

Effectively Measuring and Leveraging Customer Loyalty.



Effectively Measuring and Leveraging Customer Loyalty.

By Tom Quindlen, President and CEO, GE Capital, Corporate Finance

To help drive growth, GE Capital, Corporate Finance has one overarching goal: to transform all its customers into advocates. Research shows that extremely satisfied clients are more likely to remain with a company and attract new customers through enthusiastic word of mouth. While the process for measuring, improving and leveraging client satisfaction can seem overwhelming at first, GE starts by asking clients a very simple question: “Would you recommend us?”

This question is the cornerstone of a customer loyalty measuring system called “Net Promoter Score” or NPS. To determine its NPS, a company surveys clients using a zero-to-ten-point scale, with ten being the highest rating. Respondents are divided into three categories: “promoters,” “passives” and “detractors.” Those who rate the company a nine or ten are considered promoters; seven and eight are “passives” and six and below are “detractors.” The NPS is determined by subtracting the percent of detractors from the percent of promoters, with fifty and above considered good scores.

The ‘Loyalty Effect’

The goal of NPS is to capitalize on what is known as the “loyalty effect.” Companies with the highest customer loyalty typically increase revenues at more than twice the rate of competitors, according to research from Fred Reichheld of Bain & Co., who helped develop and popularize NPS.

Before the advent of NPS, however, companies didn’t have an effective way to measure loyalty and therefore weren’t able to manage or optimize that affinity. NPS research found that the ultimate question for determining customer loyalty is: “How likely is it that you would recommend this company to a friend or colleague?”

Customers who rated a company high on the “likely” scale purchased more products and services and were more likely to recommend the company. Indeed, a key concept of NPS is that customers think enough of a company to put their own reputation on the line by recommending it to friends, family, business associates and others.

A commonly asked question is why those who give the company a seven or eight rating—which seems like a good score—aren’t considered promoters. The difference, say NPS practitioners, is that while those people may return as customers, they won’t be talking up the company to their peers, thereby driving new business and growth.

Simplicity and Specificity

One of the main benefits of NPS is that it offers busy managers a clear, easily understood metric that’s actionable. The charge to managers is simple—increase your promoters and reduce your detractors. More important than the score itself is the follow-up. Probing promoters about why they’re satisfied may

GE Capital Corporate Finance

reveal best practices that can be amplified throughout the company. Frank dialogue with detractors will uncover areas that need improvement. Collectively assessing the data and feedback can reveal correlations. For instance, a client manager's account load may be inversely related to customer loyalty scores. NPS survey findings can help highlight potential root causes so management can focus attention and resources.

The entire business, from front line employees to senior managers, must be committed to understanding the results and working to improve the customer experience. This means determining client-by-client precisely how you are going to move detractors and passives to promoters—and continually measuring progress.

Improving the Customer Experience

The critical work begins once you know what your customers think. GE uses a number of techniques to help enhance the customer experience. Lean Six Sigma is a data-driven approach to improve customer-facing processes by reducing the time it takes to meet customer needs. The time it takes to fund a loan, for example, could be shortened using Lean Workout methodologies. Another service, "AccessGE" is a

complimentary program for clients where GE best-practices are shared with CEOs and CFOs to help them improve business performance. Proprietary executive training classes are held for GE clients at the John F. Welch Training Center in Ossining, New York. Here, methods such as GE's Change Acceleration Program or CAP model are taught to help drive change throughout an organization. Collectively, tools and services such as these can help build customer loyalty and instill a customer-focused culture.

Bottom Line

The beauty of NPS is that it's a simple and systematic approach to track and quickly address customer concerns. It provides a roadmap for delighting the customer at every turn. The score, however, is only a metric. What's most important is using the measure as a compass to drive improvements that increase client loyalty, business and the bottom line. Business leaders are accountable for improving NPS as part of GE Chief Executive Officer Jeff Immelt's strategy to drive organic growth. Ultimately, this is about growth for GE and for our customers.



Tom Quindlen is president and CEO of GE Capital, Corporate Finance, providing asset-based, cash flow and structured leases (\$500 thousand+) and loans (\$20 million+) to mid-size and large U.S. companies. www.gelending.com

GE Capital does not provide legal, accounting or tax advice and potential borrowers and lessees should seek such advice from their own professionals.

