A customer survey that matters in the B2B boardroom

B2B marketers, taking a cue from their B2C counterparts, invest significantly in customer satisfaction studies. The theory is that by better understanding their customers, companies will better serve and retain them, driving increased brand loyalty, sales and profitability. Large and complex satisfaction studies are increasingly being deployed so B2B companies can learn how to please and sell more to these already acquired buyers. Positive survey results are ballyhooed to the marketplace in an effort to attract new customers. (J.D. Power has a B2B group.)

Unfortunately, there seems to be as many customer satisfaction methodologies as there are research vendors. Moreover, marketers continue to struggle with how to act upon satisfaction data. And there is little proof or consensus that a company's customer satisfaction correlates with its top-line financial performance.

How important is customer satisfaction to company CEOs and Wall Street?

A leading investment bank studied institutional investor reports over two years to assess why mutual funds invested in certain stocks. They found just 6 customer satisfaction mentions in over 8000 filings.[1]

But a simple, single survey question has recently caught the attention of B2B executives. In fact, it has helped the CMO achieve respect in the C-suite on a level with the CFO.

Net Promoter Score®

The "it" metric and new rallying cry in many B2B boardrooms is the Net Promoter Score (NPS®). NPS is the numeric score a company receives when customers are asked how likely they would be to recommend company X to a friend or colleague.

Using a ten-point scale, those rating the likelihood 9 or 10 are considered company "promoters". Those indicating 7 or 8 are brand "neutral". Those assigning 0-6 are company "detractors". Then the percentage of detractors is subtracted from the percentage of promoters (neutral=zero), and voila, you have the NPS percent score.

Average companies score in the 10% range, but top performers rate 50% and above.

NPS background

The NPS metric was developed by noted customer loyalty guru, Fred Reichheld (a Bain & Company Fellow), working in association with CEM research firm Satmetrix.

Reichheld had been searching fruitlessly for years for a link between customer survey data and profitable brand growth. He, as well as researchers from Satmetrix, analyzed reams of information--CRM data, ROI models, Six Sigma platforms and customer satisfaction results. Ultimately, they concluded that all of these approaches were lacking in their predictive value, not to mention not widely agreed upon and needlessly complex. Reichheld found traditional customer satisfaction studies particularly flawed and, essentially, a waste of money. Not surprisingly, the NPS approach has drawn vigorous opposition from many marketing research and satisfaction practitioners.

After studying over a dozen industries and tens of thousands of responses, the Reichheld team found the poorest predictive question to be: "How satisfied are you with company X?" The best predictor: "How likely are you to recommend company X to a friend or colleague?"[2]

Reichheld asserts that brand "recommendability" is one step higher than loyalty in the value equation. A "loyalist" user may not truly "prefer" or like the brand. In some cases the buyer is locked into an unwanted or unpleasing relationship by corporate dictates or monopoly forces.[3] However, a promoter customer would go out of his/her way to be a virtual marketing arm of the company, and this word-of-mouth pitching is the most effective (and cost-effective) form of marketing. Promoters generate significant incremental value through their own long-term, increasing consumption and free, powerful new customer acquisition efforts.

NPS matters in B2B

Reichheld and some observers argue that NPS may even be more relevant in B2B than B2C because of its "ability to simplify the complex relationships" and customer experiences accurately. Adoption of NPS has also been more rapid in B2B.[4]

Some B2B firms deploy NPS on local, regional and national levels; others track results real-time with their employees. Intuit regularly references their high NPS scores in investment analyst meetings. GE's CEO, Jeffrey Immelt, has stated NPS "...is the best customer relationship metric I've seen..." and touts the value of GE learnings from detractors, as well as promoters.[5] As a result, NPS results drive compensation for many GE managers. Other B2B brands utilizing NPS include SAP, Thermoelectron, Bearing Point, Cisco and FedEx.[6]

NPS issues

Methodology is a challenge for B2B companies adopting NPS. According to Reichheld, NPS must be deployed with rigor and consistency in order to be effective. Marketers need to conduct surveys regularly but should avoid burning out customers. Additionally, feedback should come from a large universe of customers (over 50%) vs. a typical research sample (5-10%) in order to give an accurate and predictive picture. B2B firms must survey actual buyers/users/decision-makers vs. non-users as the former are in a better position to assess the customer experience and have more at stake in recommending the brand.[7]

NPS is not a 'magic bullet'; however, the early returns on NPS are promising for B2B marketers, and boardrooms and Wall Street are starting to take notice.

If you would like to learn how Movéo's research, branding or communications expertise can help you "get there" please call Bob Murphy at 630.570.4803 or visit us online at moveo.com.

Did you know?

The database which helped substantiate NPS included over 400 companies, 28 industries and more than 130,000 customer survey responses. (Satmetrix.com)

NPS leaders outgrow their competitors by an average of 2.5 times. (Bain.com)

SAP increased growth and profitability by increasing the percentage of NPS promoter customers enrolled in their customer reference program from 20% to over 90%. (MarketingProfs.com)

Net Promoter, Net Promoter Score, and NPS are trademarks of Satmetrix Systems, Inc., Bain & Company, Inc., and Fred Reichheld.

[1] *(ChiefMarketer.com 2006).*
[2] *(Marketing News 2006).*
[3] *(Harvard Business Review 2003).*
[4] *(NetPromoter.Typepad.com/Fred_Reichheld 2006).*
[5] *(Satmetrix.com. 2006).*
[6] *(NetPromoter.Typepad.com/Fred_Reichheld 2006).*
[7] *(Reichheld, Fred, The Ultimate Question 2006).*