

Consumer Focus Board

Paper 6

Title:	Complaints research project and fit with Consumer Landscape – update on Consumer Focus’s research and proposals for future work
Purpose:	For discussion
Date of meeting:	28 June 2011
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Attachments:	Executive summary of the DJS complaints research

1 Overview

- 1.1 This paper is about CF’s recently completed research and planned work on complaints procedures. The research covered complaints handling by firms and by Alternative Dispute Resolution (ADR) schemes like Ombudsmen.
- 1.2 Research was undertaken for Fair Markets team by DJS on the consumer experience of complaint handling in six sectors. Publication of the research findings is scheduled for summer. The executive summary is attached at Annex 1.
- 1.3 The Empowerment team is in the process of commissioning a consultant to produce a CF blueprint on effective complaints handling procedures. This will draw on elements of the DJS report, work by predecessor organisations and a review of complaints procedures in six regulated industries that was undertaken in parallel to the DJS research. It is envisaged that the blueprint will be available later in the summer and will be used to underpin a cross-sector event on complaints handling standards that Communications team will organise later in the year.
- 1.4 Outside this project Energy team produce the quarterly energy complaints league table, which we have been producing for nine months.

2 Action for the Board

- 2.1 To decide on how to take this work forward, taking account of the Consumer Landscape Consultation Document and our RIU work.

3 The key issues

- 3.1 DJS carried out 18 in-depth interviews, an on-line survey of 825 consumers and three focus group sessions to understand people’s experiences of complaints handling by firms and ombudsmen. Consumers were selected who had made complaints in the last two years in six sectors: legal services, financial services, telecommunications, water, energy and Royal Mail.

- 3.2 The problems with the complaints process are familiar and largely shared across the six sectors, often arising from poor procedures at call centres. There is often poor sign posting of independent ADR processes if deadlock is reached. About a fifth of consumers abandon their complaint. There is a low awareness of ombudsman amongst consumers, around a half of consumers are happy with the service they receive.
- 3.3 From the DJS research it appears the problems arise because of poor observance of procedures by firms. Often the procedures as set out in company literature or in guidance issued by regulators are good, but are not being properly implemented. The focus group participants were invited to design an ideal complaints handling process.

Research on complaints handling processes in post and energy

- 3.4 These results chime with findings from earlier work. In 2009/10 we carried out a review of the energy and post complaint handling processes, focussing on the customer journey and experience from supplier to the Ombudsman scheme. The main area of concern identified was the number of time consumer attempted to resolve the problem and the length of time taken before seeking assistance from Consumer Direct – on average 6 contacts were made to the suppliers over 5 months.

4 Proposal

- 4.1 We are in the process of commissioning a consultant to produce a CF 'blueprint' document that will pinpoint and highlight the principles of effective complaint handling (at both provider and Ombudsman / ADR level). It is our intention to use the paper to underpin cross-sector stakeholder dialogues on effective complaint handling and to engage interested parties more widely. This will be ready in the Summer and will be used to inform an event that will be organised later in the year.
- 4.2 The blueprint will focus on key regulated industries, namely: energy, water, post and communications, financial services, and passenger transport; and will consider the extent to which the principles established have universal application across these sectors. It will draw on:
- Legacy work, including a paper produced by Centre for Utility Consumer Law paper on Complaint handling: Principles and Best Practice during the transition to CF in 2007.
 - Elements of forthcoming CF research covering consumer views on 'ideal' complaints processes; and the 'drivers of satisfaction' analysis developed as part of that research, which set out the variables most closely correlated with satisfaction with complaints processes.
- 4.3 The document will give consideration to how the principles put forward can ensure adequate protection for vulnerable consumers. It will also contain a section that triggers thinking about the likely changes that will emerge in the near future, and how / whether the principles presented in the blueprint can best anticipate these / be future proofed. This will include thinking about the potential for a significant and positive shift in how consumers are able to complain. Instead of being reliant on navigating internal company processes, the collision of web 2.0 technologies and the opening up of performance data held by regulators could lead to the development of services and applications by web-based complaint intermediary services that make complaints processes much more accessible to consumers.

5 Resources

- 5.1 The empowerment team is commissioning the blueprint document.
- 5.2 The energy team, while liaising closely with the empowerment team, will retain responsibility for complaint handling performance in the energy sector. The work is led by Clare Lucas.

6 Next steps

- 6.1 We will continue to work with the energy industry to improve consistency in complaint handling processes with a view to improving the customer experience. This will also allow us to extend the current industry performance metrics used in our league tables to include direct complaints.
- 6.2 With the transition of Consumer Direct 1st tier telephone advice to Citizens Advice in April 2012 we are working to ensure the wording and placement of information on energy bills and websites is as clear and accessible as possible. We have already begun work with Citizens Advice on this.

Annex 1: Executive summary of the DJS research on the Consumer Experience of complaints handling - *uncorrected draft May 2011*

Executive Summary

Context for the research

Research into complaint behaviour reveals that only a fraction of dissatisfied consumers complain to businesses, and that for every complaint received the average company has 26 unhappy consumers that do not complain. Many will simply withdraw their patronage and criticise the company or the service to nine to ten other people. Moreover, the power of the Internet makes it possible for this figure to be much greater.

There are many reasons why consumers do not complain. Some of these reasons are practical and some are emotional. Consumers may not know how to raise a complaint, or with whom. They may feel that that it will be hard work and that the end result will not warrant the effort. They may believe that nothing will be done about their problem, or they are sceptical about business's willingness or ability to resolve disputes fairly. They may have been treated badly in the past when making a complaint, or they may simply not have the confidence to make a complaint.

Effective complaint management not only benefits the consumer who will receive a better and perhaps more cost effective service, it is also to the advantage of the service provider as it will help improve consumer satisfaction and retention.

It is therefore vital that consumers who receive poor service are given the opportunity and indeed the encouragement to make a complaint.

Consumer Focus acts as the voice of the consumer and makes a real difference to the lives of consumers. The organisation works with businesses across a wide range of sectors to bring about quick and effective results for consumers.

Consumer Focus identified a gap in its understanding of what makes some markets respond better to consumer complaints, what compels some consumers to abandon their complaint, and indeed what consumers want from a complaint process.

In order to address this knowledge gap, Consumer Focus commissioned DJS Research Ltd (DJS) to carry out a program of research to help the organisation understand the consumer journey and experience when making a complaint. It was equally important to develop an understanding of why consumers abandon their complaints.

Aims and objectives

A benchmarking exercise was required to 'help to identify weak areas and indicate what needs to be done to improve.' Specifically Consumer Focus required research that would:

- understand what consumers wish to achieve from making a complaint

- find out users' experience of making a complaint in six sectors (legal services, financial services, Royal Mail, telecommunications, water and the energy sector)
- find out what compels consumers to abandon a complaint
- find out if consumers are satisfied with the complaint process, and if not, the possible changes they would suggest
- discover the positives and shortcomings of complaint handling in the six sectors
- explore what consumers would like to see changed in the process of making a complaint
- find out whether disadvantaged or vulnerable¹ consumers have special needs when it comes to making complaints and if these needs are met
- find out if the information consumers get about how to pursue complaints is adequate for their needs
- rate the sectors against consumers' experience

Research methodology

A combination of quantitative and qualitative research was adopted comprising three phases.

- Phase 1: 18 in-depth interviews with consumers who had made a complaint within the previous two years equally split across the six target sectors. This included one within each market with a consumer whose complaint was resolved, a consumer who abandoned their complaint and a consumer who had taken their complaint to an ombudsman or independent panel
- Phase 2: An online survey with 825 consumers who had made a complaint into one of the six sectors within the previous two years. This was split between consumers whose complaint were resolved, a consumer who abandoned their complaint and a consumer who had taken their complaint to an ombudsman or independent panel
- Phase 3: Three group sessions were undertaken to develop an understanding of what consumers expect from an effective complaints procedure. These were with consumers who had experience of making complaints in one of the six sectors

Making the initial complaint

Consumers complain for a number of reasons; however most simply want an apology from the service provider. Many are seeking monetary recompense in the form of compensation or a refund or are looking for a change in how the service is provided. Only one in ten aim to change a decision that has been made by the service provider.

The qualitative research helped us to understand the range of motivations in more depth. We found that these can be broadly divided into practical and emotional reasons.

Practical motivations tend to surround a need to sort out a particular problem in the service, such as a break in supply or incorrect charges. These can range from relatively minor to much

more serious issues such as a potentially dangerous situation (e.g. a hole in the ground left abandoned). Consumers may be looking to solve a particular situation or to make a change to the overall service.

Emotional motivations tend to arise from some upset caused by the company. This is often a result of being poorly treated by the company either by causing offence, distress or unfairness. Consumers are often motivated to ensure what happened to them does not happen to anyone else.

The severity of the complaint ranges from a desire to sort out a particular problem to anger and distress or even a complete breakdown in the relationship with the company. Needlessly poor complaints handling at the beginning often escalates the complaint.

Consumers are particularly disappointed with the quality of the information they receive when they initially make their complaint, with just one third finding this to be satisfactory. Other areas of frustration include: the level of understanding that the service provider demonstrates towards the problem, and the speed and tone of the response. Less than half find it easy to make a complaint.

Poor call centres appear to be the single biggest cause of problems at the initial stage of the complaint and often contribute to its escalation. Consumers face a number of problems when making a complaint into a call centre:

- difficult to get through to anyone/no ownership
- poorly trained staff
- slow (or no) response
- requirement to explain the problem over again on each call
- bureaucratic procedures

Consumers were able to suggest some solutions to these issues. These included a number of practical answers:

- clear information on who to approach for what
- the creation of a resolutions department with dedicated handlers
- trained staff with knowledge and skills to deal with the range of complaints
- English speakers (no “foreign” call centres)
- a clear understanding of timelines and an attempt to meet these where possible
- reference numbers and case file at the initial enquiry
- preference for phone over other channels
- avoid lengthy forms

Pursuing the complaint

Fewer than one third of consumers were informed by their service provider about an independent body to resolve complaints. The financial and the legal sectors are more likely to share this information.

When pursuing the complaint with the service provider, consumers find the highest levels of frustration in relation to:

- their past record with the company being taken into consideration (14% satisfied)
- being treated as an individual (15% satisfied)
- being dealt with in a timely manner (18% satisfied)
- being kept informed on the process of their complaint (19% satisfied)
- having sufficient involvement with the process (27% satisfied)

Many consumers continue to encounter the same problems that they encountered when they made the initial complaint:

- unclear who can handle the complaint
- poorly trained staff
- slow (or no) response
- requirement to explain the problem over again on each call
- bureaucratic procedures

A number of solutions were suggested by consumers in our research including some quite practical ideas:

- better sign-posting of specific contacts for different complaints
- a final tier within the company (people with authority) who have the power to make a final judgement
- a clear understanding of timelines and an attempt to meet these where possible
- reference numbers and case file at the initial enquiry
- deal with on the phone where possible
- communicate the role of the ombudsman

Abandoning the complaint

Around a fifth of consumers abandon their complaint rather than pursue it or approach the ombudsman. The key reasons for dropping a complaint include:

- the amount of effort required
- feelings of futility
- time taken to respond
- difficulties in communication

"I was dealing with anonymous bodies in unreachable offices." (Royal Mail)

The Ombudsman

The main reason by far for consumers to approach the ombudsman is that they are not happy with the way the company manages their complaint. A much smaller proportion approach the ombudsman because they have followed the company's complaints process to conclusion but are not happy with the decision that is made by the service provider. Less than one in ten are referred directly to the ombudsman by the company itself.

Awareness of the ombudsman appears to be low amongst consumers. In addition consumers are often fearful of the process believing it be a serious next step and likely to be very time

consuming.

Many consumers who approach the ombudsman do so because they are seeking justice for the way they have been treated by the service provider. For some this experience is a “breath of fresh air” after the way they are treated by the company.

Just over half of the consumers who approach the ombudsman are satisfied with the manner in which the ombudsman handles their enquiry, irrespective of the outcome. The majority are satisfied with a range of aspects:

- how easy it was to contact the ombudsman (62% satisfied)
- the level of understanding of their particular issue (61% satisfied)
- the independence of the ombudsman (60% satisfied)
- the speed with which they received a response from the ombudsman (60% satisfied)
- the information they received to keep them up to date with what was happening with their complaint (55% satisfied)

Criticisms of the ombudsman service amongst those less satisfied include:

- lack of information on the service
- slow speed of handling with open ended timescales
- no change to the status quo

Again, some practical solutions were proposed by consumers to address these issues:

- promote the ombudsman and their role
- companies to refer to ombudsman where appropriate
- introduce a “buffer” service that offers mediation rather than full investigation (whilst some do offer this, awareness is low)
- record and publicise complaints using this data to make changes to the industry

The outcome

Generally the final decision (either made by the service provider or by the ombudsman) supports the consumer. Just over seven in ten consumers have a decision made in their favour and most achieve what they were hoping to achieve when they made the initial complaint.

Whilst the decision itself tends towards the consumer, there is a lack of information on how the decision is reached. Nearly a half of consumers are not given clear information on the outcome of the decision either by the service provider or the ombudsman.

Overall, less than half of consumers are satisfied with the way their complaint is handled. Key reasons for dissatisfaction included:

- poor speed of handling
- complaint left unresolved
- failure to deliver consumers preferred outcome (although clearly it may not be possible to deliver this in all cases)

Drivers of satisfaction

Using the quantitative data we conducted regression analysis to identify the key drivers on overall satisfaction (i.e. those areas which had most impact on overall scores) with making a complaint.

When looking at those who had made an initial complaint only the key drivers were (in rank order):

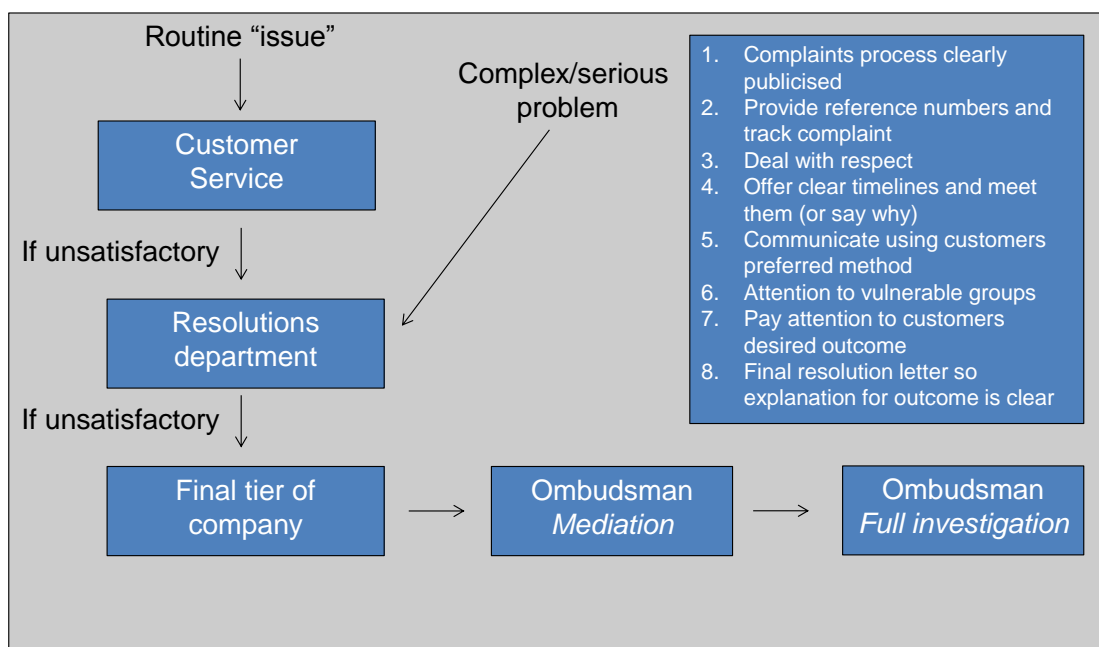
- quality of information (24%)
- understanding of the issue (19%)
- whether the consumer felt they had to pursue the complaint (16%)
- the tone of the response (13%)
- whether the consumer dropped the complaint (12%)
- whether it was easy to make the complaint (10%)
- whether they were referred to an ombudsman (6%)

When looking at those who had pursued a complaint the key drivers were (in rank order):

- treated as a valued individual (34%)
- quality of information (29%)
- dealt with in a timely manner (19%)
- understood the issue (18%)

The ideal complaints process - recommendations

In the workshops we asked consumers to design the ideal complaints process. A diagrammatic representation of the outcome of this follows:



The first stage is critical to prevent the complaint becoming more serious, taking up company resources and consumers time and potentially leading to a breakdown in the relationship. It appears that many complaints are handled badly at this first stage by poorly trained call centre staff with no ownership of the problem. The aim at the outset should be to resolve any issues

with the minimum of fuss.

- “Resolution department”. It should be possible to contact a department who can deal with complex/serious problems that cannot be resolved by consumer services. The workshops suggested a “resolutions” department with trained and empowered staff and we agree with this. Consumer services should clearly explain how to access this department should consumers need it
- Keeping track of a complaint is critical to ensure timeliness, ownership and continuity of understanding – at minimum reference numbers should be allocated and records of an enquiry kept
- Consumers’ expectations of time should be managed from the start. Some issues may take longer than others, but consumers will accept this if it is made clear from the start
- Pay attention to the consumers preferred outcome and try to deliver where possible. In particular if a change in service can’t be offered it must be clear why. Don’t try to fend consumers off with compensation in all cases

Clearly some complaints will progress beyond this second stage if the consumer does not accept the result. Again, this stage should be clear in terms of who to go to and likely timelines.

- A further tier above the resolutions department with power and authority to make a final resolution
- A clear written response once a complaint is finished outlining the decision, how it has been reached and the next steps
- The option of the ombudsman to be presented to consumers where necessary

The ombudsman is the final step in the process. Consumers should be better informed about the ombudsman service as awareness and knowledge is very low. The service can represent a good solution for consumers who have reached the end of the line with the company. In addition a mediation service should be introduced/ promoted to prevent a lengthy investigation (which many consumers fear).