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The Impact of Service on Deepening Member Relationships

Does a strong commitment to service really lead to tangible results?

A commitment to outstanding customer service is a defining characteristic of the credit union industry. Superior service can set your institution apart in ways that no other factor can. Many of the most successful credit unions in the country today anchor their success on this principle. This is an essential cornerstone for any credit union that wants to emerge as a leader in their market or local community.

It is very easy to place various iterations of the phrase “We are committed to excellent member service” in a mission statement or on a banner. However, fulfilling this goal is among the most difficult tasks that any institution can face. According to Bain & Company, 80 percent of companies believe they provide a superior customer experience, yet consumers indicate that only 8 percent of these organizations actually provide such service. Ask yourself, *“What exactly does my credit union do to ensure that we provide excellent member service?”*

Front line interactions ultimately form the basis of how each member experiences your credit union and affects their entire relationship. It can be very difficult to ensure that the goals of the credit union are executed all the way down the organizational structure. There often is a gap between management’s expectations and what is actually delivered on the frontline consistently in branches or over the phone. It is important to gauge how effectively your credit union is serving its members and ensure that the ideals espoused in your mission statement are truly executed during frontline member interactions.

Does a Commitment to Service Really Make a Difference?

Intuitively, most people would like to say yes, but one could argue that many people are just as swayed by rates as they are commitment to service. As an exercise for this article, we generated a peer group of credit unions that performed highly across several measures of service performance quality.

Callahan approached Support Financial Resources to obtain critical information not captured by the call report, including details of credit unions that have been actively monitoring

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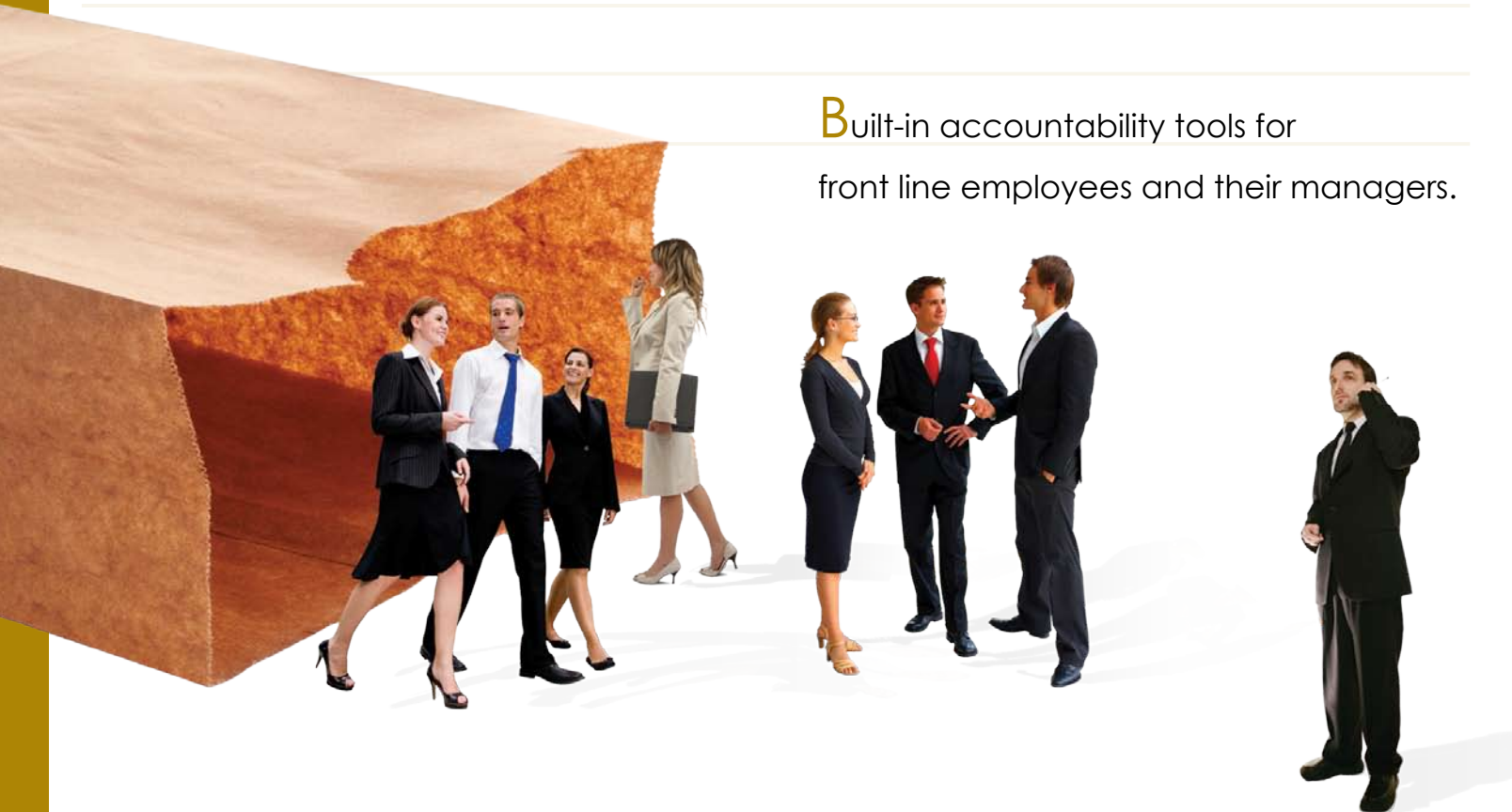
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their service performance for at least three years and received the highest average combined service score as measured by their proprietary Voice of the Member (VoM) Mystery Shopping & Performance Coaching Program, *Service Experiences*. As a part of this evaluation, members indicate:

- How the credit union's service compares to any other financial institution that they use
- Whether they would consider using additional credit union services or products
- If they would refer the credit union to family or friends
- Whether they feel valued and appreciated as a member of the credit union

The final sample consisted of ten geographically diverse credit unions, ranging from \$100M to \$2B in assets, with an average asset size of \$660 million.

Let's Examine the Data:

We compared the Service Leaders peer group to three others:

- Credit unions between \$100 million and \$2 billion in total assets
- Credit unions that fall between \$500 million and \$1 billion in total assets (similar average asset size to the service leaders group)
- Every credit union in the United States

Each of the following metrics was chosen in order to quantify member engagement across each peer group.

Data as of December 31, 2008

Peer Group	Accts. Per Member	Share Draft Penetration	Credit Card Penetration	12-Month Share Gr.	12-Month Loan Gr.	12-Month Member Gr.	Average Assets
Service Leaders	2.44	52.81%	16.07%	10.51%	8.05%	1.73%	\$660M
\$100M-\$2B	2.39	49.08%	14.14%	8.16%	7.33%	2.63%	\$378M
\$500M-\$1B	2.42	50.30%	15.11%	8.40%	7.84%	2.42%	\$687M
All in U.S.	2.35	45.87%	14.27%	6.96%	6.71%	1.58%	\$104M

Source: Callahan's Peer to Peer Software, Support Financial Resources

Examining the results across all four peer groups suggests that credit unions which provide outstanding service on many different levels actually do experience deeper member relationships. The Service Leaders peer group outperformed all the other peer groups across different metrics that act as a gauge for member interaction, achieving the highest share draft penetration, credit card penetration, and average number of accounts per member. Their higher-than-average share and loan growth also demonstrate an increased member relationship. Member growth for the Service Leaders peer group outperforms the industry average, but falls below the other two peer groups.

It is important for credit unions to ensure that their institutional ideals are carried out from the upper levels of management to frontline member interactions. An enduring commitment to provide members with the best possible experience can translate into deeper relationships, higher retention, and can only aid positive word-of-mouth advertising. Such benefits can go a long way in helping any credit union to become a larger player in their market.

Turn the page to see Ideas in Action

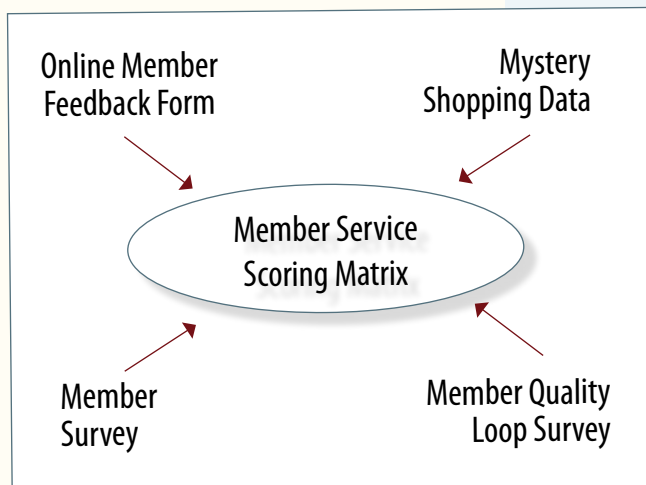


Ideas in Action:

Measuring Up: Sales Shines a Light on Exceptional Service

Seven Seventeen Credit Union, a \$713 million credit union based in Ohio, uses service performance to drive sales production. Kathy Cumberworth, the VP of Business Development at Seven Seventeen CU, believes that sales can only happen with exceptional service and the credit union has an active management program around this belief. They mystery shop every front line employee monthly. Cumberworth also has a manager observe front line employee interactions with members. Short coaching sessions are completed after each observation.

From these evaluations, the credit union develops individual action plans for each employee designed to focus on a skill that needs to improve. Skills include communicating personal benefits, active listening or handling resistance. Using great service as a leading performance measure helps ensure that front line employees focus on the member. This focus on service to the member drives sales results. In a challenging market in Ohio, the credit union had a deposit growth of 5.7% and real estate loan growth of 5.5%.



A Commitment to Learning from Members

Monitoring the voice of the member can be an extremely valuable technique to manage credit union performance. American Eagle Federal Credit Union, based in Hartford, CT, uses four sources of member service data to create a service matrix on member performance. The \$1.1 billion credit union's member service matrix includes— online member feedback, mystery shopping — service / sales, a member survey and a quality loop survey.

Terry Donahoe, VP of Quality and Employee Development at American Eagle FCU, wanted to heighten the awareness of service performance at the credit union. Donahoe says the matrix enables the credit union to use multiple sources of service data and reach members no matter which delivery channels they use. Plus, the data allows the credit union to develop new training and coaching techniques for employees.

This focus on service has helped the credit union achieve phenomenal results. In 2008 American Eagle increased deposits 14.1% and loans 14.6%. ▲

