

The Lore of Loyalty: Saying Goodbye to Today's CX Measurement & Metrics

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Do you remember back in grade school when you had to memorize and recite your first poem in front of the class or assembly? I think mine was in grade six – “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...*” “*Forgotten lore*” – I had no idea what that meant in grade six, but if we understand “lore” as a body of traditions and knowledge held by a particular group, passed from person to person by word of mouth, it helps bring to light the reality of today’s CX Movement, where a global shift in the mindset and belief system of the buying public has occurred. Consumers, empowered by technology and social media to instantaneously share their viewpoints and influence the buying public, recognize that *they* hold the power to determine *your* success. “Word of mouth” has taken on an

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entirely new meaning in this instant and powerful social media culture. In the rush to get ahead, organizations cannot lose sight of the wisdom that once fostered long-term loyalty. The medium has changed – what customers value has not.

When you think of loyalty now, you realize very quickly that the elements that contribute to its growth are the “*forgotten lore*” of today’s culture – where lifelong loyalty is a thing of the past. It is rare to find instances of predictable, long-term loyalty across the spectrum of Western culture. Loyalty today is something that happens in the NOW; it is continually changing and being reevaluated in the mind of the consumer. So when you’re trying to generate loyalty, the reality is that in most cases the best you can really hope for anymore is “loyalty-in-the-moment.” It must be created intentionally and measured profoundly *in every moment*, in every channel, with every experience, transaction, and interaction that occurs because this process is defining whether or not you will actually have loyal customers *in the future*. The most successful businesses will be those that can rekindle the aspects of an earlier service culture that contribute to loyalty, and adapt them to the technologies and scope of the current world.

Unintended Consequences

In Brief: *Changes in banking led to erosion of customer loyalty*

In the case of the banking and credit union communities, the “*forgotten lore*” includes the habits and practices that developed when organizations operated on a smaller, community-focused scale, before digital networks emerged and computerized data analytics became commonplace. When many credit unions and community banks were starting out, years ago, their employees had firsthand knowledge of much of their membership or customer base – especially when the institution was limited to a

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single building! You knew what was going on – personally and immediately – and you could respond in like manner.

Over time, growth happens – as it should – and with it come more customers over a broader area. About 25 years ago, for example, federally insured credit unions had an average of 4,826 members. By 2016, the average membership for a federally insured credit union was 18,479.¹ 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 a set of unintended consequences – a loss of the institutional wisdom that was a reality of the smaller scale. Information FROM the customer was replaced by information ABOUT the customer, based on demographic reports, charted data, and consumer predictive models. As the personal connection between the customer and his or her financial institution dissolved, in part due to technology, long-term loyalty also eroded.

The Trickiness of Customer Friction

In Brief: Today's consumer expects difficulties to be resolved immediately

It's not possible to return to the small-scale operations of the past, but it is possible to use new technologies in a more evolved way – as long as we can reach back and bring forward the “forgotten lore” that made for the loyalty of yesteryear. The valuable elements of those old habits of customer service can be applied to today's settings and channels of communication. One of the most significant elements is and always has been **customer friction** – the difficulty customers have when doing business with you. Before, difficulties experienced were handled through the relationship management process – having access to people who could actually fix the problems. Now, not only is the customer comparing you to other credit unions or banks but to *all* companies they do business with, including Amazon, Uber and Google – which has raised the expectation bar to new heights! When there's a problem – friction in a process or product or people – immediacy and efficiency in removing the friction and fixing the problem is the expectation. Welcome to Generation CX, a movement that demands more than ever and transcends *all* age demographic

categories, *all* types of touchpoints, and *all* mindsets of a diverse consumer culture – for *every* generation.

Unfortunately, uncovering customer friction is a bit tricky. Where there are 10 customers reporting issues, there are at least 90 others who are not reporting them, but they are acting – and they are acting with their *feet* – they are leaving you because you did not earn their loyalty-in-the-moment when they gave you an opportunity. They may not totally end their relationship with you, especially if they have established digital dependencies, but they are going to go elsewhere for the next loan, investment, or financial service they need. And they certainly won't be recommending you to their family, friends, and colleagues! Now here's the thing: if they gave you an opportunity to retain their loyalty-in-the-moment by speaking to you directly, and you captured the source of that friction and acted on it



immediately and profoundly, you have the right to their loyalty – until the next in-person customer experience or digital interaction.

Capturing the “NOW”

In Brief: A CX strategy for future loyalty requires comprehensive metrics

Many of the currently accepted measures will not work for you when you have to earn loyalty-in-the-moment. If you're trying to create loyal customers for life without first *measuring* loyalty-in-the-moment and then *acting* in the moment to *remove the friction* of the moment, you are on a very “*weak and weary*” course – to borrow again from Poe. If you are trying to impact the future with metrics that don't capture the “now,” you will not know how to direct your strategies across all functional areas so that they are executed all the way to the front line – to be experienced by every customer, every experience, every channel, every time!

To earn your customers' loyalty every day, you need analytics, metrics, and measures that immediately inform strategies that you *think* are good and sound, and practices that you *think* are effective in the moment. These are the times in which we live – the CX Movement is alive and well. But what are the metrics and measures that precisely and actionably capture this Movement? In the most prominent attempt to gauge customer loyalty, thousands of businesses worldwide have adopted the Net Promoter Score (NPS)[®]. Much of its popularity arises from

its apparent simplicity, as it asks 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 the customer 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.

Generation CX Hypersensitivity Requires Prescriptive Metrics

In Brief: Future loyalty relies on metrics that drive immediate action

Conventional customer satisfaction measures are insufficient by themselves as prescriptive values of future loyalty because they are intrinsically *lagging* indicators, the outcomes through 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 customer hypersensitivity toward how they experience you 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 the realities of the future – like attrition. Hence, *leading* indicators.

Because measures that lack prescriptive value won't tell you why the customer thought or felt the way he or she did, it is much harder to know what action to take in response. Such "future-facing" metrics are attitudinal rather

than behavioral, in that they tally, for example, how many customers say they would be likely to recommend you to others, rather than how many are actually making such recommendations.⁵ Satisfaction does not always correlate with loyalty, nor does loyalty always lead to higher spending and increased wallet share.⁶ So while the temptation is to correlate customer satisfaction scores to financial results, actual financial outcomes are driven by the customer behaviors that are happening in the moment – with every CX interaction.⁷

Connecting the Past and Present to Capture the Loyalty of the Future – NOW!

The most successful banks and credit unions have harnessed the best of the past and brought it forward to get ahead in seizing customer loyalty. Here's a quick look at the practices of the past, when long-term loyalty was a reality, compared to the CX practices of today, and finally where the industry needs to be to create the loyalty of the future – in the NOW.

	Pre -1990 Yesterday's Service Wisdom ~ The Forgotten Lore	1990 - Present Today's Service Measurement Standards ~The Current Myth	The Future Applying Yesterday's Wisdom to Today's CX Movement
Experiential Evaluations	1 Caring and professional service BEHAVIORS that reflected the soul of the organization.	2 Train to BEHAVIORS that demonstrate care and professionalism – then test LEARNING in classroom environment, assessing knowledge gained.	3 Train and certify customers to evaluate CX experiences in the live environment, assessing BEHAVIORS authentically being PUT TO USE.
Firsthand Feedback	4 FIRSTHAND knowledge of the customer's needs based on face-to-face conversations.	5 Predictive data ABOUT the customer analyzing past buying behaviors and a POSSIBLE future state.	6 FIRSTHAND knowledge directly FROM the customer so you can take personalized action based on their current and ACTUAL needs.
Focus on Friction	7 Customers voice their difficulties PERSONALLY; problems are addressed immediately.	8 INTERNALLY map the ENTIRE CX process – for all lines of business – to determine where the customer MAY experience friction.	9 INVITE customer feedback on where they experience too much effort in doing business with you – and correct it immediately!
Needs-Based Knowledge	10 Recommendations based on knowledge of customers' needs gained DURING actual conversations.	11 Marketing campaigns blasting out product information en masse based on data ABOUT the customer.	12 Learning customers' financial needs en masse – but directly FROM the customer with permission to help them fill their needs.
Actionable Analytics	13 Small-scale informal situational corrective action to resolve CURRENT reported problems.	14 Subjective, LAGGING indicators based on some HOPEFUL future state.	15 Both subjective and objective analytics in REAL TIME providing ACTIONABLE data based on the CURRENT state.
Internal Alignment	16 Finger-on-the-pulse working environment with a sense of TEAM built around community and PURPOSE.	17 One-time employee survey to assess how happy the employee is in working for the organization.	18 Systematic employee surveys to assess how well teams are thriving and SERVING ONE ANOTHER internally – with a shared view of the community and PURPOSE.

Profound Change That Leads to Growth

In Brief: Actionable CX feedback builds revenue as well as loyalty

The whole point of gathering customer feedback is to bring your customers closer to you, to create that loyalty-in-the-moment and future revenue growth and profitability. There is little point in asking customers for their views unless you are able to act upon the feedback in such a way as to effect not only immediate change, but profound change. And profound change always affects the bottom line! The real test of the effectiveness of such change is this: *Does it produce improved and sustained market share that leads to greater revenue growth and profitability?*

There is a solution. It involves embracing a dynamic, comprehensive, *multidimensional* approach for measuring and managing your customers' many-faceted experiences. The components of such an approach are what I call "**Disruptive Forces,**" as they dramatically break the current patterns of managing the customer experience. Here are five of the most imperative of these Disruptive Forces:

5 Disruptive Forces for Breaking Current CX Patterns

1. Data FROM, Not Just ABOUT, the Customer

The Force of FACT-based FEEDBACK – It is critical to determine what is important to your customers – 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 FUNCTIONAL FOCUS – Having all of the customer data in the world is useless unless you know how to act on it, both up and down and across all areas of your organization, all the way to the exact behaviors that are driving customers from you or drawing them to you. The information you gather has to be actionable, not just interesting.

3. Leading, not Lagging, Indicators

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

4. Prescriptive, Not Just Predictive, Indicators

The Force of Influencing the FUTURE – Continually absorbing new data so you can act in advance to stave off future outcomes that compromise growth, prescriptive indicators not only report what *might* happen, they report what *did* happen and also explain *why* it happened, and give you an immediate remedy or course of action to follow, both operationally and strategically.

5. Revenue Generating, Not Revenue Draining

The Force of FINANCIAL RESULTS – There is a noble reason for improving the customer experience – you want your customers to like you. There is also a practical reason for improving the customer experience – if they don't like you, they'll leave you. The proof is in the pudding, and your approach must include the direct revenue retained and direct new revenue generated as a result of your CX loyalty management program.

In today's culture of fluid, continually shifting loyalty, one-dimensional, lagging indicators have only limited value in capturing what your customers are thinking and feeling about you right now, and what actions they may be taking as a result. New strategies, infused with the valuable elements of past service practices and informed by leading, prescriptive, *actionable* measures and indicators, are indispensable to getting ahead of today's CX Movement.

Business leaders today understand that, as much as they would like, success does not have a simple formula. They recognize the value of the "lore" that emerged years ago in a CX environment, and they have the vision to carry it into the present to inform their use of new tools and technologies. They wield a comprehensive set of actionable metrics that continually deliver crucial intel on the CX Movement. They will be the BEST of the best – the select few that can continually win their customers' loyalty-in-the-moment, and create Loyal Customers for Life!

Endnotes and Sources:

¹ National Credit Union Administration, "Industry at a Glance." Office of Public and Congressional Affairs, December 31, 2016.

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/2016/07/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).

⁵ "Net Promoter Score (NPS) Criticisms and Best Practices." Verint blog. April 28, 2009.

⁶ One study found that only 13 percent of customers actually go on to make a recommendation about a company after answering that they would. Research also finds that only five percent of companies follow up with consumers who were asked the NPS question and ask them to make that recommendation.

Berry, Jeff, "Is Net Promoter Score Flawed?" RetailWire blog. January 18, 2017.

⁷ Even advocates of NPS as a means of driving growth qualify its effectiveness by pointing out that follow-up action, such as asking survey respondents to actively promote the company, is required for actual results.

Abbott, Lisa, "Net Promoter Score: The Growth Marketer's Secret Weapon." Business 2 Community blog. January 25, 2017.

⁸ No authoritative study has been able to validate the hypothesis that NPS predicts growth and is the best satisfaction and loyalty score available. NPS is better at assessing an overall brand experience rather than the individual parts of an organization and the customer journey.

Voorn, Ronald, "The Enduring Myth of the Net Promoter Score as Best Predictor of Loyalty and Growth." LinkedIn post. June 23, 2016.

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Rhonda Sheets is the founder, President and CEO of Support EXP, established in 1997. She is an internationally recognized thought leader, innovator, author, trainer, speaker and trusted partner in the bank and credit union communities. Recognizing a critical need to help banks and credit unions get ahead of the CX Movement, Rhonda has successfully positioned Support EXP as the leader in delivering actionable solutions for measuring and managing the entire customer journey. For more than 25 years, Rhonda has been passionate about achieving superior performance results for bank and credit union clients through the CX – results that are uniquely tailored, pragmatic, holistic and enduring. Rhonda is an effective and results-driven innovator of products and services that drive performance optimization from the face to the core of banks and credit unions worldwide. She has lectured at conferences and seminars all over the world, written articles for numerous industry publications, and trained over 5,000 bank and credit union managers and top executives in the core aspects of successful CX strategy formation and execution. She has consistently been in the forefront of achieving superior CX performance results – putting her clients at the front of the CX Movement by using Actionable CX Intelligence to create loyal customers for life.



Since 1997, Support EXP has been the leading provider of Actionable CX Analytics for financial institutions across the United States. With over one million service experiences measured, our innovative solutions leverage authentic customer feedback to close performance gaps and remove friction from the customer journey. Our revolutionary CX Analytics Platform optimizes organizational and financial results by using experiential input directly from the customer to inform CX strategy and impact CX execution – Creating Loyal Customers for Life™.

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