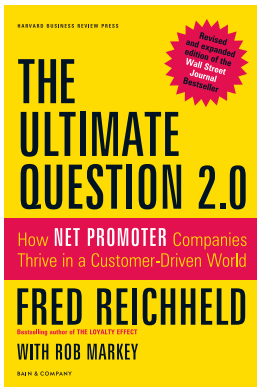


Loyalty Insights

Converting loyalty into economic advantage

By Rob Markey and Fred Reichheld



Fred Reichheld and Rob Markey are authors of the best-seller *The Ultimate Question 2.0: How Net Promoter Companies Thrive in a Customer-Driven World*. Markey is a partner and director in Bain & Company's New York office and leads the firm's Global Customer Strategy and Marketing practice. Reichheld is a Fellow at Bain & Company. He is the best-selling author of three other books on loyalty, published by Harvard Business Review Press, including *The Loyalty Effect*, *Loyalty Rules!* and *The Ultimate Question*, as well as numerous articles published in *Harvard Business Review*.

For more than a decade, our research has shown that companies with a high Net Promoter Score® (NPS®) significantly outperform competitors. For example, a recent Bain & Company study of 135 companies in more than a dozen sectors and geographical regions found that Net Promoter® leaders in an industry grew more than two times faster than their peers.

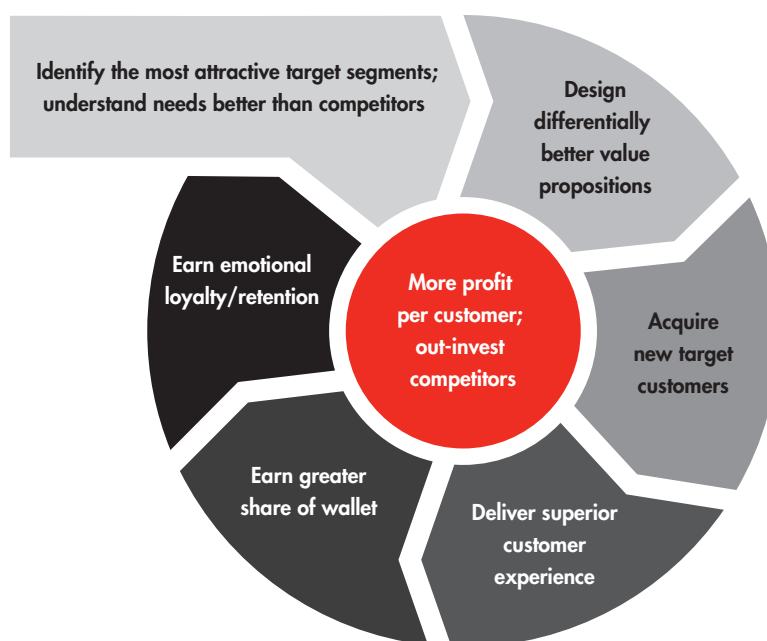
Occasionally, however, we run across an outlier—a company that seems to earn high loyalty among its customers but doesn't grow as fast as its high scores would indicate. Why should this be?

While several factors might contribute to creating such outliers, we have found a number of cases where the disparity results from the age-old gap between feelings and action. Deep loyalty as indicated by high Net Promoter Scores shows that customers *feel* good about a company. They like doing business with it. They're inclined to

stay longer, buy more and tell their friends about their great experiences. But the economic benefit comes only when they act on those feelings—and that depends in part on what the company does (*see Figure 1*).

In short, earning goodwill among your customers is a necessary but insufficient condition for generating revenue growth that outpaces the competition. Leaders must also create the conditions that enable and encourage loyal customers to do what they're inclined to do anyway (see the sidebar, "The loyalty-to-financial-results checklist"). They have to offer customers a continuing stream of products or services that stand out from the competition. They have to deliver those goods at the right price, at the right time, through the right channels, using the right messages. And sometimes they have to help customers communicate their experiences to friends, relatives and the world at large.

Figure 1: How to achieve growth through customer centricity



Source: Bain & Company

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Here are three specific steps that many companies have found essential for translating loyalty into outstanding results and an enduring competitive advantage.

1. Learn more about your most loyal customers

Every company has its share of loyal, enthusiastic promoters, and a company with high scores is likely to have a lot of them. These are the individuals who most love doing business with you and who really do sing your praises to others. But how much do you really know about them?

Since promoters are the people most responsible for your profitable growth, accelerating that growth means knowing exactly what you did to earn their loyalty and devotion so you can replicate that with other customers.

Most companies work hard to determine the root causes of customer dissatisfaction. To outgrow your competition, you have to work at least as hard to determine the sources of customer delight. If it derives from product quality, then what, specifically, do customers cite as evidence? If it comes from the customer's experience in buying from you, then what about the process most impressed them? In other words, what are the real reasons they have become such enthusiastic advocates for your products or services? Since promoters are the people most responsible for your profitable growth, accelerating that growth means knowing exactly what you did to earn their loyalty and devotion so you can replicate that with other customers.

Maintaining that kind of intimate relationship with promoters requires effective mechanisms for staying in close touch. Vanguard Group, for example, makes a point of interviewing a sample of clients who have persuaded someone else to bring his or her business to the firm. The company asks these clients how they came to be so enthusiastic about Vanguard and what it was that they told the other person. Most of these promoters, Vanguard discovered, had experienced an unusual "moment of truth" in their dealings with the company, such as extra help surrounding the death of a spouse or the birth of a child. The anecdotes Vanguard collected underscored the value of delivering that level of service on a regular basis.

2. Tune your offerings to meet your promoters' needs

Getting to know your promoters will undoubtedly reveal both strengths and gaps in your product line. It may show you that competitors are offering something you don't. It may reveal unmet needs your customers can't quite articulate. Ideally, your offerings should be so attractive to your promoters that they have no reason to look elsewhere when they need additional products or services.

Nearly every company can find ways to tune its offerings to meet its customers' needs more completely. Banks are developing smartphone apps enabling instant deposits and other forms of self-service; that allows branch staff to refocus their time away from routine transactions and onto providing the higher-touch personal services most valued by their best customers.

Some utilities offer to help customers install, finance and maintain systems for generating their own power and heat through solar roof panels, or help their commercial and industrial customers maintain small decentralized generating units. LEGO Group found that many customers wanted smaller, easy-to-assemble

The loyalty-to-financial-results checklist

My company has consistently higher Net Promoter Scores than competitors, but our revenue growth and profitability don't reflect that advantage. What am I doing wrong?

It may take 9 to 12 months, sometimes more, for an improvement in Net Promoter Scores to show up in better results. But if your performance stays stubbornly below what you would expect, here are five questions to ask yourself:

1. **Do you know what makes your promoters enthusiastic about doing business with you?**
Your best customers have often experienced you at your best, and they can often provide tremendously useful insights into which needs you are best able to serve.
2. **Do you have the right product line at the right prices?** Customers may love what they have already bought from you, but if your other products and services aren't what they need or aren't priced competitively, they'll look elsewhere. Make it easy for them to choose yours.
3. **Are you selling effectively?** Your high scores indicate that your customers are probably willing to buy more from you—that you have earned the right to sell more to them. But you may not be offering them what they want at the right time or in the right way. Underdeveloped sales capabilities can keep you from translating customers' good feelings into more business.
4. **Are you giving your promoters tangible stories to tell?** People tell stories about exceptional experiences with companies. They say to their friends, "You won't believe what just happened to me." If your customers' experiences are good but unremarkable, don't count on happy promoters to bring you more business.
5. **Have you provided a platform on which to tell those stories?** Delighted customers can always tell their friends in person, but if they have a forum (either online or real-world) for sharing it with other like-minded people, they can tell thousands more.

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add-on kits as their next purchase. Logitech used Net Promoter feedback to help redesign its next generation of products to meet customer needs.

By tuning these products and services to fit perfectly into their customers' lives, these companies make it easier for their happy customers to buy more and stay longer.

3. Help your promoters spread the word


When there's a drum-tight fit between what you offer and what your promoters want, you'll want to help your promoters sing your praises loudly and demonstrate their enthusiasm. For many companies, that means finding ways to provide them with the kind of stories they will actually tell to friends, and that will give those friends a reason to buy from you.

High rates of loyalty are a huge asset in business. They provide a necessary foundation for profitable growth. But that growth doesn't happen automatically—your company needs to make it easy for your customers to do more business with you and to bring their friends.

Those stories might come from mundane, everyday service. When employees of property-management company FirstService Residential take the time to open doors and carry groceries for residents, they provide great stories and build many tiny pools of goodwill. Or the stories might reflect exceptional service in a crisis.

A couple of years ago, Rob and his family were delayed by a hurricane while returning from a foreign cruise. To avoid the storm, the cruise line changed their return to port a couple of times, and Rob needed to change flights more than once. When he tweeted his dismay over having to wait on hold a long time on an expensive international roaming call, a JetBlue representative unexpectedly responded and took the initiative, calling him to arrange the new flights and to refund the penalty charge on his family's tickets. That's the kind of "wow" experience that people tend to share (and in fact Rob wrote about it in a *Harvard Business Review* blog post called "Twitter, Travel and the Power of the Engaged Employee").

If your customers don't already have a good one, you also want to provide your promoters with a platform they can use to tell those stories to a relevant audience. These platforms can take the form of online communities, such as Adobe Marketplace & Exchange Classic, or real-world communities, such as LEGO Users Group get-togethers. They can also take the form of references, video testimonials and so on—particularly useful in a B2B context.

High rates of loyalty are a huge asset in business. They provide a necessary foundation for profitable growth. But that growth doesn't happen automatically—your company needs to make it easy for your customers to do more business with you and to bring their friends. The steps outlined here should help you convert loyalty into great performance. They can help you focus on the handful of things that will really create opportunities to turn your customers' good feelings into profit-generating actions that will grow your business. 

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