



## **Improving Service to Intermediaries by the contact centre**

### **Overview**

Maintaining an effective ongoing relationship with customers is a key element of the FSA's Treating Customers Fairly agenda. There are many components to this, including the delivery of promises made within product literature, the provision of timely and meaningful information post-sale, and the fairness of complaint handling. This paper considers another, effective service to customers, and explores how this is enhanced by a partnership approach between providers and distributors. We draw on experience of the IFA contact centre, to illustrate the benefits of this partnership.

The paper identifies a number of good practices in the delivery of service by IFA contact centres, and the benefits for providers of adopting them. We highlight the quick wins that would most improve independent financial adviser (IFA) experience of the contact centre, and consider how this, in conjunction with improvements in the way IFAs use the contact centre, might deliver better service to the end customer.

### **Who should read this paper?**

The paper takes a very general look at service within long-term savings providers, and is likely to be of interest to a wide range of stakeholders. The primary audience is staff within provider companies, who include liaison with IFAs as some or all of their job. There is also useful material for business planners and systems developers, as well as implications for marketing and call centre staff. Finally, we anticipate that IFAs and consumers will recognise many of the issues discussed.

### **Introduction: Where does responsibility for customer service lie?**

Every week, the trade papers carry one or more stories or letters from an irate IFA about the quality of service they receive from providers. This is of course a strange irony, because over the last ten to fifteen years, long term savings and pensions providers have increasingly relied on IFAs to sell their products.

The change in patterns of distributions in many companies has inevitably changed the nature of the relationship between the industry and the customer. A typical provider, in seeking to: a) play to their strengths, and b) reduce the cost of acquisition of customers, is no longer involved in every aspect of the value chain<sup>1</sup>. Instead the provider might seek to specialise in the upstream aspects of the value chain only, such as product design, manufacture, and in providing an appropriate technology infrastructure within which transactions might take place. However, unlike, say, heavy manufacturing or food retailing, within the financial services industry fragmented distribution means that providers also provide most marketing materials, and have a duty to support ongoing service to the end customer. And the long term-nature of investment contracts means that often the original adviser does not, or cannot, maintain service throughout the product lifecycle: one provider estimates that more than half of all individual pension policy maturities do not involve an adviser.

With regard to customer service, the implications for the different players in the value chain include:

- Customers**
  - The end customer's main point of relationship is with the distributor.
  - Customers find it difficult to differentiate between service responsibilities of the manufacturer and those of the distributor.
  - As a result customers usually assess service performance as a complete end-to-end activity.
- Distributors**
  - The distributor lays claim to ownership of the customer, and relies on information, technology and support by the manufacturer to provide an ongoing standard of care.
  - But because the distributor intermediates the manufacturers products (i.e. sells on behalf of the manufacturer), rather than purchasing the product to sell onward, it cannot claim exclusive access to the customer.
  - So the distributor seeks good service from the manufacturer, to discharge a joint responsibility for good service to the customer.
- Manufacturers**
  - The manufacturer needs to retain a core competence in service: both to the customer and to the distributor.

The statements above may in some cases be aspirational: certainly it is not always the case that each player discharges their responsibilities effectively.

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<sup>1</sup> A typical value chain might look like:

TECHNOLOGY → PRODUCT DESIGN → MANUFACTURING → MARKETING →  
DISTRIBUTION → SERVICE

(Robert M Grant, 'Contemporary Strategic Analysis' 3<sup>rd</sup> edition, 1998)

For example, customers do not always recognise their responsibility to make payments in a timely and orderly way, distributors do not always perform effective ongoing service, and manufacturer service may be focused on competition for distributors rather than end customers.

But good customer service is more likely to come about where manufacturer and distributor work in co-operation to produce effective outcomes for customers. Bad customer service might be the result of poor service from manufacturer to distributor; or from distributor to customer; or from manufacturer to customer; or indeed from distributor to manufacturer.

The rest of this paper looks at the first and last of these, and considers in particular good practices for the IFA contact centre. We rely on research into the perceptions of both IFAs and staff in the contact centre to define good practices for each.

### **The regulatory and operating environment and implications for service to IFAs**

Before we consider evidence of service performance from our research, it is worth exploring the changing operating and regulatory environment, to help assess to what extent external influences might intensify the value of good service in the IFA contact centre.

First, FSA's overhaul of the selling regime, covering both Depolarisation and the introduction of commission and service disclosure via The Menu. The contact centre needs of intermediaries who alter status, from IFA to multi-tied, are unlikely to change significantly. However, these advisers will deal with a smaller number of providers, and therefore be better able to foster better relations with staff in the contact centre, based on closer mutual interests. Familiarity will lead to improvements in the contact centre's ability to meet the adviser's needs.

With regard to the introduction of the Menu, intermediaries will be better able to explain the value added service they offer to their customers, in part to justify commission received. Advisers should use this opportunity to place a value on meaningful service and of ongoing advice, which in turn will place a premium on those providers who best support them.

Meanwhile, the Treasury Select Committee recently raised concerns over the trail commissions which intermediaries receive. The suggestion that there should be a greater correlation between the payment of commission and the ongoing service provided means that in future intermediaries might need to demonstrate they have provided ongoing advice and service to the customer, to release the equivalent of trail commission from the policy value. This premium for lifetime service puts an onus on providers to provide quality ongoing service to the intermediaries, to enable them in turn to support the end customer.

Within the savings industry there has been a marked consolidation amongst providers over the past five to ten years. Mergers and acquisitions have led to the creation of a number of very large organisations. This provides the opportunity for scale economies in back office services, but increases the complexity of systems and the training needs of staff. Unless providers use the opportunities of scale to invest in more efficient support to IFAs, the risk is that service will deteriorate.

Elsewhere, the drive to improve efficiency has encouraged many providers to consider outsourcing call centre operations abroad. Whilst it may be too early in this trend to assess its long term impact on adviser perceptions, providers will need to monitor their performance carefully: outsourcing does not remove accountability for quality service.

Finally, increasing use of technology is presenting real opportunities for both providers and IFAs to improve efficiency. It is now possible for IFAs to process applications online, track their status and make straightforward administration changes. This in turn will minimise errors, and reduce the need for advisers to call the contact centre. In a few years time it is likely that all new business will be transacted electronically, and therefore that the nature of support from the contact centre will change.

### **A research based view of contact centre performance**

The Industry Standards Group (ISG) is a committee of the Association of British Insurers (ABI), which draws its membership from member companies of the ABI and the Association of Friendly Societies (AFS), and from the secretariat of both ABI and AIFA (the Association of Independent Financial Advisers). ISG has responsibility for setting standards within the Raising Standards Quality Mark Scheme, and has recently sought to better understand how the benefits of the scheme might become more transparent to IFAs, so that they in turn can more confidently recommend companies accredited under the Raising Standards scheme to their customers.

In Autumn 2004 ISG conducted research amongst 400 staff working across the contact centres of nine providers, who collectively are responsible for over 50% of long-term savings and pensions products sold each year. This was the most ambitious attempt by Raising Standards to measure staff perceptions, and is a signal of the desire to understand the obstacles to fostering a better service to IFAs.

The survey was conducted via a paper questionnaire, designed with help from AIFA, to identify which possible improvements in service to IFAs would have most effect on the IFAs' perception. We also asked staff how IFAs could help them to improve the service they received.

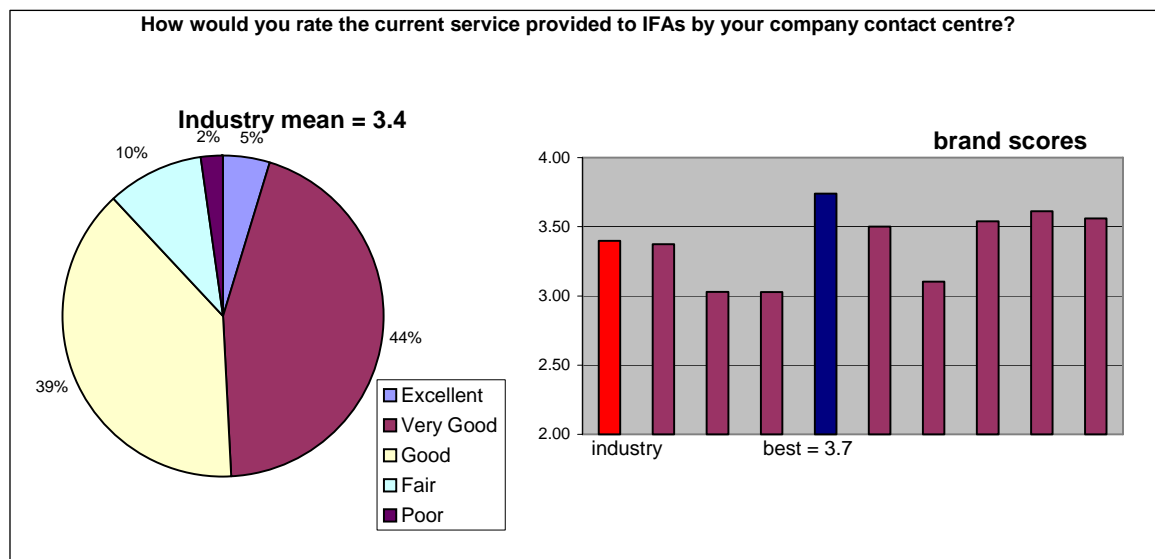
The survey complimented research conducted earlier in 2004 by AIFA, to seek views from its members on how providers could improve service to them. We also compared company views on the quality of service they provide, with

the results of the Financial Adviser/ Practiv Service Awards 2004<sup>2</sup>. Finally, we used the results of wide-ranging customer research commissioned by ISG over the summer, to gauge customers' views on the call centres of pensions and savings providers.

### Staff overall ratings of their contact centre

We asked staff working in contact centres how they rated the service they provided, and how they felt IFAs rated that service.

Half of staff (49%) believe they offer an excellent or very good service, though only 32% believe that IFAs would give the same rating. A quarter believed IFAs would rate their service as fair or poor, which was double the level at which they scored themselves. Scores were generally lower when staff were asked to give their perception of how an IFA would rate them, indicating that staff believe IFA opinions are generally predisposed towards unfavourable opinions of the contact centre.

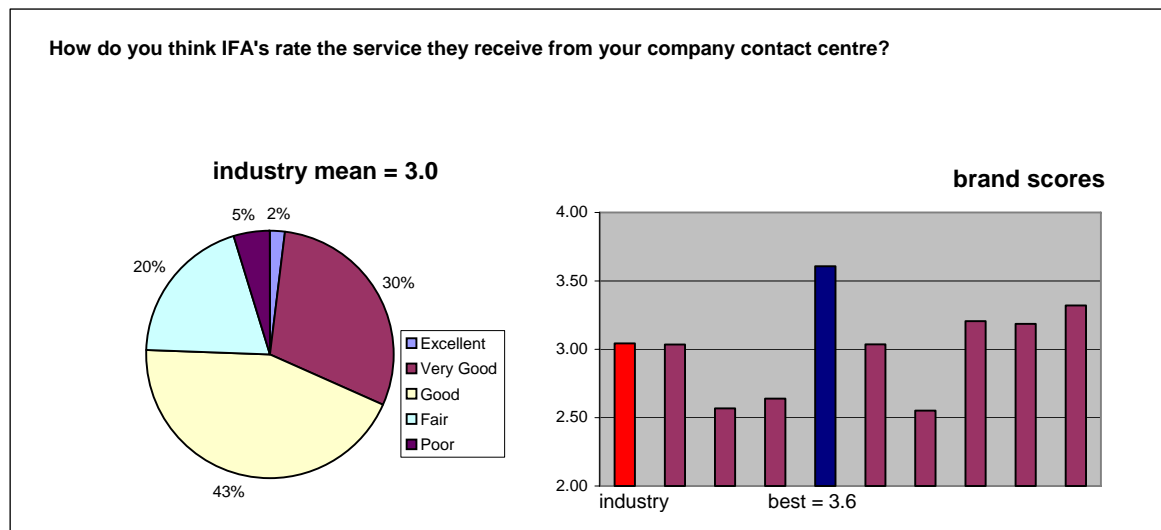


Those staff that rated their service most favourably tended to look for external corroboration, relying especially on feedback from IFAs. And we saw a common range of explanations for low scores, including the use of call length targets and the need to direct calls elsewhere, which staff believed reduced their capacity to offer good service. There was also a recognition that system and resource constraints were sometimes a problem, and a desire from staff to improve their own knowledge of the company's products.

But whilst performance measures such as average call length are widely used, one company (non RS company) appears to measure its quality of service through a range of customer metrics, including tracking of complaints.

<sup>2</sup> Financial Adviser supplement, 25 November 2004

For another (Raising Standards company selling through IFAs), use of independent surveys gave the staff confidence that they delivered a high quality of service. Their confidence translated into the highest score on both their own rating, and on that which they believed IFAs would rate them.

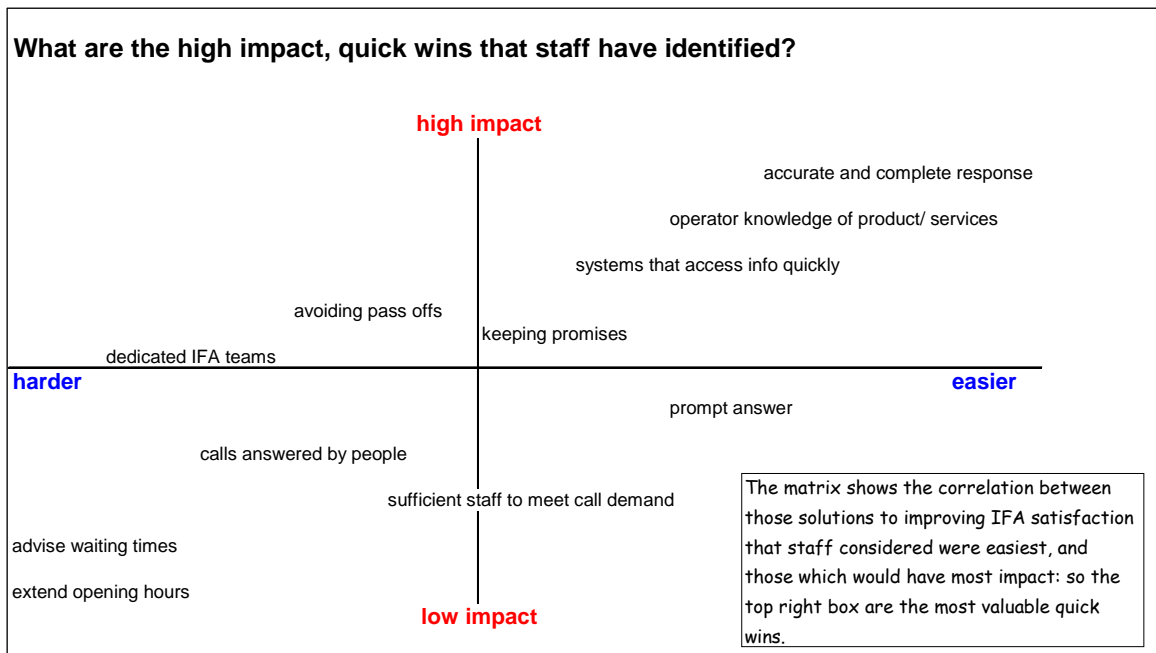


More generally, individual brand scores did not vary significantly. The scores do however indicate that more complex, multi-disciplinary companies tended to have the lowest scores.

### What aspects of service might be improved?

The survey then went on to ask staff what aspects of service, if changed, would make most difference to IFA perceptions, and what changes might be easiest to implement. This allowed us to produce a matrix of high value quick wins.

However a look at the results in the chart below may question whether contact centre staff always recognise the scale of difficulty in implementing change. For example, the most frequent answer on both dimensions was “accurate and complete response to the request (by the IFA)”. To be able to do this on every occasion staff would need access to a complete range of operating systems (including aged ones), together with effective help screens and flexible procedures. The staff themselves would need to be more fully trained in all the company’s products, and effectively empowered to be able to resolve issues. In turn, this would be likely to increase costs, particularly at peak periods. A Rolls Royce service like this may in turn encourage excessive use of the call centre by IFAs, where it would be more efficient for them to seek alternative solutions.



So companies may need to consider ways of delivering a one touch service which is compatible with system and resource constraints, for example by differentiating between product lines or types of distributor, or by reducing demand for the contact centre. This might include providing online alternatives, or by producing procedures and application forms that are less likely to cause problems. There is also a clear opportunity for companies to gain advantage amongst IFAs by investing more in training their contact centre staff.

Indeed, the results from our contact centre survey were compatible with AIFA's survey, where the most common things that IFAs sought when contacting the call centre are "operators that understand products and services" followed by "staff that access the information IFAs need more quickly" and "prompt call answering"<sup>3</sup>.

Leaving aside the 'quick wins', where we asked staff what aspects of the contact centre most prevent them from providing the level of service that IFAs expect, familiar themes of computer systems that fail and lack of staff to meet demand at key times were most frequently cited.

Finally, we asked contact centre staff what three things IFAs could do differently, to make it easier for the contact centre to provide a better service. The top suggestions were:

- Make reasonable demands and expectations (56%)
- Complete documents fully before submitting them (50%)
- Be more polite (36%)

<sup>3</sup> AIFA press release "61% of IFAs say 'more knowledgeable operators' tops wish list", 19 March 2004

The wish list for IFAs indicates that mutual respect and co-operation are vital where IFA and contact centre staff work together for the benefit of the end customer.

## **Perceptions of Raising Standards**

As this survey was sponsored by Raising Standards, we asked staff of companies that are accredited under the scheme their views on how the scheme helps them.

Companies that have invested significantly in accreditation within the Raising Standards scheme should be confident that the contact centre can explain to IFAs (and indeed tied advisers) the quality of information and service delivery to end customers. They will after all be helping the adviser to demonstrate the added value that must be disclosed within the Menu. But the adviser will be more predisposed to place a value on good service where his or her own experience of service is positive. Therefore accredited companies have the most to gain from achieving high standards of service to intermediaries, and from acting on any gaps in the good practices highlighted through this paper.

In 2003, the scheme produced training slides to help spread awareness of the scheme amongst IFA-facing staff, and to enable those staff to speak confidently about the scheme to IFAs.

The most tangible benefits of the scheme that staff thought helped them to do their job more effectively were:

- Because of Raising Standards we provide easier to understand documents at point of sale;
- We make it easier for customers to talk to us when they are unhappy with our service; and
- We survey our customers every year to see how satisfied they are with our service.

These are all benefits of mutual advantage to the IFA, and which can be used by the IFA as part of the justification of their product selection. Gratifyingly, less than 1% of staff in the contact centre failed to think of ways in which their company's accreditation could be useful in their role.

However, around a third of contact centre staff in accredited brands are not familiar with the scheme. This varies significantly amongst companies, with one showing an almost 100% level of awareness, whilst another achieves only 50%. This would indicate that as new staff start in the contact centre, their induction training needs to highlight how to translate the benefits of the scheme to an IFA audience.

## **Aligning to service awards**

One way of validating the views of staff on the quality of their contact centre is to compare results from our survey with the views of the contact centre's customers, the IFAs. Service awards, such as the Financial Adviser Service Awards are designed to recognise providers that deliver excellent service, based on a poll of IFAs. And ultimately, the perception of the customer is the key measure: IFAs were generally critical of service by providers in their recent poll. This is an important warning sign for some companies who believe they offer a good service.

We were pleased though to see a strong correlation between the brand scores in our survey, and the star ratings in the poll of IFAs. Indeed, the company that scored highest amongst staff has consistently been awarded five star rating in the Financial Adviser Service Awards, and has for many years maintained a high reputation for the quality of its service.

Equally, we found that staff who rated their service less favourably were responding to the same kind of feedback from IFAs that produced low scores in the service awards. Our lowest performer also fared poorly in the Service Awards with a three star rating in the life and pensions category, and less as an investment provider. Meanwhile, one company that scored badly in our survey will have been pleasantly surprised to learn that IFAs were quicker to praise them.

### **What end customers want from contact centres**

Raising Standards has also conducted recent research into customer perceptions of their financial provider. This was a very extensive survey, with the results due to be published later in 2005. However, one module concerned performance of the customer call centre. And whilst the needs of customers and the staff of customer call centres are different, there are some useful learning points for contact centres in general about what their customers expect.

Our survey indicated that about one in four customers use the customer service centre in a typical year. This is a little higher than we expected, given that most consumers' long-term savings are relatively low intensity products (i.e. the customer infrequently thinks about or takes action on the product).

Over half the customers that used the customer service centre rated the service as excellent or very good, and more than three out of four of customers randomly sampled were happy with the service provided. Nearly nine out of ten believed the staff were courteous and professional.

We used the results of the survey to uncover what aspects of the service centre performance were most likely to lead to satisfied customers. The three most important aspects were:

- Staff making you feel like a valued customer;
- Staff having appropriate knowledge to deal with issues; and

- Following through on calls and issues.

The comparison with the needs of IFAs is striking: both customers and IFAs look for similar traits in contact centre staff, and in the systems and procedures they work to. There are inevitably different technical requirements for staff working in the customer service centre and the IFA contact centre. However, providers might consider adopting more of the staff training programmes and procedures they use with end customers in the IFA contact centre, and that in turn this might yield more comparable satisfaction scores amongst IFAs.

### **The benefits of investing in the contact centre and working together**

This paper has identified a range of good practices within contact centres. However, providers will be more likely to invest in enhanced service where they can see a good return for their efforts. This is a natural reaction for a profit-focused organisation, so in this section we consider how providers might better measure the benefits of investing in the contact centre.

On the assumption that IFAs reward good performing companies with more business, the first test we undertook was to see whether there was a correlation between good service to IFAs and an increase in market share. To do this, we compared survey results and service award ratings with changes in market share in 2003.

This analysis did not indicate a significant relationship between positive survey results and short-term increases in market share. This is as we might expect: an IFA's decision to recommend a particular provider is influenced primarily by the suitability of its features and benefits to the customer, the product price (including charges and commission), and the quality and reliability of the product and the chosen brand. After-sales service and ease of selling are second order considerations.

However our simple analysis indicates that there is a correlation between poor survey results and short-term reductions in market share. This is again an entirely rational business decision, this time for the IFA: if the cost and inconvenience to the IFA of placing business with a provider is significant, they will look for hassle-free alternatives, and those where a sale is not jeopardised by inefficient service by the provider.

And over the longer term, consistently good service is likely to add to the reputation of the provider. Where, as a direct consequence of the development of stakeholder, products and pricing become less differentiated, service will increasingly become a point of competitive advantage.

The second test we devised looked at how the ratings by staff and IFAs might lead to tangible differences in the performance of the contact centre. This

mimics research conducted within the US retailer Sears a few years ago<sup>4</sup>, where increases in the satisfaction of employees, combined with positive customer feedback were seen to enhance the profitability of a store. In this case we wanted to explore to what extent high survey scores by staff, combined with high service ratings by IFAs, might lead to better than expected business performance in the contact centre.

For the purposes of this generalised report our research was not rigorous, though it was sufficient to suggest more thorough work would provide more substantive and compelling results. In other words, the Sears model appears to translate into business to business relationships: satisfaction of employees and IFAs with the delivery of the contact centre is a good predictor of business performance.

In addition, the customer research we highlighted earlier confirmed that there is a strong correlation between how satisfied a customer is with the life and pensions provider, and how likely they are to remain loyal. In this case we define loyalty both as being a probable advocate of the company *and* an intention to continue to invest. Our research indicated that customers who are extremely or very satisfied with service are **20 times** more loyal to the provider than those that are not very or not at all satisfied.

Given that loyalty by this definition will increase earnings for the provider, customer satisfaction with service becomes a third dimension in predicting future business performance. So for an intermediated market we can develop a predictive tool as follows:

$$\text{Employee satisfaction} \times \text{Intermediary satisfaction} \times \text{Customer satisfaction} = \text{Business performance}$$

In other words, providers should recognise that increases in profitability are more likely to occur where customers, intermediaries and staff are all positive about service delivery. In the context of the contact centre, that means harmonising the interests of both the staff and the IFA towards the interests of the end customer, and regularly taking feedback from all three groups.

One reason why the research of this second test was not rigorous is the absence of consistent targeting and qualitative performance reporting in contact centres. Traditional measures have focused on average call length, lost call rates, staff attrition and unit cost. We did however see efforts by many companies to broaden the measures they used to assess the effectiveness of the contact centre. One company for example differentiates between hard and soft measures:

**1. "Hard" service measures:**

Time, speed, access and availability of service, number of hand-offs, accuracy, the range of services offered etc. These service measures

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<sup>4</sup> "The Employee-Customer-Profit chain at Sears", Harvard Business Review, January 1998. The paper developed a predictive equation: employee satisfaction x customer satisfaction = change in profit.

are set out internally as service level agreements (SLA's) with regular monitoring procedures to manage outcomes.

## **2. "Soft" service measures:**

Attitude, empathy, knowledge, displaying ownership and accountability, relationship building, getting back to people, problem solving, keeping IFA's informed of progress, focused on IFA needs.

These kinds of measures, combined with the satisfaction model highlighted above, are a vital tool in monitoring the performance of the contact centre, and in providing the benefit case for further investing in good service to IFAs. As one of our research contacts indicated:

“All of the issues outlined are within each company's ability to sort out. When providers understand that not only is there a cost to doing something there is also a cost for not doing something, then we will get progress. For example, the cost of humans rather than telephone menu services - it costs money to have people answering the phones, but if they provide a one stop service the knock on effect may be that overall a company's new business will increase as a result of good service.”

## **Conclusions**

Through the course of this report we have highlighted a range of good practices for improving contact centre delivery. More than that though, we have firmly established service delivery to the end customer is the shared responsibility of the provider and the IFA, and it is in their best interests to work in co-operation. Our research concludes that whilst there is scope for some quick wins, cost of change in the contact centre is never insignificant, and a properly programmed approach to delivering improvements will yield optimum results. And where those results are translated into higher levels of satisfaction amongst staff, IFAs and customers, the provider will enjoy an effective payback on their investment.

It has been suggested that many of the good practices offered by this paper are rather obvious. Good! Because whilst that may be the case, the evidence indicates the obvious is often overlooked. So we hope that having compiled the practices in one place will be a catalyst for both providers and IFAs to adopt them. And ABI will produce a summarised version of the good practices contained within this paper on the Raising Standards website.

We thank those companies and their staff who contributed to our survey. We have provided materials to them to help assess their own performance. We strongly urge them to use these to open a dialogue with staff in the contact centre, to identify an effective programme for improvement.

We also believe there is some useful learning for intermediaries in this report. It is vital that advisers and contact centre staff work in partnership to improve end customer delivery. Teamwork at the contact centre is one key element of that.