



## NET PROMOTER SCORES

Most of the indicators we look at in Performance Group meetings are what are known as lag indicators, they report on a event or period of time that has already passed. However there are also lead indicators that you should be reporting in your business on a regular basis that will give you an indication of future Performance.

The two most common lead indicators to business growth are;

1. Customer Satisfaction
2. Staff Morale

Many businesses have an excellent understanding of their financial KPIs such as sales growth and profit margins but do not measure customer satisfaction. However nothing will improve customer satisfaction faster than measuring it regularly.

Fred Reichheld is one of the world's leading business consultants and has extensively researched customer loyalty (a result of customer satisfaction) for the past twenty five years. He has reduced the measurement of customer loyalty down to one simple question;

How likely is it that you would recommend this business to a friend or colleague?

The results of this question can be used to calculate your Net Promoter Score or NPS. The NPS has been described by the CEO of GE as 'the best customer metric I have ever seen.'

Customer responses to the question above are scored out of ten and are ranked as follows:

- Those scoring a 9 or 10 are promoters - very satisfied customers.

- Those scoring a 7 or 8 are known as passives – easily wooed by the competition.
- Those scoring 6 or below are detractors – unhappy Customers.

Your NPS is your percentage of promoters minus your percentage of detractors. The percentage of passives is not used, however the more of them, the lower the score.

According to Reichheld your NPS is the most reliable indicator of your business's potential for growth. The fastest growing businesses tend to score 50 – 80% with the average score falling in around 5% – 10%

In 2006, Mark Ritson, Associate Professor of Marketing at the Melbourne Business School used NPS to predict the growth of companies operating in Australia at the time. Top of his list to grow was Aldi, and was one of the most likely to fail was Swedish car manufacturer Saab. Since his report Aldi Australia have gone on to record record profits and Saab nearly went bankrupt in December 2009 when parent company General Motors announced they would discontinue making Saab cars due to the brands poor performance.

**Final Thought:** It's interesting to note that Aldi scores very well on NPS despite the fact they do not champion customer service. This suggests that customers will judge your business on its overall offering not simply the level of customer service. Customer satisfaction is not the same as customer service. This article is based on an Ideas Exchange by Kris Fowler of BIG4 Emerald Beach Holiday Park. Who has an NPS of 81.5%.

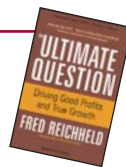
### BUSINESS BOOK OF THE MONTH

#### The Ultimate Question

Resurg Rating: ★★★★★ Author: Fred Reichheld

Not all profits are created equal, and "bad" profits risk alienating customers, writes Fred Reichheld, author of two popular books on loyalty, *The Loyally Effect* and *Loyalty Rules*. These bad profits can create detractors who bad-mouth the company and switch their allegiance to competitors.

Reichheld, who is a director of renowned consultancy firm Bain & Company, contends that "good" profits have the opposite effect: They turn customers into promoters who can help the company on its journey to sustainable growth. The focus of the book is the use of a Net Promoter Score as described in the article above to establish the levels of detractors and promoters. This book is well written and will help you drive a strong focus on customer satisfaction in your business.



### 60 SECONDS WITH...

**ANDREW TRIBE,**  
**BIG4 Tweed Billabong**  
**Holiday Park & BIG4**  
**Yamba – Clarence**  
**Coast Resort**



#### Favourite Destination:

Folegandros (in the Greek Isles).

#### Favourite Food:

Thai.

#### Someone I admire:

Arlia (my daughter).

#### Favourite Movie:

The Adventures of Ford Fairlane.

#### Something I want to see:

Next weeks powerball numbers this week.

#### How do you motivate your staff?

- Make your ideas theirs.
- Reward successful ideas.
- Lead by example.
- Foster a team culture.
- Allow staff to make mistakes.

#### Do you run a staff incentive scheme?

- We pay staff a percentage of the income made from their ideas.
- We bonus senior staff based on KPI's.
- We pay reception staff bonuses based on club card sales.

#### What tools do you use for your time management?

Outlook synced with my smart phone.

#### How long have you been in a Performance Group? 5 years.

#### How do you benefit from being in a Performance Group?

- Sets aside time to analyse my business with best practice comparison.
- The new ideas shared by other members are real and implementable, not just entertaining theory from a keynote speaker.
- The competition from meeting to meeting motivates me.

# SAVE THE DATE!!

## Conference on Maximising Margin



**23rd August – Brisbane –  
 Mantra on Queen**

**24th August – Sydney –  
 Stamford Sydney Airport**

**26th August – Melbourne –  
 Mantra Tullamarine**

Early registration \$50 discount - call now on 1300 132 138 and speak with Sharon or one of the Margin Management specialists @ Resurg.

The Margin Managers @ Resurg is proud to announce our inaugural maximising margin conference, an event specifically targeted to our stock based industry customers.

Combining our extensive knowledge of your industry with proven best practices in margin management Resurg is delighted to present the key profit improvement opportunity for your business this year.

**Guest speaker:**  
 Art Freedman – renowned American retail specialist.

Don't miss this opportunity to share best practice in margin management:

- 8 industries
- 15 stock based brands

**Contact us now on 1300 132 138!**

### BIG4 GROUP 2

The members of the BIG4 Group 2 Performance Group are spread far and wide. After their last meeting in Alice Springs the group headed south to visit John and Jenni Hider-Smith's BIG4 Port Fairy Anchorage holiday park on Victoria's South West coast.



John Hider-Smith (host) and Lloyd Lusty put the world to rights while cruising the icy waters of Port Fairy in May!

The meeting got started with a sight seeing cruise which they were all glad to survive as the bay is home to no less than 27 shipwrecks. The group will now head even further south for their next meeting at Lloyd and Trish Lusty's Top 10 Holiday Park in Taupo, New Zealand.



Right: Performance Group members enjoy the view of the Griffith Island lighthouse

### WELCOME TO LAWRENCE & HANSON



Congratulations and welcome to Lawrence and Hanson who are launching a Performance Group

program for their entire network of stores in June. The program will consist of 13 groups covering every state and territory of Australia.

Lawrence and Hanson trade as Lawrence & Hanson and Auslec, the group now has over 180 strategically located branches across Australia in both metropolitan and regional areas. Their mission is to be the leading value-added business to business distributor of Electrical, Safety and MRO products and services to the construction, industrial and OEM markets in the Asia Pacific region. Their policy is to achieve outstanding levels of customer satisfaction by meeting agreed customer needs first time, every time. They take pride in their work and are committed to continuous improvement in everything they do.

### NEW PG MEMBERS

Congratulations to the following business who recently joined a Performance Group:

Marcus Mullins – Mullins Hardware

Do you know someone who would benefit from being in a Performance Group? Email their details to [performancegroups@resurg.com.au](mailto:performancegroups@resurg.com.au), if they join a group you will receive a cheque for 10% of your annual Performance Group fees.

### PERFORMANCE GROUP CALENDAR MAY/JUNE 2010

20th & 21st May	BIG4 Group 3	Nambucca Beach, NSW
31st May, 10am	Harvey World Travel VIC1 Conference Call	1800 857 029, 90673653#
2nd June, 11am	BioGuard Conference Call	1800 857 029, 90673653#
4th June, 10am	Mitre 10 SAVIC Conference Call	1800 857 029, 90673653#
7th & 8th June	The Cheesecake Shop SA Pilot Meeting	Adelaide, SA
9th June, 12noon	Best Practice Group Conference Call	1800 857 029, 90673653#
10th June, 11am	The Cheesecake Shop VIC Conference Call	1800 857 029, 90673653#
15th June, 11am	Swimart QLD Conference Call	1800 857 029, 90673653#
16th June, 11am	Danks Conference Call	1800 857 029, 90673653#
17th June, 11am	Swimart QLD Conference Call	1800 857 029, 90673653#
17th & 18th June	Travelscene American Express NSWVIC	Hobart, TAS