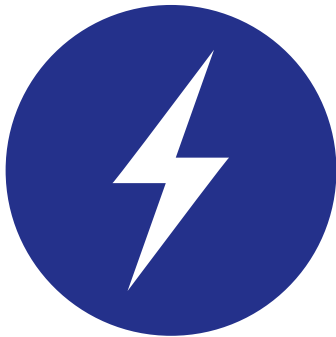


CONSUMER ACTION MONITOR

March 2018



“If consumers complain more and companies commit to improving customer service issues, the result will be consumer protection that is good for consumers and good for business.”



Foreword

Now in its fifth year, the Consumer Action Monitor reveals a trend towards passive action as disillusionment bites.

Frustrated with poor service and unmet expectations, we are seeing more consumers voting with their feet rather than registering their complaints formally.

With disillusionment giving way to a new type of consumer activism, businesses need to shift their thinking when it comes to customer experience and complaint handling.

The most successful companies are those that use technology to complement their customer service, and work with stakeholders to take a 360-degree view of the complaints process – so that trends can be identified and problems are addressed at the root.

If consumers complain more and companies commit to improving customer service issues, the result will be consumer protection that is good for consumers and good for business.



Consumers experienced 173 million issues with products and services in 2017 – affecting more than half (57%) of those in the UK. Yet only a quarter (27%) of these were raised with the provider.

Active complaints stood at around 47 million for 2017, down 14 per cent from 2016. But far from being encouraging, it seems that long-term frustrations could be behind the slowdown, with more than two thirds of consumers saying that they are resigned to poor service in at least one sector.

Consumers failed to raise their complaints 78 million times last year, and our report suggests that the perceived hassle, previous bad experiences, disillusionment and lack of trust are to blame.

Yet consumers are still finding a way to show their disapproval without complaining. Two in five (40%) ‘walked out’ before completing a purchase as a result of poor service, up from 29 per cent in last year’s report, while three in 10 (30%) chose to switch providers or spend less because of disappointing experiences.

This new consumer behaviour makes retention and restoration of trust more important than ever for businesses. It is crucial that consumers trust businesses enough to raise complaints, that those complaints are handled well, and that there is easy access to an ombudsman where the customer remains dissatisfied.

It is also essential that businesses embrace new technologies and collaborate with stakeholders to understand a 360-degree customer view of the complaints process and identify ‘pain points’ for consumers, and work to address issues at the root.

At Ombudsman Services, we are committed to helping companies improve their customer service processes, and provide support in the journey of rebuilding trust amongst consumers. With a third (34%) of consumers more likely to trust a company that offers access to an ombudsman this should be an essential part of any complaints process.

We are determined to be a force for good, benefiting both consumers and businesses in the year ahead.

Lewis Shand Smith, Chief Ombudsman

Executive summary

The key findings of the Consumer Action Monitor are:

- **There were a total of 173 million issues with products and services in 2017 - with 57 per cent of the population affected**
- Only a quarter (27%) of these were actively raised with providers - **47 million** complaints in total, down 14 per cent from last year (55 million)
- The most common sectors for complaints were Retail (25%), Energy (12%), Telecoms (11%) and Transport (9%)
- Long-term frustration lies behind the decline in active complaining, with **69 per cent** saying they are resigned to poor service in one or more sectors
 - Three in 10 (29%) consumers believe you can only get a result from a complaint if you kick up a big fuss
 - **One in five (20%) say they complained before but nothing changed**
 - 45 per cent didn't bother to complain because they think it is too much hassle
- **A quarter (27%)** want to hold businesses to account for poor service, but ineffective customer service sees consumers vote with their feet
 - Number of 'walk outs' up to **40 per cent** from just 29 per cent in 2017
 - **Three in 10 (30%) chose to switch providers or spend less because of disappointing experiences**
 - Retail most likely to be affected by 'passive complaints' with one in three (33%) switching brands in the last 12 months
- **Passive consumer activism** is bad news for businesses, leaving reputations and bottom lines at risk
 - 86 per cent say their trust in companies declines if family or friends have bad experiences, but 'walk outs' mean firms are unable to address the issue
 - One in five (19%) with cause to complain spoke to friends and family about the issue, but nearly half (45%) did not take the issue further due to the perceived hassle
- **Well handled complaints see 75 per cent make return purchases, but businesses need to encourage consumers to make issues known**
 - Only 11 per cent would return to a company if a complaint was handled poorly
 - One in three (36%) think more of a company that handles complaints effectively

173m

complaints about
products and services

27%

only a quarter were
raised as a complaint

The complaints landscape

Average number of complaints
per person

 = 2.5

-0.3 change
from 2017

Average number of 'actioned'
complaints per person

 = 0.9

-0.2 change
from 2017

Average number of complaints
not acted on per person

 = 1.6

-0.1 change
from 2017

Average number of 'walk outs'
per person

 = 1.0

New
metric

Fighting for justice

27% want to hold businesses
to account for poor
customer service

21% believe businesses act
as though they are above
the law

People's willingness to take action against a product
or service provider when things go wrong, compared
to 12 months ago:

27%
More likely

66%
No difference

3%
Less likely

Complaints by sector

The number of complaints varies by sector, with Retail receiving the largest share, and 'grudge purchases' like Energy and Telecoms also generating a large number of complaints. These three sectors combined were responsible for nearly half (48%) of all complaints in 2017.

Despite the overall number of complaints decreasing in the last year, those in the Energy sector have increased, overtaking the number of complaints in the Telecoms sector for the first time.

Highly publicised issues in both Aviation and Rail have seen the number of complaints in the Transport sector jump up to nine per cent, an increase of more than half a million complaints in a year, marking a continuing trend in the sector.



Complaints by region

The number of customer complaints varies considerably by region, with London topping the table as 2017's most prolific complainers, making an average of 1.54 complaints per person.

Despite being active complainers Londoners were also the most likely to brush issues under the rug – on average people experienced 2.28 issues each that they decided not to raise with the company or a third party.

And despite making the fewest complaints per head (0.70), residents of Wales were the most likely to raise a complaint when they experienced an issue, while those in the East Midlands were the least likely.



What are the barriers to complaining?

Consumers ignored 78 million problems in 2017, up from 75 million in 2016, with perceived effort, apathy and awareness playing a significant role.

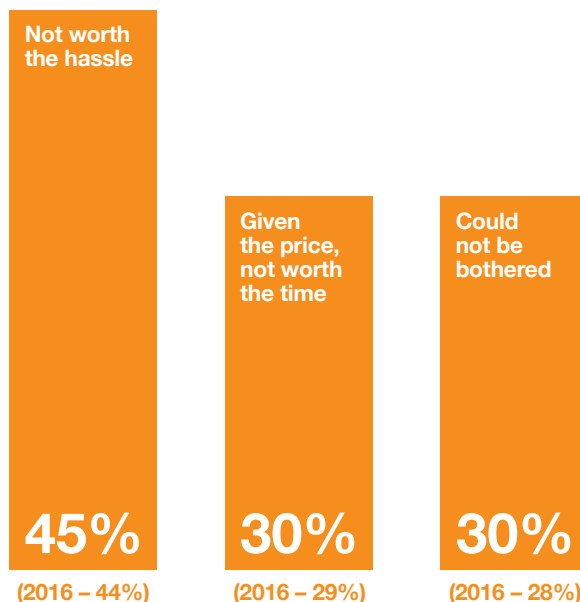
Many consumers believe that the effort of getting a complaint resolved outweighs the benefits, with nearly half (45%) thinking it was not worth the hassle, and the cost of the item did not merit the time spent complaining.

There is also significant apathy amongst consumers, stemming from a lack of belief that anything will change; one in five (20%) said they don't think companies listen with the same number saying that they had complained before and nothing improved.

With eight per cent unaware there was an alternative to court action, many let that put them off getting a complaint resolved. One in 10 (12%) felt that legal action would be too expensive, while a similar proportion (10%) finding the prospect of complaining daunting.

Biggest barriers to complaining

(base: All who had a complaint which they did not take to a supplier or third party)



78m

issues were
ignored

45%

of consumers think
complaining is not
worth the hassle

Where people go to complain

When consumers act on complaints, most (65%) raise them directly with the company or supplier behind the problem. However, when this fails to reach a resolution many choose to escalate their complaint to a third party.

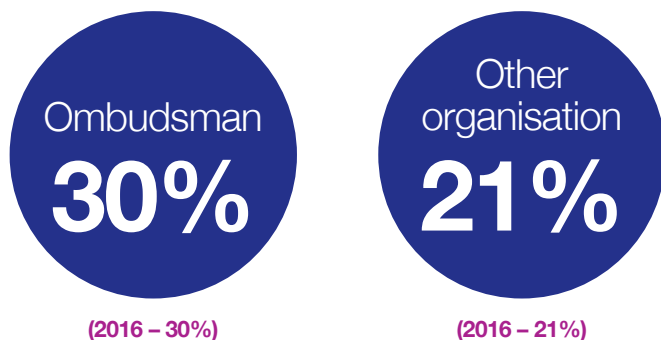
Social media remained the most popular method of airing grievances (31%), closely followed by ombudsmen (30%), which provide a quick, free and simple alternative to court action.

One in five (21%) sought help from another organisation, while 12 per cent went to the media, in an attempt to drive companies to take action.

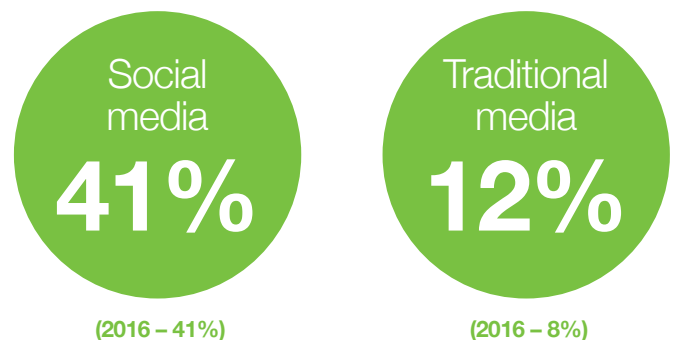
Which third party did you take your complaint to?

(base: All who complained to a third party)

An ombudsman or government organisation



Media



Courts and mediation



Consumer frustration and disillusionment rife

Despite UK consumers suffering 173 million issues with products and services in 2017, only a quarter of these (27%) were raised with the provider, indicating disillusionment and lack of faith that complaining will deliver results.

Resigned to poor service

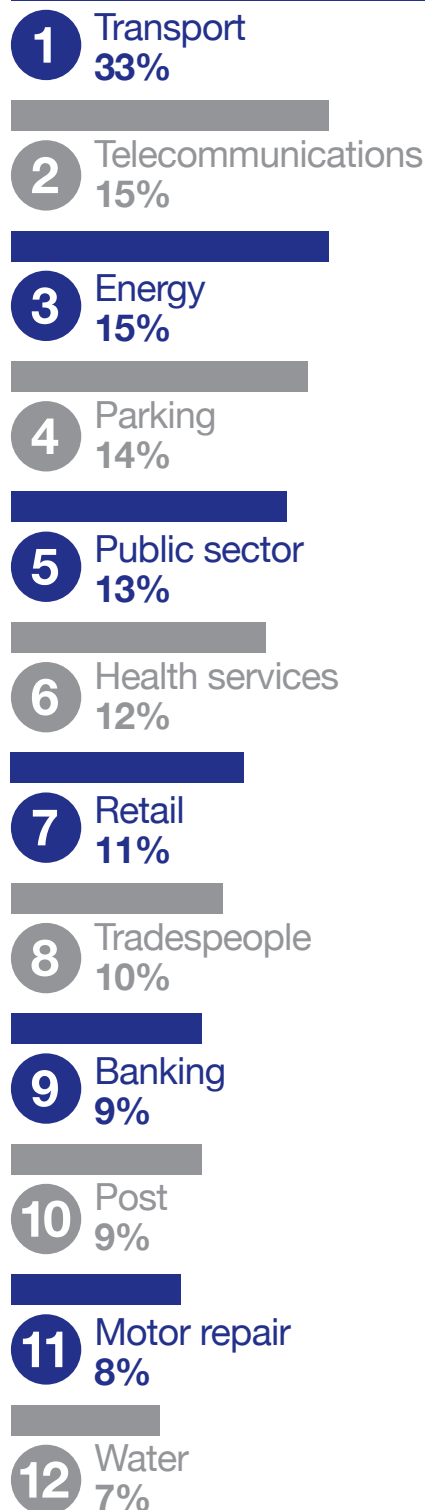
In 2017, more than two thirds of people (69%) reported being resigned to poor service in at least one sector, with one in five (20%) weary consumers saying that they had complained before but nothing changed.

UK consumers are running out of energy when it comes to pursuing complaints with businesses; three in 10 (29%) believe you can only get a result from a complaint if you kick up a big fuss.

69%

of people are resigned to poor service in at least one sector

Would you say that you are resigned to poor service in any of the following sectors?



Trust in business suffers

With consumers resigned to poor service, it's no surprise that they no longer trust businesses to do the right thing. Nearly three in 10 (28%) consumers say they trust businesses less now than they did three years ago, with two thirds (62%) pointing to bad customer service as the cause.

And it's not only personal experiences that matter. Most (86%) say their trust in companies is dented if their family and friends have bad experiences, but in many cases businesses are not given the opportunity to resolve the issue. One in five (19%) with cause to complain spoke to their friends and family, but nearly half (45%) did not take their issue further as they thought it would be too much hassle.

With many consumers experiencing ongoing frustrations, one in five (20%) are now more sceptical about what they hear from companies than they were a year ago, which makes it harder to rebuild trust.

Why is this bad for business?

Business reputation and bottom line go hand in hand. Two in five (42%) consumers report they are less likely to shop with a company they don't trust, so retention and attraction will suffer when trust is broken.

One in five (18%) don't trust businesses to treat them fairly when it comes to complaining, and many consumers choose to part ways with a business rather than trust it to address their issues. As a result, this affects businesses' ability to understand the issues and make problems right.

Factors damaging trust in business

90% Did not live up to a promise

89% Had a bad experience with the company

88% Does not put its customers first

87% Found to have acted unethically

85% Experienced a cyber security breach

28%

of consumers say they trust businesses less now than they did three years ago

Consumer activism on the rise

2017 saw consumers raising fewer complaints with businesses – only 47 million, down from 55 million. But in spite of a decline in active complaining, it's clear fewer consumers are willing to grin and bear poor service.

One in four (27%) want to hold businesses to account, but a new form of consumer activism is developing, as frustration with poor service leaves many choosing to vote with their feet, rather than give the company a chance to resolve the issue.

In 2017, instead of raising a complaint, three in 10 (30%) consumers reported leaving or spending less with a company due to disappointing experiences and two in five (40%) said they walked out rather than completing a purchase as a result of poor service.

Retailers are most likely to be affected by 'passive complaints', with one in three (33%) saying they've stopped shopping with a company in the last 12 months.

Consumers expect more

Consumers' expectations of businesses are on the rise, with 12 per cent wanting more from companies than they have done in the past.

Expectations are changing when it comes to things going wrong. The growth of technology has led to a society where consumers expect immediate, responsive and tailored customer service, yet it seems that some businesses are falling behind, as one in three (34%) think that companies take too long to resolve complaints.

While financial compensation is not the goal for all, one in three (36%) now say that compensation is the minimum they would expect; up from 27% last year.

However, two in five people (42%) would just like an apology – and to be shown empathy and understanding by the business involved. Overall though, the majority of people (64%) just want things put right.

What is the minimum you would expect to happen if you received poor service or bought a defective product?

Putting the problem right

64%

69%
in 2016

An apology

42%

52%
in 2016

Financial compensation

36%

27%
in 2016

An improved service

29%

33%
in 2016

What can businesses do?

With disillusionment giving way to a new type of consumer activism, businesses need to shift their thinking when it comes to customer service.

Complaints can be valuable

For the modern consumer voicing their discontent on social platforms is becoming greater, with last year close to one in three (31%) sharing their complaints on social media, and 2017 also saw a four per cent jump in people taking their complaints to traditional media. While many businesses will address issues raised in this way, some will fly under the radar, leaving consumers out of pocket and frustrated.

By encouraging consumers to complain directly to them when things go wrong, companies open the door to a valuable resource. By identifying trends in complaints, businesses can take action and improve processes or service that is resulting in a negative customer experience.

High quality complaints handling can also make a significant difference to customer retention, with three quarters (75%) of consumers suggesting they would be likely to return to a company if it dealt with a complaint well, in comparison to 11 per cent who would return if a complaint was handled poorly.

Rebuilding trust

At a time when businesses come under more scrutiny than ever before, transparency is essential to rebuilding trust. Half (50%) of consumers think less of companies who evade or avoid tax, while two in five (41%) worry about companies that treat their workers unfairly.

One in seven (15%) consumers believe that businesses used to do right by people, but this is no longer the case, so a company that demonstrates its commitment to treating customers fairly is likely to be more trusted. The role ombudsmen can play is significant, with one in three (34%) saying they would be more likely to trust a company that is signed up to an ombudsman scheme.

Improving customer experiences

Technology has the potential to revolutionise customer service, but currently three in 10 (31%) consumers believe that companies make more mistakes now due to their reliance on digital services. It's crucial that businesses use technology to complement not replace customer service.

Good complaints handling requires a human touch, and to truly satisfy the customer, businesses need to find a balance between demands for digital and human customer service.

Yet at the same time, by embracing new technologies and collaborating with stakeholders to understand the full complaints process, businesses can take a 360-degree customer view and identify 'pain points' for consumers, and work to address issues at the root.

31%

of consumers share
their complaints on
social media

15%

of consumers believe
that businesses used
to do right by people,
but this is no longer
the case

For further information, including data breakdowns, please contact:

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About Ombudsman Services

- Ombudsman Services is a not for profit, private company limited by guarantee
- Ombudsman Services runs national, private sector ombudsman schemes which provides independent dispute resolution for the communications, energy, property, copyright licensing sectors, the Green Deal, the ABFA and Reallymoving.com
- Ombudsman Services is a full member of the Ombudsman Association (OA) and adheres to its principles
- Further information about Ombudsman Services can be found at **www.ombudsman-services.org**

Methodology

- The 2018 Consumer Action Monitor is the fifth annual report of its kind produced by Ombudsman Services
- Research was commissioned by Ombudsman Services and carried out by ICM Research between 20 - 28 December 2017

Methodology	Online omnibus: nationally representative sample of adults aged 18+
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Number of interviews	4,168
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Coverage of fieldwork	Great Britain, with quotas by gender, age, region
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Fieldwork dates	20 - 28 December 2017
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- Certain extrapolations have been made based on the findings in order to estimate the numbers of complaints that have taken place nationally, regionally and within particular industry sectors. These extrapolations, made by ICM are based on an ONS audited GB adult population figure of 50,340,973

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