

Gartner for Financial Services

Why Financial Empowerment Support Is More Powerful Than NPS

Financial Services Business Leader Research Team

Gartner®



Retail banking leaders responsible for customer experience are constantly looking for better ways to measure customer satisfaction. Gartner research shows that financial empowerment support is a stronger predictor of positive customer relationships than Net Promoter Score.

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Executives know that to improve the customer experience, they need metrics that effectively evaluate the nature and success of the customer experience. To this end, many organizations have adopted variations of the Net Promoter Score (NPS), which evaluate whether a customer would recommend a product or service that they have experienced. NPS evaluates customers based on their likelihood to recommend a provider to a friend, family member, colleague or social media follower on a scale of 0 to 10. Customers who rate that likelihood at a 9 or 10 out of 10 are promoters, while those who select anything from 0 to 6 are categorized as detractors. NPS offers simplicity of measurement in that it requires only a single customer survey question to measure. It also helps bring focus to customers' thoughts about their experience, forcing them to consider not just whether their experience was satisfactory, but whether it was good enough to recommend to someone else.

NPS does not, however, capture the multitude of different ways that customer relationships can be deepened, nor does NPS naturally lend itself to actionable solutions. As an alternative, Gartner developed the financial empowerment support (FES) score through a rigorous predictive model and recommends that retail banking leaders use it for evaluating customer experience success. FES is at once a more holistic measure of a customer experience and more predictive of positive and productive customer relationships than NPS.

Identifying the Outcome of a Successful Customer Experience: Improved Customer Relationship Value

In order to adequately evaluate a measure of customer experience, executives require a strong outcome variable. To this end, Gartner's Customer Relationship Value model allows for a powerful understanding of the relationship that customers have with their financial providers. To build it, Gartner asked financial services customers to rate their agreement with a number of statements after an interaction with their financial services providers. These statements were split into advocacy actions (referrals), service actions (engagement) and revenue actions (sales), which were further divided into negative, neutral and positive categories (see Table 1).

Table 1: Sample Customer Relationship Value Actions

Designation	Sample Negative Statement	Sample Neutral Statement	Sample Positive Statement
Advocacy Actions — Recommendations	I did not recommend my provider to my friends, family members, colleagues or social media followers.	I did not provide any recommendation.	I recommended my provider to my friends, family members, colleagues or social media followers.
Service Actions — Apps	I decreased or stopped using my provider's mobile or desktop apps.	I have not changed how much I use my provider's mobile or desktop apps.	I increased my use of my provider's mobile or desktop apps.
Revenue Actions — Amount of savings or borrowing	I decreased the amount of my savings or borrowing with my provider.	I did not change the amount of my savings or borrowing.	I increased the amount of my savings or borrowing with my provider.

Source: Gartner

The Customer Relationship Value Model organizes customers into seven classifications based on which actions customers took after an interaction with their primary providers and which actions they were still likely to take. Positive advocacy, positive service and positive revenue customers denote customers with a healthy and growing relationship with their primary providers (see Figure 1). Because of this, the likelihood that a customer will end up in one of these categories after an interaction provides a more holistic metric of customer relationship value to a provider than could be measured by sales metrics alone.

Figure 1: Gartner Customer Relationship Value Model

Negative Provider Relationship			Positive Provider Relationship			
Negative Revenue	Negative Service	Negative Advocacy	Neutral	Positive Advocacy	Positive Service	Positive Revenue
<ul style="list-style-type: none"> Negative revenue actions outnumber positive revenue and service actions 	<ul style="list-style-type: none"> Negative service action(s) Low/no positive actions 	<ul style="list-style-type: none"> Negative advocacy action(s) No revenue actions No service actions 	<ul style="list-style-type: none"> Nine or more neutral actions 	<ul style="list-style-type: none"> Positive advocacy action(s) No revenue and service actions 	<ul style="list-style-type: none"> One or more positive service actions No resulting revenue action No negative actions 	<ul style="list-style-type: none"> One or more positive revenue actions No negative actions

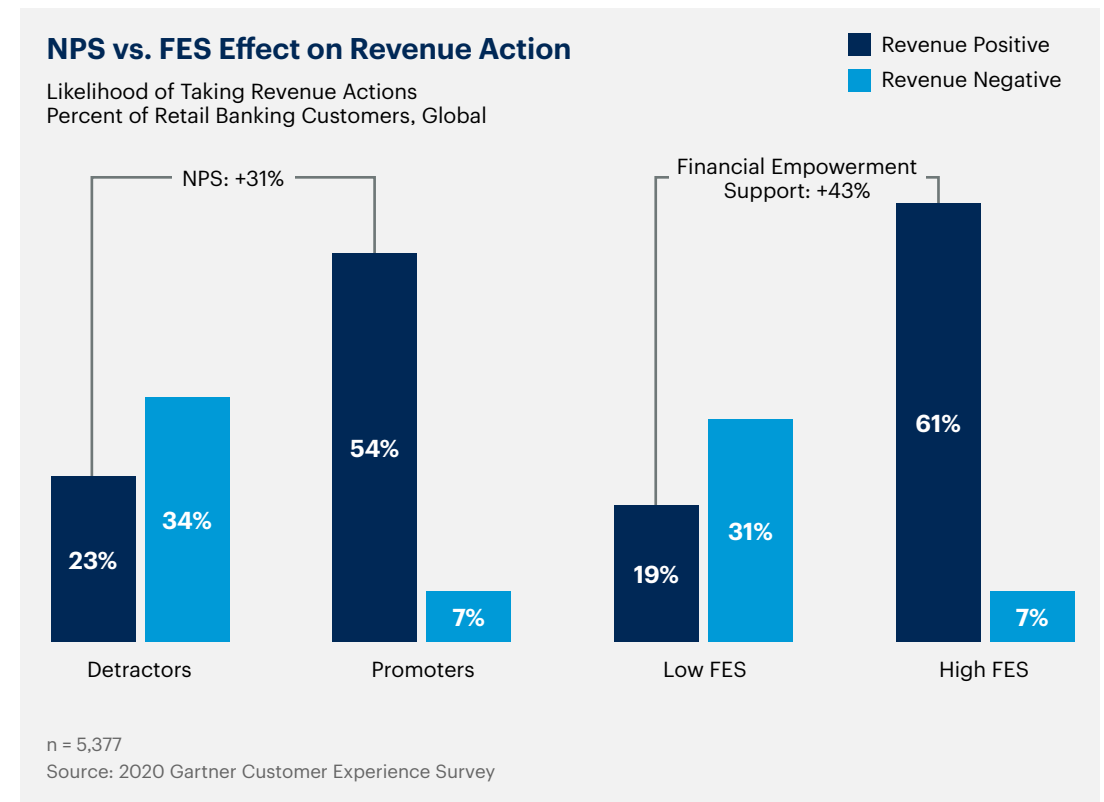
Source: Gartner

Comparing Financial Empowerment Support to Net Promoter Score

NPS is a strong predictor of increases in positive revenue actions and decreases in negative revenue actions. This is true even when controlling for financial empowerment, interaction events, customer assets, channels used, gender, tenure at the bank, region, interaction quality, financial health, and bank primariness. Promoters have a 54% likelihood of taking positive revenue actions — 31 percentage points higher than detractors. A customer’s likelihood of taking negative revenue actions decreases from 34% to 7% as they move from detractors to promoters. Seeking to improve customer NPS can thus be a productive strategy for financial services providers.

Gartner’s FES measure has predictive power similar to that of NPS for decreases in likelihood of negative revenue actions. FES, however, has a stronger effect on the probability of taking positive revenue actions among customers. Moving from low to high FES, customers are 43 points more likely to take positive revenue actions (see Figure 2). Overall, our analysis suggests that optimizing for FES results in a greater percentage of positive revenue customers than optimizing for NPS.

Figure 2: Predictive Power on Revenue Actions



Introduction to Financial Empowerment Support

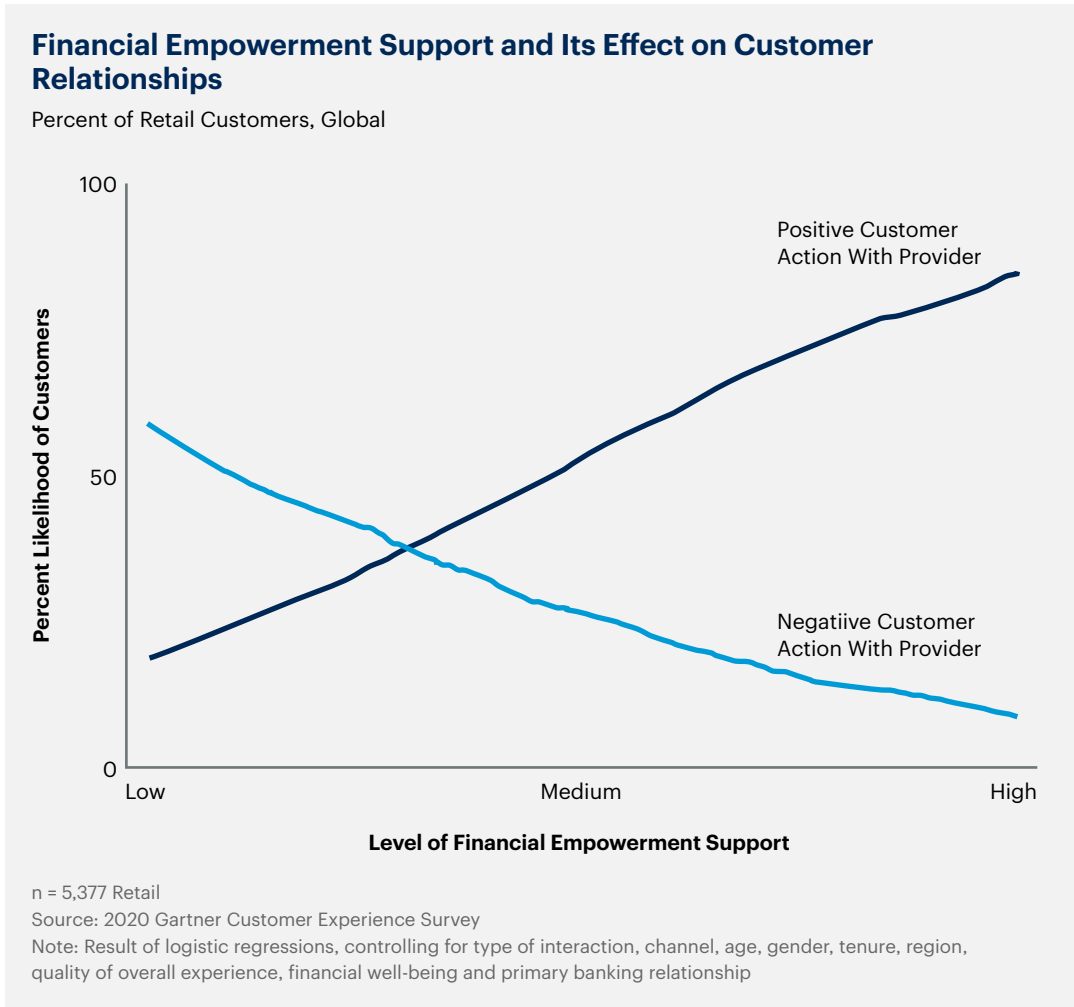
Optimizing for FES in customer experience begins with breaking down the concept into its component parts. Gartner identified and tested a number of items related to customer financial empowerment — actions that a provider can take to help customers, or improve customer feelings related to financial empowerment. Gartner analysis shows that customer agreement with the statements below is most significantly predictive of positive customer-provider relationships.

1. I feel better off as a result of my interactions with my provider.
2. My provider teaches me about my financial options.
3. My provider makes it easy for me to access new financial services products and services.
4. Completing this action made me feel better about the fees that I pay.
5. My provider gives me access to tools to stay on track with my finances.

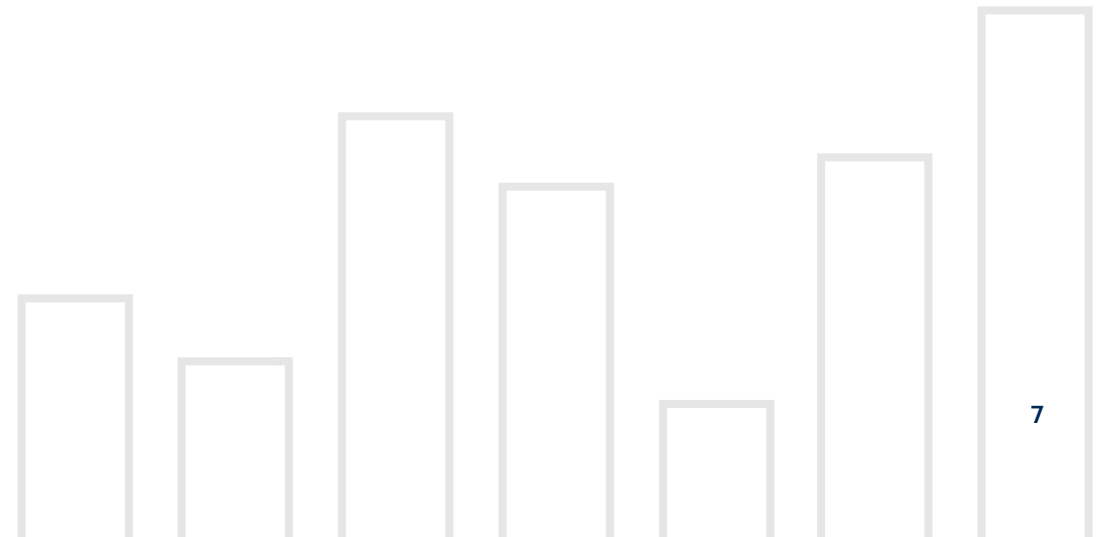
Based on the extent to which they agreed with these five statements, Gartner categorized respondents into one of three groups: low, medium and high FES.

Figure 3 summarizes the overarching findings of our research and underlines the fact that the industry is at an inflection point. Not only do rising levels of provider support for financial empowerment progressively increase the likelihood of positive relationships, the opposite is also true. As customers feel increasingly unsupported in the realm of financial empowerment, the likelihood of them taking negative actions also increases. Such customers are more likely to reduce their savings or borrowings with a provider and disparage them in either private or public spaces, and are less likely to use their provider's apps, tools and services.

Figure 3: Support Financial Empowerment and Create Relationship Value



Measuring and optimizing for FES is a strong strategy for executives looking to deepen all aspects of their customer relationships and drive growth through improved customer experience. Gartner recommends that leaders learn how to measure FES (see Measuring Financial Empowerment Support) and compare their firm to a benchmark.



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