

UKCSI LATEST RESULTS

The 12th UK Customer Satisfaction Index (UKCSI) has just been published. The survey is conducted by TLF for the Institute of Customer Service (ICS).

CUSTOMER SATISFACTION: THE STATE OF THE NATION

Customer satisfaction in the UK has fallen for the third consecutive six-month period. The July 2014 UKCSI dropped by 0.8 points, to 76.3 (out of 100), from 77.1 in January 2014. We are now seeing a marked downward trend in the satisfaction of UK customers.

UKCSI PERFORMANCE BY SECTOR

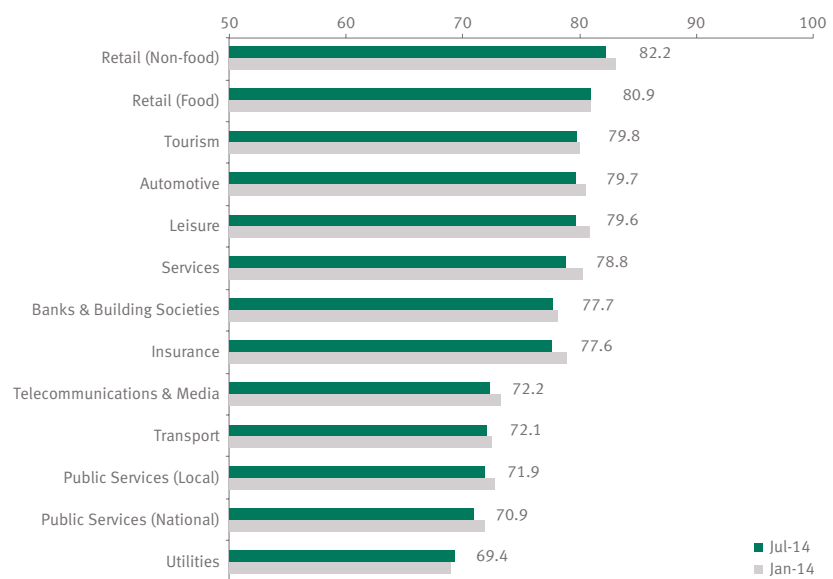
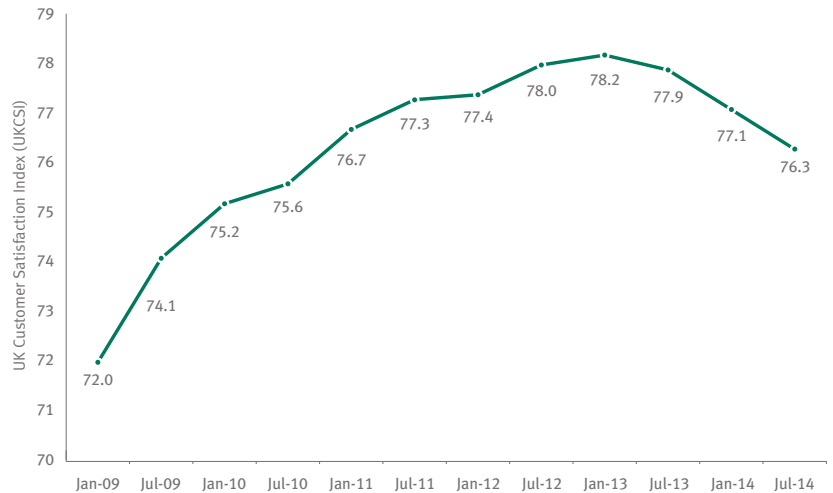
The fall in customer satisfaction applies to all sectors except Utilities, which achieved a small increase of 0.4 points between January 2014 and July 2014. However, it remains the lowest-scoring of the thirteen sectors in the UKCSI, with an average rating of 69.4.

The biggest drops in satisfaction by sector were seen in Leisure (-1.3), Insurance (-1.3) and Services (-1.4).

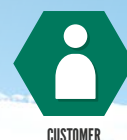
For the first time since the UKCSI began in 2008, satisfaction with the Insurance sector has fallen behind satisfaction with Banks & Building Societies.

WHICH COMPANIES ARE BEST?

Evidence from the UKCSI suggests that there are four broad segments of organisations, in terms of customer satisfaction: Amid the overall drop in satisfaction, there is significant variation in customer satisfaction performance among the 197 named organisations featured in the UKCSI. Only 28 organisations increased their score by at least one point compared to July 2013. But 96 have seen their score fall by more than one point over the period.



Segment	Business impact
Organisations with consistently high customer satisfaction ratings	Remain well placed to benefit from customer recommendation, loyalty and trust, but are potentially vulnerable to rising customer expectations and rapidly changing needs
Organisations that have seen significant recent improvement in their customer satisfaction	Well positioned for sustainable business success provided they retain a focus on customer service and satisfaction
Organisations whose customer satisfaction is around or below the average for their sector and is relatively stable	Likely to be vulnerable to rising customer expectations and rapidly changing needs and preferences
Organisations whose customer satisfaction ratings have declined	Likely to experience challenges in maintaining customer trust, loyalty and recommendation, with potentially damaging consequences for sustainable business performance



THE TOP 50

Evidence from the UKCSI suggests that there are four broad segments of organisations, in terms of customer satisfaction:

John Lewis and Amazon continue to be the highest ranked organisations for customer satisfaction. John Lewis has reclaimed the no.1 position in UKCSI in July 2014, having been placed no.2 in January 2014. This is despite its score being 3.1 points lower than a year ago.

John Lewis receives consistently high scores across all customer experience metrics in UKCSI. Its ratings in the area of "Professionalism"

- driven by customers' experiences with staff commonly rated as helpful, friendly and competent - are particular strengths. Amazon meanwhile has emerged as a leader in the areas of "Ease of doing business" and "Timeliness".

Two organisations appear in the top 10 for the first time. Specsavers makes its first appearance in UKCSI and Tesco Mobile's ratings have continued to improve, making it the fourth highest ranked organisation.

Top 50 named organisations	UKCSI score July 2014	UKCSI score July 2013
John Lewis	87.7	90.8
Amazon	87.6	89.0
First Direct	86.3	87.2
Tesco Mobile	85.8	82.6
Marks & Spencer (Food)	85.6	86.7
Waitrose	85.0	88.5
Specsavers	84.4	n/a
Aldi	84.2	86.2
Next	84.0	82.2
Nationwide	83.5	83.7
The Co-operative Bank	83.5	86.7
Pret A Manger	83.4	n/a
Center Parcs	83.3	78.9
Argos	83.0	83.7
LV=	83.0	83.3
Boots	82.9	81.8
Toby Carvery	82.8	83.7
Skoda	82.7	85.6
Tesco Bank	82.7	76.4
Mercedes Benz	82.6	84.4
Greggs/Baker's Oven	82.5	84.8
Honda	82.5	84.7
Iceland	82.1	85.8
P&O Cruises	82.0	78.6
Premier Inn	82.0	82.1
Hyundai	81.8	81.5

Top 50 named organisations	UKCSI score July 2014	UKCSI score July 2013
Morrisons	81.8	80.9
eBay	81.7	82.8
P&O Ferries	81.6	81.9
Kia	81.5	84.6
Superdrug	81.5	n/a
Marriott	81.4	85.3
Subway	81.4	82.4
RAC	81.3	81.1
Sainsbury's	81.3	82.5
Hilton	81.2	84.2
Autoglass	81.1	81.9
BMW/Mini	81.0	82.0
Toyota	81.0	82.8
Asda	80.9	82.2
Audi	80.9	84.3
Costa Coffee	80.9	82.1
Wilkinson	80.9	83.5
Yorkshire Bank	80.9	n/a
Northern Ireland Electricity	80.8	77.1
Marks & Spencer (Non-food)	80.7	86.7
Pizza Express	80.6	81.8
AA	80.5	81.0
Caffe Nero	80.5	82.1
SAGA Insurance	80.5	83.9
Volkswagen	80.5	81.4



THE MOST IMPROVED ORGANISATIONS

A number of organisations have defied the national trend of declining customer satisfaction. Ten organisations recorded a UKCSI score improvement of more than 3.5 points between July 2013 and July 2014.

These top 10 improvers represent a range of sectors and business models. A number of them are from sectors which are not among the highest performing for customer satisfaction. Their performance

demonstrates that despite the influence of economic conditions and rising customer expectations, it is possible to improve customer satisfaction by focusing on customer experience and service.

Top 10 most improved organisations	UKCSI July 2014	UKCSI July 2013	+/-	Sector
Dwr Cymru (Welsh Water)	76.9	70.2	+6.7	Utilities
Tesco Bank	82.7	76.4	+6.3	Banks and Building Societies
HM Passport Office	77.4	72.3	+5.1	Public Services (National)
Homeserve	75.2	70.4	+4.8	Services
Center Parcs	83.3	78.9	+4.4	Tourism
East Midlands Trains	75.9	71.7	+4.2	Transport
First ScotRail	74.0	69.9	+4.1	Transport
Butlins	80.1	76.3	+3.8	Tourism
Northern Ireland Electricity (NIE)	80.8	77.1	+3.7	Utilities
Santander	77.4	73.8	+3.6	Banks and Building Societies

SUSTAINED IMPROVEMENT IN CUSTOMER SATISFACTION

Short term improvements in customer satisfaction are an encouraging indicator of future performance, but realising the business benefits of better customer service requires a sustained and consistent focus.

The three organisations with the largest rise in customer satisfaction over the past five years (since July 2009) are:

- Northern Ireland Electricity, up 13.8 points
- Homeserve, up 10.6 points
- Nationwide (Building Society), up 7.1 points

THE 12 ORGANISATIONS WITH UKCSI SCORES ABOVE 80 IN EVERY SET OF RESULTS SINCE JULY 2009

Organisation	Sector
The AA	Services
Asda	Retail (Food)
Boots	Retail (Non-food)
Hilton	Tourism
John Lewis	Retail (Non-food)
Marks & Spencer (food)	Retail (Food)
Marks & Spencer (non-food)	Retail (Non-food)
Marriott	Tourism
Premier Inn	Tourism
RAC	Services
Toby Carvery	Leisure
Waitrose	Retail (Food)

WHY IS CUSTOMER SATISFACTION FALLING?

Here are the thoughts of Joanna Causon, CEO of the ICS:



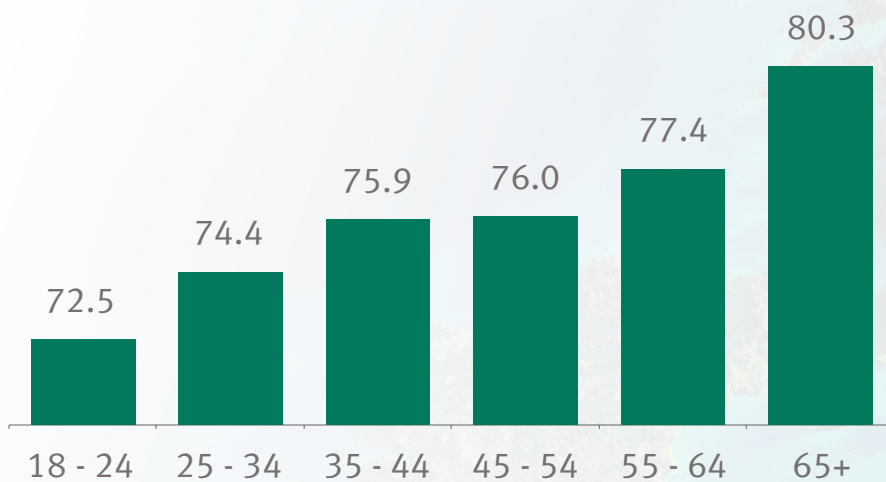
“There are a number of factors which may account for the falling trend in customer satisfaction. Customer expectations are continuing to rise and their needs are evolving more rapidly, with convenience, ease of doing business and speed seen as particularly important. For the first time, this UKCSI report shows the levels of satisfaction by age group; the fact that younger people are on average less satisfied than older age groups suggests that customer expectations will continue to rise in future. As demand and confidence grow, organisations may be tempted to shift their priority away from retaining customers through focusing on customer experiences, towards more emphatically increasing customer numbers and market share. However, evidence from the UKCSI continues to point to clear and consistent linkages between high levels of customer satisfaction and trust, loyalty, likelihood to remain a customer, and in the Retail food sector in particular, higher sales growth.



Joanna Causon

CEO
Institute of Customer Service

UKCSI SCORE BY AGE GROUP



There are a number of implications for organisations in the customer satisfaction differences between customer segments:

- Organisations need to develop a deep understanding of the needs and preferences, across the whole customer experience, of the customer segments they serve.
- The relatively lower levels of satisfaction in younger age groups suggest that, now and in the future, organisations will continue to be challenged by rising customer expectations.



CUSTOMER

WHY CUSTOMER SATISFACTION MATTERS: THE BUSINESS IMPACT

The declining trend in customer satisfaction has important implications for business performance in two key respects:

FOR INDIVIDUAL ORGANISATIONS

The link between customer satisfaction and future business performance means that those organisations with high and / or improving satisfaction will be much better placed to take advantage of increasing customer demand than those with weaker levels of satisfaction.

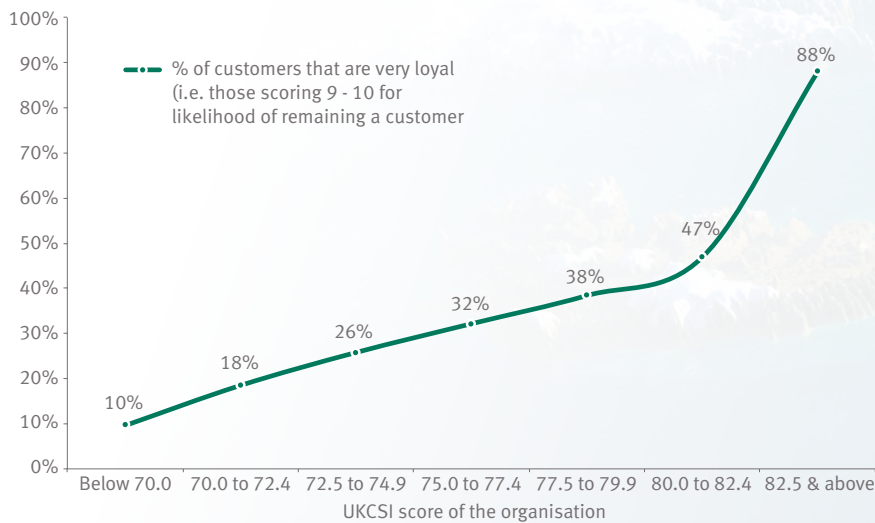
FOR THE UK ECONOMY

There is a risk that falling levels of customer satisfaction in the UK may impact negatively on the country's reputation as an attractive place to invest and do business. Moreover, the ability of UK companies – in all sectors - to benefit from growing demand in global markets is underpinned by the customer experience they offer.

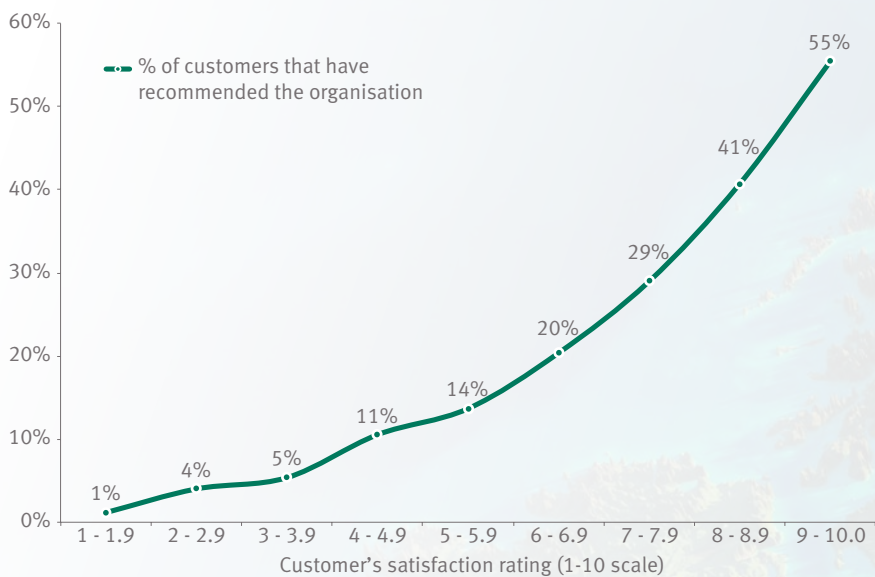
Measure	Business impact	The evidence
Trust	<ul style="list-style-type: none"> • Central to an organisation's ability to retain and acquire customers • Affects an organisation's ability to collaborate effectively with partners and suppliers • Influences reputation with the media and analysts, with potential implications for shareholder value and ability to raise investment funds 	An increase of 10 percentage points in an organisation's UKCSI score, correlates to an average increase of 12 percentage points in the trust rating from its customers
Loyalty	<ul style="list-style-type: none"> • Enables retention and increased spend from existing customers 	Organisations achieving relatively high UKCSI scores (more than 82.5 points out of 100) benefit from high levels of customer loyalty. 88% of their customers score 9 or 10 out of 10 when asked to rate their likelihood of remaining a customer
Recommendation	A leading indicator of future growth	<ul style="list-style-type: none"> • The majority of customers (55%) who gave an organisation an overall satisfaction rating of 9 or 10 points (out of 10) in UKCSI stated that they had subsequently recommended the organisation • Just 29% of customers who gave an organisation a rating of 7-7.9 had given a recommendation • Average recommendation rates drop below 15% for satisfaction ratings below 6
Customer satisfaction in the Retail food sector	Drives the organisation's sales growth and market share in a competitive market where customer spend is tight	<p>During 2013 and 2014 there has been a consistent link between customer satisfaction and sales growth</p> <ul style="list-style-type: none"> • The sales growth delivered by the food retailers with a UKCSI score above the sector average has been better than that of the below average competitors by a margin of at least 3% • The combined market share of companies with a higher than average UKCSI has grown, while the combined share of the below average UKCSI organisations has decreased <p>Year on year sales performance in the 12 weeks to 25 May 2014</p> <ul style="list-style-type: none"> • Food retailers with a July 2014 UKCSI score above the sector average (80.9 points) achieved average growth of 8% • All companies with a UKCSI score above the sector average increased sales, except Morrisons which registered a fall in sales of 4% • Food retailers with UKCSI scores below the sector average delivered average growth of 5%. However, the performance of Lidl, whose sales growth was 23%, was a significant influence on this figure. Without Lidl, the below-average organisations registered an average sales decrease of 0.5%



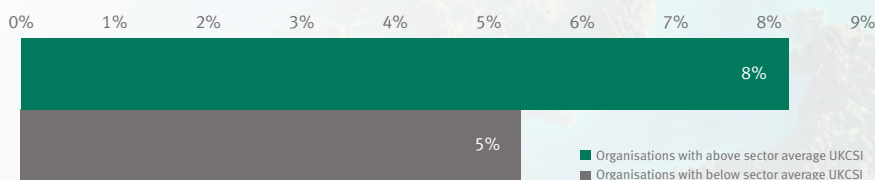
CUSTOMER SATISFACTION DRIVES LOYALTY



CUSTOMER SATISFACTION DRIVES RECOMMENDATION



Retail food year on year sales growth



CONCLUSIONS

According to Joanna Causon this is how organisations should respond to the latest UKCSI results.

- It will be important to invest in customer insight and apply it with greater speed and agility as customer needs and preferences evolve.
- Ease of doing business and convenience have a growing resonance and need to be embedded in the experiences organisations offer their customers.
- Customer service skills, capabilities and standards need to be reviewed continuously to ensure that they are current and relevant in a context of heightened customer expectations.
- Above all, there needs to be a strategic leadership commitment to customer service and a focus on the whole customer experience, especially in sectors where multiple partners and entities are involved in providing service to customers.

And a final word from Jo:

“Now is a time for organisations to hold their nerve and maintain focus on the customer experience. Those that do so will be best positioned to benefit from the sustainable and tangible business benefit of customer service.”