

# Net-Promoter Calculation

The best companies tend to focus on customer retention rates, but that measurement is merely the best of a mediocre lot.

Retention rates are a poor indication of customer loyalty in situations where customers are held hostage by high switching costs or barriers, or where customers naturally outgrow a product because of their aging, increased income or other factors.

The top-ranking question that is the most effective across industries:

- ❖ *How likely is it that you would recommend (Company X) to a business colleague or a friend?*

Two questions that are also effective predictors in certain industries:

1. *How strongly do you agree that (Company X) deserves your loyalty?*
2. *How likely is it that you will continue to purchase products / services from (Company X)?*

Only one question needs to be answered to determine the status – promoter, passively satisfied, or detractor – of a customer.

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## Rating System<sup>1</sup>

Calculate the percentage of customers, who respond with a 9 or 10 (promoters) and the percentage of customers, who respond with 0 through 6 (detractors); this number can be adjusted to reflect the need for repeat or sustained business.

Subtract the percentage of detractors from percentage of promoters to arrive at the “Net-Promoter Score”.

(What really counts, is how (Company X) compares with direct competitors.)

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The process and the results need to be owned and accepted by all of the business functions; all the people in an organization must know which customers they are responsible for.

The path to sustainable, profitable growth, of course, is to create more promoters and fewer detractors, making the Net-Promoter number transparent throughout the organization.

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<sup>1</sup> Fredrick F. Reichheld, Director Emeritus, Bain & Company, Harvard Business Review, December 2003, “*The One Number You Need to Grow*”