

# Linking Loyalty and Growth



Top-down NPS provides a clear understanding of a company's competitive position in key markets with an emphasis on its target customers. It gives the leadership team a roadmap to improve that position and focus the organization on the customer.

## How company leaders use Net Promoter® to tap customer feedback and shape winning strategies

Companies looking to boost sustainable organic growth need to crack two parts of a complex challenge simultaneously. They must figure out how to meet the most important needs of attractive customer segments in ways that make them stand out from competitors. And they need to develop operating procedures that channel a steady flow of customer feedback to frontline employees so they can learn from, adapt and improve the customer experience.

Both elements are critical. Do only the first and the business will struggle to translate strategic insights into day-to-day actions. Do only the second and the organization can waste efforts on the wrong priorities. It takes a common framework, language and set of metrics that is embraced at all levels of the organization to accomplish both objectives.

Several leading firms have discovered that the Net Promoter® disciplines provide such a comprehensive system. At the organization's frontlines, "bottom-up" surveys triggered by recent customer transactions help identify types of interactions or experiences that cause customers to become promoters, passives or detractors. Through follow-up calls with willing respondents, employees develop insights that spur continuous learning and improvement. The steady feedback enables frontline employees and their supervisors to use the Net Promoter Score (NPS®) to measure their progress. But for an NPS program to deliver its full potential, senior leaders need a robust top-down approach for benchmarking their business units against the competition, setting strategic goals and allocating resources.

Top-down NPS, the subject of this brief, provides a clear understanding of the company's competitive position in key markets with an emphasis on its target customers. It gives the leadership team a roadmap to improve that position and focus the organization on the customer.

There are four key elements of a complete top-down NPS program. Here is how leading companies serving business-to-consumer and business-to-business markets put them to work:

### **1. Target the customer segments that matter most**

The most attractive customer segments may make up less than 20 percent of a company's total customer base, but they account for a disproportionately large share of revenues and earnings. NPS should be rooted in understanding this target group. These are the core customers a company should strive to serve better than anyone else and, as such, should be the focus of its efforts to identify and recruit more like them.

*When a major retail bank set out to use top-down NPS to shore up its customer relationships, the analysis revealed that the top quartile of customers accounted for more than 75 percent of its total profits. Digging deeper the team developed a demographic profile of these account holders*

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by age, income, and the products and services they bought. Based on this template, the team constructed its NPS initiative to focus on potential new customers who shared these prized characteristics. The factors that created promoters or detractors among this segment differed markedly from the factors driving loyalty among other, less attractive segments. An “on average” look at NPS among all customers would have been misleading.

## **2. Benchmark against the right competitors**

Senior executives are keen to know how their organizations stack up against the competition, but what is the right basis of comparison? The overall brand? A specific product or service? And what are the right geographic markets to evaluate? Ultimately, the appropriate framework will depend on the decisions the organization needs to make and the actions that the findings will unlock.

What matters most is not the business unit’s absolute score. When measuring top-down NPS, it is important to be mindful of the two “Rs”: Compare the organization’s NPS *relative* to that of its direct competitors across *relevant* product markets and geographies. Drawing the right boundaries around the comparison set minimizes the risk that cultural bias could skew the results. Japanese customers, for example, rarely award top scores. In Australia, by contrast, customers tend to rate companies more generously. But cultural predilections do not obscure the meaningful differences between customer-loyalty leaders and laggards within every market. Thus, a business with a low absolute NPS that nonetheless scores higher than all of its direct competitors is indisputably best in class and empirically likely to gain market share. By contrast, a business with a high absolute NPS that trails its direct competitors is likely to lose share (see Figure 1).

## **3. Let your customers help you make better decisions**

Top-down NPS is a powerful tool for driving change deep within the organization. The top-down scores provide a reference to how the business stacks up against the competition and help managers identify actions that can truly differentiate the customer experience. Verbatim replies from top-down survey respondents help pinpoint the key issues customers face in their interactions with your organization (and your competitors) that have the greatest potential to increase its number of promoters or create detractors.

Used in combination with bottom-up surveys of customers’ experiences in daily transactions, the top-down feedback accelerates tactical improvements. Informed by competitive insights from the top-down surveys, functional managers at the company’s mid-level ranks can respond to unresolved issues elevated from the frontline. They use the Net Promoter inputs to refine operating systems, alter product features, fine-tune pricing and adjust policies (see Figure 2).

## **4. Measure simply, measure well**

The effectiveness of a top-down NPS program is a direct consequence of the integrity of the survey process. Companies that do this right keep their surveys brief and simple, but they are thoughtful about how they implement it. They choose their survey sample

Figure 1: NPS leaders achieve market share gains

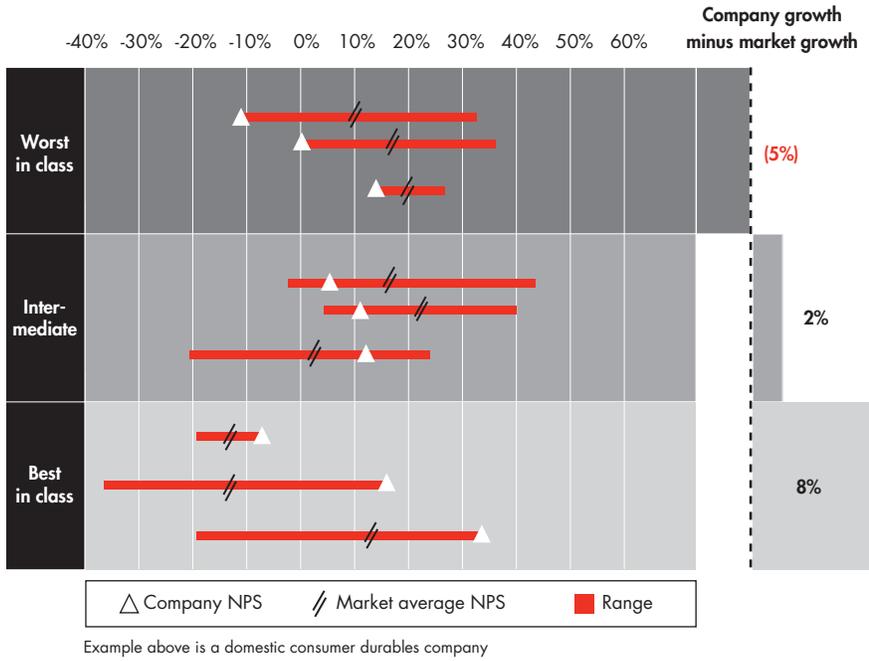
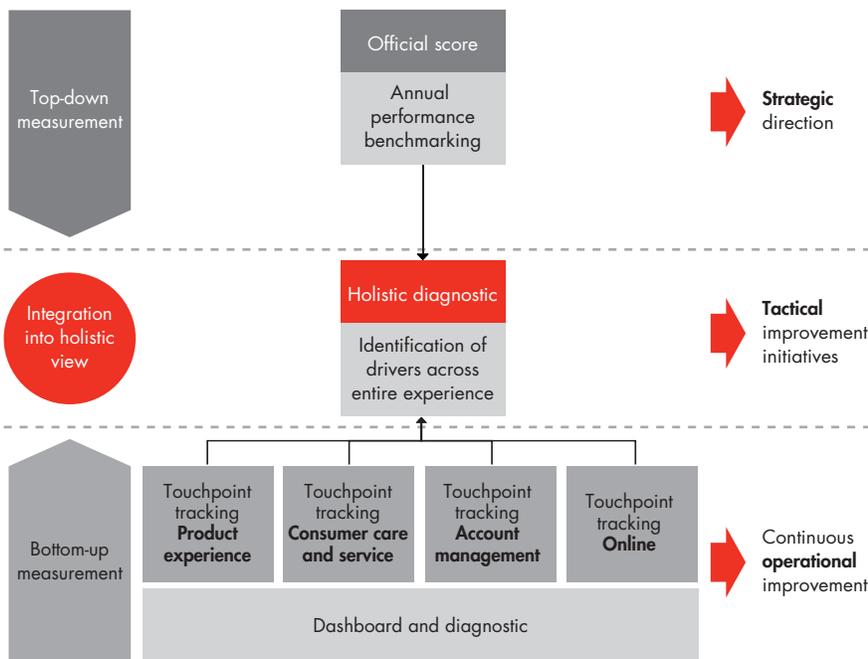


Figure 2: Integrate top-down and bottom-up NPS measurement



**To learn more about Net Promoter, we recommend the following resources:**

- Fred Reichheld, *The Ultimate Question: Driving Good Profits and True Growth* (Harvard Business School Publishing, 2006).
- Rob Markey, Fred Reichheld and Andreas Dullweber, "Closing the feedback loop with customers" (*Harvard Business Review*, December 2009).
- "Closing the customer feedback loop at Charles Schwab" (Bain & Company, December 2009). See video on [www.bain.com](http://www.bain.com)
- "Net Promoter Score: A Primer" (Bain & Company, December 2009). See video on [www.bain.com](http://www.bain.com)

carefully to target prime customer segments and to ensure that the sample size for each is large enough to yield statistically significant results. To guard against any temptation to game the system and produce predetermined results, they hire a third-party research firm to field the survey, using a double-blind process.

Most companies find that the short survey keeps response rates high and generates sufficient data to develop timely, actionable insights. The survey should begin by determining which product or service provider the respondents use, followed immediately by asking the centerpiece question, "How likely are you to recommend?" Dig deeper by inviting respondents to explain briefly why they gave the score they did, and supplement the answers, as necessary, by eliciting key demographic or psychographic data that will enable you to analyze responses by customer segment. To probe the depth of the customer's attachment, additional questions may ask how likely the respondent is to repurchase, and to rate one or more of the product or company attributes.

*Philips, the global lighting, healthcare and consumer-products company, carefully field-tested its top-down questionnaire, the customer sample that would be invited to participate and the outside research firm that would conduct the telephone survey and tabulate the raw results. To launch the program, it selected one product from its medical instruments unit in one market. Only after the survey team analyzed the initial results and fine-tuned the approach did the company broaden the survey to multiple markets. It was only by the end of the first year that the program had been fully vetted and was rolled out across the entire healthcare division.*

Simple, yet powerful, Net Promoter disciplines provide the rigor, speed and thoroughness to transform a company into a loyalty leader. Because loyal customers spend more with companies that treat them well, cost less to serve and refer more customers who are like them, the Net Promoter approach can pay huge dividends.

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