Six Steps for Flawless NPS Implementation

July 17, 2012

The Service Profit Chain Institute

The Service Profit Chain Institute is a consulting firm dedicated to helping our clients succeed by improving the linkage between employees, customers and profits.

CLIENTS INCLUDE:

• CAPABILITIES:
  – Building Leadership Capability
  – Results Driven Consulting
  – Innovative Learning Solutions

• STRATEGIC PARTNERSHIPS:
  – BTS
  – Harvard Business Publishing
  – BrightIdea Innovation Software
  – Clareo Partners
  – Human Performance Institute
Fall of 2012: Customer Experience Design Certification Program

Customer Experience Certification
• Provides an overview, process maps, tools, and expert advice to ensure each step for a specific engagement.
• Resources for further exploration of key concepts or activities are identified.
• A user community hosted by SPCI supports exchange of best practice and peer consultation on active projects.
• Additional subscription-based services will provide ongoing access to the latest resources and subject matter experts in customer experience design, including video-based interviews with leading experts and executives.

Tablet-based Toolkit
Experience Maps and Service Blueprints describe the core processes, sub-processes, and steps required to design, build, implement and sustain the customer experience.
Tools are supported by advice on how to use them successfully in a variety of environments.
Scenarios include a series of visual maps for how an organization might engage the toolkit, given different starting points, organizational requirements, and level of expertise.
Checklists support viable integration of an organization’s existing components into the process flow.

Net Promoter® Community
Join the Community
The Net Promoter® Community is a great resource for tools, case studies and networking with other firms committed to NPS implementation.

http://www.netpromoter.com/

Trademark information: Net Promoter Score, Net Promoter and NPS are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.
Best Practices: Implementation Framework

1. Leadership Alignment
   - 2. Program Governance
   - 3. Measurement, Analysis, and Reporting
   - 4. Enrolling and Equipping the Organization
   - 5. Action and Accountability
   - 6. Driving Innovation

What is the Net Promoter® Score (NPS)

How likely is it that you would recommend X to a friend or colleague?

<table>
<thead>
<tr>
<th>Detractors</th>
<th>Passives</th>
<th>Promoters</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>10</td>
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<td>4</td>
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<td>6</td>
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</table>

NPS = % of PROMOTERS (%s and 10s) - % of DETRACTORS (0 through 5)

Source: Satmetrix Systems Inc.

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1. Leadership Alignment

- Senior leadership commitment and involvement
- Customer segmentation and lifetime value
- Clear business case for growing Promoters and reducing Detractors
- Goal alignment
- Target setting and linking to compensation
- Working the frontline (employees and customers)

SPCI designed and delivered an innovative two-day program to 6,800 AT&T General Managers around the world. Highlights included:

- **CUSTOMER EXPERIENCE CITY:** Managers completed three rounds of role plays across 22 “businesses” to experience first hand what it means to truly delight customers and reinforce NPS the way to measure the customer experience.

- **WHAT’S AT STAKE:** Customer and Employee Lifetime Value calculators allowed participants to estimate the economic impact from improving customer and employee loyalty.
1. Leadership Alignment

Keeping It Example

- **RACKSPACE VIDEO CASE STUDY AND TOOLS FOR INSPIRING OWNERSHIP**: We conducted breakout sessions to study the practices of a company that models a high 'ownership' culture and learn about a practical set of tools to apply back on the job.

- **INNOVATING THE CUSTOMER EXPERIENCE**: Managers worked in teams to apply 6 principles of customer experience design to improve the AT&T customer experience.

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1. Leadership Alignment:

Business Case: Retail Example (Basic)

**The Value of Promoters versus Detractors**

- Two data sets for district level revenue and district level "Likelihood to Recommend" covering two time periods:
  - Period 1: Nov 10 to April 11
  - Period 2: May 11 to Oct 11
- SPCI captured the variance in LTR between the 2 periods and the variance in revenue and then performed regression analysis.
- Controlling for seasonality, SPCI looked for a statistically significant relationship to determine if there was economic value resulting from an increase in the percentage of 'Promoters'.

Growing Promoters provides a statistically significant impact on incremental revenue.

4% of incremental revenue was directly attributable to the customer becoming a Promoter.

The incremental annual lift in revenue of converting 3% of Non-Promoter customers to Promoters was over $100 million.

Numbers have been adjusted for confidentiality – presented for illustrative purposes only.
1. Leadership Alignment

Working the Front Line

- Always work the frontline during crisis situations
- Model the behaviors you expect: pick up garbage, straighten shelves, clean bathrooms, escort Guests, use their name whenever possible...
- Follow up every customer or employee meeting with a personal follow up note with a commitment for action
- Always have done your homework on the unit’s NPS performance… be prepared to recognize outstanding performance
- *Listen, summarize, and test for understanding more than tell, explain, defend and deliver*
- Share your findings with your peers
- Make your business card a mystery shop against your Brand Promise (McDonald’s previous CEO example)

1. Leadership Alignment

Key Takeaways

**Getting Started**

- Find a way to bring the business case to life beyond an NPV calculation. Executives need to become both mentally and emotionally invested in the plan.
- Work with the data that you have to shape the business case and earn the right to gather more precise information.
- Be careful that a lack of Goal Alignment does not derail the program.

**Moving to the Next Level**

- It is not enough to get stakeholder commitment, you have to sustain it! Consider creating an event that helps reinforce the link between a continued focus on NPS with business performance.
- Ensure that executives make calling customers (especially Detractors) a standard practice every week.
- Set targets for next year based on the four criteria reviewed: Normalized baseline, statistically significant gaps, relevant benchmarks and individual BU weightings on VOC or NPS
2. Program Governance

- Project Team Structure
- E2E Customer Experience Mapping
- NPS Aligned to Key Touchpoints
- Early Wins

2. Program Governance: Project Team Structure

Executive Sponsor → Steering Committee → Executives → CEO → Program Team (Program Leader) → Business and Touchpoint Owners → Marketing, Sales, Product, Support → Champions Across All Functions
2. Program Governance:
Map the end-to-end Customer Experience

- Identify Customer Loyalty Drivers
- Map the Current Customer Experience… Which Touchpoints reinforce our Brand Promise and intersect with Customer Loyalty Drivers?
- Identify potential measures including Relationship or Transactional measures

### Key Takeaways

**Getting Started**
- Think through who your program executive sponsor needs to be – it sends an important signal.
- Recruit a great project manager with strong internal credibility.
- Engineer early win projects carefully and who you approach to sponsor them.

**Moving to the Next Level**
- Communicate your achievements broadly, especially to customers and be sure to recognize internal Champions.
- Build contingency plans upfront for when you most vocal executive supporter leaves or moves on to another role.
- Consider incorporating process improvement capabilities such as Six Sigma into the customer management organization.
3. Measurement, Analysis and Reporting

- Sampling strategy and recruiting plan
- Survey design: Relationship and Transactional Measures
- Channels: Outbound, Inbound, Casual, Social Media
- Driver analysis
- Learning from customer verbatim comments
- Pushing results to frontline teams

3. Measurement: Relationship and Transactional Surveys

Software Company

Designed in partnership with over 300 stakeholders worldwide

Voice of the Customer:
What is important to our customers and partners, and how well do they feel we are delivering on their expectations

Net Promoter Score
Financial Performance
3. Analysis:
Loyalty Drivers

We want to understand:
- Which areas of the customer experience have the strongest relationship with overall satisfaction, likelihood to recommend and loyalty?
- Which areas of the customer experience are important to perform at a threshold level, but over performing would not drive more loyalty?
- How are we performing on these key drivers relative to competitors?

Source: Service Management Group

3. Analysis:
Verbatim Comments

We want to understand:
- The “why” behind customers’ feedback, in terms of the critical areas in which we need to improve.
- The most common themes suggested by customers to help us understand what’s driving customer’s perceptions.
- The real root cause, diving deeper within each of the most frequently mentioned themes.
3. Analysis:
Verbatim Comments

Source: Clarabridge

3. Measurement, Analysis and Reporting

Key Takeaways

Getting Started
- Create strong relationships with Touchpoint Owners before the customer data starts coming in. It will pay off.
- Be sure to test the initial threshold’s that you set Detractor alerts at. It is okay to set them lower then ‘dial it up’ with experience.
- Get the sales force to buy into the measurement strategy early. They are key partners in creating quality email lists right from the beginning.

Moving to the Next Level
- Run analysis to check for employees who may ‘game’ the system.
- Create predictive attrition customer lists by linking NPS trending data to transactional databases such as billing.
- Integrate customer responses to marketing incentives. (Reward Promoters to encourage actual recommendations immediately upon response).
4. Enrolling and Equipping the Organization

Empowerment is a Pull Strategy

- Provide Latitude within Limits
- The Profitable Art of Service Recovery:
  - Measure the costs
  - Break the silence
  - Anticipate the need for service recovery
  - Act fast
  - Train and empower employees
  - Close the loop

“Our new employee Katherine can commit up to $2,000 of the hotel’s funds to bring instant resolution to a guest’s problem.”

Laura Gutierrez, Director of Human Resources for the Ritz-Carlton Dearborn in Michigan
4. Enrolling and Equipping the Organization

Training is a Push Strategy

Training can include:

- NPS Follow Up from Alerts/Escalations Training for Frontline Staff, Managers and Executives
- Frontline Service Skills Training
- Manager Coaching Skills Training
- Service Delivery System Training
- Conducting Annual Account Reviews (Leveraging NPS Results)
- Quality Improvement Training

Key Takeaways

- Rule of Thumb: For every ‘push’ – be sure you have a ‘pull’ – strike a good balance.
- Be careful using financial incentives to create behavior change. In most cases they are better used to reinforce changes in behavior.
- Invest in customer service training to consistently exceed customer expectations at key Moments of Truth.
- Create customer excellence awards. This could include both employees and customers. Remember: recognition is often the biggest lever.
- Embed customer data into other standard processes such as Account Reviews or Orientation Training.
- Potentially align rewards and incentives to gains in Likelihood to Recommend or NPS Scores.
5. Action and Accountability: Mature Organizations Close the Loop

- Accountability Matrix
- Alerts, Follow Up and Closed Loop Management
- Issue tracking and resolution
- Operational improvements
- Strategic improvements

5. Action and Accountability: Alerts, Follow Up and Closing the Loop

Step 1
- Sampling Strategy
- Contact Collection

Managing the Customer Experience

Step 2
- Survey – Data Collection

Step 3
- Customer Follow-Up
- Alerts/Escalations

Step 4
- Results Analysis
- Action Planning

Step 5
- Implement Action Plan
- Review progress with customers and employees
- Share Best Practices across the organization
5. Action and Accountability: Organization Wide Improvement

5. Action and Accountability

Key Takeaways

Getting Started
- Always train executives and managers on the protocol and standards for following up Detractor calls.
- Achieve short term improvements from what Fred Reichheld describes as eliminating ‘Bad Profits’.
- Promote story-telling and communications of results achieved from Closed Loop Management.

Moving to the Next Level
- Consider more detailed process re-engineering tools like Service Blueprinting or Lean Six Sigma.
- Fully integrate Strategic, Operational and Tactical improvement efforts into a Hoshin Kanri planning process.
- Ensure customer data is incorporated into decisions around capital allocation for the following year.
6. Driving Innovation

- Innovating the Customer Experience
- Online customer communities
- Social media
- Business System Innovation
- Harnessing WOM

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6. Driving Innovation: Social Media

**Dell's Social Media Control Center**

- The average social network user is aged 31
- The average social gamer is a 43 year-old woman
- 1 out of every 8 couples married in the U.S. last year met online
- In 2007 87% of mobile customers were not online, but in 2011 80% are online

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6. Driving Innovation: Business System Innovation

Key Takeaways

• For B2B firms, consider the fit of Dell’s 7 Step process for formulating your social media strategy.
• Once you have achieved broad acceptance of the customer measurement system, consider launching an online customer community.
• Grow positive Word-of-Mouth from your Promoter base by putting your best customers to work.
• Design social media tools directly into your customer measurement system based on branching rules and other techniques.
• Using both quantitative and qualitative data, apply SPCI’s 7 principles for innovating the customer experience.
• Apply a tool like the Innovation Radar to identify new opportunities for business model innovation.

The Service Profit Chain Institute
Summary

- System, not a score
- Rallying cry for the organization... “keeps the main thing the main thing”
- Drives customer experience improvement to many levels, including executives and frontline employees
- Over time, informs innovation focus

An Invitation...

Complete a complimentary organization maturity assessment. Two versions:
- Net Promoter® Score (NPS) Maturity Assessment
- Voice of the Customer (VOC) Maturity Assessment

These are good ‘temperature checks’ on the readiness or maturity level around the degree to which you are using customer data to improve business performance. If interested just send us an email to: rosie.mucklo@serviceprofitchain.com or select it from the webinar evaluation.