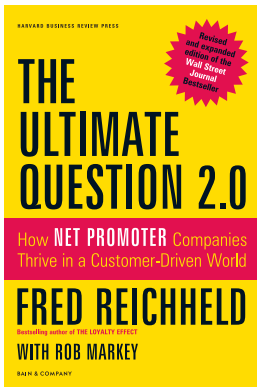


Loyalty Insights

The benefits of a competitive benchmark Net Promoter Score

By Rob Markey



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The benefits of a competitive benchmark Net Promoter Score

It's not unusual for a company to crow about a high Net Promoter ScoreSM. You may have seen a company—maybe a competitor—issue a press release touting a score as high as 75% or more. Often, the company will compare its Net Promoter Score to scores we published in *The Ultimate Question 2.0*, where we show loyalty-leading companies like Apple or USAA achieving 75% to 85%.

High Net Promoter Scores are certainly better than low ones. They indicate that a company has earned more promoters than detractors. But how do we interpret the scores these companies are reporting? What is a good score? How should we set goals and targets for improvement?

To begin, we should make sure we look at the right sort of Net Promoter Score—one that allows us to compare apples to apples (pun intended). Seasoned practitioners of the Net Promoter SystemSM gather feedback from their customers in three different ways (see *Figure 1*):

- **Experience.** Net Promoter System practitioners ask for feedback from their own customers after selected experiences, transactions or episodes. For example, they might do so after the purchase of a product or an interaction over the phone. This type of feedback focuses on understanding how customers' experiences at those moments influenced their overall loyalty so you can figure out ways to improve those experiences.
- **Relationship.** Net Promoter System companies regularly contact a sample of their own customers, asking them how likely they would be to recommend the company to friends or colleagues, and why. Feedback like this provides an overall assessment of the relationship between company and customer. It provides input to account teams, relationship managers and others so they can make decisions and take actions to improve selling, servicing, product design, pricing or other policies, based on what they learn.

Figure 1: How to achieve growth through customer centricity

	Competitive benchmark	Customer relationship	Experience
Objective	<ul style="list-style-type: none"> • Competitive comparison • Strategy decisions • Goal setting 		<ul style="list-style-type: none"> • Frontline learning • Organizational learning • Customer relationship enhancement
Who	<ul style="list-style-type: none"> • Customers • Competitor's customers (double-blind research) 	<ul style="list-style-type: none"> • Existing customers (representative sample or census) 	<ul style="list-style-type: none"> • Customers with recent experience
Closed-loop	<ul style="list-style-type: none"> • No 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Yes
Other follow-up	<ul style="list-style-type: none"> • Data analysis • Cross-functional projects • Major initiatives 	<ul style="list-style-type: none"> • Account planning • Product, policy or other enhancements 	<ul style="list-style-type: none"> • Experience improvement or redesign • Customer call-backs • Coaching for employees

Source: Bain & Company

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- **Competitive benchmark.** Finally, leading practitioners of the Net Promoter System sample all target customers for their products or services. They seek feedback not only from their own customers but also from their competitors' customers. Competitive benchmark Net Promoter Scores provide an objective and fair basis for comparing your company's feedback to the feedback your competitors earn. Done right, they can provide the basis for goal setting and prioritization at the highest levels of a company.

That third method, competitive benchmark Net Promoter Score, is often overlooked or undervalued. Yet it adds an important level of information the other two are likely to miss. It allows a company to learn what respondents think about an entire value proposition, not just their relationship with one particular company. Ms. Johnson and Mr. Jones might have been highly satisfied customers of Blockbuster in its heyday. They might even have told researchers that some of Blockbuster's innovations and improvements increased their satisfaction with the chain. But that wouldn't have stopped them from ditching Blockbuster when Netflix appeared on the scene. If you were running Blockbuster at the time, you would have wanted to learn how many of your target customers' heads were turning in Netflix's direction, and why.

Experience and relationship Net Promoter Scores fuel continuous improvement. Competitive benchmark scores inform a different set of decisions. They tell a company how it is doing, not just against direct competitors but against every competing alternative in the marketplace. That knowledge helps leaders know where the major threats and opportunities lie. It helps them determine strategic priorities, such as where and how aggressively to invest. The feedback can also provide valuable specifics. For example, you may find that competitor X has suddenly become popular with customers because of a new product or pricing system. Then you can ask whether it makes sense to try emulating or leapfrogging the innovation.

Methodology

Competitive benchmark surveys are a form of traditional market research. Researchers, usually from a third-party firm, ask respondents which companies in a given category they patronize. They ask how likely the respondents would be to recommend each one, and they probe for the reasons. In most cases, they gather data about the respondents' purchases so they can estimate their economic value as customers. They also ask demographic or psychographic questions to locate the respondent in a particular customer segment. The methodology is almost always double-blind: the respondents don't know which company is asking the questions, and the customers remain anonymous to the company. As with most market research, the surveys can take 15 or 20 minutes and are designed to provide true comparisons between a company and its competitors. A higher score than the competition, even if it seems low in absolute terms, is a reliable indicator of future growth. The opposite is true as well.

Competitive benchmarking eliminates the responder bias that's likely to crop up when you survey only your own customers. In your own surveys, people who don't like doing business with you may decide that it isn't worth their time to participate. With a third party doing the asking, you're equally likely to hear from everyone on the love-you/hate-you spectrum.

Competitive benchmarking also eliminates the built-in difficulty of comparing absolute Net Promoter Scores from one geographical region with another. Say your operations in Asia score lower on the Net Promoter zero-to-10 scale than your other operations. A third-party survey will help you establish your performance relative to other companies operating in the same market, eliminating the worry about whether Asian customers are less likely to hand out 9s and 10s than customers in other regions. When you look at your performance relative to competitors in the same market, cultural bias becomes irrelevant.

How often should we survey?

How often you commission competitive benchmarking research depends a lot on how fast your industry is changing. If you are in the carbon black business and your chief customers are the handful of tire manufacturers around the world, you know that your industry doesn't vary much from year to year. A competitive benchmark survey every two or three years will be sufficient. If you are in the wireless handset business, it's the exact opposite: rivals are probably coming out with new models or offers several times a year. To keep up with the constant change, one handset maker conducts a relatively small competitive benchmark survey every month. It then aggregates that data with the previous 11 months' worth to provide a large enough sample size for detailed analysis.

Key issues in benchmark design

Any survey, of course, requires a series of decisions about whom to survey, what to ask and how often to conduct it (see the sidebar, "How often should we survey?"). Here are some of the major issues that companies typically confront:

- Who are our primary competitors? Some executives at a major credit-card issuer claimed that their company competed only against certain types of card issuers—those with a similar business model—and not others. Maybe that was true in their minds, but it was almost certainly not true in the customers' minds. You'll want feedback on all the alternatives available to your target customers, not just the ones that make your company look good.
- What other alternatives should we consider? When Intuit was collecting competitive benchmark data for its TurboTax product, it compared TurboTax not just with other tax software but with every relevant alternative, such as using tax preparation services. If Blockbuster were alive today, it wouldn't want to compare itself only with other storefront video-rental stores.
- Should we survey all the customers in the marketplace, or target segments only? And if the latter, do we agree on the definition of our target segments? In banking or investment management, for instance, it may be especially important to seek feedback from wealthy individuals. To get enough of them in the data, you'll almost certainly need to over-sample for them. In B2B companies, it may take some deliberate effort to determine the individuals from whom you should solicit feedback. Is it just the decision makers? Or should the group also include influencers, recommenders, purchasing agents, finance folks and shop-floor employees?
- How do we link responses to economic value? Researchers can ask respondents to report their buying and usage behaviors, but that information has to be calibrated against known customer data. Customers often inflate self-reported buying behavior, and the degree to which customers underestimate or overestimate their behavior varies by segment, so comparing what customers say with actual purchasing data provides an important reality check.

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- How deep should we go? Getting actionable insights from competitive benchmark research can be tricky. On the one hand, there's a limit to how much detail you can glean from customers about their experiences with a company. On the other hand, broad and sweeping statements about why a customer likes or dislikes doing business with a company—"price," "convenience," "service" and so on—don't easily lead to action. So some companies are finding ways to uncover insights about a handful of "moments of truth" that can be compared across competitors to yield more meaningful insights about product design, service delivery, pricing and other issues.

This is challenging work, because the details matter, and because some less-than-obvious factors can influence the utility of the comparisons. Companies in certain businesses may need to make sampling or other analytic adjustments to get accurate, useful data. Lenders, for instance, almost always find that likelihood to recommend doesn't line up with the behaviors that create economic value until they adjust for credit risk.

Some companies forgo Net Promoter-style competitive benchmarking, relying instead on other published indexes from established market research houses. That kind of data can be helpful, especially in situations where it is not practical to collect your own benchmarking data. In a company that has adopted the Net Promoter System,

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however, these alternative metrics provide less bang for the buck because they don't link to the cultural, inspirational and intuitive elements of the system. Because Net Promoter competitive benchmarks use a transparent methodology, they produce an easily understood number that ties in with the company's internal language and closed-loop system. Frontline employees "get" Net Promoter Scores, and, in most cases, they are highly motivated to improve. An opaque customer-satisfaction rating from a third party has nowhere near the same motivational payoff.

Competitive benchmarking research is easy to put off, particularly if your company is just getting started on the Net Promoter System. But don't put it off too long. You will gain insights about your customers and your strategic priorities that you can't learn any other way—and it will reinforce what you are doing internally. 

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