Effectively leveraging consumer complaints for competitive advantage

An informal poll of bank executives' perceptions of customer complaint management

Ernst & Young
Quality In Everything We Do

It's time to stop drinking from the fire hydrant

During recent Ernst & Young LLP-sponsored events, *Effectively leveraging complaints for competitive advantage*, we spoke with executives from some of the most prominent US financial institutions. They shared their perspectives on how well their complaint management processes are working, how they are responding to the evolving regulatory environment and how well they are delivering a consistent customer experience. In addition, participants shared insights concerning the importance of improving Voice of Customer data management and operational processes to reduce costs and increase customer satisfaction and loyalty.

To better understand organizations' complaint management "readiness" and to identify areas of immediate focus for enhancement, we conducted an informal survey of 34 executives covering four key complaint management topics: problem resolution, customer-centric compliance, Voice of Customer (VoC) and process improvement.

We have compiled the results to assist compliance and customer experience executives as they work to improve existing processes or establish new ones.

Contents

1 | **Approach**

2 | **Executive summary**

3 | **Key findings**

11 | **Survey demographics**

11 | **Key contacts**

Approach

Purpose

Our survey questions were designed to explore two main concerns related to customer complaint management:

1. **Complaint readiness:** addresses how prepared financial services organizations are to handle customer complaints in a way that meets or exceeds customer expectations.
2. **Intent to take action:** addresses the interest financial services companies have in developing or strengthening customer-centric complaint management processes to better meet customer expectations and improve core processes.

To understand the unique factors that drive readiness and intent to take action, we asked 16 questions related to four main complaint management topics:

1. **Problem resolution:** effective and consistent end-to-end complaint management and escalation
2. **Customer-centric compliance:** customer-centric model that drives the complaint management approach, meeting both customer and regulatory requirements
3. **Voice of Customer:** embracing VoC data analytics to drive organizational alignment, prioritization and process improvement
4. **Process improvement:** creating a competitive advantage through an effective process improvement methodology that reduces risk and improves customer satisfaction and loyalty

High-level evaluation

The evaluation is based on an analysis of polling data and anecdotal feedback gathered at the events. While we believe results may suggest differences in organizations' approaches, the implications of the data are not provided at this time, because of testing of a smaller sample size and the informal design of the research. However, high-level observations are provided to facilitate dialogue within organizations as they work to strengthen and/or transform their processes.

To set a standard of basic measurement, we determined where executives' perceptions were generally positive or indicative of opportunities for enhancement.

Participants responded by selecting from a scaled set of answers for each question. We then grouped responses into five tiers, as follows:

- Evaluations were considered positive if an individual responded more favorably (i.e., tier 1 or tier 2).
  - Tier 1 – "Extremely," "Almost always" or "Very important"
  - Tier 2 – "Very," "Often" or "Quite important"
- Evaluations were considered opportunities for enhancement if an individual responded less favorably (i.e., tiers 3, 4 or 5)
  - Tier 3 – "Moderately," "Sometimes" or "Fairly important"
  - Tier 4 – "Slightly," "Rarely" or "Slightly important"
  - Tier 5 – "Not at all," "Never" or "Not at all important"

Respondents were also allowed to choose "Don't know."

Response rates varied per question, with an average response rate of 85% across all questions.

Executive summary

Are financial services organizations ready and able to improve complaint management processes in a way that meets customer expectations, ensures regulatory compliance and improves operational effectiveness?

When we assessed polling data on each of our complaint management topics, there appeared to be similarities and dissimilarities across organizations.

It is clear that most financial services executives acknowledge both the need for and interest in better development and/or management of their companies' customer complaint processes and capabilities. When asked, "How important is it to be perceived as 'best in class' in delivering a great customer experience?" the overwhelming majority (75%) responded it was "Very important," and a significant number rated it "Quite important." To further highlight this perception, one executive pointed out, "The recent rise of 'Customer Experience VPs and Director' roles within financial organizations seems to be indicative of the growing level of importance attributed to (instilling) customer-centricity within financial organizations, in conjunction with meeting regulatory obligations."

However, when it comes to enabling a set of customer-centric initiatives, a substantial number of financial organizations show moderate abilities, or less than moderate abilities, creating the opportunity for enhancement. At the same time, some executives report that their companies are "high customer-experience" and/or "compliance-ready" performers. From what we have seen in our preliminary findings, financial organizations appear to be showing wide dissimilarities in maturity level of customer experience and/or compliance "readiness," depending on the type of capability (each of our four topic areas). Following is a high-level overview of significant findings.

Problem resolution

- **Most companies' complaint handling processes can be improved.** Approximately 50%–60% of respondents agree that there is room for problem resolution enhancement with regard to frontline employee preparation and know-how, the escalation process and follow-up with customers.
- **Many companies consider themselves able to fully resolve complaints in a time frame acceptable to customers, but a fair number also report challenges.** While 67% report that their companies "Often" or "Almost always" fully resolve complaints to their customers' liking (37% and 30%, respectively), a significant number of respondents (27%) rate their companies' ability as "Sometimes" or "Rarely" (20% and 7%, respectively).

Voice of Customer

- **Many companies may not fully understand the cost of ineffective complaint management, and the positive impact of successful problem resolution on customer retention.** Sixty percent of executives say that recognizing these costs or benefits are only "Moderately," "Slightly" or "Not at all" understood, with a significant portion (21%) responding that the costs are not at all understood.
- **Some companies' use of VoC data is strong while others have room for improvement.** Forty-eight percent of respondents report "Very" or "Extremely" high usage of VoC data to identify compliance and customer attrition risks. Thirty-nine percent report "Slight" or "Moderate" usage.

Customer-centric compliance

- **A significant number of companies are not prepared for a Consumer Financial Protection Bureau (CFPB) visit.** Approximately 50% of respondents report that their companies would either be "Very" prepared (31%) or "Extremely" prepared (24%) for a visit from the CFPB tomorrow.

  But more importantly, 17% rate themselves as "Moderately" prepared; 7% "Slightly" prepared and 3% are "Not at all" prepared; another 17% "Don't know" their current level of preparedness.
- **Effective and efficient dashboard reporting is a key challenge for most companies.** A majority of companies (70%) report that their dashboards are either "Moderately," "Slightly" or "Not at all" capturing all of their customer issues across all business units and channels in an integrated manner.

Process improvement

- **Many companies report an overall lack of proactive approaches to seeking customer feedback on service delivery changes before implementation.** A significant majority of participants (62%) report less favorably on proactively seeking customer feedback before introducing service-delivery changes into production. Also, 29% responded "Don't know."

Key findings

Problem resolution

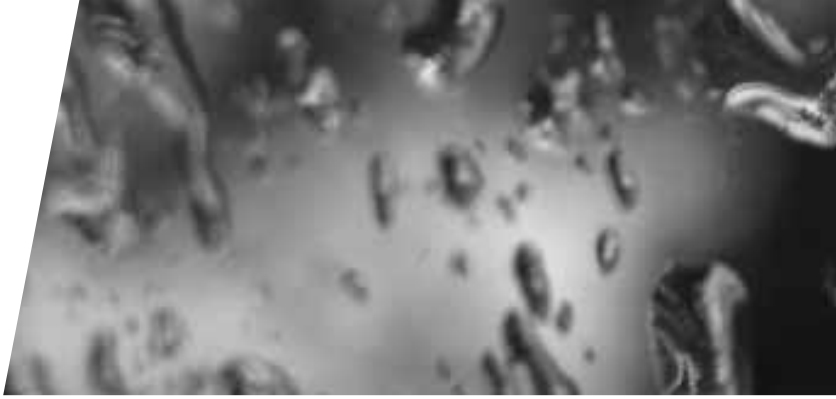


Figure 1*

Sixty-seven percent of companies are responding positively to complaints resolution, but approximately 27% report "Sometimes" or "Rarely."

How often do you fully resolve complaints in a timeframe that is acceptable to your customers?

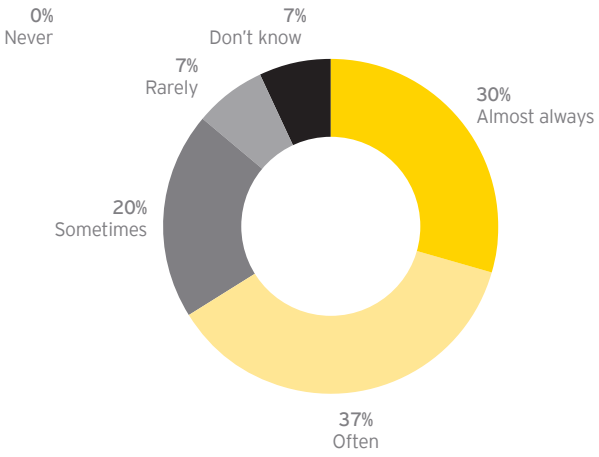
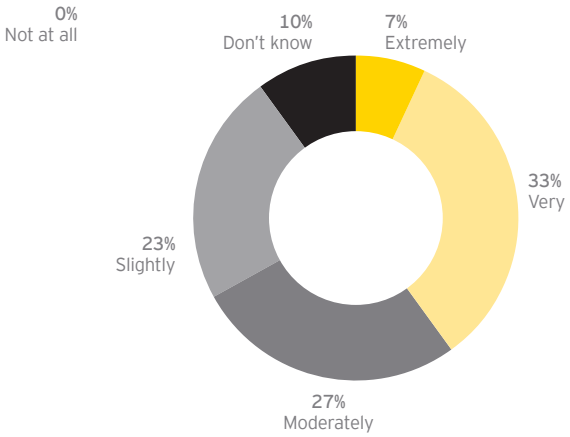


Figure 2*

Frontline resolution competency across companies varies; 50% are not confident that their frontline employees understand problem resolution or their escalation process.

How well do your frontline employees understand the steps to successfully resolve problems themselves and when to escalate?



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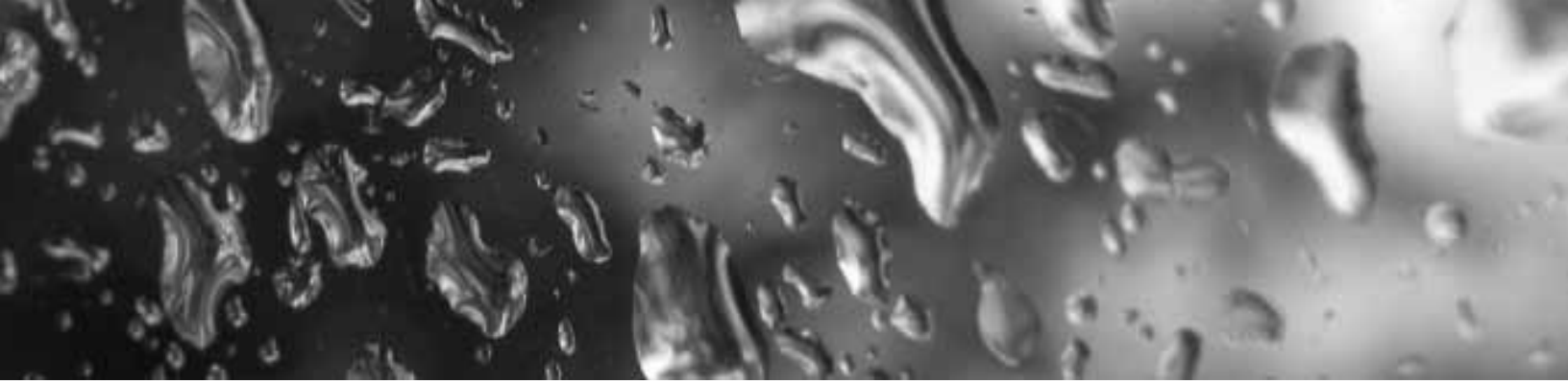


Figure 3*

Escalation may be a source of some frustration; 55% report "Moderate" functionality/effectiveness.

How well does your escalation process work?

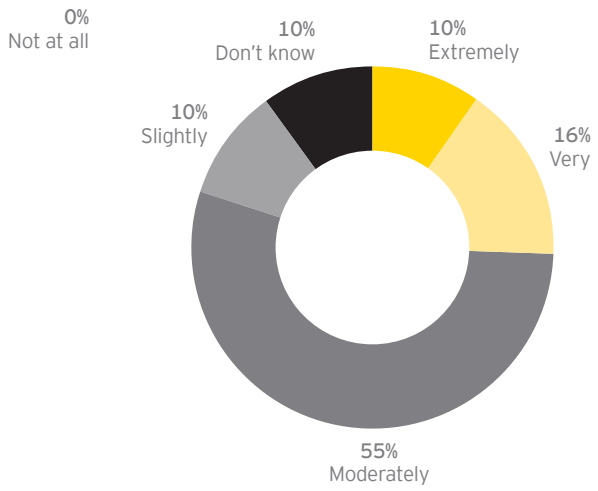
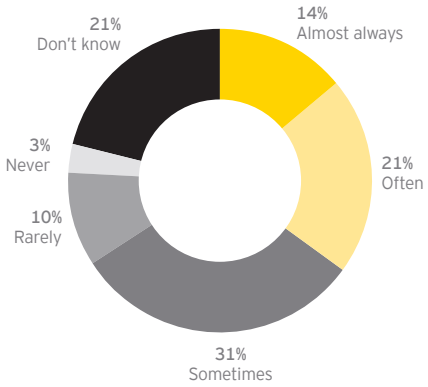


Figure 4*

Forty-four percent of companies say "closing the loop" "Sometimes," "Rarely" or "Never" happens. Twenty-one percent of respondents "Don't know" how often this occurs.

How often do you "close the loop" with customers to ensure that the solution met their needs?



Positive: evaluations were considered positive if an individual responded more favorably (i.e., tier 1 or tier 2) and are shown as yellow in the graphic representations of results

- Tier 1 – "Extremely," "Almost always" or "Very important"
- Tier 2 – "Very," "Often" or "Quite important"

Opportunities for enhancement: evaluations were considered opportunities for enhancement if an individual responded less favorably (i.e., tiers 3, 4 or 5) and are shown in gray in graphic representations of results.

- Tier 3 – "Moderately," "Sometimes" or "Fairly important"
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Key findings

Voice of Customer

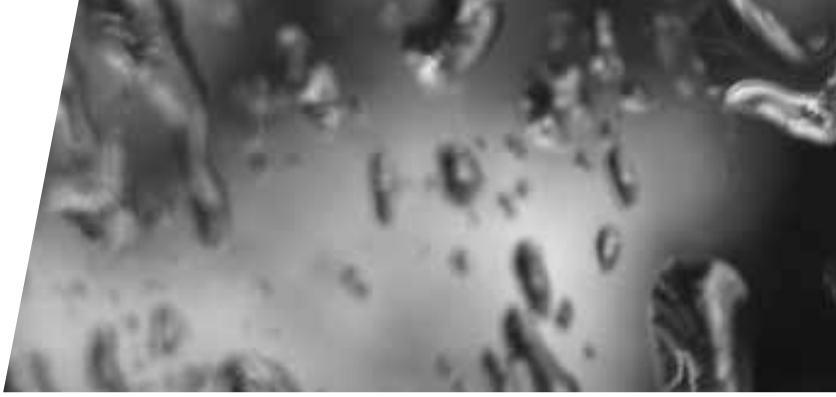


Figure 5*

A majority of companies may not have a full understanding of the costs of ineffective complaint management. Interestingly, 39% of companies had a "Moderate" or "Slight" understanding of these costs, while 21% have no understanding. Nine percent of respondents "Don't know."

How well does your organization understand the cost of ineffective complaint management?

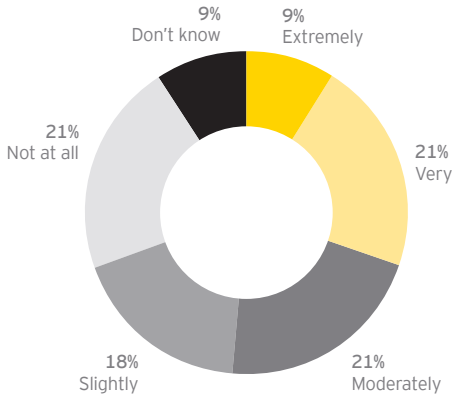
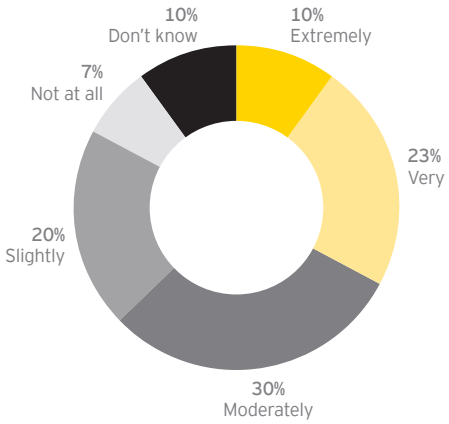


Figure 6*

It appears that many companies do not have a complete understanding of the impact of successful problem resolution on customer retention. Fifty-seven percent of respondents "Moderately," "Slightly" or "Not at all" understand these ramifications, while 10% "Don't know."

How well does your organization understand the impact of successful problem resolution on customer retention?



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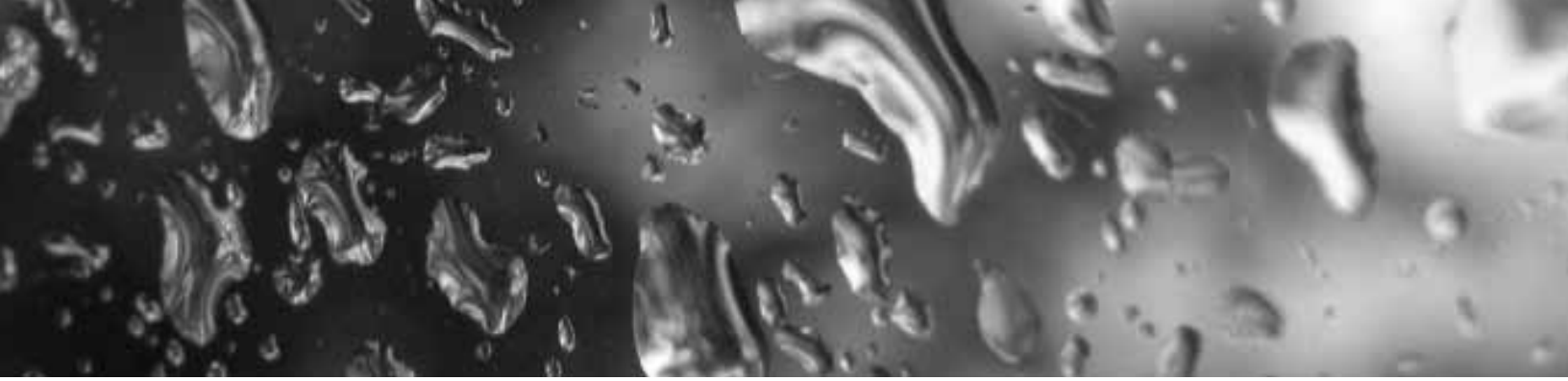
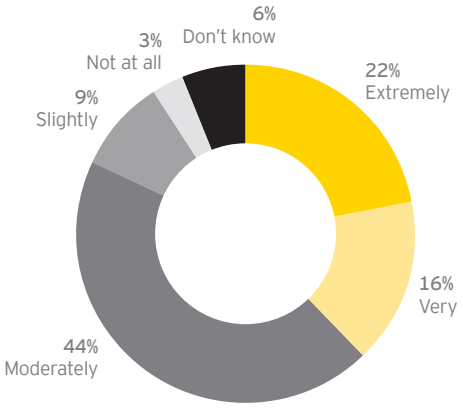


Figure 7*

Many companies only moderately address customer and compliance needs facing potential product/service changes; 56% report room for improvement while 6% "Don't know."

How well are both customers' and compliance needs addressed when product and service changes are being considered?



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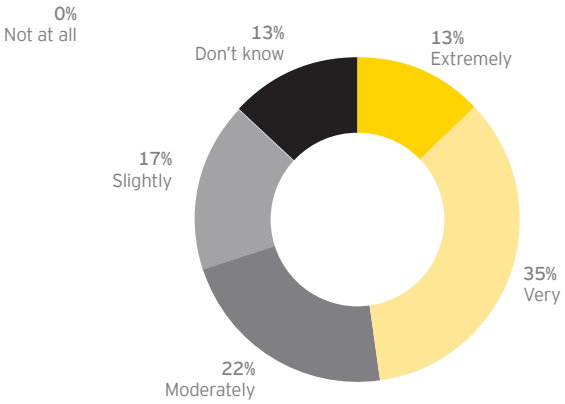
- Respondents were also allowed to choose "Don't know."

Figure 8*

Nearly 50% of companies report high usage of VoC data to inform "risk potential," while many others report less reliance. However, nearly 39% do not have a holistic picture of their VoC data.

How much does the business depend on VoC information to identify compliance and customer attrition risks?



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Key findings

Customer-centric compliance

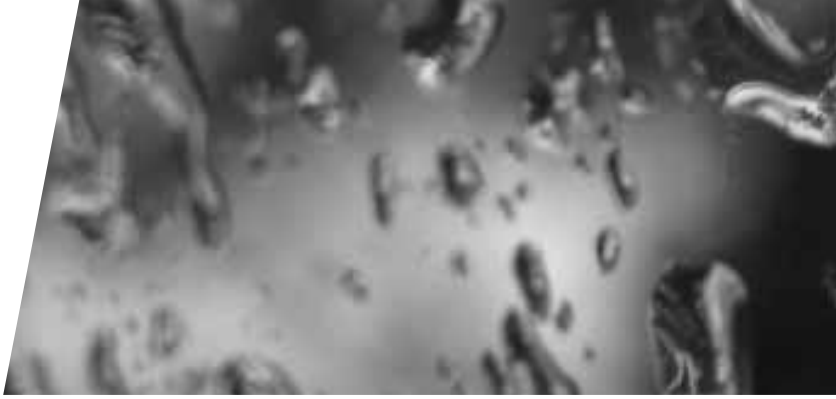

Figure 9*

The ability to effectively and consistently track complaints varies significantly across companies. Nearly 50% said that they track effectively, while the remaining 50% continue to struggle.

How well does your frontline consistently capture customer complaints for reporting and tracking purposes?

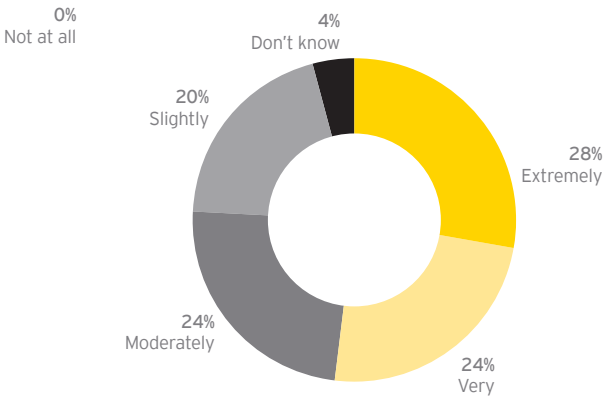

Figure 10*

Effective and efficient dashboard reporting appears to be a challenge for most companies. Sixty-nine percent are experiencing challenges around reporting, particularly when presenting an integrated view of customer feedback.

How well does your current dashboard capture all of the issues being voiced by your customers in an integrated manner across lines of businesses and channels?

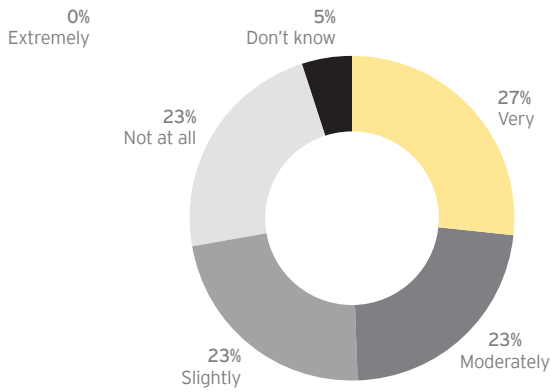

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Figure 11*

Fifty-five percent of companies feel they are generally prepared for a CFPB visit, while 27% report that they would not be prepared. Seventeen percent indicated that they "Don't know."

How prepared would you be for a visit from the CFPB tomorrow to inspect your consumer complaint resolution and reporting process?

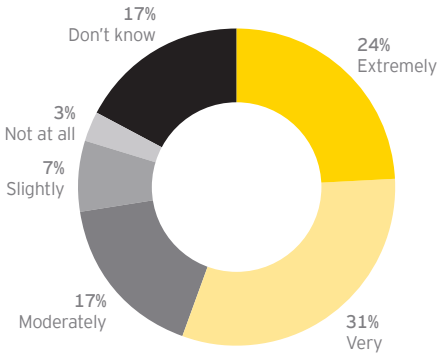
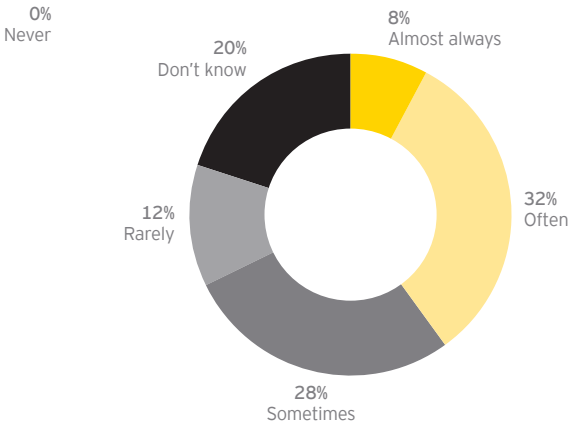


Figure 12*

Companies vary widely in how often they share "customer wins" with employees or customers. Sixty percent fell into the "Sometimes," "Rarely" and "Don't know" categories.

How often do you share customer driven "wins," the positive Voice of Customer, with employees and/or customers?



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- Tier 5 – "Not at all," "Never" or "Not at all important"
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Key findings

Process improvement

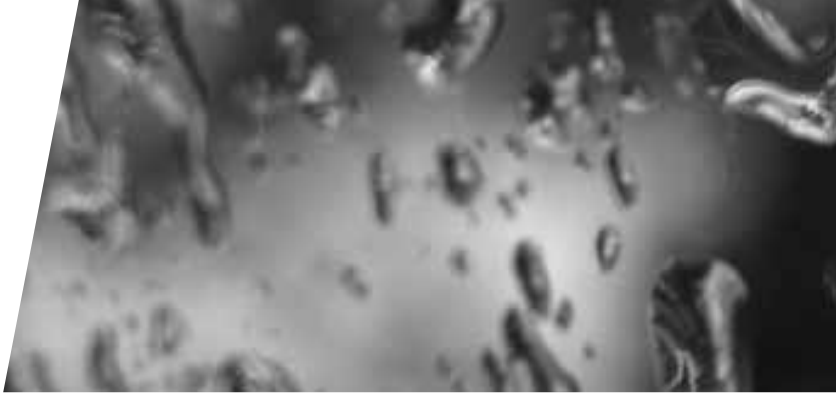


Figure 13*

Companies are generally equally divided when expressing how well they use complaint information to drive process improvement.

How well do you use complaint information to drive process improvement in your organization?

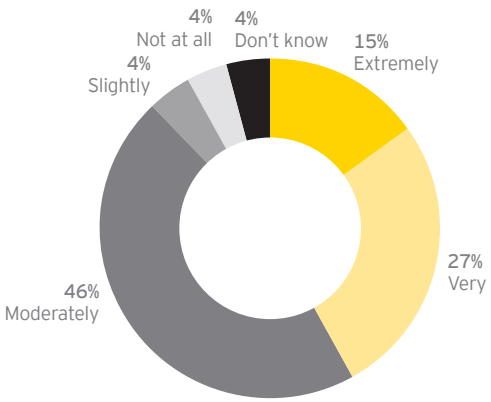
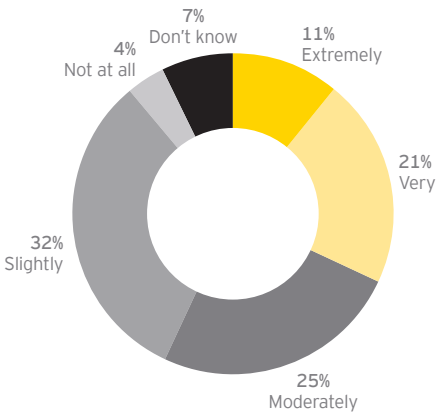


Figure 14*

There are differences in how well complaint analytics are used to identify risks and opportunities. Over 50% of respondents rate this as an area requiring improvement.

How well do you use customer complaint analytics to understand where the biggest risks and opportunities really are?



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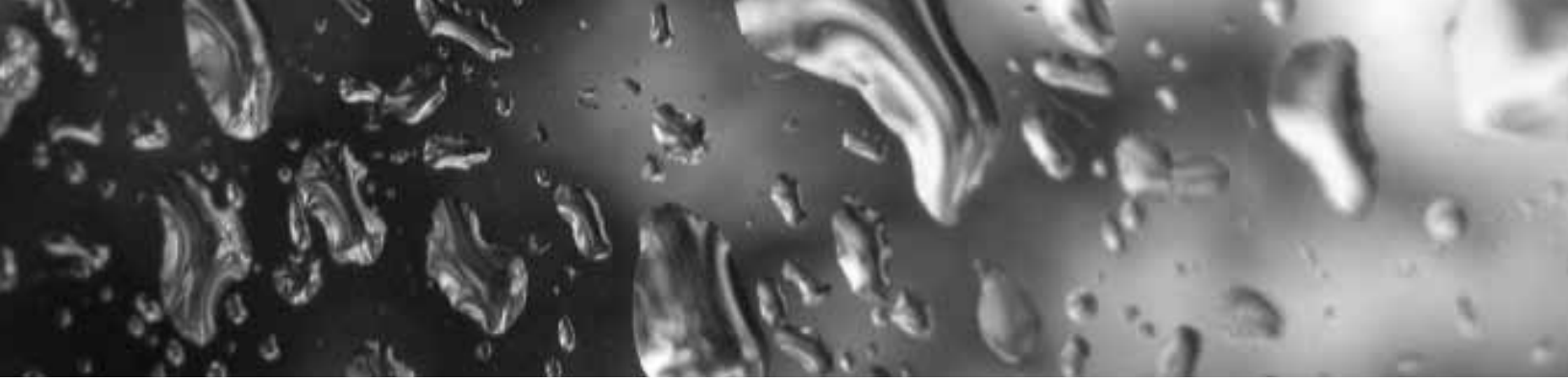


Figure 15*

The data suggests that companies have an opportunity to proactively seek customer feedback on service delivery changes before implementation. Only 10% of respondents reported that they were performing this function well.

How well do you proactively seek customer feedback on service delivery changes before introducing them into production?

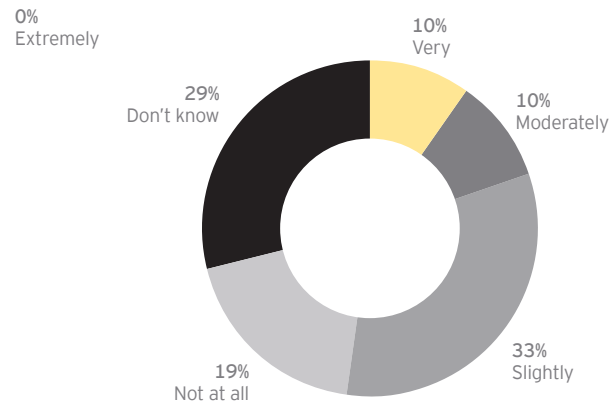
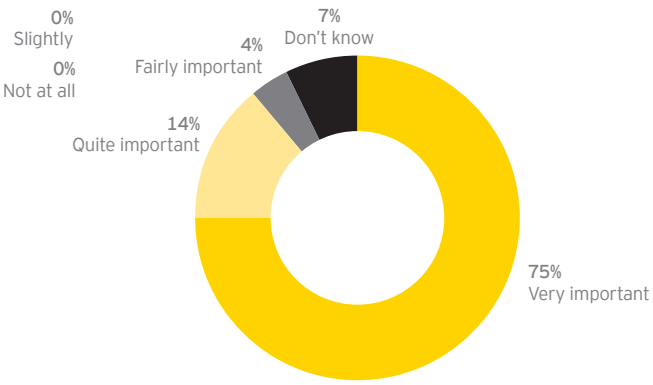


Figure 16*

An overwhelming majority of respondents recognize the importance of being perceived as "best in class" in delivering a great customer experience.

How important is it to be perceived as "best in class" in delivering a great customer experience?



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Survey demographics

Survey population

Ernst & Young LLP conducted its informal polling research during two sponsored events with executives representing various US financial services organizations.

Our population sample is representative of the following:

- Thirty-four survey participants, many holding management positions within their US financial organization
- Events held in two locations — New York, New York, and Charlotte, North Carolina — with participants from across the US

Key contacts

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