

Satisfying Customers and the CFPB

COMPLIANCE EXPERT EXPLAINS HOW DEALERS CAN TURN THE TABLES ON THE CONSUMER FINANCIAL PROTECTION BUREAU BY USING THE AGENCY'S OWN GUIDANCE TO RESPOND TO COMPLAINTS.

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By Jim Ganther



The eight most feared words in the English language might well be “I’m from Washington and I’m here to help.” If a new regulation governing business activities does help, it is probably just a coincidence.

One such coincidence may have recently emanated from the Consumer Financial Protection Bureau (CFPB). And it almost certainly went unnoticed, with the possible exception of compliance geeks. The CFPB has gone on record as expecting every dealership to have a consumer complaint management system (CMS) in place as a part of its broader compliance management system.

Why is this good news for dealers? Because it requires you to do something you should already be doing. Handling complaints may seem like a necessary evil, but, in fact, successful dealers know that complaints are a very, very good thing.

Here’s why: Studies suggest the most loyal customers are not those who didn’t have a problem with a dealership, but those who had problems that were resolved to their satisfaction. And if complaints are not solicited, received and acted upon — quickly — the

opportunity to create raving fans never materializes. Consider the following statistics from Technical Assistance Research Programs, a Washington-based research firm:

- Businesses never hear from 96% of their unsatisfied customers.
- The average customer with an unpleasant experience will tell 10 other people about it; 13% will tell more than 20 people.
- The average customer who has a pleasant experience only tells five people.
- Sixty-five percent to 90% of customers who had an unpleasant experience and don't complain will not buy from the offending business again — and the business will never know why.
- Between 54% and 70% of those customers can be won back by resolving their complaints.
- Up to 95% of customers whose complaints are resolved become loyal customers.

Complaints present opportunities to excel and demonstrate to a captive audience that your dealership is better than the competitor across the street. As such, complaints should be sought out like nuggets of pure gold. The CFPB and the Federal Trade Commission (FTC) are telling dealers that's what they need to be doing to satisfy their standards. Informed self-interest tells those same dealers they should be doing this as part of their regular business operations.

Jack Welsh Had It Right

In 1986, Motorola developed a technique for process improvement called "Six Sigma." In a nutshell, Six Sigma strives to improve process outputs by identifying and eliminating the things that cause defects. Six Sigma focuses on quantifying essential metrics and setting goals so the process — and thus its output — is measurably improved.

In 1995, then-General Electric CEO Jack Welsh famously made Six Sigma central to GE's business strategy with spectacular results. In 1995, the company's stock traded for around \$10 a share. By 2000, GE stock was trading for around \$60 per share. What worked for light bulbs and jet engines can work for car sales and F&I penetrations: Measure the errors, measure the fixes and measure the results.

The process begins with identifying errors; in the automotive space, those are the complaints themselves. Think of each as a \$100 bill. If they actually were, you could buy a giant vacuum cleaner to suck in as many as possible. You also would want to keep them coming. Here is how you do it:

1. **Invite Them:** Create a toll-free complaint hotline and advertise it everywhere you can: on your print ads, on brochures, on posters and signs throughout the dealership, including the F&I offices and service department waiting area. Let customers know you really value their feedback and you will get more.
2. **Log Them:** More on this later, but first understand that a traceable record of every complaint and its lifecycle must be maintained for the process to work as it should.
3. **Solve Them:** Solve every complaint as quickly as possible, and do it with a smile. Remember, complainers are doing you a big favor. So reward them by taking that first step toward converting them into raving fans.
4. **Record Them:** Keep detailed records of every complaint and how it was resolved — and how quickly.
5. **Review Them:** Review and analyze the data you maintain. What complaints are most common? What can you do to address the repeating failures? Continuous feedback and correction is the essential component of any successful Six Sigma process. Without it, the whole effort is a waste of time and resources. With it, your dealership cannot help but improve its processes and therefore its profits.

Now, back to the CFPB. The bureau does not care about your profits, but it does care about your processes. Complaints are, in the CFPB's own words, its "compass." CFPB oversight will follow the volume of complaints it receives, and it is built to receive complaints. If you don't believe me, note how prominently "Submit a Complaint" is displayed on the bureau's site, www.consumerfinance.gov. Click on that button and it will take you to a menu of potential complaint topics. And as you'll see, "Vehicle loan or lease" is one of the top choices.

Follow the prompts and you will be guided along an easy process covering the lifecycle of a complaint, from the incident that provoked it to the product in question. In other words, the CFPB has installed a Web-based, consumer-facing, simple-to-use complaint resolution system. I submit that dealerships would be wise to institute the exact same process. What's good enough for the CFPB should be good enough for the dealership community.

The advantages of a Web-based solution are ease of use coupled with built-in recordkeeping. A typical system will allow a customer to input the information the CFPB collects. Software operating in the background will direct the complaint to the appropriate dealership employee, log the date and time of submission, classify the complaint for easier analysis and track the complaint from submission to resolution.

If a complaint is not resolved within a set timeframe (say, 24 hours), the system can be set to elevate the complaint to a higher level of management. If resolution is not achieved within another 48 hours, ownership can be notified. The goal is to ensure no complaint slips through the cracks, all while generating and archiving useful data for process improvement and, if necessary, to satisfy a CFPB or FTC inquiry.

Examine Your Options

If the foregoing seems daunting, fear not. Numerous complaint resolution systems are available for immediate purchase, and the purchase price doesn't need to be painful. Everest, i-Sight and IssueTrak all offer robust and capable systems that should satisfy the CFPB's demand for such a system. One solution, DealerGripe, is specifically geared for the retail automotive environment. Based on my research, it also has the advantage of being the least expensive solution available.

Whichever solution a dealership chooses, such a system needs to be in place. And that's a good thing. Six Sigma demands it and so does the CFPB. Consider it a happy coincidence, and embrace the improvements it will produce.

James S. Ganther Esq. is the co-founder and president of Mosaic Interactive LLC, a provider of Web-based compliance programs. He can be reached at jim.ganther@bobit.com.