CUSTOMER EXPERIENCE:
Beyond the Net Promoter Score®

HARLAND CLARKE®

Consumers no longer use just one source to inform their purchasing decisions. So why use one metric to gauge your financial institution's customer experience?

Customer Experience: What's the Big Deal?

Improving the customer experience is the number one priority of business and technology leaders.[1] And it's no wonder. Consider the following:

- Customer experience has been found to be the most critical driver in increasing customer loyalty[2]
- 41 percent of customers who opened a new account in 2014 did so because of a positive customer experience[3]
- A one percent change in customer satisfaction is associated with a 4.6 percent change in market value[4]

Customer experience has been found to be the most critical driver in increasing customer loyalty[2]

41%
of customers who opened a new account in 2014 did so because of a positive customer experience[3]

1% change in customer satisfaction **=** **4.6%** change in market value[4]

[1] "Business Technographics® Global Priorities And Journey Survey, 2015," Forrester, March 2015
[2] "Global Consumer Banking Survey 2014: Winning Through Customer Experience," Ernst & Young, 2014
[3] Ibid.
[4] Fornell et al, "The American Customer Satisfaction Index," *Journal of Marketing,* Vol. 60, No. 4, 1996

Customer experience can have a significant effect on a financial institution's bottom line. After a positive experience, more than 85 percent of customers increased their value to their financial institution by purchasing more products, while more than 70 percent reduced their commitment after a negative experience.[5] Clearly, customer experience is a big deal for financial institutions.

The 2015 Forrester US Customer Experience Index shows that customer experience in the digital era correlates strongly with brand loyalty.[6] Increased customer satisfaction generates brand loyalty and a greater likelihood of customers recommending your bank or credit union.

Naturally, customer service plays an important role in maintaining a positive customer experience. A single negative episode can be shared in a matter of seconds via social media, causing a ripple effect that is disproportionate to the severity of the episode itself.

A recent study revealed that 90 percent of consumers admitted to having a "deal breaker" interaction with certain brands.[7] Deal breakers included lost baggage at an airport, excessively long wait times during a service call, or intermittent internet service by a cable provider.

Losing a single customer or account holder due to poor service is bad enough. But with so many channels available to voice displeasure (social media, email, websites, blogs), a single lost customer can exponentially cause a brand to lose future customers or even other existing customers.

Thus, it's vital that financial institutions focus on measuring — and improving — customer experience and customer satisfaction.

[5] Beaujean M, Davidson J, Madge S, "The 'Moment of Truth' in Customer Service," *McKinsey Quarterly*, McKinsey & Company, February 2006

[6] De Wit R, "Customer Experience Metrics and Measurement — Beyond CSAT and NPS," i-scoop.eu, May 6, 2015

[7] Borowski C, "What a Great Digital Customer Experience Actually Looks Like," *Harvard Business Review*, November 9, 2015

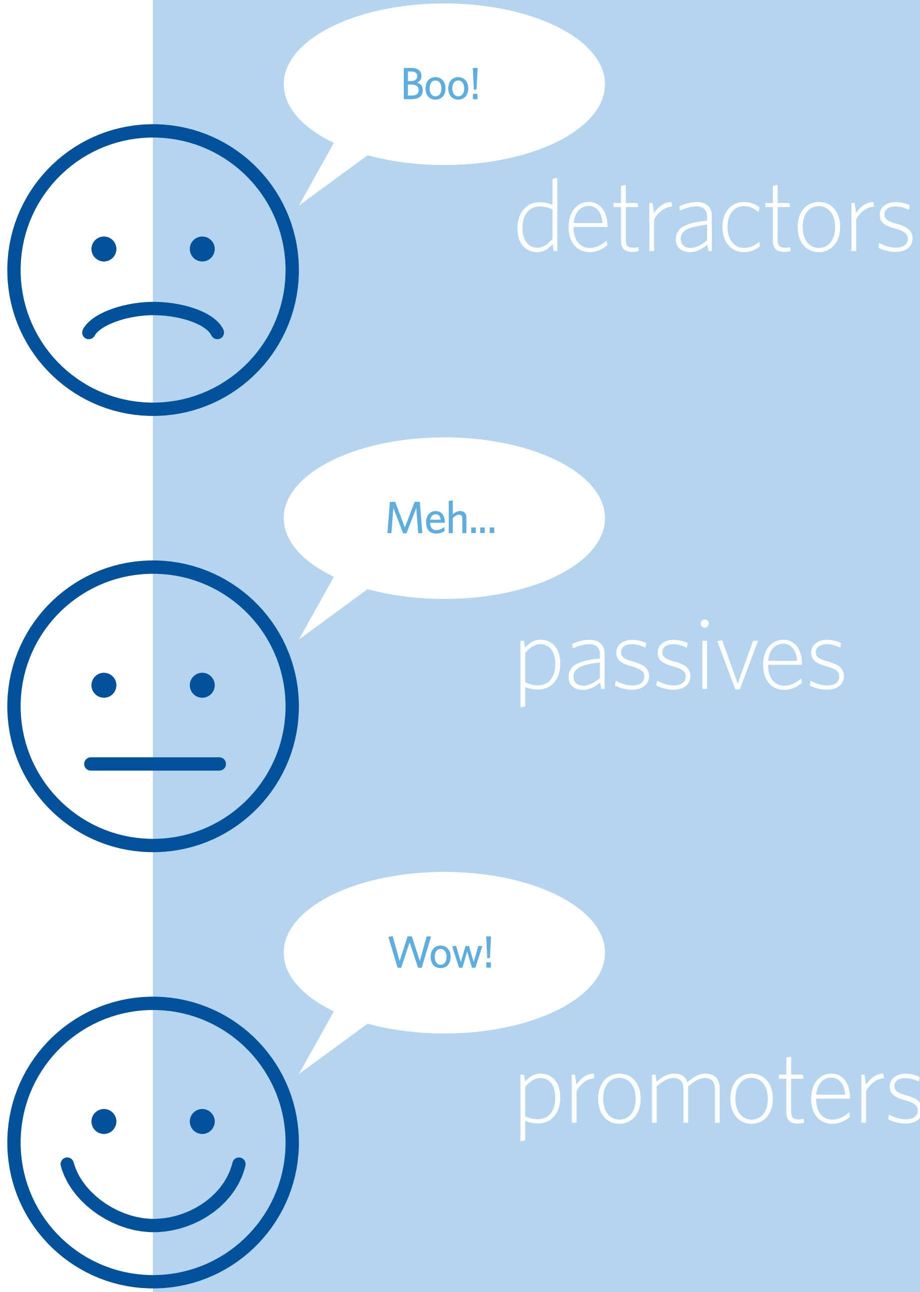
Measuring Customer Satisfaction: Net Promoter Score

Net Promoter Score (NPS) has long been the standard by which companies gauge customer satisfaction.[8] Based on one simple question, “How likely are you to recommend this business to a friend or family member?” the NPS separates customers into three categories:

1. Detractors — unhappy customers
2. Passives — those who are ambivalent about your services and offerings
3. Promoters — those who will happily recommend you to others

A company with a high NPS (which runs on a scale from -100 to 100) would have more Promoters than Passives or Detractors and, presumably, have a larger market share and better business performance than competitors with lower NPSes.

A company with a low NPS would rank its improvement as both a good and a key performance indicator (KPI), while a company with a high NPS would work to maintain it . Both would focus on their customer experience programs to impact NPS.[9]



[8] “Net Promoter® Score Calculation,” Survey Monkey, 2016
[9] Ibid.

What NPS *Won't* Tell You

NPS is indeed an effective way for financial institutions to benchmark growth, customer satisfaction and marketing efforts. But while NPS has a host of positive attributes — it's easy to use and implement, helps draw actionable insight from the data and can be leveraged for fast growth — there are drawbacks.

The biggest drawback is that while NPS will tell you if account holders are satisfied or unsatisfied with your financial institution, it doesn't tell you *why* they feel this way. The one-dimensional view provided by NPS doesn't provide the complete story of account holders' experiences and interactions with your financial institution.[10]

The Digital Experience and the Evolution of Consumer Information

Social media has drastically changed the way consumers interact with financial institutions. Account holders now have more options at their fingertips and can quickly investigate a new product or service with the tap of a screen.

Even consumers who prefer to go into a brick-and-mortar store often go online first to vet products or services. They rely heavily on research and reviews when making purchasing decisions. In fact, more than 46 percent read reviews and blogs before buying, and 84 percent peruse at least one social site before making a purchase.[11] As a result, digital interactions influence 36 cents for every dollar spent in stores.[12]

Today's digital-savvy consumer demands information faster than ever before. If a financial institution doesn't respond fast enough, the potential account holder can quickly search an alternative. Research has shown that companies that attempt to respond within an hour of an inquiry are seven times more likely to earn a purchase.[13] This is of particular concern to financial institutions — 24 percent of which take more than 24 hours to respond to online leads.[14]

The proliferation of social media has given enormous power to the average consumer. Consumers can quickly and easily voice their pleasure or displeasure publicly. As a result, the question to ask in today's market isn't simply, "Would you recommend our product to your friends or family," but rather "Would you recommend this product to your *social networks*?"

Digital interactions influence **36¢**

for every **$1**

spent in stores.[12]

[10] "Measuring Customer Experience: Why Net Promoter Score Is Not Enough," Beyond the Arc, 2014
[11] "40 Amazing Online Shopping and Ecommerce Statistics," selz.com, April 2014
[12] "15 Mind Blowing Stats About Online Shopping," CMO.com, May 7, 2014
[13] "The Short Life of Online Sales Leads," Harvard Business Review, March 2011
[14] Ibid.

Better Ways to Measure Customer Satisfaction

While the Net Promoter Score is still a key metric, there are other effective methods of measuring customer satisfaction. Examples include the Customer Satisfaction Score, the Customer Effort Score and Forrester's Customer Experience Index.[15]

- The Customer Satisfaction Score (CSAT), while similar to NPS, measures how satisfied a customer is with a *specific transaction* and if they felt excited enough to tell someone.
- The Customer Effort Score measures how much effort customers felt they expended in purchasing a product or service, or in resolving an issue.
- The Customer Experience Index (CX Index) measures if and how a customer's needs were met, how they felt about it and if they enjoyed the overall experience.

While each of these metrics offers unique insight, on their own they won't tell the whole story of an account holder's experience. That's why financial institutions should build KPIs and measurements using all three of these metrics — and others. The combination should be customized to the goals of your financial institution and measure all key aspects of the account holder experience.

Financial institutions that want to broaden their customer experience measurement beyond the Net Promoter Score should be sure to aggregate, measure and interpret feedback from a variety of sources: frontline sales, service and call center, online and mobile channels. This is the best way to gain comprehensive insight into your account holders' experiences with your institution. The information will help you understand not only if your account holders are satisfied, but also *how satisfied* they are and why.

how satisfied?

is it share-able?

how hard was it?

was it resolved?

how was the experience overall?

[15] Lanoue, Spencer, "Customer Experience Metrics: A Brief Guide On How To Measure CX," User Testing Inc., May 19, 2016

Key Drivers of Customer Satisfaction

Key drivers of customer satisfaction are defined by what account holders consider important. They are specific to each financial institution and possibly to segments within it. Improving key drivers will improve the customer experience and customer satisfaction, leading to stronger brand loyalty and, ultimately, better financial performance. Thus, it's vital for banks and credit unions to identify the key drivers of their specific account holder base and align them with CSAT, the Customer Effort Score and CX Index in order to evaluate how well they're performing in these areas.

For financial institutions that fall short of their customer experience standards, the breadth of data provided above will inform an actionable plan for improvement. For institutions that are performing well, they can use this data to drive growth and new business. It's vital to have the right information for developing a comprehensive plan that addresses every opportunity for improvement.

Building your own measurement model can be overwhelming, particularly for financial institutions that don't have customer experience professionals on staff. There are companies that can help conduct customer experience research on behalf of your institution, but be sure to select one that engages each of your financial institution's customer-facing touchpoints, not just the "major" or most visible one(s). The provider should also deliver statistically significant data and comprehensive, *actionable* insight.

With 70 percent of purchases being based on how customers feel they are being treated,[16] financial institutions can no longer afford to eschew legitimate research into consumer emotions when interacting with their brand. If account holders are not satisfied with the experiences you provide, they can easily share their sentiments with others and find other options.

The good news is that financial institutions that deliver a customer experience that meets or exceeds account holder expectations reap the benefits of increased loyalty and vocal brand ambassadors in the marketplace.

73%

of companies say that improving customer experience is a priority.[17]

[16] Borowski C, "What a Great Digital Customer Experience Actually Looks Like," *Harvard Business Review,* November 9, 2015

[17] De Wit R, "Customer Experience Metrics and Measurement — Beyond CSAT and NPS," i-scoop.eu, May 6, 2015

To learn how Harland Clarke can help your financial institution gather direct account holder feedback and create a customer-centric culture:

Call 1.800.351.3843
Email contactHC@harlandclarke.com
Visit harlandclarke.com/VOC