

The missed opportunities in complaints management



Over the past ten years the financial services industry has seen a significant shift in consumer complaints culture, from the British stereotype of “I don’t want to make a fuss” to a fury at being “ripped off”.

The change has been driven by:

- increased knowledge by consumers of their statutory rights
- a focus on regulatory control, spearheaded by the FSA’s Treating Customers Fairly initiative
- technology that has opened up new channels for complaints, for example telephone banking
- increased communication through the media creating a cycle of complaint ‘hot topics’, for example unauthorised bank charges
- a move towards a 24 hour ‘on-demand’ society that allows people the opportunity to complain at a time that is convenient for them and not just by letter
- consumer demand for higher quality of service from providers.

FSA complaints returns for 2006 showed that over the previous 12 months financial services firms handled over 2.7 million consumer complaints. Over 600,000 enquiries and complaints were received by the Financial Ombudsman Service (FOS) in 2007, indicating that nearly 1 in 4 customers were not satisfied with the final outcome of their complaint, when resolved by their product provider.

UK financial services companies are estimated to be spending an eye-watering £1-2 billion each year on ‘normal’ complaint handling. This figure excludes the ‘exceptional’ – but increasingly usual – themes such as PPI or bank overdraft charges. This is driven by the relatively recent, but undeniably potent, phenomenon of independent consumer champions like Martyn Lewis and his website moneysavingexpert.com.

Research conducted by Huntswood, provider of consulting and customer services solutions to the UK financial services industry, combined with extensive experience of managing, resourcing and improving complaint handling operations clearly

illustrates that firms are missing the opportunities that complaints present, namely a chance to:

- engage with the customer and amaze them with exceptional service
- resolve their complaint quickly and efficiently
- create a new advocate for the firm
- minimise unnecessary costs
- protect future revenue
- build brand loyalty
- manage regulatory risk
- improve future business performance.

The criticality of a positive complaints culture

Optimising these opportunities requires firms’ senior management to empower their complaints management teams with the freedom and encouragement to foster a culture where complaints are embraced. This cultural guidance and support can only come from an enlightened and progressive Board who recognise the power of using a complaint as a catalyst for genuine business improvement.

The reality is that with complaint volumes increasing this has led many firms to adopt a defensive, transactional, “keep the FSA happy” approach which focuses solely on the cost of complaints. Typically, this means that service is often overlooked in favour of regulatory timescales, with much effort and performance measurement centred on resolving cases within the 8-week requirement.

The net result of this approach is that customers have a poor and, in the worst cases, unfair, experience when raising a complaint. In Q1 2008, Huntswood commissioned a GfK NOP survey that revealed that 43% of dissatisfied customers will tell friends and family about their experience. Further FSA research indicates that 10 people will hear this story about their poor experience of a complaint process. The effect? Brand damage, lost revenue and increased new business acquisition costs to replace disenchanted customers.

Putting the customer at the heart of the business

Nobody disputes that meeting customers' needs before and at the point of sale makes good business sense. When it comes to complaints though, firms are still reluctant to invest in their relationship with their customers, reducing them to the status of a reference number.

In Huntswood's experience, there is a profound lack of confidence throughout firms who struggle with complaints. We believe this stems from senior management who are quick to say, "We will treat our customers fairly whenever we have contact with them" but do not have the capability to deliver on this promise. Again and again, we find that the complaints management unit is treated almost as a separate entity, even excluded from the firm's thinking and application of its TCF programme.

Complaints management – TCF's forgotten elements

The FSA has made it clear that it regards complaints as a window to how firms treat their customers, and is increasingly interested in the effective use of complaints intelligence. Root cause analysis usually points to a combination of classic TCF gaps:

- poor product design
- misleading promotion
- opaque sales processes
- unclear communication
- ineffective training and development of customer-facing staff.



Failure to carry out effective root cause analysis will ultimately mean that delivering the FSA's six TCF Consumer Outcomes will remain forever out of reach, simply because the business will not learn from customer feedback.

Where training and procedures for analysing root causes is weak, Huntswood has often found that, at strategic level, there has been no clear vision defined for complaints handling. Such organisations are inevitably reactive in their approach to handling customer complaints and are frequently unable to respond to the higher demands placed on them in terms of service and quality.

The result can be a complaints handling team that is poorly designed, delivers an inconsistent and sub-standard customer experience that is no longer in tune with the changing needs of the business and, perhaps more importantly, is too far removed from the customer's feelings.

What do customers want?

The key to an effective complaints process is a clear understanding of what customers want and what they need; delivering these two elements will drive customer advocacy, a key goal in protecting revenue and building brand loyalty.

Many companies build their complaint process in the mistaken belief that they must pay reparation and compensation.

Huntswood's GfK NOP quarter 1 2008 research shows what customers actually value.

We wanted to specifically gauge the customer "wish list" and its research showed that it is the seemingly simple requirements that customers desire most, that financial services firms find difficult to deliver, including:

- a quick response
- a chance to vent
- a sincere apology
- small gestures of goodwill (rather than immediate financial redress)
- an explanation of why things went wrong
- the ability to talk to someone (51% of our sample wanted to talk through their issues with the firm).



41% of respondents to our survey who complained to their main bank or building society went away dissatisfied or extremely dissatisfied with the way in which their complaint was handled. The outcome of the complaint caused 28% to terminate their relationship with the company and 21% to reduce spend.

Anecdotal evidence suggests that, for banks and building societies at least, inertia still prevents customers from switching providers, although awareness is growing that it is not as difficult to change providers as it was a few years ago. Incentives such as the £100 that First Direct has offered to new customers and the ever-powerful word of mouth will only help accelerate this.

Huntswood – a new approach to an old problem

Huntswood offers a full business process outsourcing (BPO) package but from a unique perspective.

Through its customer service outsourcing division, Huntswood has successfully run and resourced complaints and past business review projects for over 10 years, covering areas such as mortgage endowments, pensions and payment protection. Its reputation for speed of response, meeting clients' objectives and driving improvement is unmatched in the industry.

At the same time, Huntswood's consultancy practice is working with some of the major retail firms to deliver long-term business benefit by identifying and driving the necessary changes in culture, people development and customer insight, in addition to the standard process improvement gains of between 20% and 40%.

Our philosophy is simple: work with companies to create flexible processes to deal with exceptional volumes of complaints; improve the quality and speed of complaint handling; reduce costs and mitigate regulatory risk.

