The One Number You Need to Grow

The Idea in Brief

Many companies—striving for unprecedented growth by cultivating intensely loyal customers—invest lots of time and money measuring customer satisfaction. But most of the yardsticks they use are complex, yield ambiguous results, and don’t necessarily correlate to profits or growth.

The good news is: you don’t need expensive surveys and complex statistical models. You only have to ask your customers one question: “How likely is it that you would recommend our company to a friend or colleague?” The more “promoters” your company has, the bigger its growth.

Why is willingness to promote your company such a strong indicator of loyalty—and growth? Because when customers recommend you, they’re putting their reputations on the line. And they’ll take that risk only if they’re intensely loyal.

By asking this one question, you collect simple and timely data that correlate with growth. You also get responses you can easily interpret and communicate. Your message to employees—“Get more promoters and fewer detractors”—becomes clear-cut, actionable, and motivating, especially when tied to incentives.

The Idea in Practice

CALCULATING YOUR NET-PROMOTER SCORE

Asking a statistically valid sample of customers “How likely is it that you would recommend our company to a friend or colleague?” enables you to calculate your net-promoter score: the ratio of promoters to detractors.

Based on their responses on a 0 to 10 rating scale, group your customers into “promoters” (9–10 rating—extremely likely to recommend), “passively satisfied” (7–8 rating), and “detractors” (0–6 rating—extremely unlikely to recommend). Then subtract the percentage of detractors from the percentage of promoters. Companies that garner world-class loyalty receive net-promoter scores of 75% to more than 80%.

USING YOUR NET-PROMOTER SCORE

Your net-promoter score provides valuable insights into how to get more promoters and fewer detractors. For example, compare your company’s scores region to region, branch to branch, sales rep to sales rep, and customer segment to customer segment. Uncover root causes of differences and share best practices from your highest-scoring groups. Also survey your competitors’ customers using the same method. How does your company stack up against the very high bar of 75% to 80% net-promoter score?

MOTIVATING CHANGE

Use your score to send a clear message to managers and employees about the importance of promoters—and the dangers of detractors. Consider these guidelines:

- Be sure that everyone in the company knows which customers they’re responsible for. Then ensure that all business functions—not just market research—own and accept the survey process and results.
- Make your scores transparent throughout your organization. Present employees with numbers from a previous week (or day) showing the percentages (and names) of customers who are promoters, passively satisfied, and detractors.

Then issue the managerial charge: “We need more promoters and fewer detractors in order to grow.” Explain the dangers of detractors: if your new-customer flow can’t keep up with leaks in your customer bucket, marketing costs will mount and cash flow decline.

- Create a sense of urgency by tying rewards to score improvement—giving customers, in essence, veto power over raises and promotions.

Example:

By making field managers ineligible for promotion unless their branch or group of branches matches or exceeds the company’s average net-promoter scores, Enterprise Rent-A-Car has seen its survey scores rise—and its growth increase relative to its rivals.