

13.3: Customer Satisfaction Isn't 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. Since it costs about five times more to acquire a new customer than to retain an existing customer, companies are well served to focus on retaining existing customers and making them into advocates for their brand. Chia-Chi Chang, “When Service Fails: The Role of the Salesperson and the Customer,” *Psychology & Marketing* 23, no. 3 (March 2006): 204. In other words, “Customer acquisition is an investment, but customer retention delivers profitability.” Guy Maser, “How to Earn Your Customers’ Loyalty,” CRMBuyer.com, July 16, 2009, <http://www.crmbuyer.com/story/67608.html> (accessed November 23, 2009).

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. Cheryl Pasquale, a branch manager, says she looks forward to customer calls to follow up on complaints or less-than-positive comments. She feels she has an opportunity to turn “critics into fans.” Rob Markey, Fred Reichheld, and Andreas Dullweber, “Closing the Customer Feedback Loop,” *Harvard Business Review*, hbr.harvardbusiness.org/2009/12/closing-the-customer-feedback-loop/ar/pr (accessed November 23, 2009).

There are several different types of customer feedback loops that companies use such as mystery shopper programs, customer satisfaction surveys, and other measurement tools. Some of these methods are expensive, require elaborate reporting, and take a long time to compile and act on the data. Rob Markey, Fred Reichheld, and Andreas Dullweber, “Closing the Customer Feedback Loop,” *Harvard Business Review*, hbr.harvardbusiness.org/2009/12/closing-the-customer-feedback-loop/ar/pr (accessed November 23, 2009). Simply asking customers what they think can defeat the purpose if companies don’t act quickly on the feedback. It raises customer expectations that action is going to be taken. Dr. Laura Brooks, “Closing the Loop on Customer Feedback,” *Sales & Marketing Management*, April 23, 2009, www.salesandmarketing.com/article/closing-loop-customer-feedback (accessed November 23, 2009).

Power Selling: Lessons in Selling from Successful Brands

Follow-Up Is Just a Tweet Away

Personal follow-up meets technology with more than half of *Fortune* 100 companies using Twitter as one of the tools in their arsenal to respond to customer service issues. Comcast is a leader in this area. The company believes that Twitter has provided more transparency and improved communication with customers in multiple channels. Jon Swartz, “Twitter Helps Customer Service,” *USA Today*, November 18, 2009, 3B. Comcast uses Twitter to address follow-up issues such as a service call that didn’t happen on time, service that isn’t operating properly, and even billing issues. According to Frank Eliason, director of digital care at Comcast, Twitter is not a replacement for phone and e-mail follow-up. However, he says, “It gives immediacy to interactions.” He finds that customers are surprised—and pleased—to hear from him so quickly on Twitter. Rebecca Resisner, “Comcast’s Twitter Man,” *BusinessWeek*, January 13, 2009, http://www.businessweek.com/managing/content/jan2009/ca20090113_373506.htm (accessed January 8, 2010). The bottom line is to take care of the customer, no matter what method you use for follow-up.

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. For example, watch this video of a Southwest Airlines flight attendant that was posted to YouTube by a passenger. Talk about being a fan of the brand—it's hard not to be after you watch this video.

Southwest Gets It

(click to see video)

See how an ordinary activity can create an extraordinary customer experience.

In another example, it's no surprise that Zappos, the dominant online shoe and apparel retailer, has a maniacal focus on the customer when you listen to CEO Tony Hsieh talk about his philosophy of customer service. Zappos has grown to be a billion-dollar business in just ten years. Although shoes have a notoriously high return rate due to fit problems, Zappos offers free shipping both ways to encourage purchases. Hsieh's vision for the ultimate experience in customer service is clear throughout the company (try calling their 800 number for customer service and experience Zappos' unique telephone greeting).

Zappos Gets It

(click to see video)

Hear CEO Tony Hsieh talk about why Zappos is a fan favorite.

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. Rob Markey, Fred Reichheld, and Andreas Dullweber, "Closing the Customer Feedback Loop," *Harvard Business Review*, hbr.harvardbusiness.org/2009/12/closing-the-customer-feedback-loop/ar/pr (accessed November 23, 2009). 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?" The response is based on a ten-point scale and categorizes responses as follows:

- **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.

A company's Net Promoter Score is determined by taking the percentage of promoters (scores of 9 or 10) and subtracting the percentage of detractors (scores of 0 to 6). Net Promoter, "How to Calculate Your Score," www.netpromoter.com/np/calculate.jsp (accessed November 25, 2009). For example, assume that Widgets, Inc., received the following ratings:

Promoters (score of 9 or 10) = 60%

Passives (score of 7 or 8) = 30%

Detractors (score of 0 to 6) = 10%

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

$60\% - 10\% = 50\%$

$\text{Promoters} - \text{Detractors} = \text{NPS}$



Promoters - Detractors = Net Promoter Score

Figure 13.3.6: Net Promoter Score Calculation

The premise of Net Promoter Score is simple and elegant. The answer to one question says it all. Customers are then asked why they would be likely or unlikely to recommend the company. Rob Markey, Fred Reichheld, and Andreas Dullweber, "Closing the

Customer Feedback Loop,” *Harvard Business Review*, hbr.harvardbusiness.org/2009/12/closing-the-customer-feedback-loop/ar/pr (accessed November 23, 2009). If the customer is not a promoter after their experience with the brand, they are at risk either to try another brand or become a detractor of the brand. As you can see from the formula, customers that are passives (scores of 7 to 8), reflect poorly on the brand’s NPS. Being satisfied isn’t enough; a brand’s goal is to have promoters or fans. This process quickly lets front-line managers and employees identify where problems exist and allow them to act quickly to respond and fix them. Net Promoter, “How to Calculate Your Score,” www.netpromoter.com/np/calculate.jsp (accessed November 25, 2009).

Net Promoter Scores vary by industry. The Net Promoter Score Web site includes a comparison by industry here: www.netpromoter.com/np/compare.jsp. Some companies that use Net Promoter Score are American Express, Southwest Airlines, FedEx, eBay, Harley-Davidson, and Dell. See additional companies listed on this Web site: http://www.theultimatequestion.com/theultimatequestion/good_profits.asp?groupCode=2.

While Net Promoter Score is a simple concept, it does require a complete operational commitment on the part of every level of management of the company to make it work effectively. Listen to Fred Reichheld, author of *The Ultimate Question: Driving Good Profits and True Growth*, and Brad Smith, CEO of Intuit, Inc., talk about how Net Promoter Score works.

How Net Promoter Score Works

(click to see video)

Hear about how Net Promoter Score changes the way companies do business.

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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