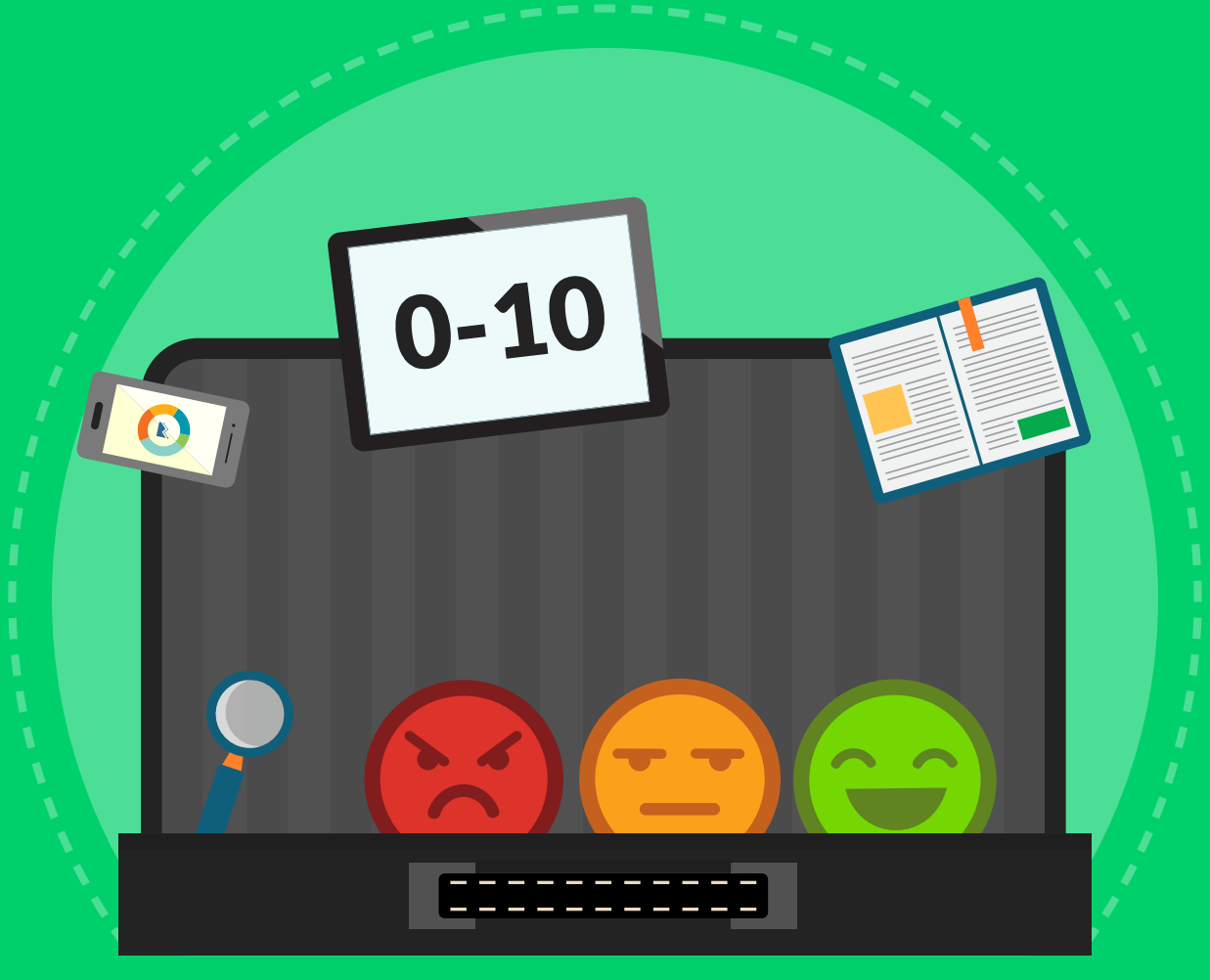
Critizr. for Business

DISCOVER THE NPS

DEFINITION, CALCULATION & COLLECTION



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"Would you recommend Critizr to people you know?"

Described as "the decisive question" by its creator, the Net Promoter Score is this recommendation indicator which you have probably heard about. Very popular in Anglo-Saxon markets, the NPS is rapidly becoming popular in major European companies.

The idea behind the Net Promoter Score is relatively simple and that's the main reason for its success. However, you can sometimes read anything and everything about it on the Internet. That's why we, as experts in this metric, have developed this eBook as a true introductory guide to the NPS. Theory, methodology and collection… Try out the NPS!

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INTRODUCTION

What? You've never heard about it? The Net Promoter Score (or NPS) is a customer recommendation indicator which has been very present and widely used in Anglo-Saxon countries for several years.

Having become popular in these markets, the NPS is known by companies and can even be familiar among consumers. In the United States, it therefore represents a strong promotion item for brands which do not hesitate to highlight it. The biggest companies' NPS scores are now public information and accessible to all consumers.

In France and in Europe, the NPS has been able to gradually find its place in the hordes of indicators which are available to survey or marketing services. It is therefore **increasingly scrutinized by large companies** regardless of their sector of activity. This attraction to the NPS is primarily due to the current context.

« Apple, American Expressr or Amazon consider the NPS as one of the most reliable KPIs. »

Indeed, most of the large stores face hyper-competitiveness within mature markets. In the face of this oversupply, customers are becoming more demanding, their expectations have changed and it is more difficult to satisfy and retain them. However, in the face of this context, it has become crucial to keep your customers: studies conducted by *Source* estimate spending devoted to customer acquisition as being 5 times higher than the amount devoted to customer retention.

The first strength of the NPS is precisely this: **It allows you to measure your customers' recommendation level**; and by extension their loyalty and commitment level, data which appears to be profoundly related to growth. According to a study conducted by Bain & Company, the NPS can explain 20% to 60% of the variation in growth rate (according to industries). Large chains such as Apple, American Express or Amazon consider the NPS as THE decisive question and one of the most reliable KPis.

This metric also features other strengths. In the current marketing context linked to "big data", it allows you to segment your customers into different groups according to their satisfaction level in order to develop customized action plans. And most importantly, it can be at the center of your strategic decisions, establish a "customer centricity" approach in the whole company and **launch a dynamic of ongoing improvement**.

The topics that we discuss in our eBook **"How to become an NPS expert: Closing the Loop",** which describes these aspects of the NPS in more detail and gives practical advice on how to use them. For now, it is time to discover this famous metric.

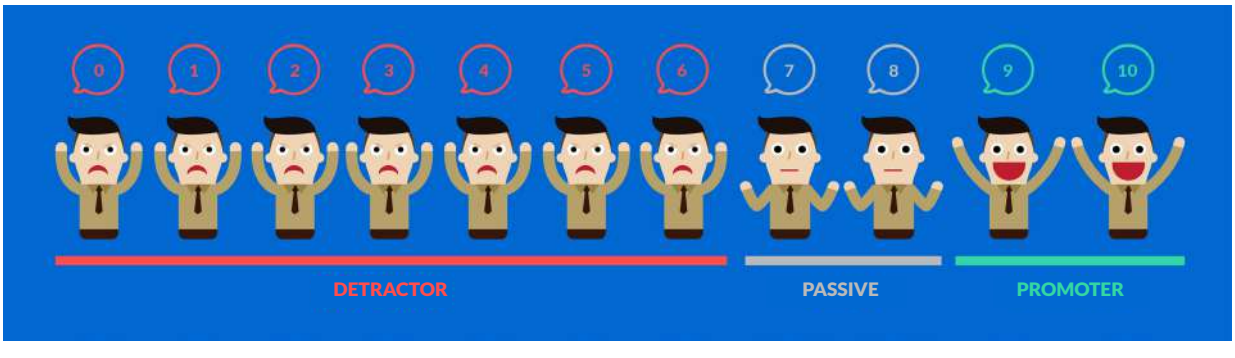
1. WHAT IS THE NPS ?

Mentioned for the first time at the end of 2003 by Fred Reichheld, a strategy consultant, this indicator is based on one simple concept: understanding the overall level of satisfaction of your customers and more broadly the customer/brand relationship.

Concretely, the NPS is a score which is calculated from a very specific question concerning the intent to recommend: **"Would you recommend Critizr to people you know?"**

1.1 An indicator for classifying your customers

Based on a simple scale of 0 to 10 (0 corresponding to "not at all" and 10 to "absolutely"), this question allows you to classify respondents into 3 large categories:



- "Detractors" are customers with a score between 0 and 6

These are potentially the most "dangerous" customers for the brand. Either disappointed or frustrated, these customers will most definitely share their dissatisfaction thanks to the many means of communication (especially social networks) that are available and therefore generate a very negative impact for the brand in terms of image. Once identified, these customers must be the subject of targeted action plans and follow-up before their power of nuisance becomes too significant.

- "Passives" are customers with a score of 7 or 8

Indifferent customers are generally satisfied customers but not enough yet to have a blind trust in the brand. The risk of shifting towards competing offers remains significant.

- "Promoters" are customers with a score of 9 or 10

Promoters are the most loyal and enthusiastic customers who are ready to become genuine ambassadors of the brand among the people they know. The score of 9/10, which determines the entry into this category, is voluntarily high in order to ensure that customers are true unconditional fans of the products or services that are offered by the brand. This population of customers is logically a very strong value for the brand and must therefore be pampered accordingly.

1.2 How is th NPS calculated?

The *Net Promoter Score (NPS)*, which is in reality a score and not the score average for this recommendation question, is calculated in the following manner:

The score you get from this calculation can therefore present values between -100 (all the respondents are detractors) and +100 (all the respondents are promoters).

1.3 Relational vs Transactional NPS

RELATIONAL NPS: MEASURING YOUR CUSTOMERS' LOYALTY

The relational NPS is used to capture your customers' overall impression after several interactions with several of your store's contact points.

« Would you recomend [Critizr] to people you know? »

The relational NPS is based on several objectives:

- Boosting customer loyalty: assess their commitment to you, their willingness to recommend you to other potential customers and the image they have of you.

- Undertaking structural changes: Before you start an extreme makeover (a DNA or target change, the launch of a new concept etc...) the relational NPS allows you to establish a medium or long-term strategic action plan that will guide your priorities.

- Reactivating non-buying customers and keeping active customers: Carry out a relational NPS survey in order to understand the reason why the non-buyers left. Target customers who no longer buy anything or who buy at a lesser frequency and customers who have stopped renewing their loyalty card.
- Make a sector-specific benchmark: Compare your relational NPS to the ones of your direct competitors.

TRANSACTIONAL NPS: MEASURING SATISFACTION AT A T MOMENT

Unlike the relational NPS which assesses the comprehensiveness of your relationship with your customers, the transactional NPS measures your customers' satisfaction in relation to a precise point of contact.

Let's take the example of a retail chain, the transactional NPS will be calculated after each interaction and in each point of contact: after a purchase in the store, after placing an online order, after the delivery of an online order, after a contact with customer service and after a return in the store.

« Following your contact with the support service... would you recommend [Critizr] to people you know? »

The transactional NPS is based on the following objectives:

- Engaging and improving the level of customer satisfaction: unlike the relational NPS which is a metric for measuring loyalty, the transactional NPS measures satisfaction.

- Establishing a customer commitment approach: It is a managerial approach to customer satisfaction in which all the levels are concerned. Let's stay with our example of the retail chain, all the store managers have an NPS score which will guide their action plan and the management of their teams, they will be able to compare themselves to other stores, exchange good practices and progress. The regional managers will be to motivate their stores and network directors will have a clear vision of their network.

- Improving the multichannel customer experience: the transactional NPS is the key to improving the whole customer's journey. Let's take the example of an online order: customers can be satisfied with the user-friendliness of the website, the products and the announced delivery time, the NPS will therefore be high. If the delivery is delayed or if there is a mistake in the products delivered, the score will drop. During a return in the store or an interaction with customer service, the reception and advice of the contact personnel are very important NPS levers.

- Turning passive customers into promoters: the data collected is operational and allows you to set up an immediate action plan to win back dissatisfied customers and engage passive customers in order to turn them into promoters.

- Measuring the ROI customer experience: The transactional NPS allows you to improve the customer experience. Comparing the NPS progress with turnover allows you to measure the ROI customer experience.

IS IT NECESSARY TO MEASURE BOTH?

Absolutely! Both types are complementary to succeed your centric customer approach. Prioritize the type of NPS which will allow you to achieve your objectives. If you have never measured your NPS, you should begin by the relational NPS in order to identify the points of contacts that need to be improved. The transactional NPS will bring to light the areas of improvement.

The relational NPS is not the result of an aggregation of the transactional NPS because you are measuring different variables. The former is often higher because your customers rate their relationship with your retail chain.

2. HOW TO DEVELOP YOUR NPS QUESTIONNAIRE?

At Critizr, we recommend embedding the NPS question within your satisfaction questionnaire. Embedding more specific questions, including an open question, will give specific indications and will enable a more thorough analysis of the NPS. Let's take a look at how to present the NPS question and how to embed it into a satisfaction questionnaire.

2.1 The NPS question

LE CONTENT

As for wording the NPS question: no need to be very creative in this regard. This is one of the reasons for its success: the NPS is universal. The idea remains systematically the same: we are going to measure the intent to recommend with a very specific question on a scale of 0 to 10.

However, it is necessary to distinguish the relational NPS from the transactional NPS. The former assesses the relationship with the brand in general, while the latter will be collected following an interaction with the brand.

THE STYLE

Although the wording of the question is standardized, its presentation is more complex. Indeed, the design of the question must be carefully studied; the format of the question can influence the answer. For example, with the scores 0 to 10 placed vertically, you increase the chance that the customer will click on the first scores displayed.

We recommend **presenting the NPS horizontally by displaying the scale of 0 to 10 in neutral colors**. Don't use bright colors on certain scores because it can influence the customer's score.

The NPS must also be easily understandable and correctly displayed on the screen of a mobile device. Bear in mind that it is not easy to create a mobile-friendly design with 11 horizontal buttons with enough space for a click. At Critizr, we have set up a "fader" system which allows the customer to very intuitively select the score that they wish to give without being influenced.

2.2 Placing the question within a questionnaire

Collecting the NPS is good idea. Placing it within a comprehensive customer care approach is even better! That is why we recommend embedding your NPS question within your satisfaction questionnaires. Regarding the questionnaire, we recommend a maximum of 5 questions with one open question at the end.

Want to know more about questionnaire?

Cheat sheet : How to develop an online satisfaction questionnaire?

Download

WHY SHOULD YOU EMBED THE NPS QUESTION IN YOUR QUESTIONNAIRE?

On the one hand, this will allow you to re-contextualize the customer experience through specific questions. Ask questions related to the key steps that you will have identified in writing the customer's journey: reception, choice of products, check out... In this way, you will get an NPS score which is closer to the customer's true impressions since you will have helped them to remember. We encourage you to finish your questionnaire with an open question which will allow the customer to justify their scores and also to address other subjects that you have not necessarily identified.

« Asking questions related to the key steps of the customer journey permits to obtain a NPS closer to the customer's feelings »

On the other hand, the collection of answers for the other questions and particularly verbatim accounts (answers to the open question) will generate an immense quantity of data that will enrich your CRM. This data will enable you to conduct a much more thorough NPS analysis and clearly identify the factors that influence your customers' intent to recommend.

WHERE SHOULD YOU PUT THE NPS QUESTION?

You have two options: the short term or the medium/long term. Indeed, you can use the NPS in response to two different objectives. Either you want to get the best score possible in order to use it as a powerful communication vector or you prefer to get the more representative score in order to engage in a process of ongoing improvement.

If your goal is to obtain the best possible NPS, put the NPS question **first in** your questionnaire. This question appears often as a measure of the level of customer satisfaction. Your buying customers will tend to respond favorably. We encourage you to follow the NPS by an open question in order to better understand the reasons behind this score.

If your goal is to have an NPS which is as representative as possible, place this question in the penultimate position. The first questions of your questionnaire must allow customers to remember their experience.

3. HOW DO I SOLICIT THE NPS?

To benefit from all the advantages of the NPS, it is very important to think about its deployment. Ad hoc surveys or ongoing measurements, the representativeness of the results will not be the same. Once the type of satisfaction measurement has been chosen, many questions must be asked and precisely answered. For example, when is the best time to solicit my customers about the NPS score? Do I have to solicit all my customers for this score? Discover our advice on how to pertinently solicit your customers for the NPS score.

WHEN IS THE BEST TIMER TO SOLICIT THE NPS?

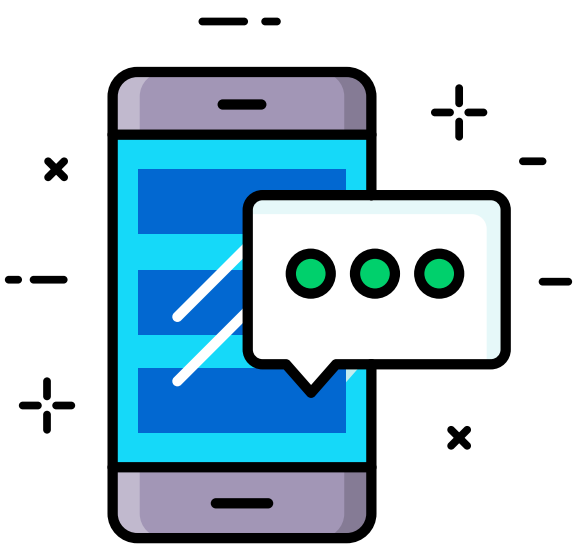
A few minutes after the purchase, several days afterwards... The best time for your company will not necessarily be the same for your neighbor whose activity is different. Since the customer experience varies from one company to another, **the time to solicit the customer will depend on the customer's journey**. The customer's journey corresponds to your customer's typical path, from their entry into your store until the end of their experience. For certain food retail chains for example, the customer consumes their meals on the premises and then pays. On the contrary in mass distribution, the customer pays and then consumes their purchases later.

It is very important to have a clear idea of the different steps that your customer experiences, **we therefore advise you to write down the customer's journey**. You must bear in mind that you will perhaps need to draft several. Indeed, you can distinguish two customer's journey for a food retail chain. There are customers who pay at the automatic check-outs and those who pay at the traditional check-outs. This exercise will allow you to ask the right questions and identify the key moments of the buying experience. By having a good visibility on the steps that generate frustration, or on the contrary satisfaction, you can determine the best time to solicit the NPS.

WHICH DISTRIBUTION CHANNELS SHOULD I CHOOSE?

For better representativeness, the relational NPS is measured continuously. According to your customers' typologies and expectations, you can distribute it on several channels such as by phone or e-mail (please note that phone surveys get higher scores).

The transactional NPS is measured during a spontaneous touchpoint survey; it is up to you to define the time to send it according your objectives (d+1 after the interaction for example). You can distribute it by e-mail, SMS, via a widget on your website, in the sales outlet... In order to have the best possible representativeness, we advise you to measure the transactional NPS continuously in order to act pro-actively.



DO I HAVE TO SOLICIT ALL MY CUSTOMERS FOR THE NPS?

For the most representative NPS score, you should not limit yourself to a portion of your customers. Most companies tend to favor their buying customers and it is quite intuitive, but **please do not hesitate to ask the NPS question to non-buying customers**.

You will considerably increase the added value of the NPS score obtained. The Net Promoter Score will not only become a barometric indicator but also and especially, a means to find the avenues for optimizing the customer experience. For example in the case of non-buying customers, soliciting the NPS can allow you to win them back when you thought you had lost them. At Critizr, we allow our retail partners to act on the "detractor" customers and to renew contact with them in order to win them back.

« Ask the NPS question to non-buyers also for a more representative NPS! »

Imagine you're coming out of a car dealership. Very quickly, you receive a notification via the company's mobile application (beacons). You are asked to give your opinion following your experience. You decide to assign an NPS score of 4. You are thus identified as a "detractor" customer. The manager of the dealership then receives a notification on his or her mobile indicating that a visitor has had a bad experience. They can then act immediately by responding to your opinion or by directly calling you back.

However, you must be careful with pressure marketing. This pressure must be well controlled and customized at the corporate level. Sending satisfaction questionnaires too frequently can lead to unwanted effects: biased answers, a decline in the response rate… At Critizr, we advise you not to solicit customers more than once a quarter.

CONCLUSION

Through this first eBook, you were able to discover the Net Promoter Score, this famous indicator of customer recommendation, which was mentioned for the first time in 2003 by Fred Reichheld. Since its creation, the NPS has become widely popular among large companies, which have well understood its strengths. Amazon, Netflix and Apple consider it as the most reliable KPI for predicting their growth.

Some NPS opponents say that it has a few limits, which we have listed in our article **"5 limits of the NPS and 5 tips for countering them".** This article lists the obstacles to establishing the NPS which might be demonstrated by its detractors. It will give you the necessary counter-arguments for proving the true usefulness of this metric. You can find this article on our blog!

In any case, you now know how the NPS segments your customers and how to calculate it. You also know how to collect the answers and how to solicit your customers. It is crucial to observe these good practices in order to have an NPS which is as representative as possible and use it for strategic purposes.

This is also the theme of our second eBook: **"How to become an NPS expert: closing the loop** ". Reading this white paper will allow you to go further in the NPS approach and know the key points in order to analyze and capitalize on this indicator. There we also discuss the concept of "closing the loop", this famous virtuous circle that the NPS can generate, thus bringing a real dynamic of ongoing improvement... More in the next chapter!

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