SUPPORT EXP

THE LORE OF LOYALTY

HOW TO DISRUPT WEAK AND WEARY MX

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Executive Overview

In a world where consumers hold the power, long-term loyalty no longer exists. Credit unions once relied on a people-centered service culture, but growth and technology-enabled changes in banking have eroded member loyalty. To survive, credit unions must adapt more traditional, personalized banking habits and practices to today's realities and expectations. A strategy for capturing future loyalty demands comprehensive, prescriptive metrics that drive immediate action and guide organizational transformation. Putting into play "Disruptive Forces" for measuring and managing the member experience (MX) can spur revenue growth as well as deeper member loyalty.

Back in grade school I recited "The Raven," by Edgar Allan Poe: *"Once upon a midnight dreary, while I pondered, weak and weary, over many a quaint and curious volume of forgotten lore…"* I had no idea what *"forgotten lore"* meant, back then, but it's a great phrase to bring forward to illustrate the mindset and behavior of today's financial consumer.

> **"Loyalty is something that happens in the NOW; it is a *loyalty-in-the-moment* based on the experience you're delivering in every moment.**

Consumers today have their own distinctive "lore," that sounds something like this: *My loyalty to you is connected directly to your ability to meet the standards of service I've come to expect and that I currently experience elsewhere.*

It is rare today to find instances of long-term loyalty in Western culture. Loyalty is something that happens in the NOW; it is a "loyalty-in-the-moment" based on the experience you're delivering *in every moment*. The most successful organizations will be those that can transform themselves by rekindling the aspects of an earlier service culture that valued *people*, demonstrating that value throughout every product, process, and channel and in every face-to-face interaction. The complexities of financial services have changed – what customers *value* has not.

Unintended Consequences

For the credit union community, the "forgotten lore" includes the habits and practices that developed when they operated on a smaller, community-focused scale, before digital networks and computerized data analytics became commonplace. When many credit unions were starting out, their employees had firsthand knowledge of much of their membership – especially when the credit union was limited to a single building! You knew what was going on – personally and immediately – and you could respond in like manner.

Continued growth brought more members over a broader area. About 25 years ago, federally insured credit unions had an average of 4,826 members. By late 2018, the average membership for a federally insured credit union was 21,229.[1] The growth in scale called for new habits of operating, driven by efficiency and the greater availability of digital tools. But there was a trade-off, and an unintended consequence: the loss of the institutional wisdom and "personal touch" inherent in the smaller scale. Information FROM the member was replaced by information ABOUT the member, based on demographic reports, charted data, and consumer predictive models – "weak and weary" measurements that fail to include the Voice of the Member. As the personal connection between member and credit union dissolved, long-term loyalty also eroded.

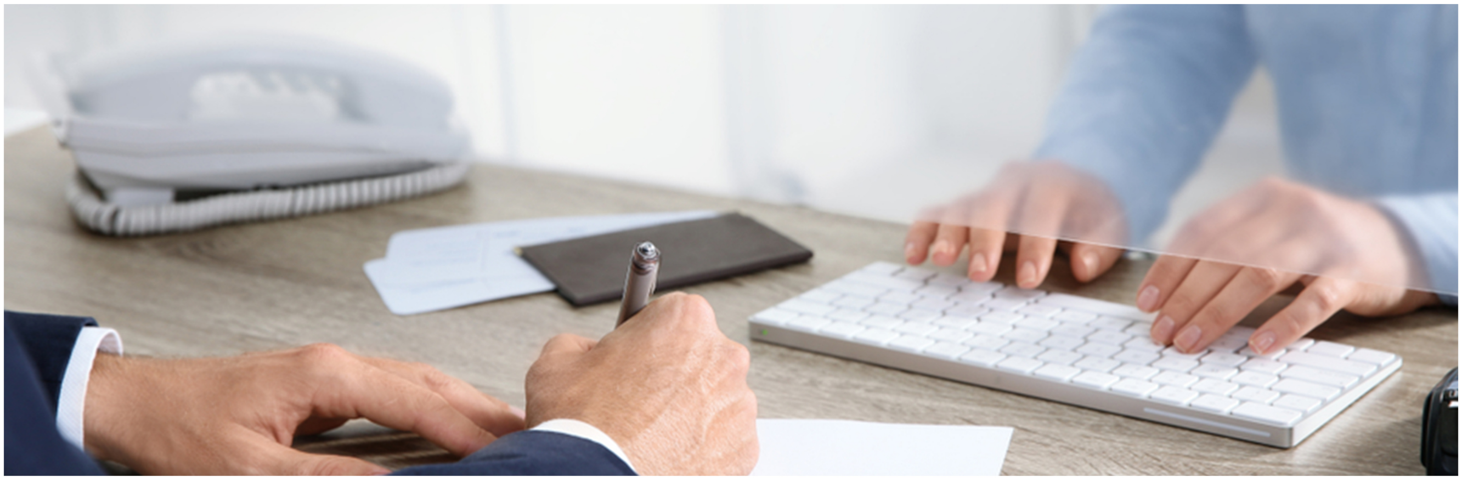
> **But there was a trade-off... the loss of the institutional wisdom and "personal touch" inherent in the smaller scale.**

Friction in the Member Experience is Prohibited

A return to the past is not the answer, even if it were possible. What *is* possible is to reach back and bring forward the "forgotten lore" that made for the loyalty of yesteryear. The valuable elements of those "old school" habits of member service can be applied to today's settings and channels of communication. To illustrate: one of the most significant elements of any service-based relationship is and always has been member friction – the difficulty your members have when doing business with you. Before, difficulties experienced were handled by having direct access to people who could actually fix the problems.

> **Your members know what they want, and they want to be able to get it whenever, wherever, and however they choose.**

Now, when it comes to resolving friction, your members are comparing you not only to other credit unions or banks but to *all* companies they do business with, including Amazon, Uber and Google – raising the expectation bar to new heights!



When there's a problem – friction in a process or with a product or people – immediacy and efficiency in removing the friction and fixing the problem are the expectation. Your members know what they want, and they want to be able to get it whenever, wherever, and however they choose. Their experiences throughout their entire member journey and across all touchpoints with you, including the friction they encounter, are shaping their loyalty-in-the-moment and determining their banking relationships of the future.

Loyalty-in-the-Moment: Capturing the "NOW"

> **"To earn your members' loyalty every day, you need analytics... that immediately inform your MX strategies and practices.**

If you're trying to create loyal members for life without first *measuring* loyalty-in-the-moment and then *acting* in the moment to impact both strategies and practices, you are stumbling blindly down a path you can only hope leads to success. The key is to capture the "now" of your member's experience.

To earn your members' loyalty every day, you need analytics, metrics, and measures that immediately inform your MX strategies and practices. But what are the metrics and measures that precisely and actionably capture what your members are thinking and feeling about you?

Not Getting the Whole CX Picture

To gauge customer loyalty, thousands of businesses worldwide have adopted the Net Promoter Score (NPS)®. Much of its popularity arises from its apparent simplicity, asking customers just one question: On a scale of 0 to 10, how likely is it that you would recommend us to a friend or colleague? Despite its prevalence, financial institutions are finding that NPS is insufficient, by itself, to fully predict future growth arising from customer loyalty.[2] This is not to say that NPS is wholly lacking in value. Because NPS has been somewhat adopted as a standardized metric, it provides a good means for comparisons or benchmarking within various industries. However, NPS only measures a snippet of the customer experience: the customer's satisfaction at a given point in time. To gain a complete portrait of their experience, one that has true prescriptive value,[3] other key metrics must be comprehensively captured and integrated across the organization to drive an effective CX strategy that leads to future loyalty.

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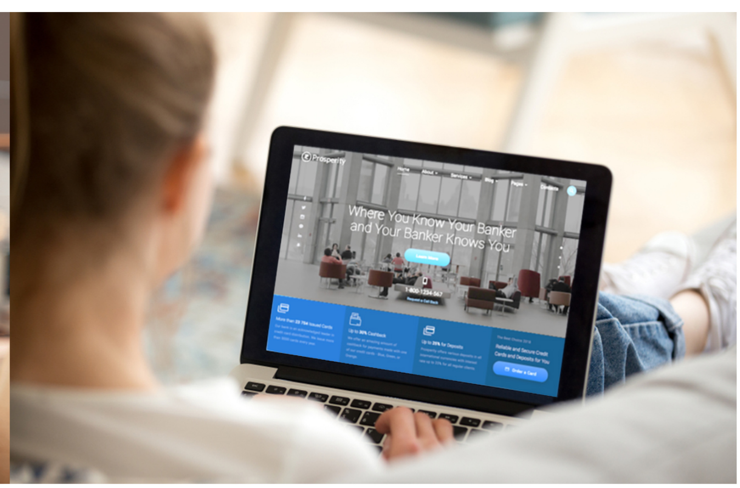

MX Transformation Requires Leading Indicators, Not Lagging

Conventional customer satisfaction measures are insufficient by themselves as prescriptive values of future loyalty because they are intrinsically *lagging* indicators, the outcomes by which organizations conventionally measure their success.[4] Yes, lagging indicators serve a purpose by telling you what has happened over time. But what you need in order to compete in an environment of consumer empowerment are metrics that intercept the future by giving you a means to **act in the now**. Actionable metrics with a "prescriptive quality" are necessary so that you know exactly what to do **now** to avert **future** problems – like member attrition. Hence, *leading* indicators.

> **What you need in order to compete in an environment of consumer empowerment are metrics that intercept the future.**

Because measures that lack prescriptive value won't tell you *why* the member thought or felt the way he or she did, it is much harder to know what action to take in response. The biggest single disadvantage of relying on single-metric, lagging indicators or clunky descriptive analytics is this crucial lack of ability to effect change – *in the now* – that has an impact on future outcomes. This ability, essential to a true MX transformation, is delivered only through metrics that are leading, not lagging indicators, and possess an inherent ability to prescribe an immediate course of action, either in practice or in strategy.

There are any number of signs that your organization might be ailing due to metrics that can't reliably identify friction in the member experience or suggest a strategy or course of action. Here are just some of the most common 'symptoms':

Top 6 Symptoms That You Have Weak and Weary MX Measurements

1. Inability to connect member experience with organic growth
2. Unexpected member attrition
3. Failure to identify drivers of member behaviors
4. Loss of revenue despite positive MX scores
5. Inconsistency between reported member behaviors and actual behaviors
6. No strategy for addressing root causes of member friction

The Disruptive Forces of the New MX Approach

The whole point of gathering member feedback is to bring your members closer to you, to create that loyalty-in-the-moment that leads to future revenue growth and profitability. There is little point in asking members for their views unless you are able to act upon the feedback in such a way as to effect not only immediate change, but the profound change indicative of true transformation. The real test of the effectiveness of such change is this: *Does it produce deepened member relationships that lead to greater revenue growth and profitability?*

> **"There is little point in asking members for their views unless you are able to act upon the feedback... to effect profound change.**

Bringing about such change involves embracing a dynamic, comprehensive, multidimensional approach for measuring and managing your members' many-faceted experiences. The components of this approach are what I call "**Disruptive Forces**." They draw on the valuable MX elements of the past and the technologies of the present to fashion a more responsive, personalized, forward-looking technique for dealing with the member experience. Here are five of the most imperative of these Disruptive Forces:

5 Disruptive Forces for Breaking Current MX Patterns

1. Data From, Not Just About, the Member

   The Force of FEEDBACK – It is critical to determine what is important to your members – what they are thinking and feeling about you right now, and what they might be doing as a result.

2. Actionable, Not Just Interesting, Information

   The Force of FOCUS – Having all of the member data in the world is useless unless you know how to act on it across all areas of your organization, all the way to the exact behaviors that are driving members from you or drawing them to you.

3. Leading, Not Lagging, Indicators

   The Force of FULL-SCALE STRATEGY – Without a comprehensive approach that incorporates multidimensional MX metrics, including leading indicators in real time, you risk missing the information crucial to achieving your ultimate goal around the member journey – growth.

4. Prescriptive, Not Just Predictive Indicators

   The Force of the FUTURE – Prescriptive indicators not only report what might happen, they report what did happen, explain why it happened, and give you an immediate remedy or course of action to follow so you can stave off future outcomes that compromise growth.

5. Revenue Generating, Not Revenue Draining

   The Force of FINANCIAL RESULTS – Of course you want your members to like you, but there is also a practical reason for improving the member experience – if they don't like you, they'll leave you. This means direct revenue retained and generated from your MX loyalty program.

Together, these Disruptive Forces get under the symptoms of ineffective metrics to deliver a robust, actionable understanding of your members. In today's culture of fluid, continually shifting loyalty, the winners will be those with the ability to both respond to and anticipate member needs at an individual level. Such a transformation will be the stuff of lore that is not soon forgotten.

Endnotes and Sources:

[1] National Credit Union Administration, "Industry at a Glance." Office of Public and Congressional Affairs, September 30, 2018.

[2] Perhaps not surprisingly, Wells Fargo (and big banks in general) earn low Net Promoter Scores. One recent study found that the average NPS for credit unions was 59.63, while the average NPS for retail bank providers was just 35. Conversely, credit unions in the U.S. have among the highest member satisfaction ratings everywhere, but they have very low market share compared to the banking industry.

Lee, Thomas, "Wells Fargo Needs Wholesale Changes, Not Quick Fixes." *San Francisco Chronicle*. January 21, 2017.

According to figures compiled by the Credit Union National Association, in 2015 the 100 largest banks in the United States comprised 75.5% of the market for depository institutions; credit unions accounted for only 7.0%.

[3] Prescriptive analytics attempt to gauge the effect of future decisions in order to advise on possible outcomes before the decisions are actually made. They attempt to explain not only what will happen, but also why it will happen, going beyond descriptive and predictive analytics by recommending one or more possible courses of action.

See, e.g., https://halobi.com/blog/descriptive-predictive-and-prescriptive-analytics-explained/

[4] Edsel, Alexander, Breaking Failure: How to Break the Cycle of Business Failure and Underperformance Using Root Cause, Failure Mode and Effects Analysis and Early Warning Systems. (New Jersey: FT Press, 2016).

For over two decades, we have researched and innovated to help financial institutions deliver a differentiating customer experience by optimizing their CX performance. Our data-driven, comprehensive survey and mystery shop solutions; insight-rich actionable analytics; targeted CX research and expert guidance all work together to accelerate you toward your success.