

# RIND Survey

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## ADAPTING QUICKLY TO CHANGING TIMES

*At the Fulda-based (Hesse, Germany) Druckerei Rindt, every job is treated differently and there is no such thing as 'technically too demanding'. The key performance parameters are all those that make production efficient and profitable. But whether it is producing sophisticated covers which are printed in up to five colours or implementing the latest technology solutions, the basics are not forgotten at the facility founded in the 1930s. Such as this picture, showing press operator Andreas Kaup supplementing inline quality control with more traditional means, suggests. The story (see page 41) also shows how old printing establishments can adapt to changing times, using technology wisely.*

# Keeping your finger on the pulse of the customer

Customer is King – the *raison d'être* of every business. It is therefore imperative for all businesses to listen to their customers, says **Varsha Chitale**



Varsha Chitale

Customer loyalty in particular is of immense value to any company. High customer loyalty indicates that your company is doing a key part of its job right. It also means that you have to try less hard to increase sales. You not only get repeat customers, the customers also talk about you with others they know, and these referrals lead to new customers. Your overall customer acquisition cost goes down.

So it is surprising that most companies don't specifically measure customers' loyalty and their propensity to give recommendations. The key tools employed by the marketing and strategy heads for seeking customer inputs that are commonly used include customer satisfaction surveys, feedback forms, tracking social media, customer studies, and so on. But these don't directly measure customer loyalty.

Net Promoter Score (NPS) is a metric that is being increasingly used globally to measure customer loyalty. It was first introduced by Fred Reicheld in a 2003 HBR article. It measures the answer of the existing customers to one 'ultimate question' – Will you recommend us to your friends?

Composition of NPS: In its original form, the likelihood of a customer to recommend your company is rated on a 10-point scale. Scores of 9 or 10 indicate 'promoters' of your company/brand, 7 and 8 are 'passive' or neutral customers and 0 to 6 are 'detractors' who may give negative recommendations. The net promoter score is the difference between the percentage of respondents who are promoters and the percentage of respondents who are detractors. For example, if 60 per cent are promoters, 10 per cent are passive and 30 per cent are detractors, the score is 30. The NPS can range from +100 (if everyone is a promoter) to -100 (if everyone is a detractor). In general, a score of 50 is considered to be excellent. An organisation can track its NPS scores over time, and also benchmark them with their competitors.

Over the years, the NPS has gained popularity, as companies have observed a close correlation between the NPS and growth rates of companies. Those who have higher customer loyalty (as measured by NPS) have grown faster. A large number of global companies across industries such as industrial goods, retail, telecom, transportation, etc, including top brands such as Apple, Samsung, Sony, eBay, Delta and BBC, use the NPS.

Many organisations have also customised the NPS to suit their needs. Some use 5 or 7 point scales. There are also cultural variations in how generous respondents are in giving scores, and the scales and calculations can be adjusted to allow for these differences.

The advantage of NPS is that it is simple to administer as well as calculate and gives a quick insight into the level of customer loyalty. The NPS does have few shortcomings, however. A single number is an indicator, but gives no actionable insights at all. It doesn't tell you what you can do to improve your performance. It therefore needs to be accompanied by further probing, particularly for respondents who have given low scores, so that the company can understand what corrective action is needed. Also, it doesn't distinguish between scores within the ranges. So a score of '0' is treated at par with a score of '6', when in fact they are quite far apart. Nevertheless, NPS is a key tool for customer intelligence. It enables you to keep your finger on the pulse of your customer. ■

*(The writer leads the competitive intelligence practice (CI) at ValueNotes [www.valuenotes.biz], a firm that specialises in the management of competitive and market intelligence, and customer research. She holds an MSc in Economics from the London School of Economics. She is a qualified CFA and a member of the Council of Chartered Financial Analysts of India.)*