Introduction to the Net Promoter® System

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Agenda

• Introduce the Net Promoter Score

• Introduce the Net Promoter System

• Discuss relevance of NPS for Non-Profits

• Discuss the NPS journey and some common pitfalls

• Provide resources to help you on your NPS journey
Bain & Company has been studying loyalty leaders for over 20 years
In the for-profit world, there is an empirical link between loyalty ‘leaders’ & profitable growth
Tools for managing profit are inadequate for helping us manage customer loyalty

**Tools for managing Profit**

- Focus: current period revenue and expense recognition
- 100+ years track record with strict standards
- Widespread understanding throughout organization

**Tools for managing Growth/Loyalty**

- Focus: profitable, sustainable organic growth
- Limited track record with no standards
- Qualitative understanding throughout organization
Many organizations try to get at loyalty through a variety of surveys, questions, and conversations.
After testing over a dozen candidates empirically, we found one question stood above the rest

“How likely would you be to recommend us to a friend?”

Probes both dimensions of loyalty…. 

Head
- Best features
- Best service
- Best price

Heart
- They know me
- They value me
- They listen to me
- They share my values

Most often the strongest predictor of customer behavior and competitive growth (and always pretty good)
Net Promoter® translates this question into a powerful and simple metric to measure loyalty and advocacy:

**How likely are you to recommend us to a friend?**

- **Extremely likely**: 9-10
- **7-8**
- **0-6**: Extremely unlikely

**% Promoters**

**% Detractors**

Net Promoter Score (NPS) = % Promoters - % Detractors

... and WHY?

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Promoter behaviors create real value

Affluent customer retail banking lifetime profitability

- Decreased cost to serve Promoters
- Investment product cross-sell rates to Promoters
- Value of secondary referrals from referred customers

Source: Bain NA Financial Services NPS Survey 2008
Loyalty leaders differentiate to earn loyalty/advocacy

The basics: ‘Eliminating nuisance factors’

Differentiators: ‘Creating promoters’

Loyalty and advocacy

- Ordinary services delivered exceptionally
- Exceptional services/features delivered well

Satisfaction

- Product or service meets basic needs
- Product or service delivered as expected
- Problems are resolved as expected

Source: Bain & Company
Promoter Flywheel: Loyal, passionate employees create loyal, passionate customers

Buy from here!

Work here!

Growth, opportunity

Customer Advocacy

Employee Advocacy

Profitable, sustainable organic growth

Excellence, trust, value

Enthusiasm, creativity

Buy from here!

Buy from here!
What started with just two companies in early days...

...has now become thousands
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Transformed Net Promoter Score into Net Promoter System (a way of doing business)
Net Promoter system: Eight components

1. **Solid analytics**
   - **Reliable metric:** Sort customers; understand competitive position
   - **Customer value:** Support high quality cost-benefit estimates
   - **Root cause:** Data and processes to draw insights that unlock action

2. Prioritized improvements; persistent cultural values; daily action

3. **Front line activation**
   - **Closed loop:** Enhance relationships through true dialogue
   - **Learning:** Coaching, training, experimentation
   - **Action:** Individual, team, function and enterprise

4. **Robust operational infrastructure**

5. **Leadership and communication**
Robust NPS programs use both top-down & bottom-up approaches

**Top-down NPS:** Competitive positioning to drive strategy

**Who?**
- The market
- Anonymous both ways (double blind)
- Sample controlled and weighted for market relevant segments

**Why?**
- Prioritize product, process and system improvements
- Establish the potential value of improvements relative to competitors
- Support strategy development (value propositions, segmentation, resource allocation)

**When?**
- Periodic (e.g. 3-4 times/year)

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**Bottom-up NPS:** Continuous learning through direct customer contact

**Who?**
- Current customers
- Sample weighted for customer value and experience frequency/importance

**Why?**
- Motivate and train frontline employees/distributors
- Close the feedback loop with customers (including service recovery)
- Drive frontline continuous improvement and process/product refinement
- Drive cultural change from the bottom

**When?**
- Continuous and/or periodic (touchpoint or relationship triggered)
There are three key elements of a Net Promoter System

1. **Reliable** outcome metric
   - Sort customers (and other stakeholders) into Promoters, Passives and Detractors
   - Trusted, robust, understood
   - Predictive of behaviors, financial performance and economic value

2. High-velocity, **closed-loop** feedback, learning, action
   - Robust operational support
   - Rapid cycle from feedback to follow-up
   - Learning, action and recovery processes (individual, team, business, enterprise)

3. **Strategic priority** to earn loyalty to generate profitable, sustainable organic growth
   - Investment decisions, resources, initiatives, talent & skills to support
   - Values, principles, policies consistent (and consistently applied)
   - Actions AND words

Source: Bain & Company, Inc.
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NPS Can Transform a Business...

“We use NPS every day to make sure we are wowing customers and employees.”
Tony Hsieh, CEO, Zappos

“Thank goodness for Net Promoter. It provided us with a framework for thinking about—and managing this social media world in which the Ultimate Question becomes even more important.”
Brad Smith, CEO, Intuit

“There are plenty of measures of ‘bigness’ but very few measures of ‘greatness’ and we want to be great. NPS is our ‘GPS’ – ‘Greatness Positioning System’.”
Lanham Napier, Former CEO, Rackspace

“Adopting NPS has been the single most important strategic decision we have made since deciding to franchise.”
Brian Scudamore, CEO, 1-800-Got-Junk?
...and works with Non-Profit Organizations too!

“Net Promoter has helped us really understand how we are delivering value and impact to our partner schools, as well as understand the City Year corps member experience at a much deeper level. It has become an invaluable tool across our entire organization.”

Gillian Smith, CMO, City Year

“The Net Promoter System is helping us move from good to great. By capturing ‘voice of the customer feedback’ and Net Promoter scores, we can to invest in those experiences that really move the needle on alumni loyalty.”

JT Forbes, CEO, Indiana University Alumni Association

“Using NPS has enabled DonorsChoose.org to delight our teachers and donors while scaling our business.”

César Bocanegra, COO, DonorsChoose.org

“NPS has helped us move the industry of alumni relations from an art to more of a social science. We’re seeing the benefits of this mind shift, and we’ve only just scratched the surface.”

Jennifer Cunningham, Senior Director, Alumni Affairs at Cornell University
Net Promoter Social Impact Forum

- The NPSIF is modeled after the NPS Loyalty Forum (founded in 2006); intended for non-profit executives to share best practices around stakeholder loyalty

- 5 Forum meetings complete; 6th to be hosted in May by Stanford Alumni Association

- NPS has been very high for each of our previous meetings (+80%)

- ~20 member organizations have attended to date, including:

  - Ascension Health
  - Citizen Schools
  - City Year
  - DonorsChoose.org
  - Big Brothers Big Sisters
  - Babson Foundation
  - Taproot
  - Habitat for Humanity
  - Endeavor Global
  - American Red Cross
  - Cornell University
  - KIPP
  - Charity: Water
  - Teach For America
  - Indiana University
We would argue that advocacy is equally if not more “mission critical” in the social sector

Advocacy is particularly critical where...

- Truly achieving impact depends on the deep commitment, passion, and engagement of a diverse set of stakeholders - not just basic satisfaction or going through the motions
- There is no fully agreed upon set of metrics to definitively measure or demonstrate impact
- ‘Word of mouth’ is extensive and viral, and reputation is often integral to the ability to recruit and retain volunteers, donors, trustees...
- Geographic and financial constraints create a limited/finite pool of stakeholders from which to draw over time
There are some key differences between ‘corporate’ and ‘not for profit’ NPS implementation

- **Top down NPS tends to be less relevant** in a non-profit
  - Bottom up NPS (for relationship, and for key transactions) is often much more relevant

- **Often multiple constituencies**: e.g. beneficiaries, donors, volunteers, employees, government/policymakers, parents, alumni

- **NPS question wording often requires more tailoring** given the various constituencies

- **Harder to articulate the “business case”** for NPS
  - NPS can sometimes (not always) be lower down the list for organization priorities

- **Less established CRM systems** for collecting, tracking and analyzing NPS data
  - Processes tend to be more manual in non-profits
The social sector promoter flywheel: creating true promoters can differentially drive impact

**Promoters...**
- More engaged, active service delivery
- Stay longer
- Recruit other volunteers

**Volunteers**
- More engaged participants
- Higher buzz/word of mouth

**Beneficiaries**
- More engaged, active service delivery
- Stay longer
- Recruit other volunteers

**Employees**
- More engaged, inspired work
- Stay longer
- Recruit other employees

**Donors**
- Higher, more consistent giving
- Recruit/influence other donors

**Board members**
- More engaged advice
- Give more, influence other donors
- Recruit board members

**Alumni**
- Higher buzz/word of mouth
- Higher, consistent giving
- Stay engaged with organization & sector
The Net Promoter question – followed by the ‘why’ – allows you to immediately drive to core issues

**Beneficiaries** How likely would you be to recommend Organization X’s services to a friend or family member?

**Employees** How likely would you be to recommend a job with Organization X to a qualified candidate?

**Donors** How likely would you be to recommend that a friend, colleague or family member donate to Organization X, if you were asked?

**Alumni** How likely would you be to recommend Organization X to a friend or family member?

**Board** How likely would you be to recommend a board position with Organization X to a qualified candidate?

*Why/for what specific reasons did you answer this question in the way that you did?*
Determining the ‘business case’ for promoters can help articulate the importance of using NPS.

While NPS identifies stakeholders as promoters, passives and detractors, articulating the “business case” quantifies the benefits of advocacy to the organization and helps to optimize investments and activities that best create promoter behaviors.
Understanding the business case can help address critical stakeholder questions

**Sample questions**

**Volunteers**
- Are promoter volunteers/corps members more effective at service delivery or at recruiting other quality volunteers?
- What programs, activities, or circumstances contribute to creating volunteer promoters?

**Donors**
- How much more is a promoter donor worth over their lifetime, both directly and indirectly?
- What communications, events, and other activities are most effective at driving increased giving?

**Alumni**
- What specific value do promoter alumni bring to the organization?
- What alumni programs and activities are most critical to creating and maintaining promoters among this group?
A for-profit example – Tech Retail Co

During the downturn the CFO of Tech Retail Co considered pushing for in store post sales service/support staffing be cut. In order to maintain staffing levels, it was critical to demonstrate the longer term customer economics of doing so.

Cutting X FTEs per store could save $YM/yr in salary expense

Cutting X FTEs per store would increase wait time by Z mins per customer

For each Z min of increased avg wait time, NPS drops by A% pts

NPS drop of A% implies B fewer promoters, who are worth $300/yr more than passives

Ultimately staffing was not cut because the impact on margin from in year customer spending alone (before referral value) would have been greater than the labor savings.
Defining the ‘business case’ for promoters: 4 key steps

1. Define the sources of value of promoters:
   In what ways do promoters create more value for the organization?

2. Quantify the magnitude of this value:
   What is the value of promoter behaviors to our organization?

3. Identify drivers of promoters:
   What are the critical experiences and factors that create promoters?

4. Define resulting investments & activities:
   How should we prioritize our investments and activities to create, maintain, and activate promoter behavior?
Some final considerations...

• Define **why** you are doing the analysis before you think about **how** – be sure that the analytics will enable you to make a strategic or operational decision (and isn’t just intellectually interesting)

• This is hard - perfect analytics are tempting, but often not required and likely impossible; consider:
  - What do you need to make a decision or take action?
  - What assumptions or qualitative ‘leaps’ you can make (e.g. more volunteer hours = more experience = more effective service?)

• This is a journey – build the business case over time
  - What data do you have now that can start to inform the business case?
  - What can you put in place now to collect data for additional analysis in the future?
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Most companies follow a similar NPS journey

**NPS 'SACRIFICE'**
- Calculating a score
- Recommend question buried in large survey
- Owned by staff or market research
- Not understood by organization
- (Incentives linked to NPS?)

**Net Promoter System**

<table>
<thead>
<tr>
<th>NPS DIAGNOSTIC</th>
<th>NPS IMPLEMENTATION</th>
<th>NPS FULL POTENTIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPS accepted as relevant metric</td>
<td>NPS perceived as change enabler</td>
<td>Customer advocacy permeates culture</td>
</tr>
<tr>
<td>Cornerstone of customer analysis</td>
<td>Cornerstone of customer relationship improvement</td>
<td>Organisational priority on creating Promoters and reducing Detractors</td>
</tr>
<tr>
<td>Led by central staff, supported by business leaders</td>
<td>Led by line business leaders, (supported by central staff)</td>
<td>Embedded deep in operational processes</td>
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<tr>
<td></td>
<td>Front line engagement</td>
<td>Strategic input</td>
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- No change, frustration
- Early platform for change
- Foundation for continuous improvement
- Profitable, sustainable organic growth
The most common pitfalls

- Focus on the **SCORE / Unreliable score**
- **Linking incentives** to customer feedback prematurely
- Waiting too long to establish the **financial linkage**
- Failing to build **timely closed-loop** feedback, learning and action process
- Failure to **integrate** NPS into the existing decision-making process/rhythms
- **Delegating** too deep in the organization
- Fix detractors, but ignore innovations to delight promoters
- Inadequate approach to improving **eNPS**

Don’t head down this path unless you are prepared to drive fundamental culture change and action
How Reliable Is Your Score?

- Promoters: 60%
- Passives: 30%
- Detractors: 10%

NPS 50% (20% Respond)
NPS -40% (80% Ignore)

True NPS -22%

(80% Ignore)
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- No system developed for **ENPS**

Don’t head down this path unless you are prepared to drive fundamental culture change and action
FOR A CHANCE TO WIN A $2,500 GIFT CARD,
LOG ONTO KMARTFEEDBACK.COM AND RATE OUR
CUSTOMER SERVICE 9 OR 10. THANKS FOR
SHOPPING AT YOUR 1 PENN PLAZA KMART!!!
The most common pitfalls

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Which set of faces would you want to see everyday? Serving loyal customers is a lot more fun
Employees who don’t believe in the company simply can’t create an army of promoters

<table>
<thead>
<tr>
<th>EMPLOYEE NPS 20%</th>
<th>CUSTOMER NPS 75%???</th>
</tr>
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<tbody>
<tr>
<td><img src="image1.png" alt="Employee NPS Chart" /></td>
<td><img src="image2.png" alt="Customer NPS Chart" /></td>
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Resources on netpromotersystem.com

**Net Promoter® System**

**Net Promoter® system too**

In this section, you will find a variety of tools and resources to help you along your journey. To be alerted when new material is added, subscribe to our newsletter and follow Rob on Twitter.

**NPS emoticon tools**

Looking for a way to convey the emotional power of NPS to your employees and other stakeholders? Bain & Company has developed a PowerPoint add-in that will turn your Net Promoter Score into a chart of promoter, passive and detractor emoticons. Click here to download the PowerPoint add-in to create a custom menu in PowerPoint that allows you to generate a Net Promoter emoticon wall for all of your presentations. Also available for download are high resolution versions of the individual promoter, detractor and passive emoticons.

**Interaction prioritization**
Additional Resources

- Email: Stuart.Berman@Bain.com
- LinkedIn: www.linkedin.com/in/stuartberman
- Twitter: @npsloyaltyforum
- Facebook: https://www.facebook.com/TheUltimateQuestion2

Please also follow:
- Fred Reichheld on LinkedIn: http://www.linkedin.com/influencer/7928939-Fred-Reichheld
- Fred Reichheld on Twitter: @fredreichheld
- Rob Markey on Twitter: @rgmarkey
- And subscribe to Rob’s “Net Promoter System” podcast
Takeaways

1. **Loyalty leaders:** Faster growth and lower costs

2. **Net Promoter System:** Enable customer-led growth and culture change

3. **The journey:** Don’t underestimate the change, and stay the course
Thank You!

- Email: Stuart.Berman@Bain.com

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- Fred Reichheld on Twitter: @fredreichheld
- Rob Markey on Twitter: @rgmarkey
- And subscribe to Rob’s “Net Promoter System” podcast