Revised and expanded edition of the **Wall Street Journal** Bestseller
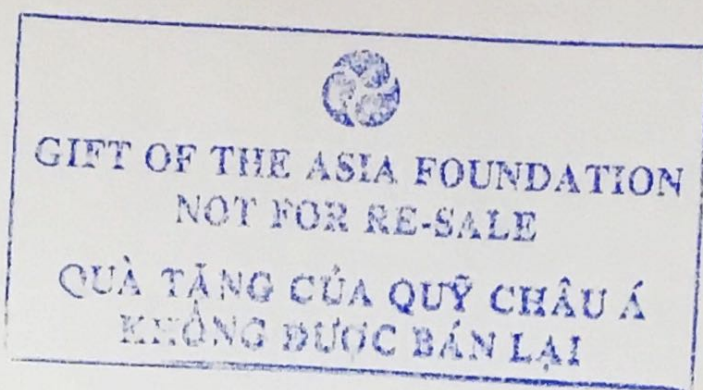
THE ULTIMATE QUESTION 2.0

How NET PROMOTER Companies Thrive in a Customer-Driven World

FRED REICHHELD

Bestselling author of THE LOYALTY EFFECT
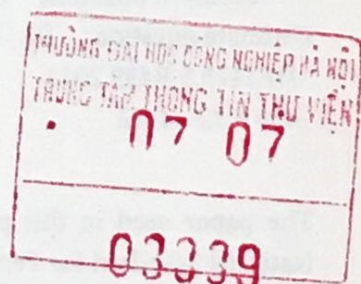
WITH ROB MARKEY

THE ULTIMATE QUESTION 2.0

How NET PROMOTER Companies Thrive in a Customer-Driven World

FRED REICHHELD

WITH ROB MARKEY

BAIN & COMPANY

Harvard Business Review Press

Boston, Massachusetts

Contents

Preface

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 blog, 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 frontline 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

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 *The Ultimate Question*. 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.

Introduction

From Score to System

I t 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.[1] 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