The Institute of Customer Service

The link between employee engagement and customer experience

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Some of our members

Why it matters: business performance

	Higher than sector average UKCSI		Lower than sector average UKCSI
Average ebitda	24.7	+10.2 percentage points	14.5
Average Gross Margin	37.0	+4.9 percentage points	32.1
Average £ Revenue per Employee	552,409	+ 114%	257,614

Based on performance of organisations in the UKCSI: 5 – 8 year average

Return on Investment: productivity

How many days have you spent in the last month dealing with the consequences of one of your suppliers getting something wrong?

days/month

£4.7 bn

How many days have you spent in the last month dealing with the consequences of your organisation getting something wrong for a customer?

days/month

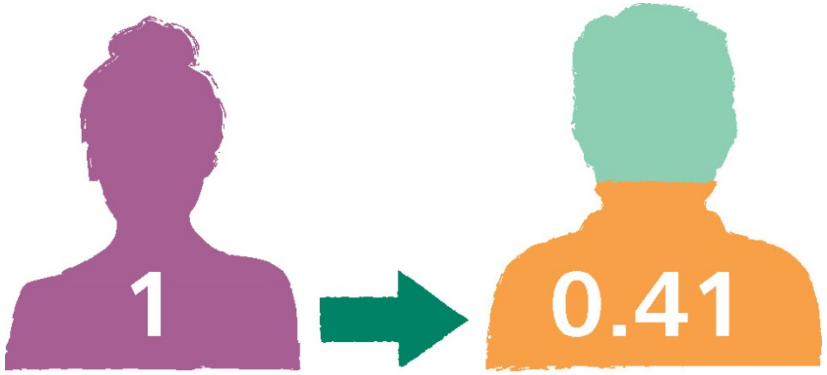
£5.5 bn

49% of employees have spent time at work dealing with problems experienced with an organisation as a domestic customer

days/month

£472.5 m

The link between employee engagement on customer satisfaction



1 point increase in employee engagement

0.41 increase in customer satisfaction

Based on employee engagement results of 22 organisations in the UK Customer Satisfaction Index

Where are we now?
A complex and changing environment:
UKCSI Jan 2022

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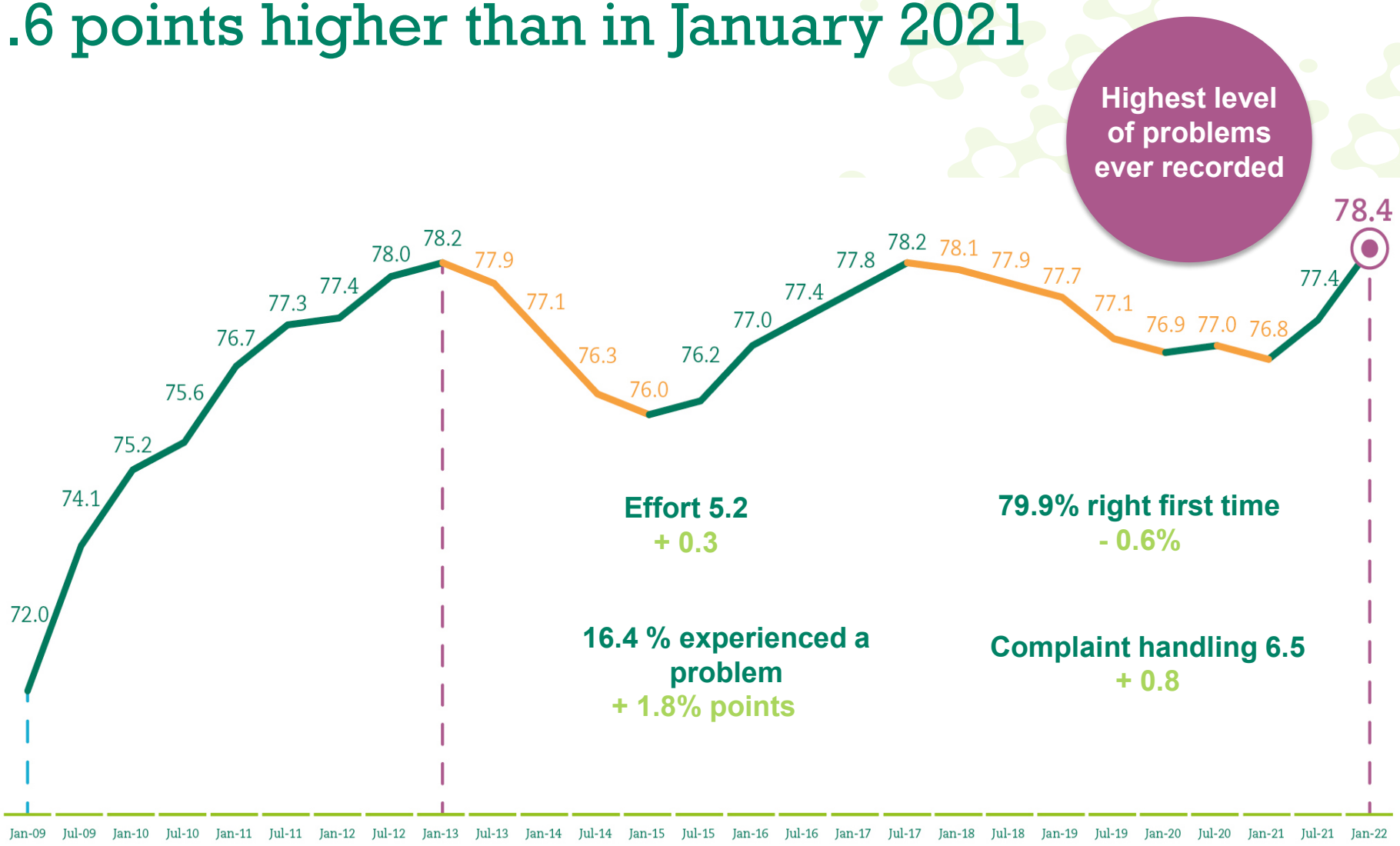
The January 2022 UKCSI is 77.4 (out of 100), 1.6 points higher than in January 2021



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Jan 2022 UKCSI: Key takeouts

- The January 2022 UKCSI is 78.4 (out of 100), up 1.6 points compared to a year ago
- 16.4% of customers experienced a problem, the highest rate ever recorded
- More problems are about quality, reliability, availability of goods / services
- Average satisfaction is at least 1 point higher than in January 2021 in 10 of the 13 UKCSI sectors
- The profile of the top 50 organisation has changed with fewer from Retail and Leisure and more from Banking and Telecomms & Media
- Almost 60% of customers chose an organisation for at least one ethical reason. The leading ethical reasons are focus on customer service, being a local company and commitment to environmental sustainability
- 34% will pay more for exceptional service
- Drive for ethical purchases and being seen to do the right thing

The outlook for 2022…

Is this a sustained improvement in customer satisfaction or a sign of volatility?

Importance of combining functional efficiency through technology and human care

Better complaint handling should not disguise the harm caused by problems for customers and organisations

Supply chain issues and inflationary pressures will grow

Customer behaviour has changed

A risk of polarisation between those who can afford to pay for excellent service and those who cannot

A need to address wider service chain issues to deliver sustainable customer satisfaction, productivity and performance

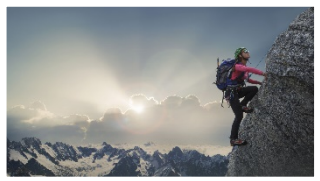
Reassurance has grown in importance

Employee engagement more important than ever

Retention and Recruitment – 30% of customer service professionals in the marketplace

Driving forward Harnessing service for a better world for all

Inspiring a Service Nation: what we are seeing coming out of the Covid crisis



Trust and Resilience

Growth in digital interactions

Greater polarisation

Focus on well-being

Importance of customer service and good governance

Supply chain issues

More problems and complaints

Omincrom variant

People changing jobs and skills shortages

Rising inflation and cost of living

Localness

Environmental sustainability

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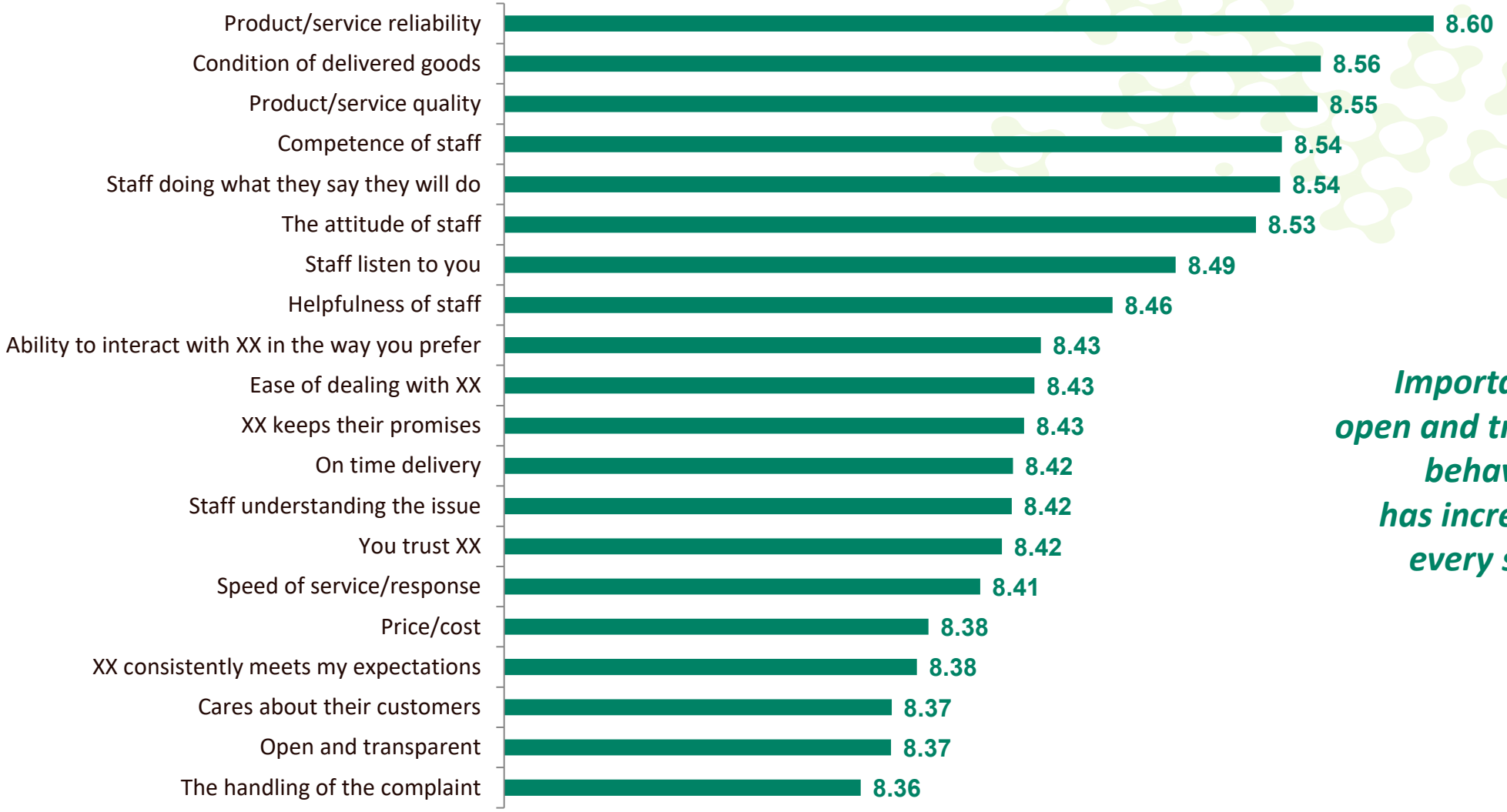
What are customers' most important stated priorities ?



Importance of open and transparent behaviour has increased in every sector

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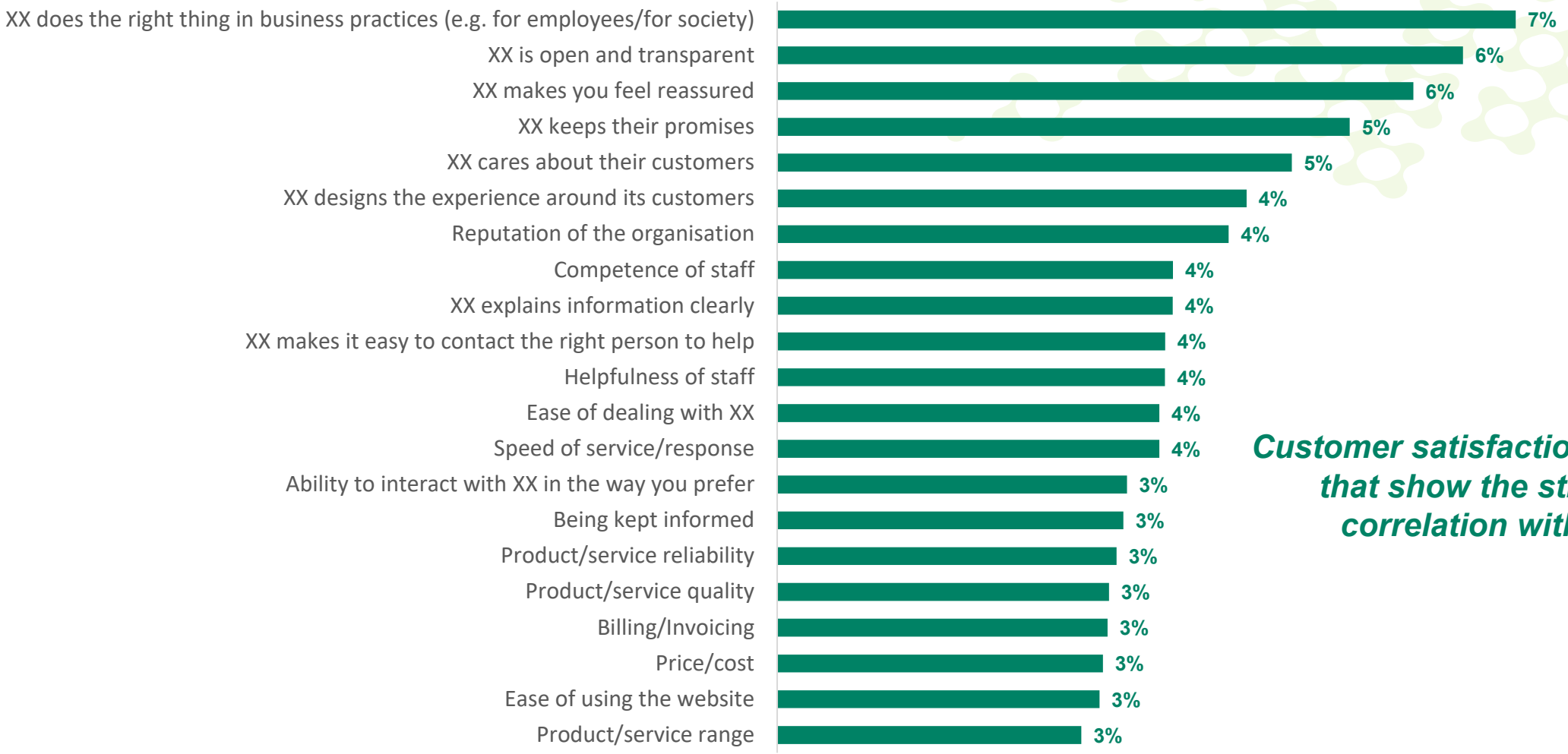
An organisation doing the right thing in its business practice has an especially strong correlation with customer trust



Customer satisfaction measures that show the strongest correlation with trust

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Key areas of focus for organisations to build back better

Making it easy to contact the organisation to access help

Combining and balancing digital and human experience

Be responsive to personal context and changes in personal circumstances

Prioritise the needs of vulnerable customers

Delivery, logistics and resilience of the supply chain

Employee well-being, training and development - skills development as a retention tool

Ethical behaviour

Developing a culture of innovation and agility

Insight about evolving customer needs

Include customer satisfaction perspective in corporate governance

Prioritise sustainable service over short term sales – need to show you care

Recommendations for companies

Develop expertise in management of data and cybersecurity

Define and communicate a clear organisational purpose

Develop the skills, capabilities and behaviours required to deliver customer experience objectives

Reduce problems and improve productivity across the supply chain

Improve capacity for innovation and agility

Focus on employee engagement and well-being

Strengthen risk management, resilience and contingency planning

Integrate technology and human intervention in service experiences

Integrate ESG and the customer proposition

Customer Service in the new world:
Employee Engagement

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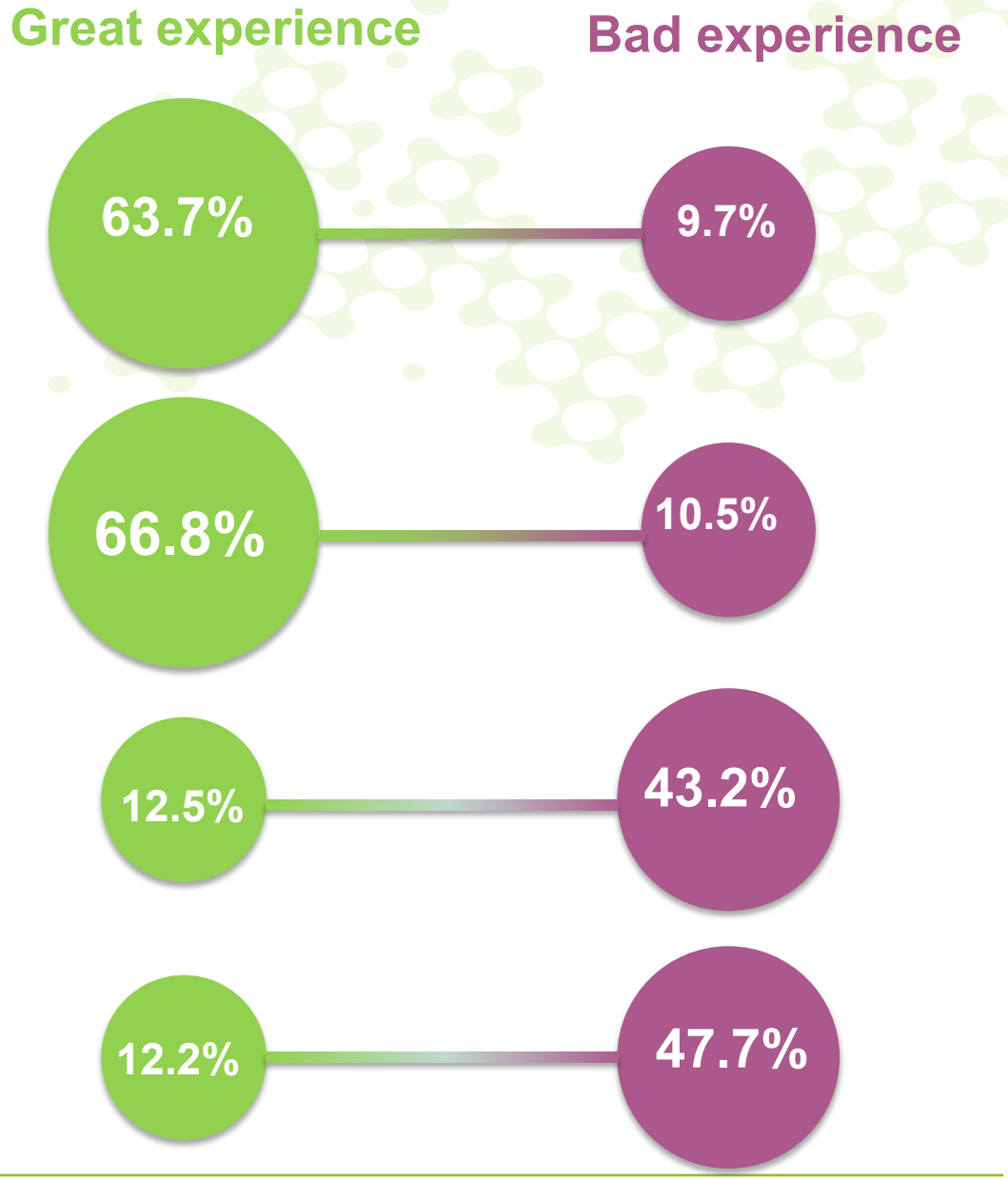
Perceptions of employee engagement influences future buying intentions

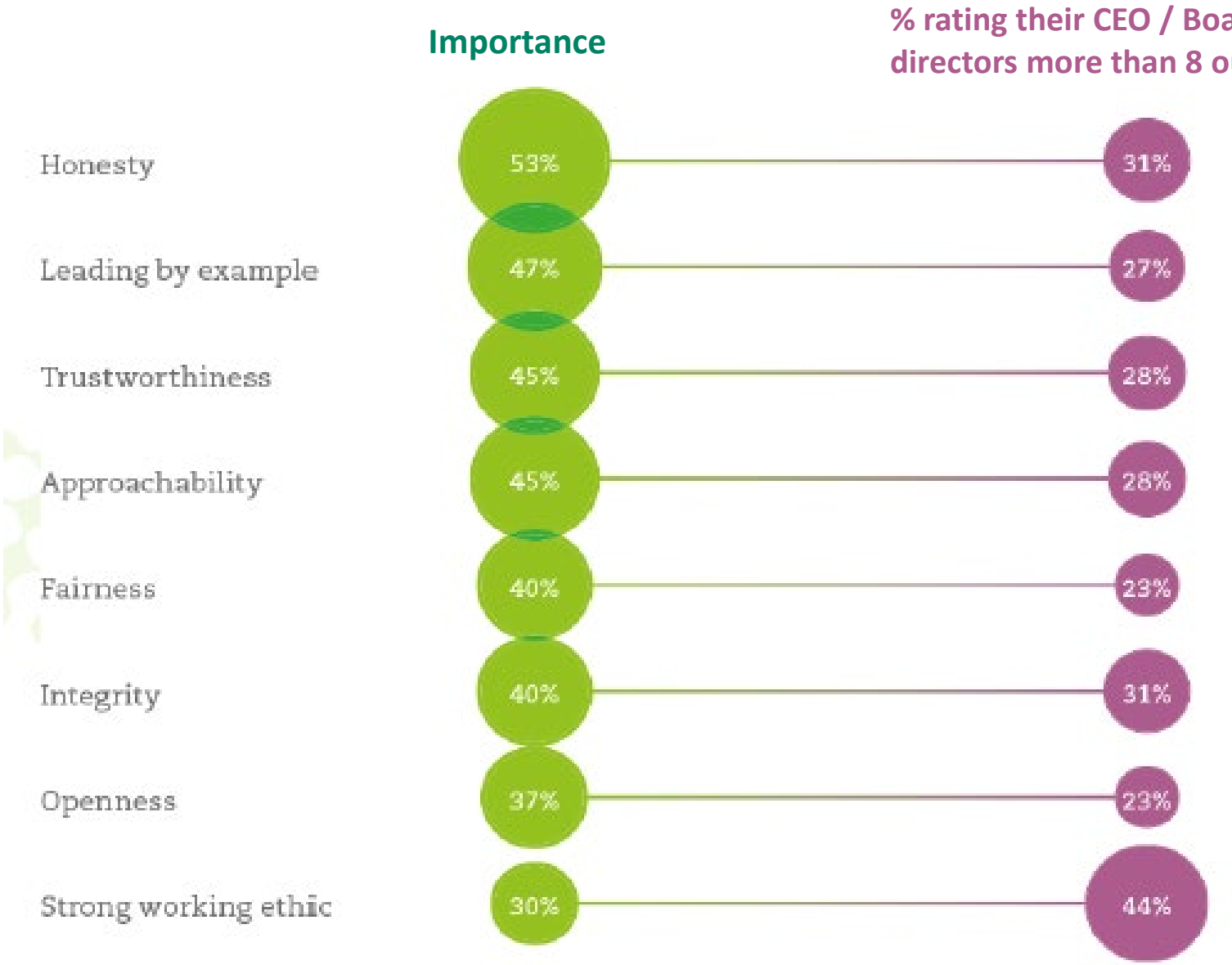


Customers' perceptions of employee engagement

"The customer knows"

	Great experience	Bad experience
The member of staff took responsibility to help solve a problem for you	81.0%	11.3%
The member of staff spoke positively about the organisation they worked for	68.2%	14.3%
The member of staff went "above and beyond" to help you	72.7%	10.3%
The member of staff was focused on meeting your needs	84.8%	11.2%
The member of staff was engaged in their job	84.8%	14.1%

Values and behaviours: employee perceptions of CEO/Board of Directors



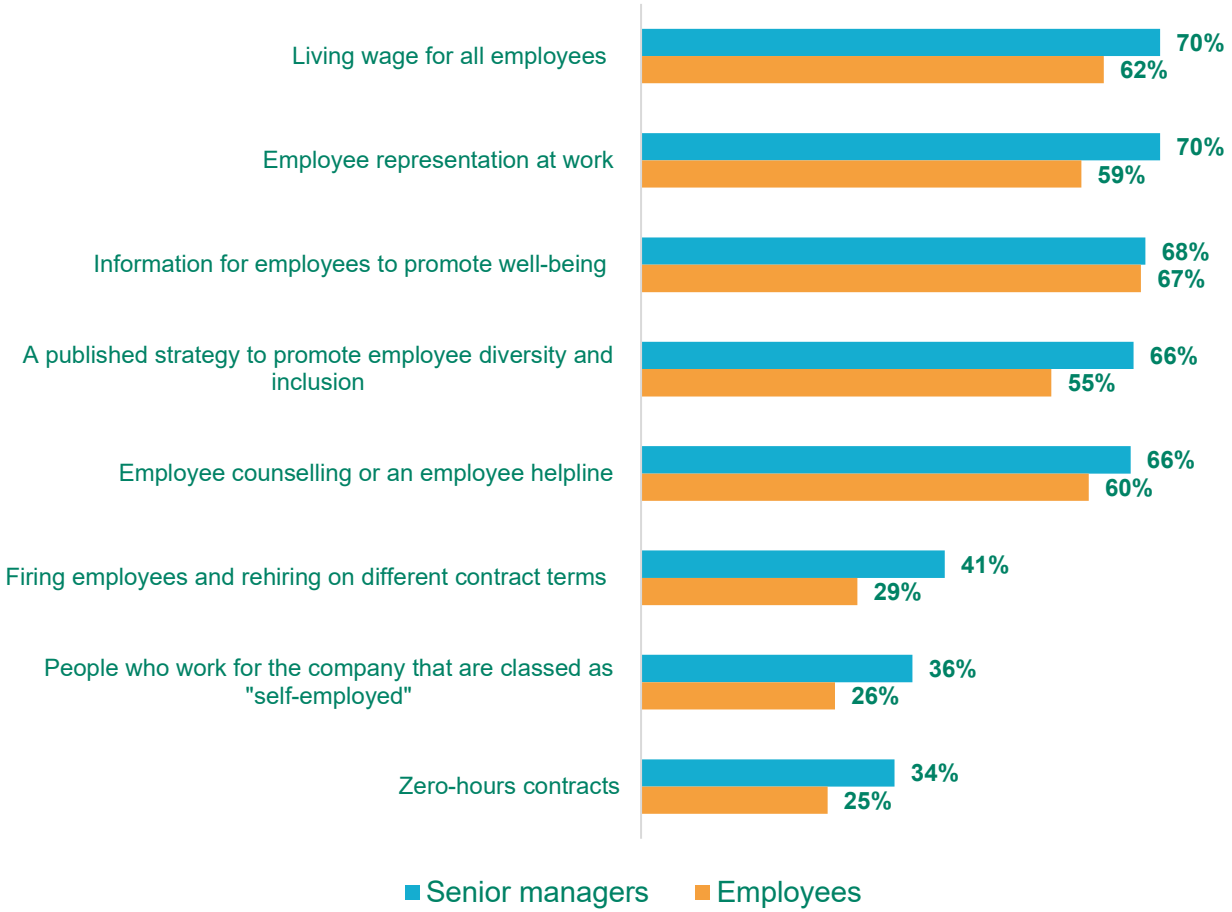
What makes you feel valued at work ?

% employees agreeing that this makes them feel valued at work


Trust senior managers
Organisation prioritises customer service
Praised for “going the extra mile”
New ideas scheme
Manager encourages learning
Trust my manager
Feel empowered
Aware of Csat actions
Customer service training
Manager gives feedback
Understand strategy
Aware of Esat actions
Csat has improved
Team meetings
Tools to do the job
Able to speak to Snr mgr
Regular Snr mgr comms
Feel trusted by manger
Feel I can influence csat
Have submitted a new idea
Have seen csat results
Reward scheme for new ideas
Know an awards winner
30%
20%
10%
0%
5%
10%
15%
20%
25%
30%
35%
Biggest gaps: engaged and passively engaged
Biggest gaps: disengaged and average of all employees

Our research suggests a mixed picture in terms of the way UK organisations treat their employees and support well-being

Does your organisation do any of the following ? Senior managers and employees' awareness of conditions of employment and employee well-being

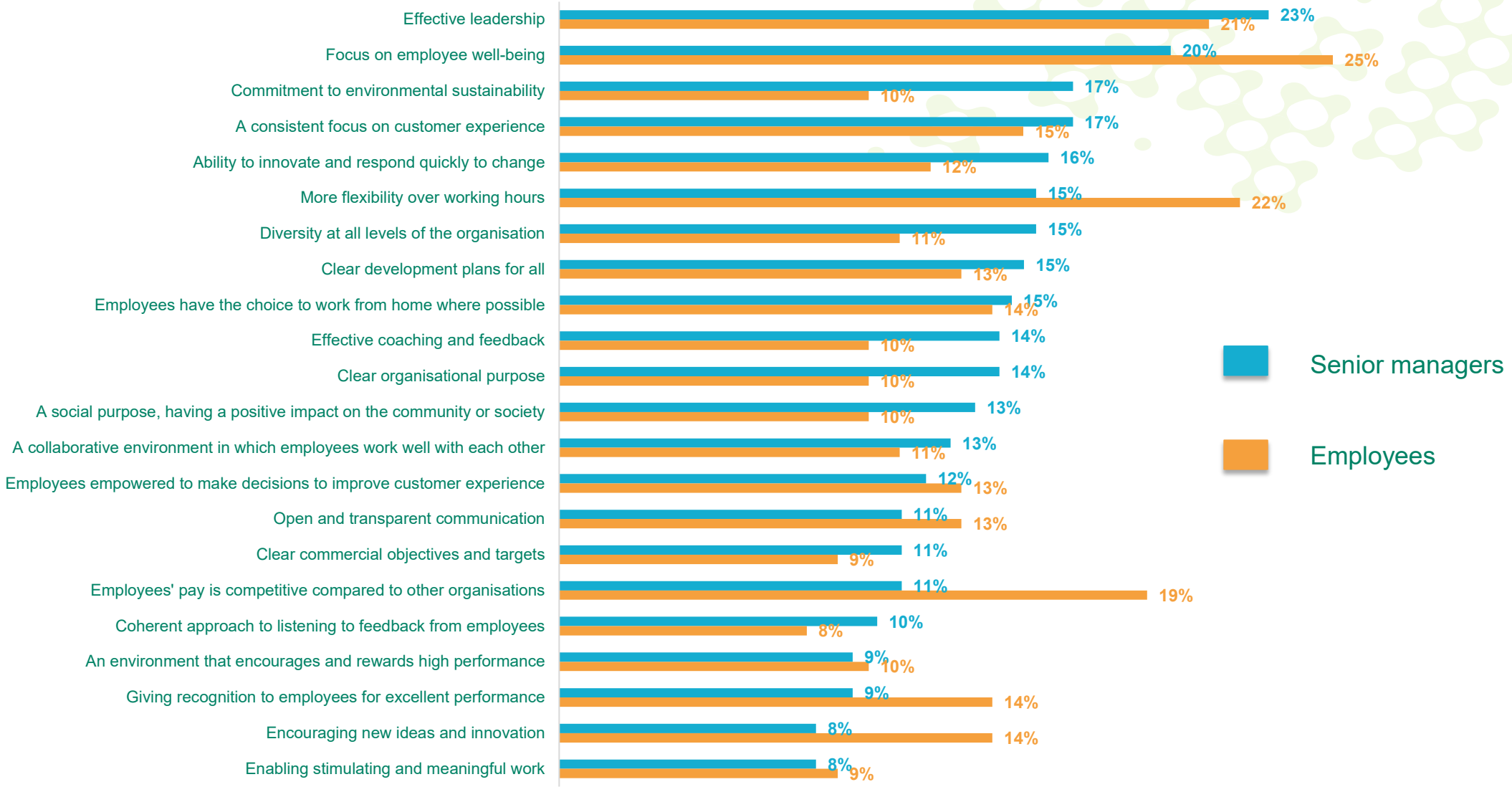


34% of employees said employee well-being in their organisation got worse during the Covid-19 pandemic. 40% said levels of anxiety have got worse.

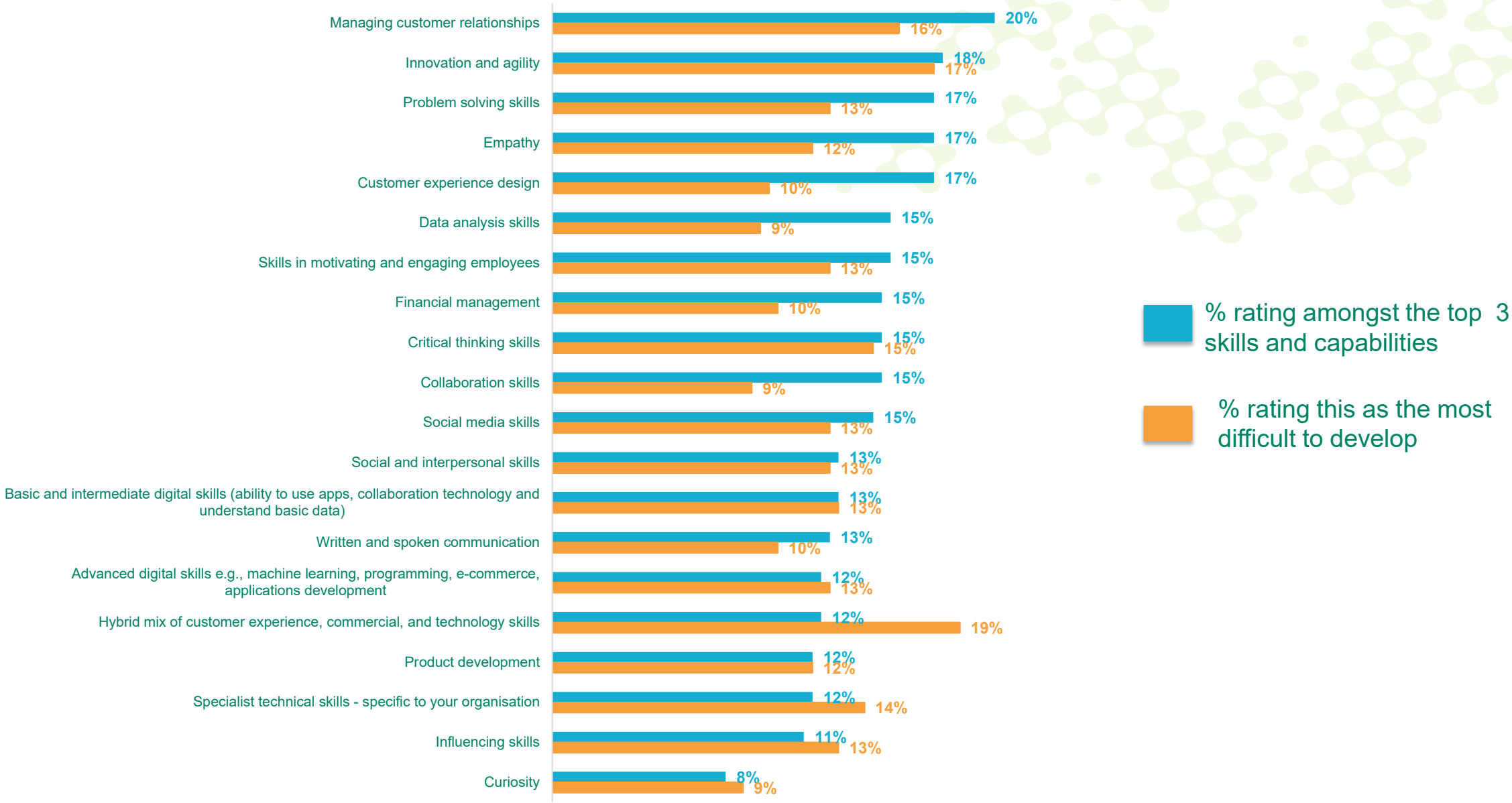
Practical ways that organisations have sought to manage and improve employee well-being include:

- Greater focus on internal communications through short, impactful webinars and videos – greater connection
- Regular one to ones focused on well-being, not just performance or operational issues
- Training employees in mental health awareness and good practice
- Creating mental health resources and guides
- Mentoring and raising profile of colleagues more access to the leadership
- Cross functional projects

What will be most important to develop your organisation's culture in the next 5 years (% strongly agree)



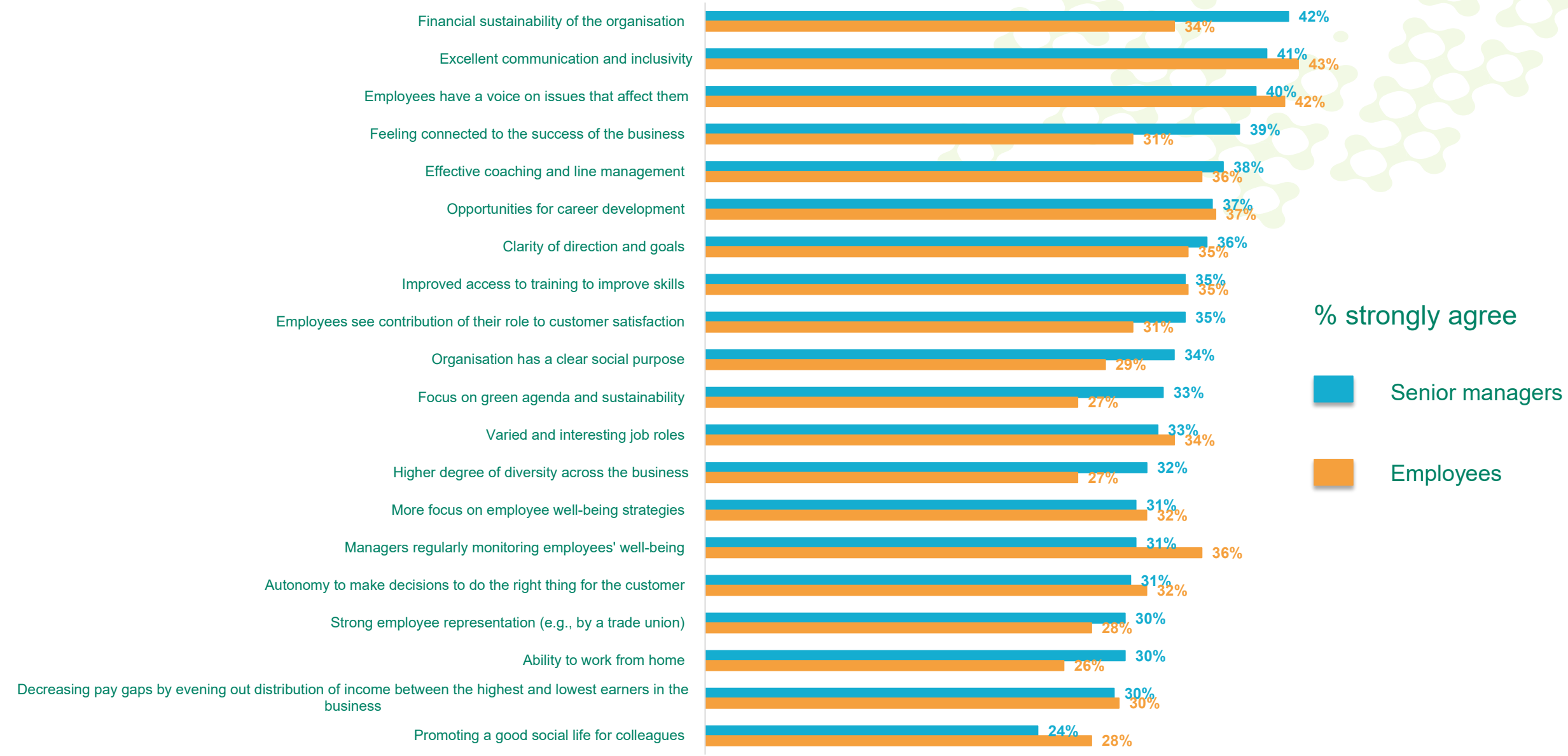
Skills and capabilities to enable customer experience objectives in the next 5 years



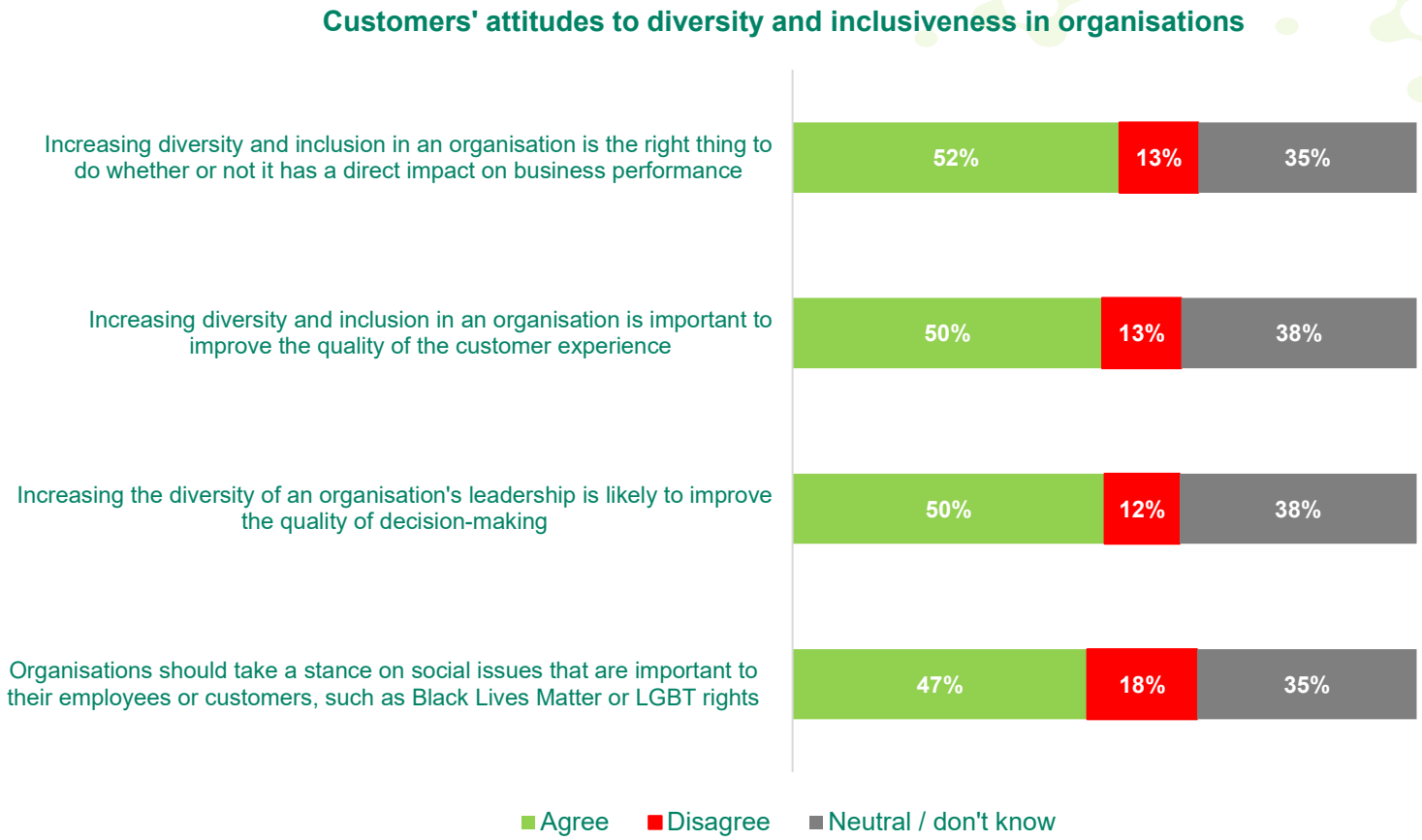
Key challenges for organisations in combining human, digital and artificial-intelligence-enabled experiences to deliver both customer satisfaction and commercial benefits

- Defining what is meant by “simple” and “complex” experiences
- Understanding the preference for human contact by different types of experience
- Proving to customers the value of digital, and artificial intelligence-enabled experiences
- Addressing customers’ concerns about data privacy and security and appropriate use of data for personalisation
- Openness and transparency about how customer data is used and managed
- Developing relevant skills and capabilities, especially a hybrid mix of customer experience design, data, technology and commercial skills

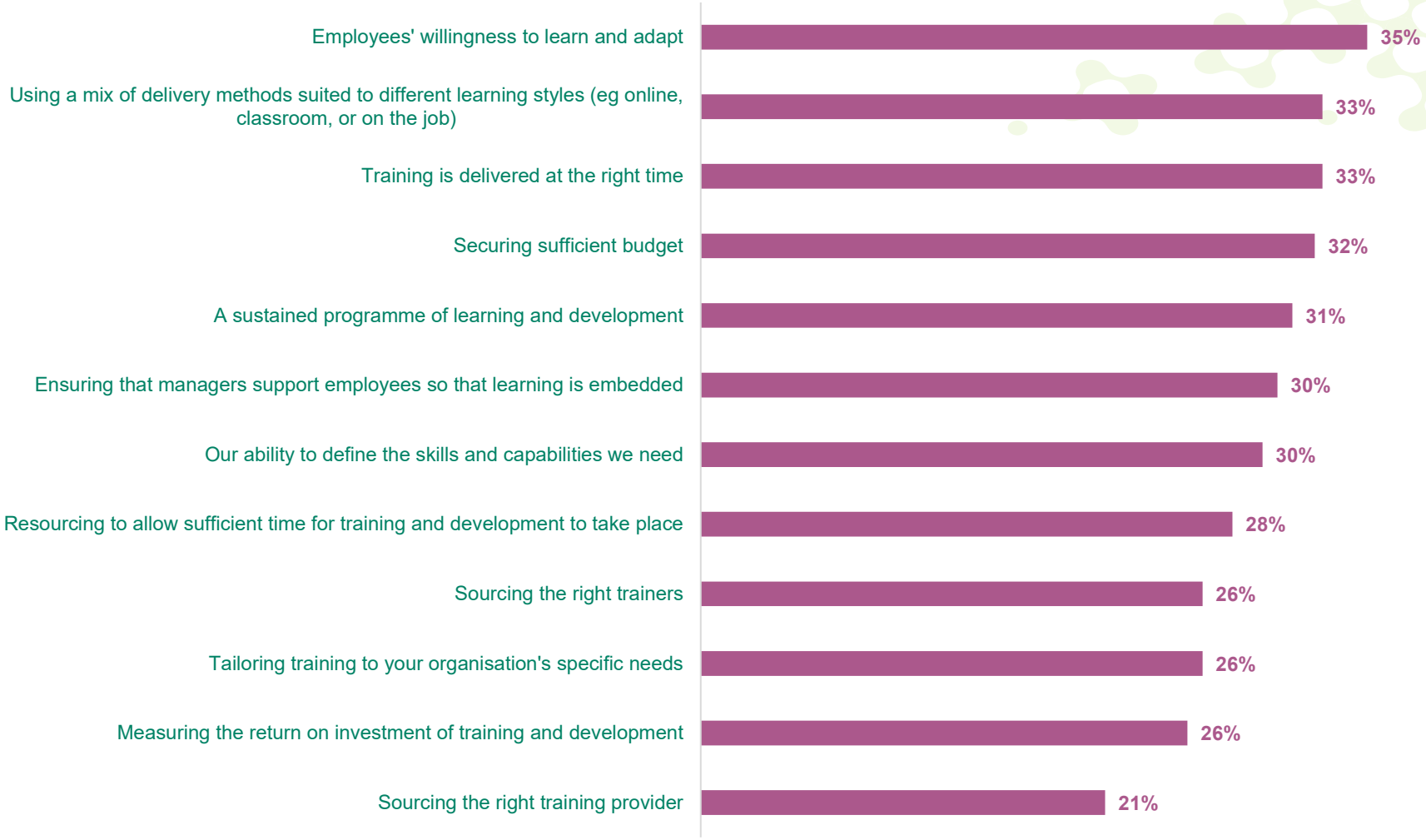
Most important factors in enabling meaningful work in your organisation



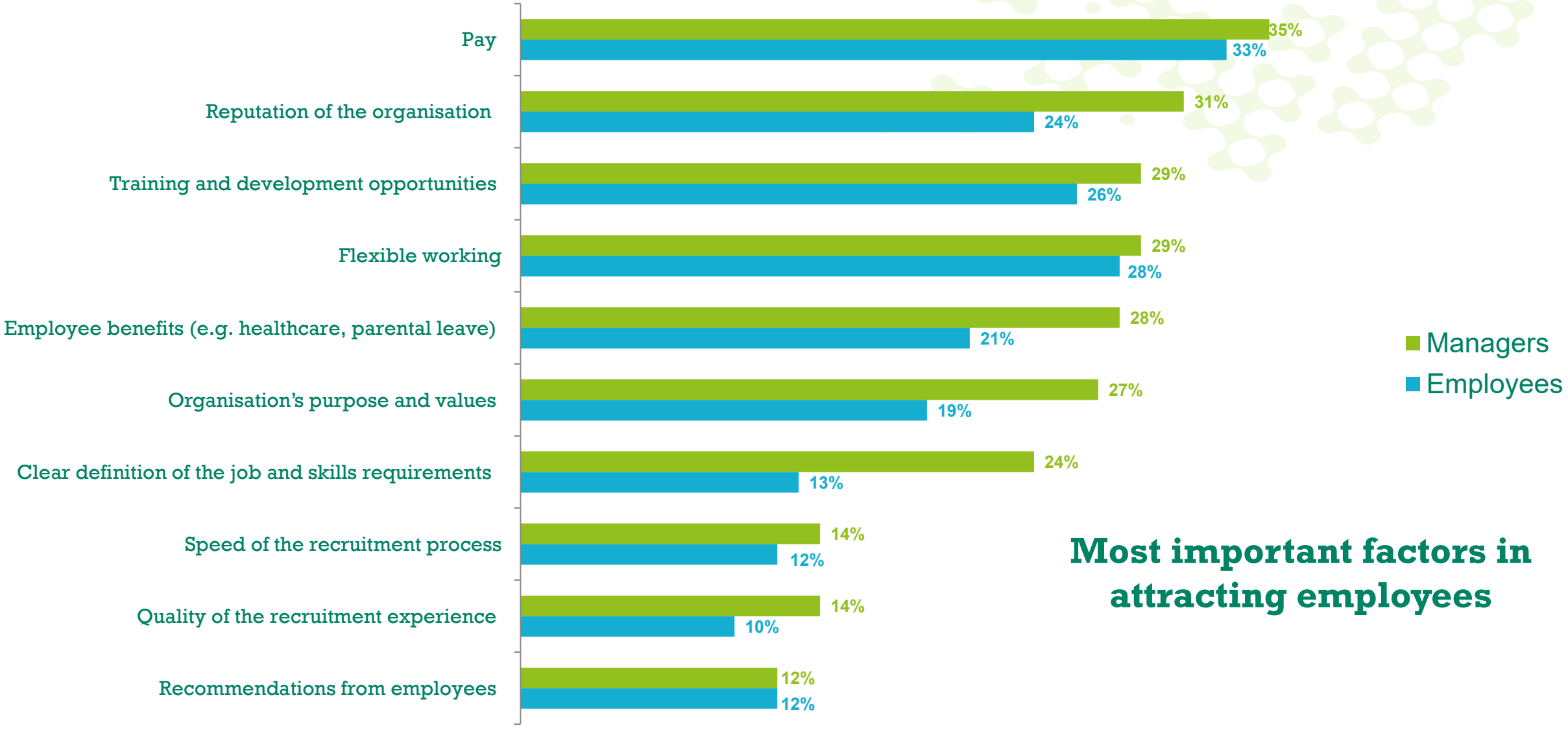
50% of customers believe that promoting diversity and inclusion is an important factor in enabling organisations to improve the quality of their customer experience



What are the most important factors in ensuring your organisation's training and development supports your customer experience objectives ?



Pay, flexible working, reputation, training and development opportunities seen as key factors in attracting employees



Most important factors in attracting employees

Essential elements of employee engagement

Bringing vision and values to life

The critical role of the first line managers

A genuine employee voice

Authentic, regular, relevant communication

Enabling and developing employees

Recognition

10 key themes and issues organisations will need to address

1) Leadership style and behaviours

2) Employee engagement and well-being

3) Heightened important of training and development for evolving skills needs

4) Environmental, Social and Governance (ESG)

5) Diversity and inclusion

6) Digitisation and artificial intelligence

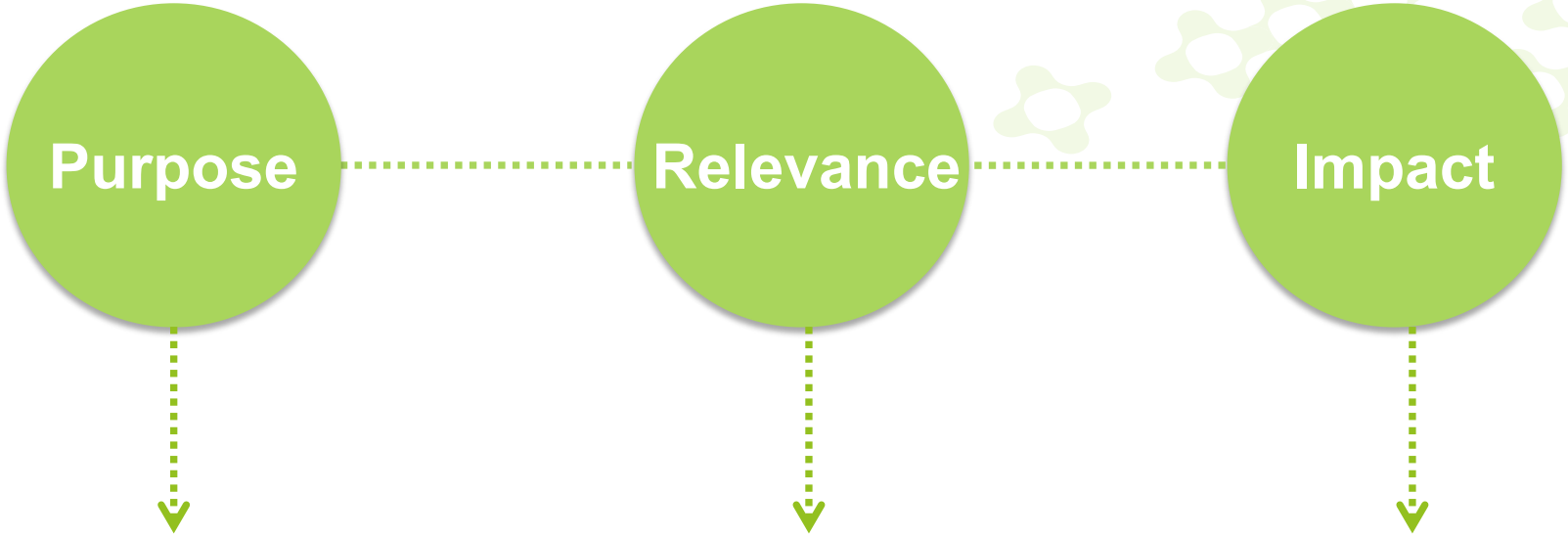
7) Measurement that aligns behaviours and customer experience objectives

8) Greater flexibility in design of job roles

9) Flexible organisational structures

10) Investment in buildings, infrastructure and collaborative technologies

The World is changing: **who are we serving?**



Who do we serve, and what drives us?

Who would miss us?

What is the legacy we will leave?

“ We wont be distracted by comparison if we are captivated by our purpose”

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Thank you

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