High Satisfaction Scores Highly Misleading

Stop Assuming Your Good Customer Satisfaction Scores Indicate Fairness

DESCRIPTION: Developing and implementing programs that accurately detect consumer vulnerabilities in the marketplace is important to not only better manage risk at financial institutions, but also for public policy purposes.

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By Paul C. Lubin

Financial institutions rely on customer satisfaction scores, net promoter scores, complaint monitoring and risk assessments to judge whether they are meeting consumer needs.

Success is assumed when high scores on internal surveys or surveys conducted by outside firms like JD Power or the American Customer Satisfaction Index are achieved. These high scores are then advertised and used to attract new customers, who may assume, if the existing customers are highly satisfied, then the institution is treating them well.

This premise, however, can be false. Traditional methods for evaluating fairness can fall short of accurately measuring whether consumers receive sufficient information or appropriate products and prices. A customer who reports he or she is highly satisfied with service is not necessarily being fairly treated. High customer service scores also do not indicate that underserved demographics or minorities are being treated the same as affluent customers and non-minorities.

This is because consumers are not always able to accurately judge whether or not their needs are met based on the information they are provided with. They are especially vulnerable when information is insufficient or faulty, when products are complex and when access to service and products is limited. Judgments of satisfaction can also breakdown during the decision-making regarding new products. These vulnerabilities can limit a financial institutions ability to evaluate risk while affecting the consumers’ ability to make sound financial decisions.

Cases where companies have garnered and advertised high customer scores while facing allegations of unfair treatment are numerous. They include mortgage companies, credit card companies and banks. These companies may rank high in customer satisfaction, yet find themselves faced with complaints or allegations of selling inappropriate products, charging minorities more than similarly-situated whites and using misleading telemarketing practices in the sale of products like credit and identity protection. Countrywide, Discover and Capital One are examples of companies that ranked high in customer satisfaction yet experienced these types of allegations. These companies paid monetary penalties associated with settlements concerning the allegations and suffered possible damage to their reputation.

Regulators, like the Federal Reserve, Consumer Financial Protection Bureau and Federal Deposit Insurance Corp. may review these scores while judging safety and soundness and determining whether marketing, advertising, product offerings and pricing adhere to the law. As such, developing and implementing programs that accurately detect consumer vulnerabilities in the marketplace is important to not only better manage risk at financial institutions, but also for public policy purposes.

So what should financial institutions do to ensure fairness while meeting revenue and profit goals? The fallacy that high customer satisfaction scores predict fair and equitable treatment needs to be recognized. Self-critical analysis and risk management tools that recognize and address the issue should be implemented. Methods such as complaint monitoring, sales and service process blueprinting, root cause analysis, employee and customer interviews and audits of the sales and service activities all should be undertaken and embedded into risk management and the day-to-day business practices of the financial institution.

Action plans for correcting and improving weaknesses uncovered through self critical analysis should be put in place. These steps are not one time events, but need to be ongoing to ensure fairness by offering superior products that meet and exceed consumer needs.

Paul Lubin has more than 30 years experience measuring the customer experience. He is the author of "Protecting Main Street: Measuring the Customer Experience in Financial Services for Business and Public Policy".