Value Creation through Customer Complaints.

Improve Customer Experience and Regulatory Compliance

June 29, 2015

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About SEC

Founded in 1987 in the basement of Ms. Pat Leboff while working at Gimbel’s Herald Square NY. The goal was to develop a mystery shopping capability to allow for a clear understanding of how well associates were complying with the training around the “designed customer experience”.

Business expanded to include MACY’S, Kroger, Cartier, Ferragamo, Burberry, Harry Winston and so many more.

Today SEC has transformed from a Mystery Shopping Research Company into Frontline Business Intelligence Research Agency, that can easily measure any touch point on the Customer Journey Map.

We continue to deploy “Brand Agents” globally as “Undercover CEO’s”.

The Value of Early Complaint Detection

The customer today is more powerful than ever.
As Consumer's have more channels than ever before to provide feedback and on their experience with a product or company, including in-person discussions, phone calls, emails, texts, websites and social media outlets. If you want to, you can share an opinion everywhere in minutes.

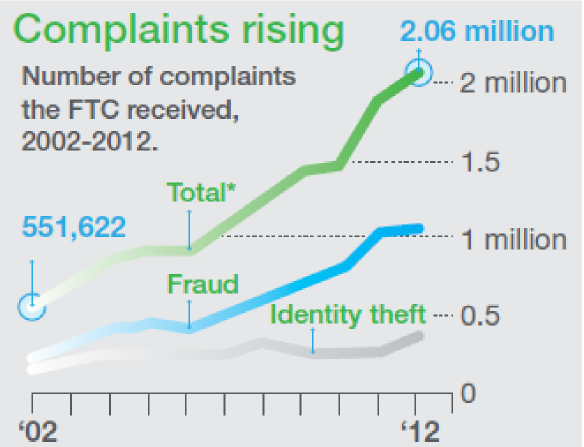
And what if that opinion is a complaint?

As you can see in the chart, the number of customer complaints is rising dramatically. There are websites dedicated to customer complaints, complaints.com, complaintsboard.com, and a special area of the Consumer Financial Protection Bureau (CFPB) website.

Consumers visit these websites to read reviews and discover what other buyers are saying about a product, service or organization before they make a purchase decision.

All of this has placed a large roadblock in the way of brand management. While your organization may be spending millions of dollars on marketing, public relations and branding efforts, these initiatives can be negated at practically no expense by consumers who post complaints on one or more of these channels.

While it may not be possible for your organization to avoid consumer complaints, it is possible to look at them in a new way. Since complaints represent the "voice of the customer," they can offer your business hidden opportunities for managing risk and detecting problems with products and services. In fact, resolving customers' complaints can make customers even more loyal than they were before the problem occurred. This can present your organization with the potential to improve its brand reputation and create brand advocates.



*Total Includes other consumer complaints that aren't fraud or identity theft

Source: U.S. Federal Trade Commission, *Consumer Sentinel Network Data Book for January - December 2012*, February 2013, p. 5.

Of course, if complaints aren't detected and handled properly, it can cost your organization both time and money, and possibly even result in sizeable fines and penalties from regulatory agencies.

This makes the ability to detect, analyze, and address complaints quickly a very important function within your business.

The Potential Penalties and Fines

Financial services companies are regulated and are required to comply with national, regional, state and other regulations. In addition, financial organizations must ensure internal are followed in support of their operations. Failure to comply with regulations and policies can significant risk to the organization, including the possibility of being subject large fines and other penalties, as well as the associated negative impact to company brand and reputation.

In the U.S., the Consumer Financial Protection Bureau (CFPB) was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act, and is responsible for enforcing federal consumer financial laws. The Bureau has aggressively pursued financial services providers for deceptive practices. Similarly, the Federal Trade Commission (FTC) has very publicly issued fines and penalties to several prominent financial services organizations. For example, one large, global credit card company was found to be in violation of regulations for deceptively marketing credit card “add-on” products, while another major financial institution was found guilty of misleading consumers into paying for extra credit card products.

Each of these companies was required to refund around $200 million to settle the charges.

By routinely surfacing and analyzing consumer complaints, financial services organizations can gain the opportunity to understand and correct potential problems before they escalate into investigations and fines by regulatory agencies. It’s a prudent strategy, especially since regulatory examiners in the U.S. are required to review and assess an institution’s complaints management process.

The Challenge of Complaint Management

Often, financial services organizations establish policies in response to regulations and other requirements. Standard processes and procedures are outlined and communicated to help educate employees, as well as provide specific guidelines to follow. However, depending on the environment in which an employee interacts with the customer or prospective customer (in-person, on the phone, via email or chat, or even through social media), the company may not have a comprehensive picture of its exposure to compliance risk.

The complexity of these multi-channel interactions presents a tremendous challenge for many institutions. There may not be technology solutions in place to comprehensively capture interactions for every channel, such as recording the audio portion of in-person conversations, grabbing screenshots of the flow of information exchanged during a service inquiry with the contact center, or analyzing trends in employee and customer speech or text conversations for insights and potential regulatory infractions. Even though some organizations may have contact center recording in place, that single solution may not provide all the capabilities an enterprise needs for full regulatory protection.

Financial institutions looking to reduce their compliance risk should include comprehensively monitoring consumer complaints.

Regularly monitoring customer complaints can uncover indications of deception, fraud and unfair business practices. Self-Identification and prompt remediation of all possible violations is critical.

In addition, ongoing monitoring and testing is necessary to help ensure that key assumptions used to measure and monitor risk are still valid.

What **Regulatory Agencies** Assess

Regular analysis of consumer complaints can help an organization understand potential areas of scrutiny by regulators, as well as uncover areas to improve customer experience.

Therefore, it's important to understand what agencies are assessing and evaluating, as well as what may indicate a problem or issue.

Regulatory agencies may assess whether:

- Large numbers of customers were impacted, and for how long.
- Customers were financially impacted.
- Customers' complaints arose from technology issues—an especially worrisome matter, because complaints arising from
- system issues could potentially impact large numbers of customers.
- Complaints were driven by process or procedure issues.
- Complaints were caused by customer confusion.

There are many signals that can indicate a problem or point toward a possible issue, including:

- A spike in verbal complaints made to the contact center.
- Increasing online inquiries about certain product.
- Sudden changes in product usage patterns.
- Sudden changes in online or contact center traffic.
- Surges in blog and social media postings or traffic referring to a particular activity or topic.
- Overlapping system changes or enhancements that fix issues in one "silo" of the company and create an issue in another one.
- Operational changes that have "downstream" impacts.
- Issues that arise because another department launched a campaign without involving the Compliance department.

Early detection and analysis of complaints can help an organization avoid scrutiny, fines and penalties by regulators. And at the same time, uncovering and addressing product and service issues helps companies improve customer experience. Without actively searching for and listening for customer concerns, an organization may not be aware of bothersome and inconvenient issues for customers in a timely fashion, if at all.

Complaint Detection & Analysis **Solutions**

Fortunately, software is available to help organizations effectively detect and analyze customer complaints. State-of-the-art solutions can apply powerful technologies to analyze customer and employee interactions across multiple channels, facilitating quick resolution.

For example, SEC Enterprise feedback Management System can enable financial organizations to scan, monitor and analyze consumer complaints across channels, including during face-to-face interactions in brick-and-mortar branches, telephone calls to the contact center, emails, social media, and other online channels, such as chat sessions, agent desktops and online forums.

This innovative solution combines speech and text analytics, desktop and process analytics, and reporting functionality. It can help financial organizations surface areas of potential concern proactively, communicate them to business lines and management, reduce operational expenses by avoiding costly fines for noncompliance, and enhance the customer experience. It can even guide employees through a resolution process.

SEC **BI Solutions in Action**

With SEC EFMS, financial organizations can gain a deeper understanding of consumer complaints by:

- Capturing calls and desktop interactions with customers for retrieval and analysis.
- Categorizing interactions related to possible regulatory topics using speech and text analytics.
- Providing actionable insights to management from customer feedback on products and services.
- • Discovering the processes employees are following in response to complaints.
- Identifying new customer needs proactively and responding as necessary.
- Providing guidance to help employees follow correct processes while resolving complaints.

Turning the Tables on Customer Complaints

Analyzing complaint data can help regulated organizations identify weaknesses in their controls, possible compliance violations, and the need for enhanced and targeted compliance testing.

In addition, complaint data can be used to help improve the customer experience as well as competitive advantage by showing where problems exist, enabling organizations to correct them quickly.

Solutions such as Service Evaluation Concepts Enterprise Feedback Management System (EFMS) can help your organization turn the tables on consumer complaints by enabling you to perform continuous, proactive compliance monitoring to surface and analyze problems.

By implementing the necessary changes, you can avoid fines and penalties, improve the customer experience, and build a stronger brand reputation.

Return On Intelligence

Thank You

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