# Mining the CFPB database to improve customer experience

Of all the lessons learned from the Consumer Financial Protection Bureau's (CFPB) enforcement actions in 2012, one is key: effective complaint management is vital to a company's regulatory health. However, companies don't need to wait for negative experiences to escalate into complaints customers file with regulators. In fact, there is a silver lining that comes from closely analyzing and tracking complaint data. Banks and credit unions can identify customer issues early on, and take action to improve customer experience.

As you'll see in the graph below, the penalties imposed on American Express, Capital One, and Discover last year coincided with spikes in complaints to the CFPB:
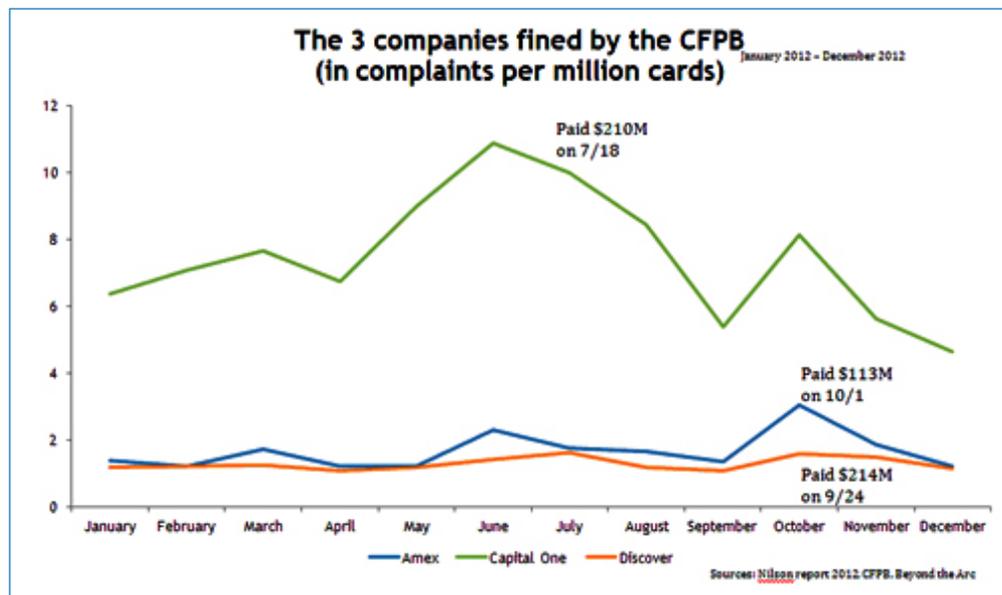
The real threat of increased regulation and enforcement from the CFPB and other agencies has financial institutions asking:

How can we identify and address customer issues before they become complaints, or worse, regulatory risks?

The key lies in understanding how a customer problem becomes a complaint, and stopping it from growing further. In the chart below, we illustrate the lifecycle: first the customer experiences a problem with their bank and provides feedback. One possible outcome is that the bank addresses the problem and resolves it. However, often the bank does not address the issue, and the customer tries multiple times to get it resolved. As they grow more frustrated, the customer may file a complaint with the CFPB or even close their account.
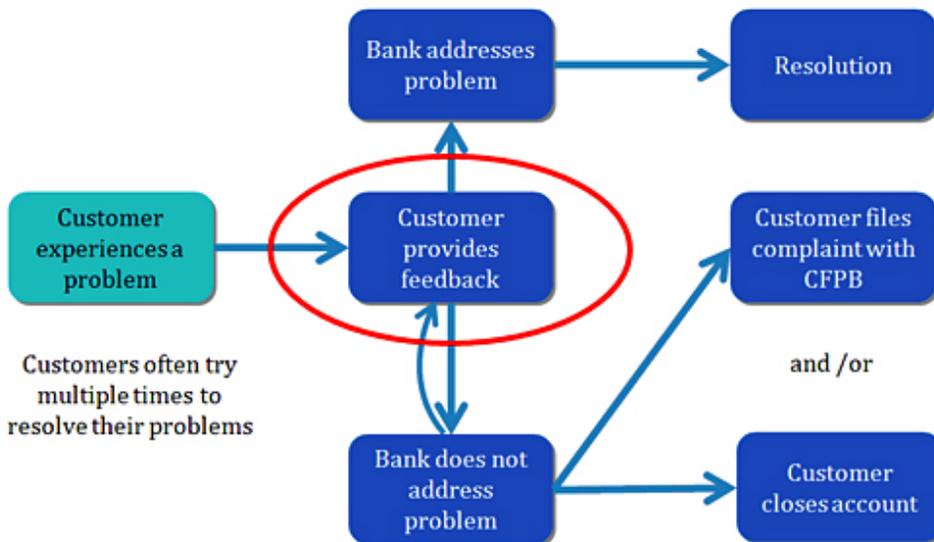
*How can we resolve issues before they escalate to complaints or attrition?*

Increasing retention with your Voice of the Customer program

To prevent customer concerns from escalating into costly problems, Voice of the Customer (VOC) analytics can be a powerful resource.

An effective Voice of the Customer program gathers feedback from a variety of sources, and uses text analytics to turn unstructured text into structured data. This enables you to identify and quantify the issues your customers are talking about.

It's important to focus on sources that can provide actionable insights to help you improve the customer experience, for example:

- **Internal data** – customer feedback, call transcripts, in-store customer service notes, and even open-ended survey questions (which are often overlooked and can be quite valuable).

- **Social media data** – provides a view of what your customers are saying on public forums.

- **Regulatory data** – the CFPB consumer complaint database shows you the issues your customers felt they needed to escalate, and may signal regulatory risk.
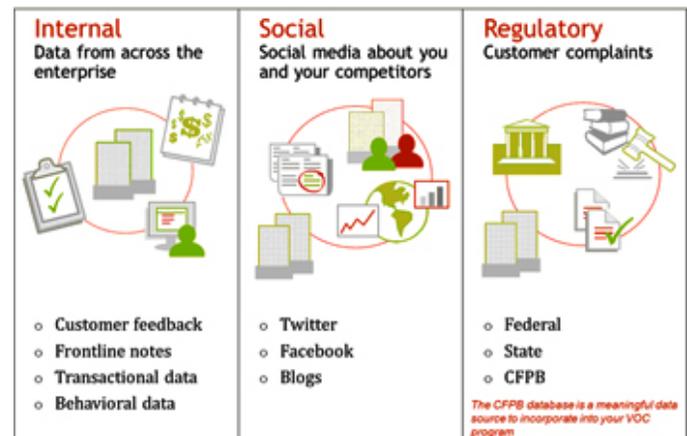

By using all of these different types of data for analysis, you can determine the top issues and emerging trends that are fueling complaints. This is a first step in investigating root causes and drivers of attrition.

A brief case study

Using the CFPB's consumer complaint database, Beyond the Arc tracked the issues logged for multiple financial institutions throughout 2012. For instance, the graph below shows the number of interest rate complaints about Citibank submitted to the CFPB. Notice how the volume of complaints increased from March 2012 until it peaked in June 2012.
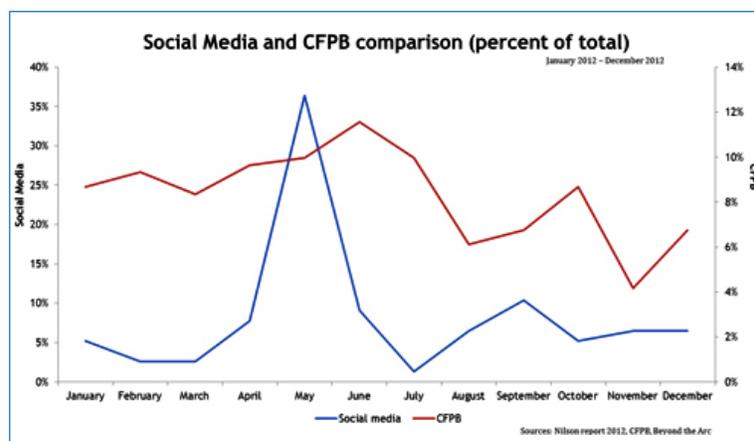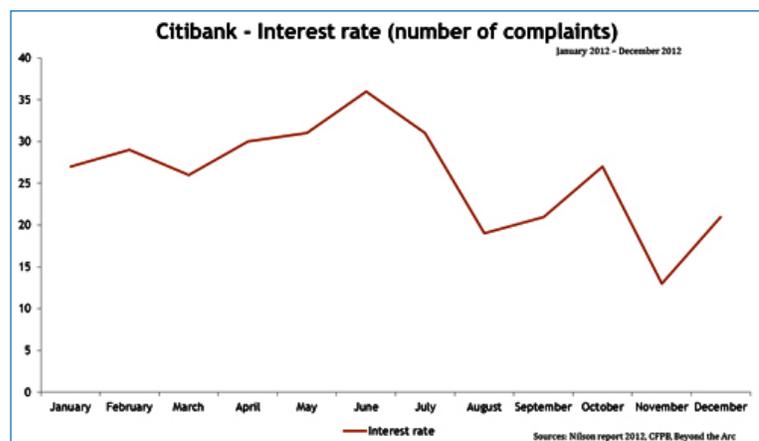
Although the first graph enables us to see the trend in interest rate complaints, when combined with Beyond the Arc's Social Customer Insights service, we gain insight into early warning signs of potential risk. Our Social Customer Insights database contains over 336 million social media posts about the top 100 banks and credit unions collected over the past 18 months. The second graph shows that comments about Citibank's Annual Percentage Rate(APR) really spiked in May 2012 --right before the bank had its largest number of interest rate complaints in the CFPB database. That indicates people were already venting on social media about this issue.

Here's an example of one customer complaining about their Citibank APR on social media:

"How's this for cynical capitalism. Rang up Citibank to pay-off and close my credit card. The lovely lady in the Phillipines asked me why and I said: your interest rate is far too High (21%) and she said Well I'm now willing to lower your rate because you are such a valuable customer ...Well if that's the case, why didn't you drop it earlier?"

The ROI of improved customer experience

Making improvements in customer experience can have a positive impact on your company's bottom line. Industry analysts have argued that credit card issuers may be leaving $250-$300 million on the table—annually. They arrive at their estimates by totaling the lost opportunities from attrition and churn, incremental purchases, and word-of-mouth referrals. Tracking complaints and Voice of the Customer initiatives do have hard costs, but there are quantifiable revenue opportunities to offset them.

Listening to the Voice of the Customer –across many channels– is essential if you want to detect problems before they become serious complaints that could cost your business millions in fines or lost customers. To increase your potential for success and improve the ROI of your VOC efforts, it's important to have a clear strategy and well-defined metrics, both aligned with your key business objectives. Start with the data at hand, and gradually add new sources to enhance your picture of the customer experience. Most importantly, have a mechanism in place for taking action to resolve pain points and improve customer experience –to ensure your company's name doesn't end up in a headline with the CFPB.

Let's Talk

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