Beyond NPS

Why your score is just the beginning...

Making your Net Promoter Score (NPS) work for you

Thanks to a much-needed shift to focusing on customer experience over the last few years, Net Promoter Score (NPS) has become one of the most widely used measures of an organization's customer experience. This powerful metric provides your business with a well-defined way to measure customer loyalty and benchmark against other businesses within your industry.

While the core of NPS is the score your customers give you, it's vital to understand that NPS can provide benefits far beyond a number. If you only focus on the number, your organization will miss out on key opportunities to improve your customer experience. To truly maximize the value your receive from NPS, view your score as a starting point - a snapshot of your customers' current sentiment - and use the additional data received from your customers to strategically map out improvements to your customers' experience.

For those unfamiliar with Net Promoter Score (NPS), we'll start with a brief recap on how NPS data is captured and calculated.

In this book we will be discussing the key components of a strong NPS strategy and how you can leverage NPS data for business improvements.

We'll look at:

- What is NPS?
- Common mistakes organizations make when using NPS
- Improving your score
- Analyzing your text data
- Building a business case for an improved CX

NPS refresher

Net Promoter Score measures your customer loyalty through a simple survey, which can be sent at different points throughout your customers' journey. For example, you may choose to measure NPS after an interaction with your support team. You might also choose to schedule regular NPS surveys - say monthly or quarterly - to get a regular pulse on your customers' view of your organization.

Regardless of when you decide to survey your customers, the format of the NPS survey remains consistent. An NPS survey generally consists of two simple questions:

1. On a scale of 0-10, how likely is it that you would recommend [your brand] to a friend?
2. Why?

The first question is what you'll use to calculate your score and the second is an open-ended opportunity for customers to add additional comments or feedback that help explain their rating.

DID YOU KNOW?
Promoters generate 80% to 90% of referrals.

Once customers complete the survey they are split into three distinct categories:

- **Promoters** includes all customers who selected a 9 or 10. The assumption - based on their responses - is that these customers are loyal fans of your organization. They love your product(s), have had great experiences and will happily promote your brand to others.
- **Passives** are all customers who scored a 7 or 8. While they might be satisfied with your product or like your organization, they aren't passionate fans. This group represents customers who might be easily swayed to switch to one of your competitors if the conditions were right.
- **Detractors** include all customers who choose a score of 6 or below. Detractors have a negative perspective on your brand/product and could easily hurt your reputation through sharing their negative experiences.

Once your customers are broken into these groups, calculating your Net Promoter Score is easy. The formula is: **Net Promoter Score = % PROMOTERS - % DETRACTORS**

This formula will result in a score between -100 and 100. The higher the score, the more loyal customers you have. A "good" NPS will vary by industry, and fortunately the popularity of NPS tends to make benchmarking against your competitors fairly easy.

As briefly mentioned above, the second question of an NPS survey consists of one simple question: Why? Typically, this question is optional and the customer is given an open text box to share whatever information they find relevant. These responses can be a treasure trove of valuable information on why your customers like or dislike your brand. Using a text analytics tool can help your team unlock actionable insights from the information customers provide in this free form format.

Once you have the data, there are two different high-level approaches you can take towards using it to improve your customer experience.

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By limiting the promoter designation to only the most enthusiastic customers, we avoided the "grade inflation" that often infects traditional customer-satisfaction assessments, in which someone a molecule north of neutral is considered "satisfied."

– Frederick F. Reichheld, The One Number you Need to Grow

OPERATIONAL VS STRATEGIC

Two different approaches

An often overlooked reality about NPS is that the focus for your business shouldn't be on improving your NPS. This is because NPS is a lagging indicator of your customer experience. If you improve things upstream - your product and your customer experience - you will organically see your NPS rise.

This fact matters because if the sole focus was on having a high NPS score, your CX team or employees could easily find ways to artificially inflate your score. While that might look good on paper, it won't have a significant impact on your organization's performance.

The true focus should be on providing a great product with an outstanding customer experience. If you can pull those two things off, you'll be on your way to lasting business success.

As you're working with customer feedback it can be helpful to consider two high-level approaches: operational vs strategic. Most organizations will likely combine these two approaches to some degree, but realizing the strengths of each approach won't happen without intentionality. Both of these approaches are important for every business.

Operational
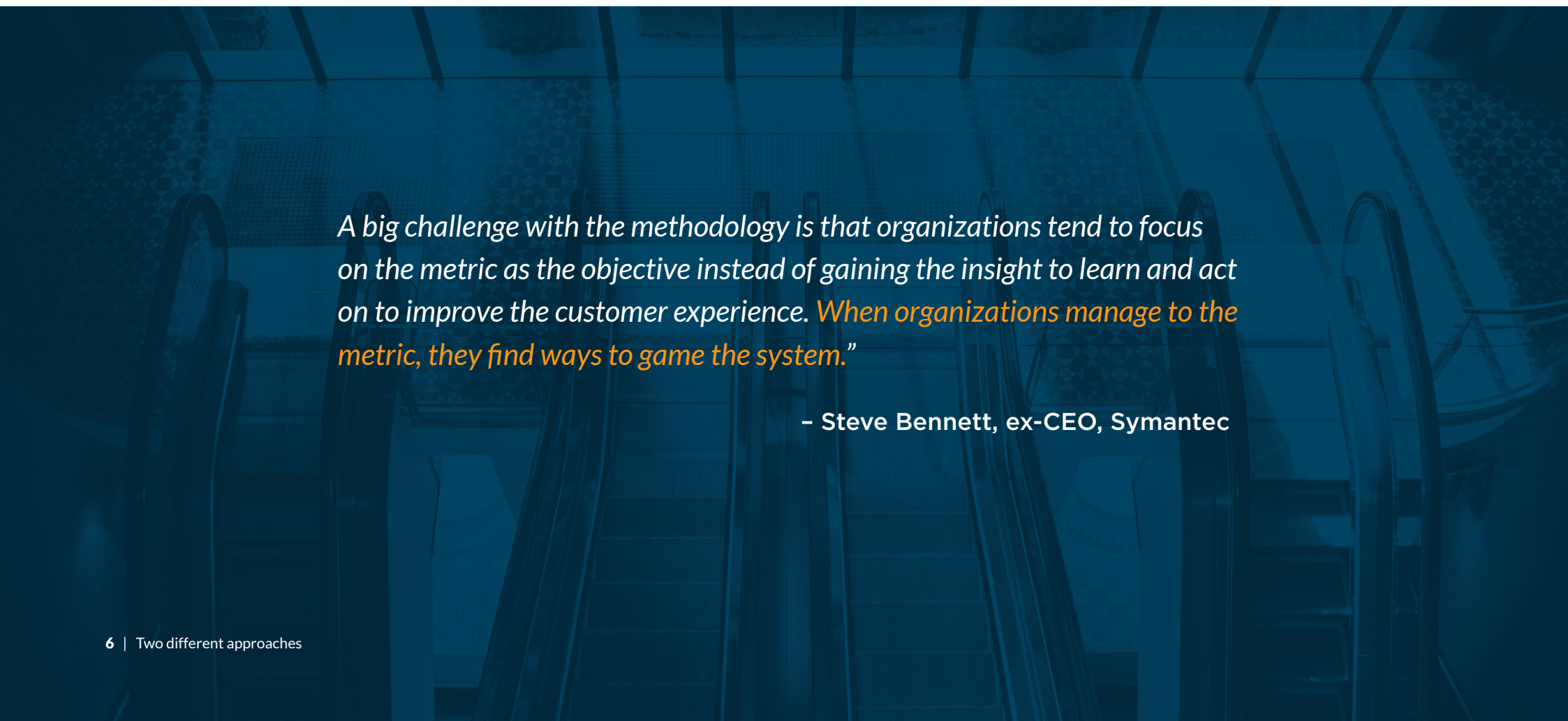
An operational approach is focused on individual customer interactions. The priority here tends to be responding to negative feedback in the 'why' question of your NPS. This goal is to understand what went wrong and ensure the customer has a positive experience next time.

Strategic

A strategic approach takes a high-level view. The focus is on looking for trends across multiple interactions and multiple touchpoints. The priority of this approach is identifying large-scale issues affecting many customers, and ideally solving for them before they become a larger problem for your organization.

Historically, the strategic approach has been viewed as more difficult due to the unstructured nature of responses to the "why" question in your NPS survey. While you might be able to offer an individual customer a promo code or freebie to help improve their perspective on your product - an operational approach - this likely isn't sustainable across large customer sets. Combining the "every customer matters" mentality of an operational approach with the high-level impact of a strategic approach truly gives you the best of both worlds.

Fortunately for us all, new technology is making the strategic approach easier these days.

A big challenge with the methodology is that organizations tend to focus on the metric as the objective instead of gaining the insight to learn and act on to improve the customer experience. When organizations manage to the metric, they find ways to game the system."

– Steve Bennett, ex-CEO, Symantec

Where it can go wrong

NPS surveys may appear to be straightforward and simple. In one sense, they are: send them out, receive the responses, then calculate your score. As is often the case, this simplicity is both a strength and a potential weakness of NPS.

The simplicity of NPS is a strength because it makes it incredibly easy to get customer feedback. There are no lengthy or complicated surveys. An NPS survey can be completed within seconds, depending upon whether the customer completes the second question or not. The low effort required from the customer tends to result in higher completion rates and more data you can use to improve.

The simplicity of NPS also presents a potential weakness: undervaluing the data you receive. No survey or customer satisfaction program will be transformative if you don't leverage the data effectively. NPS may be simple, but it's very valuable. Taken seriously and leveraged effectively, NPS can be a key part of delivering an outstanding customer experience.

With all this in mind, let's shift to considering a few common challenges that organizations face when implementing NPS and how to combat them. Whether you're brand new to NPS or trying to revamp a struggling program, the solutions below will help you overcome these obstacles.

Challenge 1: Under-utilizing your customer feedback

Charles Weiser, Head of Customer Experience at Australian telco, Optus, noted that the success of an organization is determined by its customers and the quality of customer intelligence it can obtain. In other words, knowing who your customers are, what their pain points are and how they view your business is critical to long-term success.

As hinted at above, beware of undervaluing your Net Promoter Score because it may seem simple or easy to obtain. While NPS won't tell you everything, it's a valuable and effective means of gathering firsthand information from your customers. When customers talk, make sure you're listening and reacting appropriately.

SOLUTION: If you're considering implementing Net Promoter Score, do your best to get buy-in from leadership across the company ahead of time. A big part of introducing new metrics is often educating other internal stakeholders so that they understand what is being measured and why. With the right people on board, you'll find it far easier to take action on the

DID YOU KNOW?
Thousands of companies today are using NPS, yet recent analysis shows only one in 10 getting it right.

data you receive from NPS surveys, building towards a better customer experience and higher customer loyalty.

If your organization has been using NPS for awhile but not seeing much value, it's also probably a good idea to reassess what you're doing with the data you've received. Try asking questions like the following:

- How are we tracking NPS?
- What sort of regular analysis are we doing on survey results?
- Who is this analysis being shared with and could it be communicated more clearly?
- Does the data in our NPS survey support our current direction or indicate we might need to shift gears?
- Are there any consistent themes we're seeing in promoters or detractors that might highlight our best practices or our key opportunities?

Questions like these should help you uncover holes in your current NPS strategy and will surface opportunities where you can better use the data NPS is providing.

Challenge 2: Not analyzing or acting on the results

Since the second question on a standard NPS survey is so open-ended, you never know what kind of responses you'll receive from customers. You can count on one thing though: the answers will be insightful!

Focusing solely on your NPS score and not devoting resources to analyzing the open-ended 'Why?' question is like sitting on top of a gold mine and never touching it. Unfortunately, many companies do this. The rise in the popularity of NPS has led to companies all over the world adopting NPS, but many aren't reaping all the benefits they could be. Ultimately, the score is far less meaningful than the open-ended question that can follow the rating.

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Most companies are failing to leverage the growing mountain of data at their disposal. More than 23% of organizations said they act on very little or none of their customer data.

– Closing the Customer Experience Gap Report, Harvard Business Review

SOLUTION: As you implement Net Promoter Score, aim to do the following two things:

1. **Look for trends:** The key to finding true value in these open-ended "why" responses is to look for trends. As much as you might try to win every customer over, you'll never be able to make every customer experience identical. It's quite possible you'll see negative NPS comments that were completely outside of your control. Don't let those phase you. Instead, commit yourself to drilling down deep every time you see repeated themes in your responses. These trends indicate your major opportunities (in detractors' responses) or best practices and strengths (in promoters' responses).
   One particularly valuable way to uncover these actionable insights and trends is through using text analytics - more on this great tool is covered later in this book.

2. **Commit to building out processes that enable action:** You can uncover insights all day, but if you don't take action on those insights, they're of limited (or no) value. Sadly, this situation can happen. Challenges like limited resources, misalignment and internal silos can all present barriers that make taking transformative action difficult. Beware of this happening at your organization. To prevent this, you can try building out a plan ahead of time. Think through how you're going to analyze and share NPS data, and then work with stakeholders throughout your organization to ensure alignment on improving the customer experience.

Challenge 3: Failing to close the loop with detractors

How you handle unhappy customers is crucial. Up to 50% of your detractors will leave you within 90 days (or sooner). That is a staggeringly high number - and remember, anyone who responded with a six or lower is a detractor! Many studies show that it is significantly harder - in time and money - to acquire a new customer than retain an existing one. If you ignore these unsatisfied customers, you're taking a major financial risk.

How can you mitigate this risk?

SOLUTION: "Close the loop" with your detractors.

If you're unfamiliar with the term "close the loop", it essentially means to follow up. Don't leave detractors stewing over a negative experience they've had with your brand. A fast and empathetic response to negative customer feedback - whether you're able to resolve their issue or not - goes a long way in turning detractors into passives or promoters.

Exactly how you respond to detractors will probably vary based upon your industry, the volume of responses and the data they provide in their responses. Your reaction may just be a simple phone call or email to apologize and hear their concerns. Maybe it's sending a handwritten note or a promo code.

Whatever you decide is the appropriate response, simply showing empathy and demonstrating concern for your customers can often be the key to rebuilding trust after a negative experience.

Building a better NPS program

Understanding and overcoming the above challenges can help you lay the foundation of a great NPS program, but avoiding common mistakes isn't enough to really put you over the top. If you're hoping to transform your customer experience and build a customer base that loves your organization, there are two things you can do to build a truly standout NPS program:

1. Use text analytics to reliably identify the most important actionable insights
2. Focus on all three categories of NPS responders

When implemented correctly, you can transform this simple survey tool into a powerful mechanism for business growth.

DID YOU KNOW?
On average, an industry's Net Promoter leader outgrew its competitors by a factor greater than two times.

Using text analytics to find actionable insights

So how do you turn all that text data from the 'why?' question into actionable insights?

You've probably spent enough hours sorting through messy, unstructured data in Excel. Fear not - there is a better way! There are two main things you should understand when it comes to analyzing large volumes of unstructured data:

💬 **1. The value of themes**   👥 **2. The value of segmentation**

Identifying Themes

Why spend resources to analyze the raw text data you've received in your NPS survey? You do so in order to understand why your customers are giving you a certain score.

You want to take your raw data and begin to understand what your customers are talking about and in what context they are talking about it. As you do so, you will begin to identify recurring themes. These themes are absolutely vital, because they tell you where to focus your attention. They're like a spotlight, shining on areas where you can improve your customer experience and eventually convert some of your detractors into promoters.

If you are collecting more than 250+ survey responses, it's often worthwhile to invest in specialized text analytics software to help you crunch through your data and uncover these themes. Several specific benefits to investing in a text analytics tool include:

- **They can identify themes automatically and turn qualitative data into quantitative data** - One of the reasons people find open-ended questions difficult is because responses can be all over the map. If you can zoom out from individual responses and focus on themes, you can begin to convert this qualitative data into quantitative data. For example:
  - » A third of our detractors have had the same specific issue with the product in the last 90 days
  - » 82% of our promoters have had a direct interaction with Support in the last month

Quantitative data like this is often much more impactful than qualitative data. Related departments across your organization can take data like this and run with it.

- **They can perform unbiased analysis** - Despite our best intentions, it's often difficult to remove our biases as human. Three analysts analyzing the same piece of feedback are likely to come up with three completely different interpretations of the data. Text analytics software doesn't have to deal with this problem. It can objectively analyze and identify themes that you might not even think to look for, improving the level of confidence you can have in your NPS data.

- **They can perform sentiment analysis** - If someone types their feedback in ALL CAPS, you might be able to pick up the fact that they're upset. Beyond obvious factors like that, it's often difficult to pick up the emotion behind a bunch of text. By using advanced algorithms, keywords and rules, text analytics software can actually identify the emotion behind a customer's response, providing you with far more context around their data.

Specialized text analytics software is one particularly strong reason why it has become far easier to take a strategic approach to NPS recently. Through relatively new techniques like natural language processing, they can perform far more effective analysis than a number-crunching human.

If you're not currently using any text analytics software, you risk missing out on powerful benefits like these.

DID YOU KNOW?
55% of consumers are willing to pay more for a guaranteed good experience.

👥 Combining NPS with other data segments

Your customers all come from different places and have different expectations of 'good' customer experience, so knowing the broad themes your customers are talking about in their feedback is just the beginning.

Once you've identified the key themes within your data set, the next step is to break up that data and look at how the differences within your customer base interact with the themes you've identified. This is known as segmenting the data - breaking it down based on different commonalities. Segmenting the data will refine the information that you have received and give clearer insights into what it all means. There are many ways to segment your data because it is strongly dependent on your business, your customer base and the types of insights you are looking for. Some examples of common segments are things like:

- Yearly spend per customer
- One-off vs repeat customers
- Age of customer
- Online vs physical retail store customers
- Geographical location

The only limit to the number of segments you can use is the amount of structured data you collect. Each unique segment does not need to be analyzed separately; you can combine any number of them to really get inside the hearts and minds of your customers. Segmentation via text analytics software can tell you things like:

"What are our highest value customers spending compared to our lowest value customers?"

"What are female customers between the ages of 25-34 that live in Australia saying about product X?"

"What is the main topic of negative feedback from detractor males between the age of 35-50?"

Leverage the categories to achieve your goals

When looking to make improvements based on your NPS results, it can be difficult to know where to focus your time and attention in order to have the biggest impact on your CX. While it's important to keep all three categories of responders in mind, where you focus your attention will ultimately change depending on your organization's priorities and goals at the time. Tailoring your focus based on these goals offers the ultimate strategic advantage for NPS. Let's consider a few examples:

If you're aiming to reduce your churn rate, you probably have a high percentage of detractors and a relatively low NPS score. Focusing on the issues faced by your detractors and moving them from detractors to passives (and then promoters) is likely the best strategic option to slow your churn.

If you're hoping to grow your customer count, you should focus on your promoters. These are the individuals who love your product/brand and will happily serve as your ambassadors. Go one step further and turn these promoters into brand advocates so they'll continue telling others how great your business is! Lift the key product features that promoters love

(as talked about in their feedback) and use this in your brand messaging and marketing materials to attract more customers.

If you're looking to increase the lifetime value of your current customers, you should consider focusing on your passives. These customers' mixed experiences haven't wowed them, but they also haven't abandoned your brand. While they aren't strong fans of your brand, they will be the easiest group to move up on the scale, improving the likelihood of achieving your goal.

These aren't the only ways your can put your NPS data to strategic use in achieving your business goals, but they're a good example of the various ways NPS can give you an advantage.

Making the case for investment in customer experience

You've recognized that improving customer experience is good for your business, but not everyone in your organization has caught on... we get it! When it comes to getting your business to spend time and resources on a customer-first framework, it can be hard to know where to start.

There is good news though: measuring how customer experience impacts your business is doable!

The major hurdle to getting more investment in customer experience is getting buy-in from internal stakeholders. Fortunately, there are a number of different ways you can tie NPS to ROI:

- Compare the average lifetime value (LTV) of your promoters, passives, and detractors. Once you have this data, you can compare the three categories to see the differences in value. Assuming you see that promoters are far more valuable to your business, you can make a straightforward justification that investments which convert detractors or passives into promoters are worthwhile.
- Compare your NPS data to your competitors. It's been frequently shown that the NPS leader in any given industry tends to outgrow their competitors - sometimes by more than double!

- Do an experiment and follow up with 50% of your detractors during a given period (e.g. have someone reach out to them directly after the negative survey is received). Wait some time, then compare the purchase history and engagement of those who received follow up and those who did not. In The Ultimate Question 2.0, a similar experiment at Apple showed that those who received follow up resulted in an additional $25 million in revenue during a one year period.

If you get creative enough, you can find a myriad of ways to prove the ROI of investing in customer experience. NPS can be a great tool to help surface the opportunities and help you track the impact of your investments over time. Read more about proving the ROI of your CX here.

DID YOU KNOW?
What Lego found:

- *Sales go up by 20% when a detractor is turned to passive satisfied*
- *Sales go up 26% when passive satisfied is turned to a promoter*

Conclusion & next steps

As we wrap this up, no doubt you're ready to implement an effective NPS program within your organization.

We've covered a lot of territory in this book. As you finish, remember these key takeaways:

- NPS is more than just a number. By investing in analyzing the text-based responses to the second question of "why?" you can uncover game-changing insights that will transform your customer experience.
- Understanding the themes in your responses is the key to finding opportunities for improvement.
- Segmenting customers allows you to contextualize your survey responses to a far greater degree.
- Through creative analysis, you can use NPS results to drive future investment in your customer experience and create alignment throughout your organization.

There's no such thing as a silver bullet in the business world, but the effectiveness of using NPS to gauge your customer experience and find ways to improve comes as close as it gets. Implement the above steps and you'll be ahead of the curve when it comes to winning lifetime customers.

Kapiche

Powering customer-centric companies

Kapiche are on a mission to help organizations understand and empathize with their customers at scale using our unique software.

Our text analytics software solution allows users to understand large volumes of text data from survey feedback, including NPS, CSAT and product reviews, via machine learning.

Kapiche specializes in taking the data from open-ended unstructured questions along with data from traditional close-ended structured question to give deep insights, giving organizations a high degree of visibility to make strategic decisions to increase customer loyalty, growth and revenue.

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