

Customer service in the UK

a review of 2013 and predictions for 2014

2013: the year in customer service

Customer service in the UK reached a plateau

Since 2008, customer satisfaction in the UK as measured by the UK Customer Satisfaction Index (UKCSI) has increased consistently, but in 2013 it showed the first signs of reaching a plateau¹. In July 2013, UKCSI stood at 77.9 (out of 100), compared to 78.0 in July 2012.

There are a number of possible reasons why the increase in overall customer satisfaction has stalled. It may be that some organisations have sought to protect profits in tough trading conditions by cutting back their investment in customer service. Or it may be that consumers, faced with increasing choice and financial pressures, are less tolerant and more demanding of the organisations they deal with.

Moreover, beneath the apparent stability of the overall index for customer satisfaction there has been significant movement of individual organisation's satisfaction scores - both up and down. 26% of organisations included in the UKCSI saw their score increase by more than 1 point between January and July 2013 and 38% fell by the same amount.

Organisations such as John Lewis, Amazon, Waitrose and first direct maintained their leading positions for customer service. Meanwhile a number of organisations, such as Aldi, Iceland and Honda have shown more recent improvement.

The UKCSI results suggest that UK organisations – taken as a whole - have not made progress in raising the quality of customer service, as experienced by customers, at a time when the economy is showing signs of recovery.

In a fragile economy there is growing evidence of the link between customer satisfaction and business performance

2013 brought improving economic indicators. Many forecasts now estimate growth for the UK in 2014 above 2%. Unemployment has fallen to its lowest level for four years and business investment saw a return to growth in Q3 of 2013.

However, a number of other factors including a persistently wide trade deficit, ongoing financial pressures in the public sector, a lack of real terms growth in wages and fragile consumer confidence suggest that sustained economic recovery is far from secure.

¹ UKCSI is the Institute of Customer Service's national measure of customer satisfaction. It is run twice a year and is based on the views of 12,000 individual respondents per year. The index reached a peak of 78.2 points (out of 100) in January 2013.

In this uncertain climate, a growing body of evidence demonstrated the links between customer service and business performance. In the Retail food sector companies with higher than sector average UKCSI score achieved year on year sales growth of 9% compared to 3% for those with lower than average². Across all sectors, there is a correlation between higher customer satisfaction, recommendation and intention to repurchase.

Consumers and businesses are continuing to be highly selective about where and if they spend. Organisations may be tempted to hold back investment in customer service improvement and innovation until the economic outlook is more stable. However, those organisations that proactively invest in customer service are likely to be well placed to take advantage in an upturn in domestic demand, as well as global opportunities.

Trust in the spotlight as never before

2013 saw a number of high-profile issues that potentially gave customers reasons to doubt the integrity and trustworthiness of organisations in both the private and public sectors. For example:

- the horsemeat scandal broke in January 2013, undermining trust in the information provided by food manufacturers and retailers
- the integrity of the banking sector remained under scrutiny, following continuing revelations and fines around LIBOR and PPI, as well as further allegations around mis-selling of complex insurance products and the conduct of business leaders in the sector
- the utilities sector became the subject of growing public and political scrutiny, with calls for the big six energy providers to curb price increases and improve service
- in the public sector, the NHS was the subject of high-profile criticism, with independent reports producing a picture of systemic failure and a lack of basic care at certain hospitals.

Such events have damaged people's trust in businesses and institutions. One of the lessons from 2013 is that trust is earned over time but can quickly be eroded and is difficult to rebuild. Yet in an environment of technological change, increasing competition and economic insecurity, trust is increasingly important for customers.

One tangible way that organisations can develop trust is through a sustained focus on customer service. The Institute of Customer Service's research into the finance sector, for example, showed that organisations which deliver consistently high customer satisfaction also enjoy higher ratings for loyalty and reputation.³

Moreover, the events of 2013 underlined the need for organisations to be open and transparent in their dealings with customers. In this way, when problems occur – as they inevitably will from time to time – organisations will be best placed to respond in a way that is honest, direct and which helps to sustain trust.

² See UK Customer Satisfaction Index Executive Summary, as published by the Institute of Customer Service in July 2013.

³ See A question of trust: the business impact of customer service in the finance sector, as published by the Institute of Customer Service in November 2013.

Customer service became a political issue

In 2013, politicians acknowledged the importance of customer service. The Public Administration Select Committee conducted two enquiries into complaint handling, with evidence heard from a range of expert witnesses (including Jo Causon of the Institute of Customer Service). Meanwhile, politicians from different parties called for the establishment of a consumer affairs minister and Labour promised a US-style consumer czar.

Some might argue that consumer-centric rhetoric plays well in the run up to a general election. However, there were clear and encouraging signs in 2013 that leaders across the political spectrum increasingly recognise the critical role of customer service for the UK economy, quality of life and the delivery of public services. The challenge now is to promote customer service standards as a means of enabling good business practice and sustainable performance, as well as regulating appropriately to protect customers and prevent malpractice.

Social media boosted the power of the consumer

Consumers are able to exercise their power like never before⁴. In 2013, a growing number of them turned to the public forum of social media to communicate with organisations, expecting rapid responses to their queries and complaints⁵. Poor customer service has always generated negative word of mouth. Now, its impact can spread faster and further than ever before.⁶

2013 showed that organisations not only need a social media presence, they also need clear messaging via social channels and teams empowered to conduct social media interactions with customers in a rapid and flexible way. The numerous examples of social media mismanagement during the year demonstrated that there is still much room for improvement.

Technology was most effective when it improved ease of doing business

Technology is providing organisations with a growing range of opportunities to shape their service around customers' needs. In 2013, for example, multi-channel integration enabled more click and collect options for customers both by retailers themselves and through specialist services like Collect+. And support options spread across channels, with social media accounting for a growing proportion of support-related service. O2 launched a self-service support platform on Twitter in December, in response to demand.

⁴ The implications of growing consumer power are explored in *The Future of Customer Service: a blueprint for 2020*, as published by the Institute of Customer Service in 2012

⁵ For example, a 2013 survey by Edison Research in the US found that 42% of consumers who complain on social media expect a response in under 60 minutes.

⁶ Ryanair is just one organisation to have experienced this increased customer power. Negative opinion openly shared and expressed by hundreds of thousands of social media users was one reason why it lowered its charges in 2013 and signalled a focus on "customer service improvements".

These examples demonstrated that the most effective technologies were those which make it easier to do business with organisations. Smart companies know that to gain competitive advantage, they must apply technology in ways that respond to customers' real needs.

Customer service in 2014: Seven trends for the year ahead

Customer service is key to growth in a recovering economy

As the recovery of the economy continues – albeit tentatively - organisations will seek new opportunities to win market share. A growing number of them will place service at the core of their plans to attract and retain customers.

Meanwhile, the business impact of poor customer service – from lost customers and missed growth opportunities to loss of trust and reputation – will become increasingly evident in the financial results of organisations that still don't sufficiently understand or act upon the value of customer service⁷. Poor performers or those that are unable to adapt and improve will pay a heavy price.

This focus on customer service will be good news for the UK economy. Approximately 78% of UK GDP is derived from the services sector; services are also important revenue sources for manufacturing companies; and around 70% of UK employees work in jobs which involve direct contact with customers. So improvements and innovation in the customer experience will support not only the performance of individual organisations, but also the growth and competitiveness of the economy as a whole. We therefore expect to see more debate by business leaders about how to develop customer satisfaction in a growing, but still tough, set of economic conditions.

Big data powers customer insight and innovation

As more organisations grasp the opportunities to get value out of the customer data they hold, the practice of analysing very large data sets to gain customer insights will become increasingly important.

For many organisations, big data will open up areas of customer understanding that traditional research models failed to reveal. In this way, it will drive genuine innovation in the way organisations understand and deliver for their customers.

In parallel, customer data itself will become an increasingly valuable commodity. However, big data will also generate growing concerns about privacy and the use of analytics. To retain trust – and have the right to use customers' data – organisations will need to address these concerns fully and proactively, rather than waiting for regulation or the law to force them to do so.

⁷ See for example Are you being engaged? Employee engagement and its influence on customer satisfaction and buying behaviour (January 2014); this Institute of Customer Service research shows how the customer experience drives customer recommendation, loyalty and purchasing.

Online communities and interaction become mainstream

The traditional model of supplier-provided support for customers will be complemented – and in places replaced - by support provided through online communities of customers. Under this peer-to-peer model, users themselves provide support to other users by responding to queries based on their own experience and knowledge. The community model is already providing significant benefits to customers and organisations, particularly in technology-related sectors.⁸

Expect more organisations - across a broader range of industries, including both B2C and B2B - to set up and encourage the growth of community-based support in 2014. Some will even find that their most valuable customer service people include not just employees but also helpful and knowledgeable “volunteers” providing peer-to-peer support. This creates new challenges for organisations. On the one hand it is a new medium for providing value-add information to customers. But it also means that organisations are less in control of their relationships with customers, and their reputation.

A renewed focus on customer service in the public sector

With continuing financial pressures in the public sector, there will be an increasing recognition that improving both the quality of customer service and delivering efficiencies can only be achieved by designing services around the needs of users, rather than institutions and providers.

Customer service is reaching every area of the UK economy, as its importance in organisational performance becomes more widely understood. Nowhere is this more evident than in the public sector, where the focus on understanding and delivering for customers will translate into a growing number of service-centric objectives and initiatives. In the NHS we can expect to see moves to refocus targets on caring for individual patients’ needs, as well as debate about the most effective and consistent ways of measuring customer service.

Higher education is an interesting case. With students paying higher tuition fees, universities are becoming acutely aware of the need to provide a competitive offer to students both in terms of courses and the overall learning experience. More establishments will appoint customer service specialists and champions, with the aim of improving customer satisfaction and their attractiveness to potential students.

Customer satisfaction measurement impacts the bottom line

Many organisations currently use a relatively limited set of customer satisfaction measures, often with a focus on net promoter score and/or customer effort. Whilst these metrics remain relevant and will continue to be used, organisations will increasingly focus on a range of measures which enable them to understand better how customer service impacts their business performance.

⁸ For example, Mobile phone manufacturers and networks use the community model as a service option and one – Giffgaff – has a support strategy entirely based on a community system.

We expect to see more organisations directly tracking the impact of customer satisfaction on purchasing (i.e. amount spent) and loyalty (i.e. amount spent over the longer-term), among other measures of business impact. Organisations will become more focused on not just understanding their own customer service performance, but benchmarking with key competitors. Organisations will look at a wide range of customer service and satisfaction measures in order to understand the key metrics which affect their business model and influence the attitudes and behaviour of their most important customer segments.

Customers drive organisational change

Customers will demand increasing responsiveness and personalisation in their dealings with organisations. Social media is a major driver here, but its influence will extend to expectations in other channels.

These expectations will challenge conventional organisational structures, hierarchies and decision-making. As organisations seek to become more agile to respond to changing market and customer needs, the authority to respond to customers' needs will increasingly be de-centralised. This will present many organisations with a new set of challenges. On the one hand frontline staff will need to be empowered, skilled and trusted to make more decisions in the interests of the customer. But organisations will also need to ensure that employees act within a commercially appropriate context so that the customer experience is delivered with consistency and quality.

Increased demand for customer service skills

As research by the Institute of Customer Service has demonstrated, employees' skills, attitudes and behaviours are critical to the customer experience and to business performance.⁹ At the same time, customers will place greater emphasis on trust, transparency, ease of doing business and flexibility. The performance of organisations will increasingly depend on the quality of relationships with customers, suppliers and within organisations themselves.

Organisations are beginning to recognise that the customer service skills of their people are a vital ingredient in business performance. Demand for staff who have desirable attitudes and attributes for customer service will increase. In particular, there will be a stronger focus on the importance of emotional intelligence as an enabler to deal with the wide variety of challenging customer service relationships and interactions. Also in demand will be recruitment techniques to identify suitable qualities in job applicants and training that develops emotional intelligence in customer service contexts.

Leaders too will increasingly be expected to possess customer service skills and awareness. We expect more boards to include customer service representation in the coming year and a higher proportion of CEOs to come from a customer-centric background.

⁹ See for example *The Future of Customer Service: a blueprint for 2020* (2012) and *Are you being engaged? Employee engagement and its influence on customer satisfaction and buying behaviour* (January 2014).