Feature Article

Improving Quality and Transparency of Services to Financial Consumers

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HIGHLIGHTS

- **Continuous efforts have been taken by banking institutions and Bank Negara Malaysia to improve the quality of banking services in order to provide better banking experiences to financial consumers.**
- **In 2017, an enhanced Customer Service Charter was published and a Customer Satisfaction Index survey was conducted for the banking sector.**
- **The enhanced Customer Service Charter and the establishment of a Customer Satisfaction Index are expected to further elevate the quality and transparency of banking services to financial consumers through increased competition among banks and greater financial consumer activism.**
- **The banking sector scored an overall Customer Satisfaction Index of 74.3 against the level of global excellence of 80.0.**

Introduction

The delivery of high quality and transparent customer services by financial service providers (FSPs) is key in ensuring financial consumers' trust and confidence in the financial system. FSPs gain competitive advantage by building customer loyalty through the provision of services that meet and exceed customers' expectations. This is particularly important in the current environment of intense competition within and from outside of the financial industry, where non-bank financial institutions and financial technology providers are offering more choices to financial consumers.

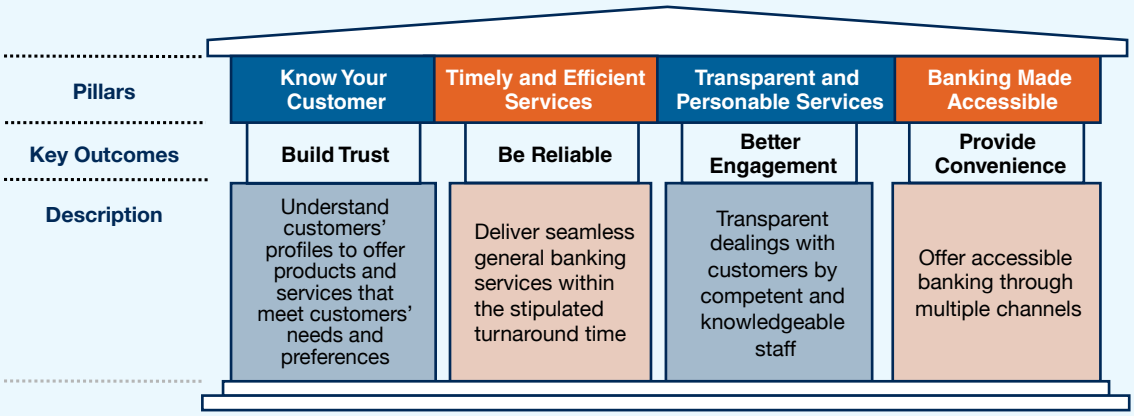
To promote and maintain high standards of transparency and quality in FSPs' delivery of services to financial consumers, Recommendation 5.2.7 of the Financial Sector Blueprint 2011-2020 advocates the publication of customer charters by all FSPs, with processes in place for measuring performance against the published charters. In line with this recommendation, the banking institutions through the Association of Banks in Malaysia (ABM) and the Association of Islamic Banking and Financial Institutions Malaysia (AIBIM), collaborated with Bank Negara Malaysia (the Bank) to publish an enhanced Customer Service Charter and conduct a Customer Satisfaction Index survey on banking services in 2017.

Publication of the Customer Service Charter

In an effort led by ABM, Customer Service Charters were first published by all banks in 2011. Despite having the Charter in place, 60.0% of complaints received by the Bank from banking customers between 2011 and 2016 were on operational inefficiencies and poor customer service.

In light of these observations and to reflect higher expectations of service quality among financial consumers, ABM and AIBIM introduced a new Customer Service Charter for the banking sector in September 2017. The new Charter focuses on service quality based on four main pillars (Diagram 1). It sets out more specific and measurable service standards, including commitments by banks to observe minimum acceptable standards on turnaround time for common and routine banking services, such as opening of accounts, processing of loan applications and handling of complaints.

Diagram 1: Four Pillars of the New Charter Focus on Service Quality



Source: Association of Banks in Malaysia and Association of Islamic Banking and Financial Institutions Malaysia

The Customer Satisfaction Index (CSI) survey

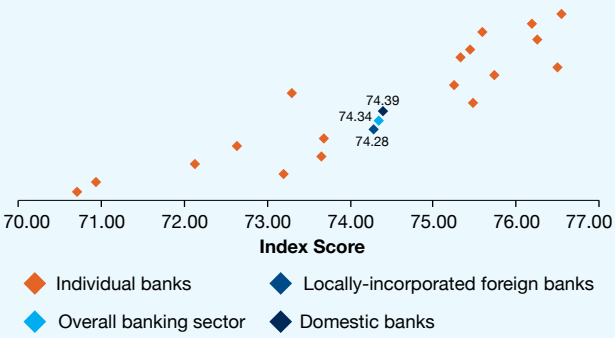
The CSI survey was conducted by the Malaysia Productivity Corporation to assess financial consumers' expectations and actual experiences with banking services against the standards set in the new Charter. It also served to establish a CSI for the banking sector, against which the performance of individual banks can be benchmarked. The CSI survey will be carried out once in every two years. Eighteen[1] member banks of ABM and AIBIM with a significant size of retail banking business participated in the survey. Fieldwork for the survey took place between October and November 2017, covering a total of 4,500 respondents (250 respondents per bank) across Malaysia.

The CSI is measured on a scale of 0 to 100, based on the American CSI (ACSI) model. It assesses banking customers' expectations and actual experiences on 16 indicators which build upon the four pillars of the new Charter.

Against the global benchmark for excellent banking services at 80.0, the Malaysian banking sector's CSI score for 2017 was 74.3. Across individual participating banks, differences between the CSI scores were observed to be marginal, ranging between 70.71 and 76.54 (Chart 1). As the survey does not probe and control for differences in the level of expectations that may be formed by customers of different banks, it should be noted that the results may be shaped by these differences. To the extent that efforts were made to achieve a comparable demographic representation of respondents for each bank, the differences are not assumed to be significant, although this will be an area for future refinements to the survey.

[1] The 18 banks are:
- Banking groups (comprised of commercial and Islamic banks of the groups in Malaysia) – (1) Affinbank Group, (2) Alliance Group, (3) AmBank Group, (4) CIMB Group, (5) Hong Leong Group, (6) HSBC Group, (7) Maybank Group, (8) OCBC Group, (9) Public Bank Group, (10) RHB Banking Group and (11) Standard Chartered Group;
- Locally-incorporated foreign banks – (12) Citibank and (13) United Overseas Bank; and
- Stand-alone Islamic banks – (14) Agrobank, (15) Al Rajhi Bank, (16) Bank Islam, (17) Bank Muamalat and (18) Bank Rakyat.

Chart 1: Marginal Differences in the CSI Scores Should Motivate Banks to Further Compete in Achieving a Higher Customer Satisfaction Level



Source: Malaysia Productivity Corporation

The publication of the CSI scores is expected to drive sustained improvements in service quality for the banking sector in Malaysia. Findings from the CSI survey also provide visibility for the banking sector to identify and pursue collective measures that can further improve service quality. This would be particularly relevant in the context of industry infrastructive enhancements and process improvements that are dependent on third parties. The next CSI survey will be conducted in 2019.

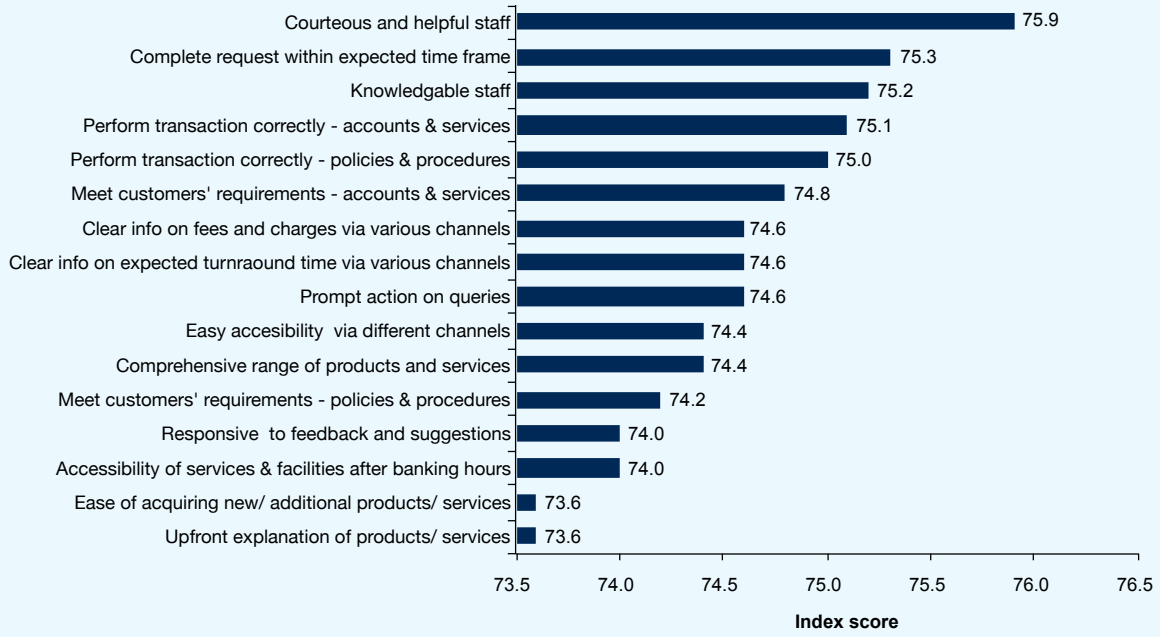
Based on the respondents' feedback, areas that scored the highest on customer satisfaction were (Chart 2):

- courtesy and helpfulness of banking staff (75.9);
- timeliness in completing transactions (75.3); and
- staff's knowledge and understanding of customers' financial needs and in offering suitable solutions (75.2).

Conversely, areas which scored the lowest were:

- transparency of information on products and services to customers at the point of sale (73.6); and
- the ease of acquiring new/additional products and services (73.6).

Chart 2: Continuous Improvements Required on All Aspects of Customer Service to Achieve Higher Level of Excellence



Source: Malaysia Productivity Corporation

Several recent global studies identify the key drivers of customer satisfaction in retail banking services to include competent and skilled bank staff, quality of products and services offered, the ease of carrying out banking transactions (which includes a positive digital experience in interactions with banks) and timeliness of services. Addressing these drivers are therefore likely to lead to higher levels of customer satisfaction and loyalty.

The results of the CSI survey indicate that while the Malaysian banking sector performed reasonably well against customers' expectations in terms of having competent staff to assist and advice customers and delivering services within expected time frames, further attention to the following areas is important to improve customer satisfaction:

- ensuring that products and services are delivered as customers have been led to expect;
- enriching the digital experience (via internet and mobile banking) to make it easier and more convenient for customers to access banking services; and
- elevating the professionalism of staff, particularly in providing credible advice and proactively managing customer relationships across all customer segments.

Complaints handling

To provide additional insights on customer service quality, respondents were asked about how their respective banks handled their complaints. Among 183 respondents who have lodged complaints with the participating banks in the last three months, 47.5% considered that their complaints were handled well and 39.9% rated complaints handling at an average level. The remaining 12.6% responded that their complaints were handled poorly. Specific suggestions offered by respondents for banks to deliver a more positive experience in addressing customer complaints included the following:

- ensure that staff are courteous, friendly, accountable and competent to understand and effectively address/resolve complaints lodged;
- ensure prompt responses to non face-to-face complaints (for example, complaints lodged through phone calls or emails);
- simplify processes to enable complainants to quickly reach the right section/staff;
- strive to provide first touch point resolutions. Where follow up is required, banks should acknowledge and provide regular and meaningful updates on the status of the complaints and strive to resolve them in a timely manner; and
- ensure adequate resources at bank branches with appropriate authority given to resolve complaints without having to refer to banks' head offices in Kuala Lumpur.

Customer experience – efficiency of service delivery channels

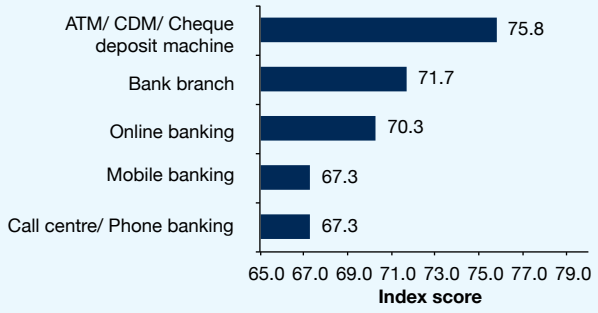
The CSI survey also sought to determine financial consumers' experiences with various delivery channels provided by banks (Chart 3). Customers were reasonably satisfied with services provided through self-service terminals (SSTs)[3] and bank branches, but indicated a few areas for improvement:

- increase the number of ATMs and CDMs on bank premises and in areas with no bank branches;
- improve efficiency and uptime of ATMs and CDMs, particularly during peak hours, public holidays and weekends. Banks should ensure that machines which are out of service are promptly repaired;
- enable withdrawal of smaller currency denominations from ATMs (such as RM10 and RM20 notes); and
- reduce waiting time for over-the-counter transactions at bank branches.

Mobile banking and call centre/phone banking services were rated relatively poorly in terms of customer satisfaction. Given the important influence of a positive digital experience on customer satisfaction, banks should increase efforts to:

- improve the functionality of mobile banking applications to be more agile and responsive to changing customer requirements;
- make mobile banking applications more user-friendly; and
- improve the level and quality of customer support at banks' call centres.

Chart 3: Financial Consumers' Experience on Service Delivery Channels Can Be Further Enhanced



Source: Malaysia Productivity Corporation

[3] SSTs comprise of automated cash machines (ATMs), cash deposit machines (CDMs) and cheque deposit machines.

Implications for banks' strategies

Feedback from the survey suggest a number of important implications for banks' strategies to improve service quality.

- **Re-defining role profiles and requirements for staff in customer-facing roles to provide appropriate emphasis on customer-centricity.** This should serve to drive and align recruitment activities, incentive structures and coordination across business functions to deliver a superior customer experience. New and distinct competencies which can be leveraged by banks to differentiate themselves will also become more important. For example, customer-facing staff who are not only responsive to customers, but who can also harness behavioural insights from interactions with customers to generate new ideas for improving service quality could be key catalysts to transform the way banks meet their customers' needs.

- **Providing a stronger focus on consistent standards.** In an environment where customer experiences are easily and widely shared in real time through social media platforms, ensuring consistent standards at every touch point is critical for banks to achieve and maintain strong reputations. This should be supported by clearly defined service standards and a robust process for evaluating performance against those standards. Some financial institutions have required staff in customer-facing roles to be accredited against globally benchmarked service quality and performance standards. This serves to provide management with assurance of the organisation's ability, through its people, to deliver high and consistent service quality standards across the organisation. It has also been effectively used to identify and close development gaps at the individual level.

- **Enabling technology-focused solutions to customer service.** Internal limitations (due to talent constraints and legacy systems) need to be well-understood and overcome by banks to leverage more effectively on technology to raise customer service standards. This is likely to involve a re-think of competitive strategies, with strategic collaborations across the industry (e.g. to adopt common technology standards and develop shared platforms), and with fintech companies featuring more prominently in the banking sector. Several banks have already taken steps in this direction as evidenced by innovation labs set up to develop technological solutions to identified customer service issues.

- **Streamlining information and workflow processes to provide a seamless banking experience.** Information and an efficient workflow are the plumbing behind a superior customer experience. This ultimately determines how quickly, accurately and holistically a bank can respond to a customer issue or need. It is imperative that banks continuously review existing arrangements to ensure smooth and efficient workflow and timely access to high quality customer information across the bank. Feedback loops should be in place to inform such reviews.

Conclusion

The new Customer Service Charter and the CSI survey aim to direct and sustain a strong focus of banks on continuously improving the quality and transparency of banking services to financial consumers. The Charter serves to empower consumers and holds banks accountable for meeting service standards that they have committed to their customers. Observations from the survey offer valuable insights for banks to consider and implement specific strategies to not only meet, but exceed customers' expectations. It is important that such strategies should also reflect more fundamental changes within banks that are needed to deliver a superior customer experience.

The new Charter and the CSI survey's executive summary are available in the websites of ABM (www.abm.org.my) and AIBIM (www.aibim.com). Financial consumers will also be able to access the individual banks' Charters at their respective websites and branches.

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