

NET PROMOTER SCORE®: FEWER QUESTIONS. MORE INSIGHT.

After more than 10 years, Net Promoter Score® remains a popular tool to capture customer sentiment, and focus operations improvements to service dimensions that matter affect loyalty for companies ranging from Enterprise to Apple, Vanguard to Ascension Healthcare.

Fred Reichheld, of Bain & Company, got the attention of many executives with his 2003 article in Harvard Business Review (*The One Number You Need to Grow*, Harvard Business Review 2003; 81:46-54). Like most consultants, he meant to. And his message continues to resonate today at companies ranging from Enterprise to Apple, and Vanguard to Ascension Healthcare.

Net Promoter Score® (NPS) is a measure of customer loyalty. Its simplicity improves response rates and reporting speed, allowing management teams nearly real-time insight into service victories and failures, and rank facilities to identify the best and correct the laggards.

Satisfaction surveys aren't very useful: they are frequently long and complicated; they have low response rates; and provide ambiguous messages that are difficult for operating managers to act on. Worse, their results seldom correlate with actual customer behavior, profits and growth. The measure is seldom taken seriously by operations leaders.

Reichheld's team interviewed thousands of customers in six industries: financial services, cable and telephony, personal computers, e-commerce, auto insurance and

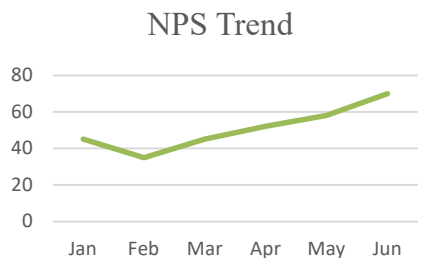
internet service providers. They were trying to identify the satisfaction questions that had the strongest correlation to repeated purchases and referrals—real customer behavior. One question was ranked first or second in 11 of 14 specific case studies: "How likely are you to recommend this company to a friend or colleague?"

For the Net Promoter Score® (NPS) method, responses of six or less are classified as Detractors—people likely to say bad things about the firm, and unlikely to re-engage the firm; responses of seven or eight are classified as Neutrals—people that were ambivalent about the firm, and easy for competitors to capture; and responses of nine or ten are classified as Promoters—people that are likely to both say positive things about the firm and re-engage it for future work. The percent of Detractor respondents is subtracted from the percent of Promoter respondents. The resulting score can be trended over time to measure changes in the firm's delivery of satisfaction.

Generally, *Detractors* are asked to describe the source of their disappointment; these are service failure the firm can systematically remediate. *Neutrals* are asked to describe how the firm can improve its performance. *Promoters* are asked to describe the service (or

product) elements that most pleased them.

Organizing and interpreting these unstructured responses can provide critical operating insights—what customers actually care about, and customer sentiments about the company's delivery of satisfaction. In this way, NPS results should be



viewed as an operation management tool, not a market research tool.

Anchor & Helm Decision Advisors helps its clients understand their data and develop actionable insights. We help clients develop business plans and budgets, better analyze data and communicate results, and implement reporting tools.

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