CEO advisory

Leading with loyalty

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Ask any senior manager to name his or her most urgent business priority and the most likely answer is, ''consistent revenue and profit growth.'' Yet, just one company in 10 actually achieves this goal. The common trait these elite few share is the uncommon ability to build operations and processes designed to attract and retain loyal customers. According to Bain & Company research, companies that enjoy this ''loyalty effect'' grow at better than twice the average for their industry.

Loyalty leaders succeed because they actually organize themselves in a way that helps concentrate all processes and people on turning customers into promoters. How do they do this? They focus on gathering the right data about the right customers. They measure customer experiences at each point where customers come into contact with their organizations. They act on the information they gather, channeling insights gleaned from customers into continuous product and service improvements. They hold line management accountable for building solid customer relationships, and they build incentive systems that reward front-line employees for listening and responding to customer feedback.

At the heart of any successful advocacy-building initiative is a reliable survey tool. One that can detect subtle shifts in customer sentiment is Bain's Net Promoter® Scores (NPS). At most companies that use it, NPS is based on asking customers this basic question: ''On a scale of 0 to 10, how likely is it you would recommend this company, product or service to a friend or colleague?'' Other companies may ask customers about their intention to purchase again or how likely they are to increase their spending in future purchases. The key objective of any loyalty measurement is to choose the question that, when asked frequently and systematically, best categorizes customers as loyal promoters (those who give a score of 9 or 10), as passive about their experience (the 7's and 8's), or as detractors (everyone else).

Bain's Net Promoter Score is computed simply by subtracting the percentage of detractors from the percentage of promoters. By carefully monitoring your NPS data you can detect how changes in the quality of the experience your organization delivers influence your promoters.

Companies like General Electric, eBay, Apple, Enterprise Rent-A-Car, and Intuit, have adopted loyalty measures like NPS because such tools open a window into how customers think. By tracking loyalty scores, firms can quickly sort out how customers felt about their most recent interactions with the company. But loyalty leaders understand that an NPS-based feedback system is an operational tool, not abstract market research. The appropriate management cycle for an NPS-based system is: initial measurement, front-line engagement to improve the customer experience, followed by more measurement, and further refinement. Says Dan Henson, a 20-year veteran of General Electric, who implemented this approach as

GE's chief marketing officer: ''NPS is the most powerful tool we have ever deployed.''

The NPS tool equips organizations to boost customer-advocacy scores in four ways.

1. Data from the front lines. NPS customer-relationship data can help front-line work teams make better decisions and deliver an improved customer experience. The goal is to accumulate immediate unfiltered feedback based on customers' most recent interactions with your company, enabling every employee to understand from the client's perspective the quality of the customer experience – in this store, with this product, delivered by this employee. By tracking Net Promoter Scores back to the source of the customer contact, managers can spot trends, get an early read on emerging problems, and pinpoint which departments and employees are doing the best job of turning customers into promoters.

Intuit began to solicit hard data from customers in 2003 to help understand why its once-rapid growth rate was flattening. From its beginnings in the mid-1980s, the developer of Quicken, Turbo Tax, and other popular personal-finance and small-business software packages had made delighting customers a core part of its mission and a key to its long-term success. Intuit founder Scott Cook made his company an innovator in techniques for getting close to customers by having senior managers put in time manning customer-help lines and through its ''follow-me-home'' program, where employees asked customers' permission to watch them set up Intuit software and note where they might be encountering problems. But over time, Intuit found itself under pressure to decrease customer service.

To put customers front-and-center in its priorities again, Intuit began asking customers who purchased its software the ''would you recommend us?'' question. But the results from that high-level screening appeared contradictory. Intuit discovered that promoters often praised a product's simplicity but detractors complained about its complexity. Drilling deeper, the company tracked customers who called the tech-support phone lines for its QuickBooks and TurboTax programs and found that detractors were annoyed by having to pay for the calls and not getting the solutions they needed. Identifying the problem also yielded the solution: Intuit extended the period it offered free tech support for new customers and increased staffing levels. These and other service improvements that emerged from point-of-contact data-gathering helped Intuit raise its Net Promoter Scores among new users across its major lines of business and recharge its financial results in the process.

2. Aim for high response rates from core customers. Every customer is important, of course, and it would be ideal to have input from all of them. But gathering feedback from marginally profitable customers can distort spending or investment decisions. It makes more business sense to concentrate first on the core customers who matter most to your business. For example, when one bank's customer-satisfaction surveys showed that account holders were frustrated by long lines at teller windows, the research team recommended that branches increase their staffing. But before that expensive plan was implemented, one savvy manager decided, instead, to see what the priorities of the bank's most valuable customers were. It turned out that members of this profitable group rarely visited the branches and were more concerned with having their problems solved quickly by knowledgeable phone reps and through enhanced online access.

By focusing on core customers, your company can develop effective, profitable strategies for building better relationships. But to ensure that the information you gather provides a complete picture of the core customer base – how many are promoters, passives, and detractors and how those numbers vary over time – a large sample size and high response rate is essential. As a general rule, any response rate lower than 65 percent means you're not hearing from enough customers. Indeed, a low response rate is itself an indication that the survey process the company uses is poorly conceived and intrusive. Customers who are unwilling to respond are giving an implicit vote of ''no confidence.''

Organizations that take response rates seriously do far better. For example, Intuit's survey-response rates for the company's new personal tax product now exceed 90 percent. At Enterprise Rent-a-Car, response rates from customers to the company's phone surveys run as high as 95 percent. What these two companies' successes bring home is that customers are only too happy to provide their opinion if the value of their time is respected and if they are asked questions immediately relevant to an experience that is fresh in their mind.

3. Empower front-line employees to strengthen customer relationships. While NPS can give structured feedback on customers' experiences, the real key to success is how a company reacts to the data. True customer-focused organizations don't just take the pulse of customer opinion simply to track transactions. They use the findings to correct service shortcomings, link employee training to customer feedback and, by tying improvements to compensation, motivate front-line staff with a goal of building relationships. Enterprise Rent-A-Car became proficient at using customer input as a frontline operating tool. The crucial breakthrough was pushing measurement of customer loyalty down to the individual rental offices where the customer experience was centered. Armed with local data regional managers could hold branches accountable for improving customer relationships and encourage employees to be more

responsive to customer feedback. Enterprise gives each employee a stake in – and responsibility for – his or her local office's customer-loyalty scores. All Enterprise offices are ranked by their monthly Enterprise Service Quality Index score (or ESQi, the company's proprietary loyalty measure), but only employees in those offices that score at or above the average ESQi for the company overall are eligible for promotion, raises or bonuses.

This approach is much harder to implement when customer service is delivered by teams that frequently change. In a hospital, for example, a patient may interact with a case manager, physician specialists, nurses, physical therapists, technicians and administrative services. So how can management measure the effectiveness of these small teams? Cancer Treatment Centers of America (CTCA), a chain of specialized oncology hospitals, came up with a clever solution. It reworked its patient-care tracking systems to reflect which departments and employees from each department treat individual patients. Patients score their performance. The methodology allows CTCA to compute a Net Promoter Score for every department and staff member involved in the patient's care.

4. Measure often and innovate. By taking NPS surveys frequently, managers will have more opportunities to test and adopt new approaches and see which ones deliver improvements. Enterprise, for example, surveys its 6,000 branches during 12 reporting periods. That adds up to 72,000 potential opportunities to experiment.

The goal is to continuously expose employees to feedback, which will spark ideas for increasing customer loyalty even further. Well-designed and consistently executed customer-advocacy measurements provide an up-to-date look at where customers say your company is heading – and where it has the potential to grow.