EXECUTIVE INSIGHT

Retaining customer satisfaction in turbulent times

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Abstract

Purpose – This paper aims to provide an insight into the actions required by trust officers to improve customer satisfaction during a time of difficult economic and regulatory conditions.

Design/methodology/approach – A total of 96 bank trust officers located in the USA were surveyed using a mail questionnaire.

Findings – Increased compliance regulation and financial industry problems during 2008 and 2009 have had only a minor negative impact on customer satisfaction. Success in maintaining satisfaction levels has come from customer-focused corrective actions including more frequent customer meetings, improved electronic/print mail communications and the provision of more friendly financial information.

Practical implications – The paper makes three recommendations to senior managers to help them maintain customer satisfaction: 1, continue to focus on the basics of customer focus; 2, use existing and emergent technology to provide customer friendly support; and 3, constantly review and update the financial value proposition offered to customers.

Originality/value – The study provides insight into the issues of customer satisfaction in the current difficult economic and regulatory climate.

Keywords Customer satisfaction, Customer retention, Economic conditions, Banking industry, Financial services, Insurance

Paper type Conceptual paper

As the effects of the 2008-2009 recession hopefully decline[1], it is a good time to assess, the actions financial institutions developed to retain customers during this turbulent period. The purpose of this article is to provide a summary of some of the initiatives bank trust officers undertook to weather this period.

Prior the recession, trust officers were already challenged to maintain positive customer relations by the demands of greater regulations arising from the legislative response to the war on terror. For example, the Patriot Act forces financial institutions to require clients to sign a number of new and complicated documents and provide more personal financial disclosures. In addition, recently implemented regulations from the Federal Reserve and the Securities and Exchange Commission have forced financial institutions to develop and implement internal policies and procedures that often result in client frustration and alienation. Another example: in some areas like California, it is no longer possible for a customer to obtain a simple signature guarantee for an asset transfer. In its place, a "medallion certification" has been developed by the industry. This certification requires the financial institution to keep an official log of a

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transaction, including a customer thumbprint, and a log notation of a recent statement showing the value of the asset behind the transfer. Furthermore, the customer must provide additional personal documents for the transaction. These types of changes create more opportunity for mistakes to be made and for transactions to take longer than they previously had.

In addition to these more stringent regulations, the sub prime crisis, the credit crunch and the Madoff debacle have been added to the financial industry's cauldron of customer satisfaction challenges. It is no wonder that J.D. Power annual survey of banking customers shows customer satisfaction decreasing from 2007 through 2010 (J.D. Power and Associates, 2011). However, the current early 2011 survey results show customer satisfaction to have improved marginally by just four index points. These data are based on a 1,000-point index scale. It is evident from this report and other reliable news reports that banks and other financial institutions such as insurance firms continue to face customer satisfaction challenges that cannot be ignored.

Learning from the recent past

Given what happened in the recent recession, there is significant value to better understand the intensity of client frustration and what actions were taken to improve the situation. To assess these actions, the authors conducted an analysis of the steps bank trust officers took to maintain and to enhance customer satisfaction during this difficult period. The conclusions found in this banking analysis can easily apply to other areas of the financial sector, such as insurance. Both of these two sectors require long-term relationships with substantial interpersonal contacts. (This particular banking group was chosen for study because bank trust officers have frequent and long-term client contacts, so client retention is critical to success.)

Specifically, the objectives of this assessment project were to determine:

- The extent to which client satisfaction had improved or declined, in the difficult two year period, 2008 and 2009.
- The respondents' perceptions of any changes in clients' attitudes towards the banking organization offering trust services.
- The changes, if any, in the level of job difficulty and satisfaction experienced by the respondent trust officers.
- Personal initiatives that the respondent trust officers had taken to maintain or increase client satisfaction.

How the study was conducted

To gather the information, a questionnaire was mailed in January 2010 to 1339 bank trust officers located throughout the United Sates, the names of which were obtained from a commercial list. Respondents were asked to reply anonymously. After three weeks, without follow-up, 96 officers (7 percent) responded, a robust return for this type of mail instrument[2].

Quantitative data were developed on the extent to which client the respondents felt customer satisfaction had improved or declined in the difficulty two-year period, 2009-2009, in relation to changes in:

- federal/state reporting requirements;
- bank policies;

- increases in paper work;
- flexibility in applying bank policies, fees/penalties;
- the Patriot Act;
- products offered; and
- internal policies and procedures.

In addition, the questionnaire contained three open response questions yielding qualitative information on company processes/reports, job satisfaction and other issues respondents want to cite not covered previous.

The typical respondent in the study was a male, holding a "vice-president – trust officer" position, in the 50-59 age group with 16-20 years experience of trust officer experience, managing 100 to 149 clients and holding a bachelors degree. (Details on the sample's demographics can be found in Table I.)

Quantitative results – client satisfaction and regulatory compliance, policies, procedures and fees

Respondents were asked to reply to a series of issues using the following numerical scale[3]. For example see the first question in Figure 1.

Responses to various changes

Changes in federal or state reporting requirements. Average Score Result −0.7 indicating that changes in federal or state reporting requirements had minor negative impact on client satisfaction.

Changes in bank policies. Average Scale Result −0.5, again any changes in bank policies had a minor impact on client satisfaction. Typical actions taken to meet restrictive changes included personally meeting with clients to deliver paperwork, review the regulations or explain economic trends. It would seem that the efforts trust officers in the sample took to meet the challenges kept satisfaction from falling more precipitously.

Changes in paperwork that my clients have to complete. Average Score Result −1.0 Although, there is only a modest negative incline in the average score when compared with the previous categories, the raw data behind the score are interesting −30 reported no effect and 64 reported some degrees of negative effect on customer satisfaction[4]. In general, according to the supplemental comments provided, the respondents either took direct action to meet more frequently with clients and/or increased their Internet and/or mail communications to try to maintain customer satisfaction. Following are two examples of both approaches.

> Meet with client and attorney together before executing documents.

> Information newsletters as needed, being proactive in reaching out to customers.

Changes in my [officer's] flexibility in applying bank policies. Average Score Result −0.4, once again a minor negative decline.

Escalation of bank fees and penalties. Average Scale Result −0.8. Increases in service charges and penalties have had a little additional negative effect on customer satisfaction, as perceived by the trust officers. Some of the community banks in the

Demographic category	Number of respondents ($n = 96$)
Gender	
Male	67
Female	28
Non-reporting	1
Professional positions currently held	
Assistant Trust Officer	1
Trust Officer	16
Vice President	12
Vice President – Trust Officer	26
Senior Vice President	16
Senior Vice President – Trust Officer	11
President	3
Other	10
Non-reported	1
Age	
20-29	2
30-39	4
40-49	24
50-59	33
60-69	26
70 +	4
Non-reported	3
Number of years experience as Trust Officer	
1 to 5	9
6 to 10	13
11 to 15	13
16 to 20	18
21 to 25	14
26-30	11
31-35	7
36-40	8
41 +	2
Non-reported	1
Number of clients currently managing	
1 to 49	21
50 to 99	13
100 to 149	16
150 to 199	9
200 to 249	6
250 to 299	3
300 to 349	5
350 to 399	5
400 +	6
Non-reported	12
Highest education level	
No college	3
Some college	14
Bachelors degree	31
Graduate degree	45
Non-reported	3

Notes: None of the question results varied by demographic category

Table I.
Survey respondents' demographics

sample have been able to maintain or improve customer satisfaction by keeping fees and penalties lower than some of their larger competitors.

One proudly stated, "We are an independent trust organization, locally owned and operated. We make our own decisions, no need to call HQ in another state." Another reported its competitive advantage because larger financial institutions received Federal Troubled Asset Relief Program (TARP) funds and had to raise minimum fees, while without that obligation, they were able to maintain their fee schedule.

Changes in federal reporting requirements related to the Patriot Act and/or other regulations. Average Score Result −1.0. While the average score shows some worrisome decline in satisfaction the underlying data provide a more negative feeling −34 reported there was no effect, but 61 reported various levels of negative impact. In an attempt to maintain or improve customer satisfaction in light of these challenges, most attempted to improve communication with clients through "new client communications newsletters and presentations" while a few others reported "increased the level of hands-on service."

Clients' ability to understand the products we offer and the difference in the products we have. Average Score Result +0.1. There was minor consensus among the trust officers that there were relatively few problems with having customers understand product lines and product differentiations. 52 indicated it was not a concern while 27 noted some positive improvement and 17 reported some negative impact in this facet of client relationship.

My financial institution's policies and procedures have become much more restrictive, much less restrictive or have not changed. Average Score Result −1.3. Not surprising, the officers reported that policies and procedures in the trust officers' organizations had become much more restrictive in 2008 and 2009. A total of 67 reported this to be the situation, while 27 indicted there had been no change in the restrictions placed on policies and procedures. In terms of actions to redress the problem, one respondent wrote, "The government has made very little effort to explain their regulatory changes to the public [and their restrictive impacts on financial intuitions' policies and procedures.] They [the clients] are often hearing about it for the first time from us."

Corrective actions

A mean average score for the eight operational areas cited above was −0.7. This means that the trust officers in the sample concluded that customer satisfaction had not changed much during 2008 and 2009. There was a decline, but considering the economic and social upheavals of the time, one could have easily predicted that the average might have been much more to the negative side of the scale. This may have

"In the last two years, overall changes in federal or state reporting requirements have________ my client's overall satisfaction with my financial institution"

-4	-3	-2	-1	0	1	2	3	4
Very Negatively Affected				Had No Effect On				Very Positively Affected

Notes: Subsequent questions used the same wording, but each of the underlined items, as follows, inserted into the question. Respondents circled one of the nine choices to indicate their perceptions of the intensity of the changes

Figure 1.

been related to the types of corrective action taken by the trust departments as shown in Table II.

Qualitative results – open response questions

The questionnaire contained three open response questions, and 69 percent of the respondents provided both brief and substantial answers to these questions. These questions asked for other issues not covered in the detailed direct response questions, changes in processes/reports that have impacted customer satisfaction and individual initiatives the respondents have taken to effect customer satisfaction.

It is clear from these open-end responses that trust officers substantially increased the use of advanced electronic communications, clearer statement reporting and more interpersonal visits during 2008 and 2009 to try to keep customer satisfaction data from a free fall.

Trust officers' job difficulty and satisfaction

Two different quantitative question questions posed in the study related to the changes in the trust officers' job difficulty in the 2008 and 2009. With an average score result of -1.7, there was substantial agreement that the trust officer's position had, "become much more professionally difficult." Eighteen indicated difficulty had, "not changed significantly," 76 reported some level of greater difficulty, and only two officers felt there had been some modest reduced difficulty.

They also reported a decline in job satisfaction, showing an average result score of -1.0. A total of 24 reported satisfaction had "not changed significantly," 56 reported some decline in satisfaction and 16 reported some boost in job satisfaction.

One senior vice president, managing 300 clients commented, "My job has [become less rewarding] due to lazy, greedy beneficiaries, falling stock prices and miserable interest rates."

Client goodwill

One question inquired about how any client goodwill generated by the trust department had affected the entire banking institution. The results were surprising in that the average score was $+0.3$, a perceived minor positive improvement. This contrasts with the national downtrend data reported in the earlier part of this study. Of the trust officers 30 reported there had been no change in client goodwill attitudes in 2008 and 2009, 25 reported a decline and 41 reported improvements.

One trust officer provided information which may be common to others, "Our client satisfaction has remained good because our bank has made great efforts to make

Corrective actions taken[a]	Number reporting action
Improve internet, electronic, and mail communications	16
Improve transaction processes, e.g. new customer friendly reports	24
More interpersonal communications	36
Alert clients to new outside regulations	7

Notes: [a]Based on replies to four open-end questions from 66 of the 96 respondents. Some provided several actions

Table II.

changes easier for customers. [But] the additional time to better service our customers has negatively impacted the bank financially."

Summary

On average, the 96 trust officers in the cohort for this report concluded that changes in operational processes have not had much negative impact on their ability to maintain customer satisfaction. Clients, from these 96 respondents' perspectives, do not seem to have taken much note of the increased complexity caused by increased government regulations such as the Patriot Act, tighter adherence to bank policies, greater complexity of financial products, etc. This may be due to the fact that most clients do not encounter these issues frequently and/or that the trust departments may be shielding clients from the complexities by closely supporting them when they encounter these types of problems. In short, the trust officers surveyed seem to have followed the admonition of the famous football coach, Vince Lombardi – when in trouble, spend more time practicing the basics. Basics for trust officers are increasing the use of modern technology to better communicate with clients, developing more friendly reports and increasing the level of personal contact.

But the big major question is why didn't the trust officers make maximum use of these tools before they were forced by the recession to focus more heavily on their usage? Perhaps these managers should have been more alert to taking the corrective customer actions during more prosperous times so that the impact of the recession might have been mitigated with less impact on their job satisfaction.

Based on the 2011 J.D. Power Study, customer satisfaction in banking has recently improved a little in the last year, or at least has not declined. It appears that the efforts of trust officers during the height of the recession made some contributions to overall customer bank satisfaction. However with only a four-point increase on a 1,000-point index, between the latest two reports, there must be significant opportunities to further improve customer satisfaction.

It is now up to senior mangers and trustees in banks and other financial institutions to take three steps. First is to make certain that what has been learned about focusing on basics continues to be highlighted internally. Although the J.D. Power data indicate that customer satisfaction with "in-person branch interaction, product offering and account information have all improved significantly," there may be a tendency to be somewhat lax with applying basics when economic conditions improve.

Second, is to use existing and emergent technology (mobile, social media applications, etc) for customer support that is current and customer friendly. Technology also should be used to shield customers, as much as possible, from being overwhelmed by increased compliance regulations. Although many trust customers are in older age brackets, banks should not assume that employing new technology, such as "apps" on smart phones/tablet computers, will be unwelcome additions to their product portfolios and customer service toolkits.

Third, is to make certain that the financial value proposition offered customers is an attractive one. As the nature of the financial services industry, particularly in the trust area, is affected by ongoing changes in regulatory requirements, banks will need to constantly update the "features" of their trust product offerings. While offering the "same old thing" may have been a path to ongoing success in the past, there is much evidence that changes will become more frequent and more impactful in the years to come. As always, the "Four P's" (Product Price, Place, and Promotion) of the marketer's value proposition will need to be well aligned to ensure ongoing customer patronage, loyalty and satisfaction.

Notes

1. This paper was finished and submitted for publication just prior to August 2011
2. Budget limitations did not allow us to send a follow-up to the questionnaire.
3. In addition a mean overall average is reported and analyzed at the end for the individual eight scale average scores in the quantitive section.
4. Two surprisingly indicated a positive effect, No reasons for this puzzling response were provided.

Reference

J.D. Power and Associates (2011), *2011 US Retail Banking Satisfaction Study*, J.D. Power and Associates, McGraw-Hill Companies, Westlake Village, CA, April 21, 2011.

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