

CUSTOMERS

Background

Modern day consumers have more choice than ever before, rising expectations and faster access to products and services, and yet consumer confidence is in decline¹. Fostering customer loyalty and advocacy is central to sustainable commercial success.

Materiality and strategy

Customers are key stakeholders of The Co-operative, and customer satisfaction is a strategic priority. One of the six aims underpinning the business' vision is 'to meet the needs of our customers and the communities we serve'. Performance in customer satisfaction is measured through customer surveys, and linked to the remuneration of the Executive team.

At CFS, 'putting members and customers first' has been identified as one of five business values. Customer advocacy is one of the measures of success in achieving CFS' vision, and KPIs that have a specific focus on advocacy are featured in the balanced scorecard, impacting on the remuneration of all CFS staff, including the Executive team.

As a community retailer, The Co-operative aims to serve as many groups as possible, and its Diversity Principles (page 103) embody a commitment to address diversity issues in relation to customers. As such, a range of accessible products, services and communications are offered, which take into account the needs of differing groups, for example, with regard to disability or religion.

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🎯 Targets 2010	Progress	Targets 2011
Indicator: Customer satisfaction (Performance benchmark page 114)		
Maintain a CFS advocacy score that is 6% ahead of the top five in peer group.	✓ An average advocacy score of 7.5% ahead of the peer group was achieved (page 114).	Maintain an advocacy score that is at minimum 6% ahead of the peer group for CFS.
		Achieve a customer satisfaction score of 78.3% for The Co-operative Food.
		Maintain a minimum customer satisfaction score of 90% for The Co-operative Travel.
		Maintain a minimum customer satisfaction score of 90% for The Co-operative Pharmacy.
		Maintain a Funeral Excellence Score of 90.
Indicator: Corporate reputation and brand (Performance recognition page 115)		
Ensure that at least 4,500 outlets have been rebranded by the end of 2010.	✓ By the end of 2010, a total of 4,900 outlets were rebranded (page 115).	Complete the rebrand of Co-operative outlets ² .
Indicator: Complaints (Performance benchmark page 116)		
		Maintain CFS complaints received below two per 1,000 accounts, policies and portfolios.
Indicator: Accessibility of communications, products and services (Performance recognition page 118)		
		Develop a new customer diversity plan for CFS.

Customer satisfaction

The Trading Group tracks satisfaction with The Co-operative Food, Pharmacy, Travel, Funeralcare and Legal Services (CLS), and, as of 2010, The Co-operative Life Planning³. At the start of 2010, a new method of measuring satisfaction was adopted by the Food, Travel and Pharmacy businesses – the Customer Satisfaction Index (CSI) – which aims to more accurately assess how The Co-operative is 'doing best what matters most to customers'⁴. As in previous years, between 500 and 600 customers were surveyed on a monthly basis⁵, and asked to register satisfaction on a 10-point scale. Due to the nature of their business sectors, Legal Services and Funeralcare continue to use their previous respective methodologies⁶ to track satisfaction.

Specific targets for satisfaction were not finalised at the time of the 2009 Sustainability Report publication, but those subsequently set by the business for achievement in 2010 are commented on below.

Measurement of satisfaction was also updated in CFS with a greater focus on advocacy. In 2010, a syndicated, industry survey was adopted – the GFK NOP Financial Research Survey – to effectively measure advocacy and benchmark performance against a peer group⁷ in the financial sector. This new method aims to help the business better understand how performance in critical areas can drive higher levels of advocacy amongst customers⁸. Satisfaction surveys are also conducted amongst CFS corporate and business customers; and survey results are weighted according to stated importance of attributes⁹.

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Customer satisfaction remained consistent in 2010.



Due to changes in methodology, it is not possible to report comparable historic data across all businesses. Variance in the satisfaction scores between the different businesses is reflective of the different market sectors within which each operates, and the differing methodologies employed.

The co-operative food

A CSI of 77.2% was achieved, exceeding the 2010 target of 76.4%. Performance was consistent across the year, despite the disruption caused by the Somerfield integration and branch refit programme. Areas identified for improvement within the survey include queuing times and speed of service at the checkout, and availability of products.

The co-operative pharmacy

A CSI of 91.3% was achieved, exceeding the 2010 threshold target of 90%. Priorities identified for improvement in 2011 within the survey include: the consistency of services across all branches; privacy within pharmacy branches; availability of prescriptions; and length of waiting time.

The co-operative travel

A CSI of 92.7% was achieved, exceeding the 2010 threshold target of 90%. Priorities for improvement in 2011 were identified within the survey as: value for money; the booking process – including, accuracy, clarity and ease of the booking; and travel advisers' understanding of customer needs.

The co-operative funeralcare

Satisfaction results remained extremely high and in line with previous years, with 98% of customer respondents reporting they were satisfied ('very satisfied' or 'fairly satisfied') with the overall experience.

Customer satisfaction results			
	2008	2009	2010
The Co-operative Funeralcare	97%	98%	98%

Customer service questionnaires are also used to calculate a Funeralcare Excellence Score (FES), based on factors that determine the quality of customer service. The 2010 FES score was 91.5, exceeding the threshold target of 90.

The co-operative legal services

Satisfaction results achieved show a slight improvement from previous years, with 75% of customer respondents rating their satisfaction with the overall experience as nine or 10 out of 10. Priorities for improvement in 2011 include: speed of answering the phone, supportiveness of case handler and regularity of updates.

Customer satisfaction results			
	2008	2009	2010
The Co-operative Legal Services (will writing, legal advice and personal injury)	72%	74%	75%

The co-operative financial services

🎯 CFS exceeded its 2010 target to perform at least 6% points above the 'top five' peer group average, averaging 7.5% points above the group across the year. Advocacy levels remained stable throughout 2010, with CFS performing ahead of its peer group across the majority of individual products. Performance on current accounts was particularly strong, with CFS averaging 23.4% points above its peers over the year.

Performance benchmark

CFS takes part in the Association of British Insurers' (ABI) Customer Impact Scheme for Life and Savings products, which tracks customer satisfaction across a range of measures, including advocacy. CFS outperformed the industry average with regard to customer advocacy¹⁰, and scored above, or in line with the industry average across all satisfaction measures.

In corporate banking (ie business customers with turnover exceeding £1m), key drivers of customer satisfaction include: accuracy of data and transactions; relationship managers keeping promises and commitments; and reliability of software. Key satisfaction drivers for business banking are: keeping promises and commitments; accuracy of customer details processing and day-to-day banking operations; and helpfulness of staff.

CFS corporate and business banking Customer Satisfaction Index 2010			
	2008	2009	2010
Corporate banking	83.7%	84.0%	86.3%
Business banking	84.2%	82.7%	80.3%

Corporate reputation and brand

Corporate Reputation Index

The Corporate Reputation Index (CRI) model¹¹ measures how brand perception drives sales. During September and October 2010, more than 1,000 face-to-face interviews were carried out with members of the public who had heard of 'The Co-op' or 'The Co-operative'. Respondents were asked questions exploring their perceptions of The Co-operative's leadership and reliability, its approach to public responsibility and its role as a caring organisation. Each of these three areas is weighted according to its importance in driving sales¹².

Corporate Reputation Index score

x11 increase in CRI score since 2006

The Co-operative: Corporate Reputation Index¹³

	2006	2007	2008	2009	2010
Corporate Reputation	+4	+18 	+17	+23 	+44


Performance in the CRI continues to improve, with an 11-fold increase achieved in the Index score since 2006. The significant improvement made may be attributed to the continued impact of the rebranding programme and marketing campaign, increased awareness of The Co-operative, and the higher proportion of Co-operative customers¹⁵ and members amongst the consumers surveyed. Significantly, members are almost twice as likely to rate The Co-operative highly, generating a score of +82 in 2010.

Despite the addition of five more competitors¹⁶ to the CRI in 2010, The Co-operative continues to rank highly in comparison with its peers for two of the elements that comprise the overall CRI score: 'public responsibility'¹⁷ (rank: second of 12) and 'caring company'¹⁸ (rank: third of 12) elements of the CRI. However, these elements account for a relatively small proportion of the score, as the greatest weighting (60%) is associated with 'leadership and reliability'.

Outlets rebranded 2010

4,900 outlets rebranded under one identity
2009: **4,030**

Rebranding programme

During 2010, the rebranding programme continued to unify the different businesses and a number of other co-operative societies under one identity. Brand standards are designed to deliver an improved customer experience and a higher level of customer satisfaction.  By December 2010, a total of 4,900 outlets had been rebranded, which exceeds the target set of 4,500 stores. It is anticipated that the rebrand of The Co-operative estate will be completed in 2011; a programme of store interior refits is ongoing (page 63).

Performance recognition

- For the second year running, The Co-operative won a public vote to pick up the RSPCA People's Choice Supermarket Award
- The Co-operative won a World Retail Award in November for its 'Good for Everyone' brand re-launch
- The general public recognised The Co-operative as one of the UK's strongest brands in the annual Consumer Superbrands survey
- The Co-operative Travel was named 'National Travel Retailer of the Year' in The British Travel Awards 2009, and 'Best Tour Operator to Central and Northern Europe', as voted for by the holiday- and travel-buying public.
- The Co-operative Bank was voted 'Best Direct Mortgage Lender 2009/10' by Your Mortgage magazine readers.
- At the Moneywise Customer Service Awards 2010, which surveyed more than 10,000 consumers, The Co-operative Bank received the best current account awards for online service and call centre service. **smile** was voted most trusted current account provider and best current account overall for customer service.

Customer relations

The Customer Relations department acts as the first point of contact for customers who wish to comment on products, policies and operations, or find out about the provenance of own-brand products. It also generates information to allow the business to respond to emerging consumer issues. In 2010, 204,092 calls were received via the Customer Relations department; of all correspondence received, 31,437 instances related to product complaints¹⁹.

In addition to the general Customer Relations team, CFS, The Co-operative Travel and The Co-operative Pharmacy each operate their own customer contact centres to handle customer queries and complaints.

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Complaints received by other customer contact centres

	2007	2008	2009	2010
The Co-operative Pharmacy	747	915	1,552	1,210
The Co-operative Travel ²⁰	4,067	4,620	4,876	4,184
CFS ²¹	78,783	50,151	42,558	47,883

Increased focus on updating and training Travel branch staff on complaint causes and handling, along with improved systems for reporting on holiday accommodation standards, may account for the decrease in complaints in Travel in 2010. In Pharmacy, the business has continued to focus on customer service, for example, by issuing an updated complaints policy and training module, and displaying customer care posters in branches. Overall, CFS received fewer than two regulated complaints per thousand live accounts, products or portfolios.

Performance benchmark

At The Co-operative Bank and Insurance, 97% and 93% of customer complaints respectively were resolved within eight weeks over the course of the year, compared to an average of 84% across the financial services industry²².

The Co-operative Bank was the highest placed high street bank in the 2010 JD Power Customer Satisfaction Study. The bank received the highest complaint resolution score of any provider, and 76% of customers felt their complaint was handled fairly, well above the industry average of 54%.

Customer engagement

In addition to the customer satisfaction and corporate reputation surveys detailed above, customers are engaged via numerous channels, which include:

Social media and campaigns

Throughout 2010, customers have been increasingly engaged in consumer and ethical issues via online and social media channels. As of December 2010, more than 24,000 people followed one or more of The Co-operative's social media pages, and more than 15,000 customers or members subscribed to the campaign email group. Customers are encouraged to take part in campaigning activity using many communications channels, for example, point of sales promotions in Food stores, campaign inserts in bank statements, and customer magazines.

The Co-operative Food chip and pin feedback: InSight

The Co-operative Food utilises chip and pin terminals to gather customer feedback on pertinent customer service, sustainability and business issues²³. InSight was designed and developed in-house and is unique to The Co-operative. An average of 365,000 responses (2009: 350,000) were received each week during 2010, providing an instant reading on customer opinion.

InSight was designed and developed in-house and is unique to The Co-operative.

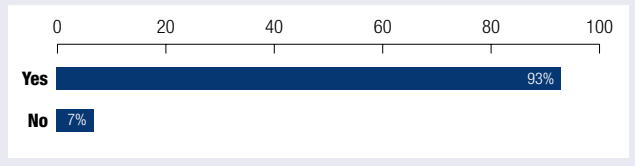


InSight customer feedback

Chip and pin terminal survey of The Co-operative Food customers, conducted September 2010

Question: "Were we friendly and helpful?"

(total responses: 324,348)



Consumer panels and forums

The Co-operative Food: The Taste Team

A consumer panel, The Taste Team, is in place to help ensure own-brand ranges meet or exceed customer expectations. A total of 1,800 employee-customers sample new products and provide feedback via an online questionnaire. All new products pass through The Taste Team process, and those achieving a sufficiently high panel score are progressed to launch. In 2010, 343 tests were completed.

Up for Discussion – consumer community

Up for Discussion is a private online community, piloted in December 2010, to enable The Co-operative to better understand consumer attitudes and behaviours. The Community has approximately 1,800 participants, comprising a cross-section of consumers, including members, non-member customers and non-customers, who participate in discussions and polls on consumer and lifestyle issues.

Talking Shop – Food consumer community

Talking Shop is a private online community that engages with consumers and generates insight, primarily focusing on the Food business. Approximately 1,300 participants have joined the community, and can take part in discussions, polls and surveys, and photo and video journals.

The Taste Team has been in operation for over two years supporting the development of own-brand products.



CFS Customer Consultative Council and customer events

The council is made up of 24 customers, who are broadly representative of CFS' customer base. It meets with the Chief Executive of CFS and other senior leaders quarterly to provide feedback on customer issues. In addition, bank and Britannia customers are invited to meet with the Chief Executive of CFS and branch colleagues at informal evening events held across the UK, allowing attendees to discuss the issues of most importance to them. Three such customer events were held in 2010.

CFS customer forum and panel

These engagement channels are currently under review in line with the business' wider evaluation of customer satisfaction measurement. The customer experience forum and customer panel ran until September and October 2010 respectively. It is anticipated that new customer engagement channels will launch in 2011.

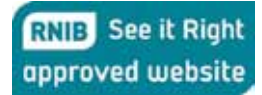
Accessibility of communications, products and services

The Trading Group has an 'access for all policy' in place across the business, which aims to ensure that customers are able to access goods and services and the business is responsive to customer needs, and compliant with the Equality Act 2010. At CFS, a Customer Diversity Group meets regularly to ensure customer policies and processes are inclusive, and to improve the experience of customers from diverse groups; the group will work to develop a new two-year diversity plan during 2011.

Websites

The Co-operative considers its main website to meet the World Wide Web Consortium (W3C) Web Content Accessibility Guidelines (level 'AA'). An accessibility page, providing guidance for site users, is

available on the website. In May an audit undertaken by the Royal National Institute of Blind People (RNIB) found that The Co-operative's main website, including selected sub-sites²⁴, fully met the requirements of the 'See it Right Award'²⁵. The accessibility of the remaining sub-sites will be improved to meet these requirements.



CFS considers that its main website complies with the W3C 'AA' standard and the **smile** website is considered to comply with the W3C 'A' standard. Throughout 2010, CFS worked with the Shaw Trust – a national charity that supports disabled and disadvantaged people – to further improve the accessibility accreditation of the site.

Corporate literature

During 2010, over 31,000 requests for alternative format information were fulfilled by the Trading Group and CFS (2009: 30,000).

Corporate labelling

The Co-operative endeavours to add Braille to all product packaging, where technically and commercially possible. During 2010, Braille packaging appeared on approximately 1,000 own-brand product lines.

Braille on packaging 2010

1,000

own-brand product lines feature Braille on packaging

Pharmacy – accessible services

In 2010, Muslim patients fasting during Ramadan were offered help to manage their medicines by around 82 (2009: 80) Co-operative Pharmacy branches in areas with a high proportion of Muslim customers. Targeted marketing in several languages was used to advertise the free 'medicines check' service to Muslim patients. Nearly half of these pharmacies, in line with local need, have received further training to offer customers 'stop smoking' advice alongside the 'medicines check' service.

Poster promoting The Co-operative Pharmacy 'medicines check'.



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Travel – accessible services



In 2010, The Co-operative Travel launched a dedicated service for disabled holiday-makers in the UK. As of 2010, 102 specialist advisers were trained in disability awareness, and The Co-operative Travel aims to have 390 in place by 2014. The launch was supported by a

national marketing campaign, and the initiative is hoped to benefit 10,000 disabled travellers over the next five years.

Holidaymakers experience adaptive skiing using a monoski.



© Redpoint

The Co-operative Travel also promotes packages for LGBT (lesbian, gay, bisexual and transsexual) holiday-makers. It has produced a pocket guide with bespoke offers for LGBT travellers, and has specialist travel advisers on its personal adviser team to support this offering.

Performance recognition

The Co-operative received Stonewall's Best Inclusive Advertising and Marketing Award for services provided to LGBT consumers. The Co-operative achieved 31% of the vote in a poll run by Stonewall via social media.

Funeralcare – Pink Partings

The Co-operative Funeralcare works in partnership with the Pink Weddings Group to support the LGBT community via its Pink Partings service. The Pink Partings website offers a service designed specifically for LGBT people arranging the funeral of a partner or purchasing a funeral plan.

Performance recognition

In 2010, The Co-operative Bank was voted the best bank by readers of the Pink Paper – the leading news service for gay, lesbian and bisexual people in the UK.



Accompanying notes

- GfK NOP (2010) Consumer Confidence Index www.gfknop.com/pressinfo/releases/singlearticles/007214/index.en.html
- This excludes the private name funeral homes and Britannia branches, which do not participate in the rebrand.
- Results for CLP will be reported in 2011 when data for a complete year will be available.
- In Q1 2010, The Co-operative assessed how important various aspects within the customer experience are to Food to develop a questionnaire and subsequent measurement to focus on priority requirements, and thereby provide greater insight into the steps needed to improve performance. The Index result is weighted towards attributes ranked most highly by customers, and expressed as an overall percentage.
- Data presented is an average of quarterly satisfaction scores. For Food: 217 telephone interviews are undertaken per month, for Pharmacy exit interviews are conducted outside 25 branches per month, and in the case of Travel 75 telephone interviews are conducted with bookers per month.
- A self-completion postal survey is issued by CLS and Funeralcare. In the case of CLS, 'satisfied' customers are those who rate their satisfaction with The Co-operative as nine or 10 out of 10. Approximately 1,300 surveys are returned to CLS each quarter. In Funeralcare, satisfied customers are those who report they are 'very satisfied' or 'fairly satisfied' on a four-point scale. 103,886 customers were surveyed and asked to register their satisfaction levels; 26% of those customers returned completed questionnaires.
- The peer group varies according to product types.
- Measurement is based on the percentage of customers rating their likelihood to recommend CFS as eight, nine or 10 out of 10. Results are then weighted to reflect the number of customers who take up each CFS product featured in the survey, to generate an overall score.
- The corporate banking survey was conducted in September 2010 amongst a random sample of 302 Corporate customers. The business banking survey was conducted in May 2010 amongst a random sample of 201 business banking customers.
- Where 79% of customers were 'likely' or 'very likely' to recommend the CFS life and savings business to others compared to an industry average of 69%.
- The CRI was created by The Co-operative in partnership with Millward Brown.
- Leadership and reliability 60%, caring company 26%, public responsibility 14%.
- The average score across all UK organisations surveyed is zero.
- Scores from 2009 onwards include respondents in the catchments of the former Somerfield estate.
- The CRI results are based on a sample of consumers who live within co-operative society trading areas. Of this sample, 93% of participants were customers of The Co-operative in 2010.
- The survey approach involves consumers being questioned about The Co-operative and one other competitor. The competitors added to the 2010 survey were: John Lewis, Sainsbury's, Lloyds Pharmacy, Thompson and Santander. The rest of the peer group comprises: Asda, Tesco, Boots, Morrisons, Thomas Cook and Nationwide.
- Comprises: charges fair prices for its products/services; promotes itself responsibly; is a business you can trust; and cares about its customers.
- Comprises: supports good causes; supports local communities; treats its employees well; behaves in a socially responsible way; is different from other businesses; and has a useful role in society.
- Historical data for product complaints 2006–2009 has not been included, as this data does not include former Somerfield, and is not therefore comparable with 2010 data.
- Based on complaints received by The Co-operative Travel contact centre, and excluding complaints received directly by its in-house tour operator.
- Based on regulated complaints data as submitted biannually to the Financial Services Authority (FSA); excludes unregulated complaints. 2007–2009 data has been restated to include Britannia. The significant drop in figures between 2007 and 2008 can largely be accounted for by changes in FSA requirements for reporting. 2010 data includes, for the first time, the entirety of regulated complaints, a small number of which had been omitted in previous years.
- Based on data for the first half of 2010. Financial Services Authority (2010) Aggregate complaints data 2010 H1 www.fsa.gov.uk/pages/Library/Other_publications/commentary/aggregate_com/prev_agg_com/index.shtml
- Sustainability-related InSight results are included in the Diet and health section page 39.
- Ethics in Action, Magazine, Corporate and Legal Services websites.
- This features most of W3C's 'AA' guidelines and some 'AAA' guidelines.