

# Offshoring

## ...full steam ahead!

Rather than taking seriously concerns over customer service and satisfaction, Lloyds TSB appears to be 'hell bent' on transferring even more work to India... irrespective of the consequences.

Almost 2,500 jobs will have been transferred to India by the end of 2005 – including the loss last November of 960 jobs at the Bank's call centre in Newcastle – and senior management are planning for even more jobs to follow.

In a recent internal briefing to its senior management team, the Group's business units were urged to consider what "higher end processes" could also be carried out more cheaply in India.

Of course, "higher end processes" are those types of jobs involving greater complexity and thus even greater risk to the Bank if things go wrong.

### Data Security 'Time Bomb'?

The Lloyds TSB 'brand' is already being put at risk because of the damage offshoring is inflicting on customer satisfaction. But the Group's reputation could be damaged even further if one of its customers' biggest concerns – that of overseas data security and protection – is proven wholly justified.

India is not recognised by the European Union as being on its 'Approved List' of those countries maintaining the same data protection standards as operate within the UK. But Lloyds TSB has gone ahead with its offshoring, slipping the following new wording into the small print of customer terms and conditions:

*"You may administer my account from centres in countries outside Europe (such as India...) that do not always have the same standard of data protection laws as the UK".*

But what would be the damage to Lloyds TSB's reputation if it was the subject of a fraud concerning customers' accounts? And how would this affect profits?

Recent experience from the offshoring of financial services work to India shows there is a genuine risk. Just last month, it was reported that call centre employees in India, working on behalf of Citibank, allegedly stole customers' personal account information and transferred almost £200,000 from the accounts of four customers.

Commenting on the data theft, leading offshoring analysts Forrester Research said:

*"The incident was an organized and systematic plot to steal customers' money... This breach, coupled with recent onshore disclosures of sensitive customer data, will have far-reaching negative connotations for the offshore BPO space... Call center BPO (offshoring) growth could drop by as much as 30 percent."*

Customers have been given no option. Not unreasonably, one customer has described the Bank's actions as 'high handed'.

It is inevitable that if Lloyds TSB was to suffer a similar experience, the confidence of customers whose accounts are handled abroad would be shaken even more vigorously. This could only have a negative impact on profits and shareholder value.

### Contradictory Strategies Don't Add Up

Lloyds TSB has insisted its strategic focus will be on organic growth; that is increasing its profits through cross-selling from, and growing, its existing customer base rather than through an acquisition.

Yet with so many existing and potential customers opposed to their accounts being handled abroad there can surely be little prospect of this strategy succeeding.

It is more likely that people will look elsewhere for their financial arrangements, turning to those other financial services companies – such as Royal Bank of Scotland, Nat West, Halifax Bank of Scotland and Alliance & Leicester – who have said they remain committed to operating from the United Kingdom.

### Time to Listen to Customers

It is absolutely clear that the majority of Lloyds TSB customers are completely opposed to having their accounts managed abroad.

Not only are branch staff reporting being inundated with complaints about the India operation, but over 400,000 customers have so far signed a petition calling on Lloyds TSB to manage their accounts only from the United Kingdom.

To avoid damaging future profits and shareholder value it is essential that Lloyds TSB needs to start taking seriously the experience and concerns of its customers.

# Lloyds TSB

## Offshoring Strategy

### ... Shareholders' Briefing

### Lloyds TSB 'Jobs to India' strategy leading to overwhelming customer dissatisfaction and putting future profits at risk ...

For the second year running, Lloyds TSB has made little or no mention in its Annual Review of the fact that it is in the process of transferring thousands of jobs to India.

But why? After all, the Bank's own internal research shows that the its overseas operations are easily the biggest source of customer complaints and many branch staff report having to deal with several customer complaints each and every day of the week.

Furthermore, the level of customer dissatisfaction presents perhaps the biggest single risk to future profits and shareholder value.

### Is the Board living up to its promises?

At last year's Annual General Meeting, the Board were asked a number of questions regarding the impact of offshoring work to India on customer service and satisfaction.

But have the answers given by Lloyds TSB's Chairman, Maarten van den Bergh, at the AGM in May 2004 stood up to examination?

The Chairman said that if the offshoring of work to India fails to "satisfy customers then we will have to reconsider. But the moves have been for the benefit of shareholders and customers". But since then a call centre in Newcastle has been closed and replaced with one in Mumbai, and branch staff are reporting that as a result they each receive several complaints from customers on a daily basis.

The Chairman said that "20,000 customers are surveyed each month and customers say they place a high priority on customer service". But it is this very survey that has identified the Group's India operations as being the single source of customer complaints.

The Chairman also said that "When we move work overseas it will be at the satisfaction of customers". But it is quite clear that if this is the measure of success, then Lloyds TSB's offshoring strategy is already quite obviously an abject failure.

Is it not time the Board reconsiders its offshoring strategy before it is too late? Otherwise there is a real danger that its policy will seriously erode profits and shareholder value.

### The 'Emperors New Clothes'?

Any organisation – however big or small – that fails to listen to its customers is in serious danger of doing itself damage.

Whilst Lloyds TSB's Board might claim it is committed to delivering customer satisfaction, the fact is that it is either ignoring – or is unaware – of just how badly customers view the transfer of their banking arrangements abroad.

The latter is possible. A survey of Lloyds TSB's branch staff has indicated that the overwhelming majority do not record or report customer complaints to a higher level.

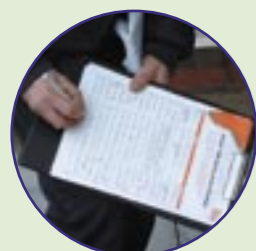
And why not? Most staff say they do not do so either because of work pressures and lack of time, because they think it would be pointless as to do so would make no difference, or because they are discouraged from doing so by their managers.

Inside are the views of Lloyds TSB's branch staff who themselves have to experience the service provided by the India operation, and have to deal with customer complaints, day in and day out.

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# “ Actual Quotes from Lloyds TSB Branch Staff Surveyed in April 2005... “



“I found it very difficult to understand the majority of time. It took me four attempts to get my own account number understood on the phone. I was very frustrated”  
(Front line staff)

“There appears to be nowhere to complain to - nobody in India or UK seems to be willing to handle a complaint. Calls are being put through to business centres ‘unannounced’ because the Indian operators don’t know what to do with them”  
(Service staff)

“The Bank says they do not receive many complaints. They should be in a branch for a day and take phone calls and frontline complaints”  
(Front line staff)

“I feel that the time wasted by branch staff to sort out problems created by Indian colleagues means the savings from offshoring is not as cost effective as the Bank thinks!”  
(Manager)

“I have purchased a mobile phone purely for clients to be able to contact me without major problems, delays and hassle ... I am not prepared to lose clients because of the Bank’s short-sighted and arrogant approach to saving money”  
(Sales staff)

“Often put through calls they could have dealt with because they misunderstand what the customer wants. Customers get frustrated, we spend more time in branches having to deal with this and customers become irate!”  
(Front line staff)

“Larger (more profitable) banks have not jumped on the ‘offshoring bandwagon’ and are delivering better shareholder value than LTSB. Why can’t LTSB senior

management see the long-term damage to all aspects of the business by this short-term strategy?”  
(Manager)

“Most customers are not happy with India call centres and feel the Bank doesn’t care what they think”  
(Front line staff)

“I feel that we will lose the ‘respect’ of many customers, especially the older ones that trust the Bank at present. Remember that these customers have been loyal for a long time and often are the ones that have money”  
(Sales staff)

“Calls are often transferred to the branch because the queries can’t be dealt with. This causes even more pressure on an already understaffed branch”  
(Front line staff)

“When calls come through the customer’s name is always given incorrectly and the nature of the call is more often than not wrongly advised”  
(Front line staff)

“We get approx. 5-10 complaints per day re India but basically senior management told us “tough - you’ve got to accept it”  
(Front line staff)

“Customers are now starting to complain re credit cards and General Insurance as well”  
(Manager)

“I have been a Lloyds TSB customer for 36 years. If I didn’t work for LTSB I would have moved accounts. I have had personal contact with India with very poor results”  
(Front line staff)

“As always the Bank wants to cut costs and only pays lip service to customer service”  
(Front line staff)

“By the time we hear of a complaint, the damage has been done”  
(Front line staff)

“With Open Call Transfer we can hear what’s said. The service is appalling as customers can’t understand and branches have to deal with complaints about information”  
(Manager)

“I am reluctant to disclose I work for Lloyds TSB”  
(Back office staff)

“From customer comments so far, I think we will lose a lot of accounts. I can check mine whilst at work but if I couldn’t I would transfer to a ‘non-India’ bank”  
(Front line staff)

“I have had dealings with Indian staff and am unable to understand them and I know what they are meant to be telling me! The customers don’t!!”  
(Front line staff)

“The customers have trouble understanding the accent of Indian people and ... they get more frustrated because they are not understood and therefore end up coming into the branch to sort the problem out”  
(Front line staff)

“More and more calls are being transferred to us, with less and less information or the wrong information from the call centre staff. Most should have been dealt with at the call centre if only the

staff took time to listen to what the customer wants instead of fobbing it off to the branch. Trying to stay loyal to the bank, when you agree with the customers that the telephone handling is appalling is becoming more difficult”  
(Front line staff)

“We don’t note customer complaints - what’s the point. I have not spoken to one customer who has been happy with the service received from India!”  
(Front line staff)

“Lloyds TSB staff have difficulty understanding what India staff are saying. What chance have the customers got. Lloyds TSB will lose lots of customers”  
(Manager)

“Although the staff in India are very friendly and helpful, they do not have enough knowledge of our banking system and the main concern is the difficulty in understanding the different accent and speech”  
(Service staff)

“It takes twice the telephone time to explain about a problem”  
(Front line staff)

“The service provided by our Indian colleagues is very poor compared to our UK call centres”  
(Manager)

“Many customers pass comment but don’t have time to make a formal complaint. Many customers threaten to close their accounts. New To Bank customers sometimes are not happy and refuse to open accounts”  
(Front line staff)

“Negative comment is frequent from customers concerning the India Call Centres. We are putting quality customer relationships at risk”  
(Manager)

“Customers don’t like it. Staff don’t like it. More customers go into branch because they don’t want to talk to India”  
(Front line staff)

“Customers have threatened to close their accounts and we receive sarcastic comments about going halfway around the world ... The Bank who claims to put “You First” has ignored its own motto by disregarding the views of many customers and staff. We have to ask, what does the future hold!?”  
(Back office staff)

“I currently work for Business Banking and numerous customers have advised if Business Banking goes down this route they would close accounts straight away”  
(Manager)

“India is a disaster for sales staff!! When they can’t get staff requests right what hope do customers have?”  
(Sales staff)

Most customers are very unhappy. Especially the time it takes to come through to branch. They are usually very irate by this time”  
(Front line staff)

“If I had a penny for every customer complaint I have had to deal with in respect of this call centre I would be a very rich person. I do not have the time to record all the customer complaints. If I did, I would have no time for anything else.”  
(Service staff)