaints very much defines the nature and values of the business."

This is a sentiment agreed on by Jeremy Strong, Head of Retail Banking Customer Service at Ulster Bank, who said having customer complaint management as part of a wider customer experience strategy is "extremely important".

Strong continued: "Very often customer experience strategies are focused on a number, or series, of metrics, but effective complaint management provides valuable insight into how customers are really being treated and identifies processes that need to be improved, or are even fundamentally broken.

"And good complaint management can actually turn a negative into a positive. In those individual circumstances and moments of truth, the way you deal with them can help the customer understand what your internal culture is and can set you apart from competitors. So at macro level it provides you with great insights, and at an individual level, how you deal with that can actually delight a customer."



¹<http://www.ombudsman-services.org/downloads/CAMFinal2015.pdf>



How Customer Complaints Affect Financial Services Organisations

It is clear that when looking at optimising your customer experience strategy it's paramount you make customer complaint management a vital part of this. But how do customer complaints differ within the financial services industry and what additional challenges should you be considering when ensuring your organisation has an effective customer complaint strategy in place? How do you solve problems in a swift and satisfactory matter, keeping your customer loyal and increasing lifetime value?

Caroline Wells is the Head of Customer Insight at the Financial Ombudsman Service; the independent body set up by law to investigate and settle complaints between consumers and the financial services industry. She highlighted that a key challenge for financial services organisations when it comes to customer complaint handling is that products within this sector are intangible.

Wells explained: "I think the biggest challenge – and the biggest difference – is that if you buy a mobile phone you have something physical in your hands, and if it goes wrong you can see it has gone wrong and you can give it back to somebody. In financial services, particularly now we're in this world of e-documents, you don't have anything in your hands and you can't see when it goes wrong."

In addition to this, the regulatory landscape within financial services and the culture within the industry – ultimately escalating into the financial crisis – are also making complaint handling within financial services organisations fundamentally different from, for example, retail and telecoms businesses.

Jeremy Strong explained: "The discourse involved with the majority of complaints in our sector can be more adversarial than in other industries. In addition, consumers have far greater protection from consumer organisations and intermediary bodies, than they would get in other industries. I think complaints handling in the financial services sector is extremely different to that of other industries."

Stephen Ingledew agreed with that sentiment: "Regulation is clearly a key factor in financial services and therefore complaint management forms a key part of our customer conduct strategy and objectives."

"The discourse involved with the majority of complaints in our sector can be more adversarial than in other industries."

Jeremy Strong, Head of Retail Banking Customer Service at Ulster Bank





Complaints Will Happen – How Do You Handle Them?

Having an effective customer complaint management strategy as part of your wider customer experience strategy is hugely important to reduce churn, increase loyalty and ultimately grow your ROI. Receiving customer complaints aren't necessarily a bad thing, it is how you handle them that matters the most.

Stephen Ingledew explained the benefits: "Complaints act as one of the most valuable ways of listening to customers, I refer to it as the voice of the customer in action, and it means going beyond responding to the complaint but addressing the root cause. For everyone one complaint there may be many more customers impacted who have not complained and are likely to leave and go to a competitor."

We look at some key elements you should be considering when optimising your customer complaint management procedures to ensure you are making the most of this opportunity and able to turn the negative sentiment into a positive one.

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Say You're Sorry

It sounds simple, but the Consumer Action Monitor revealed that while of course for most customers (74 per cent) having their problem fixed is the main aim of their complaint, an increasing number of customers are simply seeking an apology (47 per cent) rather than financial recompense (32 per cent). And half of consumers (49 per cent) think more highly of a business that handles complaints efficiently.

So first and foremost, if a customer reaches out to you with a genuine complaint, apologise for any inconvenience caused before you escalate the issue and attempt to solve it for them in a satisfactory manner.

Understand the Problem

Caroline Wells highlighted another key point when speaking to us about customer complaint handling, which is to truly understand what the customer is telling you.

She explained: "The first thing is that you need to make sure you really understand what the problem is. So often we see

that customers are not very good at articulating what the problem is. In particular for financial problems this can be quite complicated as there is a lot of jargon. It is really hard for a customer to lay-out, in the kind of language and terms that we might use internally, what the problem is.

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"And sometimes they don't even know what the problem is, they just know that something doesn't feel right. So we get an attempt from a customer to set out as best as they can what they think the problem is, and sometimes you get a sense where a customer feels like they have to act in a certain way in order to get the results that they want. What you end up with is layers of behaviour and language use which completely masks what the problem is.

"If a business doesn't dig underneath that and doesn't really understand what the customer is feeling, and it does come down to feeling a lot of the time, then any investigation you do will be completely off track. It's a really simple thing and a really common problem, we see it all the time."

Utilise Complaints Insights

Another way to optimise the way you're handling customer complaints is by utilising the insights you can drive from these customer interactions by improving current processes to make them more efficient and customer-friendly.

Stephen Ingledew highlighted how they approach this at Standard Life: "A key success for us is how we have used complaint insight to drive improvements in our services, processes, communications and propositions. This is done by regularly sharing the insight with the business colleagues so it can be acted upon. It is also the reason that complaints team is part of the marketing division because it provided valuable market intelligence."

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The Power of Social

I'm sure I'm not the only one who has used social media successfully in the past to have a complaint dealt with. One time I had been on hold with an organisation for over half an hour before they hung up on me. In frustration I tweeted them about my experience and received an instant response offering to call me back to solve the issue there and then. This is a perfect example of how going one step further to make it easier for the customer turned a negative experience into a positive one.

"The first thing is that you need to make sure you really understand what the problem is."

Caroline Wells, Head of Customer Insight at the Financial Ombudsman Service

Jeremy Strong said: "I am fascinated by the rise in social media complaints handling, and there are examples out there that have dealt particularly well with complaints through Twitter. There is something happening within the industry in that space. The ones that get it right do it really well and other customers can see it too."

"Online complaints for us are about a quarter of all complaints now, both through our customer-facing websites and those initiated through social media too."

Social media provides a great, though very public, outlet for customers who are frustrated with a business and want to be heard. The trick for organisations is, again, making sure that the negative feelings are turned around and the customer feels delighted after having their issue resolved.

Regulatory Improvements

Regulators are also taking steps to make the complaint handling process within financial services easier and more efficient, both for customers and organisations.

The Financial Conduct Authority (FCA) published a set of new rules in 2015 for companies to incorporate into their strategies, which allows financial services firms longer to resolve complaints less formally. This is intended to allow firms to resolve more complaints first time rather than try to meet the current one day target. Firms will now have three days to address a complaint to a consumer's satisfaction.

The FCA believes that the increased time will allow for better and easier resolution for a greater number of complaints, benefiting both consumers and firms. The regulator also expects this change to result in fewer consumers having to take their complaints further.

Christopher Woolard, Director of Strategy and Competition at the FCA, said: "A properly resolved complaint can keep a customer happy, and protect the firm's reputation. But, more than that, effective complaint handling systems can act as an early warning system for firms."

"A key success for us is how we have used complaint insight to drive improvements in our services, processes, communications and propositions."

Stephen Ingledew, Managing Director, Marketing and Customers at Standard Life plc





Case Study: Ulster Bank's Customer Complaint Management Success

In this case study, Jeremy Strong, Head of Retail Banking Customer Service at Ulster Bank, talks about their customer complaint management strategy and the success they've seen in recent years when it comes to complaint reduction.

"We're in a highly regulated industry and at Ulster Bank we need to meet the clearly defined criteria of both the Financial Conduct Authority in Northern Ireland and the Central Bank of Ireland in the Republic of Ireland.

"Recognising the linkage between speed of resolution and customer satisfaction we try to resolve as many complaints as possible at the first point of contact with dedicated complaint handlers across all customer-facing teams. However we also have a team of expert complaint handlers in a centralised function who look to resolve the more complex/escalated complaints.

"Our centralised improvement team analyse individual complaints and categorise them to look and understand the root-cause, and co-ordinate all the service improvement activity that result from the findings of the analysis. In addition to the team owning and delivering on these cross-departmental improvement initiatives, the team also looks at facilitating a governance framework to ensure that individual customer-facing businesses take ownership of issues solely within their remit.

"Since 2014, we've been successful in reducing complaints by over 30 per cent. Something that I am probably even more proud of than the actual complaints reduction is that we've done it in a sustainable manner with controls put in place to ensure we are logging all complaints."

Top Tips For Greater Customer Complaint Handling

To help you optimise your customer complaint management strategy, here are some final tips from customer experience leaders from across the financial services industry.

- 1.** Ensure the complaints team are part of the marketing and customer experience function and under the leadership of the marketing leadership so you can ensure the insight is built into improving the customer experience of an systematic basis with the right leadership. – Stephen Ingledew, Director Customer and Marketing at Standard Life plc.
- 2.** Never forget to listen to what is going on. You can get really caught up in internal workings, because a lot of this is about what your process is and what it does. Sometimes you can normalise things and you have to test it with the outside world to make sure you're not indoctrinated. – Caroline Wells, Head of Costumer Insight at the Financial Ombudsman Service.
- 3.** You need to ensure instant handling of a complaint, in real-time. Connect at the point of crisis and do whatever you can to solve the issue. Also make sure you keep the customer informed. Informed customers are happy customers, which will improve your NPS. – David Macmillan, CMO of Transamerica.
- 4.** We all recognise that complaint management, and having it done right, provides us with a great opportunity to learn and to delight the customer. Ensure that all complaints are being captured; you can't fix what you don't know about. So capturing them all, is really, really important. Embrace complaint management as an opportunity. – Jeremy Strong, Head of Retail Banking Customer Service at Ulster Bank.
- 5.** Customer complaint management is actually a good tool to make customer loyalty go up. You need to follow through, explain to the customer what happened and why it happened, and what you're going to do about it – without empty promises. – Petra Mengelt, Customer Service Director of Euroloan Group.



Sponsor Spotlight

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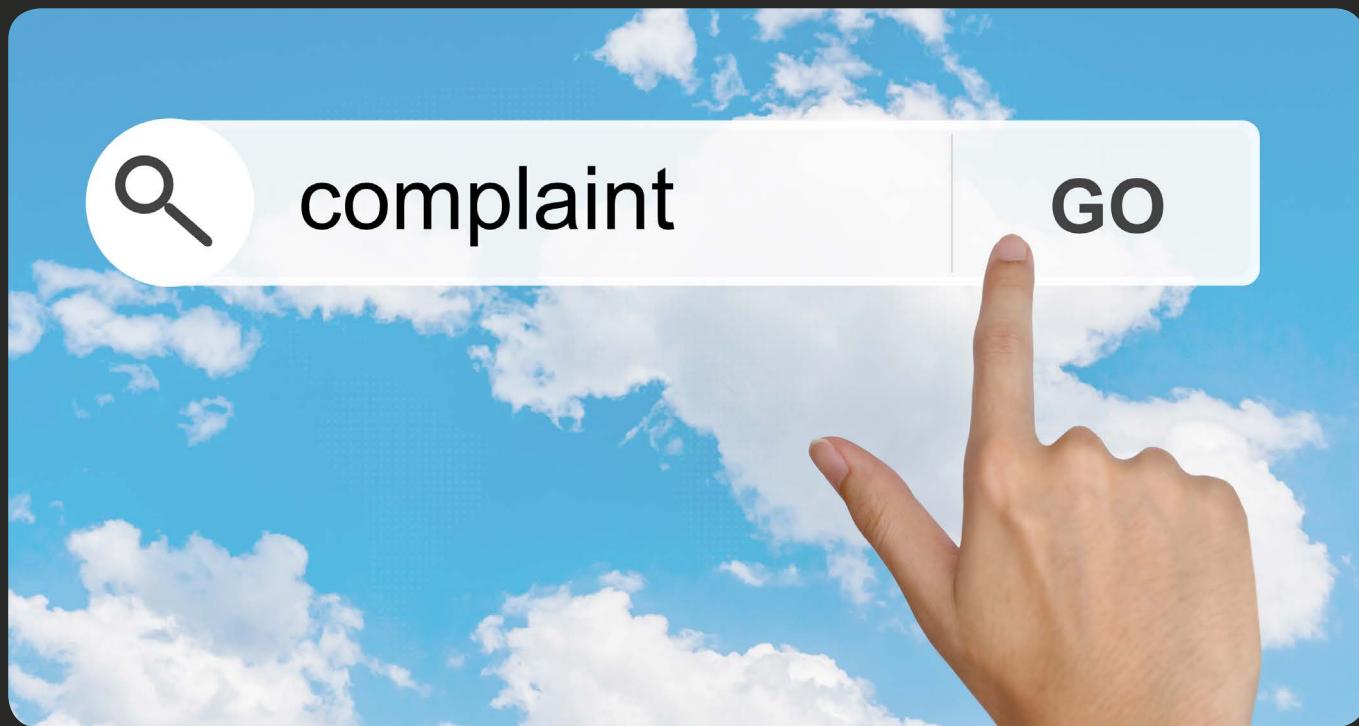
Worksmart is a leading provider of software to support complaints management and individual compliance, exclusively serving the financial services sector. Worksmart customers include leading brands across banking, insurance and consumer credit.

Worksmart helps firms to remain compliant and to satisfy the ever-changing requirements of the regulator, whilst achieving real and tangible efficiencies in the process. Our team in Milton Keynes constantly monitor the regulatory landscape for planned changes to ensure that our solutions meet those demands for our customers.

The ever-increasing focus on Complaints Handling under the Conduct Risk umbrella means that having a robust system in place to manage complaints; one that can identify the root cause of issues, provide detailed MI and automate remedial activity; is key to dramatically improving the performance of teams and assuring the regulator of attention to good customer outcomes.

Worksmart has invested heavily in our complaints and QA solutions with many customers reporting up to 30 per cent efficiency gains over a very short timescale.

For more information about Worksmart and its solutions contact Emma Howell emma.howell@worksmart.co.uk or visit <http://www.worksmart.co.uk>.





About CX Network

CX Network is an online resource for customer experience professionals providing value-rich content such as industry reports, customer trends, best practice, latest industry news, interviews with CX leaders and so much more! Our focus on the content that matters to customer experience leaders most, allows us to cut through the white noise that surrounds this ever-changing subject, and makes us the primary resource for CX executives to turn to.

By joining our network you will receive expert commentary, reports, and resources developed by and for experienced customer experience professionals and industry insiders. With a growing membership and global portfolio of events, CX Network ensures you keep your finger on the pulse by delivering practical and strategic advice to help you achieve your business goals.



2016 Market Report Calendar

January

Telecoms Focus: How to Reduce Churn and Increase Customer Retention

February

Optimising Customer Complaints Management in Financial Services

March

The Changing Face of Customer Loyalty in Retail

April

How to Tackle the CX Industry's Biggest Challenges

May

Digital Marketing Trends

June

Top 10 Tips and Tricks for Optimising Outsourcing Tools

July

How to Capitalise on the Digital Disruption Impacting CX

August

What is the Role of the Chief Digital Office in a Saturated C-Suite?

September

Key Steps for CX Leaders to Gaining Senior Management Buy-In

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Learn From the Winning Strategies of CX Leaders

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Customer Experience Predictions for 2017

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