

# The Ultimate Question – Fred Reicheld

Asking the Ultimate Question allows companies to track promoters and detractors, producing a clear measure of an organization's performance through its customers' eyes, its Net Promoter® Score. Bain analysis shows that sustained value creators—companies that achieve long-term profitable growth—have **Net Promoter Scores (NPS) two times higher than the average company.** And NPS leaders outgrow their competitors in most industries—by an average of 2.5 times.

NPS is based on the fundamental perspective that every company's customers can be divided into three categories. "Promoters" are loyal enthusiasts who keep buying from a company and urge their friends to do the same. "Passives" are satisfied but unenthusiastic customers who can be easily wooed by the competition. And "detractors" are unhappy customers trapped in a bad relationship. Customers can be categorized based on their answer to the ultimate question.

The best way to gauge the efficiency of a company's growth engine is to take the percentage of customers who are promoters (P) and subtract the percentage who are detractors (D). This equation is how we calculate a Net Promoter Score for a company:

$$P - D = NPS$$

While easy to grasp, NPS metric represents a radical change in the

way companies manage customer relationships and organize for growth. Rather than relying on notoriously ineffective customer satisfaction surveys, companies can use NPS to measure customer relationships as rigorously as they now measure profits. What's more, NPS finally enables CEOs to hold employees accountable for treating customers right. It clarifies the link between the quality of a company's customer relationships and its growth prospects.

How do companies stack up on this measurement? The average firm sputters along at an NPS efficiency of only 5 - 10%. In other words, promoters barely outnumber detractors. Many firms—and some entire industries—have negative Net Promoter Scores, which means that they are creating more detractors than promoters day in and day out. These abysmal Net Promoter Scores explain why so many companies can't deliver profitable, sustainable growth, no matter how aggressively they spend to acquire new business. Companies with the most efficient growth engines—companies such as Amazon, HomeBanc, eBay, Harley-Davidson, Costco, Vanguard, and Dell—operate at NPS efficiency ratings of 50 - 80%. So even they have room for improvement.

In concept, it's just that simple. But obviously, a lot of hard work is needed to both ask the question in a manner that provides reliable, timely, and actionable data—and, of course, to learn how to improve your Net Promoter Score.