How creditors can deliver unrivalled CX to consumers in vulnerable situations

The world is how we shape it

sopra steria

Executive Summary

We wanted to get a true understanding of what consumers want from creditors, including banks, building societies, utilities, retailers and government. What we discovered was an interesting picture showing a gap between customer expectation and reality.

- Consumers demand flexibility when making repayments
- There is a polarisation of consumer demand for advice
- Creditors can't rely on self-diagnosis of vulnerability
- Robust data capture is needed for a true omni-channel service

For creditors to be able to enjoy customer retention and loyalty, improved debt recovery rates and delivery of good customer outcomes, they need to take action. Let's take a look at the key findings from our research and what creditors can do to act now.

The research

Sopra Steria commissioned a survey into the preferences and attitudes of consumers and their debts. This research involved a representative survey of 1,027 UK consumers, reflecting the typical make up of society by gender, age, location and social class.

The UK debt landscape

A number of factors have influenced a significant shift in the landscape of debt in the UK over the last few years. Brexit, the Covid-19 pandemic and the energy cost crisis are just some of the key challenges for an already fragile consumer population.

To help to understand those challenges and what they mean for people here in the UK, we wanted to truly understand their motivations, preferences and demands when it comes to debt and its repayment.

By asking a series of questions to a representative sample of the UK population, we've gathered a set of insights into consumer behaviour that will create a detailed picture of debt management now and into the future.

Let's take a look at what we discovered.

Consumers demand flexibility when making repayments

Firstly, we asked our sample of 1,027 UK residents how regularly they would prefer to make debt repayments.

Our research shows that people prefer to make monthly repayments (69%). This may be because most people are paid for their employment on a monthly basis (source: ONS, 77%).

Therefore, it makes sense for repayments to reflect the typical employment pay cycle, which is also close to the state pension payment cycle (4 weekly). This monthly cycle is what many people are used to and as such, the familiarity makes budgeting simpler.

Whilst fixed payments are preferred by a large proportion of respondents (50%), the research also highlighted a need for flexibility. 27% of all respondents said that they'd prefer that their repayments were flexible so that they varied each month, depending on affordability or demand. It could be that the prevalence of gig economy employment, fixed term contracts, seasonal employment and self-employment means that many people have an inconsistent level of income that fluctuates throughout the year. This has been compounded by the impact of Covid-19, where people have experienced furlough, unemployment and reduced hours.

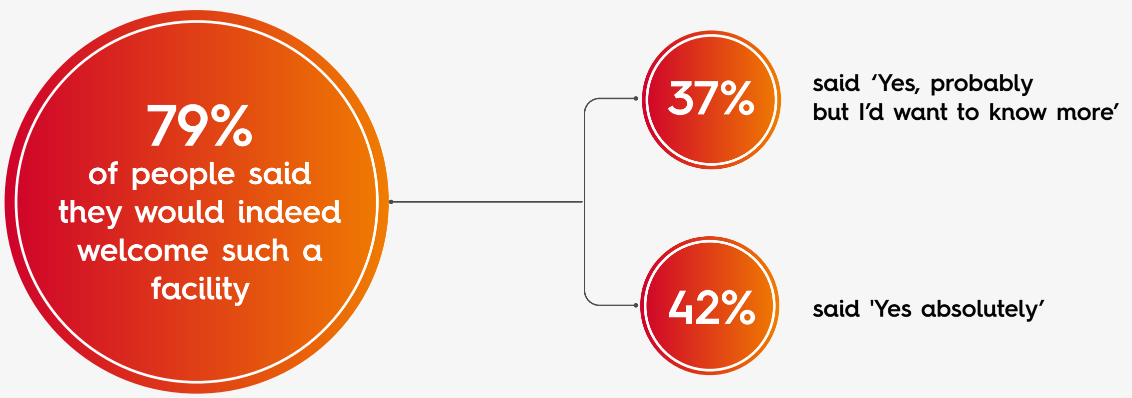
We also discovered that the lower the social grade of the respondent, the more people prefer a flexible repayment for their debt.

Lower paid jobs tend to offer less security and therefore people in such roles would be likely to prefer flexibility in repayments.

In the questionnaire, we also asked people whether they would welcome the ability to spread the cost of any missed payments. An overwhelming 79% of people said that they would indeed welcome such a facility – 42% said 'Yes, absolutely' and 37% were a little more cautious by answering 'Yes, probably but I'd want to know more'.

Clearly these responses show that the consumer is looking to take more control over their finances and have more influence on when and how repayments are made. Technology has helped to drive this shift, because of the increased visibility of balances, transactions and activity now available for consumers.

Ability to spread the cost of any missed payments:



Action:

Identifying people in more vulnerable employment would be really useful in assessing someone's affordability and also for providing the level of support and flexibility that they would need.

Creditors should be incorporating such flexibility in their repayment models as standard in order to cater for the changing demands of individuals. By offering flexibility, creditors can not only attract more customers, but also provide a better customer experience and deliver better customer outcomes.

To enable the delivery of such a facility, robust systems are needed, that allow for fluctuating repayments to better fit with the unpredictability in the consumer world.

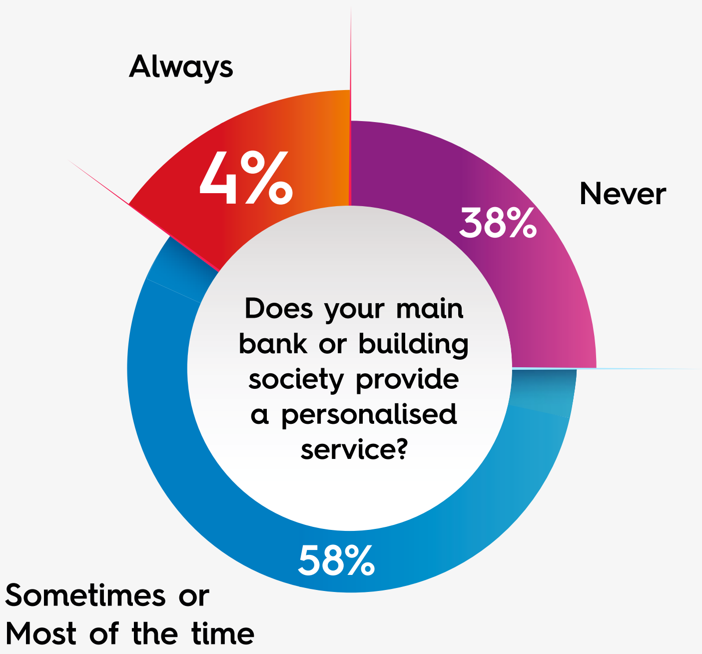
Polarisation of consumer demand for advice

As people look to take more control over their finances, we were keen to find out how much consumers would rely on their banks and building societies for advice and guidance. During the survey we asked our respondents whether they would welcome such advice from their main bank or building society.

The vast majority of participants (76%) welcomed some level of financial support. 47% of all respondents said that they would welcome advice but 'not too often'. Therefore, it's important that creditors carefully adapt their messages depending on the preferences of their customers. By understanding consumer preferences, they can deliver personalised communications not only with the most relevant information, but also at a frequency that most suits their needs.

We also asked the survey respondents whether their main bank or building society provides a personalised service. Only 4% of our respondents said that they 'always' received a personalised service. While 58% of people said that they received a personalised service 'sometimes' or 'most of the time', there were still 38% who said they 'never' received a personalised service. There's clearly a gap between the demand for personalisation versus its provision.

Consumer demand for financial support:



Action:

In order to provide the right support at the right time, personalisation is key.

It's really important that creditors use data, both behavioural and profile, in order to provide the right support at the right time. Financial advice should always be relevant, personal and not intrusive. It's worth investing in such data and analytics to develop insight that will create personalised and relevant messaging. Earning the trust and loyalty from customers helps creditors to build a sustainable business model, with resilience woven in.

Creditors can't rely on self-diagnosis of vulnerability

With customer centricity, mental health and vulnerability at the forefront of many organisations' minds, it's critical that creditors fully understand their customers and identify vulnerable situations as soon as possible. This will enable creditors to provide a personalised and supportive service, delivering good customer outcomes and treating customers fairly.

In our survey the majority of people (73%) do not consider themselves to have been in a vulnerable situation in the last 12 months, whilst 23% stated that they had.

Interestingly younger respondents, specifically 16-24 year olds, are more likely to consider themselves having been in a vulnerable situation. Perhaps this could be attributed to younger generations having a greater understanding of vulnerability and mental health issues. Also, 16-24 year olds have experienced the greatest reduction in working hours and redundancy, perhaps because younger people are essential to the gig economy which suffered during the recent pandemic.

Respondents from a lower social grade (specifically C2 and DE) are more likely to claim that they have been in a vulnerable situation, perhaps due to their naturally lower income. These individuals are typically front-line workers and unable to work from home, as a result they have arguably suffered the effects of Covid-19 restrictions more so than other social grades. Creditors need to be mindful of this and proactively provide support to such individuals.

We also asked respondents if they'd experienced one or more of a list of vulnerable situations in the last 12 months. This question raised a really interesting point. While 48% of participants said that they'd experienced at least one of these specific vulnerable situations, only 23% of respondents in the previous question had claimed they'd been in a vulnerable situation. There's clearly a lack of understanding amongst consumers of what is considered a vulnerable situation. It seems that banks cannot rely on customers to self-diagnose their vulnerability.

Action:

To be able to properly support customers in vulnerable situations, creditors need to employ comprehensive assessment tools to diagnose vulnerability accurately. Sopra Steria's support finder is a digital tool designed to find relevant help for customers who are struggling with financial, health and emotional vulnerabilities.

The intuitive tool prompts customers to answer a few simple questions about their personal circumstances and, in return, provides a range of support options available to them - including government, charities and community groups. It also signposts the consumer to support options which can build longer term financial, health and emotional resilience.

We also asked respondents who had been in financial difficulty in the past five years whether their bank had shown them compassion. An incredible 59% answered either 'not really' or 'not at all'. Understanding individual customers and their bespoke needs is a great starting point to be able to deliver good customer outcomes. Understanding when someone is in a vulnerable situation will enable customer service teams to show compassion when it matters the most, and for those customers in the most difficult situations. The smart use of data and analytics will feed this valuable insight into your day-to-day operations, to truly treat customers fairly.

Robust data capture for a true omni-channel service

Sometimes people will miss one or more payments for their debt – this could be for a variety of reasons. When they do so, they're contacted by their creditor with information about the missed payment, next steps and any fees. Depending on the scale of the arrears, this process could be short, or it could be long and complex.

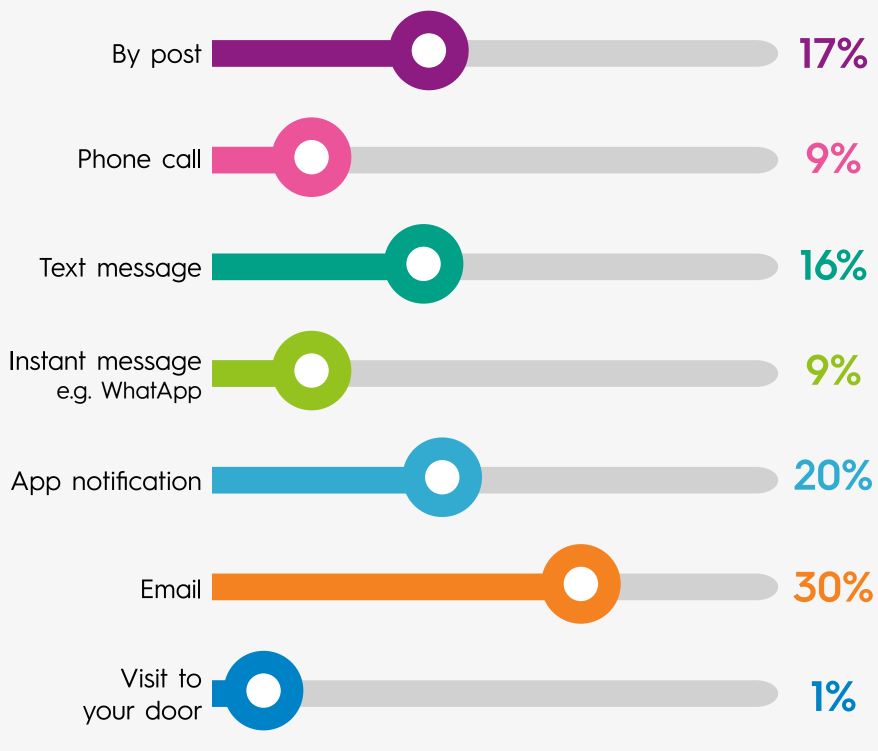
We asked our consumer panel how they would prefer to be asked to make a missed payment. The results showed that on the whole, participants prefer to be asked for their payment via email. Only 7% wouldn't want to be contacted using this method.

As expected, people don't want a visit to their door by a creditor (60% were against this method). They also wouldn't welcome a phone call. Both these methods may be deemed intrusive and too personal. Many people struggle to discuss finances directly with an agent, and might prefer a more distanced approach such as email or app-based communications. Instant messaging tools, such as WhatsApp, were also a preferred method of contact (42%), although unsurprisingly younger participants are more likely to accept this form of contact than older participants. Instant messaging may be seen as unreliable, lacking security and unable to offer the detail needed (terms and conditions, regulatory information) to be welcomed by older customers. Older participants in the survey were also reluctant to welcome app notifications for missed payments. People who don't use mobile devices regularly may miss such notifications and not be as engaged with such apps as the younger generations.

While many respondents would welcome a variety of contact methods, there is also still an appetite for paper-based letters when asking for payment. This is perhaps because creditors have traditionally used this form of communication and the method has become engrained into society. However, it is costly and has a negative impact on the environment, plus it is easier to ignore than the digital methods outlined above.

Supposing you were late in making a repayment of a loan, mortgage or credit card, how would you prefer to be asked for the payment to be made?

% of respondents who would Always choose this method



Action:

With five or more generations in the financial lifecycle at once, there has never been a more varied customer base than now. Creditors should be providing a true omni-channel service, where customers can engage with their provider using the channel that suits them at that point in time.

Delivering choice and flexibility will allow for customers to seamlessly move through the various stages of their debt lifecycle, with no loss of service. To enable this, it's critical that accurate and reliable data is collected right at the start of the customer's journey. Such robust data capture will support a true omni-channel approach.

In summary

Our research has given us an interesting picture of what customers are looking for from their creditors. There is clearly a gap between customer expectations and what they experience in reality. However, by following the above actions and taking a customer-centric approach, creditors will be able to close that gap, by understanding customer needs, and offering a flexible and more personalised service. After all, good customer service delivers loyalty and retention so rarely seen in financial services in the 21st century.

For more information, please visit our website:
Sopra Steria Debt Management Service

V_1.0

The world is how we shape it

sopra steria