

Operationalizing NPS Benchmarks

How to Use Comparative Data to Drive
Customer Experience Success



Overview

Net Promoter Score® (NPS®) has become the most widely accepted measure of customer loyalty and retention. It is also the only customer experience metric proven to be a leading indicator of a company's growth potential and financial health.

For companies using NPS as part of their customer experience program, one of the most common questions is "How does our NPS compare?" The annual Net Promoter Score Benchmarks, produced by NICE Satmetrix, the co-developer of NPS, and covering both B2C and B2B companies, answer that question using the world's largest database of Net Promoter data. However, the number alone might not answer your question.

Regardless of whether you have an established or an emerging customer experience program, learn to take your efforts to the next level by analyzing NICE Satmetrix's NPS benchmark data to see how your company measures against direct or indirect competitors within your industry or compared to leading brands in other industries. Our detailed benchmarks offer a wealth of knowledge to guide your customer experience program.

This ebook will show you how to analyze benchmark data to uncover trends and develop strategies that you can apply to your internal operations to improve your customer experiences and boost your Net Promoter Score.



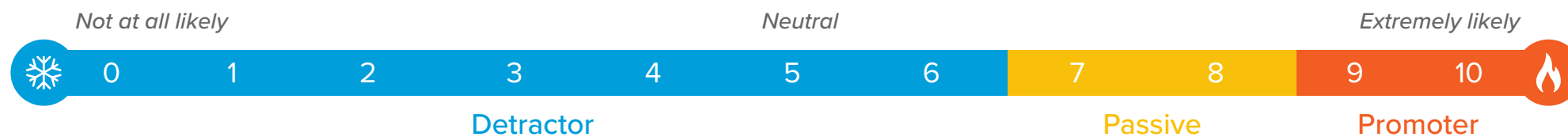
Net Promoter Score®

A Quick Refresher

NPS asks the question "How likely is it that you would recommend [brand] to a friend or colleague?" and measures responses on a 0-10 point scale.

Responses to this question fall into three categories:

- Promoters** - These are your loyal, invested customers. Research shows they will stay longer, buy more, and recommend your products or services to other buyers.
- Passives** - These buyers may be satisfied, but are not fully invested in your company. According to research, this group could easily be attracted to a competitor with a better offer.
- Detractors** - This group is dissatisfied with your company. Research shows that these customers are more likely to take their business elsewhere and recommend AGAINST your company.



$$\% \text{ Promoters} - \% \text{ Detractors} = \text{NPS (Net Promoter Score)}$$

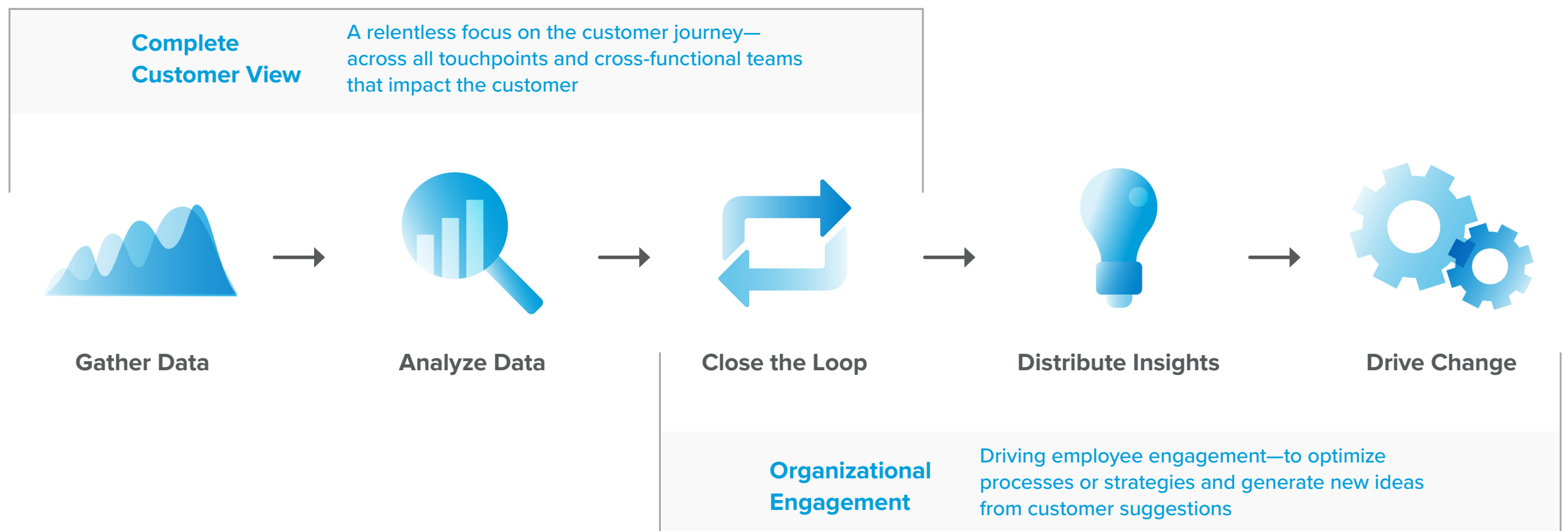
Customer Experience Management

Your Path to Increasing NPS

Whether you call it customer experience management, CEM, or you prefer the term voice of the customer, VOC, we're talking about taking a comprehensive approach to improve your business and deliver a lasting competitive advantage.

As a first step, VOC involves gathering customer feedback data from surveys or other sources; analyzing the data to understand what the feedback means to your business; closing the loop with customers; acting on the feedback data; and driving positive change within your company.

However, CEM goes far beyond collecting a score. To drive improvements in the score and see the resulting improvements to your bottom line, make sure you're accounting for all five essential elements in your VOC program.



You'll also need to promote a company culture focused on the customer experience. When setting the improvement targets that make sense for your business, you'll do well to look to industry benchmarks as your guide.

The Importance of NPS Benchmark Data

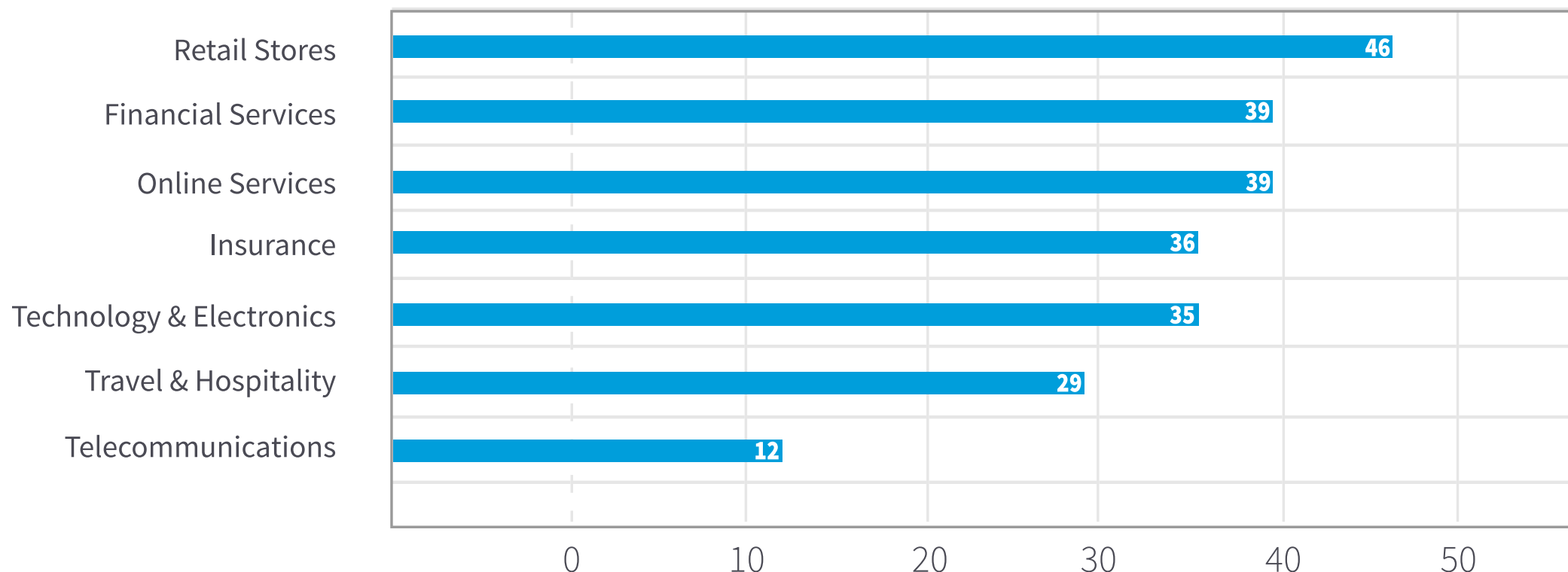
Where Does Your NPS Rank Within Your Industry?

NPS is a relative metric. In other words, you can determine whether your Net Promoter Score is high or low when it's compared to other scores in your industry. Consider these examples:

- You may think your CEM program is quite robust, and your company is happy with your NPS. While that may be entirely accurate, you don't really know for sure until you look at NPS benchmarks for your industry.
- On the other hand, your executive leadership may think your score is low in absolute terms. When in fact, your score is quite high relative to your competitors.
- Meanwhile, a new competitor may have entered your market with exciting and innovative products and services. Understanding the NPS metrics and drivers of this "industry disruptor" could be vitally important to your long-term growth and profitability.

Industry Average Net Promoter Scores Show a Wide Variation

Source: NICE Satmetrix 2016 U.S. Consumer NPS Benchmark Study



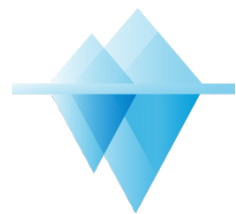
Using NPS Benchmark Data to Your Advantage

What Should My Company Do to Become Best-In-Class?

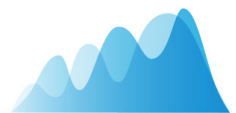
By digging deep into benchmark data for loyalty leaders and best-in-class companies—or the lowest NPS performers for that matter—you can uncover trends and characteristics to help you improve processes and develop new strategies to delight your customers. Take a minute to think about these examples:

- Your product team has been lobbying for budget dollars to develop new service offerings. Benchmark data from a best-in-class company supports the strategy and adds validation to the business case.
- Your company has set a goal to become a loyalty leader, like Starbucks or Amazon.com. You want to figure out the characteristics and drivers of their Promoters so you can develop strategies to convert your Passives to Promoters.
- Your finance department has recommended a series of cost-cutting measures. You look at low NPS brands and build a case to refute the cost-cutting tactics because it could erode your strong Net Promoter Score.

Only NPS Benchmark Data Can:



Give you a broad understanding of where your company ranks within your industry and against direct and indirect competitors.



Help you develop strategies to leap-frog your competition.

B2C vs. B2B NPS Benchmarking

While there are some exceptions to this general rule, your company will fall into either the business-to-business (B2B) or business-to-consumer (B2C) categories. You should choose the appropriate NPS benchmark data based on whether you sell to other businesses or consumers.

Here is a quick snapshot of our benchmark specifications:

B2C	B2B
44,000+ respondents	Anonymous data from participating NICE Satmetrix customers
23 industry sectors	Based on 97 B2B companies
247 consumer brands	Includes these industries: manufacturing, telecommunications, business services, computer software, computer hardware, high tech (software and hardware combined)
100+ responses per brand	View data by global, regional, and country levels
View data by industry or brand	Scores presented as a range from 25th percentile, average, and 75th percentile distributions
Filter by various demographics	View by industry and geography

** Note 1: Information pertains to 2016 U.S. benchmark data*

Who Should Be Interested in NPS Benchmarks?

VOC is a company-wide mindset. Therefore, a robust customer-focused strategy should touch every employee—regardless of title, job level, or functional role—because every person plays a role in improving experiences throughout the customer journey.

With that said, these functional roles and line of business (LOB) leaders may be especially interested in NPS benchmark data:

Executives — to set realistic goals to improve or maintain Net Promoter Scores and customer experiences.

Marketing — to gauge competitive advantage and points of weakness and also validate or fine-tune marketing messages.

Operations — to uncover NPS drivers to determine where to focus money and effort to improve the customer journey.

Product Development — to stay ahead of the curve with innovative products or services.

Sales — to ensure that reps are using appropriate messages and strategies to close business according to your strengths and value proposition.

Service/Support — to fine-tune and streamline customer interactions.



Variables in NPS Benchmark Data

B2C

The beauty of benchmark data from NICE Satmetrix is that you can sort it based on a variety of characteristics and variables. Of course, the data includes the basic variables of age, gender, and geography.

However, with our interactive B2C benchmark data, you can also sort data by:

Specific brands within an industry or segment—For example, within the banking segment of the financial services industry, you can drill down to view data for 13 banking companies, such as USAA, Bank of America, and Wells Fargo.

Benefit—You can look at very granular data on specific competitors.

Relationship/brand attributes—There are more than 10 common attributes across all industries that address general perceptions of a brand based on customer experiences, such as product reliability.

Benefit—Here, you can examine NPS characteristics broadly across all B2C companies, looking at best-in-class companies perhaps, to figure out where you may be falling short.

Industry attributes—You can analyze aspects of the customer experience that are relevant to your specific vertical industry. For example in the banking segment, *“Does this bank offer fair rates and fees for borrowing money?”*

Benefit—You can drill down on specific points of comparison of key players in your marketplace.

NPS drivers—Analyze specific brand or industry attributes according to the customers’ likelihood to recommend.

Benefit—This data helps you figure out where to focus your CEM efforts. Possibly you can find points of “low-hanging fruit” that you can tweak slightly and see a significant boost in your NPS score.

Key words—View the most frequently used words in open-ended NPS responses with our innovative “Word Cloud” functionality.

Benefit—You can see what customers are saying about you and your competitors and determine if your marketing messages are resonating with target audiences.

Improving Customer Experiences with NPS Benchmarks

B2C Example

An example is the best way to help you grasp the value and impact that NPS benchmarks can have on your company's VOC strategy. We'll look at a major bank within the financial services industry compared to the NPS loyalty leader.

Use Case #1 — NPS Comparison

Using the Net Promoter benchmark data for the banking segment, I can see that my company falls in the middle of the pack with a score of 36. However, the best-in-class in my industry is at a 52.



With a 16-point Net Promoter difference, my company can use the NPS benchmarks to figure out where we are falling short and develop strategies to turn our Passives into Promoters.



Use Case #2 — Relationship/Brand Attributes

When I look at the loyalty leader, I see that the company's top three relationship attributes indicate that it's easy for customers to engage with my competitor.



While my scores aren't far below the industry leader, this data suggests that we need to do some work to make our processes easier for our customers to engage with our company.

Banking Loyalty Leader's Top Three Attributes		My Company's Score on Same Three Attributes	
Ease of doing business	8.9	Ease of doing business	8.5
Ease of use	8.8	Ease of use	8.4
Online experience	8.9	Online experience	8.4

Use Case #3 — Banking-Specific Attributes

In this case, when I compare my company to the banking loyalty leader on several banking-specific attributes, I find some interesting points. Customers generally think that my company and the loyalty leader are fairly similar on trustworthiness, but we start to see a difference emerge with product offerings

When I continue to analyze my product scores, I see that my company scores an 8 on "Offers range of products that fit my needs."



This tells me that our customers aren't as happy as they should be with our banking. Our product marketing department should do a needs analysis to figure out if we can develop products to better suit our customers.

Banking Loyalty Leader's Top Three Attributes		My Company's Score on Same Three Attributes	
Safe and trustworthy place to keep money	8.9	Safe and trustworthy place to keep money	8.7
Offers fair rates and fees	8.7	Offers fair rates and fees	7.5
Offers good return on savings	8.7	Offers good return on savings	6.4

Setting NPS Improvement Targets

Now that you have a good idea of how to use NPS benchmarks to improve your CEM program, it's important to set realistic goals for improvement. Here are points to consider:

You're near the bottom.
As they say, there's nowhere to go but up!

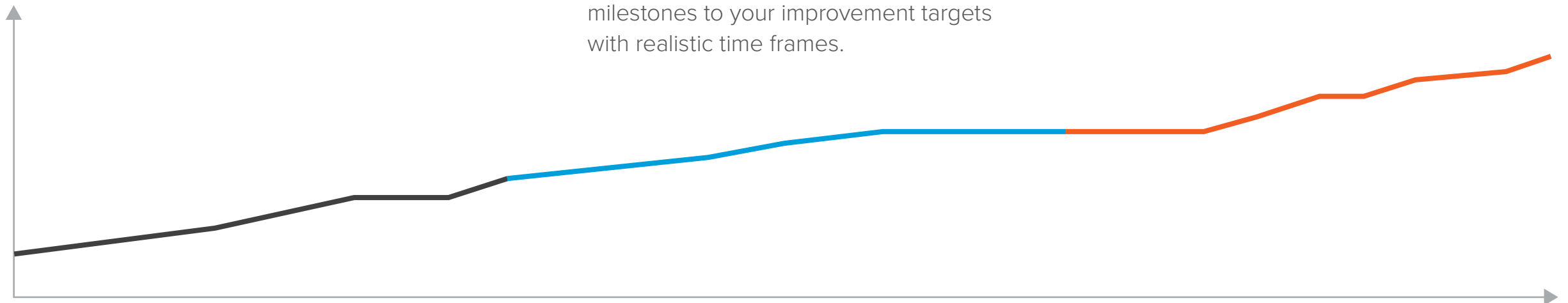
- Typically, companies that are on the lower end of the NPS spectrum for their industry can rapidly see Net Promoter improvements with a company-wide effort and focus on positive customer experiences.
- Depending on your level of commitment and operational strategies, aggressive NPS targets could make perfect sense.

You're in the middle pack.
An incremental target like a five or 10-point NPS improvement may be very reasonable.

- Be sure to analyze the benchmark data of companies you want to emulate to figure out what characteristics and drivers are contributing to their high Net Promoter Scores.
- Develop strategies that your company can apply to internal operations to improve customer experiences.
- Create a VOC road map that ties specific milestones to your improvement targets with realistic time frames.

You're a loyalty leader.
Fabulous! A 10-point NPS improvement probably isn't realistic.

- Instead, you'll want to focus on maintaining positive customer experiences so you don't see a degradation in your NPS.
- You could also look at best-in-class companies in other industries to find expansion opportunities or other ways to leverage your valuable brand.



Strategies to Improve NPS

Create Incentives That Motivate

With a company-wide customer-focused mindset, in theory, every employee is motivated to delight the customer at all times. Indeed, no one likes to deal with upset customers—especially on a continual basis. However, in daily practice, people often need a little extra motivation to achieve aggressive goals. Here are a few strategies to motivate employees to achieve NPS targets:



Align NPS targets with compensation goals.

Many companies implement this tactic at the executive level or with those employees who already have a comp plan tied to performance, like sales reps.



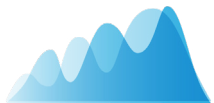
Tie incremental NPS goals to key performance indicators.

This approach can work well in service/support and marketing functions where you can see the fruits of your labor in touchpoint survey improvements and higher response rates to marketing activities.



Empower employees to improve processes and develop new products and services.

In progressive companies, quite often, operations and R&D have a good idea of what internal processes need attention and what trends to follow to develop new products and services. Letting employees know that you trust their judgment to do right by the customer can be ample incentive to strive for NPS improvements.



Set internal benchmark goals.

This strategy only works between lines of business and regions within a single country. It's not appropriate to set competitive NPS goals amongst countries or international regions because of the cultural differences in NPS. Here, the idea is to discover and reward your internal NPS stars—your best-in-class LOB or region.

Does It Ever Make Sense to Ignore Benchmarks?

Yes!

Certainly, you want to delight your customers at every opportunity. However, some customer interactions aren't always a point of delight—when a customer has to pay a bill, for example. Here are a few thoughts to consider:

Optimize vs. Maximize

If a process is optimal and it's not a point of detraction, then “good” may be good enough.

Cost vs. Pay-Back

Sometimes the cost to improve a process outweighs the NPS improvements. A cost-benefit analysis can help you decide whether it makes sense to strive for a higher NPS in this case.

When Key Touchpoints Aren't Delight Factors

When this is the case, strive for a state where you don't have Detractors.



Points to Consider When Analyzing Benchmarks

Create Incentives That Motivate

1. Be aware of cultural differences in NPS responses.

Benchmark data from country to country can be vastly different, and you need to realize this when comparing data around the globe.

2. Set realistic goals for NPS improvement.

You can't motivate your employees with unrealistic targets.

3. Don't rest on your laurels.

You never know when a new competitor will radically disrupt or change your industry.

4. Understand your Net Promoter Score in context.

Declines in NPS should cause concern and warrant aggressive action. However, understanding benchmarks across your industry can clarify how alarming a decline should be.



Ready to Improve Your Net Promoter Score?

Get our NPS benchmarks today. Turn to the world's most comprehensive, highest quality database of customer experience information to guide you. NPS Benchmarks are available as part of CEM software from NICE Satmetrix.

Ready to beat the industry averages in our reports and take your place as a leader of the pack? With access to our online, self-paced courses focused on best practices, CEM software from NICE Satmetrix can help you launch or improve your customer experience program.

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