CASE STUDY: Wells Fargo 2016 Fraud Scandal

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Summary:

The Wells Fargo fraudulent account case arose on September 8th of 2016. The company was accused by the Consumer Financial Protection Bureau, the Office of the Comptroller of the Currency and the Los Angeles City Attorney. The organizations claimed that Wells Fargo, between 2011 and mid-2016, created additional fraudulent bank accounts for pre-existing customers. Signing up over 2 million customers for new credit cards and fees that they were unaware of. Wells Fargo was fined an initial $185 million and the bank in response fired 5,300 involved employees (Blake 2016). The fraud allegedly resulted from the company's sales program created by CEO John Stumpf. With the mantra "eight is great" Stumpf's program set strict sales goals for Wells Fargo employees. Sales associates and managers were urged to "get eight Wells Fargo products into the hands of each customer" (McGrath 2017). These demanding quotas resulted in employees being urged to cut corners, opening new deposit accounts without consent from customers and targeting minorities who spoke little English. The scope of the case grew as more investigations were done on the company's actions, uncovering 565,443 unsolicited credit card accounts (Egan 2016). These events along with consistent pressure from the media, The House of Representatives and The Senate lead to the resignation of their CEO, John Stumpf in mid-October. But his leaving was not without controversy, as he left with a $133.1 million retirement pay package (Shen 2016).

Research:

Wells Fargo, which sits at the fourth largest bank in America with $1.75 Trillion in assets at the time, had a great wealth of capital to dispense to its public relation department (Shen 2016). With a constant interest in maintaining a good public opinion among both customers and stockholders, it could be assumed that timely and cautious actions would be taken in light of a scandal. Wells Fargo's response to the scandal was exactly that, quick, orderly and official. However, despite any preparation a company could devise, it is impossible to predict the scope and impact a scandal such as this could impose. To better understand what needed to be done to repair their bank's function and reputation, Wells Fargo conducted and gathered research to understand their public's opinions.

The first of such research sources, and one that would be used for the majority of statistics in media, was **an analytical survey by cg42**. The survey was a **quantitative gathering of opinions on the company before and after the crisis emerged**. It was conducted through online reviewing 1,000 Wells Fargo primary customers and 500 customers from other Top 10 U.S. Retail Banks (cg42 2016). The study covered customer opinions on the bank's reputation, trends on customers switching from the bank, projected financial loss and how the scandal could benefit other banks. This survey would act as a **secondary research source** for the bank and could have been used to compare with similar surveys conducted from within the company to form a better outlook on their **consumer stakeholders**.

Another source Wells Fargo closely researched would be their company's stock market evaluations during the crisis, along with the valuations of competitor banks. This research would, like the survey, be a **secondary source** for their research teams to evaluate the company's overall well-being and value in the eyes of their stockholders. An assessment of Wells Fargo's stock listing from the time of the crisis onward was conducted in a **quantitative review by CNN money**. This review was a **content analysis** of the company's stock that showed that Wells Fargo, in light of the crisis, hit a 31-month-low stock price (Egan 2016). This price drop was reflective of the fear from **Wall Street stakeholders** that the company's reputation and potential for profit was at stake due to the crisis. From this information Wells Fargo could also monitor the impact of their actions on the stockholder in real-time.

Objectives:

Immediately after news of the scandal was released to the public, Wells Fargo began acting and planning to alleviate the issue. The company had much at stake, being one of America's largest banks, so acting correctly to address the issues evident from their research was their chief concern. With a crisis of this size, it was clear that Wells Fargo was going to have to attempt to solve issues from various fronts.

The first front to take on was to **inform their stakeholders and the public that Wells Fargo was addressing the situation. They needed to make it clear that they were being open with the information they had and that they would continue to show clarity about the issue**. This would be considered the **informational objective** of Wells Fargo's campaign. This objective would additionally include any attempts made by the company to prevent the spreading of incorrect information about the scandal.

The next objective Wells Fargo needed to address would be the matter of restructuring their company's policies and management. The goal of such restructuring would be to prevent any issue similar to the current fraud from ever occurring again. This would be defined as the

behavioral objective of their campaign, **changing Wells Fargo's business practices that lead to the fraud and resolving the accounts affected**. This objective would also overlap with their informational objective, each step of Wells Fargo's restructuring would also have to be completely open and available to the public.

The last objective for Wells Fargo's public relations campaign would be **to address the change in attitude towards the company after the fallout of the crisis**. Dealing with this objective is arguably the most difficult issue to tackle for the company. The crisis was from fraud caused by Wells Fargo's own policies and created a very negative image that the company would have to come back from carefully. Wells Fargo would need to display to its public that it was capable of changing its operations and righting the wrongs they've committed to regain trust. This **attitudinal objective** would most likely take the most time to resolve for the company, considering the amount of negative media coverage the scandal received.

Considering the nature of the scandal, Wells Fargo was wise to focus on these objectives. It is evident that despite the disheartening scale of the scandal the company still had a strong public relations department that was ready and prepared for such an event. Though the actions that lead Wells Fargo to the crisis are worrisome, to say the least, they knew how to properly tend to the situation to the best of their ability.

Programming:

Wells Fargo's strategy to resolve their fraudulent account crisis was titled the "**Commitment**" campaign. This program consisted of various campaigns on the company's **social media outlets**, particularly **Twitter** and **Facebook**, along with **television advertisements** and **press releases**. Wells Fargo's submissions about the crisis to Twitter and Facebook, as well as their specific advertising to television and magazines would all be considered **controlled media**. While the particular comments and commentary on their social media pages and in regards to their advertising ventures would be **uncontrolled media**. The Wells Fargo public relations team did a very good job at initially handling these media sources, all responses made by team members to uncontrolled media commentary was calm and informative. Another strong aspect of the campaign was that many of the media outlets Wells Fargo created led consumers to the campaign's website, where a hotline number and comprehensive campaign goals were displayed. This interconnectedness made the entirety of the "Commitment" program seem very cohesive and well organized, despite the haste by which it was composed. The goals of the campaign were to: help affected customers through notifications, verifications and refunds. Inform the public briefly about the crisis, while notably sparing any concrete statistical details. And outlining the restructuring of the business practices that lead to the problem.

To review the steps taken by the company, it is best to follow **the guidelines for a successful message** set by David Therkelsen as he was quoted in "Think Public Relations". To paraphrase, **a message must be received by the intended audience, it must get the audience's attention, it must be understood, it must be remembered and it must be acted upon** (Wilcox, Cameron, Reber, Shin, 2013. Pg. 118). Wells Fargo began by using many available methods to display their campaign message to the public. The company's stance and goals for the campaign had to be easily understood, so Wells Fargo made short concise goal statements that they aimed to resolve. This is displayed well in one of their tweets on September 29, where five main goals were written to summarize the company's solution to their behavioral objective. These goals were to: **Appoint new leadership** to their retail banks. **End product sales goals** in retail branches. **Send confirmation alerts** to customers that open checking accounts or apply for credit cards. **Inviting customers to review** checking and savings accounts. And promise that the **CEO and community banking executive would forfeit pay** (Wells Fargo News, 2016). Despite this good start, retention of their goals and message began to diminish over time. Their campaign began on great strides but it became evident that it was losing steam quickly. This can be seen in reviewing the company's social media feeds, after two months passed any mention of the crisis by the company had completely stopped. It can be assumed that Wells Fargo would benefit from having this crisis forgotten, so their reasoning for not retaining to the matter is clear. However it is questionable whether this neglect of action is with the best interest of the customer in mind. After the initial months of the crisis passed the only discussion of it was from outside media outlets, like broadcast networks and online articles. It was here that the company faltered in Therkelsen's guidelines, failing to keep the message memorable.

Referring back to "THINK: Public Relations", another assessment of Wells Fargo's campaign tactics are reviewable in terms of crisis response. While the company was quick to address the issue of the crisis, their initial methodology was to use an **excuse** (Wilcox, Cameron, Reber, Shin, 2013. Pg. 175). They blamed their employees for the fraudulent accounts instead of the corporate level goals that were in place pressuring workers to meet unrealistic quotas. Wells Fargo also responded with **corrective action** (Wilcox, Cameron, Reber, Shin, 2013. Pg. 176) in seeking to change the structure of their company to prevent any further fraud. The most prominent aspect of the "Commitment" campaign was that it, from the beginning, was a **full apology** (Wilcox, Cameron, Reber, Shin, 2013. Pg. 176). **Wells Fargo was wise to claim that the crisis was the fault of the company and not of any other outside source**, and it is safe to assume that this major theme of the campaign saved them from further possible grief from the scandal.

The majority of the coverage on the crisis and much of the company's campaign would finally come to a close when the Wells Fargo's CEO, John Stumpf stepped down from him position. This was an action that had been long awaited by the public, but the resignation itself lead to some further mistrust. The company had formerly stated that its CEO and former community banking executive would forfeit pay in their public plan on twitter (Twitter sept 29). However, when Stumpf left his position some months later, he did so with $133.1 million in exit pay. This action diminished the reliability of their campaign statements and tarnished their regard for their customers.

Agenda setting can also be applied to Wells Fargo's crisis when viewing how the media portray most of the issues the company faced. Since the company's campaign tapered a couple months after the crisis, the media was left to paint the company in whatever light the journalist and networks saw fit. Many of the opinions set by the media about Wells Fargo were negative and would work to prolong negative outlook on the company into further months. Theoretically, if the company had retained to its original message and maintained its promise to commitment, they could have had better controlled later discussion about the crisis.

Evaluation:

Wells Fargo's chief objectives for their "Commitment" campaign were informative, behavioral, and attitudinal. It's necessary to relate the program functions back to these original objectives to best evaluate the outcome of their program as a whole. The informative goal of the campaign was to clearly and quickly let information about the crisis be known to the public. Along with the additional goals of making sure that the steps to the campaigns process were clearly outlined and that attempts were made to prevent the spreading of misinformation. **The**

actions the company took to achieve this objective were in majority a success, new information and changes to deadlines and objectives were posted to the company's social media accounts and made public briefly and consistently after the new was confirmed by the company. In regards to this, Wells Fargo corrected their faults from the crisis and they were able to once again uphold one of the PRSA Codes of Provision that they had failed upon. Wells Fargo was, in completing this objective, able to follow the **disclosure of information** code once again, fostering informed decision making through its open communication.

The next objective that the company had to tackle was their behavioral goal. This objective required that the company restructure its policies and management so as to prevent a like crisis from ever occurring again. **Wells Fargo acted well upon this goal**, like it did with its informational objective, and the company was able to reformat their sales goal program as intended, along with replacing many of the managerial staff that were strict enforcers of these problematic programs. The fraudulent accounts were the heart of the crisis for Wells Fargo and they also were a fault against the PRSA Code of Provisions, the fraud was a violation of customer security and thus the company could not say they were participating in the **safeguarding of confidences.** In resolving this objective in their campaign Wells Fargo was able to clear this fault and restore some trust in their stakeholders.

The last goal that Wells Fargo laid out for themselves was the most objective and difficult to conceptualize. The attitudinal objective. It is hard to say whether or not this goal was achieved by the company, as the crisis is still to some a topic of further debate. But for the sake of making a concrete evaluation, **the company achieved near half of their intended objective** in attitude change. Attitudes about Wells Fargo were very hard hit by the scandal and making it back from the loss was not an easy feat for any company to make. The company could have navigated the issue better had they listened to the public and quickly retired their CEO while maintaining their campaign promise to have him forgo his pay. Had they upheld their promise and listened to their stakeholders they could have gained back more trust in their brand, showing they could forfeit individual gain for the sake of the company and public.

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