



Transforming customer experience in the UK mortgage market

Summary:

This paper describes the demonstrable impact that BDRC Continental's customer experience research has made to the UK's leading mortgage lenders.

Our unique 'Traktion' longitudinal methodology has driven measurable service and business improvement at 8 lenders in the past 12 months. Rather than discussing a single project engagement, I outline our experience of working with numerous clients, sometimes concurrently, each with their own issues and objectives.

It can take even the biggest, smartest mortgage lenders over 2 years before they begin to recoup the costs associated with recruiting a new customer. Therefore, managing the sales pipeline and consequent new business conversion rates are therefore of critical importance, especially in the context of constrained product availability and severely reduced consumer trust.

Forward thinking lenders are focusing on the mortgage onboarding experience as a key differentiator and an opportunity to lock-in customer loyalty early in the relationship. Onboarding is defined as the process of moving a prospect from an expression of interest in a product to mortgage completion, a journey that might take as long as 2-3 months.

We would like to thank Barclays, HSBC / First Direct, Lloyds Banking Group and Platform for their kind support of this submission.

Synopsis:

Background

The UK's mortgage market is slowly recovering from a period of unprecedented turbulence. Since the crash of 2008, consumers, intermediaries and lenders alike have been operating in a new reality of constrained product supply, tightened lending criteria and severely reduced trust. Consequently, mortgage providers are increasingly focused on the quality of their lending decisions, and retaining as much of their potential new business pipeline as possible, from the moment a potential customer expresses an interest in their product.

Forward-thinking lenders are focusing on the mortgage onboarding experience as a key differentiator and an opportunity to lock-in customer loyalty early in the relationship. Onboarding is defined as the process of moving a prospect from an expression of interest in a product to mortgage completion.

During the last 12 months a number of major mortgage lenders approached BDRC Continental looking to maximise customer retention rates and improve the customer experience via an holistic, actionable assessment of the onboarding journey from the customer's viewpoint.

The Challenge

The mortgage onboarding process involves a complex series of interactions and is delivered by a wide range of customer-facing and back-office functions at a typical lender. This journey can take as long as 2-3 months, at the end of which thoughts and reactions to the earlier stages are often rationalised by the relief of having successfully completed the journey (i.e. got the house!).

As a result, there is a growing realisation in the lender community that post-event CSAT surveys are simply unable to capture the true impact of customers' experiences. Increasingly, we were being approached by clients looking for a very granular degree of insight; each client wanted to individually assess all stages of the onboarding process in order to identify specific areas for development, something which could not have been achieved using traditional techniques.

Although the business and research objectives of clients did vary, the majority of lenders that approached BDRC Continental shared the following goals:

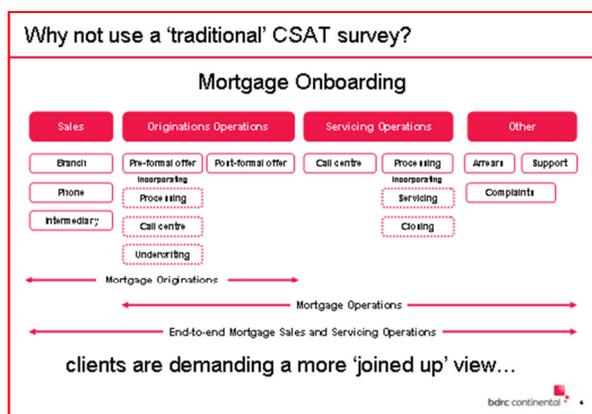
- Audit complete service experience, from the initial engagement to mortgage completion and beyond
- Explore the sales experience in branch, by telephone or online
- Understand why prospects 'fall away' from the sales pipeline
- Assess the impact of 3rd party involvement (solicitors, valuers, etc.)
- At all points, critique actual service experience versus expectations, and establish the role of staff, processes and communication in securing profitable new mortgage business

In order to capture the deep level of insight required, we employed 'Tracktion', our innovative longitudinal panel methodology.

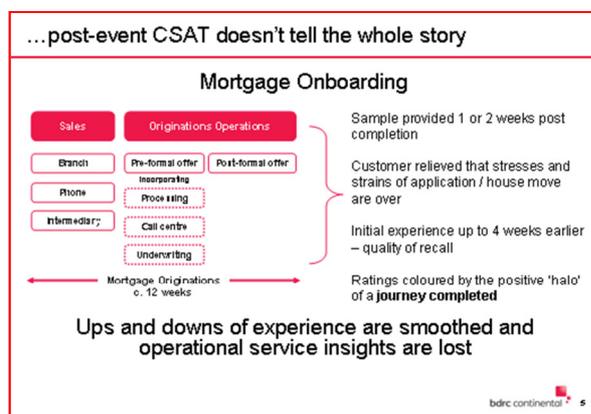
Tracktion vs 'Traditional post-event CSAT'

As the high level schematic (1) below shows, the nature of a customer's journey with a mortgage lender is complex and takes place over such a protracted time period, that 'traditional' post-event CSAT surveys are unable to capture the true extent of the customer's feelings towards an individual event or experience.

1.



2.



As highlighted by schematic 2 above, we would assert that, for a range of reasons, a post-event (mortgage completion) study would fail to deliver the degree of granularity required by our clients, and consequently a more innovative research approach tailored to the demands of the industry was required.

Tracktion Details

Typically, each Tracktion panel begins with an immersion briefing session, during which we discuss the clients' aims and objectives in detail. The Tracktion questionnaire is then carefully aligned to these specific needs. Whilst we recommend the inclusion of key measures which allow us to benchmark the client's performance against peers, we also recognise the importance of catering for emerging issues or testing new service propositions. Having recently completed our 10th survey cycle for Barclays, for example, we have been able to accommodate new areas of content in each wave, giving the client a great deal of flexibility.

We recruit a cohort of mortgage applicants at the same point in their journey, typically when they are issued with a Key Features Illustration after having expressed an interest in a particular mortgage product. From that point onwards, the same group of individuals is interviewed on a regular basis until they:

- decide to end their application / enquiry with our client (in which case we find out why and what, if anything, could have been done to retain the business)
- are declined the product they have applied for (in which case we assess the handling of that event)
- go on to complete the mortgage application and secure the funds that they were seeking (in which case we interview them regularly along the way)

From the outset we ask Tracktion ‘panellists’ to make a regular commitment to the research process, for which they are incentivised in recognition of their time. Our experience demonstrates a panellist retention rate well in excess of 80% over a typical 10-12 week project. Interviews then take place to an agreed schedule (usually weekly), and against a short, snappy questionnaire based on the following:

- At what stage in the journey does the applicant think they are at?
- What has happened since the last interview?
- What has been good (specifically)?
- What has been bad (specifically)?
- Expectation management and clarity
- Service interactions with client – how? why? where?
- Fair treatment, satisfaction and advocacy
- Mix of ‘harder’ coded data and ‘softer’ verbatim comment feedback

Surveying panellists at regular intervals like this enables us to accurately pinpoint ‘tipping points’ and their causes as when they occur. Tracktion is the only longitudinal methodology capable of delivering such granular insight, and by directly reporting these findings back, clients are equipped with precise, up-to-date information on which to form critical business decisions.

Two Client Applications:

Platform

Platform has spent considerable time and effort developing their internal culture to create a more customer centric approach, and as a result has seen improvements in both customer service and loyalty.

At the end of 2010, however, Platform moved their mortgage processing operation from London to Leek in Staffordshire, and carried out extensive training programmes with the new teams to ensure customer service levels remained consistently high.

We recommended and implemented Tracktion for Platform when they approached us looking to measure the impact of the migration of their mortgage processing teams. They wanted to assess the impact of their training and evaluate the performance of the new servicing teams in Leek, via a detailed view of customer satisfaction, in this case mortgage intermediaries rather than consumers, at each stage of the application process.

Findings presented to Platform pre and post migration have enabled them to understand precisely which stages of the application process to focus on when planning

improvements. The results have enabled Platform to better allocate budget and tailor staff training. Furthermore, as a result of our work, improvements are planned for Platform's online systems, with the client certain that this will make considerable positive impact to their customers' experience with the company.

Barclays

Barclays approached us looking to gain an understanding of the mortgage market from the customer's perspective, with a view to improving the customer experience by targeting specific areas for development.

Barclays has gained strong insight into how sentiment changes during the 'end-to-end' process. Tracktion identified key 'hotspots' where customers feel unengaged and measures to counter this have now been implemented. For example, this methodology highlighted that clients' confidence levels fell sharply when activity was taking place 'behind the scenes' but was not visible to the customer.

Consequently, Barclays has instigated a more proactive approach to outbound customer communication and is now able to maintain higher levels of customer confidence and brand warmth during these periods of perceived inactivity.

Tracktion has proven so insightful that Barclays has committed to numerous repeat waves (10 to date), enabling them to gauge the impact of change over time as the bank strives to continually improve the customer experience.

The value of Tracktion

This is an excellent example of the successful development and application of a research technique specifically designed to respond to the demands of the financial services category. Our approach has proven so successful in achieving our clients' research objectives that we are currently developing a version of this methodology to license to our partners in the Associated Global Market Research Network. Our licensee package will include methodological advice, case studies, an e-reporting solution and best practice guidelines. This package is set to benefit researchers world-wide, equipping our peers with the necessary tools to provide clients with more precise, up-to-date reporting of customer experience research.

In summary

We are proud of the work delivered to these leading mortgage lenders, who account for c.50% of the UK's mortgage market. As the project summaries above suggest, Tracktion has made a real and substantive difference to the lenders involved, and ultimately this will be to the benefit of future mortgage applicants. We will continue to evolve the Tracktion approach and work with our clients to make sure it adapts to the needs of this unique financial services market.