

Loyalty Leaders White Paper



Improving the New Member Experience To Build Strong Personal Relationships and Spur Growth

Educators Credit Union (*\$1.3 billion in assets - Racine, WI*) noticed that new members were not as likely to recommend the credit union as more established members. Instead of assuming that loyalty would grow over time, they compared themselves to the only trustworthy industry benchmark available and took action. In this brief, ECU shares how their use of Member Loyalty Group's organization-wide Net Promoter[®] Program led to a dramatic decrease in detractors – boosting services per member and checking account penetration.



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Executive Summary

Many credit unions identify their key differentiator as offering members exceptional service, and nothing is more important to that effort than building strong relationships from the very beginning. New members who experience a warm, personal touch during their first interactions are more likely to become loyal, and to show their loyalty by using additional services and actively recommending the credit union to colleagues, friends and family.

The key to making this happen is having tools to identify weaknesses and opportunities in new member processes, develop action plans to improve the member experience and implement effective solutions that fine-tune service delivery for each individual. As a result, new members develop an enjoyable, rewarding relationship with the credit union, one that goes far beyond simple satisfaction.

The Mission Possible program created by Educators Credit Union (\$1.3 billion, Racine, WI) is a perfect case in point. By implementing this rigorous Member Experience Process -- using the Net Promoter Score™ (NPS), analysis of member feedback and trustworthy benchmarks – Educators was able to dramatically improve service delivery for new members, resulting in sustained loyalty, enthusiastic word-of-mouth referrals and increased product usage.

The Net Promoter Score

The Net Promoter Score™ (NPS) was co-developed by Satmetrix, Fred Reichheld and Bain & Company, based on extensive research to find the survey question that is most closely linked to sales and profit growth. The resulting metric enables organizations, including credit unions, to more easily and effectively measure member loyalty and tie it to growth.

Credit unions obtain their Net Promoter Score by asking members, “How likely is it that you would recommend us to a colleague, family member or friend?” Responses are rated on a 0 to 10 scale and divided into three groups:

- Promoters -- members highly likely to recommend the credit union
- Passives -- members somewhat likely to recommend
- Detractors -- members less likely to recommend

The percentage of Detractors is subtracted from the percentage of Promoters to calculate a Net Promoter Score. (See Figure 1)

The Net Promoter Score method of loyalty measurement is so effective, it has been adopted worldwide by companies such as Dell, Philips, Safelite, Nespresso, Virgin, Lenovo and Experian. They have found NPS easier to understand and act on than more complicated, obscure or inexact metrics or indices.

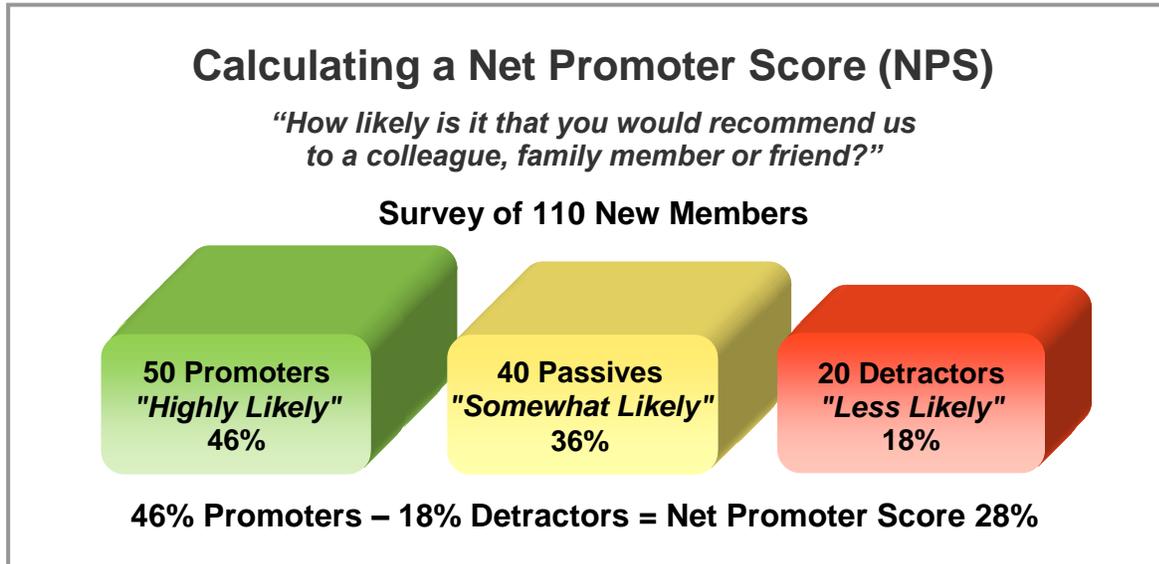


Figure 1: Credit unions can improve their NPS by using a rigorous Member Experience Process to create Promoters from the beginning of each new member relationship, and to convert Detractors and Passives into Promoters.

The Net Promoter methodology simplifies analysis and implementation, and provides a stable measure of business performance that can be compared across branches, departments, credit unions and even across industries.

To expand on NPS, credit unions ask members to explain the reasons for their response to the NPS question. This yields deep insights into member needs, and actionable information that results in faster and more effective product and service improvements.

Ultimately, members become more loyal, which spurs revenue growth -- from retention, upselling of additional services, and word-of-mouth that encourages others to join the credit union.

Net Promoter, Net Promoter Score, and NPS are trademarks of Satmetrix Systems, Inc., Bain & Company, Inc., and Fred Reichheld.

Low new member NPS reveals a threat to growth

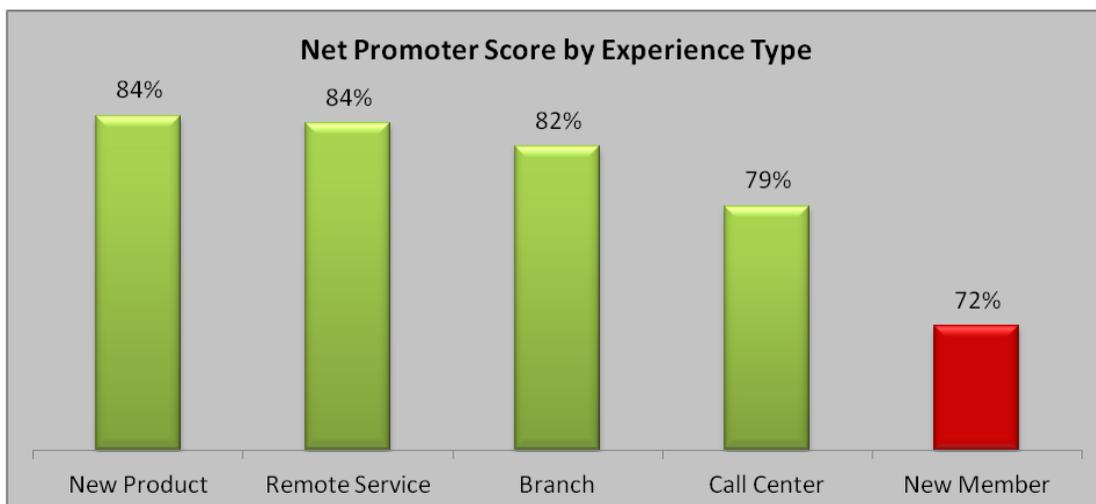
As the old saying goes, *you never get a second chance to make a first impression*. New members who experience a warm, personal touch during their first contacts with a credit union are more likely to become loyal, leading to two major sources of growth: use of additional services and positive word-of-mouth referrals. So it follows that failing to provide personalized service can dramatically inhibit growth.

One credit union that successfully developed a process to tailor services – and now does far more than simply satisfying its new members -- is Educators Credit Union (\$1.3 billion). Located in Southeastern Wisconsin, Educators serves students, as well as education, healthcare and government employees. By using Net Promoter Scores (NPS) and carefully analyzing member feedback, Educators identified opportunities to enhance the new member experience and spur growth.

"Surveys showed that our Net Promoter Scores for new members were far too low -- lower than any other interactions we had with our members," says Regional Branch Operations Manager, Julie Loyo. (See Figure 2) "Our main focus is to deliver exceptional, first-class service, but NPS confirmed that we weren't creating truly rewarding experiences for members at the beginning of our relationship. We were failing to deliver on our service promise."

"When we examined their feedback, it was clear that new members didn't feel a personal connection during their first interaction – they got the impression that they were seen as numbers rather than valuable members," she continues. "The data also showed that too many of them were opening only a savings account and were unlikely to refer others to the credit union. We knew we could do better." Loyo also notes that, faced with a sagging economy and an aging membership that doesn't use as many services, Educators was already looking for ways to boost revenues. "The last thing we needed were missed opportunities in the channel with the richest potential for growth," she says.

Figure 2: Data from 2010, showing Educators' New Member NPS was the lowest score compared to all other interactions with their members.



Benchmark shows opportunities for improvement

Another essential tool for evaluating new member service delivery is comparison with other credit unions via industry benchmarking. Educators Credit Union evaluated their performance by participating in a Credit Union Service Organization -- Member Loyalty Group (MLG) -- which has developed the only trustworthy benchmark for the industry, and compares data quarterly across participating credit unions. Though Educators did perform reasonably well in the benchmark, they failed to rank in the top quartile, showing definite room for improvement.

"The benchmark confirmed our new member NPS results," says Loyo. "It gave us an apples-to-apples comparison with other credit unions that were measuring the same things, asking the same questions in the same way that we are. This gave us a better view of our performance and more valid and meaningful data."

"Now we can't make excuses," she continues. "We can't claim that new members don't give referrals – or that call centers can't engage them effectively – or that online access doesn't work as well as face-to-face contact. The benchmark drives home the point: This isn't hearsay. If other credit unions excel in these areas, we can too."

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Beyond benchmark results, MLG enables Educators to share information with other credit unions to find out *how* they're being successful – what works, how to avoid things that don't work, and other tips relevant to building personalized new member relationships.

Their survey process also provides Educators with real-time feedback from new members. After an account is opened, each member receives a survey that includes Net Promoter scoring as well as follow-up questions, to gain insight regarding the member's first impression. Within 24 hours of a member completing the survey, the results are delivered to Educators.

"The combination of MLG's benchmarking, NPS scoring and real-time member feedback provides key intelligence for improving our new member processes," says Loyo. "This is detailed, actionable information that gives us deep insight into the service experience and the member's specific needs. It enables us to develop action plans and implement effective solutions quickly to establish a strong, personal relationship with each member."

Mission Possible

Armed with information from the benchmark and member feedback on current processes, Educators decided their first priority was reducing the number of NPS Detractors -- people who are not at all likely to recommend the credit union. They called their program *Mission Possible*, and for their initial implementation sites, they targeted the two branches that had the lowest new member NPS scores.

The program began with training – first, comprehensive training for managers, covering all aspects of the program. Then came training for the staff, which was broken down into three sessions. Each session focused on a specific set of skills. The staff was expected to learn the skills and utilize them well before moving on to the next session.

Throughout the training period, managers worked closely with staff members, answering questions, coaching, and sitting in on new membership openings, so the manager could model expected behavior during the conversation and give the staff feedback afterward.

"Once we had the tools to identify weaknesses and opportunities in our existing processes, it was simple to design Mission Possible," says Loyo. "We used the program to make specific changes – everything from new strategies for building personal connections to more effective communication to immediate account access. By correcting what wasn't working and monitoring new member feedback to fine-tune service delivery, we made sure that we were creating loyal members and reducing the number of NPS Detractors."

The Mission Possible program included:

- **Building a personalized relationship** by having a relaxed, upfront conversation with new members about their needs and expectations. It's a way of returning to Educators' roots of "having a conversation at the kitchen table." Talking comes first. Entering information into the computer happens only when it becomes appropriate.
- **Giving new members a thorough understanding of the services offered** by the credit union, beyond simple checking and savings accounts, but without subjecting them to the pressure of a hard sell.
- **Making new members feel valued** by taking the time to show them how Educators works. Agents take members on a walk-through, showing them the layout of the branch, introducing them to managers, tellers and other staff, even helping them to make their initial deposit.
- **Stressing follow-up communication**, first with a hand written thank you note with the agent's business card. Then a phone call a few weeks later to make sure that all questions are answered, needs and expectations are being met and members feel comfortable calling the agent at any time for assistance.
- **Ensuring that members have immediate access to their accounts.** Instead of making members wait for account access, Educators issues debit or credit cards when accounts are opened rather than risking delays or cards lost in the mail.
- **Simplifying the process of accessing accounts online** by making this part of the initial meeting. Agents *show* members how to use online tools, rather than just telling them how to do it, and tailor the information to meet an individual member's needs. This reduces frustration and makes online interaction much easier.

Role-based dashboards improve tracking and accountability

In order to ensure the success of Mission Possible, staff members at every level -- from senior management to service agents and tellers -- needed a way to see results and track progress. Educators uses MLG's role-based dashboards to deliver information tailored to the specific needs of each employee.

As shown in Figure 3, managers have real-time access to reports that enable them to examine details about each agent's performance. Additional reports within these dashboards allow managers to quickly access survey information, including member satisfaction averages and the full text of member comments made about every agent in the branch.

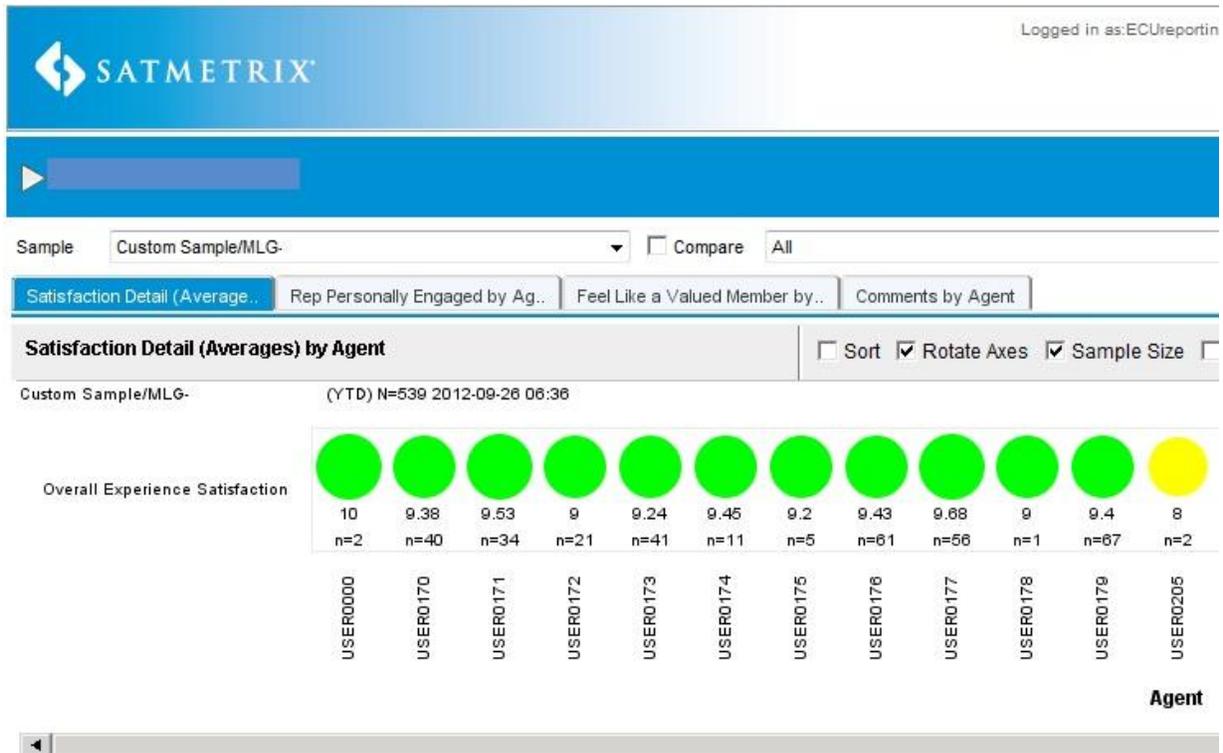


Figure 3: Portion of a manager's dashboard screen showing average member satisfaction ratings by Agent in the selected branch

Individual employees have dashboards where they can track their own results. For example, Figure 4 shows an agent how new members rated questions such as: *Was communication timely?* *Was the representative personally engaged?* and *Did you receive prompt service?* Employees can also view full-text feedback from members about the services they provide.

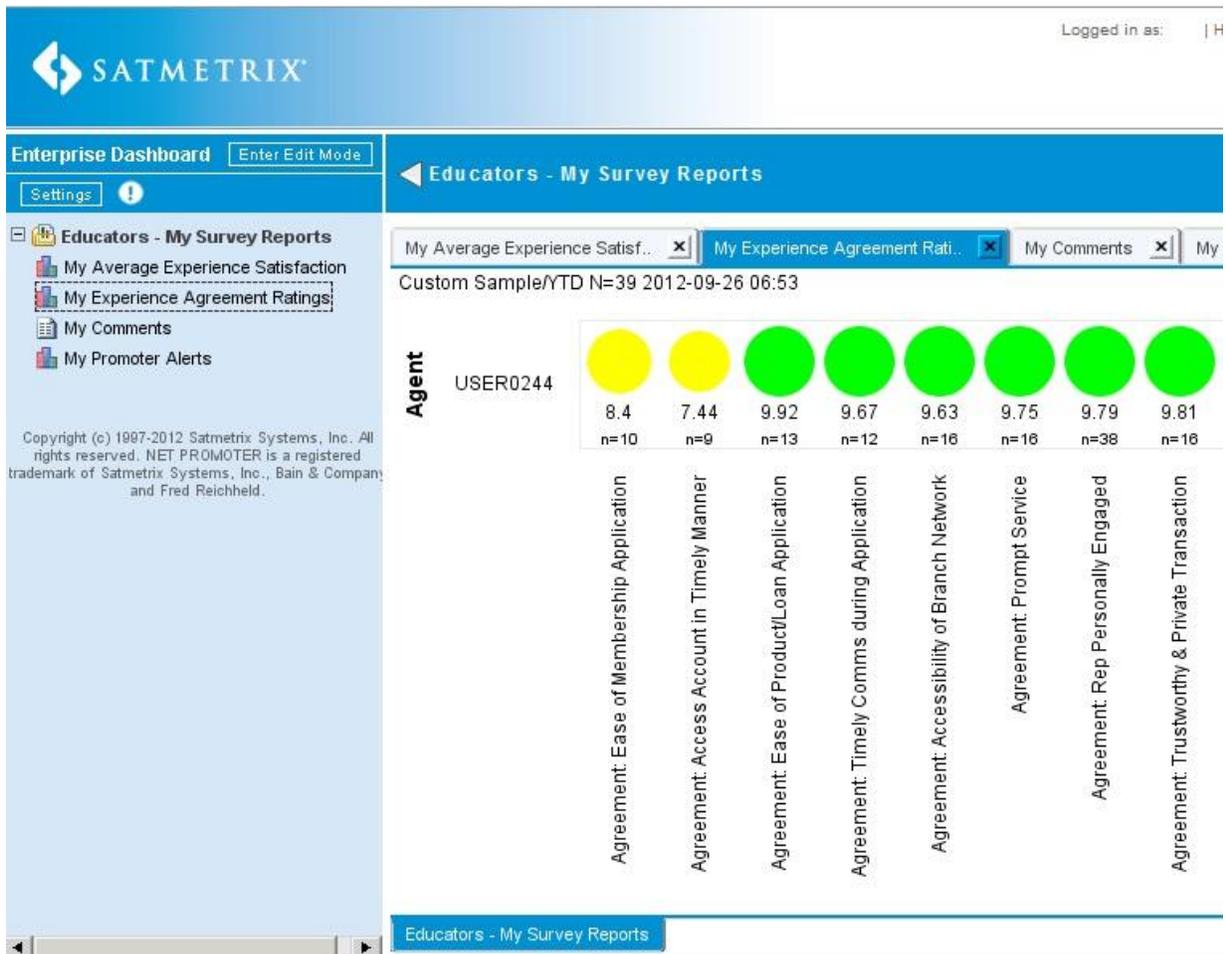


Figure 4: Portion of an employee's dashboard screen showing member experience ratings for a variety of questions

"Role-based dashboards enable our managers to see if employees are doing a good job engaging new members," Loyo says. "Since NPS data and member feedback is updated daily, managers can discover problems in real time, decide how to handle them, track results and hold employees accountable for the success of follow-up actions."

This data also enables managers to set expectations and year-end targets for employees, tying performance to raises, transfers to new positions, etc. Since individuals can track their own performance, they know immediately when there are problems and how they are performing relative to their targets.

Mission Possible delivers dramatic results

The Mission Possible program succeeded on all levels. Comparison of 2010 before the program was implemented with results achieved in 2011 confirms that the number of NPS Detractors was dramatically lowered, and a higher percentage of new members signed up for multiple services, among other gains. The program worked so well at the pilot locations, it is now rolling out to other Educators branches.

“With our enhanced service processes in place, the voice of the new member comes through loud and clear, enabling us to ensure that we’re delivering first-class service that exceeds their expectations,” says Bob Walleser, Vice President of Branch Operations. “If we have a pain point or bottleneck somewhere, it’s the member, rather than our management, that drives problem resolution. We’re making the cracks smaller, so fewer things slip through.”

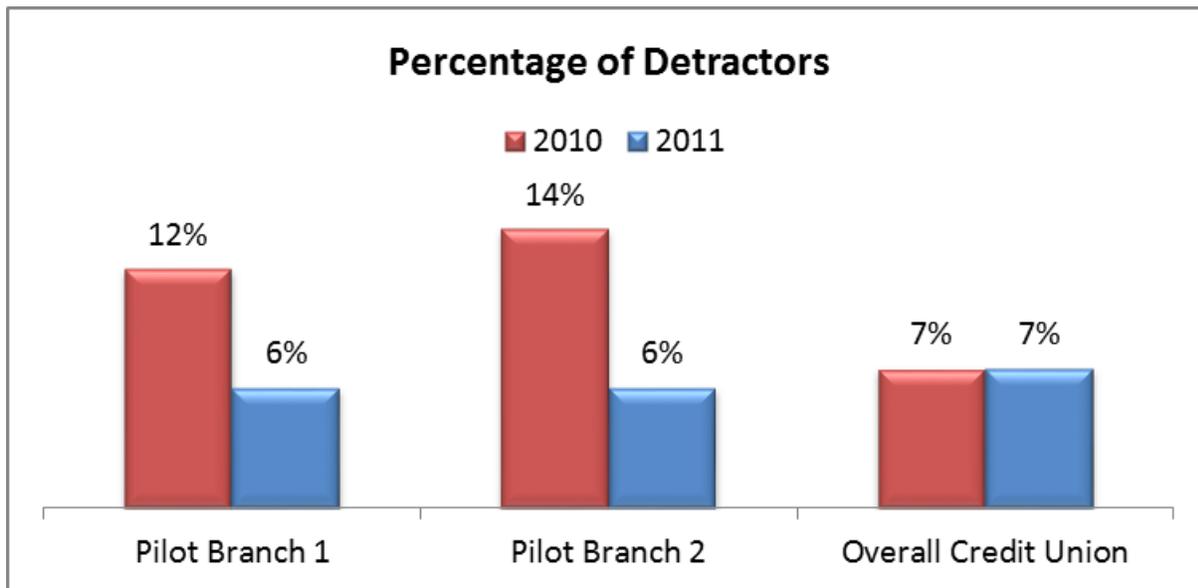


Figure 5: The Mission Possible program succeeds in reducing the Percentage of NPS Detractors

Figure 5 shows how well Educators did in reducing the percentage of NPS Detractors (people who are not likely to recommend the credit union) among new members. The first pilot branch had 12% Detractors in 2010, which dropped to 6% in 2011. At the second pilot, 14% Detractors in 2010 also dropped to 6% in 2011. Both branches performed better than the overall Educators average. Put simply, new members at both pilot locations are now more likely to recommend the credit union to others.

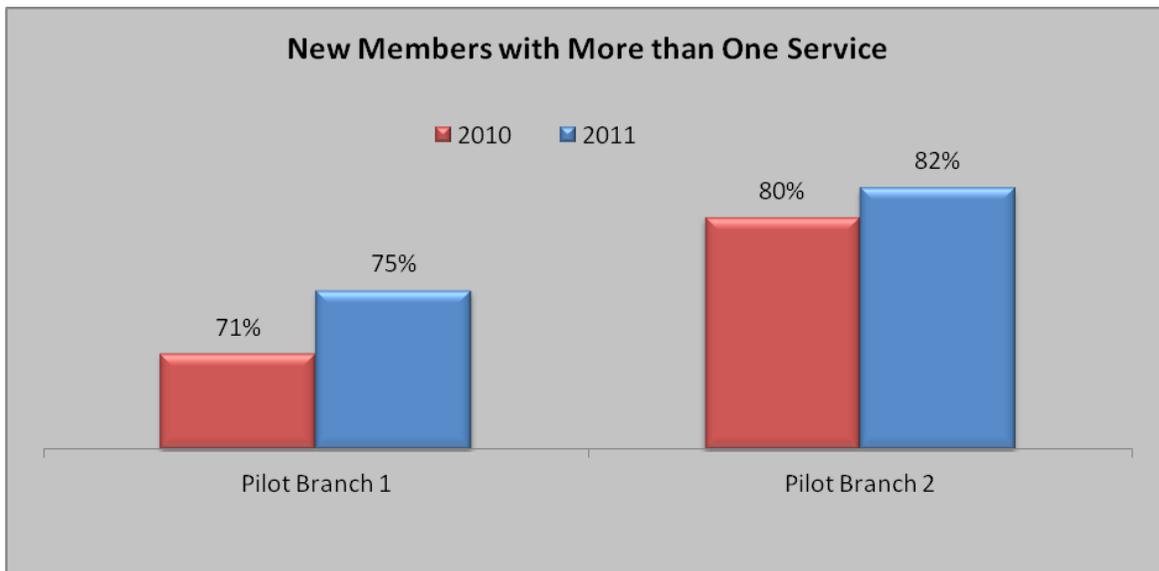


Figure 6: More new members are signing up for more than one service as a result of the Mission Possible program.

Survey results in Figure 6 show another success of the Mission Possible program – more new members signing up for multiple services at account opening. At the first pilot branch, 71% of new members selected more than one service in 2010, which rose to 75% in 2011. At the second pilot, 80% in 2010 rose to 82% in 2011. Providing multiple services to members from the very beginning adds up to stronger, and more profitable, relationships.

"We've achieved more than we hoped for with Mission Possible," Loyo notes. "We know immediately if we're meeting our goals,

An additional factor that contributes to new members' use of multiple services is improved checking penetration. Throughout the financial services industry, new members opening a checking account are far more likely to use the same service provider as their primary financial institution. As a result, a credit union adding a new member with a checking account is likely to get more of that member's business.

Before Mission Possible, checking penetration at the two pilot branches was 49%, which rose to 52% by the time the program was fully implemented – a result even better than the industry's 49.6% national average. It's another indicator that Educators can expect ongoing growth from new members' use of more services.

Mission Possible also emphasized helping new members to use online banking tools. This is another area of improved performance -- an increase in the number of members using online banking, accessing the system more frequently and using online bill pay. New member feedback now includes comments on how easy the online system is to work with,

and how satisfied and appreciative members are of the wide range of things they can accomplish online.

"We've achieved more than we hoped for with Mission Possible," Loyo notes. "We know immediately if we're meeting our goals, and there's no question that we're providing exceptional service, building a strong relationship with each new member, and creating far fewer Detractors. In fact, 40% of our members now say that the personalized service they receive is the primary reason why they are willing to use more services and recommend Educators to others. That's made us very optimistic about our future growth."

Conclusion

In order to differentiate themselves from banks and attract more business, credit unions must establish warm, personal relationships with members from the very beginning. The question is how to ensure that they're consistently improving new member services to go far beyond simple member satisfaction.

The results achieved by Educators Credit Union demonstrate how credit unions building their new member experience around the Net Promoter framework, well-defined follow-up surveys, actionable reporting and reliable industry benchmarks can create loyal members who use additional services and enthusiastically recommend the credit union to others.

Educators' Mission Possible program validates the importance of accurate, timely data analysis and use of new member feedback to develop and implement effective action plans. This enables them to tailor service delivery for each specific member, and create more NPS Promoters and far fewer Detractors.

About Member Loyalty Group

Member Loyalty Group (MLG) is a Credit Union Service Organization (CUSO) formed by leading credit unions in 2008 to develop a common member loyalty benchmark for the credit union industry. It is the recipient of the 2012 NACUSO Collaboration and Innovation Award. MLG has an exclusive relationship with Satmetrix, the Net Promoter® company, to provide credit unions with the most effective tools for managing a Net Promoter® program to collect and act on member feedback that increases loyalty, growth and retention. Member Loyalty Group serves over 30 credit unions, many of which are over \$1 billion in assets, across the country. For more information, visit www.memberloyaltygroup.com.

About Satmetrix

Satmetrix is the leading provider of cloud-based customer experience software for companies worldwide. As co-developer of the industry-leading Net Promoter® methodology, their applications deliver full process support to help companies reduce customer churn, mobilize loyal promoters, generate more powerful insights, and drive customer obsession through accountability. For nearly fifteen years they have focused on helping companies build profitable, sustainable growth through more loyal customer relationships. Together, Member Loyalty Group and Satmetrix provide the only common framework for measurement and comparison of member loyalty in the credit union industry. For more information, visit www.satmetrix.com.

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