

HOW TO SCORE BIG WITH NPS

Understanding the power that a company's net promoter score has on long-term business success

On a list of controversial topics, you may not necessarily think of Net Promoter Scores (NPS) as being included.

Yet many companies question the effectiveness of NPS for determining customer satisfaction and gathering feedback.

From our perspective, NPS is a pretty big deal, and we are going to spend the next few pages explaining why it makes good business sense for you to start using NPS to measure the overall sentiment attached to your brand and the products/services it provides.

If **revenue growth** is one of those buzzwords that makes your ears perk, keep reading.



Your Guide to NPS

Despite the vast amount of information available and the speed at which it travels, you'd think getting feedback from your customers would be easy.

Sharing your opinion and thoughts is as simple as tweeting 140 characters; lightweight, fast, and effective.

Yet that logic is laughable if you ask anyone in the business world. There is a great barrier standing between an organization (its products and services) and its users or customers when it comes to communicating, especially when it comes to sending and receiving feedback.

But why? Here are some of our assumptions:

- Companies do not think managing feedback is worth its resources (time, people, budget)
- Companies believe that if sales are up, the customers are happy
- Out of sight, out of mind. Companies choose to overlook feedback because it could point out flaws in the product or service

Throughout this piece you will learn the story of NPS, why it matters, and how to use it to steer your company and its products and services in the right direction.



What is NPS?

NPS data is gathered by getting responses to a single question: *What is the likelihood that you would recommend Company X to a friend or colleague?*

Answers are arranged on a 11-point continuum from “Very Likely” all the way through “Not at all likely.”

Those people who answer on the “Not Likely” end of the spectrum from 0 to 6 are marked as “Detractors.” Those whose answers fall in the 7 or 8 spots are called “Passives,” and those who answer on the “Very Likely” end (9 or 10) are called “Promoters.”

To get from these numbers to the actual NPS score you simply take your total percentage of Promoters and subtract the percentage of Detractors. You can leave it as a percentage (43%) or change it to a whole number (43), depending on what seems to make the most sense for you and for the audience you are sharing the score with.

To gather data about how likely customers are to recommend you, you need to administer a single question survey with the above question.

Download our handy [NPS template](#) if you don't already have it!

Why Track Customer Satisfaction and Loyalty?

In the on-demand economy we operate in, it's no secret that customers expect you to go beyond just taking their money and giving them a product or service. They demand attention, responsiveness, and the feeling of being connected to the companies they frequent.

By measuring their levels of satisfaction and loyalty, you can determine how well you're doing in these vital areas of growth and retention.

The data you get from NPS scores provides insight into aggregate data about customer sentiment, but it's still important to work hard within your organization to think of your customers as individuals. Each person deserves one-on-one consideration, or at least as close to it as you can get.





The ROI of NPS -- Powerful Enough to Sell Itself

The numbers associated with the performance of NPS tell a very compelling story to decision makers on whether to deem the process organization-wide a yay or nay.

Research shows that NPS results in:

- Higher retention rates
- Increased cross sell/upsell
- Lower cost to serve
- Lower marketing costs thanks to word of mouth

The companies that have embraced NPS have seen the **following benefits**:

- 50% increase in customers over six months
- 98% retention rate
- 30% growth rate that outperformed the market by 30% over two years
- \$183M increase in revenue in two years

Sometimes, all you need is to see the proof in the numbers to be convinced to -- at the very least -- try something different with your business and/or customer experience strategies.

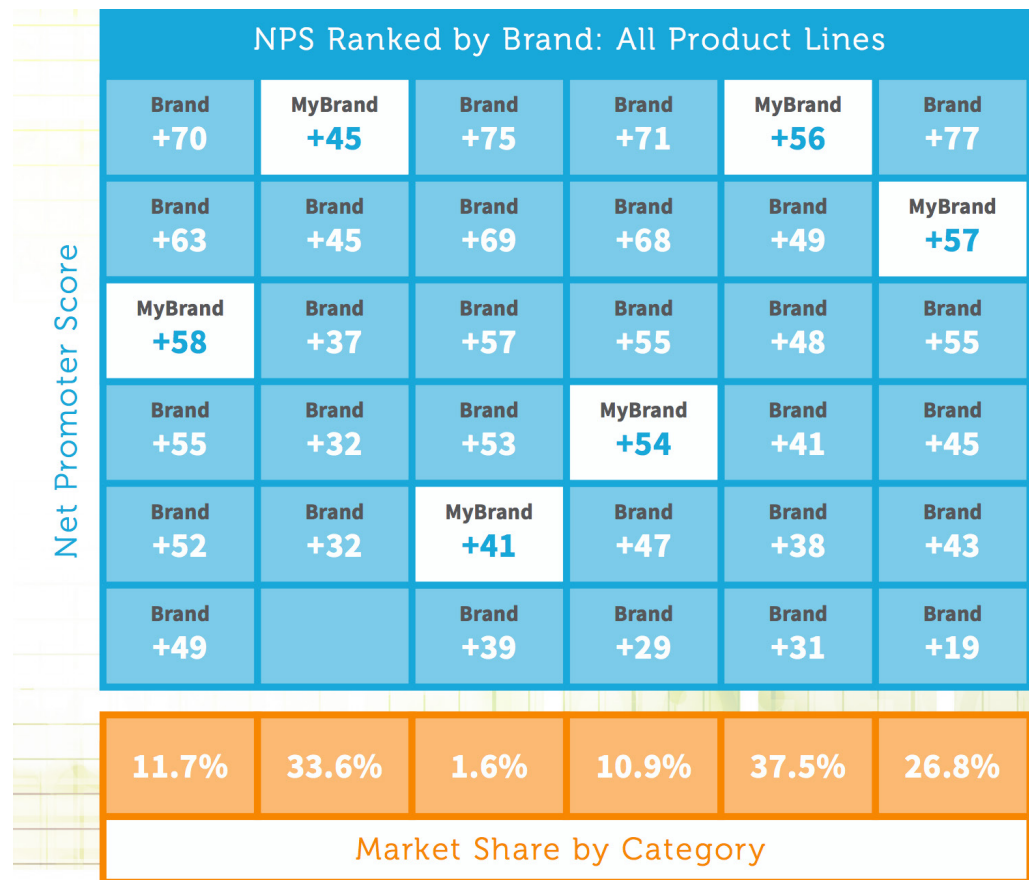
The Higher the NPS, the More Market Share

“One of the keys to achieving financial benefits is understanding your NPS relative to competition. In this example, a consumer electronics company clearly demonstrated that the products that had the highest NPS in their category also had the highest market share, and those with lower scores, found themselves with lower market share,” reports [Satmetrix](#), a CXM software company and active voice in taking stock in NPS.

Proof That NPS Works

Thousands of companies such as Costco, Apple, Amazon, Southwest Airlines and Netflix have adopted NPS for tracking customer sentiment. All of these companies are known for being financially strong, great places to work, and continue to be big hitting brands with heavy market influence.

However, it’s not enough to simply collect responses to your NPS survey and log them away. You need a system in place that will allow your entire organization to view and act on these results (more on that later).



Source: Satmetrix. “The ROI of NPS: How to Focus on Customer Loyalty Delivers Financial Gains.” [PDE](#). Accessed online July 18, 2017.



Word of Mouth and Referrals Are Still Important

NPS scores give you a very useful number that you can track week over week and use as your gut check, but remember, you can't focus exclusively on this particular feedback loop.

Word of mouth marketing (the original social network) and still [holds extensive sway](#) over the vast majority of your customers. It often trumps other forms of marketing, and according to Nielsen, [92% of consumers](#) believe recommendations from friends and family over all forms of advertising.

Even if your NPS score is through the roof, you've got to be able to leverage the power of organic conversations that your customers are having about your product.

Triggering those conversations means continuously creating extraordinary experiences -- and soon there will be a steady stream of people that are genuinely excited to talk about your company because they think their friends and/or family will like it, too.

That's still the most impactful way to market, even if it doesn't have a handy number attached to it.



NPS and Word Of Mouth Marketing

When NPS first came onto the scene, it made a huge splash because finally someone had found a way to quantify word of mouth marketing and measure sentiment by simply asking how likely a customer would be to recommend them. With NPS, companies have a direct line of sight into how they are doing in the nebulous world of customer conversations.

With such a high value placed on recommendations from friends and family, it's easy to see how valuable these data points could be to all sorts of companies. Even as social media began its meteoric rise to ubiquity, everyday chats among friends offline still offered marketers an unparalleled path to brand research.

The goal of the NPS has always been to give companies insight into this slippery metric, and that's been a source of both its popularity and many of its criticisms.

- Will those who are ranked as Passives on the NPS scale tarnish a brand with faint praise?
- Are Detractors more impactful now that there are so many avenues where they can air their grievances online?
- Will Promoters really actively evangelize a product or brand?

These kinds of questions epitomize the challenges of establishing a correlation between NPS and good word of mouth marketing, as many critics of NPS point out.

Importance of NPS Benchmarks

One of the most important things to consider when getting started with NPS is to compare how your scores compare with others in your industry. Some industries trend very high, while others tend to get lower scores regardless of great strides taken by an individual company.

Without a definitive benchmark, it can be challenging to see how you pace against your competitors or know what it standard or what score indicates some work is needed.

After all, your concern is customers who are likely to defect to competitors, not those who feel more positively about a product your service that's totally unrelated to your own.

Calculating Your Score Over Time

To get a holistic understanding of where your company actually stands in relation to its competitors and in the minds of its customers, NPS should be asked for and analyzed over time. It's the only accurate measure of whether a company's changes are having an effect.

To get truly actionable data from asking customers their take on the experience they received, you should be administering a NPS question throughout the year and as close to the buying process as possible.

Companies who only send out NPS surveys once a year, once a quarter, or even once a month risk missing out on opportunities to wow their customers or address concerns in a timely manner.

You could randomly select people to receive your company's NPS survey on a daily basis, and track the score constantly. This real-time connection to your customers can drive much of your decision making, and could provide confidence in taking action on any fluctuations that we see.



Advantages of NPS

Tracking NPS has become common practice for today's leading businesses because it allows them to break free of more inaccurate customer satisfaction data and inefficient collection methods and instead create a systematic approach to customer loyalty.

From the CEO down, NPS enables employees to be held directly accountable for customer happiness, because they can tie that satisfaction level back to profitability, and growth with a high level of confidence.

While we recognize there may be strong opinions and criticisms around NPS. However, the benefits truly outweigh what the critics say:

- NPS data collection helps your business identify if your customers are satisfied and would promote your business for you.
- NPS segmenting helps you identify subsets of your customers that are promoting or hurting your brand.
- NPS helps show the overall health of your products, services, and organization as a whole.

Problems with NPS

Over the last decade since NPS has been brought to the surface, the practice has been adopted as the gold standard of customer feedback for thousands of companies. But it's not without its opponents. Here are some issues with the NPS that are often cited by its critics:

NPS doesn't answer "Why?" If your NPS score goes from 30 to 36 over the course of one quarter, it may give you an overly rosey picture of your customers' real attitudes if you don't know why they have changed their responses.

High NPS doesn't equal high loyalty. In this book [The Loyalty Effect](#), Fred Reichheld himself points out that 60 to 80 percent of customers who defected or didn't repurchase a product were in fact satisfied or very satisfied. This means you can't rely on NPS scores to 100 percent match your customer loyalty levels.

NPS ignores the middle of the pack. There are people on the fringe of being Promoters, as well as folks who are almost Detractors, but they get tossed out of the NPS equation. Knowing why they are in the middle could help push them closer to Promoter territory.

NPS is not relevant to all industries. While nearly any B2C company could easily use the NPS question with confidence, its applicability can break down quickly in a B2B sector where an individual's referral may carry little weight.

Original research may be flawed. A group of researchers headed by loyalty expert [Timothy Keiningham](#) tried to replicate Reichheld's results in 2007, but found no strong correlation between high NPS score and business growth.

Lack of Specifics. One of the biggest criticisms of the Net Promoter Score is a lack of specific guidelines. Customer ratings are completely subjective, and many customers will arbitrarily pick a number without putting much thought into the process. There's no real way to relate one customer's experience with another's, leaving no way to draw a truly objective conclusion.

Overgeneralization. For promoters and passive participants, the window of answers is quite small. Most customers would have to feel very strongly about products to choose a nine or a 10. The range assigned to passives, however, is much more forgiving. Theoretically, the difference between a zero and a six should be vast, but the NPS method leaves no way to distinguish this.

Lack of Action. Despite the best of intentions, humans often have a hard time predicting their future behavior. An enthusiastic customer isn't necessarily a chatty customer, and someone who rates their likelihood of recommending your service as a 10 is under no obligation to actually do so.



How to Act on NPS Feedback

As we mentioned above, you need a full system in place to support your NPS survey to be truly successful at creating customer evangelists.

That means that NPS needs to be constant topic of conversation within and among customer service, marketing, sales, business operations, and any other team that might come in contact with customers.

Fluctuations in your scores need to be carefully examined so that you can identify and address their root causes.

For example, in many tech companies for example, NPS results can often be traced back to small hiccups in software performance, or they may help the company identify growing segments of their customer base that want to see certain updates or changes to the software. This is on-the-ground feedback that should be treated like gold in your organization and brought to the attention of the people who can make a judgement call on moving forward with the feature or not.

Your team might need to monitor the scores for similar trends, or you may use the data for a completely different purpose.

Someone, preferably many people, should have their finger on the NPS pulse constantly and be prepared to act on both individual responses and emerging trends.

It's critical to keep in mind that monitoring and administering NPS is not a "set it and forget it" process.

Someone, preferably many people, should have their finger on the NPS pulse constantly and be prepared to act on both individual responses and emerging trends.



Feedback as a Promise

Customer feedback data shouldn't go into a giant well that gets closed off and forgotten. By taking the time to complete a satisfaction survey -- even if it's just the one question NPS survey -- your customers are placing their trust in you.

They have taken the time to provide input on how they interacted with your product or service, and by asking them about it you are implying that you're going to do something about their answer.

If you consistently ignore input from them, don't be surprised if you run out of customers pretty quickly.

The Secret to Net Promoter Score? Time.

Every company, no matter its services, products, or abilities, relies on a positive reputation to stay afloat. Whether this perception is in the media, within an industry, or word of mouth among friends and family -- a company everyone hates isn't likely to stay open for long.

As such, most businesses looking to gain traction find themselves requesting feedback. They want to know how happy customers are, how much they enjoyed their experiences, and, most importantly, how likely they are to speak positively to those around them.

The biggest mistake businesses make is to only ask once -- commonly at the point of sale. Instead, to create an accurate picture of customer opinion, smart businesses connect with customers frequently before, during, and after they have purchased a product or service -- depending on the overall objective of capturing the data using NPS.



Business Success With NPS Feedback

NPS, like all metrics in business, is what you make of it. If you simply ask questions when the mood strikes, there's a good chance your data will be insignificant at best, and misleading at worst. When you take the time to reach out, build a community, and use customer insight to improve and fine-tune your operations, the effects of NPS can be quite significant.

The key ingredient to success, both in business and in the NPS method, is time. With a regular approach, an effective methodology, and a strong community, your business is poised to receive realistic, relative feedback that actually matters. At the end of the day, isn't that ultimately what we're all trying to find?

About SurveyGizmo

Founded in 2006, SurveyGizmo is a powerful insights solution that empowers business professionals to make informed decisions. It provides data insights in over 205 countries, with 50,000 new surveys created and 7.5 million responses collected every week, for customers like Fedex, Microsoft, Bloomberg Television, GE, and ESPN. SurveyGizmo is recognized as a leader in the survey industry for its innovation, service, and value.



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