Davies

Building a resilient customer experience for vulnerable customers

The moral, legal and commercial drivers behind creating an improved customer experience (CX)

A series of events over the past few years have placed businesses under immense pressure to adopt agile operating models and flexible strategies or face being forced out of business for good. First came a global pandemic, then came a cost of living crisis amidst the highest inflation rate seen in the UK for 41 years (11.1% in October 2022).

Consumers have faced these challenges too. Domestic gas prices increasing by 129% between December 2021 and December 2022 being just one example of unprecedented financial stress they have had to shoulder. "Heating or eating" has become a worrying soundbite that signifies the dire state many people find themselves in, not knowing whether to spend their money on keeping warm or not going hungry.

Not only have these events resulted in shifts in consumer behaviour, they have also caused changes in consumer characteristics; namely in the nature of vulnerability.

Adults are described as having low financial resilience if they have little capacity to withstand financial shocks, because, for example, they do not think they would be able to withstand losing their main source of household income for even a week or are finding it to be a heavy burden keeping up with their domestic bills or credit commitments, or because they have already missed paying these bills in 3 or more of the last 6 months.

(Source: Financial Conduct Authority)

The rise in vulnerable customers

In the Financial Lives 2022 survey, the Financial Conduct Authority (FCA) found the number of consumers with characteristics of vulnerability had increased by nearly a million in May 2022 compared with 2020. This was mostly due to a rise in the proportion of adults with low financial resilience who said they were "heavily burdened" by domestic bills and credit commitments.

This is an important reminder that it's not just somebody's characteristics that might make them more vulnerable as a consumer but also the circumstances in which they find themselves.

The FCA's definition of a vulnerable customer exemplifies this: **"a vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care."**

Drivers of vulnerability

As the FCA's survey showed, low financial resilience is an increasingly prominent driver of vulnerability to the extent that it has driven up the overall proportion of UK adults with characteristics of vulnerability to 47% (24.9 million), as of May 2022. But vulnerability is not limited solely to someone's financial status. With an ageing population, organisations are increasingly dealing with customers who have conditions such as dementia (there are 900,000 people living with dementia in the UK – Dementia UK) and people who may have difficulty accessing non-traditional customer communication channels such as web-chat. The other drivers are poor health, recent negative life events and low capability.

The table on this page sets out the four drivers of vulnerability and shows examples of characteristics under each one.

Health	Life events	Resilience	Capability
• Physical disability • Severe or long-term illness • Hearing or visual impairment • Mental health condition or disability • Addiction • Low mental capacity or cognitive disability	• Retirement • Bereavement • Income shock • Relationship breakdown • Domestic abuse (including economic control) • Caring responsibilities • Other circumstances that affect people's experience of financial services e.g. leaving care, migration or seeking asylum, human trafficking or modern slavery, convictions	• Inadequate (outgoings exceed income) or erratic income • Over-indebtedness • Low savings • Low emotional resilience	• Low knowledge or confidence in managing finances • Poor literacy or numeracy skills • Poor English language skills • Poor or non-existent digital skills • Learning difficulties • No or low access to help or support

The important thing to remember is all customers face the risk of becoming vulnerable. Consider the risk on a spectrum on which your chances of becoming vulnerable are increased if you are in a vulnerable circumstance or you display one or more characteristics of vulnerability. This isn't a hypothetical situation as the stats above show – as of May 2022, there were almost a million more UK adults showing one or more characteristics of vulnerability than before the COVID-19 pandemic in February 2020.

The interrelationship between vulnerable characteristics is also demonstrated in a report by debt charity StepChange which found 6.4 million adults are now feeling the pressure of debt and that this has negatively impacted health, relationships and the ability to work. Sadly, in financial service call centres one in four frontline agents have reported speaking to at least one customer they thought might kill themselves – highlighting the serious connection between problem debt and suicide (Vulnerability: a guide for debt collection, Finance & Leasing Association and The UK Cards Association, 2017).

Aside from emphasising the importance of customer care, it also stresses how paramount it is for customer contact colleagues to have the knowledge and tools they need to deal with vulnerable customers in a professional and empathetic manner.

Today's experience as a vulnerable customer

As the FCA's statistics show, we're not talking about small numbers of people. And we're not just talking about people with a disability, or the ageing population who "don't know how to use the internet". We're talking about a range of people from all walks of life who deserve to be treated fairly and respectfully.

Here are some key facts about today's vulnerable customer population:

7.2m
UK adults estimated to be over-indebted

(Financial Lives 2020 survey: the impact of coronavirus, FCA, February 2021)

1.08m
people in the UK could be borrowing from an illegal money lender

(Swimming with Sharks: Illegal money lending in England, The Centre for Social Justice, 2022)

1 in 3 people
with severe mental health problems have home insurance or a savings account

(Citizens Advice 2019, the Mental Health Premium)

9m
people in the UK are unable to use the internet without assistance. Age is the biggest indicator of whether someone is 'online', with 52% of the offline population being aged between 60-70 but 44% of those 'offline' are aged under 60
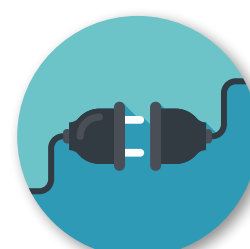
(Lloyds Bank UK Consumer Digital Index 2020)

42%
42% of people with an impairment have 'low' or 'very low' digital engagement, which indicates that the most vulnerable and disadvantaged are the most likely to be digitally excluded

(Lloyds Bank UK Consumer Digital Index 2020)

1.6m
estimated energy customers self-disconnect at least once per year by not topping up their prepayment meters. Since the outbreak of COVID-19, fuel crisis charity Fuel Bank has seen a 23% rise in people seeking their help and witnessed local spikes in demand of over 300%

(Fuel Bank Foundation 2021 Fuel Crisis Report)

It is important to remember that while some individuals identify themselves as vulnerable, others would hate the thought of being labelled in that way and some may not realise that they're in a situation that makes them vulnerable.

High awareness but poor practice

Whilst awareness of vulnerable consumers is high, particularly amongst companies operating in regulated industries, there is still a lot of progress to be made to establish, implement and maintain good practice in dealing with vulnerable customers. According to data from Call Centre Helper, just **44% of organisations have a vulnerable customer policy** in place, which demonstrates the gaps vulnerable customers can face in their experience as consumers.

6 in 10
organisations don't have a vulnerable customer policy
(Source: Call Centre Helper)

Far too many consumers are still being treated unfairly:

- **3 million** people with disabilities have been turned down for insurance or charged extra
(Extra Costs Commission)

- **28% of blind or partially sighted people** said that information from banks was never accessible
(Reading and Braille Research, RNIB 2022)

- The 'digitally disengaged' could be spending an average of **£348 more per year** on utilities bills, revealing a deep economical disadvantage by being offline
(Lloyds Bank UK Consumer Digital Index 2020)

- **20% of disabled people** said they would not ask their supplier for support even if they needed it due to a lack of trust in suppliers, being wary of discrimination, not being believed, and doubting that contacting suppliers would make any difference
(Scope, Covid-19, energy suppliers, and their disabled customers, February 2021)

- Customers paying for energy by prepayment meters or standard credit and those who have a disability are **more likely to experience lower levels of satisfaction** in their interaction with their energy supplier (Ofgem Consumer Protection Report, 2021)

- **Those with disabilities face barriers in digital accessibility** including accessing apps which don't support accessibility features, have poor navigation and poor text size or font
(Research Institute for Disabled Consumers RiDC)

Having a vulnerable customer policy is just one small part of the strategy to help avoid poor outcomes for people who need additional support. And avoiding poor outcomes is the minimal target to aim for – **engaging all customers and giving them a continued positive experience should be the ultimate goal.**

Why helping vulnerable customers matters

For moral, legal and commercial reasons, ensuring vulnerable customers have a positive customer experience is paramount.

Morally, creating an inclusive experience which helps avoid poor outcomes for people is undoubtedly the right thing to do. But even if a company is of that belief, making that a priority and a reality is easier said than done.

When you add legal and regulatory requirements around how companies treat their customers, including the Equality Act 2010, the Consumer Protection from Unfair Trading Regulations 2008, and the Mental Capacity Act (England and Wales) 2005, as well as the **FCA's Consumer Duty** for financial services companies, the argument for an inclusive customer experience becomes stronger.

> The proposed new overarching standard of conduct hinges on the principle that **"a firm must act to deliver good outcomes for retail customers"** throughout the entire product life cycle.
>
> The consumer duty aims to achieve four main goals:
> - **Fair value**
> - **Suitable products & services**
> - **Suitable treatment**
> - **Confidence**

If the risk of non-compliance wasn't enough to convert business leaders, factor in the risk of customer attrition and damage to brand reputation if your company isn't set up to service vulnerable customers effectively. It is reported that 72% of people switch companies after a negative experience and more than half of them (52%) would tell their family/friends not to buy from the brand they had a bad experience with (HiverHQ.com). With the cost of acquiring new customers estimated to be three to six times more than the cost of retaining existing customers, Chief Financial Officers need to ask themselves if losing customers through poor customer experiences is a financial risk they are willing to take.

Most customers allow just two negative customer service interactions before switching to another brand
(Source: Calabrio)

Poor CX experience puts £120 billion in sales at risk
(Source: Global Study: What Happens After A Bad Experience, Qualtrics XM Institute)

Overcoming call centre challenges

Giving contact centre colleagues the training and support they need to feel confident in handling interactions with vulnerable customers is crucial. Reportedly, 93% of contact centre managers said agent stress is already affecting customer satisfaction scores (Calabrio). Not only will a lack of support affect performance, leading to unsatisfactory customer experiences, it will also affect employee confidence and morale, resulting in absenteeism and ultimately colleague attrition.

According to the Call Centre Management Association (CCMA), agent turnover is around 26% annually, more than 10% above the national average. Estimates suggest around 20% of call centre employees are dissatisfied with their job but this figure rises to **30% in the technology and telecoms industries**. Investing in employee engagement has an undeniably positive impact on customer experience and recruitment costs. Happy and engaged employees are less likely to look for new jobs and are more likely to excel at their jobs. In fact, they're 3.3 times more likely to feel extremely empowered to resolve customer issues (McKinsey and Company).

Tomorrow's experience as a vulnerable customer

The biggest customer experience challenge organisations have experienced has been 'customer vulnerability due to health, caregiver or financial reasons' according to the CallMiner CX 2022 Landscape Report. This came above other factors like 'failure to gain ROI from technology investments like AI.'

Investing time and money into creating an effective inclusive, omnichannel customer experience is a challenge for companies that are still feeling the effects of recessionary cost cutting. But it's a worthwhile challenge to overcome.

Omnichannel not uni-channel strategies

During the height of the pandemic, the most agile companies across multiple industries were able to quickly pivot their customer service to introduce new, digital ways of getting in touch. Heading into 2020 just 4% of mid-size banks and credit unions had deployed a chatbot but that figure more than tripled to 13% by the end of the year (What's going on in banking, Cornerstone Advisors, 2021).

AI chatbots proved their value in helping reduce response times for customers, easing pressure on contact teams and lowering support costs – with IBM stating the bots can reduce customer support service fees by 30% by reducing reliance on human interactions (Digital Customer Care in the Age of AI, IBM). Commercial benefits aside, AI chatbots have proved their value in the customer experience sphere - in the insurance industry 83% of customers are satisfied being served by a chatbot (2022 Customer Service Report, LiveChat).

Figure 1. **How has your usage of the following customer support channels changed since the pandemic**
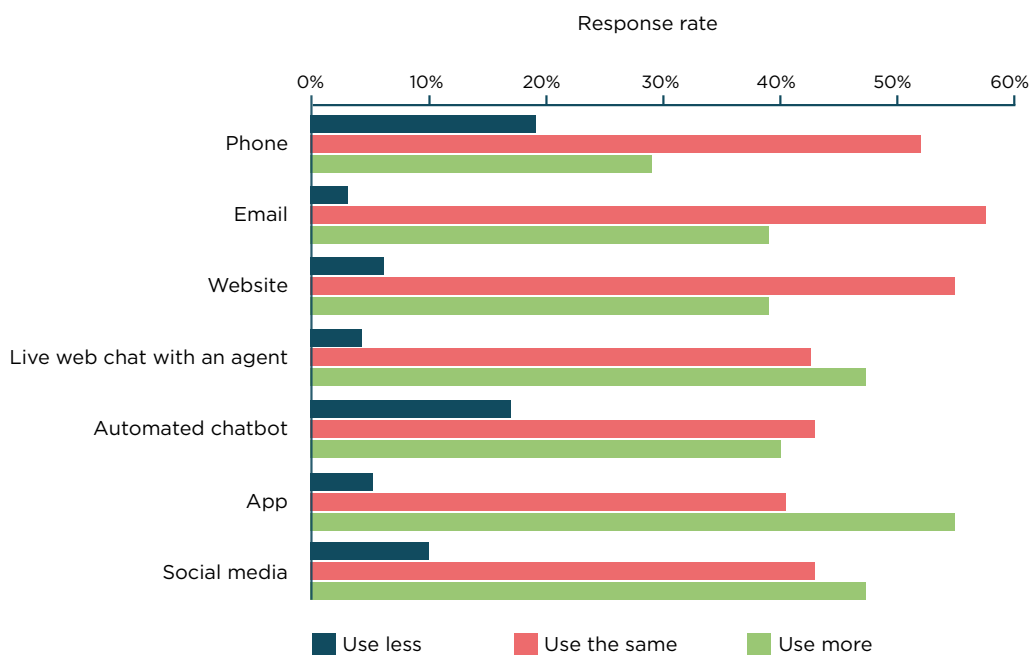
Source: Brainfood

One of the most common uses of Conversational AI – particularly during the pandemic – has been to enhance and support customer self-service. It offers customers a quicker and more convenient way of getting an answer to their query or carrying out a basic transaction. For vulnerable customers, speaking to an intelligent assistant can also help avoid potential sensitivities, for example, if they need to discuss a recent bereavement or personal change in their circumstances.

Voice technology is also growing in popularity - so much so that it's predicted that by the end of 2023 there will be more voice assistants than the world's population (Digital Voice Assistants: Platforms, Revenues & Opportunities 2019-2023, Juniper Research).

Unsurprisingly, younger generations are particularly keen adopters of chatbot technology. 20% of Gen Z consumers prefer to start with a chatbot, compared to only 4% of Boomers. Conversely, 71% of Boomers prefer to start by talking on the phone with a live agent, compared to 41% of Gen Z consumers (Consumer study on chatbots 2022, Simplr).

Clearly, the human touch still plays a crucial role in customer experience. According to a report from Calabrio, 80% of consumers still rank phone interactions as their preferred customer service channel. Being able to offer a traditional voice channel when the customer requires it is a hallmark of a good customer experience strategy that can flex to support the additional needs vulnerable customers may have.

The three pillars of treating vulnerable customers fairly

PILLAR 1

Communication is one of three pillars the FCA suggests companies look at to create more positive experiences for vulnerable customers. The others are product & service design and customer service. Customers need to be at the forefront of everything your business does – only that way can you ensure they have a positive experience from their first interaction with you to when they no longer need your service.

PILLAR 2

So from when you first **design a product or service,** consider vulnerable customers. Test the impact they might have on vulnerable customers and make adaptations if required. It could be as simple as ensuring customers provide a designated second contact at the start of their customer journey. If you're making changes to a live product or are considering withdrawing it, consult with consumers first.

PILLAR 3

In relation to customer service, ensure your **customer contact agents are well-equipped to identify signs of vulnerability** during their interactions with customers and record any important information in an efficient, reliable way. Technology can support the work of agents – for example, with speech analytics which can pick up on key words and utterances that might indicate that someone has additional needs. Websites can also use analytics to pick up on a user's hesitation (for example, looking at 'hover time') and automatically generate a chatbot to help the customer get the information they need.

As alluded to above, customers should have a range of ways they can communicate with a company to suit their needs. Importantly, deciding what methods of communication to offer should be based on research and data, not assumptions. It's estimated that less than 10% of blind people can read Braille, for example, so offering audio messaging may be more preferable.
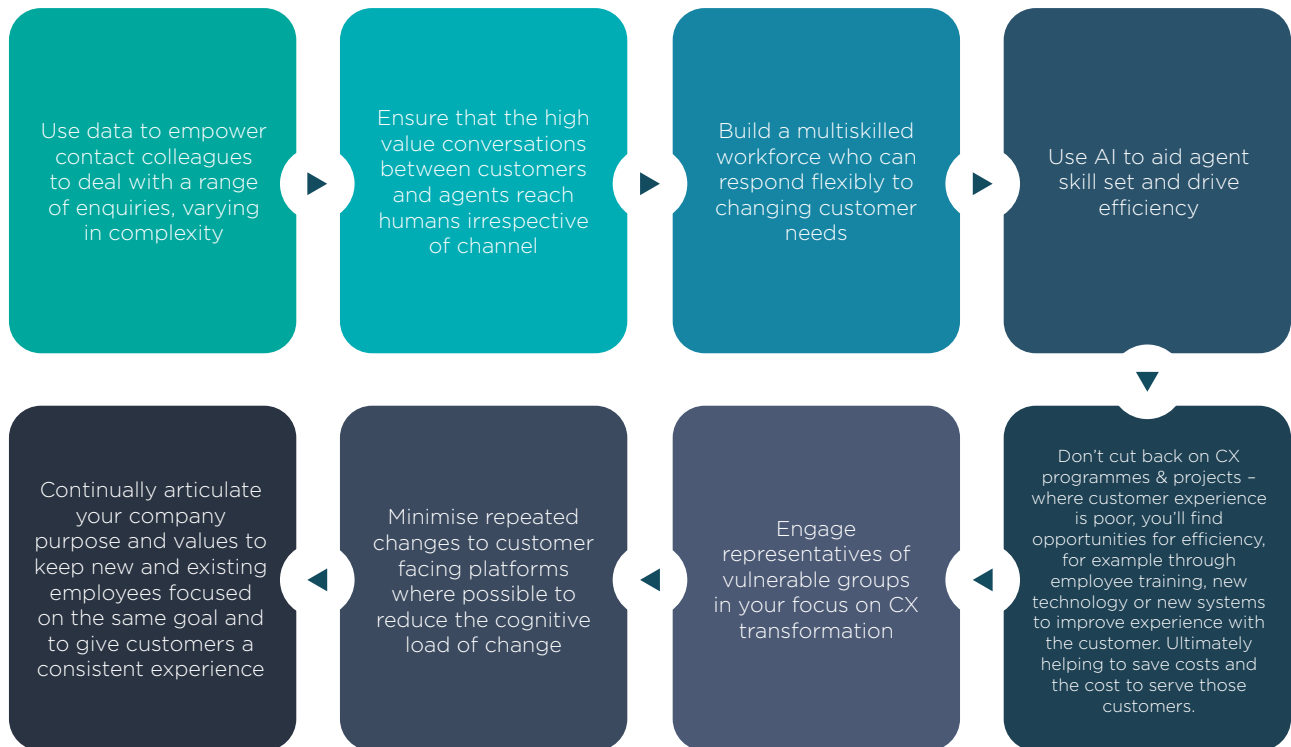
Key attributes for your contact centre colleagues:

- Skilled in more emotive/ complex conversations
- Able/willing to personalise each conversation

- Expects to learn and grow
- Expects and enjoys being empowered to respond to what matters to customers

- Notices and wants to contribute to service/CX improvements

Creating a CX strategy fit for the future

Creating a future-fit customer experience is about creating balance. Balancing investment with cost-cutting, balancing the efficiency of AI with the empathy of human agents and balancing the needs of employees with the experience of customers.

Here are 8 things to consider in your quest for a better customer experience:

Use data to empower contact colleagues to deal with a range of enquiries, varying in complexity

▶

Ensure that the high value conversations between customers and agents reach humans irrespective of channel

▶

Build a multiskilled workforce who can respond flexibly to changing customer needs

▶

Use AI to aid agent skill set and drive efficiency

▼

Continually articulate your company purpose and values to keep new and existing employees focused on the same goal and to give customers a consistent experience

◀

Minimise repeated changes to customer facing platforms where possible to reduce the cognitive load of change

◀

Engage representatives of vulnerable groups in your focus on CX transformation

◀

Don't cut back on CX programmes & projects – where customer experience is poor, you'll find opportunities for efficiency, for example through employee training, new technology or new systems to improve experience with the customer. Ultimately helping to save costs and the cost to serve those customers.

Measuring the effectiveness of your customer experience

You've reviewed the customer journey, implemented some changes to improve outcomes for vulnerable customers, but how do you know it's made a difference? How do you measure the performance of your customer experience strategy?

From **Customer Effort Score** to **Net Promoter Score** and **first-contact resolution rate**, there are a range of metrics you can use to measure the effectiveness of your customer experience. Many companies hold customer satisfaction score as the most useful indicator of performance.

Critically, the related KPIs and benchmarks you set need to include a vulnerable customer lens. **Are you able to look at your CX benchmarks from this perspective and do they reveal insights hidden when viewing the aggregate scores?**

How we **can help**

Creating a flexible customer experience that's fit for the future isn't just about incorporating a robust vulnerable customer strategy and being compliant, it's about proactively creating a fully inclusive experience that truly engages your customer base. The customer experience you offer can be your differentiator. It can build loyalty and reputation; it can justify higher prices and enhance colleague retention. But with customer profiles changing, expectations constantly rising and the range of touchpoints rapidly evolving, how do you know where to start and what areas to invest in?

Gaining an independent perspective will enable you to see the bigger picture and gain the information you need to make informed decisions about your customer experience.

Davies can help you answer:

How can we **transform customer experience** and reduce operating cost?

What measurements should we use to monitor the **effectiveness of our customer experience?**

What role could **CX technology** play in transforming customer experiences?

How can we **optimise the vast data** we have within our business?

Where can new technologies add **value and improve** customer experiences?

We provide strategic thinking, robust analysis and professional services including change management at all stages of the CX journey; **Review, Operating Model, Sourcing, Technology and Change.**

To find out more click here ▶

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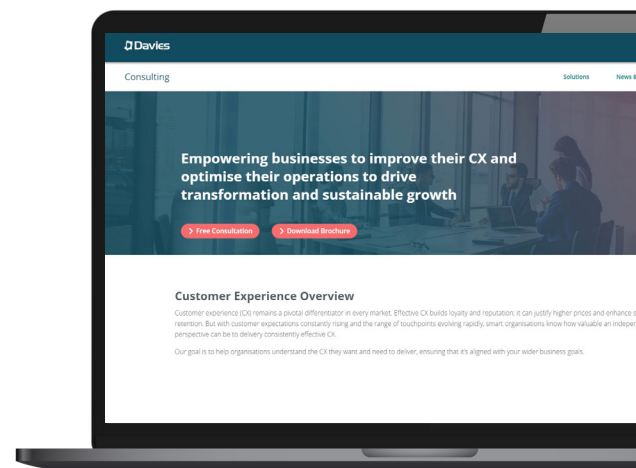
Case **study**

How we helped an award-winning UK general insurer create a simple, effective and compliant experience for vulnerable customers

Despite having a vulnerable customer programme in place, it had stalled under the pressures of business as usual activity. Our client was unable to implement solutions at pace due to stakeholders overthinking their approach. They sought our help to create a pragmatic approach to manage vulnerability effectively and ensure they were operating in line with FCA requirements.

Here's what **we did**

- Completed a tried and tested 12-point assessment to assess the service gap
- Identified multiple areas that didn't meet expected standards
- Designed pragmatic solutions to satisfy FCA requirements
- Built governance and formed a joint-delivery team represented by key functions
- Mobilised, delivered and let the business to initiate full roll-out in 10 weeks

The **results?**

- New end-to-end vulnerability system deployed from product to front line service
- Solution approved by Risk/Compliance and senior management
- Change of culture and operational approach did not impact handle time
- Business better attuned to the needs of vulnerable customers
- Advisors able to deal with vulnerable customers with confidence

Technology
What, where and how to deliver user-led, IT-powered, change?

Sourcing
Where, who and how to secure best value partnerships?

Operational Resilience
What and where are the business risks and how to resolve them?

Operating Model
How and where to evolve to deliver maximum value at lowest cost?

CX+TX
Consulting Services
(strategy to execution)

Change Delivery
What and how to enable user-led change?

Review
Where and how to achieve improvement?

Clarity by Davies
How to leverage your business I.P. to deliver better change faster and with less risk?

Davies takes your CX initiatives from conception to reality, helping to unlock value and drive meaningful engagement across all customer touchpoints.

Our mission is to help organisations attain the level of CX they need to meet their broader business objectives while delivering a total experience that exceeds all expectations.
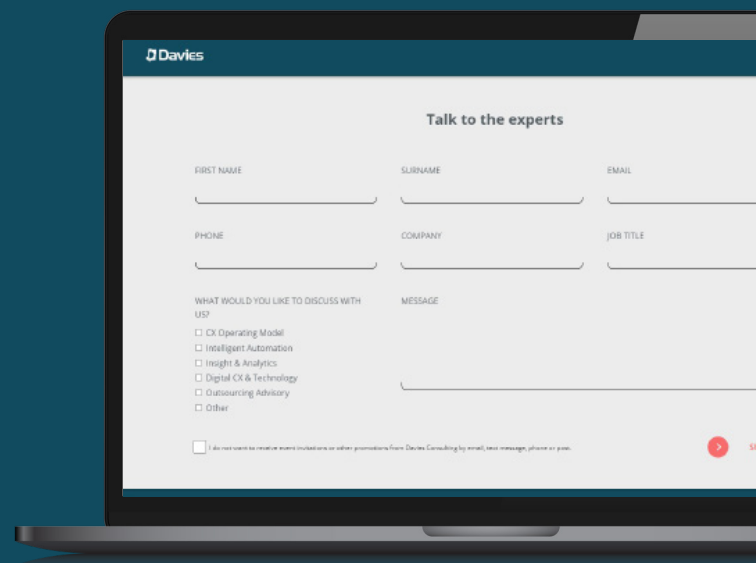
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