

Customer Loyalty and Experience Index (CLIX) Grant Thornton Financial Services Group

2017

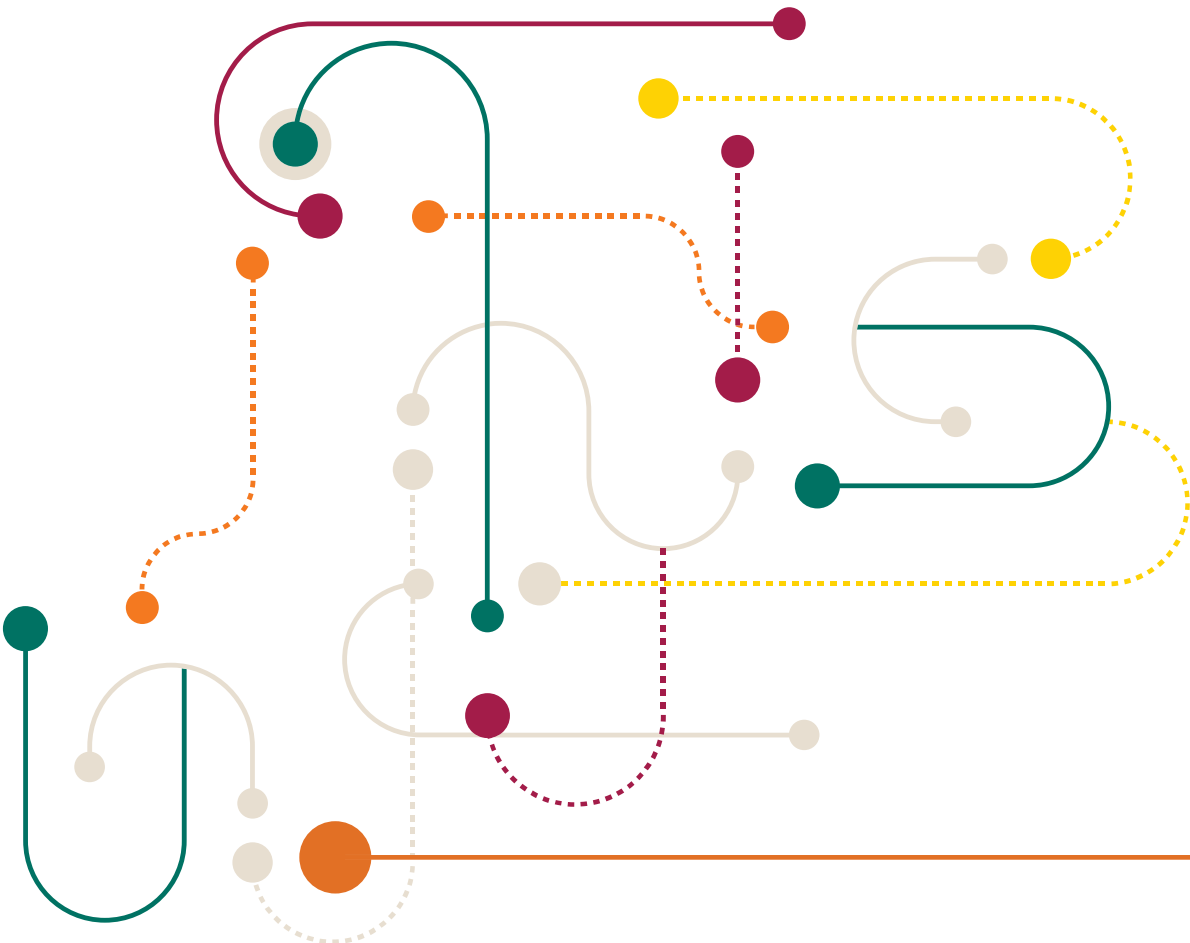
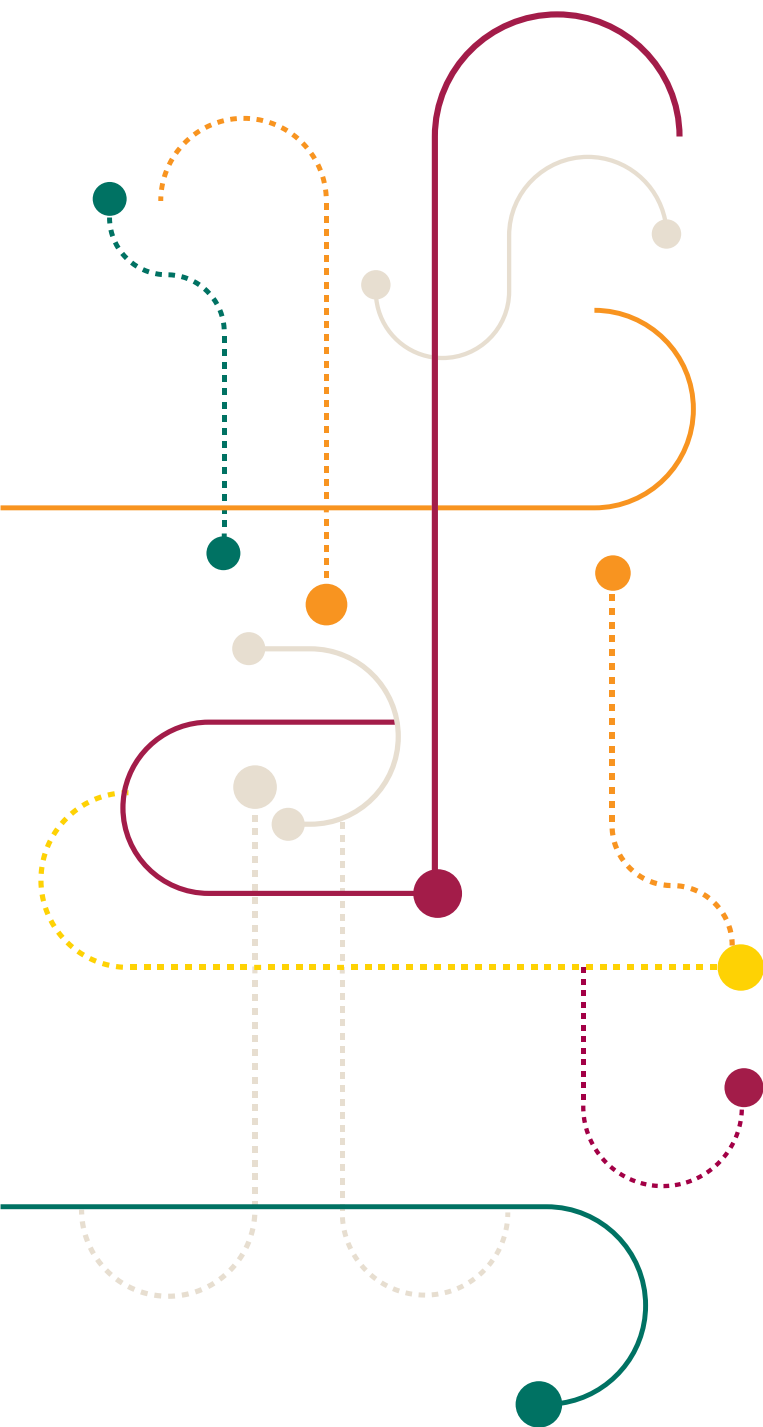


Table of contents



Section	Page
<u>Foreword</u>	03
<u>Grant Thornton Customer Loyalty and Experience Index 2016</u>	04
<u>Customer loyalty is driven by customer experience</u>	05
<u>Being the best commands loyalty</u>	06
<u>Regulatory view</u>	07
<u>Trust and integrity in financial markets</u>	08
<u>Right channel, right place</u>	09
<u>How well do you know your customer?</u>	10
<u>How Data Labs can deliver strong customer initiatives</u>	11

Foreword

Brexit, the US election and increasing regulatory scrutiny changed the focus and confidence of the financial services sector in 2016. Whilst there are significant operational and market consequences emanating from these events, financial services firms must not lose sight of the need to serve their customers effectively.

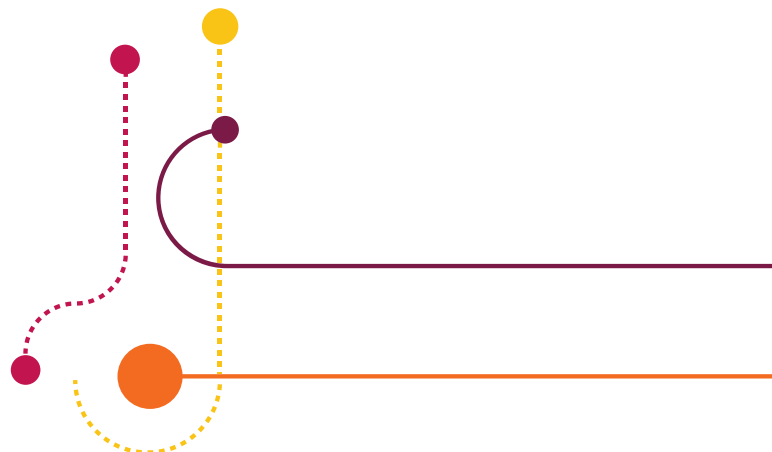
Digital disruption is fundamentally changing customer expectations, driving them to increasingly vote, not with their feet, but with their tablets and smartphones. The latest insight from our Customer Loyalty and Experience Index (CLIX) shows a number of key financial services providers marching ahead on all aspects of customer engagement, whilst others are being left far behind.

In this document we utilise our CLIX methodology to provide you with insights about how the financial services industry is performing from a care, loyalty, reputation and trust perspective. We also demonstrate ways in which you can understand and use customer experience data to improve your method of engagement and comply with regulatory standards, as well as new innovative techniques to facilitate the personalisation of each customer engagement (see our Data Labs insight).

Successful financial services firms of the future will provide an integrated, cross-channel service, driving a strong customer experience and commanding greater customer loyalty which will translate into enhanced customer retention and product holdings.



Ewen Fleming
Practice Leader
Financial Services Group



Grant Thornton Customer Loyalty and Experience Index 2016 (CLIX)

Grant Thornton has been running CLIX since 2013. It is actively used by our financial services clients as a foundation of their customer strategy.

In 2016 the survey ran over April and May and included customers of 79 brands, capturing over 16,000 responses with a minimum of 200 responses per brand. Respondents were customers who had interacted with the brand in the past 3 months.

The brands in scope covered five sectors – retail banking & building societies, general insurance, life and pensions, investment management and retail.

The survey consisted of a number of questions to measure perceptions of customer experience, loyalty, trust, care, effort and reputation.

Customer Loyalty

- Customer experience drives loyalty
- The leading retail brands are vastly ahead of their financial services counterparts with respect to customer experience and loyalty
- Retail banks have performed relatively well, but life and pensions firms have struggled to engage effectively with their customers.

Regulatory Viewpoint

- The creation of the FCA increased the focus of financial service firms' on their customer conduct
- Traditional ways of evidencing customer conduct are inadequate. A rounded approach is needed
- Using data sets, such as CLIX, that provide timely and focussed customer feedback are needed.

Care and Reputation

- Recent failures in the financial services sector have harmed trust and integrity in the industry, restoring it is crucial to winning customer loyalty
- The net care score across the financial services sector is -11 – there is a care deficit
- The life and pensions industry ranked lowest for both care and reputation.

Data Labs

- The amount of data available to organisations has increased exponentially
- Data Labs are innovation incubators that foster an innovative and agile working environment
- Data Labs encourage stakeholders to put forward new ideas and explore how these can be tested and realised in various experiments.

Customer loyalty is driven by customer experience



1

Retail brands have further boosted the experience of their customers, driving enhanced **customer loyalty** and setting the **benchmark** for financial services organisations

2

Life and pensions providers have struggled to meaningfully engage with their customers, which has ultimately adversely affected their **brand perception** and associated customer loyalty

3

Leading **retail banks** have created strong **emotional connections** with their customers, predominantly by delivering on their **robust integrated channel strategies** which have an emphasis on **digital technology**

4

There is room for improvement for **general insurance** and **investment management** brands in their **digital capabilities**, such as enhancing the ease of information access

Being the best commands loyalty

Brands that do the basics well (eg create simple interactions) and develop an emotional connection through, for example, personalisation will generate stronger loyalty scores, increasing the likelihood of their customers recommending the brand to their friends and colleagues.

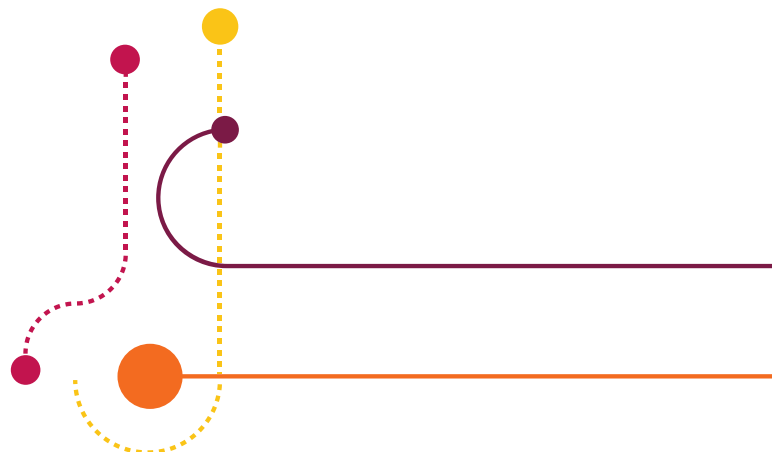
Leading retail brands set the precedent for what 'good looks like' with regards to customer experience. Consequentially, customers are likely to have heightened expectations of their financial services providers, despite the complexity of financial products. Therefore, leading financial services providers, traditionally known to focus on enhancing their efficiency and effectiveness, are investing in building stronger brand affinity to gain competitive advantage.

This is particularly prominent in the case of retail banking, as indicated by their enhanced position on the brand map in the latest CLIX survey. This has also resulted in a widening gap between them, as the best performers in the financial services sector, and the poorest performers (predominantly life and pensions brands) that are lagging behind.

What is driving this performance differential?

What stands the 'best in class' brands out from the rest is their ability to create opportunities to engage, increasing the frequency and relevance of interactions and chance to create positive relationships. They do this through integrated channel strategies, digital innovation and having a granular understanding of customer characteristics and behavioural patterns.

The latter is predominantly driven by the exploitation of new and existing data sets to better diagnose customer behaviour and pain points. This can significantly enhance customers' responsiveness and afford the ability to create more tailored solutions. Indeed, some brands are investing in Data Labs to achieve this.



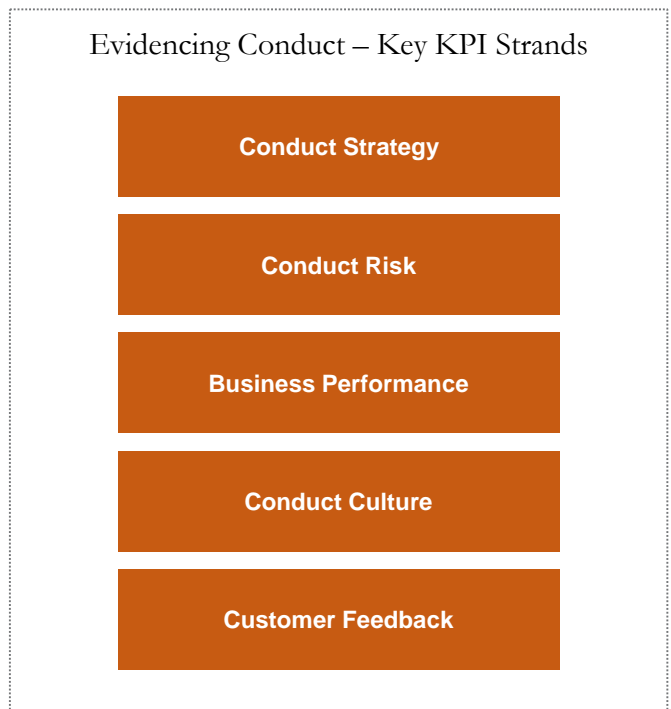
Regulatory view

The importance of ensuring the customer is at the heart of financial services firms’ actions and decision making was underlined by the creation of a new conduct Regulator, the Financial Conduct Authority (FCA), in 2013.

Over the past four years the FCA has proven through enforcement activity and fines that they are willing to hold firms to account. In addition to the commercial impact on firms of poor performance, the CLIX results show there is a negative impact on the brands reputation and perception.

Customer expectations of what they require of their financial services provider has also evolved. Traditional methods used by these firms to evidence they are meeting their conduct obligations have proven inadequate. A much more rounded approach is needed to demonstrate adherence to conduct and fairness obligations.

Class leading conduct management information frameworks use a combination of data sets, including a mix of qualitative and quantitative methods, to show the performance of the firm and highlight where improvements (relative to the market and their peers) can be made.



A key strand to this body of evidence is the use of timely and focused customer feedback, which when combined with understanding the relative strength of the brand in the market, provides a powerful view of how a firm is performing. CLIX provides a unique way of undertaking this and forms a key pillar in the body of evidence when demonstrating conduct performance.

Trust and integrity in financial markets

The brand cares about individual customer needs



The brand has built a good reputation for dealing with customers

“Over six out seven financial services brands covered received a net negative **care** score, meaning customers did not believe the brand cared about their individual needs. This sub-optimal performance is having a direct impact on customer **loyalty**.”

“Customers have ranked leading investment management and retail brands with strong **reputation** scores, whereas the life and pensions sector struggled to build a good **reputation** with their customers.”

Paul Willis, Director of Insight and Peer Analysis at Grant Thornton



With a number of recent failures in the financial services sector, restoring trust and integrity is becoming crucial to winning customer loyalty. Regulatory scrutiny, the increasing importance of ethical considerations and ever-changing market forces further direct and shape the requirement to care for the individual needs of customers.

Our research has captured brand perception scores across 68 financial services brands, indicating that caring for individual customer needs and building a good reputation for dealing with customers has a direct and positive correlation with customer loyalty. However, financial services firms have a long way to go in order to re-build this relationship with their customers – they currently have a net negative care score of -11. They are, it seems, in a care deficit.

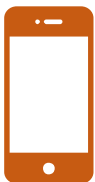
In addition, factors such as the increasing influence of social media on a brand's reputation and ease of switching are making understanding and caring for customers key components of a competitive business strategy.

Right channel, right place



The website is the most used channel across all age categories. Customers who engaged with the website produced a higher overall NPS score and were therefore more likely to recommend the brand to a friend or a colleague

Website remains the key current distribution channel. However, among younger demographics, 29% of 18-24 year-olds cite 'call' as the future channel preference



App usage is a key channel for 18-34 year olds, with an average of 10% marking it as their future preferred channel

A key and continuing driver of customer experience is the role of digital technology and how it has enhanced the various touch points throughout the customer journey. If implemented correctly, new digital solutions (eg digital advisors) have the power to enhance connectivity, drive efficiency whilst at the same time enhancing customer experience.

“Those firms with more mature and integrated channels enabled by digital technology are starting to draw away from others in their respective sector. Only by doing this can firms build strong brand affinity and deliver a 21st century proposition to their customers aligned to the expectations of those customers.”

Jehan Sherjan, Manager of Insight and Peer Analysis at Grant Thornton



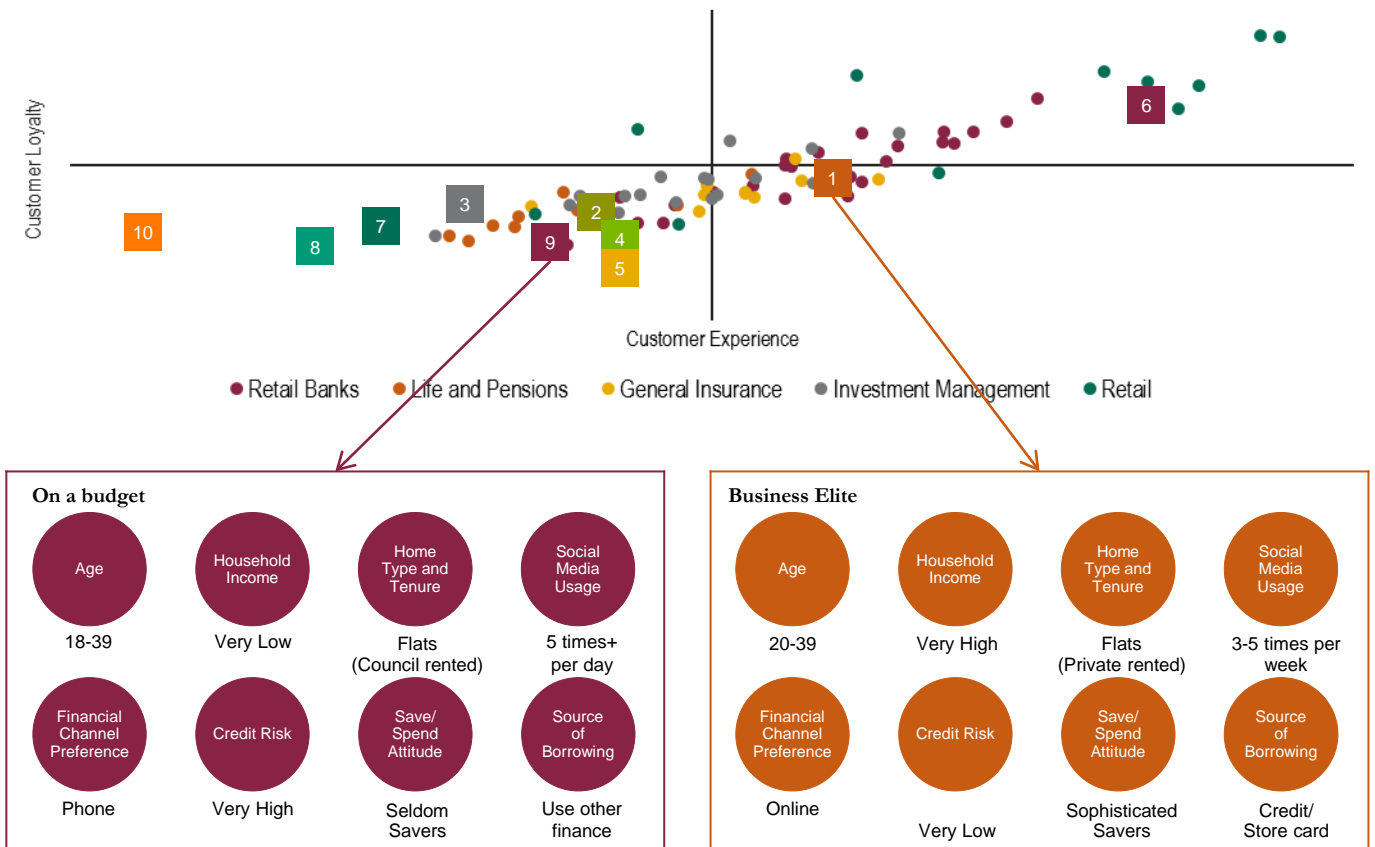
How well do you know your customer?

Grant Thornton have integrated CLIX with CAMEO UK, a postcode segmentation of the UK's population, to demonstrate how loyalty and user experience varies by customer segment. Understanding how specific segments of your customer base (and/or competitors) differ in terms of loyalty and experience, as well as tracking changes over time, is critical to maintaining or growing market share.

CLIX can be used to identify those customer groups most/least at risk in order to define an appropriate strategy for improved customer loyalty and experience. The chart below shows CLIX by CAMEO Groups across all respondents. Each group is described by a range of behavioural and lifestyle characteristics.



CLIX 2016 by Cameo Group



How Data Labs can deliver strong customer initiatives



The amount of data available to organisations has increased exponentially, spurred on by the digital revolution. Nowadays data can be collected on every interaction with the customer via various channels.

More importantly, the capacity to collect and process such vast amounts of data has evolved accordingly. Data analytics and visualisation tools like Hadoop and Tableau have enabled organisations to capture, analyse and glean insights from data much faster and, more commonly, in real time.

These insights can then be employed in the decision making process required to drive innovation in organisations. More specifically, they can be used to create new (or enhance existing) products and services that will improve customer experience and drive loyalty from the existing customer base, as well as grab the attention of prospective customers.

Data Labs are innovation incubators that foster an agile and innovative working environment. They have sprung up to exploit the advantages provided by data analytics. Broadly, most of them adhere to the following process:

Discovery

Ideas around efficiency, new products and services are encouraged to be put forward for consideration and prioritisation. The aim is to assess the potential value that could be generated and the feasibility. Only the shortlisted few make it to the Data Lab's pipeline.

Experiment

Using an agile working approach, Data Labs explore and test various hypotheses around how the value associated with the idea could be best realised. At the end of this exploratory phase, the idea owner is presented with the potential solution for validation.

Scale

If the solution is proved to be viable, the business case is built for scaling and adoption by the organisation. Data Labs can provide guidance throughout the implementation if requested.

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