

## 8.2: Customer Satisfaction Is Not Enough

### Learning Objectives

- Understand how customer satisfaction relates to customer loyalty.

Customer loyalty and retention are the holy grail in sales—and in all areas of business, for that matter. Loyal customers are how successful businesses are built. Not only is it easier to sell more to existing customers, it is financially prudent to do so. Some companies have increased their profit by as much as 100 percent by focusing on retaining an additional 5 percent of customers. Harvard Business says it costs 5 to 25 more times to sell to a new client than an existing client so a big focus should be on retaining existing customers.

### Follow-Up, Feedback, and Fans

Earlier in this chapter, the five elements of follow-up were discussed including getting feedback from customers. This concept is so important, it's worth drilling a little deeper into it. It is loyal customers who buy more from you in the form of more products and services more often. Companies that focus on creating customer loyalty usually invest in developing an effective customer feedback loop, a formal process for gathering, synthesizing, and acting on customer feedback. The most successful customer feedback loops are simple, focus on understanding what is important to customers, and empower front-line employees (i.e., those who interact with customers on a day-to-day basis, such as salespeople). For example, Charles Schwab, an online investment services company, has a process whereby managers review customer feedback daily from comments on the company Web site, transactions, and other communications with the company. Managers and sales reps respond personally to negative customer comments. Simply asking customers what they think can defeat the purpose if companies don't act quickly on the feedback.

### One Simple Question

Successful companies have found that customers can be more than customers; they can be advocates, supporters, promoters, and fans. It's these passionate fans that not only spend their money with these companies but also tell their friends and ultimately their friends' friends to patronize the company. The mutual admiration of brand and customer starts with the culture of the company. Those companies that not only listen to their customers but also engage them in communities, new product development, and other improvements are the ones that have a maniacal focus on the customer. They get it.

Many companies have found that Net Promoter Score (NPS) is the ideal customer feedback tool because it is simple, keeps the customer at the forefront, allows frontline employees to act, thereby closing the customer feedback loop. "Definitive Guide to Net Promoter Score", <https://www.salesforce.com/eu/learning-centre/customer-service/calculate-net-promoter-score/>, (accessed May 24, 2024). Net Promoter Score is based on asking customers the ultimate question: "How likely are you to recommend this product or company to a colleague or friend?" It uses a scale of 1-10. Scores from 0-6 are considered to be negative responses, or "detractors." Scores between 7-8 are neutral, or "passive." Finally, scores of nine and ten symbolize positive experiences and are called "promoters." It's quick, easy to record and analyze the results, and doesn't require a huge time investment from the customer.

To implement a NPS, you survey customers and ask them "On a scale from 0-10, how likely would you recommend us to a friend". Tally the scores.

- **Promoters** (customers who answer with a 9 or 10). These are customers who are advocates or loyal fans who will willingly tell their friends to do business with the company.
- **Passives** (customers who answer with a 7 or 8). These are customers who might be categorized as satisfied, but do not enthusiastically support the company. They are vulnerable to competitive offerings.
- **Detractors** (customers who answer with a 0 to 6). These are customers who are not happy and are likely to pass along stories about their bad experiences to their friends via word of mouth or social networking.

Companies usually disregard the passives, subtract the percentage of detractor responses (customers who would not recommend you) from that of the Promoter responses (customers who would recommend you) and the end result is the Net Promoter Score.

For example, assume that Widgets, Inc., received the following ratings:

Promoters (score of 9 or 10) = 40% Passives (score of 7 or 8) = 40% Detractors (score of 0 to 6) = 20%

The Net Promoter Score for Widgets, Inc., is calculated as follows:

Promoters – Detractors = NPS

In this case: 40% – 20% = 20% NPS

## What is a good Net Promoter Score?

There are no organizations that will totally satisfy each and every customer, as customers are different people with different needs. As different people, customers have different levels of tolerance to negative experiences. Some may get more angry than others, while others may have much lower expectations than others. Aaron Carpenter, "What is a good Net Promoter Score?", <https://www.qualtrics.com/experience-management/customer/good-net-promoter-score/#>, (accessed May 24, 2024).

The Widgets' company score calculated above is 20%, is that good? According to the creators of NPS, Bain and Company:

- Above 0 is good
- Above 20 is favorable
- Above 50 is excellent
- Above 80 is world class

It is important to remember NPS is a "health check". According to Aaron Carpenter, It's good to measure progress continuously to have real-time continuous updates as you operate. Consistently surveying customers and learning about how to improve is helpful and so it is always recommended to leave space on the NPS survey for qualitative feedback about how you can improve. The main purpose of NPS is to evaluate brand loyalty. This is important because, as we have already learned, it is more effective (cheaper) to keep customer than to continually acquire new customers. Research from Bain & Company found that an increase in customer retention of only 5% can increase profits up to 95%. So, while you want to attract and convert new customers, retaining and empowering existing customers has an even higher ROI. Aaron Carpenter, "What is a good Net Promoter Score?", <https://www.qualtrics.com/experience-management/customer/good-net-promoter-score/#>, (accessed May 24, 2024).

## Key Takeaways

- Customer loyalty pays. It costs five times more to acquire a new customer than to keep an existing customer.
- A **customer feedback loop** is a formal process for gathering, synthesizing, and acting on customer feedback. Customer feedback loops are most effective when front-line employees have the power to respond to customer feedback to turn "critics into fans."
- **Net Promoter Score (NPS)** is a closed **customer feedback loop** that is based on the theory that a loyal customer is one that will recommend the brand to their friends.
- **NPS** is determined based on a brand's percentage of **promoters** minus the percentage of **detractors**.

### Learning Objectives

- Describe why Net Promoter Score is a closed customer feedback loop.
- Assume you worked as a financial planner. How would you use Net Promoter Score with your customers? How would you respond to promoters? How would you respond to passives? How would you respond to detractors?
- Imagine that you are a sales rep for a medical supply company and you have just received your Net Promoter Score for the past month, which is as follows: Promoters: 63 percent Passives: 28 percent Detractors: 9 percent  
Calculate your overall Net Promoter Score. What steps would you take to communicate with the customers in each of the categories?
- Research one of the companies that use Net Promoter Score and identify at least one way it impacts how the company does business.
- Research Net Promoter Score online and find some articles that discuss the drawbacks of using it as the customer feedback loop. What do you think? Is Net Promoter Score something you think you might find helpful in sales?
- Imagine that you are a salesperson for a software company and a portion of your compensation is based on your Net Promoter Score. Is it ethical for you to tell your customers that you need their positive comments to earn your salary? Why or why not?

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