

**Voice of Customer**

# **Voice of Customer**

A key component in Customer Relationship Management!



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Abstract

The goal of most financial institutions is to deliver a personalized experience that helps consumers improve how they manage their day-to-day financial lives. By doing so, banks and financial institutions can elevate the level of customer engagement, reduce costs, increase cross sales, and drive higher customer satisfaction and loyalty.

But how do consumers feel about highly personalized messages and offers? And, how well are financial institutions responding to the potential of delivering on these expectations? There is a need to understand how the customer expectations are changing in today world. 20 years back, it was fine to go to Banks and do the transactions, but today, there is total change in the way banking system are working. Internet Banking, Mobile Banking, Payment Portals etc., have come into being and change the face of banks.

Consumers' view of their banking relationships is increasingly shaped by their experiences, not only with their banks but also with other service providers ranging from Ola to Flikart, PayTM and others.

There is a growing gap between consumers and their banks when it comes to expectations from engagement.

Introduction

In today's world with the ever changing demands of the banking customer, there is constant need for banks to be in touch with the customer, both at the transactional level and at a Relationship level. Unless there is a focused approach to be engaged with the customer, it is very like that the customer stick to the bank on a long run. In a study conduct, it is shows the following:

The Need

96% 84%

96% bank with more than one bank

84% would not pay for independent financial advice, believing it should be part of the service their bank offers

53% 72%

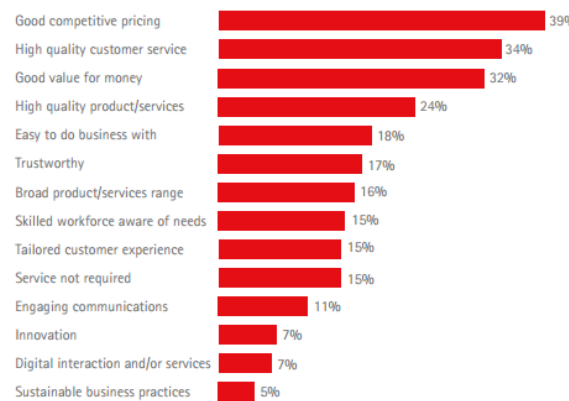
53% say they receive absolutely no attention from their bank or only occasional contact

72% of customers who decided to leave their main bank cited price as a factor

47%

47% of customers who decided to change their main bank did so because of general levels of service quality

How much did each of the following reasons contribute to your decision to switch/stop doing business? (Check up to top three reasons)



Base = 2,984 (retail banking customers who switched completely)

The Process

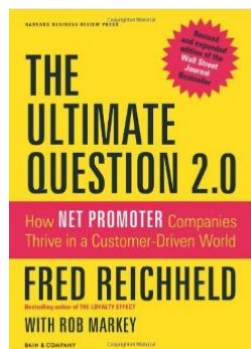
To become "Customer Centric" organization and

- How consumers view their current banking relationships
- What consumers expect from banks in the digital age
- Where banks fall short on addressing consumer needs
- The role of personalization in closing the expectations gap

### The Solutions

Voice of customer is one of the means to bridge the gap between customer Expectation and banks delivery. There should be a process in which bank obtains feedback (Voice of Customer) both at the transactional and Relationship level. This will help to gauge the gaps between Banks service delivery and consumer expectation

Globally many banks are adopting to newer way to get the feedback from the consumers, one of the easiest and most effective tool for evaluating loyalty and satisfaction index measurement was developed by Mr Fred Reichheld and writes in his book "The Ultimate Question 2.0" and the concept of Net Promoter Score (NPS)



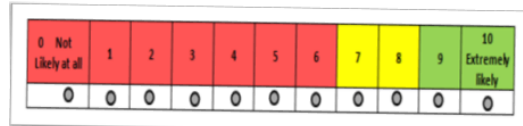
In his book he mentions how Voice of Customer would help companies to become "Customer Centric"

provide a great customer experience, one of key initiative which needs to be implemented is "voice of customer" through NPS. This will not only gauge the customer loyalty towards the company but also would give a strategic direction for future of the company revenue growth. If NPS is implemented correctly, it would change the face of the company by becoming a proactive customer focused organisation and creating a great customer experience. The beauty of NPS is that we can have both positive and negative scores. Whenever there is positive score, we can identify the best practices that are being followed for obtaining positive score and replicate it across all customers. Secondly if it negative score, then identify the service improvement areas and build strategy to remove common complaints across all client. By doing this, we give a positive experience to customers and there by improve the customer satisfaction / loyalty.

#### The Ultimate Question:

"How likely are you going to recommend our company to your friends and colleagues"

#### Consumer Rating:



#### Based on the consumer's rating:

**Promoters (9-10):** These are loyal enthusiasts, who are assumed to promote the company's brand to others.

**Passive (7-8):** These customers are considered satisfied, however they are less enthusiastic than promoters. They are typically more vulnerable to competitive offerings.

**Detractors (0-6):** Detractors are unhappy customers who could potentially damage a company's brand by sharing their negative experiences by word-of-mouth.

Based on the rating, subsequent question that shall be asked:

#### Detractors 0-6 rating

Could you comment briefly on what is the main cause for which you have given us this rating?

#### Passive 7-8 rating

What changes would the Bank have to make for you to give it a higher rating?

#### Promoter 9-10 rating

What does the Bank do really well?

### NPS Calculation



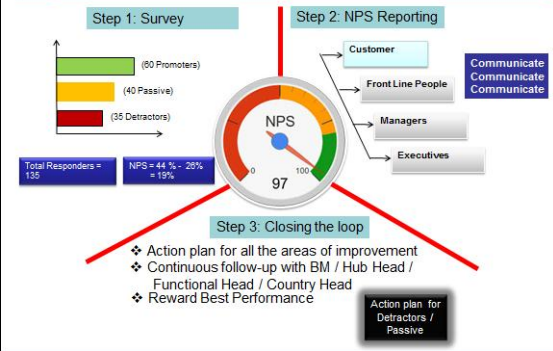
NPS can be done in 3 “C” simple steps:

**Step 1:-** Conduct Survey and collate / calculate NPS.

**Step 2:-** Communicate NPS score to all the concerned at all levels.

**Step 3:-** Closing the loop, the concerned person / department contact the client with action plan for all the detractors / passive.

#### Steps to be followed:



#### Turn Around Time (TAT)

**1st TAT:** - Within 48 hrs of obtaining the feedback the concerned person / department to contact the client with action plan.

**2nd TAT:** - Within 2 weeks the Action Plan needs to close from date of Action Plan.

**3rd TAT:-** A thank you email is sent to Promoter & Detractor / Passive

### The Closing the loop

Based on the feedback given by the customer, the concerned person / department meets /Branch discusses with the client and draw an action plan with closure dates.

There are two level of managing this

- **Tactical Level:** Every client’s feedback is taken and action plan is done for individual client.
- **Strategic Level:** Based on the trending data, top areas of improvement are identified and a country level correction plan is drawn on monthly basis and implemented across all clients.

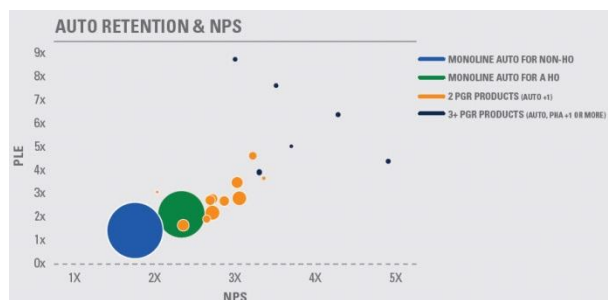
## Case Studies:

**American Express Links Shareholder value to NPS:**

- Amex says: “We track [NPS] all the way to shareholder value. For a promoter who is positive on American Express, we see a 10% to 15% increase in spending and four to five times increased retention, both of which drive shareholder value. In fact our operating expenses associated with service have gone down because we’re more streamlined, and we limit friction points and errors.

**Progressive Insurance Correlates Retention rate to NPS**

- Progressive Crop. has identified a solid correlation between NPS and insurance policy customer retention
- “Three things that I want you to note from this overall segmentation. First, solid correlation between policy life expectancy and Net Promoter Score. So while we monitor, measure and act on Net Promoter Score and make investments to move that, we’re investing to improve our policy life expectancy.”



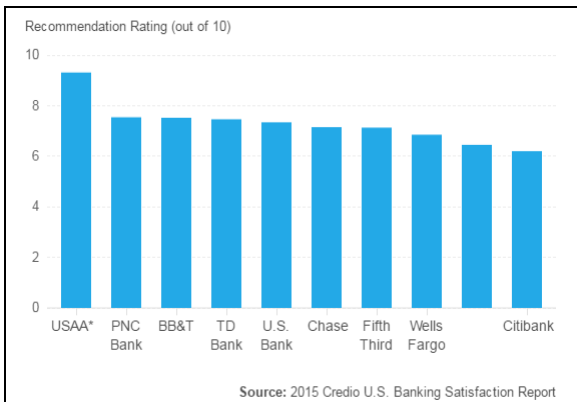
**Extract from Customer Behavior and Loyalty in Retail Banking November 18, 2015 Bain report**

Movement on the loyalty leader boards

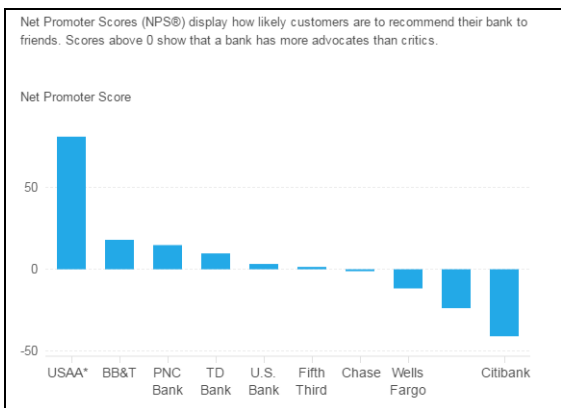
- Large traditional banks continued to make meaningful improvements in their Net Promoter Scores relative to direct or smaller competitors. That change was most pronounced in the US and UK.
- While it is hard to foster change in large organizations, some big banks have demonstrated sustained progress over the past few years.
- In the UK, Santander has significantly improved its Net Promoter Score, rising to the No. 2 position among traditional banks. Santander has focused on a simplified current account proposition, fully digital, streamlined account opening and a dedicated switching team to on-board customers. In the US, Chase has followed a similar upward trajectory relative to its competitors.
- What matters most to an individual bank is how it performs relative to its peer group within their market. Using that lens, Net Promoter Scores varied widely from bank to bank. In Germany, for instance, top performer ING-DiBa had a Net Promoter Score that was 97 percentage points higher than the worst performer and 52 points above the country average.
- In-country differentials between the loyalty leader and the laggard were highest in Spain, the US Northeast region, the UK and Germany.

**Respondents indicated their satisfaction with their primary bank (1 = Least Satisfied, 10 = Most Satisfied).**

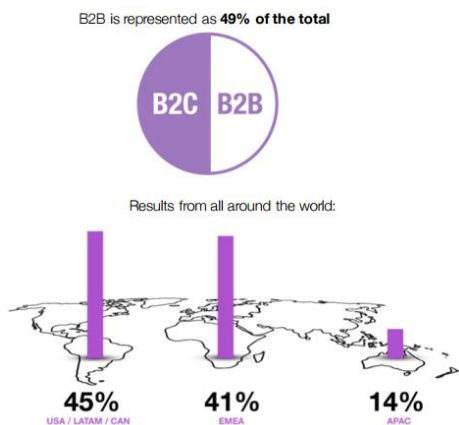
**NPS and Retention**



**Banks with the most Satisfied Customer**



**Adoption of NPS Globally**



**02 | NPS Programs Can Increase Retention by 5% and Give 3x ROI**

NPS Leaders say they can link NPS to revenue and improve retention by 5%.

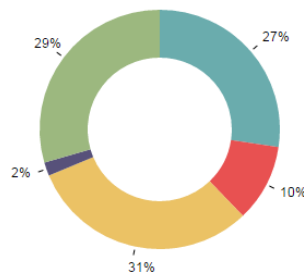
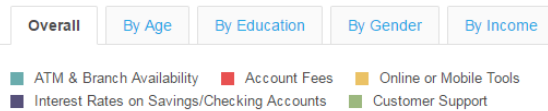
They also report more than 3.2x Return on Investment.

Conclusion: Net Promoter is a good use of corporate resources.

**Biggest Drivers of Retail Banking Satisfaction**

**Biggest Drivers of Retail Banking Satisfaction**

Over 3,000 Americans identified the primary reason they are satisfied with their bank. These charts show the percentage of respondents that voted for each key factor.



Source: 2015 Credio U.S. Banking Satisfaction Report. Survey conducted in January 2015

## ■ US Net Promoter Benchmarks: A Topline View

Following the question What is a “good” Net Promoter Score?, benchmarks are one of the most popular Net Promoter-related topics that people ask about.

So for a quick top-line view of how major US businesses are performing, we have published the below list of current scores and a few key points of interest.\* The list offers a broad view of how industries and companies compare to one another, and is useful as a very loose point of comparison if you are in a related field – but please note that when comparing your performance to any of these businesses there are a number of factors that can affect the score.

## ■ Headline Stats

Some of the most interesting points of this year’s findings include:

1. In the financial services sector, **19 of the 22 banks represented showed increased scores compared to 2013**. Bank of America increased its NPS by 20 points, and Discover ended perennial Net Promoter leader American Express’s six-year run as leader in the credit card category.
2. Banks (+81 for leader USAA and -14 for HSBC) and Hotels (+59 for Westin compared to -15 for Hotel 6) had the **widest score spread** of any categories.
3. Amazon investors will be happy to see that in the online shopping category, Amazon.com led the pack for the fifth year in a row with a score of +64, ahead of its wholly owned subsidiary, Zappos.com, which came in second place.

## Conclusion:

NPS is extremely attractive to a management team as it is a single number that appears, at least initially, to be linked to some significant KPIs. The solution is to combine the NPS score, as it is only one question, with other customer metric tools that are more focused on identifying what actions need to take place to improve the customer experience. It has the credibility of being associated with a customer loyalty guru and Bain & Co.

“The Net Promoter System provides powerful solutions for building a customer centric culture throughout the entire organisation. I recommend it enthusiastically

- Gerard Kleisterlee, CEO, Philips

Web Sites:

- [https://www.accenture.com/t20150710T130243\\_w\\_us-en/acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Dualpub\\_17/Accenture-Banking-Consumer-Pulse.pdf](https://www.accenture.com/t20150710T130243_w_us-en/acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Dualpub_17/Accenture-Banking-Consumer-Pulse.pdf)
- <https://www.bulldogreporter.com/industry-marketing-focus-banks-fall-short-on-meeting-consumer-expectations-for-personalized-relationships/>
- <http://www.genroe.com/blog/net-promoter-score-success-stories-and-case-studies>
- <http://www.bain.com/publications/articles/customer-loyalty-in-retail-banking-2015-global.aspx>
- <http://banks.credio.com/stories/4366/2015-u-s-banking-satisfaction-report#1-current-customer-satisfaction-levels>
- [https://customergauge.com/news/2014-net-promoter-benchmarks/?\\_hstc=166525089.bcc7dc48df79b67e5da2789133692c5c.1479187378122.1479285338648.1479287352094.3&\\_hssc=166525089.1.1479287352094&\\_hsfp=1933593583](https://customergauge.com/news/2014-net-promoter-benchmarks/?_hstc=166525089.bcc7dc48df79b67e5da2789133692c5c.1479187378122.1479285338648.1479287352094.3&_hssc=166525089.1.1479287352094&_hsfp=1933593583)

Books:

Mr Fred Reichheld - "The Ultimate Question 2.0" and the concept of Net Promoter Score (NPS)