Better Than Happy: Maximizing Customer Satisfaction for Loyalty and Profit.

Spurred by continuing mergers, a sluggish economy and the age old pressure to grow bigger and bigger, financial institutions across America are waging war to lure new customers to their businesses. Investing significant amounts of financial and intellectual capital in the task, banks are bringing clear and innovative strategies to their customer acquisition efforts. What they forget to bring to the process, however, is noticeable and significant. Despite the sizeable resources they allocate to customer acquisition, surprisingly few banks possess a clear and committed strategy to maintain relationships once they are obtained. Mirrored in the often erratic retention efforts they offer current customers, this troubling fact becomes costly when one considers the standard industry turnover rate. Industry statistics show that up to 20 percent of bank customers leave their institutions every year, and anywhere from 30 percent to 70 percent of those leaving cite poor service as the primary reason for changing banks.

It’s understandable in today’s competitive marketplace that more and more financial service organizations are becoming proactive managers of their customer assets. With the cost of acquiring a new customer being five to six times higher than the cost of retaining one, banks are looking to partners like Customer Service Profiles (CSP) to push their service goals beyond the norm to increase the duration of customer relationships and all-important lifetime value.
Service as a competitive advantage.

Improved customer service is a goal that many upper management teams aspire to but, in the harsh reality of day-to-day business, one they can’t quite seem to reach. Often, the most well-intended plans for enhancing customer service levels fade as expenses and the internal resources dedicated to it mount. The potential return on investment for these customer service initiatives should inspire just the opposite reaction. In an industry filled with aggressive competition, service excellence makes an outstanding profit strategy. A Harvard Business Review article pinpoints the wealth of opportunity available. A 5 percent increase in customer satisfaction, it states, delivers a 25 percent to 125 percent growth in profit. A truly sizable and desirable impact for any bank, no doubt. But how, most ask, does one obtain it?

What follows are key insights into increasing the efficiency and effectiveness of your customer service efforts. Simple and proven, these methods revolve around a few important criteria. First and foremost, it is important to differentiate between the ideas of program and process. A program is merely a one-time evaluation or study, whereas a process is ongoing and becomes a permanent part of a company’s culture. Overall, success in the arena of improved customer service comes when financial institutions think not of programs but of a process, constantly evaluating and reviewing customer service quality. Obtaining consistently high levels of customer satisfaction requires fulfillment of the overall process. Only with an ongoing commitment to customer service can banks achieve the long-term results they crave. Also important is the mindset of establishing a level of service that takes customers beyond mere contentment to the more profitable and enduring state of customer loyalty.

“A 5 percent increase in customer satisfaction can increase profitability from 25 percent to 125 percent.”

Harvard Business Review
Maximizing your service process.

Step One: Evaluation

Often downplayed or dismissed entirely based on management’s confidence that “we know our customers,” comprehensive service measurement processes bring financial institutions critical information to build and enhance their service effectiveness. Quantifying service as defined by customers, these processes bring empirical data and personal impressions to your efforts. Saving the cost of misperceptions, the bounty of time and money spent trying to change behaviors that don’t significantly impact customer perceptions, well-designed measurement systems close the gap between bank service goals and actual performance.

When performed correctly, comprehensive service measurement processes offer financial institutions the chance to strategically address weaknesses in their service efforts. By obtaining customer feedback, financial institutions can better understand their needs, preferences and priorities and then bring proactive approaches to the problem resolution.

In addition, customers can provide top management with a picture of the overall organization. Retail administration can examine how the branch network is functioning, while the branch and service center managers can monitor specific feedback to track performance in their units. When conducted on a more comprehensive level, these measurement results can even be used in individual employee coaching sessions or employee incentive programs.

A number of methods currently exist to capture customer feedback. They include mail response, phone surveys, customer advisory panels, focus groups and online communication. Because response time is critical, effective research tactics collect feedback immediately after the customer’s banking experience. Customer-based mystery shopping, a research strategy used by CSP for its clients, is one example that delivers immediate, comprehensive and actionable customer feedback.

While traditional shopper programs employ contract evaluators to “shop” a bank and report results, customer-based mystery shopping and other customer-based systems use actual bank customers to provide information. Selected from a bank’s current database of customers, shoppers are recruited and trained to record experiences during their normal banking transactions. In addition, effective management of the customer evaluators assures objective and nonbiased feedback. As a measurement system, customer-based mystery shopping is effective because interactions are based on actual bank business, not contrived situations. Customer-based mystery shopping can bring more efficiency, which will allow for more evaluations – all for the same dollar.
Mystery shopping has reaped rewards for banks like United Community Bank. Executive Vice President of Marketing Craig Metz explains, “Satisfied customers buy more products and refer their friends, and that helps us grow our bank and improve economic performance. We believe that it is vitally important to consistently measure our customer satisfaction and to have a program to improve our customer service at all contact points.”

In addition to knowing if a customer is satisfied, customer-based mystery shopping digs deeper into customer perceptions by asking questions like: “Did the employee make you feel welcome? Did he or she use your name? Did he or she identify and respond to your needs? Did he or she suggest additional products?”

**Step Two: Actionable Date - Bringing information to life.**

Many financial institutions do insufficient work when it comes to collecting customer data. In some cases, box after box of reports fill the offices of marketing or other managers only to sit idle and unused. The problem? Most information is gathered randomly, without experience or strategic purpose.

Such haphazard information gathering can be detrimental to an institution’s bottom line if it is the only means by which top management measures the link between customer loyalty and profitability. Fred Reichheld, a director emeritus of Bain & Company and a Bain Fellow, founded the firm’s Loyalty Practice and has successfully established a valid link between customer loyalty and profitability. He states, “A lot of companies survey customers once or twice a year, and they average the numbers across all products and locations. How can an average score once or twice a year be sufficient? Imagine that you only looked at profits averaged across all your product lines once a year. How good would you be at managing profits? That’s how good you will be at managing loyalty.

“The right way to gather and report loyalty feedback is to take it as seriously as your financial reporting. That means gathering and reporting at least monthly in a very granular fashion: every branch, every product.” Simply put, to assist in the enhancement of customer satisfaction at a bank, information must be timely, specific and actionable.

Customer-based evaluations, for example, can be targeted at customer service functions or the selling skills of bank employees. They help identify opportunities for management to take the appropriate action to improve sales and service effectiveness bank-wide. Based on specific knowledge, a bank can institute performance standards, customer service policy reviews and local and enterprise-wide procedural reform.

Client reporting solutions are available to enhance and complement the accomplishments of programs like customer-based mystery shopping. Among other things, they provide Web portals to immediately evaluate knowledge of the customer experience alongside other customer data. Together, these processes work to refine data and improve strategies.
Step Three: Maximizing employee satisfaction to maximize customer satisfaction.

For many in the financial services industry, the words "capital investment" bring thoughts of brick and mortar, computers and other finite resources. However, for a growing number of savvy business professionals, the words lead in a different direction – to thoughts of human resources. Despite their prominence and the fact that they continue to transform the industry in big ways, from payment systems to risk management, computers represent only the industry’s second largest expense. Staffing remains a bank’s biggest investment and its most direct connection to the customer and his or her satisfaction.

The CSP Circle of Excellence demonstrates the relationship between customer service and employee fulfillment. The circle illustrates that being an astute customer service representative ultimately leads back to, and revolves around, total customer commitment.

Simple recognition programs deliver greater boosts in employee morale and performance than more complex and costly ones. According to CSP Principal and industry veteran Steve Kutilek, “Banks typically overestimate what it takes to make their employees happy. Sometimes inexpensive gifts or recognition efforts strike a more realistic chord and strengthen overall morale and motivation.”

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Steve Kutilek, Customer Service Profiles
Greater success can be yours.

The challenge to get more from what you have is universal in today’s competitive banking marketplace. Maximizing customer service is a proven path to achieve that aspiration, while simultaneously improving your bottom line. When performed correctly, outstanding customer service becomes more than a slogan; it transforms into a bank’s mission, infusing every single transaction. As Len Berry, a Texas A & M University marketing professor, puts it, “Excellent service is a profit strategy, and it’s fun. It results in more customers, more business with existing customers and fewer lost customers.”

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Len Berry, Texas A & M University

Commitment from every level is required for banks to develop into the top-tier financial institutions they’re capable of becoming. From top management to the branches and service centers to the front-line employees, banks must afford real effort to grow beyond the promise of quality service and reach new and profitable levels of loyalty. By generating excitement throughout all branches, banks can successfully and simultaneously achieve what was once thought impossible: greater customer retention, employees who are motivated to perform and thus, most importantly, a stronger bottom line.

CSP’s STARS® Web site offers additional support to a company’s recognition and training processes. Giving bank employees instant access to a wide range of materials designed to maximize customer service and sales performance, it puts a comprehensive resource library at the fingertips of bank managers. The Web site offers how-to information, tips, exercises, rewards and more. At a time when many banks are already struggling with the problem of overburdened staffs, the Web site provides a valuable complement for internal resources.

Bob Nelson, author of 1001 Ways to Reward Employees and founder of Nelson Motivation Inc., is an authority on successful employee recognition programs. “You can do fun things or wild and crazy things, but the best form of thanks is a simple, sincere and specific praising given to an employee in person, in writing, electronically or publicly,” says Nelson. “Do that, and do that daily, and you are 90 percent of the way toward creating a motivating work environment.”