



Foreword

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With negotiations on the UK's exit from the European Union underway, the outlook for the economy and for customer service performance is uncertain, and in some ways, contradictory.

Consumer confidence and spending have proved remarkably resilient in the last year. Yet the prospect of inflation rising faster than incomes, coupled with the increase in unsecured personal borrowing, may change customers' priorities and lead to more exacting demands on price and service.

On the political front, there have been louder calls for intervention in regulated sectors, from across the political spectrum, than we have seen in decades. There is growing concern that record employment levels have not translated into rising living standards for many people. Now that the turmoil of the election has subsided, attention also needs to return to the long term trends shaping the future of our economic life, such as the potential for artificial intelligence to transform customer experiences and existing employment and organisational models. The UKCSI continues to show that employee behaviours and skills are powerful differentiators of customer service performance. A key challenge for organisations will therefore be to transform customer experience by harnessing artificial intelligence alongside, not just instead of, traditional service attributes.

Customer satisfaction is now, along with January 2013, at its highest point ever, this improvement driven significantly by better complaint handling. But more customers are experiencing problems, customer effort has continued to rise and more customers are escalating complaints. Apart from complaint handling, customer service performance has not really progressed since 2013.

Like the economy as a whole, this is a defining moment for customer service performance. Many organisations have woken up to the need to respond to more assertive, confident customers; but how many organisations have created relationships with customers that lead to loyalty, advocacy and sustained business results?

This UKCSI suggests that if the UK is to advance its position as a genuine global leader in customer experience, organisations need to move beyond measuring transactional experiences and complaints resolution. There needs to be a step change in approach, with a focus on the quality and integration of customer experience design, a commitment to outstanding employee engagement, training and development and the bringing together of emerging technologies with the traditional virtues of customer service. Constancy of purpose, creativity in customer experience design and consistency in implementation are the keys to move from customer satisfaction to authentic customer relationships that will flourish, even in an uncertain, contradictory world. This is a pivotal moment; it is a time for organisations to be brave and drive the customer experience agenda harder, and in a more sustained manner, in order to ensure long-term survival.

I hope you find this UKCSI relevant, insightful and thought-provoking. If you have any comments about it, or you would like to know more about how The Institute can support your customer service strategy, please get in touch.

With warm regards,

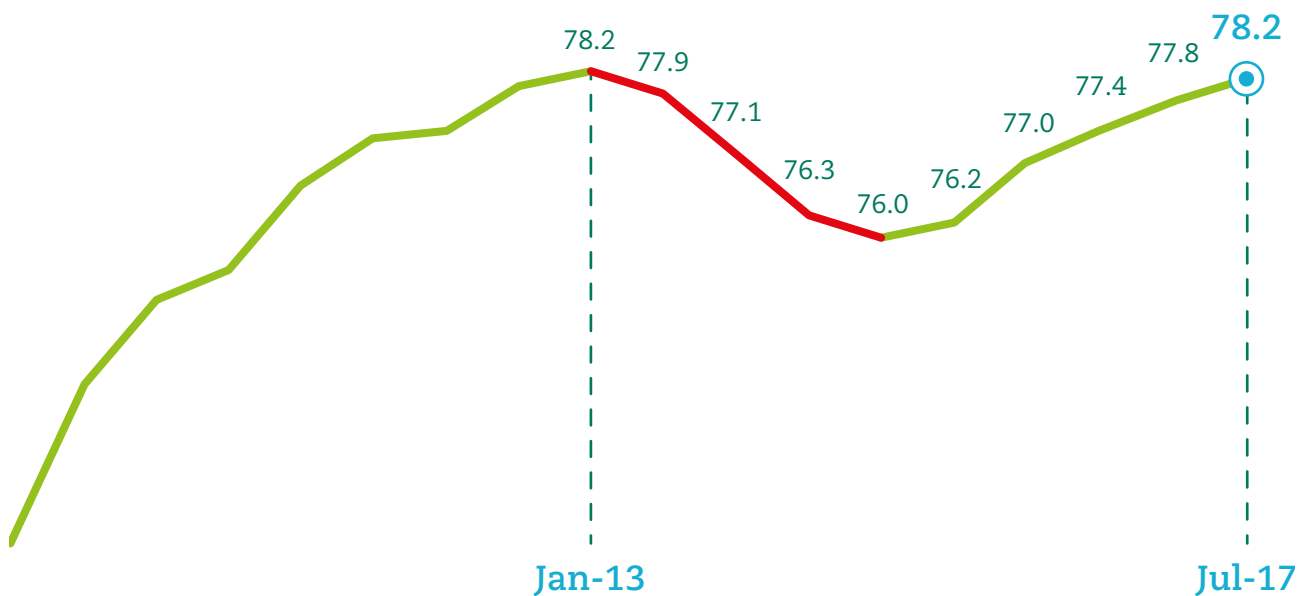
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Executive Summary

The July 2017 UKCSI score is 78.2, up 0.8 points compared to a year ago and 0.4 points higher than January 2017. Along with January 2013, the UKCSI is at its highest point ever

- The areas of customer experience which have seen the biggest year on year improvements are satisfaction with complaint handling and the number of interactions which customers rate as “right first time”.
- Despite these improvements, more customers say they have experienced a problem in dealing with an organisation compared to a year ago. Many organisations have become better at dealing with complaints but less effective in preventing problems at source.
- The consequence is that many organisations are incurring significant costs in dealing with complaints. Whilst better complaint handling is driving improved satisfaction it does not necessarily foster customer loyalty and advocacy.
- The Net Promoter Score (NPS) of 17.0 is 1.3 points higher than in July 2016. The average score for trust in an organisation is unchanged. Customer effort, a measure of how much effort customers have to put into dealing with an organisation, has risen by 0.2 points.



Six sectors have improved by more than one point

- Banks & Building Societies, Leisure, Public Services (Local), Public Services (National), Telecommunications & Media and Utilities have each improved by more than one point compared to July 2016.
- The Public Services (National and Local) and Utilities sectors have seen the largest growth in customer satisfaction, driven by higher scores for trust and transparency, over the phone and complaint handling measures and more experiences rated as right first time. The Utilities sector is 5.7 points higher than in July 2014, the biggest improvement of any sector.
- A further six sectors – Automotive, Retail (Food), Retail (Non-food), Services, Tourism and Transport improved by less than one point. The Insurance sector score fell by 0.5 points.
- The gap between the highest and lowest scoring sectors has narrowed in recent years, from a peak of 14.1 points in January 2014 to 8.2 points in July 2017.

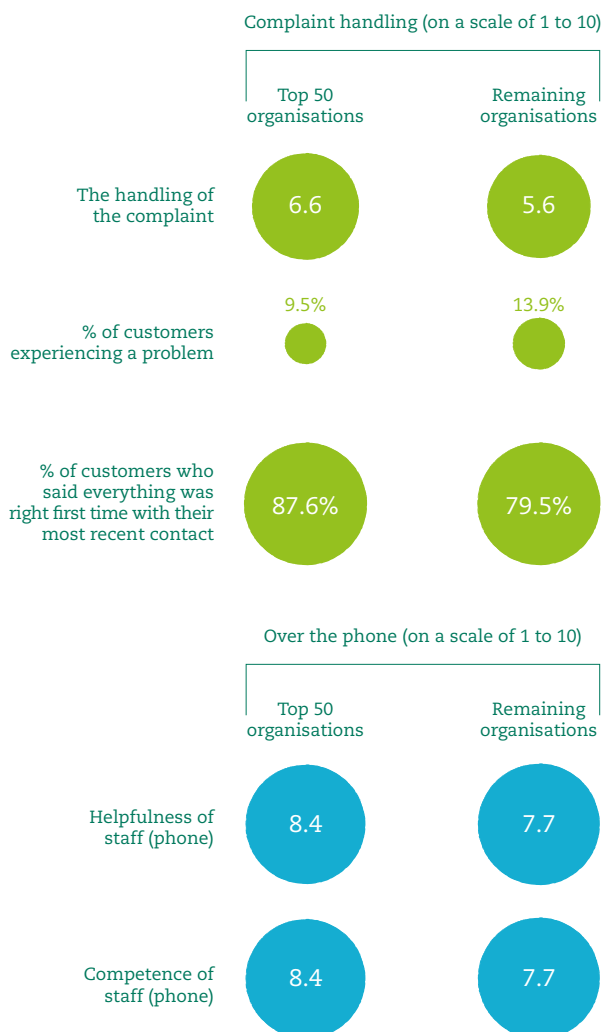
Fewer organisations have improved but over a third of the biggest improvers are from Utilities and Transport

- 63 organisations improved their score by at least two points compared to July 2016; 29 organisations have fallen by at least 2 points. However, in July 2016, 87 organisations had grown satisfaction by two points or more, with 19 experiencing a two point drop.
- Over a third of organisations that improved by more than two points are from the Utilities or Transport sectors. Eight of the 20 most improved organisations are Utilities (six water companies and two energy companies). Five are train operating companies. These results accentuate the differences between organisations that have improved and those that have not, suggesting that public and regulatory scrutiny in these sectors is having an impact on customer service.
- Amazon.co.uk is the most highly rated organisation for customer satisfaction. first direct, John Lewis, Jet2holidays.com, Subway, Next, Aldi, Greggs, Nationwide, M & S (Bank), The Trainline.com and Superdrug are also amongst the highest regarded organisations.

The gap between the top 50 organisations and the rest has narrowed

- Complaint handling, over the phone experiences and getting things right first time remain the biggest differentiators between the top 50 organisations and the rest. However, the gap has narrowed compared to July 2016, especially in relation to complaint handling.

The gap between the top 50 organisations and the rest



Evidence that customer service influences business performance, trust, reputation and loyalty

- In each of the last 11 UKCSI reports, dating back to July 2012, we have consistently seen evidence that, on average, supermarkets with the highest customer satisfaction outperform the sector average for sales and market share.
- Aldi is now the highest performing food retailer for customer satisfaction, with an improvement of 2.2 points. It also made the biggest gains in sales and market share.
- Both Aldi and Lidl outperform the sector in two key areas: satisfaction with price / cost and complaint handling. The three lowest scoring organisations for customer satisfaction – Tesco, Asda and Co-op Food - all saw small drops in market share, despite increased sales.
- The five banks (Halifax, Nationwide, Santander, The Co-operative Bank, TSB) with higher than average customer satisfaction in July 2016 achieved an average of 16,510 net current account gains and 73% of all recorded current account gains. By comparison, organisations with lower than average customer satisfaction suffered an average net loss of 10,654 current accounts.
- Achieving a nine or ten out of ten for customer satisfaction appears to exert a much stronger influence on customers' attitudes to trust, reputation, recommendation and loyalty, even than an eight out of ten. 39.1% of customer responses for the top 50 organisations in the UKCSI were a 9 or 10, compared to 27.8% for the remaining organisations.

27.4% of customers favour excellent service even if it means paying more. 14.6% seek the cheapest deals, and will accept 'no frills' service

We asked customers to prioritise the relevant importance of price and service on a scale of one to ten where one is a preference for lowest price, no frills service and ten is a preference for excellent service, even if it means paying more.

Characteristics of customers who prefer excellent service, even if it means paying more

- 41% trust the organisation they deal with
- 29% value the reassurance of being able to access help and advice
- More likely to be researching an organisation, getting a quote, have an enquiry or are following up an issue or problem
- Likely to have higher regular monthly spend, especially in Insurance, Transport and Utilities
- More likely to have a problem or complaint
- More challenging to serve but give higher than average satisfaction and Net Promoter Score.

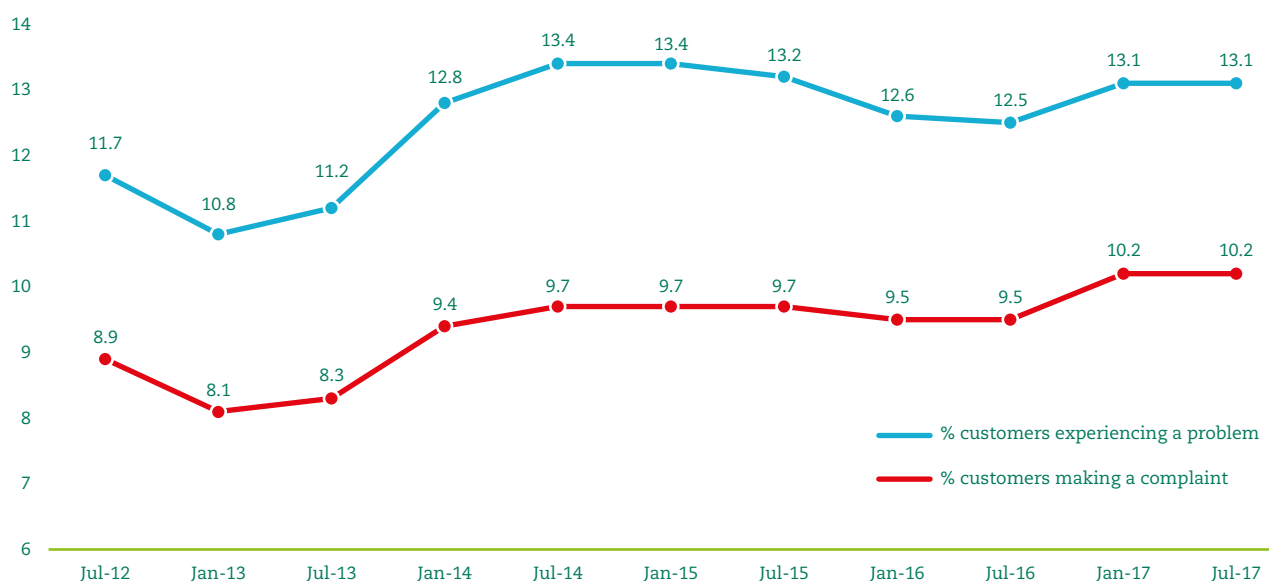
Characteristics of customers who prefer lowest cost, no frills service

- 45% want to avoid paying for extra products and services they don't need or won't use
- 35% are confident they understand the products and services they want to buy and use
- More likely to be performing routine experiences, such as checking account information or receiving a regular statement / bill
- Have lower than average satisfaction and are less likely to recommend an organisation.

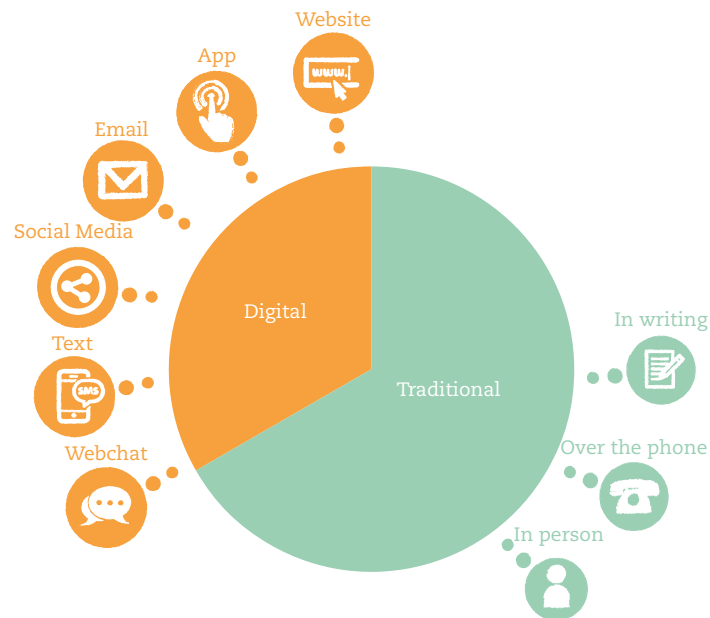
Problems, complaints and escalations have increased

- 13.1% of customers experienced a problem, up from 12.5% in July 2016. This is a similar level to January 2015, when customer satisfaction was at its lowest point.
- The number of customers escalating their complaint has increased substantially, from 41.4% to 48.6%.
- Satisfaction with the way complaints are handled is at its highest level ever, 5.7 (out of 10). But only those problems which receive a complaint handling satisfaction score of 9 or 10 (out of 10) result in higher than average levels of overall customer satisfaction. 72% of complaints are likely to result in lower satisfaction than if the problem had not arisen.
- Each complaint results in an average of 2.8 contacts from a customer to an organisation, rising to over 3 contacts when a complaint is not resolved within a customer's expected timescale. As at least 70% of these contacts were phone calls, complaints are likely to have caused over 9.9 million phone calls to organisations in the last 6 months.
- Complaints are therefore causing organisations significant extra costs and whilst improved complaint handling is driving better customer satisfaction, it is less likely to create customer loyalty and advocacy.

The extent of problems and complaints



Just over a third of customer experiences take place through digital channels and just under two thirds through traditional channels



- In the Tourism and Utilities sectors, digital experiences account for more than half of all customer interactions. In the Banking, Insurance, Retail (Non-food), Telecommunications & Media and Transport sectors, at least 40% of customer experiences are through digital channels.
- Although usage of social media, apps, text and webchat is more widespread amongst younger customers there is a broad spread of digital customer experiences across all age groups, especially through email and organisations' websites.
- Whilst satisfaction through digital and traditional channels is similar, digital customers tend to have higher than average satisfaction when making a purchase but lower than average satisfaction when they are making an enquiry.
- For 27 organisations, there is a difference of at least 5 points in customer satisfaction with experiences through digital versus traditional channels.

Demographics of customer satisfaction

- Customers aged 18 – 24 recorded a bigger increase in customer satisfaction (two points) than any other age group. Nevertheless, customers between the ages of 18 and 44 have lower satisfaction than the UK average. Customers aged over 45 express higher than average satisfaction, with those over 65 the most satisfied.
- Customers in Northern Ireland and Northern England registered the highest customer satisfaction, whereas in Scotland and South East England satisfaction is just below the UK average.
- Satisfaction for both male and female customers has improved slightly compared to July 2016. However, transgender customer satisfaction fell by 4.1 points, especially for in person experiences.
- Disabled people’s customer satisfaction has improved by 2 points compared to July 2016 and is 1.1 points higher than the UK average.

Implications and opportunities

The improvement in customer satisfaction is welcome, but masks a diversity of performance by organisations, and has significantly contributed to better complaint handling. The evidence in this UKCSI suggests that getting the basics right, while an essential prerequisite of customer satisfaction, is not enough to create enduring customer relationships. We recommend six areas of focus organisations need to address to make the step change in customer experience performance required to deliver genuine customer loyalty and advocacy.

Implications and opportunities: six areas of focus



1 Quality of customer experience design



2 Eliminating problems



3 Engaged, competent people still make the difference



4 Positioning service in a context of rising prices



5 Segmenting by customer preference



6 Marrying traditional customer service virtues with artificial intelligence technologies

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Customer satisfaction in the UK

The state of the nation

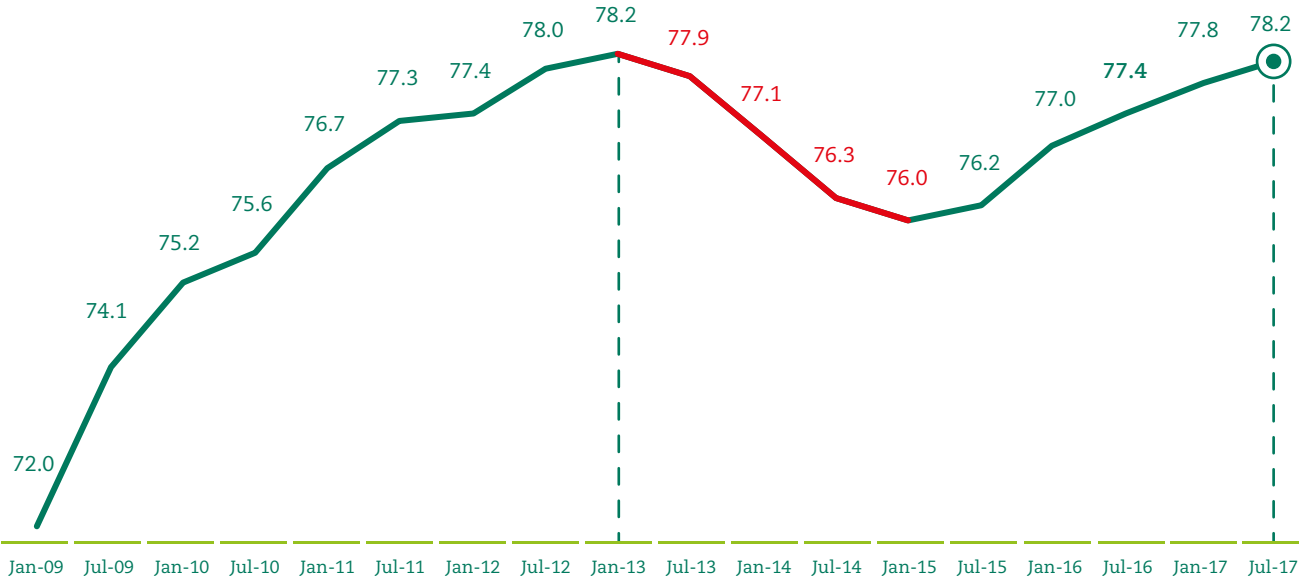
Along with January 2013, the UKCSI is at its highest point ever

The July 2017 UKCSI score is 78.2, up 0.8 points compared to a year ago and 0.4 points higher than January 2017. This means that, along with January 2013, the UKCSI is at its highest point ever.

The Net Promoter Score (NPS)¹ of 17.0 is 1.3 points higher than in July 2016. The average score for trust in an organisation is unchanged. Customer effort², a measure of how much effort customers have to put into dealing with an organisation, has risen by 0.2 points.

The areas of customer experience which have seen the biggest year on year improvements are satisfaction with complaint handling and the number of interactions which customers rate as “right first time”.

Despite these improvements, more customers say they have experienced a problem in dealing with an organisation compared to a year ago, though this is at the same level as in January 2017.



¹ Net Promoter Score (NPS) is based on customers’ responses to “how likely would you be to recommend xx to friends or relatives.” NPS is calculated by subtracting the % of detractors - respondents scoring 0 – 6 (out of 10) - from the % of advocates, who scored 9 – 10.

² Customer effort is based on responses to the question “how much effort did you have to make to complete your transaction, enquiry or request?”

The biggest year on year improvements are for satisfaction with complaint handling and the number of interactions rated as "right first time"

Year on year changes: selected measures

	July 2017	July 2016	YOY change
UKCSI	78.2	77.4	+0.8
Net Promoter Score (NPS)	17.0	15.7	+1.3
Trust	7.7	7.7	0.0
Customer effort	4.9	4.7	+0.2
% of experiences that were right first time	80.7%	75.1%	+5.6%
% of customers experiencing a problem	13.1%	12.5%	+0.6%
Satisfaction with the way the complaint was handled	5.7	5.2	+0.5

January 2013 and July 2017: what's changed?

The July 2017 UKCSI score of 78.2 ranks alongside January 2013 as the highest ever since the UKCSI was launched in 2008. However, there are a number of differences between these two UKCSI reports which indicate how customer behaviour - and organisations' responses to it - have changed.

- Customers are more likely to have experienced a problem and made a complaint and to say that they need to expend more effort in dealing with an organisation.
- Satisfaction with most complaint handling measures is notably higher in 2017 than in

2013. It seems that organisations have become better at dealing with complaints but less effective in preventing problems at source.

- The Net Promoter Score is more than five points lower and on most other measures of customer experience there is no marked improvement since 2013.

Whilst satisfaction with complaint handling has risen, a step change improvement across the breadth of the customer experience is needed to drive stronger recommendation and advocacy.

Change between January 2013 and July 2017: selected measures

	July 2017	January 2013	Change
UKCSI	78.2	78.2	–
Customer effort	4.9	4.5	+0.4
Net Promoter Score (NPS)	17.0	22.2	-5.2
% of customers experiencing a problem	13.1%	10.8%	+2.3%
% of customers reporting a problem	10.2%	8.1%	+2.1%
Satisfaction with outcome of the complaint	5.9	5.1	+0.8

Customer satisfaction by sector

Six sectors – Banks & Building Societies, Leisure, Public Services (Local), Public Services (National), Telecommunications & Media and Utilities – have improved by more than one point compared to July 2016.

A further six sectors – Automotive, Retail (Food), Retail (Non-food), Services, Tourism, and Transport - improved by less than one point. The Insurance sector score fell by 0.5 points.

Changes in sector customer satisfaction in the last 12 months

Sector	UKCSI score July 2017	UKCSI score January 2017	UKCSI score July 2016	Change from July 2016 to July 2017	Change from January 17 to July 17
Retail (Non-food)	82.2	82.5	82.1	0.1 ▲	-0.3 ▼
Retail (Food)	81.5	81.3	81.0	0.5 ▲	0.2 ▲
Tourism	80.7	80.2	79.9	0.8 ▲	0.5 ▲
Leisure	80.3	79.6	79.2	1.1 ▲	0.7 ▲
Banks & Building Societies	79.7	79.5	78.6	1.1 ▲	0.2 ▲
Automotive	79.4	78.8	78.9	0.5 ▲	0.6 ▲
Insurance	78.9	79.4	79.4	-0.5 ▼	-0.5 ▼
Services	78.5	78.2	78.2	0.3 ▲	0.3 ▲
Public Services (National)	76.0	74.5	74.1	1.9 ▲	1.5 ▲
Public Services (Local)	75.4	74.4	73.9	1.5 ▲	1.0 ▲
Utilities	75.1	74.4	73.3	1.8 ▲	0.7 ▲
Transport	74.5	74.7	74.4	0.1 ▲	-0.2 ▼
Telecommunications & Media	74.0	73.6	72.9	1.1 ▲	0.4 ▲

▲ Increase in UKCSI score of one point or more

Year on year increases in customer satisfaction: Public Services and Utilities

	Public Services (National)	Public Services (Local)	Utilities
Trust	0.3	0.2	0.2
Open and transparent	0.3	0.2	0.3
Helpfulness of staff (phone)	0.2	0.4	0.2
Ease of finding what you want (Website / App)	0.0	0.5	0.2
The way your complaint was handled	0.9	0.9	0.8
% of experiences that were right first time	7.7%	4.7%	7.2%

The Public Services (National and Local) and Utilities sectors have seen the largest growth in customer satisfaction, driven by higher scores for trust and

transparency, over the phone and complaint handling measures and more experiences which customers rated as right first time.

The gap between the highest and lowest scoring sectors has narrowed in recent years, from a peak of 14.1 points in January 2014 to 8.2 points in July 2017.

However, there are a number of distinctive features in the performance of individual sectors.

The Insurance, Transport and Utilities sectors have seen the greatest variability in organisations' customer satisfaction performance. In each of these three sectors at least half of the organisations in the UKCSI have moved, up or down, by two points or more.

Average customer satisfaction with Utilities' organisations has increased in each of the last six UKCSI surveys. Compared to July 2014, the sector has risen by 5.7 points, the biggest improvement of any sector. In July 2017, half of Utilities organisations receiving a UKCSI score improved by at least 2 points. As a result, the gap between the highest and lowest organisations narrowed by 6.7 points, to 12.1 points.

In the Transport sector, despite the relatively small overall year on year change, the gap between the highest and lowest performing organisations increased by 8.5 points to 29.3 points, the largest variation in any sector. The gap between the highest and lowest scoring train operating companies is 25.4 points.

The Insurance sector as a whole is broadly flat year on year (down 0.5 points), but it has seen a greater than usual volatility in organisation's customer satisfaction performance. Four of the 29 organisations in the UKCSI have improved by at least two points; nine have fallen by more than two points. The average customer effort score increased by 0.4, more than any other sector. The proportion of customers experiencing a problem rose by 1.5% points to 9.3%.

Retail (Food) is the most congested sector, with a gap of just 4.8 points between the highest and lowest scoring organisations. For 90% of organisations in this sector, customer satisfaction has changed year on year by less than 2 points.



The Insurance, Transport and Utilities sectors have seen the greatest variability in organisations' customer satisfaction performance

The top 50 organisations

July-17 Rank	Organisation	Sector	July-17 Score	July-16 Score	July-16 Rank	Change in score July-16 to July-17
1	Amazon.co.uk	Retail (Non-Food)	87.0	87.2	1	-0.2
2	first direct	Banks & Building Societies	85.8	84.2	7	1.6
3	John Lewis	Retail (Non-Food)	85.4	83.9	9	1.5
4	Jet2holidays.com	Tourism	84.8	NO DATA	NO DATA	NO DATA
5 =	Subway	Leisure	84.6	80.3	70	4.3
5 =	Next	Retail (Non-Food)	84.6	83.8	12	0.8
7 =	Aldi	Retail (Food)	84.3	82.1	34	2.2
7 =	Greggs	Leisure	84.3	83.9	9	0.4
9 =	Nationwide	Banks & Building Societies	84.2	84.5	6	-0.3
9 =	M&S	Banks & Building Societies	84.2	78.2	125	6.0
9 =	The Trainline.com	Transport	84.2	80.0	79	4.2
9 =	Superdrug	Retail (Non-Food)	84.2	81.4	48	2.8
13	Waitrose	Retail (Food)	84.1	84.6	3	-0.5
14	M & S (Food)	Retail (Food)	84.0	84.6	3	-0.6
15 =	Wilko	Retail (Non-Food)	83.4	84.8	2	-1.4
15 =	Pets at Home	Retail (Non-Food)	83.4	NO DATA	NO DATA	NO DATA
15 =	Premier Inn	Tourism	83.4	83.6	15	-0.2
18 =	Matalan	Retail (Non-Food)	83.2	80.0	79	3.2
18 =	Tesco mobile	Telecommunications & Media	83.2	82.2	32	1.0
20	P&O Cruises	Tourism	83.0	80.9	56	2.1
21	Haven Holidays	Tourism	82.9	79.0	105	3.9
22	Ikea	Retail (Non-Food)	82.8	78.5	117	4.3
23	M & S	Retail (Non-Food)	82.7	83.1	19	-0.4
24 =	Pret A Manger	Leisure	82.6	80.5	63	2.1
24 =	Toyota	Automotive	82.6	81.2	52	1.4
26	Timpson	Services	82.5	78.7	113	3.8

July-17 Rank	Organisation	Sector	July-17 Score	July-16 Score	July-16 Rank	Change in score July-16 to July-17
26 =	LV=	Insurance	82.5	83.0	20	-0.5
26 =	Suzuki	Automotive	82.5	82.4	28	0.1
29 =	P&O Ferries	Transport	82.4	80.2	75	2.2
29 =	Jet2	Transport	82.4	82.1	34	0.3
29 =	Netflix	Leisure	82.4	79.4	98	3.0
29 =	SAGA Insurance	Insurance	82.4	81.6	43	0.8
29 =	Holland & Barrett	Retail (Non-Food)	82.4	81.3	49	1.1
34	Caffe Nero	Leisure	82.3	79.6	92	2.7
35	Nationwide Insurance	Insurance	82.1	82.4	28	-0.3
36 =	Marriott	Tourism	82.0	80.1	76	1.9
36 =	Boots UK	Retail (Non-Food)	82.0	80.6	62	1.4
36 =	booking.com	Tourism	82.0	82.0	39	0.0
39 =	Argos	Retail (Non-Food)	81.9	79.6	92	2.3
39 =	Mercedes-Benz	Automotive	81.9	82.3	30	-0.4
39 =	Sainsbury's	Retail (Food)	81.9	80.8	57	1.1
42 =	OVO Energy	Utilities	81.8	81.6	43	0.2
42 =	Ebay	Retail (Non-Food)	81.8	82.9	21	-1.1
44 =	giffgaff	Telecommunications & Media	81.7	82.5	26	-0.8
44 =	Hilton	Tourism	81.7	81.5	45	0.2
44 =	New Look	Retail (Non-Food)	81.7	82.1	34	-0.4
47 =	Hoseasons	Tourism	81.6	80.5	63	1.1
47 =	Škoda UK	Automotive	81.6	80.4	68	1.2
47 =	Iceland	Retail (Food)	81.6	83.5	16	-1.9
50 =	M & S (insurance)	Insurance	81.5	78.4	120	3.1
50 =	TSB	Banks & Building Societies	81.5	82.5	26	-1.0

The top 50 is a mix of consistently high performers, improvers and two organisations that have not previously appeared in the UKCSI

Profile of the top 50 organisations



16 of the top 50 organisations have improved by more than two points compared to July 2016:

- Subway (Leisure)
- Aldi (Retail (Food))
- M & S (Banks & Building Societies)
- The Trainline.com (Transport)
- Superdrug (Retail (Non-food))
- Matalan (Retail (Non-food))
- P & O Cruises (Tourism)
- Haven Holidays (Tourism)
- Ikea (Retail (Non-food))
- Pret a Manger (Leisure)
- Timpson (Services)
- P & O Ferries (Transport)
- Netflix (Leisure)
- Caffè Nero (Leisure)
- Argos (Retail (Non-food))
- M & S (Insurance)



20 organisations have achieved a UKCSI score of at least 80 in every UKCSI since July 2014

- Hyundai (Automotive)
- Škoda UK (Automotive)
- first direct (Banks & Building Societies)
- Nationwide (Banks & Building Societies)
- LV= (Insurance)
- Greggs (Leisure)
- Aldi (Retail (Food))
- Iceland (Retail (Food))
- M & S (Retail (Food))
- Center Parcs (Tourism)
- Sainsbury's (Retail (Food))
- Waitrose (Retail (Food))
- Amazon (Retail (Non-food))
- Boots UK (Retail (Non-food))
- John Lewis (Retail (Non-food))
- M & S (Retail (Non-food))
- Next (Retail (Non-food))
- Specsavers (Retail (Non-food))
- Premier Inn (Tourism)
- Superdrug (Retail (Non-food))

17 of these organisations also feature in the current top 50.

Across the UKCSI as a whole, five new organisations received a score in July 2017:

- Jet2holidays.com (Tourism)
- Pets at Home (Retail Non-food)
- Uber (Services)
- dpd (Services)
- Affinity Water (Utilities)

Two of these, Jet2holidays.com and Pets at Home, are amongst the top 50 organisations.

Complaint handling, over the phone experiences and getting things right first time are key differentiators between the top 50 organisations and the rest



The gap between the top 50 organisations and the rest has narrowed, especially for complaint handling

Changes in the gap between the top 50 organisations and remaining organisations



Most improved organisations

245

organisations and organisation types in UKCSI

63↑

Organisations have improved their score by at least two points

29↓

Organisations have experienced a UKCSI drop of at least two points

Across the UKCSI as a whole, fewer organisations have gained by two points or more compared to last year. 63 organisations improved their score by at least two points compared to July 2016 and 29 organisations have fallen by at least two points. By comparison, in the July 2016 UKCSI, 87 organisations had grown their satisfaction by 2 points or more compared to the previous year, with 19 experiencing a two point drop.

Over a third of organisations that improved by more than two points are from the Utilities or Transport sectors.

Eight of the 20 most improved organisations are Utilities (six water companies and two energy companies). Five are train operating companies. Five other companies – Subway, M & S (Bank), The Trainline.com, Haven Holidays and Ikea are also among the top 50 organisations in this UKCSI.

The 20 most improved organisations have achieved higher satisfaction ratings across the full range of customer experience measures, but especially for getting things right first time and dealing with problems and complaints.

The 20 most improved organisations have achieved the strongest gains in getting things right first time and dealing with problems and complaints

20 most improved organisations over one year	UKCSI score July 2017	UKCSI score July 2016	Change	Sector
London Midland	80.3	71.2	9.1	Transport
Yodel	73.2	66.5	6.7	Services
Abellio Scot Rail	72.0	65.5	6.5	Transport
Northumbrian Water	78.0	71.5	6.5	Utilities
npower	69.7	63.4	6.3	Utilities
M&S	84.2	78.2	6.0	Banks & Building Societies
Tesco	80.4	74.5	5.9	Banks & Building Societies
Lastminute.com	79.2	73.4	5.8	Tourism
South West Water	75.0	69.5	5.5	Utilities
Virgin Trains East Coast	76.8	71.8	5.0	Transport
Anglian Water	78.6	73.7	4.9	Utilities
Arriva Trains Wales	74.1	69.5	4.6	Transport
Scottish Water	74.5	69.9	4.6	Utilities
The Co-operative Energy	72.8	68.4	4.4	Utilities
TransPennine Express	74.6	70.3	4.3	Transport
Ikea	82.8	78.5	4.3	Retail (Non-Food)
Subway	84.6	80.3	4.3	Leisure
The Trainline.com	84.2	80.0	4.2	Transport
Severn Trent Water	78.8	74.8	4.0	Utilities
TalkTalk	68.9	65.0	3.9	Telecommunications & Media
Southern Water	72.5	68.6	3.9	Utilities
Haven Holidays	82.9	79.0	3.9	Tourism

2

Customer satisfaction and business performance

In this section we examine the links between customer satisfaction and tangible business performance in three ways:

- By comparing the UKCSI with Kantar Worldpanel data on sales growth and market share in the Retail (Food) sector
- By comparing the UKCSI with the latest published data on current account switching in the banking sector
- By examining the links between customer satisfaction and the highest levels of trust, reputation and customer loyalty.

Sales growth, market share and customer satisfaction in the Retail (food) sector

In every UKCSI since July 2012, we have seen consistent evidence that supermarkets with higher than average customer satisfaction generally outperform the sector average for sales and market share growth

Recent research³ suggests that the Retail (Food) spend has grown by 3.7% in the last year, the fastest rate since September 2013. Every organisation in this sector that appears in the UKCSI experienced sales growth, driven by a mix of rising prices, increased footfall and growth in premium and own brands. In a highly congested sector for customer satisfaction, the gap between the highest and lowest scoring organisations is just 4.8 points.

In each of the last 11 UKCSI reports - dating back to July 2012 - we have seen consistent evidence that supermarkets with the highest customer satisfaction outperform the sector average for sales and market share growth.

Aldi is now the highest performing food retailer for customer satisfaction, with an improvement of 2.2 points. It also made the biggest gains in sales and market share. Though Lidl's customer satisfaction fell slightly, it is noticeable that both Aldi and Lidl outperform the sector in two key areas: satisfaction with price / cost and complaint handling.

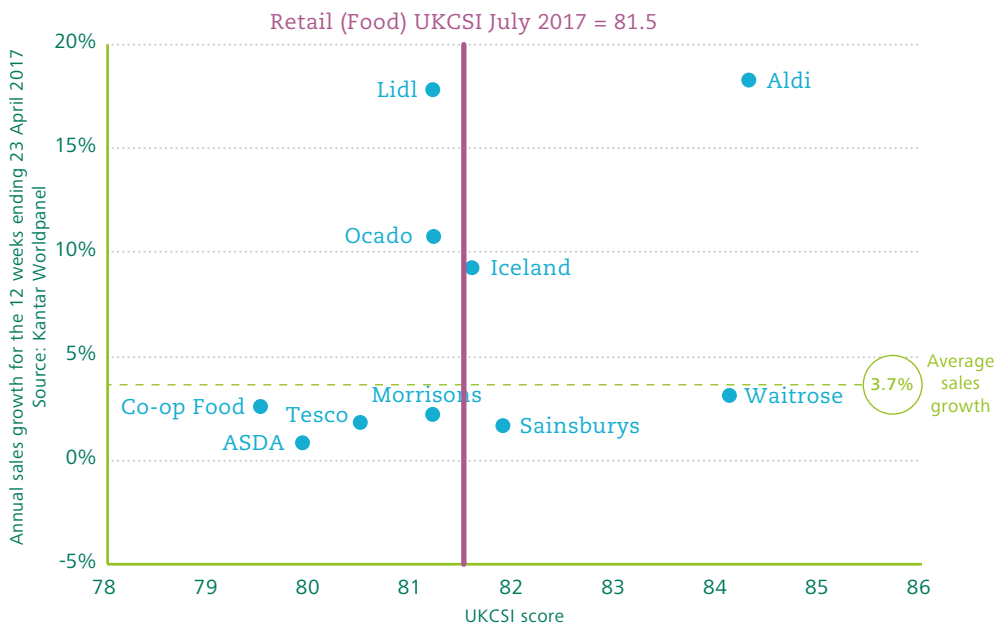
Aldi and Lidl each has a much higher than average proportion of customers who express a preference for low cost, no frills service (see section 4, Service preferences: premium or no frills?) and these customers tend to reward both brands with high satisfaction and recommendation scores. If food prices continue to rise, Aldi and Lidl appear well placed to satisfy the needs of these highly price conscious customers whilst widening their appeal to broader segments of customers for whom price is likely to become a more salient concern.

Sainsbury's and Tesco both improved their customer satisfaction by more than one point. Iceland saw strong sales growth of 9.3%; its customer satisfaction fell slightly but remains above the sector average.

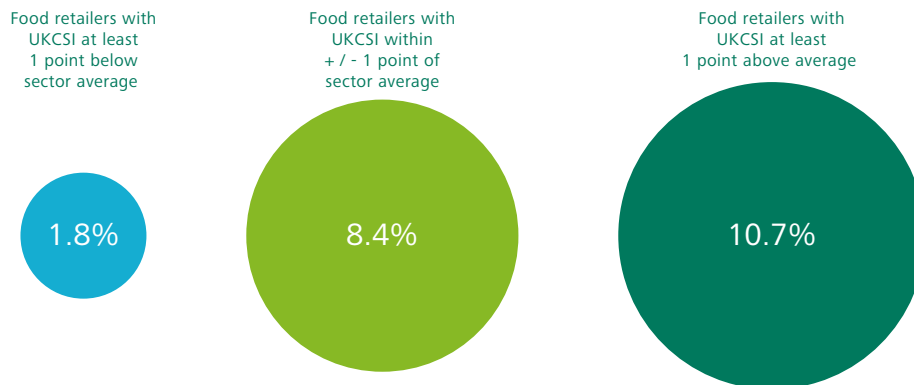
The three lowest scoring organisations for customer satisfaction – Tesco, Asda and Co-op Food - also saw small reverses in market share, despite increased sales.

³ The Grocery market share data is derived from Kantar Worldpanel research covering the household grocery purchasing habits of 30,000 demographically representative households in Great Britain. Data is based on the value of items purchased by these consumers. The data quoted refers to the 12 weeks to 23 April 2017 and the 12 weeks to 24 April 2016.

Year on year changes in Retail (Food) market sales growth³ and customer satisfaction



Year on year changes in Retail (Food) sales growth³

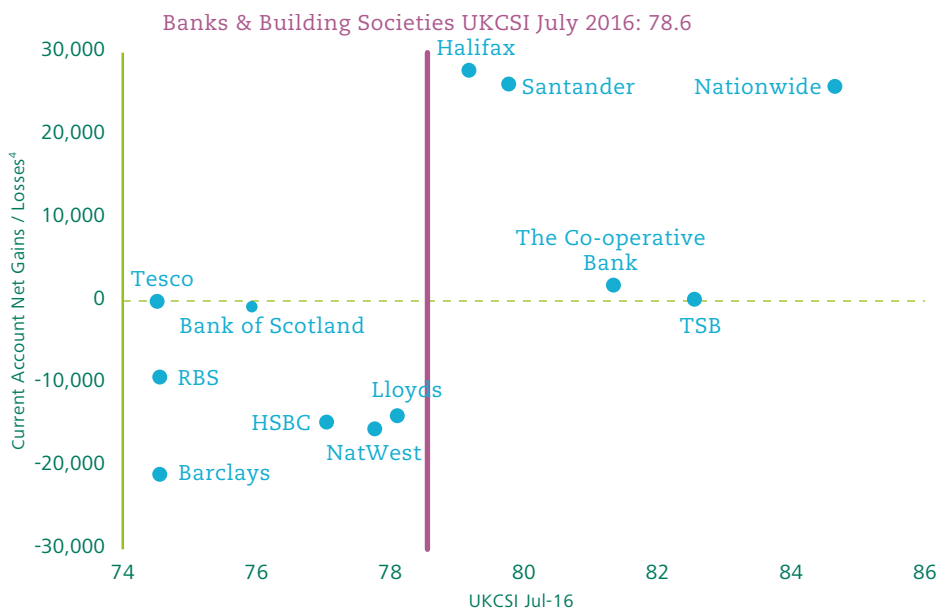


³ Kantar Worldpanel research comparing the 12 weeks to 23 April 2017 and the 12 weeks to 24 April 2016

Banks & Building Societies: customer satisfaction and current account net gains and losses

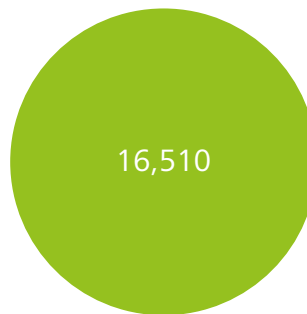
A comparison between organisations' current account gains recorded in the most recent Current Account Switch Service Dashboard⁴ (based on data from Q3 2016) and the preceding UKCSI results (July 2016), suggests that there is a relationship between high levels of customer satisfaction and gaining current accounts.

The five banks (Halifax, Nationwide, Santander, The Co-operative Bank, TSB) with higher than average customer satisfaction in July 2016⁵ achieved an average of 16,510 net current account gains and 73% of all recorded current account gains. By comparison, organisations with lower than average customer satisfaction suffered an average net loss of 10,654 current accounts.



Organisations with lower than sector average customer satisfaction

Organisations with higher than sector average customer satisfaction



■ Net current account gains
■ Net current account losses

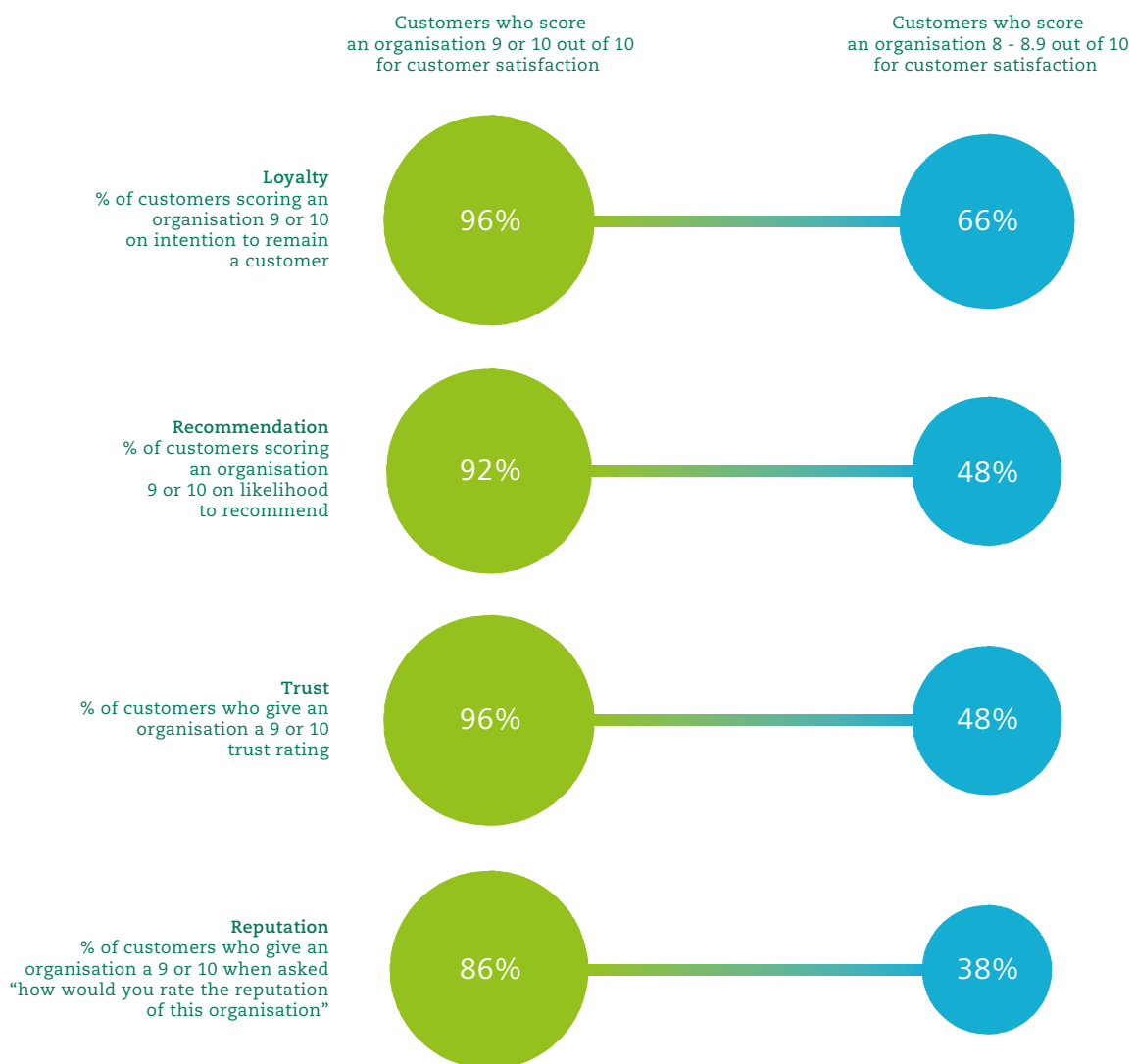
⁴ Current Account Switching Service Dashboard Issue 14. 12 of the 17 banks in the Dashboard also appeared in the July 2016 UKCSI.

⁵ first direct had higher than the sector average customer satisfaction in the July 2016 UKCSI, but does not appear individually in the Current Account Switch Service Dashboard.

Achieving a nine or ten out of ten for customer satisfaction drives trust, reputation and future buying intentions

For most organisations, the benefits of customer satisfaction are in generating loyalty and advocacy which make it easier to retain, recruit and develop long-term relationships with customers who trust the organisation, understand and value its proposition. But what level of customer satisfaction is required to achieve this desired state?

Evidence from the UKCSI suggests that achieving a nine or ten out of ten for customer satisfaction exerts a much stronger influence on customers' attitudes to trust, reputation, recommendation and future buying intentions, even than an eight out of ten. As a benchmark, 39.1% of customer responses for the top 50 organisations in the UKCSI were a 9 or 10, compared to 27.8% for the remaining organisations.



3

The impact of problems and complaints

This section focuses on the the latest trends in complaints and complaint handling and assesses the potential costs and benefits to organisations.

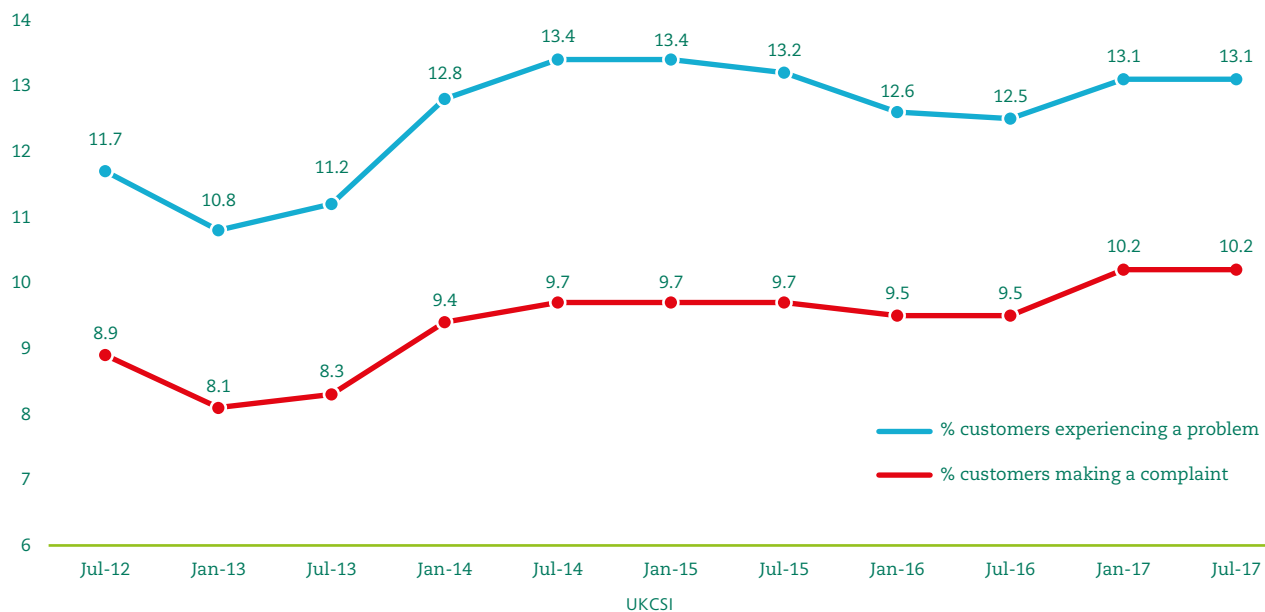
Problems, complaints and escalations have increased

Better complaint handling is one of the most significant contributing factors to the improving trend in customer satisfaction. Yet at the same time, the number of problems experienced by customers has grown and is at a similar level to January 2015, when customer satisfaction was its lowest point. 13.1% of customers have experienced a problem with an organisation, compared to 12.5% a year ago and 10.8% in January 2013, the last time overall customer satisfaction was at the same level as July 2017.

The rate of complaining – customers who not only experience a problem but report it to an organisation – has also risen, particularly in the Leisure, Insurance and Public Services (Local) sectors.

If the number of people making a complaint were applied to the UK adult population, it would mean that over 5 million customers have made a complaint in the last six months⁶.

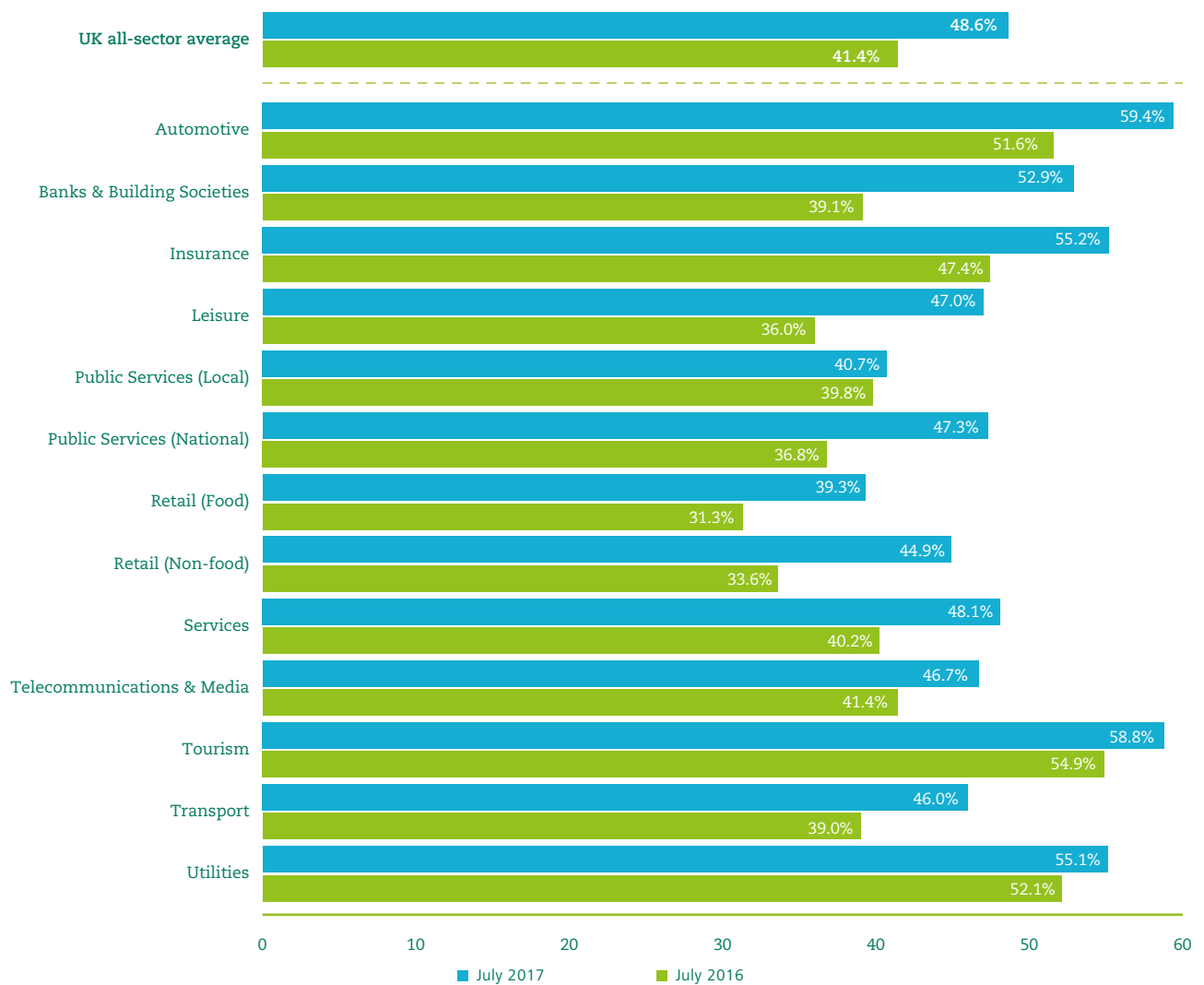
The extent of problems and complaints



⁶ Source: ONS estimate of the UK working age population www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/mar2017

The number of customers escalating their complaint has increased substantially, from 41.4% to 48.6%

The % of problems that are escalated

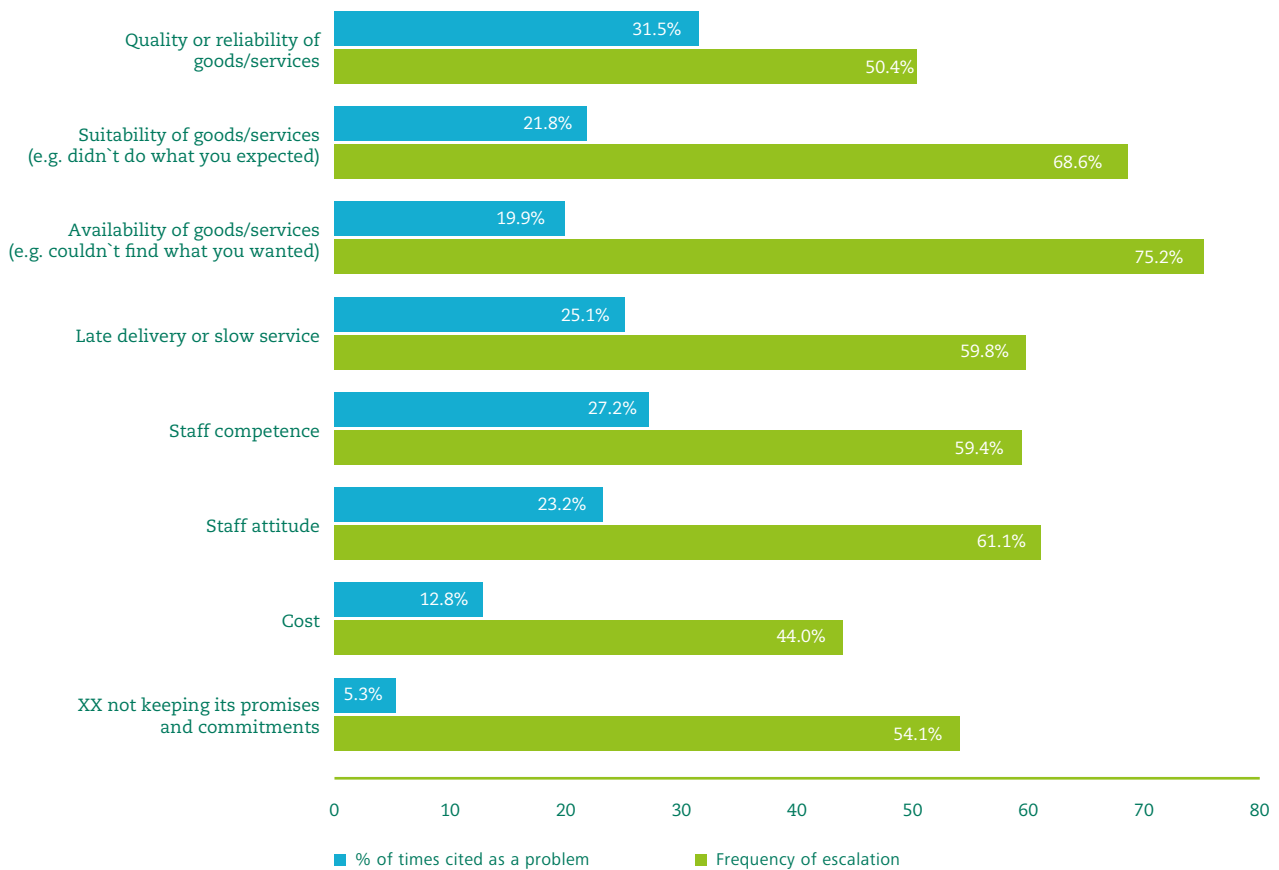


Problems related to suitability or availability of goods/services are the most likely to be escalated

The types of problems experienced by customers are relatively consistent with last year, though there have been modest increases in problems related to suitability or availability of goods and services.

Both of these issues are more likely to be raised as a complaint and also to be escalated, compared to the same period last year.

Types of problems and frequency of complaint escalation



Drivers of improved satisfaction with complaint handling⁷

Satisfaction with the way complaints are handled has improved by 0.5 points compared to last year and is at its highest level ever. This improvement has been driven by three main factors:

- Faster resolution of complaints
- More favourable perceptions of employees' behaviours during the complaints process
- More problems being actively followed up by organisations with customers, to ensure they have been resolved.

Satisfaction with the way complaints are handled has improved by 0.5 points compared to last year

	July 2017	July 2016	Year on year change
% of problems resolved quicker than expected	21.8%	14.1%	+7.7%
% of problems that were followed up by the organisation	36.6%	26%	+10.6%
Staff attitude	6.1	5.7	+0.4
Satisfaction with the way the complaint was handled	5.7	5.2	+0.5

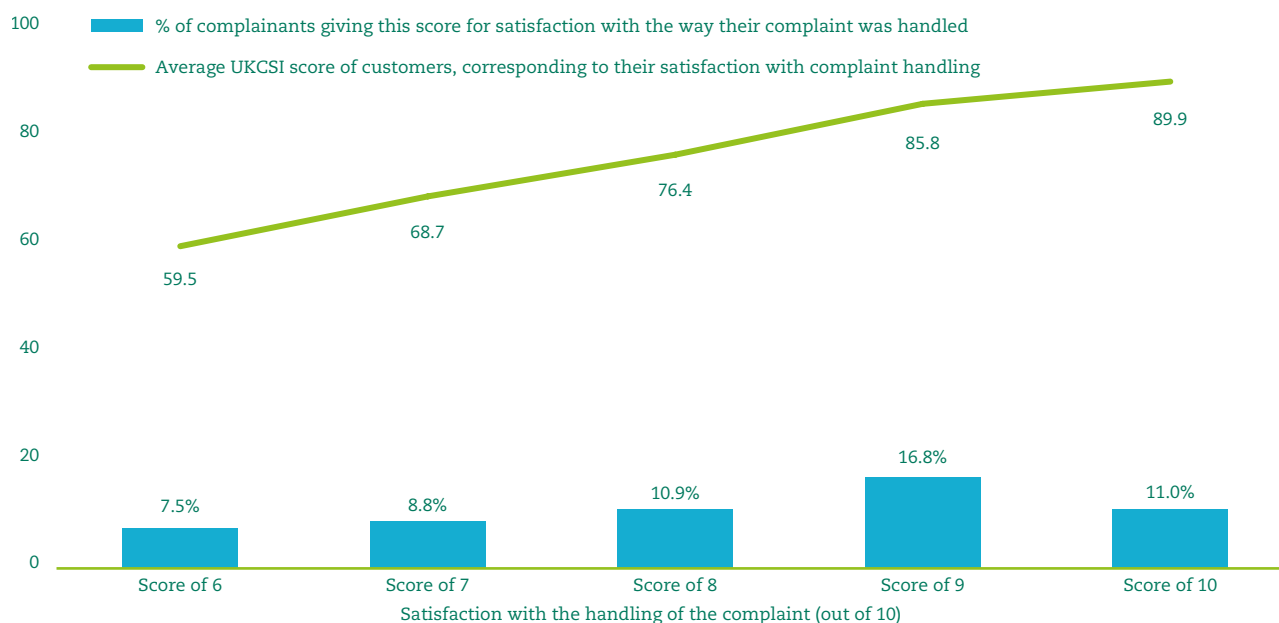
⁷ The Institute publishes 13 UKCSI sector reports which contain both UK and sector-specific data and insight about drivers of complaints and complaint handling. These are available as a membership benefit to Trusted Advisory Network, Discovery Roadmap and Council Institute members and are available to purchase at www.instituteofcustomerservice.com

Better complaint handling does not guarantee superior satisfaction, loyalty or advocacy

The improvement in complaint handling is an essential ingredient of the rise in customer satisfaction. Although more customers are experiencing, reporting and escalating problems, they are more satisfied with the way their complaint is handled, more likely to think that the organisation will learn as a result of the complaint and more disposed to spread positive word of mouth as a result of their experience.

The average Customer Satisfaction Index (CSI) of a customer who has made a complaint is 60.8 (out of 100), significantly below the UKCSI average of 78.2. Only those problems which attract a complaint handling satisfaction score of 9 or 10 out of 10 result in higher than average levels of overall customer satisfaction. This means that 72% of complaints are likely to result in lower satisfaction than if the problem had not arisen. The strongest performing organisations tend therefore to be effective not just in complaint handling but in proactively preventing problems from occurring.

The relationship between satisfaction with complaint handling and overall satisfaction



Problems and complaints entail operational consequences and costs for organisations

Based on the UKCSI's research with customers, each complaint results in an average of 2.8 contacts from a customer to an organisation, rising to over three contacts when a complaint is not resolved within a customer's expected timescale. At least 70% of these contacts were phone calls. This means that in the last year problems and complaints are likely to have caused over 9.9 million phone calls to organisations, resulting in significant additional costs.



Problems and complaints: key take outs

- 13.1% of customers have experienced a problem with an organisation, compared to 12.5% a year ago
- The rate of complaining has also risen, particularly in the Leisure, Insurance and Public Services (Local) sector
- The proportion of customers who escalated their complaint has grown in the last year, from 41.4% to 48.6%
- Satisfaction with the way complaints are handled has improved by 0.5 points compared to last year and is at its highest level ever
- Only problems attracting a complaint handling satisfaction score of 9 or 10 out of 10 (28% of complaints) result in higher than average levels of overall customer satisfaction
- Each complaint results in an average of 2.8 contacts from a customer to an organisation, rising to over 3 contacts when a complaint is not resolved within a customer's expected timescale.

4

Service preferences: premium or no frills?

This section asks whether customers prefer excellent service, even if it costs more, or lowest cost, no frills service, and identifies the factors influencing their preferences.

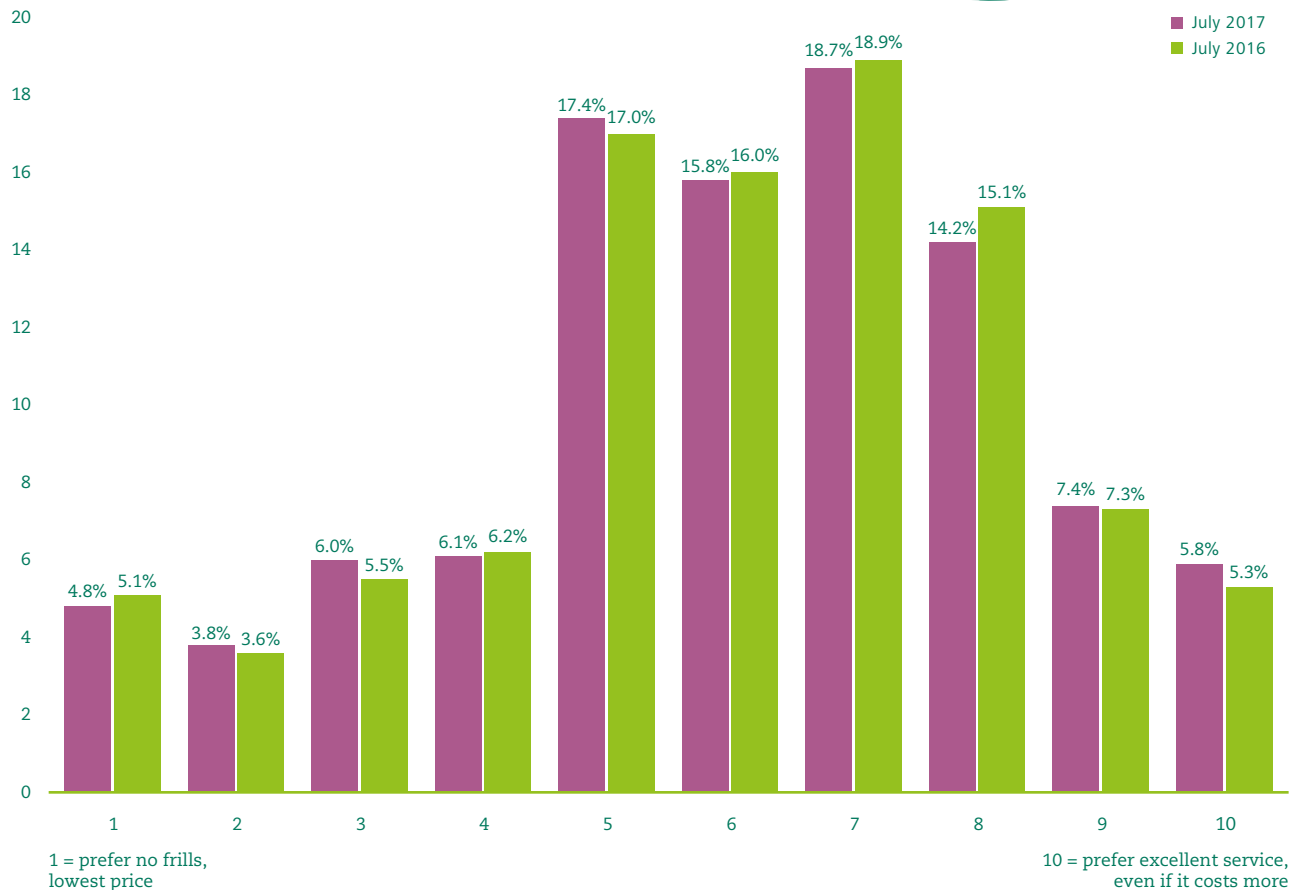
Rising prices and stagnant wages are forcing many customers to re-examine how and where they spend. Does this mean that more customers will seek the cheapest deals even it means sacrificing quality of service? Or will it encourage more customers to demand ever higher levels of service?

We asked customers to prioritise the relative importance of service and price on a scale one to ten, where one indicates a preference for the lowest price and no frills service and ten expresses a preference for excellent service, even if it means paying more.

27.4% of customers favour excellent service even if it means paying more (a score of 8 - 10), whereas 14.6% always want the cheapest deal, even if it means accepting no frills service (a score of 1 - 3). The remaining customers (58%) do not express a strong sentiment for either preference, suggesting that they seek a balance of price and service attributes. These attitudes are broadly similar to those revealed in the same survey conducted a year ago.

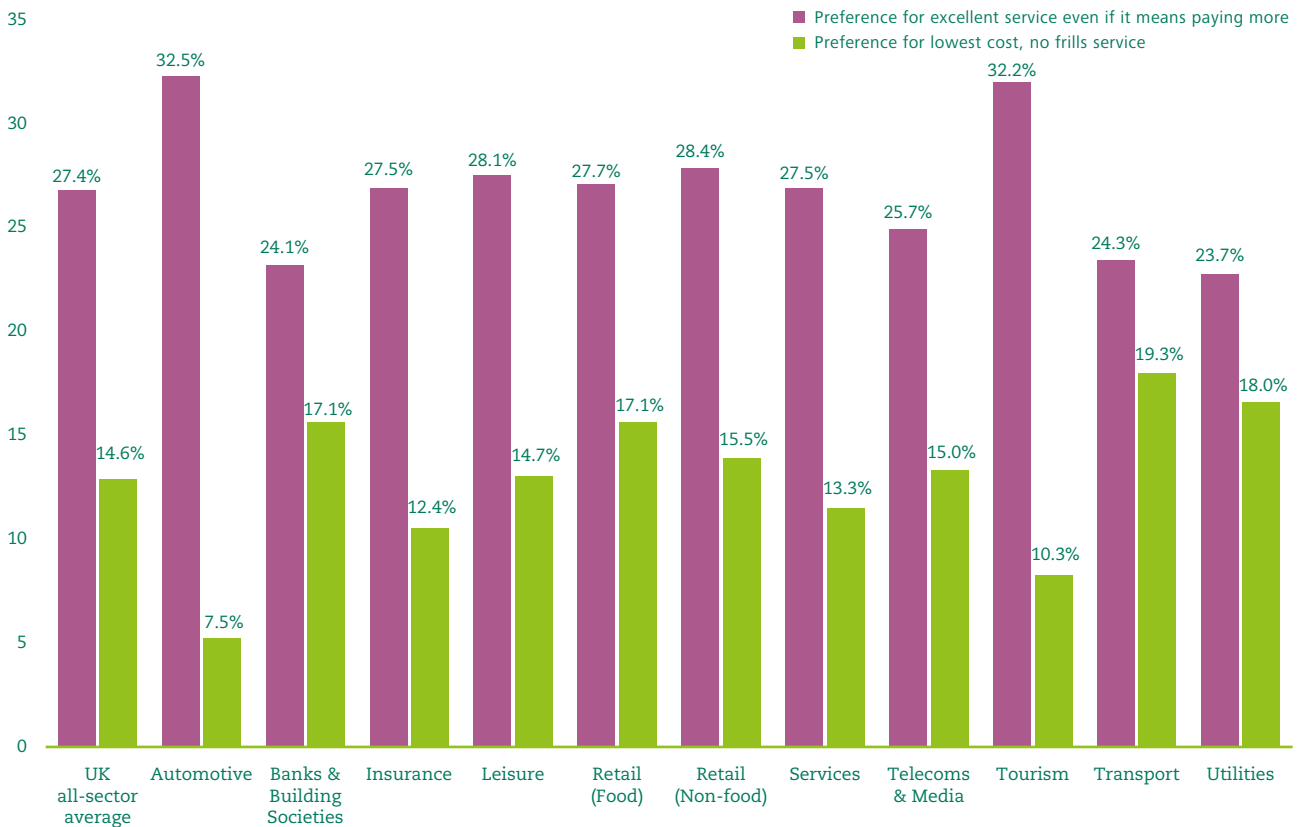


Service preferences: premium or no frills?



Customers in the Automotive and Tourism sectors are the most likely to prefer a premium service. Utilities and Transport have the highest proportion of customers who prioritise the cheapest deal over service. However, in both these sectors, in excess of 20% of customers say they would be prepared to pay more for excellent service.

Service preferences by sector: premium or no frills?

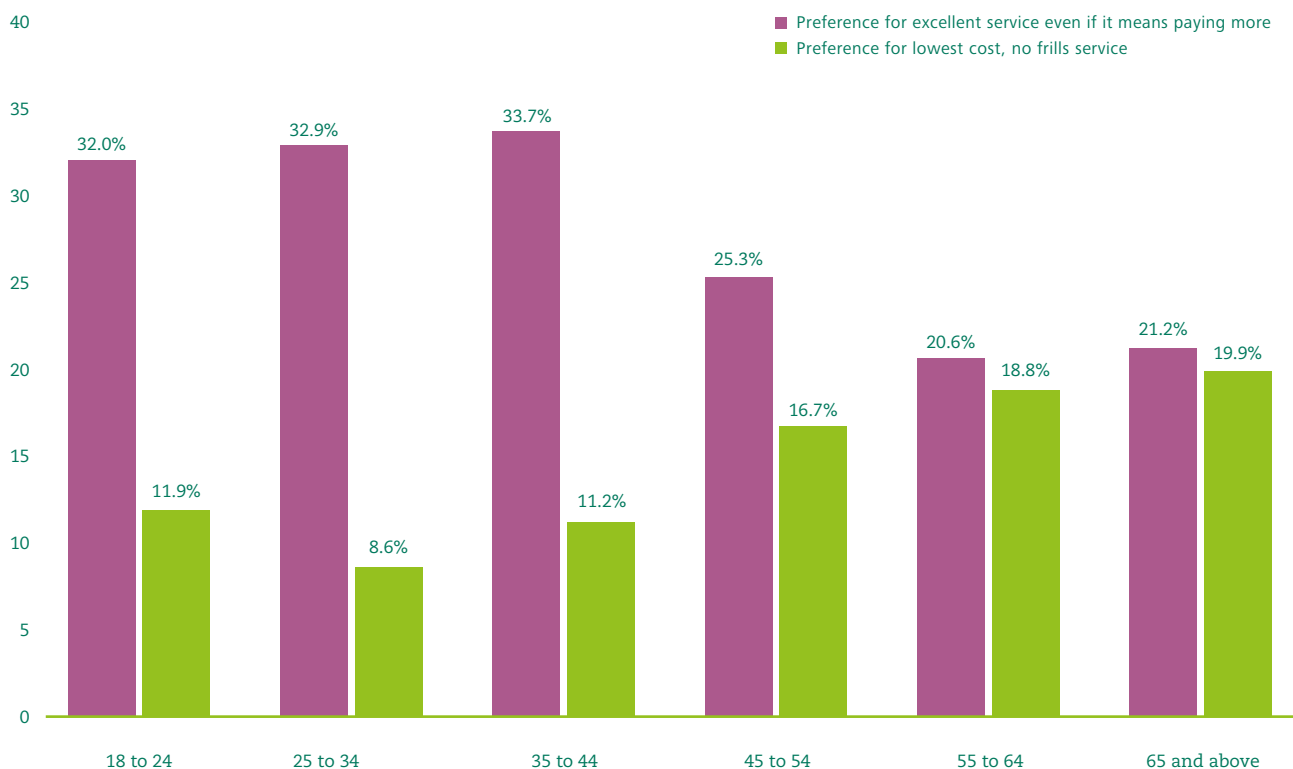


Younger customers (aged 18 – 44) are more likely than average to prioritise excellent service, especially in the Automotive and Tourism sectors. This may reflect a desire for more formalised help and advice when making large or logistically complex purchases.

Customers aged over 45 are more likely than average to prefer lowest prices and no frills service, particularly in the Banking, Retail, Telecommunications & Media, Transport and Utilities sectors.

This preference perhaps suggests that many older customers are not just highly price aware, but also feel a familiarity with the organisations they deal with and therefore don't necessarily seek advice about existing or new products and services.

Service preferences by customer age group: premium or no frills?

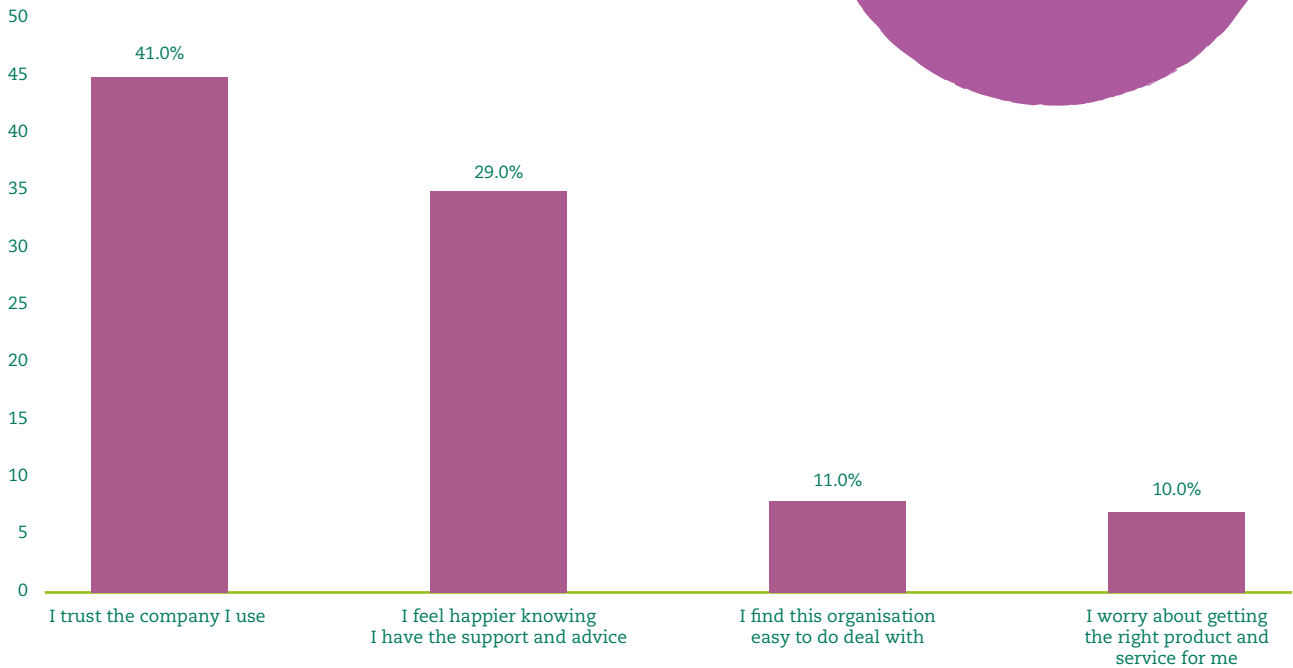


What motivates service preferences?

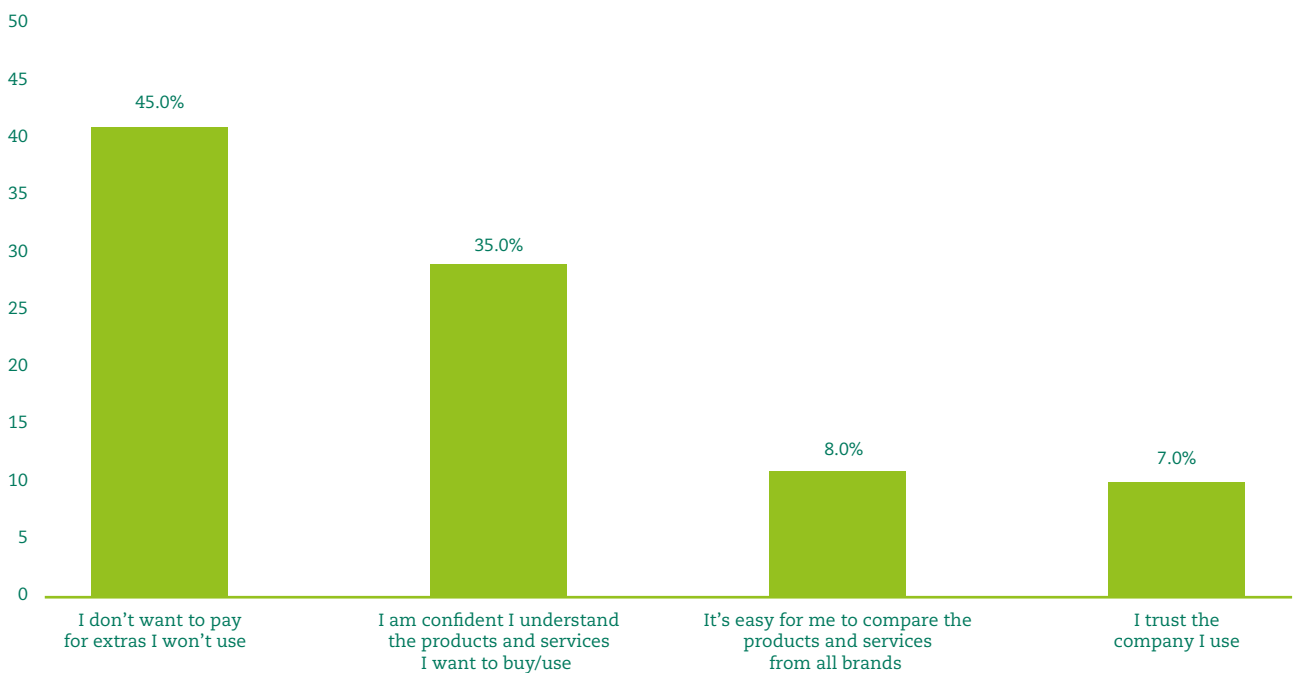
<p>Trust</p>	<ul style="list-style-type: none">• 41% of customers who favour excellent service, even if it means paying more, cite trust in the organisation as the key reason for their preference• 45% of customers who prefer lowest cost, no frills service say that it is to avoid paying for products and services they don't need or won't use. 7% of these customers also cited their trust in an organisation as the reason they were prepared to accept no frills service
<p>Confidence</p>	<ul style="list-style-type: none">• 29% of customers who prioritise excellent service value the reassurance of being able to access support and advice• 35% of customers who prefer no frills service are confident that they understand the products and services they want to buy and use
<p>Type of experience</p>	<ul style="list-style-type: none">• A higher proportion of customers prioritise excellent service when they are researching an organisation, getting a quote, have an enquiry or are following up an issue or problem• Customers are less likely to prioritise premium service for routine experiences where they know what to expect, such as checking account information or receiving a regular statement / bill
<p>Level of spend</p>	<p>In sectors where there is often a regular spend commitment, such as Insurance, Transport and Utilities, higher spending customers are much more likely to say they would pay more for excellent service. This may reflect a heightened desire for comfort, simplicity or reassurance, especially where customers feel they cannot avoid high value spending commitments.</p>

Trusting an organisation is the most important reason for preferring excellent service, even if it costs more

Reasons for preferring excellent service, even if it means paying more

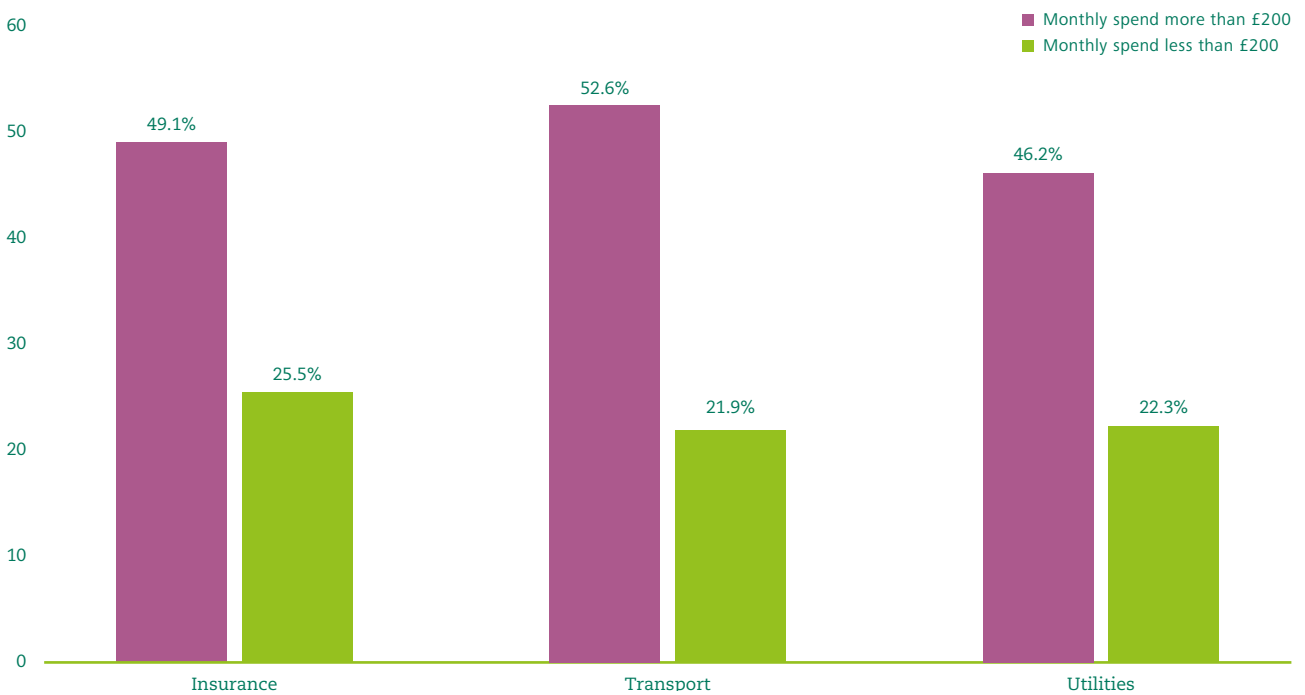


Reasons for preferring lowest cost, no frills service



Higher spending customers in Insurance, Transport and Utilities are much more likely to favour excellent service, even if it costs more

Proportion of customers who prefer excellent service, even if it costs more, by average monthly spend

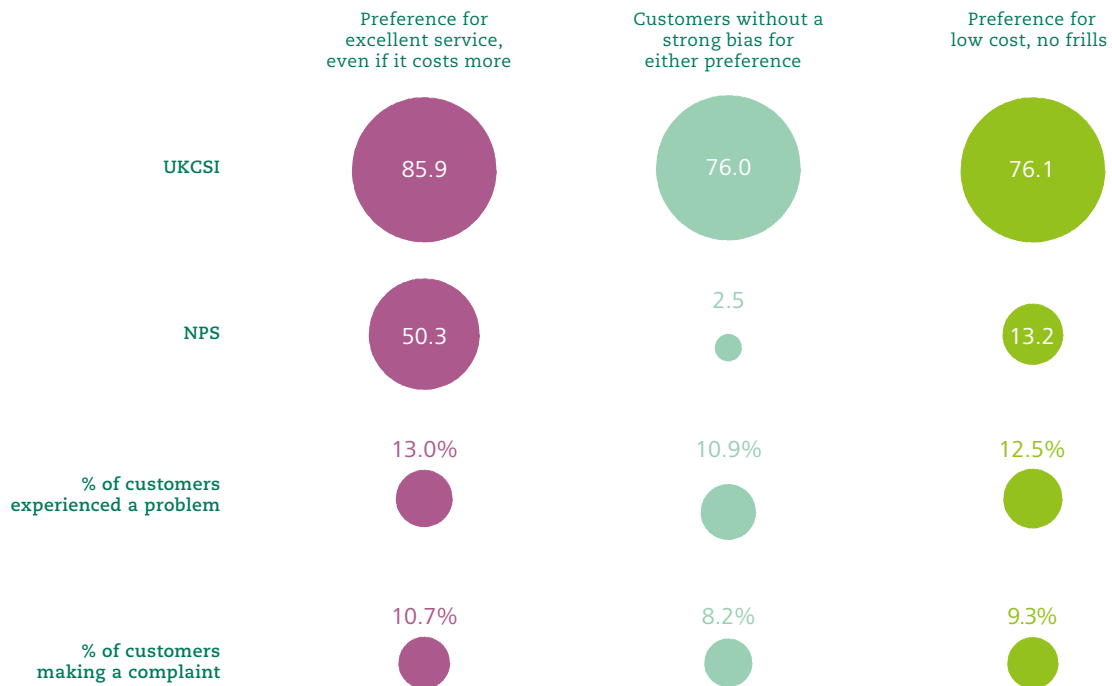


Customers with a strong preference for excellent service are more challenging to serve but give greater loyalty.

Customers with a strong preference for excellent service, even when it costs more, generally have much higher satisfaction than other customers and are more likely to strongly recommend an organisation. However, they are also more likely

to say they have experienced a problem and raised a complaint. This suggests that there is a significant group of UK consumers – at least 25% - who expect, demand and will pay for the highest levels of service. These customers seek long-term relationships based on trust and are prepared to reward the organisations they choose with greater loyalty, advocacy, and in some cases, higher levels of spend.

Key customer measures, by service preference



Preferences for premium or no frills service: key take-outs

27.4% of customers favour excellent service even if it means paying more, whereas 14.6% always want the cheapest deal, even if it means accepting a no frills service.

Characteristics of customers who prefer excellent service, even if it means paying more	Characteristics of customers who prefer lowest cost, no frills service
<ul style="list-style-type: none"> • 41% trust the organisation they deal with • 29% value the reassurance of being able to access help and advice • More likely to be researching an organisation, getting a quote, have an enquiry or are following up an issue or problem • Likely to have higher regular monthly spend, especially in Insurance, Transport and Utilities • More likely to have a problem or complaint • More challenging to serve but give higher than average satisfaction and Net Promoter Score. 	<ul style="list-style-type: none"> • 45% want to avoid paying for extra products and services they don't need or won't use • 35% are confident they understand the products and services they want to buy and use • More likely to be performing routine experiences, such as checking account information or receiving a regular statement / bill • Have lower than average satisfaction and are less likely to recommend an organisation.

5

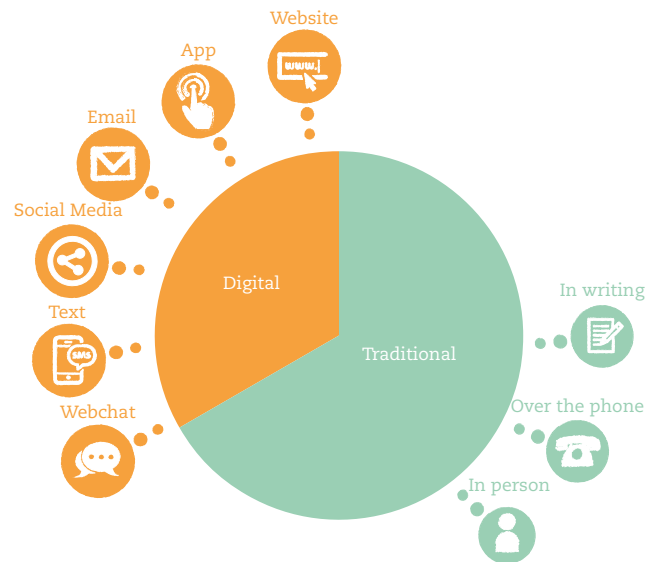
Customer experiences in digital and traditional channels

This section examines customers' use of, and satisfaction with, digital and traditional channels. It highlights differences and similarities and what organisations can learn from them.

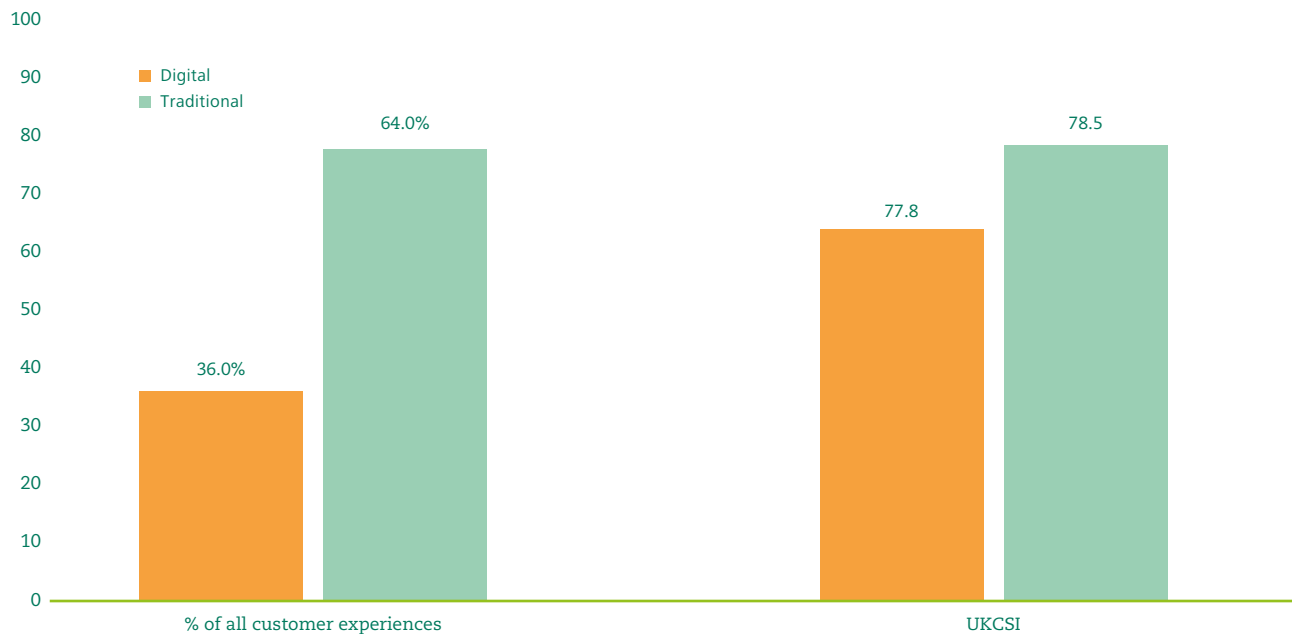
Just over a third of customer experiences take place through "digital" channels and just under two thirds through the "traditional" channels⁸

Just over a third of customer experiences take place through digital channels (an organisation's website, an app, email, social media, text or webchat) and just under two thirds through traditional or established (in person, over the phone or in writing)⁸.

Whilst there is little obvious difference in average customer satisfaction through the digital and traditional channel types, there are noticeable variations depending on sector, type of customer experience and, in some cases, by customer demographic.



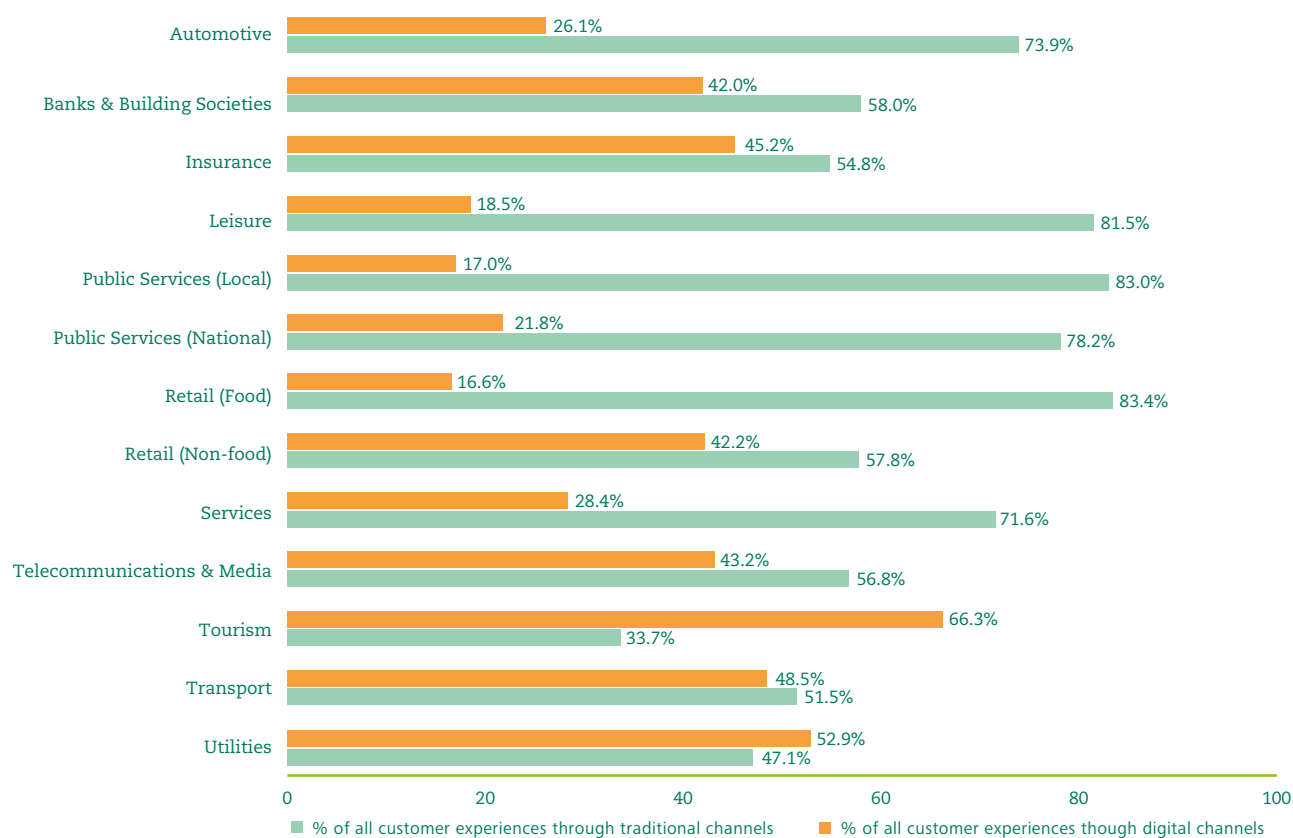
Digital and traditional channel use and satisfaction



⁸ Further information about channel use by sector and organisation is included in the 13 UKCSI sector reports. These are available as a membership benefit to some Institute organisational members and are available to purchase at www.instituteofcustomerservice.com

In the Tourism and Utilities sectors, digital experiences account for more than half of all customer interactions. In the Banks & Building Societies, Insurance, Retail (Non-food), Telecommunications & Media and Transport sectors, at least 40% of customer experiences are through digital channels.

Customers' use of digital and traditional channels, by sector



There is a different mix of customer interactions and experiences through digital and traditional channels. But the choice of channel does not always lead to higher satisfaction.

Making an enquiry

- Enquiries account for 21.6% of digital experiences but just 12.9% of experiences through traditional channels
- Satisfaction with the way enquiries are dealt with is lower through digital channels than it is through traditional

Making a purchase

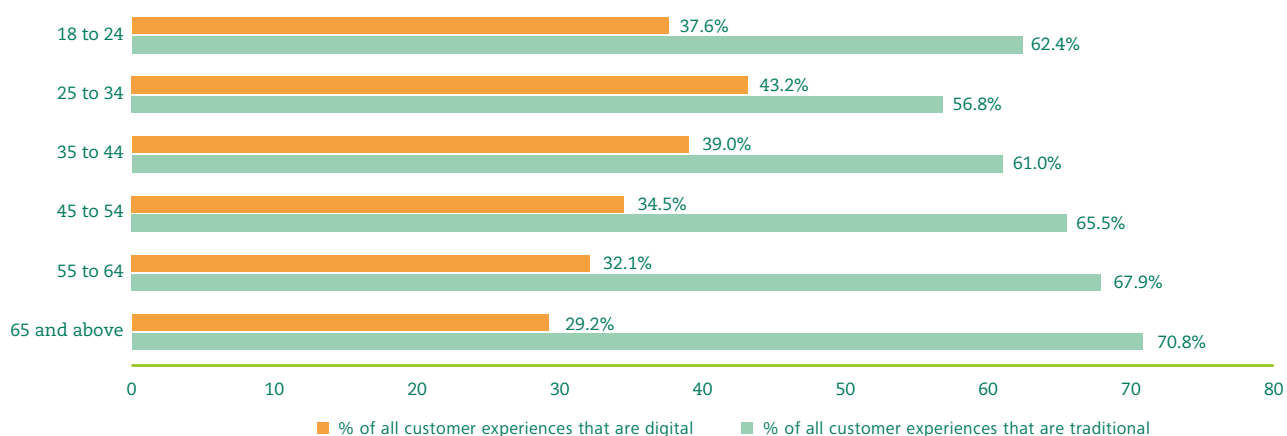
- Purchases make up a higher proportion of traditional experiences (46.8%) than digital (39.4%)
- Purchases made digitally attract higher satisfaction than those made through traditional channels.

Customer experiences through digital and traditional channels

Type of contact ⁹	% of digital experiences	% of traditional channel experiences	Customer satisfaction: digital channels	Customer satisfaction: traditional channels
Enquiry/asking a question	21.6%	12.9%	74.1	77.7
Getting a quotation/looking at the products or services on offer	12.9%	8.8%	80.3	80.1
Checking your account information /receiving a regular account statement or bill	9.4%	2.8%	81.7	80.2
Making a purchase	39.4%	46.8%	82.9	81.4

Although usage of social media, apps, text and webchat is more widespread amongst younger customers, it is not the case that the digital customer environment is dominated by the young. There is a broad spread of digital experiences and interactions across all age groups, especially through email and organisations' websites.

Proportion of digital and traditional customer experiences by age cohort



⁹ Refers to all 13 sectors except Automotive, Insurance, Telecommunications & Media and Utilities as they include some sector-specific types of contact. Information about type of contact and satisfaction by type of contact can be found in the 13 sector reports available at www.instituteofcustomerservice.com

Whilst there is little difference in overall customer satisfaction between men and women (see section 6, Demographics of customer satisfaction), there is some evidence of a difference in propensity to use certain channels – especially email. Women are more likely than men to use email to interact with an organisation. They are much more likely to use email to make an enquiry. But whereas women generally give organisations slightly higher customer satisfaction than men, their satisfaction when using email is lower than that of male customers.

Male and female customers' email experiences

	Male	Female
% of all experiences that are via email	6.7%	9.9%
% of email interactions that are an enquiry/asking a question	30.6%	53.6%
Overall satisfaction via email	72.7	71.4

For 27 organisations, there is a difference of at least 5 points in customer satisfaction with experiences through digital versus traditional channels.

The highest performing organisations in the UKCSI generally achieve strong and consistent satisfaction across the range of channels their customers use. In this UKCSI, 27 organisations with at least 30 respondents for digital and traditional channels, show a difference of at least 5 points in customer satisfaction for digital versus traditional channel experiences. Five of these organisations - Sainsbury's, Waitrose, Tesco Mobile, Hilton and Haven Holidays – are amongst the 50 highest ranked organisations in the UKCSI.

These differences in satisfaction suggest that there may have been an organisational focus on customer experiences through particular channels and that there is an opportunity to further improve satisfaction by promoting consistency across digital and traditional experiences.

Variations in customer satisfaction in digital and traditional channels, by organisation

Customer satisfaction through digital channels at least 5 points higher than traditional	Customer satisfaction through traditional channels at least 5 points higher than digital
<p>DVLA (Public Services National) Haven Holidays (Tourism) HMRC (Public Services National) Jobcentre Plus (Public Services National) npower (Utilities) Ryanair (Transport) Stagecoach (Transport) TalkTalk (Telecommunications & Media) Virgin Media (Telecommunications & Media) Virgin Mobile (Telecommunications & Media) Volkswagen (Automotive)</p>	<p>Anglian Water (Utilities) Citroen (Automotive) dpd (Services) Hilton (Tourism) Morrisons (Retail Food) Post Office (Public Services National) Power NI (Utilities) RAC (Insurance) RAC (Services) Renault (Automotive) Sainsbury's (Retail Food) Tesco (Banks & Building Societies) Tesco Mobile (Telecommunications & Media) Thomas Cook (Tourism) Thomson Holidays (Tourism) Waitrose (Retail (Food))</p>



Customer experiences in digital and traditional channels: key take outs

- Digital customer experiences make up over a third of all customer experiences by a broad range of customers across all sectors
- Customers are more likely to use digital channels to make an enquiry or check account information but this does not necessarily lead to higher satisfaction with these experiences
- Female customers are more likely than men to use email to make an enquiry
- Organisations need to enable contact through a range of channels, reflecting their customers' priorities and preferences
- Consistent, easy and integrated experiences across channels will be increasingly important to achieving sustained levels of customer satisfaction.

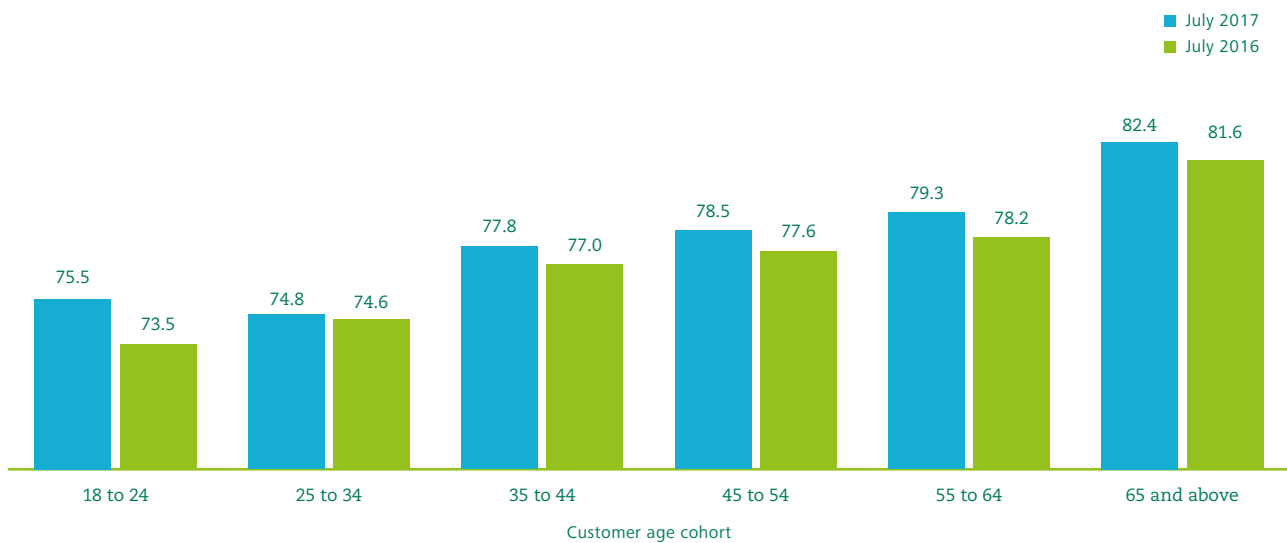
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Demographics of customer satisfaction

Customer satisfaction by age group

Customer satisfaction has improved in each age group compared to July 2016, with the biggest increase, 2 points, for 18 – 24 year olds. Nevertheless, customers between the ages of 18 and 44 generally have lower satisfaction than the UK average.

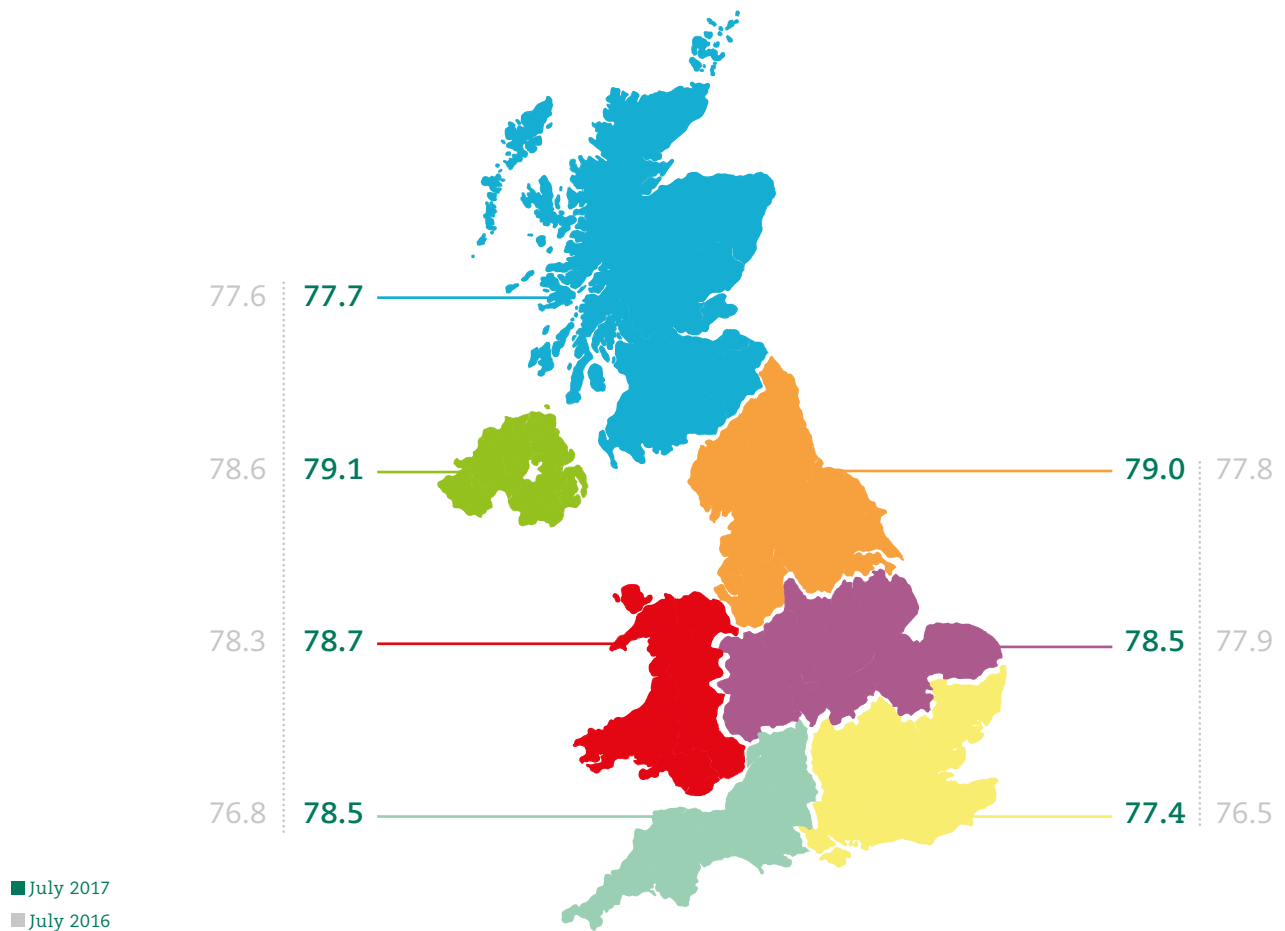
Customers aged over 45 express higher than average satisfaction, with those over 65 the most satisfied.



Regions and countries

Customers in Northern Ireland and the North of England registered the highest customer satisfaction, whereas in Scotland and South East England satisfaction is just below the UK average. In both the North of England and South West England, satisfaction improved by more than one point.

UKCSI score by regions and countries

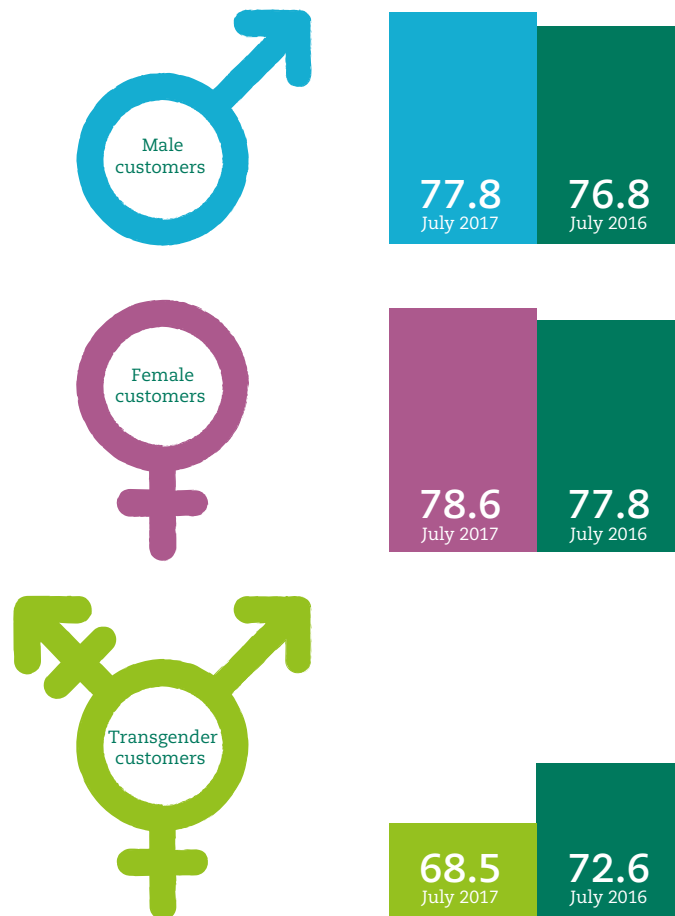


Customer satisfaction by gender

Satisfaction for both male and female customers has improved slightly compared to July 2016. However, transgender customer satisfaction fell by 4.1 points. The biggest areas of decline were for in person experiences, including speed of service, helpfulness and competence of staff. By contrast, transgender customers' satisfaction with telephone and online experiences has improved compared to last year.

Customers who identify themselves as transgender are much more likely than average to be in the youngest customer age groups.

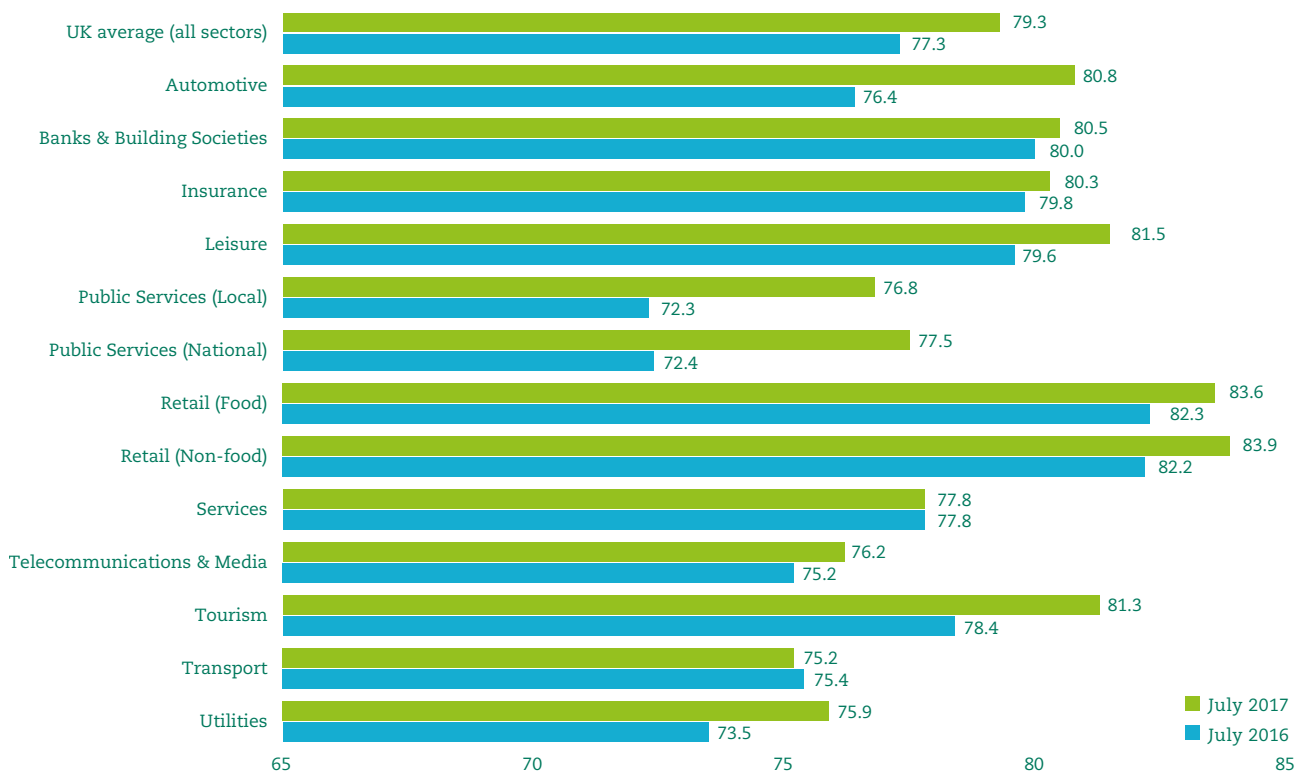
UKCSI score by gender



Customer satisfaction of disabled people¹⁰

Disabled people's customer satisfaction has improved by two points compared to July 2016 and is 1.1 points higher than the UK average. The biggest gains are in the Public Services (Local and National) and Automotive sectors. In the Banks & Building Societies, Insurance, Services and Transport sectors there has been little year on year change.

Disabled people's satisfaction is 1.1 points higher than the UK average



¹⁰ In the UKCSI, customers were asked, "do you have a disability or long term health condition?"

7

Implications & opportunities

The improvement in customer satisfaction is welcome, but masks a diversity of performance by organisations. It appears that many organisations have invested significant resources and effort into dealing with complaints, resulting in better complaint handling and satisfaction. Yet more customers are experiencing problems and complaints, customer effort continues to rise and trust in organisations has remained broadly flat.

At the same time, a significant proportion of customers say they would pay more to guarantee excellent service. The evidence in this UKCSI suggests that getting the basics right is imperative but is not enough to create enduring customer relationships.

We recommend six areas of focus organisations need to address to make the step change in customer experience performance required to deliver genuine customer loyalty and advocacy.

Implications and opportunities: six areas of focus



1 Quality of customer experience design



2 Eliminating problems



3 Engaged, competent people still make the difference



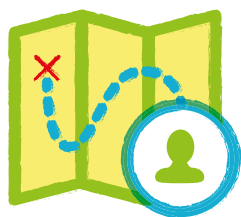
4 Positioning service in a context of rising prices



5 Segmenting by customer preference



6 Marrying traditional customer service virtues with artificial intelligence technologies



Quality of customer experience design

The most urgent question arising from this UKCSI is: what do organisations need to do in order to translate improvements in customer satisfaction into genuine loyalty and advocacy which generates bottom line business benefits?

Customers interact with organisations through multiple channels, seeking a range of advice, information and solutions. Sometimes, customers need fast, accurate transactions; at other times they want extensive, personalised advice and recommendation. Many customers are time-poor and have heightened expectations around speed and efficiency. Others need help to understand complex products, services and options.

In this challenging environment, the quality of customer experience design is the key to creating experiences that connect with customers' diverse and evolving needs and engender an authentic relationship between customer and organisation. As a result, customer experience design has emerged as a distinct discipline in organisations seeking to differentiate themselves through service.

The UKCSI suggests that customer experience design will grow in prominence and will require an expanding set of capabilities:

- Deep understanding of customers' motivations and evolving needs
- A creative, intuitive grasp of how each experience can be shaped to make it easier for customers to achieve their objectives
- A relentless focus on customer journeys, spanning experiences, channels and life stages and clarity about where to prioritise effort, design and investment
- Zeal and commitment to embed customer experience design throughout the organisation
- Turning design into implementation and measuring both the functional and emotional impact of experiences.



Eliminating problems

This UKCSI pointedly demonstrates the impact of problems and complaints for customers and organisations. Greater satisfaction with complaint handling has driven significant improvement in customer satisfaction in the last year.

But the number of complaints is growing. Our evidence suggest that complaints account for well over nine million additional contacts to organisations and that 72% of complaints are likely to result in lower than average satisfaction. Furthermore, apart from improved complaint handling, customers are on average no more satisfied with organisations than they were four years ago. This means that many organisations are devoting significant resources and effort to improving the way they deal with customers' complaints but this is not translating into loyalty or advocacy.

Of course, problems and complaints will always occur and dealing with them effectively is a vital prerequisite of customer satisfaction. However, the UKCSI suggests that organisations need to focus as much on preventing problems as on managing and resolving them.



Engaged, competent people still make the difference

Customers interact with organisations in multiple ways but the traditional in person and over the phone channels still account, on average, for over 60% of experiences - more in many sectors. Employees' helpfulness, competence and attitudes – especially in the context of a problem or complaint – are among the most enduring differentiators between the top 50 organisations and the rest. Our research into employee engagement in 2016 showed that customers are highly aware of engaged or disengaged employee behaviours, especially through in person and telephone channels, and that this strongly influences future buying behaviour.

Achieving consistency of performance requires a commitment to employee engagement, training and development, not as ad hoc initiatives, but as a sustained, authentic strategy for managing people and organisations.



Positioning service in a context of rising prices

Although the economic outlook is uncertain and defies easy prediction, many forecasters expect prices to rise faster than incomes over the next 12 months. The UKCSI shows that a significant number of customers, 27.4%, want excellent service and are prepared to pay for it, whilst 14.6% of people would sacrifice service standards for the cheapest deal. 58% of customers do not express a strong preference either way.

If inflation squeezes incomes as predicted, it's possible that customers who value excellent service and those who seek the cheapest deals will both become even more exacting in their requirements. Perhaps the biggest impact will be felt by the majority of customers who currently don't express a strong preference for either premium or no frills service. Rising prices may push these customers to be more emphatic about whether they prioritise service or price.

The changing economic outlook means that organisations will need to maintain a sharp focus on how their proposition is received by customers. Organisations that operate a business model based around lowest prices could find it increasingly difficult to maintain profits. Those that seek to differentiate through excellent service will need to track and respond to potentially heightened customer expectations. For all organisations, it is likely to be more challenging to achieve levels of customer satisfaction that deliver loyalty and advocacy.



Segmenting by customer preference

The UKCSI provides further evidence that age, gender and even spending power have become unreliable indicators of customer needs and preferences. Although young people are the most prolific users of social media, apps and webchat, there is widespread use of digital and traditional channels across age groups and sectors. As the millennial generation comes of age and Generation X and Y cohorts mature, differences in technology usage between age groups may become more nuanced. Our analysis shows that a relatively high number of young people have a preference for excellent service, even if costs more. This may reflect a wish for more formalised help and advice through a mix of digital and traditional channels, especially in sectors such as Banks & Building Societies or Tourism. Increasingly, customers need to be understood in terms of their individual preferences, why they are interacting with an organisation and what they hope to achieve.



Marrying traditional customer service virtues with artificial intelligence technologies

Many organisations are either deploying, or considering how to deploy, artificial intelligence applications such as automation, machine learning, machine intelligence or predictive analytics, to improve customer experiences, efficiency, or reduce cost. Implementation of these applications will often involve either replacing or complementing human interventions.

There is a growing debate in government, policy and think tank circles about the impact of artificial intelligence on employment, skills and competitiveness.

The UKCSI continues to show that attributes associated with people – employee attitudes, empathy and competence – are amongst the most powerful differentiators of customer service performance. Artificial intelligence undoubtedly holds the promise of creating better, cheaper, faster and more tailored customer experiences. The key challenge for organisations will be to transform customer experience by harnessing artificial intelligence alongside, not just instead of, traditional service attributes valued by customers.

UKCSI Methodology

A barometer of customer satisfaction in the UK since 2008

The UKCSI (UK Customer Satisfaction Index) provides insight into the state of customer satisfaction in the UK for 13 key sectors. UKCSI is published twice a year, in January and July. Each UKCSI incorporates two sets of data to create a rolling measure of customer satisfaction. The July 2017 UKCSI includes responses from surveys conducted between 10 October to 8 November 2016 and 20 March to 25 April 2017.

Over 10,000 customers

UKCSI is based on an online survey of over 10,000 consumers, who are representative of the UK adult population by region, age and gender. The July 2017 UKCSI comprises 43,500 responses, 3,000 from each sector except for Utilities (6,000 responses) and Insurance (4,500 responses). Customers are asked to rate their experience of dealing with a specific organisation in the previous three months. Customers rate only one organisation per sector. Each customer can complete the survey for up to five different sectors.

Over 30 metrics of customer experience

Customers rate their experience for over 30 metrics covering staff professionalism, quality and efficiency, ease of doing business, timeliness, problem solving, complaint handling and attitudes towards trust and reputation.

Metrics reflect the priorities customers have identified as the most important attributes of customer experience¹¹. UKCSI also includes measures of customer effort and a Net Promoter Score (NPS). Customers rate organisations on a scale of 1 – 10 except for the question “how likely would you be to recommend xx to friends and family”, which is a scale of 0 – 10.

245 organisations received a UKCSI rating

These include 233 named organisations and 12 generic providers including “your local Council”, “your local restaurant/takeaway” etc. Customers select an organisation to rate from a randomised list of leading and emerging players in each sector, which is reviewed before each UKCSI. Customers can also select an organisation that is not on the list. Organisations which exceed a minimum sample size are given a score and are named within one of 13 sector reports.

How the UKCSI is calculated

Index scores are expressed as a number out of 100. The UKCSI score for each organisation is the average of all of its customers’ satisfaction scores, multiplied by ten, with a weighting applied reflecting the priority score for each measure. The sector score is the mean average of all responses for that sector, multiplied by ten. The overall UKCSI is based on the mean average of each sector’s score.

¹¹ For more information about customer priorities, see January 2016 UKCSI: The state of customer satisfaction in the UK, available at <https://www.instituteofcustomerservice.com/research-insight/research-library/ics-ukcsi-exec-summary-jan16-final>

UKCSI

Key facts

9

Number of years UKCSI has run.
The UKCSI is published twice a year, normally in January and July.

13

Number of sectors the UKCSI covers, 11 in the private sector as well as the local and national public sectors. The Institute also publishes sector reports with a detailed breakdown of scores by sector and organisation.

43,500

Number of unique responses included in July 2017, from over 10,000 customers. Customers are geographically and demographically representative of the UK population and participate in the survey through an online panel. Customers are asked to provide a score for organisations based on their most recent interaction.

3,000

Number of responses per sector, except for Insurance and Utilities, which have 4,500 and 6,000 responses respectively.

245

Number of individual organisations and organisation types which received a UKCSI rating. 233 named organisations which have exceeded a minimum sample size are scored in the 13 sector reports. In addition, scores have been given for 12 generic providers including "your local Council", "your local restaurant/takeaway" etc.

Organisations included in UKCSI July 2017

Automotive

Audi
BMW
Citroen
Fiat
Ford
Honda
Hyundai
Jaguar
Kia
Land Rover
Mazda
Mercedes-Benz
Mini
Nissan
Peugeot
Renault
Seat
Škoda UK
Suzuki
Toyota
Vauxhall
Volkswagen
Volvo

Banks & Building Societies

Bank of Scotland
Barclays
first direct
Halifax
HSBC
Lloyds
M&S
Nationwide
NatWest
RBS
Santander
Tesco
The Co-operative Bank
TSB
Yorkshire Bank

Insurance

AA Insurance
Admiral
Allianz
Aviva
AXA
BUPA
Churchill
Co-op Insurance
Direct Line
Esure
Halifax
Hastings Direct Insurance

Legal and General

Lloyds
LV=
M & S
More Than
Nationwide Insurance
Privilege
Prudential
RAC
RIAS
SAGA Insurance
Sainsbury's
Sheilas' wheels
Swinton
Tesco
Virgin Money
Zurich

Leisure

Burger King
Caffe Nero
Cineworld
Costa Coffee
Domino's Pizza
Greggs
Harvester
JD Wetherspoon
KFC
McDonalds
Nando's
Netflix
Odeon
Pizza Express
Pizza Hut
Pret A Manger
Starbucks
Subway
TicketMaster
Toby Carvery
Vue Cinema
your local restaurant/takeaway

Public Services (Local)

GP surgery / health centre
Library
your Housing Association
your local Ambulance Service
your local Council
your local Fire Service
your local Police Service

Public Services (National)

DVLA
HM Passport Office
HMRC (Inland Revenue)

Jobcentre Plus

NHS / hospital service
Post Office
The university I attend

Retail (Food)

Aldi
ASDA
Co-op Food
Iceland
Lidl
M & S
Morrisons
Ocado
Sainsbury's
Tesco
Waitrose

Retail (Non-food)

Amazon.co.uk
Apple
Argos
B&Q
Boots UK
Currys/PC World
Debenhams
Ebay
Holland & Barrett
Homebase
Ikea
John Lewis
M & S
Matalan
New Look
Next
Pets at Home
Poundland
Primark
Specsavers
Sports Direct
Superdrug
TK Maxx
Wickes
Wilko

Services

AA
DHL
DPD
Green Flag
Halfords autocentre
Hermes
Hertz
Homeserve
Kwik Fit

RAC

Royal Mail / Parcelforce
Timpson
TNT
Uber
Western Union
Yodel
your local dry cleaner
your local garage
your local solicitor
your local tradesman e.g. builder, electrician, painter & decorator, plumber

Telecommunications & Media

3
BT
EE
giffgaff
O2
Plusnet
Sky
T-Mobile
TalkTalk
Tesco Mobile
Virgin Media
Virgin Mobile
Vodafone

Tourism

booking.com
Butlins
Center Parcs
Expedia
Haven Holidays
Hilton
Holiday Inn
Hoseasons
Jet2holidays.com
Lastminute.com
LateRooms.com
Marriott
PGO Cruises
Premier Inn
Thomas Cook
Thomson Holidays
Travelodge
Trivago
Virgin Holidays

Transport

Abellio Scot Rail
Arriva Trains Wales
Arriva- Bus group
British Airways

East Midlands Trains

easyJet
Eurotunnel
First Group - bus companies
Flybe
Great Western Railway
Greater Anglia
Jet2
London Midland
London Underground
Monarch Airlines
National Express
Northern
P&O Ferries
Ryanair
South West Trains
Southeastern (train operating company)
Southern Railway
Stagecoach (Bus)
The Trainline.com
Thomson Airways
TransPennine Express
Virgin Atlantic
Virgin Trains
Virgin Trains East Coast

Utilities

Affinity Water
Anglian Water
British Gas
Dwr Cymru (Welsh Water)
E.ON (energy)
EDF Energy
First Utility
M & S Energy
Northumbrian Water
npower
OVO Energy
Power NI
Scottish and Southern Energy (SSE)
Scottish Gas
Scottish Power
Scottish Water
Severn Trent Water
South West Water
Southern Water
Thames Water
The Co-operative Energy
United Utilities (water)
Utility Warehouse
Wessex Water
Yorkshire Water

UKCSI sector reports*

13 reports are available with sector-specific insight and recommendations

- Customer satisfaction performance of leading organisations on over 30 customer experience metrics
- Channel use and satisfaction
- Drivers of complaints and satisfaction with complaint handling
- Links between satisfaction and future buying behaviours
- Recommendations and opportunities to improve



New for July 2017: Sector resource packs*

- Key sector and organisational measures in spreadsheet format
- Sector satisfaction by age, region, gender
- Word cloud summarising how customers feel about their experiences with organisations
- Satisfaction by product type in the Banking and Insurance sectors

Sub-sector customer experience measures

- Leisure (Quick Service Restaurants)
- Transport (Air; Rail; Coach / Bus)
- Retail Non-food (Fashion retailers)
- Utilities (Energy; Water)

Automotive

Banks & Building Societies

Insurance

Leisure

Public Services (Local)

Public Services (National)

Retail (Food)

Retail (Non-food)

Services

Telecommunications & Media

Tourism

Transport

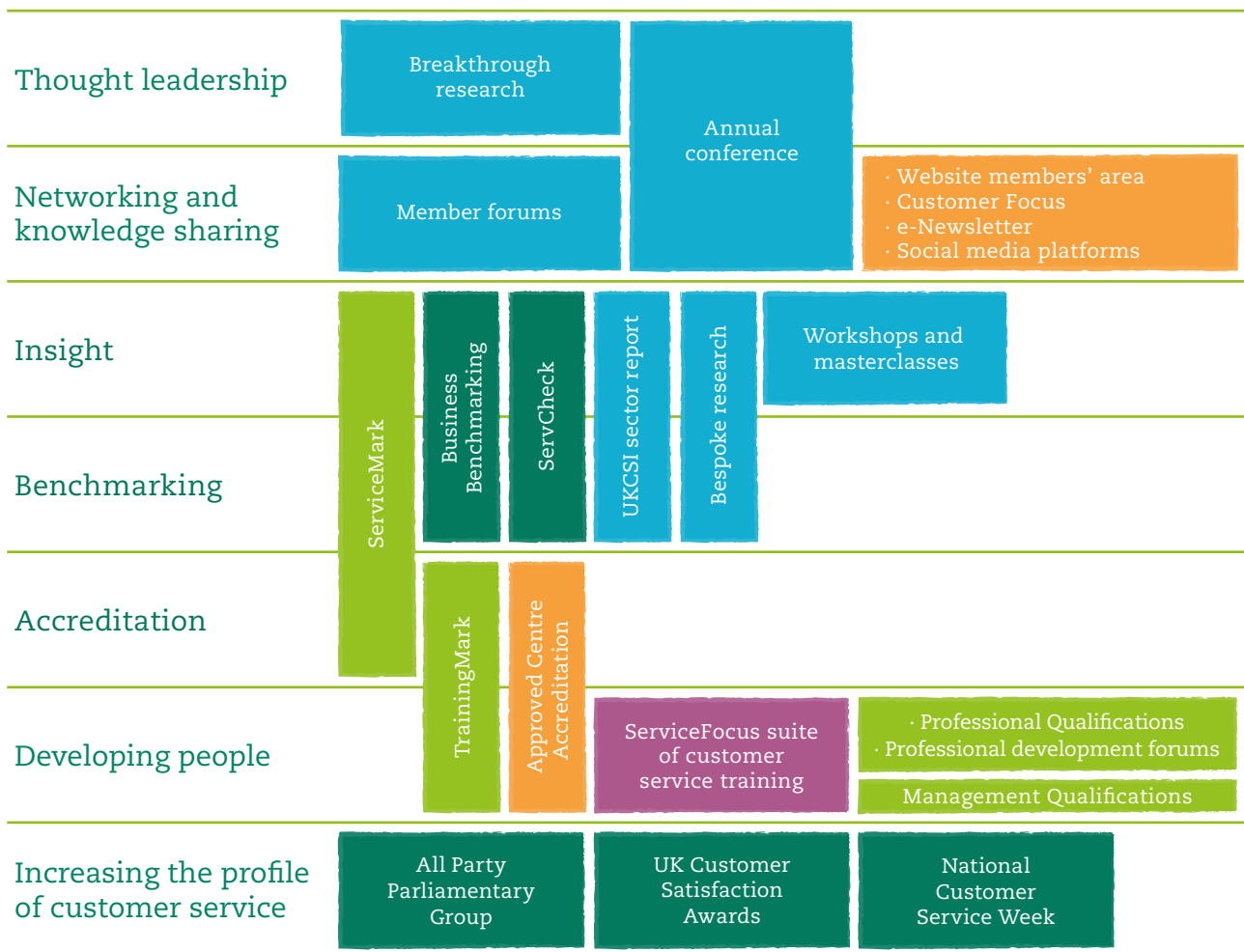
Utilities

* Two sector reports are available as a membership benefit to The Institute's Trusted Advisory Network members; one report for Discovery Roadmap and Council members. For Corporate and Pathway members, discounts apply.

Sector reports are available for purchase by non members at

www.instituteofcustomerservice.com or contact us at enquiries@icsmail.co.uk

A summary of benefits of Institute membership*



*Membership benefits vary by membership type. For further information contact us at enquiries@icsmail.co.uk

Notes

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About The Institute of Customer Service

The Institute of Customer Service is the UK's independent, professional body for customer service.

Our purpose is to enable organisations to achieve tangible business benefits through excellent customer service aligned to their business goals and to help individuals maximise their career potential and employability by developing their customer service skills.

We provide tools and services to support continuous customer service improvement and a framework for our members to share and learn from each other.

We are independent – setting standards so that our customers can improve their customers' experiences and their business performance.

The Institute is the secretariat for the All Party Parliamentary Group on Customer Service.

Key Activities

- Research and reports on the latest customer service trends and thinking
- Publication of the UK Customer Satisfaction Index (UKCSI) twice a year
- Benchmarking customer experience to identify areas for improvement, drawing on the views of both customers and employees
- Bespoke customer insight and research
- Training and accreditation programmes for customer service professionals
- Professional qualifications for individuals at all stages of their career
- Public policy development.

For further information please visit
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