



# Here's how to stop losing customers by tuning-in to customer feedback

You don't want your competitors taking your customers from you, we know.

In fact the thought of losing customers is frightening.

So why would you treat customer feedback as anything other than a critical business issue?

Yes, feedback can be scary.

Yes, feedback can be hard to get.

Yes, feedback can be difficult to manage and do something with.

Which is perhaps why it's remarkably rare to find businesses wholeheartedly committed to customer feedback.

Actually, it's not so rare when you look at really successful businesses (more of these shortly).

## In a nutshell

Capturing customer feedback on its own is never enough. Just measuring feedback is of little value unless it influences your behaviour.

If customer feedback doesn't drive improvements in your behaviour, disaster is around the corner.

## Disregard customer feedback at your peril...

Disregard customer feedback and you get millions of negative YouTube hits!

"Oh my goodness they're throwing guitars out there."

Dave Carroll, a musician, heard a passenger behind him say this. So he looked out of the United Airlines aircraft window. He witnessed his guitars being thrown about by baggage handlers.

Carroll was heartbroken to discover later that his precious £2,000 Taylor guitar was damaged.

Nine months of tireless telephone calls and emails later, Carroll had failed to get any compensation.

So he took matters into his own musical hands.

Carroll posted a little ditty entitled "United Breaks Guitars" on YouTube. 4 days later he'd had 1.5 million views.

The song even made No.1 on the iTunes country & western download chart in the UK!

As a result United Airlines had £123 million wiped off their share price – enough for 51,000 guitars.

Contrast this with the way great businesses treat feedback overleaf.

## Here's a proven solution for you...

Take customer feedback seriously. Use one well-proven feedback question: **"How likely are you to recommend our business to a friend or colleague?"** Turn the answers to this question into information you can use to improve your business results.





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**Apple, Lego and Virgin Media all use Net Promoter Score**

### Feedback obsessed...

Apple, Virgin Media in the UK and Ebay have all adopted the **Net Promoter Score<sup>SM</sup> (NPS<sup>®</sup>)** approach to customer feedback.

This single 'score' drives change in every department of these businesses. They are not alone.

Lego, Dell and even British Gas use customer feedback to steer company improvements.

You too can get serious about tracking customer feedback. And you can use the same single feedback score these companies use.

### The number one number for feedback

Apple stores began measuring Net Promoter Score (NPS) in 2007 – back then there were 163 stores and their NPS was 58%.

By the time Apple got to 320 stores their NPS was an outstanding 70%. Plus sales per square foot were 5 times their competition.

It could be that Apple's success is because of amazing products or cool store design. However, according to Fred Reichheld in his book 'The Ultimate Question 2.0' – *"...by far the most common reason promoters gave for their happiness is the way (Apple) store employees treated them."*

### Working out YOUR number one number

The Net Promoter Score question goes like this:

**"How likely are you to recommend our company – on a scale of 1 to 10 – to a friend or colleague?"**

The answer to this question creates three possibilities.

1. Anyone answering with a score of 1-6 is a net detractor
2. 7-8 scores are neutral/passive

3. 9-10 scores are net promoters

Your NPS is the percentage of promoters minus the percentage detractors. For example: To achieve a NPS of 70% you might have 80% promoters and 10% detractors  $80\% - 10\% = 70\%$ .

### Why NPS is so valuable to your business...

According to Owen and Brooks in their study into NPS, the Net Promoter Score captures two key behaviours:

1. **The value of the customer** – a net promoter typically buys more from you; a net detractor buys less.
2. **The potential value through referral** – a net promoter will typically say good things about your business and your products and recommend you; a net detractor makes negative comments.

### Measuring NPS is not enough...

When Apple and Virgin Media get a net detractor they call them up. They find out what the issue is. They then set about correcting the issues and prevent it happening again.

Apple, Virgin Media, Lego and others don't just measure NPS. NPS drives corrective action throughout their businesses.

Neil Birkett became the CEO of Virgin Media in the UK back in 2008. At the time Virgin's customer-service ratings were the worst in their industry. In Birkett's words:

**"Our number one problem was that customers didn't stay with us long enough!"**

### Use NPS to drive action...

Just two years after committing to NPS, Virgin Media reduced customer churn by 39%.

Birkett's team were starting from a low score - it would have been easy to get demoralised if they initially focused on the net detractors (scoring them 1-6).

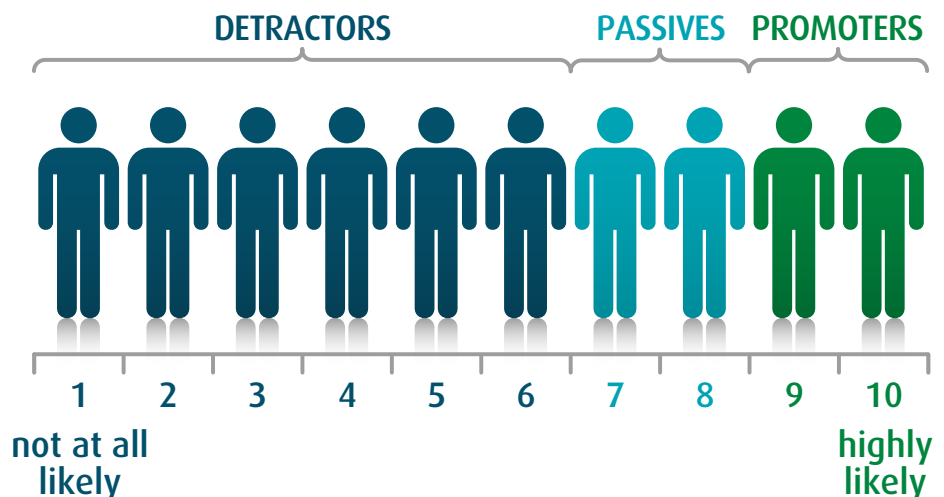
To avoid this Birkett created a **'10-wall'** to prove that 10s were possible. With a well-established good feeling around the '10-wall', they were ready to call detractors. But there were a lot of detractors!

Fred Reichheld in 'The Ultimate Question 2.0' describes Virgin Media's solution to being almost overrun with detractors:

**"To keep the volume of closed-loop feedback calls under control, the company started by calling only those customers who scored it a zero. Later it expanded the calls... (to) first ones, then twos, and eventually all detractors"**

Virgin Media like Apple are committed to taking action on their Net Promoter Score. You can do the same and grow your business too.

On a scale of 1 to 10, how likely are you to recommend our company to a friend or colleague?



## TIME TO DISAGREE:

**“We can’t get our people to ask our customers for feedback, it’s a scary thing to do. The answers we get back might be bad!”**

What’s certain is you’re going to get a cross-section of feedback scores. And like Virgin Media you might be faced with some (or a lot of) net detractors.

Not getting this feedback, not working out why you’re scoring low is like sticking your head in the sand. Stick your head in the sand and you’ll always have more detractors than you should have.

More net detractors means fewer sales from these customers. More net detractors means fewer referrals than you should be getting. This means reduced sales revenues and reduced profit.

Commit to acting on customer feedback and you’re on the road to sustainable success. Avoiding it is a recipe for decline.

**“We’re already really busy and committing to Net Promoter Score sounds like a lot of hard work responding to net detractors.”**

Yes there’s the work of solving how to get a regular flow of NPS feedback and the reasons behind the scores. Then there’s the work of ‘fixing’ your processes to prevent future detractor scores. The alternative is wondering why you’re not growing as fast as you’d like; why your re-purchase rates are low; why your average order value is reducing; why you aren’t getting the referrals you used to get.

### Use the Business Bitesize Support Tools And Resources

to help you make the most of this edition of Business Bitesize – go here: [www.businessbitesize.com/parfrey\\_murphy](http://www.businessbitesize.com/parfrey_murphy) to download these

**Your feedback is important to us.** We’d love to know what you think of this edition of Business Bitesize and how you use it or plan to use it. Also we’d welcome your suggestions for future editions of Business Bitesize. To give us your thoughts please use the simple feedback form here: [www.businessbitesize.com/parfrey\\_murphy](http://www.businessbitesize.com/parfrey_murphy)

And as long as you don’t know the reason for your net detractors, you may well be spending time and money correcting the things that have no financial impact.

**“I’m not convinced that investing time and money on NPS will work for us.”**

When you dig deeper into the NPS research carried out by Owen & Brooks you hear about the strong economic arguments in favour of NPS.

**“In our studies of business-to-business companies adopting the Net Promoter discipline, successful companies saw an average of 23 percent increased revenue growth.”**

One Canadian company MD is quoted as saying:

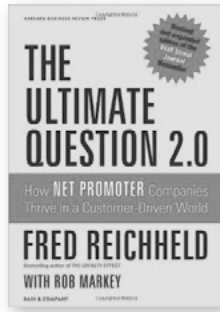
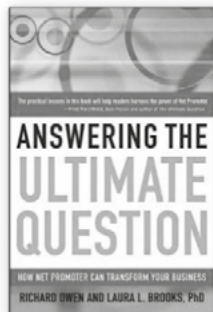
**“It’s as plain as day – the economic benefits of having Promoters versus Detractors.”** – Larry Hyett, VP Retail Sales at TD Canada Trust.

### Tell me more...

The logic of a committed approach to customer feedback and action is undeniable.

The success of NPS as a way to capture feedback and promote corrective action works for Apple, Lego, Virgin Media and many more. It could work for your business too.

You can dig deeper into making NPS work for your business by checking out the Bitesize tools at the links below. You should also check out these two in-depth studies into NPS.



## 4 helping hands for you...

Customer feedback, on its own, is never enough. Customer feedback must drive behaviour in your business.

- 1. Wholeheartedly commit to capturing and using customer feedback to drive change in your business**
- 2. Work out how best to collect customer feedback using the Net Promoter Score**
- 3. Contact detractors to find out what you need to change**
- 4. Change what your business does so you reduce detractors and increase promoters**

**ULTIMATE ARGUMENT:** “How do I know this will work for me and my business?”

It’s one thing to test NPS so you can see it has value for you and your business. However if NPS does not have the business leader’s wholehearted commitment to collecting NPS and acting on NPS it is unlikely to work. So if you’re yet to be convinced and want more evidence check out one or both of the books shown here.

**STOP:** treating feedback half-heartedly or as just another marketing process you know you should do.

**START:** asking customers how likely they are, on a scale of 1 to 10, to recommend your business.



## Your next steps:

Here's your Bitesize Net Promoter Score action plan. This checklist will help you get NPS going in your business.

## Start by working with your customer-facing people:

Capturing Net Promoter Scores happens close to (or at) the point of purchase. So you need to work with your customer-facing people to work out the best way to get your NPS and how to respond to the results.

## More tools and information for you:

As well as the checklist here, you can use the forms and checklists in the online supporting tools. Together they'll help you see the economic upside of NPS and how to make the most of NPS.

# Here's how you get going with Net Promoter Score...

## 1. Start capturing your Net Promoter Scores

Together with your customer-facing people, work out the best way to ask your customers the NPS question:

"How likely are you, on a scale from 1 to 10, to recommend our business to your friends and colleagues?"

## 2. Work out your business's NPS

As you take action in response to your NPS results you'll want to see your NPS improve. So it makes sense to work out and track your NPS every week or every month.

Your NPS is the percentage of promoters (scoring 9 and 10) minus the percentage of detractors (scoring 0 - 6). If you have 60% promoters and 25% detractors your NPS is 35% (this means you'll have 15% neutral scoring 7 and 8).

## 3. Take action quickly – find out more from your detractors

Just measuring NPS is of little value. Customer feedback must drive behaviour in your business.

The first behaviour is to find out what drives detractors to give you low scores. This can be at the point of purchase, or follow Apple's example and call them up afterwards (but quickly).

## 4. Segment your NPS results more closely for even better insight, better decisions and better results

Some individuals, some teams, some product purchases generate the most promoters. Others produce the most detractors or neutrals.

Understanding which people, teams and products or services deliver the best and worst NPS can help show you how to improve things. You'll find more about this in the support tools at the link below.

Go to the link below and you'll find a suite of support tools to help you make the most of Net Promoter Score. These tools will help you capture your NPS, and suggest ways to reduce detractors, increase promoters and improve your business results.

Find the support tools to help you here - [www.businessbitesize.com/parfrey\\_murphy](http://www.businessbitesize.com/parfrey_murphy)

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