Customer service and employee engagement

Intersection of customer service and employee engagement and technological infrastructure

CASE STUDY ON CUSTOMER SERVICE AND EMPLOYEE ENGAGEMENT

Title of the Case study	Customer Service and Employee Engagement
Theme of the Case study	Intersection of customer service, employee engagement and technological infrastructure in addressing operational challenges within the banking environment
Name of the authors	1. Ms.K.S. Subeeksha (PF 703191) 2. Ms. Deepika G (PF 701597)
Designation (Present)	1. Customer Service Associate 2. Assistant Manager
Employer (Present)	1. Union Bank of India 2. Union Bank of India
Mobile	1. 9884873986 2. 9003828809
Email address	1. subeekshasreeram@gmail.com 2. deepikacupid@gmail.com
Qualifications	1. B.Com., M.Com., Caiib 2. B.Tech., MBA., Caiib

CERTIFICATE OF ORIGINALITY

This is to certify, that the Case Study and the Facilitation Note submitted by us are an outcome of our independent and original work. We have duly acknowledged all the sources from which the ideas and extracts have been taken. The project is free from any plagiarism and has not been submitted elsewhere for publication / presentation.

K.S.Subeeksha

Name of Author (s): 1.Ms.K.S Subeeksha Signatures

Designation: Customer Service Associate

Affiliated Institution/Bank: Union Bank of India

Title of the Case: Customer Service and Employee Engagement

E-mail: subeekshasreeram@gmail.com

Contact No.: 9884873986

Date: 22.09.2024

Place: Chennai

Deepika G.

Name of Author (s): 2. Ms. Deepika G Signatures

Designation: Assitant Manager

Affiliated Institution/Bank: Union Bank of India

Title of the Case: Customer Service and Employee Engagement

E-mail: deepikacupid@gmail.com

Contact No.: 9003828809

Date: 22.09.2024

Place: Chennai

Abstract

This case study explores the challenges faced by ABC Bank Ltd regarding the renewal of a special term deposit scheme and its impact on customer service and employee engagement. Mr. Shekar, a long-standing customer of the bank, had initially placed a term deposit for 444 days under a special deposit scheme that matured on June 1, 2024. Upon maturity, the deposit was automatically renewed for a period of 12 months, rather than the original 444 days. This mismatch led to a significant reduction in the interest rate applied to the renewed deposit. When Mr. Shekar noticed a lower-than-expected interest credit on September 1, 2024, he approached the branch on September 3, 2024, to inquire about the issue. The staff explained that the automatic renewal was for a standard period of 12 months, not the special scheme, which had since expired.

The crux of the issue was the reduced interest rate for the 12-month deposit and the potential penalties for pre-closing the deposit to take advantage of better rates available as of September 3, 2024. Despite the bank staff explaining that the scheme had expired, Mr. Shekar expressed dissatisfaction with the lower interest rate and the potential charges involved in rectifying the situation.

This case study highlights several key aspects:

1. Customer Service: The need for effective communication with customers, especially concerning automatic renewals, changes in interest rates, and pre-closure penalties.
2. Employee Engagement: How empowered and well-trained employees can make a significant difference in resolving customer issues and providing satisfactory alternatives.
3. System Limitations: The role of the bank's IT systems in ensuring accurate renewals and timely customer notifications.
4. Customer Retention and Satisfaction: The impact of such discrepancies on customer trust, loyalty, and retention, particularly for long-standing and high-value customers like Mr. Shekar.
5. Reputation Management: The wider implications for the bank's reputation, especially in an era where customer experiences can be shared widely on digital platforms.

The study suggests several recommendations, including improving the bank's IT infrastructure to flag special schemes more effectively during renewals, offering personalized customer communication to explain the terms before renewals, and empowering employees with more flexibility to handle customer grievances.

In addition, the role of employee engagement is emphasized, as engaged employees tend to provide better service, particularly in resolving customer complaints efficiently. The study discusses the importance of regular training, greater decision-making authority for front-line staff, and creating a feedback loop where both customers and employees can report issues for continuous improvement.

Through a blend of enhancing customer service practices and fostering a more engaged and empowered workforce, ABC Bank Ltd. can avoid similar situations in the future, retaining customer loyalty while maintaining high operational efficiency. Ultimately, the case study underscores the need for banks to balance automated systems with personalized customer service and proactive employee involvement to ensure overall success and satisfaction.

Introduction

Customer loyalty plays a crucial role in the banking sector, often determining the long-term success of financial institutions. ABC Bank Ltd. has built its reputation on trust, transparency, and customer satisfaction, especially with long-standing customers like Mr. Shekar. He has held various deposits and accounts with the bank for many years, including a ₹15,00,000 term deposit under a special scheme. The deposit's tenure was 444 days, with quarterly interest payments. This special deposit scheme offered higher interest rates than standard deposit schemes, making it particularly attractive to loyal customers like Mr. Shekar.

On 01/06/2024, the deposit matured, and the bank's system automatically renewed it for a tenure of 12 months, instead of the original 444 days. Upon receiving a lower-than-expected interest credit on 01/09/2024, Mr. Shekar inquired about the discrepancy. To his frustration, the branch staff informed him that the renewal had defaulted to the 12-month tenure, as the original special scheme was no longer available. The issue escalated when Mr. Shekar requested a renewal at a higher interest rate available on 03/09/2024, but was informed that doing so would incur pre-closure charges.

This case highlights the broader implications of customer service lapses, system limitations, and employee engagement in resolving customer issues. A small error in renewal has the potential to damage the bank's relationship with one of its oldest and most loyal customers, emphasizing the need for systemic improvements and employee empowerment in customer service roles.

Facts Involved in the Case

Customer Profile: Mr. Shekar, a long-term customer of ABC Bank Ltd., holds various deposits and accounts, including a ₹15,00,000 term deposit under a special scheme for 444 days, with quarterly interest payments.

Term Deposit Renewal: The deposit matured on 01/06/2024, and the bank's system automatically renewed it for 12 months instead of the original tenure of 444 days. This was due to the expiration of the special scheme and the system defaulting to the bank's standard deposit renewal protocol.

Customer's Realization: On 01/09/2024, Mr. Shekar realized that the quarterly interest credited was lower than expected. He visited the bank on 03/09/2024 to inquire about the issue and was informed that the renewal had occurred at a lower interest rate for 12 months.

Customer Request and Pre-closure Charges: Frustrated by the reduced interest, Mr. Shekar requested to renew the deposit at the higher interest rate available on 03/09/2024. However, the branch staff explained that pre-closure charges would apply, as the maturity date had exceeded the prescribed closure period.

Analysis of the Issues

1. Mismatch in Tenure

The core issue in this case arises from a mismatch in the renewal tenure of Mr. Shekar's term deposit. The bank's system was designed to renew deposits automatically for standard tenures when the special scheme expired, leading to an unexpected 12-month renewal. This problem highlights a gap in the bank's ability to manage unique customer requests and special schemes.

In modern banking, automated systems are widely used for routine tasks such as deposit renewals, interest calculations, and account management. While these systems are generally efficient, they can fall short in handling special cases. In this instance, the system was unable to recognize that the customer had originally opted for a 444-day tenure under a special scheme and should have been alerted before renewal.

A comparison with industry standards reveals that many leading banks use advanced customer relationship management (CRM) tools to handle deposit renewals more effectively. Such systems can flag special accounts and schemes, sending notifications to both customers and bank employees before an automatic renewal occurs. In this way, the customer can be informed about upcoming changes and potential renewal options.

ABC Bank's system, while capable of managing standard deposit renewals, lacked this level of sophistication, resulting in an avoidable situation where a loyal customer's expectations were not met. This mismatch not only affected Mr. Shekar's immediate financial returns but also damaged the trust he had in the bank's ability to manage his assets.

2. Lack of Notification

Another key issue in this case was the lack of notification provided to Mr. Shekar before the renewal of his term deposit. Banks today are expected to maintain proactive communication with their customers, particularly when it comes to significant financial decisions like deposit renewals. Customers like Mr. Shekar should be notified well in advance of any automatic renewals, especially when their original deposit terms are set to expire.

The absence of notification in this case reflects a broader communication gap in ABC Bank's customer service strategy. In today's digital banking environment, customers expect timely updates via multiple channels—such as email, SMS, and mobile banking apps. Automated alerts, reminding customers of upcoming renewals or changes in interest rates, are a common feature in many banks. For instance, leading global banks use AI-driven communication systems that send personalized alerts to customers, ensuring that they are aware of important events related to their accounts.

Had ABC Bank implemented such a system, Mr. Shekar would have been informed about the expiry of his 444-day special scheme well before the renewal date, allowing him to make an informed decision about his deposit. This would have prevented the misunderstanding and subsequent dissatisfaction.

3. System Limitations

The limitations of ABC Bank's system are evident in this case. While the system efficiently handles standard deposit renewals, it failed to account for the special nature of Mr. Shekar's deposit. This reflects a broader issue within the bank's IT infrastructure, which lacks the flexibility to manage non-standard products and services.

In the banking industry, special deposit schemes are often used to attract long-term customers by offering higher interest rates and flexible terms. However, these schemes require more sophisticated management systems that can adapt to changing terms and customer preferences. In this case, the bank's system defaulted to a standard 12-month renewal without considering the customer's previous preferences or the fact that the 444-day scheme had expired.

Many banks have overcome similar challenges by adopting machine learning algorithms that predict customer preferences based on historical data. These systems can flag special cases like Mr. Shekar's and prompt bank employees to intervene manually, ensuring that the customer's needs are met. ABC Bank's current system lacks this capability, leading to a mismatch in renewal terms and customer dissatisfaction.

Customer Dissatisfaction

Customer dissatisfaction in this case stems from several factors, including the mismatch in tenure, the lower interest rate, and the lack of proactive communication. However, the issue goes beyond just the financial impact—it also affects the relationship between the customer and the bank. Mr. Shekar, a long-standing and loyal customer, expected a higher level of service from the bank. When his expectations were not met, his trust in the bank was shaken.

The SERVQUAL model, a widely used tool in customer service management, identifies five key dimensions of service quality: reliability, assurance, tangibles, empathy, and responsiveness. In this case, ABC Bank fell short in several of these areas:

Reliability: The bank's system did not reliably renew the deposit according to the customer's expectations.
Assurance: The bank's staff did not provide Mr. Shekar with a satisfactory solution when he raised his concerns.
Empathy: The bank's response lacked empathy, as the staff focused on the pre-closure charges rather than addressing the customer's frustration.
Responsiveness: The bank did not proactively notify the customer about the renewal, leading to a reactive approach when the issue arose.

In banking, customer trust is paramount. Financial institutions must ensure that their systems and employees are equipped to handle customer needs with efficiency and empathy. Failing to do so can result in not only financial losses for the customer but also a deterioration in the bank's reputation.

Solutions and Recommendations

1. System Enhancement

ABC Bank needs to upgrade its IT infrastructure to handle special deposit schemes more effectively. This could include implementing machine learning algorithms that flag special cases and alert bank employees before an automatic renewal occurs. Additionally, the system should be programmed to offer customers alternative renewal options when a special scheme expires, rather than defaulting to a standard tenure.

2. Improved Communication

The bank should adopt a proactive communication strategy that includes sending automated alerts to customers before any major financial events, such as deposit renewals or changes in interest rates. This can be achieved through multi-channel communication (email, SMS, and mobile app notifications) to ensure that customers are aware of upcoming changes and can make informed decisions.

3. Flexible Policies for Long-term Customers

For long-standing customers like Mr. Shekar, the bank should offer more flexible renewal options. This could include waiving pre-closure penalties or offering a grace period during which the customer can modify the terms of the renewed deposit without incurring charges. Such policies would demonstrate the bank's commitment to customer satisfaction and build loyalty.

4. Employee Training and Empowerment

The bank's employees play a critical role in resolving customer issues. In this case, the staff focused on pre-closure charges rather than addressing the customer's concerns. By providing employees with more training on handling special cases and empowering them to offer flexible solutions, the bank can improve its customer service outcomes. Employees should be trained to handle customer concerns with empathy and to offer solutions that prioritize customer satisfaction over rigid adherence to policies.

5. Customer Feedback Mechanism

Implementing a robust customer feedback mechanism is essential for improving services and addressing issues promptly. ABC Bank should create a system where customers can easily provide feedback on their experiences, especially in situations like deposit renewals or interest rate changes. Regular feedback analysis can help identify recurring issues and improve both customer service and internal processes. Moreover, offering quick responses and resolutions to feedback demonstrates the bank's commitment to continuous improvement and customer satisfaction.

Employee Engagement in Resolving the Issue

The role of employee engagement is crucial in providing top-tier customer service. In this case, the branch staff's ability to handle the situation was limited by policies and system constraints. However, with better engagement, employees could have been more proactive in resolving the issue or finding alternatives for the customer.

Highly engaged employees are more likely to go the extra mile for customers, ensuring their concerns are addressed efficiently and with empathy. ABC Bank could implement the following strategies to boost employee engagement:

1. Training Programs

Regular training should focus on both technical aspects, such as understanding banking products and systems, and soft skills, such as customer communication and conflict resolution. In this scenario, employees could have been trained to offer alternatives to Mr. Shekar, such as explaining how pre-closure penalties could be minimized or waived under certain circumstances.

2. Empowerment and Decision-Making Authority

Employees should be given more autonomy in resolving customer issues. If the staff had the authority to waive pre-closure charges or offer a renewal at a more favorable rate, the customer’s dissatisfaction could have been avoided. Empowering employees to make decisions helps build trust between them and the customers they serve.

3. Recognition and Incentives

Recognizing employees who go above and beyond in customer service can foster a culture of excellence. For instance, rewarding staff for resolving customer issues effectively can motivate them to engage more deeply with their work. In this case, if the staff had been encouraged and rewarded for resolving Mr. Shekar's issue efficiently, it could have led to a more positive outcome.

4. Feedback Loop for Employees

Just as customers need a feedback mechanism, employees also need a way to express their thoughts about the challenges they face in customer service. By creating an internal feedback system where employees can report systemic issues (such as the IT system's limitations in this case), the bank can address internal problems more effectively. This will lead to better tools for employees and, in turn, better service for customers.

Wider Implications for the Bank

The incident involving Mr. Shekar has wider implications for ABC Bank. Customer dissatisfaction, particularly when it involves loyal, long-standing clients, can have a ripple effect on the bank's reputation. In today's digital age, negative experiences can be easily shared through social media, online reviews, and word-of-mouth, potentially damaging the bank's brand.

1. Reputation Management

Banks must recognize that customer satisfaction directly impacts their reputation. Addressing grievances quickly and effectively can turn a potentially damaging situation into a positive one. By resolving issues in a customer-centric manner, ABC Bank can mitigate any negative fallout from this incident and reinforce its reputation as a trustworthy institution.

2. Customer Retention and Loyalty

Retaining loyal customers like Mr. Shekar is vital for long-term business success. Customer acquisition is significantly more expensive than customer retention and ensuring that loyal customers are satisfied should be a top priority. In this case, offering Mr. Shekar a personalized solution, such as waiving pre-closure charges or renewing his deposit at a more favourable rate, would reinforce his loyalty to the bank.

3. Long-Term Financial Impact

Repeated incidents of customer dissatisfaction can have a significant financial impact. Dissatisfied customers may move their business to competitors, leading to a loss in deposits, loans, and other financial services. Furthermore, the costs associated with addressing complaints, retraining employees, and improving systems can add up. By investing in customer service and employee engagement now, ABC Bank can avoid larger financial losses in the future.

Conclusion

This case study underscores the critical relationship between customer service, employee engagement, and the long-term success of financial institutions. The mismatch in Mr. Shekar's term deposit renewal highlights the need for better systems, more proactive communication, and employee empowerment within ABC Bank. By addressing these areas, the bank can improve customer satisfaction, enhance employee engagement, and protect its reputation in the competitive banking industry.

Felicitation Note

We would like to take this opportunity to extend our heartfelt appreciation to all those employees involved in resolving this case. To the dedicated employees of ABC Bank Ltd., your commitment to upholding customer satisfaction during challenging situations does not go unnoticed. We recognize your efforts in guiding Mr. Shekar through the complexities of the term deposit renewal and addressing his concerns, even when constrained by policies and procedures.

Special recognition is due to the IT team, whose ongoing work to upgrade the bank's systems will help prevent similar issues in the future. Your behind-the-scenes efforts ensure that our systems remain robust and customer-focused.

Lastly, to Mr. Shekar, we express our gratitude for your continued trust in ABC Bank Ltd. Your feedback has been invaluable in helping us refine our services and enhance the customer experience for all. We look forward to serving you for many more years to come.

To incorporate proper referencing into the case study, we can cite sources based on research in customer service, employee engagement, and banking systems. Since this is a case study about a specific situation in ABC Bank Ltd., most of the content is contextual and theoretical rather than based on existing external studies. However, for sections that discuss best practices or general knowledge from the banking sector, we can cite academic or industry sources. Below is an example of how referencing could be integrated:

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In the Customer Dissatisfaction section:
"According to the SERVQUAL model (Parasuraman, Zeithaml, & Berry, 1988), the dimensions of reliability and responsiveness are key to customer satisfaction, both of which were compromised in this case."

- In the Employee Engagement in Resolving the Issue section:
"Research shows that engaged employees positively influence business outcomes and customer satisfaction (Harter, Schmidt, & Hayes, 2002)."