



QUEBEC INTERNATIONAL
2014 SUMMIT
OF COOPERATIVES

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QUEBEC CITY, CANADA

Growing Membership by Meeting the Changing needs of Members

2014 International Summit of Cooperatives

Quebec City

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Executive Summary (1/2)

- Cooperatives are in a unique position to be leaders in member advocacy and loyalty. However, traditional competitors have invested significantly in customer strategies/experience, eroding the cooperatives' natural advantage
 - Only 50% of survey respondents indicate that delivering exceptional member experience is a core element of their mission statement
 - Furthermore, only ~15% of these respondents strongly agree that they are delivering on this promise to members

- Although the loyalty leaders in several sectors are cooperatives, most cooperatives lag traditional competitors in terms of member advocacy and loyalty – as measured by Net Promoter Score (NPS).
 - NPS matters – higher NPS is consistent with greater member value and growth (driven by higher retention, greater share of wallet and more positive referrals)
 - Bain research indicates that cooperatives most often lag industry leaders in Net Promoter Score
 - Examples do exist of cooperatives leveraging their unique position to generate exceptional performance - e.g. Vanguard



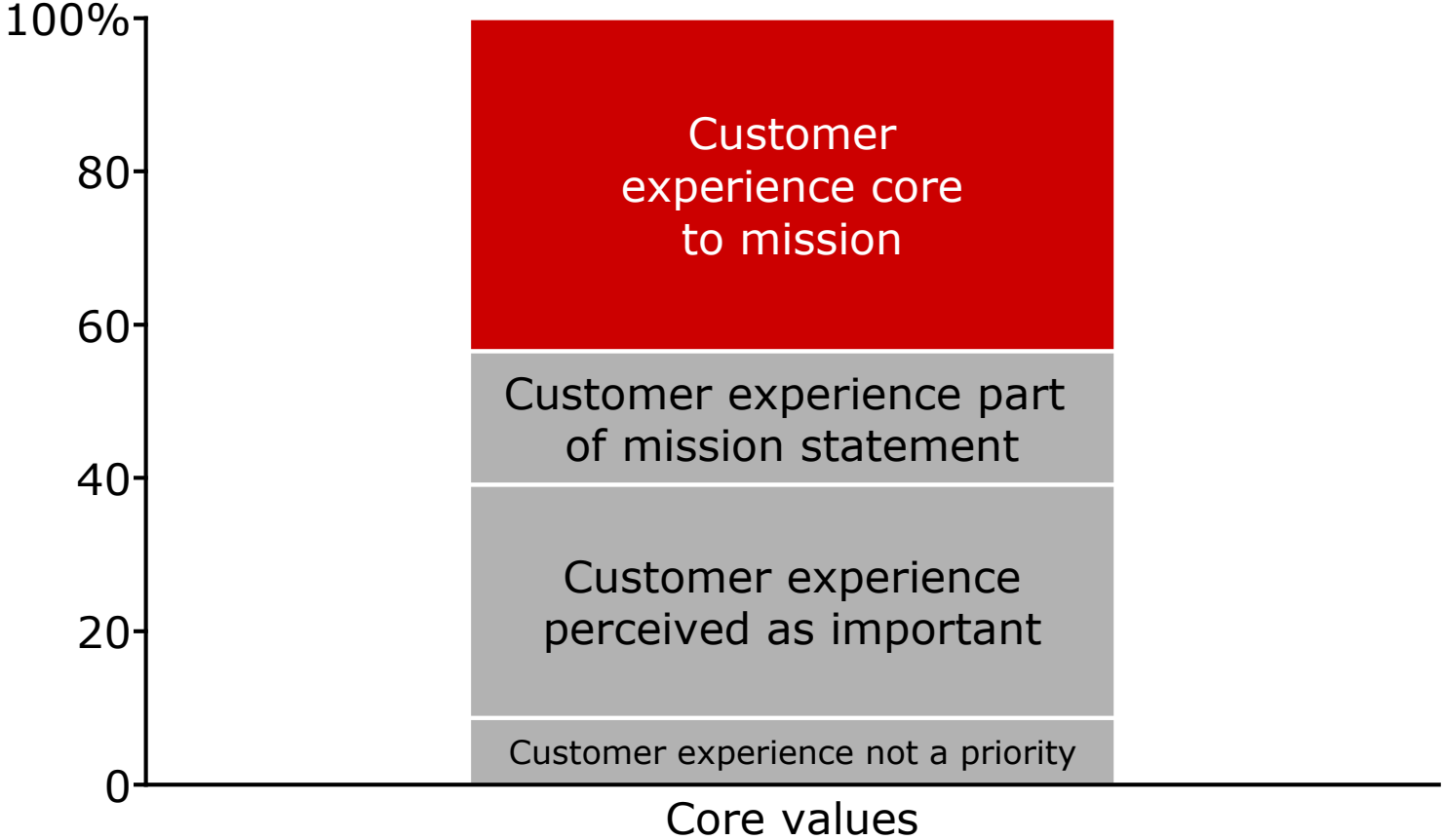
Executive Summary (2/2)

- To establish clear leadership in member advocacy and loyalty, cooperatives must put the member at the center of their mission and build the “operating model” that supports a member experience focus. This is especially critical for large cooperatives as they have become more complex and “distant” from members
 - Large cooperatives significantly lag smaller cooperatives in customer advocacy and loyalty
 - Survey respondents indicated particular challenges in the effective execution of member experience strategies and initiatives: front line staff engagement, cross business unit and channel alignment, IT enablers
- This member experience “operating model” enables cooperatives to reconnect the organization with the member. Key elements include:
 - The Inner Loop: high velocity, closed-loop feedback, learning and action systems.
 - The employee “huddle”
 - The Outer Loop: a rigorous approach to identifying, prioritizing, resourcing and tackling systemic issues
 - Competitive benchmark NPS goals: motivation for senior leaders and information for strategic decisions



Member experience is a priority for many respondents, but only 40% indicate that it is core to their mission

Survey respondents; "Growing Membership by Meeting the Changing needs of Members"



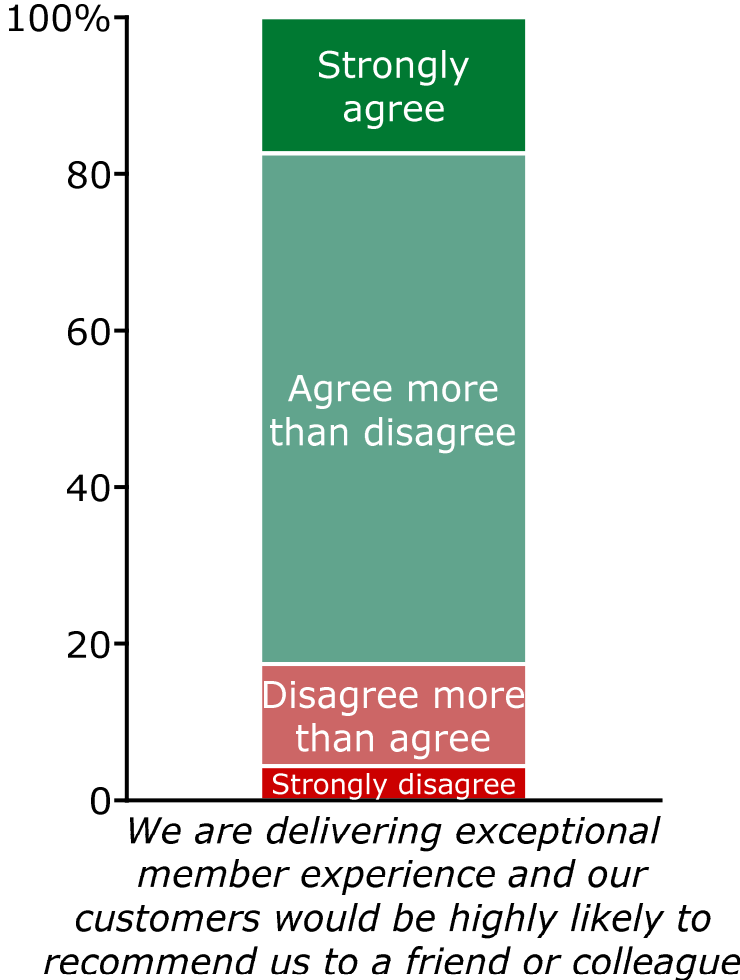
Source: Bain Cooperative member Experience survey (2014, n=23); Company websites



Most respondents claim to deliver exceptional member experience ... but we don't see differential results

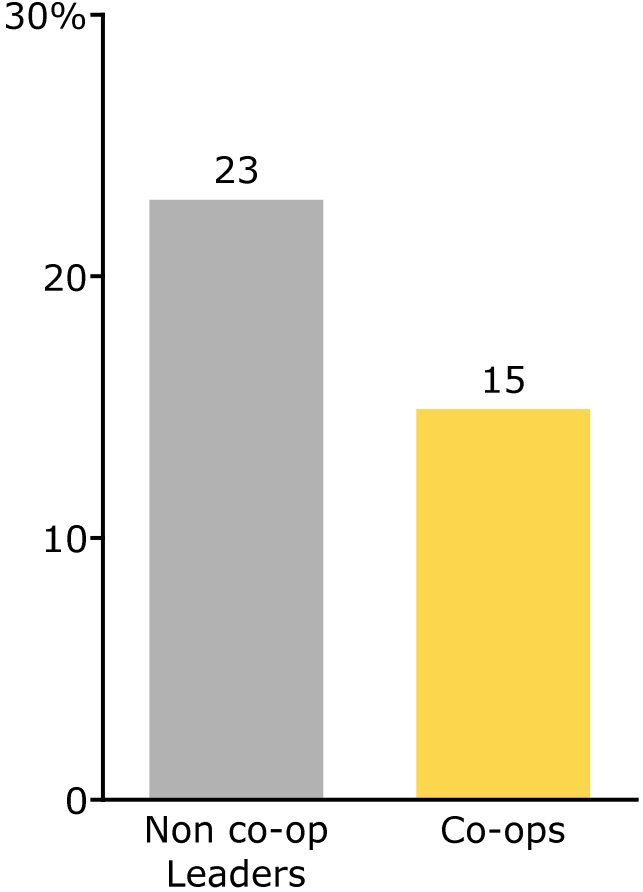
MOST COOPERATIVES FEEL THEY PERFORM BETTER THAN NOT

Survey respondents; Bain cooperatives member / customer experience survey



CO-OPS TRAIL NON-CO-OP LEADERS

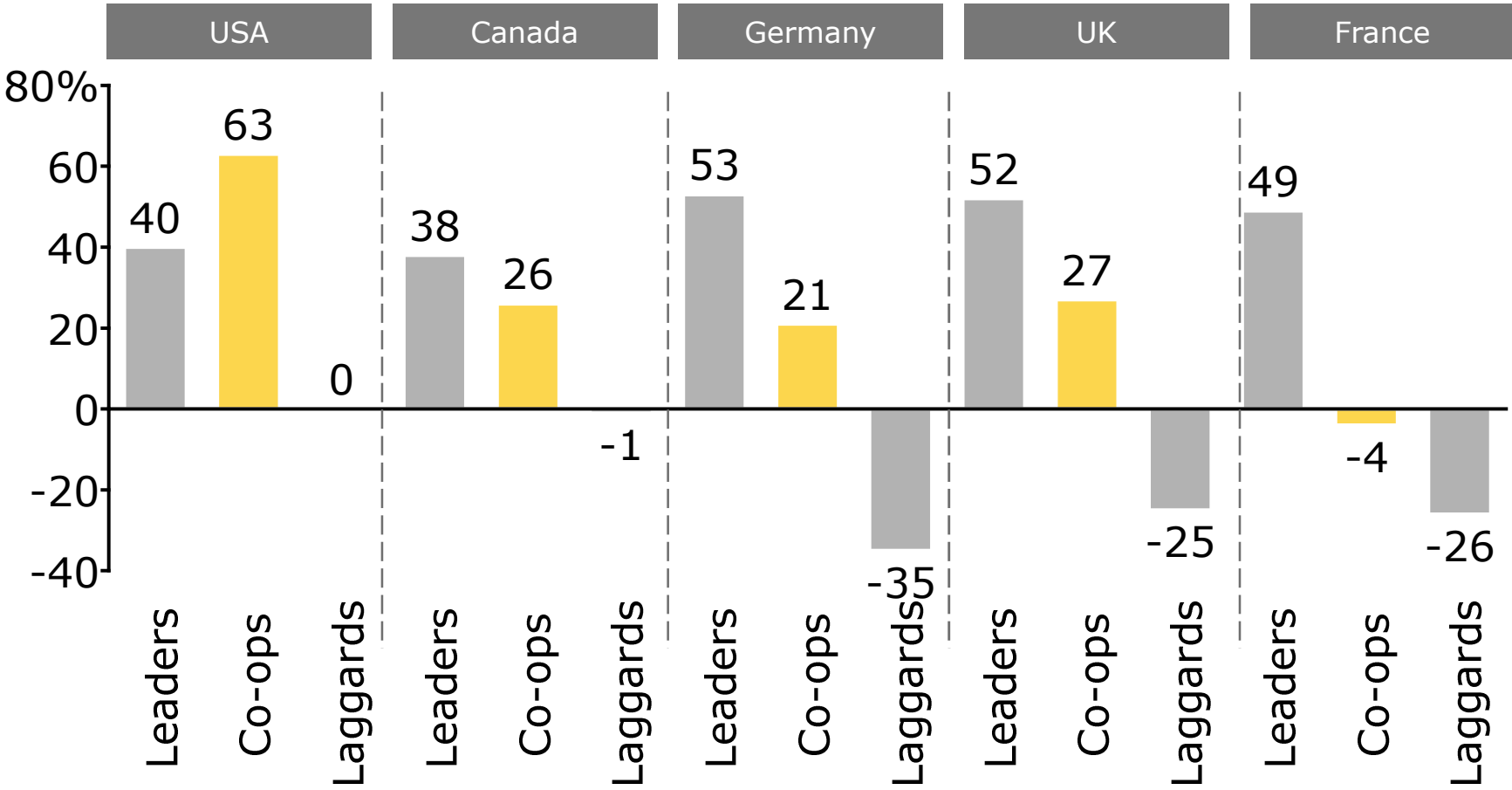
Average NPS (Global, Banking and Insurance)



Source: Bain Cooperative member Experience survey (2014, n=23); Member Loyalty in Retail Banking survey for Americas, Europe, Asia (2013)

Cooperatives trail the competition in most retail banking markets ...

Retail bank NPS (2013)



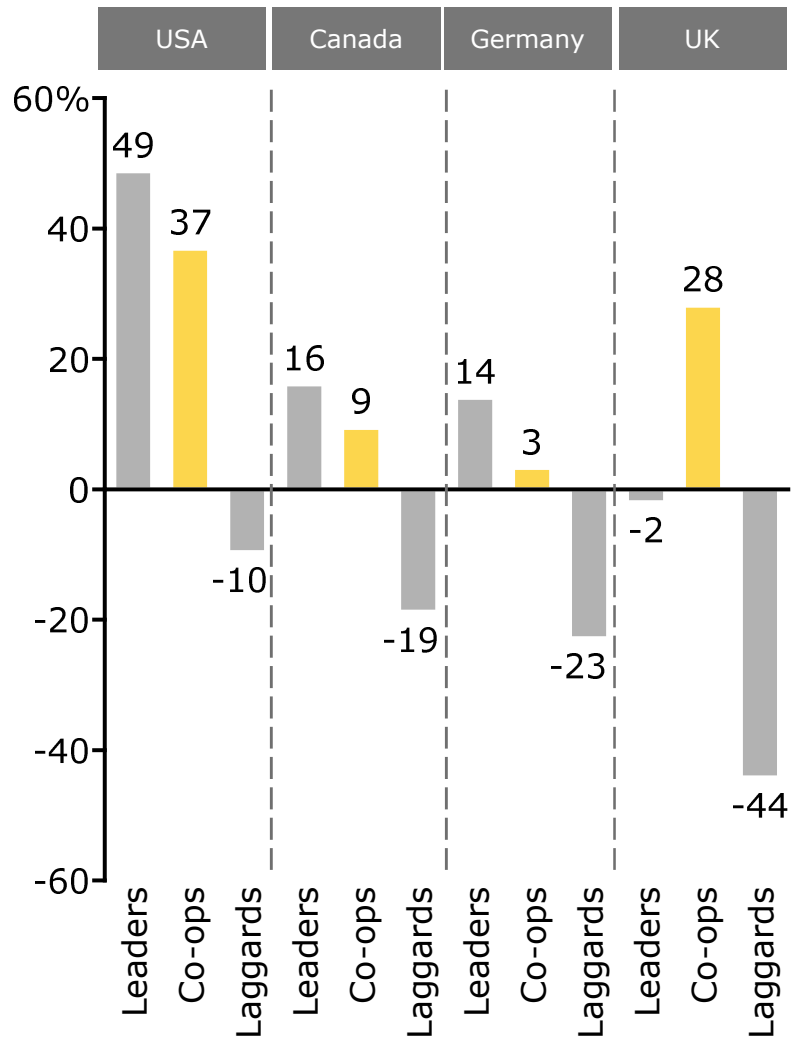
Note: Only includes industry leaders, laggards and co-ops in each country; average calculated as company average and not weighted by number of responses; US co-ops include "Community Banks" and Credit Unions
 Source: Member Loyalty in Retail Banking survey for Americas, Europe, Asia (2013)

■ Co-operatives

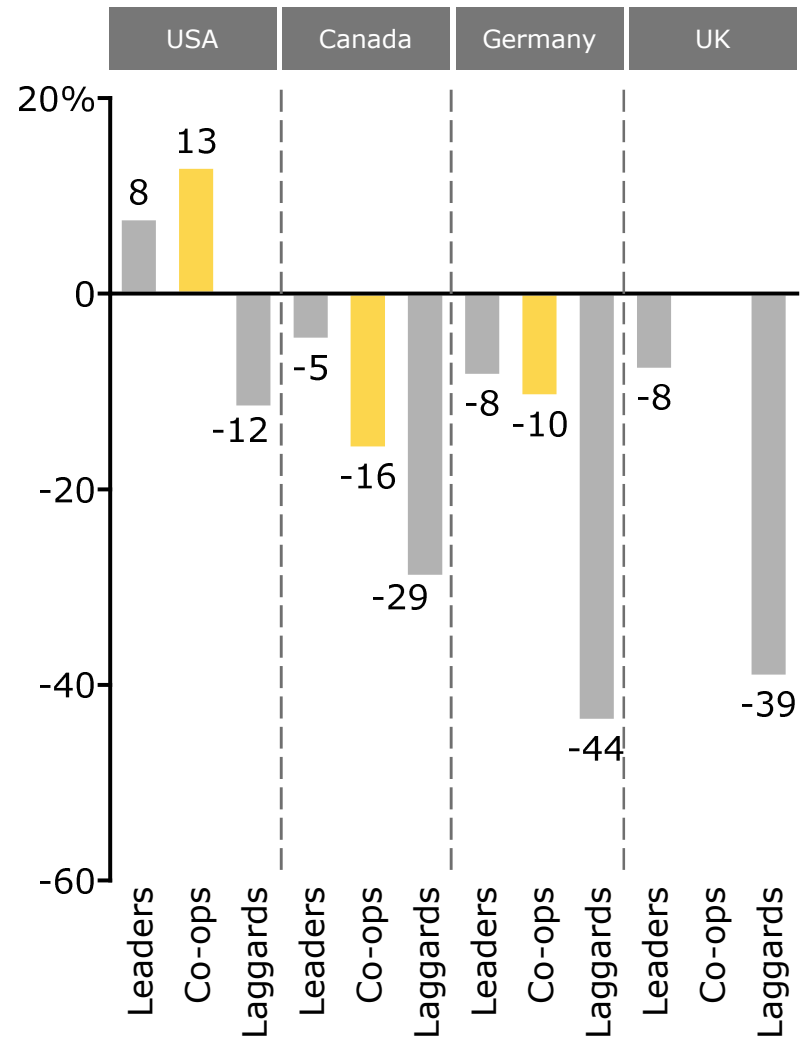


... as well as most insurance markets

P&C insurance NPS(2013)



Life insurance NPS (2013)



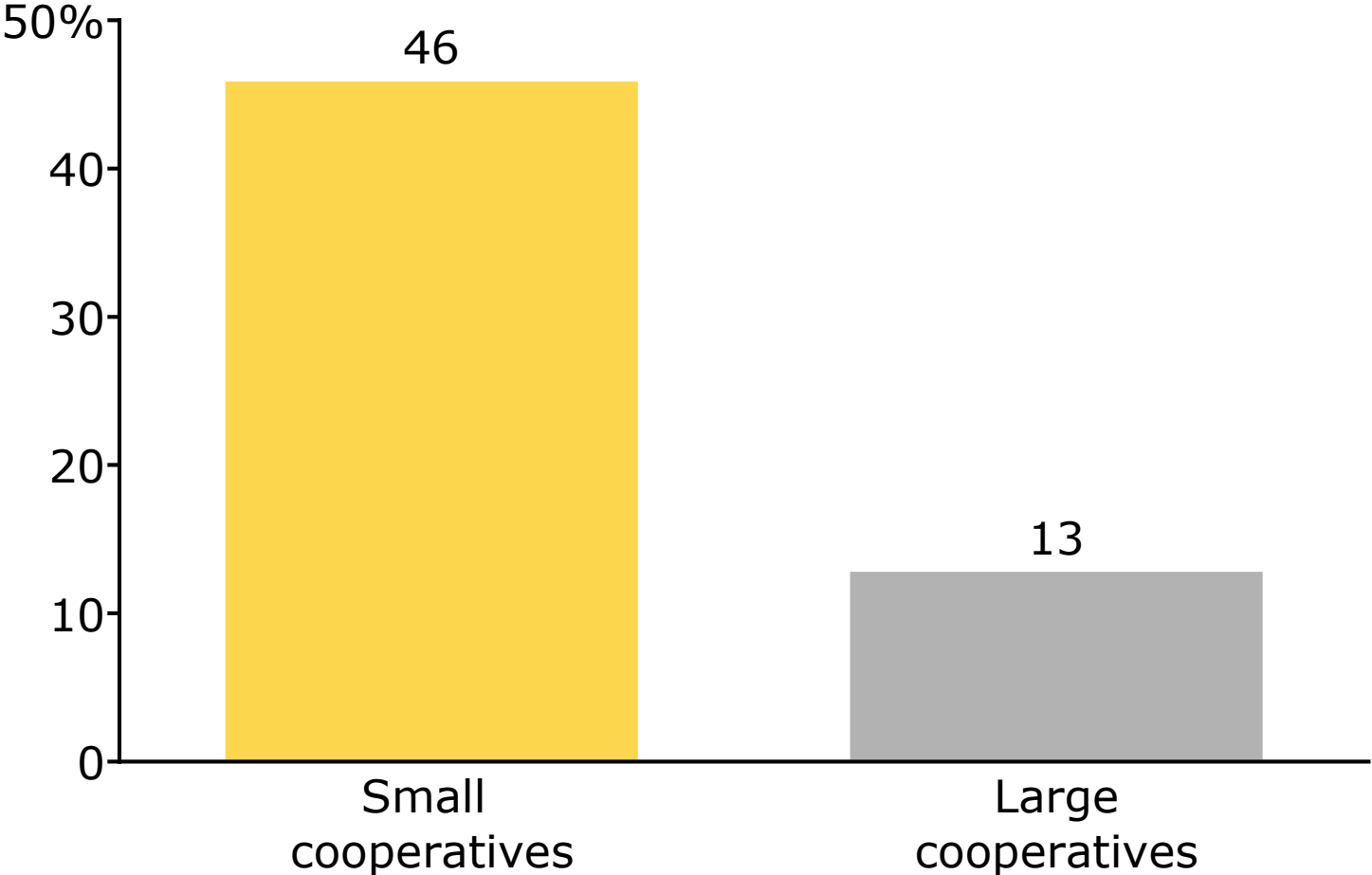
Note: Only includes industry leaders, laggards and co-ops in each country; average calculated as company average and not weighted by number of responses

Source: Member Loyalty in Retail Banking survey for Americas, Europe, Asia (2013)

■ Co-operatives

Smaller cooperatives tend to perform better ...

Net promoter score



Note: Average weighted based on survey responses. Large cooperatives excludes USAA
Source: Member Loyalty in Retail Banking survey for Americas, Europe, Asia (2013)



...but large cooperatives can outperform



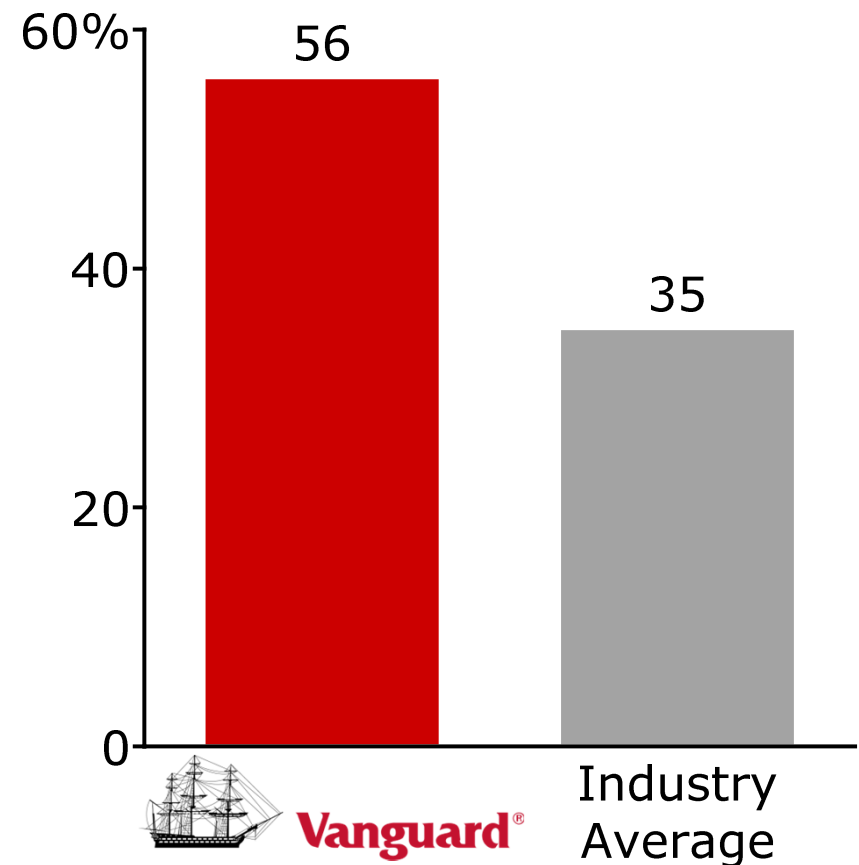
Vanguard®

ACTIVELY SOLICITS AND ACTS ON MEMBER FEEDBACK

- Rigorous **measurement** of customer advocacy across all business units
- Systematic collection of **feedback to gain perspective on Vanguard & competitors' products/services**
- **Use of feedback to inform new product development** to better meet member needs
- **Client Insight** Department
- **C-level executives staff member service call centers** to stay connected to the member & service policies & procedures

INDUSTRY LEADING NPS

NPS - US Brokerage & Investments



Source: Forrester, "2009 voice of member award-Vanguard", 2009.pdf; Satmetrix US NPS® Benchmarks 2011; *The Ultimate Question 2.0*



Leaders drive superior Member Experience by executing across Design, Delivery and DNA

Differentiated design

- Proprietary view of advocacy drivers and economics
- Well defined target customer/member segments
- Innovative features, based on deep insights into target customer/member needs

Consistent delivery

- Zero defects
- Surprise and delight at 'moments of truth'
- Seamless integration across brand, offering, and touch points
- Personal connection to brand and people

Company DNA

- Motivated and empowered employees
- Member-centric goals and culture
- Commitment to learning and innovation

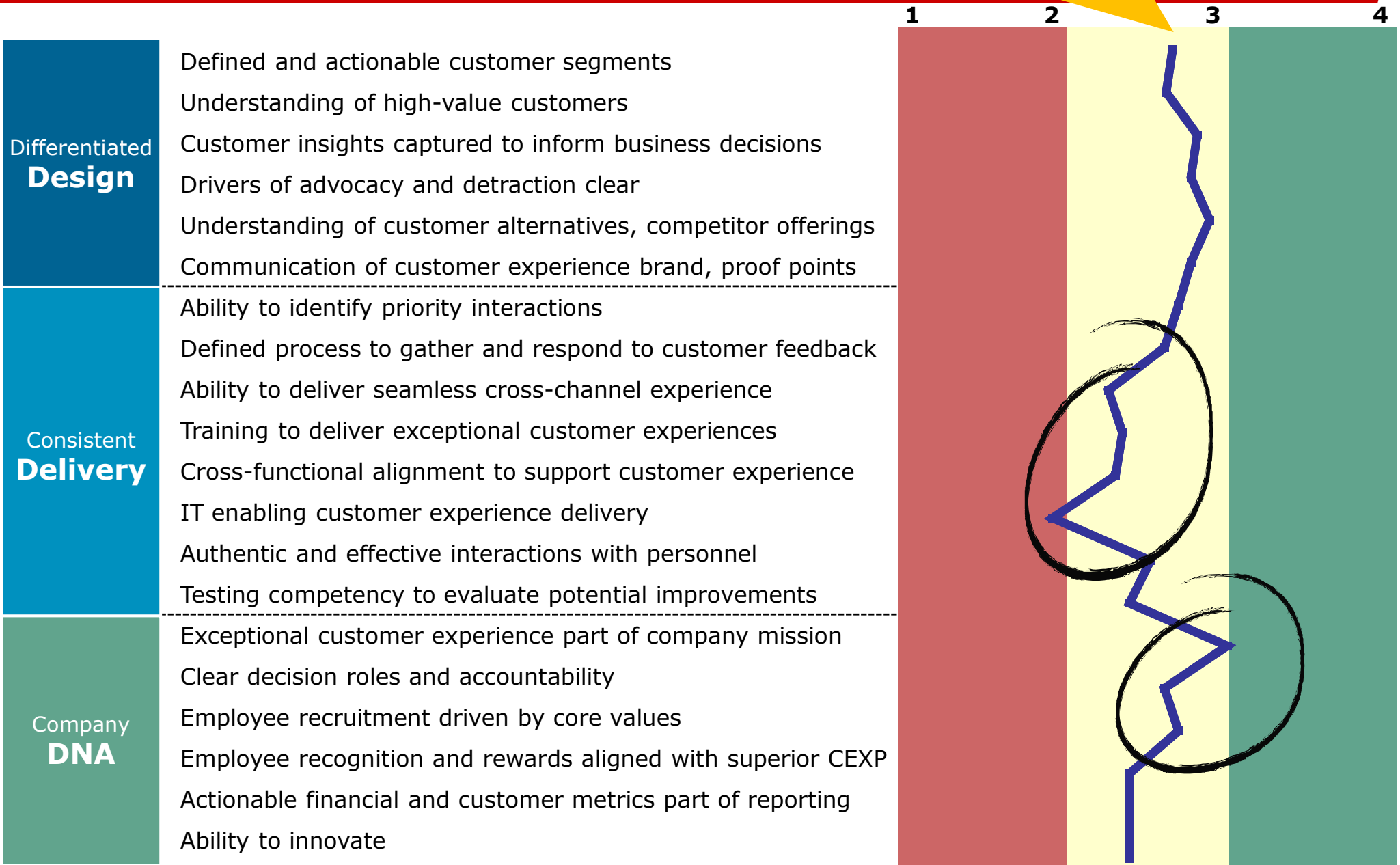


Superior Customer Experience



“Consistent Delivery” is the primary gap for co-operatives; “DNA” should be stronger

Average score of cooperative survey respondents



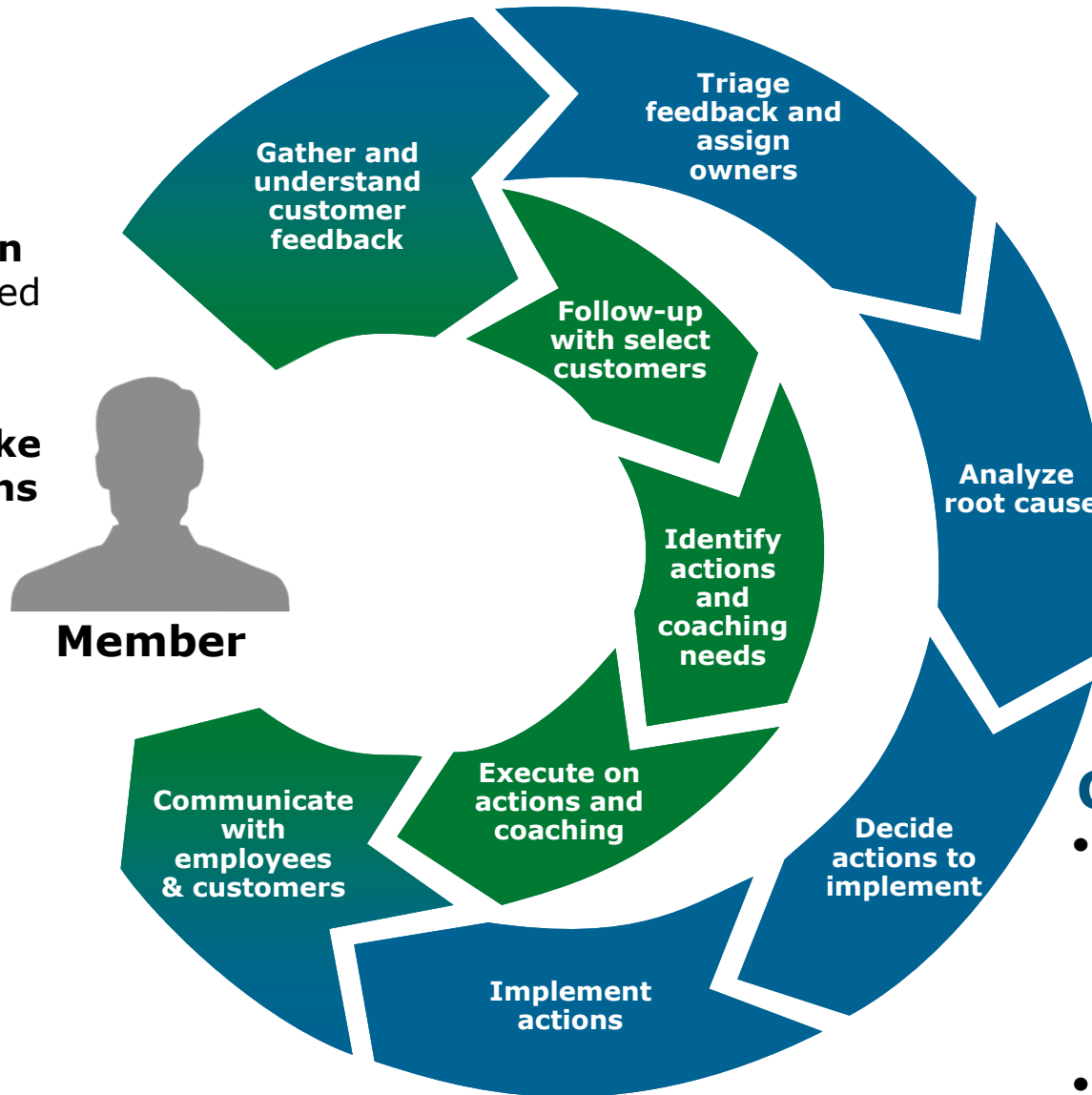
Source: Bain Cooperative Customer Experience survey (2014, n=23)

Path forward: putting the member at the center and fostering continuous improvement



Inner Loop

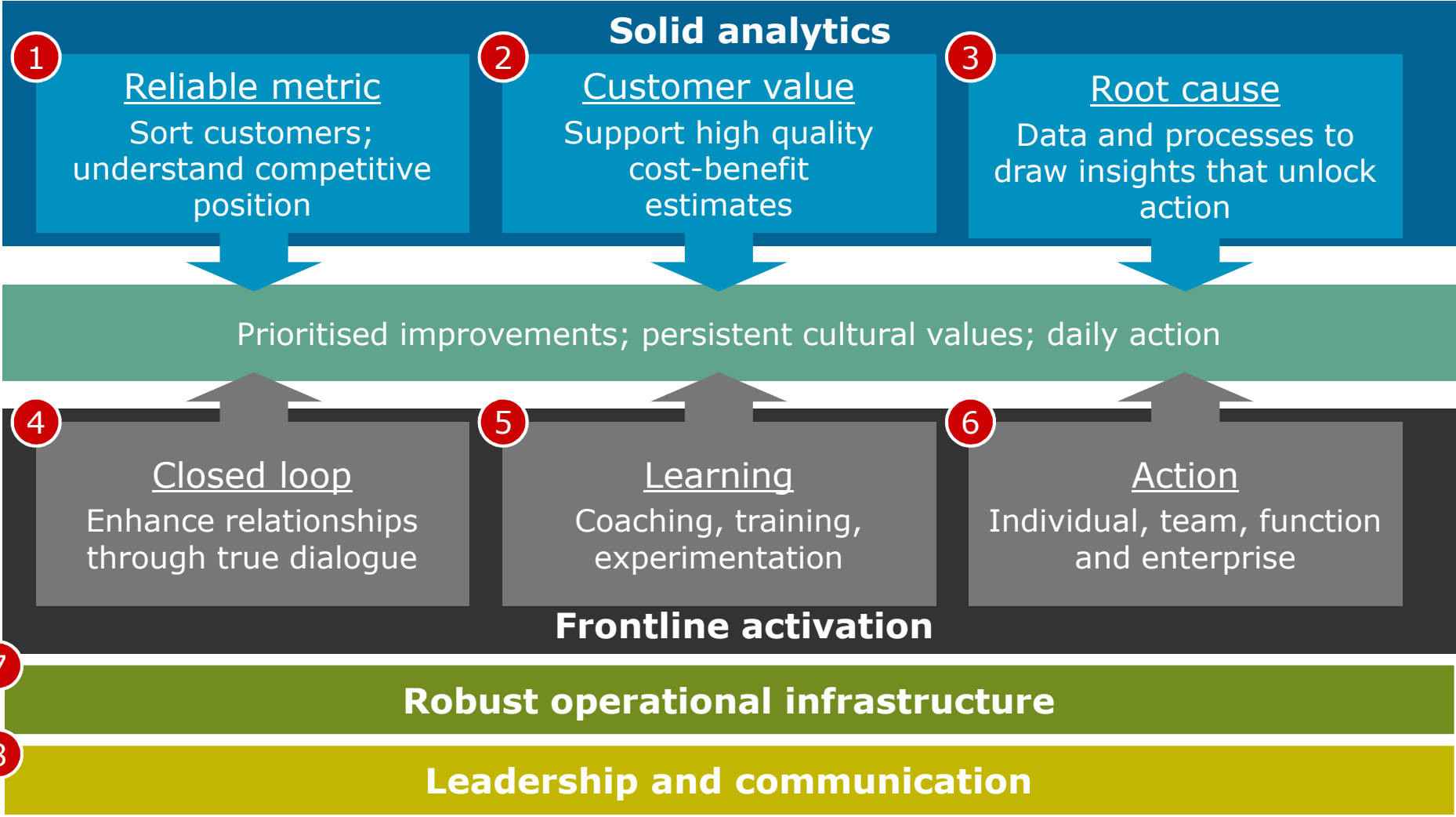
- **Coach and train employees** based on customer feedback
- Continuously **take frontline actions**



Outer Loop

- **Implement systemic, structural improvements** (process, policy, people, products, pricing, etc.)
- Facilitated by **leadership team**

Path forward: build out the "Operating Model" to enable and sustain this target state



Path forward: How do you know you have arrived?



Customer advocacy built into DNA

- Shift from a internally focused company and functional culture to a **single, cohesive customer-centric culture**
- All employees understand and can communicate why customer advocacy is important
- All major **decisions made through the lens of the customer and their experience**
- When you look back, NPS program defined a **turning point**
- **Employees are proud** to work at your company & brag to their friends

New behaviors become embedded

- Transformation into a **learning organization**: you listen to and learn from your customers and act on the learning
- Closed loop system fully operationalized: **receiving and acting on feedback becomes part of how you operate**
- **Clear and consistent processes** delivered and communicated to your customers

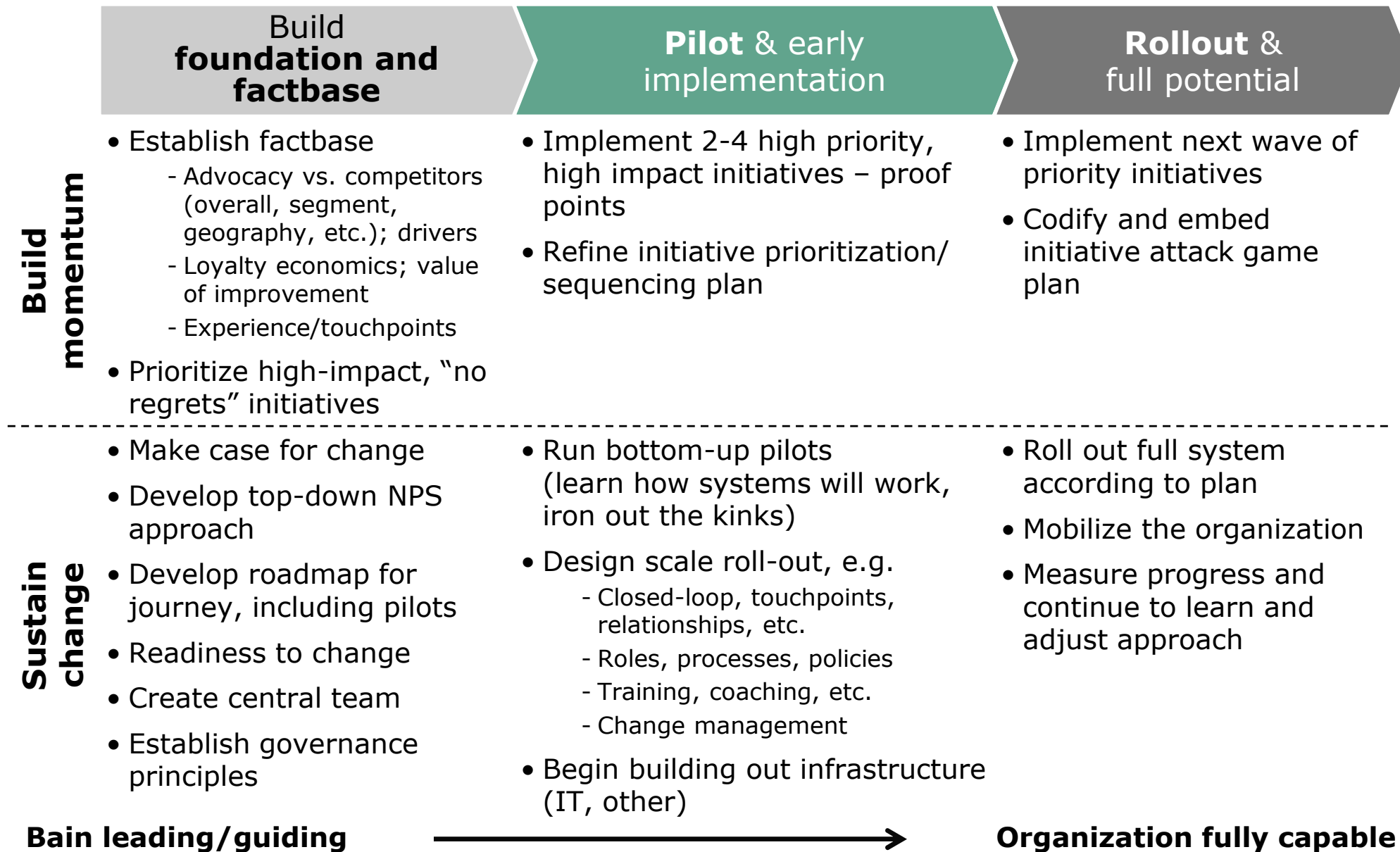
Superior economics achieved

- Economics fundamentally change
 - **More members retained**
 - **Higher share of wallet**
 - **Increased referrals**
 - **Productivity improves** leading to cost improvements



Implementing a Net Promoter System

Typical phases of NP System implementation



Key elements of the system



Solid analytics

1 Reliable metric:
Sort customers;
understand
competitive position

- Define market and key competitors
- Know baseline and articulate goals for improvement over time
- Design and launch top-down measurement system
- Design and launch bottom-up systems (relationship and touchpoint)

2 Customer value:
Support cost-benefit estimates

- Identify most profitable customers
- Quantify value of promoter and impact of conversion
- Build robust financial decision-making support; link loyalty economics to investment business cases

3 Root cause:
Insights to unlock action

- Use customer feedback to determine the "why"—what creates promoters and detractors
- Prioritize key issues (e.g. product, pricing, touchpoints)
- Formalize an ongoing process for addressing issues that are raised

Frontline activation

4 Closed loop:
Enhance relationships through dialog

- Prioritize touchpoints for closed loop systems
- Design closed loop processes (method, timing, frequency)
- Create information flows, reporting and analytic package
- Develop follow-up and escalation processes

5 Learning:
Coaching, training, experimentation

- Introduce training programs to support learning
- Develop coaching and behavior change practices
- Create processes and support for experimentation, learning and best practice sharing
- Build into performance management systems

6 Action:
Individual, team, function, enterprise

- Provide guidelines and principles for individual action
- Build workflow management systems to support follow-up
- Create cross-functional teams to attack prioritized initiatives
- Support with central team/governance

Robust operational infrastructure

- Obtain/deploy required internal/external resources
- Develop reporting, tracking and engagement tools
- Build required IT infrastructure
- Build required organizational infrastructure

Leadership communication

- Communicate program goals & progress internally and externally
- Directly participate in customer feedback processes
- Create customer leadership team
- Develop loyalty report card (similar to financial report card) and embed it into strategic decision-making
- Build loyalty into C-level compensation