

USE CFPB'S COMPLAINT DATABASE TO RETAIN CUSTOMERS

"Voice of the Customer" can draw on unconventional resource

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UNconventional Wisdom is a periodic guest blog, where authors hold up the so-called conventional wisdom to a fresh perspective, or apply common principles in new ways. To propose a guest blog, email Steve Cocheo, executive editor & digital content manager.

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By Steven J. Ramirez, Beyond the Arc, Inc. Ramirez writes frequently in various sections of ABABJ.com on "voice of the customer" strategies.

These days, you have to take handy Voice of the Customer tools where you find them.

The Consumer Financial Protection Bureau (CFPB) maintains a database of consumer complaints and the responses, which was made available to the public in July 2012. In the past year, CFPB's consumer response group has received more than 15,000 complaints about credit cards alone. While these complaints may spell disaster if left unanswered, banks can benefit by analyzing the source of negative customer feedback and addressing the necessary changes.

CFPB's website includes an online complaint portal, which makes it easy for consumers to voice their displeasure. Once a complaint is submitted, it is thoroughly reviewed and routed before CFPB notifies the financial institution named in the complaint, and requires a timely response to the consumer.

What customers are complaining about

CFPB indicates that customers of major credit card issuers, including Capital One, Discover, and American Express, have complained for a variety of reasons, including:

- • Disputes about items appearing on their billing statements
- • Interest rate or annual percentage rate (APR) concerns
- • Identity theft and fraud claims
- • Credit bureau reporting
- • Situations where they claim they unaware they would be charged for an add-on product.

CFPB enforcement actions in 2012 reflect some of the key trends in the consumer complaint database:

1. Capital One Credit Card Marketing Results in \$140 Million Consumer Refund

CFPB's first public enforcement action occurred in July 2012 when Capital One was ordered to refund nearly \$140 to two million customers and pay an additional \$25 million penalty. CFPB investigated alleged deceptive marketing tactics used by Capital One vendors that were claimed to have misled consumers into paying for add-on products.

2. Discover Paid \$200 Million Consumer Refund for Deceptive Marketing

According to CFPB, more than 3.5 million credit card holders were misled into paying for credit card add-on products. The company agreed to pay a \$14 million penalty on top of the \$200 million consumer refund.

3. American Express Consumers Allegedly Harmed by Illegal Credit Card Practices

This enforcement action is the result of a complex federal investigation involving multiple agencies. The action claimed that from marketing to enrollment to payment to debt collection, American Express failed to adhere to consumer protection laws. The company paid \$112.5 million in penalties and refunds.

(For an analysis of the UDAAP--Unfair, Deceptive or Abusive Acts or Practices-implications of these actions, see the earlier analysis by Lyn Farrell of Trelia Risk Advisors on www.ababj.com. The report includes links to CFPB documents.)

Solving the problem

So how can banks protect themselves from a similar fate?

Credit card issuers can use the complaint database as an early warning system to assess their own operations. Based on the complaints they receive, issuers can analyze how they compare to their competitors in terms of customer experience. In the past, card issuers only had access to their own complaint data.

Financial institutions can use the CFPB data to see where their customer experience efforts are missing the mark, and then target these areas for process improvements.

Protecting a company's most valuable asset: customers

The risks and financial threats of ignoring customer complaints, especially about fee-based services, can result in negative media coverage and the loss of current and potential consumers. CFPB complaint data is a valuable source of information that, if used correctly, can help companies improve their products and services.

To avoid CFPB regulatory actions, companies should respond promptly to negative customer feedback by identifying issues and correcting them directly. This highlights the need to build a comprehensive Voice of the Customer program that analyzes data from several sources, including regulatory complaints.

A Voice of the Customer (VOC) program enables your company to understand your customers' experience in order to retain customers.

Analyzing complaints can help financial institutions identify potential issues before the CFPB intervenes, but those issues may have already eroded customer satisfaction and loyalty. Complaints occur after people are dissatisfied and upset.

What if you could take action to prevent the minor irritations that gnaw away at loyalty, and resolve customer problems before they snowball? For many institutions, the organization is eager to please, they just don't know how to identify and prioritize customer pain points.

An effective Voice of the Customer program uses customer satisfaction surveys; text analytics of customer email and call center notes; social media mentions; and bank customer relationship management data. With a customer feedback program in place, institutions can pinpoint-- and address--customer experience issues before they are made public by regulatory agencies.

Addressing customer complaints isn't optional; it is a compliance requirement to mitigate risk. However, banks should do more than just track and respond to complaints. Leverage the available tools and data now and avoid scrambling to make corrections once it's too late.

For the first time, companies can proactively benchmark the complaints they receive against the performance of their closest competitors. These insights can help financial institutions to make business improvements, deliver positive customer experiences, and retain customers.

About Steve Ramirez

Steven J. Ramirez is CEO of Beyond the Arc, Inc., a management consulting firm that combines strategy consulting with advanced analytics to help financial services clients identify opportunities to differentiate themselves in the marketplace. The company's social media data mining helps clients improve their customer experience across products, channels, and touch points. He writes frequently for ABABJ.com on "voice of the customer" strategies.