

# Building Customer Loyalty By Transforming Complaints Management

Accenture's UK team has developed an approach to complaints that delivers true customer satisfaction.

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**P**icture the scene. A woman's husband passed away after a long illness, so she reported his death to their bank. Over the following fortnight, the bank sent several marketing flyers addressed to her husband, all with DEC'D after his name. Understandably upset, she tried repeatedly to contact the complaints department, only to be told that the marketing database was not up to date. In desperation, the woman contacted the press, which had a field day with the story. Finally, the bank apologized – and sent the customer a bouquet of flowers.

Now imagine a quite different scenario. A customer calls the same bank with a simple query about an unfulfilled request to cancel a regular automated payment, which has resulted in an additional, superfluous payment. The customer service agent checks the customer's records, confirms that the bank is at fault, apologizes to the customer and refunds the payment instantaneously. In doing so, she notices the customer has significant funds languishing in a lower-interest current account, and advises the customer that the bank now offers an instant access savings account with four times the level of interest. The customer asks for further details. The service agent arranges a call-back from the sales team at a convenient time. Result: value delivered – to everyone.

## From Vision To Reality

Banking nirvana? Not at all. This is precisely the type of responsive and value-driven complaints management that UK banks must now aim for after five years of enormous pressure on customer satisfaction and loyalty – pressure driven by a number of factors across providers, technology, media, regulation, products/ services and customers.

## Providers

- Deregulation of UK financial services triggered an influx of new entrants offering more customer centric

products. This heightened customer expectations, forcing incumbents to raise their game dramatically.

- Many of these new players – notably the supermarket banks – have come from highly customer centric industries, driving change in the way banks treat their customers.

## Technology

- The proliferation of Web sites offering information, advice and product comparisons has created greater transparency, enabling customers to make better-informed decisions and pick the best deal.
- Customers' Web-enabled, around-the-clock access from home means opening hours are irrelevant. Customers interact with their financial service provider only when something goes wrong.

## Media

- The huge fines imposed recently by regulators have made headlines, especially in light of banks' massive profits and recurrent mis-selling scandals.
- The media – especially the Sunday papers – are also increasingly active in providing access to financial information and advice.

## Regulation

- With regulation designed to protect the consumer, the balance of power has tipped away from the banks.
- Regulators are taking a harder line, imposing huge fines on several banks in a name-to-shame initiative.

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**Products/Services**

- People want solutions to financial challenges and opportunities; the actual product itself is of little interest.
- The ease with which financial products can be copied means providers need alternative ways to differentiate themselves.
- Responsiveness to real customer needs is imperative to reducing attrition.

**Customers**

- Customers have become more savvy, more proactive, more demanding, and less risk-averse in managing their finances.
- New market entrants' higher standards of customer service have raised customer expectations.

**The Opportunity In Customer Complaints**


These rising customer expectations have driven a dramatic increase in customer attrition. In response, banks – painfully aware that marketing to existing customers is far more profitable than trying to attract new

scrupulously fair. Over the past few years, the government and the FSA, its financial watchdog, have been coming to grips with the damaging effects of various consumer mis-selling scandals. As a result, retail financial services have come squarely under the regulatory microscope.

**Abbey's Road To Customer Focus**

Against this challenging background we have been working with one of the UK's leading banks, Abbey National PLC. During the 1990s Abbey was acknowledged to be one of the UK's most respected and successful banks. Originally founded as a building society, deregulation allowed Abbey to become the first of these organizations to convert to a bank. Subsequent rapid growth saw Abbey acquire several businesses and enter new markets.

During 2003 the bank developed a new consumer-friendly strategy and brand. Encapsulated in the slogan "Turning banking on its head," it reflects Abbey's belief that the greater its interaction and contact with customers, the more it can learn about them, personalize and develop



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ones – are searching for ways to keep their existing customer base happy. Many have realized the crucial role of managing customer relationships in achieving this.

Our work in customer complaints across a number of financial services clients has shown us the critical importance of building and maintaining customer trust. Trust is fundamental in relationships of any kind, but financial relationships necessitate an inherently higher level of trust. This trust was once based on the physical security of the bank, but this is now taken for granted. Instead, technological advances have made the trust element far more subtle, and what customers now want is a mutually rewarding relationship. A customer who complains about a simple process failure and receives poor service will feel the bank simply doesn't care. This damages the customer's trust in that entire institution.

This erosion can end up alienating the customer completely, unless the bank can do something to rebuild the relationship. As long as the customer keeps complaining, the bank is still in active dialogue with the customer, thereby creating relationship-strengthening opportunities. Research has shown that service recovery can actually increase the level of satisfaction and loyalty – and that effective complaints management can be the healing medicine to rebuild customer relationships.

Complaints, however, are not only a key opportunity to engage proactively with customers, but also are an area on which banks are vulnerable to the Financial Services Authority if they are not

close relationships, and build brand loyalty, cross-sales and, ultimately, brand advocacy.

Abbey identified customer complaints as an essential pillar of this strategy. So, in January 2004, it conducted research to establish the impact of complaints management on customer behavior and to prioritize changes.

**The True Cost Of Complaints**

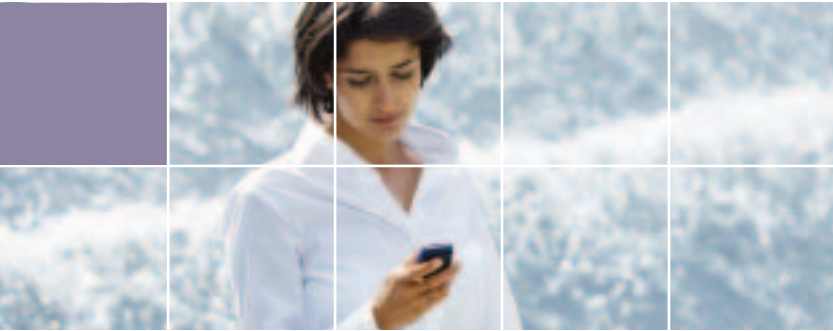
This research we carried out revealed four major imperatives.

1. Be responsive: 25 percent of respondents said that banks were unresponsive or didn't do anything about their complaint.
2. Be able to deal with me: 27 percent of respondents had spoken to more than five contacts while trying to resolve their complaint.
3. Be fast: 20 percent of customers expected their complaint to be rectified immediately, and 80 percent within two weeks.
4. Give me what I want: 23 percent said that their problem was not corrected.

To establish the value impact of the existing complaints experience, we also analyzed the pre- and post-complaint profitability of a representative sample complainer set and compared this with a control set of customers. Key findings showed:

- The number of complainers remaining as customers post-complaint falls, but only gradually – by less than 10 percent in the subsequent six months.

- Customer profitability post-complaint drops dramatically, however, falling by more than a third in the first three months and continuing to decline relatively rapidly.
- This suggests that many complainers do not terminate their relationship with the bank entirely, but simply withdraw from value-generating activities.
- The resulting overall loss in value equates to millions of pounds per year.



**The Abbey Response**

In response, Abbey is rolling out a £10 million program to transform its complaints handling. This program has six key components:

1. Customer satisfaction center. A dedicated team of 200 to 250 experienced complaint handlers will either help branch and frontline staff to resolve problems or interface directly with the customer on behalf of the relevant business area. Previously, Abbey had managed complaints handling as a distributed function within operational areas. Each legacy complaints-handling area is being evaluated for absorption into the central team.
2. Follow-up outbound calls. Follow-up calls will be made to monitor customer satisfaction three to four weeks after the complaint has been handled. Initial implementation of follow-up calls has already shown dramatic improvements in customer satisfaction with the complaints process.
3. Customer insight to create the “wow” factor. The way complaints are handled can have a dramatic effect on customer loyalty and churn. Abbey’s integrated CRM and complaints management system helps complaint handlers to understand a customer’s value contribution and individual preferences, thereby helping Abbey to tailor the recovery approach if a complaint is made.
4. Clarity and openness of process. All of Abbey’s complaint processes have been designed around the customer experience. Hence, with complex problems that take a number of days to resolve, Abbey gives customers progress updates. Customers are also given the name, phone number, and email address of the person managing their complaint end to end.
5. Empowering staff to make decisions. Most banks require staff to consult a manager before correcting a mistake. Abbey is enhancing all customer-facing staff members’ decision-making ability by investing in extensive staff training, coaching, and skills development.

6. Empowering the customer to complain. Abbey is making it easier for customers to complain and give feedback through clearly written letters, in-branch feedback technology, and specialist Web and call handling capabilities. Information about contacting the customer satisfaction center will be available across all channels.

**360-Degree Feedback**

Receiving feedback is critical to the success of this program. Abbey’s customer satisfaction center will use customer feedback to identify triggers of dissatisfaction, thereby enabling it to provide a sense of service recovery without a formal complaint even being made. If complaints management is the medicine, then feedback management is the immunization.

Employee feedback is equally valuable. Front-line service agents are the first to know when customers are unhappy, and providing them with the means to communicate murmurs centrally can prevent many complaints by remedying the root cause before it spreads.

Russell Fryer, director of complaints and ombudsman, comments: “Our No. 1 focus is on maintaining the customer’s trust in Abbey’s products and services and dealing fairly with any complaints that may arise. Abbey is prepared to make significant capital investment in ensuring that customers’ complaints are dealt with fairly, efficiently, and effectively. People who take the time and trouble to complain are giving Abbey the opportunity to turn them around, resolve their issues and earn their loyalty.”

**Bringing Complaints Out Of The Closet**

For too long, banks have treated their complaints-handling functions as a terrible family secret, to be discussed in hushed tones. Historically, their neglect of this area reflects the heavy involvement of their customer functions in supporting the sales process rather than listening to customers. But this is changing – and fast – as rising customer expectations and evolving regulatory requirements force financial services companies to implement more stringent processes. Many have a long way to go.

Banks that are prepared to invest in managing and understanding customer feedback – be it compliments, complaints, questions, or concerns – will improve customer satisfaction, retention, and profitability. Our work with Abbey has shown that it is possible to create a compelling NPV-positive business case for delivering a consistent, issue-centric experience to all complaining customers and meeting the regulator’s requirements.

But improved value is not the only output. By making customer processes and procedures simpler and more effective, our work with Abbey will reduce not just the volume of complaints, but also their causes. Data from complaint handling will be used to engineer out customer service problems. We will also use feedback from customers and employees to align the level of service more closely with customer expectations and satisfaction. Going forward, customer satisfaction will be linked to employee bonuses and incentives. Good recovery and complaint management have a positive impact on staff attitude and staff retention – and ultimately on profit.

Abbey is just starting on this road. But its desire to encourage, collect, and respond positively to complaints is already clear – and more importantly, is already delivering results. ■