HyperQuality
For EvenBetter Results ®

How to Increase Customer Satisfaction and Generate Higher Net Promoter Scores

"Improve your organizations NPS in as little as one quarter"

NET PROMOTER SCORE

Introduction to Net Promoter Score

Net Promoter Score Defined

The Net Promoter Score is a customer loyalty metric that is used to gauge the loyalty of an organization's customer relationships by asking how likely the customer is to recommend the organization to others. It serves as either an alternative or a supplement to traditional customer satisfaction surveys and is often correlated with revenue growth. NPS measures both customer satisfaction and brand loyalty.

How NPS is calculated

NPS defines customers as either Detractors (actively warning against the brand) or Promoters (actively recommending the brand) on a scale from -100 to +100. A quick primer in analyzing Net Promoter Score:

-100	**Detractors**
-50	Poor score
0	Average/good
+50	Excellent score
+100	**Promoters**

NPS Scale
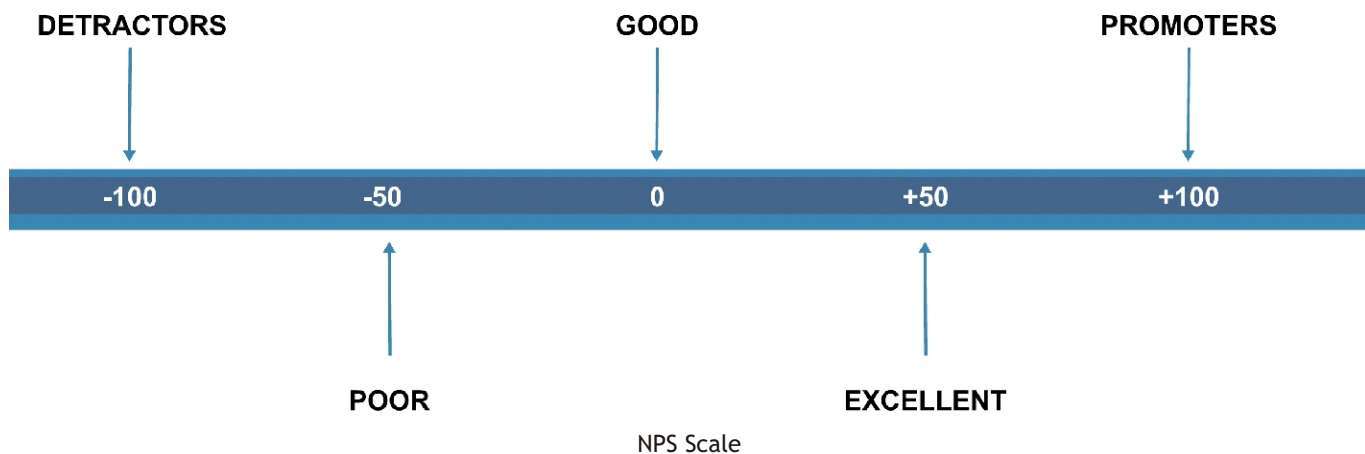
Ratings close to -100 indicate a large number of detractors to the organization, while scores close to +100 indicate a large number of active brand promoters. Any positive score is good, and generally, scores above +50 are considered excellent on the scale.

The origins of NPS

Out of a desire to understand what would stimulate and sustain an organization's growth, Fred Reichheld and a team from Bain & Company launched a research project that would help them determine a means of understanding how customer feelings and affinities affect actual behavior, beyond basic customer satisfaction surveys.
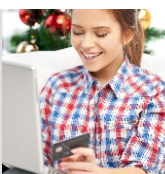
Working with data supplied by Satmetrix, Reichheld's team tested several questions to see how well the answers reflected customer behavior. The one question that showed the highest correlation between the answer and the customer's behavior was: "What is the likelihood that you would recommend Company X to a friend or colleague?"

High scores on this question strongly corresponded with repeat purchases, referrals and other customer actions that contribute to the overall growth of an organization. The team compiled 14 industry case studies. In 11 out of the 14 studies, no other question proved to be as effective in predicting customer behavior. In two of the remaining three cases, other questions won out; however, the likelihood-to-recommend question was still so close to the top that it could serve as a stand-in for the researchers.

Growth Index/Loyalty Leader *Source: Netpromotersystem.com*

What are the benefits of the NPS score?

The Net Promoter Score metric offers several advantages to company leadership seeking to determine how to build and sustain growth. According to Bain & Company, the primary advantages are:

- ✔ **Simplicity.** Net Promoter Score surveys typically require just two or three questions, which keeps the customer's feedback effort low. Additionally, the key "likelihood to recommend" question is scored on a simple zero-to-ten scale. There are no complex indices or correlation coefficients. The Net Promoter score is a single number that can be tracked from week to week and month to month, just like net profit. As with net profit, of course, an organization's Net Promoter Score can be broken down however you wishby business line, by store, by product, even by individual customer-service rep.

- ✔ **Ease of use.** An organization can conduct its NPS surveys by phone, e-mail or Webwhichever generates the best response rates and the most useful data. Brands can compile and post scores quickly, so stakeholders can see the results of their performance in a timely fashion. NPS can provide up-to-the-minute verbatim comments with employees and managers.

✔ **Quick follow-up.** NPS practitioners typically share customer feedback very quickly after it is received, which enables the opportunity for immediate follow-up. NPS users can nimbly facilitate contact with all Detractors to identify their concerns and to fix the problem whenever possible. Frontline managers and senior leaders use NPS data and customer comments to inform decisions about process changes, new products and other innovations.

✔ **A growing body of experience.** Thousands of organizations in a variety of industries have begun to measure their Net Promoter Scores over the past several years. More importantly, a growing number of brands have adopted the full Net Promoter SystemSM. Among the early adopters are corporate trailblazers such as Apple, Enterprise Rent-A-Car and Philips. These companies have developed successful systems based on Net Promoter principles, but adapted them to their own business. Many practitioners share their experiences and lessons learned through mechanisms such as the NPS Loyalty Forum.

✔ **Adaptability.** As an open-source method with no high-priced vendors or "black box" statisticians required, NPS can easily be put to work in a wide variety of business settings. Apple uses it in its retail stores ,while American Express implements NPS after important service calls . Logitech, the computer peripherals manufacturer, uses the system to assess what customers think of every Logitech product . Charles Schwab employed Net Promoter System as it pursued a turnaround.

Although customer service metrics have a long and varied history, no other system seems to offer quite as many direct business advantages as the Net Promoter System.

The correlation between Net Promoter Score and organizational growth

Several organizations have demonstrated strong links between corporate growth and Net Promoter Score. Bain & Company research indicates a strong correlation between their growth and their Net Promoter Score. To discover this correlation, the Bain research team identified relevant competitors in a business and measured the Net Promoter Scores of each competitor using the same methodology and sampling approach. "What they found was that an organization with a strong NPS out grew the competitor by a factor of greater than two" In short, an organization's NPS is a good indicator of its future growth; the stronger the NPS, the greater the growth.

However, we encourage caution with this metric. While a high NPS is a good indicator of growth, it is by no means a guarantee of growth. For example, according to The Ultimate Question 2.0 by Fred Reichheld, Home Banc Mortgage Corporation had the highest NPS among mortgage banks at one time. However, it became a victim of the mortgage meltdown of 2007, which caused Home Banc and many of its competitors to file for bankruptcy. While building loyalty (as Home Banc did) is key to growth, other factors such as risk, pricing, innovation and cost management are also important and should not be overlooked.
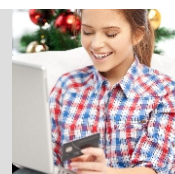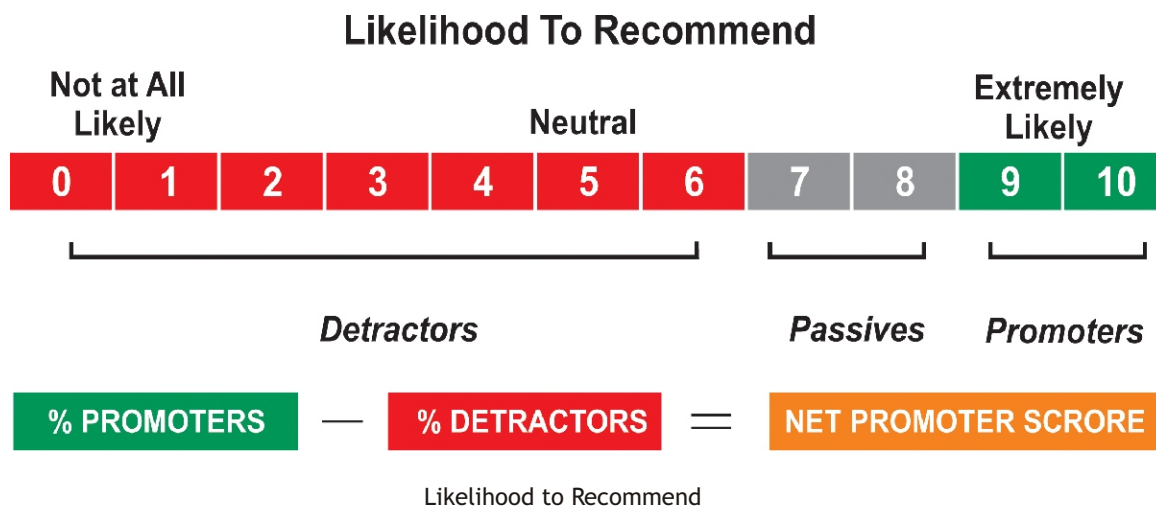
Measuring your Net Promoter Score

By asking the likely-to-recommend question, organizations can track promoters and detractors, which provides them with a clear measurement of their performance through their customer's eyes. The Net Promoter System can be divided into three categories:

- ✔ Promoters: loyal enthusiasts who keep buying from an organization and urge their friends to do the same.
- ✔ Passives: satisfied but unenthusiastic customers who can easily be wooed by the competition.
- ✔ Detractors: unhappy customers

The best way to gauge an organization's growth is to subtract the percentage of detractors from the percentage of promoters. The graph below illustrates how a Net Promoter Score is calculated for an organization:

Likelihood To Recommend

Not at All Likely			Neutral						Extremely Likely	
0	1	2	3	4	5	6	7	8	9	10

Detractors   *Passives*   *Promoters*

% PROMOTERS — **% DETRACTORS** = **NET PROMOTER SCRORE**

Likelihood to Recommend

NPS Best Practice: Collect Three Types of Scores

According to Bain & Company, Successful practitioners of the Net Promoter System gather feedback from their customers in three distinct ways rather than relying on a single metric.

- ✔ **Competitive benchmarking.** Leading practitioners of the Net Promoter System sample all target customers for their products or services including those loyal to their competition. It's important to gather feedback not only from your own customers but also from your competitors' customers as well. Competitive benchmark Net Promoter Scores provide an objective and fair basis for comparing your organization's feedback to the feedback your competitors earn. Done right, these benchmarks can provide the basis for goal setting and prioritization at the highest levels of an organization.

- ✔ **Relationship loyalty.** It's important to regularly contact a sample of your own customers and ask them how likely they would be to recommend your brand to friends or colleagues, and why. This feedback provides an overall assessment of the loyalty relationship between your brand and your customer. Additionally, it's wise to share this metric with account teams, relationship managers and others to inform their decisions to improve selling, service, product design, pricing and other policies.

✔ **Discrete experiences.** Finally, it's a best practice to collect NPS feedback after selected experiences, transactions or episodes. For example, you might implement an NPS feedback session after the purchase of a product or an interaction over the phone. This type of feedback focuses on understanding how customers' experiences at those discrete moments influence their overall loyalty so you can determine ways to continually improve those experiences.

	Competitive Banchmark	Customer Relationship	Experience
Obective	▪ Competitive Comparison ▪ Strategy Decisions ▪ Goal Setting	▪ Frontline Learning ▪ Organization Learning ▪ Customer Relationship Enhancement	
Who	▪ Customers ▪ Competitor's Customers (Double-Bline Research)	▪ Existing Customers (Representative Sample or Census)	▪ Customers with Recent Experience
Closed-Loop	▪ No	▪ Yes	▪ Yes
Other Follow-Up	▪ Data Analysis ▪ Cross-Functional Projects ▪ Major Initiatives	▪ Account Planning ▪ Product, Policy or other ▪ Enhancements ▪ Customer Call-Bocks ▪ Coaching for Employees	▪ Experience Improvement or Redesign

Competitive Benchmark/Customer Relation/Experience *Source: Bain & Company*

As a matter of best practices, the most successful brands implement all three of these scoring mechanisms. Why? Competitive benchmarking NPS, for example, allows an organization to learn what respondents think about an entire value proposition, not just their relationship with one particular organization. This particular measurement can often be overlooked and undervalued, but it adds an important level of information the other two do not. The relationship loyalty and discrete experience scores fuel continuous improvement, while the competitive benchmarking scores inform a different set of decisions. The competitive benchmark tells an organization how it is doing against competitors and every other competing alternative in the marketplace. This information helps decision makers know where the major threats and opportunities lie and helps direct priorities on how much to invest and where.

Methodology for using Competitive Benchmark

According to Bain & Company, there is a specific methodology that must be followed for competitive benchmark surveys. Competitive benchmark surveys are a form of traditional market research and are usually performed by a third-party firm. Researchers ask respondents which organizations in a given category they patronize and how likely they would be to recommend that organization to others. They gather data about the respondents' purchases in order to estimate their economic value as customers in addition to asking demographic or psychographic questions to locate the respondent in a particular customer segment. The methodology is almost always double-blind: the respondents don't know which organization is asking the questions, and the customers remain anonymous to the organization. As with most market research, the surveys can take 15 or 20 minutes and are designed to provide true comparisons between an organization and its competitors. A higher score than the competition, even if it seems low in absolute terms, is a reliable indicator of future growth. The opposite is also true.
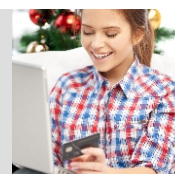
One advantage of competitive benchmarking is that it eliminates the responder bias that's likely to exist when you survey only your own customers. In your own surveys, people who don't like doing business with you may decide that it isn't worth their time to participate. With a third party doing the asking, you're equally likely to hear from everyone on the love-you/hate-you spectrum.

Competitive benchmarking also eliminates the difficulty of comparing absolute Net Promoter Scores from one geographical region with another. For example, if you have operations in Asia, they may score lower on the Net Promoter zero-to-10 scale than your other operations. A third-party survey will help you establish your performance relative to other companies operating in the same market. Cultural bias becomes a non-issue when you look at your performance relative to competitors in the same market.
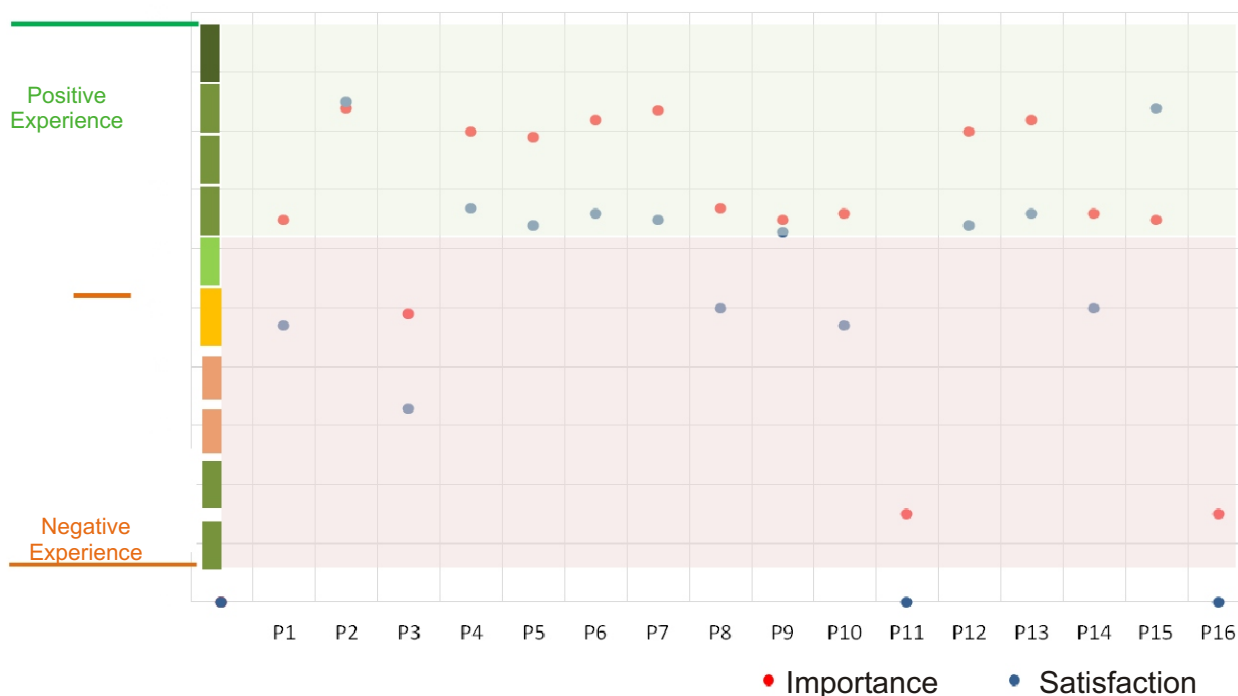
Relating the NPS to the overall Customer Experience: Create an Experience Map

As we think about the question: *"What is the likelihood that you would recommend Company X to a friend or colleague?"*, the answer the customer gives offers great insight into their customer experience during any given interaction as well as the overall experience with the brand. If the customer's answer to the above question is YES, we know that that experience with the organization was a positive and memorable one. However, not every interaction lends itself to being particularly memorable. So how then do we relate the NPS to customer experience? By analyzing the customer's experience over the lifecycle of the relationship. This requires breaking the experience down into tangible elements. According to the book Customer Experience, the key to understanding the lifetime customer experience is creating and tracking Experience Maps that chart the tangible components of the customer experience over time.

Your Experience Map should:
- Analyze the lifecycle of the relationship and map the main points of contact.
- Design a survey capable of obtaining data on customer experience at each point of contact. Ask the customer about:
    - **Importance:** What are his expectations of the organization at that specific moment of the relationship?
    - **Experience**: How did the actual interaction with the organization turn out?
- Generate indicators for each point of contact. It is a good idea to use a numeric scale and focus on the results clustering in the top and bottom boxes.
- Graphically draw the experience map, comparing results for importance versus satisfaction.

Positive Experience

Negative Experience

P1 P2 P3 P4 P5 P6 P7 P8 P9 P10 P11 P12 P13 P14 P15 P16

● Importance ● Satisfaction

Importance/Satisfaction *Source: TheCustomerExperience.es*

The insights drawn from your Experience Map can then be factored into the experience portion of the NPS score.

What is the correlation between NPS and Customer Retention?

Attracting new customers is certainly an aspect of growth, but holding onto the customers you have, motivating them to spend more and getting them to recommend your products and services to the people they know is the essence of customer retention. So how does this correlate to the NPS? Considering that the ultimate question in determining the Net Promoter Score is "how likely are you to recommend Company X to a friend or colleague?", it is obvious that customer retention will be directly linked to the answer to this question. The higher the NPS indicates a more loyal customer and a loyal customer is more apt to stick around. The article, "Linking Customer Loyalty to Growth" in MIT Sloan Review cites is a direct correlation between NPS and Retention

Unlike earlier methodologies, today's most popular metric, the Net Promoter Score, focuses not on quality, satisfaction or value, but on how customer word of mouth both negative and positive can advance growth. It's based on the idea that word of mouth can be managed to create a buzz around a brand or a product, and that by keeping close track of the NPS, companies can develop ways to become more successful. The methodology, developed by Bain & Company Inc. consultant Fred Reichheld, was introduced in 2003 in an article published in the Harvard Business Review. It described how companies could determine future success by studying customer responses to a single survey question: "How likely is it that you would recommend this company to a friend or colleague?**" Reichheld, who published several books on loyalty during the 1990s, maintained that NPS was the most accurate gauge of customer loyalty and the "single most reliable indicator of a company's ability to grow."**
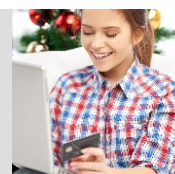
How to improve your NPS

What if you're in the unfortunate position of measuring your NPS and discovering that your organization scores in the negative half of the spectrum? Your task is now to take positive steps to increase your NPS with the goal of increasing both customer retention and growth.

We recommend these five steps to improve your Net Promoter Sores:

- **Analysis:** seek to understand the problem
- **Listen to your customers:** implement quality monitoring, speech analytics and customer satisfaction surveys
- **Listen to your employees:** implement employee surveys and front line management
- **Know your competition:** conduct competitive research to learn what your competitors are doing
- Put your findings into action

Step 1: Analysis

Through business process analysis (BPA) and leveraging various tools such as speech analytics and precision monitoring, an expert NPS analyst can deliver insights and recommendations that improve Net Promoter performance.

How it works

An NPS expert completes a thorough analysis of the NPS data, CSAT data, retention performance and the existing quality framework as well as a broader analysis of your call center operations, which will include the specific processes that have been utilized to drive improvement in NPS to date. The key objective is to identify and address disparities within the existing quality assurance (QA) to ensure that the agent behaviors that are measured and scored do indeed maximize a customer's overall experience with your organization.

Approach

Best practices dictate an analysis of current survey data to identify the questions that drive NPS followed by statistical validation through Key Driver Analysis (KDA).

Survey Form Structure - Study the survey form to identify the Big "Y" that drives NPS and questions related to Quality of Service (QOS).

NPS Performance - Study the current NPS performance and identify the percentage of detractors and promoters.

Objectives of Key Driver Analysis (KDA) - Assess whether the questions in the survey are related to each other, to the NPS questions and to the actual customer experience.
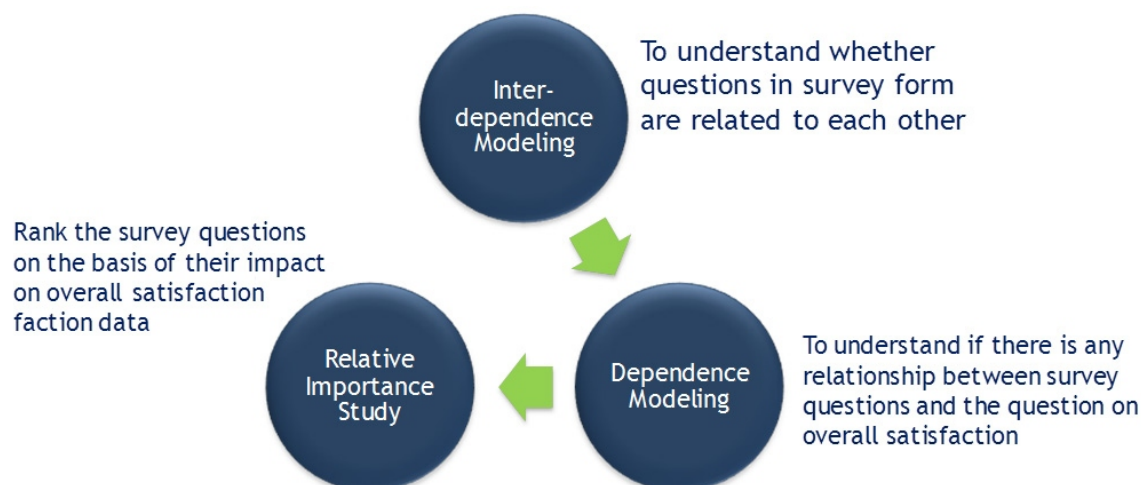
Relative Importance/Interdependence/Dependence/Overall Concerns

Correlation of NPS and Retention - Study the relationship between retention performance and NPS through regression analysis.
Study of Big Y's - Arriving on Big "Y" that drives NPS using statistical tools
Drivers of NPS - Identify the factors that have the highest impact on NPS
**Performance of NPS Drivers -** Understand the performance of factors impacting NPS

Overall concerns	How best practices help clients to improve
What drives my Net promoter Score?	Key Driver Analysis
What's the relation between Retention and NPS?	Correlation and Regression
Is current QA framework driving customer experience?	QA Form Alignment Study

Step 2: Listening to the customer

The key success in customer listening is to perform a detailed analysis of what exactly you are measuring to ensure that the metrics are from the customer's point of view rather than the organization's or the supervisor's point of view. All too often we measure what we can or what is easy to measure rather than what the customer is actually experiencing. Let's look at an example of a case the HyperQuality Business Insights team recently addressed.

A $60 billion credit card and loan provider based in the U.K. was seeking to improve their customer experience for their United States contact center. The major challenge was to know if the parameters used to measure their agent performance through the call quality assurance (QA) form were really capable of determining their Net Promoter levels.

Take a look at this comparison of two quality metrics relating to the same interaction drawn from a recent client analysis:
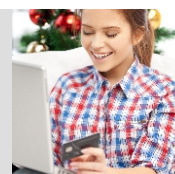
Evaluation method	Evaluation	NPS conclusion
Call QA form	Agent A has an outstanding quality score of 98% on his/her call with the card holder.	High NPS/promoter
Customer satisfaction survey	I am not satisfied with the clarity of speech and the agent did not have authority to resolve my issue. All in all, the quality of service was poor.	Low NPS/detractor

In this example, the customer rated the agent low on questions (within the Customer Satisfaction - CSAT survey form) related to overall satisfaction with quality of service, authority and clarity of speech. However, the corresponding call quality score indicates the opposite, thereby indicating that the call quality assurance form is not accurately aligned to indicate NPS.

By doing this analysis and applying proven customer experience improvement techniques, the team discovered that the call quality form was not aligned to NPS, and therefore the quality score generated through the call QA form did not represent the true NPS.

To address the issue, the Business Insights team redefined attributes in the call QA form to reflect the customer's perspective. In order to gauge the true NPS, we recommended measuring the Customer Experience and Compliance attributes separately. By studying the statistically significant sample of calls where the NPS ratings were available, the meaning of each sub-question in the survey question was clearly defined followed by translation of these definitions into new QA attributes.

Through this exercise, 13 new QA attributes were formed and logically divided into 7 categories based on each of the 7 NPS drivers.
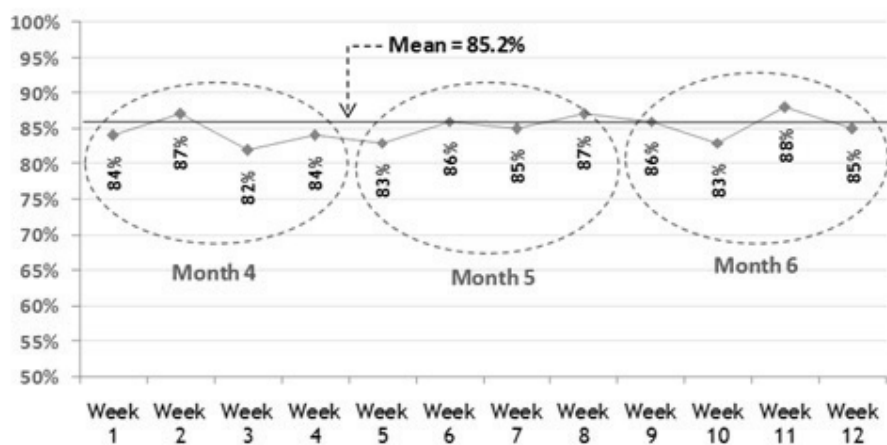
The result? The new QA form was able "to accurately reflect whether the call would fetch a promotor or detractor through surrogate ratings generated for each of NPS with the accuracy of over 85%!"

With these insights, the client was able to improve their percentage of promotors by 2-4% in just a quarter as shown below.
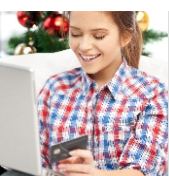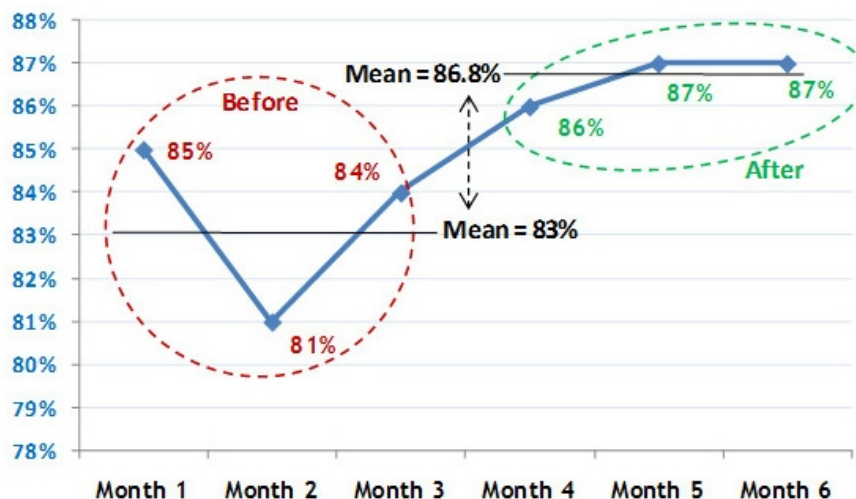
Evaluation method/Evaluation/NPS Conclusion

Evaluation method/Evaluation/NPS Conclusion

How does speech analytics help organizations improve NPS?

Speech analytics is the process of analyzing recorded or live calls in order to gather relevant information, which can then be translated into actionable insights. Speech analytics is designed with the business user in mind. It can provide automated trend analysis to show what's happening in contact centers. Speech analytics solutions can often perform keyword analysis and isolate the primary words and phrases used most frequently within a given time period, as well as indicate the sentiment associated with the interactions.
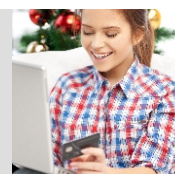
Step 3: Listen to your employees

Your front line employees are your most valuable tool in determining your customers' changing needs. Listen to what your employees say about common customer questions, complaints and sentiment. Empower your front line agents with not only the authority to resolve the customer's issue but also the power to give input that can improve products or processes.

Note that in the case study above, the caller specifically complained that the agent didn't have the "authority to resolve my issue" as a primary reason for being dissatisfied with the interaction. Empowering agents to do what is needed to solve the customer's problem will, in the long run, serve to improve NPS.

Step 4: Know your competition

According to an April 2015 article in QUIRK'S Marketing Research Media, it is essential to pay attention to what the competition is doing. This article goes on to cite three voices that an organization should research, package and circulate in your own organization, including:

1. **Voice of the competitor's customers:** understand why they bought from your competitor
2. **Voice of the competitor's influencers:** understand why they are so interested in promoting another organization's products
3. **Voice of the competitor's partners:** understand why partners bond with the competition and why they sometimes choose that relationship over one with you

This relates back to the competitive benchmark in the scoring of NPS. This benchmark gives insight into the competition enabling your organization to set your marketing strategy and then prioritize where and how much to invest.

Step 5: Put your findings into action

All of the research and analysis in the world will be of no value if the findings are not implemented, tested and adjusted. By using information gathered from the deep analysis, customer surveys, speech analytics and employee feedback, you can action to increase customer satisfaction and generate higher Net Promoter Scores. By keeping the relationship with the customer continually at the forefront, you can and should expect to see a significant improvement in NPS over time.