



Transform Bank Complaints Handling with Experience Management

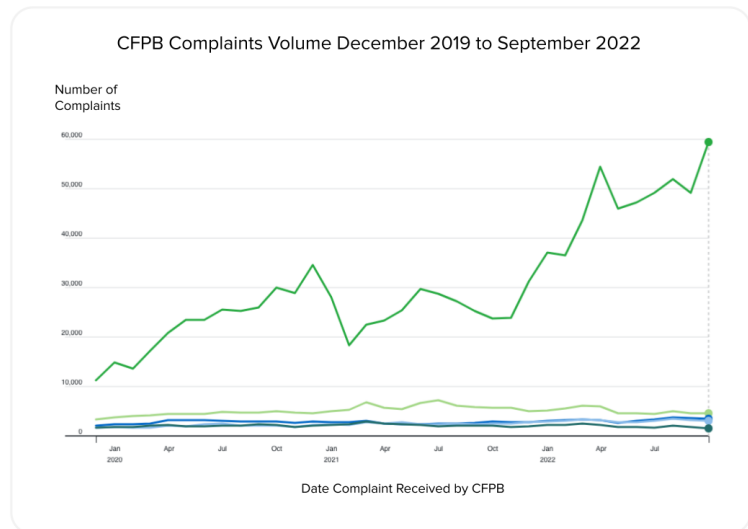
How a customer-centric approach to complaints management dramatically increases efficiency, customer retention, and risk control in management

Medallia

Ask anyone on a banking complaints management team in banking about how it's going and you will likely hear things are pretty tough in their world. Sources and volumes of complaints are rising dramatically as consumers learn all the new digital and offline ways they can try to get a satisfactory resolution to their issue. A quick check of the Consumer Financial Protection Bureau (CFPB) complaint database shows the number of complaints they receive per month has more than tripled from December 2019 to October 2022.

Complaints received by the CFPB per month have more than tripled since December 2019

Sources and volumes of complaints are rising dramatically as consumers learn all the new digital and offline ways they can try and get a satisfactory resolution to their issue



It is not surprising then that with increasing complaint sources, types and volumes, compliance teams are often overburdened by manual processing. It is time consuming and inefficient for humans to read through written descriptions to determine the seriousness of the complaint, how it should be routed for appropriate handling as well as tracking and reporting. Complaints are becoming more difficult to detect, triage and resolve in a timely manner and in the best way to minimize escalations, restitution cost and risk.

From a customer experience perspective, complaints handling is key to customer retention, loyalty, and reputation. By the time a customer decides to lodge a formal complaint, they likely tried to resolve their problem over many hours and were unsuccessful. The good news is that if their complaint is well-handled, there is an opportunity to turn that into a positive outcome. 83% of customers agree that they feel more loyal to brands that are responsive and resolve their complaints, according to a study by Khoros. On the flip side, a negative complaint experience has consequences. According to JD Power, 44% of banking customers who experienced a problem that remained unresolved are likely to switch banks. And, from a reputation standpoint, the adage that an unhappy customer will tell ten friends about their experience is long outdated. Nowadays, an upset customer can post a tweet or record a youtube or Tiktok and tell millions of people about it instantly.

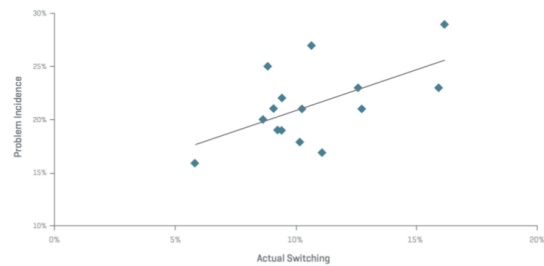
More complaints +
poor resolution
= **customer attrition**

Common Complaints Reported to CFPB

- Charging hidden fees
- Manipulating debit processing to net more overdraft fees
- Assessing unauthorized charges
- Misrepresenting or illegally increasing interest rates
- Taking too long to post payments or deposits to accounts
- Opening new accounts without customers' consent
- Transferring funds between accounts without approval

Source: JD Power

Link Between Problems and Actual Switching in Retail Banking



44%

of banking customers who experienced a problem that remained unresolved are likely to switch

Rising complaints volumes and potential exposure increases risk, which, as all bankers know, if not detected and mitigated, can be costly. Severe complaints include potential violations under UDAP (Unfair, Deceptive, or Abusive Acts or Practices) or the Equal Credit Act, Truth in Lending Act, Federal Trade Act and other laws at the federal and state level. Early detection of these complaints can surface a systemic problem that must be addressed before it gets out of hand. So, as part of protecting bank customers and ensuring a well functioning and trustworthy banking system, examiners from regulatory authorities like the OCC expect banks to have a well-functioning and documented process that describes how complaints are defined and identified, shows how serious consumer complaints are handled promptly, has leadership and a process to address underlying causes, and demonstrates timeliness and complete files. As the size of the bank increases so too do expectations and scrutiny around complaints management.

Complaints management and compliance presents significant challenges with direct financial and risk impacts

Costly Inefficiency



- Complaints team is overburdened with manual processing
- Lack of useful analytic insights needed to reduce complaints
- Rising escalation volumes and restitution expense

Customer Attrition & Declining Loyalty



- Poor or unresolved handling of complaints leads to customer attrition
- Public exposure of complaints and poor handling leads to negative brand perceptions and lower NPS

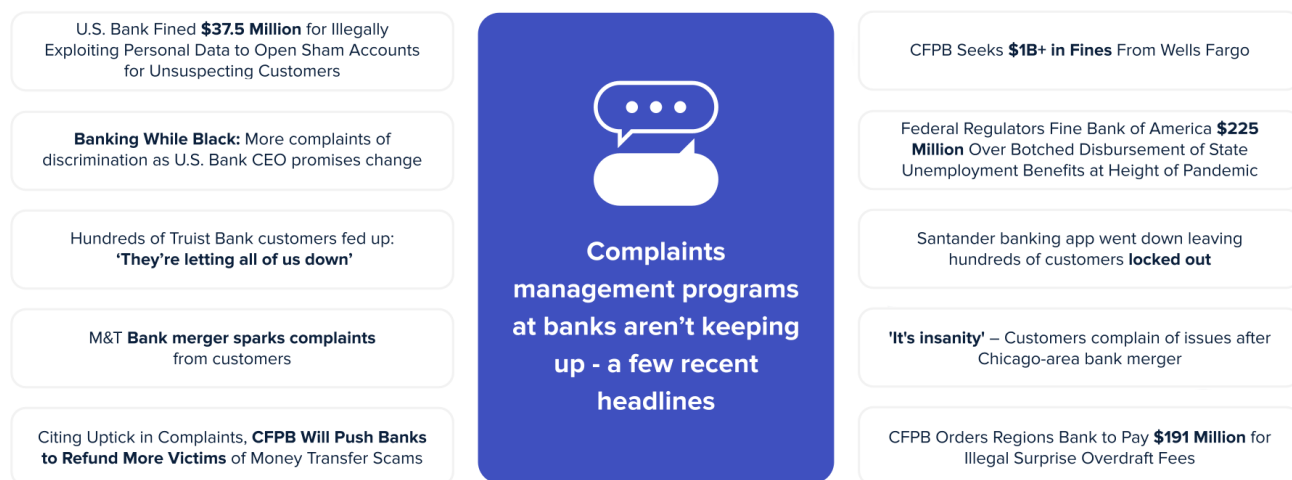
Higher Risk



- Rising volumes, severity and exposure leads to increased, reputational, operational and financial risk, as well as potential regulatory penalties

When complaints are not well managed the consequences can be devastating. Take a look at recent press releases on the CFPB website. A number of some of the most respected banks in the US have collectively been fined hundreds of millions for violating consumer protection laws - all of which were originally surfaced from customer complaints. And, the dreaded MRA - Matter Requiring Attention - can be costly to resolve while also diverting attention and resources away from other important initiatives. MRAs are essentially judgements by bank examiners to the banks management and board about issues with governance and risk management, or non compliance with laws or conditions. Complaints management is often a focal point for bank examiners as they recognize its value and importance in uncovering and resolving problems before they get out of control.

Customer complaints are **gold**: Customer issues + warning about bigger problems to solve



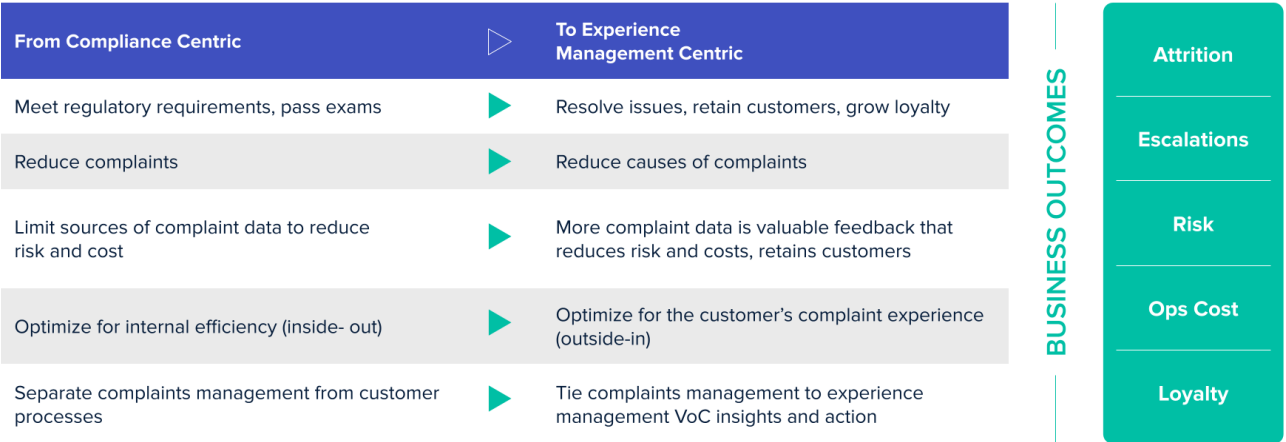
With this backdrop, banking teams across risk and compliance, legal, customer experience and the lines of business are recognizing that a new approach is needed for complaints management. Despite large and expensive complaints management programs at some of the most respected and largest banks, costly, high-exposure mistakes happen all too often.

Medallia works with a number of large and mid-sized financial services institutions (FSI) to support complaints management in banking, insurance and investment services. Our collective learning with these organizations has exposed a potent opportunity for FSIs to transform complaints management. They are moving from a mainly compliance centric to a more customer centric approach that leverages data, technology and process that is inherent with experience management platforms to operationalize complaints capture, analysis and handling at scale.

Through experience management, the focus changes from meeting regulatory requirements and reducing complaint volumes to identifying and resolving issues, retaining customers and fixing root causes. It does not limit complaint channels for fear of receiving more complaints. It treats those complaints as precious voice of customer insights that lead to uncovering and resolving issues before they escalate, finding and solving systemic, and potentially risky problems, and growing customer loyalty. The business impact to be gained with this model is significant - reducing customer attrition, escalations, operational costs and risk of fines, MRAs and negative reputation, while delivering increased efficiency in complaints management, and raising customer loyalty. And as root causes are solved over time, complaint volumes decrease.

Flip the script: Bring experience management technology, process and customer centricity to complaints management

Treat complaints as valuable voice of customer data for surfacing and resolving issues before they escalate, solving systemic, risky problems, and growing customer loyalty



Making this transformation happen means bringing experience management systems, processes and a customer-centric mindset into the complaints management program in order to execute systematically in three main areas:

1. Centralize and continuously capture complaints data from multiple structured and unstructured (free-text and speech) sources, continuously, reliably and at scale using advanced AI-enabled natural language processing. This can greatly reduce time-intensive manual processing by the complaints team, and free them up to perform more value-added handling of escalations, providing early warning of potentially high risk issues, while supporting root cause analysis.
2. Automate the review, triage and routing of potential regulatory vs non-regulatory complaints in order to be handled, tracked and reported. This improves accuracy and efficiency while raising performance on close rates and speed of resolution, and reducing costly escalations.
3. Provide user friendly, insightful complaints reporting dashboards and analytic insights from complaints and operational data for leadership and teams in order to uncover and solve for root causes of complaints and irritants.

Sources of potential complaints may be added over time. These include internal email submissions from customer-facing employees, online complaint forms, chat logs, customer survey responses to open-ended questions, voice recordings from contact center interactions, social media, as well as downloads of customer complaints from the CPFB, OCC and other regulatory agencies.

Medallia brings five key technology and service capabilities together to support and strengthen complaints management within today's modern FSI:

1. Native, industry leading text and voice analytics: AI/ML ML techniques for identifying complaints using keywords, phrases, etc. across all channels. Prebuilt topic sets and keywords for complaints detection and handling speeds ramp-up and time to value. And pre-build complaints management dashboards with ability to click down into individual complaints synthesizes and presents aggregated complaints data in user-friendly formats in real time.
2. Secure infrastructure, built for scale: Medallia is [certified security compliant](#) with numerous standards, and designed to scale as data capture and processing expands over time without any performance degradation.
3. Open API and integration-friendly platform: Medallia has a flexible integration layer that can export regulatory complaints in real-time or batch to centralized teams or directly into a Complaint Management System. Managed Package integrations with Salesforce and ServiceNow support case and service management with your existing platforms and complaints management workflows.
4. Dynamic user management: Medallia's Org Sync is an enterprise-scale capability that maps to complex organizational hierarchies and reflects org changes automatically within the platform in real-time. This ensures timely resolution of identified complaints by alerting, routing, and escalating complaints to the right individuals to keep leadership and teams aware and accountable.
5. Expertise and thought leadership: Medallia brings strong subject matter expertise to every client engagement, with professionals who have deep backgrounds in financial services, experience management and complaints management. As the experience management leader in financial services, Medallia brings best practices gained from our work with hundreds of FSIs across the spectrum from mega banks to fintechs and everything in between.

Based on our work with some of the largest FSIs we're seeing the worlds of risk and compliance are converging with experience management technology and approaches to transform how FSI handle customer complaints and solve for root causes. This is good news, as the opportunity to capture the value of increased efficiency and customer loyalty while improving bank risk management continues to grow in concert with rising customer power, heightened regulations and evolving technology.

Authors:

Dan Brousseau

Senior Director, Solutions Principals
Medallia

Leila Kim

Enterprise Principal Consultant, Solutions Consulting
Medallia

About Medallia

Medallia is the pioneer and market leader in Experience Management. Medallia's award-winning SaaS platform, the Medallia Experience Cloud, leads the market in the understanding and management of experience for customers, employees and citizens. Medallia captures experience signals created on daily journeys in person, digital and IoT interactions and applies proprietary AI technology to reveal personalized and predictive insights that can drive action with tremendous business results. Using Medallia Experience Cloud, customers can reduce churn, turn detractors into promoters and buyers and create in-the-moment cross-sell and up-sell opportunities, providing clear and potent returns on investment. www.medallia.com

Follow us: [in](#) medallia [📺](#) blog.medallia.com [🐦](#) @Medallia
