Profitable Strategies #1
Measuring Customer Service Delivery

Finding new customers is difficult, and so the primary strategy for improving profits is often retaining those you have, to gain a greater share of their business, and in turn recommending your business to new ones.

But how many management teams do you know who can readily admit to the times when their business delivers poor or average service? How many really *know* beyond collected stories, anecdotes, and intuition?

The core to service delivery in any sizeable organisation is measuring it so that it *can* be managed. Human nature says that if you do not measure such a sensitive topic objectively you will be likely to start fooling yourselves regarding how well you are actually doing. In other words, you end up believing your own propaganda, which restrains the very striving for excellence that excellence requires.

In our experience, one of the best ways to objectively measure customer service delivery is through Net Promoter Score.

How Net Promoter Score works

"Net Promoter Score" (NPS) measures the loyalty that exists between a provider and a consumer. It is based on a direct question: *How likely is it that you would recommend our company/product/service to a friend or colleague?*

- **Promoters** are those who respond with a score of 9 or 10 out of 10. They are considered loyal enthusiasts.
- **Detractors** are those who respond with a score of 0 to 6. They are the unhappy customers.
- Scores of 7 and 8 are ignored.

To calculate NPS, subtract the percentage of customers who are Detractors from the percentage of customers who are Promoters. Positive scores are obviously good, with +50% being world class.

Why NPS is better than traditional customer satisfaction measures

Many businesses use traditional customer satisfaction scores to measure the performance of the business - usually out of ten.

The scores obviously depend on the market, but experience from 50 surveys, measuring many competitors suggests that: a score of 7.9 represents market leadership; 8.2 is a world class performer; 7.0 is commercially acceptable; and less than 7.0 is problematic.

The problem with traditional customer satisfaction measures is that the averaging of scores tends to make the differences between great and average seem minimal. In other words, it breeds complacency, as illustrated in the table where the difference of 'only one point' in average customer service scores actually represents a 40% difference in NPS.

The power of NPS is that it really accentuates the differences that matter, and so really helps to focus management attention onto doing better.

Example: Scores given by customers /10

	Company A	Company B
Customer 1	6	8
Customer 2	5	8
Customer 3	7	9
Customer 4	8	8
Customer 5	7	6
Customer 6	7	9
Customer 7	8	10
Customer 8	7	8
Customer 9	7	7
Customer 10	8	7
Customer Service Score /10	**7.0**	**8.0**
Net Promoter Score	**-20%**	**20%**
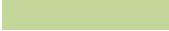
Detractor
Promoter

NPS brings attention onto customers as people and *how they feel* about you rather than just the nuts and bolts of how the practical service or goods are being delivered. The reality is that how customers feel about how you are doing is far more important than how you are actually doing (albeit doing well tends to help foster good feelings!). Perception is reality.

Successful implementation of NPS

The key to success is objective assessment of what customers *feel about your service delivery* and analysis of the results. Be very careful if the people who are running the business day to day are also collecting the data, because it is difficult for objectivity to be preserved. Use an independent organisation if you can, through a structured interviewing process. 10-20 well-structured telephone interviews with a representative sample of customers is usually the best approach.

Competitive Position Assessment

As a strategy consultancy, we often suggest that our clients take the opportunity to gather vital market data at the same time as measuring their NPS. For example: to identify the main buying criteria of customers for the product or service concerned; how well the company delivers against these criteria; who the competitors are; how well each of the competitors deliver against the criteria.

This provides good perspectives on the competitive position of the business and where to focus efforts in order to become more successful in the market.

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