

Linking Performance Management to Customer Satisfaction through Metrics

The 2008 Performance Conference

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Today's Objectives

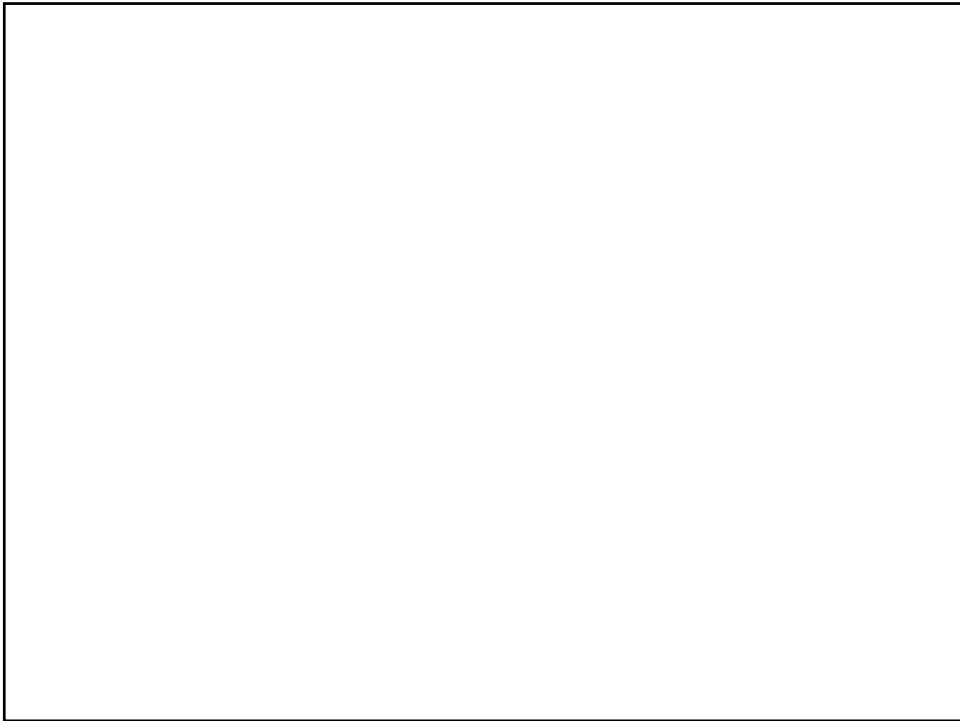
- 1. Illustrate the linkages between measures of customer satisfaction, value, and loyalty to financial and performance measurement indicators in a bank's customer satisfaction program**
- 2. Show how to identify and incorporate the metrics that define the Company's business objectives as well as the "Voice of the Customer" feedback, improving bottom line results**
- 3. Examine the impact of customer expectations and experiences on business results**

Agenda

- About the Speaker
- Case Study - Customer Satisfaction
- Wholesale Banking
- Results
- Questions

About the Speaker

- Management Consultant – Marketing and CRM
- 13 years at Wachovia Bank (previously First Union and Signet Bank):
 - Managed Wholesale Customer Analysis, Research & Targeting Group
 - Responsible for Growth in Relationship-managed Businesses
 - Experience with implementing CRM platforms leveraging customer insights
 - Experience in linking customer satisfaction metrics with performance results
- 8 year Management Consulting with KPMG and Peterson Consulting
- Chartered Financial Analyst (CFA)



Case Study – “Bank A”

Customer-facing employees are coached and paid to perform functions which the research indicates are key drivers of satisfaction and loyalty.

Metrics include:

- **Activities** – number of contacts (in person or by phone) annually by the employee
- **Employee Score** – customer satisfaction score given by the customer in a survey
- **Income Growth** – year-over-year growth in the income to the Company from the customer

Customer Satisfaction Terminology

Inputs

- Service is the degree of help and courtesy we give our customers.
- Experience is everything a customer senses every time they interact with the Company's people, products, processes, and services. Over time, this influences the customer's emotions and attitude toward and behavior with the Company.
- Moment of Truth is a memorable event that significantly affects how a customer perceives or interacts with the Company.

Outputs

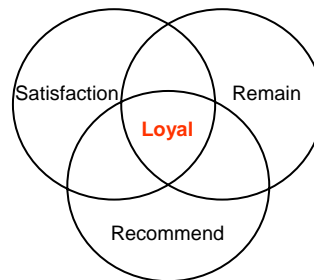
- Satisfaction is the degree to which a customer perceives how an interaction, product, or a service meets their individual expectations.
- Loyalty is an emotional bond formed out of a customers' experiences with the Company over time.
Loyal customers do four things:
 - Buy more
 - Stay longer
 - Refer others
 - Invest in our relationship by giving us feedback on how to improve

Customer Loyalty Definitions

- **Loyalty** is calculated based on the three questions below. A perfect seven on all three questions constitutes a loyal customer.

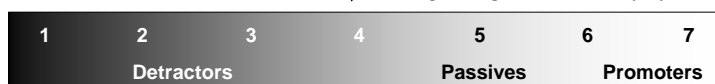
Customers scoring a top box (7 rating) on the following questions:

Overall, how satisfied are you with the Company?	7
How likely are you to recommend the Company?	7
How likely are you to remain a customer with the Company?	7
Loyal	21



- **Promoters** are customers scoring a 7 for likelihood to recommend (regardless of scores for other Loyalty questions listed above).

Likelihood to Recommend \Rightarrow Strongest Single Predictor of Loyalty



About the Business Unit . . .

- Commercial banking clients with more complex needs
- Managed by a Relationship Manager (RM) who has about 125-150 clients in their portfolio
- Companies with between 10-50 employees
- Many new RMs, with tenure less than 18 months
- Business model built on consulting approach
- Client profiling – needs assessment and needs-based selling
- Helping to anticipate clients need, including non-traditional products and services
- Incentive plan includes portfolio growth and client loyalty measurements, not just deposit and loan production

Making Customer Loyalty Relevant to your Employees

The first priority was to win the “heart and minds” of your employees:

- Good service is important to your customers
- It leads to customer retention, more business, referrals
- Probably most importantly, make this part of your incentive plan

Started by listening to your customers . . .
“What does loyalty mean to you?”

Making Customer Loyalty Relevant to your Customer-facing Employees

What we heard in focus groups:

“Trust, Integrity, Responsiveness” . . .

“Don’t always tell me what I want to hear” . . .

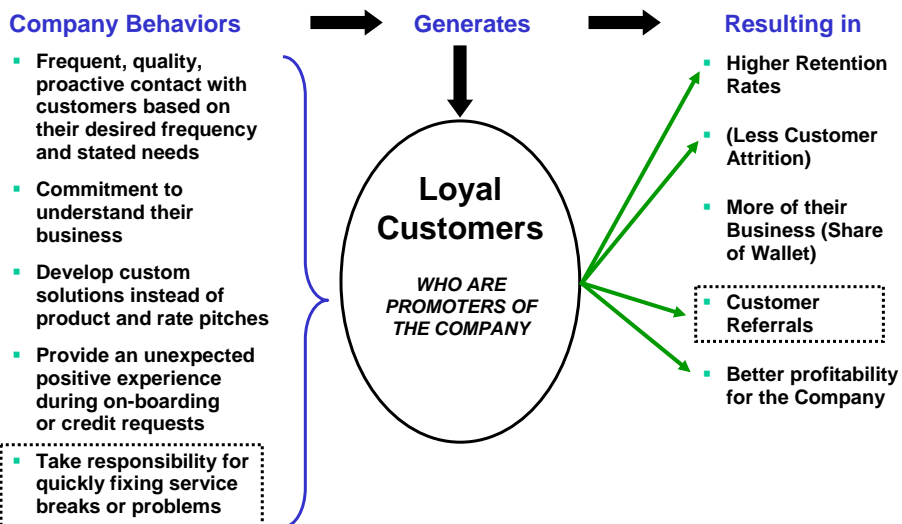
“What I need, when I need it, give me fabulous service”

“Looking Out for Me . . .”

“Be our go-to person . . . Do the small things, make my life easier . . .”

“ Have my back, give me a reason to be loyal . . .”

The Loyalty Model



Reflecting These Actions and Behaviors as Attributes in a Survey

Employee Attributes:

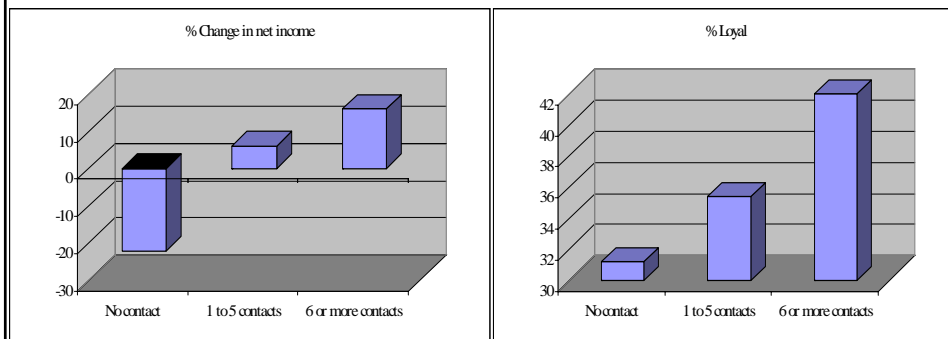
- “understands my company’s objectives”
- “is knowledgeable about my company’s industry”
- “is a valuable strategic resource for us”
- “proactively brings ideas”
- “is accessible when needed”
- “acts as an advocate for us”
- “can be depended upon to do what they say”
- “promptly follows up”
- “takes a genuine interest in our success”

Company Attributes:

- “is easy to do business with”
- “will stand by us in tough times”
- “appreciates our business”
- “gets things right the first time”
- “meets our credit needs”
- “tailors products and services to our business”

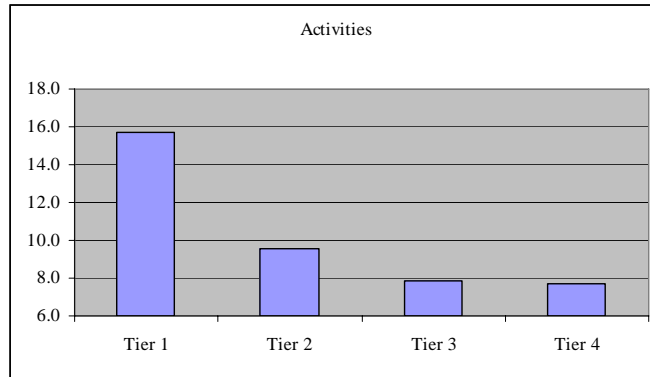
Results - Impact of Banker Activities on Customer Relationships

Client Contact has an impact on both the value of the customer relationship to the Company and on customer loyalty.



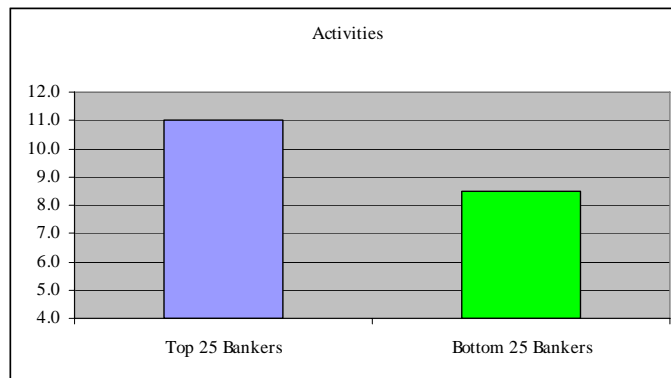
Results - Relationship Activity by Tier

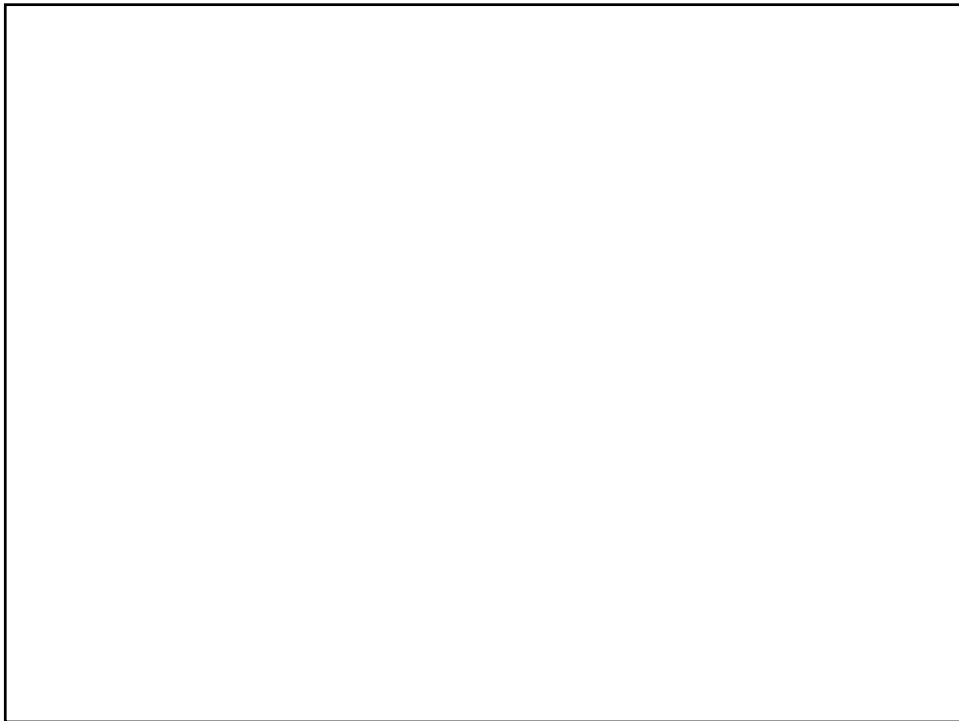
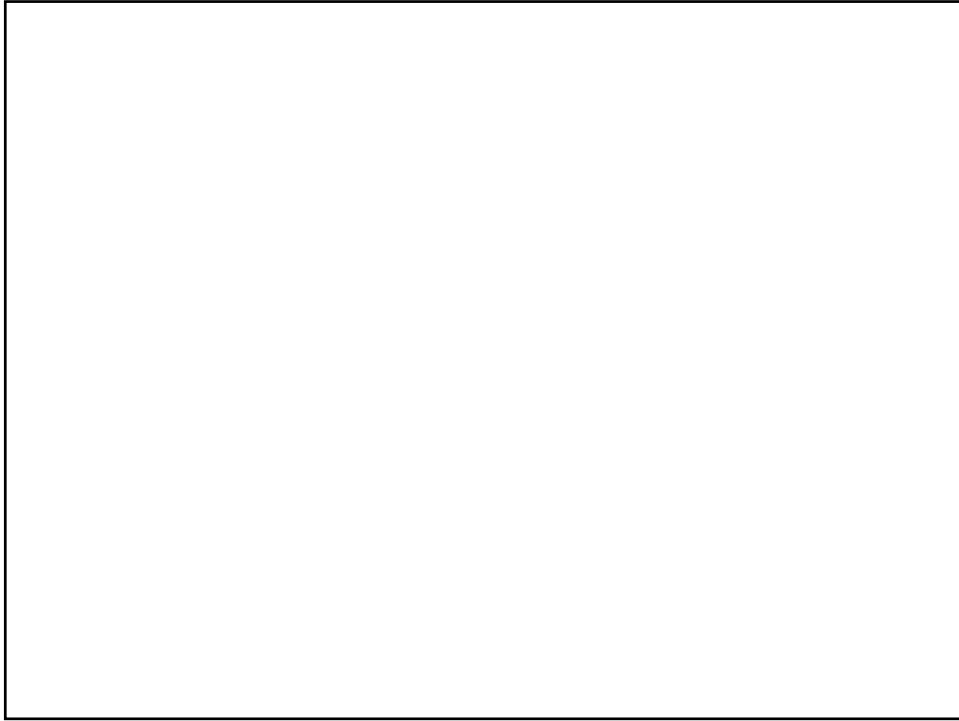
Tier	Activities	RM Score	% Income Growth
Tier 1	15.7	6.51	28.1%
Tier 2	9.5	6.43	17.3%
Tier 3	7.9	6.42	10.5%
Tier 4	7.7	6.29	12.5%



Results – The Incentive Plan

Banker Group	Activities	% Income	
		Growth	RM Score
Top 25 Bankers	11.0	17.4%	6.51
Bottom 25 Bankers	8.5	7.5%	6.25

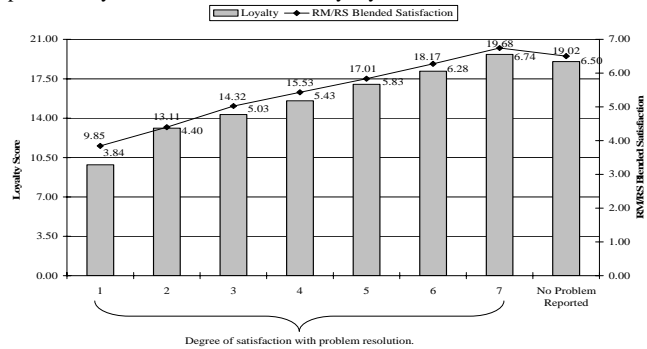




Results - Moments of Truth in Problem Resolution

There is a direct correlation between problem resolution and scores for loyalty and employee satisfaction.

- When problems are resolved with the highest level of satisfaction (score of 7), the loyalty and customer-facing employee satisfaction scores are significantly higher than customers who did not report a problem.
- Conversely, problems resolved with lower levels of customer satisfaction lead to proportionately lower overall customer loyalty and RM/RS satisfaction.

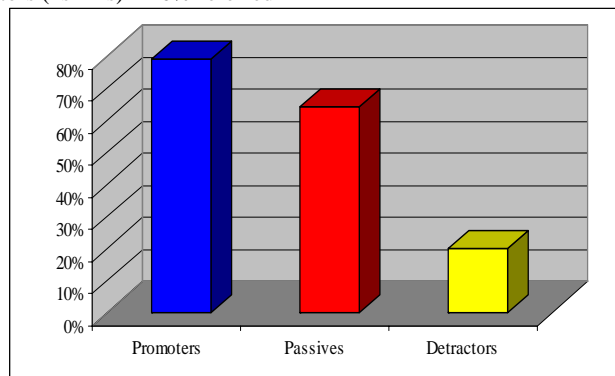


Note: Based on 9,338 surveys from 2Q06-4Q06. More than 1,400 reported problems in 90 days prior to survey.

Results – Referrals

“Promoters” really do promote

- Promoters (7s) – 79% referred at least one client to their bank in 2007
- Passives (5s and 6s) – 64% referred
- Detractors (1s – 4s) – 20% referred



Questions

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