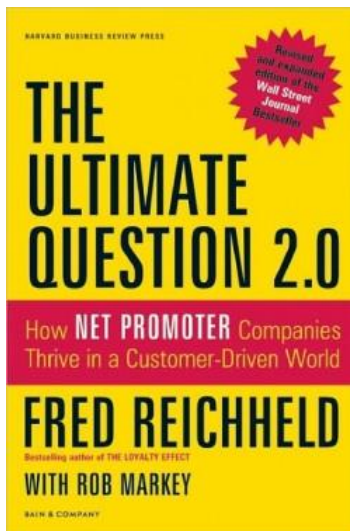


Summary: The Ultimate Question 2.0 3

- BY [PAUL MARSDEN](#)

If the key role of social media in your business is to help you thrive in a customer-driven world, then there's one business book that stands head and shoulders above the rest to help you do just that. And it's not even about social media per se – it's the new, revised and expanded edition of [Fred Reichheld](#)'s business bestseller [The Ultimate Question 2.0: How Net Promoter Companies Thrive in a Customer-Driven World](#), written with [Rob Markey](#) – partner at global



consultancy [Bain & Company](#).

The Ultimate Question 2.0 explains how Apple, Amex, Intuit, Zappos and others are using a simple P&L accounting approach to customer relationships (profit-generating 'promoters' minus loss-making 'detractors') to thrive in a customer-driven world by building 'good profits' through profitable relationships with loyal fans. AKA the '[Net Promoter System](#)'.

In our view, it's the one must-read business book for anyone involved in social media and social commerce. It is not only both inspiring and practical, it also provides the best business rationale for social media investment we've seen, and a ***financial logic for using social media to drive loyalty and***

advocacy among brand fans ('promoters'). Miss it and you risk missing the business case for social media and social commerce.

But for the time-poor, here's our 'speed summary' (speed being a relative term – we've broken up the book into chapter summaries and into two parts (second one coming on Monday) – given the richness of the content). We'll save our social commerce focused review for later, and stick here to a summary of the content and what you need to know.

Chapter Summaries: The Ultimate Question 2.0: How Net Promoter Companies Thrive in a Customer-Driven World

by Fred Reichheld with Rob Markey (Harvard Business Review Press 2011)

Preface: The book shows a path to true business growth through sustainable 'good profits' derived from consistently delivering a customer experience worthy of loyalty. Whilst there are many paths to growth, none are as sustainable as consistently delighting your customers and reaping the rewards of enhanced loyalty and advocacy. This book shows how to use the Golden Rule – treating

others as you'd want to be treated – to do this and thrive in a customer-driven world through profitable customer relationships.

Introduction: From Score to System

The Net Promoter System is a management approach to business through 'good profits' – ethical profits from enriching lives instead of 'bad profits' that exploit customers. It's about building customer relationships worthy of loyalty by treating customers so well they become loyal promoters of your business. It's about, in the words of Zappos' Tony Hsieh, consistently WOWing customers so they come back for more and tell others. Put simply, it's about happy customers talking. And for leaders, it's a leadership tool for making happiness your business model, and joining a quiet revolution for building a legacy built on 'good profits'. As an open-source adaptable and flexible system for generating good profits, many companies have adapted the NPS to their own needs and with their own labels (fast-food chain Chick-Fil-A calls it the **Raving Fan Index**), but successful implementations all share three key elements;

- Systematically categorising customers into promoters and detractors to produce a net score that monitors the quality of customer relationships, and communicating this throughout the organisation
- Creating 'closed-loop' learning and improvement processes to increase promoters and reduce detractors at an operational level. If your NPS score drops, investigate the source of bad business – and put it right
- Treating the creation of more promoters and fewer detractors as mission critical at board level. Developing relationships worth of loyalty is either a strategic priority or it isn't. If it isn't NPS is not for you.

Part 1: The Fundamentals of the Net Promoter System

Chapter 1: Bad Profits, Good Profits and the Ultimate Question

Customer-centricity is the path to growth because it drives customer loyalty, helping make a company mission-driven as well as profit-driven. Companies know, believe in and can recite the catechism of customer-centricity: "Why do we want loyal customers? Because loyal customers come back more often, buy additional products and services, refer their friends, provide valuable feedback, cost less to serve and are less price sensitive". Bain & Co found that the Loyalty Effect could boost 25-100% profit boost by increasing retention rates by 5%. As a proxy for whether customers believe you are worthy of their loyalty, NPS score monitoring can help drive growth via loyalty. For example, market leaders such as Apple, Amazon and Costco create high NPS scores around 80, whilst average firms have a NPS score of 10-20%. Overall, NPS leaders in the US (companies with the highest NPS scores in their category) grow at over twice the rate of the category average. And whilst only 9% of US companies surveyed by Bain & Co

have registered sustained profitable growth of 5%+ over the last decade, those 9% have an NPS score 2.3 times those of industry averages.

Chapter 2: The Measure of Success

A key challenge of building a business around 'good profits' – derived from delivering expectation-building experiences worthy of loyalty, is that you need a simple way to measure customer happiness – and then link it to performance. It's got to be simple, practical and actionable. This NPS 'Ultimate Question' – propensity to recommend – is useful because it is both intuitive and adds a critical emotional dimension to the monitoring of loyalty. It also takes into account the referral value of customers. It is a good proxy for business made by smiles created. It's better than measuring behavioural loyalty because behaviour alone (such as retention rates) might hide a trapped 'smile-free' relationship; whilst willingness to recommend (advocacy lies at the top of the loyalty ladder) is indicative of **emotional loyalty**. Asking about willingness to recommend is also an easier question to answer than asking about abstract concepts like loyalty. But it's not perfect; firms must establish a question that best links to customer loyalty, and can serve as a proxy for whether their business is built on good or bad profits (or losses).

Chapter 3: How NPS Drives Profitable Growth

The Net Promoter System is only useful if it drives action – specifically investing in customer relationships to build loyalty. Every company would want better relationships with customers if these relationships were free, but high-quality relationships are not free – they require investment, and reducing reliance on bad profits. So a key step in refocusing a business on customer relationships is to make the business case for doing so; how much is it worth to turn a detractor into a passive or promoter, what would it be worth to raise our relative NPS by 10 points? To make the case for good profits, you need to know the value of loyalty, and that means estimating the lifetime value of your customer segments – promoters, passives and detractors. Promoters are worth more because they have a higher retention rate, are less price sensitive, have a higher annual spend, are more cost efficient (they cost less to serve than complaining detractors) and refer more. But how much more are they worth? To know this, companies need to segment customers by customer type, measure on these dimensions and then compare the outcomes. Bain, for example, found that a promoter has a lifetime value (LTV) worth \$9500 more than a detractor to a US bank.

Chapter 4: The Enterprise Story – Measuring What Matters

Enterprise Rent-a-Car has grown to become the number 1 rental car agency in the US with a singular focus on using the Golden Rule (treat customers as you;d

want to be treated) to generate good profits. It attributes much of its success, growing from \$2bn in 1994 to \$7bn in 2004, to a single question monitoring system to track customer delight (replacing a lengthy and ineffectual satisfaction survey suffering from question creep), that has allowed the company to drive customer loyalty. Through experimentation, identifying and learning from best practice, closed-loop on-the-spot fixes, ranking branches by the quality of experience delivered, and making quality experience a precondition for promotion, Enterprise has reduced neutral and negative experiences from 12% to 5% since 1994, whilst building growth from loyal promoters.

Chapter 5: The Rules of Measurement

Driving growth through loyalty requires an agile loyalty monitoring system – NPS score monitoring can help. Experience shows that effective NPS score monitoring follows certain principles: Principle 1: Ask the Ultimate Question and Very Little Else, Principle 2: Choose a scale and stick to it, Principle 3: Avoid Confusion Between Internal Scores ('Bottom-Up' or 'Touchpoint') and External Scores (Top-Down, Benchmark or 'Relationship' Scores), Principle 4: Aim for High Response Rates from the Right Customers, Principle 5: Report and Discuss NPS Data as Frequently as Financial Data, Principle 6: Learn Faster and Improve Accountability with More Granular Data, Principle 7: Audit to Ensure Accuracy and Freedom from Bias, Principle 8: Validate that Scores Link to Behaviours.

Tune in on Monday for the second half of The Ultimate Question 2.0 speed summary with practical advice on how to generate 'good profits' with lessons from the field from NPS companies such as Apple, Allianz, American Express, Ascension Health, Atlas Copco, British Gas, Cancer Treatment Centers of America, Carolina Biological Supply, Charles Schwab, Cintas, E.on, Intuit, Lego, Philips, Progressive Insurance, Qantas, Rackspace, Schneider Electric, Sodexo, Swiss Reinsurance Company, Vanguard, Verizon, Virgin and Westpac

Part 2 Getting Results

Chapter 6: Winning Results with NPS

The Net Promoter System is about driving change through a strategic prioritisation and operational focus on customer loyalty – creating more promoters and fewer detractors – by applying the Golden Rule (treating customers as you'd want to be treated) – throughout the organisation. Based on experience of NPS adopters, there are three keys to NPS success

1. Embracing the goal of customer loyalty as a mission-critical priority at CEO and board level, and understanding the economic, inspirational and moral imperative that a focus on driving loyalty offers

2. Hardwiring NPS monitoring feedback into key decision processes and integrating it into operational priorities throughout the organisation to create closed-loop learning and improvement. In other words, **not** treating it as a metric, or parallel program is critical to success
3. Adopting NPS as solution for driving long-term customer-centric cultural change, rather than a short term program or initiative, and realising the change must touch every part of the organisation

Chapter 7: Economics and Inspiration: The Dual Imperatives

The Net Promoter System is like an arch built from two pillars – one economic and the other inspirational. Both are needed for success for driving growth through good profit. The economic pillar is about understanding the business case for investing in customer loyalty, and requires calculating the return on investment on creating more promoters and fewer detractors. It requires having the CFO embrace NPS, and understand why investment in loyalty makes good business sense – and why good profits are more valuable than bad profits. The inspirational pillar of NPS is about helping organisations enrich peoples lives by providing a simple decision rule or ‘heuristic’ – the Golden Rule – for taking decisions across the business, as well as a simple feedback solution – the NPS score – for monitoring how they are living up to this mission. By putting the Golden Rule – ‘is this how I’d want to be treated?’ – top of mind of the business, the NPS makes customer-centricity personal, drives loyalty creation, as well as simplifying complex issues whilst making ethical business decisions communicable, measurable, and actionable.

Chapter 8: Close the Loop with Customers

Key to success in driving cultural change and customer-centricity through a focus on customer loyalty by making the NPS a core part of daily workflow and core decision processes within the company. Most organisations want to become more customer-focused and the Net Promoter System is a simple solution for achieving this cultural change. Not only does the NPS provide a simple decision heuristic – the Golden Rule – that can be used to inform decisions across every level of the organisation, the NPS also hardwires the voice of the customer into the organisation by providing creating customer feedback loops at the front line, mid and senior management levels. Closing the loop at the front line involves monitoring customer experience with NPS and then following up with as many detractors as possible, ideally within 24 hours of the experience. Insights and learning from this ongoing exercise are then pooled, and shared with frontline staff and used to inform decisions. Closing the loop for mid-level managers requires using NPS feedback to create products, services

and processes designed to attract and retain high value customers. Closing the loop for senior executives involves setting up a forum for senior teams to talk with customers, and setting NPS targets as a strategic object for business units.

Chapter 9: Organise for the Long Journey

The payoff of NPS – a customer-centric organisation generating good profits through a single-minded focus on customer loyalty – can be substantial. But the commitment required is substantial too. Based on the journey of successful NPS companies there are 7 key requisites of success: 1/ Assign the Right Leaders and Position Them for Success. 2/ Pull The Organisation Together 3/ Reorganise Around the Customer 4/ Hire & Fire the Right People 5/ Be Careful About Linking NPS to Compensation 6/ Don't Skimp on Support from the IT Department 7 / Never Give Up

Chapter 10: The Road Ahead

Building a Golden Rule business thriving on 'good profits' is a long road with opportunities and challenges. Two key opportunities include using NPS as to monitor employee experience and loyalty, as Apple, Rackspace, JetBlue and Bain, and developing new NPS monitoring tools using social media; Facebook and Zynga have adopted NPS internally, can their platforms be used to monitor NPS? However there are some key challenges too; dealing with legacy systems not built with customer-centricity and the prioritisation of customer loyalty in mind, overcoming internal and external resistance from those with vested interests, and ensuring score reliability. In dealing with these opportunities and challenges it is important to keep front of mind the purpose of the Net Promoter System – as a solution for creating a customer-centric organisation that prioritises customer loyalty with decisions that enrich lives, rather than diminish them.

Appendix: Advice for the Journey

Net promoter companies share their experiences and real-world top tips for successfully deploying the Net Promoter System: Allianz, American Express, Atlas Copco, Cancer Treatment Centers of America, Cintas, E-on, Intuit, Lego, Philips, Progressive Insurance, Qantas, Schneider Electric, Sodexo, Swiss Reinsurance, Verizon, Westpac. [Get the book](#) for details, and join the netpomoter.com forum.

NB. The Net Promoter System logo in the header is owned by Bain and is a Bain service mark