



The ROI of NPS

How a Focus on Customer Loyalty
Delivers Financial Gains





Overview

The research that created Net Promoter Score® clearly demonstrated a link between NPS® and growth, and over the years, many organizations have proven this financial linkage with their own internal data. Time and again, higher NPS results in:

- Higher retention rates
- Increased upsell/cross sell
- Lower cost to serve
- Lower marketing costs due to word of mouth

This ebook will share a number of economic linkage examples and provide a framework for how to quantify your own Net Promoter economics.

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TAKING STOCK OF YOUR WORK



Introduction

Since Net Promoter was first introduced in 2004, the resulting organizational discipline has gained a strong foothold in the business community. Companies that have embraced Net Promoter have demonstrated its benefits time and again. Just among our own customer base at Satmetrix, for example, some of the highlights include:

50%

A 50% increase in customers over six months

98%

A retention rate of 98%

30%

A growth rate that outperformed the market by 30% over two years

\$183M

A \$183M increase in revenue in two years

The growth of Net Promoter has also produced more wide-ranging effects, as business leaders have come to more fully understand the importance of customer experience to the broader success of their companies.

91%

of marketing leaders believe that in two years they will be competing primarily on the basis of customer experience

18%

of marketing budgets were spent on customer experience initiatives in 2014, making customer experience the highest marketing tech investment

Read on to learn the facts about

- The measurable rewards of prioritizing this critical element of business strategy
- The measurable risks of failing to focus on customer experience
- How to calculate and demonstrate the impact Promoters and Detractors have on your bottom line

er Experience Management Success

NPX. Where technology, data and expertise come together.

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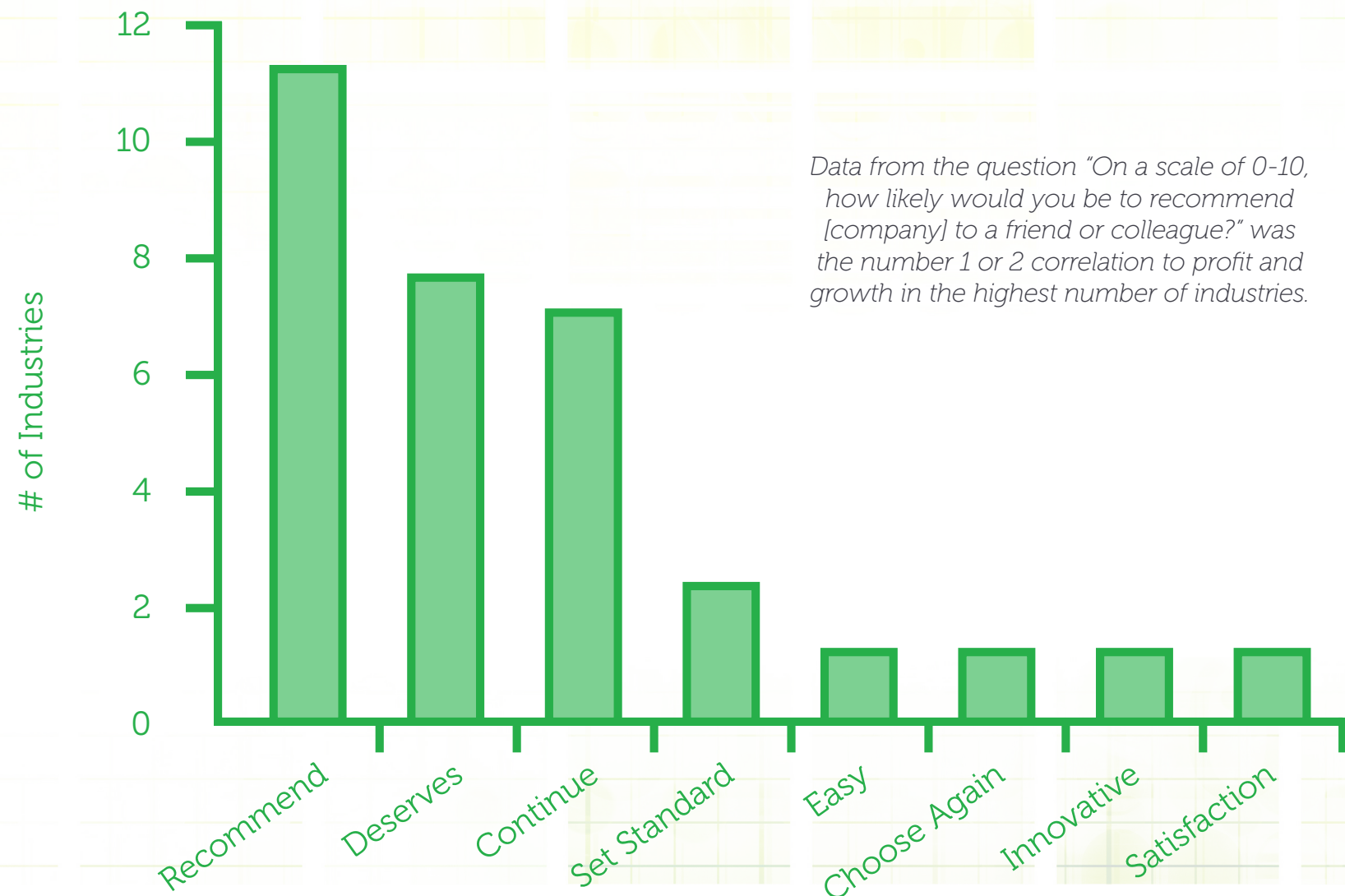
Increase Loyalty and Achieve Business Growth

Measure and manage the customer experiences that are driving your business results.

Risks & Rewards

of Focusing on Customer Experience

This section will offer some concrete examples of how Net Promoter can provide clear insights into important customer behaviors and how those behaviors can be linked to profit and growth. But first, a quick review of the research behind the Net Promoter Score and discipline. The original research measured how closely the answers to various questions correlated to future business profit and growth. The recommend question ("How likely is it that you would recommend our company/product/service to a friend or colleague?"), also called the Net Promoter Score question, had the highest correlation across industries when compared to other questions designed to measure some aspect of customer loyalty.



Net Promoter Score Defined

Despite its apparent simplicity, the Net Promoter Score offers powerful insight into customer behavior and guides a business discipline that can transform your company.

Net Promoter Score Defined

The Net Promoter question:

On a scale of 0-10, how likely would you be to recommend [company] to a friend or colleague?

Not at all likely

Neutral

Extremely likely



Detractor

Passive

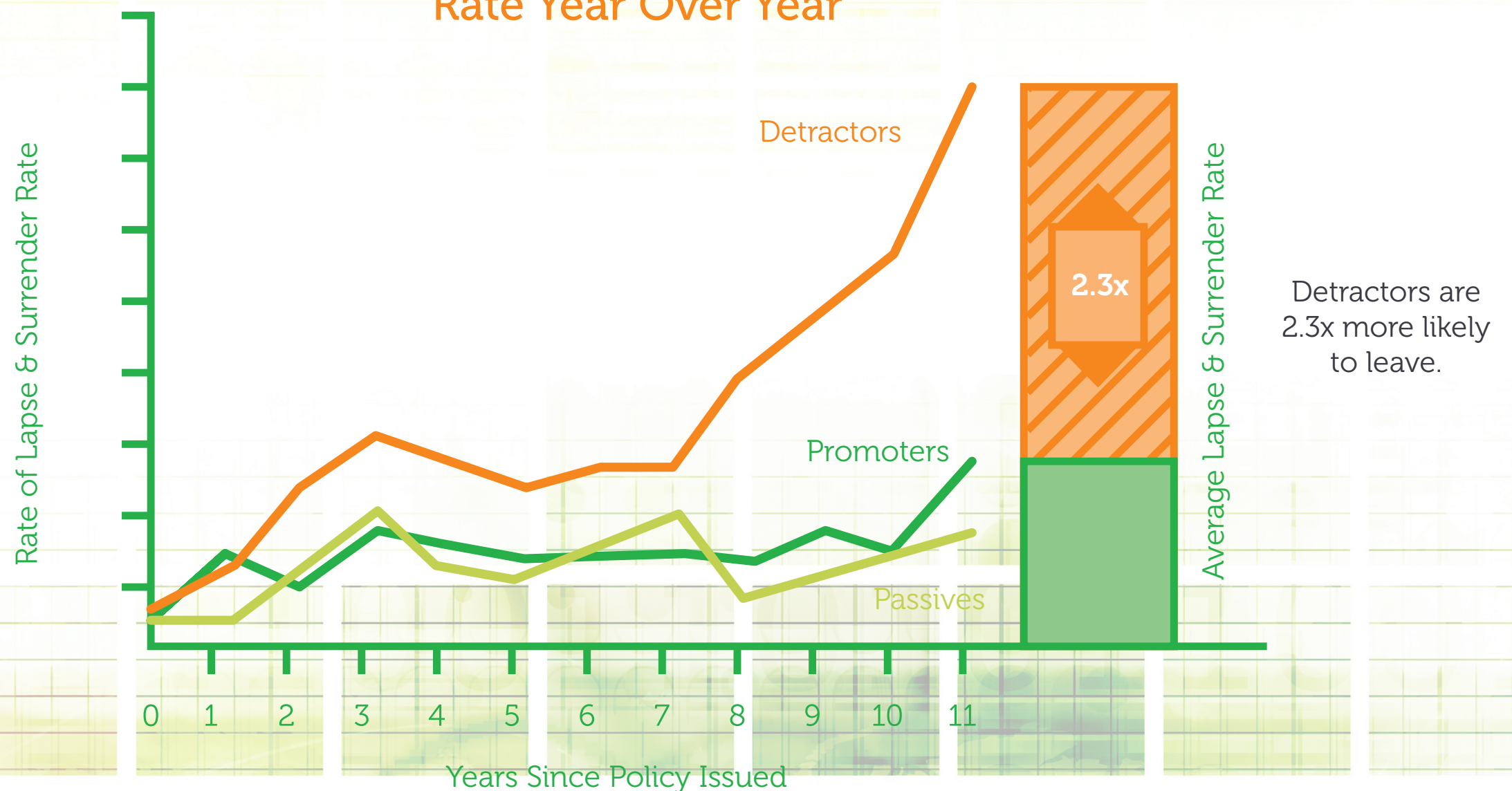
Promoter

% PROMOTERS - % DETRACTORS = NPS (NET PROMOTER SCORE)

Detractors More Likely to Leave

Detractors have a higher propensity for leaving your company, as seen in this example from the insurance industry.

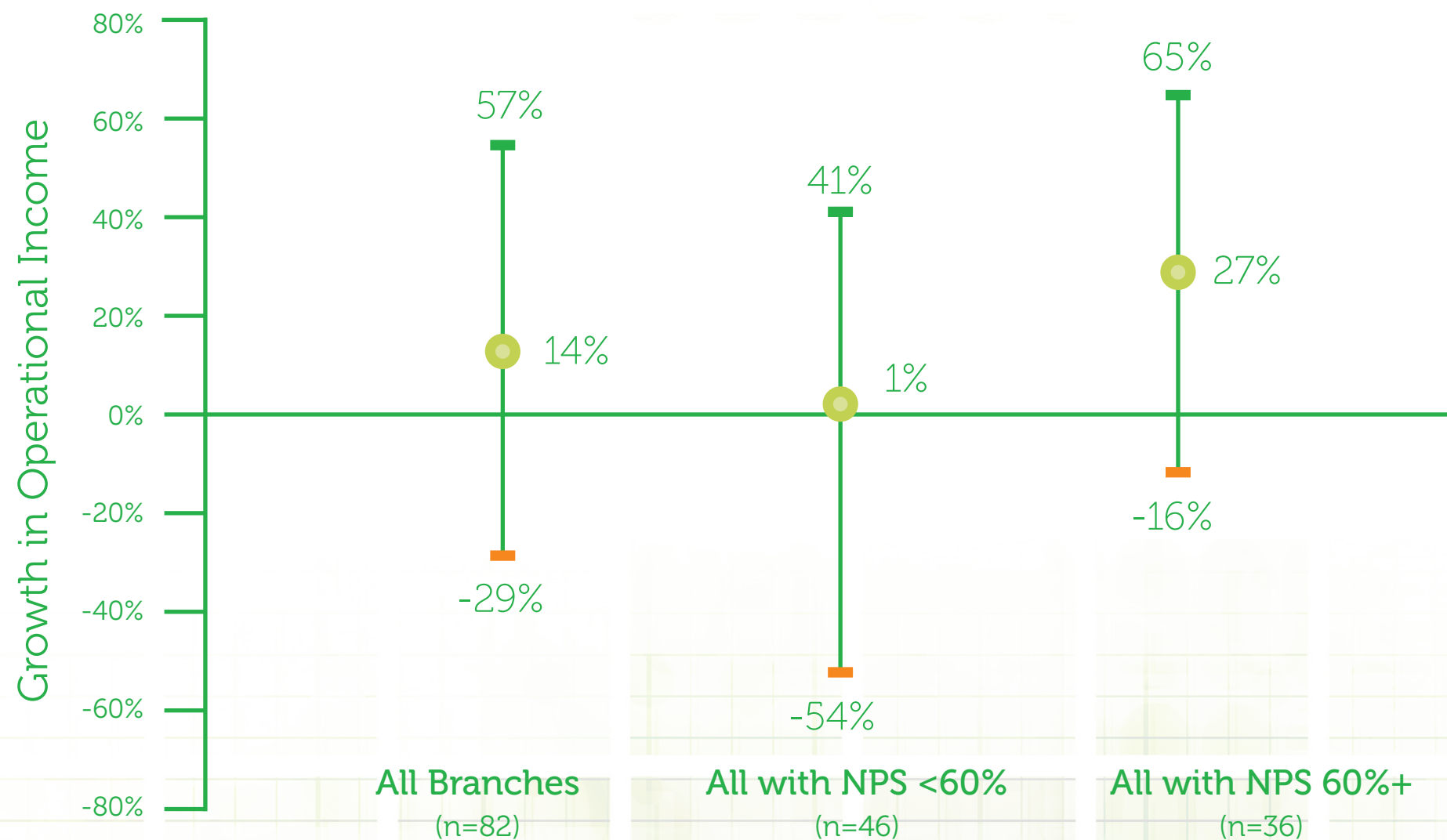
Average Lapse and Surrender Rate Year Over Year



NPS Linked to Growth

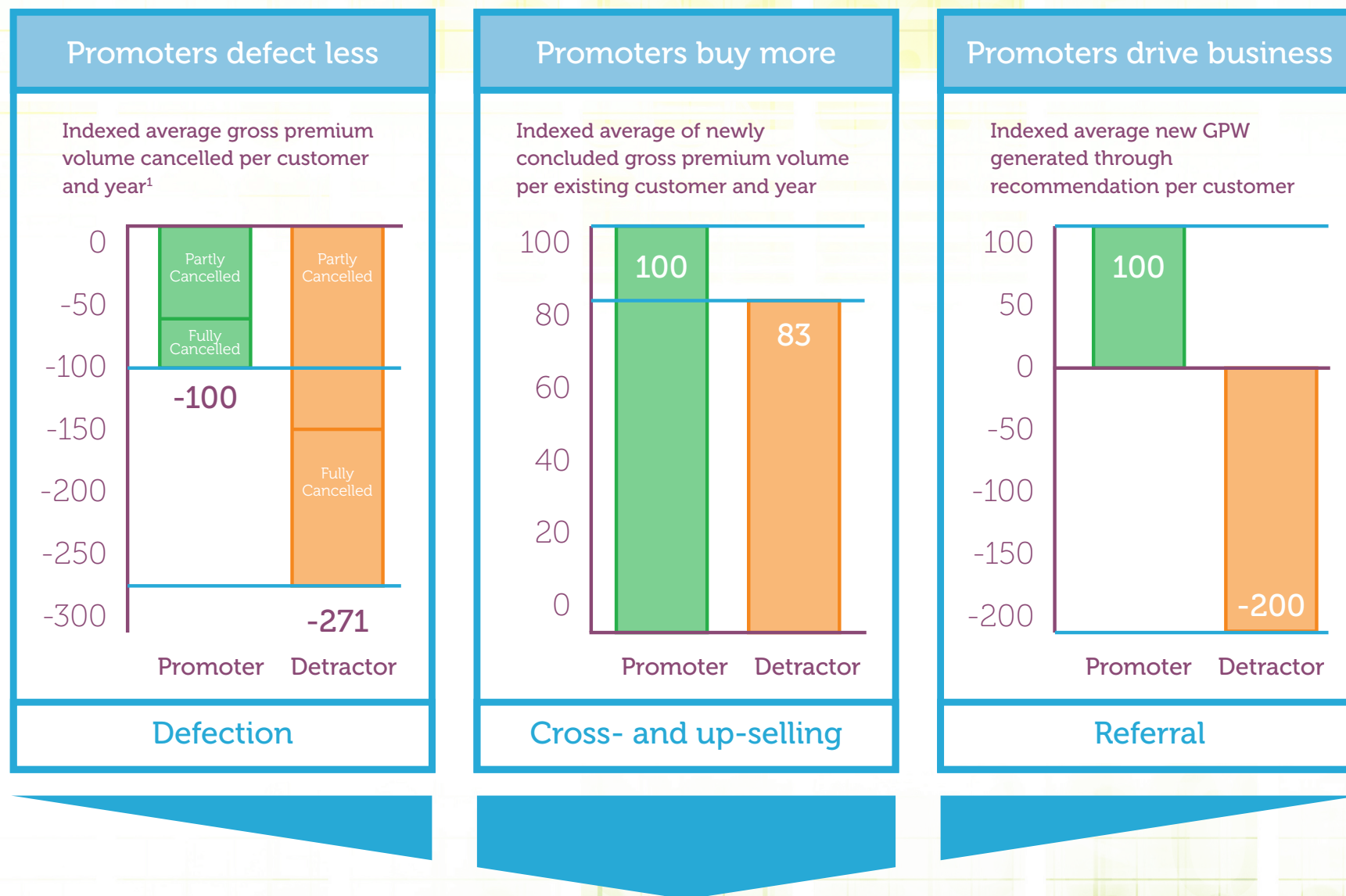
In this example from the banking industry, it's clear that branches with higher NPS outperformed others.

Growth in Operational Income



Promoters Deliver Greater Value

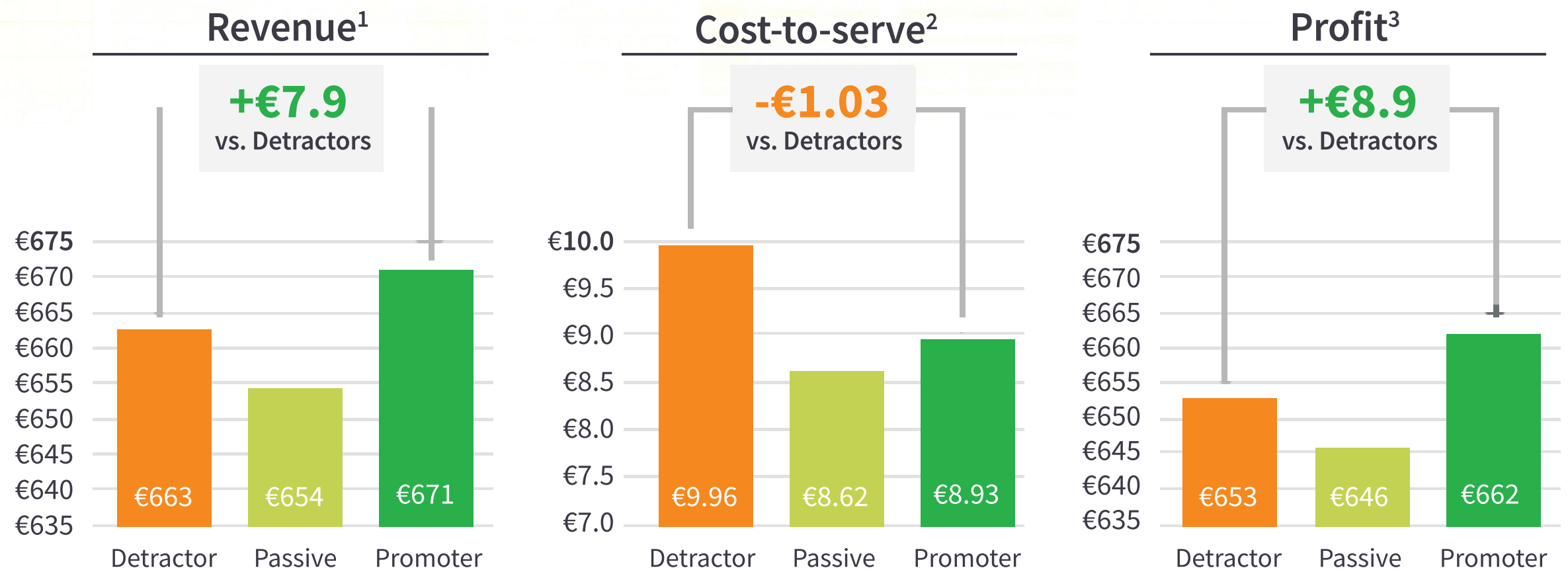
In this example, the greater value of Promoters extends across three key business measures.



Converting detractors to promoters increases profitable growth significantly

Promoters Deliver Higher Profits

In this example from the telecommunications industry, Promoters delivered higher profits than Detractors. Profit was calculated for each Net Promoter category by subtracting cost to serve (lower for Promoters) from revenue (higher for Promoters).



¹ ARPU over 12-month period

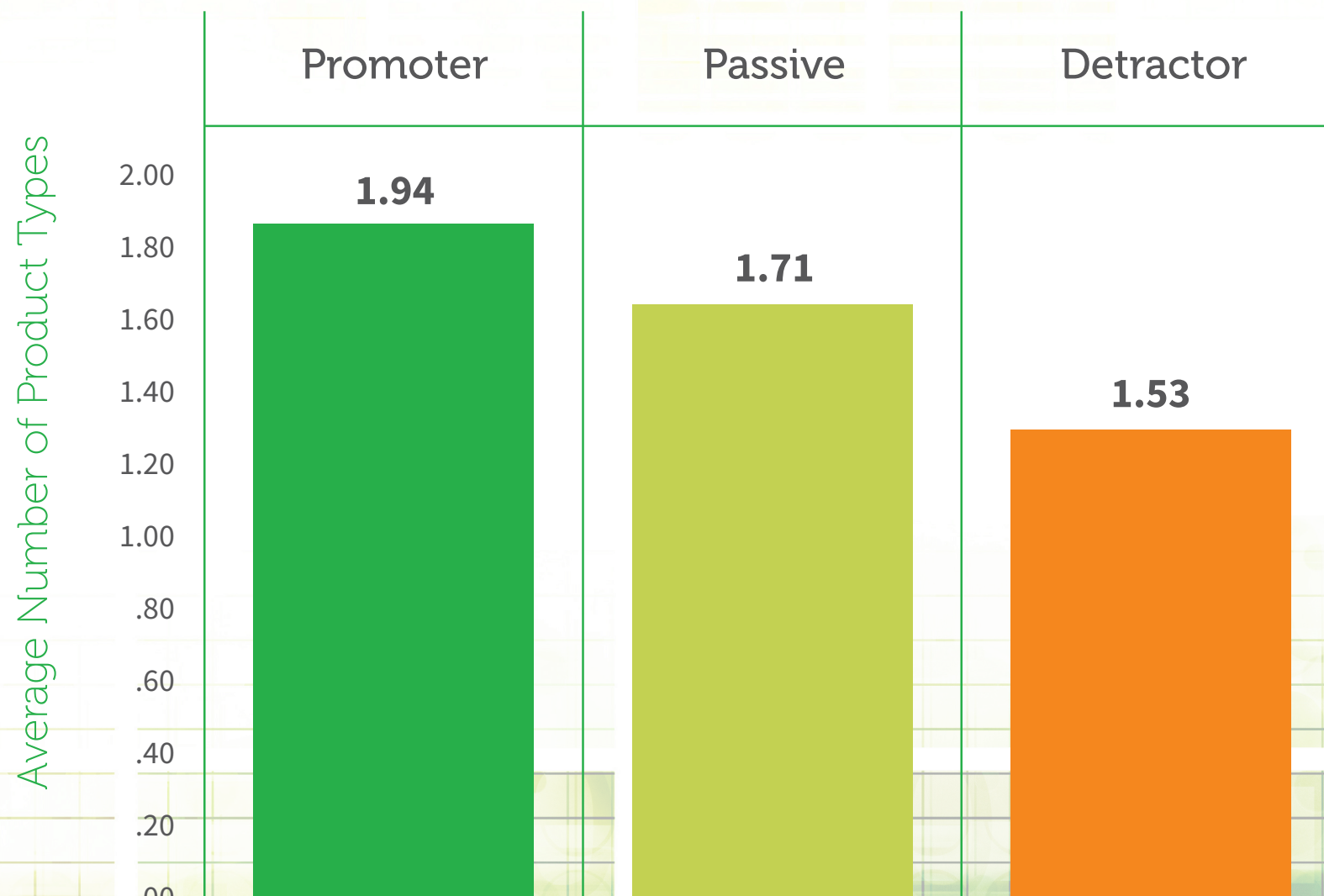
² Average 12-month Cost-to-Serve per user, calculated from handle time and available HR rate

³ Average 12-month profit per user, calculated as ARPU minus Cost-to-Serve

Promoters Buy More

Another way to quantify the value of promoters is to understand how many products are purchased by each NPS segment (promoters, passives, detractors). In this case, Promoters on average purchase more products than detractors.

Products by Net Promoter Category



NPS Linked to Market Share

Net Promoter Score

NPS Ranked by Brand: All Product Lines

Brand +70	MyBrand +45	Brand +75	Brand +71	MyBrand +56	Brand +77
Brand +63	Brand +45	Brand +69	Brand +68	Brand +49	MyBrand +57
MyBrand +58	Brand +37	Brand +57	Brand +55	Brand +48	Brand +55
Brand +55	Brand +32	Brand +53	MyBrand +54	Brand +41	Brand +45
Brand +52	Brand +32	MyBrand +41	Brand +47	Brand +38	Brand +43
Brand +49		Brand +39	Brand +29	Brand +31	Brand +19

One of the keys to achieving financial benefits is understanding your NPS relative to competition. In this example, a consumer electronics company clearly demonstrated that the products that had the highest NPS in their category also had the highest market share, and those with lower scores, found themselves with lower market share.

11.7%

33.6%

1.6%

10.9%

37.5%

26.8%

Market Share by Category

Calculating the Impact of Your Actions

To drive change within your organization, it's helpful to be able to quantify the impact of change. Once you have demonstrated the greater value of Promoters, you can model the financial effects of changes in your Net Promoter Score.

Calculating Average Customer Value

To build a ROI model for your business, start by calculating the relative value of Promoters, Passives and Detractors. For consumer businesses, this means taking an individual customer NPS response, then evaluating the subsequent financial behavior (did they stay with your business, did they purchase more?). In business to business organizations, this requires that you calculate NPS at the account level and classify accounts as Promoter, Passive, or Detractor (you may want to base your analysis on just your decision makers). Then, look at their subsequent financial performance to establish account level economics.

Here's a sample approach. Looking at data over at least 6 to 12 months, calculate:

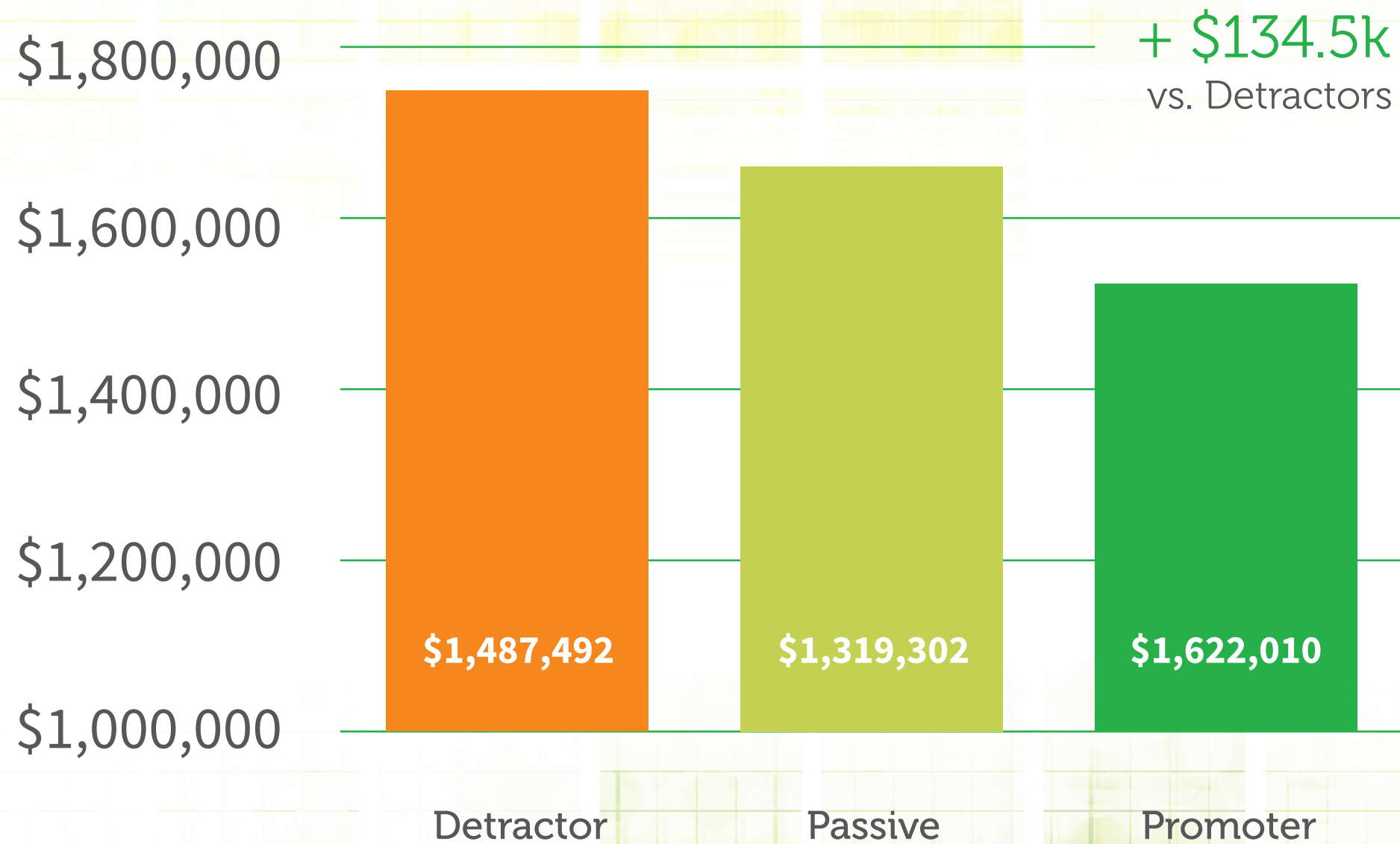
Percentage Retained | Percentage Change in Spend

At Least 6-12 Months

SURVEY RESPONSE				CUSTOMER DATA FROM CRM
	SPEND AMOUNT WHEN SURVEYED	CUSTOMER RETAINED?	SPEND AMOUNT NOW?	<div>PROMOTER</div> <div>Retention Rate: 67% Increase in Spend*:35%</div>
PROMOTER 1	1,00	YES	1,500	
PROMOTER 2	1,000	YES	1,200	
PROMOTER 3	750	NO	0	<div>DETRACTOR</div> <div>Retention Rate: 50% Increase in Spend*:0%</div>
PASSIVE 1	1,000	YES	1,00	
PASSIVE 2	700	NO	0	
DETRACTOR 1	800	YES	800	
DETRACTOR 2	800	NO	0	*Increase based on those retained only

*Increase based on those retained only

Average Account Value



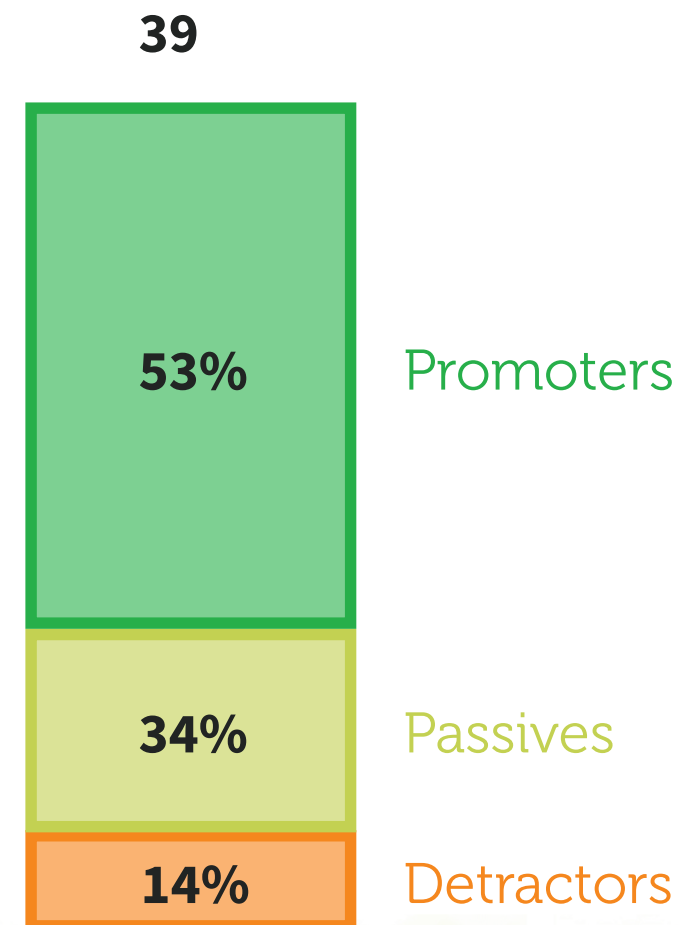
Project the Impact of Change

Now, let's see how improving NPS will Improve financial importance. In this simulator you can estimate the financial benefits of improving NPS by using the economic value of each segment(here, we've simulated converting 5% of Detractor to Promoter accounts). As you can see, the benefits of creating more promoter accounts can add up to millions of dollars!

NPS

Total 12-monthly Revenue:
\$99,636,089

Recovered Revenue via
Detractor Conversion
\$1,782,912



Simulate converting
Detractors to Promoters

5%

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Taking Stock of Your Work

**TO MAXIMIZE THE IMPACT YOUR
NET PROMOTER PROGRAM
WILL HAVE ON YOUR COMPANY'S
GROWTH AND PROFITS, KEEP
THESE BEST PRACTICES IN MIND.**

- Net Promoter programs must begin with an understanding of your customer journey
- Craft your customer listening strategy to match the customer journey
- Put actionable data in the hands of your employees, and do so frequently
- Set up closed loop processes that go beyond Detractor recovery
- Enable your Promoters to help drive new business through referrals and positive word of mouth
- Develop and maintain an effective governance structure for your program
Communicate with frequency and clarity to customers and employees
- Support your program with robust technology that enables analysis, reporting, and follow up

Become an Expert on Economics!

Ready to take your knowledge of Net Promoter to the next level? Join us for an upcoming certification course and become part of a community of customer experience experts. Our two-and-a-half day certification course, reflecting the very latest NPS2 methodology developed by Satmetrix, gives you a deep dive into this powerful business discipline. Add our one-day Net Promoter Economics course to learn all the details behind the information in this ebook.

[Explore Certification](#)



About Satmetrix

With more than a decade of practical experience and best practices research built-in to our products and services, Satmetrix delivers customer experience management success. Satmetrix not only helps organizations manage the customer experience, but also transforms the way they do it. Our software draws on more than a decade of practical, in-the-field experience helping companies build and deploy successful CEM programs, based on the proven, ground-breaking Net Promoter methodology that we co-created. Find out how we can help you take your customer experience management program to the next level.

Data

Our annual NPS benchmarks, drawing on 15 years of customer data and ongoing research on NPS best practices.

[Learn More](#)

Technology

Satmetrix helps companies to measure and manage the customer experiences that drive their business with the most complete, powerful, and user-friendly platform for CEM on the market today.

[Learn More](#)

Expertise

Our consultants have worked with over 1,500 global organizations, business units and leadership teams to move their customer experience programs forward.

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