View Point

Regulation Costs in More Ways than One:

Examining the implications relative to CSAT

Introduction

Everyone knows that regulation has a cost, and has for years. In considering the specific components of that cost, there's a relatively short line from regulation to the cost to customers and the price paid in customer satisfaction.

As the customer service experience is assessed, analytics can help identify cases in which a change, while still in compliance, can make a major difference in the customer satisfaction level.

Considering that banks are at an all-time low in satisfaction ratings, a major priority should be recognizing, identifying and correcting the issues that affect the customer experience – no matter what their origin. And with major financial services institutions looking to find the right balance among the seemingly conflicting objectives of revenue generation, improved operational efficiencies and customer satisfaction, it's as good an opportunity as any to review and fine tune customer retention strategies related to regulatory issues.

A typical scenario becomes this, a new regulatory requirement is added and banks work to incorporate a process that complies with the regulation. This is most often done without qualifying against the impact to customer experience, rather, a "letter of the law" response is complied by legal, and the new script is launched.

There IS a better way to re-evaluate how your financial services institution incorporates processes that address regulatory compliance without pushing the burden to the customer. Let's start by getting a better understanding of the mindset of the customer.

Customer experience studies prove out the trouble; a recent TowerGroup survey identified an apparent disconnect between perceptions of financial services executives and those of their customers. When asked how many customers experienced service issues each year, 44 percent of the executives surveyed said it was between 5 and 15 percent. That perception, unfortunately, is at odds with the Corporate Executive Board Operations Council's recent Customer Experience Survey, which found that 31 percent of customers said they had experienced service issues that included difficulty in reaching the right person, employees being unable to resolve problems and issue resolution taking too long.

Our work with financial institution contact centers has identified process improvements for these three areas that will improve CSAT without violating compliance requirements—lowering the cost of adhering to the regulation for both the institution and its customers.

Who are you?

Customer calls are more complex now than they were in the past, often because basic questions are being handled through self service, which leaves the more difficult questions for agents to resolve. Operational inefficiencies, including a poorly executed verification process, can be the root cause of customer satisfaction troubles.

A recent study of the customer experience in retail banking disclosed a number of interesting insights into industry business drivers and market needs. One aspect of the study revealed that callers on average were spending up to 4½ minutes before they could even speak to the right person.

With bank requirements on authentication in place for such a long time, it would seem an obvious evolution that this very frequent interaction would occur in a smart, timely, well thought out way. Not the case. Verification of the caller, typically the second step in the process, could take more than 1½ minutes, and that was before an issue was even mentioned for the first time! Surely this is an obvious gap in the process that impacts experience – after all, verification was not meant to be such a burden.

Continuing with the process, transfers were closely related to verification and accounted for much of the remainder of the 4½ minute time frame. Once callers had verified their identification – sometimes more than once -- they described their concern to at least two agents before being transferred to the proper department. It's little wonder they were unhappy with their ability to reach the right person.

…that verification was not needed in 45 percent of transferred calls.

The industry benchmark is a 7-minute call that costs approximately $4.00 - $4.50 per call ($32 per hour @ 85 percent occupancy, assuming 7 calls an hour). That's $0.64 a minute or $0.96 per call for the extra 1½ minutes required for the double verification. If this happens 100,000 times per month or even more, that's a significant hard cost.

The study analyzed the transfer/verification process and noted that verification was not needed in 45 percent of transferred calls. The recommended flow reduced talk time to a little more than one minute, down from 4½ minutes. Suggestions included asking immediately about the reason for the call, waiting until the reason had been explained before deciding whose call it should be and expanding the number of transactions agents could "own" without a transfer.

In this process, verification was performed only when the caller "landed" with the right agent, saving time and repetition and thereby reducing caller frustration. Ultimately, this resulted in reduced time spent and cost per call, while promoting increased customer satisfaction. That's on top of the savings on calls that no longer received double verification.

The real cost of fee waivers

In the ongoing effort to find a successful balance with deposit accounts between customer satisfaction and revenue generation, the issue of waiving or not waiving fees nearly always comes up. A recent study of deposit accounts indicated that 10 percent of deposit calls involved requests to waive overdraft fees, so this is certainly a significant issue. Plus, fee waivers have the most impact to customers and are among the most publically visible ways banks are attempting to make up for the lost revenue from regulatory changes.

There are a number of decision points in this discussion, with answers that lead in many directions. Let's look at some of these considerations:

- The real cost of the waiver: It's not only the lost fee revenue, but also the "education" expense incurred in explaining the fee and waiver to the caller. This is the cost of the extra minutes used in the education process, at approximately $.85 per minute.
- Balancing that is the good will incurred by educating the caller and waiving the fee, ultimately "buying back" the cost of the education.
- The cost of saying "No" and losing the customer because of it: This is harder to define. Whether it's an expense the institution is willing to incur may depend on the reason for the decline, e.g., the customer consistently incurs overdraft fees vs. the cost of new customer acquisition.
- Criteria for waivers: Waivers requested typically fall into the categories of merchant error, bank error, hardship or customer error. Individual institutions may give different weight to each of these, taking into account additional factors like the history of the account and the length of time as a customer. Consistent operational processes designed around guidelines (not rules) reduce the cost of the waiver.

After reviewing the procedures agents used to grant or deny waivers, study recommendations included standardizing guidelines on fee waivers and granting up to two requests per person due to customer error. The bonus recommendation was that fixed policies like this opened the door to the use of automation, which would further reduce the cost of a waiver.

The ultimate recommendation, then, may be guided less by hard costs than by the CSAT impact of the decisions.

Cost benefits of paper suppression

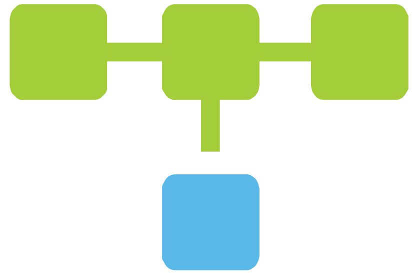
Sometimes in the world of financial services, we get distracted by the whirlwind of conversations about revenue generation and cost reduction; and wind up over-engineering the factors that have the most influence on the customer experience. Close oversight by the CFPB allows for very little discretion on what is said to the customer, but sharing information in the channels of choice is encouraged by the regulatory bodies.[1] What can get lost is the discussion about investing time in educating the customer.

We all agree that automated transactions that encourage customer self sufficiency are cost effective and, therefore, a desirable operational focus. Why, then, are one-third of our deposit calls that could have been served by alternative channels still being handled by agents?

The answer may lie in the fact that only 8 percent of callers in a recent study of a top 10 card issuer had been educated by an agent about alternative channels. It would appear that agents need to be better trained in describing and suggesting the right medium, whether website, mobile or IVR; because the right medium for the customer is the one the customer is comfortable with and has at his/her fingertips.

This should extend to paper suppression as well. In the same study, 17 percent of customers were already using online resources, yet only 3 percent had signed up for paper suppression. This was traced back to agents not offering the activation of paper suppression – which represents a large opportunity going forward.

Recently, the Cullen/Frost Bankers Inc. unit said that the cost of mailing statements is $5-$7 per account per year. To reduce this expense, Bank of America Corp., for example, is now charging some account holders to receive their monthly statement in the mail. This is one of the industry's most aggressive moves yet to encourage paperless banking. An $8.95 fee on a basic low balance account applies to those who have opted out of paperless.



Cathy Graeber, founder of the consulting and research firm Swimming Upstream, says that Bank of America is also wise to suggest eBanking as a replacement for its student account, as these customers are already comfortable interacting online and might not yet have developed specific habits for managing their finances. Thus the eBanking account, according to Graeber, "is, from a business standpoint, a very smart way to train new customers." She adds that older customers might be less agreeable to such a shift because it asks people to change an ingrained behavior. [2]

The conversion effort need not be a difficult process, but must become part of agent training on two levels: (1) educating customers about alternative channels and (2) extending agent training to the more specific issue of paper suppression.

In the latter case, the recommendations are relatively straightforward:

- Train agents to listen and probe for comfort and experience with online usage.
- Teach agents how to get customers past reluctance or doubts.
- If it appears to be a good fit, suggest and educate about paper suppression.

It becomes obvious that when the paperless option is offered to the right customer at the right time, the impact on the customer experience can be positive and the cost of the conversion, in terms of lost account fees, is negligible in balance. Thus, while some banks might be reluctant to impose a fee for such a basic service, observers say that Bank of America has set an important precedent; one that other financial institutions are likely to follow.

What this all means…

Examining the real costs of regulation can do more than just identify opportunities for cost savings. Given that agent skills that have the greatest impact on moving customers from middle to top box CSAT scores include product knowledge and understanding customer needs, we believe that identifying more efficient ways to process the customer call, educating the customer in alternative channels and paper suppression can actually have a positive impact on CSAT. All that and cost containment as well – that's a real win.

[1]BUREAU OF CONSUMER FINANCIAL PROTECTION, 12 CFR Chapter X, Policy to Encourage Trial Disclosure Programs; Information Collection, December 10, 2012

[2]Bank of America Adds Fee for Paper Statements, Daniel Wolfe, July 14, 2010

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