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The Science of Customer Satisfaction in the Retail Banking System – A Critical Comparison between the Two International Indexes: American Customer Service Index (ACSI) and Net Promoter Score (NPS)

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Abstract
For client-centered banks, customer satisfaction and customer loyalty are a goal as well as a marketing tool since banks have to be very concerned with their customer perception today because with the development of social media and online environments, the experience of a client with a bank, a product or service can propagate much faster, spreading both good and bad word of mouth to the rest of the world.
This article explains the two international measurements techniques for tracking the customers' overall satisfaction on repurchasing intention, likelihood or willingness to recommend the bank to others as well as specific attributes or benefits perceptions likely to be related to customer satisfaction. Those methods are Net Promoter Score (NPS) and American Customer Service Index (ACSI). Through global CSI organizations throughout the world license ACSI's powerful, scientific methodology to create customer satisfaction indexes for their own national economies and to benchmark with other indexes adopting the ACSI methodology.
Research has shown a strong and consistent association between customer satisfaction, as measured by NPS and ACSI and banks' profitability on long term and have critics for not fully account for ex-customers or those who were never customers.
The challenge now for banks is to deliver superior services, in order to exceed the customers' expectations, for retaining them in the portfolio, since this is the only healthy way to develop the business on a mature market. This is also the case for Romanian Retail Banking System as it results from the research conducted on the local market, due to the fact that monitoring and continuous improvement of customer service become nowadays a strategic objective.

Keywords: customer satisfaction, customer care, ACSI, NPS, banking.

JEL classification: M310

1. Introduction

"Big banks must change the way they do business," says Claes Fornell, ACSI founder and author of *The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference*. "If they don't, they will continue to lose customers. To compete with smaller financial institutions, they need to decentralize their services. Local branches know their customers best."
Big banks may be forced to improve customer satisfaction in order to maintain market share, but a large increase of customers to smaller institutions poses challenges to small banks and building societies as well. With an influx of new customers, smaller institutions – whose size has allowed their service advantage – may struggle to maintain service levels.
By taking a look in the Europe zone, the highest share of customers with a positive retail banking experience in the leading selected European banking systems (countries) as of 2015 is in Czech Republic. (Statista, 2016)
More than 60 percent of surveyed bank customers in the Czech Republic indicated high levels of satisfaction, ranking the country highest among European banking locations in 2015. This was followed by Austria, with 59.9 percent of bank customers. However, less than 50 percent of customers of Norwegian retail banks reported having a positive experience in that year.

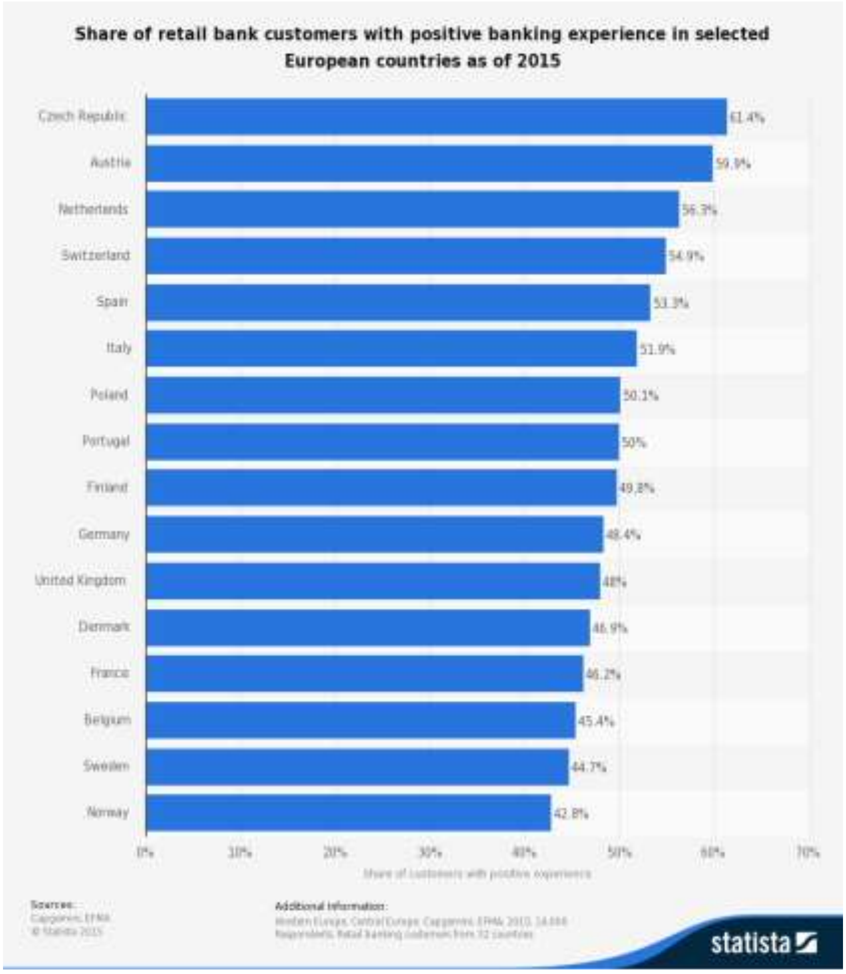

Figure 1. Share of retail bank customers with positive banking experience in selected European countries as in 2015

Source: EFMA, Statista 2015

The progress achieved must be measured consistently knowing that you can not manage and improve what you do not measure

2. ACSI

The University of Michigan's Claes Fornell has developed the A**merican Customer Satisfaction Index (ACSI)** to measure consumers' perceived satisfaction with different firms, industries, economic sectors, and national economies.

The American Customer Satisfaction Index (ACSI) collects survey data at the individual customer level to provide insights across the entire customer experience. These data are aggregated to produce customer satisfaction benchmarks (or scores) for more than 300 major companies that provide goods and services to U.S. consumers, from 43 industries and 10 economic sectors.

The national ACSI score measures U.S. overall customer satisfaction and is an aggregation of all sectors and industries measured by the ACSI. Specifically, the national ACSI score represents the average of all sector scores, weighted by each sector's contribution to the U.S. gross domestic product (GDP). The national ACSI score is updated each quarter and serves as an indicator of the health of the U.S. economy. (Theacsi.org, 2016)

The ACSI surveys customers of companies and users of government services randomly via telephone and email. Potential respondents are asked questions about their purchase and use of specific products and services bought within specified, recent time periods (these periods vary according to the product or service). Those who qualify as respondents are then asked from which company or which brand they have purchased, and responses to the ACSI survey questions are coded as a customer interview for that company. The ACSI conducts more than 70,000 interviews annually.

Research has shown a strong and consistent association between customer satisfaction, as measured by ACSI, and firm financial performance in terms of ROI, sales, long-term firm value The American Customer Satisfaction Index, uses customer interviews as input to a multi-equation econometric model developed at the University of Michigan's Ross School of Business. The ACSI model is a cause-and-effect model with indices for drivers of satisfaction on the left side (customer expectations, perceived quality, and perceived value), satisfaction (ACSI) in the center, and outcomes of satisfaction on the right side.(Theacsi.org, 2016)

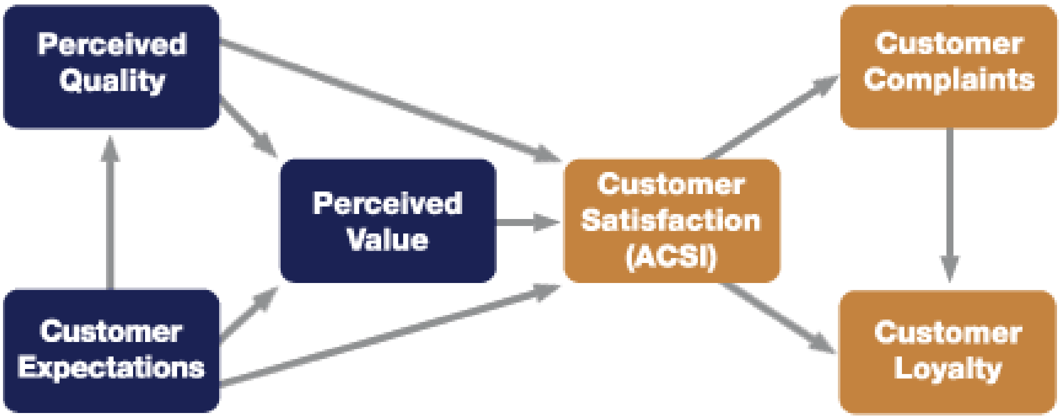

Figure 2. American Customer Satisfaction Index

Source : http://theacsi.org, 2016

Customer Satisfaction (ACSI)

The customer satisfaction (ACSI) index score is calculated as a weighted average of three survey questions that measure different facets of satisfaction with a product or service. ACSI researchers use proprietary software technology to estimate the weighting for each question.

Customer Expectations

Customer expectations is a measure of the customer's anticipation of the quality of a company's products or services. Expectations represent both prior consumption experience, which includes some nonexperiential information like advertising and word-of-mouth, and a forecast of the company's ability to deliver quality in the future.

Perceived Quality

Perceived quality is a measure of the customer's evaluation via recent consumption experience of the quality of a company's products or services. Quality is measured in terms of both customization, which is the degree to which a product or service meets the customer's individual needs, and reliability, which is the frequency with which things go wrong with the product or service.

Perceived Value

Perceived value is a measure of quality relative to price paid. Although price (value for money) is often very important to the customer's first purchase, it usually has a somewhat smaller impact on satisfaction for repeat purchases.

Customer Complaints

Customer complaints are measured as a percentage of respondents who indicate they have complained to a company directly about a product or service within a specified time frame. Satisfaction has a negative relationship with customer complaints, as the more satisfied the customers, the less likely they are to complain.

Customer Loyalty

Customer loyalty is a combination of the customer's professed likelihood to repurchase from the same supplier in the future, and the likelihood to purchase a company's products or services at various price points (price tolerance). Customer loyalty is the critical component of the model as it stands as a proxy for profitability.

2.1. History

This strategic economic indicator is based on customer evaluations of the quality of goods and services purchased in the United States and produced by domestic and foreign firms with substantial U.S. market shares. The ACSI measures the *quality* of economic output as a complement to traditional measures of the *quantity* of economic output.

The ACSI was started in the United States in 1994 by researchers at the University of Michigan, in conjunction with the American Society for Quality in Milwaukee, Wisconsin, and CFI Group in Ann Arbor, Michigan. The Index was developed to provide information on satisfaction with the quality of products and services available to consumers. Before the ACSI, no national measure of quality from the perspective of the user was available.

The ACSI model was derived from a model originally implemented in 1989 in Sweden called the Swedish Customer Satisfaction Barometer (SCSB). Claes Fornell, ACSI founder and Chair of ACSI LLC, developed the model and methodology for both the Swedish and American versions. Hailed as the "Father of Customer Satisfaction," Claes Fornell is without question one of the most influential scholars in marketing science today. His name can be found on 3 of the top 15 most academically cited papers from the leading sources in the field—*Journal of Marketing*, *Journal of Marketing Research*, *Marketing Science*, and *Management Science*.

The ACSI was first published in October 1994, with updates released each quarter. Starting in May 2010, ACSI data became available to the public on a more frequent basis, with results released multiple times per year. This change allows stakeholders to focus more in-depth on different segments of the economy over the entire calendar year. The national ACSI score continues to be updated quarterly on a rolling basis, factoring in data from 10 economic sectors and 43 industries. (Theacsi.org, 2016)

2.2. Competitive Customer Satisfaction Benchmarking

ACSI's published customer satisfaction scores are the tip of the iceberg when it comes to analyzing the total customer experience. The ACSI model, used to produce results for all companies and industries in the Index, embeds customer satisfaction within a series of cause-and-effect relationships. ACSI clients gain access to in-depth perspectives for their own company as well as for industry peers and competitors, which gives them strategic insights into their organization's customer relationships and its competitive stance in the marketplace.

For select industries, the ACSI measures up to 10 added elements of the customer experience relevant to each industry's products or services. These touch points include website and call center satisfaction, along with countless factors such as battery life for cell phones, seat comfort for airlines, or speed of service for restaurants.(Theacsi.org, 2016)

2.3 Cross-Industry Customer Satisfaction Benchmarking

The ACSI offers clients a highly respected resource for looking outside their own industry's box to identify and benchmark with best-practice organizations in any of ACSI's 40+ industries.

The ACSI has two decades of experience analyzing customer satisfaction with commercial banks that provide services to U.S. consumers. Each year, the ACSI interviews hundreds of customers about recent experiences with the checking, savings, or loan services offered by their banks. The customer survey data serve as inputs to ACSI's proprietary model, which embeds customer satisfaction within a series of cause-and-effect relationships.(Theacsi.org, 2016).

2.4. Bank Customer Experience Benchmarks

For banks, the ACSI captures customer opinions about critical elements of the customer experience, including: variety of financial services, adding or making changes to accounts, interest rate competitiveness, branch number and location, understanding account information, ATM number and location, staff courtesy, financial transaction speed, website. (Theacsi.org, 2016)

2.5. Global CSI

Global CSI enables organizations throughout the world to license ACSI's powerful, scientific methodology to create customer satisfaction indexes for their own national economies and to benchmark with other indexes adopting the ACSI methodology. Licensees obtain:

- Secured access to the proprietary ACSI Structural Equation Modeling Software, including all functionality, unlimited data storage, and ACSI network and system maintenance.
- Use of all ACSI industry-specific survey questionnaires and screeners.
- On-site training for one business week in the initial license year for as many participants as needed, including training on the patented ACSI Structural Equation Modeling Software and comprehensive presentations on the ACSI and "how to build a customer satisfaction index."
- Access to the ACSI International Database, with data from all ACSI affiliated countries made available for research and benchmarking purposes.
- Annual consulting support from ACSI personnel, as needed, to discuss matters related to strategy, public relations, marketing, data collection, and statistical analysis.

Global CSI also offers licensees the option of one ACSI-sponsored event each year in the licensee's country, including keynote presentations, roundtables, workshops, and training by ACSI personnel on topics related to customer satisfaction and cross-national benchmarking.

The National Customer Satisfaction Index (NCSI) is an economic indicator of customer evaluations of the quality of products and services available to household consumers in the United Kingdom. NCSI applies the technology and methodology of the American Customer Satisfaction Index (ACSI), which is the standard measure of citizen satisfaction used by the US Federal Government.

This methodology was developed at the University of Michigan and has been adopted worldwide as a leading macro- and micro-level indicator by universities, governments and countries including the **United States, the United Kingdom, Sweden, Singapore, Korea, Turkey, South Africa, Mexico, Colombia, Dominican Republic, Indonesia and Barbados**. All indices are reported on a 0-100 scale. (Theacsi.org, 2016)

2. Net Promoter Score (NPS)

Reichheld came with a different approach in 1998. He suggested that only one customer question really matters: "**How likely is it that you would recommend this product or service to a friend or colleague**?"

Reichheld was inspired in part by the experiences of Enterprise Rent-A-Car. When the company cut its customer satisfaction survey in 1998 from 18 questions to two—one about the

quality of the rental experience and the other about the likelihood customers would rent from the company again—it found those who gave the highest ratings to their rental experience were three times as likely to rent again than those who gave the second-highest rating. The firm also found that diagnostic information managers collected from dissatisfied customers helped it fine-tune its operations.
In a typical Net Promoter survey that follows Reichheld's thinking, customers are given a 1-to-10 scale on which to rate their likelihood of recommending the company. Marketers then subtract *Detractors* (those who gave a 0 to 6) from *Promoters* (those who gave a 9 or 10) to arrive at the **Net Promoter Score (NPS).**
Customers who rate the brand with a 7 or 8 are deemed *Passively Satisfied* and are not included.

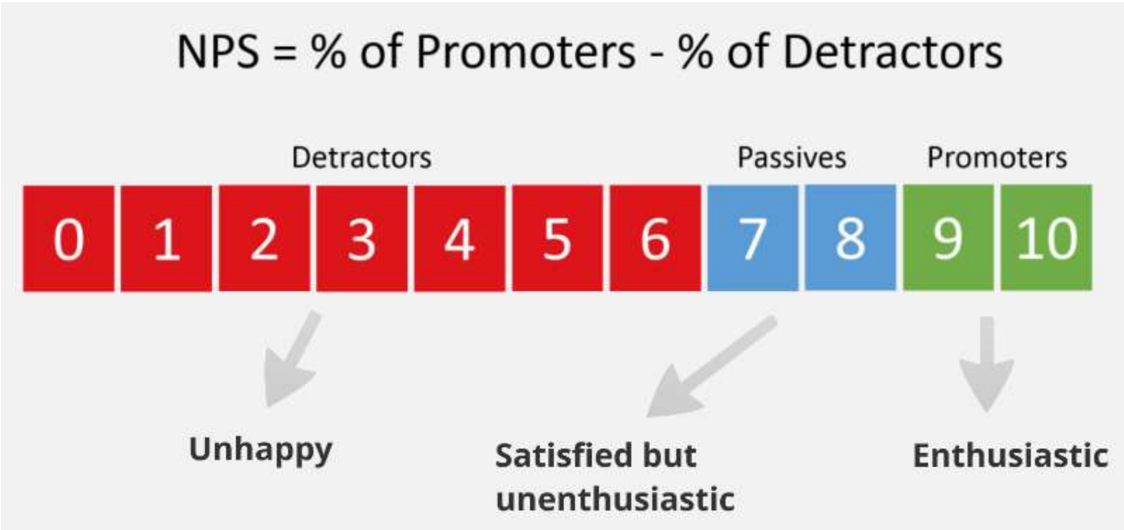

Figure 3. The structure of the survey respondents expressed depending on the option (NPS)
Source: Ocular, 2015

Net Promoter Score (NPS) is the index that describes consumers' intention to recommend to friends or colleagues a company or product. Promoters are loyal and enthusiastic buyers who recommend the brand; passively are satisfied consumers, but the lack of enthusiasm for the brand make them all vulnerable to competition; and detractors are dissatisfied consumers, who could damage the brand and affect business growth through negative publicity (Kotler, Keller, 2016).
With the development of social media and online environments, the experience of a client with a bank, a product or service can propagate much faster. It is recognized in this respect the merit Net Promoter to measure these experiences and identify issues that formed the basis of certain views, creating ways to increase customer loyalty and performance of a company.
Basically, Net Promoter program, chosen by the bank's customers who sign a sample or already have a product or service are asked to assess the relationship with the bank immediately after concluding a deal.
The evaluation takes place either by telephone or via e-mail invitations sent to answer several questions, among them is the one on their willingness to recommend the bank to family, friends or colleagues. Concern banks to and listen more customers has intensified in recent years both by adapting products and services to the new economic context and (low taxes, product launches, offering new guarantees, etc.) and by increasing awareness and transparency in communication, the new program completing this series of shares Net Promoter long term.
Internationally, NPS is regarded as an indicator of growth and profit for the company,

considering that the percentage of consumers' promoters is directly proportional to profitability.
Reichheld has picked up many believers through the years, not only the banks, but also American Express, Dell, and Microsoft, among others. GE has tied 20 percent of its managers' bonuses to its NPS scores. (Kotler, Keller, 2016).
When the European unit of GE Healthcare scored low, follow-up research revealed that response times to customers were a major problem. After it overhauled its call center and put more specialists in the field, GE Healthcare's Net Promoter scores jumped 10 to 15 points.
Reichheld says he developed NPS in response to overly complicated—and thus ineffective—customer surveys. So it's not surprising that client banks praise its simplicity and strong relationship to financial performance.
Net Promoter is not without critics. A common criticism is that many different patterns of responses may lead to the same NPS. For example, NPS equals 20 percent when Promoters equal 20 percent, Passives equal 80 percent, and Detractors equal 0 percent, as well as when Promoters equal 60 percent, Passives equal 0 percent, and Detractors equal 40 percent, but the managerial implications of the two patterns of responses are very different. Another common criticism is that it is not a useful predictor of future growth because it ignores important cost and revenue considerations. (Melnic, 2016)

4. Romanian Qualitative Study on the Retail Banking

Only 12.5% of the eight main banks in the Romanian market have managed to obtain the pass mark in terms of excellence in client relationship, shows a qualitative marketing research made by VBS Client Research & Consulting in 2012. (Voichita, 2014)
ING, Raiffeisen, Banca Transilvania and BRD Groupe Societe Generale are the banks with the best reputation in Romania, according to a study made by GfK research market (October 2013) and shows that over 60% of the banked urban population has the main bank one of these four credit institutions.
In respect of the "reputation score", according to GfK analysis, it is built on seven pillars following: familiarity, quality management, quality products and services, financial performance, good employer, social responsibility, emotional attachment.

4.1 Sontaneous awarness of the brand/ the aided

According to GFK Romania qualitative study on the Romanian Retail Banking 2012-2014, when people were spontaneously asked about the awarness of the brand/the aided, BCR, BRD and Raiffeisen Bank were the TOP 3 banks on people's mind.
F1. Thinking about the banks in Romania, please tell me what banks you know, even if only by name, and even if you are not a client of these banks. Are there any others?
– Single/ Multiple answers.
F2. Maybe you don't recall everything on the spot. Which of the banks from this list do you know, even if only by name, and even if you are not a client of the bank. – Multiple answers.

4.2 NPS on the Romanian Retail Banking System

In 2014 ING Bank was the most recommended bank in Romania and continues to dominate the market, even today.

5. Conclusions

For two decades, the ACSI has used its science based, proprietary methodology to analyze customer satisfaction for 10 economic sectors and more than 40 key industries that together represent a broad swath of the national economy.

This consistent, reliable, and precise approach means customer satisfaction results as produced by the ACSI are comparable across all sectors, industries, companies, and time periods in the Index. No other measure in the United States offers both competitive and cross-industry customer experience benchmarking.

This methodology has been adopted worldwide as a leading macro- and micro-level indicator by universities, governments and countries.

Changes in customer satisfaction affect the general willingness of households to buy. As such, price-adjusted ACSI is a leading indicator of consumer spending growth and has accounted for more of the variation in future spending growth than any other single factor.

Because consumer spending accounts for 70% of U.S. gross domestic product (GDP), changes in customer satisfaction as measured by the ACSI also correlate with changes in GDP growth. As GDP is a measure of the quantity of economic output and ACSI a measure of its quality, economic growth is dependent on producing not only more, but also better, products and services.

Manufactured goods tend to score higher for customer satisfaction than do services. For example, food items and household appliances show better ACSI scores than banks, airlines, or subscription TV service. Typically, the more service required, the lower the customer satisfaction.

Quality plays a more important role in satisfying customers than price in almost all ACSI-measured industries. Price promotions can be an effective short-term approach to improving satisfaction, but price cutting is almost never sustainable in the long term. Companies that focus on quality improvements tend to fare better over time with regard to customer satisfaction (ACSI) than companies that focus on price.

Mergers and acquisitions have a generally negative effect on customer satisfaction, particularly among service industries. ACSI-measured service companies that have engaged in frequent, large acquisitions typically experience significantly lower ACSI scores in the period following a merger when the ‘customer as asset’ often takes a backseat to reorganization and consolidation via cost cutting.

The American Customer Satisfaction Index provides unique customer experience benchmarking capabilities that come from the Index’s one-of-a-kind, cross-industry structure.

Results from the critical comparison indicate that both NPS and ACSI indexes do not fully account for ex-customers or those who were never customers.

Customer satisfaction is a leading indicator of company financial performance. Internationally, NPS and ACSI are regarded as indicators of growth and profit for the company, considering that the percentage of consumers’ promoters is directly proportional to profitability. (Melnic, 2016). Stocks of companies with high ACSI and NPS scores tend to do better than those of companies with low scores.

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