

# REPUTATION

We will be known forever by the tracks we leave.  
- Lakota Native American Proverb

**Net Promoter System - How to Keep Your Customers  
Coming Back and Bringing Others**



## Net Promoter Score

*- the building block for Customer Loyalty and Profitable Growth*

### Introduction

The past performance of an organisation 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 Score (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 programme could be challenging. There are many factors that need to be fulfilled to ensure success, one of which is the top management buy-in and support. Many organisations around the world are using the NPS but not all of them are maximising 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 it that you will recommend us to your colleagues, friends or family?”

- \* Customers giving a score of 6 or below are identified as **detractors** who are simply not happy with your product or service
- \* 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 or service.

The NPS is simply calculated by subtracting the percentage of detractors from the percentage of promoters. This number does not only show 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 profits are lagging indicators).



*“It takes 20 years to build a reputation and 5 minutes to ruin it. If you think about that, you;ll do things differently.” - Warren Buffet*

## Why NPS?

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

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

NPS is very popular among 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 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 organisations 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 organisation 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 behaviours 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.

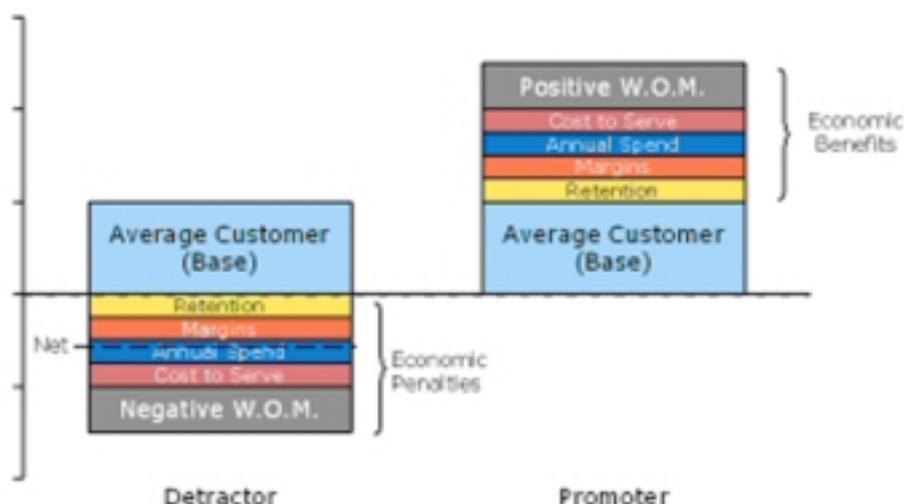
**Margins:** Promoters are usually less price sensitive than other customers because they believe they are getting real value from the company. The opposite is true for Detractors - they are more price sensitive.

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

**Cost Efficiencies:** Detractors complain more frequently, thereby consuming customer service resources. Some companies also find that credit losses are higher from Detractors. (Perhaps this is how 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 and 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)



# A Peek into NPS

## Course Objective

To boost customer retention and increase new customers.

## Who should attend

- \* Owners
- \* CEOs and other C-Suite members
- \* Marketing staff
- \* Heads of Departments

## Course Benefits

- \* Understand what is Netpromoter
- \* Understand how Netpromoter drives financial results
- \* Understand how NPS impacts customer retention and Word Of Mouth
- \* Be able to Close-the-Loop with customers

## Course Methods

This training course will be delivered in a highly engaging and interactive way.

There will be:

- \* Trainer input and tips through short presentation, demonstration and discussion
- \* Individual and small group exercises with facilitated group review of learning
- \* Group discussion

## Duration

- \* 1 Day

## Course Outline

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

# The NPS Introductory

## Course Objective

To generate sustainable good profits.

## Who should attend

- \* Owners
- \* Marketing staff

## Course Benefits

- \* 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

## Course Methods

This training course will be delivered in a highly engaging and interactive way.

There will be:

- \* Trainer input and tips through short presentation, demonstration and discussion
- \* Individual and small group exercises with facilitated group review of learning
- \* Group discussion

## Duration

- \* 3 Days

## Course 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 Organisation
- \* Closed 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
- \* Trustworthy data and survey process
- \* The importance of closing the loop
- \* Silos, data management, ownership, goals
- \* Activity: Closing the loop 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?

Review from a grateful client...

"FoQual (Satya Narayanan) is very knowledgeable about Netpromoter. They supported us from concept to complete implementation of Netpromoter for all our clubs in and out of Malaysia. Their consistent hand-holding of us through implementation has made the NPS journey for our chain of clubs seamless and effective that it is already showing positive results just after 3 months through.

NPS is a great tool to objectively identify the state of our members (customer) relationship 'health'. The software solution provides timely and accurate visibility of customers' rating, feedback and the status of follow ups. I am truly satisfied with the level of engagement FoQual provided throughout this journey."

Nallie Zainal (Office Manager - Jatomi Malaysia)

## About the Trainer

### **Satya Narayanan**

Satya has more than 15 years of experience in Quality and Customer Satisfaction. He held the position as the Head of Customer Satisfaction for more than 5 years for the Asia Pacific region for a global technology company. During that period, the company's customer satisfaction score for Asia Pacific increased year over year and made a breakthrough by surpassing competitive average in 2008.

He is strongly inspired by the founder of NPS, Fred Reichheld and participates in the NPS forums actively in sharing thoughts and learning. He helped to analyse the NPS results and its correlation with financial performance for the Telecommunications Industry during the early days of NPS. Additionally, Satya has helped organisations design and execute customer satisfaction survey as well as helped them in analysing the results to formulate action plans in continuously improving the customer perception that drives growth.

Satya holds a BSc (Hons) and an MBA. His MBA thesis in 2005 was on customer satisfaction in telecommunication industry. He is a strong believer that the only way for a company to grow profitably in the fierce competitive landscape as a customer centric culture.

Satya is a Certified Net Promoter Associate. He is a certified trainer accredited by PSMB (HRDF).

## 'About Lion Reputation Marketing Coach

LRMC is Malaysia's First Reputation Marketing organisation dedicated to helping businesses of any size in any industry to boost their profits by building their online and offline reputation via continuous improvement of their core functions, core processes and core competencies. We consult and coach companies to jumpstart their operational areas to supercharge their sales, slash costs and explode profits.

Training and Development of staff competencies in relevant areas to enhance performance and reputation is one of the core services LRMC provides.

*A Bottom-Line Series Programme by*



**Lion Reputation Marketing Coach**

Net Promoter, Net Promoter Score and NPS are trademarks of Satmetrix Inc, Bain and Co Inc and Fred Reichheld.

**Lion Reputation Marketing Coach (002193513-W)**

**31 Jalan Tempinis Kiri, 59100 Kuala Lumpur**

**Tel:6012-2829156**

**[www.lionreputationmarketing.com](http://www.lionreputationmarketing.com)**

**email: [james.pereira@lionreputationmarketing.com](mailto:james.pereira@lionreputationmarketing.com)**