

WHY INDIAN BUSINESSES ARE INCREASINGLY ADOPTING THE NET PROMOTER SCORE®

The new blueprint for business success



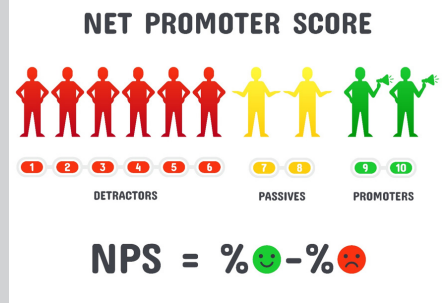
Christopher Roberts
MD, ENGAGED STRATEGY
Author of "10 Reasons Why
CX/NPS® Programs Fail"

Understanding the Basics of Net Promoter Score®

Net Promoter Score® is a metric used to gauge customer loyalty and satisfaction. It is calculated based on responses to a simple question: "On a scale of 0 to 10, how likely are you to recommend our product/service to a friend or colleague?" followed by asking an open question about the reason for their score. Respondents are classified into three categories:

- **Promoters (9-10):** Loyal enthusiasts who will keep buying and refer others, fuelling growth.
- **Passives (7-8):** Satisfied but unenthusiastic customers who are vulnerable to competitive offerings.
- **Detractors (0-6):** Unhappy customers who can damage your brand through negative word-of-mouth.

NPS® is calculated by subtracting the percentage of detractors from the percentage of promoters.



Picture this: an Indian startup is struggling to differentiate itself in a saturated market. Despite their innovative products, they grapple with the lack of understanding why customers churn and how to foster loyalty. Enter the Net Promoter Score® (NPS®), a game-changing metric that provides granular and actionable insights to boost customer-centric growth.

By adopting NPS®, this startup not only identifies their biggest Promoters and Detractors, but also leverages these insights by treating it like a strategic conversation with its clients. The feedback from their Promoters helps them understand what their clients like, Detractors help them understand what needs fixing, and Passives who think they are good, but not great, provide them with critical feedback that helps them understand what they need to do to go from being good to great. By prioritising tasks and taking action via this outside-in thinking, they begin to enhance their business offerings. Soon enough, this leads to increased customer loyalty and, in turn, a growth in their market share.

This scenario is becoming increasingly common as more Indian businesses discover the transformative power of NPS®. *Here's why.*

Indian companies are rapidly embracing the Net Promoter Score® as a vital tool for driving business success, as against other popular measurement metrics. This shift is driven by several factors that highlight the growing importance of understanding and improving customer loyalty and satisfaction in an increasingly competitive landscape. Here's a comprehensive look at why NPS® is becoming the new blueprint for business success in India.





The Rise of NPS in India

a. Competitive Landscape

In India's vibrant and diverse market, competition is fierce. This is to the extent where despite having one of the largest start-up ecosystems in the world, 80% of India's start-ups fail within the first five years. One of the primary causes for this is a heavy focus on inside-out thinking as founders are so enamoured with their great idea as opposed to also factoring outside- thinking.

NPS® offers a strategic advantage by providing deep insights into customer loyalty and customer experience levels. By understanding how likely their customers are to recommend their products or services based not on just one touchpoint interaction but across the whole business gamut, businesses can identify strengths and weaknesses, empowering them with the competitive advantage.

b. Customer-Centric Approach

With consumers becoming more empowered and their expectations rising, Indian companies are recognising the need to prioritise customer experience, not mere satisfaction. NPS® goes beyond traditional customer satisfaction metrics by focusing on loyalty and advocacy. This shift helps brands align their strategies with customer needs and preferences, fostering long-term loyalty and positive word-of-mouth.

c. Data-Driven Decision Making

NPS® provides actionable insights from customer feedback, enabling brands to make informed decisions. Whether it's improving products and services, refining marketing strategies or optimising business operations, the data-driven approach facilitated by NPS® is granular, and thus, leads to enhanced performance and efficiency.

d. Revenue Growth

Several studies by various organisations have proven the correlation between NPS® and revenue growth. In the early days, Bain & Co. studies found that brands with the highest NPS® in a category grew at more than 2X the category average and enjoyed lower operational costs. By reducing customer churn and enhancing overall customer retention and relationships, companies were found to save lost revenue and boost customer spending.

A study by the London School of Economics highlights the powerful impact of NPS® on business growth, showing that reducing negative word of mouth by just 2% can generate a 1% increase in business growth. Furthermore, brands with high Net Promoter Scores® grow at a rate four times (4X) faster than those with low Net Promoter Scores®, underscoring the significant advantages of prioritising customer loyalty and satisfaction.

Additionally, our studies have found that the primary source of sale, which is word of mouth, can be anything from 20% to 50% of new sales. In Business to Business our studies also found that for every 1-point increase in NPS®, businesses were able to grow their competitive share of wallet anywhere between 1.25% to 3%.

e. Global Best Practices

As Indian companies expand globally, they are adopting international best practices in customer experience management. NPS® is a widely recognised and standardised metric, enabling Indian companies to benchmark their performance against global standards and implement proven strategies for success.

f. Continuous Improvement

NPS® fosters a culture of continuous improvement. The feedback loop inherent in NPS® allows businesses to regularly monitor customer sentiment, identify areas for enhancement, and implement targeted initiatives. This iterative approach drives ongoing positive change and keeps companies agile and responsive to customer needs.

The Significance of NPS® Adoption in India

Adopting NPS® as a measure of customer experience and loyalty is not just a trend, but a strategic imperative for Indian businesses. In a dynamic market, staying ahead of the curve requires tools that provide actionable insights and foster a customer-centric culture. NPS® offers precisely that, helping businesses navigate the complexities of customer loyalty and satisfaction.

Beyond Demographics - Unlocking Attitudinal Insights with NPS®

One of the key strengths of NPS® is its ability to provide insights based on how customers feel about your brand in terms of into customer sentiment and predicted behaviour. By segmenting customers based on their likelihood to recommend, businesses can identify key trends, pain points and areas for improvement with pinpoint accuracy. This level of detail empowers organisations to tailor their strategies and initiatives to address specific customer needs, driving enhanced satisfaction and loyalty.

Proof is in the Pudding: NPS® and Share of Wallet

Consider a company with an NPS® of 30. By implementing targeted improvements based on NPS® feedback, the company increases its score to 40. According to our studies, this 10-point increase has the potential to translate to a 12.5% increase in their competitive share of wallet. If the company's annual revenue is ₹1000 crores, this improvement could potentially add ₹125 crores to their bottom line, showcasing the powerful economic impact of a strong NPS.

NPS® for Business Success

For Indian business leaders, embracing NPS® is essential for thriving in a competitive market. NPS® offers a powerful tool for unlocking actionable insights, driving enhanced customer satisfaction, and propelling brands towards sustained success. As the market evolves rapidly, the ability to adapt and innovate becomes critical. NPS® provides the framework for continuous improvement, enabling organisations to respond swiftly to customer needs and stay ahead of the competition.

It is important to note that NPS® is more than just a metric; it is a transformative approach to understanding and enhancing customer loyalty and satisfaction. By integrating NPS® into their strategies, Indian businesses can not only improve their competitive standing but also achieve significant financial growth and long-term success.

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