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The ultimate question for your customers

Would you recommend your local leisure centre, park or museum to a friend? Mike Hill explains why this question, which is at the heart of the Net Promoter Score concept, might help the UK sport, leisure and culture sector improve customer service and the bottom line.

If you had to ask your customers one question to see how satisfied and loyal they were, what would it be? For more and more leading companies in the US and UK the answer to the question of what question should be answered is provided by the Net Promoter Score.

Net Promoter is a customer loyalty metric first advocated by Frank Reichheld in his 2003 Harvard Business Review article, The One Number You Need to Grow. Its main benefit is that it gives organisations a single customer service objective of creating more 'promoters' and fewer 'detractors', a concept far simpler for employees to understand and act on than more complicated, obscure or hard-to-understand satisfaction metrics or indices. In addition, proponents claim the Net Promoter method can reduce the complexity of implementation and analysis frequently associated with measures of customer satisfaction, providing a stable measure of business performance that can be compared across business units and even across industries.

Companies obtain their Net Promoter Score (NPS) by asking customers a single question on a 0 to 10 rating scale: "How likely is it that you would recommend our company to a friend or colleague?" Based on their responses, customers can be categorised into one of three groups: promoters (9-10 rating), passives (7-8 rating), and detractors (0-6 rating). The percentage of detractors is then subtracted from the percentage of promoters to obtain an NPS. A score of 75% or above is considered quite high.

So how can it help organisations focus on customers? Asking the ultimate question allows companies to track promoters and detractors, producing a clear measure of an organisation's performance through its customers' eyes. Promoters are loyal enthusiasts who keep buying from a company and urge their friends to do the same; passives are satisfied but unenthusiastic customers who can be easily wooed by the competition; detractors are unhappy customers trapped in a bad relationship.

While easy to grasp, the NPS metric represents a radical change in the way companies manage customer relationships and organise for growth. Rather than relying on notoriously ineffective customer satisfaction surveys, companies can use NPS to measure customer relationships as rigorously as they now measure profits. It also enables organisations to hold employees accountable for treating their customers properly.

Thanks to social networking and social marketing, word-of-mouth marketing is becoming more and more important. Old-style word-of-mouth marketing has always been known to be the most cost-effective and effective method of marketing; and all companies know that it is very expensive to lose a customer and have to replace them from scratch. NPS can help to spot the likelihood of customer attrition and can also be used to focus more organisational resource on loyal, referral-generating customers.

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The government recently introduced the 'friends and family test' for all NHS trusts, which is a survey based on the question, "Would you recommend this hospital to a friend or member of your family?" While not exactly true NPS (it only measures the percentage of patients replying 'yes'), it is a very close derivative. In the leisure and cultural services sector several leading companies, trusts and local authorities are already using NPS or something very similar as their key service matrix, Virgin and DC Leisure among them. Initial research in the UK leisure, health and fitness sectors suggests that the sector's average NPS is 34%, with a promoter score of 54% and a detractor score of 20%.

Steve Philpott of DC Leisure thinks NPS has great potential in our sector: "The sector needs powerful customer service matrices that can be benchmarked both internally and externally against other sectors, and we are very happy to be pioneers in embracing this powerful customer measure. As an ex-marketeer I've been fascinated with Net Promoter Scores ever since I was introduced to them four or five years ago."

However, there are the strengths and weaknesses of using NPS in our sector. There are two potential weaknesses if we rely too much on NPS as the key indicator of customer experience. First, its lack of detail and, second, the effect of lack of competition. With regard to a lack of detail, it is really important to drill down into the customer experience to understand the key drivers of both promotion and detractor; there will usually be a combination of reasons why someone scores high or low. In the second instance, NPS does not work quite so well where there is no competition for the organisation's service or product simply because people may recommend it just because it is the only product available, rather than because they think it is really good service. This can give a false score and a false sense of security, which in turn can be an issue if a new competitor enters the market and the consumer is presented with a choice.

But what about the positives? As previously mentioned, cultural and leisure services are firmly rooted in our physical communities and referrals and recommendations are a key aspect of their continued success and popularity. For some services NPS will be a transactional measure, ie when there is one visit or participation involved; for example, a tourist visiting a museum or a one-off swim at a local pool. But for other services the measure will be a on-going relationship, meaning that it is more than just a single transaction but something that is built up over time; for example, the affinity someone feels for their local park or play area, or for the gym at their local leisure centre.

The key thing to remember about NPS is that while it may not be as robust and statistically valid as other ways of measuring the customer experience, it more than makes up for this by being a very simple tool to provide a real customer focus to the business for staff operating at all levels. It is easy to understand and easy for people relate to. After all, who doesn't love telling their friends or colleagues about a really good – or bad – experience that they have had, whether it be a holiday, restaurant, or even your local leisure centre or park?

Mike Hill is managing director of customer insight specialists Leisure-net.

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