

Net Promoter Score

April 2018

ACCION

Investing in individuals.
Improving our world.

Agenda

- Overview of NPS

- Implementing NPS

- Case studies and benchmarks

What is a Net Promoter Score?

How likely are you to recommend XX to a friend or colleague? Why?

Purpose

A company's Net Promoter Score is a **way to determine customer loyalty and satisfaction**

Uses

NPS can be used for anything – the overall company, individual business lines, a particular geography, functional group or customer segment

Function

Net Promoter System is a management system wherein **practitioners ask customers the reason for their ratings** – and build this feedback in to “close the loop”

NPS is a powerful metric that companies can use to improve their product or service.

NPS is one of the best ways to listen to your customer

Companies can use NPS to get a better sense of how customers feel about their product, and incorporate feedback to make their own systems function better.

- The NPS survey **only requires 2-3 questions**: How likely are you to recommend the company, and why
- It can be tracked **as frequently as necessary**
- It is **easy to comprehend** by all customers (based on 0-10 scale), and does not require rigorous analytics to compute.

Simplicity

- The NPS survey can be **conducted by any medium which has the best response rate** – text, email, call, in-person survey
- It can be **shared in real-time** with the relevant party, so immediate next steps can be taken to fix the problem

Ease-of-use

- NPS helps companies in all industries **build customer loyalty and achieve growth**
- It is most widely used in Financial Services, Industrials, Services, Retail and Consumer sectors

**Growing
body of
users**

- NPS can be **broken down by any function** that can be tested – business line, product, geography, customer segment, and others
- It can even be used for B2B businesses, using a slightly different interpretation of the NPS score

Adaptability

High NPS is correlated with organic growth

“On average, an industry’s Net Promoter leader outgrew its competitors by a factor greater than two times” – Bain & Co

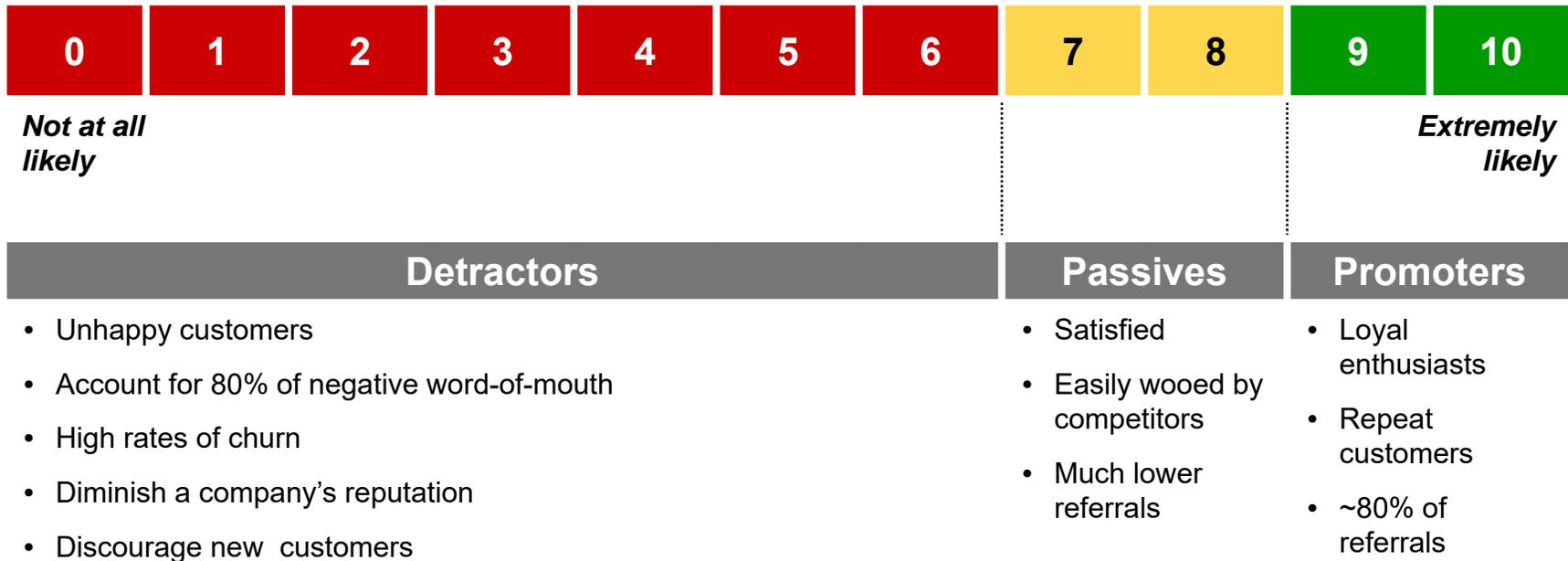


**Customer promoters
drive real value:**

- Buy more
- Stay longer
- Refer friends
- Provide feedback and ideas

How does a company calculate its NPS?

Question: How likely are you to recommend XX to a friend or colleague?



Calculating NPS score:

% promoters

-

% detractors

=

NPS score

NPS works best in certain contexts

NPS is a good indicator of future growth for all companies. But, the relationship between NPS and growth is stronger in some industries than others, particularly in these conditions:

Competitive

- ✓ When the industry includes a substantial number of reasonably high-quality players, so customers have a real choice.

Network Effects

- ✓ When network effects are minimal, so customers can easily switch providers rather than being forced to stay with one despite wanting to switch.

Mature

- ✓ When the industry is mature, with widespread adoption and use of its products or services.
- ✓ This does not mean that NPS is not applicable to startup sectors – it is just more relevant when the product is widespread

Other undermining factors

- ✓ Companies with large amounts of funding can open lots of new stores or flood the market with promotions and discounts
- ✓ Partial monopolies that dominate distribution channels
- ✓ Technological breakthroughs that create short-term growth surges

Why is NPS useful for early-stage Fintech companies?

USE CASE	DESCRIPTION
Competitive benchmark	<ul style="list-style-type: none">• Fintech is a highly competitive industry, and there are almost always directly competing products/services in any market• An initial NPS survey is useful to do using a 3rd party that surveys your and your competitor's customers• Output gives unbiased feedback and understanding of where you stand vis-a-vis your competitors
Customer relationship and loyalty	<ul style="list-style-type: none">• Customer loyalty and trust are critical, given that you are dealing with their financial life• Strong loyalty and brand sentiment creates exponential growth through word-of-mouth, positive ratings & reviews, and better products overall
Experience surveys	<ul style="list-style-type: none">• These investigate a specific interaction or touchpoint the customer has with the company• Start by mapping out the customer journey to find the customer touch points, and select those that have the highest traffic or friction• These make up the “second-order” questions that you can ask customers in order to pinpoint which touch points need further improvement• Give customers the option to be contacted, so you can follow up to get more detail on how to improve.
Internal survey	<ul style="list-style-type: none">• NPS can be used to determine employees' own satisfaction• Is a useful way to measure, monitor, and improve your company's culture

Agenda

- Overview of NPS

- **Implementing NPS**

- Case studies and benchmarks

How to implement your NPS survey in the *right* way

Focus on the following things to achieve the most out of your NPS survey

	Recommendation
Timing	Surveying monthly or quarterly is usually sufficient
Area	Start with a general NPS survey, and then break down into certain core areas and functions
Delivery	Use the most utilized channel by the customer segment you are targeting
Customer Segment	Do a customer segmentation analysis before you survey your customer base, in order to have representation across segments and a variety of feedback
Benchmarking	Whichever area you choose to survey, continue measuring NPS intermittently in the same area, in order to compare your performance over time
Point(s) of contact	Map out the customer's journey and the various points of contact with the company, in order to determine pre-set options to the follow up question
Population	Determine the minimum statistically significant number of customers per segment and survey them, in order to preserve the rest of the customer base for future surveys (in addition to the ones already surveyed)
Interpretation	Do a statistical analysis of your NPS across segments, to determine the perception of your product and customer service by different customer groups
Close the loop	Use the feedback to improve systems, teams, delivery and service, and conduct consistent NPS surveys to make sure you are achieving your goals

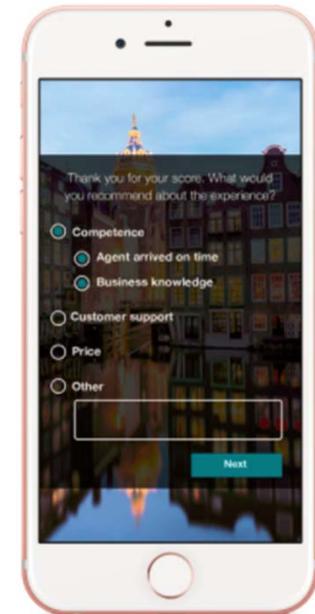
Use Key Driver Analysis to determine the “why”

Ask second-order questions to each group,
in order to determine customers’ reasons for answering the way they did

SAMPLE QUESTIONS

Promoters	<i>Thank you for giving us such a high score. What are the main reasons for the score that you gave?</i>
Passive	<i>Thank you for giving us a good score. What should we improve for you to give us a 10?</i>
Detractors	<i>Thank you for your score. What are the main reasons for your score?</i>

Each group should have **pre-set answers** (for simplicity and easy analysis) and an **“Other”** answer (for free response)



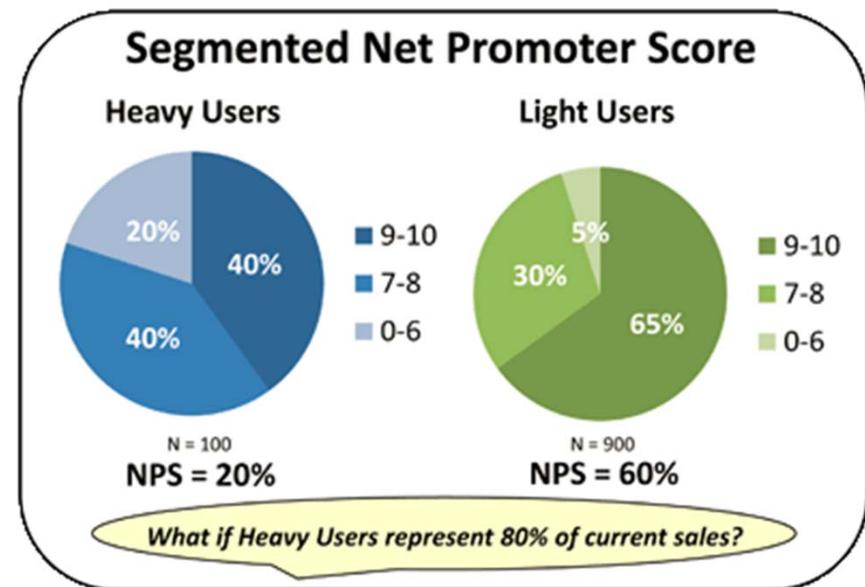
ACCION

NPS Driver Analysis Customer Journey			
	Key Driver	NPS	Responses
Website experience	high	-21	560
Live chat	low	+9	79
Shipping	low	+15	167
Customer service	high	+56	794

How to get the most out of your NPS survey?

How to interpret your NPS score:

- NPS in isolation has limited value; it can be contextualized by:
 - Tracking NPS over time
 - Tracking NPS across products
 - Tracking NPS across customer segments
 - Etc.
- Customer segmentation is critical to determine useful takeaways from the NPS survey:
 - What was the NPS of more active users vs less active users?
 - What was the NPS of younger users vs older users?
 - What was the NPS across income groups/cities/male & female/etc.?



I have my NPS – now what?

How to interpret your NPS score:

- In order to make the most of your NPS results, you need to a) get some context for how good that score is relative to something else – be it competing firms, products, business lines, historical NPS etc. and b) ask second-order questions to derive the “why” behind the number.
- Once you gather the data, use the following strategies to improve your NPS:

Share the results with employees

While daunting, sharing honest customer feedback with employees will center individual employees around the mission to improve and serve customers better. If you have a high NPS, this serves to further motivate employees to keep doing what they’re doing, knowing it has a tangible impact.

Create an action plan

Based on analysis of the results, you should have a good understanding of why your detractors are likely to churn, what’s limiting your passive customers’ enthusiasm, and what promoters are most excited about your product. First, work towards turning **passives to promoters**, and then **detractors to passives**. Dedicate a few employees to examining the results closely, and working with whichever internal group to improve.

Agenda

- Overview of NPS

- Implementing NPS

- Case studies and benchmarks

Case Study 1: Consumer finance company (NPS: 88)

What?

Measuring NPS to understand overall customer satisfaction

How often?

Monthly

How?

Email after customer service calls

Takeaways

- **Keep a pulse** on your broader NPS before diving into specific areas
- There may be **multiple reasons** for consumer satisfaction – these can be determined by **second-order questions**.
- **Keep surveys short** in order to increase their frequency, thereby increasing their accuracy
- **Monthly or quarterly** is usually sufficient frequency for measurement
- For most fintechs, **email, call or text** are the most successful ways to receive responses
- This **differs across customer bases** – evaluate the channels your customer base checks most frequently

Case Study 2: App-based neobank (NPS: 79)

What?

Measuring NPS to understand overall customer satisfaction

How often?

Quarterly/Semi-annually

How?

Part of broader survey in type-form via email

Takeaways

- Target the **smallest population** that can achieve statistical significance
- **Preserve high response rates** in future surveys by focusing on a portion of your total customer base at one time
- **Perform a customer segmentation** prior to NPS survey to target different customer groups, and achieve a **more representative NPS**
- Different customer segments will have variable responses to second-order questions
- NPS is especially useful for:
- **Informing** your growth and marketing strategy to different customer groups
- **Improving your ability to fundraise** and investor perception (if NPS is high)

Fintech benchmarks across sub-sectors:

CATEGORY	EXAMPLES
Lending	<ul style="list-style-type: none"> • SoFi: 90 • OnDeck: 84 • Affirm: 82 • Lending Club: 78
Insurance	<ul style="list-style-type: none"> • State Farm: 60 • Allianz: 8 • Progressive: -2
Payments	<ul style="list-style-type: none"> • Mastercard: 7 • Visa: 8 • American Express: 29
Banks, brokerage, & investments	<ul style="list-style-type: none"> • UBS: 74 • Fidelity Investments: 70 • Charles Schwab: 52 • E*TRADE: 49 • Chase: -1 • HSBC: -14 • Bank of America: -24 • Santander: -25
Total	<ul style="list-style-type: none"> • Average across 953 financial services companies globally: 46

Source: CustomerGuru, NPSbenchmarks

