THE
ULTIMATE
QUESTION 2.0
How NET PROMOTER Companies Thrive in a Customer-Driven World
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The Ultimate Question 2.0

How Net Promoter Companies Thrive in a Customer-Driven World

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This book shows how companies can put themselves on the path to true growth—growth that occurs because their customers and employees love doing business with them and sing their praises to neighbors, friends, and colleagues. This is the only kind of growth that can be sustained over the long term. Acquisitions, aggressive pricing strategies, product line extensions, cross-sell strategies, new marketing campaigns, and all the other implements in a CEO’s toolkit may give a company a short-term boost. But if these gambits don’t ultimately result in delighted customers, the growth won’t last. So it is with market share. A dominant position in the marketplace often gives a company economic advantage. But again: if that potential isn’t utilized to make customers smile, neither the advantage nor the dominant share will last.

This lesson has taken on new importance as a quiet revolution sweeps across the business world. The revolution, like many others shaking up the current world order, has been stoked and accelerated by the development of social media tools. Customers and employees post blogs, tweet, and text about their experiences in real time, overwhelming the carefully crafted messages proffered by advertising and public relations departments. Power is shifting from the corporation to those who buy from it and those who work for it.

To come out on top in this revolution, business leaders must find ways to enable front-line teams to delight customers. Most leaders want customers to be happy; the challenge is how to know what customers are feeling and how to establish accountability for the customer experience. Traditional satisfaction surveys just aren’t up to this job. They ask too many questions and inspire analysis instead of action. Financial reports aren’t up to it, either. As we’ll see, conventional accounting can’t even distinguish a dollar of good profits—the kind that lead to growth—from a dollar of bad profits, which undermine it.
What the book offers instead is a wholly new approach. Companies begin this approach by asking one question—the Ultimate Question—in a regular, systematic, and timely fashion. Based on the answers, a company can identify the customers who love it, those who hate it, and those who don’t care much one way or the other. It can compile a simple, easily understandable score—its Net Promoter® score—that shows how it is faring on the customer-relations front. It can track that score week in and week out, much the way every business already tracks its financial performance.

Then the company can begin the real work: closing the loop with customers, listening to what they have to say, fixing the problems that lead to unhappiness or anger, and creating experiences that lead to more and more delight. It can engage every employee in the quest to build a true customer focus into their daily operations. Just as managers now use financial reports to make sure they and their team members are meeting profit goals, they can use the Net Promoter score to make sure they are meeting customer-relationship goals. This system is helping companies win the quiet revolution by illuminating the path toward greatness.

The companies that have pioneered the use of the system—you will read about them in the chapters that follow—have already learned this lesson and are way out ahead of their competitors. They range from small neighborhood businesses to Silicon Valley superstars and global giants such as General Electric. (“This is the best customer-relationship metric I’ve seen—I can’t understand why any of you wouldn’t want to try it!” exclaimed General Electric CEO Jeff Immelt to a meeting of his senior leaders in 2005.) Different as they are in other respects, these companies have one big thing in common, which is that they take seriously the principle of the Golden Rule: treat others as you would want to be treated. These businesses want customers who are so pleased with how they are treated that they willingly come back for more and bring their friends and colleagues with them. Incidentally, though most of the book’s examples are drawn from the business world, organizations of any kind—schools, hospitals, charities, even government agencies—can put these ideas to practical use as well. Nonbusiness organizations also have customers or constituents; they too need to delight the
people they serve; and they too can benefit greatly from a management system based on timely, regular feedback from customers.

Once you have read the book, please visit the Web site www.netpromotersystem.com. Our hope is that together we can create a community of people who believe that the purpose of companies and other organizations is to enrich the lives they touch and to create relationships worthy of loyalty—and who think that an organization’s best chance for long life, prosperity, and greatness requires measuring performance on this dimension just as carefully as it measures profits.

A word of advice to those who read the first edition of TUQ. Every chapter of this new edition includes important additions and clarifications, and many of the chapters are completely new. If you are already deeply familiar with the original, be sure to read the Introduction (wholly new), skim chapters 1 through 4, and study chapter 5 as if you were reading it for the first time, since some of the most costly implementation errors resulted from incomplete understanding of the principles explained in this chapter. Part II of the book (chapters 6 through 10) is nearly all brand-new material. These chapters describe and analyze the accomplishments of Net Promoter practitioners since publication of the original book.
It always seemed to me that success in business and in life should result from your impact on the people you touch—whether you have enriched their lives or diminished them. Financial accounting, for all its sophistication and influence, completely ignores this fundamental idea. So several years ago, I created a new way of measuring how well an organization treats the people whose lives it affects—how well it generates relationships worthy of loyalty. I called the metric Net Promoter® score, or NPS. Thousands of innovative companies, including Apple, Allianz, American Express, Zappos.com, Intuit, Philips, GE, eBay, Rackspace, Facebook, LEGO, Southwest Airlines, and JetBlue Airways adopted NPS. Most used it at first to track the loyalty, engagement, and enthusiasm of their customers. They liked the fact that NPS was easy to understand. And they liked it because it focused everyone on one inspirational goal—treating customers so well that those customers become loyal promoters—and led to action in pursuit of that goal. They also appreciated the fact that it was an open-source method, which they could adapt for their own needs.

Over time, these companies developed and expanded the metric. They used it to help build employee engagement and commitment. They discovered new methods to extend its impact, not just to measure loyalty but to transform their organizations. They shared ideas with one another, and they built upon one another’s applications. In a remarkable explosion of creative intelligence, NPS soon morphed into something much more than a metric. Though the science is still young, it became a management system, an entire way of doing business. The initials themselves, NPS, came to mean Net Promoter system rather than just Net Promoter score.

And what a difference this system seems to have made. Listen to what some of these companies’ leaders have to say about it:
NPS has galvanized our thinking and enabled the entire organization to focus on the customer. During the 1970s and '80s, total quality management revolutionized the cost of quality in manufacturing. NPS is having a comparable impact in the current age.

— Gerard Kleisterlee, CEO, Philips

NPS was a natural fit for Apple. It has become part of the DNA of our retail stores.

— Ron Johnson, SVP and founding executive, Apple Retail

NPS completely changed our world. It has become an integral part of our process and culture. Now, you couldn't take it away if you tried.

— Junien Labrousse, executive vice president and chief product and technology strategist, Logitech

NPS provides the litmus test for how well we are living up to our core values—it is the first screen I look at when I boot up my computer each morning.

— Walt Bettinger, CEO, Charles Schwab

NPS is the most powerful tool we have ever deployed. The reason is that it is so actionable.

— Dan Henson, then chief marketing officer, General Electric

We use NPS every day to make sure we’re WOWing our customers and our employees.

— Tony Hsieh, CEO of Zappos.com, author of Delivering Happiness

In chapter 6 you’ll read nearly a dozen stories about how companies such as these have put the Net Promoter system to work and about the results they
have achieved. NPS was a key part of Charles Schwab’s turnaround, a period in which the company’s stock tripled. It has been a central element of Apple’s famous retail stores, which are believed to have the highest sales per square foot of any retailer anywhere. It has enabled Ascension Health to give its patients better care, Progressive Insurance to gain market share and retain more of its policyholders, American Express to provide better service to cardholders while lowering its costs—and on and on. The Net Promoter system has proved to be a powerful engine of growth and profitability.

But I don’t want to stop with “system,” because there is another “S” that permeates the companies that have achieved the most impressive results with Net Promoter. These companies embody a Net Promoter spirit of leadership, a distinctive philosophy that energizes the system. Leaders who exhibit this spirit believe that the mission of any great organization is to enrich the lives it touches—to build relationships worthy of loyalty. A great organization must have a positive impact on its shareholders, of course, but also on its employees, its business partners, and especially its customers. Unless it earns the loyalty of all these stakeholders, its returns to shareholders will soon evaporate. Moreover, these leaders themselves recognize that their personal reputation, their legacy, will be defined by how well they achieve that mission.

Phrases such as personal reputation, Net Promoter spirit, and enriching lives might lead you to infer that NPS is soft and nebulous. On the contrary, Net Promoter is where mission meets mathematics. A mission without a measurement, without an accurate gauge of success or failure, is just so much hot air. Only by systematically measuring its effect on people and their relationships can an organization gauge whether it is really achieving its mission and enriching lives. That’s NPS’s reason for being. It provides a practical measurement process that can accurately assess a company’s progress. It provides a management system that can help a company capture the spirit and drive toward greatness.

This book tells the story of NPS, where it began, how it evolved, and where it is headed. It shows you how you can use the system to improve your business—and your life.
In the Beginning

NPS first saw the light of day in *Harvard Business Review*, in late 2003. That article—“The One Number You Need to Grow”—eventually led to a book titled *The Ultimate Question*, which appeared in 2006. Both article and book described a simple, practical way to categorize customers based on their answer to a single question, typically phrased something like this:

*On a zero-to-ten scale, how likely is it that you would recommend us (or this product/service/brand) to a friend or colleague?*

I also instructed companies to ask at least one follow-up question:

*What is the primary reason for your score?*

The simplicity of the zero-to-ten scale allows companies to take a quick measurement of customers’ feelings and attitudes. The open-ended follow-up question enables them to hear the reasons for these attitudes in the customers’ own words. It avoids the distortions imposed by the preconceived response categories of traditional customer-satisfaction questionnaires.

When my colleagues and I studied the use of these questions, we found that customers typically fall into three well-defined groups. Each group of customers exhibits a distinct pattern of behavior as well as a distinct set of attitudes. And each calls for a different set of actions from the company.

- **Promoters.** People who respond with a nine or a ten are signaling that their lives have been enriched by their relationship with the company. They behave like loyal customers, typically making repeat purchases and giving the company a larger share of their spending. They talk up the company to their friends and colleagues, just as their answer to the question implies. They take the time to respond to surveys, and they offer constructive feedback and suggestions. We called this group *promoters*, because in their energy and enthusiasm that’s exactly how they act. Any company should want to maintain the promoters’ enthusiasm, to learn economical ways to create even more customers who feel and act that
way, and to provide recognition and rewards to the teams or individual employees who do so.

- **Passives.** People who give the company a seven or an eight got what they paid for, nothing more. They are passively satisfied customers, not loyal ones, and they exhibit a markedly different set of attitudes and behaviors. They make few referrals—and when they do make one, it’s likely to be qualified and unenthusiastic. If a competitor’s discount or glitzy ad catches their eye, they are likely to defect. We called this group *passives*, because they bring little energy to the company and cannot be counted on as long-term assets. A company’s goal for this category is to improve its services, products, or processes, where possible, to the point where it can delight these customers and turn some of them into promoters.

- **Detractors.** And then there are the people who give a rating of six or below. Their score indicates that their lives have been diminished by their dealings with the company. They are not a happy crew. They are dissatisfied, disaffected, even dismayed by how they are treated. They bad-mouth the company to their friends and colleagues. If they can’t easily switch providers—for instance, if they have long-term contracts or if there aren’t any competitors with similar offerings—they make nuisances of themselves, registering complaint after complaint and driving up costs. Their surly behavior destroys employee motivation and pride. Companies confronted with detractors have to probe for the root cause of their disappointment, then apologize and determine ways to solve the problem. If there is no economically rational solution to the detractors’ discontent, then the company must learn not to acquire this type of customer in the first place.

If one central goal of a company is to enrich the lives of its customers, these three categories are a measure of how well it’s doing. Promoters represent successes. Customers don’t give a nine or ten score unless the company delivers something very special—unless it truly has a positive effect on their lives. Passives are just satisfied. They can’t be considered successes unless the company’s goal is to achieve mediocre results. Detractors, of course, rep-
resent serious failures. Something has gone badly wrong, and an interaction that should have had a positive effect instead has had a negative one.

But categorization was just the first step. We then wanted one simple number that could be tracked week in and week out to gauge a company's progress and focus its improvement efforts. We wanted a metric that was simple, powerful, and easy to understand, a bottom-line number akin to net profit or net worth. So we decided to take the percentage of customers who are promoters and subtract the percentage who are detractors. The result is Net Promoter score.

**The Evolution of NPS**

When *The Ultimate Question* was originally published, we very much wanted to put “Net Promoter” in the title. But that was a nonstarter: back then, hardly anyone had ever heard of NPS. The whole idea was in its infancy, just moving from theory to practice. The theory was backed up by some compelling research, and it had given rise to promising experiments by early adopters such as Intuit and General Electric. But it was a theory nonetheless. The book highlighted companies that we had found to have high NPS relative to their competitors. (We had learned to measure NPS across an industry with what we now call the top-down market benchmark approach, which assesses companies' overall relationships with their customers rather than rating individual transactions.) But the exemplary firms did not themselves utilize the NPS framework and tools to achieve their success for the very good reason that, in 2006, these tools and processes did not yet exist. NPS had just been invented.

The situation has changed dramatically as this edition goes to press. Thousands of companies have adopted NPS. Many have achieved extraordinary results. Firms like Apple, Intuit, Philips, Rackspace, and the others mentioned earlier have put NPS at the center of their management processes. They have fleshed out the microeconomics that support the theory—for example, they can put a dollar value on the conversion of a passive to a promoter. They have developed metrics, tools, and processes that now underpin the standard Net Promoter system of management. This system has helped them discover
better methods to hire, train, and reward their people. It has led them to re-examine policies, redesign products, and improve business processes. In short, they have discovered that the Net Promoter system holds the power to transform a company. They have also seen that, though the concept is simple, the journey toward building an army of promoters is both more challenging and more rewarding than they initially expected.

My colleagues and I have had the privilege of working with many of these companies as they pursued their NPS journey. We created forums, conferences, websites, and online communities to accelerate the learning and encourage the sharing of best practices. The centerpiece of this burgeoning business movement is the NPS Loyalty Forum, a membership organization sponsored by Bain & Company, the global consulting firm that has been my professional home for the past 32 years. Forum companies meet several times a year, usually at the headquarters of a member (see box for a partial list of attendees). The meetings allow the group to interact with a broad range of the host organization’s team, from CEOs and finance chiefs to operations managers, marketing execs, and front-line customer-service reps. This cross-fertilization turns out to be particularly valuable because NPS has significant implications for every function and level of an organization.

Figure 1 is a partial list of companies that have participated in at least one NPS Loyalty Forum.

We were also supported by Satmetrix, another early collaborator in the development of NPS metrics and tools, in creating public conferences. The conferences have taken place twice a year, one in the United States and one in Europe, and in the first few years attracted more than 3,200 managers. In addition, we developed a three-day certification course, which at this writing has already been taught around the world and has graduated more than 1,000 executives. The course is now available online.

Participating in these forums, conferences, and training programs helped me understand the evolution of NPS from score to system and beyond. Indeed, one of the fundamental lessons that these practitioners have learned is that the power of NPS extends far beyond the theme implied
**Figure 1: NPS Loyalty Forum participants (partial list)**

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by the original book title. The score provided a starting point, but it is the system that has helped leaders create cultures that inspire employees to become more customer focused.

The ultimate question of the book’s title was the “how likely is it that you would recommend” question mentioned earlier. That phrasing was a shorthand wording of a more basic question, which is *Have we treated you right, in a manner that is worthy of your loyalty?* The shorthand form seemed to work best for most businesses—that is, it produced a score that correlated reliably with customer behaviors—though some companies found that slightly different wordings worked even better. But the question itself wasn’t really the heart of things. After all, no company can expect to increase its growth or profitability merely by conducting surveys, however the question or questions might be phrased.

Rather, the question has led to the development of a management system with three central components. One is *categorizing customers into promoters, passives, and detractors* through a simple survey. Another is *creating an easy-to-understand score based on that categorization*. Those are the elements that produce the Net Promoter score. But then comes a third essential component: *framing progress and success in these terms, thereby motivating everyone in the organization to take the actions required to produce more promoters and fewer detractors*—in other words, systematically and regularly learning to use scores and related feedback to drive improvements. That’s how a company can better its results and strive toward greatness. That’s what turns NPS from a score into a system.

Because so many noteworthy companies have adopted the Net Promoter system, awareness of the term has grown to the point where this revised and expanded version can finally include the words Net Promoter in the title. The core ideas in the original book remain valid, but with five years of experience we can now position and characterize them more accurately. Since this edition also contains so much second-generation material and insights, we decided to call it *The Ultimate Question 2.0: How Net Promoter Companies Thrive in a Customer-Driven World*. 
What You’ll Find in this Book

What will you find in this revised and expanded version of *The Ultimate Question*?

Part I of the book describes the fundamental idea. It begins with the depressing proliferation of customer-unfriendly practices and the “bad profits” they generate. It relates the origin of NPS and describes in detail what our research showed. It also explains and quantifies the logical connection between NPS and a company’s growth. This connection is becoming even more relevant and immediate as web-based communication tools proliferate. Customers get real-time access to information about company practices and performance and so have moved ever more firmly into the driver’s seat. Part I also looks at some of the practicalities of measuring customer attitudes. It tells the inspiring story of Enterprise Rent-A-Car, developer of the system I used as the initial model for NPS, and it outlines the rules for timely, accurate, and reliable measurement of something as slippery as how customers feel.

Part II—nearly all of it new in this edition—focuses on how leaders have achieved remarkable successes with the Net Promoter system. It recounts some of the best practices of leading companies and summarizes the key lessons. It highlights the fundamental changes these leaders had to make in order to drive the cultural shift toward building an army of promoters. Just as a movie trailer hits the highlights of a film, let me preview some of those lessons here.

**NPS is a flexible, adaptable, open-source system.** There’s as little orthodoxy as possible in the system. Most companies have found that the zero-to-ten scale works best, but it’s not the only one possible. (Enterprise uses a one-to-five scale.) Most companies prefer the “how likely” question the way I phrased it here, but some find a different question works better. Plenty of companies have unique names for their system. Schwab calls it Client Promoter Score. Thermo Fisher Scientific calls it Customer Loyalty Score. Chick-fil-A uses the phrase Raving Fan Index.

**But there are three fundamental elements that you can’t do without.** Flexible it may be, but without the following three elements NPS just won’t work:
• **Companies must systematically categorize promoters and detractors** in timely, transparent fashion. The categories and resulting feedback must make intuitive sense to front-line employees, not just to statisticians, and this information must be systematically compiled and communicated throughout the organization so people can take action and track their results. Otherwise, what’s the point?

• **Companies must create closed-loop learning and improvement processes and build them into their daily operations.** NPS doesn’t accomplish anything unless companies actually act on what they learn—unless, that is, they “close the loop” between learning and action. The closed-loop processes can’t be an add-on; they have to be part and parcel of everyday management.

• **CEOs and other leaders must treat creating more promoters and fewer detractors as mission critical.** NPS isn’t something that can be relegated to the market-research department. Earning the loyalty of customers and employees is either central to a company’s philosophy and strategic priorities or it isn’t—and if it isn’t, adopting an improved customer feedback process won’t make much difference.

NPS, in short, isn’t something to be entered into lightly. Which brings us to perhaps the most important lesson of all:

> NPS ultimately is a business philosophy, a system of operational practices, and a leadership commitment, not just another way to measure customer satisfaction.

This requires a word of explanation.

For starters, ask yourself: Why would a company even care what its customers and other stakeholders think? Many companies don’t, and most of them seem to get by without going broke. (See all the examples of bad profits in chapter 1.) To be sure, I believe that NPS can make a business more successful. But I also believe that caring about your customers is the right thing to do. It makes for a better company, a better society, and a better life.
Think for a moment about the Golden Rule, the principle that you should treat others the way you would want to be treated if you were in their shoes, in a manner that brings honor and dignity to both parties. In one form or another, the Golden Rule is a pillar of most of the world’s great religions. But it’s hardly foreign to business. Companies such as Southwest Airlines, Four Seasons, and Chick-fil-A make the Golden Rule a centerpiece of their missions. If people can live up to the Golden Rule, they can reasonably assume they are living a worthwhile life; they are having a positive effect on those whose lives they touch. The “how likely” question is merely a practical shorthand for the question of whether you are observing the Golden Rule. It brings the whole thing back to earth, and to business. The purpose of a survey, after all, is not to begin a philosophical discussion or to launch a lifelong relationship. It is to create workable categories and a score that can facilitate action. It is a way of making business relationships better.

But the underlying philosophy is important to examine, because it reflects the values that inform and guide an organization. If you truly care about your company’s effect on its customers’ lives, you won’t even be tempted to stop with a score. You will use the score as a prod, an incentive, a reminder that you can get better as an organization. You will begin to hire people, as Ron Johnson of Apple’s retail division puts it, who “care about a customer’s heart, not just her pocketbook.” You will redirect your strategic investments and redesign your processes to create more promoters and fewer detractors, not just to increase your profits (though it will) but because it’s the right thing to do. You will also begin to extend NPS, so that it measures the attitudes and behaviors of other stakeholders in the business—employees, major investors, suppliers, and other business partners—and unlocks insights into how to earn their loyalty. Organizations touch many lives, and you need to know what your company’s impact is wherever and however it affects people.

Every leader of a business leaves a legacy when he or she leaves, and it is that legacy by which a leader is judged. If you want to leave a legacy that extends beyond profits, a legacy of caring about customers and employees and about the kind of company you have built or contributed to, a legacy of enriching the lives you touched, NPS is an indispensable tool.
The Challenge of Making NPS Work

The ideas behind NPS seem so simple and intuitive that executives may be lulled into thinking that implementation will also be simple. It isn’t. The companies that have adopted NPS have learned that it takes time and hard work to establish reliable, trustworthy measurements, to understand what the scores are telling you, and to create closed-loop processes that actually bring about change. NPS touches every part of the organization, including finance, operations, marketing, product design, human resources, and information technology. It reaches from the CEO and board all the way to the front-line employees who serve customers. It challenges established practices, priorities, and decision processes. Simple it may be, but it requires serious commitment on the part of senior leaders. Without that commitment, companies are likely to experience loss of momentum, confusion, resistance to new ways of doing things, and other pitfalls. Support and perseverance from the top of the organization are essential.

You may also find that merely broaching the idea of NPS runs into a wall of opposition from a group of critics that practitioners have dubbed Net Promoters (discussed further in chapter 10). No surprise here: there’s already a well-developed industry that purports to measure customer and employee satisfaction through long and largely ineffective research surveys, and an open-source solution such as NPS threatens the economic models on which most of the research firms depend. The firms’ closed-source, black-box models are designed so that their algorithms remain closely guarded secrets. If the algorithms weren’t secret, no one would pay these companies to use their models or seek advice on how to boost scores.

With NPS, by contrast, every company is welcome to adopt the process for free, and its transparency makes it easy to understand and improve. Little surprise that market research traditionalists have scurried to write white papers and academic articles claiming that NPS doesn’t work. Similarly, Microsoft has little nice to say about Linux, and Encyclopedia Britannica does not hold Wikipedia in high regard. It’s worth remembering the famous Upton Sinclair dictum: It is difficult to get a man to understand something when his salary depends upon his not understanding it.
When you shake up the existing order, you can expect opposition and obstacles. So what? This is a destination that is worth the trip, a journey that is worth the trouble. The knowledge you can gain from implementing the Net Promoter system is in fact priceless. It will help you run a better business, do more satisfying work, and build relationships that yield a more fulfilling life.

Before I close this introduction, I want to take the opportunity to welcome my colleague Rob Markey to a more public role on my writing team. Rob and I have worked together at Bain for almost 20 years now. He was an important reader and adviser on the first edition of this book, and he has played such a substantial role in the creation of this edition’s new material that he deserves to be recognized as co-author. Rob leads the NPS Loyalty Forum and is the head of Bain’s Global Customer Strategy and Marketing practice. His depth of experience working with clients on NPS-related issues is unparalleled. This book is the stronger for his contributions.

In years to come, we intend to write more books about the Net Promoter system. But this book provides the starting point, the foundation. It will help you understand what the movement is all about, where it came from, and what it hopes to accomplish. And it will give you a taste of the remarkable success stories of companies that practice—and continue to learn from—the system. Perhaps someday we will be writing about your company as well. I hope so.

— Fred Reichheld
Wellesley, Massachusetts
April 2011

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— Stephen R. Covey, author of The 7 Habits of Highly Effective People and The Leader in Me

To pre-order your copy of The Ultimate Question 2.0, go to www.TUQ2.com. For assistance with promotional purchases, contact Thorp Foster at thorp.foster@bain.com.

Learn more about this book at www.netpromotersystem.com

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