

Member Action Defines Loyalty

Satisfaction falls short as a measure of member behavior

If you've taken a car to the dealer for service recently, you've undoubtedly received a survey from the automaker asking how you felt about the service and the manufacturer in general. As you fill it in and send it back, you don't have to be in market research to think, "They aren't learning anything from me."

Why? Because so many surveys of this type simply don't ask the right questions. One assumes such surveys are to ascertain consumer satisfaction with service and to gauge loyalty to the brand in hopes of generating future sales. But if the survey sponsors expect to learn how loyal customers are by asking how satisfied they are, the research design missed the mark. Customer satisfaction and customer loyalty are not synonymous.

Credit union surveys, in many instances, are just as guilty of missing the point. We ask, "How satisfied are you with your credit union: Very Satisfied, Satisfied, Dissatisfied?" ignoring the fact that what members say doesn't always reflect what they do.

It's not about satisfaction

Actions speak louder than words. Asking members only, "Are you satisfied?" leads to flawed data. It doesn't result in information about their actions. Usually we are seeking insights into behavior. Satisfaction is more a measure of what members say, feel or think. Loyalty (as shown by action) is a measure of what members do. The only true measure of loyalty is a repurchase.

DHA's member survey database, which represents three million members, shows that although roughly six in every 10 members designate their credit union as their PFI, many also use another institution. They generally indicate being either Satisfied or Very Satisfied with the other institution as well. This mirrors results from other industries, such as the automotive industry, where between 65% and 85% of customers who defected said they were Satisfied or Very Satisfied with their former supplier.

Why does a credit union want *Loyal* members rather than merely *Satisfied* members?

Loyal members buy repeatedly—they don't defect easily!

Loyal members tell others about your product or service, and encourage them to try it.

Loyal members will buy other products as you introduce them.

Loyal members cost less to retain and help create a stable profit base.

If you want to capture the strength of member loyalty, ask these questions:

Would you strongly refer this brand to a family member/close friend?

Were you completely happy with your service today?

Has the credit union performed up to your expectations?

Focus questions on obtaining information on what members do, not just what they feel or think. Even asking, "Were you happy?" is more accurate than the toothless, "Were you satisfied?" Better yet, watch what members do through purchase behavior, then infer what they want from their actions.

It's not a matter of trust

Members typically trust their credit union. However, DHA's research also shows clear evidence that trust isn't the deciding factor in behavior either—at least not trust alone. What members are looking for first and foremost is value—not monetary value, but the value that affects a person's life. To determine the real, loyalty-building value of your products and services, go beyond the features, functions and processes and look instead at two critical factors:

1

The value your offering brings to a customer's life.

2

How the experiences that surround and support your offering add to or detract from that value.

Determining Value

Credit unions are accustomed to positioning their products and services in terms of features and benefits. For example, a credit union might offer automatic bill pay education (a feature) and members gain convenience (a benefit) from it. But value is something more.

Value represents not what a product or service does, but the impact it makes on a person's life. As an example of value, think about a low down payment mortgage program that allows a member to own his or her first home. The benefit of "homeownership" can result in greater self-esteem and growth. These results are the real value of the mortgage.

Every benefit that a credit union provides should have identifiable value that enhances the personal life of its members. But how do we know exactly what that value is? Psychologists tell us that human beings operate on four dimensions (physical, emotional, intellectual and spiritual) that compose the Whole Person. In the past, this theory helped people understand how to live a life in harmony. We now find that it also influences how consumers recognize and experience the value of what they purchase.

- The Physical Dimension governs basic survival needs such as food and shelter, as well as anything experienced through the senses. Values that we recognize on this level include comfort, pleasure and exhilaration.
- The Intellectual Dimension represents our analytical self, which processes objective value—the kind that is measurable and quantifiable—such as savings, interest rates, and supply and demand. It's also where we appreciate excellence, performance and choice. Businesses focus here because it's something they can wrap their arms around, but it's made us too price conscious and willing to believe value merely means low price.
- The Emotional Dimension is where we experience some of our most powerful and memorable consumer reactions. It's where we process subjective value—the intangible value that is highly personal. This is also where loyalty begins. While you may know intellectually that you should keep doing business with a company that performs well, the bond that cements loyalty is emotional.
- The Spiritual Dimension governs anything that touches our core being, such as art, music, nature and creativity. The other dimensions are usually involved too, which makes this dimension all the more potent. This is also the level where trust resides. Every credit union should strive to reach this dimension, because while trust isn't the only factor in creating loyalty, retention of loyalty is in jeopardy without it.

Everything customers buy carries some value that registers on at least one of these dimensions. In addition, the more levels a product or service affects, the more value it possesses.

This model is especially valuable for financial services companies because they sell commoditized products or services. With checking

accounts available from many sources, credit unions are, in essence, selling a commodity. Therefore, the successful provider must enhance the value of the checking account as a commodity. For example, assume that a credit union has a 50% checking account wallet share. It positions its checking account product by highlighting the following values: wealth-building and family consciousness.

Once identified, the value of your product or service provides insight to guide marketing, product development, and—most importantly—the customer experience.

The Experience Factor

One of the misconceptions many credit unions operate under is that once they've created a valuable product the job is done. Call it the Field of Dreams Syndrome: "Build it and they will come." In fact, product creation is only the beginning. If your primary value is convenience, then every experience your customers have with you should promote convenience. If well-being is your strength, then doing business with you should be as stress-free as possible.

Too often what we strive to provide is not what members experience. For example, a credit union with a tremendous array of mortgage products had member appointments backed up 180 days. That made the message members received, "We're so pleased you joined, but we don't have time to talk to you for six months!" Rather than viewing the credit union as a prime mortgage provider because of its great product line, the appointment booking process was so frustrating for the members that it detracted from the value of their membership.

In addition to asking members the right questions, credit union leaders can make improvements by looking at their operation and its offerings through members' eyes:

Here's what these two product variants would look like on a Value Model chart:

Feature	Level	Value	Value Group
Interest Checking	Intellectual	Build wealth	Savers
Children's Checking	Emotional	Family-minded, caring	Emerging Parents

While a checking account is a commodity available from many sources, adding features that appeal to specific value dimensions can help a credit union reach members in ways that effectively build loyalty.

- Determine the value of each offering.
- Evaluate the way you communicate value—does it speak to the right dimension?
- Chart each experience and determine its impact on members.
- Red-flag negative experiences and do what you can to correct them.
- Identify positive experiences and make them part of your value statements.

Focus on one product first and expand from there. Incorporate the ideals of value and experience into the culture of your organization. History shows businesses that provide what the customer truly values can achieve real growth—not simply small improvements eked out by downsizing and cost-cutting efficiencies, but expansion at rates as much as double those of organizations that fail to put the customer first.