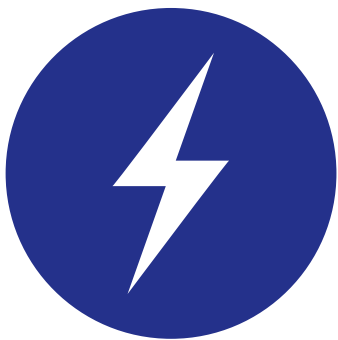


CONSUMER ACTION MONITOR SCOTLAND

May 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 fourth year, the Consumer Action Monitor Scotland 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 over 12 million issues with products and services in 2017 – affecting 58 per cent of those in Scotland. Yet only a third (33%) of these were raised with the provider.

Active complaints stood at 4.6 million for 2017, down 13 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 ignored more than eight million issues 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 (41%) 'walked out' before completing a purchase as a result of poor service, while a quarter (23%) chose to 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 three in ten (30%) 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 Scotland are:

- **There were a total of 12.7 million complaints about products and services in 2017 - with 58 per cent of the Scottish population affected**
- Only a third (33%) of these were actively raised with providers – **4.6 million** complaints in total, down 13 per cent from last year (5.3 million)
- **8.1 million** complaints were ignored, as disillusionment bites
- The most common sectors for complaints in Scotland were Retail (24%), Telecoms (11%), Public Transport (11%) and Energy (11%)
- **Long-term frustration lies behind the decline in active complaining, with 70 per cent resigned to poor service in one or more sectors**
 - A quarter (26%) of consumers believe you can only get a result from a complaint if you kick up a big fuss
 - A further quarter (24%) say they complained before but nothing improved
 - 42 per cent didn't bother to complain because they didn't think it would be worth the hassle
- **Three in 10 (29%) Scots want to hold businesses to account for poor service, but ineffective customer service sees consumers vote with their feet**
 - 41 per cent of people 'walked out' before completing a purchase as a result of poor service
 - More than a quarter (27%) left a company and 23 per cent chose to spend less money with a company because of disappointing experiences
 - Retail is most likely to be affected by 'passive complaints' with over one in three (37%) switching brands in the last 12 months
- Passive **consumer activism** is bad news for businesses, leaving reputations at risk, as well as bottom lines
 - A third (33%) with cause to complain spoke to friends and family about the issue but didn't take the issue any further
 - 87 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
 - More than two in five (42%) are less likely to shop with a company they don't trust
- Well handled complaints see **77 per cent** make return purchases in Scotland, but businesses need to encourage consumers to make issues known
 - Only 13 per cent would return to a company if a complaint was handled poorly
 - One in three (32%) think more of a company that handles complaints effectively

12.7m

complaints about products and services

33%

only a third were raised as a complaint

The complaints landscape in Scotland

Average number of complaints per person



Average number of 'actioned' complaints per person



Average number of complaints not acted on per person



Average number of 'walk outs' per person



Fighting for justice

29% want to hold businesses to account for poor customer service

22% believe businesses act as though they are above the law

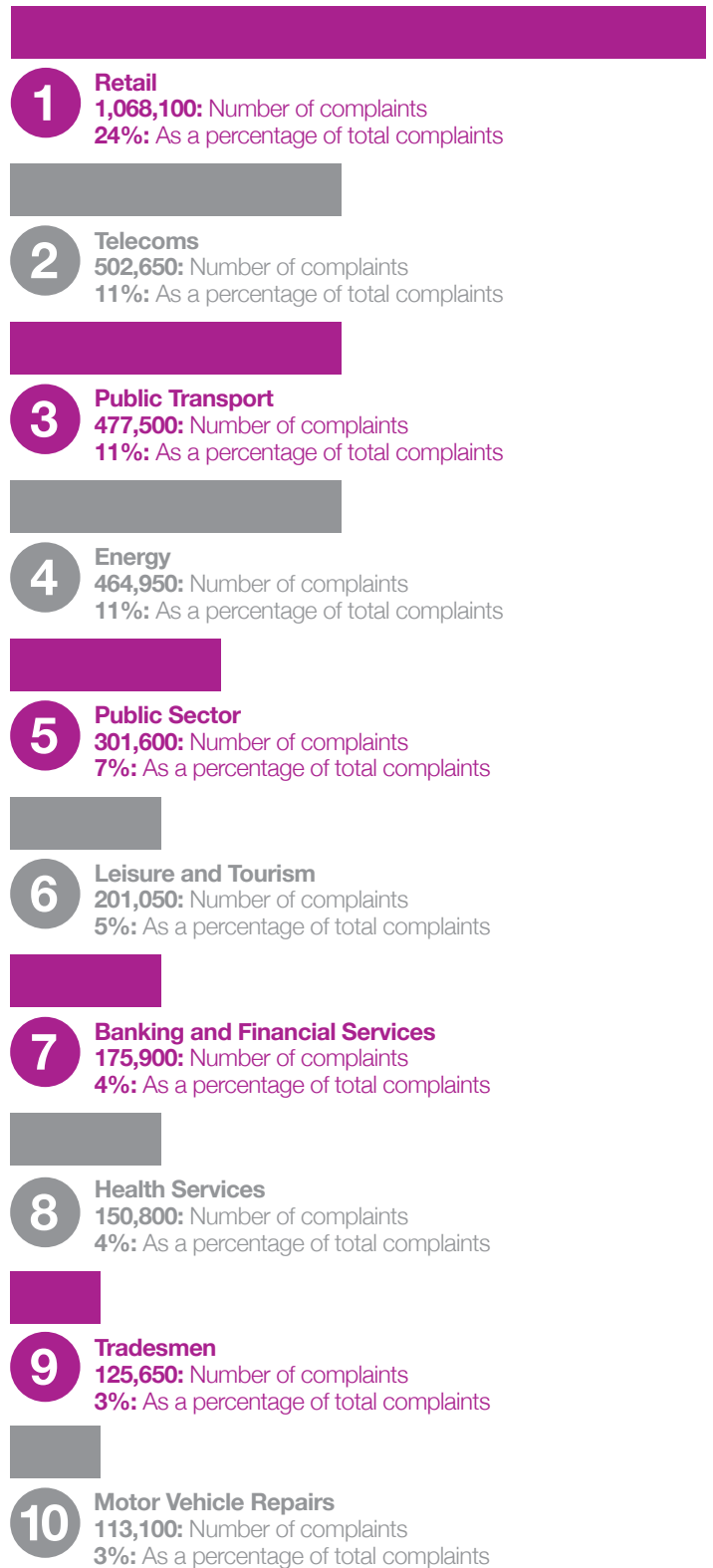
People's willingness to take action against a product or service provider when things go wrong, compared to 12 months ago:



Complaints by sector in Scotland

The number of complaints varies by sector, with Retail receiving the largest share (24%), followed by Telecoms, Public Transport and Energy with around 11 per cent each. Together, complaints about these sectors make up more than half (57%) of the Scottish total.

Issues with Public Transport, particularly in aviation and rail, have seen the number of complaints in this sector increase by around 120,000 year on year, while issues in the 'grudge sectors', Telecoms and Energy, are down by 60,000 and 35,000 respectively.

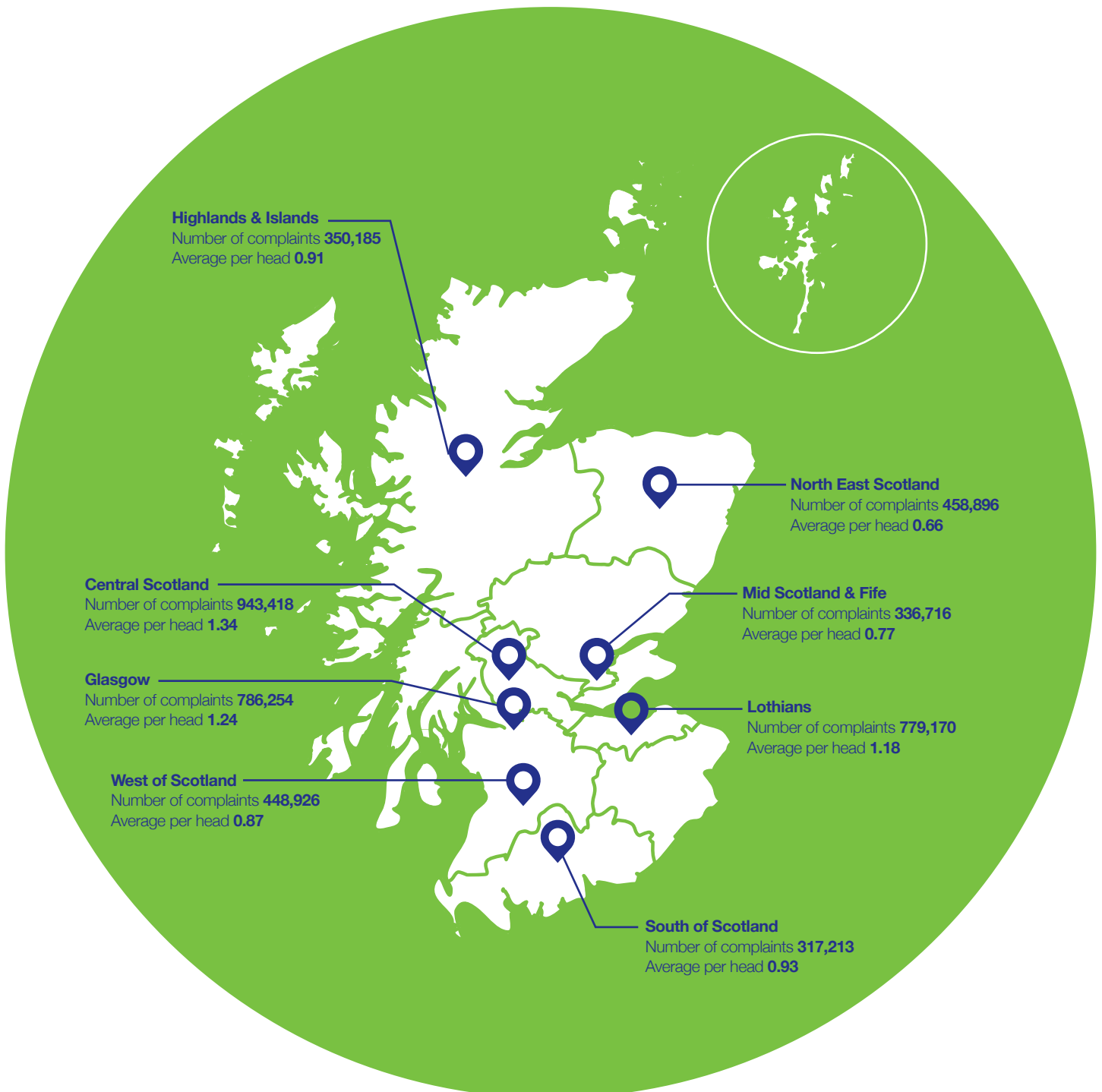


Complaints by region

The number of customer complaints varies considerably by region, with Central Scotland topping the table as the most prolific complainers, making an average of 1.34 complaints per person.

Glaswegians experienced the most issues per person at a total 2.86 per head, but 30 per cent of these were raised with a company – 1.24 per person.

While those in North East Scotland made the least complaints per person (0.66), people living in Mid Scotland and Fife brushed 71 per cent of the issues they experienced under the rug – the highest of any Scottish region.



What are the barriers to complaining?

Scottish consumers ignored 8.1 million problems in 2017, with perceived effort, apathy and awareness playing a significant role.

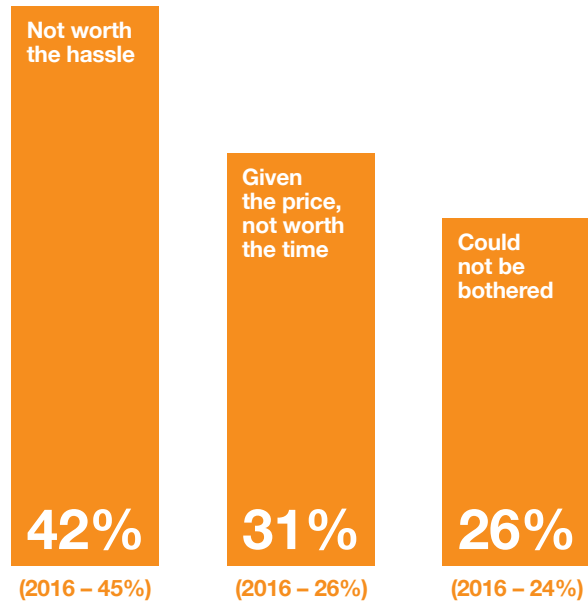
Many consumers believe that the effort of getting a complaint resolved outweighs the benefits, with more than four in 10 (42%) saying that complaining is not worth the hassle, and three in 10 (31%) reporting that the cost of the item did not merit the time required to complain.

There is also significant apathy amongst consumers, stemming from a lack of belief that anything will change; a quarter (24%) said they had complained before and nothing improved and 14 per cent don't think companies listen to them.

With one in 10 (10%) unaware there are alternatives to court action, many were put off getting a complaint resolved. A further 11 per cent felt that legal action would be too expensive, while a similar proportion (12%) find 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)



8.1m

issues were ignored

42%

of consumers think complaining is not worth the hassle

Where people go to complain

When Scottish consumers act on complaints, most (66%) 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.

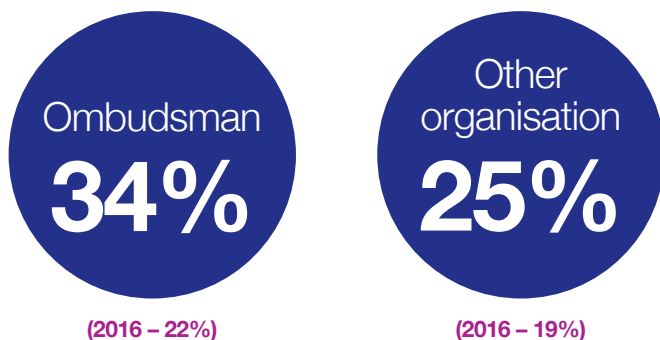
Social media remained the most popular method of airing grievances (37%), closely followed by ombudsmen (34%), which provide a quick, free and simple alternative to court action.

A quarter (25%) sought help from another organisation, while 19 per cent went to the small claims court in an attempt to drive companies to take action.

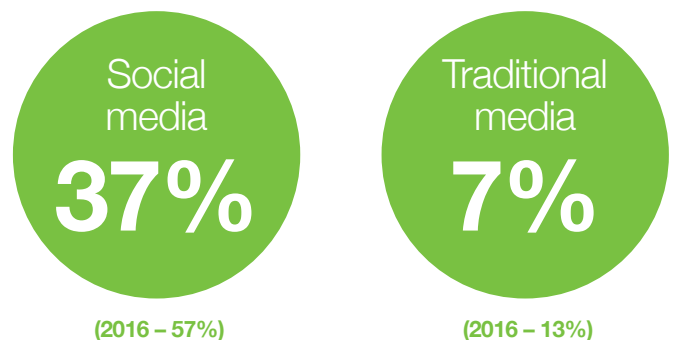
Which third party did you take your complaint to?

(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 12.6 million issues with products and services in 2017, only a third of these (33%) were raised with the provider. Although people in Scotland made more complaints than the UK average (27%), disillusionment and lack of faith that complaining will deliver results is still a significant issue.

Resigned to poor service

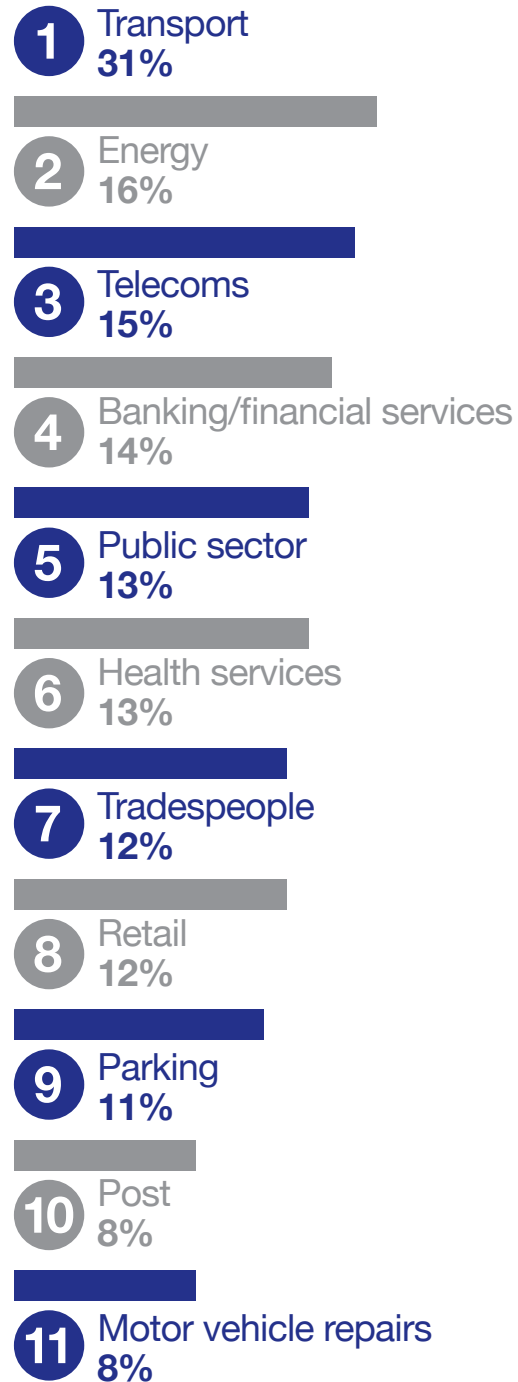
Seven out of 10 (70%) people report being resigned to poor service in one or more sectors, with a quarter (24%) of weary consumers saying that they had complained before but nothing improved.

UK consumers are running out of energy when it comes to pursuing complaints with businesses; a further quarter (26%) believe you can only get a result from a complaint if you kick up a big fuss.

70%

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 Scottish consumers resigned to poor service, it's no surprise that consumers no longer trust businesses to do the right thing. Three in 10 (30%) consumers say they trust businesses less now than they did three years ago, with 58 per cent pointing to bad customer service as the cause.

And it's not only personal experiences that matter. Most (87%) 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. Nearly a quarter (23%) with cause to complain spoke to their friends and family, but four in 10 (42%) 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 (19%) 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

91% Had a bad experience with the company

90% Did not live up to a promise

89% Found to have acted unethically

88% Does not put its customers first

86% Experienced a cyber security breach

30%

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

Consumer activism on the rise

2017 saw Scottish consumers raising fewer complaints with businesses – only 4.6 million, down from 5.4 million. But in spite of a decline in active complaining, it's clear fewer consumers are willing to grin and bear poor service.

Three in 10 (29%) 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, a quarter (27%) of consumers left a company due to disappointing experiences rather than raise a complaint and 41 per cent 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 more than one in three (37%) saying they've stopped shopping with a company in the past 12 months.

Consumers expect more

Consumers' expectations of businesses are on the rise, with 11 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 (33%) think that companies take too long to resolve issues.

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 25 per cent last year.

However, nearly four in 10 (38%) 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%

An apology

38%

Financial compensation

36%

An improved service

31%

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 Scottish consumer, voicing discontent on social platforms is becoming the norm, with over a third (37%) sharing their complaints on social 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 over three quarters (77%) of consumers reporting they would be likely to return to a company if it dealt with a complaint well, in comparison to 13 per cent who would return if a complaint was handled poorly.

Rebuilding trust

At a time when businesses are coming under more scrutiny than ever before, transparency is essential to rebuilding trust. Almost half (46%) of consumers think less of companies who evade or avoid tax, while two in five (39%) worry about companies that treat their workers unfairly.

Nearly one in five (16%) 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 three in 10 (30%) 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 a quarter (24%) of Scottish 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.

37%

of consumers share
their complaints on
social media

16%

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:

Ombudsman Services / Third City
osteam@thirdcity.co.uk / 020 3657 9773

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 Scotland is the fourth 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+ |
| Number of interviews | 536 |
| Coverage of fieldwork | Scotland, with quotas by gender, age, region |
| Fieldwork dates | 20 - 28 December 2017 |

- 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 Scotland adult population figure of 4,373,939

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





Registered office:

The Ombudsman Service Limited
3300 Daresbury Park
Daresbury
Warrington WA4 4HS

Registered in England and Wales
Registered number: 4351294

www.ombudsman-services.org

Consumer Action Monitor Scotland

May 2018