BankDirector.

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Making Trust a Key Business Metric in Banking

Banks can alleviate customer stress following fraud by building long-term loyalty with swift, fair and transparent fraud and dispute resolution

By **Joseph McLean**, Quavo CEO & Co-Founder

Trust has always been a cornerstone of banking, but defining and measuring it as a key performance indicator (KPI) has been overlooked by many executives. As customer stickiness gets more difficult to maintain, particularly as customer behavior further fragments the market, banking leaders calculating customer value must first consider how trust factors in as a key business metric.

Trust significantly impacts customer retention and value, and no other factor impacts trust more than a customer becoming a victim of fraud. But many bankers may not realize that a bank's response to fraud is actually a far more important event than the fraud incident itself. Fraud response and dispute resolution deeply impact trust, which in turn influence customer engagement, loyalty, retention and revenue.

Quavo conducted consumer research into how customer perceptions of their bank's handling of fraud incidents influence these areas and whether a person decides to switch institutions. Early insights from the Trust in Banking Consumer Study supports trust as an underlying KPI for customer retention and growth metrics.

In that research, three key themes emerged:

1. Customer fraud resolution can be a trust-building opportunity.

Our research shows **62%** of respondents said their bank's handling of the resolution process had a greater impact on trust than the fraudulent activity itself.

A swift resolution can turn a stressful situation into a positive customer experience. Swift, fair and transparent fraud resolution gives customers confidence that you're protecting their financial well-being.

Banks can enhance the customer dispute process with a self-service intake portal that provides real-time notifications and clear claim status visibility. This not only builds confidence and trust but also streamlines case management and reduces overhead costs.

2. Long resolution times quickly erode trust, loyalty and, ultimately, growth.

Most bank customers **(73%)** feel that their loyalty is heavily influenced by how fraud is handled. Our research also revealed 71% of bank customers we spoke to said they're likely to lose trust in their bank if fraud resolution times are long.

Banks that fail to prioritize speedy resolutions hinder long-term customer retention and growth opportunities. Lengthy resolution times create uncertainty that erodes the entire customer relationship.

3. Resolution speed deeply affects customer retention, confidence and value.

Our research shows 66% of customers would consider switching banks due to tedious resolution processes; and 70% reported their confidence in other services was negatively affected.

Clear communication during the resolution process is paramount to creating transparency that fosters customer trust. When customer confidence erodes due to slow, unclear or ineffective fraud resolution, it not only creates a retention risk, it also reduces opportunities to cross-sell new solutions and deepen customer relationships. This domino effect caps the customer value to a bank, increasing the chance they'll either leave the bank or simply stop adding value by banking with an additional provider.

The results of the latest J.D. Power U.S. Retail Banking Satisfaction Study drew a clear correlation between customer satisfaction, trust and loyalty. While customer satisfaction is flat, the true indicator of loyalty is actually trust. As trust eroded for a second straight year, less than half (46%) of respondents said they'd definitely stay with their bank, and 13% said they are likely to switch institutions in the next 12 months.

Both studies indicate that there are ample opportunities to influence a positive perception of trust at every stage of the customer journey. Proactively resolving fraud and dispute incidents before they escalate into delayed processes that cause frustration and churn is the first step. But banks can do more from the start to restore customer confidence, ensuring customer funds are protected, and customer experiences are fair and fast.

Strengthening the banking industry isn't just about delivering the best products or services, it's about reinforcing trust in banking on both sides of the customer relationship.

Joseph McLean
CEO and Co-Founder

Joseph McLean, CEO and Co-Founder of Quavo Fraud & Disputes, is a transformative leader in the fintech space, driving innovation and growth for financial institutions through advanced fraud and dispute management solutions. His vision and execution have positioned Quavo as a leader in a crowded industry, delivering tangible results and long-term value to clients worldwide.