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## **Constructive criticism**

Treating the complaints process  
as a rich source of strategic  
insight

## The current state of complaints management

Efforts to modernize customer relations are not a new phenomenon. In the past decade, regulators and consumers have recalibrated their expectations around how organizations, both within financial services and beyond, should handle customer complaints.

Following an investigation by Canadian media, companies and an industry review conducted by the Financial Consumer Agency of Canada (FCAC), it was recognized that the sales-focused, reward-driven practices in the retail banking sector were having negative impacts on consumers. As a consequence, in 2018, the Government of Canada unveiled the Financial Consumer Protection Framework (FCPF) to

require banks to improve and enhance their customer-centric culture with the objective of increasing trust and confidence in the financial system.

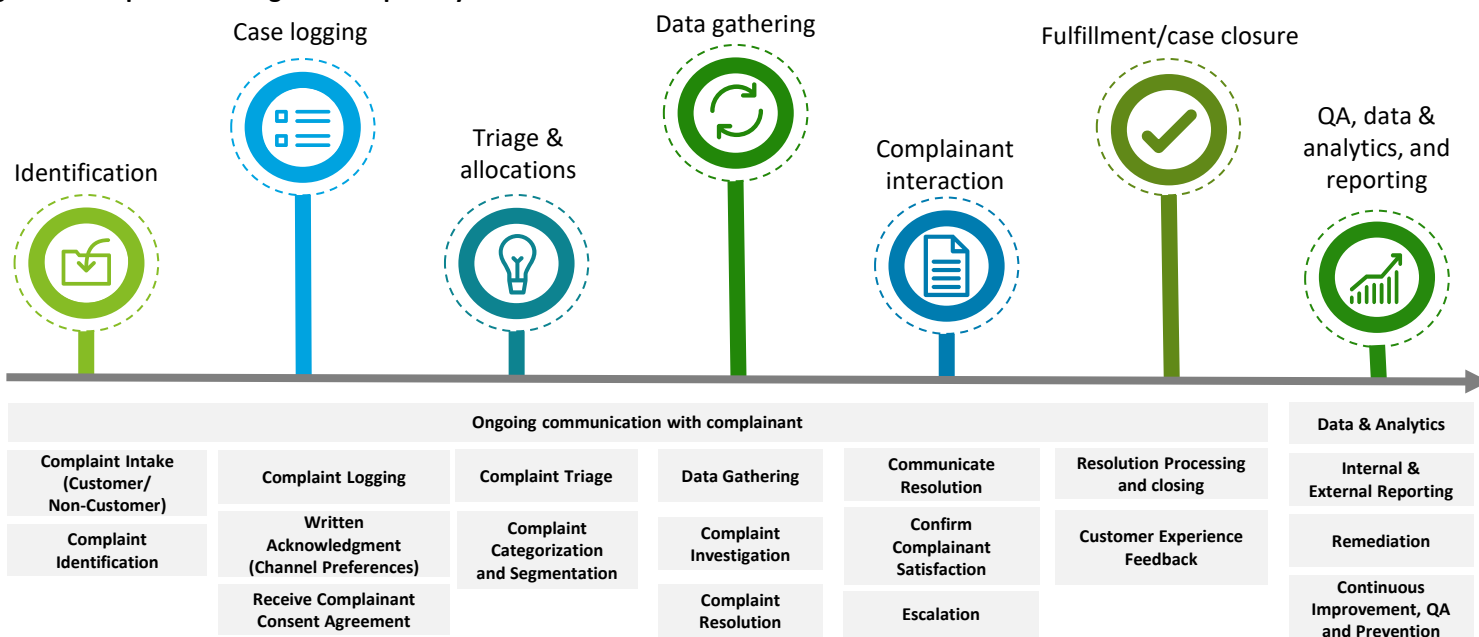
Among the new requirements, protocols for complaints management are among the most significant changes demanded of banks. All institutions governed by the Bank Act are required to be in full compliance with the FCPF by June 30, 2022.

While widespread instances of misconduct were not identified in the FCAC’s review, the need for a proper consumer-centric mechanism was acknowledged.

To enforce adherence, additional powers have been granted to the FCAC Commissioner to compel bank performance through third-party compliance audits, while increased maximum penalties serve as encouragement to comply.

Many banks are currently mobilizing their complaints management operations. Based on the FCPF complaint handling requirements and FCAC’s observations, baseline capabilities should address the end-to-end requirements summarized in the complaint management capability model (see figure 1).

**Figure 1. Complaints management capability model**



The maturity and sophistication of complaint management programs can differ widely with respect to their integrated processes and procedures as well as the deployment of technology.

Technology systems across industries (as well as between organizations within the same industry) range from basic (disconnected, incomplete, and reactive) to advanced (integrated, proactive, and semi-automated).


The degree to which these capabilities are designed in an integrated process frequently reflects the maturity of the approach. Now, with legal requirements mandating new complaint-handling procedures, banks should be considering how to utilize the rich customer data generated from this requirement to produce better customer insight, how to remedy issues faster, and how to derive greater strategic benefit from this feedback.

This paper explores the value organizations can unlock by using their complaint data as a valuable source of insights to improve the overall customer experience, guide business decisions, and influence brand reputation. To achieve this, we will explore the complaints maturity model and how technology can serve as the key to discovering an organization’s full potential from managing complaints.

## Getting started: The complaints management maturity model

Through our experience in helping organizations develop and manage their complaints processes, we have identified four distinct maturity stages, as a means of assessing current capabilities for complaints management. The maturity model can be used to identify gaps across governance, people, technology, and business processes that can be addressed in order to improve of improved efficiency and business value. In reviewing the maturity model, organizations can chart their journey to the desired stage of capability and ensure compliance with the new requirements for managing complaints.

**Figure 2. Excerpt of a complaints management maturity model**



	Informal	Standard	Formal and structured	Optimal and intelligent
<b>People</b>	<ul style="list-style-type: none"> <li>Ad hoc governance structures with unclear or undefined policies and procedures</li> <li>No formal complaint-reporting mechanism</li> </ul>	<ul style="list-style-type: none"> <li>Minimum regulatory compliance with policies and procedures</li> <li>Basic reporting of complaints</li> <li>Reports are used during decision-making.</li> </ul>	<ul style="list-style-type: none"> <li>Policies and procedures set to each LOB</li> <li>Consistent complaints-handling reporting that considers quality of service</li> <li>Developed procedures for each phase of the life cycle</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise-wide operating model with governance structures, policies, procedures, and exception handling</li> <li>End-to-end view of the complaint life cycle to improve customer experience</li> </ul>
<b>Business processes</b>	<ul style="list-style-type: none"> <li>No formal digital system for storing data or case management tools for tracking complaints</li> <li>Limited data analysis being conducted</li> </ul>	<ul style="list-style-type: none"> <li>Complaints warehouse with holistic data and case-tracking capabilities</li> <li>Simple data analysis</li> </ul>	<ul style="list-style-type: none"> <li>Efficient data distribution and case tracking</li> <li>Enhanced data analysis performed to discover causes and trends</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise-wide system integration of complaints data warehousing</li> <li>Enhanced analysis of complaints to drive insights and decision-making</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Unclear roles and responsibilities</li> <li>Lack of training</li> <li>No formal monitoring or performance evaluations</li> </ul>	<ul style="list-style-type: none"> <li>Defined but general roles and responsibilities</li> <li>Formal training program</li> </ul>	<ul style="list-style-type: none"> <li>Complaint agents responsible for managing complaint through its life cycle</li> <li>Capability framework establishing leadership, functional, and technical competencies</li> <li>Training program supports professional development</li> </ul>	<ul style="list-style-type: none"> <li>Skilled agents to manage responsibilities</li> <li>Framework outlines competencies that are role-specific</li> <li>Performance metrics used to identify future learning opportunities</li> </ul>
<b>Technology and data</b>	<ul style="list-style-type: none"> <li>Barriers prevent customer complaints</li> <li>Inconsistent processes across teams</li> <li>No complaint-management engagement process</li> </ul>	<ul style="list-style-type: none"> <li>Minimal effort required to submit a complaint</li> <li>Consistent processes meet regulatory requirements</li> <li>Frequent engagement with complainant through the complaint's life cycle</li> </ul>	<ul style="list-style-type: none"> <li>Complete complaint information captured upon first interaction</li> <li>Processes and capabilities optimized for operational viability</li> </ul>	<ul style="list-style-type: none"> <li>Complaint information captured and updated on an ongoing basis</li> <li>Organization seeks feedback from complainant and conducts research to enhance their customer experience</li> </ul>

For comparison, while many organizations in the United States have implemented elements of a complaints management program that could be considered more advanced than Canada's, there are very few organizations (or industries) that can lay claim to achieving a full optimal and intelligent maturity level. Further examples of more mature complaints management programs can be found in the UK and European markets.

In Canada we have typically observed lower levels of maturity, with many institutions exhibiting capabilities only at the lower stages of the spectrum. Those that have made investments in data and advanced analytic capabilities demonstrate more advanced progress.

### Moving up the maturity curve

Understanding where the organization falls on the maturity curve is its first step toward developing an optimal and intelligent complaints management program.

Executives should look at their process and system across four general dimensions (people, business process, governance, and technology and data) to determine their current maturity level.

After determining that, it's imperative they understand what requirements they must work to meet in order to achieve compliance.

In the recent review of complaint-handling

procedures at Canada's largest banks, the FCAC noted that while 90% to 95% of consumer complaints were resolved at the first point of contact, these complaints are generally not being logged. This omission weakens a bank's ability to identify trends and remedy root causes.<sup>1</sup> The maturity model is an important tool in helping banks identify gaps that may require attention before the 2022 implementation date of the new regulation.

**People:** Leaders should define the roles and responsibilities of the full complement of staff involved in the complaints management process to understand the skills, knowledge, and training that will lead to better outcomes. For example, while call centre staff should have skills and experience that include empathy, active listening, and the ability to accurately transcribe and document client issues, staff resolving escalated complaints should have additional skills in areas such as conflict resolution, and negotiation, and a deeper understanding of policies and applicable laws. It's imperative that these groups work together to provide a seamless consumer experience.

Leaders also need to define how their people's performance is measured. Performance indicator(s) and incentives should be aligned to encourage teams to resolve complaints while focusing on the customer.

**Business process:** Leaders responsible for handling complaints should analyze their processes, systems, technology, and infrastructure to understand where there might be gaps, breakdowns, or failures.

Key questions to consider include:

- Can our systems distinguish between customer dissatisfaction and a formal complaint?
- How formalized is our complaints and allegations management processes?
- What timelines, guidance, and policies do we have in place?
- How is our process articulated to the customer, and what are we doing to ensure their expectations are met?

<sup>1</sup>FCAC review finds consumers face delays and complications when escalating banking complaints - Canada.ca

**Constructive criticism:** Treating the complaints process as a rich source of strategic insight

A complaints management process should be formulaic and well understood across the organization. Consistency in complaints management matters; outcomes should be consistent for customers when they raise similar issues. The processes should also be flexible and smart enough to triage complaints based on urgency, prioritization, and categorization. Embedding technology that can automate this with robotic process automation (RPA), machine learning, and advanced analytics can be a major leap forward. Regardless of how organizations choose to implement their process, the most important concern is that they meet applicable regulations for their industry.

**Governance:** Executives need to think critically about what they report and to whom. Complaints management has historically been an afterthought not considered as a value driver. The right governance and robust analytics and reporting as part of their management information systems (MIS) can change the conversation from complaints being almost an afterthought to providing a real-time window onto how an organization is performing in a certain area. A technology stack that categorizes complaints using natural language processing and then aggregates them in real time can lead to quicker solutions and risk mitigation. For example, if 100 people in one area complain that they received an incorrect balance transfer interest rate, this type of system can alert the appropriate person, who can then quickly resolve these complaints while working on a longer-term solution to remediate the issue. These sorts of customer-centric responses can quickly turn a complainant into an advocate while informing the organization of issues it needs to resolve.

By targeting actions, processes, and systems within the complaints process, that results in a move up the complaints management maturity curve, organizations can expect to unlock more value, such as:

- Increased structure and efficiency, which drives more transparent and timely outcomes
- Increased levels of customer satisfaction while improving the overall customer experience
- Increased risk – and issue-sensing ability, which can lead to early identification of potential non-compliance and complaint hotspots
- Reduced longer-term cost through decreased operational, legal, regulatory, and compliance risk(s)

**Technology:** Leading organizations are investing in advanced complaints management capabilities to improve process efficiency, proactively resolve anticipated issues, understand issues communicated by customers, and mine value from captured complaints data.

For these companies, addressing customer complaints are no longer a cost of doing business, they're a rich source of information to help them improve the overall customer experience, help support business decisions, and influence brand reputation.

Across industries, leading institutions are making significant investments in:

- Centralized complaints-handling through the creation of centres of excellence and shared service centres with, improved end-to-end reporting capabilities that provide a comprehensive view of the complaint life cycle, from intake through research and response
- Integrated enterprise case management systems with complaint, inquiry, and allegation-specific workflows deployed across lines of business to drive efficiency. Predictive analytics capabilities that integrate text, voice (customer sentiment), and digital data to proactively reduce resolution time, decrease escalation to regulators, and enhance predictive accuracy
- Common complaints and allegations taxonomy and a common data model to aggregate data related to employee misconduct
- Heightened security standards for protecting customer data, for both handling allegations and the complaints themselves
- Strong early warning systems that identify risk within complaints and allegations
- Voice analytics—scalable AI voice analytics platform that enables the organization to determine how customers are thinking and feeling, which can lead to the reduction of risk and delivery of improved complaints outcomes

Given the FCPF's provisions and FCAC's focus on complaints management, banks must focus on strengthening their capabilities to effectively position themselves in the evolving consumer-centric landscape.

## Operating Models

- **Decentralization/centralization:** Duplication of roles, localized decision-making, and high-cost-to-resolve servicing model that graduates to a more standardized processing of complaints with the grouping of common skill sets, and a centralized data analytics team that reduces duplication of efforts
- **Optimization:** Robotic and cognitive automation eliminates manual tasks and process optimization, driving efficiency
- **Digitization:** self-service complaint option with the elimination/automation of simple tasks. Advanced technology drives rapid deployment of new features and complaints are managed digitally through automation with real-time complaints tracking.

An effective complaints management operating model that is centralized, optimized, and digitized will help achieve regulatory compliance while bringing focus to enhanced customer experience and internal process improvements.




Beyond the orchestration of technology to achieve efficiency in how complaints are handled, organizations are well advised to incorporate processes for identifying root causes. Indeed, while the new consumer protocols demand heightened attention and awareness of complaints, the real objective must be to reduce the number and frequency of issues that give rise to those complaints. Using advanced technologies to identify, diagnose, and remediate the sources of issues should be a priority in any program. If the enhanced flow of information and insights from effective complaint-handling can be utilized for continuous improvement, organizations should expect to benefit from stronger customer retention and an improved customer experience.

Figure 3 illustrates the areas and types of technologies that can be used to unlock robust complaints insights within a complaints management system.

### Layering algorithms for broader insights

The underpinning data for a more mature complaints management program may have value far beyond the better management of customer complaints. By layering additional algorithms that tie into other data sets, organizations can use the complaints data to better monitor and address potential personnel issues. For example, an organization can layer a second algorithm that ties into their whistleblowing programs to proactively identify and address potential sales misconduct issues.

**Figure 3. Example technologies within a complaints management system**

 <b>Area</b>	 <b>Technologies</b>	 <b>Description</b>
<b>Foundation</b>	Data integration	Integrated data that provides a foundation of consistent information
<b>Analytics</b>	Predictive analytics	Software solutions that use predictive models
	Data visualization	Software that places large sets or data in a visual context
<b>Automation</b>	Robotics process automation (RPA)	Rules-based systems that mimic human behaviour to automate part of repeatable processes
	Business process modelling (BPM)	Application that model processes, identify inefficiencies, simulate text cases, and engage business users throughout the design process
<b>Cognitive Intelligence</b>	Natural language generation (NLG)	Applications that accept structured data inputs to generate seemingly unstructured narratives
	Natural language processing (NLP)	Applications that process unstructured data (such as freeform text) and can extract or identify structured elements of data
	Machine learning (ML)	Applications that are able to improve predictability and operation based on data they receive over time
	Intelligence Agent (IA)	Applications that are able to mimic human behaviour, such as visual perception, speech recognition, decision-making and translation between languages
	Voice Analytics	Applications that use AI to provide deep insight into who a business's customers are and their emotions in any given conversation
<b>Cloud technology</b>		

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### Common pitfalls and challenges

Developing a more robust, technology-enabled complaints program is no easy task. In our experience, companies that attempt to move along the maturity model from a basic, disconnected, and reactive program to an advanced and integrated one face several common pitfalls and challenges, including:

- Lack of a standardized format to capture complaints across various source channels
- Believing keyword searches are sufficient to identify potential complaints for further review. (Keyword searches can produce a high proportion of false positives and can also miss evolving ways complaints can be stated).
- Not matching complaints against other relevant data points to gain a more wholesome picture of the underlying risk or opportunity (such as customer history, performance metrics for implicated employees or attributes of the product or service that is the subject of the complaint)
- Lack of prioritization of complaint intake channels (organizations should consider starting by piloting one or a handful of intake channels and then assessing whether it contains public complaints, is monitored by regulators, is of high quality, or addresses a broad cross-section of products or services).

Advanced resolution techniques are also changing customer expectations for how complaints should be resolved. Manual and/or delayed interactions (such as acknowledgment of a complaint) that were satisfactory a few years ago may now be seen as non-responsive in the current environment where many organizations provide automated acknowledgment responses.

Identifying technology solutions that meet consumer expectations is made more complex given the multitude of channels through which complaints are filed.

Customers have different expectations about what level of response is needed and how fast they receive it, based on whether they use social media or contact the company directly to voice their complaint. As a result, many organizations are proactively using technology-enabled solutions for early detection of risks and improved operational efficiency.

### Insights to action

With the compliance deadline in 2022 fast approaching, banks are left with less than a year to modernize their operating procedures to ensure they are in line with the FCAC's requirements. Complaint management is one of the key priorities of the FCAC in its objective to promote public trust and confidence, and drive bank-wide customer-centric culture.

Key considerations include:

- **Think end-to-end:** Consider the entire complaints life cycle in order to optimize data flow, assign appropriate ownership and decision points, and provide standardized and integrated complaints journeys for customers.
- **Think about brand promise:** While regulatory compliance is a key driver for organizations to enhance their complaints management programs, they should examine how these new rules create an opportunity to enhance the bond of trust with customers, increase the long-term value of these relationships, and strengthen the organization's brand.

- **Think about the future:** Banks mandated to comply with the new consumer regulations should move quickly to not only address the significant impact of the requirements to their operations, but also help strengthen and prepare their organization for the arrival of open banking and new entrants into the payment infrastructure.

Financial institutions need to examine how rising standards for consumer protection create an opportunity to strengthen customer trust and experience by mobilizing early and focusing on key impact areas within their business.

By taking a proactive enterprise approach to the implementation of new and enhanced consumer protection rules, banks will be afforded the opportunity to create strengthened customer trust and create value beyond accomplishing minimum regulatory compliance.

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## The path ahead

In this environment, organizations should be taking stock of their current approach to handling complaints and, where necessary, they should be updating current practices to be more in line with expectations and to ensure compliance by the June 30, 2022 deadline. The focus should be on understanding and addressing inefficiencies across (but not limited to) business processes, organization and governance, data, reporting and analytics, tools and systems of record, and training.

Organizations can use new technologies to enhance processes and to drive the value that captured-complaints data can yield. As they move along the maturity curve, they'll gain access to increasing amounts of valuable insight. It's the right time to turn complaints into strategic gain through a constructive process.

For more information about complaints management, contact one of our specialists:

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