

NET PROMOTERS

by [Steve Brown](#)

The other day we walked into a client branch, only to find a giant hairy spider sitting at the conference table. After we found the best anti-spider weapon we could, a deposit slip, we went to swipe the spider into the garbage can. The 8-legged monster was unfazed, reared back and looked at us as if to say, "I have been around a million years, I do not fear your deposit slip." Luckily the CFO we were there to meet came in, scooped the little guy up and quickly deposited it into the trash. It turns out, that kind of customer service is standard for this bank.

The bank has a Net Promoter Score ("NPS") of 60, which is impressive and helps explain why this bank is still producing a 15% ROE in this market. In case you are not aware, the Net Promoter score is used by many financial institutions, as well as companies like Pitney Bowes, Intuit, Allianz and many others. In fact, GE calls the score, "one of the most powerful tools ever employed at GE." One Los Angeles financial institution credits the score for its extraordinary customer satisfaction, supporting its consistent 5Y double-digit growth.

Invented by Bain & Co. and loved for its simplicity, essentially, the score measures customer evangelism. If you take the percentage of your customers that are so smitten with your bank that they praise a product or service at every turn and then subtract out the percentage of customers that are detractors, you end up with the score. To find out how customers feel about your bank, you ask them a simple question - On a scale of 0 to 10, how likely are you to recommend the bank to a friend or colleague? "Promoters" will give you a score of 9 or 10, "Passives" will give you a 7 or 8 and "Detractors" a 6 to 0. The average bank using the methodology has a 40% promoter score and a 20% detractor score, for a Net Promoter score of 20%. The goal is to get over 50. To put this into perspective, the average corporate score is 15 and some industries are even negative.

Users of this methodology ask a series of other questions designed to add depth to the response, such as, "Why did you give us this rating." The goal is to learn your shortcomings and then your strengths from the customer. Once you have the information, you can then turn it into actionable data, by getting everyone focus on this metric and on solutions to improve the score. Doing so results in more referrals, which translates into outsized loan and deposit growth and shortens the sales cycle.

It has been said that a 12-point increase in NPS leads to a 25%+ increase in referrals. That doubles revenue growth. While we are not sure about these claims, it is clear that the score helps banks focus on client satisfaction and provides a feedback loop to quantitatively track a single metric that everyone can understand. Go that extra mile for the customer and watch your score rise. Learn from your detractors and fix those problems, and your score rises as well. In fact, one bank learned that by instituting a formal follow-up calling program (whereby the account was called after a significant transaction such as a deposit account opening, new loan or the installation of remote deposit capture), problems were quickly resolved and the number of detractors dropped.

When combined with a formalized customer referral program and an overall emphasis on the customer experience, the Net Promoter Score can be a powerful tool. The clarity and quantification the score provides gets all employees focused on what is important - the customer. As for our

meeting, despite the hairy spider, we gave the bank with the brave CFO a 9. We would have given it a 10, if only they had heavier deposit slips.

BANK NEWS

Limiting Appeals

The FDIC has proposed revisions of the Guidelines for Appeals of Material Supervisory Determinations to the Supervision Appeals Review Committee (SARC). The modifications would limit banks from appealing to SARC on determinations or facts and circumstances underlying formal enforcement-related actions or decisions. The proposal restricts the types of appeals that may be filed including the initiation of investigations.

Fed Board Vacancy

The White House is considering Anthony Ryan, an assistant Treasury secretary, for nomination to the Federal Board of Governors. The final nomination let alone confirmation may not occur as the Democratic-majority Senate may not proceed on any candidates until after the November presidential elections.

Bank Rank Survey

J.D. Power's Retail Banking Satisfaction Study finds that increased fees, unresolved problems, and long wait times have contributed to the growing dissatisfaction with retail banks in customers. The survey found that banks with a 5% increase in highly committed customers can lead to a 3% growth in overall deposits annually.

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