Beyond Net Promoter Scores

Understanding Customer-Generated Word of Mouth

The highly popular Net Promoter Score (NPS) customer satisfaction metric has gained broad adoption in the last five years. Customers' likelihood to recommend you to others is a great measure of their satisfaction and loyalty. Unfortunately, Net Promoter scoring limits visibility and leads your customer satisfaction initiatives astray.   Most companies incorporate NPS into their Customer Feedback systems rather than use it as designed. There are many other critical questions to ask your customers. Here's a quick introduction to Net Promoter Scoring and how to extract the core that is valuable for your business.

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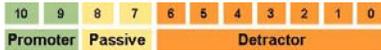
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Background on Net Promoter Scoring

Calculating Net Promoter Scores:

"How likely would you be to recommend Company to colleagues/friends, where 0 is Not at All Likely and 10 is Extremely Likely?"

Responses are categorized as follows:

NPS = Percent Promoters - Percent Detractors

Net Promoter Score (NPS) is a highly popular tool being used by many organizations that monitor customer loyalty. It is based on a model developed by Frederick Reichheld in his book, "The Ultimate Question." The system helps you understand the loyalty of your customer base by measuring how likely customers are to recommend you to others.

The original NPS system designed by Reichheld uses an 11 point (0 to 10) scale, and separates customers into Promoters, Passives, and Detractors. The original intent of the Net Promoter Scoring was to simplify and streamline customer satisfaction assessments by focusing in on a very simple question, "Would you recommend us?" and a single, easy-to understand number – the score itself.

The objectives is to maximize the number of customers who are Promoters (highly loyal) and decrease the number of Detractors (at risk of being lost). A score of 50% or above is considered very strong.

One is Not Enough

The traditional claim of Net Promoter scoring is that it requires asking only a single question. In reality, to make the results of any customer survey actionable we must ask some version of "why?" As a result, companies who have adopted the Net Promoter Score model still create complex survey or interview tools to better understand customer opinion.

Another issue is that the single score number hides critical detail. There are many different ways, for example, to arrive at and NPS score of 50. It could be that 50% of your customers are avid enthusiasts and talk about you all the time, and the other 50% are generally satisfied but less vocal and fall into the "passive" category. On the other hand, it could be that 75% are very happy, but one out of four responded with ones and zeroes and are actually warning friends to stay away. The NPS hides such vast differences in installed-base attitudes.

Yet another concern arises from grouping responses into only three categories, which also eliminates valuable detail, and potentially leads to misinterpretation of customer behavior. If a customer tells you they are 80% likely to recommend you to a friend, is that customer truly passive? Is a neutral customer (who might respond with a six) really the same as one who is highly dissatisfied and likely to spread negative word of mouth?
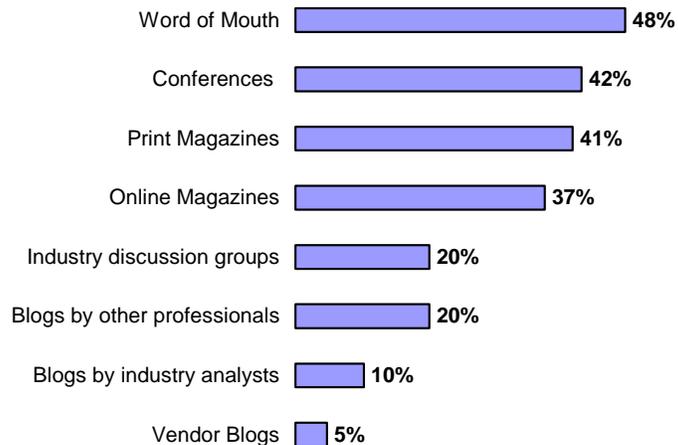
Importance of Word of Mouth

Though there are many serious issues with the NPS system, there is a key insight at the core of Net Promoter Scoring: Understanding customers' intent to recommend you helps assess the value and strength of your installed base. Customers' willingness to put their own reputation on the line with friends and colleagues suggests a high level of trust, satisfaction, and loyalty.
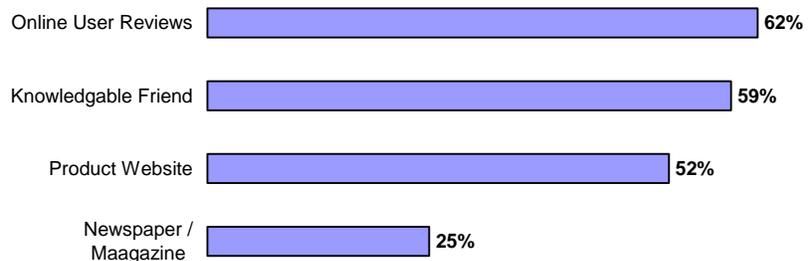
Positive word of mouth is critical to driving buying decisions in your favor. Whether you sell to other businesses or to consumers, peer opinions influence buying behavior more than anything else.

Word of mouth is top influencer and information sources for both business and consumer purchases

Influences of Business Purchase Decisions[1]

Word of Mouth	48%
Conferences	42%
Print Magazines	41%
Online Magazines	37%
Industry discussion groups	20%
Blogs by other professionals	20%
Blogs by industry analysts	10%
Vendor Blogs	5%

Sources of Consumer Purchase Information[2]

Online User Reviews	62%
Knowledgable Friend	59%
Product Website	52%
Newspaper / Maagazine	25%

The importance of peer input represents a new reality for marketing and sales.

- Social networking is re-shaping communication
- Peers have greater influence than "experts"
- Viral marketing creates tipping points for products and technologies
- Buyers are more willing, and have greater means, to share their opinions – both positive and negative.

Though the consumer markets were the first to move towards this democratization of information, business-to-business markets are following closely behind.

Measuring Word of Mouth

The NPS system suggests asking customers to predict what they might do, rather than what they really do. That prediction is often wrong. A *Harvard Business Review* article about word of mouth suggests that, while about three-quarters of telecom and financial services customers intend to make recommendations, only about one-third follow through.

Instead of asking a predictive question about intent to recommend, ask about actual behavior.

- "Have you spoken about our company or products to colleagues / friends in the last three months?"
- "What conversation subjects or situations prompt you to mention our company?"
- "What do you tell people about our company / products?"
- "How often do you recommend us?"
- "What is the job title/age/industry/geographic location/etc of the people to whom you recommend us?"

To monitor word of mouth, asking the customer is critical, but not comprehensive. For a variety of reasons, customers may not be comfortable disclosing what they say to others about you. To witness WHAT customers say when they recommend or warn against buying from you, use additional research vehicles:

- Put in place a program to monitor and analyze online forums such as community discussions and blogs.
- Send "under-cover" researchers into industry conferences and your own events to listen to what customers say about you in informal conversations
- Ask customers what they heard about you

Acting on Customer Intelligence

Understanding whether, why, to whom, and how your customers recommend you creates insights into:

- How customers perceive your role within their businesses or lives
- Who can benefit most from your products or services
- What aspects of the customer experience you create make the greatest impression (both positive and negative)
- The associations people have between real-life situations or problems and your company
- What attracts new customers
- How you are perceived relative to your competitors
- What products and services are most valued
- Typical and new applications of your products/services

Such insights can drive changes in processes, behaviors, or products within your organization.   Understanding not just the amount, but the content of word of mouth is critical to taking action. Positive word of mouth can identify new opportunities. The experiences customers rave about can become differentiators you promote. You may find a new kind of buyer whom you've never focused on directly.   There may be an application for your product or a customer benefit that you should promote more.

Customer Advocacy groups are often left to advocate, not mandate, changes.

Negative word of mouth also requires action, of course. What people say to each other is a reflection of your real brand identity – which will likely require more than a branding campaign to change. Negative experiences that make people talk may require process and/or system changes. Discovering reasons customers don't recommend your product is likely to lead to design changes or service level improvements.

Caution: Many issues unearthed by customer research programs are systemic. Their resolution does not reside neatly within the control of a single function. Unfortunately, many companies lack a process for integrating customer intelligence into processes that span functional areas. Issues that arise from customer feedback surveys get "assigned" to a specific organization. That organization determines that the issue lies elsewhere, and the potato gets passed around until a new set of issues gets identified. One reason for this behavior is that the organization assigned to conduct and evaluate customer sentiment carries no authority over other groups. The customer advocacy group is left to advocate, rather than mandate, changes. Lack of executive sponsorship and appropriate incentives, along with functionally-siloed operations are other reasons. Be sure that the investment in customer research of any kind if accompanies with a clear, company-wide process about how the findings will turn into action and change.

About the Shirman Group

The Shirman Group helps technology companies identify and pursue new revenue streams. Companies that are looking to expand into new industries, create relevance for new audiences, and make their value to customers more tangible turn to us for creative ideas and tangible results. We apply a combination of data analysis, industry savvy, and hands-on collaboration with our clients to help executive teams create and deliver on their revenue objectives. Shirman Group clients include industry leaders like Symantec, BEA Systems, Intervoice, and CA Wily Technology, as well as select new technology ventures. More information about The Shirman Group and our clients is available on-line at www.shirmangroup.com

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[1] Source: Marketing Sherpa and CNET, Business and Technology Buyer Survey
[2] Source: Goldstar Events Inc., 2007