

# The Franchisor's Guide to NPS

4 Tips for Scaling Your Franchise with Net Promoter



# Table of Contents

## 3 Introduction

### 4 The Challenges of a Franchise Business

## 5 Net Promoter Methodology

### 6 What is NPS?

### 7 How to Calculate Your NPS

## 10 Using NPS to Grow Your Franchise Business

### 11 Tip 1: Create Customers That Create Customers

### 13 Tip 2: Consider Complaints Gifts

### 17 Tip 3: Give Coaching and Kudos

### 19 Tip 4: Sell More Franchises

## 21 Bringing it Full Circle

## 23 About Listen360

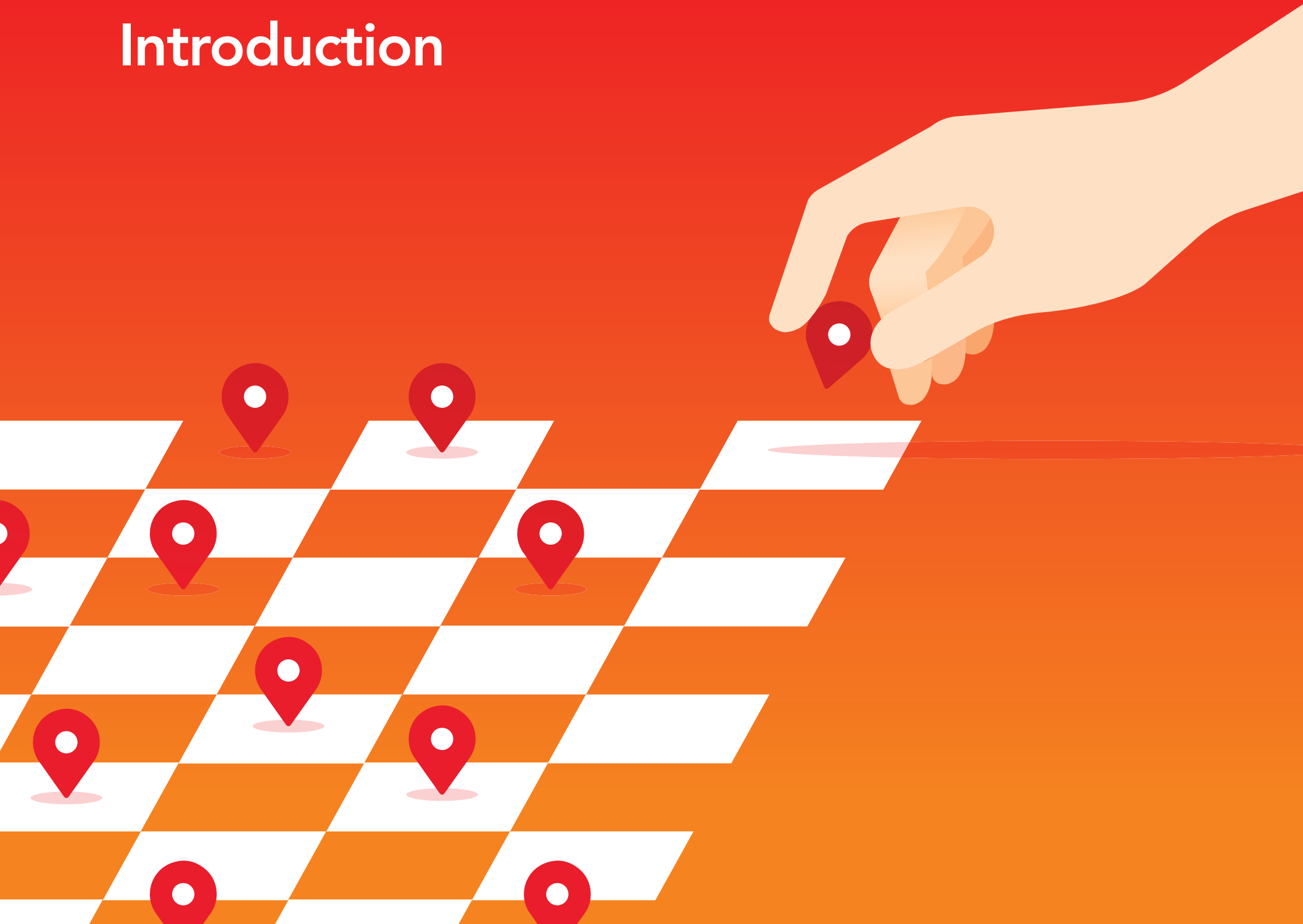


### IN THIS E-BOOK, WE OFFER:

- A clear explanation of Net Promoter Score (NPS)<sup>1</sup> -- a simple, yet invaluable metric that will uncover new insights about your franchise system down to individual service areas
- The formula for calculating your own NPS
- Specific examples of how you can translate NPS into actionable results that will help grow your franchise brand

<sup>1</sup>NPS® is a trademark of Bain & Company, Satmetrix Systems, and Fred Reichheld

# Introduction



# The Challenges of a Franchise Business

If you run a multi-unit franchise, chances are, your brand is already incredibly successful – *congratulations!* Whether they were overnight successes or years of blood, sweat and tears, the most successful franchise brands all seem to share a common trait: a leadership team with a deep passion for and pride in the brand. Based on the hundreds of franchises we work with, we've come to understand that most franchised, service-based businesses begin with a single service area and a dream. Over time, that dream expands to more franchisees, more cities, and inevitably, more challenges.

Running a single-unit business is not easy in and of itself. When 10, 75, or even 500 additional franchisees become part of your brand, maintaining the same level of service and reputation becomes increasingly difficult.

*Think of it this way* – growing businesses typically go from one service area with a unified vision to several franchisees that operate based on their own beliefs and values. They go from a handful of employees that deliver a consistent customer experience to several hundred that have their own interpretation of what “great service”

really means. And long gone are the days when, if a customer had a poor experience, they would tell their family or perhaps a handful of friends. Now that same customer could reach hundreds – even thousands – of people through social networks.

The constant growing pains of franchise businesses may seem overwhelming, but if you continue to evolve your culture, processes, and success metrics, they don't have to be. Having an action plan to accommodate the unique changes in customer behavior while ensuring brand consistency and service levels is essential to running a successful multi-unit organization in 2018.

Having an action plan to accommodate the unique changes in customer behavior while ensuring brand consistency and service levels is essential to running a successful multi-unit organization in 2018.

# Net Promoter Methodology



# What is NPS?

NPS, short for Net Promoter Score, measures the loyalty of clients to a business by asking customers a single question:

“On a 0-10 scale, how likely is it that you would recommend us to a friend or colleague?”

Simple yet powerful. Stemming from decades of research, NPS is a proven metric that helps businesses understand **how their customers are feeling, establishes accountability for the customer experience across an entire organization, and asks the single question that confidently predicts future long-term profits.**

Since its introduction in 2003, NPS has become the gold standard for measuring customer loyalty. More than two-thirds of the Fortune 1000 (Apple, Zappos, and Home Depot to name a few) use the system as a key performance indicator. NPS quickly made its way into well-known franchise brands like Orangetheory fitness, SportClips, FastSigns and many others. You’ll hear why in the following pages.

For now, let’s go over how to derive *your* NPS score.



# How to Calculate Your NPS

## STEP 1: ASK THE ULTIMATE QUESTION

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



## STEP 2: GROUP YOUR RESPONDENTS



### 0s – 6s are Detractors

- Unhappy customers who can damage your brand's reputation
- Customers (or ex-customers) who can hinder growth through negative word-of-mouth



### 7s and 8s are Passives

- Satisfied but unenthusiastic
- Vulnerable to competitive offerings



### 9s and 10s are Promoters

- Loyal enthusiasts that fuel growth
- Customers who spend more and buy more often
- Promoters of your brand through word-of-mouth and social media

Identifying **passives** and **detractors** gives you an opportunity to turn these customers into **promoters** before they tarnish your brand or switch to a competitor.



### STEP 3: CALCULATE YOUR SCORE

$$\% \text{ Promoters} - \% \text{ Detractors} = \text{Net Promoter Score}$$

Subtract the percentage of Detractors from the percentage of Promoters, and *voila!* You have your Net Promoter Score.

$$\% \text{ Promoters} - \% \text{ Detractors} = [\text{Net Promoter Score}]$$

The score can range from a low of -100 (if every customer is a Detractor) to a high of 100 (if every customer is a Promoter).

Let's dig deeper and explore how you can use this sophisticated, yet simple metric to grow *your* business.



Net Promoter scores vary across industries, but you should always be aware of:

- How each location within your brand compares to one another
- How your score stacks up against others in your industry
- How and why your NPS score fluctuates over time

# Using NPS to Grow Your Franchise Business



# Create Customers That Create Customers

Think about your happiest and most loyal customers. They are the ones that have an emotional connection to your brand. They will sing your praises, recommend you to all of their friends, and even defend your brand if they hear or see any negativity. The power of a loyal customer is infinite. That's why it's so important for you to retain them.

Businesses build loyal customers by delivering world-class experiences that form emotional connections to their brands. Having an NPS system in place lets you *quantify* those experiences and identify your most loyal brand enthusiasts at **each individual location**. Think about how this can impact your bottom line.



- A 5% increase in customer retention can increase profitability by 75%
- A 2% increase in customer retention has the same effect as decreasing costs by 10%



Using NPS allows you to pinpoint *exactly* who your brand champions are, giving you an opportunity to leverage those relationships to further expand and grow each local service area. Your happiest customers are willing and excited to act as your own local marketing team, and every brand should capitalize on this resource. Having your most loyal customers post recommendations on review sites and social media not only attracts new business, but also gives your brand louder, happier voices against any less than perfect reviews.

#### **WHY IS THIS SO IMPORTANT?**

- 80% of consumers base purchasing decisions on online reviews
- A whopping 94% of consumers will use a local business if it has at least a 4-star rating
- Only 57% of consumers will consider purchasing from a business with a 3-star rating

#### **THINK ABOUT YOUR CURRENT CUSTOMER BASE.**

- Do you know who your most loyal customers are?
- Are you certain they are loyal to your brand and not merely coming back out of convenience?
- Are you asking your customers to post a review online?



Adopting NPS in your franchise allows you to create and identify loyal customers. Listen360 helps you capitalize on those relationships by asking your customers to post about their experience on review sites like Google and Facebook.

## Consider Complaints Gifts

Bill Gates once said, "Your most unhappy customers are your greatest source of learning."

As much as we want our brand to provide the perfect experience for every customer, it's inevitable that, just like people, brands are not perfect. Mistakes will happen, and some customers will walk away dissatisfied.



**The quality that sets "A" players apart from the rest of the world is the way they handle those imperfect circumstances.** Your first inclination may be to steer away from complaints and hope that the employee who interacted with that customer will know better next time. However, running from missteps and mistakes can have a longstanding negative impact on your business. If not identified and addressed, mistakes can:

- **Lead to others.** What happens at one location or service area may end up happening at others if the root of the problem isn't addressed.
- **Put your brand at risk.** If a customer is dissatisfied and doesn't feel heard, you run the risk of them venting to friends, leaving poor reviews on Google or Facebook, and even broadcasting on social networks about their experience. This can severely tarnish your brand.
- **Blind you to bigger problems.** Sure, one or two complaints may make their way up the chain to the corporate office, but how can you prioritize and differentiate between word-of-mouth complaints and core issues that require brand-wide commitment to resolve?

A different perspective – and the one Bill Gates proposes – is to see each complaint as an opportunity to uncover a greater problem and improve your business. **Don't run from unhappy customers, leverage NPS to make it right.**

Here's how:

**"The feedback we get—both good and bad—keeps us humble about our service and always looking to improve the experience we provide to our customers."**


**Jerry Gahloff**

PRESIDENT OF HOMETEAM PEST DEFENSE

1

**Use NPS to identify detractors quickly so you know who is unsatisfied before they have a chance to tarnish your brand or switch to a competitive service.**

Be sure to ask for feedback right after an appointment or visit. Look for a system that sends detractor alerts so you know right away if a customer is dissatisfied.



Listen360 Detractor Alert:  
Zen Yoga, Midtown received  
negative feedback from Kelly  
Ballard. Phone them at  
[319-290-3188](tel:319-290-3188)

2

**Ask a follow-up question to get more insight into why the customer feels the way they do.**

Basing the follow-up question on the customer score creates a more customized feedback experience.

How did we disappoint you and what can we do to make things right?

The experience was great, but your schedule just isn't very accommodating.

Submit

3

**Close the loop with customers to show them you care. Listen carefully, apologize, and solve their problem quickly.**

Follow-ups should be tracked. Monitor which issues get resolved, by whom, and the time it takes to reach a resolution.

#### FOLLOW UP WITH DETRACTOR



By Email



In Person



By Phone



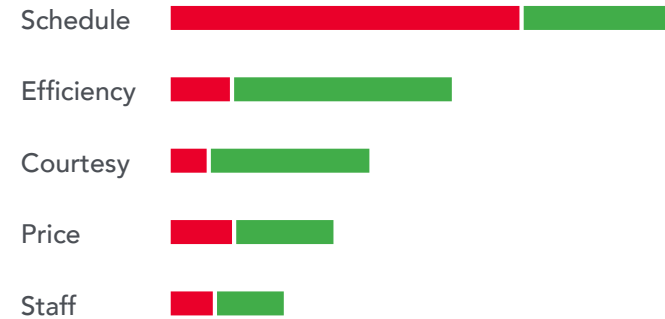
On Public Review

4

**Make specific changes that will positively impact your business and keep customers coming back.**

Some NPS systems use text analytics to aggregate NPS feedback into meaningful themes and trends. This makes it even easier to pinpoint areas of excellence and areas needing improvement.

#### VOICE OF THE CUSTOMER



5

**Track NPS over time to validate the positive impact of following up with customers and making operational improvements.**

Look for a system whose reports can mirror your organizational hierarchy. This will allow you to easily track NPS over time across your brand, regions, franchisees, and staff.

#### NPS BY LOCATION

##### BEST PERFORMING

Richmond, VA	80%
Atlanta, GA	77%
Denver, CO	76%
Boston, MA	75%

##### WORST PERFORMING

Nashville, TN	32%
Orlando, FL	31%
Charlotte, NC	20%
Dallas, TX	19%



## Give Coaching and Kudos

Building a world-class brand requires commitment from everyone in the organization. *That is more easily said than done.* Ensuring that every franchisee lives up to the company mission and exhibits the same pride as the leadership team is often an area of concern for franchises. Being everywhere at once is impossible, but using NPS as a means of having “boots on the ground” is an achievable alternative.



Implementing a transparent feedback system opens up lines of communication, improves accountability, and ensures that each of your service areas are living up to your brand standards.

Tracking NPS at each location and linking it to specific employees or technicians is a great way to maintain a line of sight into each area of your business. It allows you to identify your highest and lowest performers as well as how locations and individuals perform over time.



“We use the Listen360 NPS platform to understand what customers like and don’t like. This feedback allows us to better coach and develop our people.”

**Paul Reuter**

SVP OF OPERATIONS, ORANGETHEORY FITNESS

This gives owners, operators, and employees a way to engage one another and have honest conversations. Frontline managers can use this feedback to provide coaching based on facts rather than feelings.

One of the best benefits of having access to NPS feedback is the ability to identify individuals and service areas that are performing really well. You can recognize and compliment these individuals while revealing positive trends that can be applied across the entire organization.

## CONSIDER THIS SAMPLE FEEDBACK RESPONSE:

*"I absolutely adore Mary! She is one of the main reasons I keep coming back. She remembers my name, makes me feel special, and always asks how my kids are doing. She is more than just a receptionist, she makes me feel like a friend."*

Imagine the impact this feedback could have on an employee's day if he or she could see it. Imagine the morale boost if a superior commented on it!

Recognizing employees creates a feeling of pride, encourages employees to continue to provide great service, and also helps underperformers understand how they can improve.

We all know that happy employees are essential to the success of a franchise organization. Using an NPS system to capture, share, and acknowledge customer feedback is an easy yet powerful way to recognize individual employees. It also promotes a positive brand culture.

**60% of workers** would like work praise more frequently.

Organizations with a strong employee recognition approach are **12x more likely** to have strong business results.

# 4 Sell More Franchises

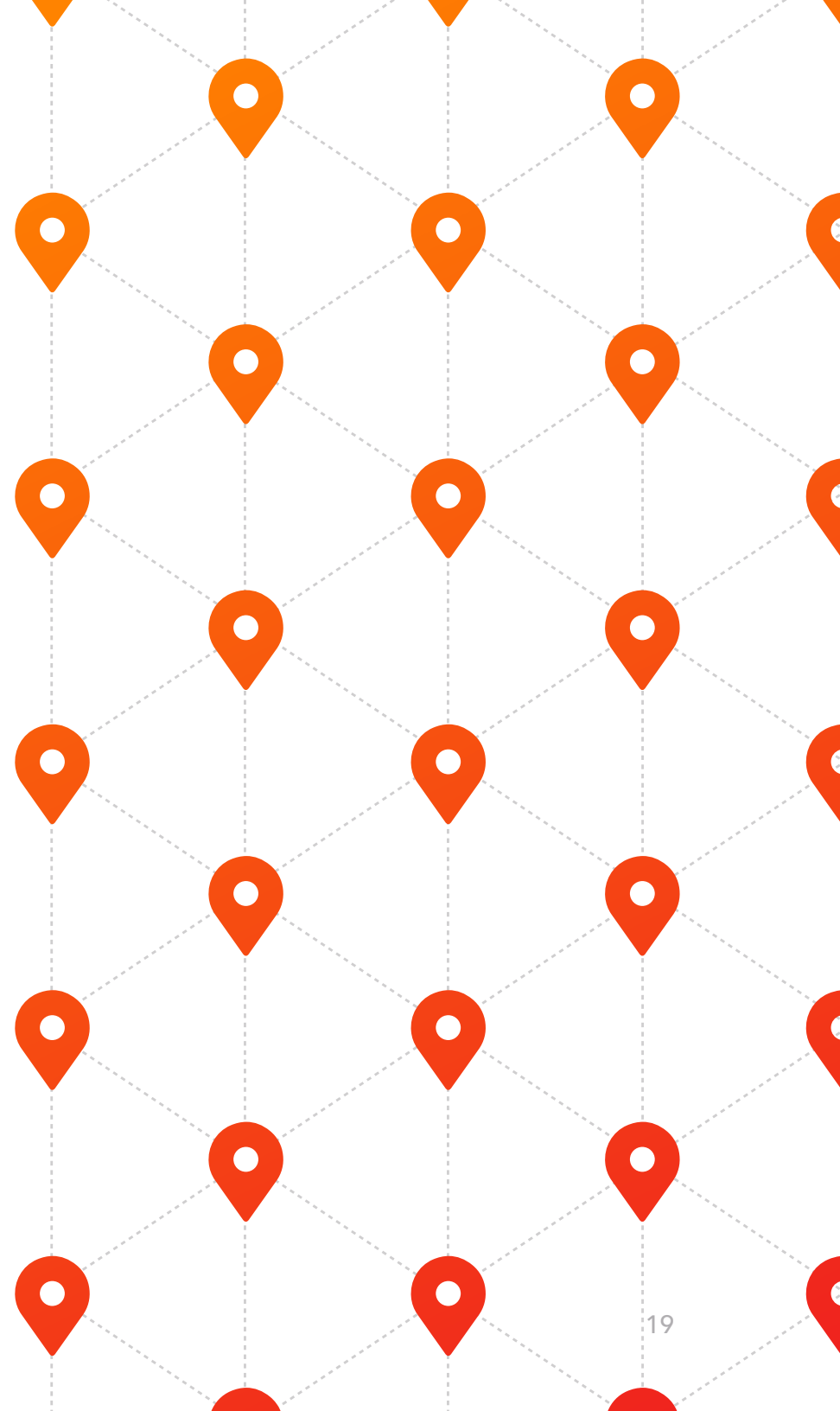
While having an excellent product or service garners interest from potential franchisees, it takes a lot more to get entrepreneurs to invest their hard-earned dollars, energy, and time. So, how do you get commitment from more prospective franchise owners?

Throughout the years, we have seen franchise development strategies come and go. One thing has remained constant: there is simply no better marketing strategy than showing proof of future success. Because NPS is such a strong predictor of growth, it gives prospective franchisees the very confidence they are seeking.

"Customer loyalty is a major factor when it comes to Franchise Development. It's a selling point to have a Net Promoter Score as high as we have."

Duone Byars

DIRECTOR OF MARKETING,  
CHRISTIAN BROTHERS AUTOMOTIVE



## NPS IS A POWERFUL TOOL FOR FRANCHISE SALES FOR MANY REASONS.

- It demonstrates your ability to forecast long-term success.
- The best franchisees seek out brands that talk to their customers directly. A franchise system that doesn't ask for feedback from its customers on a regular basis could be a red flag for prospects. In fact, if they aren't concerned about the reputation a business has with its customers, chances are, you may not want them as a part of your ecosystem.
- A high NPS score demonstrates that you are following up with detractors, learning from your customers, and making changes that are good for the overall business.
- NPS shows prospective franchisees that you've worked through growing pains and have a sound business model that's easily replicated.

Using NPS to showcase your loyal customer base - the ones that will come back, refer friends, and spend more - is a great way to show prospects that their path to success lies within your franchise system.

"NPS is a tool that has helped guide us to success. We use it determine whether or not we want to scale with an existing Franchisee."

**Paul Reuter**

SVP OF OPERATIONS, ORANGETHEORY FITNESS

As part of the franchise sales process, companies such as Mr. Handyman and Oxi Fresh introduce NPS during the discovery phase. Kris Antolak, Vice President of Franchising for Oxi Fresh, noted that NPS is mentioned within the first three phone calls with a prospective franchisee. Tom Raymond, Vice President of Franchise Development for the Dwyer Group introduces NPS both during the orientation process and as a part of the marketing and operations presentation.



# Bringing it Full Circle





**NPS IS THE GOLD STANDARD CUSTOMER EXPERIENCE METRIC. BY INCORPORATING IT INTO YOUR FRANCHISE SYSTEM, YOU WILL BE ABLE TO:**

- Ensure service consistency and brand compliance across all locations
- Find out who your happiest customers are and amplify their praise
- Improve the online reputation at each of your locations or service areas
- Identify unhappy customers and turn things around before they leave or share their experience with others
- Make focused operational changes that will lead to loyal customers and employees
- Create a sound, scalable business model that will attract employees and franchisees
- Engage employees by recognizing their efforts





Listen360 is a powerful, NPS-based customer engagement platform for franchise systems that understand customer feedback is key to creating loyalty, making smart decisions, and growing their businesses. The Listen360 platform enables franchise systems to learn from their customers, take necessary action to improve deficiencies, and transform delighted customers into brand advocates via social media, online review sites, and Google Seller Ratings.

[!\[\]\(d84e7ea36f695d92cb39ec32c307ac93\_img.jpg\) Learn More](#)

[!\[\]\(feabb98897b440bc8695a03336a6e2df\_img.jpg\) Contact Listen360](#)

[!\[\]\(9dfdaff1d86ba3c1f8353b4d1b61b8c5\_img.jpg\) www.Listen360.com](#)