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Can Banks Restore Customer Loyalty?

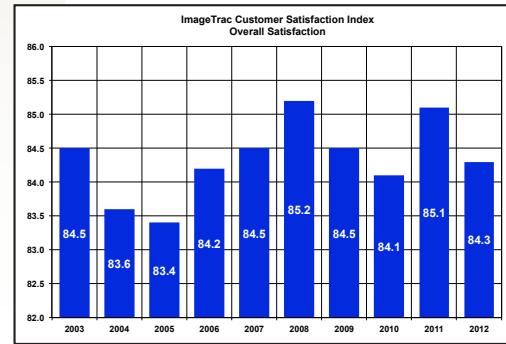
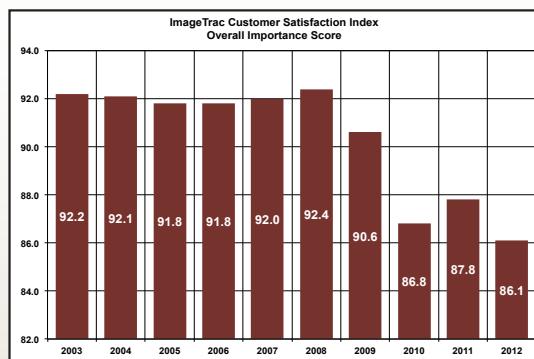
In recent planning conversations with community bankers we continue to hear about their efforts to focus on customer retention, customer relationship growth and increasing customer loyalty. This emphasis on customers includes one significant challenge. Customer engagement and loyalty ratings have declined throughout the recent recession. Not good news when banks will be relying on existing customer relationships to sustain revenues and fuel growth.

This issue of Achieving Excellence focuses on the average industry results of the ImageTrac® Customer Satisfaction Surveys completed by our clients in 2012. The survey is a standardized assessment of customer satisfaction, net promoter status and estimates of future service utilization. To develop our industry averages, we tabulated the survey responses from 4,453 community bank customers. The aggregated data will help you examine the status of bank customer perceptions. A free copy of the 2012 ImageTrac® Customer Satisfaction Survey results can be found in the White Paper Library at www.crossfinancial.com.

Importance Ratings Continue To Score Lower

Bank customers completing the ImageTrac® survey are encouraged to rate a variety of bank attributes and performance criteria. A portion of the survey instrument asks customers to rate the importance of the bank attributes to their overall banking relationship. A historical look at the overall average importance rating is reflected in the chart at the right. The chart shows the significant decline in importance ratings since 2008. The data suggest customer engagement and expectations are in decline.

While lower importance ratings might suggest that it is now easier to meet customer expectations, the real challenge is the fact that community banking has lost some of its competitive advantages because a higher performance standard was part of the anticipated relationship.



Satisfaction Stable

While the importance ratings for many of the banking relationship attributes have declined since 2008, the overall satisfaction index has remained in a range between 84.1 and 85.2.

The six highest satisfaction ratings for 2012 included the following attributes. Each reflects a competency delivered consistently by community banks.

Employees smile and establish eye contact when greeting me.....	90.6
Employees give me their undivided attention....	89.5
Employees handle my business accurately.....	88.7
My questions and concerns are handled promptly and efficiently	88.0
Employees take time to answer my questions thoroughly.....	87.2
My business at the bank is handled confidentially.....	87.2

Continued on page 2



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Net Promoter Scores Unchanged

Net Promoter Scores (NPS) remained relatively unchanged in 2012 following a significant decline from 2010 to 2011. Net Promoter Scores are one of the strongest indicators of customer loyalty and more importantly, advocacy. The likelihood of a customer referring your organization to a neighbor, friend, relative or colleague establishes the most pronounced assessment of relationship viability.

In his book, *The Ultimate Question 2.0*, Frederick Reichheld indicated the average NPS for banks in the United States was 13%. By comparison, USAA achieved an NPS of 88%. At 52.3% community banks might feel the results are acceptable by today's standards. Keep in mind that the average ImageTrac® NPS for community banks was 67.5% as recently as 2010.

Future Utilization Index In Decline

One of the more alarming statistics from the 2012 ImageTrac® survey was the continued decline for the average future utilization index. The moderation of the average Net Promoter Score might suggest we could expect similar results when customers were asked about their likelihood of using their bank the next time they needed a financial service. That index score actually declined to 57.5% in 2012. Down from 73.0% in 2010.

So where do we go with the planning challenges of customer retention, customer relationship growth and improving customer loyalty? It's time to break down the bigger picture into actionable activities. Examine your current customer experience, inside and out. Determine what customers really want and match it with what your organization is capable of delivering 100% of the time. Ultimately, your balance of customer expectations with staff skills, technology, products, policies and procedures will produce the best platform for success.

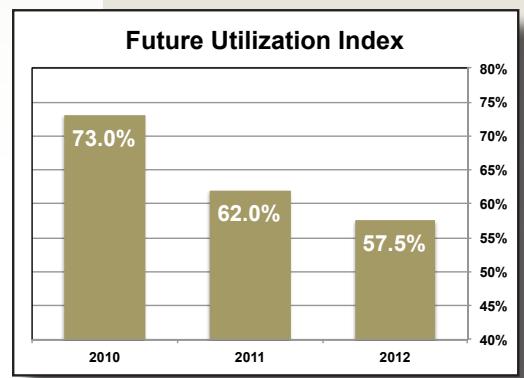
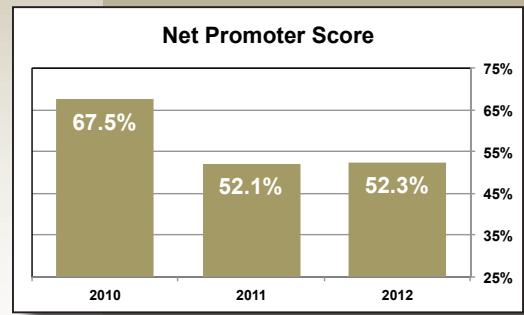
What Customers Say About Their Bank

The 2012 ImageTrac® survey asked bank customers two open-ended questions. The following illustrations show what they had to say in a visual map. The size of each word represents how frequently the word appeared in customer comments.

What do you like most about the bank?



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