Net Promoter Score [NPS]

Idea In Short

The Net Promoter Score is a metric that represents the number of people that love your product enough to tell other people about it. It is important if you are building a tribe of people that love your brand; what people say about you is more important than what you say about yourself.

NPS is often held up as the gold standard customer experience metric. First developed in 2003 by Fred Reichheld, a Bain Fellow and founder of Bain & Company's Loyalty Practice. Today, millions of businesses use this score to measure and track how they're perceived by their customers. NPS measures the loyalty of customers to a company. NPS scores are measured with a single question survey and reported with a number from -100 to +100. A higher score is desirable.

The methodology

NPS measures customer perception based on one simple question:

> How likely is it that you would recommend [Organisation X/Product Y/service Z] to a friend or colleague?

Respondents give a rating between 0 (not at all likely) and 10 (extremely likely) and, depending on their response, fall into one of 3 categories to establish an NPS score:

- **Promoters** respond with a score of 9 or 10 and are typically loyal and enthusiastic customers
- **Passives** respond with a score of 7 or 8. They are satisfied with your service but not happy enough to be considered promoters
- **Detractors** respond with a score of 0 to 6. These are unhappy customers who are

> unlikely to buy from you again, and may even discourage others from buying from you

Calculating your Net Promoter Score

It's simple to calculate your final NPS score – just subtract the percentage of detractors from the percentage of promoters.

> For example, if 10% of respondents are detractors, 20% are passives and 70% are promoters, your NPS score would be 70-10 = 60.

Turning detractors into promoters can impact your NPS and improve loyalty to your brand.

Kinds of Net Promoter Scores

According to Bain and Company, there are three types of Net Promoter Scores:

Competitive Benchmark

This is when the company seeks feedback from their own customers and the customers of their competitors. This score provides an objective method for comparing your own feedback to that of your competitors'. You can easily prioritize and set the goals of the company based on data gathered.

Customer relationship

This score involves being in regular contact with a sample of your own customers. You ask them how likely they would recommend your product or service and why. Feedback gathered will help the company assess its relationship with customers. Data gathered can help make decisions on how to improve products/services, marketing, servicing, pricing, etc.

Episode

This involves asking feedback from the company's own customers after selected experiences or transactions. For example, asking feedback after the purchase of a product

or service. Feedback gathered will help the company understand how that particular experience influenced the customer's overall loyalty. This can help the company improve the customer's experience further.

Surveys

Organizations implement two types of NPS surveys, namely:

- Relational
- Transactional

Relational

In this approach, you send out NPS surveys on a regular basis (i.e. quarterly or annually). The goal is to get a periodic pulse on your customers and understand how they feel about your company overall. Their responses give you a high-level view of customer satisfaction and loyalty. You can use this data to check the health of your customer relationships year-on-year and provide a benchmark for your company's success. This approach is ideal when you want to:

- Know the overall perception of your organization
- Benchmark against internal or external NPS data
- Understand overall customer loyalty

Transactional

In this approach, you send out NPS surveys after a customer interacts with your company (e.g. during a purchase or support call). These surveys help you understand customer satisfaction on a granular level and provide feedback about a very specific topic. Unlike relational NPS, transactional NPS questions elicit feedback after a specific interaction like a support call or after installation. Transactional feedback provides very direct feedback about a particular issue, allowing your organization to optimize different touch points across the customer lifecycle and giving each department a metric to base its actions around. This approach is ideal when you want to:

- Identify strengths or weaknesses for customer interactions
- Create an individual metric for different teams

- Find actionable insights at the transactional level

Use both survey types to understand your customer at macro and micro levels.

What can you measure using NPS?

What gets measured, gets managed. You can measure almost anything using NPS. In addition to understanding the overall NPS, you can track scores for everything from individual products, stores, web pages, or even staff members. You can also use NPS with industry NPS benchmarks to see how you're doing compared to your competitors. It will help you better understand your target market and see how customers respond to your product or service, social media campaigns, and customer service agents. The goal is to gain loyal customers who become brand evangelists rather than just consumers.

How do you create an NPS survey?

NPS surveys are relatively easy to create. However, it's important to think about the long-term data use when deciding how you'll administer them. You could use survey software, but that will limit your ability to take action on the results because it only measures one metric. Use a Customer Experience Management Platform or NPS software to get a comprehensive view of your customers. Customer experience management platforms allow you to keep track of all the interactions your company has with your customers, both current and potential. With this system in place, you can then use NPS data to see which touch points have high NPS scores and which touch points have lower scores.

Summary

Net Promoter Score is interesting because it tells you how many of your customers love your products and services enough to generate buzz and build a community. If you are trying to create a powerful brand, you want to know the answer to that question. Your marketing department should be working to increase this score.