



21 September 2020

Customer service

Chartered Institute of Internal Auditors

This guide highlights the risks involved in offering good customer service to help you to plan and conduct your review effectively.

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What is 'customer service'?

Customer service is the experience an organisation's customers receive when they interact with an organisation in any way; this includes business to business (eg where a farmer sells produce to a supermarket, or where a telecommunications company provides telephony services to a business) as well as business to consumer organisations (eg where an organisation interacts directly with individual customers such as a mobile phone company selling phones and contracts to an individual or a supermarket selling produce to the public).

Good customer service is about understanding the needs of different customers, keeping promises and delivering consistently high standards.

The British Standard BS 8477 defines the key principles of good customer service as:

- commitment to a customer service culture
- provision of clear, relevant and accessible information
- well trained, customer-focused staff
- good communication
- quick resolution of customers' problems
- effective use of customer feedback to help resolve common problems (see ISO 10002 – Complaints Management Standard)

Why organisations need to focus on customer service and what happens when it goes wrong

In an ever more competitive and demanding society, getting the customer experience right is crucial

to the success of any organisation, leading to repeat customers, new clients and increased business.

Smart organisations understand that good service is crucial to their success.

Customers expect efficient, effective, excellent and fair service, and expect their needs to be at the heart of service provision. Today, there is a reasonable expectation of the minimum level of service expected and when this isn't met, customers react by removing their custom and making sure everyone else knows about the poor service they received, particularly in today's age of social media.

Well respected organisations such as Which? regularly publish press releases related to customer service and bad customer experiences make front page news in some instances, damaging reputation and impacting the bottom line.

Below are some examples from 2018/19 where the customer experience has not been perceived positively:

Ryanair, Which? Best and Worst Banks, TSB IT Issues, Which? Best and Worst Brands for Customer Service, Virgin Media, BT

And in 2018, the Institute of Customer Services released a press statement with the headline 'Retailers who fail to deliver 'excellent' customer service during Black Friday risk losing £1.4 billion in loyalty sales the following year, according to new research.' Customer service is big business with significant price tags attached to it.

Customer service recovery

An organisation with a strong customer service culture can change a potentially negative customer service experience into a positive one with appropriate recovery techniques, and can even create positive PR for themselves in the course of action eg Morrisons ketchup incident, and a host of other examples.

If something goes wrong, a customer needs to be able to trust that it will get resolved quickly and efficiently. Problems happen, and customers will keep returning to the same brand if they know that it will be easy to resolve their issues.

The role of social media and advancing technology

It is crucial that organisations assess whether there is a need to conduct regular social media monitoring for potential customer service complaints – a bad customer experience that goes viral could cause serious damage to the reputation of the organisation if not identified and managed quickly (for more information on reputation, refer to the Reputation Institute). There are several different social media monitoring tools which can be utilised such as Hootsuite and Boardreader.

Social media also present an opportunity to provide great customer service too – it is much easier to engage with an organisation online through, eg their Facebook page. Organisations such as Spotify offer a much more accessible and speedier contact solution through Facebook messenger,

and ultimately this may be all the customer wants when they have a problem – an easy, and quick way to solve it with someone helpful assisting.

Many organisations are now utilising **artificial intelligence 'bots'** and providing easily accessible webchat services, helping the customer address their issues quickly whilst also generating commercial intelligence and insight for the organisation. Customers don't want to be led through a longwinded telephone routing system only to be cut off after waiting for 20 minutes and wasting their lunch break because the customer service centre is only open 9am-5pm. They want instant access and instant help at the time when they can focus on dealing with their issue and exploiting technology helps organisations to deliver this.

How do organisations manage customer service?

There are several different approaches to managing customer service depending on the nature and size of the organisation, and management should make their own assessment as to what is necessary to put in place.

Larger organisations will have customer service teams with call centres and social media teams, whereas smaller organisations might have an individual who deals with complaints.

Organisations with direct interaction with customers might have designated customer service colleagues in stores/branches, whereas in other organisations colleagues may be multi-skilled.

Potential customer service risks and responses

1. Culture - the organisation does not have a customer service culture

Potential impact

- Poor repeat custom, impacting financial performance and reputation.

Potential responses

- The organisation has defined its culture as part of its strategy, mission and purpose and the customer service provided aligns with that.
- At least one executive board member has been assigned responsibility for customer service culture.
- Commitment to the desired culture is evident throughout the organisation, from the strategic leadership to front-line staff.
- Performance against desired culture is assessed regularly as part of an organisation wide and/or customer culture survey and independently by internal audit.
- There are plans in place to achieve the strategy including identifying the people and other resources (eg technology) needed.
- All colleagues are aware of the strategy and committed to its values.

2. Customer insight - the organisation does not have any insight as to customers' opinions of the organisation and its products/services

Potential impact

- Poor customer experience and poor financial performance along with missed opportunities.

Potential responses

- Customer satisfaction is monitored through customer surveys, usually administered by independent third parties or skilled internal resource.
- Customer service levels are monitored and measured against pre-defined targets.
- Customers have been clearly identified and are consulted in meaningful ways, such as through focus groups.
- Customer satisfaction/survey/insight results are analysed, communicated and action is taken from the information to derive benefit for the organisation.
- Accurate and reliable management information is in place related to all customer insight.
- There is an appropriate governance forum to discuss all customer insight at executive level, and board level updates are provided on a periodic but regular basis.
- Key performance indicators and targets around customer service have been implemented and are monitored and tracked through customer insight.
- Colleague feedback is collected in real time, analysed for trends and action taken where required – front line colleagues are often the first to identify a customer service issue. This could be via feedback forums, or via colleague online interactions eg Facebook pages. Many organisations also allow colleagues to directly contact executives through email eg TellTheCEO@organisation.co.uk.
- All customer input (views, complaints, feedback, online chatter etc) is viewed as valuable information and is analysed for trends and required actions.
- Social media is monitored in real time and appropriate action is taken where necessary to deal with any issues or react to trends.

3. Governance - the organisation does not have the required governance controls in place to effectively direct and manage customer service

Potential impact

- Poor customer service where issues are not resolved and there is no continuous improvement which results in impacting financial performance. Dependent upon the sector there may also be financial sanctions from the Regulator if customer complaints are not dealt with in an appropriate manner.

Potential responses

- The organisational structure takes account of customer service eg there are teams such as customer service, customer insight and customer complaints.
- The required policies and procedures have been defined covering all aspects of customer service including complaints, goodwill and refunds allowed.
- Roles and responsibilities for customer service have been assigned and implemented.
- Appropriate governance meetings are in place to share information with key members of the management team related to customer service including standard agendas, meeting minutes and management information packs.
- Trend analysis is undertaken to identify patterns, including real time monitoring for product safety issues where appropriate.
- Continuous improvement activity is undertaken to address root causes including seeking

recompense from third parties where necessary.

4. Fraud - there are no controls in place to monitor for fraud in relation to customer service activity

Potential impact

- Financial losses and reputational damage.

Potential responses

- There is a fraud team in place, or colleagues with responsibility for monitoring for fraudulent behaviour.
- Appropriate policies and procedures are in place related to customer service fraud.
- Appropriate training and education is in place so that colleagues know what to look out for, and how to report concerns.
- Customer service activity such as goodwill payments, refunds, issue of goodwill vouchers and customer loyalty cards is monitored and analysed for both indicators of customer fraud/abuse and colleague fraud eg collusion between customers and colleagues.
- There is a well communicated confidential whistleblowing procedure in place for colleagues/suppliers to report any concerns.
- Action is taken where required.

5. Colleagues - colleagues do not deliver the required customer service experience to customers

Potential impact

- Reputational damage, loss of customers and ultimately financial loss.

Potential responses

- Dedicated customer service colleagues are in place, with clear roles and responsibilities.
- Appropriate recruitment and vetting procedures are in place to ensure that colleagues are employed who possess the appropriate behaviour, attitude, knowledge and skills to deliver high quality customer service and are responsive to the individual needs of the customers.
- Induction and ongoing training and support is provided to colleagues to help them deal effectively with problems and customer service queries, including training on the required behavioural expectations such as having empathy and taking a proactive approach to solving customer's problems, particularly where customers are vulnerable. In Financial Services organisations, protecting vulnerable customers is particularly important – see Chartered IIA's Guidance, [Customer vulnerability and internal audit](#).
- Customer service colleagues have the resources and authority to deal with problems themselves and have the flexibility to find the correct solution for a customer, rather than being limited by 'set responses.'

6. Legal and regulatory - failure to comply with legislation and regulation surrounding customer service, such as the General Data Protection Regulations 2018 and the Consumer Rights Act 2015

Potential impact

- Reputational damage, censure and financial and legal penalties.

Potential responses

- Appropriate controls are in place to ensure the organisations keeps abreast of any laws and regulations impacting the organisation, such as a regulatory horizon scanning team, a legal team or legal counsel.
- The required policies and procedures are in place to ensure that there are clear guidelines related to necessary laws and regulations, and these have been approved by legal and regulatory experts and are reviewed and updated regularly as appropriate.
- Colleagues are provided with the necessary training, which is evidenced, to ensure they understand their legal and regulatory responsibilities.
- There are appropriate compliance checks in place to ensure that colleagues are complying with procedures.
- There is a reporting and escalation procedure in place to ensure that any breach of law/regulations is reported and escalated as required, particularly where there are specified timeframes which must be met eg GDPR - 72 hours to report a breach to the Regulator (Information Commissioners Office) once the breach has been identified.
- There is a procedure in place to deal with subject access requests and data deletion requests to ensure **compliance with data regulations**.
- In financial services organisations, controls are in place to comply with Financial Conduct Authority regulations including **conduct of business**, **vulnerable customers**, and **treating customers fairly**.
- Controls are in place to manage compliance with the Consumer Rights Act 2015, such as ensuring clear and honest information before buying, customers get what they pay for, services are performed with reasonable care and skill, and faults being put right free of charge or a refund or replacement provided.

7. Customer accessibility - the organisation does not make it easy for customers to raise and resolve any issues they may have

Potential impact

- Loss of repeat custom, increasing number of complaints, reputational damage, regulatory breach and financial losses.

Potential responses

- There is a clearly defined and communicated customer complaints procedure that specifies timescales for responses which are monitored internally.
- There is an escalation procedure when a customer is not happy with a response to a complaint or concern.
- Methods for the customer to communicate with the organisation are clearly communicated or external to the organisation, if appropriate, eg the Regulatory (FCA, ICO, CQC) or a Legal Ombudsman.
- There are several different options available for customers to contact the organisation, including e-mail, phone, in person (for organisations with branches/stores), via social media or via webchat services on websites etc.

- Customers are kept informed throughout the complaints process, and all customer communications are in line with the culture and policies and procedures of the organisation.
- Comments, complaints and views of customers are valuable customer insight, with views/feedback from customers being sought on a periodic basis eg annually.

8. Quality and consistency - inability to ensure that the quality and consistency of customer service interactions, particularly where the customer is raising a concern

Potential impact

- Poor customer experience and financial losses through an inconsistent approach to quality and service eg poor or inconsistent responses to customers interactions.

Potential responses

- There are clear policies and procedures in place covering how to deal with customer interactions.
- Standard templates are in place with limited free format text in emails and letters.
- Colleagues receive rigorous induction training prior to working on their own including shadowing.
- Refresher training is in place.
- A colleague competency and sign off framework is in place to ensure that colleague customer service-related activity is meeting the required standards.
- Limits are in place for delegated authority to ensure that any goodwill or refunds over certain amounts must go to higher levels of management for review and approval.
- An on-going quality monitoring programme is in place, including call monitoring and sample checking of files.
- Customer service targets are in place which are monitored.

9. Crisis management

Potential impact

- Ineffective crisis management to deal with adverse publicity leading to reputational damage.

Potential responses

- There is a public relations team or colleagues with assigned responsibilities to manage the press and take the lead when there is a public relations issue that needs to be managed.
- Customer service-related issues are included within existing crisis management plans.
- Colleagues are trained on when and how to escalate issues.
- External monitoring is in place to identify when there is negative online chatter or news articles related to the organisation, and where there is, affirmative action is taken to control the situation.
- Senior management undergo regular media training to deal with questions both via the phone or face to face from journalists.
- Operational resilience statements are prepared to deal with a crisis should/when it occurs eg cyber-attack and loss of customer data, product contamination eg needles in baby food.

The role of internal audit

Internal audit has a key role to play in providing the board with assurance over customer service.

- The chief audit executive should have optional attendance at any executive or board level discussions related to customer service.
- The internal audit activity should define and implement the stakeholder management responsibilities of the internal audit activity for all areas of the organisation, including customer service. Regular stakeholder meetings should be held by internal audit to help build a good rapport and relationship between the two functions, plus help to ensure internal audit understands the customer service function. Depending on the scope of the audit, other teams may be involved in customer service activity too, including product technical teams, manufacturing teams, and fraud teams (etc). These stakeholders may also need to be involved in a customer services audit.
- Customer service and the customer service function should form part of the internal audit universe and risk assessment.
- The internal audit activity should utilise customer service indicators such as risk metrics, complaint levels, product recall levels and other key indicators as a useful source of information for risk assessment.
- Customer service should be considered as part of the risk assessment and should also be considered for cyclical audits and included as a necessity for periodic coverage eg every two to three years.
- Internal audit's role is to provide periodic independent assurance that controls are operating as designed and that the required controls are in place.
- As with all internal audit plans it is important to coordinate work with other assurance providers and avoid duplication of effort where reliance can be placed on their work.
- Customer service data, where available, is a good opportunity for internal auditors to use analysis tools such as data analytics.

Approaching an audit of customer service

- As with any engagement, the internal audit team working on the audit should spend time understanding the scope of the review.
 - Many teams can be involved in customer service(s), so ensure that the required stakeholders have been engaged and consulted.
 - It is very easy to include too many scope areas, and the audit could easily become unmanageable with the message diluted and lost. Consider risk assessing and grouping possible scope areas, and potentially conducting a programme of customer service audits over a period of time.
 - Customer service audits are a prime candidate for data analytics, so the internal audit team should consider data requirements early on, and in some cases before the audit is due to start.
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Challenges for internal audit

There are some potential challenges internal audit may need to manage during an audit of customer services.

When auditing customer services, the internal audit team working on the engagement need to ensure that time is invested in understanding the desired culture and approach to dealing with customer services.

Internal audit's approach can often be seen as very black and white, which can be a direct opposite to the customer service approach; this can lead to unnecessary friction with audit clients and misunderstandings by internal audit.

At times there can be a conflict between the response the business takes to resolve a complaint and the approach internal audit thinks should be taken.

Other than accessing customer feedback and complaints, internal audit will most probably be unable to engage directly with customers as part of the audit to gain input.

Internal audit needs to ensure the required controls are in place related to the General Data Protection Regulation, as customer data may, dependent upon the data and the circumstances be classed as sensitive. Considerations for person identifiable data need to be considered when conducting any data analytics and on data held within audit files. Consideration needs to be given to:

- agreeing the usage of data with the data owner and Data Protection officer
- the fields required in any data required – it is not usually necessary to include fields with person identifiable data in them
- the most appropriate and secure way to transfer data to internal audit
- the most appropriate way to secure the data when held by internal audit including restricting access, and removing access after use except to the very minimum team members
- the most appropriate way to dispose of any data.

Conclusion

Customer service is a key risk for organisations, and poor management of customer service can severely impact reputation and commercial performance of organisations. Internal audit has a key role to play in providing the board with assurance that this risk is being managed effectively.

Further reading

International Organization for Standardization:

ISO9001 Quality Management
ISO 10002 – Complaints Management Standard

BSI Group - [The importance of excellent customer service](#)

Which? Best and worst brands for customer service 2019

Citizens Advice – The Consumer Rights Act 2015

Institute of Customer Service

Customer Service Excellence

Reputation Institute