One question you really should ask...

"Net Promoter Score" ®offers a simple way to measure brand experience, monitor client relationships and even predict future growth.

For years the brand and marketing industry has been seeking better ways to measure its effectiveness. MORI have pedalled familiarity and favourability. AGB Nielsen and others have tracked market share. Brand scorecards have been developed containing a variety of metrics.

None has proved entirely satisfactory and none has yet been able to predict future growth with any certainty.

Meanwhile, back in the professional services industry, the more enlightened firms have begun to realise the value of regular, objective, qualitative client feedback to monitor the strength of their client relationships and provide clues to their enhancement. Many firms, especially in the legal sector, have so far failed to go even this far, as partners have resisted the threat of opening their relationships to others.

So the emergence of a simple, quantitative method of measuring client advocacy, that is claimed by Bain and others to link directly to growth, merits consideration.

Enter "Net Promoter Score" or NPS ® for short.

What is NPS?

Well, more than anything else, Net Promoter Score is simple.

It is based on one question - "The Ultimate Question," as claimed by Fred Reichheld in his book of the same name.

The question is:

"How likely is it that you would recommend this organisation to a friend or colleague?"

Respondents rate their intentions on a 0-10 scale and responses are then classified as follows:

0-6 are Detractors (likely not to say positive things about your firm and more likely to be negative)

7-8 are Passives (would probably claim to be satisfied but are not sufficiently energised to recommend)

9-10 are Promoters (those who are absolutely convinced of the worth of the organisation and who account for most of the word of mouth referrals)

NPS = Promoters % (9-10) - Detractors % (0-6)

Calculating Your Net Promoter Score

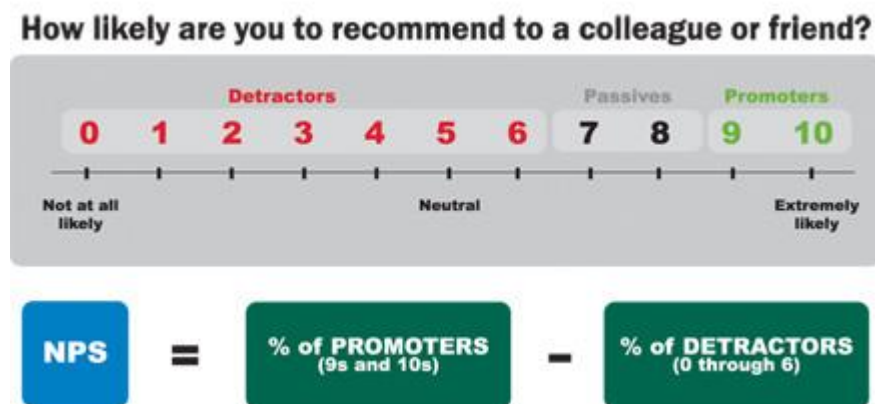**How likely are you to recommend to a colleague or friend?**

Diagram courtesy of Satmetrix Systems Inc.

The clever thing about NPS is that it puts a focus on both Promoters and Detractors. So any attempt to improve the score needs to pay attention to increasing the number of promoters as well as to reducing the number of detractors.

Rather like a bucket with a hole in – it's not sufficient just to pour more water in the top.   You also have to work on closing the hole in the bottom.

The simplicity of NPS means that it is relatively easy to measure for particular customer segments, divisions, branches, territories etc. So you can compare performance levels and, if desired, create a competitive element internally.

Why NPS?

But is it too simple? Why should NPS be of such interest? Why is it claimed to be so powerful?

Reichheld explains:

"We realised that two conditions must be satisfied before customers make a personal referral. They must believe that the company offers superior value in terms that an economist would understand – price, features, quality, functionality, ease of use and all the other practical factors. But they must also *feel* good about their relationship with the company. They must believe the company knows and understands them, values them, listens to them, shares their principles.

On the first dimension, a company is engaging the customer's head. On the second, it is engaging the heart......It tests for both the rational and the emotional dimensions."

What is striking about this is that NPS is an ideal tool to measure brand strength, given that brand is a combination of rational and emotional. It is also an ideal measure for professional services, where the client relationship is so important and where word of mouth is the principal reference source for buyers.

The link to growth

So far so logical. But Reichheld goes further and this is where the real power of NPS lies.

Reichheld is a partner in Bain & Co. Bain are well known for their work over the years on customer loyalty. Years ago, they claimed that a mere 5% increase in customer loyalty could increase profits by anywhere between 25 and 100% - an oft quoted statistic.

Bain and their partner Satmetrix, a specialist in customer experience, set about trying to establish a link between NPS and growth. If you want to know the detail, read the book. Suffice to say that they collected NPS scores for thousands of companies across multiple industry sectors and the results demonstrated a surprisingly strong correlation between their NPS and their revenue growth.

My initial reaction to this was a little "So what...?" Isn't that what you would expect? But of course the implications are significant. This is arguably the first time that anyone has made a direct causal link between a satisfaction score and growth. So by tracking your NPS and working to increase it over time, you can be pretty sure that you will grow the business.

The beauty is in its simplicity. It's just one number on which everyone in the business can focus.

Not everyone's convinced

Of course, as you might expect, NPS has attracted its own detractors. Some market research companies argue that it is too simplistic a measure. They may be right, although you would expect them to say that, given that they make their money from large and complex research studies. But whether they are right or wrong, I have a feeling that the merits of NPS outweigh any deficiencies.

Its simplicity means that it is relatively easy to get everyone in the business to focus on the one measure. And its well documented link to growth gives it business credibility beyond most other research scores.

Reichheld also makes another interesting point. He argues that NPS should not be treated as market research, but that it should become an operating tool that is owned by those who deliver to customers. He quotes some convincing case studies, including Enterprise Car Rental, where this has happened, with great success.

He also makes a persuasive case against the existing methods of measuring customer satisfaction. Too many surveys, too many questions, the wrong customers responding, marketing campaigns in disguise, no link to the economics, no accepted standards etc etc. Of course, he would say that wouldn't he? But in doing so, he taps into a rich vein of dissatisfaction with the status quo. And of course it's a vein that can be and often is exploited by resistant partners.

At this point, I should emphasise that NPS is not the only game in town. I don't believe NPS can be any substitute for regular, objective, face to face, qualitative client interviewing. That delivers an entire stream of value in its own right. NPS is a great quantitative complement to client interviewing.

So what's a good NPS score?

The short answer to that is "It depends." The important thing is that your NPS should be higher than your competitors in order to drive growth and should be viewed in the context of your industry. A more extreme view would be that it doesn't really matter what the absolute score is, as long as you track it, get everyone focused on it and work to grow it.

To give some idea of scale, according to the work done so far, the average US company manages to limp along with a NPS of just 5 -10%. The best performers meanwhile (eg companies such as Amazon, Apple, eBay, Costco, Dell) manage scores of 50-80%.

Acritas, a research company specialising in professional services, said that their global average NPS for top firms in the legal sector was 34%, with the UK average at 38%.

Lisa Hart, Acritas MD, commented that "NPS varies significantly by region of the world, with some 40% variation from the highest to the lowest region. Generally, the US appears to be highest and the Middle East lowest. Some of this may be down to cultural differences, some down to sophistication of the markets and lawyers' working practices."

In any case, with an average of 34% and their best performer (very much an outlier) at 48%, there's clear room for improvement in the legal sector.

NPS® Stars by Industry

Source: Satmetrix 2010 Net Promoter Benchmark Study of US Consumers

Industry	Company	NPS
Airlines	Jet Blue	64%
Auto Insurance	USAA	78%
Banking	USAA	81%
Brokerage & Investments	Charles Schwab	46%
Cable & Satellite TV	DIRECTV	27%
Cellular Phone Service	Verizon	41%
Computer Hardware	Apple	78%
Consumer Software	Adobe Systems	37%
Credit Cards	American Express	27%
Department, Wholesale & Specialty Stores	Costco	66%
Grocery & Supermarkets	Trader Joe's	69%
Health Insurance	BlueCross BlueShield of Illinois	5%
Homeowners Insurance	USAA	69%
Internet Service	Road Runner / Time Warner	21%
Life Insurance	State Farm	34%
Online Search & Information	Facebook	65%
Online Shopping	Amazon.com	71%

SATMETRIX®
THE NET PROMOTER COMPANY

Diagram courtesy of Satmetrix Systems Inc

The 5-10% average is on the one hand depressing and on the other not at all surprising. Most of us have personally experienced the dire state of customer service amongst the companies we deal with daily in various sectors. How many would you recommend to a friend or colleague?

Reichheld explains this further by talking about the concept of "good and bad profits".

"Whenever a customer feels misled, mistreated, ignored, or coerced, then profits from that customer are bad"

He quotes a mobile 'phone operator who calculated that proactively putting customers in the plan that was best for them would cut profits by 40%. Now I understand why I feel so angry! The entire mobile sector is hooked on "bad profits".

He further argues about companies addicted to bad profits:

"Inflated satisfaction scores have lulled them into complacency, yet our research shows that for the average firm, more than two thirds of customers are passives (bored) or detractors (angry)."

Reichheld goes on:

"Good profits are dramatically different. A company earns good profits when it so delights its customers that they willingly come back for more – and not only that, they tell their friends and colleagues to do business with the company. Satisfied customers become, in effect, part of the company's marketing department, not only increasing their own purchases but also providing enthusiastic referrals. They become promoters."

Then what?

So NPS is clearly a more rigorous way of measuring satisfaction (and dissatisfaction). But what do you do with it?

Increase the number of promoters. Reduce the number of detractors. Convert passives into promoters.

But in order to do that, you may need some more information.

So, one thing you can do is to probe a little deeper as to what's behind the results. Avoiding the temptation to ask a battery of supplementary questions, you can nonetheless ask one follow up question for each category that will provide some powerful diagnostics.

For example, to detractors, you could ask whether the respondent would be happy to be contacted in order better to understand their disappointment and resolve the issue. Or you could simply ask "What's the main reason for the score you just gave us?"

For passives, you could ask "What is the most important improvement that would make you rate us closer to a 10?"

And to promoters, you might want to ask "What exactly would you say to your colleague or friend?" The outputs of this question can provide valuable insight into the firm's value proposition and help

inform external communications. How much more powerful to use the words of your customers than your own!

In short

NPS may not be the perfect market research tool, but it could just be one of the simplest and most effective ways of driving growth in a professional services business. It could be a great way to focus the attention of everyone in the business on delivering an experience that delights clients and differentiates from competitors. It could be the most effective relationship measurement tool available. And it could provide the ultimate measure of a really trusted brand.

On that basis, I think I'd give it a whirl.

The book quoted is:

"The Ultimate Question – Driving good profits and true growth."

Author: Fred Reichheld. Publisher: HBS Press

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