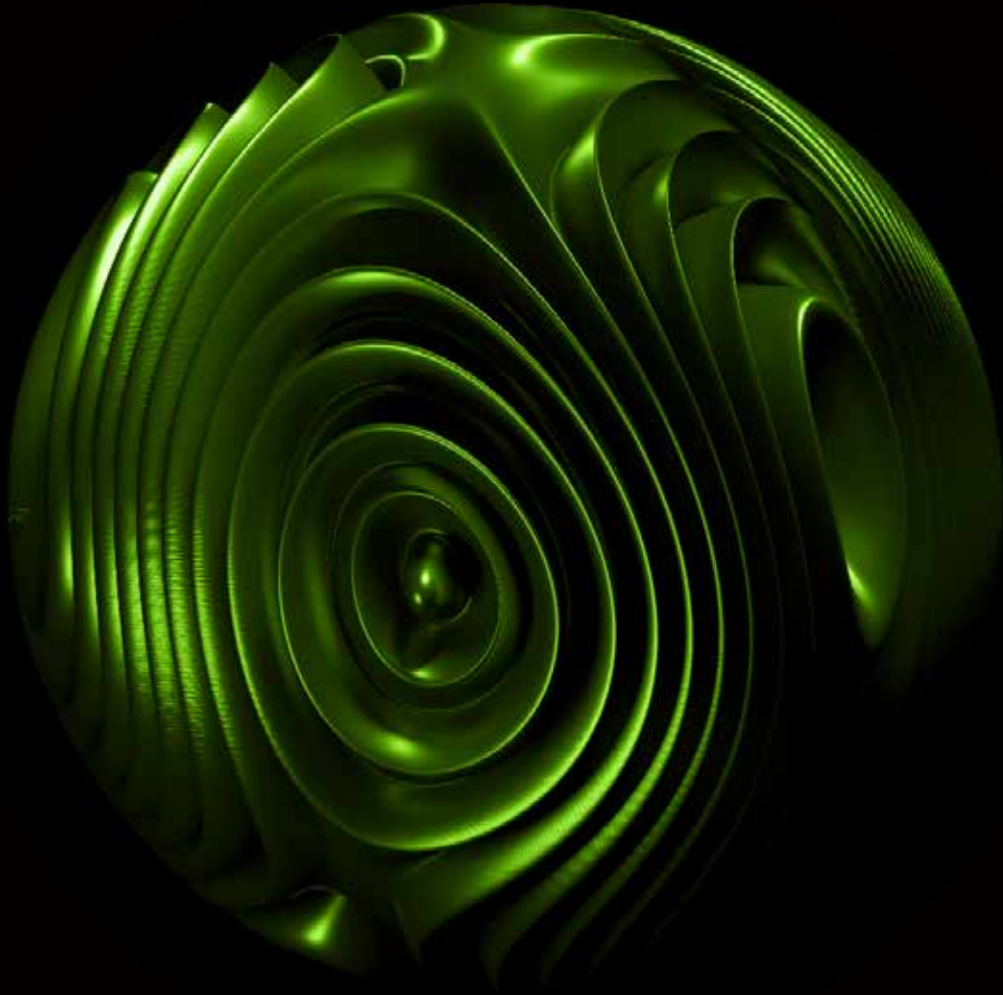


**Deloitte.**




# Revamping complaints management

**November 2023**



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“The key is to set realistic customer expectations, and then not to just meet them, but to exceed them – preferably in unexpected and helpful ways.”

**Sir Richard Branson**  
Founder of the Virgin group



# Customer experience – The ‘North Star’

Multiple factors, such as product/service features, design, quality, and awareness, drive customer loyalty and, in turn, brand equity. Of these, customer experience has emerged as the top business priority over traditional factors, such as features and pricing over the past decade.<sup>2</sup> Creating a compelling customer experience goes beyond providing great product/service features. Organisations that recognise and provide excellent customer experiences can use them as a strategic advantage and build that much coveted "loyalty" in their customer base. Companies with the highest brand values are usually pioneers in that "customer first" mindset leading to brand recall and sustained business. Industry-leading companies adopt strategic practices, such as *personalisation, immersive experience, and transparency*

to differentiate in an increasingly competitive market landscape.

Customer experience in turn is influenced by multiple factors throughout the product/service lifecycle. However, most customer touchpoints exist after a product/service is sold. The level of customer vulnerability is typically highest at the after-sales touchpoints. This significantly influences the overall customer experience and the reason to stick to a particular brand. This is in contrast to organisational priorities wherein most companies view the pre-sales part of customer experience as "revenue generating" levers and invest significantly to attract customers. On the other hand, post-sales customer experience is often perceived as a "cost" driver, leading to a sub-optimal experience for the customers.

## Industry-leading companies are adopting customised practices to enhance the experience

01



A leading travel company proactively addresses customer issues. For example, if a flight qualifies for compensation, it sends the customer an email within seven days of the flight's scheduled departure providing the information, without the customer needing to contact the airline.<sup>3</sup>

02



A major e-commerce organisation uses customer data to provide them personalised experience. For example, identifying and suggesting complementary products that fit the customer lifestyle.<sup>4</sup>

03



An electronic devices industry leader provides free hands-on troubleshooting support to fix software and hardware issues using tech support service "Genius bar".<sup>5</sup>



<sup>1</sup> <https://www.virgin.com/about-virgin/latest/richard-branson-how-attract-customers>

<sup>2</sup> <https://www.superoffice.com/blog/customer-experience-strategy/>

<sup>3</sup> <https://www.jetblue.com/customer-assurance/customer-service-plan>

<sup>4</sup> <https://aws.amazon.com/personalize/customers/>

<sup>5</sup> <https://www.apple.com/in/retail/geniusbar/>

# How does the complaint management function influence customer loyalty and brand value?

While the after-sales cycle is given higher priority in the “products” industry, any sale typically is the start of a long-term relationship with the customer in the “services” industry. Delivering a compelling customer experience thus requires businesses, especially in the services industry, to retain a customer-centric mindset. The best-in-class organisations

support their customers throughout the journey, especially in their most anxious moments. For example, in case of any issue or inconvenience, the way businesses address customers’ complaints can act as a differentiator. Positive complaint resolution experiences promote customer loyalty, leading to favourable word-of-mouth.

## Case Study

A leading technology communications company faced a surge in customer queries and complaints related to network issues and outages, which led to customer attrition. The organisation addressed the issue by reimagining the process to make it customer-centric and used technology in client communication. The teams worked with cross-channel groups tapping multiple business touchpoints, such as online, network operations, service operations, public relations, technology, and security.

The multi-faceted team – technology experts, customer experience, and user experience designers – worked together to ensure the customer was at the heart of the organisational strategy. It introduced a self-service tool that can provide a geography-specific heatmap about network performance. Additionally, the team created a system that proactively communicates planned outages to affected customers.

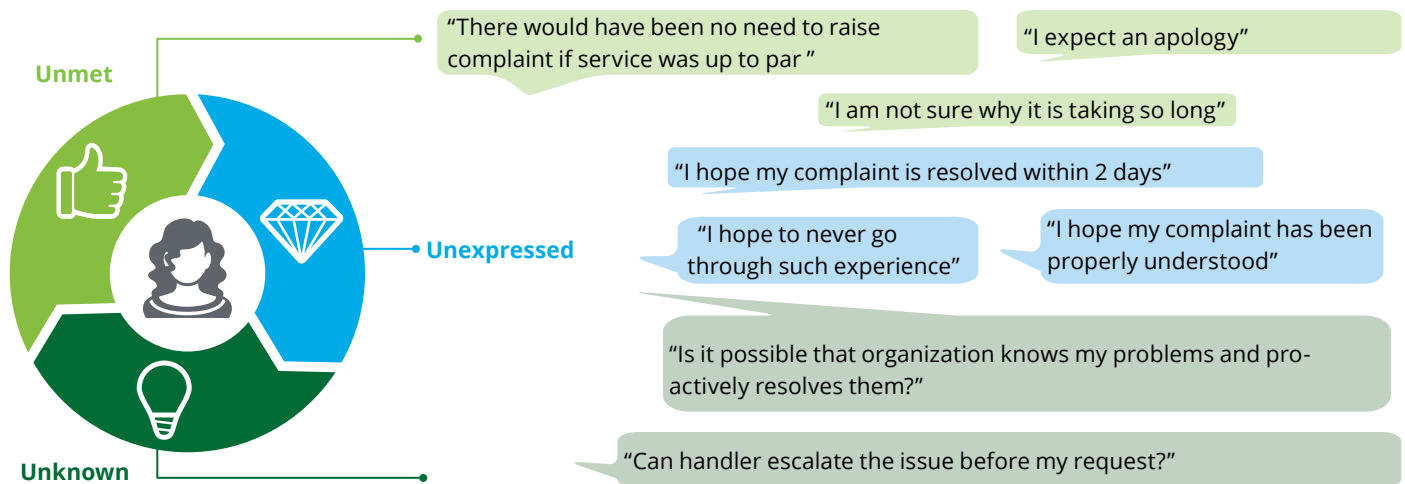
**Results:** About 54 percent reduction in escalated queries requiring a customer call back, 66 percent reduction in views of network-related forum topics, and 9 percent reduction in network-related complaints<sup>6</sup>



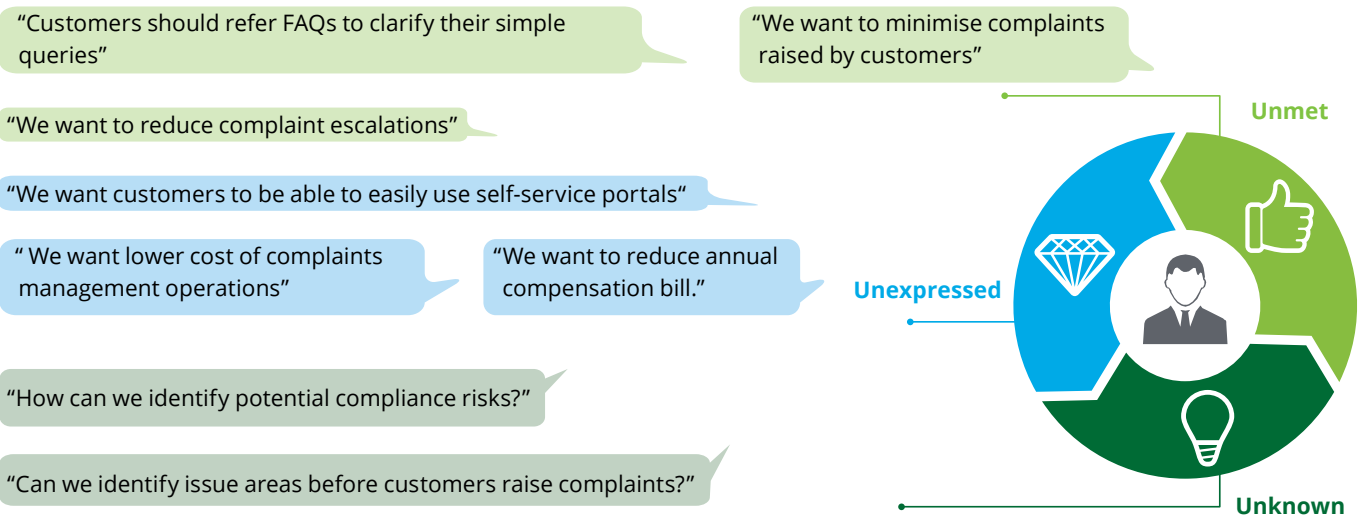
<sup>6</sup> <https://econsultancy.com/six-brand-case-studies-that-proved-the-value-of-customer-experience/>

# Customer expectations while raising complaints

## How are customers thinking and responding to their needs and expectations?



## Business expectations for seamless complaints management



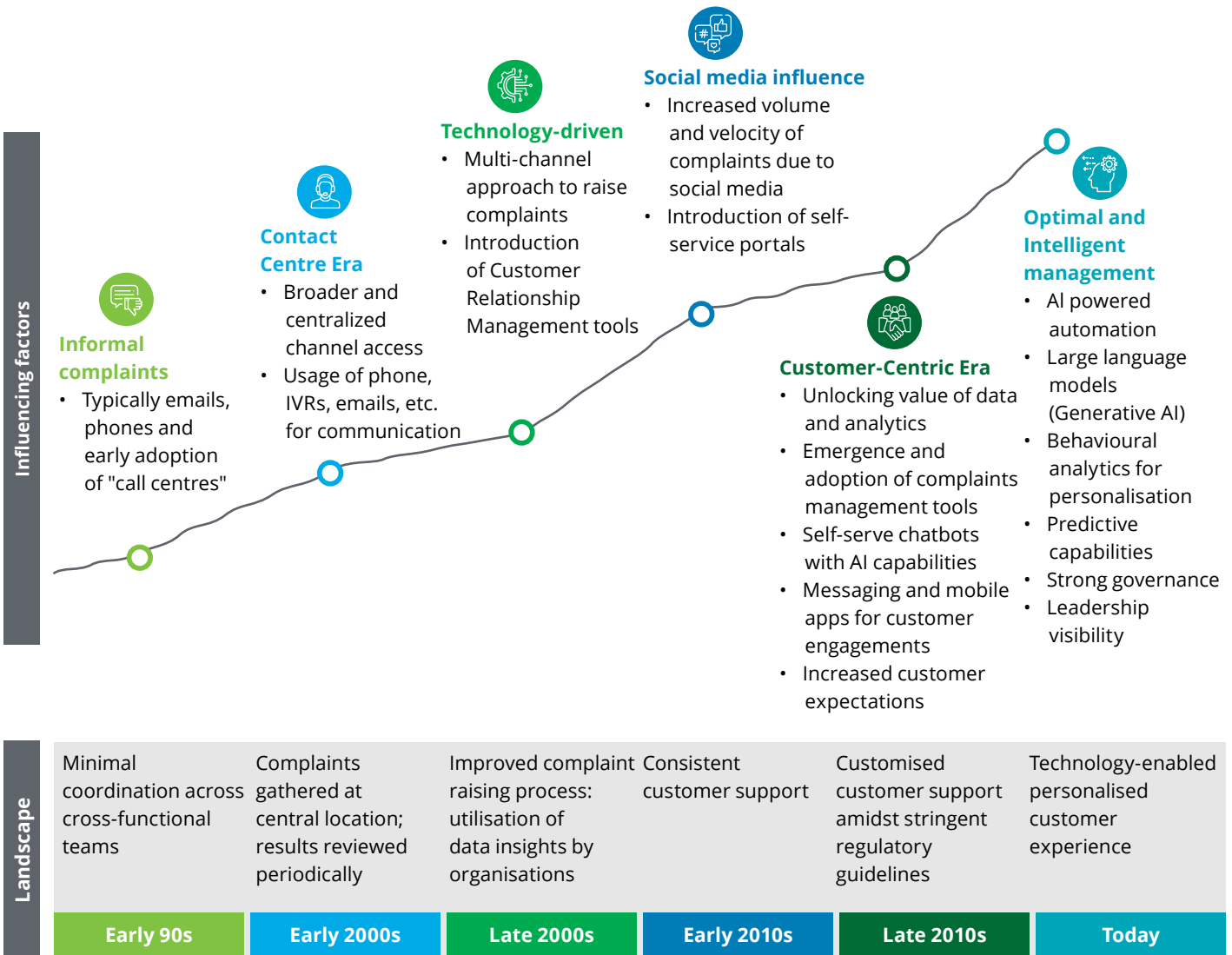
Customers' expectations can be demarcated into three categories - "unmet", "unexpressed" and "unknown". A significant amount of customer churn usually happens when basic "unmet" expectations are not adhered to by businesses and there is a sense of "disservice" perceived by customers. On the other end of the spectrum are "unknown" needs that customers are themselves not aware of. Fulfilling these needs can generate unhindered loyalty.

Thus, businesses should strive to bridge the gap between "unmet" / "unexpressed" customer expectations and the actual customer experience. Also, they should focus on understanding their customers' unknown expectations and addressing them proactively.

# Getting started: Complaints management

Complaints management entails the way of resolving issues that affect customers, managing the internal and external stakeholders involved in the process and identifying

opportunities for improvement. The complaints management landscape, including how customers raise complaints and how businesses respond, has changed dramatically over the years.

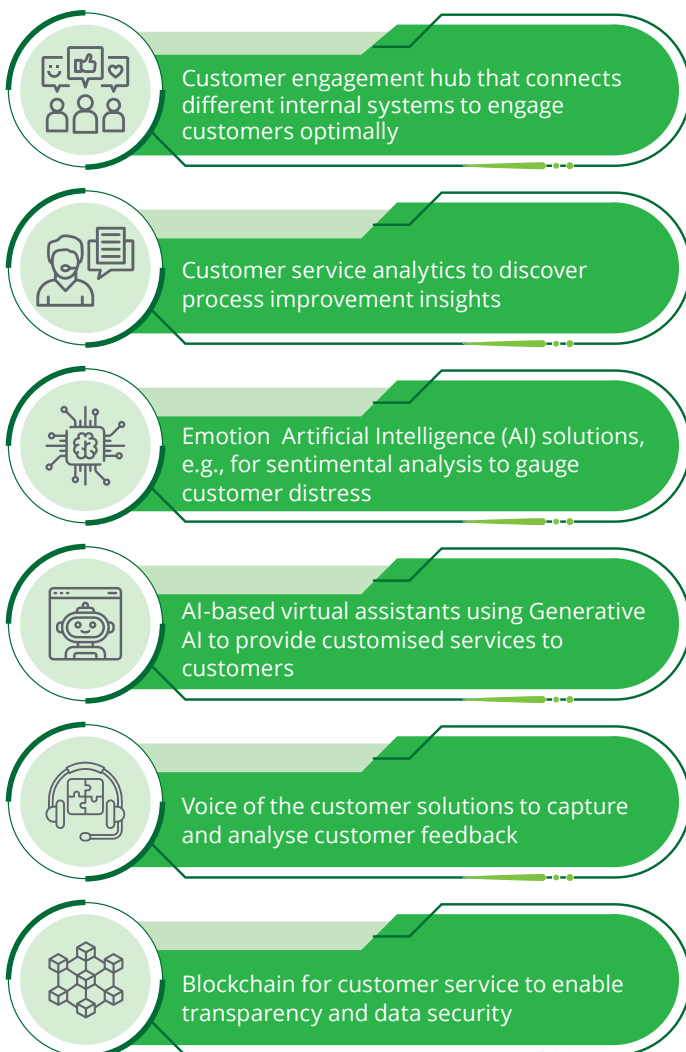




# Key trends influencing complaint management landscape

## Increasing technology influence

Due to increased technological reach, it has become easier for customers to raise their issues and for organisations to respond to the increasing number of complaints. Nearly 45 percent of people have adopted digital technology in their bank interactions after Covid-19.<sup>7</sup> Emerging technologies are shaping how banks address the complaints. Some of these complaints are mentioned below:



Banks are also actively using virtual financial assistants to drive personalisation. A leading bank has engaged more than 37 million customers using an AI-powered assistant to provide services such as managing subscriptions and tracking spending habits.<sup>8</sup> Generative AI-based conversation assistant tools can also enhance the productivity of customer agents. According to a study by National Bureau of Economic Research, such tools can increase customer agents' productivity by 14 percent on an average, with the highest improvement recorded for novice and low-skilled workers.<sup>9</sup> Technology adoption can assist to reduce managerial intervention. This can unlock their bandwidth, augment agent experience while addressing complaints, and cater to ever-increasing customer expectations.

## Enhanced customer expectations

More customers are becoming indifferent to organisations, particularly in the service industry, due to the similar nature of offerings. To resolve this issue, businesses emphasize the need for a positive customer experience to differentiate their offerings, raising customer expectations.

Nearly 76 percent customers affirmed that they would prefer a company providing better customer services.<sup>10</sup> Customers' historic positive experiences with leading organisations have blurred competition across industries. This has also led to increased customer expectations for seamless complaint resolution. About 86 percent of customers want conversations with agents to move seamlessly across channels, according to the 2020 Customer Expectations Report by Gladly, a customer service platform.<sup>11</sup>

## Stringent regulatory environment

The central aim of regulatory bodies is to protect customers' interests and promote market transparency. Regulatory bodies are actively transforming how complaints are managed, particularly in the financial services industry. They have established procedures to deal with complaints and evaluate banks' complaint trends and management procedures. For example, the Financial Consumer Agency of Canada mandates each bank to be a member of an approved external complaints body (ECB).<sup>12</sup> If complaints are mismanaged or not managed adequately, it can lead to fines or penalties by regulators. Such gaps can also hamper brand value and customer trust.

<sup>7</sup> <https://www.investor.fisglobal.com/node/32736/pdf>

<sup>8</sup> <https://infotechlead.com/artificial-intelligence/bank-of-americas-virtual-assistant-erica-achieves-1-5-bn-interactions-79430>

<sup>9</sup> <https://www.nber.org/papers/w31161>

<sup>10</sup> <https://hyken.com/research/>

<sup>11</sup> <https://cdn2.hubspot.net/hubfs/2771217/2020%20Customer%20Expectations%20Report/Gladly%202020%20Customer%20Expectations%20Report.pdf>

<sup>12</sup> <https://www.canada.ca/en/financial-consumer-agency/programs/research/operations-external-complaints-bodies.html>

# Complaints management in banking and financial services

## Typical customer complaints lifecycle



Complaints journey usually starts with a customer raising an issue, which is subsequently classified as a query or a complaint in the complaints management process. It is then assigned to a complaint handler, who provides guidance to the customer (in case of query) and/or investigates the complaint. In the financial services industry, handlers typically contact the customer to acquire a better understanding of the problem and identify the level of impact on the consumer, such as distress

or inconvenience. In some cases, the complaint handler might need to contact functional teams to process actions or acquire information from them as part of the investigation. After receiving a response to the request, the handler decides the issue's resolution, including the amount of compensation to be paid out, if any. The customer is notified of the resolution through phone or email. If a customer is dissatisfied, he/she can reactivate the complaint or escalate it to the Ombudsman.



# Challenges in complaints management

## Customer Interaction

### 1. Low customer trust

According to an Australian Securities and Investments Commission report, nearly half of the customers who considered filing a complaint against a financial services firm chose against it. They reasoned that it would not make a difference.<sup>13</sup> Customers perceive raising complaints and waiting for resolution as a cumbersome process. They have limited visibility into the resolution process and are unsure that organisations would provide them fair resolution the first time.

### 2. Limited escalation support

While businesses nowadays attempt to resolve customer concerns at the first point of contact, escalation support in the event of dissatisfaction receives less attention. Customers usually face delays and complications when escalating complaints beyond the first point of contact in case of dissatisfaction. According to a study by the Financial Consumer Agency of Canada (FCAC), more than 90 percent of consumers who had a complaint that was not resolved satisfactorily at the initial point of contact did not escalate it.<sup>14</sup> It indicates that the process to escalate complaints is not simple or easy for customers. According to a review of bank complaint management procedures by FCAC, only 52 percent of customers are satisfied with the resolution after the first escalation of a complaint.<sup>15</sup> Thus, to ensure a positive customer experience, organisations should provide fair resolution to customer satisfaction.

## Complaints process management

### 3. Complaint categorisation

As part of an engagement with a UK retail bank, we observed that nearly 2,000 issues are raised per day and manually categorised into queries and complaints. These are then again manually allocated to different teams across multiple contact centres. Usually, the classification, prioritisation, and allocation of complaints is a time-intensive manual process.

### 4. High investigation time

The investigation phase is the most critical and time-consuming step in the financial services industry's complaint resolution procedure. During our assessment of a large multinational bank's complaint resolution process, we discovered that more than 30 percent of complaints take more than six days to investigate. High investigation time increases the time taken to address a complaint and inform the customer of the outcome. Complaint handlers typically have limited access to customer data and rely on other business units to fulfill requests, supply pertinent information, etc. They have to collect case-related data from numerous systems and apps. This increases handlers' time to investigate a case.

## Governance for complaints management

### 5. Coping with regulatory compliances

Financial regulators have established criteria for various aspects of complaint management, including handling procedures and compensation payouts. Failure to adequately manage complaints can result in sanctions and a tarnished reputation for the organisation. For example, in 2016, the Financial Conduct Authority (a UK regulator) fined an organisation in the financial services industry nearly £2 million for unfair handling of Payment Protection Insurance (PPI) complaints.<sup>16</sup>

### 6. Limited leadership visibility

Leadership usually has limited visibility into unaddressed, high-priority complaints that can turn into red flags. Underdeveloped complaint monitoring and reporting processes limit banks' capabilities to gather intelligence about the risks of mis-selling and violations of regulatory compliances. According to a review of Bank Complaint Handling procedures by FCAC, there is a considerable room to improve the monitoring and reporting of first-level complaints across the six largest banks in Canada.<sup>17</sup>

<sup>13</sup> <https://asic.gov.au/media/4959291/rep603-published-10-december-2018.pdf>

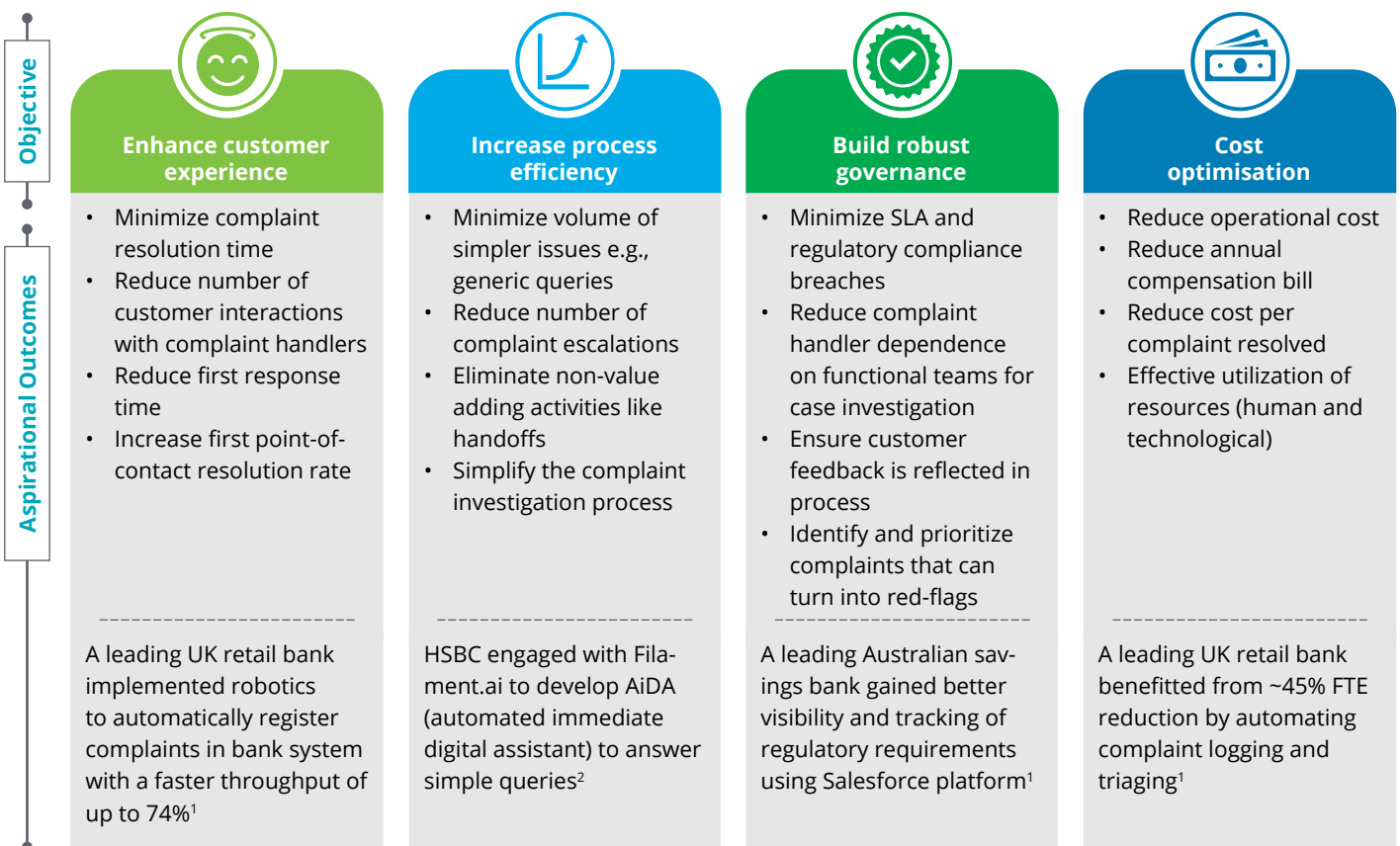
<sup>14</sup> <https://www.canada.ca/en/financial-consumer-agency/news/2020/02/fcac-review-finds-consumers-face-delays-and-complications-when-escalating-banking-complaints.html>

<sup>15</sup> <https://www.canada.ca/en/financial-consumer-agency/programs/research/banks-complaints-handling-procedures.html>

<sup>16</sup> <https://www.reuters.com/article/uk-britain-fine-ppi/uk-regulator-fines-ct-capital-for-unfair-ppi-complaint-handling-idUKKCN0YN4L0>

<sup>17</sup> <https://www.canada.ca/en/financial-consumer-agency/programs/research/banks-complaints-handling-procedures.html#toc9>

# Key objectives of effective complaints management

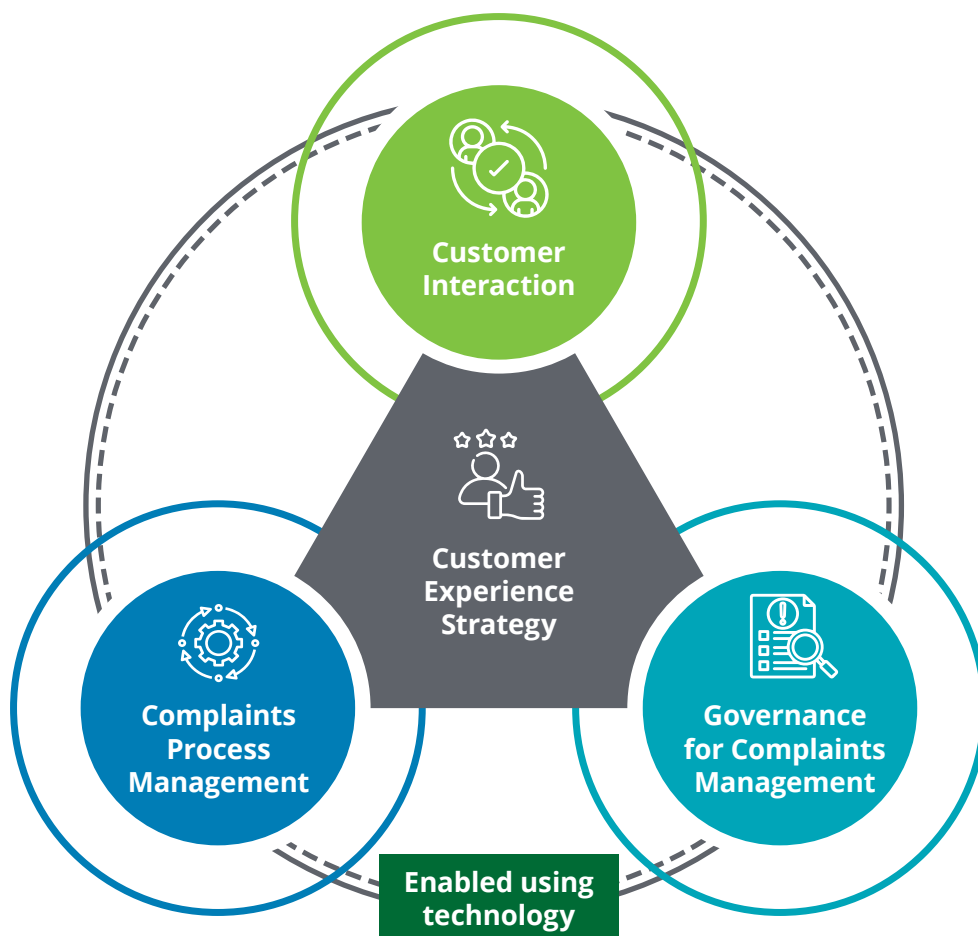



<sup>1</sup> Based on primary research

<sup>2</sup> <https://ebm.ai/7-of-the-best-chatbots-in-banking-and-what-to-watch-for-next/>



# Critical considerations for organisations while reimagining complaints management process



 **Customer experience strategy**

- How do we align stakeholders on customer-centric organisation culture?
- What should be the success metrics, and how do we measure and monitor them?
- How can we streamline interactions between internal entities and define their roles and responsibilities?
- Could the use (or potential misuse) of technology solutions such as AI lead to psychological harm, or otherwise, threaten customers' well-being?



### Customer interaction

- How can we enhance visibility to customers on resolution status?
- How can we increase customer trust?
- What are the ways to minimise customer distress?
- What should we do to improve customer satisfaction levels?
- Does the operation of the AI system enhance and enable complaint handlers and their decision-making, or does it reduce their autonomy or negatively influence their behaviour?



### Complaints process management

- How can we realign work elements for a smooth transition between humans and bots, along with maximising efficiency?
- How can we re-engineer customer service based on customer feedback?
- Which processes can we simplify to increase efficiency?
- How can we drive effective change management for seamless process transformation?



### Governance for complaints management

- What are the ways to identify potential regulatory risks?
- How do we ensure adherence to data privacy regulations?
- How can we connect compliance management with complaints management?
- How should we build end-to-end reporting capabilities?
- How should we enable transparency in the processes?
- How can we ensure efficient relationship management with technology vendors?



### Technology enablement

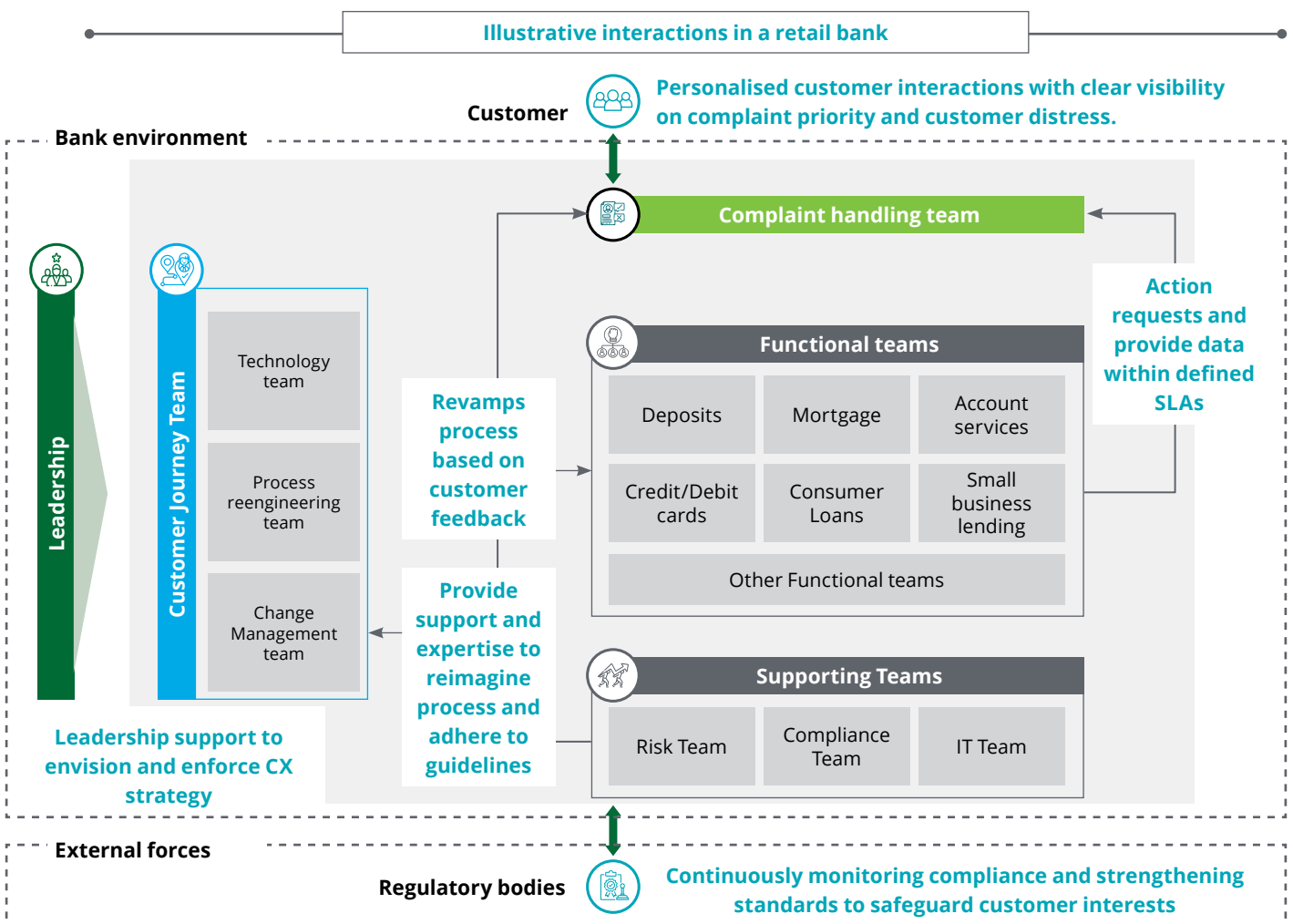
- How can we use emerging technologies without losing the human touch?
- How should we evaluate the efficacy of existing technologies and infrastructure?
- How should we upskill resources with new technologies?
- Is the solution appropriately secure from cyber threats?
- How should we determine accuracy/acceptability thresholds for AI-powered solutions?
- Could inequalities and/or unfair bias exist in the AI system as a result of historical social bias, choice of data sets, operation of the algorithms, and the model evaluation or differences between live data and training data?

# How can organisations build leading-edge complaints management function?

Businesses can enable effective complaints management by ensuring seamless interaction and collaboration between cross-functional teams. For example, simplifying customer/case data exchange between complaint handlers and functional teams and empowering internal teams by providing discretionary power to complaint handlers to make rudimentary judgments. The focus should be on increasing transparency at each level to reduce risks. The customer journey team should be proactive in driving change

management and ensuring that customer feedback is reflected in the process. At the same time, leadership must support envisioning and enforcing customer experience strategy. Lastly, organisations can use new technologies to enhance complaint handling processes, such as investigation and allocation.

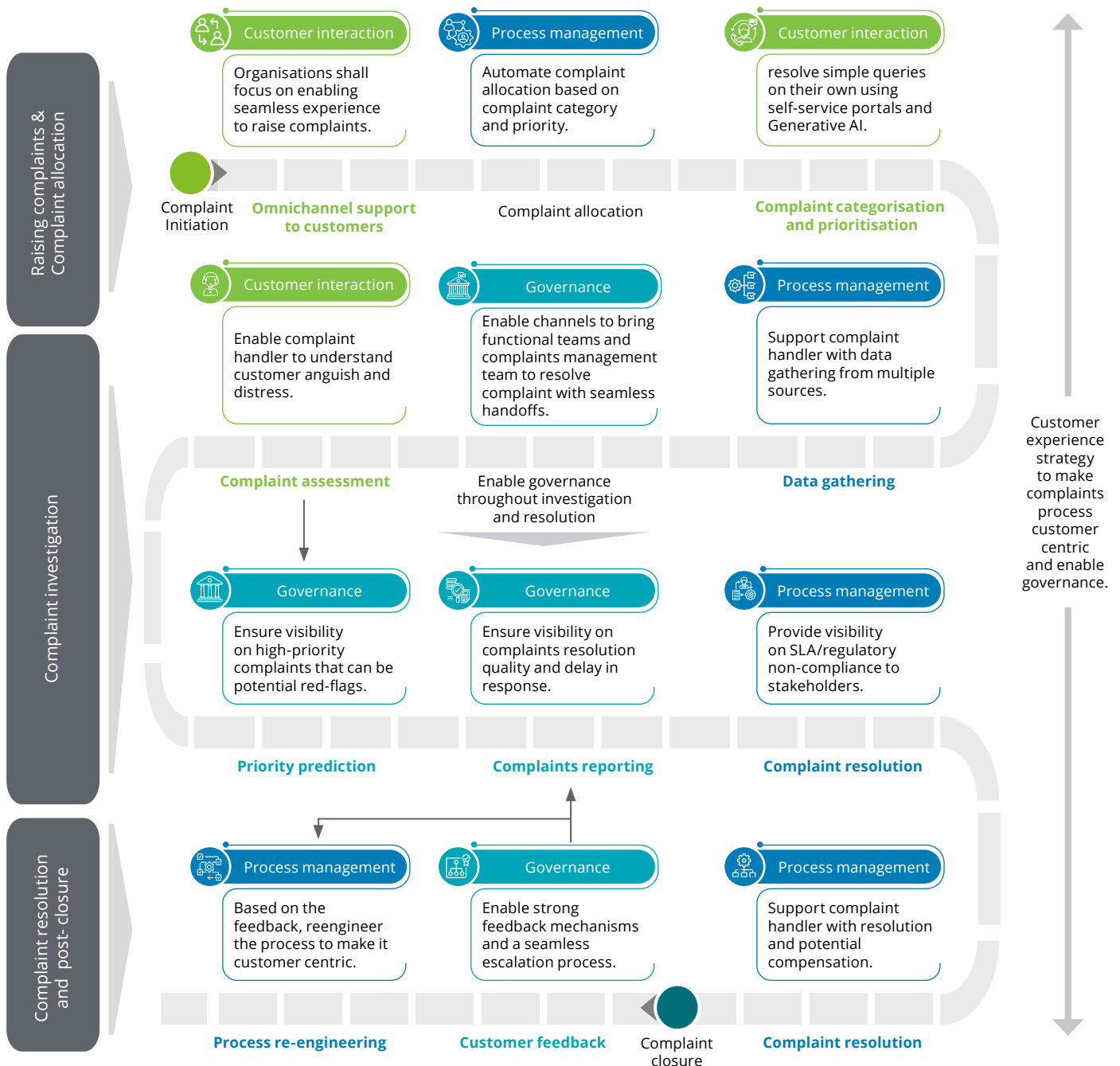
The following is an illustrative target state view of the complaints management process for a retail bank.



# How can organisations make complaints management effective?

Organisations can use multiple solutions to build leading-edge complaints management processes. Following is an illustrative view of solutions that can be deployed across various stages (raising complaints and complaint allocation, complaint

investigation, and complaint resolution and post-closure) of the customer journey. These are based on the five pillars described above – customer strategy, customer interaction, process management, governance, and enabling technology.





# Conclusion

In the past few years, most organisations have focused on providing customers quick resolutions, using technologies such as chatbots and virtual assistants. While using technology solutions to enhance customer service, businesses must assess their efficacy specific to their complaints management processes and unique issues they are looking to resolve. As the use of emerging technologies, such as automation tools and blockchain, is projected to rise over time, organisations should be cognizant of their potential limitations (such as bias and misinterpretations in chatbot responses and limited scalability of blockchain solutions). They should address these limitations while keeping ethical considerations in mind. Human oversight can help address occasional inaccuracy, and reduce biases and misinterpretations, especially while using advanced use cases such as Generative AI.

Businesses must realise that customers expect a personalised experience throughout the complaints process. The focus should also be on being more empathetic while understanding

customer issues and maintaining the human touch while deploying technologies. Simultaneously, with increased customer expectations, ensuring that fair resolutions are delivered and customers are satisfied with the support, is crucial.

The successful evolution of the complaints management process within an organisation requires a multi-level approach – a firm commitment for the change by leadership, ownership by the functional and complaint handling teams, and continual support for and by middle management. This also involves identifying and removing self-limiting orthodoxies.

Organisations are at different stages of the complaints management maturity curve – not each solution would be suitable for everyone. The key is to understand the level of maturity, identify the most painful points, and reimagine the process while considering existing capabilities and dependencies to implement the changes.

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