

2011 Mystery Shopper Exercise

Introduction and Overview

Our annual mystery shopper exercise determines how well banks are fulfilling their obligations under the Code of Banking Practice to provide information to customers about the complaints process. More than compliance, however, the survey provides independent information to participants on how customers experience their service. As LV Martin said, “it’s the putting right that counts”: the measure of true customer service is how a business reacts when something goes wrong.

It is also a way of obtaining some information on participants’ attitudes towards our scheme: whether frontline staff are prepared to mention us, or whether there is a sense in which they have been discouraged from doing so.

Our mystery shopper exercise focuses on front-line bank staff as they are best placed to inform customers about your internal and our complaints process. A summary table of results is attached as Appendix 1. Future surveys will include new participants.

The eleventh Mystery Shopper Exercise was completed in early 2011. Forty students visited 310 branches in 61 locations, making this by far the most extensive exercise conducted to date. The increase of 63 branches from the 2010 exercise was achieved through expanding the survey locations and increasing the number of branches each mystery shopper was permitted to survey.

I am pleased to report that banks have generally maintained or slightly improved performance since the previous exercise but there’s still a way to go before all front line staff are well-informed about banks’ own internal complaints systems as well as the Banking Ombudsman Scheme.

I remain concerned that some participants still consider that referral to the Banking Ombudsman suggests a failure in the internal complaints resolution process. Referral to us is better seen as a valid option in obtaining a resolution to a complaint. In addition to avoiding court, regulatory or media intervention, the main benefits are:

- Potential for earlier resolution – having an independent view or explanation, and being able to talk frankly and confidentially to a third party, will give many customers the confidence to settle or withdraw a complaint
- Customer relationships – we aim to resolve disputes in a way that maintains or enhances the customer’s relationship with their bank; customers view a referral to our office positively
- Learning – it is amazing what an independent set of eyes can spot in terms of opportunities to avoid future complaints!

Over the next year I will be consulting with participants on strategies to lift staff knowledge of our scheme.

Results

Banks’ complaints processes

In line with the previous exercise, 74% of bank branches displayed leaflets on their own complaints process. Some of these leaflets were, however, outdated versions.

In only 20% of branches were staff perceived to have excellent knowledge of their bank's complaints process. Although this was an improvement on last year (18%), the results leave significant room for improvement, especially for those banks that are aiming high in terms of customer service. Front-line staff should be able to inform customers of the bank's own complaints handling procedures at the very least.

Year on year there was a small improvement in staff knowledge of resources available for customers with complaints. More mystery shoppers were given leaflets to take away and more were advised to visit the bank's website. The information that mystery shoppers were provided with, however, varied greatly (even within banks). Mystery shoppers were given different forms and leaflets, and different contact telephone numbers. These variations could cause customers with complaints unnecessary confusion and inconvenience. If banks want to significantly lift performance on this dimension, pointing customers to websites as well as providing telephone numbers and leaflets would assist.

Banking Ombudsman Scheme (BOS)

75% of branches displayed leaflets on the BOS, up from 72% the previous year. Whilst this improvement is encouraging, I'd love to see an improvement to 100%!

When discussing the complaints process with mystery shoppers, staff in 85% of branches mentioned the BOS, up from 81% the previous year. Of these, however, 47% mentioned the BOS only when prompted. This suggests that banks need to ensure staff understand the relevance of the BOS to their own complaints process.

As the BOS is available to all bank customers, it is important that front-line staff understand what we do. Staff in 18% of branches were perceived to have a comprehensive knowledge of the BOS and/or understanding of its role, up from 12% the previous survey. Although banks have made a step in the right direction, it is clear that there is a long way to go.

Code of Banking Practice

The Code of Banking Practice, which details minimum standards of good practice for members of the New Zealand Bankers' Association, was on display in 57% of branches. As it is best practice for banks to have copies of the Code on display in every branch I am anticipating a big improvement in the next exercise.

Quality of branch staff interaction

Ensuring that customers receive excellent service from front-line staff in relation to complaints should be an important element of banks' customer service. In 39% of branches staff demonstrated a strong willingness to help mystery shoppers, up from 25% on the previous exercise. Mystery shoppers did, however, find numerous examples of unknowledgeable, disinterested, dismissive, judgemental and unfriendly staff who rushed them, and made them feel embarrassed.

Deborah Battell
Banking Ombudsman
18 May 2011

Appendix 1: Summary of Mystery Shopper Results

Measures	2011 average for all banks	2010 average for all banks
Total number of branches surveyed	310	247
Percentage located in towns/cities	72%	n/a

Internal complaints process

Percentage of branches in which a leaflet on the internal complaints process was on display	74%	74%
Median time taken to find the leaflet on the internal complaints process	Less than 1 minute	Less than 1 minute
Percentage of branches in which mystery shoppers thought that the leaflet they found was helpful	97%	n/a
Average knowledge of branch staff regarding the bank's internal complaints process (rated from 1 poor to 10 excellent)	6.7	6.6
Percentage of branches in which staff were given a knowledge rating of 10 (excellent)	20%	18%
Percentage of branches in which printed information was provided regarding the bank's internal complaints process	64%	60%
Percentage of branches in which a telephone number for complaints was provided	51%	51%
Percentage of branches in which a website for complaints was provided	15%	9%

Banking Ombudsman Scheme (BOS)

Percentage of branches in which a leaflet on the BOS was on display	75%	72%
Percentage of branches in which the BOS was mentioned	85%	81%
Percentage of branches in which the BOS was mentioned without prompting	53%	51%
Average branch staff knowledge of the BOS (rated from 1 poor to 10 excellent)	6.6	6.7
Percentage of branches in which staff were given a rating of 10 (excellent) for their knowledge of the BOS	16%	12%
Average branch staff understanding of the role of the BOS (rated from 1 poor to 10 excellent)	6.6	6.7
Percentage of branches in which staff were given a rating of 10 (excellent) for their understanding of the role of the BOS	16%	12%

Code of Banking Practice

Percentage of branches in which the Code of Banking Practice was on display	57%	57%
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Quality of branch staff interaction

Average willingness of branch staff to help (rated from 1 poor to 10 excellent)	8.2	8.0
Percentage of branches in which staff were given a willingness rating of 10 (excellent)	39%	25%

Please note that in 2010 branch staff knowledge of the BOS and branch staff understanding of the role of the BOS were asked as one question. This question was separated into two distinct parts in 2011.