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CustomerStrategy

THE MAGAZINE FOR CUSTOMER-FOCUSED LEADERS IN SERVICE, SALES, MARKETING AND IT

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Jane
Hext

“Customers should be in control of the channels they use and it is up to us to be able to offer them seamless service across all those channels. Achieving a single view of the customer is one of the most important facets of our business”

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Valuing your customers

with Net Promoter Score

More and more businesses are using the controversial Net Promoter Score measure at boardroom level as a way of understanding their customers' value, behaviour and loyalty. **Laura Brooks** who has co-authored a definitive guide to NPS shows how to implement a successful programme

HOW LIKELY IS IT THAT you would recommend this company to a friend or colleague? That's the ultimate question, whereby the Net Promoter Score (NPS) can be measured. Fred Reichheld's book of the same name started a transformation in how businesses think about their customers.

Published in 2006, it challenged the conventional wisdom of customer satisfaction thinking and coined the terms bad profits and good profits – a distinction between profits gained at the expense of customer loyalty and those that were not. The book inspired business leaders to put customer loyalty at the front of their agenda, because it was the best way to increase retention and growth.

Since that time, Net Promoter has become so much more than a simple metric. Today it is a discipline by which companies look to grow profitably by focusing on their customers. However, our delight at the adoption of Net Promoter by organisations has been tempered by some apprehension – whilst many are publicly declaring their commitment to Net Promoter, a high proportion have made unsatisfactory progress by their own standards.

We saw numerous companies not able to really understand how to use Net Promoter to their success. The first book raised various questions, and many do not yet know how to answer them. Therefore we felt there was a need for a way of sharing 'best practices'.

Our challenge, and the motivation for

this book, was to identify the actions that companies take to achieve Net Promoter success. Put simply, what has worked? We have examined data from the past seven years from hundreds of companies that have implemented Net Promoter, with varied approaches and equally varied degrees of success. Through an online discussion forum (www.netpromoter.com) we saw 5000 participants exchange ideas on what worked and what did not. We talked with CEOs, line managers, executives and employees to gain their insights and wisdom, studying over 300 benchmarks and 100 'deep dives' or case studies. These people shared with us their trials and tribulations.

Today, Net Promoter is providing insight that companies believe. To the extent that they are making strategic business changes they are seeing positive growth and profit increase. Net Promoter is an enabler of improvement, but how is this working? How can an organisation achieve the transformation benefits it offers?

People struggle to get trustworthy data but it's a key factor in trying to understand what your customer wants. So it is essential your Net Promoter programme collects data worthy of making business decisions.

Measuring who matters

The measure of trustworthiness is subjective. At Orange, Axel Haentjens observes, "We make sure that we have the right sample, we ask the right set of questions, and we are able to

measure the results in a consistent way with a reasonable level of trust in the results. That is absolutely number one because without that, you cannot suggest to do anything."

It is true that we hear common themes across customers with regard to making data trustworthy: the information returned must be accurate, reliable and relevant. The path to meeting those criteria is, in principle, simple:

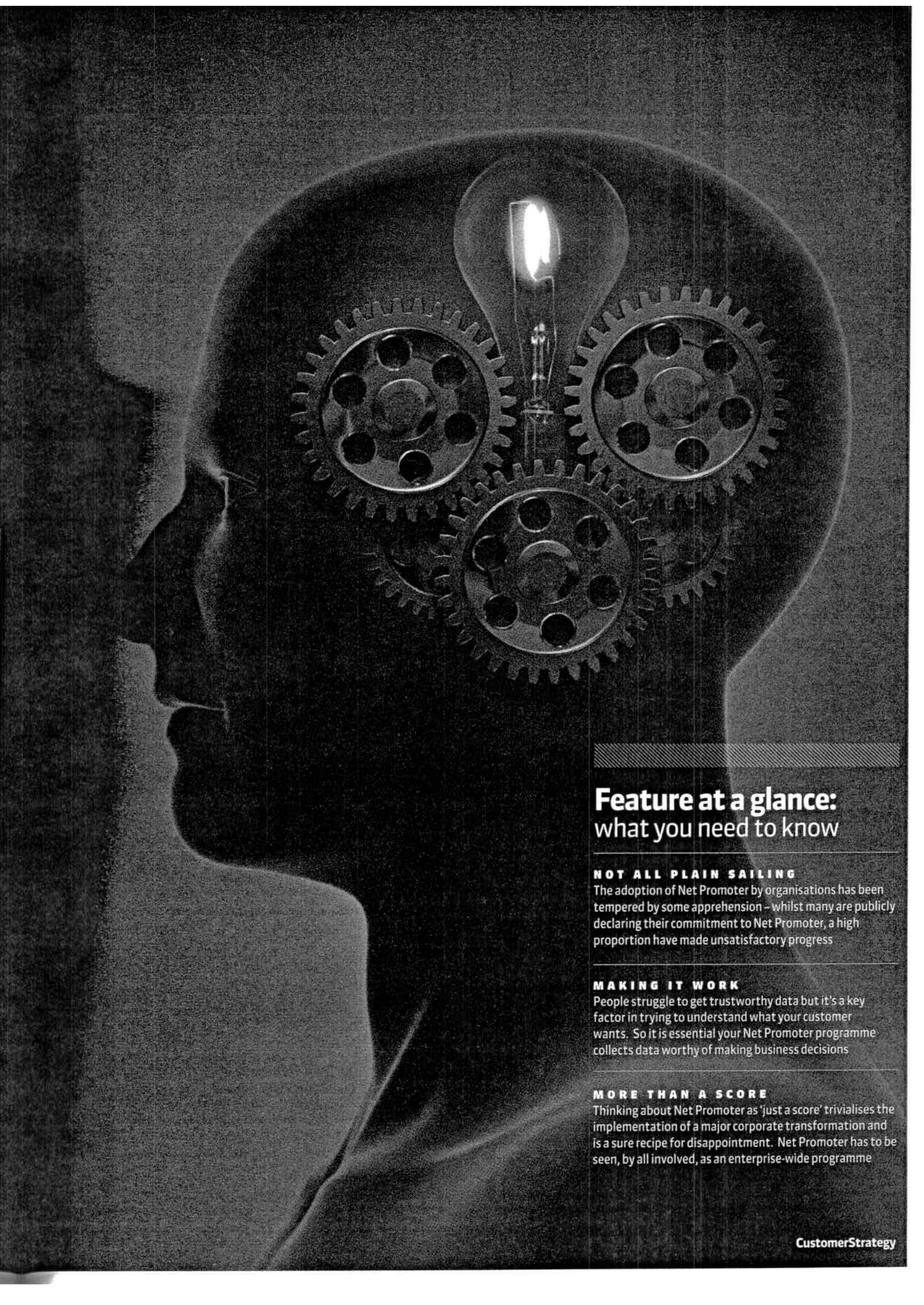
- Targeting the right customers
- Asking the right questions
- Asking them at the right time

The importance of a clear strategy

Our research has uncovered an interesting discovery. Of the companies that lack a clearly defined strategy for customer loyalty, only 23% were able to capture the voice of the customer in a reliable, relevant and meaningful way. However, 80% of companies that had a well-defined strategy up-front also felt that they had the mechanisms in place to obtain trustworthy data – defining and reaching the right customers, asking the right questions and doing so at the right time.

We believe that the key to ensuring you speak to the right customers is what we call 'voice according to value' – this means that you need a sampling strategy that ensures you are receiving representation from key customer segments according to their value to your organisation. In almost all cases, the right customers will be those who reflect your





Feature at a glance: what you need to know

NOT ALL PLAIN SAILING

The adoption of Net Promoter by organisations has been tempered by some apprehension – whilst many are publicly declaring their commitment to Net Promoter, a high proportion have made unsatisfactory progress

MAKING IT WORK

People struggle to get trustworthy data but it's a key factor in trying to understand what your customer wants. So it is essential your Net Promoter programme collects data worthy of making business decisions

MORE THAN A SCORE

Thinking about Net Promoter as 'just a score' trivialises the implementation of a major corporate transformation and is a sure recipe for disappointment. Net Promoter has to be seen, by all involved, as an enterprise-wide programme

» business and growth strategy. The goal here is not just to maximise customer experience, but rather to optimise the return from your strategic customers. The NPS score itself can even be a tool in customer segmentation, helping you to understand who your most loyal customers are and how to focus your business in the high-loyalty and high-value segments.

In B2B businesses, sampling strategies are more complex, with several contacts having an influence on the buying decision. In this case, the sampling strategy has to ensure feedback from high-value individuals whilst prioritizing the highest-value accounts across the customer base. A minimum number of contacts should be included consistently at each account to ensure that the feedback is representative.

For B2C businesses, it is often most practical to use a 'sampling approach', where the goal is to obtain feedback from a targeted subset of customers. However for B2B, the relationship between your business and the customer is more layered and complex so a 'census strategy' would enable feedback from the largest and most strategic customer accounts, including a number of roles within them as above.

Insight

- Successful outcomes are not trivially obtained
- Firms make bifurcating decisions on approach that highly predict ultimate success
- Based on their choices, firms tend to spiral positively or negatively
- Successful firms demonstrate strong grasp of:
 - the temporal economics of NPS
 - data quality and processes to manage
 - sources of innovation from customer data

What is the right metric for you?

Once you have targeted the right customers, take the appropriate steps to ask the right questions. Net Promoter Score has been proven as a reliable measure for correlating customer loyalty with business and financial growth.

For Aon Corporation, NPS is the right metric because the organisation found that its growth, stock price and NPS all move together. Aon uses NPS to understand issues so that they can be fixed, securing its competitive advantage and improving organic growth.

In certain circumstances other metrics may need to be integrated. How will these different metrics overlap and work in congruence? This is, of course, an essential question to cover when formulating the strategy for a loyalty programme. Ultimately the information returned

The quality of data means everything to the success of a Net Promoter programme in fact it is the lifeblood. Data is trustworthy when it has been collected in a manner that ensures it is an accurate and reliable representation of your customers and their perceptions and behaviours

must be accurate, reliable and relevant. The path to meeting those criteria is, in principle, simple:

- Is the metric sensitive to changes in business performance?
- Does it link to meaningful customer and financial outcomes?
- Is it actionable at both the frontline and an organisational level?

The quality of data means everything to the success of a Net Promoter programme; in fact, it is the lifeblood. Data is trustworthy when it has been collected in a manner that ensures it is an accurate and reliable representation of your customers and their perceptions and behaviours. If not, it provides a false sense of security.

When is the right time?

Determining when to obtain feedback from your customers is of paramount importance. You can either adopt a 'relationship' approach to collecting feedback, that evaluates the experience across multiple touchpoints, including sales, product, service, and post-sales. Alternatively, the 'transactional' approach will enable you to capture feedback at a particular touchpoint that is most relevant to your business.

Sage Software, a leading supplier of business management software and services has nearly fourteen thousand employees who advise almost two million customers. Its frontline people manage about 32,000 customer calls every day plus a global network of twenty-five thousand resell partners and 40,000 accountants.

Sage needed to identify loyalty drivers for BusinessWorks, a software product providing full-function accounting for small, growing businesses. In summary, the company initiated this process by holding a brainstorming

session for frontline employees to map out a 'customer corridor', covering main touchpoints for the customer experience. Afterwards a cross-functional group of managers narrowed this down and settled on likely loyalty drivers. The process was undertaken systematically by category to gain a holistic perspective of the customer's experiences.

In conclusion

The most important insight that I would like to share with you, is that thinking about Net Promoter as 'just a score' trivialises the implementation of a major corporate transformation and is a sure recipe for disappointment. Net Promoter has to be seen, by all involved, as an enterprise-wide programme that applies management disciplines and techniques alongside the appropriate leadership and investment throughout the organisation.

It is of utmost importance to ensure the mechanisms are in place to bring senior executives, cross-functional managers and frontline employees into the programme. Communication is key, as is having a 'champion' in your firm with real power to effect structural alignment of the business around the customer. More often than not, this is your CEO. So, aim high. ☺



ABOUT THE AUTHOR

Laura Brooks is co-author of "Answering the Ultimate Question" and vice-president research and consulting at Satmetrix, provides an insight into implementing a successful Net Promoter programme, addressed in a new business book, currently listed no. 4 in the list of Top Ten Marketing Books of 2008 (Coolmarketingstuff.com)