

## **CASE STUDY: Bank of America**

### **Customer Service -- Good is Just Not Good Enough**

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#### **Introduction**

Bank of America Corporation (BOA) is an American multinational banking and financial services corporation founded in 1904. It is headquartered in Charlotte, North Carolina. It is a well-known company throughout the United States and the entire world. In the Forbes Global 2000 (2013), BOA ranks 28th overall, 63<sup>th</sup> in sales, 131<sup>st</sup> in profit, 11<sup>th</sup> in Assets, and 36<sup>th</sup> in market value. BOA employs approximately 267,000 people including Brian Moynihan, CEO. BOA's purpose is "to help improve the financial lives of their customers and clients" (Bank of America, 2013). They are committed to helping provide "opportunities for their customers and clients throughout their financial lives" Bank of America, 2013). Each team member brings the expertise, judgment, leadership and diversity of thought and experience required to make responsible decisions for all of their stakeholders" (Bank of America, 2013). BOA offers original banking products and services to their customers. They offer checking and savings accounts, credit cards, and home loans to customers. The financial institution is also recognized as leading company in the United States Small Businesses Administration program. They offer a myriad of financial services to small and large business alike.

"Fundamentally, [Bank of America's] conduct is guided by [their] values... code of ethics and a commitment to openness and transparency. Corporate governance is ultimately overseen by the board of directors, which is composed largely of directors who are independent of management" (Bank of America, 2013). BOA's employees are encouraged to follow the company's code of ethics, and offer unbiased service to their customers. BOA also claims that each employee is hired and empowered to give appropriate and accurate customer service.

BOA believes they should always be prepared and know how to deal with every situation no matter what it is. They have a strong risk management practice that allows them to help their customers and clients to achieve their goals giving the best they can. According to the Bank of America website, they "manage risk with a focus on [their] company as a whole and by business, products, services and transactions" (Bank of America, 2013).

#### **Competitor Analysis**

Bank of America is obviously a formidable competitor in the banking industry, but we wanted to dig a bit deeper to really understand what BOA is really about. We decided to compare BOA's products and services to a couple of their biggest competitors: J.P. Morgan

Chase and a local credit union, CFE Federal Credit Union. Our analysis compared the financial institutions' entry-level checking accounts, savings accounts and credit cards. We also reviewed interest rates on 48-month car loans and 30-year mortgages. All information was obtained from the financial institution's company website. As Figure 1 illustrates, here's a brief overview of what we found. This analysis shows that Bank of America and Chase are competitive, where Chase may have a just noticeable edge overall. CFE Federal Credit Union may not win in every category, but is the overall winner in fees and service

### **Consumer Attitudes about Bank of America**

After comparing Bank of America's competitors, we decided to dig a little deeper to get a feel of the general feeling that consumers have towards BOA. This is a summary of our findings:

Bank of America has been struggling with low customer satisfaction ratings over the past few years. A December 2012 press release from the American Customer Satisfaction Index found that BOA came in last place in the financial services arena (Banks Improve). The bank earned an ACSI rating of 66, "reaching its lowest level of customer satisfaction in over a decade." (Banks Improve, 2012). In fact,, ACSI points out that "Bank of America ... stands out as the only bank that is still below its prerecession customer satisfaction level. It is clear that this is mostly because of fees" (Banks Improve, 2012).

Our research team conducted an independent review of 100 random reviews for Bank of America taken from ConsumerViews.com, MyBankTraker.com, and My3Cents.com. Our review confirmed ACSI findings that the major complaint (35%) was BOA's Fees. In fact, one customer complained that she was charged a fee because the bank owed her money (Consumer Affairs, 2013)!

The independent review also shed light on several additional issues with Bank of America's service. Of the 100 sampled reviews, only one review was positive. The remainder of the reviews cited poor customer service due to disrespectful or rude behavior by an employee, poor communication and/or unresolved issues. 17% of customers cited dissatisfaction due to lost funds or limited access to their money. Another 17% of BOA customers felt that their home loans, refinancing or loan modification was handled poorly.

Further illustrating the poor service that Bank of America customers are receiving, *The Huffington Post* reported earlier this year that:

"Consumers have lodged 20,512 complaints (and counting) against Bank of America to the CFPB since December 2011, according to a review of the CFPB's complaint database...making up nearly a quarter of all complaints to the consumer-protection agency... BofA handily trumped runner-up Wells Fargo, which had more than 12,000 complaints against it, or about 14 percent of the total. JPMorgan Chase, the biggest U.S. bank by assets, had less than 10,000 complaints" (Gongloff, 2013).

<b>Figure 1 – Competitive Overview</b>			
	<a href="http://www.bankofamerica.com">www.bankofamerica.com</a>	<a href="http://www.chase.com">www.chase.com</a>	<a href="http://www.mycfe.com">www.mycfe.com</a>
<b>Checking</b>	“Low” opening deposit  \$1,500 average daily balance required  \$12/month fee if average balance not met  \$35 overdraft fee/check	\$25 Minimum deposit to open  \$500/month in direct deposits required  \$12/month fee if deposit requirement not met  \$34 overdraft fee/check	\$10 membership fee and a \$5 minimum deposit to open.  \$250 average daily balance required  \$5/month fee if average balance not met  Overdraft fee not indicated.
<b>Savings</b>	\$25 to open  \$300 minimum balance  \$5 fee if minimum balance not met  3 monthly withdrawals  \$3 for each withdrawal over monthly max  0.01% APY	\$25 to open  \$300 minimum balance OR \$25 monthly transfer from checking  \$5/month fee if minimum balance not met  6 monthly withdrawals  \$5 for each withdrawal over monthly max  Variable APY	\$10 membership fee and a \$5 minimum deposit to open.  \$250 average daily balance required  \$5/month fee if average balance not met  Unlimited withdrawals  0.25% APY
<b>Credit Card</b>	12.99% - 22.99% APR	13.99% - 22.99% APR	8.75% - 17.75% APR
<b>Auto Loan</b> 48-Month	2.24% with \$37 monthly interest	2.33%	3.35%
<b>Mortgage</b> 30-Year	4.37% 4.49% APR	4.25% 4.345% APR	4.375% 4.567% APR
<b>Overall Rating</b>	★ By My3Cents.com	★★ By My3Cents.com	Voted best credit union in Central Florida

Each of the review sites that we sampled gave an average overall satisfaction rating for Bank of America. ConsumerViews.com and My3Cents.com gave Bank of America one star. MyBankTraker.com rated the financial institution highest with two stars. These scores are poor to mediocre, which will not fare well for BOA in securing new business. The ACSI (2012) found in its report that many consumers are leaving large financial institutions, such as BOA, for smaller credit unions that are able to offer better customer service. Something needs to change with BOA's Customer Service in order to retain customers.

### **CVAT™ Analysis**

In order to further understand the root of Bank of America's customer satisfaction debacle, we applied a Customer Value Assessment tool (CVAT™) to "evaluate and improve...value delivery to their customers" (Weinstein, 2012, pg. 72). The CVAT™ will evaluate perceived service quality, product quality, image and value-based price. Each statement in our evaluation was rated 1 – 4, with 1 meaning it happens all of the time, 2 meaning it happens most of the time, 3 meaning it happens some of the time, and 4 meaning it never happens (Weinstein, 2012, pg. 72).

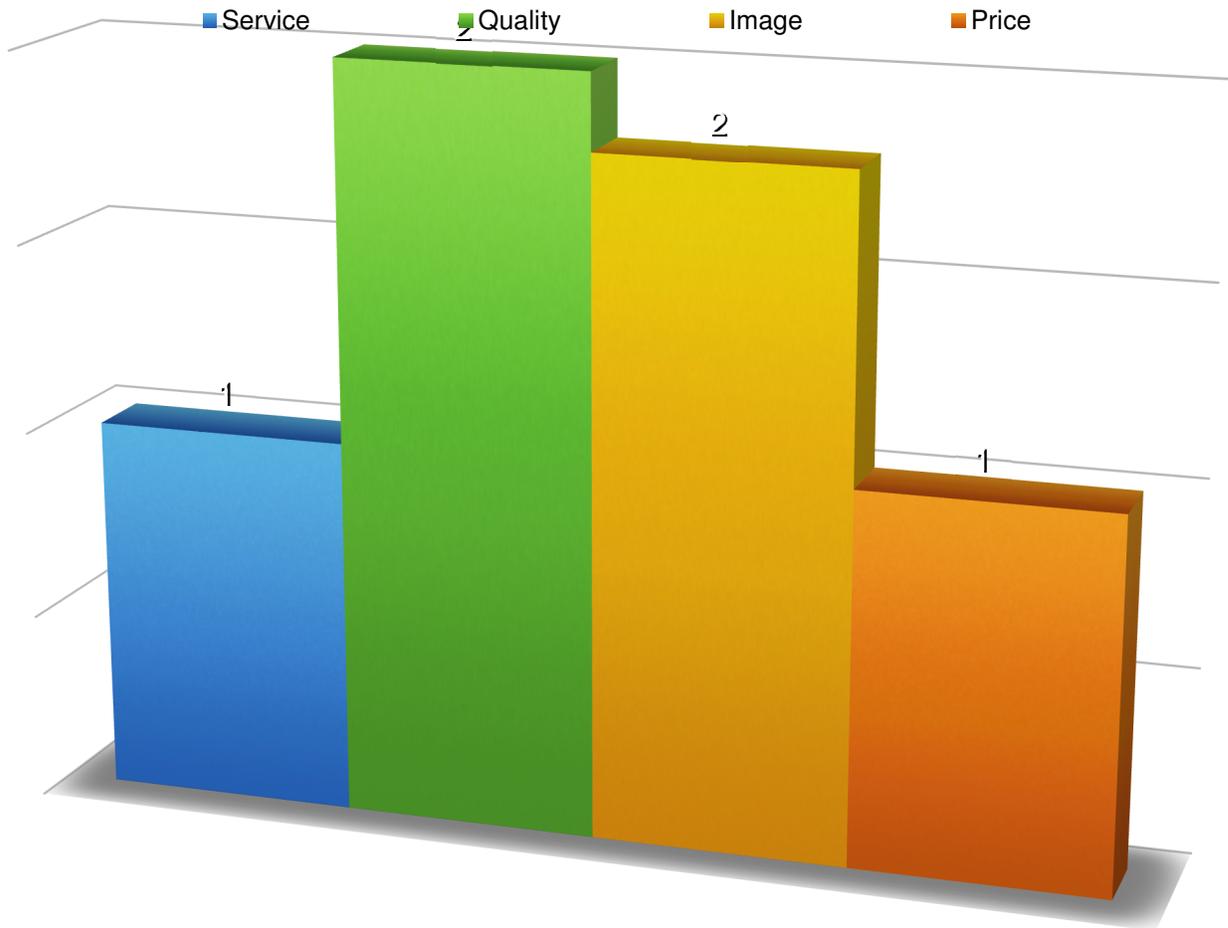
The CVAT consists of 42 measures in four areas of the value proposition – service, quality, image, and price. For the purpose of this analysis, we used 20 measures (5 in each area). Our ratings were based on information found reviewing analyzing consumer reviews, employee reviews from Glassdoor.com, BOA's website, recent news articles, and a focus group of twelve current BOA Customers. We also took into consideration the competitor analysis included earlier in this paper. Based on these inputs, a four-point summated neglect to excellence scale was constructed for each of the value components. Quality (2) and image (1.8) were rated as good, while service and price were only fair (1 for each) -- see Figure 2.

#### Service

We found perceptions on service quality to be quite mixed. This was not a surprise given the fact that Bank of America has been suffering from record low customer satisfaction ratings. Consider these two varied views from customers that illustrate the challenge of providing consistent and high quality service experiences.

- *Thank you for great service when I contact your branches. I've been a customer for several years and am very pleased with your service.*
- *The process to make a transfer to another bank takes too long and the customer service in charge of making the confirmation is not efficient at all. They need to get better at following up until the transaction is completed, and if a problem comes up they need to call the client right away so the client is notified on the status of the transaction.*

**Figure 2 – Perceived Value Assessment for Bank of America Based on Focus Group Results**



Seven individuals from our focus groups reported that they receive customer satisfaction surveys from BOA on a regular basis, while five responded that they do not. BOA's website seems to make it very easy to get in contact with a representative in a number of different ways, however, three members of the focus group indicated that it is difficult for to comment or complain when they have an issue. While it may be easy to contact BOA, we found that customers are often frustrated because they feel that employees are not listening to them. BOA, like all banks, are required to disclose product information, fees and other relevant information to their customers.

BOA customers are given vital information regarding products and services when they open their account. However, many customers consider this "fine print" and don't bother to educate themselves fully about account fees and other important stipulations to the account. The fine print certainly isn't perceived as easy to understand. BOA, unfortunately, has not garnered a reputation for resolving consumer complaints to the complete satisfaction of the customer. See Figure 3 for a further review of service quality issues.

American Customer Satisfaction Index (2012) ratings for the financial institution are dismally low, and ratings on ConsumerViews.com, MyBankTraker.com, and My3Cents.com back up the rating. Employee reviews of BOA suggest that all employees are provided with and supported in customer service training (Glassdoor, 2013), however, poor customer satisfaction reviews suggest that the training may not be effective.

### Quality

Perceived product quality did not seem to be as much of an issue as perceived service quality, especially to current Bank of America customers. Ten of our twelve respondents in our focus group indicated that they know exactly what they can expect from BOA and their services. The same percentage of respondents agreed that BOA is committed to getting things right the first time. Our competitor analysis indicated that BOA is relatively competitive with its biggest competitor, JP Morgan Chase, but may fall behind local credit unions have been gaining market share. Many of our focus group respondents also agreed that BOA is committed to continuous improvement. 75% of our focus group indicated that they find value in the communication that they receive from the bank. While perceived quality received good overall ratings from current customers, former customer reviews from our research indicate that quality may take a hit if customer service isn't addressed aggressively.

### Image

Bank of America seems to have a relatively decent image, especially given the general taste of distrust in the banking industry since the 2009 government bailout and Bank of America's low consumer rating scores. In fact, many employees saw the name *Bank of America* as a great addition to their resume (Glassdoor, 2013).

**Figure 3 – Customer Value/Service Quality Assessment for Bank of America**

<b>Customer Service Issue</b>	<b>Agree</b>	<b>Disagree</b>
1. The staff is courteous and helpful	92%	8%
2. Complaints are resolved to the complete satisfaction of customers	83%	17%
3. Employees treat customers with care and respect	83%	17%
4. Customers know what to expect from BOA and their services	83%	17%
5. BOA is committed to getting things right the first time	83%	17%
6. BOA has a commitment to continuous improvement	75%	25%
7. BOA offers new technologies that save time and money	75%	25%
8. BOA provides a means to comment or complain	75%	25%
9. BOA provides complete, easy-to-understand information concerning products or services	75%	25%
10. BOA raises both quality and service to new levels	67%	33%
11. BOA's products and services are better than those offered at other financial institutions	58%	42%
12. BOA sends customer satisfaction surveys to show they value customer feedback	58%	42%

An analysis of 50 employee reviews found mixed results regarding employees being viewed as representatives of the company's ideals. BOA lives up to their name when it comes to embracing diversity. However, many employees expressed a lack of empowerment to represent the bank's ideals by using their own judgment. Surprisingly, 67% of our focus group felt that BOA is responsible with their profits. This could indicate that consumers are feeling better about the banking industry overall.

Our employee analysis found that BOA encourages a good life/work balance, offering excellent paid time off packages, benefits and support in this area (Glassdoor, 2013). The same employee analysis also found that BOA is generally committed to providing support through management acting as facilitators, coaches, and enablers. This, of course, was not the case for every employee and location, and is certainly not entirely consistent throughout the company (Glassdoor, 2013). A recurring complaint of employees was that merit was not properly acknowledged or rewarded. Many employees suggested that the best employees were taken for granted, not paid enough, or passed over for promotions (Glassdoor, 2013). This seems pretty on par with consumer feelings on customer service: long-time customers felt undervalued. While the overall image seems to be doing okay, improvements can certainly be made to ensure image continues to improve.

### Price

Fees were the number-one complaint among consumer reviews, so it's no surprise that we found a number of issues with Bank of America regarding perceived value-based pricing. Here's one example of a customer's gripes with BOA regarding its pricing strategy.

- *BOA charges for every little service, it is ridiculous. If you try reading your statements online, good luck – the statements lack detail. While they have competitive rates with credit card transactions, everything else is outrageous. They charge for checking accounts and every transaction.*

Many reviews that we read referenced Chase Bank as a better option for banking services, and the American Customer Satisfaction Index reported that many consumers are switching over to credit unions that can offer better rates (Banks Improve, 2012). Our competitor analysis found that Chase may have a slight edge over BOA, and credit unions offer an even better rates on their services. Our focus group was a house divided, with only 58% of respondents viewing BOA as superior to the competitor. While BOA utilizes the latest technology including online and mobile banking (Bank of America, 2013), many customers, including 25% of our focus group, complain of increased fees or little value associated with the service.

As far as raising quality and service to new levels, BOA seems to be failing miserably in this area. The bank earned an ACSI rating of 66, "reaching its lowest level of customer satisfaction in over a decade" (Banks Improve, 2012). 33% of our focus group agreed that BOA has not raised the bar. BOA also fell short when it came to being viewed as a value-added entity in respects to the price it charges for its products and services. Customers complained about excessive fees plagued the review boards, and 41% of our focus group felt that BOA's fees and interest rates were not competitive or reasonable. While Bank of America is in the black on

their balance sheet (Forbes, 2013), 41% of our focus group felt that BOA did not meet their expectations for a financial institution. Reviews from ConsumerViews.com, MyBankTraker.com, and My3Cents.com back up our focus group's numbers. Bank of America has some serious ground to make up with Perceived Value-Based Price.

## **Recommendations**

### Perceived Service Quality Recommendations

According to Forbes Magazine, customer service is the new marketing (Mickiewicz, 2011). Our CVAT™ analysis indicated that Bank of America is seriously struggling with providing exceptional customer service. We are recommending that BOA conduct a complete overhaul of their customer service program in order to get back on track. The following are some things that BOA can implement to ensure they are providing exceptional customer service.

1) *Listen to the customer.* Like many large companies, Bank of America conducts customer satisfaction surveys and ways to comment and complain if they have something to say. But, our research found that there were far too many unsatisfied customers. BOA should make a greater effort to listen to their customers and make changes to their services according to what their customers need. BOA is providing ways for customers to speak up, but they are not ensuring the complaints are problems are solved to the complete satisfaction of the customers.

Another part of listening to customers is being available to listen. In his article "Why Customer Service is the New Marketing" Matt Mickiewicz of The Young Entrepreneur Council points out that one of the golden rules of customer service is being available to your customers (2011). Since Bank of America is a big company, they have a customer service department. But some customers complain that customer service agents are not readily available and they have to wait several minutes for their call to be answered. BOA should ensure that there are an appropriate number of customer service representatives available to assist customers in a timely manner.

2) *Improve communication about products and services.* A lot of information about Bank of America's products and services are included in the fine-print. This makes for confused and upset customers who don't understand BOA's fee structure. Improving communication outside of the fine print could result in fewer complaints about fees due to misunderstanding.

3) *Make complete customer satisfaction a top priority.* One of the most important things that Bank of America can do to accomplish this is to make sure they hire the right people. The right people understand how to effectively deal with customers. Employees hired must be patient and know how to treat others in a respectful way. Bank representatives need to be excellent listeners and should make the customer feel valued. If customers are a priority, BOA employees should be able to solve any problem a customer has with the bank. The best employees are those who are able to make the customer feel like they are in control, while adhering to bank procedures.

4) *Improve internal customer service training.* From our research, we know that Bank of America has many programs in place to train their employees on customer service. However, our research would indicate that their current programs are not completely effective. We would recommend that BOA assess their current training program to ensure that employees know that customer service is a top priority. We would also recommend continuing customer service training through each employee's tenure with BOA to make sure that customers know how to appropriately handle difficult situations.

5) *Make sure that customers feel valued.* BOA should identify their most valuable customers and make them feel special in order to retain them. Our research found that many long-time BOA customers feel undervalued. BOA should know who their long-term customers are and should focus on keeping them. These customers will give good feedback to the company and will recommend it to others. It is cheaper to keep a customer than acquire new ones. BOA could consider rewarding long-term customers special perks. For example, they might offer a fee forgiveness credit after one year, an interest rate reduction at five years, 50% off a safe deposit box after ten years, and so on. Rewarding customers for staying with the bank will make them loyal.

#### Perceived Product Quality Recommendations

While Bank of America's Perceived Product quality had decent results from the CVAT survey, BOA would be wise to manage the quality of their offerings. It is likely that the perceived product quality may be diminishing, given their poor service record. We recommend that BOA implement the following to make their product quality even better:

1) *Strive to give customers more than they expect.* Delight them. Give them a reason to stay with Bank of America.

2) *Instill an attitude of quality control in employees.* If quality is a priority, fewer mistakes will be made, and customers can learn to trust and expect quality from Bank of America.

3) *Strive to provide products that are better than the competitors.* If Bank of America gives their customers just a little bit more than the competition (Chase Bank seems to be doing this really well), they will find it harder to find a reason to leave.

4) *Encourage employees and customers to make suggestions when they see areas where there is room for improvement.* Make sure to really listen. If customers and employees feel that they are respected and valued, they are more likely to stay.

5) *Ensure that a clear message is being sent internally and externally, that show the value that BOA adds.* If everyone is on the same page, there will be greater understanding between Bank of America, its employees and its customers.

#### Perceived Image Recommendations

Although Bank of America's perceived image did not fare as poorly as their service and price offerings, there were still mixed reviews. We would recommend that BOA implement the following strategies to stabilize and improve its image:

1) *Instill company values into all employees and empower them to use their own judgment when assisting customers.* When employees feel like they are respected and valued for their judgment, they will stick around. Good employees that stay with the bank long-term can help to garner improved relationships with customers, ultimately improving the Bank's image.

2) *Communicate fiscal responsibility to internal and external publics.* This is really important in order to improve public opinion about the banking industry.

3) *Continue to encourage a good life/work balance for employees.* Preach it internally and externally. Bank of America already offers an excellent benefits package. If they continue to make little improvements to their benefits, employees will be happier and stay with BOA longer.

4) *Strive for a consistent culture of teamwork throughout the company.* If employees and customers alike know exactly what they can expect from Bank of America, their image will improve immensely.

5) *Make sure that good employees are rewarded and work to retain them.* It would be a good idea to implement an improved employee appraisal system that rewards the great employees and pinpoints problem employees. This will be helpful in increasing employee longevity, which will ultimately improve Bank of America's image.

#### Perceived Value-Based Price Recommendations

Our research and CVAT™ analysis indicated that perceived value-based pricing is a big problem for Bank of America. While their product pricing is certainly competitive with major competitors like Chase Bank, customers perceive that BOA is over-charging for their services by assessing excessive fees. In order to change customer perception, we recommend the following:

1) *Do a better job of staying competitive.* Bank of America should make sure that they have a slight edge over their major competitors. Offering additional free savings withdrawals, lowering balance requirements and re-evaluating assessed fees could help BOA in edging out the competition. Since credit unions are offering significantly better pricing, BOA should consider what they can do with their pricing to keep more of their customers from switching over to credit unions.

2) *Make "green services" cheaper and continue to improve them.* Many young people are using, and prefer, online and mobile banking services and opting in to electronic statements. BOA should offer these services at a discounted rate. We would also recommend that BOA constantly look for new options and features to add to their online and mobile

applications to stay competitive. Being technology driven will allow BOA to reduce costs for customers who prefer to check their accounts online rather than going to a BOA branch.

3) *Work to improve overall quality and service.* Bank of America is losing businesses to credit unions that are doing a better job with service and rates. BOA should work make some adjustments to their corporate culture to better match the quality and service that credit unions are offering. If overall quality and service are improved, BOA will be viewed as a more successful value-added entity.

4) *Better educate the customers regarding fees, so they know what to expect.* Let's face it: customers don't read the fine print. So, when they're charged a fee that they don't understand, they don't feel that Bank of America is meeting their expectations. BOA should make sure their fee structures are explained in detail when they open and account. Fees should also be presented to them in a more prominent way than hidden within the fine print.

### **Concluding Remark**

We feel that if Bank of America incorporates our recommendations for service, product, image and price into their business model, they will not only be able to improve their poor customer satisfaction scores, but they will be able to become more successful in their overall business.

### **End-of-Case Questions**

1. If you were the CMO of Bank of America, how would you react after reading this report? What immediate steps should you take to improve service quality and BOA's customer value proposition?
2. The subtitle of this case study is "Good is Just Not Good Enough." What is your interpretation of this phrase in the context of the Bank of America scenario presented?
3. Based on this analysis, identify some research needs/follow-up studies that deserve attention. How can BOA use their CRM system more effectively to gather customer data and make better marketing decisions?
4. Customer service is a major problem area for BOA. How can they use SERVQUAL and gap analysis to enhance service quality?
5. Review the set of proposed recommendations. Based on this list, identify three priorities to pursue. Explain why these issues are so critical in developing a sound customer value strategy. Offer a fourth initiative that has not been identified. Why is this an important area for marketing management to address?

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