

Measuring and managing customer satisfaction

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Agenda

- Customer satisfaction & customer loyalty defined
- Measuring customer satisfaction
- The benefits of customer satisfaction
- Customer satisfactions impact on retention, advocacy, defection and loyalty
- The banking industry focus
- Summary

Customer satisfaction *and* customer loyalty

Customer satisfaction is defined as;

“An evaluation of the perceived discrepancy between prior expectations and the actual performance of the product”* ***or***

“The consumers sense that consumption fulfils some need, desire, goal....and that this fulfilment is pleasurable”#

Customer loyalty is defined as;

“a deeply held commitment to re-buy or re-patronise a preferred product / service consistently in the future....***despite*** situational influences and marketing efforts having the potential to cause switching behaviour”#

*Source: Tse and Wilton 1988 “Models of Customer Satisfaction

#Source: Oliver 1997. Satisfaction: A behavioural perspective on the consumer

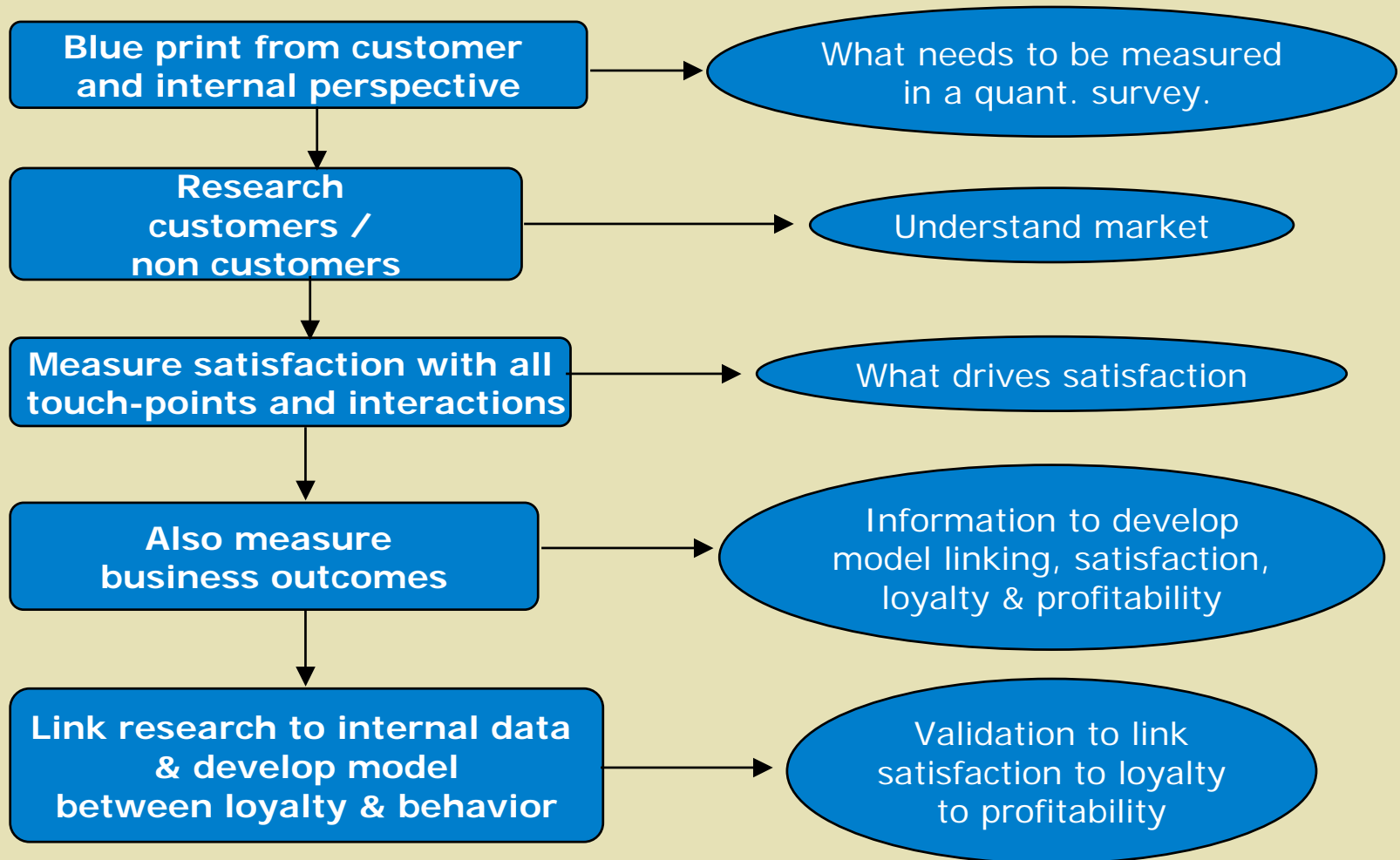
Measuring customer satisfaction

Measurement of customer satisfaction has evolved from total quality management ("TQM") to measuring degrees of customer loyalty

	Conformance Quality "TQM" (Early 1980's)	Customer Satisfaction (Late 1980's)	Customer Loyalty (Late 1980's)
Minimum Standards			
• Deliver what we promise	✓	✓	✓
• Meet standards	✓	✓	✓
<hr/>			
Customer Focus			
• Meet customer needs		✓	✓
• Respond to complaints		✓	✓
<hr/>			
Customer Attitude			
• Retain customers			✓
• Build Relationships			✓
• Earn Referrals			✓

Will our "Satisfied" Customers be loyal if a Competitor Provides better Value ?

ANZ's approach...



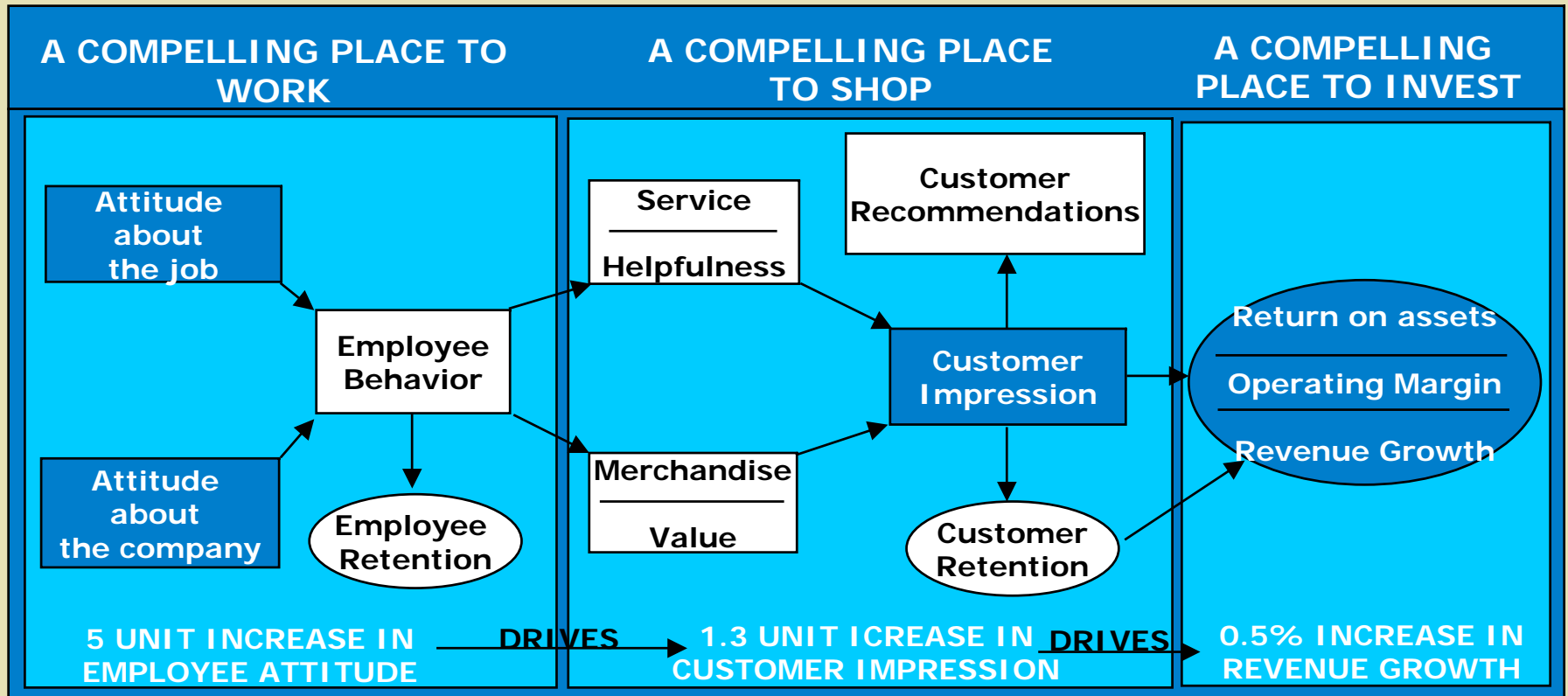
ANZ has developed hierarchical customer satisfaction models



- Multivariate analysis techniques used to model relative impact at each stage
- The models show relationships between drivers of satisfaction and business outcomes

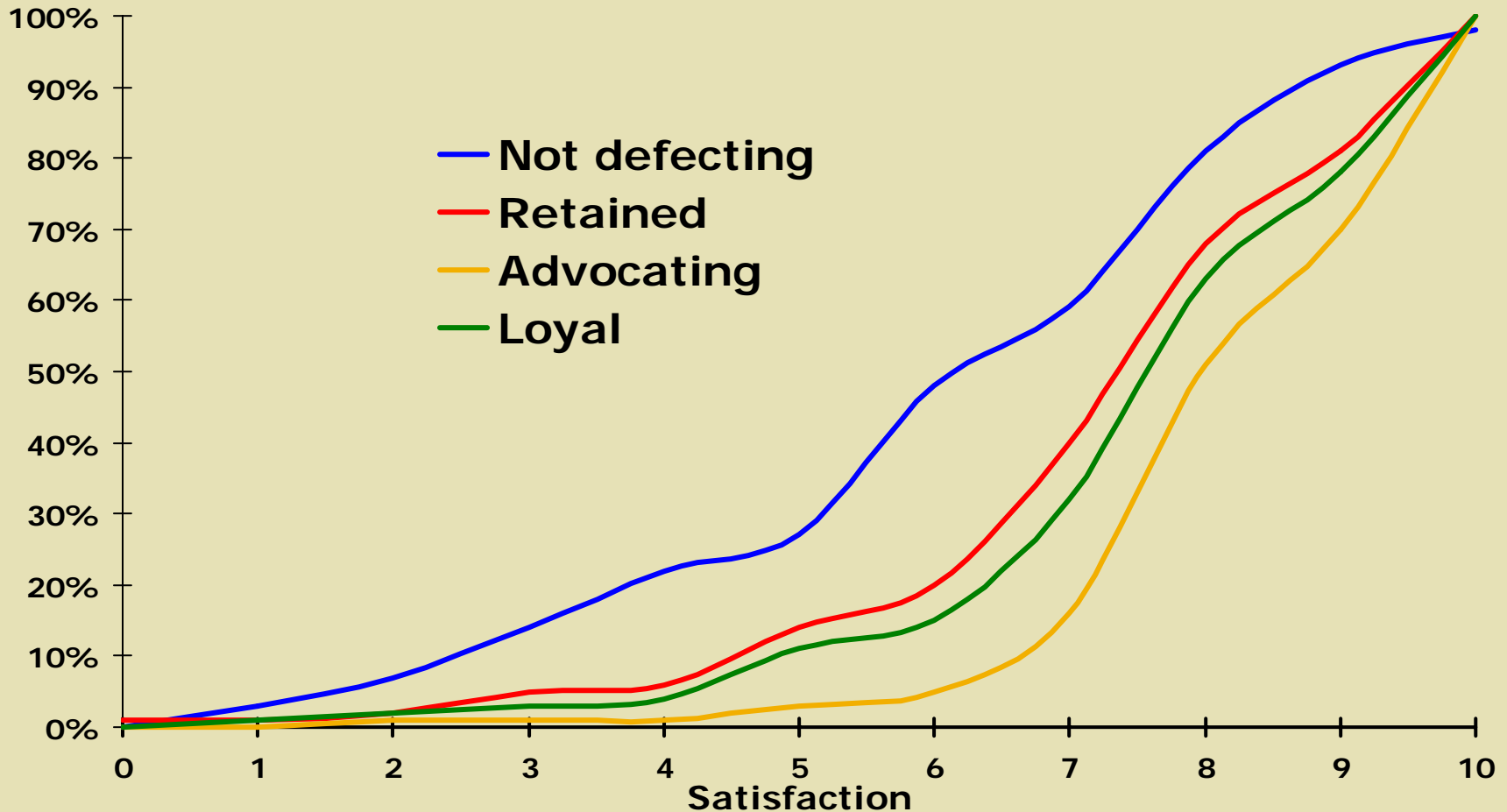
Customer satisfaction is closely linked to staff satisfaction

- Research attests to the impact of staff satisfaction leading to customer satisfaction which in turn leads to revenue growth*



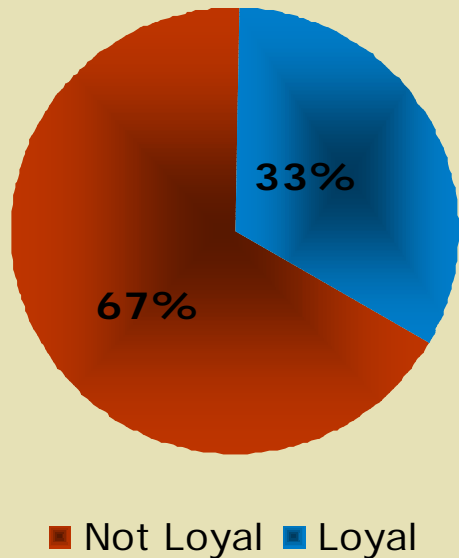
*Source: Sears, Roebuck & Co.

ANZ's customer satisfaction data is correlated to defection, retention, advocacy and loyalty

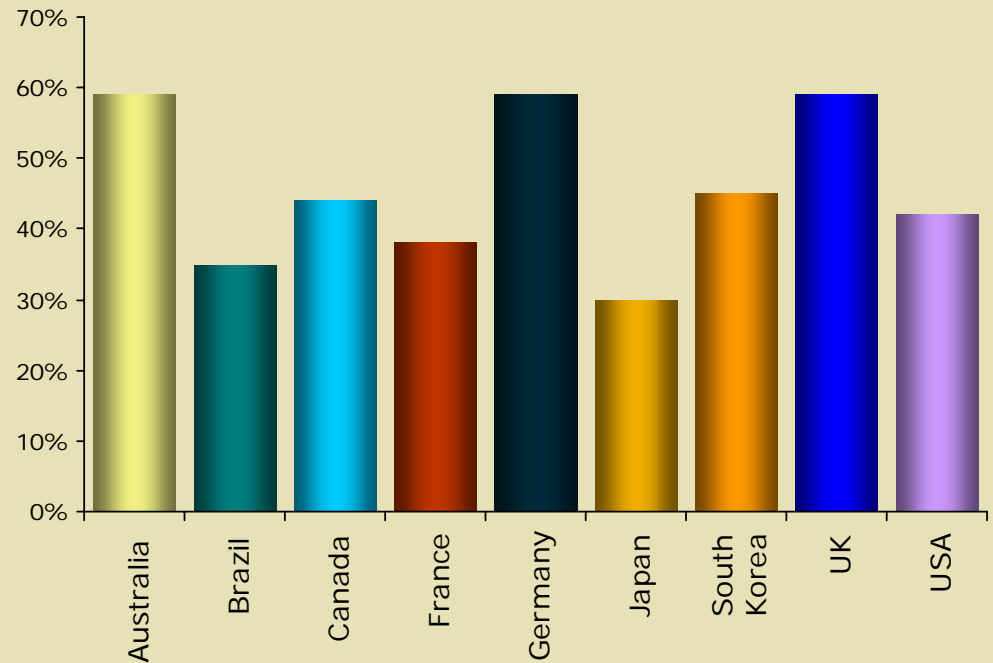


Most customers have limited loyalty to their financial institution

Customer loyalty to primary financial institution



Consumer "Shopping" Behavior - respondents shopping non primary providers

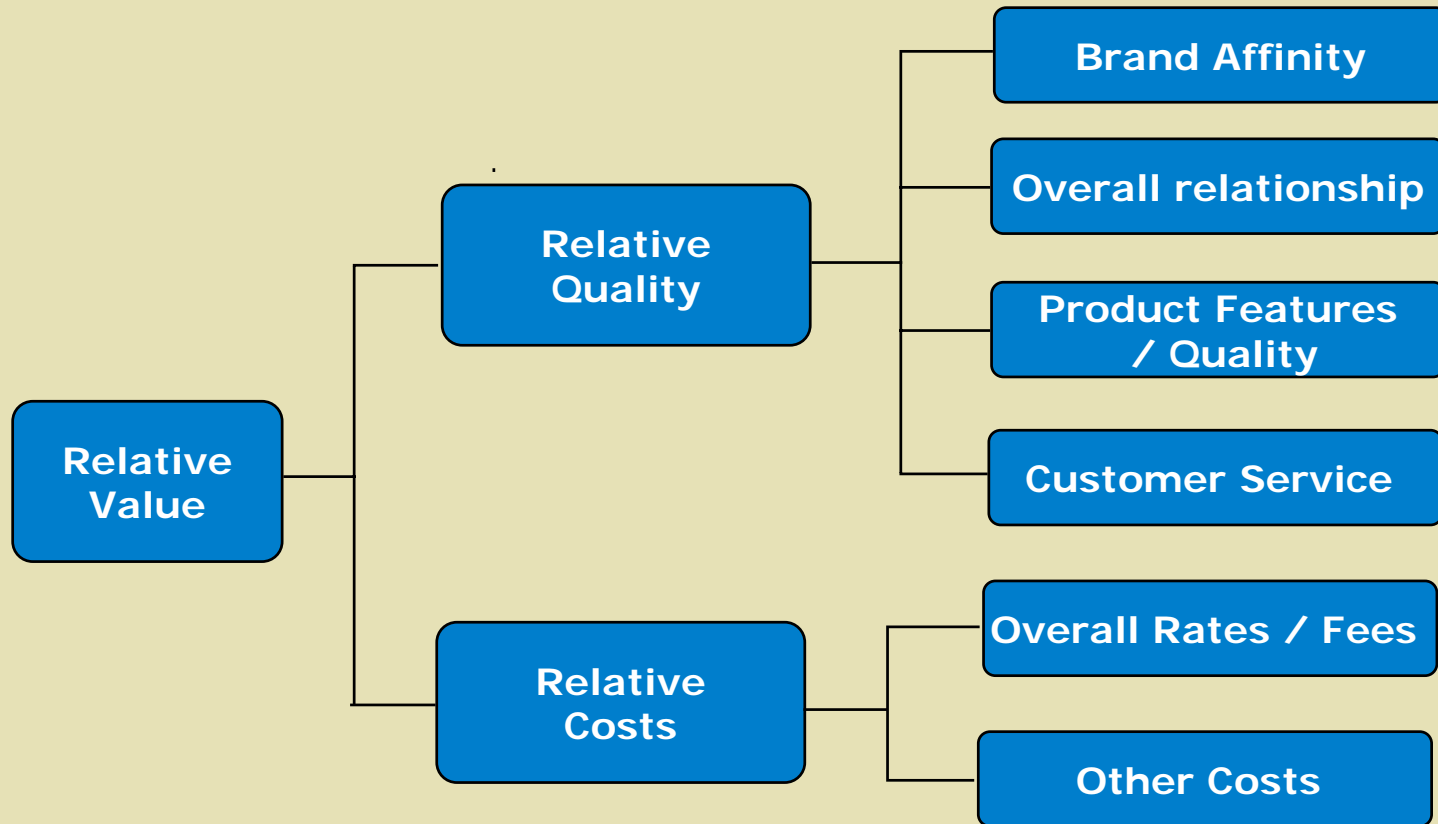


Source: UK Council on financial competition 2002.

Source: Deloitte Touche Tohmatsu.

Value drives loyalty

- Satisfaction alone does not drive loyalty, it is the perception of value that is the key driver



Delivering value has become more demanding

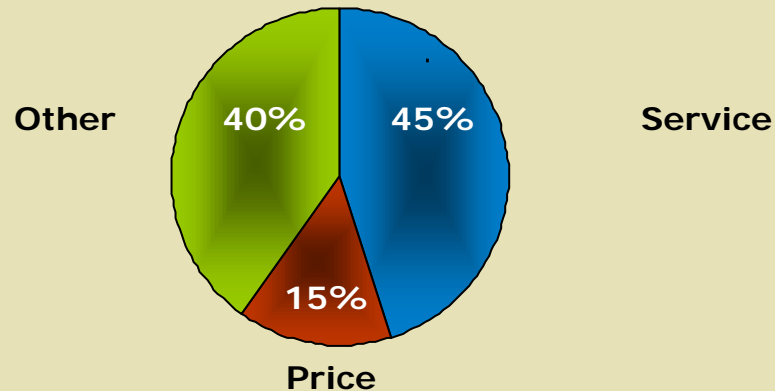
	Customer Satisfaction (Late 1980's)	Customer Loyalty (Late 1980's)	Customer Value (1995 to 2000+)
Minimum Standards			
• Deliver what we promise	✓	✓	✓
• Meet standards	✓	✓	✓
<hr/>			
Customer Focus			
• Meet customer needs	✓	✓	✓
• Respond to complaints	✓	✓	✓
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Customer Attitude			
• Retain customers		✓	✓
• Build Relationships		✓	✓
• Earn Referrals		✓	✓
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Beating Competitors In Targeted Markets			
• Target profitable to serve customer			✓
• Identify & exploit competitor weakness			✓
• Neutralise competitor strengths			✓
• Develop & deliver on superior value proposition			✓

Will our "Satisfied" Customers be loyal if a competitor provides better value ?

Why should a customer who intended to be loyal, stay with us if someone else provides better value ?

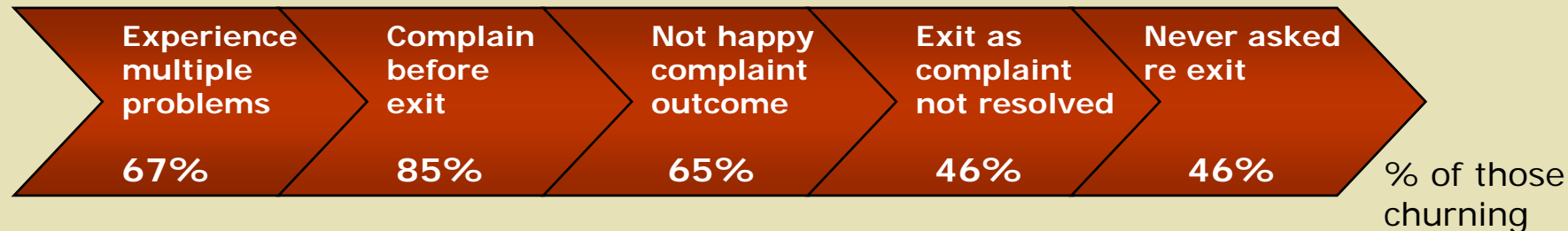
Poor service is the main reason for customer defection

Primary reason for customer defection



Poor service is the most significant factor leading to customer defection

In particular, poor problem solving drives customer defection



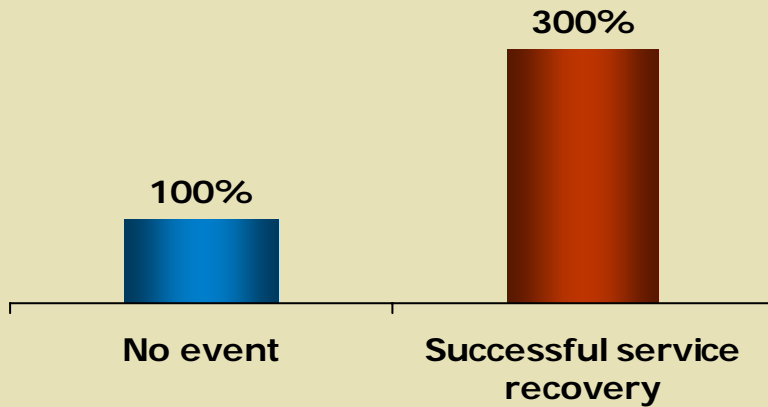
Source: Colgate & Hedge "An investigation into the switching process in retail banking services 2001"

Bloemer, Brijs, Swinnen & Vanhoof "Identifying latently dissatisfied customer & measures for dissatisfaction management

Stuart "An explanation of customer exit in retail banking 1998

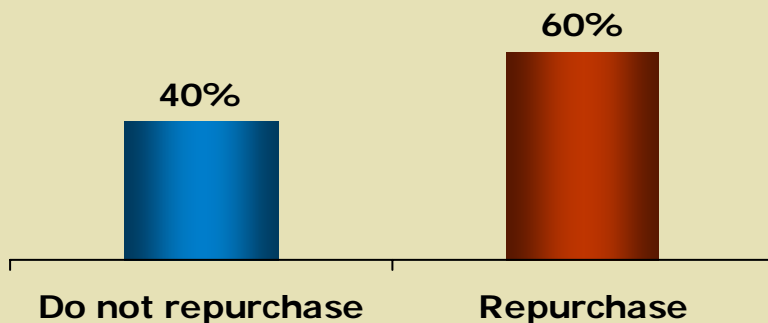
Successful service recovery significantly impacts referral and repurchase decisions

Likelihood to refer*



Customers are **3x more likely** to refer a company following problem resolution

Service recovery impact on customer repurchasing*



Customers are more likely than not to repurchase from a company following a successful service recovery

*Source: Council on Financial Competition, Case Study

The banking industry is focused upon customer service



Summary

- Customer satisfaction has become more complex to measure
- Institutions are using a variety of models to measure customer satisfaction
- Customer satisfaction is linked to staff satisfaction
- There is a direct relationship between loyalty, retention, defection and advocacy and customer satisfaction
- Customer satisfaction is a key component of the value chain, but does not guarantee loyalty
- While customer satisfaction is necessary, the perception of value drives loyalty
- Efficient and superior levels of customer service are imperative in managing customer satisfaction
- All banks are focused on improving customer service

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