

European Consumer Complaint Behaviour In The Financial Sector

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ABSTRACT

This study examines consumer complaint behaviour (CCB) in the context of financial services. The study contributes to the field by widening the concept of CCB, one that was tested using an extensive set of empirical data on consumer experiences of service problems and complaints about them. The data are quantitative in nature and cover approximately 500 randomly selected respondents in each of the 27 European Union member states, plus Norway and Iceland. The consumer experience assessments totalled 82,619. The results show that consumers tend to complain directly to their service providers and to their family, relatives and friends, but few take steps towards legal action. Surprisingly, many disappointed consumers stay inactive. As a part of CCB, many consumers decide to switch either their providers, or financial services offered by the same provider. The results also reveal variations in CCB between people from different European countries, and according to the various types of financial services complained about.

KEYWORDS:

Complaint behaviour, consumer, financial sector, switching

ACKNOWLEDGEMENTS:

We would like to thank Professor Jaana Tähtinen for the useful comments on an earlier version of this paper.

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The purpose of the study is to examine consumer complaint behaviour (CCB) in the context of financial services in European countries. On the basis of the our literature review, a new definition of CCB is suggested: *behavioural and non-behavioural responses, which can be both public and private, demonstrated by a consumer, concerning any part of their service experience, and which are directed at public and/or private actors (see also Istanbuluoglu et al. 2017, p. 1113)*. In the context of financial services, exit is often followed by switching to another provider or another service, because many financial services are necessary in order to cope in modern society. Further, as regards consumer switching behaviour, following Jiang et al. (2014, p. 183), it is acknowledged that it can happen “both across brands and within the same brand”

For the study, four research questions were addressed, namely: 1) to whom do consumers complain; 2) whether consumers demonstrate switching behaviour in connection with CCB; 3) with which financial services do consumers experience the most and least problems; and 4) how does CCB differ across European countries in the case of financial services?

The data are quantitative in nature and cover approximately 500 randomly selected respondents in each of the 27 European Union member states, plus Norway and Iceland. Each respondent assessed from one to six financial services. The consumer experience assessments totalled 82,619. The data were collected by the Directorate-General for Health and Consumers of the European Commission DG SANCO (GfK EU3C 2012). SPSS software was used to analyse the data. The descriptive statistics were subjected to the following tests: Chi-square, likelihood ratio and linear-by-linear tests.

Out of the total of 82,619 consumer assessments, 7,372 (8.9 %) suffered problems with financial services. The results show that 62.8 % of consumers tend to address their complaints to service providers in the first place, and secondly to private actors such as friends, family and relatives (34.7 %), with another 9.9 per cent of them turn to third parties with their complaints. The remaining 21.0 per cent of consumers do not complain, even though they might have reason to do so. It is important to note that each consumer could complain to more than one object, and in fact, some of them utilise this option. The current study finds that few consumers take even the first steps towards legal action in the form of complaining to third parties. It also confirms that those consumers are not the same group who complain directly to their service providers.

As regards switching behaviour, the results show that 30.1 per cents switched their financial services provider and moved to another, and 10.9 per cent switched to another service from among those offered by the same provider. Most switching behaviour towards another provider occurred in relation to investments and pensions services (7.6 %), to bank accounts (6.5 %) and to loan and credit services (4.8 %). Switching vehicle and private life insurance to a different provider occurred slightly less often than switching banking services (4.4 % and 4.0 %). In spite of their disappointment with financial services, the majority of consumers (63.4 %) did not switch at all. This result may be a sign of consumer loyalty to their financial service providers or peer groups, but it may also relate to the structure of the financial markets in some countries, which makes it difficult to leave a service provider or to switch between service providers. In fact, our study indicates that low barriers to switching impels consumers to switch either to another service offered by their existing provider, or to switch to another provider.

Investments and pensions caused more of the problems (12.1 %) to consumers in the financial services arena, bank accounts 11.9 per cent, loan and credit services 10.9 per cent, whereas home insurance bothered only 5.1 per cent of the consumers, vehicle insurance 6.2 per cent and private life insurance 7.4 per cent.

With regard to CCB across European countries, Spain had the highest rates of all complaint types, totalling 10.4 per cent and Luxembourg the lowest, totalling 0.7 per cent. Indeed, Hungarian and Spanish people tend to complain more frequently than others about the financial services reviewed, and consumers in Cyprus, Estonia, Luxembourg, and Malta tend to complain the least. Possible reasons for the disparity include culture, but also the level of service complexity (Vroomen et al. 2005), which can affect the consumers' ability to complain and to abandon a service. The quality of the personal service offered by the financial service providers may have the same effect: insurance companies, for example, offer more personal face-to-face services than banks, which have largely transferred their services to the internet in a majority of European countries. Also, market structure, competition, national policies and legislation affect the differences between countries (see Blodgett et al. 2006).

As regards implications for consumers, consumer empowerment is one tool to encourage consumers to be more active in their complaining. According to Hogarth and English (2002) consumers are empowered when they feel empowered. This includes having an adequate level of financial literacy in order survive and to become more capable in the financial markets. Therefore, consumers should ask for more information from their financial service

providers, and in return, providers could consult consumers if they are facing any problems with their financial services. Service providers could also be more active in educating their customers about the changes, as well as new technology, by way of customer magazines and customer events, for example. It should be suggested to the consumers themselves that they take time to study at least the basics of financial economics and private investments. Many guide books have been published in the area.

Tax et al. (1998) discovered that a majority of consumers were dissatisfied with their recent complaint handling procedures. This result decreases consumers' motivation to complain next time they have reason to do so. However, consumer complaints often include valuable information about how financial services function in practice. Somehow service providers need to understand that complaints handling serves both consumers and service providers and through the agency of complaints it is possible to develop better financial services in the future. By complaining, consumers may also seek redress, and if they do not get it, they will remain unsatisfied. In addition, consumers expect decision of redress without delay, and in order to serve them properly, there should be rules of recovery and redress for all financial officers to follow.

Consumers have right to be heard (Hogarth & English, 2002). If service providers do not offer easy ways to complain, third parties such as consumer organisations or a consumer ombudsman may take this role and be more active in communicating with consumers about their rights and promoting services these organisations provide. Complaining to third parties should always be free of charge. Through consumer organisations it is possible to influence authorities, for example, about barriers to exit, by promoting new legislation, in cases where service providers are not willing to remove barriers.

Even though consumers have been moving to digital services, they still value personal contact when difficult or important issues are at hand. Many consumers use their voice on behalf of personal services and the resources it requires, but many financial institutions are unwilling to listen this voice, and they keep consumers waiting when the call or visit their premises. It is our belief that the majority of consumers would appreciate the improvement of personal services. Even the younger ones seem to prefer face-to-face contacts in connection with their financial affairs.

A new regulation by the European Union (MiFid2) put financial service providers in the position that they are responsible for making sure that their services will match the needs of the consumers. Service providers also have to control the flow of information about their

financial services to consumers and they are obliged to check that consumers really understand the contents of each service they are offered. After that, it is the consumers' turn to make sure that their financial service providers actually follow the new regulation. In this sense, MiFid2 clearly improves the consumers' position in the financial markets, and perhaps it also decreases the reasons for complaint. However, it also responds to the Tax et al. (1998) study stating that consumers appreciate information that helps them to understand service failure.

After recent financial crises, many consumers mistrust financial service providers in Europe, especially in those countries that drifted towards debt crises. However, many banks are struggling with their bad debts. This mistrust is justified, as many consumers have seen their investments melt away during these crises. Only the providers themselves can work to improve their own reputation and if they act fairly and effectively, the consumers' trust will be earned in time.

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