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Pepperdine University
Graduate School of Education and Psychology

DRIVERS OF MEMBER ADVOCACY AND DETRACTION
IN CREDIT UNIONS: KEY CONTRIBUTORS TO NET
PROMOTER SCORES

A dissertation submitted in partial satisfaction
of the requirements for the degree of
Doctor of Education in Organizational Leadership

By
Neil Goldman
March, 2011

Kent Rhodes, Ed.D. – Dissertation Chairperson

This dissertation, written by

Neil Goldman

under the guidance of a Faculty Committee and approved by its members has been submitted to and accepted by the Graduate Faculty in partial fulfillment of the requirements for the degree of

DOCTOR OF EDUCATION

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DEDICATION

This project is dedicated to Jennifer and Lindsay, my wonderful, remarkable daughters. May you continue to create lives filled with love, learning, sharing, happiness and peace. Thank you for being my inspiration and my greatest joys.

VITA

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- 2010 (June 16). *Managing by Missions[®] and the Net Promoter Score*. Kroger Affiliated Credit Union Conference. Hollywood, CA.
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ABSTRACT

Credit unions today face an uncertain future, with their very survival in question. This study sought to understand where credit union leaders should focus to foster growth and create lasting organizational success.

Treacy and Wiersema (1995) proffer that the key to growth rests in “customer intimacy” and as others suggest, the creation of an exceptional customer experience (McConnell & Huba, 2003; Pine & Gilmore, 1999). As customers for credit unions are called members, an exceptional “member experience” is thus necessary.

Customer (or member) satisfaction levels indicate the member experience. Member loyalty levels also reflect the member experience. This study sought to uncover the drivers of credit union member advocacy and detraction, and explored the existence of age, income, or gender differences. The study used the seminal SERVQUAL model (Zeithaml, Parasuraman, & Berry, 1990) of customer satisfaction as a framework for understanding the drivers of high member loyalty. Specifically, responses to the Net Promoter Score’s “likelihood to recommend” question (Reichheld, 2006a) were coded, first independently, and then to the five distinct dimensions of service quality: Tangibles, Reliability, Responsiveness, Assurance and Empathy (Zeithaml et. al, 1990). In so doing, this study led to greater understanding of what contributes to high and low NPS scores, and thus what credit union leaders can do to create an excellent member experience, and high loyalty, among current members.

The study also led to a new, more complete banking-specific account holder experience assessment model, “SQ+”, and five additional dimensions: Convenience, Rates, Fees, Products/Services and Relationship. Two key research tools were also

developed: A new SQ+ questionnaire for use in assessing the member/customer experience, and a codebook to use in interpreting and utilizing NPS “likelihood to recommend” comments.

Chapter One

Statement of the Problem

American credit unions today are at a crossroads, with an uncertain future. Credit union consultant Dan Clark (2001) captured the concern of industry leaders when he posited that by 2015, credit unions would become irrelevant to the American populace, and thus be replaced by other providers.

In this author's view, Clark's timing may be aggressive, however, the general concept may not be. Credit unions were formed in the early 20th century to "promote thrift" among their members (National Credit Union Administration, 2006), and to provide cost-effective financial alternatives. Indeed, these key purposes as to the genesis of credit unions were reflected in the writing of the United States Supreme Court (1998), "Credit unions were believed to enable the general public, which had been largely ignored by banks, to obtain credit at reasonable rates" (p. 17).

For businesses to succeed in the long term, they must offer value: a compelling differentiation that makes them better than competitors or alternatives to the consumer or user. For credit unions, that differentiation has largely derived from service and cost advantages. Consider cost savings. In answering the question as to what distinguishes a credit union from a bank, Howie (2006) offers the following, "Until now, it has been lower loan rates, higher savings rates, and lower fees. In addition, it has been a strong commitment to serving the needs of a particular group or community, especially lower-income families or those who struggle financially" (para. 1).

The aforementioned lower price distinction, however, has largely been eliminated in recent years. Indeed, when one considers each of the major product offerings of credit

unions today, a more cost-effective alternative can typically be found. For savings, Internet providers such as ING Direct, MetLife Bank and now Ally Bank typically provide significantly higher interest rates, and with no minimum deposit nor time commitment required (Ally Bank, 2009; Compare Rates, 2009).

“Free checking” is universally available outside of credit unions. Mortgage brokers and dedicated home loan providers routinely provide more options and lower rates than do credit unions for home loan products. Credit card mileage and rewards (and even low interest rate) programs from banks and non-traditional financial service providers (like airlines, Amazon.com, and even Starbucks) offer perquisites typically unavailable at credit unions. Moreover, with the exponential growth of check cashers and especially payday lenders of recent years (Cross, 2006), one could easily question if others here again, have been more effective (albeit with potentially suspect ethics) at reaching the “underserved” community than credit unions.

Finally, the current economic downturn has exacerbated credit union challenges. The NCUA put under conservatorship U.S. Central and WesCorp, the two largest United States “corporate” credit unions in the second quarter of 2009 (National Credit Union Administration, 2009a). The majority of credit unions in fact lost money in 2009. In one example, consider credit unions in Arizona, 95% of which lost money in the first quarter of 2009, compared to 75% of Arizona banks (Wiles, 2009).

A brief history of credit unions. Credit unions as we know them today, according to the National Credit Union Administration (2006), can trace their origins to 19th century Europe. In 1850, as a result of the crop failure and resulting famine of 1846 in Germany, Herman Schulze-Delitzsch and Friedrich Raiffeisen created the first

financial cooperative to provide credit for individuals of modest means (National Credit Union Administration, 2009a). In 1900, credit unions came to North America, when Alphonse Desjardins started a similar financial cooperative in Quebec. His goal: to provide relief to the working class from loan sharks. “In 1909, Desjardins helped a group of Franco-American Catholics in Manchester, New Hampshire, organize St. Mary’s Cooperative Credit Association – the first credit union in the United States” (National Credit Union Administration, 2009a).

With the need for inexpensive credit, and the desire to take advantage of the burgeoning U.S. economy, credit unions thrived in the 1920s. By 1930, 1,100 credit unions existed, and by 1960, the number of credit unions grew to more than 10,000, serving more than 6 million Americans (National Credit Union Administration, 2009b). By 1955, there were 16,201 credit unions in this country. In 1969, the U.S. credit union movement reached its peak at 23,876 (National Credit Union Administration, 2009b).

As a result of competition and technological pressures, the need to offer expanded services, the prevalence of aging manager retirements and other forces, the number of credit unions today has dramatically decreased (Glatt, 2006). John Lass, senior vice president at CUNA Mutual Group, stated, “The rapid decline in the number of credit unions, consolidation of assets, members concentrated in fewer credit unions and growing global competition are key trends that are significantly changing our marketplace as we know it” (as cited in Uhlmann, 2007). In 2006, only about 8,600 credit unions (serving 85 million members) remained in America, and most experts agree this number will continue to decrease with mergers and further industry consolidation (Glatt, 2006). In fact, as of June 2008, roughly 8,200 credit unions existed

(Creditunions.com, 2008), and as of March 2009, the number further eroded to 7,905 (Credit Union National Association, 2009).

Member engagement and the golden rule. Credit unions, like all “businesses,” seek engaged users of their services. According to Gallup (the research firm), the engaged customer, “Has an emotional attachment to the brand and generally incorporates it into his or her self concept. He or she becomes a regular [user]— and possibly an advocate” (as cited in Bielski, 2008, p. 44). Engagement in customers and employees can drive success (Freiberg & Freiberg, 1998).

Credit unions want engaged members. They want and need advocates. The Net Promoter Score (NPS) is a measurement that can identify such members, as well as the reason(s) for their engagement. Fred Reichheld, creator of the NPS, offers a simple explanation of why the “likelihood to recommend” question (detailed later) works: “What we found was that the Golden Rule applied to business. ‘Treat people the way you want to be treated’ is not only an ethical way to operate, it can yield a payoff” (as cited in Bielski, 2008, p. 44).

A key challenge of this study, then, was to discover the most important ways in which members wish to be treated; specifically, what actions credit union leaders must reinforce to build loyalty and create advocates among their members.

Purpose of the Study

The purpose of this study was to discover if there are universal drivers of credit union member loyalty (and detraction) that industry leaders can use to create and sustain relevant distinction in the marketplace.

The study has been motivated by answering the following call to action. Former credit union examiner, CEO, board member and now consultant Dan Clark asked, “What leadership role could you and your organization play now to save credit unions and change history?” (2001, p. 5). My answer, and my contribution, has been furthered by this dissertation, specifically through the application of the Net Promoter Score methodology developed by Frederick Reichheld (2006b) explored against the SERVQUAL model (Zeithaml, et al., 1990). As a doctoral student, a former partner in a research company (Member Research) that primarily serves credit unions, and now a consultant to the same industry, I was in the unique position of needing a research question and study for my dissertation, having a strong desire to help the industry which provides my livelihood, and furthermore having access to existing data to implement the research. My hope was to create a win-win scenario for all involved: the industry as a whole, for the clients of Member Research directly (in the form of relevant, meaningful insights resulting from this study), as well as for myself (in completing my dissertation and obtaining my doctorate degree). This study sought to address where credit unions must focus to build loyalty among current and future members, and in the process, help the industry maintain relevance to survive (and ideally thrive) into the future.

What follows is an overview of the implementation strategy: initially, through an introduction of the Net Promoter Score, and then through its specific application to the credit union movement. My goal throughout this study remained to help credit unions understand how they can best satisfy their members and most effectively earn their loyalty; to re-discover how they can offer true, distinct value, and in the process, create a successful, member-driven, sustainable future.

Research questions. This study addressed the following questions:

1. What are the categories of responses offered by credit union member respondents to the Net Promoter Score (likelihood to recommend) question?
2. Is there a difference in Net Promoter Score segment ratings (0-6 or 9-10) based on the response categories?
3. To what extents do the response categories offered by respondents who gave ratings of 9 or 10 conform to the five SERVQUAL dimensions?
4. Is there a difference in response ratings based on demographic characteristics of respondents?
5. Is there a difference in response categories based on demographic characteristics of respondents?

To clarify: “Categories of responses” (a.k.a., “response categories”) represent coded themes emerging from respondents’ explanations for their NPS ratings. “Ratings” (a.k.a., “response ratings”) refers to the individual net promoter score — the number — given by each respondent, which will be a “detractor” (0-6), a “passive” (7-8) or a “promoter” (9-10), explained in more detail below.

Method

Two research models were applied in this study, the Net Promoter Score, and SERVQUAL. Analysis included Pareto Charts and Chi-square testing to assess the data. Net Promoter scores measure and indicate customer (member) loyalty. SERVQUAL assesses customer (member) satisfaction. As satisfaction is an antecedent to loyalty

(Helgesen, 2006), this study explored which, if any, of the five SERVQUAL categories most influence high Net Promoter Scores. Specifically, one of the key questions above notes that the study included analysis of high Net Promoter scores (of either “9” or “10” – see below) through the lens of the five dimensions of SERVQUAL, and the study explored if there was a relationship between indicators of high satisfaction and high loyalty. An overview of each model follows, and a more thorough explanation of the methodology employed is presented in chapter three.

Net Promoter Score. The Net Promoter Score (NPS), developed by Frederick Reichheld, research fellow of the international consulting firm Bain & Company, provides a simple, yet powerful, measure of customer advocacy and detraction, and when combined, an organization’s expected growth (Reichheld, 2006b). In studying loyalty, customer satisfaction and profitability for more than 30 years, Reichheld discovered a calculated answer to the following question — the Net Promoter Score — to be the most accurate predictor of corporate growth: On a 0-10 scale, how likely would you be to recommend [organization name] to a friend or family member?

To calculate an organization’s Net Promoter Score, one first combines the percent of *nines* and *tens* – the “promoters” – and then subtracts the percent of *zeros* through *sixes* called “detractors”. The *sevens* and *eights* — considered “passives” as they are still positive about the organization but not likely to speak of it with passion to others — are ignored in the calculation. The result is a percentage score, which can be positive, zero, or negative. The higher the score, the more likely the organization will be to grow (Reichheld, 2006b).

In fact, “Bain has found the companies with the leading NPS in an industry usually enjoy superior growth — typically more than 2.5 times the rate of the competition” (Reichheld & Markey, 2006, p. 8).

In the credit union industry specifically, the theory suggests that the higher the Net Promoter Score, the more affinity, loyalty and growth a credit union will enjoy from its members. Qualitative research from Member Research, a research firm specializing in the financial services industry (and of which this author was a principal), continues to tell us that financial consumers get most of their information about financial institutions from friends, family members and associates (Goldman, 2006). Additional research showed that personal relationships were among the top three most important criteria consumers use in choosing a financial institution; preceded by convenience first, and low fees second (Lee & Marlowe, 2003).

Word-of-mouth advocacy (and its connection to the Net Promoter Score) has also been proven in a study of banks and other industries in the UK (Marsden, Samsun, & Upton, 2006). This “word-of-mouth factor” — as measured by account holders’ likelihood to recommend the financial institutions they use — is what the Net Promoter Score is all about.

Among banks (which of course share “financial institution” space with credit unions), Satmetrix (a firm specializing in NPS research, and of which NPS creator Reichheld is a board member) reports Commerce Bank of New Jersey to be the highest scoring bank in the United States, with an NPS of 50 (as cited in Reichheld, 2006b). Commerce bank is highly customer-focused, and incorporates such industry-leading

practices as ATM surcharge rebates for customers who use non-Commerce Bank ATMs, and branches that are open seven days a week.

Member Research has regularly found higher Net Promoter Scores among credit unions nationwide, in some cases exceeding 80. Most remarkably, in a 2005 NPS study of one credit union with five distinct market service areas, Member Research found a 100% correlation between each region's Net Promoter Score (ranging from 35% to 65%) and that region's relative asset and member growth. That is, the highest NPS region (65%) was the fastest growing; the lowest scoring region (35%) was slowest growing; and each of the three remaining regions grew at rates consistent with their respective NPS findings (Goldman, 2005).

Many studies have shown the predictive power of the Net Promoter Score in scores of industries (Reichheld, 2006a). Companies and non-profit organizations of all kinds have started measuring their NPSs, all with the goal of increasing the ratio of promoters to detractors. What is missing, however, is information on what precisely an organization should do to achieve higher Net Promoter Scores. Relative to the credit union industry specifically, then, this dissertation sought to answer the key question: What leads to a high Net Promoter Score in credit unions? And conversely, what do credit unions need to do to avoid low Net Promoter Scores?

SERVQUAL. Developed in 1990 by Zeithaml, Parasuraman, and Berry, SERVQUAL is a tool to assess customer satisfaction (or, as indicated by the name, service quality). The researchers identified five distinct dimensions of service quality: tangibles, reliability, responsiveness, assurance, and empathy. SERVQUAL has remained arguably the most widely used measure of customer satisfaction since its

creation (Carrillat, Jaramillo, & Mulki, 2005; Chebat, Filiatrault, Gelinias-Chebat, & Vaninsky, 1995; Furrer, Liu, & Sudharshan, 2000, Witkowski & Wolfenbarger, 2001; Zeithaml & Bitner, 2003) and thus provides a strong foundation upon which to analyze high Net Promoter scores.

Significance of the study. Why is understanding drivers of advocacy, detraction and “likelihood to recommend” important? Credit unions seek to build their businesses by increasing loan and deposit volumes, and to grow their member roles. The NPS is a predictor of growth (Reichheld, 2003), and thus a valuable metric to track for financial service organizations. In fact, scores of credit unions have started to use this measurement tool in their “scorecards” of success. It is one thing to know what your organization’s Net Promoter Score is; it is quite another to know how to influence (and increase) that score. As Wood (2005) suggests, “... loyalty is earned by getting product, service, price, experience and brand values right” (p. 58). The specifics however will vary by industry. “Loyal customers will give a supplier more leeway,” be more forgiving, and more likely to spend more than non-loyal customers (Wood, p. 58). One would expect credit union leaders (indeed financial institution leaders, in general) would clamor to learn how they could best direct their organizational efforts to engender loyal advocacy among their members. This, again, is precisely what this dissertation was all about.

As noted earlier, however, there may in fact have been a more important reason for this study. At the risk of being maudlin, the very future of credit unions may be in jeopardy. Credit unions have continued to expand into territory held by banks (with community charters and expanded product lines), and they have continued to move away from the underserved market with a growing focus on profitability including relationship

pricing models and “feeing-out” minimally-participating members. (Clark, 2001). In addition, forces which together may “render credit unions archaic” — including “demographic shifts, the strength of bank lobbying efforts, and the advent of electronic commerce” (Clark, 2001, p. 5) — the credit union movement as a whole is losing its uniqueness, relevance, and purpose.

This study is also important from an organization effectiveness perspective, as the goal is to help credit union leaders better run their organizations. Organizations not only have to be effective, they need to be perceived as such. As the old adage says, “Perception is reality.” Consultant and Pepperdine University professor Vance Caesar shared it this way: “Results come from behaviors; behaviors come from beliefs” (personal communication, July 3, 2007). Through the lens of organization effectiveness, therefore, this study has added significance. Balsler and McClusky (2005) suggest, “Effectiveness is based on the responsiveness of the nonprofit to stakeholder concerns” (p. 296). Members of course, are the key stakeholders for credit unions; assessing and addressing their concerns was a key function of this study.

What’s more, with the “flattening of the world,” and the increasing empowerment of individuals primarily via the Internet and the hyper-competitive marketplace that results from access to choices and options unavailable in the past (Friedman, 2006; Urban, 2005), credit unions will be further challenged to compete and remain relevant. Once more, this study hoped to help credit unions re-instill their purpose and refocus their offerings to ones that are most relevant and valued by their memberships.

Summary

The Net Promoter Score question and methodology identifies customer advocacy and detraction, and when combined, predicted growth (Reichheld, 2006a). The tool does not specifically address, however, the key product, service or experience factors that an organization must deliver to earn or maintain high aggregate Net Promoter Scores. What credit unions must do to obtain high (and avoid low) Net Promoter Scores, then, is what this study adds to current knowledge. This dissertation sought to determine the key influencing factors that lead to financial service user advocacy (NPSs of *nine* and *ten*) to empower credit union leaders to most effectively grow their organizations.

This research was designed to help credit unions leaders learn what is most important in meeting the needs of their members. Through analysis of member responses to the likelihood to recommend question, this study helps provide understanding as to what leads to high Net Promoter scores among credit union members, and as such, provides credit union managers with greater focus to successfully grow their cooperatives.

Definitions of Terms

Bad Profits: “Profits earned at the expense of customer relationships” (Reichheld, 2006b, p. 4).

Bad Standing: A member of a credit union may be in “bad standing” if he/she is delinquent or in default on a loan, overdrawn on his/her account, in bankruptcy, and/or currently out of agreement with the terms of a written or implied contract with the credit union.

Brand (or brand identity): “A brand is a collection of perceptions in the mind of the consumer” (Bates, 2006, para. 2) about a particular organization or product. It is especially relevant to this study and the NPS in general, as the answer to how likely members would be to recommend a credit union is essentially a read on that credit union’s brand. A second definition may further clarify: “brand identity is the configuration of words, images, ideas, and associations that form a consumer’s aggregate perception” of that company or organization (Upshaw, 1995, p. 12).

Check Casher. A non-traditional retail financial service company that, among other services, cashes checks for customers for a fee or percentage of the check amount. Many banks provide this service, however a check casher herein refers to the retail establishments dedicated primarily to such services. Check cashers are also often affiliated with (and provide) payday lending services.

Cherry-picking. Merriam-Webster’s Online Dictionary defines cherry-picking as, “To select the best or most desirable” (Cherry-picking, 2009). In a research context, cherry-picking can occur when the individual being evaluated by a survey is also the one distributing the survey. He or she may only distribute surveys to favorably disposed respondents. (See also “gaming,” below.)

Charge-off. “When a consumer becomes severely delinquent on a debt (often at the point of six months without payment), the creditor may declare the debt to be a charge-off. It will then be listed as such on the debtor’s credit bureau reports. It is one of the worst possible items to have on your file. The item will include relevant dates, and the amount of the bad debt. A charge-off is considered to be ‘written off as uncollectible.’” (Charge-off, 2009, para. 1).

Community charter: Credit Unions are chartered with defined “fields of membership” (FOMs) which designate who they are organized to serve. Credit Unions with community charters are granted authority by the National Credit Union Administration (NCUA) to serve any individuals who “live, work, or worship” in a specified geographic area.

Detractor (detraction): A detractor is someone who responds to the NPS question with a score ranging from *zero* to *six*. Detractors are individuals who range from at best moderately satisfied, to at worst, completely dissatisfied. These are individuals who “detract” from the success of a credit union because their conversations with others would not tend to support the credit union’s growth, but rather, in most cases, lessen it.

Feeing-out: Over the last decade or so many credit unions have begun focusing more intently on the “profitability” of their members. There has been a general shift from “treating every member equally” to “giving every member equal opportunities,” with participation in the cooperative as the great equalizer. In other words, in most credit unions, the majority of members are not profitable: as a result, the minority ends up subsidizing the majority. To address this, credit unions have often instituted “participate or pay” fees to encourage members to either pay for themselves with the profit a credit union can generate from their deposit or loan balances or to pay a literal fee to cover the costs of their services. (Note: students and children are often exempt and excluded in typical programs.) When credit unions institute a low-balance fee (to encourage members’ greater participation or departure), they are “feeing-out” those members.

Field of Membership (FOM): The criteria granted by the National Credit Union Administration designating who a credit union can serve. Field of memberships can

include employer groups, family and relatives of current members, resident, workers and/or worshipers in a specific geographic area, members of a particular trade, or others.

Gaming. Merriam-Webster's Online Dictionary defines gaming as, "The playing of games that simulate actual conditions (as of business or war) especially for training or testing purposes" (Gaming, 2009). In research, gaming occurs when individuals try to influence the outcomes of a study for a particular (usually favorable) result. Cherry-picking would be a method of gaming.

Good Profits: "Profits ... earned with customers' enthusiastic cooperation. A company earns good profits when it so delights its customers that they willingly come back for more – and not only that, they tell their friends and colleagues to do business with the company" (Reichheld, 2006b, pp. 9-10).

Good Standing. A member of a credit union is in good standing with that institution if he/she is not delinquent or in default of any payments due, is maintaining a positive balance in deposit accounts, and otherwise conforming to the terms of written or implied agreements of membership.

Member: Account holders at credit unions are called "members", or "member-owners", because of the ownership structure of this type of financial institution. One must "join" a credit union to utilize its services, and in the process obtains "shares" with all deposit dollars. Credit unions are financial cooperatives which effectively pool the deposit dollars of its members to make loans to other members. There are no outside investors nor external shareholders (as with banks, for example) in credit unions; all shares of credit unions are owned collectively by the members of the cooperative.

Net Promoter Score: The aggregate number that is derived from a credit union's members' responses to the following question: "How likely would you be to recommend ABC Credit Union to a friend or family member on a *zero* to *ten* scale?" The percentage of Promoters (responses of *nine* or *ten*) less the percentage of Detractors (responses of *zero* to *six*) equals a credit union's individual Net Promoter Score.

Passive: An individual who scores an organization either a *seven* or an *eight* in response to the NPS question on the *zero* to *ten* scale. Passives are individuals who neither enthusiastically recommend a credit union, nor are they dissatisfied. Passives, rather, are relatively satisfied credit union members whose experience is not negative, but not remarkable enough to merit strong advocacy. As passives neither strongly support nor strongly detract from a credit union's success, they are omitted in the NPS calculation.

Good Profits: "Profits ... earned with customers' enthusiastic cooperation. A company earns good profits when it so delights its customers that they willingly come back for more – and not only that, they tell their friends and colleagues to do business with the company" (Reichheld, 2006b, pp. 9-10).

Payday Lender: Companies that lend cash to consumers in exchange for a personal check which is held but not deposited for a short period of time for amounts typically ranging from \$100 to \$300. When fees are considered in the actual interest rate of the loan, the rates are typically exorbitant, such that critics call them legal loan sharks ("Pay Dirt", 1999).

Proactive Altruism. Taking initiative — without a customer's request — in a manner that provides a benefit to that customer, and in many cases to the apparent

detriment of the acting institution. A credit union that lowers the interest rate on a member's loan (and thus reducing its profit margin on the product) without being asked, is acting with proactive altruism.

Promoter: An individual who "scores" an organization either a *nine* or *ten* on the 0-10 Net Promoter Score scale. A promoter is an individual who has experienced a high level of satisfaction in his or her dealings with a company or organization, and will in turn recommend the organization (herein, the credit union) to others.

Relationship pricing: Credit unions want members to fully participate in the cooperative, and thus utilize their full array of deposit and loan products. To encourage this, credit unions often establish preferred pricing for (and to encourage) enhanced member participation. One author describes the logic behind relationship pricing programs in this way: "Those who contribute more to the CU at less cost should pay less for products and services because they make a greater financial contribution" (Bartlett, 2007).

Voice of the Customer. (Voice of the Member.) "Collective insight into customer needs, wants, perceptions, and preferences gained through direct and indirect questioning. These discoveries are translated into meaningful objectives that help in closing the gap between customer expectations and the firm's offerings," (Voice of the customer, 2009).

Chapter Two

Review of Literature

This chapter addresses the current literature on subjects relevant to this study, including supporting data on how the Net Promoter Score was developed and how and why it works, as well as its usage and efficacy across diverse industries. Loyalty and customer satisfaction (including the SERVQUAL model) are similarly addressed, as they are often used as measurements to gauge a credit union's success (Haller et al., 2006). Finally, caveats, cautions and criticisms of the Net Promoter Score are also included herein to provide a wide perspective on the current literature. The contents of this chapter, therefore, are designed to provide the background and set the stage for the study itself, a description of which follows in chapter three.

Good profits vs. bad profits, and perspective on the Net Promoter Score.

Reichheld (2006b) makes the case that not all profits are the same; that, in fact, there are “good” profits and “bad” profits and it is critical for companies to know the difference.

The key difference is in the customer's — or in the case of credit unions, the member's — experience. Good profits are generated from positive customer/member relationships; experiences that lead a credit union member to want to come back and continue to want to use the institution into the future. Conversely, “Bad profits are earned at the expense of customer relationships” (Reichheld, 2006a, para. 4). Bad profits stem from saving money in creating a poor quality service experience, unfair or misleading pricing, product misrepresentations, and more. At many firms, “more than 30% of customers fall under the category of bad profits” (Reichheld & Markey, 2006, p. 8).

Roy Chitwood, president of Max Sacks International, a sales training firm, describes bad profits in this way: Customers do not have to like you to use you. They may, in fact, simply feel they have no other choice, longing for the day when a competitor comes in and offers them another option (Chitwood, 1995).

Good profits, conversely, stem from what Jim Brisendine, President of Resource One Credit Union in Dallas, Texas calls their service philosophy: “Total Member Delight” (Brisendine, 2000). That is, a company, or in this case, again, a credit union, earns good profits when, “It so delights its [members] that they not only willingly come back for more, but they also tell others to do business with the [credit union]” (Reichheld & Markey, 2006, p. 8).

The Net Promoter Score is designed to help organizations distinguish between good and bad profits, by asking users of those organizations’ services the following question: “How likely is it that you would recommend [company X] to a friend or colleague” on a 0-10 scale?” (Reichheld, 2003, p. 50). Reichheld (2006b) calls this, “The Ultimate Question,” as it was, “... far and away the most effective,” in terms of being the one question which had the, “... strongest statistical correlation with repeat purchases or referrals across industries,” among the roughly 20 questions tested (p. 28). Reichheld (2003) noted that the “likelihood to recommend” question, “... ranked first or second in eleven of the fourteen cases studied. And in two of the three other cases, ‘would recommend’ ranked so close behind the top two predictors that the surveys would be nearly as accurate by relying on results of this single question. Other questions, while useful in a particular industry, had little general applicability” (p. 28).

As noted in chapter one, the determination of a credit union's (or any organization's) NPS depends upon segmenting the responses into three categories: promoters, passives, and detractors. Promoters, who rate the organization a *nine* or *ten* on the *zero* to *ten* scale, engender good profits. Detractors (*zero* to *six* responders), engender bad profits, that can “choke off a company's best opportunity for true, lasting growth” (Reichheld & Markey, 2006, p. 8), lessen a firm's reputation, and create openings for competitors to exploit. (Credit unions, for example, may take advantage of such opportunities when banks merge.) Passives (*sevens* and *eights*) — also called “passively satisfied” (Reichheld, 2003) — neither stimulate strong loyalty and good profits nor strong detraction (and bad profits), but instead, uncommittedly sit on the fence.

The relevance and power of word of mouth. Word of mouth (WOM) is an important factor in organizational success and driver of product purchasing (Arndt, 1967; Banerjee, 1992; Bayus, 1985; Godes & Mayzlin, 2004). WOM has been shown to increase as satisfaction increases (Swan & Oliver, 1989). Nielsen reports word of mouth to be, “The most powerful selling tool,” and that, “Consumers around the world still place their highest levels of trust in other consumers” (“Word-of-Mouth the Most Powerful Selling Tool,” 2007).

WOM is particularly relevant to the Net Promoter Score and the study at hand. The “likelihood to recommend” question, is of course, a measure of word of mouth. WOM has been studied in banking specifically.

Samson (2006), studied the effects of positive word of mouth (PWOM) and negative word of mouth (NWOM), in retail banks and other industries. He concluded

that NWOM in particular can be "... diagnostic of existing customers' loyalty," and can have, "... a greater effect on customer acquisition than PWOM" (Samson, 2006, p. 650). The critical point here is that word of mouth affects loyalty and consumer decision-making.

Mittal, Ross, and Baldasare (1998) similarly demonstrated the asymmetrical impact of positive and negative word-of-mouth, with negative being stronger. They labeled their findings the, "Asymmetric impact of negative and positive attribute-level performance on overall satisfaction and repurchase intentions," once again noting the power of interpersonal communication.

Marsden et al., (2006) wrote, "We know that word-of-mouth is a key driver in buyer behaviour [sic]. Whether it's a chief executive choosing a consulting company or investment bank, or a supermarket shopper after the best olive oil, word-of-mouth recommendations are likely to play a key part in the decision" (p. 45) In fact, the research found, "... that word-of-mouth advocacy is linked to company growth in the UK; the more brand advocates you have, the higher your growth" (Marsden, et al., 2006, p. 47). This is the fundamental tenet of the Net Promoter Score: increased consumer loyalty will lead to organizational growth.

Why the Net Promoter Score works. The "ultimate question" seems particularly relevant due to the power of word-of-mouth in driving consumers' choices of financial service providers (Marsden, et al., 2006). Member Research similarly continues to find in its focus group studies with scores of consumers nationally that credit union members and bank customers alike gain most of their key information about financial service providers from others: friends, family, and business associates (Goldman, 2006a).

More generally, others recommendations remain most trusted in consumers' choice about which products and services to buy (McCallum, 2007).

A key here is that personal relationships and social bonds matter in decision-making and organizational success. According to Mermelstein and Abu-Shalback (2005), "Social programs which create relational bonds with customers through personalized treatment, have a strong impact on profit" (p. 4).

Moreover, although not the primary choice in choosing a financial institution when only one selection criterion was allowed, nearly one in 10 study respondents (8.9%) cited, "Personal relationship (i.e., the employees at the institution know me, my friends or family work there, or I have connections through work or school) as the most important criterion" (Lee & Marlow, 2003, p. 57). Relationships matter in financial institution choice.

The relevance and success of NPS may also be due to its requirement that a personal endorsement be given by the respondent. "It's no wonder net promoter scores are becoming a popular, and many say, powerful way to measure customer loyalty, drive compensation, and flag troubled products" (McGregor, 2006). McGregor continues, noting that the technique asks customers whether they would put their own credibility on the line by recommending the product or service or organization. As such, the measure is a true indicator of advocacy, and this powerful word-of-mouth measure can thus predict sales growth.

The key of course to remember is that the focus should not be on the score itself, but rather the source of that score, the user, customer, client or member, and his or her cumulative service experience. As Peter McCabe, chief quality officer of General

Electric Company's healthcare business notes: "Ultimately, it's not about the score." It's about, "focusing on the customer" (McGregor, 2006, p. 94). In using the score in this way, organizations generally (and credit unions specifically) can become member-centric and such a focus can drive better service. Ken Peters, customer loyalty leader for GE Capital Solutions agrees: "this puts the customer at the center of our business (Maddox, 2006).

Current use of the Net Promoter Score in diverse industries. Introduced in 2003, the Net Promoter Score has moved from maverick to mainstream in its use in business today. Early adopters were described as follows: "Intuit and GE use a radical new research technique to keep customers happy and revenue growing" (Darlin, 2005, p. 50). About a year later, the technique went mainstream: Reichheld's book, "The Ultimate Question," was a bestseller (Covert, 2006), read and embraced by businesses internationally.

General Electric, one of the world's largest companies uses the Net Promoter Score extensively. In fact, GE's CEO, Jeffrey Immelt, has encouraged all his division leaders to use the NPS question (Darlin, 2005). At the multinational firm's annual executive meeting in January 2005, Immelt announced that as much as 20% of senior executive's annual bonuses would be tied to the NPS (Maddox, 2006). In 2006, Immelt continued his enthusiastic support for the NPS format at the annual executive meeting: "I'm convinced that this is a way we can drive measurement, we can drive improvement, and we can drive great communication in the company" (Maddox, 2006, para. 3).

One of General Electric's divisions, Healthcare, was the first to embrace the NPS technology, beginning in October 2004 (Maddox, 2006). The company was looking for

alternative customer loyalty measurements and had been using more traditional customer satisfaction questionnaires. They switched to NPS. Says Peter McCabe, chief quality officer for GE's health care business, I have little doubt that this will be ... big and long-lasting for GE" (McGregor, 2006, p. 94).

In a subsequent interview, McCabe noted further utility of the process. In GE's European Diagnostic Imaging division, scores were "low" according to McCabe. Analysis of the respondents' comments showed, "Our customers wanted us to be more responsive. They expect us to call them back within 30 minutes" (as quoted in Maddox, 2006, para. 4). With proactive efforts at process improvement, the average response dropped to 30 minutes, and the NPS for the business improved by 15 points (Maddox, 2006).

GE has surveyed more than 20,000 customers around the world to obtain net promoter scores for various businesses (Maddox, 2006). And the technique is paying off. In one case, they discovered that more frequent communication regarding delivery schedules and billing with customers lead to the retention of highly valued customers at GE's Equipment Leasing division (Darlin, 2005).

GE is by no means alone in NPS implementation. It is being used in, "More than a few Fortune 500 companies" and is, "Even being reported to investors" (Creamer, 2006, p. 1). This is actually in line with Reichheld's vision as reported in a 2006 Advertising Age article: "My personal goal is to have the Net Promoter Score reported by all public companies, but as a generally accepted set of principles, and it has to be audited. But that's five to 10 years away" (Creamer, 2006. p. 1).

Security software publisher Symantec planned on using the NPS methodology to track its customers' experiences in moving toward a merger with Veritas (Darlin, 2005).

Jud Linville, the U.S. consumer-card division of American Express calls net promoter scores a "beacon" (McGregor, 2006).

BearingPoint, Inc., a management and information technology consulting firm considered tying bonuses to net promoter scores upon learning the correlation among clients who rate them highly on NPS surveys and the highest revenue growth (McGregor, 2006).

Even Microsoft has gotten on board. Among its efforts to catch Google and Yahoo in Internet-related technology, Microsoft's various MSN.com divisions all now track their Net Promoter Scores (Kharif, 2006).

Enterprise Rent-a-Car, whose CEO, Andy Taylor is credited with igniting the NPS idea in Reichheld with his own loyalty measure, proved it is possible to grow profits in a mature, low-margin industry (Reichheld, 2006b). "They've gone from being the edge player to become the dominant player. That's a strategic impossibility if you read the classics on strategy. And the reason they did it is because they figured out how to make small groups of people in branches accountable for delivering an extraordinarily good customer experience" (Vasilash, 2006, p. 58).

NPS continues to grow. The author of this study attended the international Net Promoter Conference in Miami, Florida in 2008. According to the conference proceedings, individuals from varied industries and 24 countries attended.

Finally, one writer noted the prevalence of NPS in commenting on his receipt of surveys from both Charles Schwab and TIVO in a one-month period, as well as his familiarity with its use by Mellon Investor Services (Nicks, 2006).

Elegant simplicity. Intuit, maker of Quicken (personal money management software), QuickBooks (small business accounting software) and Turbo-Tax (tax preparation software), among other products, has 12.5 million customers, and wants to grow further (Darlin, 2005). They also use the NPS question. According to Rick Jensen, VP for product management at Intuit's consumer tax division, "If you ask one question, then all you have to do is understand why they said that" (Darlin, 2005, p. 50).

What answers did they learn? In 2004, NPS responses revealed that a burdensome rebate process and technological hiccups in electronic filing frustrated customers (Darlin, 2005). Changes were made in the filing procedure and eliminated proof-of-purchase seal requirements. The result: a "six percent year-over-year rise in the number of people who would recommend TurboTax and 27 percent higher unit sales" than the prior year (Darlin, 2005, p. 51).

Another lesson Intuit has learned and planned to address: the practice of offering prices to repeat customers online that are more than can be paid by first-time purchasers at big-box stores (Darlin, 2005).

For Intuit's QuickBooks online division (a subscription-based option for their successful small-business accounting software), service means accuracy more than speed. Paul Rosenfeld, division GM, said they used to focus on speed of service, guaranteeing access to a representative within 30 minutes. But the answers emerging from asking the "would you recommend" question, "Let us focus on the right thing rather than what we

thought was important” (Darlin, 2005, p. 52). Effective problem solving and positive interactions with representatives were more important than speed, the research showed, even if customers waited up to two hours for a response.

Because the NPS is just one number, it is useful for frontline managers. “It cuts through the noise” (Darlin, 2005, p. 51), notes Richard Owen, CEO of Satmetrix, the California research company that helped develop the NPS methodology. Reichheld sits on the board of this firm as well (Satmetrix, 2009).

Applications of the NPS in banks and credit unions. Financial institutions have, “Long known that happy customers are important to success, but only now is the industry in the first wave of formalizing how this intuitive truth translates into harder measures of success” (Bielski, 2008, p. 45).

Accenture, in tandem with Satmetrix, conducted an Internet-based study of 3,500 customers among 16 banks (Piotroski, 2008). The study looked at various loyalty measures, including (a) likelihood to recommend, (b) willingness to continue doing business with the bank, (c) likelihood to choose to do business with the bank again, as well as (d) plan to purchase additional services, and (e) overall bank satisfaction. Among these, the study showed that “Net promoter most strongly correlated with loyalty” (as cited in Bielski, 2008, p. 45).

The credit union industry has also begun using the NPS as evidenced, in part, by reference in the bi-annual National Member Survey by the Credit Union National Association (Haller et al., 2006). According to this report:

With the ever-rising importance placed on member retention and growing interest in the concept of loyalty, more credit unions are measuring how loyal their

members are and, to the extent possible, what tangible financial and/or other benefits their highly, or ‘truly loyal’ members bring to the credit union and its bottom line. Loyalty experts differ in their views on which component or combination of components can best pinpoint loyalty. There are some who support the position that the very essence of loyalty simply comes down to consumers’ responses to a single question: How likely would they be to recommend the financial institution to others? (p. 21)

ESL Credit Union, an early adopter, presented results from their ongoing implementations at the Credit Union Executives Society, 2005 Nexus Conference.

In 2006, Eastern Financial Florida Credit Union was already on its tenth consecutive phone-based NPS survey, done by an outside firm. “We sample from our entire membership (minus indirect car loan-only accounts) on the phone survey, and have bilingual capability with about 20% preferring Spanish on the phone. Our last NPS was 64.3% with an upward trend from 62.7% on the initial survey” (Holmes, 2006, para. 2).

As reported in the January 2008 Net Promoter Conference (Dykstra, 2008), San Francisco Fire Credit Union has been utilizing the NPS “likelihood to recommend” question with members and staff since 2004. Their initial employee NPS was 19.5%. By 2007, and as a result of listening to results and greater employee engagement, their employee NPS grew to 64.29%. Dykstra (2008) reported a less dramatic, but similar rise in member NPS scores over the same period.

Member Research, a market research company surveying credit unions nationally, began including the NPS question in its Fall 2006 general member credit union surveys.

In its first implementation with twelve credit unions, the mean NPS finding was 56.4%, the high was 84.6%, and the low was 30.4% (Goldman, 2006b).

The Member Loyalty Group (MLG) is another credit union focused research firm. Founded in 2008, MLG partners with Satmetrix to exclusively implement NPS research for credit unions. MLG reported, “The average credit union industry score is 55%, nearly five times that of the average bank NPS of 11%” (Bloedorn, 2009).

What begets loyalty and a high likelihood to recommend? We are now in the era of ever-increasing customer power. “From ConsumerReports.org for third party information to Amazon.com for customer reviews and eBay for seller ratings” (Urban, 2005, p. 2), customers now have access to more information about more companies than ever before.

According to author Glen Urban, and his book, *Don't Just Relate – Advocate*, the best route to create advocates among your customers or users to proactively advocate for them. Such companies “provide customers with open, honest, and complete information,” and then find the best products for those customers, even if from competitors (Urban, 2005, p. 2).

An illustration here is by the Progressive Group of Insurance Companies commercials in which they profess they will tell you the best rates available for auto insurance among many companies, even if Progressive's is not the best. Such integrity marketing has fueled growth from nothing to three billion dollars annually in their direct sales division (Insurance-Canada, 2004). Progressive at the end of 2004 sat as the nation's third largest auto insurance group (Insurance-Canada, 2004).

In 2009, Progressive Group of Insurance Companies was recognized by Forrester Research as one of three winners of its first Voice of the Customer Awards, applying in part the Net Promoter discipline to achieve this (Reichheld, 2009).

Such proactivity appears to provide value in earning loyalty from customers in credit unions (and banks). Indeed, a recent Member Research qualitative study identified the very strong influence of a factor labeled, “Proactive altruism,” as a key driver of affinity and likelihood to recommend for a particular community bank (Goldman, 2006b). In this report, “proactive altruism” (e.g., “The moving of customers’ deposits to [another provider] to give them a better rate” (p. 24), engendered high praise and satisfaction for the bank from its customers.

How consistent are the drivers of advocacy and detraction? The field of organization effectiveness offers perspective. Herman and Renz (1998) found strong agreement on evaluators’ reasoning for highly effective nonprofit organizations, yet less consistency as to the reasoning behind organizations rated as less effective. Forbes (1998) discovered different evaluators used different criterion to make their assessments. To what extent such consistency in reasoning exists among high and low rating respondents will ideally emerge in this study.

Customer satisfaction and loyalty: critical indicators of the customer experience. It is reasonable to assume that there is some connection between customer satisfaction and loyalty (and one’s likelihood to recommend), as one would not likely recommend an organization (or specifically a credit union) when unsatisfied with the service or customer experience. In fact, whereas Reichheld posits that the Net Promoter Score predicts growth, Larry Freed (2006), president and CEO of ForeSee, a research

firm specializing in customer satisfaction, sponsor and close partner with the American Customer Satisfaction Index (ACSI) suggests that satisfaction itself is a better predictor. More specifically, Freed (2006) writes, “NPS is an outcome. It is not a driver... [and] businesses can’t directly manage outcomes. They can only manipulate the factors that influence outcomes. Customer satisfaction causes recommendation, loyalty and retention, all of which contribute to growth” (Freed, 2006, p. 5).

Freed further posits that although high Net Promoter Scores and growth are correlated, there is not a causal connection between them. Rather, Freed asserts, customer satisfaction is the relevant driver (and cause) for increases in both (Freed, 2006).

Brooks and Owen (2009) counter that, “Many CEOs ... have expressed a lack of confidence in the customer satisfaction efforts... Billions of dollars a year are spent on customer satisfaction surveys and market research, and outcomes seldom seem to result in any real changes to the business” (p. 5).

Other research, without the obvious potential bias either politically or financially, draws a connection between satisfaction and loyalty, and makes the case that whatever you label it, the consumer experience is critical. For example, loyal customers will be more forgiving of mistakes, and will spend more than less loyal counterparts (Wood, 2005).

In discussing the connection between customer satisfaction and loyalty, a study on the Norwegian fishing industry demonstrated that customer satisfaction is an antecedent of loyalty (Helgesen, 2006). Helgesen (2006) further found a “positive, though declining” relationship on two fronts: “The more satisfied the customer seems to be, the

higher is the loyalty of the customer” (p. 256), and, “The more loyal a customer tends to be, the higher is the obtained profitability” (p. 258).

Research from Treacy and Wiersema (1995) further suggests that the customer experience drives success. “Retailers that win consistently have an innate sense of the value they provide to customers. Every employee can answer the simple question, ‘Why do our customers do business with us,’ with such clarity that a 10-year-old could understand. Their entire business is built around providing focused, unmatched value to customers” (Treacy & Wiersema, 1995, para. 6). As illustrated throughout this document, the NPS and a consumers “willingness to recommend” is one way to measure such value.

Finally, here, Bain and Company, as reported in Strategic Management, found that companies with industry-leading NPS scores enjoy growth rates better than 2.5 times their competitors (Reichheld & Markey, 2006). Growth assuredly correlates with profit and business success. Leveraging the NPS to help credit unions learn and grow is the purpose of this study.

The SERVQUAL model of customer satisfaction. If customer satisfaction is an antecedent to loyalty which NPS measures, then what does a credit union need to do to earn satisfaction, high NPS (loyalty) scores, and ultimately growth? A classic model of customer satisfaction may be especially relevant as it was developed in part out of research with retail banking customers (Zeithaml, et al., 1990). The researchers’ questions in their formative focus groups addressed such areas as, “Satisfaction and dissatisfaction with the service; descriptions of an ideal service (e.g., ideal bank or credit

card); the meaning of service quality; factors important in evaluating service quality; and performance expectations concerning the service” (Zeithaml, et al., 1990, p. 18).

A key overriding learning of this research was that, “The key to ensuring good service quality is meeting or exceeding what customers expect from the service” (Zeithaml, et al., 1990, p. 18). Moreover, such expectations are driven by the four following elements: (a) word-of-mouth communications (what customers hear from others); (b) personal needs derived from individual characteristics and circumstances; (c) past experience with the service; (d) external communications from service providers (e.g., a bank’s advertisement touting friendly tellers, as well as price) (Zeithaml, et al., 1990, p. 18).

Zeithaml et al. (1990), called the resulting model SERVQUAL, and identified the five distinct dimensions of service quality: tangibles, reliability, responsiveness, assurance, and empathy. Used specifically as banking customer criteria for evaluating service quality, Zeithaml and her associates defined each dimension as indicated in Table 1 below (Zeithaml, et al., 1990, p. 26-27).

The SERVQUAL instrument originally had additional dimensions of service quality, however, “The last two dimensions (Assurance and Empathy) contain items representing seven original dimensions—communication, credibility, security, competence, courtesy, understanding/knowing customers, and access—that did not remain distinct after the several scale refinement stages” (Parasuraman, et al., 1988, p. 6).

Table 1

SERVQUAL Dimensions: Bank Customer Criteria for Evaluating Service Quality

Dimension of Service Quality	Description	Mean Importance Rating on 1-10 Scale	% of Respondents Indicating Dimension is Most Important
Tangibles	Appearance of physical facilities, equipment, personnel, and communication materials	8.56	1.1
Reliability	Ability to perform the promised service dependably and accurately	9.44	42.1
Responsiveness	Willingness to help customers and provide prompt service	9.34	18.0
Assurance	Knowledge and courtesy of employees and their ability to convey trust and confidence	9.18	13.6
Empathy	Caring, individualized attention the firm provides its customers	9.30	25.1

SERVQUAL was selected as the member satisfaction framework to use in the study due to its wide acceptance as a model for measuring overall service quality (Carrillat, Jaramillo, & Mulki, 2005; Chebat, Filiatrault, Gelinat-Chebat, & Vaninsky, 1995; Furrer, Liu, & Sudharshan, 2000; Witkowski & Wolfenbarger, 2001; Zeithaml & Bitner, 2003). Banking was one of the foundational industries upon which the SERVQUAL model was developed, adding further validity to its application in this study (Parasuraman, et al., 1991; Parasuraman, et al., 1993; Zeithaml, et. al, 1990).

Criticisms, caveats, and cautions of NPS. Not everyone has embraced the NPS methodology as either the one question you need to ask nor as the causal driver of growth or profitability. Few dismiss it outright, but instead offer qualifications and caveats as to when its application might be hindered. For example, the technique may be less meaningful when a “complex variety of factors” are involved in a purchasing decision. According to Stanford Business School professor Itamar Simonson, “Recommending something isn’t necessarily a good indication of loyalty. I fly United Airlines because they have the most convenient schedules. I don’t like their service, and I might not recommend them, but I’m still a loyal customer” (as quoted in (Darlin, 2005, p. 52). Simonson’s comment would, however, be addressed in the NPS methodology. If he would not recommend United in this example, then he likely would rate them as a detractor (0-6) or a passive (7-8). In either case, his score would not promote growth on the NPS scale.

Gaming. Mark Weiner, CEO of the market research firm Delahaye, warns against manipulating the scores for short-term gains. For example, customer satisfaction might be enhanced with lower prices, but such discounting, “Won’t do anything for long-term growth” (as quoted in Darlin, 2005, p. 52).

The auto industry is replete with examples of manipulations of customer satisfaction scores. One example, from Richard Bond, a general manager of an auto dealership, is the practice of regularly asking new buyers if there is any reason they would not score the dealer as “Excellent” when they receive their post-purchase survey from J.D. Power & Associates. And if so, what would they need to do to earn such a score (Bond, 1998)?

Reichheld also shared concerns over gaming: “If you are coaching your customers to give a certain score by ... ‘guilting them into it’ ... what you wind up with is meaningless” (as cited in Bielski, 2008, p. 46). The current study will analyze data from Member Research, a company which conducts research on behalf of credit unions, and in which they have no vested interest in positive or negative results. Thus gaming in the current study will not be a concern.

Scaling. The NPS technique uses an eleven-point scale (0-10). The presumption here is that such granularity would lead to more accurate results than a simpler scale of fewer levels. Although not demonstrating the eleven-point scale to be inaccurate, (Pingitore, Morgan, Rego, Gigliotti, & Meyers, 2006) showed that a four-point scale may even be more accurate in predicting organizational growth. Still, the study did not dispute the general accuracy of the NPS format; it merely suggested other methods can work as well.

Cherry-picking. Another concern in gaming results is the practice of “cherry-picking.” To illustrate, this can result when the individuals responsible for distributing a service quality survey are in fact the same people delivering that service. Consider a teller at a bank or credit union who is to be evaluated on his service ratings by the respondents to a questionnaire he is to hand out after every transaction. Cherry-picking here could certainly occur as there is motivation to withhold giving that survey to disgruntled customers, and incentive to give it to those more likely to be supporters and advocates. Here again, in the data to be studied, all surveys were conducted at random by a third-party; cherry-picking is thus not relevant.

No follow through. Some question if companies implementing the technique will do enough follow-up to truly understand what's working and not. That is, critics fear that such companies might presume merely conducting the research would provide the "light bulb" moments without committing to the required, diligent back-end analysis (McGregor, 2006). This study is of course designed to foster follow through, by providing insights to credit unions on issues and opportunities of global concern.

Equal weighting to detractors. There is also some concern that detractors who rate a firm *zero* on the scale are weighted equally with ratings of say, *five* or *six* (McGregor, 2006); Pingitore, et al., 2006). The point here is that two companies in the same industry with similar promoter ratings of 40 and detractor ratings of 30 (and thus an NPS of 10), might actually have very different customer experiences if the detractor scores are all comprised of *fives* and *sixes* in the first company, and *zeros* in the second. Pingitore, et al., 2006) suggest such distinctions are not significant. A separate, future study may wish to explore this further.

Correlation vs. causality. Freed (2006) suggests NPS is not actually a driver of growth, but a result of it. Freed is the CEO of a customer satisfaction research firm, whose very livelihood could be jeopardized if NPS is proven to be a more effective predictor of growth than customer satisfaction. Thus, one should at least acknowledge his motivation for bias. In short, he argues that Reichheld's work may make a better case for significant company growth causing high NPS scores rather than high NPS scores causing a company to significantly grow (Freed, 2006). Moreover, Freed suggests that the NPS is an "outcome" and not a "driver" (p. 5).

Weick, in his seminal work on sense making argues that in fact the traditional view of an individual's actions following understanding is actually backwards. In fact, one typically acts first and then creates understanding as a result (Weick, 2001). Freed argues the same holds true for NPS: the traditional view that growth follows high NPS scores in his view is actually backwards. High NPS scores, he suggests, follow growth (Freed, 2006).

Freed writes: "Occasionally, two things appear to be highly correlated, but this is really due mostly to the influences of other variables. For example, there may be a strong correlation between the number of churches and beer sales. Looking only at these two variables, one might falsely conclude that the increase in the number of churches causes an increase in beer sales (or vice versa). However, there is probably a third, hidden variable that is actually causing the increase in both of these variables: population growth ... In the case of the correlation between Net Promoter Scores and revenue change, that 'hidden variable' is customer satisfaction" (Freed, 2006, pp. 3-4).

As discussed above, however, customer satisfaction has been demonstrated as an antecedent to loyalty (Helgesen, 2006). Thus the study herein, to be described in chapter three, will in part explore key customer satisfaction drivers of high NPS results using the SERVQUAL model of customer satisfaction.

Other measures of loyalty and customer-perceived value. NPS is one of many loyalty, "Voice of the Customer" or "VOC" metrics which can be used to gauge a customer's (or in the case of credit unions, a member's) experience (Bielski, 2008; Piotroski, 2008). Other VOC (or in the case of credit unions where customers are

members, “VOM”) member-perceived value metrics, include the following (Pngitore, et al., 2006, p. 10):

- Net delighted (ND), derived from a 10-point overall satisfaction scale where $ND = \% \text{ outstanding (10)} - \text{displeased (scores 1-5)}$.
- Net satisfied (NS), derived from a 10-point overall satisfaction scale where $NS = \% \text{ satisfied or delighted (top-two box)} - \text{displeased (scores 1-5)}$.
- Net committed (NC), derived from a four-item commitment scale ranging from 4 to 20 where $NC = \% \text{ committed (scores } > 17 \text{ on a scale ranging from 4 points to 20 points)} - \% \text{ disengaged (scores } < 11)$.
- Net promoter (NPS4), derived using a 4-point likelihood-to-recommend scale where $NPS4 = \% \text{ definitely will (4)} - \% \text{ probably will not/definitely will not recommend (1 and 2)}$.

Other measures of customer advocacy also include questions which ask consumers their likelihood to repurchase, customers views as to whether a company is deserving of their loyalty, estimated growth in loyalty, and more (Brandt, 2007, p. 22).

NPS is just one of many advocacy indexes. None of the studies above take exception with the premise that a *nine* or *ten* NPS rating does indeed represent a high level of member loyalty. This, along with its widespread, international usage, its elegant simplicity, and the ability of the “likelihood to recommend” question to elicit useful, code-able comments from respondents, the basic NPS construct was selected for this study.

Summary

This chapter aimed to highlight relevant research on the Net Promoter score, its application and utility, as well as customer satisfaction and loyalty measures which pertain to helping credit union leaders to understand and build member advocates. Credit unions seek to create members who are so enamored with their service experience that they will in turn tell others. Loyal “promoters” — in the nomenclature of the Net Promoter Score — are the one’s who will spread goodwill about the credit union to others with positive word of mouth. As stated throughout this document, determining what a credit union needs to do to create such advocates was what this research was all about.

Chapter Three

Research Overview

As noted throughout, Frederick Reichheld's Net Promoter Score (NPS) question and methodology provides the means to assess and predict organizational growth, and to assess loyalty among customers or, in the case of credit unions, members. (Reichheld, 2006b). The technique is elegantly simple, and involves asking the users of product, service or organization the following question: How likely would you be to recommend the product, service, or organization to a friend or other on a 0 to 10 scale? As Reichheld suggests, it is the one number you need to grow, and thus a key question to ask in a survey to determine strengths, weaknesses, member advocacy and loyalty, and more (Reichheld, 2003). As evidenced by the number of diverse businesses in a multitude of industries that are using and even reporting to stockholders their own NPS results, and the fact that individuals from 24 countries attended the 2008 NPS conference, Reichheld is obviously not alone in this view (Abraham, 2008; Creamer, 2006; Maddox, 2006; McGregor, 2006).

As noted in chapter two, many credit unions across the country have also begun embracing and utilizing the NPS concept. Research companies serving the credit union industry have begun incorporating loyalty measures, including the NPS methodology into their off-the-shelf products. The Credit Union National Association's research division (Haller et al., 2006) now includes a full section on loyalty (for the first time in 2006), and Member Research, a market research firm serving credit unions nationally, has begun adding the NPS question as the first question on its general member perception survey, implemented with more than 25 credit unions annually (Goldman, 2005).

A new national player, serving the credit union market exclusively, the Member Loyalty Group, has launched with only a single product offering: an NPS survey (Bloedorn, 2009).

To review, the computation is simple, and is derived from the “likelihood to recommend” on the 0-10 scale introduced above. To calculate an organization’s Net Promoter Score, one first combines the percent of *nines* and *tens* – the “promoters” – and then subtracts the percent of *zeros* through *sixes* called “detractors”. The *sevens* and *eights*, considered “passives” — as they are still positive about the organization but not likely to speak of it with passion to others – are ignored in the calculation. The result is a percent score, which can be positive, zero, or negative. The higher the score, the more likely the organization will be to grow (Reichheld, 2006b).

Thus the Net Promoter Score can help a credit union to assess its current levels of loyalty and predict its future growth. Depending on the score, an immediate, open-ended follow up question can help a credit union to further understand and act on its score. The follow up question, in fact, can elucidate a credit union’s brand identity and key ways to improve the organization.

Respondents who offer a score of nine or ten, can be considered *true believers*, and are asked what they would say to others in recommending the credit union. As such, credit unions can learn their differentiating, relevant strengths, and as such their brand identity. They also gain material for marketing communication and positioning.

Zero to eight responders are asked what the credit union needs to do to improve. This identifies key focus points for the credit union to improve and thus weaknesses to minimize. As such, the NPS methodology provides individual credit unions the means to

understand what is working, what is not, and ideally glean knowledge on how to improve from its individual members – arguably the true arbiters of what matters for that organization specifically. What is missing from the knowledge, however, is if there are “universals” that credit unions should strive for in building loyal memberships and growing, successful financial cooperatives.

Purpose of the Study

The purpose of this study was to discover if there are universal drivers of credit union member loyalty (and detraction) that industry leaders can use to create and sustain relevant distinction in the marketplace.

As high Net Promoter Scores can predict and effectively drive a credit union’s success, then what are the universal factors that lead to high net promoter scores across all credit unions? What does a credit union need to offer, provide, deliver, “do” or “be” in order to earn NPS ratings of nine or ten from its members? By extension, what must a credit union be sure *not* to do to prevent garnering Net Promoter Scores of zero to six?

Regardless of implementation of the NPS program at individual credit unions, if there are, in fact, universal truths on how to truly satisfy one’s membership, then such knowledge would be of tremendous value to the industry. Most credit union leaders would be aided by knowing what they should focus on to be successful in earning member loyalty and creating “promoters” for their institutions. To determine if such universal laws or practices exist, then, was what this dissertation was all about.

Research Questions

This study addressed the following questions:

1. What are the categories of responses offered by credit union member respondents to the Net Promoter Score (likelihood to recommend) question?
2. Is there a difference in Net Promoter Score ratings segments (0-6, or 9-10) based on the response categories?
3. To what extents do the response categories offered by respondents who gave ratings of 9 or 10 conform to the five SERVQUAL dimensions?
4. Is there a difference in response ratings based on demographic characteristics of respondents (age, income, or gender)?
5. Is there a difference in response categories based on demographic characteristics of respondents (age, income, or gender)?

Net Promoter Score ratings segments refer to the three distinct groupings in the NPS model: “promoters” (scores of 9-10), “passives” (scores of 7-8), and “detractors” (scores of 0-6).

Categories of responses (a.k.a., “response categories”) represent coded themes emerging from respondents’ explanations for their NPS ratings. Ratings (a.k.a., “response ratings”) refer to the individual net promoter score — the number — given by each respondent, which will conform to three segments: “detractors” (0-6), “passives” (7-8) or “promoters” (9-10).

Problem Statement

The problem statement for this research can be summarized as follows: Credit unions may cease to exist in the future, as they are largely losing their relevance and

distinction in the marketplace. Credit unions have lost focus, trying to be everything to everyone, moving away from the select employee group or organizational sponsors for which they were initially created. In the process, they have lost touch with their members' primary wants and needs. Unless credit unions can better understand the financial consumer in today's high-tech, hyper-competitive marketplace, and rediscover how to deliver distinct value to their members, their futures will continue to be in jeopardy.

This problem statement was addressed by looking at credit union members' responses to the "likelihood to recommend" question, and also by exploring the relationship between the members' service quality experience and Net Promoter Scores. This study analyzed the open-ended responses from credit union members who rated their credit union as detractors (0-6 ratings) or promoters (9-10 ratings) on the NPS "likelihood to recommend" 0-10 scale. Responses were coded, and ultimately compared to the five dimensions of the SERVQUAL model: tangibles, reliability, responsiveness, assurance and empathy (Zeithaml et. al, 1990). Pareto charts were created, and Chi-square analyses were performed to determine the relationship between the coded response categories and the promoter and detractor NPS segments. The employed research process is more thoroughly outlined below.

Content analysis model. This study employed a Content Analysis approach, as outlined in Figure 1 below.

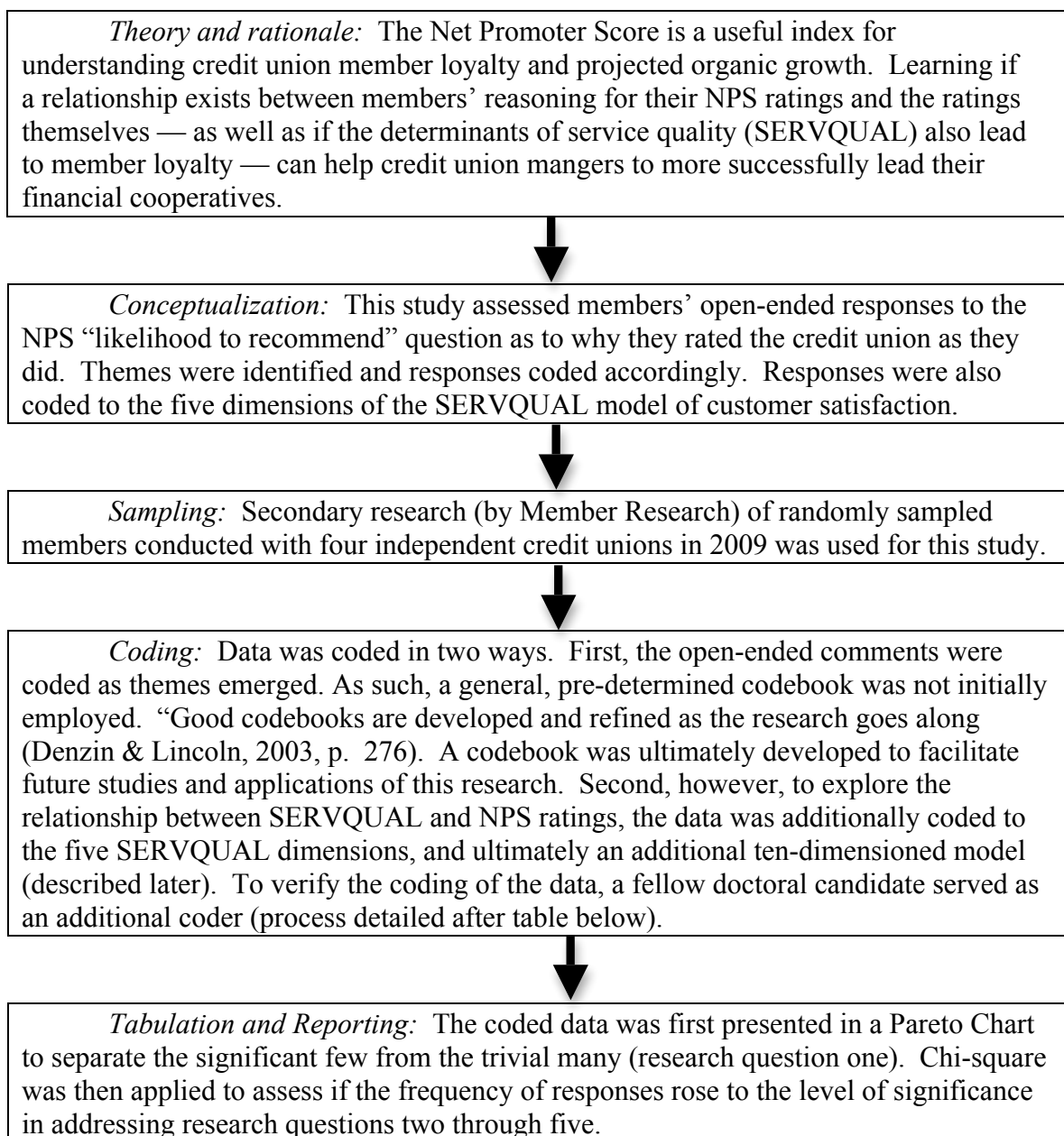


Figure 1. Content analysis flowchart applied in this study, adapted from *The Content Analysis Guidebook*, by K. A. Neuendorf. Copyright 2002 by Sage Publications.

Research background. To offer greater value to its credit union clients, in 2006, Member Research began surveying members of credit unions nationally using the Net Promoter Score in three ways: (a) first, as the initial question on a mailed, four-page,

random-sampled, general member survey; (b) second, as a telephone survey of members in follow up to transactions they make at their respective credit unions; and (c) third, through online surveys (for either random sampling or transaction-based feedback). In each case, the surveys were conducted with clients of Member Research, distributed throughout the United States.

In all cases, the NPS question was asked as follows: “How likely would you be to recommend [ABC credit union] to a friend or family member on a 0-10 scale, where 10 is high?” This was the first question asked in the survey, so the subsequent length of the survey and/or any other potentially influencing questions which may have followed would not impact the NPS result. The immediate follow-up open-ended question asked respondents to, “Please explain ...” their answer, so a greater depth of response can be obtained.

Of note regarding intellectual property concerns, NPS’s creator, Fred Reichheld has authorized free use of this question for any organization without additional permission needed (Reichheld, 2006b).

Addressing ethics, the researcher’s role, and human subject considerations.

This study utilized data conducted by Member Research, a market research firm of which the author is a former partner. From a research integrity perspective, it is important to note that the author of this study had long been removed from the quantitative division of the firm, having moved exclusively to Member Research’s qualitative and consulting divisions in 2002. The quantitative division of Member Research, with separate and distinct personnel, conducted this research, independent of any involvement by the author, in 2009. Moreover, the original research was conducted anonymously, without

any respondent identification or tracking. Finally, Member Research's quantitative division personnel had no knowledge that a portion of the data might ultimately be used in the current dissertation study. Due to the anonymous nature of the study, and the use of secondary research data, no human subjects were put at risk in this study.

As to researcher bias, the author acknowledges a deep history and involvement with the industry of study (credit unions), and approximately 19 years of dedicated financial institution research experience, starting as a consultant to, and then senior partner of, the firm providing the data: Member Research. As such, potential biases and "mental models" (Senge, 1990) have likely emerged. Creswell (2003) suggests such biases can be useful and positive. Experience and background can add depth and perspective to the analysis. "Prolonged time in the field [enables] the researcher [to develop] an in-depth understanding of the phenomenon ... that lends credibility to the narrative account" (Creswell, 2003, p. 196).

Reliability. Reliability "concerns the extent to which an experiment, test, or any measuring procedure yields the same results on repeated trials" (Carmines & Zeller, 1979, p. 11). To address the key reliability concern of accurately and consistently coding the text, a fellow doctoral candidate, as a secondary researcher, assisted in additionally coding the data. Ground rules for coding were developed, and consistency verified with the following process: after jointly coding a small set of comments, each researcher coded the remaining comments, and upon concluding, reviewed with the coding of the other. Dialogue ensued on coding inconsistencies. Mutual agreement on coding was achieved, developed further by the primary researcher and documented in the codebook (Table 3) below.

Methodology. This research utilized a content analysis approach, employing both qualitative and quantitative methods. The study used surveys from secondary research (conducted originally by Member Research) to glean what drives Net Promoter Scores. For example, if a respondent rated the credit union with a *nine* or *ten* on the eleven point (0-10) NPS scale, the study sought to uncover what it was that has led to his or her high rating? (Similar analyses were conducted on detractor segments as well.)

The answers from the follow-up question— *Please explain why you rated the credit union as you did* — were analyzed to identify themes among the respondents’ open-ended comments. The answers were coded first by specific theme, and then to each of the SERVQUAL dimensions.

As noted above, to avoid possible researcher bias, the data was initially coded and verified by another doctoral student before the interpretation and analysis phase was initiated.

This study assessed data obtained by Member Research via a mailed survey conducted with members of credit unions nationwide. In the mail survey, members of participating credit unions were sent a minimum of 2,000 surveys in each implementation (at most, semi-annually). The typical response rate was roughly 15%, yielding on average about 300 surveys per participating credit union. Member Research used random sampling for each credit union (systematic sampling, every *n*th) from adult members (ages 18 or older), who were not in “bad standing” with the institution (and thus were neither delinquent nor had “charged-off” loans, nor were they in bankruptcy).

The data used in this study came from four credit unions that conducted their NPS research with Member Research in 2009. Two credit union’s surveys mailed in January,

and two from a July mail date. After analysis, there were a total of 1218 usable responses (1064 Promoter responses and 154 Detractor responses). “Usable responses” here refers to the fact that some respondents completed the question with a number only and no comments. Only ratings with comments were considered “usable” in this study, as the purpose was to address driver analysis: coded comments were required for analysis.

Also, in some cases, more than a single theme emerged in the respondents’ comments. As such, the researcher, under the guidance of the dissertation committee, determined that each comment would be considered individually, as a unique unit of measurement. Respondents thus often had more than one response, with each independently coded. Therefore, again, the unit of analysis was each unique verbal response, and not the individual respondent. There were 1,218 usable responses given by 731 individual respondents.

Once coded and verified, two independent analyses were applied. First, the data was graphed in a Pareto Chart to separate the significant few from the trivial many. This was applied to the detractor (0-6) and promoter (9-10) segments.

Then, the data were cross-tabulated utilizing Chi-Square. This test was applied to explore if the frequency with which each category appeared in each segment was simply what one would expect by chance or if, in fact, there was a statistical significance to the observed frequency (where $p < .05$).

Specifically, the two approaches were applied to the five research questions below. (Additionally, a Pareto Chart was created to present the coded answers to the question one.)

1. What are the categories of responses offered by credit union member respondents to the Net Promoter Score (likelihood to recommend) question?

Chi-Square tests were applied to questions two through five, with a null hypothesis identified for each below.

2. Is there a difference in Net Promoter Score ratings segments (0-6, 7-8, or 9-10) based on the response categories?

- H_0 : There is no relationship between the frequency of response categories and NPS ratings segments.

3. To what extent do the response categories offered by respondents who gave ratings of 9 or 10 (promoter segment) conform to the five SERVQUAL dimensions?

- H_0 : There is no relationship between the five SERVQUAL dimensions and the response categories given by promoters.

4. Is there a difference in response ratings based on demographic characteristics of respondents (age, income, or gender)?

- H_0 : There is no relationship between the response ratings and respondents' key demographic characteristics: age, income, or gender.

5. Is there a difference in response categories based on demographic characteristics of respondents (age, income, or gender)?

- H_0 : There is no relationship between the response categories and respondents' key demographic characteristics: age, income, or gender.

This study did not apply a gap analysis as originally presented in SERVQUAL.

The initial studies demonstrated: "Service quality as perceived by customers stems from a

comparison of their expectations or desires from the service provider with their perceptions of the actual service performance” (Parasuraman, et al., 1988, p. 5). Instead, this study applied the “likelihood to recommend” comments to the five SERVQUAL dimensions that resulted from the many tests.

To insure accurate coding, the content of the comments was coded against the developed questions in the SERVQUAL scale, as shown in Table 2 below (Zeithaml, et al., 1990). Semi-structured coding was employed. While the goal was to code the data to the five existing SERVQUAL dimensions, the study also allowed for additional categories to emerge.

A potentially challenging issue in the analysis was where to place “convenience.” In evaluating SERVQUAL, Brown, Churchill and Peter (1993), note that, “... we were struck by the omission of items we a priori thought would be critical to subjects’ evaluation of the quality of services they receive from a bank (e.g., the convenience of the bank’s location or operating hours)” (p. 138). The authors concluded that such an item was omitted due to the goal of making the tool generic enough to apply to all industries. Nonetheless, as noted earlier, convenience is a critical component in consumers’ selection of a banking provider (Howcroft & Beckett, 1993; Lee & Marlowe, 2003; Tsung-Chi & Li-Wei, 2007), and will need to be included.

In response to the criticism by Brown et al. (1993), Parasuraman, et al. (1993, p. 145) offer that question 19 on the survey, “XYZ company has operating hours convenient to all its customers” — a component of “Empathy” — addresses this directly. Still, the criticism appears to hold merit.

Table 2

SERVQUAL Questionnaire for Banking

Tangibles

-
1. Excellent banking companies will have modern looking equipment.
 2. The physical facilities at excellent banks will be visually appealing.
 3. Employees at excellent banks will be neat appearing.
 4. Materials associated with the service (such as pamphlets or statements) will be visually appealing at an excellent bank.

Reliability

-
5. When excellent banks promise to do something by a certain time, they will do so.
 6. When a customer has a problem, excellent banks will show a sincere interest in solving it.
 7. Excellent banks will perform the service right the first time.
 8. Excellent banks will provide the service at the time they promise to do so.
 9. Excellent banks will insist on error free records.

Responsiveness

-
10. Employees of excellent banks will tell customers exactly when services will be performed.
 11. Employees of excellent banks will give prompt service to customers.
 12. Employees of excellent banks will always be willing to help customers.
 13. Employees of excellent banks will never be too busy to respond to customers' requests.

Assurance

-
14. The behavior of employees in excellent banks will instill confidence in customers.
 15. Customers of excellent banks will feel safe in transactions.
 16. Employees of excellent banks will be consistently courteous with customers.
 17. Employees of excellent banks will have the knowledge to answer customers' questions.

Empathy

-
18. Excellent banks will give customers individual attention.
 19. Excellent banks will have operating hours convenient to all their customers.
 20. Excellent banks will have employees who give customers personal attention.
 21. Excellent banks will have their customer's best interests at heart.
 22. The employees of excellent banks will understand the specific needs of their customers.
-

The Empathy dimension is defined as, "Caring, individualized attention the firm provides its customers" (Zeithaml et al., 1990, p. 26, and in Table 1 above). This does not well-reflect the definition and importance of convenience in consumers' choice and usage of financial institutions. The defense that convenience relates to "caring,

individualized attention” (a more personal, human interaction) intuitively falls flat. Research suggests otherwise as well.

“The criteria that customers use in selecting banks [or credit unions] include locational convenience ... [which] refers to the ... perception of the time and effort required to reach a service provider” (Tsung-Chi & Li-Wei, 2007, p. 134). Another form of convenience is “one-stop shopping convenience” (Seiders, Berry & Gresham, 2000). This refers to the, “... degree to which a customer perceives the time and effort necessary to obtain the desired products” (Tsung-Chi & Li-Wei, 2007, p. 134). Both types of convenience relate to “time and effort” on the part of the customer, and not the “caring” or “attention” offered by the service provider. Thus, again, “empathy” does not appear an appropriate fit.

Instead, among the five SERVQUAL dimensions, “responsiveness” appears the most relevant category. Zeithaml et al. (1990) define “responsiveness” as, “Willingness to help customers and provide prompt service” (p. 26, and in Table 1 above). With the latter part of this definition (“provide prompt service”), responsiveness is the only time-related dimension among all five, and was thus coded as such.

As noted in chapter four, convenience was also analyzed independently (as were four other frequently mentioned, and independent of SERVQUAL criteria) due to its contribution significance to high Net Promoter Scores.

Summary

In looking at the sources of advocacy and detraction (as reported by the NPS ratings) from an open-ended mailed survey approach, the study was designed to glean the key drivers and predictive determinants of organic credit union growth.

To provide a framework for additional coding and evaluation, the five dimensions of the SERVQUAL customer satisfaction model were used. The extent to which each dimension contributes to Net Promoter scores were then analyzed.

The concept of this research was about helping credit unions to learn what is most important in creating value and loyalty among their members. This study sought to understand what leads to Net Promoter Scores among credit union members, and as such, provide credit union leaders the focus they need to successfully grow their cooperatives.

Chapter Four

Research Findings

This chapter presents the findings of this content analysis study, and details the observations gleaned from each of the five research questions. The key goal was to discern that which credit union leaders must focus upon to earn loyalty and promote organic organizational growth, and to understand the factors that contribute to loyalty.

The chapter begins by reviewing the research questions, and then progresses by first sharing the coding findings and then addresses each of the research questions in turn.

Research questions. In review, this study addressed the following questions:

1. What are the categories of responses offered by credit union member respondents to the Net Promoter Score (likelihood to recommend) question?
2. Is there a difference in Net Promoter Score ratings segments (0-6 or 9-10) based on the response categories?
3. To what extents do the response categories offered by respondents who gave ratings of 9 or 10 conform to the five SERVQUAL dimensions?
4. Is there a difference in response ratings based on demographic characteristics of respondents (age, income, or gender)?
5. Is there a difference in response categories based on demographic characteristics of respondents (age, income, or gender)?

Net Promoter Score ratings segments” refers to the three distinct groupings in the NPS model: “promoters” (scores of 9-10), “passives” (scores of 7-8), and “detractors”

(scores of 0-6). This study only analyzed Promoters and Detractors. Categories of responses” (a.k.a., “response categories”) represent coded themes emerging from respondents’ explanations for their NPS ratings. Ratings” (a.k.a., “response ratings”) refers to the individual net promoter “likelihood to recommend” question response — the number — given by each respondent, which will conform to the segments: “detractors” (0-6), “passives” (7-8) or “promoters” (9-10).

Coding and the Limitations of the SERVQUAL Model

The individual member responses were coded initially in two ways: first by emerging category (e.g., “ATM convenience,” “branch convenience” and “convenient locations” were ultimately combined simply as “convenience”) and then to each of the five dimensions of the SERVQUAL model. A third coding was also ultimately required, as explained shortly.

The data was coded initially by the principal researcher with validation by a then fellow doctoral student (and now Ed.D). The data was coded in two ways: first as categories emerged, and second, to the five dimensions of the SERVQUAL model. In the latter case, the goal was to use an established model as a framework for understanding.

Given the research questions and objectives surrounding the applicability and utility of the SERVQUAL model in acting upon NPS responses, this researcher felt compelled to “fit” responses into the five dimension model. It soon became apparent, however, that the model was insufficient to capture the breadth of responses, and additional dimensions were needed.

In an effort to evaluate the original model, as well as ultimately create a more complete model, respondent data was therefore coded to both the original SERVQUAL dimensions (with the “fit” explained below), as well as to a new, expanded model. Even though the SERVQUAL model proved insufficient to fully explain all loyalty responses, due to its frequent use and familiarity internationally, SERVQUAL was utilized repeatedly in this analysis.

The developed codebook: NPS comments to SERVQUAL and SQ+. Coding is subject to interpretation, and thus rules and an emerging codebook were necessary to consistently, and accurately, categorize respondent comments to the SERVQUAL dimensions. As such, once a coding rule was established, repeated data could be similarly coded.

As detailed in Table 3 below, rules were developed to facilitate coding, the creation of Pareto Charts, and subsequent analyses.

There are four columns in the codebook (see Table 3) below. The first column reports the unit of analysis: the unique comments by respondents. The second column, “Coding Rational,” identifies the reasoning behind the selection of the applicable SERVQUAL dimension. Coding rational stemmed from either the description or definition of the SERVQUAL dimensions (Zeithaml, et al., 1990, pp. 26-27), or the SERVQUAL survey (Zeithaml, et al., 1990).

The third column (“SERVQUAL Dimension”) identifies the dimension to which the response would be coded. The fourth column (“SERVQUAL Plus (SQ+) Dimension if different”) allows for the addition of five new dimensions, introduced by the findings of this study. This final column only lists dimensions when the coding under

SQ+ differed from that for the original SERVQUAL dimensions. In this way, it is easy to observe differences.

Table 3

NPS Comments to SERVQUAL/SQ+ Codebook

Respondent Comment/ Driver– (Unit of Measurement)	Coding Rationale (From Table 1: SERVQUAL banking criteria)	SERVQUAL Dimension	SERVQUAL Plus (SQ+) Dimension (if different)
“A credit union”	Typically referring to “caring”	Empathy	
“Accurate”	“Dependable and accurate”	Reliability	
“Accountable”	“Sincere interest in solving problems”	Reliability	
“All interactions positive”	“Instilling trust and confidence”	Assurance	
“Always been there for me”	“Dependable and accurate”	Reliability	
“Attentive”	“Caring, individualized service”	Empathy	
“Attitude” [good or positive]	Correlation to Helpful	Responsiveness	
“Better than a bank” or “Better than banks” or “Becoming more like a bank”	Typically referring to “caring” or the lack thereof	Empathy	
“Bill pay”	Not addressed (product/service offering)	Tangibles	Products/Services
“Changing too fast” or “Changing too much”	Lack of personal, individualized attention	Empathy	
“Choose English” [the need to select preferred language in communications]	Lack of “caring, individualized attention” – feel like a number	Empathy	

(continued)

“Communication” (as in “good/poor communication,” etc.)	Instills confidence	Assurance	
“Competent”	“Dependable and accurate”	Reliability	
“Concerned with solving my needs”	Correlation to Helpful	Responsiveness	
“Convenience”	Time-dimensioned/Access	Responsiveness	Convenience
“Consistent”	“Dependable and accurate”	Reliability	
“Courteous”	Defined as “Assurance”	Assurance	
“Denied for a loan”	Lack of “willingness to help”	Responsiveness	
“Discourteous”	Defined as “Assurance”	Assurance	
“Disorganized”	Does not “instill confidence”	Assurance	
“Distance”	Not addressed (Time-dimensioned)	Responsiveness	Convenience
“Distinct” (as in not distinct, or “same as every other institution”	“Instills confidence in customers” (or not doing so)	Assurance	
“Dividends” (poor)	Not addressed (“physical” aspects of products/services)	Tangibles	Rates
“Easy to reach”	“prompt”	Responsiveness	
“Easy processes” or “Easy to use processes”	Not addressed (Time-dimensioned)	Responsiveness	Convenience
“Easy to work with” or “Easy to deal with” or “Easy to talk to”	Correlation to “Friendly”	Assurance	
“Efficient”	“prompt service”	Responsiveness	
“Fair”	“Dependable” in treating people the same	Reliability	
“Fast”	“prompt service”	Responsiveness	
“Fees”	Not addressed (“physical” aspects of products/services)	Tangibles	Fees

(continued)

“Free Checking”	Not addressed: cost/price issue (perceived “physical” aspect of products/services)	Tangibles	Fees
“Flexible”	“Willing to help customers”	Responsiveness	
“Friendly”	Correlation with “courtesy”	Assurance	
“Growing too fast”	Lack of personal, individualized attention	Empathy	
“Helpful”	“Willingness to help”	Responsiveness	
“High-Quality”	“Dependable and accurate”	Reliability	
Impersonal	Lack of “caring, individualized attention”	Empathy	
“Inconvenience”	Time- dimensioned/Access	Responsiveness	Convenience
“Inconsistent”	Not “dependable and accurate”	Reliability	
“Information” or “informative”	Instills confidence	Assurance	
“Interest”/“Interest Rates”	Not addressed (“physical” aspects of products/services)	Tangibles	Rates
“Kind”	Correlation with “courtesy”	Assurance	
“Knowledgeable”	“knowledge ... of employees”	Assurance	
“Limited experience with ...” or “Limited knowledge of the credit union.”	Not addressed (Knowledge of physical — and longer term experience — aspects of credit union)	Tangibles	Relationship
“Live Operators”	“Prompt service; never too busy to respond”	Responsiveness	
“local” as in “local decision making)	Able to provide prompt decisions	Responsiveness	
“Long time member”	“Dependable and accurate”	Reliability	Relationship
“Meets my needs”	“Dependable and accurate”	Reliability	

(continued)

“Member-Oriented”	“Caring, individualized attention”	Empathy	
“[Name of CU employee] is the best” or other employee compliment	“Caring, individualized attention”	Empathy	
“Nice”	Correlation with “courtesy”	Assurance	
“No problems”	“Dependable and accurate”	Reliability	
“Not treated like a number	“Caring”	Empathy	
“Online banking”	Not addressed (time-dimensioned factor)	Responsiveness	Convenience
“Patient”	“caring, individualized service”	Empathy	
“People are first rate” or “Wonderful people” or “People could be better”	“Knowledge and courtesy of employees”	Assurance	
“Pleasant”	Correlation with “courtesy”	Assurance	
“Policies” as in “limited by policies”	Lack of individualized attention	Empathy	
“Polite”	Correlation with “courtesy”	Assurance	
“Products” (as in “Good products offered or available”, etc.)	Not addressed (perceived “physical” aspect of products/services)	Tangibles	Products/Services
“Products/Services” offered or available, and/or consistency	Not addressed (“Dependable and accurate”)	Reliability	Products/Services
“Professional”	Instills confidence	Assurance	
“Quick”	“prompt service”	Responsiveness	
“Rates”	Not addressed (“physical” aspects of products/services)	Tangibles	Rates
“Reliable”	“Dependable and accurate”	Reliability	
Rude	Not “caring”	Empathy	

(continued)

“Safe”	“customers will feel safe”	Assurance	
“Security guard”	“customers will feel safe”	Assurance	
“Service” (as in “good service” or “excellent service”)	“Caring, individualized attention”	Empathy	
“Services” (as in “Good services offered or available”, etc.)	Not addressed (perceived “physical” aspect of products/services)	Tangibles	Products/Services
Slow	Time dimensioned	Responsiveness	
“Telephone Access” (poor)	Time dimensioned	Responsiveness	Convenience
“Treated me ...” (well or poorly)	Personal, individualized attention	Empathy	
“Training” (as in well-trained)	Correlation to Knowledge	Assurance	
“Trustworthy”	“ability to convey trust”	Assurance	
“Understanding”	Caring	Empathy	
Unresponsive	Lack of “prompt service”	Responsiveness	
“Value” (as in “good value”, etc.)	Not addressed: cost/price issue (perceived “physical” aspect of products/services)	Tangibles	Fees
“Wait time”	Time-dimensioned	Responsiveness	Convenience
“Work with” (as in “Great to work with”)	“individualized attention”	Empathy	
ATMs (as in “more ATMs” or “many ATMs” or “ATM access”)	Not addressed (Time-dimensioned access to one’s money)	Responsiveness	Convenience

The additional “dimensions” became necessary, as SERVQUAL’s original five proved insufficient to address the breadth of responses. As such, data was coded to the original five SERVQUAL dimensions (as explained below, and in numerous cases,

“justifying” their inclusion), as well as to the five additional, and more credit union-specific, dimensions. These additional dimensions (together with the original dimensions) are introduced as “SERVQUAL Plus” (hereinafter denoted as “SQ+”). The added SQ+ dimensions are: “Convenience,” “Rates,” “Fees,” “Products/Services,” and “Relationship.”

The additional SQ+ dimensions did not “fit” neatly into the existing SERVQUAL dimensions, and as such, stand alone as new, independent dimensions in SQ+. They are defined as follows.

“Convenience” addresses the members’ concern with time-dimensioned access to their accounts, and most often physical distance from a branch or ATM. As noted in chapter three, due to its relationship to time, Convenience was coded to Responsiveness when constrained by the original five SERVQUAL dimensions.

“Rates” refers to interest charged on loans, as well as dividends paid on deposits by the credit union. Regrettably, respondents were most often unspecific as to interest or dividends when mentioning rates, so distinguishing between the two was not possible. As “Rates” refers to literally a tangible aspect of a credit union’s loans or deposits (and as no other dimension was relevant), Rates was coded to Tangibles within the SERVQUAL model. (Note: the SERVQUAL definition of Tangibles — “Appearance of physical facilities, equipment, personnel, and communication materials” (Zeithaml, et al., 1990, pp. 26-27) — does not allow for Rates to be comfortably included, yet again is closest in a literal definition.

“Fees” is as the name implies: the fees members incur in using or maintaining an account or services at the credit union. These too are tangible aspects of a CU’s offering,

however they again do not fit neatly within the defined “Tangibles” borders of the SERVQUAL model. Nonetheless, Tangibles is where they are closest to fitting, and when coding to the SERVQUAL dimensions, so applied.

Member comments were coded to “Products/Services” if they referred to aspects or quality of specific products or services offered by the credit union. A member may have liked (or not liked) the CU’s bill pay service, or referred to the overall quality of the institution’s services in general. In both cases, again, a new dimension was needed as such references were not included in the original SERVQUAL model, but certainly relevant to their overall member experience. For reasons similar to Rates and Fees mentioned above, Products/Services comments were coded to Tangibles in the SERVQUAL-only coding.

A final category of comments emerged in the coding relative to the length and depth of members’ relationship with the credit union and their corresponding rating and explanation. On the positive side, Members frequently cited being a “long time member” as a primary Promoter rational. Conversely, some Members who offered Detractor ratings commented they had not been with the credit union long enough, or did not maintain a relationship deep enough, to warrant a well-informed or otherwise high recommendation. This length and depth of relationship has been labeled “Relationship” and is the final (tenth) dimension in the updated SQ+ model. Relationship was coded to Reliability for Promoters (as it suggests a long history of dependability and no significant problems), and Tangibles for Detractors (as the “tangible” aspects of what is offered and how well it is delivered would not yet be well-known by low-relationship members).

Regardless of SERVQUAL or SQ+ attribution, one final note on coding is relevant here. The design of this research started with a “likelihood to recommend” (NPS question) rating, and its corresponding category: 0-6 (Detractors) or 9-10 (Promoters). The written reasons for each rating were then reviewed and coded. In a small number of cases, however, respondents rated the credit union a *nine* or *ten* (Promoter), and in addition to positive attributes, also provided negative attribute(s). For example, after rating his/her credit union a *nine*, one respondent commented, “Excellent service,” and then also lamented a new fee.

This research was designed to explain why members do or do not advocate for credit unions (Promoters or Detractors). In the rare and few instances where a negative comment was coupled with a Promoter rating (9-10), or a positive comment was coupled with a Detractor rating (0-6), the contradictory comment was ignored. Such comments did not explain the corresponding high (or low rating) and thus were not included in this analysis. There were only five such comments in this study.

Drivers of promotion. The following “drivers” of Promotion emerged (see Table 4), with the first four drivers referring to a personal, human-interaction component. Evidently the way one is treated is most salient in creating loyalty among members. Notice “Service,” “Friendly,” and “Helpful” together comprise roughly 40% of all promotion.

Table 5 shows the ranking of Promoter comments, and where they were coded in the SERVQUAL and SQ+ models. Again, only if SQ+ coding differed from SERVQUAL was an entry included, to help show distinctions. This table is provided as

the basis of the Promoter Pareto charts, presented in the findings from research question one, later in this chapter.

Table 4

All Promoter Comments (Original List), Sorted by Frequency

Promoter Comments	<i>n</i>	%
Service	224	21.05%
Friendly	105	9.87%
Helpful	98	9.21%
Long-time member	77	7.24%
Rates	62	5.83%
Products/services	52	4.89%
No problems	42	3.95%
Convenience	40	3.76%
Courteous	33	3.10%
Fees	22	2.07%
Nice	20	1.88%
Knowledgeable	19	1.79%
Great to work with	14	1.32%
Responsive	14	1.32%
Efficient	13	1.22%
Professional	13	1.22%
Caring	12	1.13%
Safe	12	1.13%
Treat like a person/personal	12	1.13%
Fast	11	1.03%
Accurate	9	0.85%
Meets my needs	9	0.85%
Prompt	9	0.85%
Trustworthy	9	0.85%
Branch convenience	8	0.75%
Named staff	8	0.75%
Online convenience	8	0.75%
People	8	0.75%
Pleasant	8	0.75%
A credit union	7	0.66%
Always there	7	0.66%
Communications	7	0.66%
Family / feel welcomed	7	0.66%
Quick	6	0.56%
Reliable	6	0.56%
Kind	5	0.47%
Wait time	5	0.47%
ATM convenience	4	0.38%
Fair	4	0.38%
Hours	4	0.38%
Flexible	3	0.28%

(continued)

Member-oriented	3	0.28%
Polite	3	0.28%
Training	3	0.28%
Bill pay	2	0.19%
Consistent high quality services	2	0.19%
Local	2	0.19%
Patient	2	0.19%
Security guard	2	0.19%
Accountable	1	0.09%
Attentive	1	0.09%
Considerate	1	0.09%
Easy to reach	1	0.09%
Good attitude	1	0.09%
Live operators	1	0.09%
Not a bank	1	0.09%
Respectful	1	0.09%
Take time with you	1	0.09%
Total	1064	100.00%

Table 5

Consolidated Promoter Driver List, Coded with SERVQUAL and SQ+

Rank	<i>n</i>	%	Promoters	SERVQUAL	SQ+ (if different)
1	224	21.05%	Service	Empathy	
2	105	9.87%	Friendly	Assurance	
3	98	9.21%	Helpful	Responsiveness	
4	77	7.24%	Long Time Member (LTM)	Reliability	Relationship
5	56	6.02%	Convenience: ATM/branch /hours	Responsiveness	Convenience
6	62	5.83%	Rates	Tangibles	Rates
7	58	5.45%	Courteous/kind/nice	Assurance	
8	52	4.89%	Products/services	Reliability	Products/Services
9	51	4.79%	No problems/accurate	Reliability	
10	44	4.14%	Efficient/fast/prompt/quick/short wait time	Responsiveness	
11	36	3.38%	Caring/Considerate/Member- oriented/Respectful/Treat like a person/personable	Empathy	
12	22	2.07%	Fees	Tangibles	Fees
12	22	2.07%	Knowledgeable/well-trained	Assurance	
14	16	1.50%	People (employees/named staff)	Assurance	
15	15	1.41%	Reliable/Always there/Consistent	Reliability	
16	14	1.32%	Great to Work with	Empathy	
17	14	1.32%	Responsive	Responsiveness	
18	13	1.22%	Professional	Assurance	
19	12	1.13%	Safe	Assurance	
20	9	0.85%	Meets my Needs	Reliability	

(continued)

20	9	0.85%	Trustworthy	Assurance	
22	8	0.75%	A credit union/Not a bank	Empathy	
22	8	0.75%	Online Banking	Responsiveness	Convenience
22	8	0.75%	Pleasant	Assurance	
25	7	0.66%	Communications	Assurance	
26	4	0.38%	Fair	Reliability	
27	3	0.28%	Flexible	Responsiveness	
27	3	0.28%	Polite	Assurance	
29	2	0.19%	Bill pay	Tangibles	Products/Services
29	2	0.19%	Local	Responsiveness	
29	2	0.19%	Patient	Empathy	
29	2	0.19%	Security Guard	Assurance	
33	1	0.09%	Accountable	Reliability	
33	1	0.09%	Attentive	Empathy	
33	1	0.09%	Easy To Reach	Responsiveness	
33	1	0.09%	Good Attitude	Responsiveness	
33	1	0.09%	Live operators	Responsiveness	
33	1	0.09%	Take time with you	Empathy	
38	1064	100.00%	Total		

Drivers of detraction. The following “drivers” of Detraction emerged (see Table 6). Interestingly, and in contrast to the Promoter drivers, the first four most frequent Detractor comments have literally nothing to do with human-interaction, or “how one is treated”. Instead, they focus on access to one’s accounts and tangible attributes of the products or services (rates and fees)

Table 7 shows the ranking of Detractor comments, and also where they were coded in the SERVQUAL and SQ+ models (see Table 7). As with the Promoters table, only if SQ+ coding differed from SERVQUAL was an entry included. This table is provided as the basis of the Detractor Pareto charts, presented in the findings from Research Question 1, later in this chapter.

Table 6

All Detractor Comments (Original List), Sorted by Frequency

Detractors	<i>n</i>	%
Distance	15	9.74%
Fees (high)	11	7.14%
Rates	11	7.14%
Inconvenience	10	6.49%
Impersonal	10	6.49%
Branch inconvenience	9	5.84%
Limited experience or usage of the cu	9	5.84%
Long wait time	6	3.90%
Denied for a loan	5	3.25%
Online inconvenience/limitations	5	3.25%
Service	5	3.25%
Unresponsive	5	3.25%
Inconvenient location	4	2.60%
Poor dividends	4	2.60%
ATM inconvenience	3	1.95%
Poor communication	3	1.95%
Not distinct	3	1.95%
Not friendly	3	1.95%
Inconvenient hours	3	1.95%
Not easy to work with	3	1.95%
Products (poor or not available)	3	1.95%
Poor training	3	1.95%
Inaccurate	2	1.30%
Not helpful	2	1.30%
Not knowledgeable	2	1.30%
Rude	2	1.30%
Slow	2	1.30%
Unreliable	2	1.30%
Becoming more like a bank	1	0.65%
Choose English	1	0.65%
Inconsistent quality of service	1	0.65%
Discourteous	1	0.65%
Disorganized	1	0.65%
People	1	0.65%
Telephone access	1	0.65%
Too many changes	1	0.65%
Used to know your name	1	0.65%
Total	154	100.00%

Table 7

Consolidated Detractor Driver List, Coded with SERVQUAL and SQ+

Rank	<i>n</i>	%	Detractors	SERVQUAL	SQ+ (if different)
1	44	28.57%	Inconvenience	Responsiveness	Convenience
2	15	9.74%	Poor rates/dividends	Tangibles	Rates
3	11	7.14%	Impersonal	Empathy	Empathy
3	11	7.14%	Fees (high)	Tangibles	Fees
5	9	5.84%	Limited experience or usage of the cu	Tangibles	Limited Experience
6	8	5.19%	Slow	Responsiveness	Responsiveness
7	5	3.25%	Unresponsive	Responsiveness	Responsiveness
7	5	3.25%	Poor service	Empathy	Empathy
7	5	3.25%	Online inconvenience/limitations	Responsiveness	Convenience
7	5	3.25%	Not knowledgeable	Assurance	Assurance
7	5	3.25%	Denied for a loan	Responsiveness	Responsiveness
12	3	1.95%	Products (poor or not available)	Tangibles	Products/Services
12	3	1.95%	Poor communication	Assurance	Assurance
12	3	1.95%	Not friendly	Assurance	Assurance
12	3	1.95%	Not easy to work with	Assurance	Assurance
12	3	1.95%	Not distinct	Assurance	Assurance
12	3	1.95%	Inconsistent quality of service	Reliability	Reliability
12	3	1.95%	Discourteous	Discourteous	Discourteous
19	2	1.30%	Not helpful	Responsiveness	Responsiveness
19	2	1.30%	Inaccurate	Reliability	Reliability
21	1	0.65%	Too many changes	Empathy	Empathy
21	1	0.65%	Poor telephone access	Responsiveness	Convenience
21	1	0.65%	People (could be better)	Assurance	Assurance
21	1	0.65%	Disorganized	Assurance	Assurance
21	1	0.65%	Choose English	Empathy	Empathy
21	1	0.65%	Becoming more like a bank	Empathy	Empathy
27	154	100.02%			

Research question one: what are the categories of NPS responses? The first question asked the following: What are the categories of responses offered by credit union member respondents to the Net Promoter Score (likelihood to recommend) question? Here the goal was to learn the drivers of member promotion and detraction.

As noted in chapter three, the first applied methodology was a Pareto Chart, requiring the prioritized driver list, and cumulative percent (see Table 8).

Of relevance here (see Table 7) is the observation that four of the top ten (and five of the top twelve) drivers do not conform to the original SERVQUAL model. “Long-time member,” “Convenience,” “Rates,” “Products/Services,” and “Fees” all rank among the top twelve, and do not adhere to the five original SERVQUAL dimensions.

SERVQUAL again appears insufficient to fully understand the member experience and drivers of member loyalty.

Applying the Pareto Chart and analysis provides an opportunity to distinguish the significant contributors to those that are trivial. In this case, the “logical” break (from significant to trivial) appears below item 13 (“knowledgeable”) (see Table 8, and Figure 2). All drivers 14 and below contribute less than 2% to the total. This provides focus for credit unions, and potentially specific items to measure in a member loyalty survey.

The top three elements in the table above represent over 40% of all Promoter drivers, and do conform to three of the SERVQUAL dimensions: Service (Empathy), Friendly (Assurance), and (Helpful) Responsiveness.

Table 8

Pareto Analysis — Drivers of Promotion

Rank	Drivers of Promotion	<i>n</i>	% of Total	Cumulative %
1	Service	224	21.05%	21.05%
2	Friendly	105	9.87%	30.92%
3	Helpful	98	9.21%	40.13%
4	Long Term Member (LTM)	77	7.24%	47.37%
5	Rates	62	5.83%	53.20%
6	Courteous/Kind	58	5.45%	58.65%
7	Convenience: ATM/Branch/Hours	56	5.26%	63.91%
8	Products/Services	52	4.89%	68.80%
9	No Problems/Accurate	51	4.79%	73.59%
10	Efficient/Fast	44	4.14%	77.73%
11	Caring/Considerate	36	3.38%	81.11%
12	Fees	22	2.07%	83.18%
12	Knowledgeable	22	2.07%	85.24%
14	Employees	16	1.50%	86.75%
15	Reliable/Consistent	15	1.41%	88.16%
16	Great To Work With	14	1.32%	89.47%
16	Responsive	14	1.32%	90.79%
18	Professional	13	1.22%	92.01%
19	Safe	12	1.13%	93.14%
20	Meets My Needs	9	0.85%	93.98%
20	Trustworthy	9	0.85%	94.83%
22	A Credit Union/Not A Bank	8	0.75%	95.58%
22	Pleasant	8	0.75%	96.33%
22	Online Convenience	8	0.75%	97.09%
25	Communications	7	0.66%	97.74%
26	Fair	4	0.38%	98.12%
27	Flexible	3	0.28%	98.40%
27	Polite	3	0.28%	98.68%
28	Bill Pay	2	0.19%	98.87%
28	Local	2	0.19%	99.06%
28	Patient	2	0.19%	99.25%
32	Security Guard	2	0.19%	99.44%
33	Accountable	1	0.09%	99.53%
33	Attentive	1	0.09%	99.62%
33	Easy To Reach	1	0.09%	99.72%
33	Good Attitude	1	0.09%	99.81%
33	Live Operators	1	0.09%	99.91%
33	Take Time With You	1	0.09%	100.00%
38		1064	100.00%	

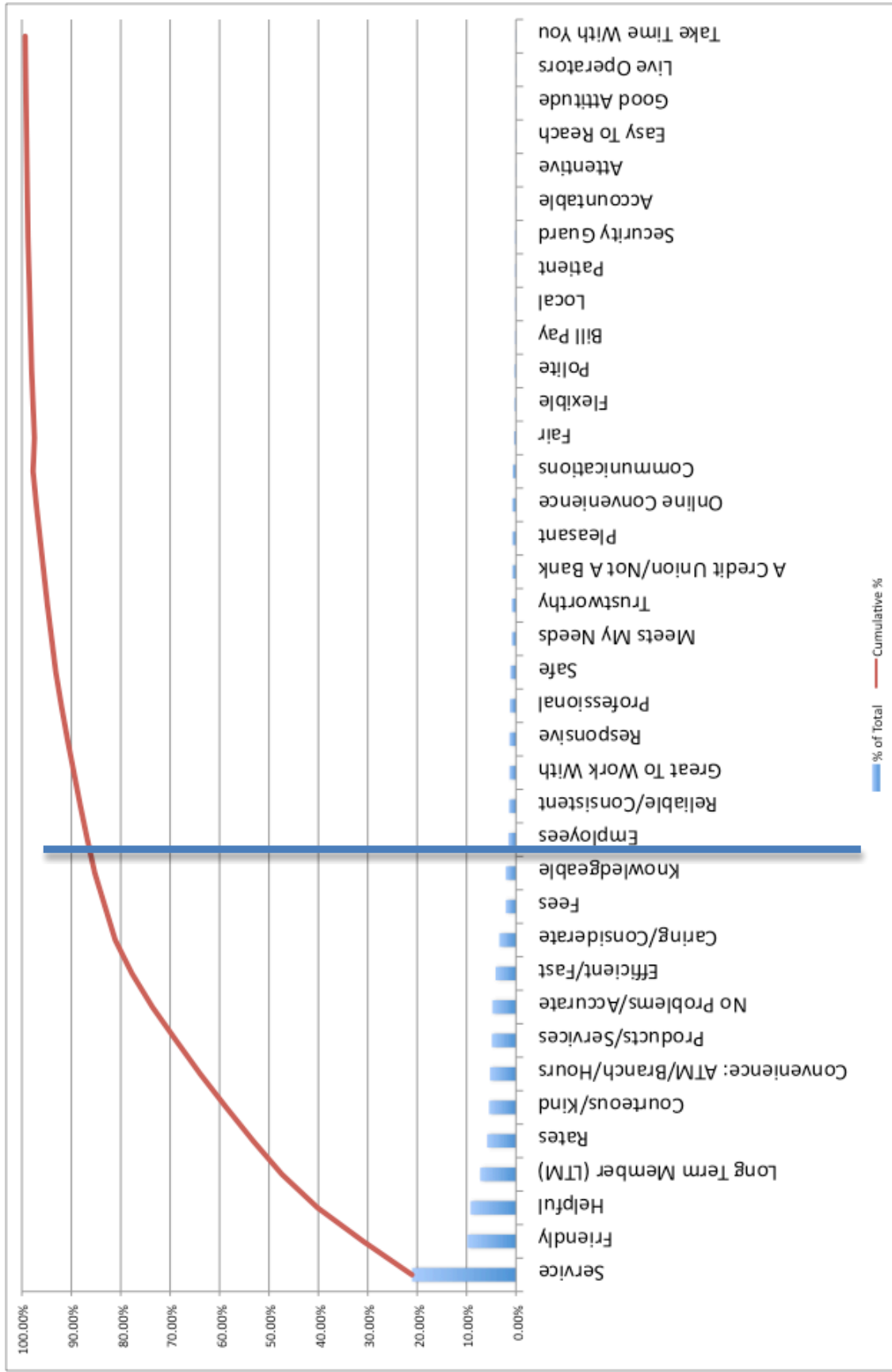


Figure 2. Pareto analysis — drivers of credit union promotion.

Table 9 (and Figure 3) presents the Pareto analysis of drivers of detractor. Here we find the top two drivers (“Inconvenience” and “Poor rates/dividends”) represent nearly 40% of all Detractor comments. Moreover, neither conforms to the original SERVQUAL dimensions, showing again the inadequacy of SERVQUAL for credit union loyalty measurement. In fact, four of the top five do not fit within SERVQUAL. Perhaps more importantly, and in contrast to the Promoter drivers, the human element is not driving poor ratings.

Table 9

Pareto Analysis — Drivers of Detraction

Rank	Detractors	<i>n</i>	% of Total	Cumulative %
1	Inconvenience	44	28.57%	28.57%
2	Poor rates/dividends	15	9.74%	38.31%
3	Impersonal	11	7.14%	45.45%
3	Fees (high)	11	7.14%	52.60%
5	Limited experience or usage of the CU	9	5.84%	58.44%
6	Slow	8	5.19%	63.64%
7	Unresponsive	5	3.25%	66.88%
7	Poor service	5	3.25%	70.13%
7	Online inconvenience/limitations	5	3.25%	73.38%
7	Not knowledgeable	5	3.25%	76.62%
7	Denied for a loan	5	3.25%	79.87%
12	Products (poor or not available)	3	1.95%	81.82%
12	Poor communication	3	1.95%	83.77%
12	Not friendly	3	1.95%	85.71%
12	Not easy to work with	3	1.95%	87.66%
12	Not distinct	3	1.95%	89.61%
12	Inconsistent quality of service	3	1.95%	91.56%
12	Discourteous	3	1.95%	93.51%
19	Not helpful	2	1.30%	94.81%
19	Inaccurate	2	1.30%	96.10%
21	Too many changes	1	0.65%	96.75%
21	Poor telephone access	1	0.65%	97.40%
21	People (could be better)	1	0.65%	98.05%
21	Disorganized	1	0.65%	98.70%
21	Choose English	1	0.65%	99.35%
21	Becoming more like a bank	1	0.65%	100.00%
		154	100.00%	

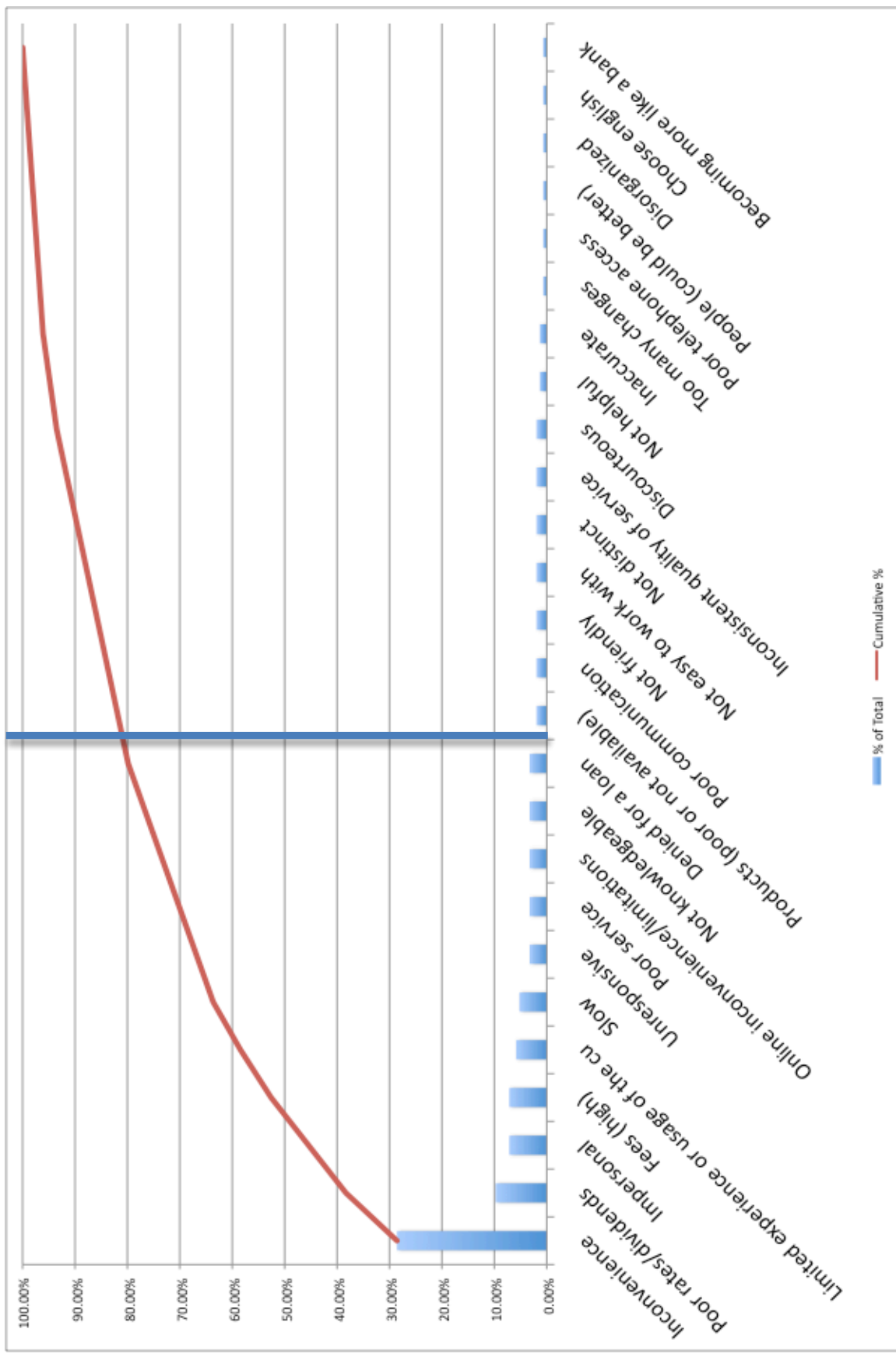


Figure 3. Pareto analysis — drivers of credit union detraction.

As to the distinction between the significant few and trivial many, the break appears again at the 2% mark. Item number eleven (“Denied for a loan”), with a contribution of 3.25%, marks the final significant contributor to Detractor scores in this analysis.

Table 10

Frequency Distribution — Drivers of Promotion Sorted to SERVQUAL Dimensions

Overall	Promoters	SERVQUAL	Total	Percent
105	Friendly	Assurance		
58	Courteous/kind/nice	Assurance		
22	Knowledgeable/well-trained	Assurance		
16	People (employees/named staff)	Assurance		
13	Professional	Assurance		
12	Safe	Assurance		
9	Trustworthy	Assurance		
8	Pleasant	Assurance		
7	Communications	Assurance		
3	Polite	Assurance		
2	Security guard	Assurance	255	23.97%
224	Service	Empathy		
	Caring/considerate/member-oriented/respectful/treat like a			
36	person/personable	Empathy		
14	Great to work with	Empathy		
8	A credit union/not a bank	Empathy		
2	Patient	Empathy		
1	Attentive	Empathy		
1	Take time with you	Empathy	286	26.88%
77	Long time member	Reliability		
52	Products/services	Reliability		
51	No problems/accurate	Reliability		
15	Reliable/always there/consistent	Reliability		
9	Meets my needs	Reliability		
4	Fair	Reliability		
1	Accountable	Reliability	209	19.64%
98	Helpful	Responsiveness		
64	Convenience: ATM/branch/online/hours	Responsiveness		
44	Efficient/fast/prompt/quick/short wait time	Responsiveness		
14	Responsive	Responsiveness		
3	Flexible	Responsiveness		
2	Local	Responsiveness		
1	Easy to reach	Responsiveness		
1	Good attitude	Responsiveness		
1	Live operators	Responsiveness	228	21.43%
62	Rates	Tangibles		
22	Fees	Tangibles		
2	Bill pay	Tangibles	86	8.08%
1064	Total		1064	100.00%

Tables 10 and 11 show the frequency distribution of Promoter comments within the SERVQUAL and SQ+ models, respectively. These are presented as the foundations for the Pareto tables and charts which follow in this chapter.

Table 11

Frequency Distribution — Drivers of Promotion Sorted to SQ+ Dimensions

Overall	Promoters	SQ+	Total	Percent
64	Convenience: ATM/Branch/Online/Hours	"Convenience"	64	6.02%
105	Friendly	Assurance		
58	Courteous/Kind/Nice	Assurance		
22	Knowledgeable/Well-Trained	Assurance		
16	People (Employees/Named Staff)	Assurance		
13	Professional	Assurance		
12	Safe	Assurance		
9	Trustworthy	Assurance		
8	Pleasant	Assurance		
7	Communications	Assurance		
3	Polite	Assurance		
2	Security Guard	Assurance	255	23.97%
224	Service	Empathy		
	Caring/Considerate/Member-Oriented/			
36	Respectful/Treat Like a Person	Empathy		
14	Great To Work With	Empathy		
8	A Credit Union/Not A Bank	Empathy		
2	Patient	Empathy		
1	Attentive	Empathy		
1	Take Time With You	Empathy	286	26.88%
22	Fees	Fees	22	2.07%
52	Products/Services	Products/Services		
2	Bill Pay	Products/Services	54	5.08%
62	Rates	Rates	62	5.83%
77	Long time member	Relationship	77	7.24%
51	No Problems/Accurate	Reliability		
15	Reliable/Always There/Consistent	Reliability		
9	Meets My Needs	Reliability		
4	Fair	Reliability		
1	Accountable	Reliability	80	7.52%
98	Helpful	Responsiveness		
44	Efficient/Fast/Prompt/Quick/Short Wait	Responsiveness		
14	Responsive	Responsiveness		
3	Flexible	Responsiveness		
2	Local	Responsiveness		
1	Easy To Reach	Responsiveness		
1	Good Attitude	Responsiveness		
1	Live Operators	Responsiveness	164	15.41%
0	No Comments	Tangibles	0	0.00%
1064	Total		1064	100.00%

Due to the large number of distinct Promoter and Detractor comments, an additional Pareto analysis was performed on the applied SERVQUAL and SQ+ models. In each case, the methodology was performed for Promoter and Detractor comments. The results are as follows.

As Table 12 and Figure 4 show, Empathy (“Caring, individualized attention”) was the most significant contributor to member loyalty. All but Tangibles (again, with comments largely “compressed” to fit here) appear to be material contributors in the positive loyalty equation.

Table 12

Pareto Analysis — SERVQUAL Drivers of Promotion

SERVQUAL Promoter Drivers	% of Total	Cumulative %
Empathy	26.88%	26.88%
Assurance	23.97%	50.85%
Responsiveness	21.43%	72.27%
Reliability	19.64%	91.92%
Tangibles	8.08%	100.00%

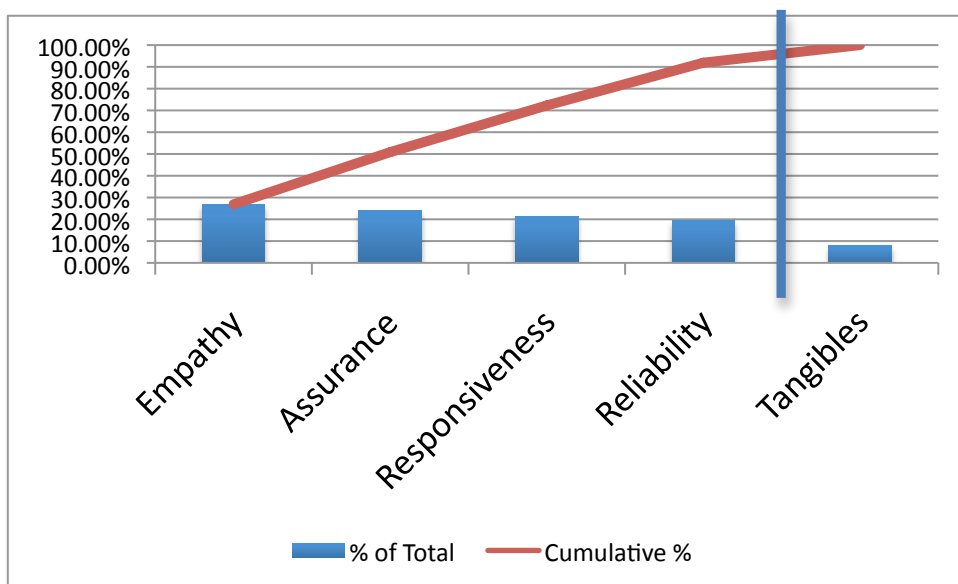


Figure 4. Pareto analysis of SERVQUAL drivers of promotion.

Table 13 and Figure 5 present the Pareto analysis for Promoter drivers within the SQ+ model. Of note here, is that the top five dimensions are indeed four of the original five of SERVQUAL. These four contribute to roughly 74% of the overall Promoter total.

Also noteworthy is that Tangibles, in this model, is completely devoid of any comments: literally zero contribution to the aggregate total.

Table 13

Pareto Analysis — SQ+ Drivers of Promotion

SQ+ Promoter Drivers	% of Total	Cumulative %
Empathy	26.88%	26.88%
Assurance	23.97%	50.85%
Responsiveness	15.41%	66.26%
Reliability	7.52%	73.78%
Relationship	7.24%	81.02%
Convenience	6.02%	87.03%
Rates	5.83%	92.86%
Products/Services	5.08%	97.94%
Fees	2.07%	100.00%
Tangibles	0.00%	100.00%

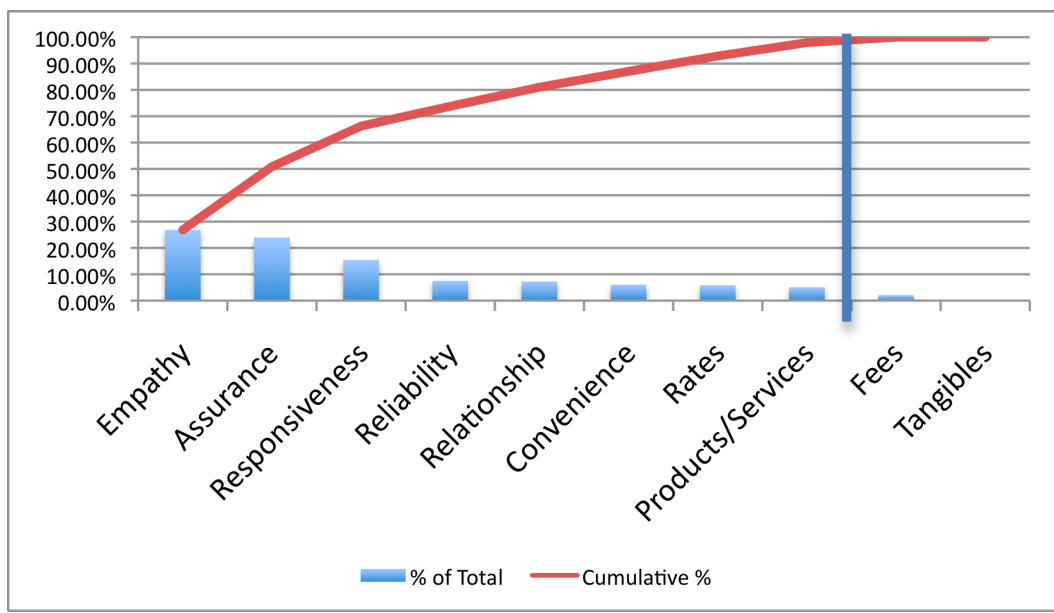


Figure 5. Pareto analysis — SQ+ drivers of promotion.

Tables 14 and 15 show the frequency distribution of Detractor comments within the SERVQUAL and SQ+ models, respectively. These are presented as the foundations for the Pareto tables and charts which follow in this chapter.

Table 14

Frequency Distribution — Drivers of Detraction Sorted to SERVQUAL Dimensions

Overall	Detractors	SERVQUAL	Total	Percent
5	Not knowledgeable	Assurance		
3	Discourteous	Assurance		
3	Poor communication	Assurance		
3	Not friendly	Assurance		
3	Not easy to work with	Assurance		
3	Not distinct	Assurance		
1	People (could be better)	Assurance		
1	Disorganized	Assurance	22	14.29%
11	Impersonal	Empathy		
5	Poor service	Empathy		
1	Too many changes	Empathy		
1	Choose English	Empathy		
1	Becoming more like a bank	Empathy	19	12.34%
	Inconsistent quality of service			
3	service	Reliability		
2	Inaccurate	Reliability	5	3.25%
44	Inconvenience	Responsiveness		
8	Slow	Responsiveness		
5	Unresponsive Online	Responsiveness		
5	inconvenience/limitations	Responsiveness		
5	Denied for a loan	Responsiveness		
2	Not helpful	Responsiveness		
1	Poor telephone access	Responsiveness	70	45.45%
15	Poor rates/dividends	Tangibles		
11	Fees (high)	Tangibles		
9	Limited experience or usage of the CU	Tangibles		
3	Products (poor or not available)	Tangibles	38	24.68%
154			154	100.00%

Table 15

Frequency Distribution — Drivers of Detraction Sorted to SQ+ Dimensions

Overall	Detractors	SQ+	Total	Percent
5	Not knowledgeable	Assurance		
3	Poor communication	Assurance		
3	Not friendly	Assurance		
3	Not easy to work with	Assurance		
3	Not distinct	Assurance		
3	Discourteous	Assurance		
1	People (could be better)	Assurance		
1	Disorganized	Assurance	22	14.29%
44	Inconvenience	Convenience		
5	Online inconvenience/limitations	Convenience		
1	Poor telephone access	Convenience	50	32.47%
11	Impersonal	Empathy		
5	Poor service	Empathy		
1	Too many changes	Empathy		
1	Choose English	Empathy		
1	Becoming more like a bank	Empathy	19	12.34%
11	Fees (high)	Fees	11	7.14%
9	Limited experience or usage of the CU	Relationship	9	5.84%
3	Products (poor or not available)	Products/Services	3	1.95%
15	Poor rates/dividends	Rates	15	9.74%
3	Inconsistent quality of service	Reliability		
2	Inaccurate	Reliability	5	3.25%
8	Slow	Responsiveness		
5	Unresponsive	Responsiveness		
5	Denied for a loan	Responsiveness		
2	Not helpful	Responsiveness	20	12.99%
0	No Comments	Tangibles	0	0.00%
154			154	100.00%

Table 16 and Figure 6 present the Pareto analysis for Detractor drivers within the SERVQUAL model. Here, time-dimensioned attributes (Responsiveness) and Tangibles combine for over 70% of the Detractor total. This becomes more meaningful, however, when explored in the SQ+ model below.

Table 16

Pareto Analysis — SERVQUAL Drivers of Detraction

SERVQUAL Detractor Drivers	% of Total	Cumulative %
Responsiveness	45.45%	45.45%
Tangibles	24.68%	70.13%
Assurance	14.29%	84.42%
Empathy	12.34%	96.75%
Reliability	3.25%	100.00%

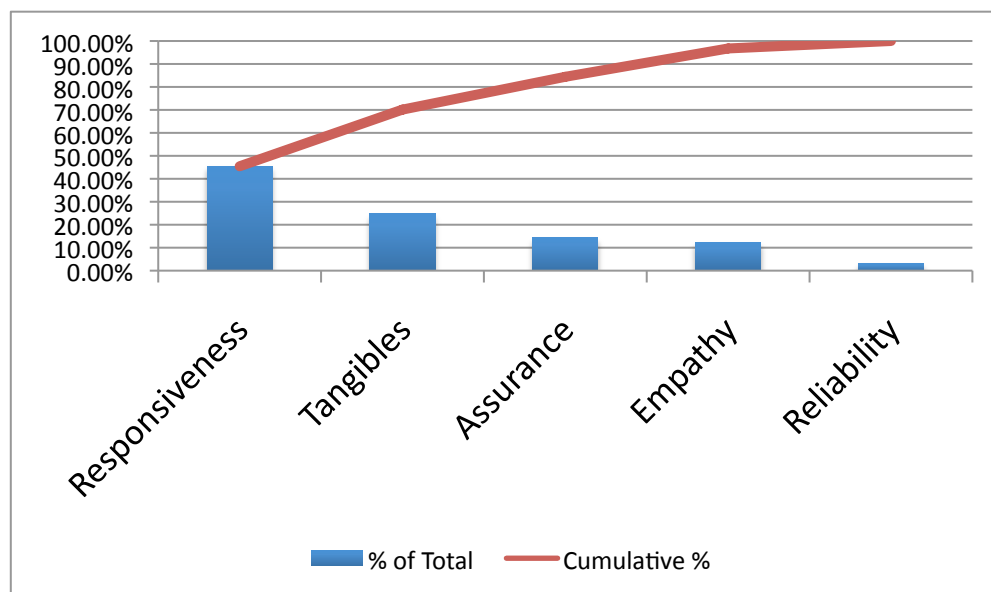
*Figure 6.* Pareto analysis — SERVQUAL drivers of detraction.

Table 17 and Figure 7 present the Pareto analysis for Detractor drivers within the SQ+ model. When “Convenience” is distinguished as its own dimension (and not a part of Responsiveness), and when the various other dimensions are distinguished from Tangibles, a different and more meaningful finding appears. The dimensions change, however Convenience (now ranked first) and Responsiveness (now ranked third) both address time efficiency. This factor was not evident to nearly the same extent in driving loyalty (Promoters). They evidently are significant in this analysis (with roughly 45% of all responses here), in driving detraction.

The primary driver of detraction in the SQ+ model is Convenience, which is not present in SERVQUAL. Convenience was “fit” into Responsiveness in SERVQUAL, as noted earlier, due to its time-dimensioned aspect. When Convenience is more appropriately considered independently, it rises to the top as the primary reason members cite for low NPS ratings.

Table 17

Pareto Analysis — SQ+ Drivers of Detraction

SQ+ Detractor Drivers	% of Total	Cumulative %
Convenience	32.47%	32.47%
Assurance	14.29%	46.75%
Responsiveness	12.99%	59.74%
Empathy	12.34%	72.08%
Rates	9.74%	81.82%
Fees	7.14%	88.96%
Relationship	5.84%	94.81%
Reliability	3.25%	98.05%
Products/Services	1.95%	100.00%
Tangibles	0.00%	100.00%

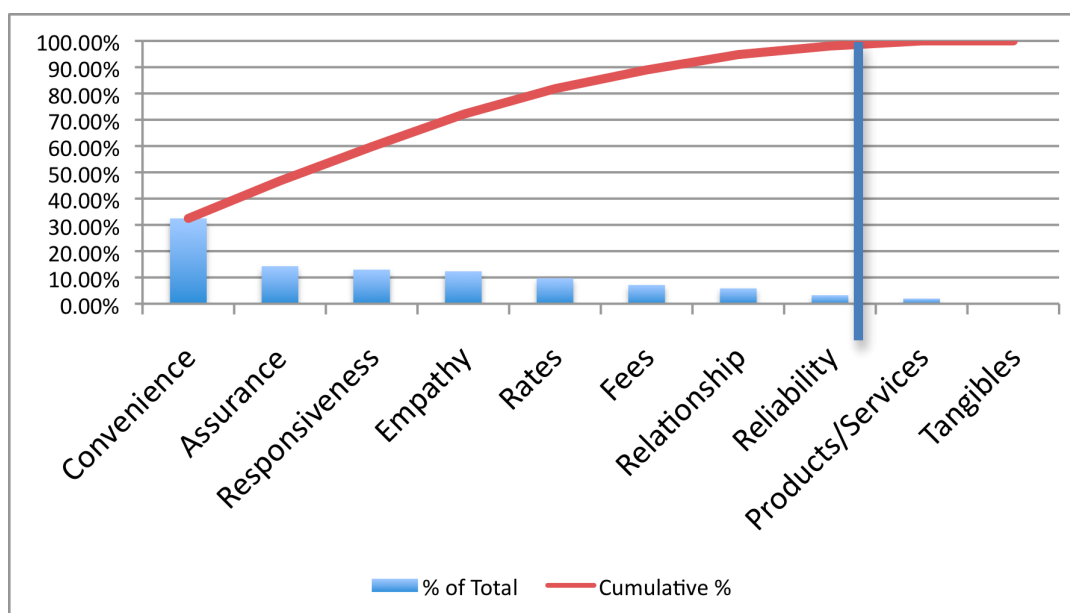


Figure 7. Pareto analysis — SQ+ drivers of detraction.

Research question two: are there differences between promoter and detractor comments once coded? Specifically, research question two asks: Is there a difference in Net Promoter Score ratings segments (0-6 or 9-10) based on the response categories?

As Table 18 below shows, it was effectively impossible to align all Promoter and Detractor comments, as some Detractor comments did not have a Promoter counterpart. (Specifically, this emerged in the following unique Detractor comments, and as shown at the bottom of Table 19: “Denied for a loan,” frustration in having to, “Choose English,” on the audio response line, and the credit union being seen as “Not distinct” from other financial institutions).

Table 18

Comparison of Promoter and Detractor Comments

Promoter Comments	#	%	Detractor Comments	#	%
Service	224	21.05%	Poor service	5	3.25%
Friendly	105	9.87%	Not friendly	3	1.95%
Helpful	98	9.21%	Not helpful	2	1.30%
Long term member	77	7.24%	Limited experience or usage of the CU	9	5.84%
Convenience:					
ATM/branch/online/hours	56	5.26%	Inconvenience	44	28.57%
Rates	62	5.83%	Poor rates/dividends	15	9.74%
Courteous/kind/nice	58	5.45%	Discourteous	3	1.95%
Products/services	52	4.89%	Products (poor or not available)	3	1.95%
No problems/accurate	51	4.79%	Inaccurate	2	1.30%
Efficient/fast/prompt/quick/short wait time	44	4.14%	Slow	8	5.19%
Caring/considerate/member-oriented/respectful/treat like a person/personable	36	3.38%	Impersonal	11	7.14%
Fees	22	2.07%	Fees (high)	11	7.14%
Knowledgeable/well-trained	22	2.07%	Not knowledgeable	5	3.25%
People (employees/named staff)	16	1.50%	People (could be better)	1	0.65%

(continued)

Reliable/always there/consistent	15	1.41%	Inconsistent quality of service & Too Many Changes	4	2.60%
Great to work with	14	1.32%	Not easy to work with	3	1.95%
Responsive	14	1.32%	Unresponsive	5	3.25%
Professional	13	1.22%	Disorganized	1	0.65%
Safe	12	1.13%	No corresponding Detractor comment(s)		
Meets my needs	9	0.85%	Becoming more like a bank	1	0.65%
Trustworthy	9	0.85%	No corresponding Detractor comment(s)		
A credit union/not a bank	8	0.75%	Poor communication	3	1.95%
Online convenience	8	0.75%	No corresponding Detractor comment(s)		
Pleasant	8	0.75%	Online inconvenience/limitations	5	3.25%
Communications	7	0.66%	No corresponding Detractor comment(s)		
Fair	4	0.38%			
Flexible	3	0.28%			
Polite	3	0.28%			
Bill pay	2	0.19%			
Local	2	0.19%			
Patient	2	0.19%			
Security guard	2	0.19%			
Accountable	1	0.09%			
Attentive	1	0.09%			
Easy to reach	1	0.09%	Poor telephone access	1	0.65%
Good attitude	1	0.09%	No corresponding Detractor comment(s)		
Live operators	1	0.09%			
Take time with you	1	0.09%			
No corresponding Promoter comment(s)			Denied for a loan	5	3.25%
			Choose English	1	0.65%
			Not distinct	3	1.95%

In applying the Chi-square test for independence with the Promoter and Detractor comments mapped to SERVQUAL, the two groups are demonstrated to not be from the same distribution (see Table 19).

Table 19

Frequency Analysis — Promoter and Detractor Comments Coded to SERVQUAL

SERVQUAL	Promoters		Detractors	
Assurance	255	23.97%	22	14.29%
Empathy	286	26.88%	19	12.34%
Reliability	209	19.64%	5	3.25%
Responsiveness	228	21.43%	70	45.45%
Tangibles	86	8.08%	38	24.68%

The Chi-square test resulted in a P-value of 6.28E-22 (or an incredibly small .000000000000000000000000628). As such, we reject the null hypothesis (which assumed no relationship between the response categories and NPS ratings segments): the two samples are indeed independent.

The data show therefore that the factors which contribute to advocacy and loyalty (Promoters), and the factors which diminish loyalty (Detractors), are indeed distinct.

A similar Chi-square test was performed on the comments mapped to SQ+ (with Tangibles removed in the calculation due the absence of data) as shown in Table 20.

When comparing Promoter and Detractor distributions in SQ+, the two categories appear even more dissimilar. The Chi-square P-value for SQ+ Promoters to Detractors is 1.66E-26 (or 0.000000000000000000000000166). Again, we reject the null hypothesis.

The data show there is a significant difference between what credit unions should do to build loyalty, and what they should not do to keep from diminishing loyalty.

Table 20

Distribution of Promoters and Detractors When Mapped to SQ+

SQ+	Promoters		Detractors	
Assurance	255	23.97%	22	14.29%
Convenience	64	6.02%	50	32.47%
Empathy	286	26.88%	19	12.34%
Fees	22	2.07%	11	7.14%
Relationship	77	7.24%	9	5.84%
Products/Services	54	5.08%	3	1.95%
Rates	62	5.83%	15	9.74%
Reliability	80	7.52%	5	3.25%
Responsiveness	164	15.41%	20	12.99%
Tangibles	0	0.00%	0	0.00%

Research question three: do responses to the “likelihood to recommend” question validate SERVQUAL’s reported priorities? Research question three asked: To what extent do the response categories offered by respondents who gave ratings of 9 or 10 (Promoter segment) conform to the five SERVQUAL dimensions? The goal here was to discover if the frequencies emerging from the NPS question responses would parallel the findings found in the original SERVQUAL research.

Table 21

SERVQUAL Dimensions: Bank Customer Criteria for Evaluating Service Quality

Dimension of Service Quality	Description	% of Respondents Indicating Dimension is Most Important
Tangibles	Appearance of physical facilities, equipment, personnel, and communication materials	1.1
Reliability	Ability to perform the promised service dependably and accurately	42.1
Responsiveness	Willingness to help customers and provide prompt service	18.0
Assurance	Knowledge and courtesy of employees and their ability to convey trust and confidence	13.6
Empathy	Caring, individualized attention the firm provides its customers	25.1

(Zeithaml, et. al, 1990)

Zeithaml, et al., (1990) reported the relative importance of each of the five SERVQUAL dimensions (reported in Table 21). The frequency of members’ NPS responses in the current study mapped to the SERVQUAL dimensions is shown in Table 22. Finally, the expected findings from Table 22 (if “likelihood to recommend” Promoter comments had perfectly correlated with SERVQUAL) are projected in Table 23. Using

the logic of frequency of response as an indicator of relative importance, a comparative Chi-square “goodness of fit” test was performed between the current findings and those of the original SERVQUAL research.

Table 22

Promoter Comment Frequency to Expected SERVQUAL Findings

PROMOTER'S CRITERIA	Promoter comments: counts and percents		% of SERVQUAL respondents indicating dimension is most important
Empathy	286	26.88%	25.10%
Assurance	255	23.97%	13.60%
Responsiveness	228	21.43%	18.00%
Reliability	209	19.64%	42.10%
Tangibles	86	8.08%	1.10%

As apparent by observing the differences between the center and right columns in Table 22 above — note Empathy ranks first in the Promoter comments, yet Reliability is first in the SERVQUAL ratings — the resulting P-value emerged as less than 0.0001, and thus the null hypothesis is rejected. The NPS data are not sampled from the expected original distribution. The NPS and SERVQUAL findings differ.

Table 23 shows the expected values that would have emerged (with perfect correlation) if we had failed to reject the null, and the samples been of similar distributions.

Again, the most obvious difference: SERVQUAL research reported that Reliability was the most influential factor (at 42%). In fact, in every category but Reliability, the observed values exceeded the expected.

The current study finds Empathy to be most important to credit union members (26.88%).

Table 23

Chi-Square Results — Expected Promoter Comment Frequency Based on SERVQUAL

Chi-Square Results	Observed Promoters	Expected #	Expected SERVQUAL
Assurance	255	144.704	13.60%
Empathy	286	267.064	25.10%
Reliability	209	447.944	42.10%
Responsiveness	228	191.52	18.00%
Tangibles	86	11.704	1.10%

Per the earlier findings, Promoter and Detractor comments and corresponding categories were demonstrated to be significantly different. Perhaps, then, the Detractor findings would better conform with those of SERVQUAL? This test was also performed (see Table 24).

Table 24

Detractor Comment Frequency to Expected SERVQUAL Findings

DETRACTOR'S CRITERIA	Detractor comments: counts and percents		% of SERVQUAL respondents indicating dimension is most important
Assurance	22	14.29%	13.60%
Empathy	19	12.34%	25.10%
Reliability	5	3.25%	42.10%
Responsiveness	70	45.45%	18.00%
Tangibles	38	24.68%	1.10%

Again, the answer shows the findings come from separate distributions. Here again, the P-value is less than 0.0001, the difference considered statistically significant, and the null is once more rejected.

We earlier learned that Promoter and Detractor drivers are different from the results to question two. We now also know that neither Promoter or Detractor comments conform to SERVQUAL.

As with the Promoters above, expected Detractor results (had the test failed to reject the null hypothesis) are shown in Table 25. This table shows that only Assurance is even close between the number of observed Detractor comment and the number that would have been expected if the Detractor comments had conformed to the priorities of SERVQUAL. The order of results is again different. With Detractors, Responsiveness issues are most frequently mentioned. Again, with SERVQUAL, the highest priority dimension is Reliability.

Table 25

Chi-Square Results — Expected Detractor Comment Frequency Based on SERVQUAL

Chi-Square Results	Observed Detractors	Expected #	Expected SERVQUAL
Assurance	22	20.944	13.60%
Empathy	19	38.654	25.10%
Reliability	5	64.834	42.10%
Responsiveness	70	27.72	18.00%
Tangibles	38	1.694	1.10%

The observed values of Assurance, Responsiveness, and Tangibles exceeded the expected values in the Chi-square test. Observed Reliability was dramatically lower than the expected value, and observed Empathy was less than half of that which would have been expected if the observed sample had come from the same distribution.

Research question four: are there differences between promoter and detractor ratings based on demographic characteristics of respondents (age, income, or gender)? This question explores if gender, age, or income of the respondents led to any differences in Promoter or Detractor findings.

Differences by gender. Table 26 shows the coded Promoter and Detractor responses by gender.

Table 26

Promoter and Detractor Responses by Gender

	<u>Males</u>		<u>Females</u>	
	<i>n</i>	%	<i>n</i>	%
Promoters	377	83.41%	676	89.30%
Detractors	75	16.5% ⁹	81	10.70%

In conducting a Chi-square test for independence, the resulting P-value is 0.903. This is greater than the alpha of .05, and thus we fail to reject the null hypothesis. The results show that there is not a significant difference between responses of men and women.

Differences by age. Table 27 reports the total number of comments and percentages for Promoters and Detractors by age.

Table 27

Promoter and Detractor Responses by Age

<u>Age</u>	<u>18-24</u>	<u>25-34</u>	<u>35-44</u>	<u>45-54</u>	<u>55-64</u>	<u>65-74</u>	<u>75+</u>
Promoters	100.00%	77.05%	79.62%	85.44%	84.36%	92.27%	97.37%
	17	47	125	223	275	215	148
Detractors	0.00%	22.95%	20.38%	14.56%	15.64%	7.73%	2.63%
	0	14	32	36	51	18	4

As age segments 18-24 had no Detractors, and segment 75+ had only four Detractors, these age groups were thus omitted from the analysis, as well as grouped with the adjacent stratum. That is, in the first analysis (see Table 28), the two extremes were removed. In a second analysis (see Table 29), the two extreme strata were combined with the adjacent segment to form two new “end groups”: 18-34 and 65+.

Table 28

Promoter and Detractor Totals by Age (18-24 And 75+ Removed)

Age	25-34	35-44	45-54	55-64	65-74
Promoters	77.05%	79.62%	85.44%	84.36%	92.27%
	47	125	223	275	215
Detractors	22.95%	20.38%	14.56%	15.64%	7.73%
	14	32	36	51	18

When truncating (and removing) the low response end strata (youngest and oldest categories) and applying a Chi-square test, the P-Value = 0.002055. This is less than alpha (.05), and thus we reject the null hypothesis. There is a significant difference in responses by age.

Table 29

Promoter and Detractor Totals by Age (End Strata, 18-34 and 65+, Consolidated)

Age	18-34	35-44	45-54	55-64	65+
Promoters	82.05%	79.62%	85.44%	84.36%	94.29%
	64	125	223	275	363
Detractors	17.95%	20.38%	14.56%	15.64%	5.71%
	14	32	36	51	22

When combining the youngest and oldest categories (18-24 and 25-34 into 18-34) and (65-74 and 75+ into 65+), and again ran Chi-square, this time resulting in a P-value of 0.00000545. With a finding once again well below .05, again the null hypothesis is again rejected. NPS ratings do indeed differ by age.

It appears above that members become more accepting or forgiving (likely to be Promoters) as they age. As evidenced in Table 30 above, only with the slight dip in age 55-64, there is a consistent rise in percent of Promoters (and corresponding drop in Detractors) as age increases.

Differences by income. Table 30 shows the number and percentage responses of Promoters and Detractors by income. Due to the low Detractor numbers, the test validity is called into question. Still, in running the Chi-square test with all age groups (see Table 31, P-value = 0.000000404), and only the first four age groups due to usable sample sizes (see Table 32, P-value = 0.000000396), and finally the last age groups consolidated into \$75k+ (see Table 33, P-value = 0.000408), all tests show a P-value well below .05. Thus, in all cases, the null hypothesis that there is no difference between the response ratings based on income is rejected.

Table 30

Promoter and Detractor Totals by Income

Income	<25K	25-49K	50-74K	75-99K	100-125K	>125K
Promoters	82.93%	89.63%	95.42%	57.14%	92.59%	100.00%
	447	311	125	12	25	22
Detractors	17.07%	10.37%	4.58%	42.86%	7.41%	0.00%
	92	36	6	9	2	0

Table 31

Promoter and Detractor Responses by Income

Income	<25K	25-49K	50-74K	75-99K	100-125K	>125K
Promoters	447	311	125	12	25	22
Detractors	92	36	6	9	2	0

Note. Chi-square P-value: 0.000000404

Table 32

Promoter and Detractor Responses by Income (Over 100k Omitted)

Income	<25K	25-49K	50-74K	75-99K
Promoters	447	311	125	12
Detractors	92	36	6	9

Note. Chi-square P-value: 0.000000396

Table 33

Promoter and Detractor Responses by Income (75-99k and Above Consolidated)

Income	<25K	25-49K	50-74K	75K+
Promoters	447 82.93%	311 89.63%	125 95.42%	59 84.29%
Detractors	92 17.07%	36 10.37%	6 4.58%	11 15.71%

Note. Chi-square P-value: 0.000408

Income does evidently play a role in one's likelihood to recommend. Table 33 suggests that as income rises, loyalty grows ... but only to a point. When income exceeds \$75,000, the percentage of Promoters tends to wane. Specifically, promotion grows and detraction lessens up to \$50-\$74k. Promotion appears to initially drop above the \$75k income level. A large sample size may have shown if this trend would have continued. As such, further research with larger sample sizes here would be useful to explore this interpretation/finding.

Research question five: is there a difference in response categories based on demographic characteristics of respondents (age, income, or gender)? This question explored if the response categories which emerged in coding the comments would differ by demographic categories (age, income and gender). As Table 48 (at the conclusion of this chapter) shows, due to the large number of categories (and correspondingly, few to no responses per category) analysis of this nature would prove fruitless. Thus, a different approach was needed. To address this question SERVQUAL results were applied, as the model had only five categories and thus more populated cells.

Note: the raw data tables of all Promoter and Detractor responses by category for age, income and gender are included at the end of this chapter for reference.

Promoter responses. Table 34 shows the number of Promoter responses among all demographic segments by SERVQUAL dimensions. Each of the Promoter responses for the three segments (age, gender, and income) was analyzed with a Chi-square test for independence, with the following results.

Table 34

Promoter Responses — SERVQUAL by Demographics (Age, Gender, Income)

Promoters	18-24	25-34	35-44	45-54	55-64	64-75	75+	Males	Females	<25k	25-49k	50-74k	75-99k	100-125k	>125k
Assurance	5	9	22	49	68	53	45	93	161	118	69	30	3	2	3
Empathy	5	19	35	54	71	63	36	106	178	128	86	28	3	7	7
Reliability	2	9	21	43	44	55	33	69	139	88	60	29	0	8	1
Responsiveness	3	7	29	61	68	30	27	79	144	81	69	30	1	5	8
Tangibles	2	3	18	16	24	14	7	30	54	32	27	8	5	3	3

Table 35

Promoter Responses — SERVQUAL Dimensions by Age

Promoters	18-24	25-34	35-44	45-54	55-64	64-75	75+
Assurance	5	9	22	49	68	53	45
Empathy	5	19	35	54	71	63	36
Reliability	2	9	21	43	44	55	33
Responsiveness	3	7	29	61	68	30	27
Tangibles	2	3	18	16	24	14	7

Tables 35 and 36 show promoter responses mapped to SERVQUAL by age. The results are statistically significant when tested with Chi-square (P-value = .02). This is below the .05 threshold; the null hypothesis is thus rejected. As with research question four, the findings again show there are significant differences by age.

This is further validated when ages 18-24 and 25-34 are combined and shown with all age segments in Table 37 and Table 38. The Chi-square test here returns a P-value of .024 (again below .05), and again statistically significant.

Table 36

Promoter Response Percentages — SERVQUAL Dimensions by Age

Promoters	18-24	25-34	35-44	45-54	55-64	64-75	75+
	29.41	19.15	17.60	21.97	24.73	24.65	30.41
Assurance	%	%	%	%	%	%	%
	29.41	40.43	28.00	24.22	25.82	29.30	24.32
Empathy	%	%	%	%	%	%	%
	11.76	19.15	16.80	19.28	16.00	25.58	22.30
Reliability	%	%	%	%	%	%	%
Responsiveness	17.65	14.89	23.20	27.35	24.73	13.95	18.24
	%	%	%	%	%	%	%
	11.76		14.40				
Tangibles	%	6.38%	%	7.17%	8.73%	6.51%	4.73%

Table 37

Promoter Responses — SERVQUAL Dimensions by Age (18-34 Consolidated)

Promoters	18-34	35-44	45-54	55-64	64-75	75+
Assurance	14	22	49	68	53	14
Empathy	24	35	54	71	63	24
Reliability	11	21	43	44	55	11
Responsiveness	10	29	61	68	30	10
Tangibles	5	18	16	24	14	5

Table 38

Promoter Response Percentages — SERVQUAL by Age (18-34 Consolidated)

Promoters	18-34	35-44	45-54	55-64	64-75	75+
Assurance	21.88%	17.60%	21.97%	24.73%	24.65%	21.88%
Empathy	37.50%	28.00%	24.22%	25.82%	29.30%	37.50%
Reliability	17.19%	16.80%	19.28%	16.00%	25.58%	17.19%
Responsiveness	15.63%	23.20%	27.35%	24.73%	13.95%	15.63%
Tangibles	7.81%	14.40%	7.17%	8.73%	6.51%	7.81%

It appears that the two extremes (youngest and oldest members) appreciate Empathy yet the middle age groups are less concerned here. Conversely, the middle age segments appear to be more attentive to time-dimensioned factors in Responsiveness.

Table 39 shows Promoters to SERVQUAL by Gender. As with the earlier test, gender is not shown to be significant in likelihood to promote a credit union. With a resulting P-value = .91, the findings fail to reject the null hypothesis.

Table 39

Promoter Responses — SERVQUAL Dimensions by Gender

Promoters	Males	Females
Assurance	93	161
Empathy	106	178
Reliability	69	139
Responsiveness	79	144
Tangibles	30	54

Table 40

Promoter Responses — SERVQUAL Dimensions by Income

Promoters	<25k	25-49k	50-74k	75-99k	100-125k	>125k
Assurance	118	69	30	3	2	3
Empathy	128	86	28	3	7	7
Reliability	88	60	29	0	8	1
Responsiveness	81	69	30	1	5	8
Tangibles	32	27	8	5	3	3

Table 40 shows Promoters to SERVQUAL by Income. The small response numbers for incomes of \$75k and above suggest that a more meaningful analysis would be to consolidate all such categories into one. As such, Table 41 consolidates income ranges of \$75k, \$100k-125k, and \$125k+ into a single category (“\$75k+”) into which all the aforementioned higher income values are combined. The Chi-square test applied to

this table results in a P-value =.093, which is not significant. Thus we fail to reject the null hypothesis, and cannot say there is a difference in SERVQUAL dimension by income.

Table 41

Promoter Responses — SERVQUAL Dimensions by Income

Promoters	<25k	25-49k	50-74k	75+
Assurance	118	69	30	8
Empathy	128	86	28	17
Reliability	88	60	29	9
Responsiveness	81	69	30	15
Tangibles	32	27	8	11

Detractor responses. In the following tables, age, gender, and income were also applied to Detractor responses. As Table 42 shows, Tangibles received literally zero responses from age group 18-24, and thus are removed in subsequent Detractor age-related tables and Chi-square analyses.

Table 42

Detractor Responses — SERVQUAL by Demographics (Age, Gender, Income)

Detractors	Age							Gender		Income					
	18-24	25-34	35-44	45-54	55-64	64-75	75+	Males	Females	<25k	25-49k	50-74k	75-99k	100-125k	>125k
Assurance	0	2	1	6	8	3	0	13	8	16	3	1	1	0	0
Empathy	0	0	5	3	9	2	0	7	12	12	3	2	1	0	0
Reliability	0	0	0	3	2	0	0	2	3	2	1	1	0	1	0
Responsiveness	0	7	15	18	19	9	2	31	39	39	18	0	5	1	0
Tangibles	0	5	11	6	10	3	1	17	17	18	10	2	2	0	0

Table 43 explores the age by Detractor responses question within the SERVQUAL model. With a Chi-square analysis producing a P-value of 0.598 (greater than alpha

.05), the findings are not significant (and fail to reject the null hypothesis). In this analysis, age does not appear to be a distinguishing factor in Detractor comments.

Table 43

Detractor Responses — SERVQUAL by Age (18-24 Omitted)

Detractors	25-34	35-44	45-54	55-64	64-75	75+
Assurance	2	1	6	8	3	0
Empathy	0	5	3	9	2	0
Reliability	0	0	3	2	0	0
Responsiveness	7	15	18	19	9	2
Tangibles	5	11	6	10	3	1

Even after consolidating the older age groups into “65+” (Table 44), again the results are not significant (P-value = 0.412), and age of Detractors is not differentiating.

Table 44

Detractor Responses — SERVQUAL by Age (64 and 75+ Consolidated)

Detractors	25-34	35-44	45-54	55-64	64+
Assurance	2	1	6	8	3
Empathy	0	5	3	9	2
Reliability	0	0	3	2	0
Responsiveness	7	15	18	19	11
Tangibles	5	11	6	10	4

Table 45 shows respondent data for Detractor comments by income. Here again, the Chi-square test failed to reject the null (P-value = 0.368).

Table 45

Detractor Responses — SERVQUAL by Income (75k and Above Consolidated)

Detractors	<25k	25-49k	50-74k	75k+
Assurance	16	3	1	1
Empathy	12	3	2	1
Reliability	2	1	1	1
Responsiveness	39	18	0	6
Tangibles	18	10	2	2

Detractor comments to SERVQUAL by gender — Table 46 — similarly proved insignificant when running a Chi-square test. The P-value here was 0.543, and as greater than .05, fails to reject the null hypothesis. We again cannot assert that the distributions are different.

Table 46

Detractor Responses — SERVQUAL by Gender

Detractors	Males	Females
Assurance	13	8
Empathy	7	12
Reliability	2	3
Responsiveness	31	39
Tangibles	17	17

Thus with each of the Detractor demographics, and possibly due to the low response rates, all tests failed to reject the null hypotheses. This data did not show that demographics were impactful on Detractor findings.

Below are the other tables used to explore the fifth and final research question: demographics by Promoter and Detractor response categories. As noted earlier, the sheer number of categories (and corresponding small number of responses in numerous cells) made analysis of the tables below (Tables 47 to 52) untenable.

Table 47

Promoter Response Categories by Age

Promoters	18-24	25-34	35-44	45-54	55-64	64-75	75+	
A credit union/not a bank	0.00%	4.26%	0.80%	0.00%	0.36%	1.40%	0.68%	
Accountable	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.68%	
No problems/accurate	5.88%	4.26%	3.20%	5.38%	2.55%	7.91%	4.73%	
Reliable/always there/consistent	0.00%	0.00%	3.20%	0.90%	0.36%	1.86%	2.70%	
Convenience:								
ATM/branch/online/hours	0.00%	0.00%	7.20%	5.38%	8.36%	4.19%	2.03%	
Attentive	0.00%	0.00%	0.80%	0.00%	0.00%	0.00%	0.00%	
Bill pay	0.00%	0.00%	0.00%	0.45%	0.00%	0.00%	0.00%	
Caring/considerate/member- oriented/respectful/treat like a person/personable	11.76%	0.00%	2.40%	4.04%	2.18%	4.19%	4.73%	
Communications	0.00%	0.00%	0.80%	1.35%	0.36%	0.93%	0.00%	
Courteous/kind/nice	5.88%	4.26%	3.20%	4.48%	4.36%	7.44%	8.11%	
Easy to reach	0.00%	0.00%	0.00%	0.45%	0.00%	0.00%	0.00%	
Efficient/fast/prompt/quick/short wait time	5.88%	2.13%	2.40%	4.04%	5.82%	2.79%	5.41%	
Fair	0.00%	0.00%	0.00%	0.00%	0.36%	0.47%	1.35%	
Fees	5.88%	2.13%	6.40%	1.79%	1.45%	0.93%	1.35%	
Flexible	0.00%	0.00%	0.80%	0.00%	0.36%	0.47%	0.00%	
Friendly	17.65%	8.51%	8.80%	9.42%	10.91%	8.84%	10.81%	
Good attitude	0.00%	0.00%	0.00%	0.45%	0.00%	0.00%	0.00%	
Great to work with	0.00%	2.13%	0.80%	1.35%	1.82%	1.40%	0.68%	
Helpful	11.76%	10.64%	8.80%	13.90%	6.91%	6.05%	10.14%	
Knowledgeable/well-trained	0.00%	2.13%	1.60%	1.79%	2.91%	0.93%	3.38%	
Live operators	0.00%	0.00%	0.80%	0.00%	0.00%	0.00%	0.00%	
Local	0.00%	0.00%	0.80%	0.00%	0.36%	0.00%	0.00%	
Long time member	0.00%	6.38%	5.60%	5.83%	6.18%	10.70%	9.46%	
Meets my needs	5.88%	2.13%	0.00%	0.90%	0.36%	1.40%	0.00%	
Online convenience	0.00%	2.13%	0.80%	1.35%	1.09%	0.00%	0.00%	
Patient	0.00%	0.00%	0.00%	0.00%	0.00%	0.47%	0.68%	
People (employees/named staff)	0.00%	2.13%	0.80%	1.35%	2.55%	0.47%	2.03%	
Pleasant	0.00%	0.00%	0.00%	0.45%	0.36%	1.40%	1.35%	
Polite	5.88%	0.00%	0.00%	0.45%	0.36%	0.00%	0.00%	
Products/services	0.00%	6.38%	4.80%	6.28%	6.18%	3.26%	3.38%	
Professional	0.00%	0.00%	0.00%	0.90%	1.45%	1.40%	2.03%	
Rates	5.88%	4.26%	8.00%	4.93%	7.27%	5.58%	3.38%	
Responsive	0.00%	0.00%	1.60%	1.79%	1.82%	0.47%	0.68%	
Safe	0.00%	2.13%	1.60%	0.90%	0.36%	1.40%	2.03%	
Security guard	0.00%	0.00%	0.00%	0.00%	0.00%	0.93%	0.00%	
Service	17.65%	34.04%	23.20%	18.83%	21.09%	21.86%	17.57%	
Take time with you	0.00%	0.00%	0.00%	0.00%	0.36%	0.00%	0.00%	
Trustworthy	0.00%	0.00%	0.80%	0.90%	1.09%	0.93%	0.68%	
	1050	17	47	125	223	275	215	148

Table 49

Promoter Response Categories by Gender

Promoters	Males	Females
A credit union/not a bank	0.53%	0.89%
Accountable	0.00%	0.15%
No problems/accurate	3.71%	5.47%
Reliable/always there/consistent	1.59%	1.33%
Convenience: ATM/branch/online/hours	5.04%	5.33%
Attentive	0.27%	0.00%
Bill pay	0.00%	0.15%
Caring/considerate/member-oriented/respectful/treat like a person/personable	3.18%	3.55%
Communications	0.53%	0.74%
Courteous/kind/nice	5.04%	5.62%
Easy to reach	0.27%	0.00%
Efficient/fast/prompt/quick/short wait time	4.24%	4.14%
Fair	0.27%	0.44%
Fees	0.80%	2.81%
Flexible	0.53%	0.15%
Friendly	11.41%	9.17%
Good attitude	0.00%	0.15%
Great to work with	1.59%	1.18%
Helpful	8.75%	9.17%
Knowledgeable/well-trained	1.86%	2.22%
Live operators	0.27%	0.00%
Local	0.27%	0.15%
Long Time Member	7.96%	6.95%
Meets my needs	0.53%	0.89%
Online convenience	0.27%	1.04%
Patient	0.00%	0.30%
People (employees/named staff)	1.59%	1.48%
Pleasant	0.53%	0.89%
Polite	0.27%	0.30%
Products/services	4.24%	5.33%
Professional	1.59%	1.04%
Rates	7.16%	5.03%
Responsive	1.33%	1.18%
Safe	1.33%	1.04%
Security guard	0.00%	0.30%
Service	22.55%	20.27%
Take time with you	0.00%	0.15%
Trustworthy	0.53%	1.04%
1053	377	676

Table 50

Detractor Response Categories by Gender

Detractors	Males	Females
Inaccurate	0.00%	2.53%
Inconvenience	28.57%	30.38%
Becoming more like a bank	1.43%	0.00%
Care	0.00%	0.00%
Choose English	1.43%	0.00%
Poor communication	4.29%	0.00%
Inconsistent delivery of service	2.86%	1.27%
Discourteous	2.86%	1.27%
Denied for a loan	1.43%	5.06%
Disorganized	1.43%	0.00%
Not distinct	1.43%	2.53%
Fees (high)	4.29%	8.86%
Not friendly	1.43%	2.53%
Not helpful	1.43%	1.27%
Impersonal	5.71%	8.86%
Not knowledgeable	1.43%	3.80%
Limited experience or usage of the CU	7.14%	5.06%
Not easy to work with	4.29%	0.00%
Online inconvenience/limitations	5.71%	1.27%
People	1.43%	0.00%
Poor rates/dividends	10.00%	6.33%
Products (poor or not available)	2.86%	1.27%
Poor service	1.43%	5.06%
Slow	2.86%	7.59%
Poor telephone access	1.43%	0.00%
Too many changes	0.00%	1.27%
Unresponsive	2.86%	3.80%
149	70	79

Table 51

Promoter Response Categories by Income

Promoters	<25k	25-49k	50-74k	75-99k	100-125k	>125k
A credit union/not a bank	0.45%	1.93%	0.00%	0.00%	0.00%	0.00%
Accountable	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
No problems/accurate	4.47%	4.82%	5.60%	0.00%	12.00%	0.00%
Reliable/always there/consistent	1.57%	1.29%	2.40%	0.00%	4.00%	0.00%
Convenience:						
ATM/branch/online/hours	4.25%	8.04%	4.00%	0.00%	8.00%	9.09%
Attentive	0.00%	0.00%	0.80%	0.00%	0.00%	0.00%
Bill pay	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%
Caring/considerate/member-oriented/respectful/treat like a person/personable	3.36%	3.86%	1.60%	8.33%	4.00%	4.55%
Communications	0.89%	0.96%	0.00%	0.00%	0.00%	0.00%
Courteous/kind/nice	6.04%	2.89%	8.00%	0.00%	0.00%	0.00%
Easy to reach	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Efficient/fast/prompt/quick/short wait time	2.91%	4.18%	6.40%	0.00%	0.00%	9.09%
Fair	0.22%	0.64%	0.80%	0.00%	0.00%	0.00%
Fees	1.34%	3.22%	1.60%	8.33%	4.00%	4.55%
Flexible	0.22%	0.32%	0.00%	0.00%	0.00%	0.00%
Friendly	11.63%	9.32%	7.20%	0.00%	8.00%	9.09%
Good attitude	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%
Great to work with	2.24%	0.96%	0.80%	0.00%	0.00%	0.00%
Helpful	8.05%	8.04%	12.00%	8.33%	12.00%	4.55%
Knowledgeable/well-trained	2.01%	1.93%	3.20%	8.33%	0.00%	0.00%
Live operators	0.00%	0.32%	0.00%	0.00%	0.00%	0.00%
Local	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%
Long time member	7.61%	6.43%	8.00%	0.00%	16.00%	0.00%
Meets my needs	0.89%	0.32%	1.60%	0.00%	0.00%	0.00%
Online convenience	0.89%	0.32%	0.80%	0.00%	0.00%	9.09%
Patient	0.22%	0.00%	0.80%	0.00%	0.00%	0.00%
People (employees/named staff)	0.89%	2.25%	0.80%	8.33%	0.00%	0.00%
Pleasant	0.67%	0.32%	2.40%	0.00%	0.00%	0.00%
Polite	0.45%	0.32%	0.00%	0.00%	0.00%	0.00%
Products/services	4.92%	5.79%	4.80%	0.00%	0.00%	4.55%
Professional	2.01%	0.64%	0.80%	0.00%	0.00%	4.55%
Rates	5.59%	5.47%	4.80%	33.33%	8.00%	9.09%
Responsive	1.12%	0.96%	0.80%	0.00%	0.00%	4.55%
Safe	0.89%	2.25%	0.80%	0.00%	0.00%	0.00%
Security guard	0.22%	0.32%	0.00%	0.00%	0.00%	0.00%
Service	22.15%	20.90%	18.40%	16.67%	24.00%	27.27%
Take time with you	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%
Trustworthy	0.67%	0.96%	0.80%	8.33%	0.00%	0.00%
	942	447	311	125	25	22

Table 52

Detractor Response Categories by Income

Detractors	<25k	25-49k	50-74k	75-99k	100-125k	>125k
Inaccurate	1.15%	2.86%	0.00%	0.00%	0.00%	0.00%
Inconvenience	25.29%	31.43%	0.00%	55.56%	50.00%	0.00%
Becoming more like a bank	1.15%	0.00%	0.00%	0.00%	0.00%	0.00%
Care	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Choose English	1.15%	0.00%	0.00%	0.00%	0.00%	0.00%
Poor communication	3.45%	0.00%	0.00%	0.00%	0.00%	0.00%
Inconsistent delivery of service	1.15%	0.00%	16.67%	0.00%	50.00%	0.00%
Discourteous	1.15%	2.86%	0.00%	11.11%	0.00%	0.00%
Denied for a loan	3.45%	2.86%	0.00%	0.00%	0.00%	0.00%
Disorganized	1.15%	0.00%	0.00%	0.00%	0.00%	0.00%
Not distinct	3.45%	0.00%	0.00%	0.00%	0.00%	0.00%
Fees (high)	5.75%	11.43%	0.00%	11.11%	0.00%	0.00%
Not friendly	3.45%	0.00%	0.00%	0.00%	0.00%	0.00%
Not helpful	2.30%	0.00%	0.00%	0.00%	0.00%	0.00%
Impersonal	6.90%	5.71%	33.33%	11.11%	0.00%	0.00%
Not knowledgeable	3.45%	2.86%	0.00%	0.00%	0.00%	0.00%
Limited experience or usage of the CU	5.75%	8.57%	0.00%	0.00%	0.00%	0.00%
Not easy to work with Online	2.30%	0.00%	16.67%	0.00%	0.00%	0.00%
inconvenience/limitations	3.45%	5.71%	0.00%	0.00%	0.00%	0.00%
People	0.00%	2.86%	0.00%	0.00%	0.00%	0.00%
Poor rates/dividends	9.20%	2.86%	33.33%	0.00%	0.00%	0.00%
Products (poor or not available)	0.00%	5.71%	0.00%	11.11%	0.00%	0.00%
Poor service	4.60%	2.86%	0.00%	0.00%	0.00%	0.00%
Slow	5.75%	8.57%	0.00%	0.00%	0.00%	0.00%
Poor telephone access	1.15%	0.00%	0.00%	0.00%	0.00%	0.00%
Too many changes	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unresponsive	3.45%	2.86%	0.00%	0.00%	0.00%	0.00%
139	87	35	6	9	2	0

Summary

This chapter presented the findings of the study. In short, drivers of Promotion and Detraction were shown to be of different distributions and thus not merely opposites. Among credit union members, that which leads to advocacy is different than that which leads to detraction. The personal “human” experience is critical to building loyalty.

Lack of easy access (convenience) and competitive rates and fees are the key drivers of detraction.

The analysis herein also demonstrated that the SERVQUAL model and its five dimensions (Empathy, Assurance, Reliability, Responsiveness, and especially Tangibles) were insufficient to use in understanding drivers of loyalty. Instead, as a result of the research, five new dimensions in a new model were needed and a new model (SQ+) was introduced. Those five additional dimensions: Convenience, Rates, Fees, Products/Services, and Relationship (the latter being defined by the length and depth of a members' knowledge and experience with the credit union).

Finally, demographic analysis showed that age and income have significant impact on Promoter and Detractor frequencies, and that age and SERVQUAL ratings are significantly related.

Chapter Five

Interpretation and Implications of the Research

Overall implications of the study. A pragmatic goal of this study was to help credit unions build positive, advocating relationships with members, and create such positive experiences with members that they recommend the credit union to others. Word of mouth is critical for credit unions to obtain organic growth, and a key driver of product purchasing (Arndt, 1967; Banerjee, 1992; Bayus, 1985; Godes & Mayzlin, 2004). The Net Promoter Score, utilized throughout this study, measures the ratio of positive to negative word of mouth.

Credit unions are also best served when they create “good” (as opposed to “bad”) profits, and their members, as a result, “promote” the credit through positive word of mouth (Reichheld, 2005). Good profits are generated from positive customer/member experiences. “Bad profits are earned at the expense of customer relationships” (Reichheld, 2006b, p. 4). The first finding emerging from this study is that creating good profits and minimizing bad profits — and in turn, that which engenders positive vs. negative word of mouth — requires distinct focus and action.

In creating loyalty, offense and defense are not opposites. Promotion and Detraction are not mirror images of each other. The study shows that the factors which create loyalty and maintain relationships (“offense”) are different than those which reduce or challenge loyalty and threaten relationships (“defense”). That is, credit unions must generally focus on “doing” specific dimensions to build loyalty (e.g., Empathy and Assurance); they must also focus on “not doing” different dimensions to lessen loyalty (first and foremost, Convenience).

Offense and defense both appear critical to the loyalty equation. Specifically, the primary factors (Tables 9 and 10 in chapter four, repeated as Tables 53 and 54 below) leading to high promotion scores are different than those leading to high detraction scores.

It may be useful to consider Marcus Buckingham's analysis here in which the author notes, "The radical idea ... is that excellence is not the opposite of failure, and that, as such, you will learn little about excellence from studying failure" (2007, p. 5). Speaking of individuals, Buckingham notes one can never grow to be a market leader by minimizing weaknesses. Only by focusing and leveraging strengths will superiority be achieved. However, pervasive weaknesses must be addressed and brought to an acceptable level, or they will negate strengths.

Table 53

Pareto Analysis — Primary Drivers of Promotion (Truncated above 2% Contribution)

Rank	Drivers of Promotion	Number	% of Total	Cumulative %
1	Service	224	21.05%	21.05%
2	Friendly	105	9.87%	30.92%
3	Helpful	98	9.21%	40.13%
4	Long Term Member (LTM)	77	7.24%	47.37%
5	Rates	62	5.83%	53.20%
6	Courteous/Kind	58	5.45%	58.65%
7	Convenience: ATM/Branch/Hours	56	5.26%	63.91%
8	Products/Services	52	4.89%	68.80%
9	No Problems/Accurate	51	4.79%	73.59%
10	Efficient/Fast	44	4.14%	77.73%
11	Caring/Considerate	36	3.38%	81.11%
12	Fees	22	2.07%	83.18%
12	Knowledgeable	22	2.07%	85.24%

Table 54

Pareto Analysis — Drivers of Detraction (Truncated above 2% Contribution)

Rank	Detractors	Number	% of Total	Cumulative %
1	Inconvenience	44	28.57%	28.57%
2	Poor rates/dividends	15	9.74%	38.31%
3	Impersonal	11	7.14%	45.45%
3	Fees (high)	11	7.14%	52.60%
5	Limited experience or usage of the CU	9	5.84%	58.44%
6	Slow	8	5.19%	63.64%
7	Unresponsive	5	3.25%	66.88%
7	Poor service	5	3.25%	70.13%
7	Online inconvenience/limitations	5	3.25%	73.38%
7	Not knowledgeable	5	3.25%	76.62%
7	Denied for a loan	5	3.25%	79.87%

This is analogous to the Promoter and Detractor factors in contributing to credit union loyalty. To sustain and organically grow, credit unions must develop Promoters — and focus on those factors that create advocacy and loyalty. However, it must simultaneously minimize drivers of Detraction to insure they do not thwart loyalty. As with Buckingham’s advice to individuals on success limitations if focused only on minimizing weaknesses, credit unions will similarly be hard-pressed to create distinction and heightened success by minimizing the dimensions of Detraction alone.

Consider some specifics. The top three drivers of promotion, “Service,” “Friendly,” and “Helpful” (see Table 53), represent over 40% of all Promoter comments. These speak to the human experience: personal, individualized member service. When it comes to creating Promoters, it starts with the dimension of Empathy. Empathy alone, in fact, includes more than one-quarter (26.88%, see Table 13) of all Promoter comments in the ten-dimensional SQ+ model.

This is consistent with the findings of Mermelstein and Palmatier (2005), who noted actions, "... which create relational bonds with customers through personalized treatment, have a strong impact on profit" (p. 4).

Detraction, however, is a horse of a different color. The top two drivers of detraction (see Table 54) — "Inconvenience" and "Poor rates" — represent nearly 40% of all Detractor comments, and have nothing to do with human interaction. Moreover, whereas Empathy is the primary driver and explains more than one-fourth of Promotion, Convenience (at roughly 33%, see Table 17) explains fully a third of Detraction when applying the ten dimensions of SQ+.

Chapter four, in repeated analyses, demonstrated Promoter and Detractor comments to be of different distributions. The inability to align Promoter and Detractor comments in research question two (see Table 18) demonstrated that different issues arose in response to the "likelihood to recommend" question. When Promoter and Detractor comments were mapped to the dimensions of SERVQUAL (see Table 19) and SQ+ (see Table 20), both Chi-square analyses found Promoters and Detractors to be of different distributions. Table 22 (Promoters) and Table 24 (Detractors), which looked at expected frequencies of coded results against the original SERVQUAL findings, also showed Promoters and Detractors to be of different distributions.

Thus, it is not simply a matter of credit unions identifying a few core drivers and making sure they do them well. They also have to play defense, and not do Detractor drivers poorly. The drivers of advocacy and detraction are different. They are, however, relatively straightforward.

What do credit unions need to do to create loyalty? Although Freed (2006) posited that customer satisfaction is the relevant driver (and cause) for customer (or in our case, member) loyalty, this study shows otherwise. The results from research question three, which compared the findings of SERVQUAL (a customer satisfaction index) with the coded drivers of loyalty-indexing NPS, showed different priorities for each. As shown in Table 22, “Empathy” is the primary Promoter driver; “Reliability” was the primary SERVQUAL driver. This study shows that customer satisfaction and loyalty are different, and excelling at that which engenders satisfaction will not translate into greater loyalty.

So on what, then, should credit unions focus to create enhanced loyalty? The general categories of response tell us that credit unions must focus on the top drivers seen in Table 8 and Table 53. Credit unions must have staffs that are personable and “own members’ problems as their own.” They must also treat members consistently well over time. These two areas essentially cover the first four categories, and represent nearly half of all Promoter comments.

The waters appear to get a little muddier after that, with individual member preferences likely influencing the spectrum of responses. To ensure that 85% of all Promoter drivers are met, and to certainly set membership on a course for loyalty, credit unions must also do the following. They must offer competitive rates, products/services and fees, and be convenient, efficient, accurate and knowledgeable.

Using the consolidated findings in SQ+ model (see Tables 13 and 55) again tells us that credit union Promotion from members starts with personal service.

Table 55

Pareto Analysis — SQ+ Drivers Of Promotion

SQ+ Promoter Drivers	% of Total	Cumulative %
Empathy	26.88%	26.88%
Assurance	23.97%	50.85%
Responsiveness	15.41%	66.26%
Reliability	7.52%	73.78%
Relationship	7.24%	81.02%
Convenience	6.02%	87.03%
Rates	5.83%	92.86%
Products/Services	5.08%	97.94%
Fees	2.07%	100.00%
Tangibles	0.00%	100.00%

The following are the most important factors — “the significant few” — representing over 81% of members’ Promoter ratings:

1. Be caring: offer personal, individualized service (Empathy)
2. Be competent and trustworthy (Assurance)
3. Be fast and responsive (Responsiveness)
4. Be consistent and accurate (Reliability)

The SQ+ dimensions tell us that Empathy (caring), Assurance (knowledge/competence) and “Responsiveness (prompt helpfulness) are the key drivers, representing over 66% (nearly two-thirds) of all Promotion. These areas are more important than all of the following combined: consistency, depth and length of a member’s relationship, convenience, rates, products and services, fees and the appearance of the institution and staff.

This is particularly relevant to employee hiring and training for credit unions. Credit unions should hire member contact personnel for personality and “people skills” first, seeking potential staff members who can be authentic in delivering caring,

individualized service and in “owning member problems as their own”. Tellers do need to be accurate and efficient, but not at the expense of personal and connected (“empathetic”) service, as consistency and efficiency alone are not enough to engender loyalty.

Similarly, the research suggests key training messages to member contact personnel include treating each member as a guest in your home, and also as an individual with relevance and importance to you personally. When a member presents a need, challenge or problem, the research suggests staff approach each as an opportunity to either solve this issue directly, or insure that the member is connected with an individual who in turn can solve it for them. No sending of members to voice mail oblivion; no presentations of partial or incomplete answers without a guaranteed (and adhered to) follow up. Loyalty results from exceeding expectations. To paraphrase Seth Godin (2003), in the area of personal service, staff should seek to, “Be remarkable, so [members] will remark about them.”

What should credit unions avoid or minimize to keep from losing loyalty? To address over half of all Detractor comments (see Tables 9 and 54), credit unions must avoid being inconvenient, must not have poor rates nor fees, and must not treat members impersonally. Convenience is king on this list: 29% of all Detractor comments referenced inconvenience.

When looking at the analysis through the SQ+ lens (see Tables 17 and 56), nearly 60% of detraction can be explained again by just three of the dimensions: Convenience (easy access), Assurance (Knowledge and ease to work with), and Responsiveness (speed

or denial of service). Add the fourth dimension (of a total of ten) — Empathy (impersonal, poor service) — and you account for over 72% of total detraction.

Table 56

Pareto Analysis — SQ+ Drivers of Detraction

SQ+ Detractor Drivers	% of Total	Cumulative %
Convenience	32.47%	32.47%
Assurance	14.29%	46.75%
Responsiveness	12.99%	59.74%
Empathy	12.34%	72.08%
Rates	9.74%	81.82%
Fees	7.14%	88.96%
Relationship	5.84%	94.81%
Reliability	3.25%	98.05%
Products/Services	1.95%	100.00%
Tangibles	0.00%	100.00%

As Table 56 shows, credit unions must not be:

1. Inconvenient (Convenience)
2. Incompetent and poorly execute their job functions (Assurance)
3. Slow in service or in getting back to member requests
(Responsiveness)
4. Uncaring and impersonal (Empathy)
5. Have uncompetitive rates in loans or savings (Rates)

So the drivers again of Promotion and Detraction are not opposites: they are different. From a response category perspective, it is Service (Promoters) vs. Inconvenience (Detractors); the human experience (Promoters) vs. access (Detractors). From a SQ+ model perspective, it is Empathy (Promoters) vs. Convenience (Detractors). A focus on doing much of the right things, and little of the wrong things is key in creating loyalty among members.

Also of interest, and as evidenced in Tables 55 and 56 above, the findings herein do not reflect those of Herman and Renz (1998). Whereas these researchers found more consistent agreement on that which leads to effective organizations (“Promoters” in this study) than that which leads to organizational ineffectiveness (“Detractors” herein), the current study showed little difference when applying the SQ+ model. In both cases, the first five dimensions contributed roughly 81% of the totals of promotion and detraction, in Tables 56 and 57 respectively.

Whom should credit unions target? Age, income, and gender were explored as to their influence on Promotion and Detraction. Findings here provide hints as to where credit unions should focus.

To begin, and perhaps somewhat surprisingly, gender was not found to be significant with regard to Promoter or Detractor scores. That is, men and women tended to evaluate credit unions similarly. As such, this study does not suggest a credit union strive to build is business with either gender in particular: neither tends to be more or less loyal than the other. (Of note: the Chi-square tests failed to find significance in literally all gender analyses reported in chapter four.)

The analyses by age and income, however, did present some significant findings. First consider age. Significant findings emerged when looking at the ratio of Promoters to Detractors over distinct age brackets (see Tables 28 and 29). As the cells in Table 28 go up in age, with only one small aberration, the ratio of Promoters to Detractors increases. In other words, older members are happier with their credit unions. This could be that they have a longer history, and/or that they grew up with the credit union in simpler (pre-Internet) financial times with fewer financial options. Their comparatively greater

likelihood to Promote may stem from moving beyond the primary borrowing years, and/or having more patience or relaxed expectations (and/or needs) as they age.

Tables 35 through 38 show Promoter responses by age mapped to the SERVQUAL dimensions. They too show significant differences by age.

It appears that the two extremes (youngest and oldest members) appreciate Empathy whereas the middle age groups are less concerned here. Conversely, the middle age segments appear to be more concerned with time-dimensioned factors in Responsiveness.

All told, it appears credit unions may need to pay closer attention to the service needs of younger members, as they appear more stringent in their loyalty. Also, members aged 34-64 appear more appreciative of efficient and responsive service, so credit unions may wish to pay close attention to service speeds for these age groups.

With regard to income, Table 33 demonstrates that credit unions may have their “sweet spot” in incomes of \$50,00-\$75,000. Analysis here showed that income does significantly correlate with Promoter and Detractor ratings. Members are more likely to increase in their Promotion of credit unions as their income rises, but only to \$75,000. Above this threshold, one can surmise they have more options and/or needs or sophistication, and Promoter percentages begin to fall. This suggests credit unions, in general, may wish to focus their services and marketing at members with incomes of \$75,000 or below. Due to small sample sizes above \$100,000 in income, additional research would be useful with a larger sample size in higher income brackets to explore if this trend would have continued. Still, the very fact that the sample sizes diminished in the higher age brackets adds credence to the “lower income target” idea.

SERVQUAL is not a sufficient model to fully understand the drivers of credit union loyalty. Clearly evident in the coding process was how ill-equipped the SERVQUAL model was to address all drivers of loyalty. Although SERVQUAL was reportedly built in part with subjects from banking (Zeithaml, et al., 1990), respondents' comments (loyalty drivers) falling outside of the prescribed five dimensions appeared regularly. This resulted in the creation of additional "dimensions" necessary to capture the true distinctions in attitudinal drivers. As noted in chapter three, this researcher noted the expected omission of "convenience" as a driver in the model. This prediction proved accurate. As noted above, Convenience factors stand alone as the primary drivers of Detraction.

Not initially foreseen, however, were the additional drivers of: "Rates", "Fees", "Products/Services", and "Relationship" with credit unions. With humility, an amended, more complete model to gauge the member experience has been developed. With deference to the creators of SERVQUAL, this new model has been called "SQ+".

Table 57 below notes the dimensions of the SQ+ model for credit unions. Asterisked items denote those components which were original dimensions of SERVQUAL.

Table 57

Dimensions of the SQ+ Model of the Credit Union Member Experience

Assurance*
Convenience
Empathy*
Fees
Products & Services
Rates
Relationship
Reliability*
Responsiveness*
Tangibles*

To clarify the final new “Relationship” dimension, it appears respondents hesitated to make a high recommendation if they had recently joined or had limited product use at the credit union – regardless of the level of service experienced. There is evidently a “vetting period” in which new members need to get acquainted and feel comfortable with the provider over time, before they will confidently recommend them. (Future research as to the vetting time period required, and how it can be diminished may be valuable.)

On the Promoter side, many members simply wrote “I’m a long term member,” or “I’ve been a member for a long time” as a reason for their score of *nine* or *ten*. Tenure thus emerged as relevant in the loyalty equation.

SERVQUAL’s “Tangibles” appears particularly irrelevant to credit union member loyalty. The Tangibles dimension is defined as, “Appearance of physical facilities, equipment, personnel, and communication materials” (Zeithaml, et al., 1990, p. 26). According to the creators, it warranted inclusion in the index, due to its importance. This study, however, noted it to be insignificant, and effectively irrelevant as a factor in

driving loyalty. In considering the coded comments in SQ+, there was not a single reference to the “appearance” of anything at any of the institutions: literally none. Not a Promoter comment. Not a Detractor comment. No Tangibles comments of any kind.

Only when aspects of the member experience which did not fit neatly into the other SERVQUAL dimensions, and could be rationalized as “physical” components of the credit unions’ offerings (e.g., Rates, Fees, and Product/Service attributes) did “Tangibles” become a relevant dimension. In truth, each of these dimensions stands better independently (as in the new SQ+ model), as none are actually “appearance” related features at all.

This may demonstrate the beauty of the elegantly simple “likelihood to recommend” question. It provides an unfiltered window into the priorities of respondents. When asked for reasoning as to why members would (or would not) recommend without additional prompts, the key factors emerged.

It could be the difference in findings between those of SERVQUAL and the present study is explained by the presence or absence of prompts. It is a very different experience to be asked to remember what was most important in a transaction (no prompts), for example, than to answer which of three suggested transaction factors was preferred. From the focus group research used to create the original SERVQUAL model, “Tangibles” (appearance) factors emerged. Had the SERVQUAL researchers used the “likelihood to recommend” question, they may not have initially included it.

Still, another factor could be at play, evident from this researcher’s extensive focus group research experience with credit union members. SERVQUAL was created with bank customers, and not credit union members. The fact that credit union members

are also owners of their institutions may have a small but measurable impact on their desire to see their institution spend “their” money on anything that could be construed as extravagant. Credit unions are routinely lambasted for luxurious boardrooms, or “unnecessary” spending by concerned members. (One credit union client spent years defending its sponsorship and naming rights on a Triple-A League baseball park.) It is entirely possible that this, “It’s my money” factor, may have lessened the impact or importance of the Tangibles dimension when compared to that of bank customers.

Still, as the SQ+ model presented here is designed to measure financial institution account holder experiences, and as the Tangibles component proved of merit in the original SERVQUAL, it is also included in SQ+. The SQ+ model therefore can be used to measure both credit union members AND bank customers’ loyalty.

Limitations of the Study

This study asked existing members about their experiences with their respective credit unions when they were already on board. It did not ask reasons for selecting the credit union in the first place. Focus group research with thousands of financial institution account holders by the author suggests these are very different things. Of particular note, physical convenience and personal referral or relationship (word of mouth) are often cited as influencers of new provider relationships. Such findings would not be expected to be completely consistent with the findings herein, as choosing an institution and staying at an institution can involve very different factors. It is important to note that this study focused on maintaining existing relationships, and not directly on creating new ones. However, as organic growth is driven largely by referral (Nielsen 2007), there likely is some correlation here.

In other words, this study provides insights on how to build loyalty with existing members. These factors may, or may not, be relevant to attracting new members. Additional research would be warranted and useful here.

The survey was conducted by mail. This study utilized the results from a mailed survey to thousands of members from four credit unions. The nature of the four-page mailed survey certainly introduced bias in the response. Some individuals simply will not return a mailed survey. (Every methodology has its biases.) It is conceivable that the methodology itself may have influenced the findings, and that other methods may return different findings. Future research is encouraged here to determine reliability and replication.

Bank customers may have different drivers. Although one would expect significant replication of the findings herein if the study were conducted with bank customers instead of credit union members, there may in fact be differences. The not-for-profit, community-centric nature of credit unions may draw a different audience than banks. Future research would be warranted here. Use of the SQ+ model in such research would be encouraged and appreciated.

Utility of this Research for Financial Service Providers

NPS remains a valuable tool in loyalty assessment, however the power in its application (as with any research) is to what extent action and positive change result. Thus, the comments and driving factors which contribute to the NPS “score” are actually more important than the score itself. This study and the resulting SQ+ model provide a structured way to analyze comments and create meaningful action.

Table 3, in Chapter Three, provides a tool to use in future programming or manual coding of NPS responses. As such, survey answers could manually be appropriately coded using Table 3 — easily, yet laboriously — to the correct SQ+ dimensions. In so doing, credit unions could organize and act on the diverse member comments. This coding would in turn help them understand strengths and weaknesses in their brand and service delivery, as well as gaps in their desired and actual performance. In short, coding to the SQ+ model provides a tool for greater insights and action, ultimately charting a course to heightened member loyalty.

Also valuable would be an amended SQ+ survey which incorporates the questions from the SERVQUAL instrument and then adds the additional SQ+ dimensions. (Note: such a revised questionnaire is presented below.) If implemented online, and with considered programming, responses could be coded electronically and attributed to the appropriate dimension. (For example, if a respondent input, “Branches are too inconvenient,” programming could be written to attribute “branch ... inconvenient” to the “Convenience” dimension.) As a result, the report could automatically calculate each dimension’s contribution to the credit union’s success in building member loyalty (or lack thereof), and provide valuable insights on necessary, focused corrective action. If a credit union’s primary challenge was isolated as Assurance, for example, then knowledge, staff retention, and competency-building are required. If the primary challenge were identified as Empathy, then the credit union would focus its improvement efforts on a more personalized, caring, and individualized member service experience.

A New Credit Union SQ+ Survey

Although not originally foreseen as an objective when conceptualized, it became incumbent upon this researcher to present an amended SERVQUAL survey as the study evolved. Early in the coding phase, it became apparent that SERVQUAL was not sufficient as a model for credit unions: too many comments fell outside the five SERVQUAL dimensions. It also became apparent that a revised survey could (and arguably should) be developed as a result of the key categories and drivers. Such a new survey instrument, based on the new SQ+ model, is presented below.

First, a brief background on how the SERVQUAL instrument was designed to be implemented (as the SQ+ instrument will follow a similar process). For more information here, including how to implement the survey with weighting, please see pages 175-186, in the original publication, “Delivering Quality Service, Balancing Customer Perceptions and Expectations” (Zeithaml, et al., 1990).

The basic format is to ask respondents the questions of the survey in two ways: first, expectations of (in this case) credit unions in general (the “expectation score”), and second, their perceptions of the specific credit union being assessed (the “perception score”). A Gap score can then be created for each dimension by subtracting the expectation score (E) from the perception score (P); ($P - E = \text{SERVQUAL score}$.) If the Gap score is negative, this indicates that the actual service (the perception score) was below that which was expected (the expectation score). The greater the Gap, the more the credit union is performing below (or above) expectations, and focused corrective action can be taken.

According to SERVQUAL's creators (Zeithaml, et al., 1990), the following directions should precede the survey, with the questionnaire below obtaining the expectation score:

Based on your experiences as a [member of a credit union] ... please think about the kind of [credit union] that would deliver excellent quality of service. Think about the kind of [credit union] with which you would be pleased to do business. Please show the extent to which you think such a [credit union] would possess the feature described by each statement. If you feel a feature is *not at all essential* for excellent [credit unions] such as the one you have in mind, circle the number **1**. If you feel a feature is *absolutely essential* for excellent [credit unions], circle **7**. If your feelings are less strong, circle one of the numbers in the middle. There are no right or wrong answers — all we are interested in is a number that truly reflects your feelings regarding [credit unions] that would deliver excellent quality of service. (p. 180)

The respondent is then asked the same questions, but modified to say the actual name of the credit union being studied in the present tense. For example, whereas the expectation section reads for Question 22 (in Figure 8) above as, "The employees of excellent credit unions will understand ...," the perception section of the survey would change this to "The employees of ABC credit union understand..."

This following perception section, then, obtains the actual perception score. (Again, the expectation score was obtained above.) And the Gap score (perception minus expectation) can then be determined.

Based on the comments and drivers of loyalty as shown in Tables 12 (Promoters) and Tables 16 (Detractors) in chapter four for the ten dimensions of the SQ+ model, a revised questionnaire (see Figure 9) is presented following Figure 8 below.

For consistency, four questions are included in each dimension, with the key driver comments used to create each new question. In this revised SQ+ questionnaire (see Figure 9), amended and new questions are denoted with an asterisk. In one case (the original Question 6), a question was removed, as it was inconsistent with the findings and definition of the dimension. In another instance (the original Question 21), “operating hours” was moved to the new dimension, Convenience, due to its more logical placement there.

Note also that the scoring in SQ+ changes from 1-7 to 0-6. This takes advantage of the lessons from Reichheld’s NPS work and the potential “rating” vs. “ranking” confusion; “1” may be high or low, but “0” is always perceived as low (Reichheld, F. F., 2006a).

Credit unions (and banks) can use this revised SQ+ instrument to assess the most important factors in loyalty and detraction among their members.

Statement	Score (1-7)
<i>Tangibles</i>	
Excellent credit unions will have modern looking equipment.	
The physical facilities at excellent banks will be visually appealing.	
Employees at excellent credit unions will be neat in their appearance.	
Materials associated with the service (pamphlets or statements) will be visually appealing at an excellent credit union.	
<i>Reliability</i>	
When excellent credit unions promise to do something by a certain time, they do.	
When a customer has a problem, excellent credit unions will show a sincere interest in solving it.	
Excellent credit unions will perform the service right the first time.	
Excellent credit unions will provide the service at the time they promise to do so.	
Excellent credit unions will insist on error free records.	
<i>Responsiveness</i>	
Employees of excellent credit unions will tell customers exactly when services will be performed.	
Employees of excellent credit unions will give prompt service to customers.	
Employees of excellent credit unions will always be willing to help customers.	
Employees of excellent credit unions will never be too busy to respond to customers' requests.	
<i>Assurance</i>	
The behavior of employees in excellent credit unions will instill confidence in customers.	
Customers of excellent credit unions will feel safe in transactions.	
Employees of excellent credit unions will be consistently courteous with customers.	
Employees of excellent credit unions will have the knowledge to answer customers' questions.	
<i>Empathy</i>	
Excellent credit unions will give customers individual attention.	
Excellent credit unions will have operating hours convenient to all their customers.	
Excellent credit unions will have employees who give customers personal service.	
Excellent credit unions will have their customers' best interest at heart.	
The employees of excellent credit unions will understand the specific needs of their customers.	

Figure 8. Original SERVQUAL questionnaire. Zeithaml, V. A., Parasuraman, A., & Berry, L. L. (1990).

Statement	Score (0-6)	Statement	Score (0-6)
Excellent credit unions will have modern looking equipment.	Tangibles	Excellent credit unions will have operating hours convenient to all their members.*	Convenience
The physical facilities at excellent credit unions will be visually appealing.		Excellent credit unions will have convenient branch locations.*	
Employees at excellent credit unions will be neat in their appearance.		Excellent credit unions will have convenient ATM access.*	
Materials associated with the service (pamphlets or statements) will be visually appealing at an excellent credit union.		Excellent credit unions will have convenient online access.*	
When excellent credit unions promise to do something by a certain time, they do.	Reliability	Excellent credit unions will provide value such that members could use them throughout their lives.*	Relationship
When a member has a problem, excellent credit unions will show a sincere interest in solving it.*		Excellent credit unions will help members learn about and understand their varied services.*	
Excellent credit unions will perform the service right the first time.		Excellent credit unions will provide added value for long-term members.*	
Excellent credit unions will provide the service at the time they promise to do so.		Excellent credit unions will continue to educate members on offerings and their benefits.*	
Excellent credit unions will be accurate in processing transactions.*	Responsiveness	Excellent credit unions will have products and services that meet members' needs.*	Products/Services
Employees of excellent credit unions will tell members exactly when services will be performed.		Excellent credit unions will offer a wide range of products and services.*	
Employees of excellent credit unions will give prompt service to members.		Excellent credit unions will provide well-designed products and services that are easy to use.*	
Employees of excellent credit unions will always be willing to help members.		Excellent credit unions will have products and services that compete well against other providers.*	
Employees of excellent credit unions will never be too busy to respond to members' requests.	Assurance	Excellent credit unions will offer competitive loan rates.*	Rates
The behavior of employees in excellent credit unions will instill confidence in members.		Excellent credit unions will offer competitive deposit rates.*	
Members of excellent credit unions will feel safe in transactions.		Excellent credit unions will offer rates that are consistent over time, relative to the competition.*	
Employees of excellent credit unions will be consistently courteous with members.*		Excellent credit unions will offer better rates than banks.*	
Employees of excellent credit unions will have the knowledge to answer members' questions.*	Empathy	Excellent credit unions will offer competitive fees.*	Fees
Excellent credit unions will give members individual attention.		Excellent credit unions will have fees that are reasonable.*	
Excellent credit unions will have employees who give members personal service.		Excellent credit unions will have fees that are better than banks.*	
Excellent credit unions will have their members' best interest at heart.		Excellent credit unions will provide many ways for members to access money via free ATMs.*	
The employees of excellent credit unions will understand the specific needs of their members.		<i>*Added or changed in SQ+ questionnaire from SERVQUAL questionnaire.</i>	
Excellent credit unions will have operating hours convenient to all their members.*			

Figure 9. New SQ+ questionnaire.

Recommendations for Future Research

As noted above, the study utilized a mailed survey and response. It would be interesting to learn if online and/or phone surveys replicate the SQ+ findings. It would also be of value to use the same testing herein on a larger and more diverse sample size for similar reasons.

This study did not segment the sample by profitable (and/or high relationship) and unprofitable (and/or low relationship) members. A further useful study could test if the results from each of these groups are consistent with the general findings of this study and also with each other.

Also of interest would be to conduct new account and closed account studies and compare the actionable reasons for members joining and departing with the findings herein. Did members actually leave for the same reasons as those of Detraction? Do members join due to expectations or hopes similar to the drivers of Promotion found in this study (and/or did they leave their prior institution due to the drivers of Detraction)?

Cultural differences may be highly relevant in niche-based credit unions and in credit unions of specific cultures. It should be noted that the findings from this study were based on the responses of credit union members in the 48 contiguous United States. Lam & Burton (2005) note the power of cultural differences of different countries in banking choices. Applying the findings herein to other cultures would likely require additional research.

A further application of this research may be to use this NPS methodology in an employee study to discover drivers of advocacy or detraction for the credit union as a place to work.

Also, noted earlier was the potential utility of future research as to the vetting time period members require before feeling comfortable rating the CU a *nine* or *ten*. And to what extent this time in vetting can be minimized.

Finally, the SQ+ questionnaire was developed from the drivers of promotion and detraction as coded in this study. It has yet to be implemented and reliability and validity testing is warranted.

Summary

This chapter consolidated the findings and attempted to present relevant applications to credit unions nationally. The research showed that there are significant drivers of both Promotion and Detraction, and that these factors are in fact different. It suggested the key drivers on which credit unions must deliver for to engender loyalty (primarily personal service, human interaction-based). It also identified inconvenience as the primary factor credit unions must avoid to prevent Detraction.

Age and income were identified as significant factors in loyalty ratings. Credit unions are advised to pay particular attention to personal service to younger and older members, and focus on speed of service and responsiveness for members ages 35-65. As to income, the “sweet spot” for credit unions appears to be in serving members with incomes below \$75,000, as detraction rates grow significantly above this threshold.

Finally, two key tools and a single new assessment model were created in this research for use in obtaining and analyzing member experience and loyalty data. First, a codebook was developed in chapter four that can be used in analyzing and acting upon NPS comments. This tool will enable “likelihood to recommend” comments to be coded to the ten-dimensional SQ+ model. As such, seemingly overwhelming and disparate

data can be categorized, interpreted and acted upon for enhanced service and future credit union performance. In short, thousands of comments can be consolidated to just ten key categories, and thus more easily understood.

Second, a new credit union (and banking) -specific questionnaire was created to use in understanding the member/customer experience that covers each of the core drivers of account holder loyalty. Called SQ+, is built on the SERVQUAL model, and is more inclusive of all drivers of Promotion and Detraction.

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