SATMETRIX®
THE NET PROMOTER COMPANY

Ask customers these two questions to reduce churn

If churn is an issue at your company, then you've no doubt stayed up many nights wondering:

- *Why are my customers buying less?*

- *Which customers are most at risk of defecting?*

- *Why are revenues up, yet profits still hemorrhaging?*

- *Why are my 'best' customers unresponsive?*

- *Why can't I add customers more quickly than I lose them?*

Although you may be aware of, or perhaps have tried, various ways to reduce churn, you may not know that many companies today are successfully using the Net Promoter® methodology to learn which customers are at risk, to understand the issues causing attrition, and to drive actions that result in significantly improved retention. In this brief, you'll learn the two questions whose answers will bring you those very results as part of a Net Promoter® initiative.
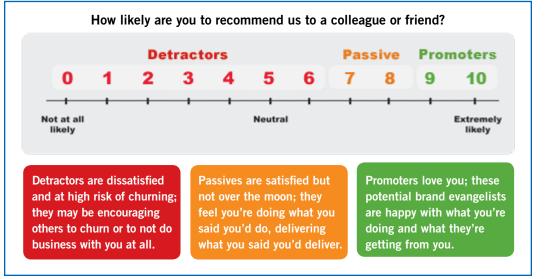
5 reasons why you must care about churn

1. The cost of retaining a customer is always lower than the cost of acquiring a new one.

2. Unless you have unlimited resources to throw at the problem, you need to know which actions will be the strongest predictors of churn.

3. Besides the direct loss of revenue you experience when a customer abandons the business, the cost of initially acquiring that customer may not have already been covered by the customer's spending to date. In other words, if the customer churns too soon, then acquiring that customer actually may have been a losing investment.

4. Existing customers spend more, purchase higher-margin products and services, and are more likely to refer additional customers to the enterprise, whereas switchers are known to bad mouth suppliers four times more often than average consumers.

5. Because known customers cost less to support, they bolster margins.

Ask the first question to determine which customers are at risk

Net Promoter is a powerful management philosophy: both a loyalty metric and a discipline for using customer feedback to stop customers from leaving and to fuel profitable growth in your business. To find out which customers might be on the verge of exiting, ask your customers what Net Promoter practitioners call the *one question*:

Question 1: How likely are you to recommend us to a colleague or friend?

In the Net Promoter methodology, customers are designated as Promoters, Passives, or Detractors based on their answers.

How likely are you to recommend us to a colleague or friend?

Detractors — 0 1 2 3 4 5 6 | Passive — 7 8 | Promoters — 9 10

Not at all likely — Neutral — Extremely likely

Detractors are dissatisfied and at high risk of churning; they may be encouraging others to churn or to not do business with you at all.

Passives are satisfied but not over the moon; they feel you're doing what you said you'd do, delivering what you said you'd deliver.

Promoters love you; these potential brand evangelists are happy with what you're doing and what they're getting from you.

Not likely to recommend = more likely to churn

Companies asking the one question have noted a relationship between the likelihood to recommend and the likelihood to exit or decline to repurchase.

For instance:

- **CenturyLink**, a global broadband and telecommunications company, discovered that severe Detractors are three times more likely to churn than Promoters.[1]

- **Virgin Media**, a provider of broadband, cable TV, landline phone and mobile services in the United Kingdom, found that customers who respond with a "0" to the Net Promoter question are 11 times more likely to churn in the next 12 weeks than customers who respond with a "10."[2]

- Using the Net Promoter question to add accuracy in a propensity-to-churn data-mining model, **upc cablecom**, the largest cable network operator in Switzerland, discovered that nine months was a key churn moment in their customers' lifecycle.[3]

Using the Net Promoter survey methodology as the basis for identifying at-risk customers and predicting churn, however, is just the beginning, as the approach is, at its core, a framework for managing the customer journey.

[1] http://exapp114.s4c.satmetrix.com/netpromoter_community/blogs/conference_sf_2012/2012/02/03/centurylink-communicating-the-big-picture-in-small-increments
[2] http://www.satmetrix.com/documents/pdfs/VirginMedia-CaseStudy.pdf
[3] http://www.netpromoter.com/netpromoter_community/blogs/conference_europe_2009/2009/06/04/cablecom-using-follow-up-to-reduce-churn

Follow-up action, a key part of the Net Promoter methodology, is a powerful way to halt attrition— which is why it's surprising that so few companies practice it.

Why Satmetrix?
- **More than 1,000 successful Net Promoter implementations**
- **Co-creator of the Net Promoter methodology**
- **Leading cloud-based loyalty software applications with rapid time-to-value and low cost**
- **Marriage of structured and unstructured sentiment**
- **One source of truth for customer feedback**

Ask the second question to take action with customers who self-identify as being at-risk

To effectively reduce churn, you must do more than ask customers to rate their likelihood to recommend; you must also ask another key question:

Question 2: Why did you give us that rating?

Customers who self-identify as Detractors, indicating a low likelihood of recommending your product or service, will probably also tell you why they're unhappy—if you ask. The customers who do reply are offering you a gift: The opportunity to take whatever actions are needed to prevent churn, either one-on-one or with some form of group follow-up action.

Follow up with Detractors to set yourself apart from the competition

Follow-up action, a key part of the Net Promoter discipline, is a powerful way to halt attrition— which is why it's surprising that so few companies practice it.

Think for a moment: When's the last time you remember a company following up with you after you submitted a survey?

By responding quickly to a Detractor—as soon as an issue is reported—not only do you have an opportunity to prevent that customer from churning; you also have a chance to convert that Detractor to a strong Promoter, someone so surprised and delighted by your action that she willingly and eagerly tells others: "Wow, this company's customer service is amazing!"

Follow up with groups for large reductions in churn

Granted, it's not always economically feasible to respond directly to all Detractors. In such cases, respond instead to groups of customers who report similar concerns. For instance, if 4,000 customers describe a common issue—if they answered *"Why did you give us that rating?"* in the same way—then you are the recipient of yet another gift: The opportunity to find a solution, fix the problem, and send a group communication that says, "You've been heard; we've fixed (or are fixing) the problem." The message doesn't have to be personalized; the goal is simply to let customers know that their voices have been heard, and that you're taking or have taken action.

Real-world examples: Following up pays off

Consider these examples:

- **tw telecom**, the third-largest business Ethernet provider in the US, reduced attrition by 27% by establishing listening posts at all interaction touch points along the customer journey, and by distributing feedback to employees so that they could take immediate action.[4]

- **upc cablecom**, after learning that customers tend to exit at nine months in the lifecycle, acted accordingly, and began surveying at seven months, with certain scores triggering a callback. This proved successful: in 52% of cases, the customer moved from Detractor to Passive or Promoter, 23% directly to Promoters.[5]

[4] http://www.satmetrix.com/documents/pdfs/Satmetrix_twtelecom_case_study.pdf
[5] http://www.netpromoter.com/netpromoter_community/blogs/conference_europe_2009/2009/06/04/cablecom-using-follow-up-to-reduce-churn

Because a Net Promoter program allows you to learn the underlying reasons for customer exits, you gain the ability to make systemic, churn-reducing changes, driven entirely by the customer.

As a final case-in-point, consider Virgin Media once again, which reduced attrition by 20% in one year. As part of its Net Promoter effort, the company developed a closed-loop process that determines:

- Which customers receive follow-up
- Who conducts the follow-up
- When the follow-up occurs
- What happens after the follow-up

With this framework, Virgin Media quickly identified and resolved the root causes of churn, bringing it to a record low.[6]

Conclusion

The two questions at the heart of a Net Promoter program give you a powerful way to uncover and manage attrition issues while generating other positive business benefits as well. Before you launch your churn-reduction program, email us or give us a call. Ask us how we can help you avoid common Net Promoter mistakes, and implement a Net Promoter program that brings you the results you've been looking for:

- Reduced attrition
- Increased retention
- A 360-degree view of customers
- Measures of repeat business
- Better referenceability
- A clear competitive advantage for your company

Might a Net Promoter program be the solution to your customer attrition problem?
Call 1.888.800.2313 or email info@satmetrix.com

About Satmetrix

Satmetrix, co-creator of the Net Promoter methodology, is the leading provider of cloud-based customer experience software for companies worldwide. We deliver the people, processes, and technology you need to reduce customer churn, mobilize loyal Promoters, generate more powerful insights, and drive customer obsession through accountability. For 15 years we have focused on helping companies build profitable, sustainable growth through more loyal customer relationships. We'd love to do the same for you.

[6] http://www.satmetrix.com/documents/pdfs/VirginMedia-CaseStudy.pdf

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