Complaints Welcome!
Leveraging Social Media Complaints to Improve Customer Experience

Steven Ramirez, CEO
Beyond the Arc, Inc.

July 18, 2013
Nothing you don’t already know...banks face a challenging future

- **Consumer trust** is still shaken

- **Regulatory reform** is reshaping how banks interact with the customer

- “**Non-bank**” options like WalMart, PayPal, and others covet your relationship with customers

The entire industry is in a state of flux, and winners will need to be agile and increasingly customer-centered
Imagine If you could:

...detect and address regulatory risks before they result in costly fines?

...identify key customer pain points to improve the customer experience and drive retention?

...identify your competitors’ strengths and weaknesses?
Discussion agenda

- Does social media matter for banks and credit unions?
- Consumer complaints: risks and rewards
- What can you learn from analyzing complaints?
- How can you prevent issues from escalating into complaints?
- Next steps
Success stems from understanding your customers

• “Your most unhappy customers are your greatest source of learning.”
  – Bill Gates

• “We aren’t in the coffee business serving people. We are in the people business serving coffee.”
  – Howard Schultz, Starbucks

• “To understand the man, you must first walk a mile in his moccasin.”
  – Native American proverb

• “This may seem simple, but you need to give customers what they want, not what you think they want.”
  – John Ilhan (Australian entrepreneur)
Sometimes we just don’t feel our customers’ pain
Of the top 10 trafficked sites in 2005 only 1 was “social”

<table>
<thead>
<tr>
<th>Top Social Sites in 2005</th>
<th>Top Social Sites in 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 yahoo.com</td>
<td>1 Facebook.com</td>
</tr>
<tr>
<td>2 msn.com</td>
<td>2 Google.com</td>
</tr>
<tr>
<td>3 google.com</td>
<td>3 Twitter.com</td>
</tr>
<tr>
<td>4 ebay.com</td>
<td>4 Youtube.com</td>
</tr>
<tr>
<td>5 amazon.com</td>
<td>5 Adobe.com</td>
</tr>
<tr>
<td>6 microsoft.com</td>
<td>6 Wordpress.org</td>
</tr>
<tr>
<td><strong>7 myspace.com</strong></td>
<td>7 Blogspot.com</td>
</tr>
<tr>
<td>8 google.co.uk</td>
<td>8 Wikipedia.org</td>
</tr>
<tr>
<td>9 aol.com</td>
<td>9 Godaddy.com</td>
</tr>
<tr>
<td>10 go.com</td>
<td>10 Yahoo.com</td>
</tr>
</tbody>
</table>

Source: SEOmoz.org
People use social media to share product experiences

70% of bloggers talk about brands on their blog

38% post brand or product reviews

Source: eConsultancy
Lots of customers discuss financial brands

• Beyond the Arc’s Social Customer Insights service:

  ◦ Contains over 336 million social media posts from
    – Twitter
    – Facebook
    – Industry blogs and forums

  ◦ Related to the top 100 banks and credit unions

  ◦ Over the past 18 months

  ◦ About 800,000 posts a day
Consumers often share very specific complaints

• If Bank of America doesn't fix their Mint.com synch issue I am going to break out in hives. And switch banks. @BofA_Help @mint . (Twitter) . (Author = gidgejane)

• @BofA_Help please get bofa working with mint.com again, i'd hate to have to switch to chase... . (Twitter) . (Author = pylestyle)

• @BofA_Help ... To me the biggest plus of BofA is the mint.com integration. If that goes, you become a place to deposit checks. #replaceable . (Twitter) . (Author = trampel)

• a Bank of America is considering capping debit card purchases at $50 or $100. Final reason to move my banking elsewhere . (Twitter)
A financial institution that has chosen not to use social media should still be prepared to address the potential for negative comments or complaints that may arise within the many social media platforms...

FFIEC, January 22, 2013
“Google never forgets” - Not even at the Greater Alliance Credit Union in Hackensack, NJ

“I've been a member of this Credit Union for over 12 years, but tomorrow I'll close my accounts. Would have done it earlier, but I had a loan with them.”

“There's the hostile tone of voice over the phone from people who never tell you their name. There's also the belligerent attitude of most of the Hackensack folks and the sophomoric website that a high-schooler could have built.”

Photo: HOWARD McWILLIAM/UK Telegraph

Posted on Yelp on 1/14/2009
Found in Google search 6/21/2012
Discussion agenda

• Does social media matter for banks and credit unions?

• Consumer complaints: risks and rewards

• What can you learn from analyzing complaints?

• How can you prevent issues from escalating into complaints?

• Next steps
Reducing complaints improves customer experience, which drives revenue growth

**Credit card issuers**

<table>
<thead>
<tr>
<th></th>
<th>Total revenue potential</th>
<th>Churn reduced</th>
<th>Add’l purchases</th>
<th>Word of mouth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temkin</td>
<td>$246M</td>
<td>$91.8M</td>
<td>$82.3M</td>
<td>$72M</td>
</tr>
<tr>
<td>Forrester</td>
<td>$307M</td>
<td>$83M</td>
<td>$213M</td>
<td>$12M</td>
</tr>
</tbody>
</table>

- Incremental purchases from existing customers in the same year.
- Revenue saved by lower churn.
- New sales driven by word of mouth.
Since its inception, the jurisdiction of the CFPB has grown to include many products and services

- Bank accounts
- Bank services
- Credit cards
- Credit reporting
- Money transfers
- Mortgages
- Student loans
- Vehicle or consumer loans
Financial institutions paid over half a billion dollars in 2012

<table>
<thead>
<tr>
<th>Institution</th>
<th>Payment</th>
<th>Date</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital One</td>
<td>$210 million</td>
<td>July 18, 2012</td>
<td>Deceptive marketing practices</td>
</tr>
<tr>
<td>Discover</td>
<td>$214 million</td>
<td>Sept. 24, 2012</td>
<td>Deceptive marketing practices</td>
</tr>
<tr>
<td>American Express</td>
<td>$112.5 million</td>
<td>Oct. 1 2012</td>
<td>Illegal credit card practices</td>
</tr>
</tbody>
</table>
The CFPB has also expanded the types of financial institutions that fall within its purview

- Large banks and their affiliates
- Credit unions (above $10 billion)
- Nonbanks
- Residential mortgage companies
- Payday lenders
- Private education lenders
- Credit reporting agencies
Introduction to the CFPB Database

• Last year, the CFPB made its database of consumer credit card complaints available to the public

• It was made public “to improve the transparency and efficiency of this essential consumer market” (CFPB)

• As of July 2013 the CFPB database contained:
  – Over 100,000 complaints
  – More than 400 different financial institutions

• [website link](http://www.consumerfinance.gov/complaintdatabase/)
Several key variables in the database can help add depth to analysis

- Company
- Issue
- Submitted via
- Date received
- Zip code
- Company response
- Timely response?
- Consumer disputed?
Discussion agenda

• Does social media matter for banks and credit unions?
• Consumer complaints: risks and rewards
• What can you learn from analyzing complaints?
• How can you prevent issues from escalating into complaints?
• Next steps
Total complaints for 2012 across the industry

January 2012 – December 2012

CFPB Complaints by Product

- Mortgage: 51,082
- Credit card: 19,765
- Bank account or service: 15,455
- Student loan: 3,471
- Consumer loan: 2,567
Account management and deposits and withdrawals accounted for two thirds of the total complaints

Number of complaints by issue

Sources: CFPB, Beyond the Arc
Capital One and Amex experienced peaks in complaints around the time of their fines

The 3 companies fined by the CFPB
(in complaints per million cards)

January 2012 – December 2012

Paid $210M on 7/18
Paid $113M on 10/1
Paid $214M on 9/24

Sources: Nilson report 2012, CFPB, Beyond the Arc
Similarly, we noticed a correlation between Citibank APR complaints and social media.

Citibank - top 5 issues (number of complaints)  

January 2012 – December 2012

Sources:
- Nilson report 2012
- CFPB
- Beyond the Arc
Citibank APR complaints peaked in June

Citibank - Interest rate (number of complaints)

January 2012 – December 2012

Sources: Nilson report 2012, CFPB, Beyond the Arc
Social media comments about Citibank APR show a sharp spike in May

Social Media and CFPB comparison (percent of total)

Sources: Nilson report 2012, CFPB, Beyond the Arc
Citibank APR sample comments

• 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?

• Now that I am close to paying off almost all of my credit card debt, it feels so good to tell these credit card companies they have to drop my interest rate to something competitive... Citibank can kiss my a$$ with their terrible outsourced customer service.
Citibank leads all other banks in the number of student loan complaints per $ billion

Company complaints per billion dollars in student loans

Sources: Beyond the Arc, CFPB, www.citigroup.com
Complaint volume shifts in September, when Citibank notified its customers of the transfer

Number of complaints per month

September 2012, Citibank sends notice out to its customers informing them about their student loan transfers to Discover

Sources: Beyond the Arc, CFPB
Citibank’s student loan issues are reflected in social media as well

- Customers expressed difficulties with the transfer of their loans from Citibank to Discover *:
  
  – *Unbeknownst to me, a portion of this additional payment was going towards interest! So basically, I am paying the minimum payment and 10% of the additional I am adding to principal was going into Discover's pocket as interest!!! It's ridiculous!*

  – *I got a notice yesterday that Citibank somehow made a mistake and forgot to add the appropriate amount of interest to my principal loan balance to the tune of almost $4,300. Really? I have a huge problem with this*

Banks can monitor the CFPB database and social media to identify customer experience issues, and take action, before they escalate into negative brand sentiment

* Comments taken from Citibank student loan page on Consumer Affairs.com
Consumers are disputing fewer responses

Company responses disputed by customer as a percent of total complaints

- CFPB starts collecting credit card data
- CFPB adds mortgage, consumer and student loans, and banking and account servicing data to the database
- CFPB database made available to the public

Note: Bar graph represents total number of complaints each month. Number in parenthesis represents total number of disputed responses.

Sources: CFPB, Beyond the Arc
Companies are responding more quickly

Untimely company responses as a percent of total complaints

Note: Number in parenthesis represents total number of untimely responses

Sources: CFPB, Beyond the Arc
Analysis of social media and CFPB complaint data can increase retention and decrease regulatory risk

• Banks can monitor social media for emerging customer experience issues, and resolve the problems before they result in complaints to the CFPB

• By reacting quickly to customer feedback, banks show they value their customers

• One company’s mistake is another’s warning:
  – Banks can learn from competitors so they avoid similar problems

• Data-driven comparison
  – Social media and the CFPB database allow you to compare yourself to your competitors in key customer experience metrics
Many companies have voiced their concern about the CFPB and the complaint database

Concerns about the database:

• Complaints are not verified for accuracy

• Not representative of the population as whole

• Cannot determine if complaints are related to dissatisfaction or misunderstanding terms of service

• However, analysis of issues in the CFPB can help you determine where the customer experience is falling short
Discussion agenda

• Does social media matter for banks and credit unions?
• Consumer complaints: risks and rewards
• What can you learn from analyzing complaints?
• How can you prevent issues from escalating into complaints?
• Next steps
How do customer problems become complaints?

Customer experiences a problem

Customer provides feedback

Bank addresses problem

Resolution

Bank does not address problem

Files complaint with CFPB

and/or

Customers often try multiple times to resolve their problems

Closes account(s)
How can we identify and address these issues so they don’t escalate?

Customer experiences a problem

Customer provides feedback

Bank addresses problem

Resolution

Bank does not address problem

Files complaint with CFPB

Customers often try multiple time to resolve their problems

and/or

Closes account(s)
We need to focus on collecting, analyzing, and tracking customer feedback.

Customer experiences a problem → Customer provides feedback

- Bank addresses problem → Resolution
- Bank does not address problem → Files complaint with CFPB

Customers often try multiple times to resolve their problems and/or

- Closes account(s)
Voice of the Customer analysis is key to preventing feedback from escalating into complaints

- Voice of the Customer (VOC) analysis allows you to:
  
  - Identify customer pain points to improve the customer experience and drive retention
  
  - Detect regulatory risks and address them before the CFPB takes punitive action
What is VOC?

A best-in-classe Voice of the Customer program uses text analytics to turn your unstructured data into structured data...

so you can quantify what your customers are talking about for analysis and take action
Key steps to strengthening Voice of the Customer

1. Define your objectives
2. Collect data sources and listen
3. Analyze, translating to business processes
4. Report on the findings
5. Improve based on insights revealed
Include external measurements to create an integrated view of the customer

**Internal**
Data from across the enterprise
- Customer feedback
- Frontline notes
- Transactional data
- Behavioral data

**Social**
Social media about you and your competitors
- Twitter
- Facebook
- Blogs

**Regulatory**
Customer complaints
- Federal
- State
- CFPB

*The CFPB database is a meaningful data source to incorporate into your VOC program*
Discussion agenda

• Does social media matter for banks and credit unions?
• Consumer complaints: risks and rewards
• What can you learn from analyzing complaints?
• How can you prevent issues from escalating into complaints?
• Next steps
What role should the leadership team play regarding social media?

• **Governance**
  – Understand social media
  – Review policies, controls, risk mitigation

• **Strategy**
  – Can it be leveraged to attract new customers?
  – How does it help to retain customers?

• **Ambassadors**
  – Enables the leadership to be directly accessible to the community
Understanding the customer journey across multiple channels and touchpoints

**Customer perspective**
- Customer surveys
- Online feedback forms
- Customer email
- Transaction & POS data

**Frontline inputs**
- Feedback from customer-facing teams
- Agent and customer service reps operating metrics
- Supervisors

**Escalation queues**
- Internal escalations
- Team feedback

*Do we have a customer focus?*
*Viewing the entire relationship?*
*Have we captured channel insights?*
How can your company leverage the CFPB database and VOC analysis

• Analyze and track the CFPB complaint database on an ongoing regular basis

• Calibrate your VOC program to identify customer irritation and problems before they escalate

• Enhance your VOC program by adding new internal data sources as well as external sources like social media to get a clearer picture of the customer experience

• Use VOC data to drive customer experience improvements and take action, then measure results
Mitigating the risk associated with social media requires a multifaceted approach

- Governance
- Policies and procedures
- Due diligence for selecting and managing 3rd party providers
- Employee training
- Audit and compliance
- Reporting to senior management
A little about us

Highlights and credentials

- Recognized by Forrester Research among 15 top firms in Customer Experience Consulting
- Social media panelist, BAI Retail Delivery Annual Conference 2012
- Faculty Fellow, Pacific Coast Banking School, August 2012
- Featured speaker on VOC best practices, Text Analytics World 2011
- Featured speaker on social media data mining, American Bankers Association 2011

Recent press

- Loyalty Magazine, Summer 2012
- Destination CRM, May 2012
- American Banker/Bank Technology News, Jan 2012
- BAI – Retail Banking Strategies, Jan 2012
- ABA Banking Journal, Jan 2012
- CUES, Credit Union Management, Jan 2012
- Social Business Today, Customer Experience Management @ TMC.net, and numerous blogs and online publications
Questions?
Disclaimer and copyright

This document was prepared by Beyond the Arc, Inc.

This document provides our commentary and analysis. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity.

Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. No warranty expressed or implied.

The information provided in this presentation is not intended nor should be used as a substitute for legal advice or other expert opinions and services in specific situations.

This material may not be distributed.

Other company, product, and service names may be trademarks or service marks of others.
Thank you

Steven J. Ramirez, CEO
Beyond the Arc, Inc.

Office  1.877.676.3743
Email    sramirez@beyondthearc.com
Digital  beyondthearc.com
@beyondthearc
Facebook.com/beyondthearc
Slideshare.net/beyondthearc