

# *fs viewpoint*

[www.pwc.com/fsi](http://www.pwc.com/fsi)

02

Point of view

12

Competitive  
intelligence

17

A framework  
for response

25

How PwC  
can help

28

Appendix

***Turning frowns upside down:***  
How financial institutions can transform  
complaints into a competitive advantage



**pwc**

---

## *Point of view*

**Consumers consistently cite poor service as a primary reason for switching financial institutions.**

**A customer complaint is the flashpoint at which a financial institution can earn a lifelong customer—or risk seeing a valued customer walk out the door forever.**

*“On average, it costs \$200 to acquire a new customer. That’s why it is so important to make angry customers feel whole again. Banks that respond to their upset customers are about 2.3 times more likely to retain those customers than if they did nothing.”*

—PwC, Experience Radar 2013:  
Lessons from the U.S. Retail Banking Industry,  
November 2012, [www.pwc.com](http://www.pwc.com).

**Consumers consistently cite poor service as a primary reason for switching financial institutions.**

As shown in Figure 1, two out of five customers report shifting their business to another bank after a bad experience. On the other hand, if handled well, a complaint can result in a loyal customer. As shown in Figure 2, 55% of retail banking customers surveyed will stay loyal to their institution if their issues are resolved positively.

**A strong complaint management program is crucial to customer retention and bottom-line profitability.**

Given the impact of attrition on the bottom line, customer satisfaction should be one of the highest priorities for financial institutions. For institutions with emerging complaint management programs, improvements to the program can increase an institution’s issue resolution capabilities. In our view, however, even financial institutions with mature complaint management programs will reap the benefits of adapting their systems to changing expectations from regulators and customers.

*There is no room for complacency when it comes to complaints.*

Figure 1



Figure 2



## **Regulators are increasingly focused on customer complaints and the programs that financial institutions have to address them.**

*The Consumer Financial Protection Bureau defines consumer complaints as “submissions that express dissatisfaction with, or communicate suspicion of wrongful conduct by an identifiable entity related to a consumer’s personal experience with a financial product or service.”<sup>1</sup>*

In July 2010, Congress passed and President Obama signed the **Dodd-Frank Wall Street Reform and Consumer Protection Act**.

The Act created the Consumer Financial Protection Bureau (CFPB), which consolidates most federal consumer financial protection authority in one place. The stated mission of the CFPB is: “To make markets for consumer financial products and services work for Americans—whether they are applying for a mortgage, choosing among credit cards, or using any number of other consumer financial products.”

### **The CFPB’s key priorities for FYs 2013–2017 include:**

- Preventing financial harm to consumers while promoting good practices that benefit them.
- Empowering consumers to live better financial lives.
- Informing the public, policymakers, and the CFPB’s own policies with data-driven analysis of consumer finance markets and consumer behavior.

**Recent CFPB initiatives favor customer advocacy and transparency.**

- The CFPB has made it much easier for customers to lodge formal complaints against financial institutions.
- As of 30 September 2013, the Consumer Complaint Database included more than 140,000 consumer complaints.<sup>2</sup>

### **Foreign regulators are also focusing on customer complaints.**

In the United Kingdom, the Financial Conduct Authority focuses on fair customer treatment. This regulator follows in the footsteps of its legacy organization, the Financial Services Authority, which fined banks £15.5 million for mistreatment of customers and poor handling of complaints from April 2008 through 2012.<sup>3</sup>

In Australia, the Australian Prudential Regulation Authority aims to “establish and enforce prudential standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by institutions [they] supervise are met within a stable, efficient, and competitive financial system.”<sup>4</sup>

1 CFPB, [www.consumerfinance.gov](http://www.consumerfinance.gov), accessed 26 November 2013.

2 CFPB, *Semi-Annual Report of the Consumer Financial Protection Bureau*, 30 September 2013, [www.consumerfinance.gov](http://www.consumerfinance.gov), accessed 8 January 2014.

3 NERA Economic Consulting, *Trends in Regulatory Enforcement in UK Markets: Fiscal Year 2011/12*, [www.nera.com](http://www.nera.com), accessed 26 August 2013.

4 APRA, *About APRA*, [www.apra.gov.au](http://www.apra.gov.au), accessed 18 February 2014.

**The stakes are high. Regulators make complaint data freely available online. And when things go wrong for customers, social media provides a forum for them to publicly air their grievances.**

The importance of effective, fair complaint management cannot be overstated.

- **The CFPB and other prudential regulators have public websites for customers to lodge formal complaints against financial institutions.** In 2013, the CFPB expanded its database of customer complaints to include credit cards, mortgages, student loans, bank accounts, and other consumer loans. Furthermore, it has made this database available to the public.<sup>1</sup>
- **Social media makes it easier for customers to lodge—and publicize—informal complaints.** The use of social media is expanding exponentially. When customers' issues are not quickly resolved to their complete satisfaction, they are quick to broadcast their frustration using social media. Company pages on social media sites can quickly become the front line of a complaint management program if the formal program does not work well. Although it is hard to quantify the potential damage of these exchanges, the potential damage to a company's reputation is real. More likely than not, some readers will recall these negative messages when looking to select a financial institution.<sup>2</sup>

**90%** of consumers trust peer recommendations posted on social media sites.<sup>3</sup>

**79%** of consumers who follow brands on Twitter are more likely to recommend those brands since becoming followers.<sup>4</sup>

*\*These statistics are not specific to financial services consumers, but illustrate the pervasive force of social media across all industries.*

1 CFPB, *CFPB releases largest collection of federal consumer financial complaint data*, 28 March 2013, [www.consumerfinance.gov](http://www.consumerfinance.gov), accessed 22 August 2013.

2 PwC, *Experience Radar 2013: Lessons from the US Retail Banking Industry*, November 2012, [www.pwc.com](http://www.pwc.com).

3 Nielsen, *Global Advertising Consumers Trust Real Friends and Virtual Strangers the Most*, 7 July 2009, [www.nielsen.com](http://www.nielsen.com), accessed 16 December 2013.

4 Chadwick Martin Bailey, *Consumers Engaged Via Social Media Are More Likely to Buy, Recommend*, [www.cmbinfo.com](http://www.cmbinfo.com), accessed 16 December 2013.

***We see top financial institutions using the lemons-to-lemonade approach to complaint management, applying a unified approach across critical functions.***

Leading financial institutions recognize the importance of tackling trust-eroding challenges with a unified approach across the entity. They address governance, people, processes, and systems and data.

For example, we have seen leaders:

- Use social media analytics to identify and address budding customer service issues before those issues escalate into potential public relations nightmares.
- Set up clear pathways to successfully address and resolve complaint challenges.
- Take hands-on steps to help ensure their front-line service providers understand the gravity of quality customer interactions and know how to deliver on their promises.
- Provide proper training and the right support to underpin and reinforce lessons learned.
- Make help desks available to bolster front-line workers when the going gets tough.
- Utilize well-defined key performance indicators (KPIs), such as attrition rates, resolution accuracy and satisfaction, financial impact, high-risk complaints, average cost per complaint, and the primary root cause of complaints.

*Leading institutions address an individual customer complaint quickly and completely. At the same time, they identify and address the root cause, eliminating similar complaints before other customers even know there is a problem.*

*Customers are happy that they are treated with respect and that their voices are heard.*

*Employees are inspired as they see the individual complaint and its root cause resolved. They are also proud to know they are part of an institution that allows them to “do the right thing.”*



**Leading financial institutions take steps to triage issues as they emerge and address challenges head on.**

**There is no such thing as addressing an issue too soon.**

*In our view, trust is the very foundation of customers' relationships with their financial institutions. Without trust, customer loyalty quickly falls by the wayside when things go wrong. With it, customers are more willing to "hang tough" and give the financial institution a chance to make things right.*

**Proactive financial institutions take steps to triage issues as soon as they emerge and to increase transparency into issue resolution.**

But when customer issues arise, proactive institutions address challenges head on—triaging **prior to** customer impact and transparently communicating progress along the path to resolution. Once an issue arises for one customer, leaders seek to resolve it before other customers are affected. They also analyze feedback and take corrective action to improve the customer experience. To keep customers in the loop, these institutions take proactive steps to boost communication and interaction by focusing on clear, transparent messaging of processes and response expectations, boosting customer confidence that issues will be resolved.

**A case study.**

A leading global bank applied social media analytics to get ahead of potential consumer issues. The bank sought to be proactive in capturing customer conversations on public social media sites regarding the bank's brand, products, and service. As a first step, the bank leveraged its existing complaint management foundation to build a customized taxonomy model. The model applied sentiment tuning by using natural language processing to enable flexible categorization of the unstructured information available on social media sites.

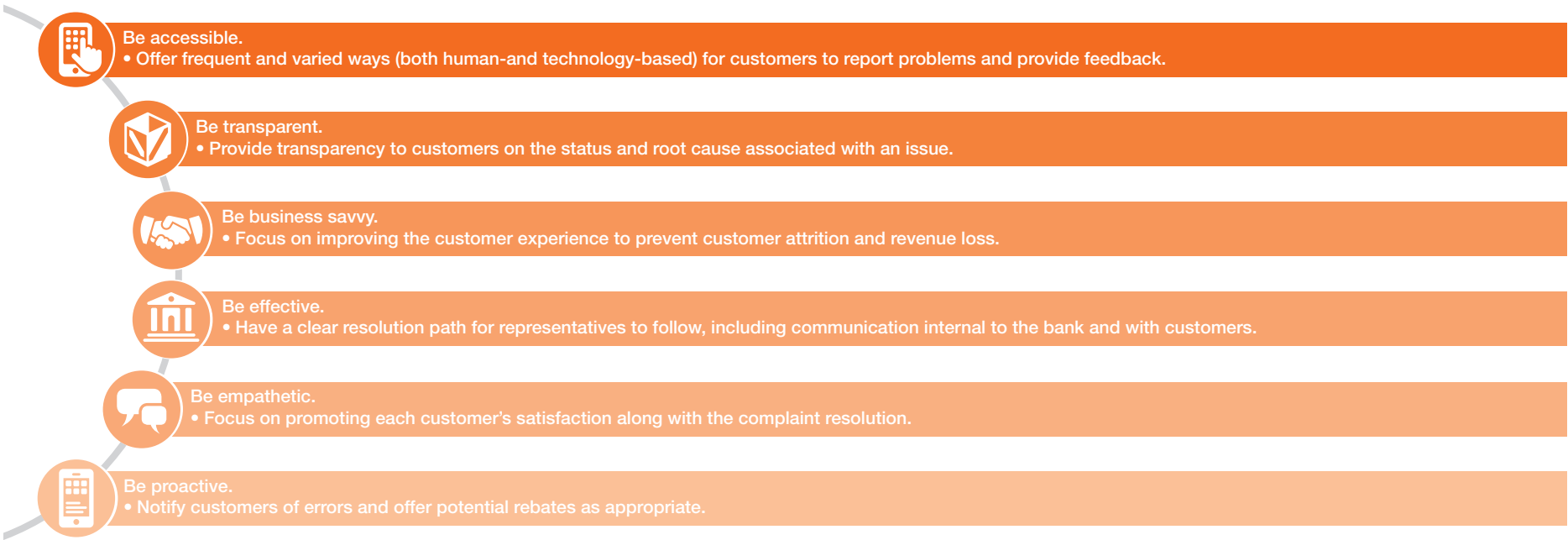
The bank realized immediate and long-term benefits by quickly identifying emerging issues and trends before customers reached out to the bank itself or launched a formal complaint with a regulator.

*In our view, financial institutions should embrace a strong complaint management program as part of a customer-centric culture. The tone should be set at the top, and the program should aim to exceed regulatory expectations.*

Organizations should recognize that complaint management programs will continually evolve and mature. Once established, we recommend that institutions periodically reevaluate their complaint management programs to determine whether they are meeting evolving regulations and customer needs. Ongoing actions should include the following:

Governance	Establish board-level governance.
Communication	Foster open and frequent top-down communication.
Strategic Planning	Include impact of satisfaction on customer lifetime value and profitability in strategic planning.
Compensation	Including complaint/issue resolution impact on reward and recognition.
Culture	Cultivate a customer-centric culture.

A complaint management program should be built on the following guiding principles:





**Financial institutions that embed a comprehensive complaint management program into their organizational culture achieve long-lasting benefits, as well as avoid costly and damaging consequences.**

**A comprehensive complaint management program can help institutions.**

*Revenue can increase by doing the following:*

- Refining business and product strategies and identifying customer breakpoints by listening, analyzing, and acting on customer complaints.
- Retaining high-value customers by reducing customer dissatisfaction and complaints.
- Repairing damaged relationships by proactively reaching out to displeased customers.
- Improving the customer experience by conducting root-cause analyses.
- Turning complaints into ideas for new products and services by tuning in to public opinions about the institution.

*Costs can decrease by doing the following:*

- Cutting complaint volumes by implementing a continuous improvement program.
- Centralizing complaint management processes and procedures across all lines of business.
- Improving the customer experience and the complaint process with low-cost channels (such as social media, mobile, and email) that help customers quickly and easily communicate their issues.
- Measuring complaint process and channel effectiveness by gathering direct customer feedback.

*Regulatory and reputational risk can decrease by doing the following:*

- Establishing strong compliance. A strong customer complaint management program can reduce the potential for expensive fines and costly damage to an institution's reputation.

***Some financial institutions are still hesitant to implement changes to their customer complaint management programs. However, challenges can be overcome.***



#### Obstacles to implementation

##### ***Lack of standardization***

Institutions wrestle with the need for a uniform definition of a complaint, as well as uniform standards for tracking and reporting, tools and systems, and training programs. Although institutional standards must be internally consistent, they need to be based on size, product complexity, and geographic spread.

##### ***Absence of benchmarking data***

Given the lack of benchmarking data available, it is difficult for financial services executives to measure the improvement in customer retention and/or the drop in customer attrition that result from a complaint management program. As such, they may either be reluctant to support a program transformation or find it difficult to define success, particularly early in a program's lifecycle.

##### ***Struggle to balance consistency and flexibility***

Institutions struggle to provide and enforce consistent complaint management policies and procedures while giving complaint managers the flexibility to step outside the box in certain situations where existing policies and procedures simply do not apply.

##### ***Failure to admit fault***

Despite increased vigilance by financial institutions, errors still occur. Institutions often have trouble finding the right balance between admitting fault and exposing themselves to potential class action lawsuits.

##### ***Cost of the complaint management program***

Given the expenses institutions incur to comply with regulations, it is harder to secure a budget to establish a robust complaint management program. Institutions have trouble identifying the cost of a complaint and the savings realized when it is resolved.



#### Overcoming challenges

##### ***Seize complaints as an opportunity to establish a long-term loyal relationship***

When things go wrong, leading institutions use standard resolution methods, such as defining compensation amounts and establishing a clear protocol for issuing a compelling apology.

##### ***Establish consistency with a touch of flexibility—the right mix***

Strong governance is essential. Leading institutions have a uniform policy at the enterprise level. However, they also have exceptions to policy guidelines in place, enabling complaint managers to cut through red tape where appropriate—resolving issues and addressing certain complaints without escalation to higher levels. Front-line representatives receive “decision tools” to authorize exceptions to policy based on various scenarios. A centralized team of subject matter specialists can handle issues that arise infrequently and/or involve multiple units.

##### ***Build pride in the organization***

Leading institutions address an individual customer complaint; identify and address the root cause, eliminating similar complaints; and inspire employees, because they see both the individual complaint and the root cause resolved.

##### ***Anticipate the evolution of the customer complaint function***

Management of customer complaint programs is expected to evolve over the next two to three years. Leading institutions view these programs as opportunities to transform their business models rather than as “one and done” projects. In this way, they create a solid business case to obtain funding for complaint management initiatives.

***Our approach is flexible, and it helps financial institutions build an effective program from the ground up. It also helps institutions enhance an existing program.***

Our approach focuses on four critical success factors: governance, people, process, and systems and data.

Once established, we recommend that institutions periodically reevaluate their complaint management programs to determine whether they are meeting evolving regulations and customer needs.



**Governance:** Clearly defined complaint management programs and policies exist at the enterprise level with top-level commitment.

**People:** Customer-centric cultures are enabled and enhanced through training, incentives, and decision-making rights. Such a culture encourages resolution of complaints at the first point of customer contact.

**Process:** Clearly defined complaint management processes exist when complaints are closed, resolution is acknowledged by the customer, and complaints are tracked for continuous improvement.

**Systems and data:** Institutions leverage enterprise-wide complaint management systems and tools, and then apply analytical techniques to gain insights from complaints.

***Applying this systematic framework helps financial institutions move the customer experience dial from minimum to desirable to competitive to distinctive.***

















---

## ***Competitive intelligence***

A solid orange rectangular box containing the text "Our observations of industry practices." in a white, italicized serif font. A small orange horizontal bar is positioned to the left of the bottom-left corner of the box.

*Our observations of  
industry practices.*

## Financial institutions are at various levels of maturity with respect to complaint management.

















Governance perspective				
Leading practices (non-exhaustive)	Top 10 national retail bank	Regional bank	Community bank	UK retail bank
The institution has a policy to handle complaints at the enterprise level versus at the line-of-business level.	 Various lines of business have an enterprise-wide policy to handle complaints.	 Each line of business has a separate policy to handle complaints.	 Most lines of business have a common policy to handle complaints.	 Various lines of business have an enterprise-wide policy to handle complaints.
The institution has uniform policies, procedures, and employee authorizations based on customer type.	 Uniform policies, procedures, and employee authorizations are based on customer value, ownership/use of products, tenure, and new customers. The institution assigns relationship managers to accounts.	 Uniform policies, procedures, and employee authorizations are only available when a relationship manager is assigned to the customer.	 Uniform policies, procedures, and employee authorizations do not exist.	 Uniform policies, procedures, and employee authorizations are based on the nature of the complaint.
The institution has a unit with enterprise-wide responsibility for significant complaints.	 Unit with enterprise-wide responsibility handles significant complaints.	 Unit with enterprise-wide responsibility handles significant complaints.	 Unit with enterprise-wide responsibility to handle significant complaints does not exist.	 An enterprise-wide unit handles regulatory issues and significant complaints, including those sent to the CEO.
The institution has a centralized team of subject matter specialists to handle issues that arise infrequently and/or involve multi-department complaints.	 A centralized team of subject matter specialists does not exist.	 A centralized team of subject matter specialists handles issues that arise infrequently and involve multi-department complaints.	 A centralized team of subject matter specialists does not exist.	 A centralized team of subject matter specialists coordinates with individual lines of business when complaints are highly technical in nature.


 Leading

 On par

 Lagging





















## Financial institutions are at various levels of maturity with respect to complaint management (continued).




People perspective				
Leading practices (non-exhaustive)	Top 10 national retail bank	Regional bank	Community bank	UK retail bank
Employees in each line of business receive the same complaint resolution training.	 Employees do not receive the same complaint resolution training.	 Employees do not receive the same complaint resolution training.	 Employees receive the same complaint resolution training.	 Employees receive the same complaint resolution training.
Employees in each line of business can access the same complaint resolution database to view customer service history.	 Employees can access a comprehensive complaint resolution database to view customer service history.	 Employees cannot access the same complaint resolution database to view customer service history.	 Employees cannot access the same complaint resolution database to view customer service history.	 Only employees in the core business units can access a comprehensive customer management system to view customer service history.
Employees are authorized to resolve complaints in other lines of business without assistance or approval from those departments.	 Employees are not authorized to resolve complaints in other departments.	 Employees are authorized to resolve complaints in other departments, such as credit cards, home equity lines of credit, and mortgages.	 Employees are authorized to resolve complaints about some, but not all products.	 First-line employees are authorized to resolve complaints (in line with the principle of first-time resolution), but clear guidelines exist for escalation.
Employees are motivated to help and are rewarded for helping different departments resolve customer complaints.	 The institution bases a portion of employees' incentives on customer satisfaction. The institution distributes a weekly/monthly top performer list to recognize employees.	 The institution uses peer nominations and distributes a weekly/monthly top performer list to recognize employees, but it does not take into account key performance indicators (KPIs) or customer feedback.	 The institution shares leading practices for complaint resolution and encourages peer-to-peer networking. Employees are encouraged to prioritize customer satisfaction.	 The institution shares leading practices for complaint resolution. In addition to recognition within departments, formal enterprise-wide awards are given on a quarterly basis. Employees are encouraged to prioritize customer satisfaction.

 Leading
  On par
  Lagging





















## Financial institutions are at various levels of maturity with respect to complaint management (continued).

Process perspective				
Leading practices (non-exhaustive)	Top 10 national retail bank	Regional bank	Community bank	UK retail bank
The institution reviews first-contact complaint resolutions, remediation timeframes, and customer experience metrics to assess the effectiveness of complaint resolution.	 Various complaint management metrics exist, including the percentage of first-contact complaint resolution, but not all available metrics are used.	 Remediation timeframes are not reviewed to assess the effectiveness of complaint resolution, but other measurements are reviewed.	 KPIs are not reviewed to assess the effectiveness of complaint resolution.	 Various complaint management metrics are reviewed, including the percentage of first-contact complaint resolutions. Complaints are managed using a case management system, and queries are prioritized. Customer feedback surveys are also widely used.
The institution analyzes complaint resolution and KPIs, including customer loyalty, average balances, share of wallet, household profitability, and referrals.	 Analysis includes the relationship between complaint resolution and customer satisfaction, as well as balances, and household profitability.	 Analysis includes only the relationship between complaint resolution and customer satisfaction.	 The relationship between complaint resolution and listed KPIs is not reviewed.	 Analysis includes the relationship between complaint resolution and customer satisfaction, as well as product holdings, balances, and customer segmentation.
The institution resolves the majority of complaints during first contact with a representative (with or without advice from another employee or subject matter specialist).	 Complaints about product, address, and checkbook orders are resolved 100% of the time. Posting errors, account status, and other issues are resolved 95% of the time.	 An infrequent number of various complaints are resolved at first contact.	 Complaints about posting errors, statements, account status, account type, and address are resolved at first contact most of the time.	 Most complaints are resolved at first contact the majority of the time. The institution also uses complaint resolution as a way for the senior leadership team across each function to engage with customers, even for non-escalated complaints.
The institution logs every complaint.	 Every complaint is logged.	 Not every complaint is logged.	 Not every complaint is logged.	 Every complaint from core business units is logged on an enterprise-wide complaint management system.
The institution's lines of business work cooperatively and quickly to resolve customer complaints.	 Lines of business cooperate to a moderate degree, but there is room for improvement.	 Lines of business have had little success cooperating.	 Lines of business work cooperatively and quickly to resolve customer complaints and track metrics.	 Lines of business work cooperatively and quickly to resolve customer complaints and track metrics.

 Leading
  On par
  Lagging

## Financial institutions are at various levels of maturity with respect to complaint management (continued).

Systems and data perspective				
Leading practices (non-exhaustive)	Top 10 national retail bank	Regional bank	Community bank	UK retail bank
The institution uses a computer system to track complaints.	 A system tracks complaints.	 A system tracks complaints.	 A system is not used to track complaints.	 An enterprise-wide complaint management system tracks complaints.
The institution has a dedicated analytics team for complaints.	 A dedicated analytics team produces complaint analytics, reports, and dashboards.	 A shared analytics team produces basic reports and dashboards.	 A shared analytics team produces basic reports and dashboards.	 A dedicated complaint analytics team produces reports and dashboards for the customer fairness committee and individual business units. This team also tracks root-cause analytics and operational improvements/actions.
The institution uses formal dialogue scripting for decision support.	 Formal dialogue scripting is used for decision support.	 Formal dialogue scripting is not used for decision support.	 Formal dialogue scripting is not used for decision support.	 Formal dialogue scripting is used for decision support. The institution has invested heavily in complaint handling training over the last five years.
The institution uses a fee-rebate calculation tool for decision support.	 A fee-rebate calculation tool is used for decision support.	 A fee-rebate calculation tool is not used for decision support.	 A fee-rebate calculation tool is not used for decision support.	 A fee-rebate calculation tool is not used for decision support.

 Leading
  On par
  Lagging

---

## *A framework for response*



*Our recommended  
approach to the issue.*

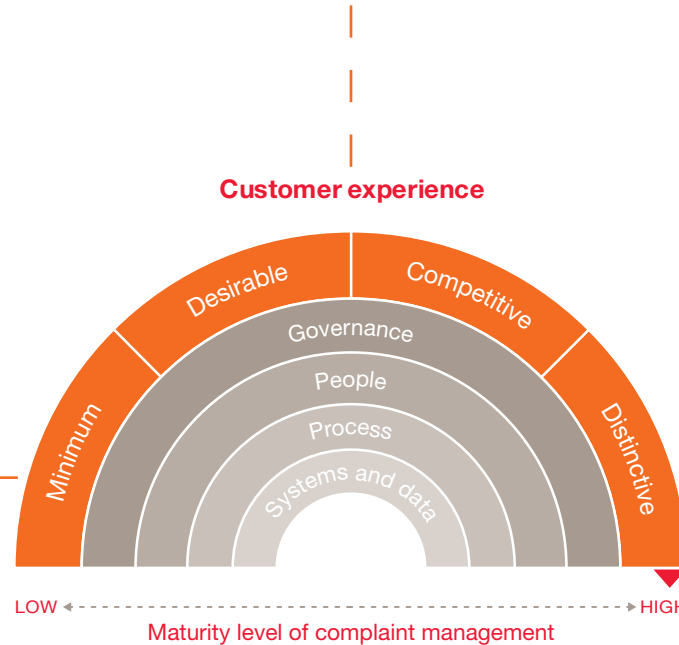
## Our approach focuses on four critical success factors to enhance the customer experience: governance, people, process, and systems and data.

### Governance

- Definitions of complaint, dispute, and inquiry.\*
- Complaint program structure.
- Legal and regulatory controls and oversight consider regional and global requirements.
- Assessed complaint management policy.
- Standard common reporting and key performance indicators (KPIs) across lines of business, channels, and regions, including third-party service providers.

### Process

- Customer touchpoint inventory.
- Standard processes across all lines of business, channels, regions, and third-party service providers.
- Complaints taxonomy incorporated into social media monitoring.
- Definitions of common escalation triggers and hand-off procedures.
- Continuous improvement based on multiple feedback loops.
- Correlation and measurement against strategic objectives.



### People

- Training consistency and competency evaluation.
- Specific training on identification of high-risk complaints.
- Employee authority and empowerment.
- Monitoring and assessment.
- Individual performance metrics.
- Incentive programs to encourage appropriate employee behaviors.
- Sustainable change management planning.

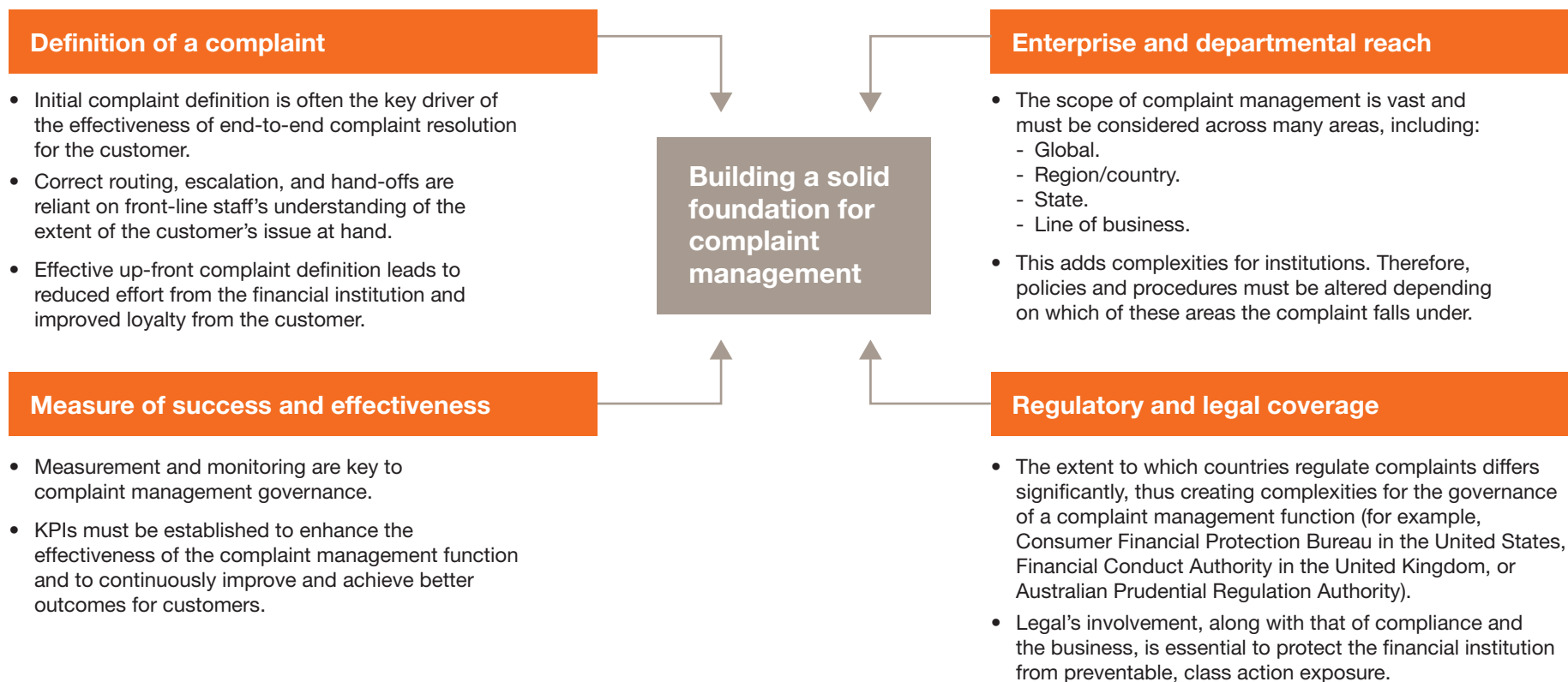
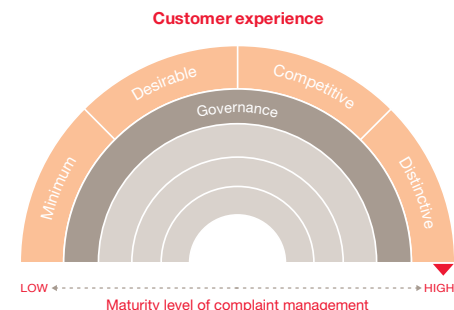
### Systems and data

- Consistent set of systems and tools.
- Complaint data aggregation from all sources, including all channels, lines of business, and regions.
- Applying analytical techniques provides insights from complaints.
- Analysis of feedback to identify issues of dissatisfaction.
- Integrated intake of social media complaints.
- Engagement platform for co-creation.
- Standard reporting and analytics platform/tools requirements.

\*A routine customer service request or inquiry received directly from the customer is not generally considered a complaint unless it matches the definition described earlier in the paper. It is important to note that an issue raised by a customer may represent a potential pattern of bank error or customer dissatisfaction.

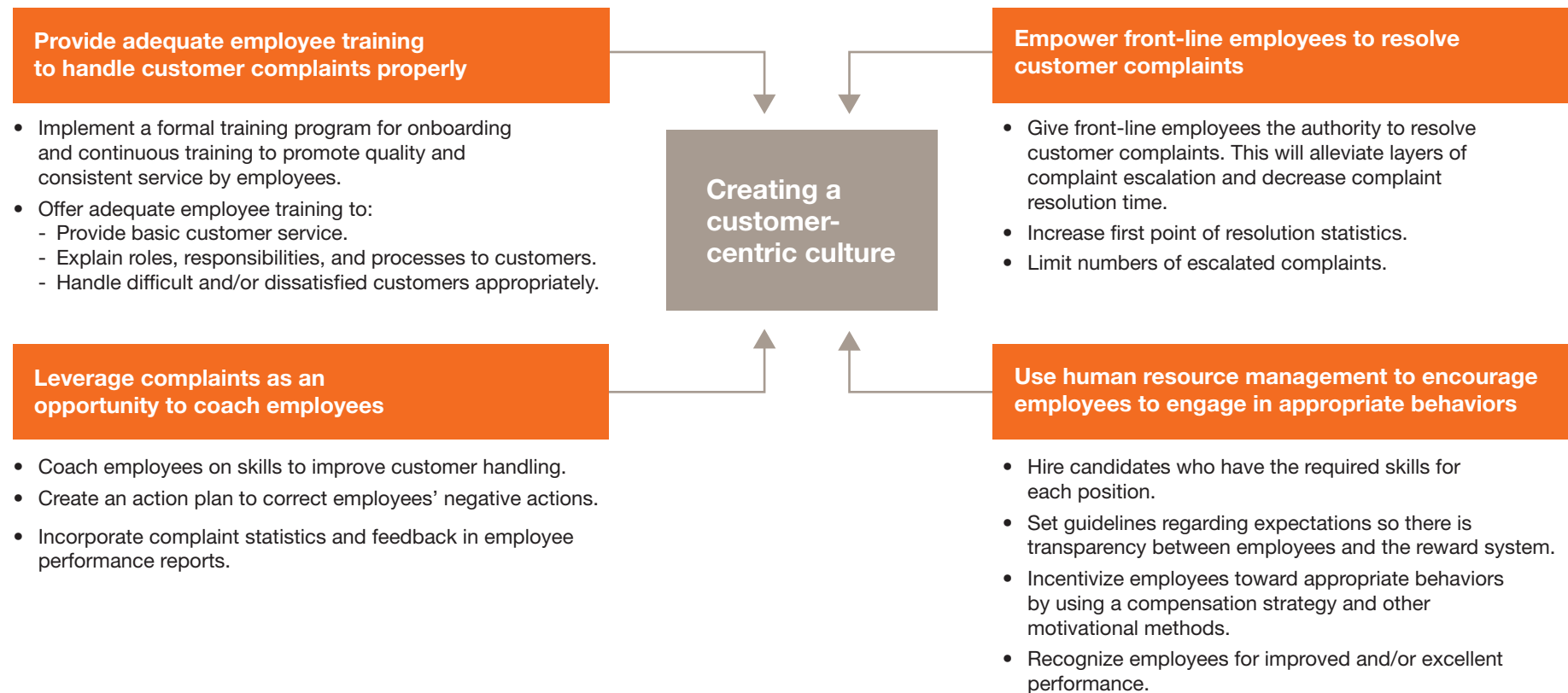
## Governance

***Building a robust governance model provides a solid foundation for achieving competitive differentiation through a strong complaint management function.***



## People

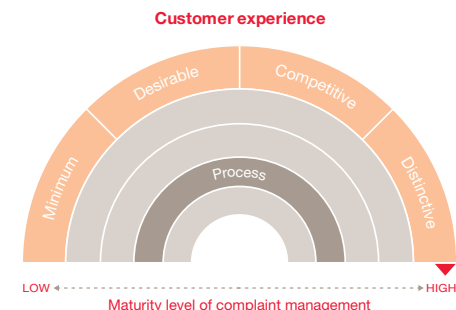
**The appropriate people strategy is instrumental in building a solid foundation for a strong complaint management program.**



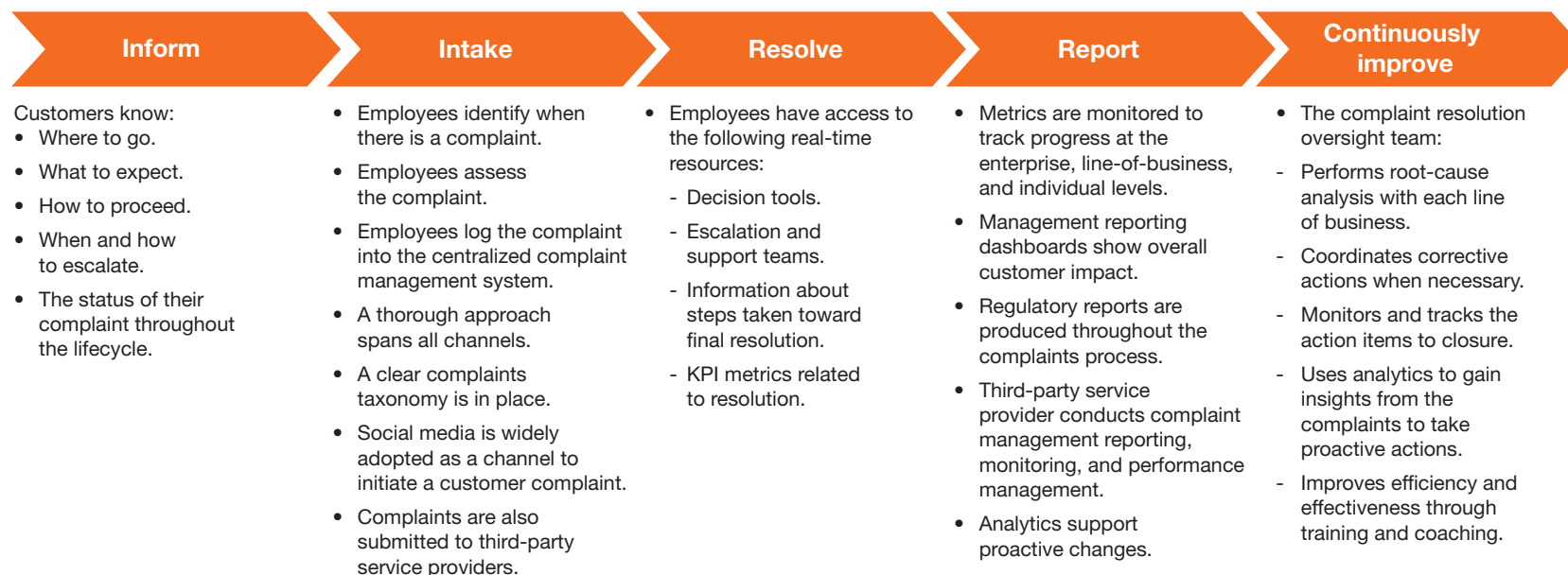


## Process

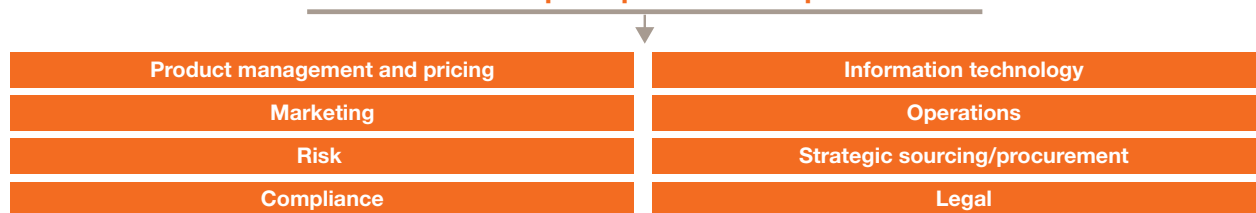
**Financial institutions should build customer trust by implementing clear processes for consistent intake, speedy complaint resolution, and continuous improvement.**



### Target complaint management lifecycle

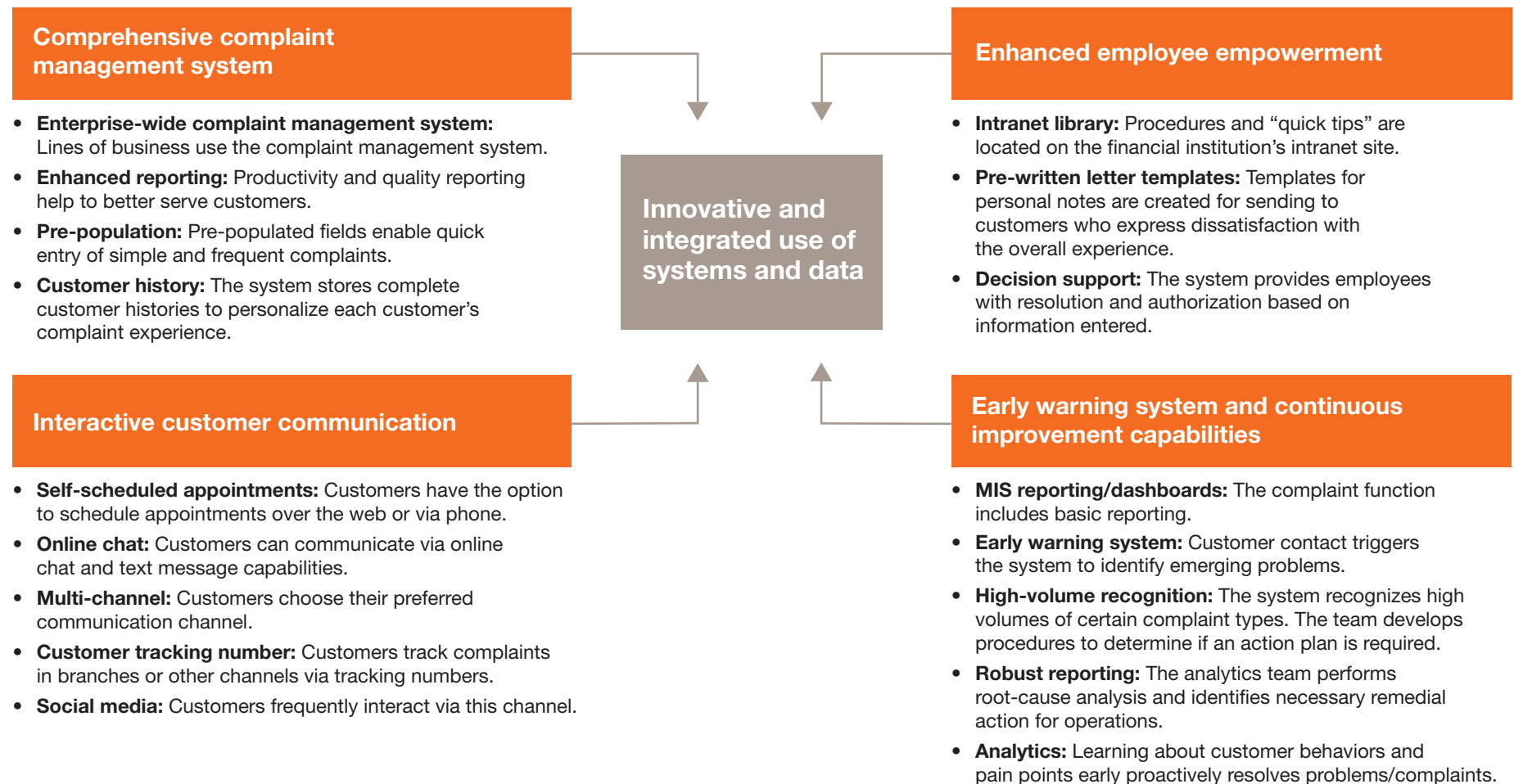


### Other enterprise processes impacted



## Systems and data

*Technology will aid the volume, consistency, and integrity of data, as well as help create a seamless multi-channel experience for customers.*



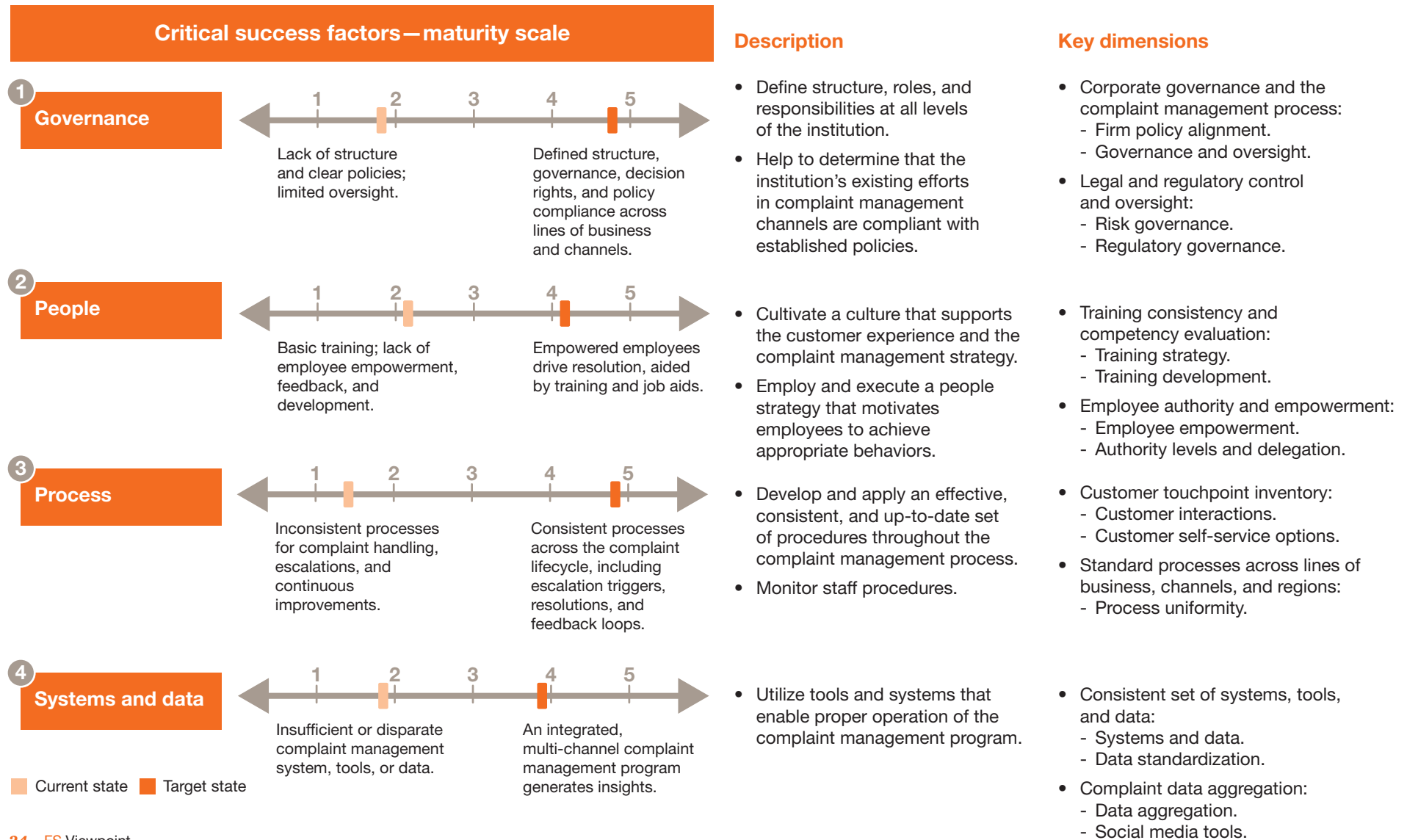
**The degree to which a financial institution can deliver a distinctive customer experience is dependent on the maturity of its complaint management program.**



Value creation increases with program maturity

Capabilities	Level 1: Minimum	Level 2: Desirable	Level 3: Competitive	Level 4: Distinctive
<b>Summary</b>	Capabilities meet the minimum requirements for regulatory compliance at the country or global level.	Capabilities are cost justifiable and easy to implement to deliver a consistent customer experience during complaint handling.	Capabilities become leading practices within the institution's complaint management program, resulting in enhanced customer experience.	Capabilities exemplify the brand and differentiate the institution's customer experience from other top-performing companies across industries.
<b>Governance</b>	Basic complaint management foundation includes written policy. KPIs are defined and monitored at the line-of-business or country level.	Clear and consistent complaint management foundation includes consistent definition of a complaint, centralized policies, and escalation procedures with centralized oversight.	Enhanced policies increase employee decision entitlements. There is a defined employee feedback program, specialized complaint handling procedures, and incentives that are aligned to KPIs.	Integrated governance and policy creation includes compliance, marketing, product design, and operations to align the customer experience with brand proposition.
<b>People</b>	Training is basic, with some ongoing development of complaint handling staff, including coaching by a supervisor.	Training is both initial and continuous for development of complaint handling staff. It includes identifying and resolving high-frequency complaints, as well as escalation scenarios for complaints that are complex and have regulatory implications.	Training and development includes certification programs that use leading practices, such as staff specialization in complaint and product types, pre-defined hand-off procedures, and individual incentive programs. There is also a complaint handling career path.	Thorough training and development programs include brand values and charter commitments, individual monetary incentives, a fast-track career path for high performing staff, and strong cultural alignment to enhanced customer service and quality.
<b>Process</b>	Basic complaint management process includes clear resolution paths and monitoring, knowledge management, and regular reporting on KPIs.	Standardized enterprise complaint management process includes reduced repetitive resolution paths, intranet support links, and pre-defined action plans for high-frequency complaints.	Leading complaint management process includes complaint taxonomy, early warning system triggers, systematic root-cause analysis while identifying remedial actions, and standard customer communication templates.	Thorough and proactive complaint management process includes fast-lane resolution paths, decision-support tools to meet aggressive resolution timeframes, and personalized customer communications sent with bonus gifts.
<b>Systems and data</b>	Basic tools to service complaints and issues are supported by basic workflows, as well as storage and retrieval functionality. Multi-channel intake may be manual, with basic analytical support.	Centralized complaint management system at the enterprise level configures rules for line-of-business and regional products. Integrated support is available for online, branch, and call center channels. Advanced knowledge management includes quick reference decision cards and advanced tools to apply analytics techniques.	Integrated support is available for social and mobile channels. Advanced customer communication tools include self-help, personalization, etc. Advanced features for staff include online training, pre-population, early warning triggers, agent personalization, etc. Analytics generates insights from complaints and satisfaction data.	Social media listening is integrated. An online community platform supports customer engagement, and it predicts high-frequency complaints and staff capacity. An intelligent knowledge base expedites resolution. Predictive analytics enables proactive changes to policy, staffing, process, product, etc.

## The maturity scorecard acts as a tool for financial institutions to set an executable strategy to gain a competitive advantage.



---

## ***How PwC can help***

A large orange rectangle containing the text "Our capabilities and tailored approach." is positioned in the center-right of the slide. A smaller orange rectangle is located directly below the left side of the larger one.

*Our capabilities and  
tailored approach.*

## ***What makes PwC's Financial Services practice distinctive.***

<b>Integrated global network</b>	With over 34,000 industry-dedicated professionals worldwide, PwC has a network that enables the assembly of both cross-border and regional teams. Our large, integrated global network of industry-dedicated resources means that we deploy the right personnel with the right background on our clients' behalf whenever and wherever it is needed.
<b>Extensive industry experience</b>	PwC serves multi-national financial institutions across banking and capital markets, insurance, asset management, hedge funds, private equity, payments, and financial technology. As a result, we have the extensive experience necessary to advise on the portfolio of business issues that affect the industry, and we apply that knowledge to our clients' individual circumstances.
<b>Multi-disciplinary problem-solving</b>	The critical issues financial institutions face today affect their entire business. Addressing these complexities requires both breadth and depth of experience, and PwC service teams include specialists in strategy, risk management, finance, regulation, operations, data management, and technology. This enables us to provide support to corporate executives, as well as to key line-of-business and staff management personnel. We help address business issues from client impact to product design, from a go-to-market strategy to an improved economic model to proper functional practices across the organization. We excel at solving problems that span the range of our clients' key issues and opportunities, working with the heads of not only the business but also the risk, finance, operations, and technology departments.
<b>Practical insight into critical issues</b>	In addition to working directly with clients, PwC's practice professionals and our Financial Services Institute regularly produce client surveys, white papers, and points of view on the critical issues that face the industry. These publications—as well as the events we stage—provide clients new intelligence, perspective, and analysis on the trends that affect them.
<b>Focus on relationships</b>	PwC US helps organizations and individuals create the value they are looking for. As a member of the PwC network of firms, which includes over 184,000 people in more than 157 countries, we are committed to delivering quality in assurance, tax, and advisory services.



***We can help you assess your complaint handling process, from analyzing the current state of operations to advising on and remedying gaps as compared to industry-leading practices.***

**Enhance customer complaint operating model**

- Enhance and/or implement a new complaint management capability—including the operating model, governance and structure, policies and procedures, processes and controls, and reporting—by leveraging our customer complaint management maturity approach. This helps institutions assess four capability dimensions: governance, people, process, and systems and data.
- Recommend operational improvements related to issue resolution by identifying leading causes of complaints and applying lean principles.

**Provide industry leading technology advantage**

- Leverage SocialMind, a leading web and text analytics tool, with our expertise to deliver actionable insights and recommendations.
- Recommend enterprise-wide complaint management solutions based on leading industry practices.
- Define requirements for a leading complaint management system.
- Define and develop a complaint management dashboard and reporting requirements.
- Design customer complaint analytics and real-time voice analytics to gain insights.

**Improve customer experience**

- Define the customer experience strategy and align complaint handling with problem resolution.
- Create customer “journey maps” that depict a customer’s journey from complaint to resolution.
- Develop customer satisfaction surveys and voice-of-the-customer programs.
- Design and conduct “mystery shopping” to test processes and enhance training requirements.

**Enhance governance and regulatory compliance**

- Review and enhance policies and procedures, and identify possible compliance issues.
- Create overview documents that summarize the current state of the complaint handling process to share with regulators and auditors.
- Conduct a preparation and readiness assessment for Consumer Financial Protection Bureau exams.

---

## ***Appendix***

*Select qualifications.*

***Customer complaint  
handling strategy and  
recommendations—  
Major global bank’s  
US subsidiary***

---

**Issues**

The bank did not have a standardized definition of what a customer complaint is and, consequently, each line of business provided different responses to customers. The institution had a limited understanding of the Consumer Financial Protection Bureau (CFPB) and other regulatory agencies’ complaint management compliance expectations. Limited policy guidance focused on complaint governance and ownership. Customer complaint management across the “customer complaint lifecycle” was lacking. Existing processes were manual, effectively limiting the bank’s ability to track and develop insights and actions.

---

**Approach**

We assisted the client in performing an assessment of the current state of its customer complaint model. We then helped the client define a target state and design a customer complaint program structure and governance system.

As part of our collaboration with the client, a PwC team conducted the initial assessment, and then analyzed the data and produced recommendations for the client.

---

**Benefits**

Our work helped the client identify gaps, recommend specific actions, and obtain approval for those actions from the head of the US business. We also aided the client in recommending a complaint program structure within its already defined governance structure. Finally, we assisted in saving the client 25% of the project costs.

---

*Assessment of current-  
and future-state  
recommendations for  
complaint handling—  
Top 10 bank*

Issues	<p>In recent customer surveys, this bank had received relatively low marks for handling customer complaints. The low marks were attributed to the bank’s failure to adhere to its own complaint handling standards. The bank’s managers believed that, by aligning their complaint handling system with compliance expectations, customer experiences could be vastly improved.</p>
Approach	<p>We assisted the client’s management in establishing a conceptual model with three main levels of customer experience capabilities. We also proposed that the complaint handling process be split into four sections—governance, people, process, systems and data—across levels of customer experience.</p> <p>Our team helped establish key objectives for managing customer complaints. To introduce accountability into the complaint system, outcome measures were associated with each objective and the activity measures that drive each outcome measure were defined. Next, we proposed a centralized customer care approach that covered necessary enhancements for thorough and accurate recording of all complaints, as well as other opportunities for improvements beyond compliance. Finally, we presented a menu of escalation options to improve customer satisfaction.</p> <p>We worked with the client’s management to identify gaps in the complaint system’s current state and compliance standards, including cost differences and benefits, to identify remediation steps that would further enhance the customer experience.</p> <p>We demonstrated to the client how many of these improvements/ remediation steps were cost justifiable and could be implemented with current requirements. Beyond that, we proposed opportunistic enhancements that would position the client to meet leading competitor practices.</p>
Benefits	<p>Based on our work, the client was better able to input, monitor, resolve, and follow up on customer complaints. These improvements helped the bank match and/or exceed the service levels of its competitors.</p>

## ***Establishing a third-party consumer complaint management program assessment— Large domestic bank***

---

### **Issues**

The CFPB and the US Office of the Comptroller of the Currency released guidelines for managing complaints submitted by consumers to third-party service providers acting on behalf of the banks. With a deadline approaching to implement these guidelines, the bank needed to confirm that consumer complaints made to third-party service providers were handled consistently and in compliance with regulatory requirements.

---

### **Approach**

We assisted the client in completing a third-party service provider complaint assessment by using PwC's maturity model. We also provided recommendations for developing an effective consumer complaint management program.

As part of this effort, PwC undertook the following:

- We aided the client in identifying gaps and recommending specific actions for readiness to comply with CFPB expectations. We helped the client by accelerating the development of a mature complaint model and creating a governance framework, organizational structure, and complaint stratification guide.
- We assisted the client in reviewing its complaint management policy to determine if third-party complaints were managed consistently across all lines of business. We then provided recommendations for enhancing the policy.
- We helped the client develop a roadmap for implementing a third-party consumer complaint management program that aligned with its current complaint program to enhance the customer experience.

---

### **Benefits**

With our assistance, the client established a consistent policy and set of procedures for third-party service provider complaint governance, oversight, and ownership by enterprise and line of business. Our assistance enabled the client to save resource time and cost.

---

**Consumer complaint management strategy and readiness for CFPB examination—  
Leading US consumer bank**

Issues	<p>The CFPB was set to administer the bank’s first examination, but executives did not have a concise top-level view of the customer issues that would be reviewed. The bank had recently appointed a head of customer experience with no prior experience dealing with regulators. The bank asked for our assistance in preparing it for the CFPB exam.</p>
Approach	<p>We assembled a core team of specialists with prior experience in customer satisfaction, complaint management, and regulatory compliance to assist the client in assessing its current state of readiness for the upcoming exam. We then collaborated with the client to create two parallel work streams.</p> <p>In the first work stream, our team helped the client establish the potential issues bank customers face. To give the client insights, we issued a report outlining these issues. This report was reviewed by the legal, risk, and compliance units to help ensure that customer issues were correctly identified and that the client complied with regulations.</p> <p>In the second work stream, we helped the client review its customer complaint package and recommended improvements. We also conducted a session with the client’s executives to share insights from our similar experiences with peer banks.</p>
Benefits	<p>The client’s executives obtained a high-level view of the issues, along with documented remediation action plans, in the short time before meeting with CFPB examiners. Executive summary reporting and action plan templates were created and reusable for the client’s lines of business.</p> <p>Our insights, based on prior experience and in-depth analysis, prepared the head of the client’s customer experience unit to engage the CFPB examiners effectively. As a result, the client was prepared for the CFPB examiners and received positive comments.</p>



***Complaint management  
testing strategy and  
assessment of results—  
Large US regional bank***

---

**Issues**

This client received an unfavorable review from one of its regulators. As a result, the internal audit team undertook end-to-end testing of the complaint management program. The client asked PwC to review the testing strategy, including coverage and approach.

---

**Approach**

We assembled a team of internal audit and customer complaint subject matter specialists to work with the client's internal audit and compliance divisions. Leveraging our experience in this area, we assisted the client in analyzing and enhancing its testing strategy and approach. Based on the results of testing, we helped the client identify gaps and promote thorough coverage.

---

**Benefits**

We aided the client by identifying additional areas that could be subject to regulator review. The client was then able to focus on implementing changes in these areas to promote favorable reviews in the future.

---

***Multi-channel digital  
customer servicing strategy  
to improve the customer  
experience—  
Leading credit card issuer***

---

**Issues**

The client lacked a long-term view of the digital opportunities available in improving customer service and experience. The client's digital servicing capabilities were significantly behind that of the competition and broader leading practices. Due to past investment decisions, many international markets were particularly underequipped to service customers' digital needs. Disparate organizational approaches led to the proliferation of non-strategic point technology solutions.

---

**Approach**

To gain insight into the business, we worked with the client to:

- Interview call center employees to identify typical issues from their customers.
- Identify issues present in first-call resolutions and systems that could help improve the process.
- Listen to randomly selected customer complaint calls as they occurred to identify gaps in the process.

After an analysis of these results, as well as analyses of other internal data and structures, we proposed a three-year strategy for web, mobile, and email channels across 20 geographies. In addition, we proposed foundational technology platform upgrades, including an enterprise-scale shared-service layer for cross-channel consistency.

---

**Benefits**

Based on our suggestions, the client was able to quickly mobilize and execute a program in a globally consistent manner. As a result of the program's implementation, the client achieved an increase in annual revenue of 10% to 12% and a reduction in customer service operating expenses of 8% to 10%.

---

---

*To have a deeper conversation,  
please contact:*

---

Dean Nicolacakis	dean.nicolacakis@us.pwc.com +1 415 498 7075
Anthony Ricko	anthony.ricko@us.pwc.com +1 617 530 7536
Ketan Parekh	ketan.parekh@us.pwc.com +1 646 471 8745
Tim O'Donnell	timothy.b.odonnell@us.pwc.com +1 646 471 8501
Roberto Hernandez	roberto.g.hernandez@us.pwc.com +1 214 754 7321
Richard Altham	richard.d.altham@us.pwc.com +1 617 530 7188

---

*Follow us on Twitter @PwC\_US\_FinSrvcs*

---

[www.pwc.com/fsi](http://www.pwc.com/fsi)



"Turning frowns upside down: How financial institutions can transform complaints into a competitive advantage," PwC FS Viewpoint, March 2014. [www.pwc.com/fsi](http://www.pwc.com/fsi)

© 2014 PricewaterhouseCoopers LLP, a Delaware limited liability partnership. All rights reserved. PwC refers to the US member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details. This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

BS-13-0419