



Net Promoter™ System (NPS)

– the building block for Customer Loyalty and Profitable Growth

Introduction

The past performance of an organization does not guarantee the future! Besides, how often do we ponder if current financial metrics provide any assurance to the future growth prospects?

In 2003, Fred Reichheld published his research in Harvard Business Review about Net Promoter System (NPS) being the only number you need to grow for future growth prospects. The NPS is based on the simple truth that a happy customer will continue to buy and recommend you to their friends. Although the concept of NPS looks simple, the successful implementation of the program could be challenging. There are many factors that need to be fulfilled to ensure its success, one of which is the top management buy in and support. Many organizations around the world are using the NPS, but not all of them are maximizing its benefits.

“Finally, a metrics to measure success based on the number of lives you have enriched. The NPS reveals how you can build a better business, and a better life by earning the loyalty of customers and employees.” – Stephen R. Covey, author of The 7 Habits of Highly Effective People.

How NPS is measured?

NPS has taken over the traditional customer satisfaction surveys due to its simplicity and effectiveness in gauging the future growth. NPS is based on one simple question: “ On a scale from 0-10 how likely is that you will recommend us to yr colleagues, friends or family?”

- * Customers giving a score of 6 or below are identified as **detractors** who are simply not happy with your product
- * Customers giving a score of 7 or 8 are viewed as **passives** who may be satisfied but would most likely defect if they find another alternative
- * Customers giving a score of 9 or 10 are known as **promoters** who are loyal to your product

The NPS is simply calculated by subtracting the percentage of detractors from the percentage of promoters. This number does not only shows the current state of customer loyalty but more importantly, it can be used to predict the future growth and profit of the company. Hence it is the *leading* indicator to assess the future (financial results such as sales and profit are *lagging* indicators).



Why NPS?

Research shows NPS is directly correlated to an organization's future growth potential. It is no wonder why many Fortune 500 companies have now embraced the methodology and uses NPS. To name a few: GE, Honeywell, Allianz, Charles Swab, Ebay, Citigroup, Philips, American Express and Danish Lego.

NPS is unique because NPS discipline emphasizes action so much more than the tracking of the measurements like how many traditional customer satisfaction initiative. Because it is simple and intuitive, it is easily understood at every level of organization from top to bottom with results that are actionable. Yes, traditional initiatives do provide meaningful data but it overly focused on analysis and research and presentation and... which often results in no action.

NPS is very popular amongst Senior Executives, perhaps due to its simplicity. GE as an example uses NPS to improve all customer related processes and is planning to use the NPS as a basis for executive remuneration and bonuses.

"In the almost 20 years that I have worked at GE, NPS is the most powerful tool we have ever deployed. The reason is that it is so actionable." – Dan Henson, GE CMO.

How you can benefit using NPS?

Research shows that a 3% change in NPS results in a 5% change in the annual revenue (based on a 2001 study done by Bain & Co). Like many companies and organizations around the world, companies in Malaysia are looking for reliable leading indicators in order to build profitable growth. NPS is the enabler for a company or an organization to build a customer centric strategy and improve on areas that customers care most which in turn would result in profitable growth.

Net Promoter Economics

Promoters and Detractors exhibit distinctly different behaviors that produce dramatically different economic values. Several factors distinguish Detractors from Promoters — explaining why it is so compelling for companies to increase the number of Promoters and decrease the number of Detractors in their business.

Retention Rate: Detractors generally defect at higher rates than Promoters, which means they have shorter and less profitable relationships with a company.

Margins: Promoters are usually less price-sensitive than other customers because they believe they are getting real value from the company. The opposite is true for Detractors: they're more price-sensitive.

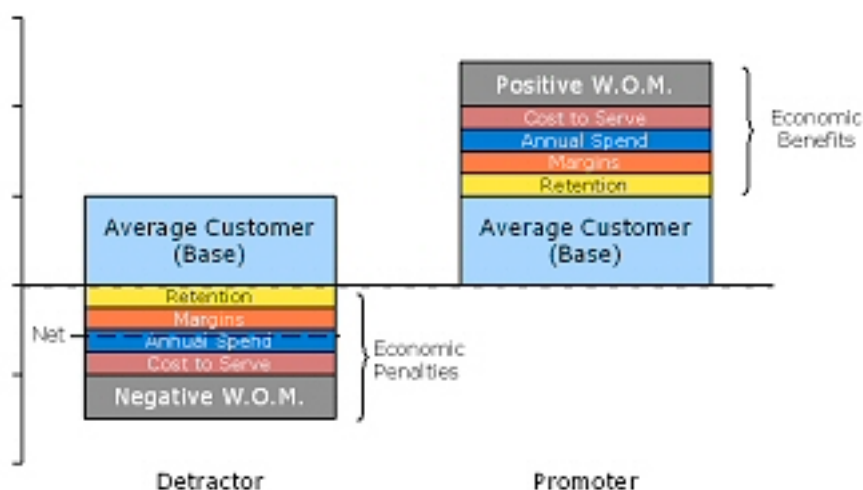


Annual Spend: Promoters increase their purchases more rapidly than Detractors. They tend to consolidate more of their category purchases with their favorite supplier. Promoters' interest in new product offerings and brand extensions far exceeds that of Detractors or Passives.

Cost Efficiencies: Detractors complain more frequently, thereby consuming customer-service resources. Some companies also find that credit losses are higher from Detractors. (Perhaps that is how the Detractors extract revenge.) By contrast, Promoters help bring down your customer-acquisition costs by staying longer and helping to generate new referrals.

Word-of-Mouth: Quantify the proportion of new customers who selected your firm because of reputation or referral. The lifetime value of these new customers, including any savings in sales or marketing expense, should be allocated to Promoters. Between 80% and 90% of positive referrals come from Promoters. Detractors, meanwhile, are responsible for the negative word-of-mouth, and the cost of this drag on growth.

\$ Customer Value (NPV)



The One day brief introduction to NPS

Learning outcome:

From the one day training, trainees should be able to:

- * Understand what is Netpromoter.
- * Understand how Neptomoter drives financial results
- * Understand how NPS impacts customer retention and word of mouth
- * Understand the importance of closing the loop with customers

Assessment criteria:

At the end of the day, trainees will be assessed based on Questions and Answers (Q&A).

**Who should attend:**

This one day briefing is good for owners and decision makers of companies such as CEOs and CxOs who is directly accountable for the growth of the company. It would also be suitable for anyone who would like to know more about this concept such as training providers, regulators etc.

Methodology:

Interactive lecture, case studies and videos in ensuring maximum participation.

Program outline:**NPS Fundamental**

- * Netpromoter definition and method
- * Activity: *Symantec video*
- * Overview of Netpromoter as a business model (segmentation, map the journey, closed loop, trustworthy data, silos, data mgmt)
- * Understanding the analytics around:
 - Customer retention
 - Word of mouth
- * Other – service, returns, upsell/cross sell, entire picture
- * Global Benchmarking
- * Activity: *Sparkscore video*

The 3 days introductory course

Learning outcome:

From the 3 days training trainees should be able to:

- * Understand the difference between good and bad profit
- * Understand the fundamentals of Net Promoter score and its history
- * Understand why NPS is different from the traditional CSI
- * Know the relationship between NPS and the financial growth of a company
- * Know how to measure NPS and the difference between promoter, passives and detractors
- * Briefly understand the customer segmentation using the matrix of revenue/profit and NPS

Assessment criteria:

At the end of the 3 days, trainees will be quizzed to assess their understanding.

Who should attend:

This 3 days introductory is suitable for middle management team, such as managers/senior managers and or executives from all department. This is because NPS must be understood horizontally across the organization as each one of the departments contributes to the NPS, directly or indirectly.



Methodology:

Interactive lecture, case studies, videos and workshops in ensuring maximum participation.

Program outline:

Day One: Netpromoter™ Fundamentals

- * Netpromoter™ definition and method
- * Links between Netpromoter™ and customer experience and financial results
- * *Video: Virgin Media*
- * *Activity: Customer Centric Business Culture, Painpoints, and Your Organization (group conversation)*
- * Close loop defined
- * Relation and transaction surveys
- * *Activity: Calculating NPS*

Day Two: Survey and Business Practice

- * The importance of segmentation
- * Mapping the customer journey
- * *Activity: Mapping the Customer Journey for Your Company (small group exercise)*
- * Trustworthy data and the survey process
- * The importance of closing the loop
- * Silos, data management, ownership, and goals
- * *Activity: Closing the Loop Case Study (Small group exercise & case study)*

Day Three: Customer Economics

- * *Video: Reichheld /Markey interviews w/ top management*
- * Understanding the analytics around:
 - Customer retention
 - Word of mouth
- * Setting the goal for improvement
- * *Activity: Calculate customer retention impact*
- * *Activity: Mini quiz*
- * *Final reflection: Will Netpromoter™ solve issues for your company?*

About FoQual..... *Focus on Quality*

The company is built with the key focus on Quality Improvement. We believe with the right emphasis on quality initiatives, an organization will be able to unleash the potential growth from within. We bring extensive experience and knowledge of more than 10 years specifically in the area of Quality and Customer Satisfaction in the Asia Pacific region. We have been intimately involved at the onset of NPS inception and built hands on experience in running the program for large organizations. With this unique knowhow, we will be able to correctly guide your organization through this challenging but rewarding path of customer loyalty and ultimately to profitable growth. FoQual is a PSMB registered training provider.

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