

The “single most reliable indicator of a company’s ability to grow” ... but only if you do it right!

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Opening up Outlook to review the Monday morning emails is always a ritual approached with anticipation and hope. So it came as a lovely surprise recently to read the following subject line:

“It’s that time of the year again when we turn to DJS Research to conduct our annual tracker!”

This particular client has been coming to me for a few years now; keen to monitor their customers’ satisfaction with their service across a range of different business areas. As I scrolled through the email however, and approached the bottom, I came across an additional request, not usually part of this particular client’s wish list:

“In addition, this year we’d like to include a Net Promoter Score question too.”

Now, most people reading this will probably be aware of the grandiose claims that are attached to the “Ultimate Question”. Indeed, the claims of NPS advocates stretch far and wide and the debate that it stimulates is just as rampant. Nevertheless, whether Reichheld's claims fall within the realms of fact or fantasy isn’t the focus of this article (there are plenty of those around already). Instead, the genesis of this article was a recent upswing in client enquiries requesting that we begin to benchmark and monitor their own NPS.

Now let me be clear; I don’t blame clients for ringing up and requesting that they too get a piece of this pie “they have seen the same headlines we have” it is claimed to be the “single most reliable indicator of a company’s ability to grow” all.

My question, however, is have we as researchers been blinded by the same glitzy headlines or are we clear on how the NPS System is supposed to be applied “or more accurately, embedded - in an organisation?”

It’s just a number right?

One of the major plus points of NPS is its apparent simplicity. It’s easy to understand and interpret and it gives you one figure from which all manner of great business practices will grow. This however, is also the problem! NPS being viewed as a number can cause all manner of problems and waste valuable time and resources. There are numerous reasons for this but one of the most intriguing and interesting that I’ve come across is when the “score” becomes a target in its own right.

Charles Goodhart, a former economic advisor to the Bank of England, formulated a law back in the 70’s and although there appears to be many formulations of it, the one I see most goes like this:

“When a measure becomes a target, it ceases to be a good measure.”

In essence, this makes intuitive sense “if NPS is used solely as a target (instead of a diagnostic tool) then people will find ways of gaming the system, especially when things like jobs and bonuses are linked to performance.”

If something’s worth doing right, it’s worth doing correctly!

So, if NPS is more than a “score” this begs the question “what exactly is it?” In order to answer this, I’ve pulled together a few of Reichheld’s (and Markey’s) key takeaways when it comes to implementing NPS “although I would urge you to read the full text for a more complete picture!

1. “Close the loop” many clients are interested in understanding how they compare with their key competitors and so incorporating competitors’ customers into surveys to allow for comparative NPS scores to be gained is often useful. This, however, doesn’t allow the client “and importantly their employees - to know, understand and diagnose any problems that may be occurring. A key tenet of the whole system is that organisations work to “close the loop” between the employee(s) responsible for creating the customer(s) experience and the dialogue with the customer(s) that allows an organisation to take action. It is crucial that measures are put in place to allow the staff who have dealt with a customer to be alerted if this same customer is in some way dissatisfied “thus, closing the loop.

2. “Frequency” many clients don’t have budgets that allow for frequent research and instead can often revert to an annual approach covering a host of topics. This can lead to studies using NPS as opposed to NPS studies because often

the former is exactly what clients want â€” the â€˜ultimate questionâ€™ tacked on to a battery of other questions rather than a series of questions playing second fiddle to NPS. One result of this is to stem the flow of continuous feedback which is so important for maintaining a dialogue with customers. Â

3.Â Â Report NPS frequently â€” if clients measure NPS annually then there is a danger that its importance will be dismissed by employees too. There may be a bit of a buzz for the week leading up to and eventual presentation of results but ultimately, if for the next 51 weeks there is little or no reference to NPS, there will be little or no interest in following its key principles.

4.Â Â Â Length â€” an important follow on from this is that the surveys used do not have to be â€” and indeed are better off when theyâ€™re not â€” lengthy affairs requiring a high degree of commitment from respondents. As the authors mention:

â€œIt may be hard for your business to create a continuous flow of feedbackâ€¦because groups of customers historically have objected to frequent surveys. But donâ€™t stop trying. Few customers refuse to answer just two questions.â€• (p.113)

5.Â Â Â Be consistent and valid in your chosen response scale â€” everyone has heard that NPS is done on a 0-10 scale however this doesnâ€™t have to be the case! There are ample examples of companies who flout this thinking and have had great success with other scales. The key is consistency to allow for comparison and validity â€” that is, does the NPS system youâ€™ve implemented tally with your customersâ€™ behaviours? If not, a re-jig of the scale may be called for.

6.Â Â Â Get a high response rate from the right type of customers â€” whilst it would be great to get the views of all of a clientâ€™s customers this isnâ€™t really feasible. With limited budgets and limited time we need to focus our resources. This is best done by focusing on those you care most about and who you wish would become promoters â€” the core customer.

7.Â Â Â Go granular â€” where possible, NPS should be measured at each facet of the business. In the same way that you wouldnâ€™t want to judge how long to cook each element of a roast dinner by the average amount of cooking time involved in the whole meal, you shouldnâ€™t judge customer loyalty at the corporate level â€” go granular!

8.Â Â Â Validate that scores link to behaviour â€” it is important to validate that the scores you are receiving are linked to the ways that customers are actually behaving. If they donâ€™t, then this can be an indicator that the question, scale, sample etc. may need to be revisited and altered accordingly. Â

So there we have it â€” a few key (albeit heavily summarised) points that should be kept in mind when implementing NPS. Whilst some may well require a radical overhaul of current customer experience monitoring, a key point to remember is that the Net Promoter Score is anything but a score â€” itâ€™s a system that requires careful thought and planning but that, if done correctly, can help companies understand why people behave as they do and how best to react to this behaviour.

*It should be pointed out that to cover all of the points made by Reichheld and Markey in making NPS a firm part of any organisationâ€™s daily operations would take more than the space allowed for this article. Furthermore, as mentioned at the beginning of this article the Net Promoter system is heavily debated and is arguably best seen as a moving beast. However, a great repository for further reading can be found here: <http://www.netpromoter.com/why-net-promoter/know/>

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