

# NPS

Introduction to  
Net Promoter Score®  
and  
Net Promoter System®



**INSIGHTSOFA**  
The voice of your customer

# Introduction to Net Promoter Score® and Net Promoter System®

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The aim of this short publication is a basic introduction to Net Promoter SCORE®, a method for measurement and evaluation of Customer feedback. It will explain how to measure this metric, how to calculate it and how to project its results to company management. Its greatest advantages (and disadvantages) will be briefly introduced and in the end, the differences between Net Promoter Score® and Net Promoter System® will be explained.

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## For starters...

You've probably already heard the term Net Promoter Score®. It's perhaps the most effective method to monitor customer satisfaction, quantify it and integrate it into company management. Much of the available research showed that the growth of customer satisfaction and loyalty leads to a demonstrable increase in turnover and to so-called healthy profits. When starting to talk about Net Promoter Score®, we can't begin otherwise than by mentioning Fred Reichheld, the father of this methodology, which is adopted every day by many top companies around the world.

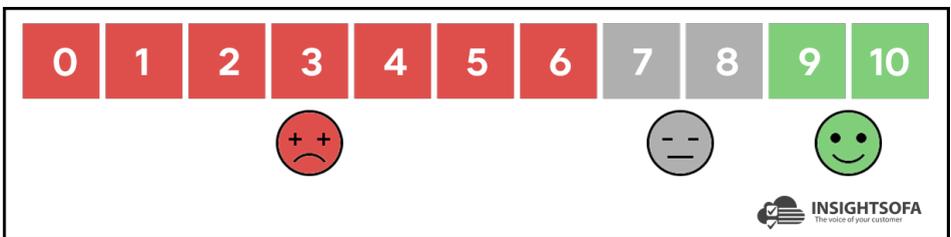
Fred Reichheld worked at the Bain & Company consulting firm since 1977. Since then he's been focusing on research of customer satisfaction and customer loyalty in connection with the company management and associated economic indicators. He's probably best known for his work on Net Promoter Score® and considered the founder of this methodology. His most famous book "The Ultimate Question" explains the strength of the "single question" and is a stepping stone for the development of Net Promoter Score®. His continual exploration of the impact of customer loyalty (not to be confused with satisfaction) on the business models of companies awarded him with titles such as "the high priest of the loyalty cult" (The Economist, 2001) or his appointment among the 25 best consultants in the world by the Consulting magazine (2003).

## NPS as a number (Net Promoter Score®)

Net Promoter Score® is extremely popular in many areas of corporate management: marketing, sales, customer service centers, top management - virtually in any area. Especially because it's easily measurable and the results can be compared over time or used in benchmarking among individual companies.

Net Promoter Score® is only a part - albeit a very important and perhaps the most famous part - of the whole the Net Promoter System®. Net Promoter Score® is a single number expressing the degree of loyalty of customers to the organization. Customers are asked how much they would recommend your company/product/service to their family and friends on a scale of 0-10. Does that seem simple to you? Basically, you are right - that's what the metric is based on. But as we show below, if you combine this simple sentence with additional questions (preferably depending on the evaluation score) you'll start getting very interesting data based on actual opinions of your customers. Let's take a moment to go back to Net Promoter Score®.

Depending on the rating they awarded on a scale from 0 to 10, your customers are classified into three basic groups: detractors, passives and promoters.



Let's take a closer look at each group.

## Detractors

Detractors are customers who indicated their loyalty to your organization between 0 and 6 on the scale. They certainly aren't satisfied customers. They are telling you that after an experience with your company, product or service, they would definitely not recommend it to their friends. It is advisable to try to work with these customers to address their bad experience as soon as possible.

But nothing is as simple as it may seem at first glance. Putting the customer into the detractors group just one time does not necessarily mean that the customer is your detractor overall. Let me give you an example:

Your regular customer regularly visits your wellness studio. He usually orders a mud bath and is very satisfied. One day he decides to try the Thai massage which does not satisfy him very much. If your calls for a survey are set up to activate depending on the use of a specific service by the customer, it's likely that after leaving the massage, this customer probably does not give you a very high satisfaction rating and can become your "short-term" detractor.

This example shows an important caveat - always watch Net Promoter Score® over time. If you view the average ratings of a customer (or customers) you'll get an accurate picture of your customer loyalty and the actual value of your Net Promoter Score®.

Detractors have a great propensity to switch to competing services, stop using your service or even spread negative messages about you. Surveys demonstrated that over 80 percent of the negative reports that are circulating about your company come from detractors.

It is therefore important to watch them and address all their requests in a timely manner.

## Passives

Passive customers are those who rated their loyalty to your organization between 7 and 8 on the scale. These are customers who aren't dissatisfied, but they certainly know how you could make your services/products even better. I do not recommend underestimating this customer group. The opinions of a person who can find some weaknesses is always worth more to you than one who is completely satisfied or chronically dissatisfied.

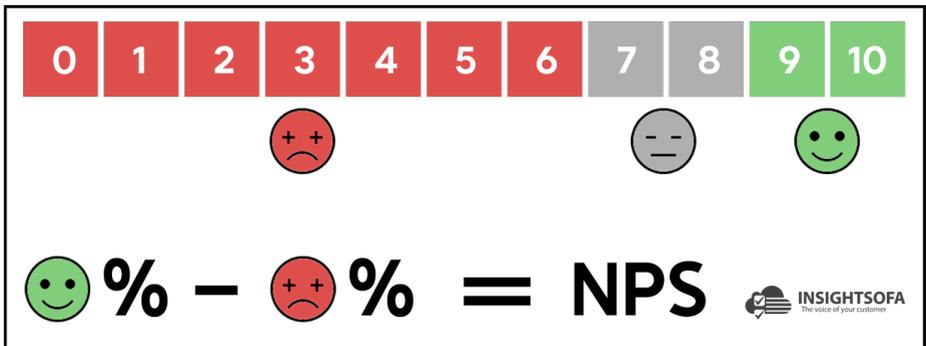
Passive customers don't spread negative messages about the company, have a lower propensity to switch to competition and are more easily sustainable.

## Příznivci

Promoters are the customers who are most loyal to your organization. They rated their loyalty between 9 and 10 on the scale. These customers spread positive messages about your company among their friends and they are the least likely to switch to a competitor. It's easy to sell them all your new products/services and improvements. You should really pamper your promoters. Remember the rule that retaining a current customer is 10 times cheaper than getting a new one.

## The method of calculating Net Promoter Score®

Net Promoter Score is not the specific number that the customer marks on a scale from 0 to 11. Net Promoter Score® indicates the overall result for your organization, which is a kind of single-number metric that summarizes the loyalty of your customers. Let's see how to calculate this number.



Net Promoter Score is the difference of the percentage of promoters and detractors. The opposite extremes therefore are that either we have a 100 percent of promoters or 100 percent of detractors. Net Promoter Score® values may therefore have a value between -100 to 100. If we have more promoters than detractors, the Net Promoter Score values are positive; if there is a majority of detractors, they are negative.

Surely you're asking - what is the normal value for most companies? What values should you achieve? There is no exact answer. Of course, the higher the better. Look at the table below to mention a few examples of well-known companies and their NPS values.

Company	Net Promoter Score®
Apple	<b>78</b>
Amazon	<b>71</b>
eBay	<b>69</b>
Facebook	<b>65</b>
Google	<b>63</b>
SAP	<b>60</b>
Sony	<b>41</b>
Adobe	<b>36</b>
AT&T	<b>9</b>

## Net Promoter Score = perception in context

I've been reconsidering for a long time whether our introduction to Net Promoter Score® should include this chapter. But finally I've seen that we'll encounter this issue sooner or later, so I decided that you should learn it early on. NPS is undoubtedly the best technique for measuring customer loyalty, but like everything else this metric has its negative aspects. However, if you understand them well and perceive NPS in context, it will work exactly according to your wishes.

What do I mean by perception in context? Unsurprisingly, the simplicity of this methodology (which is already beginning to understand that the greatest strength NPS) is also its most criticized part. It is quite obvious that the scale from 0-11 does not fit all respondents, will depend on respondents' personality types and social status. Soon you'll observe that different ratings are given by people from various geographic parts of the world, various religious cultures, etc. Sometimes people just choose NPS

value of 10, even though they are not too happy. Some groups choose 7 when they are very satisfied, just to leave a few points of headroom for improvement, which they think can be always done. But if you perceive Net Promoter Score® in the context of these various groups, it will still provide you with high quality and accurate data. Let's look at some examples for better understanding.

### **Wider context**

Imagine that you visit a wellness center with your spouse or partner for the weekend. The whole stay is very pleasant, you get a great deal of rest, services are top-notch and you don't have the slightest problem agreeing on your choice procedures. After returning you're so happy that you decide to organize a corporate team building at the same location. However, when you get there with your co-workers, you cannot agree as a group, what you want to do. Thus one half chooses their own entertainment, the other half chooses procedures. Despite the fact that the services provided by the wellness center are still top-notch, the rating indicated by the participants of teambuilding will probably differ from the scores indicated by you and your spouse or partner.

**Solution:** Identify the groups of your customers, segment the total score and analyze according to these target groups. Such analysis will tell you what to concentrate on in order to improve your services as much as possible and to adapt your services to the greatest number of guests.

### **Personal context**

Someone who visits the wellness center very regularly and his body is accustomed to these procedures will choose a different rating on the same scale from 0 to 11 than someone who visits the wellness center for the first time and is completely surprised

by the result. The same services will be rated differently by someone who is very critical than by a person who likes to praise anything they ever experience.

**Solution:** The solution here is very easy. Just like statistics only starts to make sense once you have a lot of data, Net Promoter Score® works the same. Do not let your overall NPS be affected by individuals, but to explore it only once you accumulate a high enough number of ratings that are not affected by eccentric respondents.

### **Cultural context**

When we were asked to measure customer satisfaction for a particular internet organization that provides its services primarily in Europe, Net Promoter Score was the perfect metric for them. After deployment and collecting a sufficient amount of data we have found an interesting fact. Even though the services provided throughout Europe are completely identical, in countries where Net Promoter Score has been used for a long time by various companies, the overall score was lower than in countries where Net Promoter Score® is new (mainly in Eastern Europe).

**Solution:** Do not look at Net Promoter Score® as a whole, but rather watch it depending on the geographical area of your customers. Watch it across a time period, but in comparable locations. And yes, if you want an overall NPS benchmark (in this case in Europe), select companies that have the same geographic scope.

## **Net Promoter Score® – as a journey, processes and the system**

Up to this point we have discussed Net Promoter Score® only as a number, which indicates the degree of customer loyalty to your company. Yes, it is the most important indicator of the entire Net Promoter System, but it's only the beginning of your journey to transform your organization into a customer-oriented company. Only the complete Net Promoter System, implementing it, complying to it, closing the feedback loop with customers and the reflection of these acts into your decisions will actually provide a powerful tool that has enormous potential to advance your entire organization in the right, healthy direction, far ahead of companies that are not customer-driven. If we only measure the NPS value but do not know how to use it and what measures to apply based on that value, Net Promoter System® methodology will not work.

And what do I mean by the journey, process and system? I'd like to list 7 basic processes that lead to strong, functioning and well-tested Net Promoter System®. These processes were defined by the Satmetrix company which together with Bain & Company is among the founders of Net Promoter System. The details of the individual processes go far beyond the scope of this publication, which is to introduce you to NPS, but we will certainly detail the processes in another publication.

### **Process 1 – Define what you want to ask**

Proper measurement according to Net Promoter System® requires you to define in the beginning "what" you want to ask your customers. What do they have to evaluate, when they should evaluate it, what do you want to learn, perfect or modify based on their feedback? Are you sure that your customers are able to give you sufficient information?

Prepare the Net Promoter question and any additional questions that customers should answer.

Pay the utmost attention to this step. At this point it is advisable to contact someone who already has experience with Net Promoter System® and ask for advice. I can indeed guarantee you that it will pay off.

## Process 2 – Wait until you have collected good data

Focus on such customer groups that will bring you the most profit. Focus on their feedback in the beginning. You'll thus faster get good data that will not be affected by customers who do not bring you an appropriate profit. Over time, as your number of responses grows, you'll have to pay attention to these customers, too. But start simple.

How can you collect data? You will need an automated tool that does the hard work for you. One of such tools is InsightSofa (<http://www.insightsofa.com>). The software automatically collects and analyzes feedback from your customers and provides you with the view that you want. You can collect data both online and offline.

## Process 3 – Understand what affects your score

What is it that most promoters praise you for? What causes a negative rating among detractors? You have to understand what your customers think you're doing very well, and what think you're doing wrong. An automated tool will help you again with the analysis. Once you learn this, start a corrective processes in your organization.

## Process 4 – Perfect the individual customer loyalty

Your Net Promoter question gives you a great opportunity to improve customer satisfaction. If your customer provides feedback on your services/products,

particularly in the case of negative feedback, it is very important to get in touch with them immediately and try to resolve their dissatisfaction. Make sure to appoint a person responsible for this. You will see that this will significantly increase customer retention and you will feel the positive effect of this activity very soon.

## Process 5 – Perfect the total customer loyalty

Unlike individual customer loyalty where you're addressing a complaint of a specific customer, total customer loyalty is about performing continuous changes in areas that customers complain about the most. Listen to them and make changes that they ask for the most.

## Process 6 – Compare your score

Benchmark your score against your competition within the same industry. Set goals you want to achieve and take measures that lead to these goals. Look at the changes in score after you've taken the measures. Did it improve? Did it get worse? Soon you will know what leads to higher customer satisfaction and what doesn't. You are on the right track.

## Process 7 – Enjoy your benefits

Once you've successfully gone through all the processes described above, you're not just being driven by the score, but you're applying the entire Net Promoter System®. You're getting more and more customers who are loyal to your company. You're creating more promoters than detractors. Many more positive comments than negative ones are being spread about your company. Last but not least, you're generating much higher and more sustainable profits. You are on the right track - the Net Promoter way.

**So enjoy it!**