

HOW NET PROMOTER SCORE RELATES TO ORGANIZATIONAL GROWTH

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ABSTRACT

Acquisition cost spent on advertisement and promotion by marketing department is huge (Reichheld, F. F. 2003) But the result might not be a loyal customer. Companies who serve beyond customer expectation and value-adding experience achieve loyal customer and the best way to make profitable growth is by increasing loyal customers, who make an unsolicited recommendation. (Reichheld, F. & Markey, R. 2011) To find out what makes the customer choose your brand? What makes them loyal to your company? Based on what parameters do customer judge your company? (CXMeasurement February 2018) Are being the biggest concern of leaders. This research is on how Net Promoter Score and how it helps in achieving the above-stated concerns.

Keywords- Net Promoter Score, Customer Advocacy, Organizational growth, NPS.

INTRODUCTION TO NET PROMOTER SCORE

Due to increase in competition and market growth in every field customers have a great deal of choices, which puts organizations in dilemma to find out what makes the customer loyal to the company?

Recommending company/brand to their friend, family & colleague by a customer is the best indication of loyalty. Loyal customer makes a repeated purchase and influences others to make a purchase which reduces company's acquisition cost.

Marketing cost spent on retaining customer by various method is hard to grow profitability and there's no assurance of customer longevity One of the best way to make profitable grow is by increasing loyal customer. (Reichheld, F. F. 2003)

The concept of Net Promoter is indicated as the single best metrics predicting companies' ability to grow. Good business produces loyal customers who sell the business for the company. (Keiningham, T. L 2008) NPS uses reverse engineering metrics to understand where the company is facing issues.

NPS helps the company to find their loyal customers and focus area where they are lagging in and where they are doing their best. The key factor is how the company manages to collect, measure and monitor customer experience.

NPS offers an inspirational, motivating purpose for the organization by creating promoters and provides useful real time customer feedback as the basis for making improvement.

Fred Reichheld made loyalty an accessible concept through NPS to the leaders from companies such as Apple, Ascension, Rackspace, Virgin media, GE, etc.

BACKGROUND OF THE TOPIC

Most organization want their customer to be happy, but they didn't know how to measure customer satisfaction, experience and establish accountability.

Other methods used to measure customer satisfaction survey weren't reliable or didn't fulfill the purpose of the survey, because the results did not make it to frontline or the employees directly working with the customers or to make any behaviour change in the organization.

Few years prior, Fred Reichheld and Bain group propelled a research to find out any other approach to determine customer satisfaction which would serve the purpose.

Based on the data supplied by the Satmetrix, Fred and team tested a variety of questions to find out the best approach which would correlate with the customer behaviour. That's when they came up with the ultimate question which worked the best with all the aspects.

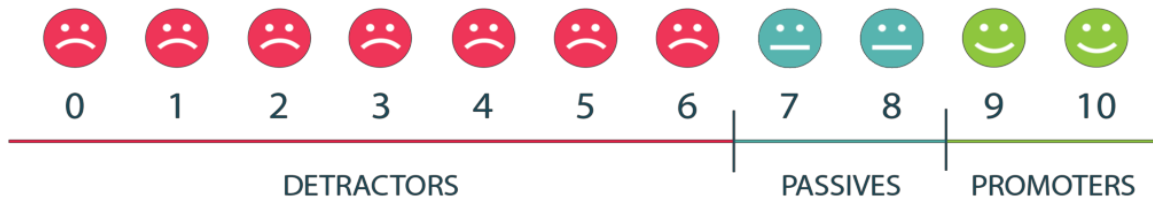
“How likely are you to recommend Company X to a friend or colleague?”

High scores on this request related solidly with repurchases, referrals and diverse exercises that add to an association's development. In 11 of the 14 business relevant investigations that the gathering accumulated, no other request was as skilled in anticipating foreseeing conduct. In two of the remaining three cases, diverse request won out, nonetheless, the likelihood to-endorse question was so near the best that it could fill in as a middle person for the pioneers. (1996-2018 Bain & Company)

To test the connection between Net Promoter Scores and development, inspect bunches orchestrated scores for driving organizations in a broad assortment of enterprises. What they found was persuading. Notwithstanding the way that the scores themselves vacillated for the most part by industry, Net Promoter pioneers all things considered created at more than twofold the rate of leaders.

HOW TO CALCULATE NET PROMOTER SCORE

By the ultimate question, i.e. how likely are you to recommend our service/product/brand to your colleague, friends or family on a scale on 0 to 10 (where 10 is extremely likely)



$$\text{😊 \%} - \text{😞 \%} = \text{NET PROMOTER SCORE}$$

Source - <https://www.wootric.com/net-promoter-score/>

Based on the above figure;

Promoter (Score 9 – 10): When a customer scores 9 or 10 it signs that their lives are enriched by the experience of their purchase, which leads to future purchase an unsolicited recommendation.

Passively Satisfied (Score 7 -8): Those who score 7 or 8 got what they wanted but no more, which means they can be easily switched to competitor's offers.

Detractors (Score 0-6): They are the customers/clients who had a bad experience they either switch to competitors or can damage your brand by negative word of mouth.

Statistically, the percentage of promoters which 9 or 10 minus percentage of detractors i.e. 0 to 6 revealed the score that is tangible for a real measure of customer satisfaction and future growth potential.

NPS is proved to be a huge breakthrough in customer satisfaction measured globally. This involves variably breaking down and scoring each step by customer touch point.

IMPLEMENTING NPS

Guide Lines

1.Results must be transparent

The results must be consistently compiled and should be communicated to the team so that they can take actions and track their results.

2.Create a closed looped process

The company must create closed looped learning i.e. trying to fix the issues in the beginning stages and improve processes and involving the scores in the daily process for immediate results. Implementing NPS in daily operation will increase awareness of what their job is resulting into. Any negative feedback would be processed immediately by the team reducing the number of detractors.

3.CEO and leader's must create NPS as mission critical to learn how NPS is transforming the customer experience.

REVIEW OF LITERATURE

According to Fred Reichheld (2006) profit are of two types good profit and bad profit. To attain good profit the company should manage to achieve customer loyalty. The key factor to organization growth is customer loyalty. NPS is the concept introduced by Fred to achieve customer loyalty. In ultimate question(book) there are various method of using NPS to gain profitability. NPS adds value to customer by considering customer feedback to improve service which could meet their expectation and be beyond.

According to Keiningham (2008) there is a correlation between company's development and client's loyalty. One moderately late verbal client loyalty metric indicated that the connection to growth is NPS. And this study gives an examination of two logical investigations that has been made. The two cases being tried are that NPS is the most tried and true pointer of an association's ability to create and NPS is superior to purchaser dedication and the last has no association with the development. In view of both full scale and smaller scale level examinations that test the connection amongst Net Promoter Score and company's development finds that neither of these cases is upheld.

According to Krol (2015) NPS is a decent expectation of consumer loyalty inevitably a solid indicator of learning. One straightforward inquiry is utilized to anticipate quality. Be that as it may, their disseminations demonstrated unmistakably unique. NPS specialists commonly share client input rapidly after it is gotten. They rapidly ask managers or frontline employees to contact each client who gave a score less than 6 (detractor), to recognize the client's worries, and to settle the issue at whatever point conceivable. Clients feel valued when company get back to their feedback. The data is further used to make an organizational decision, process change.

According to Fredrick (2003) one doesn't require costly review or complex insights models, rather they should simply, ask the clients that they are so liable to prescribe the organization to a companion or associate. Clients ability to advance the organization is an indication of faithfulness and fulfilment. A client reputation is in question when they are suggesting an organization and they will put their reputation in danger in the event that they are loyal to the organization.

According to Pingitore (2016) from a specialist's viewpoint. The information demonstrates that the scaling of the aim to prescribe question isn't basic and that the NPS isn't the main net client input metric that connects with budgetary execution. Truth be told, no net client criticism measures are altogether preferable indicators of monetary execution over the nonstop fulfilment and reliability scales from which they are registered.

According to Keiningham (2006) To oversee consumer loyalty the techniques surveyed incorporate RFM and aggregate income ways to deal with separating the estimation of clients. In spite of the fact that these strategies have relative favorable circumstances, they have genuine downsides that breaking point the capacity of directors to precisely survey client esteem. An elective model for the estimation and administration of client esteem is proposed.

OBJECTIVES

- Identify the various factors by customer affecting the organisation growth.
- Determine the various factors and reasons which lead to dissatisfied customers by survey.
- Analyzes the data collected and suggest a feasible set of measures that the company could use to improve the service and increase the Score

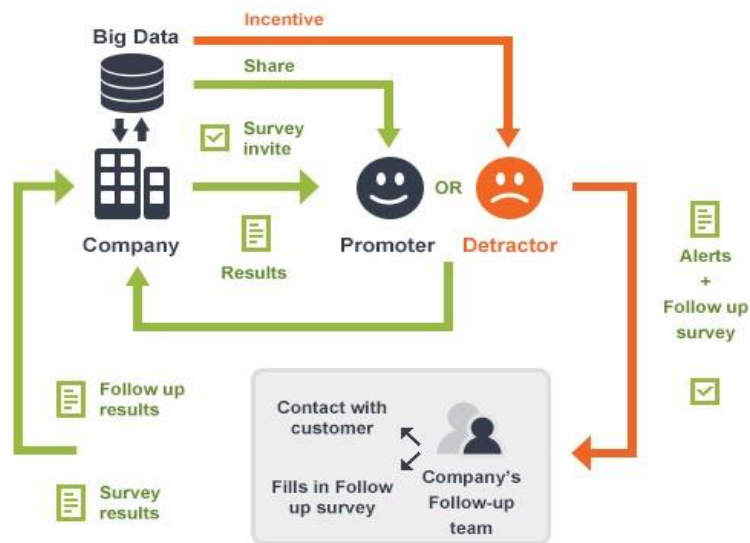
SCOPE

NPS helps produce extraordinary improvements.

Customer loyalty through the Net Promoter System has to be mission critical. NPS helps to understand both the economic imperative (and it creates opportunities for profitable growth) and the inspirational and moral imperative (How well the company is living its core values)

Company hardwire NPS customer feedback into key decision processes up and down the organisation, creating closed learning and improvement loops. They don't treat it as a separated department or program; they fully integrate it into fabric of daily and monthly priorities. Companies organise the Net promoter initiative as a long journey of cultural change and growth, nor just as a short-term program or initiative. They understand that NPS must touch every part of the organisation if is to succeed in generating profitable, sustainable growth. (Fred Reichheld, 2006)

NET PROMOTER SYSTEM



Source-<https://www.checkmarket.com/blog/net-promoter-score-4-stages/>

Step 1: Survey the customers and ask them the ultimate question (how likely you are to recommend the service/product/brand to your colleague, friends, or family) to find out who is happy and who is not.

Discover the root cause of their answer by asking them why they scored positive or negative (You indicated you are unlikely to recommend DXC to a friend or a colleague. What can we do to improve?) (You indicated you are likely to recommend DXC to a friend or a colleague. What factors contributed most to this?) When any feedback is registered by a customer/client, first the team tries to resolve detractor's issues and recover them, then the goal is to turn them into promoters and then they tell others about the transformation from their experience. This approach is called mobilizing promoters. Find out the reasons, what drives customer loyalty and why detractors are unhappy, you will be able to drive actions to optimize the customer experience.

Manager Level: NPS managers receive feedback as well, they look at the data identify opportunities and initiatives that will improve customer experience across the business function.

Top Level: Senior executives are accountable as well by making strategic investments based on the loyal feedback and communicate the new plan to the customers and employee and prove these actions. Company will learn what is working and what is not.

Make loyalty a top priority: Achieve loyalty a top priority by letting your employee know what they can do to improve customer experience and how they can do it. When leaders and their teams consistently treat customers right, when they can be relied upon to do the right thing, then the organization can truly be worthy of loyalty. Reporting the NPS score regularly by linking them to the financial data.

Demographics of the respondents

Customer Id	No. of respondents
54838436	8
32669382	2
48372007	11
113880003	4
37210678	13
Total	38

5 different companies who are DXC Technology clients have taken the survey and rated the service provided by them. Survey to track recommendation rates for different product/service

Below Table represents different parameters based on which clients have rated the company.

Customer Id	NPS	Trust Earned	Transformation	solutions provided	Easy to do business with	New ideas	Right skills available	Proactive & prevent issues	Delivery Dates
54838436	7.2	7.8	6.5	6.8	7	7.5	8.2	7.2	5.57
32669382	4	4	1.5	4	2.5	1.5	5.5	1.5	1
48372007	6.63	7	5.1	5.4	5.9	4.6	6	6.3	7.7
113880003	9	9.25	8.75	8.75	9.25	8.5	8.75	7.75	9.25
37210678	9.4	8.9	8.2	8.6	9.4	8.9	8.9	9.5	9.6

Trust Earned

The company needs to gain clients trust first in order to reach loyalty. It is difficult to achieve as it involves emotion. Clients have to trust the company as it involves data constraints and financial agreements. The clients have to be valued in order to rate high in this parameter and failing to achieve trust increases the risk of losing the client. Client would recommend a company only if they manage to gain trust.

Transformation

The company should help the client to transform their business as it is the main motive to develop business. Measurable improvements are expected in business with new strategies and process. Different approaches for transformation includes plan to change, implement and benefit from the change.

Solution Provided

The company has to provide solutions to help their business thrive. Clients expect different approaches to solve a problem and the company should help them get there, which is often challenging. New strategy to tackle changes in the business which includes Analysis, understanding, decision making, picking up the best solution.

New Ideas

Company should be able to bring new ideas and concepts applicable to clients' business. Translate an idea into a service which the customer will pay for. To be better than competitor's new ideas techniques should be introduced. The company should be able to construct an idea, innovate the concept, develop the process and bring the concept into reality. Which can attract other customers.

Proactive & Prevent Issues

Being proactive in taking actions, prevent issues from occurring. Anticipating in eliminating problems, seeking new solutions saves time of the client from solving problem after occurrence. Proactive companies are more effective at dealing challenges. The company needs to be proactive in order to avoid certain issues.

As different department are dealing with different clients, the survey clearly shows which department is successfully fulfilling customer various needs as they have scored better and which department has to work on different areas to improve the score. Based on the score client 54838436 is passively satisfied, company needs to focus on the areas where they got a low score. Client 32669382 is dissatisfied with the service that is provided as the score on an average is low. Client 48372007 is passively satisfied with few parameters and dissatisfied with other parameter. Client 113880003 & 37210678 is highly satisfied and considered promoters of the company as the score is above 9. Based on the analyses it could be said Customers are greatly satisfied with the service rendered by DXC in all. Flexible in terms of deliveries. DXC has demonstrated an approach for constant improvement. As the clients score is high, consistency is expected in quality of deliverables throughout the year.

Based on qualitative analysis client's transactions are smooth, application support are the strength and they need to focus on timely deliverables, innovation integrated infrastructure.

It could be analyzed that the consistent quality of service is the strength of the company and the focus area is proactively addressing client's needs. Based on the analyses that the company could improve in strategic supplier relationship and competitive pricing.

Based on client 48372007 verbatim comments it could be said Service deliveries are passively satisfactory as of today, but not proofing in future for the new digital enterprise. Drive more innovation into the services that the company provide. New ideas and solutions are expected form DXC.

Based on client 113880003 scores and comments it is relevant that they are highly satisfied with the service provided by DXC. As the scores are high, DXC has successfully understood their clients' needs and rendered the service up to their expectation. As all four respondents are promoters they are likely to recommend DXC.

By this process, it is pertinent that in DXC technology NPS is been a useful metrics in knowing clients' need and expectations. The scores clearly show if a client is a promoter or a detractor or passively satisfied. Therefore, NPS concept helped in identifying who is happy and who is not. And additional questions are asked to discover the root cause of their answer. With the help of NPS DXC was able to drive actions to optimize the customer experience. which will further be used to differentiate clients and provide relevant service to their expectations.

CONCLUSION

With the help of the NPS, the company will able to track recommendation rates for the service provided and estimated tools to identify the focus area by which will further help the company to improve the score. Better the NPS Score better the growth.

Companies achieving better longevity and profitable growth have NPS two times higher than the other company who don't. Earning loyalty in the B2B market is more challenging as more people are been involved in using the service and influencing the relationship.

NPS help companies to focus on how customers create value for the company and not how can a company create value for the customer. In a competitive benchmark, NPS shows where exactly the company is standing in the market. NPS is more applicable in the market with more competitors as it could be compared with.

The most powerful growth generator assets are existing clients who can be turned into loyal customers and Loyal customer in return make unsolicited advocacy at no charge. Customer risk their reputation to make the recommendation and to do that all the parameters have to be repeatedly fulfilled by the company. NPS all alone may not be adequate as an administration instrument, but rather in the correct structure and with some extra motivational addressing it can without a doubt be a valuable metric.

DISCUSSION

NPS is just the starting point of a company. After the analysis of the data collected, the real work can begin. By taking actions to improve the organization and to boost the NPS. This will be a long-term project, but the NPS allows the organization to perfectly estimate where exactly the problem is and helps to assess if the organization is in the right path to success.

Future research to decide if, furthermore, investor advocacy drives share performance, the link between the Employee Net Promoter Score and Net Promoter Score and whether employee advocacy drives productivity.

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