

Key to effective implementation of the Consumer Duty is having the capability to assess, test, understand and evidence the customer outcomes being delivered.

Without this, it will not be possible to confirm that the Consumer Duty requirements for customer outcomes are being met and attest to this.

The FCA has not prescribed the format of the evidence, or the data required. This is because it will vary based on factors including the size of an organisation, its client base and the types of products and services offered.

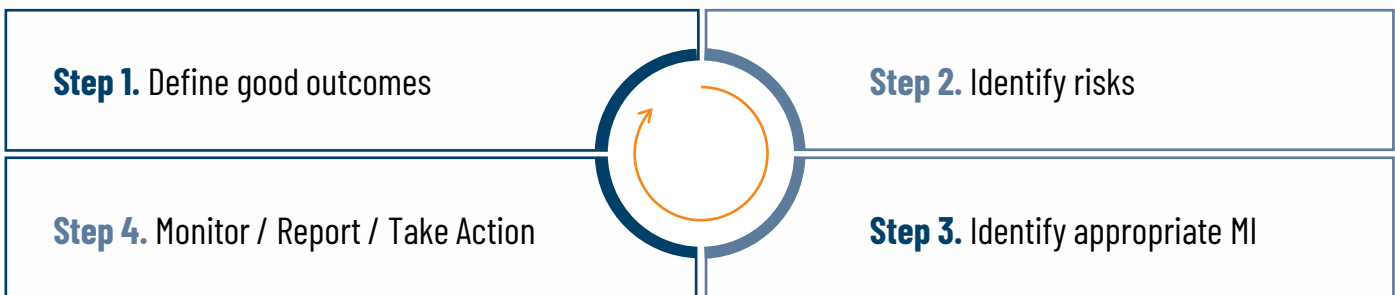
Firms need to use judgement to identify the correct data sources as evidence against the outcomes of the Duty.

To support you, this article explores the issues to consider when developing and implementing your Consumer Duty Data Strategy.

CUSTOMER OUTCOMES – INSIGHT

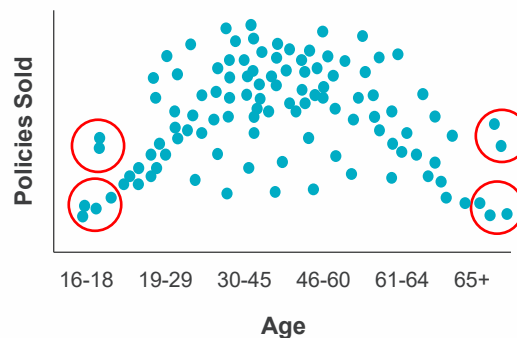
- The Consumer Duty introduces a new Principle which states “a firm must act to deliver good outcomes for retail customers”.
- Firms therefore need to define the customer outcomes they want to deliver and consider how these will be assessed, measured, responded to and evidenced.
- The concept of delivering good outcomes can be difficult to grasp or make real, particularly in a regulatory world where firms are used to ensuring compliance with a set of rules. We have provided an example of how this can be done in the opposite taking a four-step approach.

CUSTOMER OUTCOMES – AN EXAMPLE APPROACH



1. Using the four step approach a firm could define one of its customer outcomes as “Products are sold to the defined target market” (step 1)
2. It can then identify that there is a risk of unsuitable products being sold outside of the defined target market (step 2).
3. In order to monitor this risk, the firm can collect various Data (e.g., Usage, Sales, Complaints, Customer age/geographic/socio-economic data) as potential sources of data that could flag products being sold outside of the target market (step 3).
4. This Data can then be reported and monitored on an ongoing basis to identify any outliers (step 4).

This data can then be investigated to understand which distributors / staff are selling the product outside of the target market with further root cause analysis and remedial activity undertaken if required.



This is an example of sales data being used to identify sales outside the target market. Due to policy eligibility criteria the target market includes anyone between the ages of 18-65.

Consumer Duty – What is an Effective Data Strategy Approach



KEY STEPS FOR DESIGNING AND IMPLEMENTING CONSUMER DUTY DATA STRATEGY

An effective framework for Customer Outcome reporting should be made up of the following factors:



Customer outcome definition

You need to define and measure the customer outcomes your organisation should deliver, and then evidence whether what you deliver is good or poor. Aligning your data strategy to the customer outcomes you want to deliver rather than the four FCA consumer outcomes will make your data strategy relevant to your business. Customer outcomes will typically relate to key touch points across the customer lifecycle and product journey.



Data sources

Once your customer outcomes are defined you should identify the data and sources required to measure against, which may include thinking differently about the data you have. Where gaps exist, you should seek to close these by using existing data or developing new data sources. A common challenge is data is held on disparate systems.



Red Amber Green (RAG) thresholds and tolerances

Management Information is typically gathered around risk ratings or RAG Thresholds and Tolerances. This is useful for measuring risk but may not always be appropriate for outcome reporting. You should reconsider the appropriateness of RAG Thresholds and Tolerances, particularly as good and poor outcomes are required to be measured.



Product lifecycle and customer journey view

Collecting data across key Product Lifecycle and Customer Journey points and events can provide valuable information about the delivery of outcomes. This can allow you to spot trends, sludge practices and areas where lifecycle or journey enhancement would improve the customer experience (see diagram below). Firms will also be able to reevaluate the outcomes delivered for the same customer across the journey.

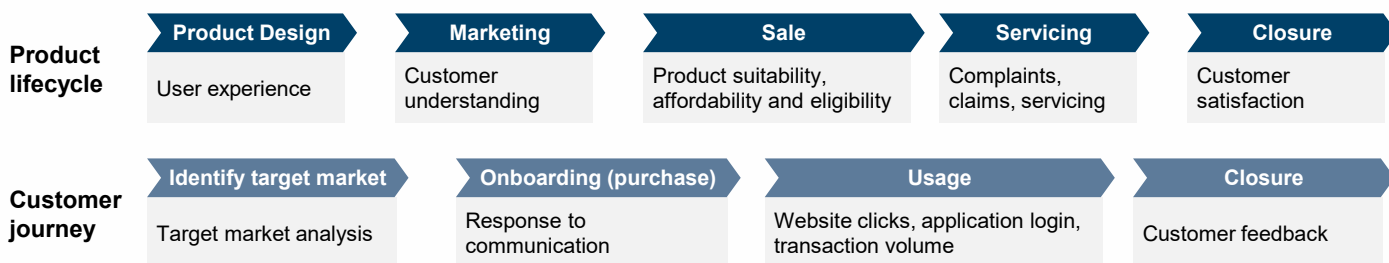


Governance and root cause analysis and rectification

The FCA expects action to be taken where poor outcomes are identified. Outcomes should be monitored on a continuous basis in order to improve them. Key to this is having consistent Governance of Customer Outcomes and robust approaches to root cause identification, analysis and rectification. For example, carrying out investigations where outcome metrics move out of tolerance and taking necessary action.

PRODUCT LIFE CYCLE AND CUSTOMER JOURNEY

One approach to implementing a successful Consumer Duty Data Strategy is to measure customer outcomes across Product Lifecycles and Customer Journeys. Below is a high-level example including example metrics.



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