

Engaging Customers by Neutralising Detractors and Activating Promoters

By Alvin Jackson and Dr Alain Samson

In our earlier paper *'From "Ready" to "Go": Activating Promoters'* we discussed how Net Promoter Score (NPS) promoters (customers with a positive attitude towards recommending your product) can be turned into active recommenders. We suggested that practices encouraging actual recommendation behaviour generally have three different areas of focus:

- 1) Improvements or innovation with respect to the *product* itself;
- 2) Enhancing the *relationship* between a product or company (e.g. through engagement) and the customer;
- 3) Giving *opportunities* to recommend.

In this paper, we present brief case studies¹ from a few companies who have adopted the NPS framework in their business. Some companies are more concerned with responding to the concerns expressed by detractors, in effect to move them into the "passives" category; we call this "neutralising detractors". Others are making efforts to encourage promoters actually to recommend in order to create customer growth; we call this "activating promoters".

Whether the focus is on neutralising detractors or activating promoters, the common theme appears to be one of relationship building: engaging customers in a way that can increase involvement or identification and so increase loyalty and advocacy.

Neutralising Detractors

Some of the companies we spoke to seemed to focus almost entirely on detractors in their use of the NPS framework, an approach that

ties particularly well into existing CRM practices about customer complaints.

Case 1 - a large retail bank.

Although customer advocacy is a concern in principle, the bank's CRM emphasis is on customer satisfaction and loyalty. Customer engagement occurs in the general recording of complaints, receiving feedback on comment cards available in branches, and most importantly the identification of complaining customers in order to discuss a solution to their problem. Perhaps not surprisingly, the more relationship-focused and high net worth part of the bank enjoys lower levels of complaints.

Case 2 – a high street retail bank

This bank introduced NPS at the beginning of the year. **Branch Managers and Local Directors bonuses are enhanced or reduced by their local NPS score.** The 'would you recommend' question features prominently in their surveys conducted by an external agency, which often also include a measurement of customer reports about the in-branch experience, in particular queuing time (in minutes), along with other service quality questions. So here NPS is mainly used as a touch-point measure, as customers are asked whether they would recommend based on their last experience with the bank. A direct customer feedback system is also in place, in which a branch manager will phone at least three customers within one week of their last branch visit and reassure detractors that action will be taken to solve the problem they experienced. This practice has the potential to strengthen the relationship between the bank and some of its customers, while also creating actionable insights. The bank has recorded lower NPS scores among customers of the larger (hence more impersonal) than their relatively small branches.

Both of the banking case studies suggest that where the relationship between the customer and the organisation is more personal (for example in high net worth banking or smaller retail branches) the customer's perception of the relationship as measured by NPS is higher. This finding makes intuitive sense and raises the challenge of how much organisations should invest in personal relationships for an appropriate rate of return.

Case 3 - a large and well-established retailer.

This organisation is quite strongly focuses on NPS scores as a way of benchmarking within their sector. Having enjoyed a very high score in the past, the retailer's NPS emphasis is almost exclusively on customers who complain, which is done by sending a questionnaire by mail to a sample of dissatisfied customers. Response rates to the survey are high, particularly among store loyalty cardholders. Similar to the banks, this retailer analyses verbatim comments and follows up on some individual cases. The organisation also invites customers at point of sale to complete an online or telephone survey, but this is more focused on the in-store experience than NPS. Although the company has found a strong correlation between individuals' recommendation scores and high spending on the loyalty card programme, they have not implemented any promoter-focused practices. They do however invite both high and low scoring customers from NPS surveys onto their customer panels.

Activating Promoters

As discussed in the last paper, practices like co-creation with customers for the purpose of product development can be an important means of product innovation, relationship building and hence customer advocacy.

Detractor-focused customer engagement fulfils similar purposes from a more negative

angle by working on the potentially destructive nature of detraction. Dissatisfied customers are listened to and neutralised in order to keep them from leaving or spreading negative word-of-mouth, while their feedback can be used to improve shortcomings in the product. The difference between creative engagement (e.g. co-creation) and damage control (i.e. complaints procedures), however, is that the latter approach is more compatible with the belief that customers can only identify a problem, and not the solution.

When companies work with promoters, it often entails active relationship building by involving customers in decisions about the product.

Case 4 – a consumer magazine publisher

Following a Net Promoter survey, a magazine publisher contacted promoters to ask their opinion on proposed changes to the magazine subscription service. The high level of response indicated a strong degree of engagement and helped to target changes towards the features that customers valued most.

Case 5 – a car rental company

A car rental offers discounts and free upgrades to the promoters that it identifies from NPS surveys. Campaign effectiveness is measured against a control group from the standard customer base. It has also recently begun to use promoters to test new ideas but it is still too early to see clear results from this initiative.

These case studies are good examples of relationship building with select customers by either asking for product-related feedback or providing VIP privileges. Based on the advocacy principles of *relationship*, *product* and *opportunity* building, however, the case of the car rental would probably particularly benefit from involving promoters in decisions related to service improvements, while also allowing them to pass on privileges to people they know.

Case 6 – a holiday company

A good case of promoter activation practices that involve all three components outlined previously (product, relationship and opportunity) is given by a large UK-based holiday company.

Following a Net Promoter survey, the company keeps its customers regularly up to date with changes and developments to demonstrate that is listening to and acting on customer feedback. The customer response to this initiative has been very positive so far.

They also target referral offers to promoters as they are attitudinally more likely to respond and may see the offer to 'invite a friend to visit' (free) as a privileged offer. This is intended to attract higher quality customers with more spending power who will be easier to convert following an initial personal recommendation and welcome

Finally, they have introduced summer competitions for the most important customers to create a sense of community, fun and involvement, as well as to keep the brand alive when customers are away, as an attempt to build a more enduring relationship

Neutralising Detractors and Activating Promoters: Two Sides of the Same Coin

From the perspective of CRM, it may be tempting to focus disproportionately on detractors. Complaints need immediate attention; they are more tangible and actionable than the silence received from most satisfied customers. Indeed, attempts to neutralise detractors tie into existing CRM practices, but do so by using a new (NPS) framework. There is also evidence that lost business associated with detractors can be greater than new business that can be expected from promoters. In the case of computer hardware customers, for example, a recent study found that “lost” business

associated with [Detractors'] negative referrals subtracts nearly the entire value of their purchase behaviour, leaving a total customer worth for Detractors of just over \$100-- \$2,500 less than their Promoter counterparts!"²

One online publisher of business information has recently begun to correlate NPS scores with individual customer value to see whether there are common issues among low-value detractors to help guide the appropriate level of resources that should be spent on addressing their problems. If the above finding is true, we may find that it would be better not have them as customers at all.

Even if the absolute value of gains associated with promoters and losses caused by detractors were the same, it would be no surprise to see an overall greater focus on damage control. As prospect theory in behavioural economics suggests, decision-making is often biased by a human aversion to loss.³ Just as a £1 loss appears to be more painful than the pleasure of a £1 gain, organisations may have a tendency to focus on the prospect of losing an existing customer more than the prospect of gaining a new one. A related more general phenomenon may be apparent when companies try to grow by cutting costs rather than acquiring new customers.

We have found no evident plans in the organisations we spoke with for a structured approach to activating promoters in order to optimise the value from this key customer group. We believe that there is a big opportunity to drive value from activating promoters that are already in your customer base, rather than spending cash on expensive acquisition.

This does not mean that detractors should be neglected. Preferably, of course, both promoters and detractors have to be engaged in order to ensure growth. Since advocacy has been more the domain of marketers, while detraction was more squarely an aspect of CRM, a key strategy

for business in the 21st century may be to establish stronger links between those parts within the organisation that make and deliver promises.

This paper is the second of a three part series of articles dedicated to the topic of 'activating promoters'. Our next paper will draw together our findings so far and set out some potentially successful approaches for the future.

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¹ Our selection of companies is based on a convenience sample, which lead to a somewhat imbalanced selection of sectors. Nonetheless, we do believe that the case studies are illustrative.

² Net Promoter Economics: The Impact of Word of Mouth. Satmetrix White Paper 2008.

³ Kahneman, Daniel, and Amos Tversky (1979) "Prospect Theory: An Analysis of Decision under Risk", *Econometrica*, XLVII (1979), 263-291.