Answering The Ultimate Question
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The Big Idea
Fred Reichheld's 2006 book *The Ultimate Question* — that question being, "How likely is it that you would recommend this company to a friend or colleague?"—challenged the conventional wisdom of customer satisfaction programs. It coined the terms "bad profits" and "good profits" and pointed to a faster, much more accurate way of gauging customers' real loyalty to a company, introducing a quantitative measure (the Net Promoter Score) for establishing a baseline and effectively tracking changes going forward. Richard Owen and Laura Brooks are co-developers, along with Reichheld, of the methodology behind answering the question. In this book, Owen and Brooks tell how — based on a variety of real case studies — to actually embed Net Promoter discipline in organizations of all types.

*Answering the Ultimate Question* builds on the link between Net Promoter Scores and business growth and profitability. Combined with an operational discipline to increase Promoters and reduce Detractors, Net Promoter represents a potential win-win for businesses and their customers. The Net Promoter Score offers a metric closely coupled and correlated with precipitating actions. Instead of looking in the rear view mirror of customer satisfaction surveys, Net Promoter will affect real, positive change every day for those organizations that apply it correctly.

Why You Need This Book

Drawing on illustrative case-study findings from the more than eighty companies for which the authors have helped to put Customer Experience and Net Promoter disciplines in place, this book is designed to help apply Net Promoter correctly, and foster growth in any organization.

The Net Promoter Operating Model

It's one thing to identify all the attractive characteristics of successful customer centric organizations; it's another to build one. Our goal is to provide an operating model that will enable executives and practitioners to implement a Net Promoter program with a high possibility of driving real business outcomes.

Incorporating all six elements of this model will ensure greater Net Promoter program success:
Element 1: Create Customer-Centric DNA

No successful program for transformation starts without creating the environment for it to flourish. Two key components to building a customer-centric DNA were identified: executive sponsorship and organizational alignment. Executive sponsorship is a founding principle of success. Without executive support, programs may lack the financial investments, human resources, and focus on customers that is needed to make big changes. Beyond the senior leadership, you must get the rest of the organization aligned around the customer. This includes compensation and incentive plans, internal culture, and communication strategies.

Element 2: Develop an Enterprise Roadmap

It is striking how many programs are started without a plan for evolving them over time. Planning should take into account the critical customer touch points for your customers’ experience. It should include regular cross-functional review meetings to analyze data, create prioritized action plans based on feasibility and impact, and share learning across the organization.

Element 3: Build Trustworthy Data

Many programs start with poor data rather than trustworthy data. Data is trustworthy when it has been collected in a manner that ensures it is an accurate and reliable representation of your customers and their perceptions and behaviors. If not, it provides a false sense of security.

Element 4: Identify Root Cause

Using a combination of analysis tools to identify root causes enables employees to address the real and relevant loyalty drivers for their customers. A good mix of quantitative and comment analysis increases the likelihood that you will make the optimal customer-focused decisions.

Element 5: Drive Action and Accountability

To achieve this goal, the data needs to make sense in the context of the job an employee performs and line up with their processes and incentives. An accountability framework needs to be in place so that it is clear who has responsibility for taking action.

Element 6: Innovation and Transformation

Net Promoter leaders experience continuous innovation through the iterative process of listening to customer feedback and making improvements. The payoff from a successful Net Promoter program is the ability to make the right strategic decisions and foster innovations that ultimately improve your market position.

Using Customer Economics and Segmentation to Maximize Loyalty

As discussed in The Ultimate Question, four primary customer behaviors that link to growth and profitability were determined:

1. **Repurchase.** Loyal customers continue to buy goods and services from you not because they have to or because they feel trapped, but because their experiences have led them to want to patronize your business.
2. **Increased purchase.** For many businesses, the total spending of loyal customers tends to increase over time, as does their share of wallet relative to their spending with your competitors. Companies are more likely to up-sell and cross-sell additional goods and services to loyal customers.

3. **Referral.** Loyal customers tend to refer their friends and colleagues. This word-of-mouth advertising is a powerful economic benefit in that it drives new business growth while simultaneously reducing your acquisition costs.

4. **Feedback.** Loyal customers spend more time with you, providing valuable feedback and giving you insights into their thoughts as well as ideas for improvements. They do so not simply to benefit themselves but because they want your business to succeed.

**Challenges in Net Promoter-Driven Change**

If Net Promoter feels like the right thing to do, consider some of the roadblocks that prevent its immediate success:

- **Skepticism.** Employees simply do not believe that loyal customers drive results for their business.
- **Execution.** Employees may believe loyal customers matter but don’t think the organization can execute. Previous actions have led them to think that the organization is not serious or is incapable of change.
- **Diffusion.** Although the strategy might be initially clear, the original purpose becomes confused or reprioritized as it traverses the organization, and the message is lost.
- **Resistance to new methods.** Traditionalists in market research may see Net Promoter as an erosion of their span of control, job or skills.
- **Misalignment of goals.** Incentives and goals are in conflict across business units and functions. The focus of increasing customer loyalty is at odds with competing goals such as cost controls or employee productivity.

**The Closed-Loop Process**

One of the cornerstones of a Net Promoter program is the closed-loop process. The closed-loop process is, in simple terms, listening to customers, acting on the data, communicating back intended actions, and validating the results through improved NPS and business outcomes. A good closed-loop process is both thorough and scalable.

What makes an effective closed-loop process? What gets results? When we consider the most effective examples, there are several areas that define characteristics for success.

- **Speed.** Net Promoter leaders respond quickly; they know that time is a factor, and engaging effectively with their customers requires speed. With real-time systems in place, a follow-up response can be made in a matter of minutes, but guidance is provided on how to manage the trade-off between speed and quality of responses.
- **Coverage.** If customers bother to provide feedback, they deserve a response. The “thank you” message at the end of the survey is a good start, but you need to provide some indication of what actions you will take based on their feedback. You owe everyone some kind of response indicating what you’ve learned and what steps you are taking as a direct result of their feedback.
**Root cause analysis.** The closed-loop process creates an opportunity for root cause analysis and organizational learning. It provides an opportunity to engage in a deeper conversation to probe for additional data. Keep the follow-up process simple as a trade-off against the depth of data capture you might desire.

**Initiate action.** In a perfect world, you would want your follow-up owner to resolve the customer’s issues in the first conversation, but you might settle for initiating a response. Complete resolution requires clear empowerment of the follow-up owners. Remember that the best closed-loop process has some call to action.

**Governance.** The closed-loop process requires oversight to ensure that those responsible for taking action are doing so in a timely and appropriate manner. Regardless of your goals for this process, good governance tracks the quality of the closed-loop process and its impact on loyalty.

### The Methodology for Setting Targets

Many organizations are interested in the best practices for the target-setting process for NPS, specifically the numerical approach used for creating sensible goals for future NPS performance. A metered process that takes a variety of factors into account is recommended:

**Historical NPS data.** Our process starts with trend analysis to establish an upper and lower bound around the corporate NPS over time. This trending exercise helps to create a growth rate expectation based on past performance. Understanding historical trends will help in establishing realistic yet improvement-oriented targets.

**Reasonable improvement rates.** From a target-setting perspective, the data, when aggregated, helps to determine feasible growth targets based on what other companies with similar scores are able to achieve.

**Cross-cultural benchmarks.** Cultural considerations can influence the scores. These cultural influences can affect the target-setting process, so applying cultural benchmarks can help to establish a local context on which to base country or regional targets.

**Weighted growth information.** Target setting needs to be fluid and flexible to take into account the changing business environment. Different business units or regions may increase at different rates due to business expectations.

**Significant improvement test.** Many companies want to set preliminary targets based on statistically significant change year over year. Some rate of change in the metric may prove to be simply noise or part of the margin of error, and management wants to ensure moving beyond that threshold. Although significance should not be the only consideration, most companies wish to ensure that the targets they set are meaningfully different from the current state of performance.

Using these techniques can provide you with a realistic target. However, it’s important to remember that the competitive market pays no heed to statistically significant improvements or reasonableness of goals. Ultimately organizations need to establish goals with their competitive circumstances and determine what it will take to get to a position of primacy in their market in a time frame that is consistent with their growth objectives.

There is little point in congratulating yourself on executing against stretch goals if your competition has pulled further ahead over the same period. Relative success, in a competitive context, is the ultimate measure.
Final Notes

Hopefully you will be inspired by the innovations mentioned here to go beyond just building a great Net Promoter program to actually transforming your customer experience in ways that provide competitive differentiation, increased loyalty and positive word of mouth.