

INTRODUCTION

A single metric is only one piece in understanding the large and complex world of business and customer relations. Like any measurement, the NPS alone cannot measure the vast motivators and market factors that influence customer loyalty. However, as a broader concept that understands customers as promoters or detractors, the score has opened a philosophical door that has allowed companies to embrace a new methodology.

Net Promoter Methodology

A unique evaluation of how word-of-mouth referrals and customer loyalty can help the unique needs of each company

Develop research tools to test and monitor those needs (surveys, customer call-backs, etc.).

Spend time digging into understanding what is making detractors dissatisfied.

Use the feedback to make real changes.

Track customer satisfaction and company growth.

Since its development the Net Promoter Score (NPS) has come a long way from a single metric which strived to predict customer's future behavior and a company's growth, to a system which can measure and manage the customer relationship effectively. This paper goes in-depth into how companies can benefit from using NPS. Beginning with a brief history of the development of the Net Promoter Score, this paper discusses some of the problems that arise with relying on the NPS as a single metric. It then goes on to show how companies have modified this single number into a larger system and have begun using it as a research methodology to understand and improve customer relations.

FROM SCORE TO SYSTEM

In the late 90s, there was a paradigm shift in understanding the customer, where markets became less concerned with satisfaction and more concerned with loyalty. Business strategists, like Bain Fellow Frederick Reichheld, began writing about ‘the satisfaction trap,’ arguing that loyalty was the only important factor needed for driving a successful business. In one of Reichheld’s early HBR papers called, E-Loyalty, he argued that ‘e-commerce could not generate superior long-term profits unless they achieved superior customer loyalty.’

If you have not had a chance to know the Net Promoter Score it is a single metric for gauging customer loyalty and therefore predicting a company’s growth/profits. This metric comes from one question: how likely is it that you would recommend this product or service to someone you know? Customers who select 9 or 10 (on a scale of 0-10) are classified as “promoters”: those who recommend the company to friends and family. Those who select 0-6 are classified as “detractors”: dissatisfied customers who tell people about their bad experiences. Once the respondents have been classified into their various buckets, the percent of detractors are subtracted from the percent of promoters, creating a single score where 1 is the minimum and 100 is the maximum. Seven and 8 – the “passives” – are completely ignored.

In an attempt to manage and track dissatisfaction companies adopted the Net Promoter Score as a way to continually gage how customer word of mouth – both negative and positive – can advance or hinder growth. The score has been used to:

Compare companies to one another

Track growth and customer satisfaction

Predict company growth by assuming that high scores meant more positive referrals

PROBLEMS WITH NPS AS A SCORE

A single score for customer loyalty does not give companies much ammunition to improve customer relationships, nor can it predict a company's growth or future profits. Consequently, taken alone NPS tends to hang in the air with little information that can explain it or offer advice. For example, in August of this year, Kitchen Solvers reported an NPS of 94 points. By contrast in the same year, Google had an NPS of 11 points. Does this mean that Kitchen Solvers is doing better than Google? Should Google act to improve their score? If so, where should they start?

Theoretically the score should allow companies to compare themselves to other companies in the market, as well as to track growth and customer loyalty. However, even from the simple example above it is easy to see that a single score is highly uninformative. The following critiques are a few of the many which have arisen to illuminate these problems:

The number alone has very little meaning.

It differs so much by industry, country, and company that the NPS cannot easily be compared to other scores.

A large two year study by MIT scientifically disproved the NPS's ability to actually predict a company's growth or future profits.

Unless the score is tied to the context of the day-to-day business production (e.g. collecting additional feedback on why customers are dissatisfied) the NPS has no value.

It's just a number with no action.

RETHINKING THE SCORE

Researchers have begun thinking about ways to build the score into a larger more inclusive research tool that will correct for some of these issues. In his book, *Innovating Analytics*, Larry Freed takes an alternative look at measuring how word of mouth affects business. Freed doesn't argue that NPS isn't valuable, just that at the very least it needs to be paired with other questions. He argues that 0-6 is a long range to assume that each of those customers are likely to tell friends and family

about their bad experiences. In addition to just asking about likelihood to recommend, we also need to explore other questions, such as “what is the likelihood to discourage others from doing business with a company.”

Even Reichheld himself later discussed how the NPS alone is not useful unless you can explain why the Detractors are disgruntled about your product or service. In his follow-up book, *The Ultimate Question 2.0*, Reichheld changed the “S” in NPS from ‘Score’ to ‘System.’ In doing so, he de-emphasized the utility of ‘one single number’ and instead introduced a system where one could ask about likelihood to recommend, followed with an extensive qualitative study among the detractors asking them why they were dissatisfied.

SUCCESS STORIES

Companies that have had the most success with NPS do not care about the actual score, but rather are using it as a system to understand and resolve problems. The following is a list of companies who have implemented NPS as a methodology to improve customer relations:

HSBC

Take the international bank, HSBC, for example, who used NPS as a way to contextualize customer loyalty across different cultural and geographic differences. HSBC needed a compelling metric at high level that would provide actionable data. The research team understood that HSBC faced two important issues: that customers bank at multiple branches, and that their customers’ experiences were largely influenced by their culture and competitive climate.

They tackled these issues by contextualizing customer loyalty through large surveys across 22 different countries, asking everything from customer satisfaction to loyalty. This allowed them to identify what drove customer satisfaction across many different markets. In addition, they asked their customers how likely they were to recommend other banks that they were using. And in this way were able to produce an industry

benchmark that could accurately show how they were doing in comparison to their competitions in each different context.

VERIZON WIRELESS

In 2008, Verizon Wireless implemented a Net Promoter System methodology, which viewed dissatisfied customers as the company's most powerful tool for improving business relations. The company's initial goal was not to use NPS as a single metric, which needed to be increased each quarter, but rather as a symbol, helping them to guide what to focus on to improve.

With the goal of accumulating as much feedback from their dissatisfied customers as possible, in just over a year the company had taken the time to listen to over 2 million clients and followed up with another 750,000 calls. Their customers provided Verizon with breadth of information that has guided business strategy and changes to the company that would improve their customers' experience.

JETBLUE

Some organizations have begun applying NPS methodology to monitor the work experience among their employees. This not only helps improve company morale by making sure their employees' voices are being heard, but in many cases also helps customer satisfaction. This is particularly true among service industries where employees are directly in charge of the customer's experience with the product/service.

In 2010, Julie Gomez from JetBlue presented their company's success with NPS when they used it to boost morale during a period when employee happiness was at a low point. By paying attention to which policies were praised among promoters and which policies were creating detractors, Gomez learned that small improvements in leadership resulted in large improvements in crewmember NPS scores.

LEARNINGS FROM OUR BUSINESS

We have also taken a more holistic approach to NPS, focusing on which attributes drive the customer's likelihood to recommend. For example, one of our clients was implementing changes in company policies, but not seeing changes in their NPS. We decided the best approach would be to use a quantitative methodology and a statistical analysis of that data, in order to pinpoint which attributes were most important to their customers. Once we knew the key areas, we then assessed how well those needs are being met. The process went something like this:

In a customer survey we ask everything from their experience with browsing and shopping to their satisfaction with shipping and fulfillment.

We run these numbers against each customer's NPS, and from there determine which factors make people want to recommend the company to friends and family (such as shipping cost, quality of product, and shopping experience).

Then we look at how well people are satisfied with those factors.

Our reports concluded with simple digestible insights each month that gave our client a clear direction in where they needed to make changes. Using this Net Promoter Methodology, we helped our client increase NPS over the long-term, as well as strengthen customer satisfaction in key areas.