

On the Mark

Helping you **mark** your credit union for success



Marketing Matters

Tips from the Top

Resource Review

Remarkable Reads

Website

Marketing Matters

Net Promoter Score

helping you measure the member experience

Would your members recommend your credit union to a friend or colleague? If you haven't asked them, your organization could be ignoring its most important indicator of growth. This idea is the foundation of a discipline known as the Net Promoter Score or NPS. Serving as an alternative to traditional customer satisfaction research, NPS helps companies grow by measuring and acting on their performance from the customer's perspective. Most of the time, they do this by asking their customers one specific question.

"When customers, employees, suppliers and investors invest in creating better, more valuable relationships, the loyalty effect will fuel profitable growth," said Fred Reichheld, creator of NPS, on his blog at netpromoter.com.

Calculating the Score

NPS works like this. Companies ask their customers a single question – how likely are you to recommend us to a friend or colleague – and ask the customer to rate the company on a scale of one to 10. Based on their responses, customers are grouped into one of three categories: promoters, detractors and passives. Promoters are customers who love the company so much that in addition to referring others, they increase their purchases. Detractors are the opposite. They usually feel they've been treated so badly that they leave altogether, switch to the competition and caution other consumers about the perils of doing business with that company. Passives are usually satisfied, but they lack excitement about the company and are therefore easily lured by the competition. Customers are placed in categories based on what ranking they give the company on the one-to-10 scale.

Promoters: 9 and 10

Passives: 7 and 8

Detractors: 1 through 6

A company's Net Promoter Score is calculated by taking the percentage of promoters and subtracting the percentage of detractors:

$$\% \text{ of Promoters} - \% \text{ of Detractors} = \text{NPS}$$

The philosophy behind this formula is that people who rate a company higher on the NPS scale buy more and refer more friends to the company than people who rate it lower.

"Loyalty is indeed the key to profitable growth," Reichheld said. "Yet because loyalty is rarely measured--or even carefully defined--in organizations today, this fundamental human value gets pushed back into the shadows and accounting profit becomes the predominant measure of success. The problem is that accountants can't distinguish between good profits and bad."

Good Profits and Bad Profits

Under the NPS model, profits are defined differently than they are using standard accounting methods, because they take into account the customer relationship. Good profits are earnings that result from creating customer value, which in turn, creates customers who are promoters. For example, Amazon.com offers free shipping, lower prices and service enhancements and lets its customers talk to each other about how much they value these things. Southwest Airlines offers airline credits instead of charging customers to make flight changes. There are even some financial institutions catching on. San Francisco Fire Credit Union charges "no ATMS fees ever" and among other things, offers members a free quarterly FICO score.

Bad profits are profits earned at the customer's expense, like parking fees at a hotel or entertainment venues that charge customers an extra service charge for purchasing tickets online and using their own ink and printers to print those tickets. At the most recent CUNA Marketing and Business Development Conference, presenter Neil Goldman, owner of Member Research, a national research firm, offered these examples of bad profits in the financial services industry:

- \$30 NSF/Courtesy Pay fee for \$2 overdraft
- Posting debits before credits (multiple NSFs)
- Foreign ATM fees (on top of surcharges)
- Talk-to-a-teller fee
- Minimum balance fees for children/student accounts
- Maintenance fees of any kind

"Bad profits convert customers into detractors who blacken a firm's reputation and choke off a company's best opportunity for true growth, the kind of growth that is both profitable and

sustainable. The pursuit of bad profits alienates customers and demoralizes employees,” said Reichheld. “All of these will have a negative effect on a company’s economic success.”

Your Credit Union’s Net Promoter Score

Goldman, whose research firm has been working with credit unions nationwide since 1986, is a proponent of NPS and has helped many credit unions incorporate it into their research efforts.

“Our focus groups (and other studies) continue to show the number one source of information for consumers about financial institutions is word of mouth from others. The Net Promoter Score (NPS) is a word of mouth index,” he said.

Goldman has found that a two-question telephone survey seems to be the preferred method for most of the credit unions he works with:

1. How likely would you be to recommend....on a scale from 1 to 10?, and
2. Please tell us why?

The telephone approach gives organizations the added benefit of asking respondents to elaborate on specific reasons for scoring the organization they way they did. This is a key element of the NPS approach.

The first question will change depending on what credit unions are trying to measure. It could range from how likely a member is to recommend a credit union for overall service or for specific products and services. The important thing, says Goldman, is to keep the “recommend” question first to avoid any bias that could arise from questions that would precede it.

“NPS is not about a particular question, although the “recommend” question has generally served best for most. It is instead about a philosophy which says the customer experience – call it loyalty, satisfaction, or customer relationship – is absolutely vital to a company’s success. Measuring, reporting, and improving this experience has to be a top priority in organizational leadership, management and strategy,” said Goldman.

NPS Success Story – San Francisco Fire Credit Union

When Diane Dykstra became the CEO of San Francisco Fire Credit Union, her organization had a 98% customer satisfaction rating. Yet, they were just another credit union. Three years after implementing NPS, they are now the number one ranked financial institution in San Francisco – one of the most saturated markets in the nation. They also lead the industry in growth and have completely eliminated traditional marketing. This credit union incorporated NPS surveys for both members and employees. They implement 600 surveys, three times a year, by phone. Since implementing NPS, the credit union has eliminated all fees, except those for bad behavior, and even reimburses all ATM fees. Go to yelp.com, a site that enables people to find and review “what is great” in their area, and the reviews on San Francisco Fire Credit Union are endless. Here’s what some of their members have to say:

“No ATM fees ever! They cash our checks online and credit our accounts while we send in our

checks! There are only a few people who work there and they know our names! There's a bowl of candy when you walk into the branch! Amazing, amazing, amazing customer service (either on the phone or via instant messenger)."

"They have a deal with the other credit unions in the city such that if you do need to go to a teller, you can go to one at a different credit union. So, while SFFCU only has two branches, you really have dozens at your disposal. Ditto for ATMS. If you are one of those people like me who lacks direct deposit, or who occasionally makes deposits at ATMs for whatever reason, you'll be happy to know that there is also a wide network of deposit-taking ATMs all over SF that you can use for no fee."

"Best Customer Experience. Period. Having gone through four banks in eight years, I was pretty used to the prototypical bank experience: short hours, fees aplenty, and living with the knowledge you're probably getting ripped off. I was going to just open an account with the place that was closest, but when I saw the reviews on yelp, I decided otherwise. It was the best personal finance decision I've ever made!"*

Who needs traditional marketing when you have members willing to promote the credit union for you? San Francisco Fire Credit Union has created advocates by being advocates – a true NPS success story.

NPS is designed to help companies deliver a better customer experience. Would your members recommend your credit union to others? If you don't know, it's time to start asking.

Tips from the Top

Neil Goldman is President of Member Research, a market research firm working exclusively with credit unions nationwide since 1986. Their surveys measure the perceptions and satisfaction levels of credit union members, non-members and employees. Member Research specializes in professional, quick-to-read and cost-effective reports to help credit union managers make wise decisions and better meet their members' needs. Goldman has also written articles about research trends for the Credit Union Journal and various CUES publications, among others. More information about Goldman and Member Research may be found at www.memberresearch.com.

Q. You and your company do a great deal with the "net promoter score." In a nutshell, what exactly is that?

Q. Can you give us an example of a credit union that successfully implemented change based on their NPS score?

A. The Net Promoter Score is a way to measure the loyalty and likely growth of your organization. It stems from the decades of loyalty research by Fred Reichheld, research fellow for Bain & Company, the international management consulting firm. In short, Reichheld developed 20 loyalty-assessment questions to ask consumers. He then tracked their loyalty behavior (purchases of products or services and actual company referrals to others) against their answers to each question and against the actual growth of those companies. After tens of thousands of surveys, he had sufficient data in 14 industries, as to which question correlated best with growth and company success. In 12 of the industries, one question was universally best. In the remaining two industries it was second best, and nearly as good a predictor as the top question.

That question? For credit unions: “How likely would you be to recommend ABC CU to a friend, family member, or co-worker, on a 0-10 scale? The “0” to “10” is critical. Those who rate the credit union “9” or “10” are called “promoters.” These are the folks you would consider your “raving fans”; those who are most loyal to the credit union with the best member experience. Respondents rating “7” or “8” are “passives”. I like to call them fence sitters. They’re neither passionate for or against you; the goal is to move them up the scale in loyalty. Those who rate “0” through “6” are called “detractors.” Detractors are members with whom relationships have not been well-built. Detractors are generally the source of “bad profits,” those whose barriers to exit

A. Yes. The first thing to note about NPS is that it should not be thought of as research. Instead, it should be considered a change management tool. The goal of NPS is not to get a specific score per se, but rather to improve your score over time - to use the member feedback from the tool to constantly improve the member experience and build loyalty as a result. (So it matters less what one’s score is at any moment, but rather how that score is changing – and hopefully improving – over time.)

The second thing to note in implementing NPS is that what’s more important than the number, are the drivers underneath the number. The critical follow up to the “likelihood to recommend” question, therefore, is to ask respondents to explain their score – to provide their reasoning.

Two credit unions recently dramatically improved their scores. The first moved its NPS from the mid 30s (very low in CU-land) to the mid 60s (about average), by engaging their staff in a spirit-raising, motivating, skill and attitude-development improving training program. They also made a concerted effort to “move out” poor performing, negative, or otherwise “bad apple” staff members. The result was a dramatically improved employee experience, which translated into a dramatically improved member experience.

The second credit union moved its scores from 50 to 70 in six months – a dramatic improvement – primarily by adding better access for its primarily remote membership. Call center hours were expanded (24/7) and online

are too high to leave or who otherwise stay with the credit union for reasons other than a good experience.

The Net Promoter Score (NPS) is calculated by taking the percentage of promoters (9s and 10s) less the percentage of detractors (0s to 6s). The higher the number, the more your organization is projected to grow.

Q. In the outstanding presentation you did at the CUNA Marketing Conference, your session was on building the “love.” Why is love so important to a financial institution?

A. First, thank you for your kind words. I’m honored as you’ve been to a conference or two, and are a noted speaker yourself. We titled the speech “How to build the love” in talking about NPS and the member experience, because loyalty truly is the engine of organic growth. As Andy Taylor, the CEO of Enterprise Rent-A-Car (now the nations’ largest) says: “The only way to grow a business is to have customers come back for more and tell their friends.”

For years we’ve been noting that “build it and they will come” simply doesn’t work. CUs go community charter (they build it), but members rarely come. Few credit unions are overwhelmed with account openings after opening a new branch. But in preparing for that talk it hit me – when “build it” refers to the member experience, and “member love,” they will come. This is the one focus where

features were improved.

In each case, and there are many more, the key was to look at the “points of pain” (as indicated in the detractor comments) and find a way to turn them into “points of Wow.” That might mean noting that branch and ATM access is commented as very poor (“pain”), and thus offering ATM-refunds -- free ATMs anywhere -- and email deposit taking (“WOW”).

Q. What can credit unions do to build the love?

A. The long answer has effectively become my life’s work: create shared vision and value distinction at your credit union. Credit unions can build the love and grow by: finding focus (not trying to be everything to everyone), creating an exceptional employee experience, creating an exceptional employee experience and delivering relevant distinction in the marketplace.

The short answer? Run your organization by the Golden Rule. It’s how Southwest has grown. It’s how Enterprise has grown. It’s the key principle at the root of Four Season’s success. Then, listen to member’s responses to the NPS question, and manage change accordingly.

it will work.

.

Q. Why should credit unions be concerned with their net promoter score?

A. The NPS is a simple, yet powerful indicator of member loyalty and projected organizational growth. What I often share in speeches is that the NPS is particularly relevant in our industry due to the power of word of mouth (WOM). WOM is the number one source of information for consumers regarding financial services. The Net Promoter Score is a word of mouth indicator.

Q. What types of research should credit unions conduct? How often should they be researching, how much research should they be doing, etc. (especially given the cost of research)?

A. Let me acknowledge that I run a research company and the biases one might thus infer. So I'll refer to Reichheld himself at the NPS conference earlier this year in Miami. He suggested telephone may be the best methodology because it allows for probing of explanations. (Promoters tend to say "I love them" or "they're great" which requires probing for more insight.)

As for frequency, we suggest ongoing transactional measurement with either bi-monthly (or not less than quarterly) reporting. The goal is for NPS to be a change management tool. Any less frequently and your less in touch with your members. Monthly reporting is overload. Better to follow the motto: "less is more" and report less frequently per above.

.

Q. You work with a lot of credit unions and organizations all across the country. In the next five years, what are the top issues we should be concerned about or dealing with?

A. I think this goes back to the true meaning of branding: creating relevant distinction in the minds and hearts of members. We could spend an entire separate interview here but suffice it to say community charters largely don't work because CUs in the conversion process largely lost their relevant distinction. The trend has been back to SEGs, or TIPs or other ways to create meaningful differentiation for members. Brand relevance and distinction – potentially at the expense of the PFI idea – I believe is the central challenge facing the future of the industry.

Q. You've built a highly successful company. Why did you start your own company and how have you made it so successful? What is Neil Goldman's secret of success and how can others duplicate it?

A. Well, again, Mark, I'm flattered. We are honored to be celebrating our 20th anniversary, having served hundreds of credit unions in 41 states nationwide. I like to think our success stems from trying to live by the Golden Rule and other principles we discussed earlier. I'm proud to continually find ways to live our:

focus (financial services research and consulting exclusively),

employee experience (the shortest tenured manager in our ranks has been with us for eight years),

customer experience (we continually strive to make the Member Research experience positive, stress-free, and easy – to provide insights that help each client become a hero to their team and their members), and

offer value distinction (on-time, accurate, peer comparisons, simple to implement and simple to read studies, with expertise and personal service).

Forrester.com

Forrester.com is the solution many credit unions have been seeking for affordable, comprehensive and cutting edge research. It's not just for credit unions, which is one of many benefits of consulting this site. If you can't find what you're looking for here, it's very possible that the information you seek has never been researched by anyone. That's how reputable this company is.

Forrester Research is ranked in the top 75 on Forbes' 200 Best Small Companies list for five consecutive years, but this "small" company has 15 offices spread out across just about every continent. For many industries, the name Forrester is synonymous with research. This site definitely lives up to its company's reputation.

There are about 650 free research reports currently available for download at Forrester.com. The other thousands you can search for start as low as \$279 and can be downloaded instantly. Few other sites offer affordable, up-to-date research right at your fingertips. Plus, Forrester offers a 100 percent satisfaction guarantee.

There are several ways to find the information you need. Use the tabs along the top to distinguish between consumer data, business data, emerging trends, free research and other categories. You can also search by profession. Scroll down on the home page, and you have the option to choose research for the IT professional, the marketing and strategy professional or the technology industry professional. Or, register on the site at no charge, and find information customized by your industry and the role you play in it. Registering also gives you immediate access to:

- Free select research
- Customized content
- Custom alerts for key topics and the latest research, and
- Audio and video from our global events

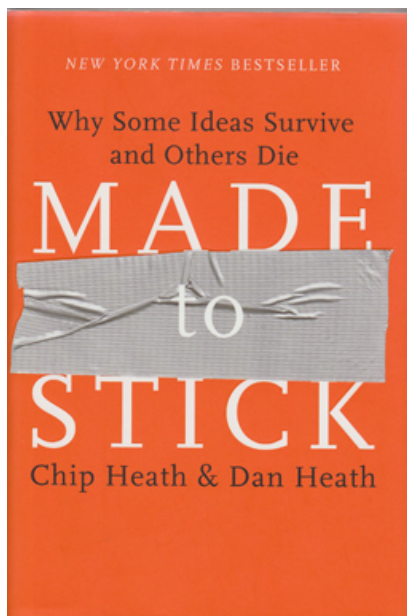
Free research is accessible without registering, but you won't always get the full report. Much of the free research will be provided

“There are about 650 free research reports currently available for download at Forrester.com. The other thousands you can search for start as low as \$279 and can be downloaded instantly. Few other sites offer affordable, up-to-date research right at your fingertips.”

in document excerpts. If you're just looking for a quick overview of something, try reviewing the online reference guides. These easy-to-scan summaries are compiled by Forrester's research analysts to provide a comprehensive introduction to a broad range of industry topics in minutes.

It's impossible to fully grasp everything available to you unless you go to Forrester.com and browse. It's truly of wealth of information.

Remarkable Reads



Everyone has great ideas (at least some of the time!). Of course, even if you have a great idea (for a promotion, new product, campaign, etc.) it may not get adopted in your credit union. How can you improve the chances of your ideas becoming a reality? Try reading *Made to Stick*.

A *New York Times* bestseller, this book gives practical suggestions for how you can better communicate your message. No matter what you do at work, *Made to Stick* will give you lots of ideas on improving your communication skills. The authors outline six principles for making sure your ideas “stick”: simplicity, unexpectedness, concreteness, credibility, emotional and stories. If you want to improve your next marketing campaign, you can follow the guidelines the Heath brothers (the authors of *Made to Stick*) go into great detail to provide.

The book has tons of great examples and real life illustrations to make its points. I was especially intrigued with the “simplicity” idea. Their point is that too many times our ideas get bogged down in the details and we lose site of having a simple message. As the authors note,

“...There has to be a message triage. If you say three things you don't say anything....it's a bandwidth issue: the more we reduce the amount of information in an idea, the stickier it will be”

How many times has a simple promotion at our credit union turned into a collage of mixed messages because we try to communicate all we do (instead of focusing on one message)?

Another key concept they discuss to making ideas stick is “emotional.” If you've read previous *On the Mark* issues you know how important putting an emotional element to your brand is. The *Made to Stick* authors agree, noting:

“Companies often emphasize features when they should be emphasizing benefits.”

Remember the adage: features tell, benefits sell. When you are marketing your credit union’s products and services (whether newsletter articles, inserts, brochures, etc.) your copy should heavily focus on the benefits.

Obviously, I was impressed with this book. It is not necessarily a quick read but it does have great stories to keep the pace flowing. Plus, you can easily draw great application points for ways to improve your marketing.

If you want to make your promotions better, read *Made to Stick*.

training • speaking • brand consultant • planning • facilitator

**Contact Mark Arnold:
(214)538-4147
jmarkarnold@verizon.net**