



Deep-Insight



DEEP-INSIGHT

NET PROMOTER SCORE*:

Does it work for B2B companies?

WHITEPAPER

* Net Promoter® and NPS® are registered trademarks and Net Promoter SystemSM and Net Promoter ScoreSM are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.

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“ Commitment and trust are now central to discussions of business relationships.

Researchers and practitioners have come to view most interactions between business parties as events that occur over the course of a relationship between two or more partners.

”

Rob Morgan & Shelby Hunt



Executive Summary

Net Promoter Score is an excellent business tool for improving B2B customer performance when it is implemented as part of a comprehensive account management improvement programme.

Customer loyalty and positive word-of-mouth are two of the most sought-after goals for companies today.

Net Promoter Score (NPS) has become a popular word-of-mouth metric since first introduced by Fred Reichheld in 2003¹ and has been embraced by some of the world's largest and most respected companies.

But is NPS too simplistic a metric for business-to-business (B2B) companies? Do B2B relationships require a specialist approach?

The simplicity of NPS is that it links customer loyalty to the answer to a single question:

“How likely are you to recommend the company to a friend or colleague?”

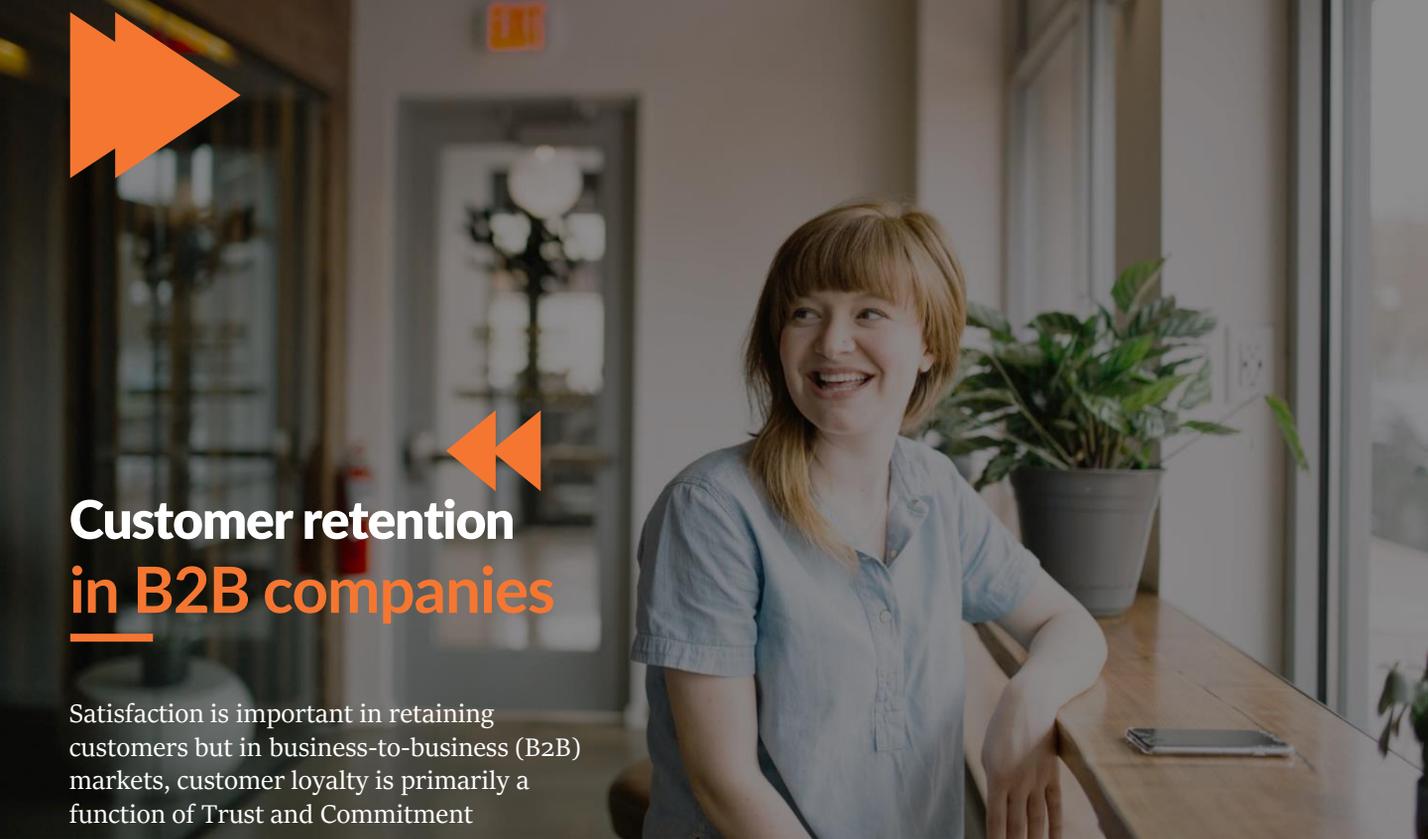
B2B relationships can indeed be complex, where long-lasting partnerships are built upon a combination of excellent service, a strong brand and trusted committed relationships.

Deep-Inight's Customer Relationship Quality (CRQ™) methodology has been designed specifically to help sales directors and account managers understand and manage complex B2B relationships.

NPS clearly works as a B2B metric for identifying IF a company has a loyalty problem. CRQ complements NPS by identifying WHAT is causing the problem and HOW the problem can be fixed.

The combination of CRQ and NPS can have a powerful and positive effect on both top-line and bottom-line performance.

¹ Reichheld, F. (December 2003). "One Number You Need to Grow". Harvard Business Review.



Customer retention in B2B companies

Satisfaction is important in retaining customers but in business-to-business (B2B) markets, customer loyalty is primarily a function of Trust and Commitment

Let's go back to basics. What drives customer retention in B2B organisations?

This is a question that has perplexed the business community for many years. For example, after two decades of research, we now know that CSat (Customer Satisfaction) scores are actually a poor predictor of long-term loyalty.

The reason is relatively straightforward: Satisfaction is the result of meeting or exceeding your customers' expectations. It is an excellent metric for measuring service quality. If service is good, your customers feel satisfied; if poor, they feel dissatisfied. If you eliminate these service issues, your customers will feel satisfied again.

But will they still be customers in five years? A CSat score won't answer that question. CSat is simply too blunt – and too transactional – a metric to predict long-term loyalty.

In 1994, two American academics Robert Morgan and Shelby Hunt wrote a seminal paper on what really drives a long-term relationship between two business partners. *“The Commitment-Trust Theory of Relationship Marketing”*¹ quickly became a hit, not just in academic circles, but among senior business executives who were looking for something more robust than a simple CSat score.

Essentially, what Morgan and Hunt realised all those years ago is that long-term business relationships are built on a mutual and cooperative working relationship between two partner firms, and that to foster and nurture such a relationship, Trust and Commitment are the two critical elements to focus on.

It's not that Satisfaction is a bad thing to measure. It's simply that Satisfaction has become a hygiene factor in a long-term B2B relationship. You must satisfy the client, but even satisfied customers will defect if they don't have a trusted and committed relationship with your organisation.

If Trust and Commitment are so important, why ask what Fred Reichheld calls the Ultimate Question: *“How likely are you to recommend [your company] to a friend or colleague?”* And how did NPS become such a popular metric? The answer, according to Reichheld, is that high NPS scores correlate strongly with repurchase and referral rates, resulting in strong company growth.

This is true, but something else is needed. To widen the discussion, we need to understand what to measure in B2B markets, and how to use the results to create action plans that truly improve customer retention rates.

¹ Morgan, R.M. & Hunt, S.D. (1994), “The Commitment-Trust Theory of Relationship Marketing”. Journal of Marketing Vol. 58, No. 3 (July), pp. 20-38.

What should we measure?

NPS is an excellent customer metric but must be supplemented by other B2B metrics that help account managers and senior executives take the right actions.

The point about NPS or any other customer metric is that it must help management take action to make their companies more customer-focused, and to meet the needs of its customers more effectively.

NPS is an OUTCOME of a number of different factors. In other words, positive recommendations are the result of delivering a great service, having a unique brand, or building strong trusted relationships with your customers.

NPS provides a good starting point for understanding complex B2B relationships but it must be supplemented by other metrics that help account managers take action at an INDIVIDUAL account level, as well as helping senior executives focus on a small number of strategic initiatives across ALL accounts.



Over the years, Deep-Inight has developed a robust and proven methodology covering three key elements that shape a customer's perspective of its suppliers:

- Perception of Service;
- Uniqueness of Offerings, covering both the Solution and the Experience of working with the supplier;
- Strength of Relationship, covering Satisfaction, Trust and Commitment.

These elements are depicted in the figure above, and we refer to the combination as Customer Relationship Quality (CRQ™).

Our research shows that companies with a high CRQ score have more loyal customers who generate positive Word of Mouth referrals (and a higher Net Promoter Score). The CRQ methodology also identifies your true strengths and weaknesses, as seen through the eyes of your customers.

Customer Relationship Quality (CRQ™)

CRQ combines the strengths of a robust account management methodology with the simplicity of NPS.

Some years ago, Deep-Insight formally incorporated the NPS question into its own proven CRQ methodology to create a relationship assessment tool to help CEOs and Sales Directors manage key account relationships more effectively than ever.

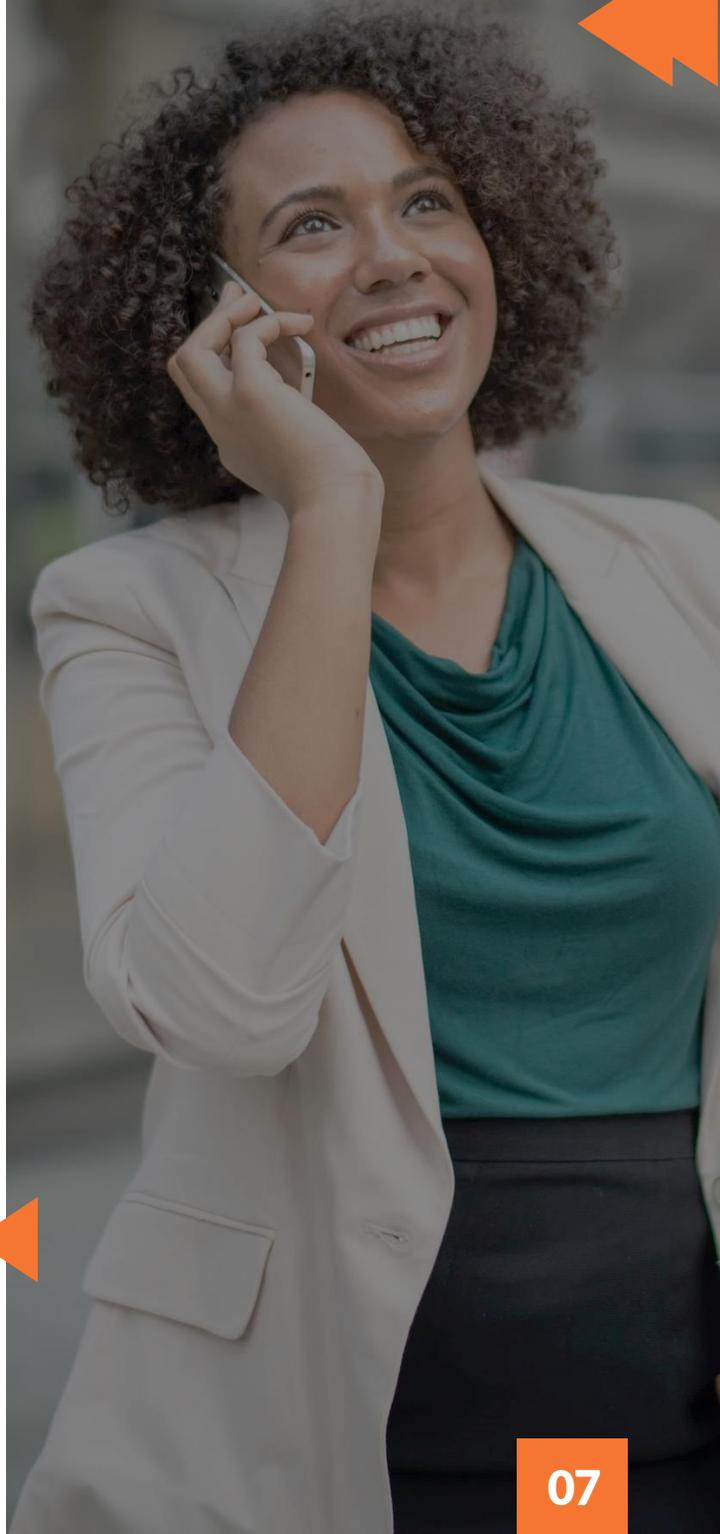
The reason we did this was that we believe in the simplicity and widespread acceptance of the Net Promoter Score. NPS is linked to customer loyalty, as well as being a robust metric for new business development, so it is an excellent place to start measuring.

But in B2B markets, NPS is not enough. If you want to know **WHY** somebody is a 'Detractor' (NPS terminology for a customer who may defect), you need to dig a little deeper.

Many of our clients ask the NPS question to identify at a high level **IF** they have a problem with customer retention. They then use Deep-Insight's CRQ methodology to do a 'Deep Dive' into their key accounts to understand **WHAT** the specific customer issue is, and **HOW** to solve it.

Expose your organisation to a **Customer Relationship Quality (CRQ™)** assessment today and find out how to improve your company's bottom line.

You'll get your Net Promoter Score... and a whole lot more.





About Deep-Insight

Deep-Insight is a leading European B2B Customer Experience (CX) company founded in 2000 by a small team of ‘magicians’ with one goal: researching a way to read customers’ minds.

Over a period of nearly 10 years of trying to identify the success factors of several hundred European companies, they put together the analytical engine that forms the basis for analysing Customer Experience and Employee Engagement.

Today we serve customers all over the world and are committed to giving you the service you seek and deserve. We have the skills, tools and methodologies to help you operate a world-class CX programme and transform your organisation.

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