

**WINNING
ON
PURPOSE**

WINNING

THE
UNBEATABLE
STRATEGY

ON

OF
LOVING
CUSTOMERS

PURPOSE

FRED REICHHELD

With Darci Darnell and Maureen Burns

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*This book is dedicated to
Adelaide, Clare, and our coming generation of
grandchildren. May they gather regularly to ring the
Loyalty Bell in celebration of generations past and present,
honoring our shared legacy of love and loyalty.*

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Foreword

John Donahoe, CEO, Nike, Inc.

I have known Fred Reichheld for almost forty years. We met at Bain's Boston office, where I held my first job out of college. My desk was located near Fred's office, and he would regularly engage us junior staffers in friendly conversations, which often ended up with him extolling the transformative power of loyalty. Today he is still at Bain, still preaching about loyalty—but from a far deeper well of experience and insight. Indeed, over the decades he essentially invented the field of loyalty economics and created the now ubiquitous Net Promoter System. I always referred to him as the Godfather—of loyalty. Since the relevance of his work has grown even more important in the digital age, I suppose we should call him the DG—Digital Godfather of loyalty.

The tools and frameworks Fred developed have helped me achieve practical results throughout my career, beginning with my time at Bain. During my term as Bain's CEO, we became the world's first company to implement Fred's brainchild, the Net Promoter Score, and enthusiastically supported its development into a full management system. In my subsequent CEO jobs at eBay, ServiceNow, and Nike, Fred's concepts and inventions continued to help my teams win. And while his engaging stories and arguments have sometimes sounded more moral than managerial, they have always helped my teams deliver results. Let me go a step further and say that in a time when so many in our society view capitalism with such suspicion, we surely need to carefully consider our moral duties as business leaders. Fred's approach can help make that practical. At the same time, just because some of Fred's chapters have high-minded titles such as "Honor the Golden Rule," don't be fooled into thinking this book won't help boost your growth rate. Indeed, Fred's road map to

customer capitalism delivers the basic tools, measures, and processes that every business leader (and every team member, board member, and investor) will need to win in this increasingly customer-centered world.

There's more. This book provides fresh revelations for business history buffs, as Fred recounts the story (never before revealed in such detail) behind Bain's near meltdown in the early 1990s. He was one of the dozen or so frontline partners who signed an oath to lock arms and rally behind Mitt Romney to salvage the firm from financial collapse. Through his forty-four years at the firm, Fred experienced firsthand the brilliant innovations that Bain's founders contributed during their seventeen years at the firm as well as the nearly fatal flaws that took years of innovative resolve to mend after their departure. Why tell these stories now? I believe they help us understand how Bain became a truly great place to work—the best in the world during the past decade, according to Glass Door—in part by teasing out and embracing the fundamentals underpinning NPS. Bain is indeed a very special place and well worth studying, because its evolving story can help every leader elevate and inspire his or her team toward greatness.

And I mean *true* greatness. As Fred explains in his manifesto at the end of the book,

Great companies help people lead great lives—they are a force for good. Great leaders build and sustain such communities. They inspire team members to forge lives of meaning and purpose through service to others—service not merely satisfactory, but so thoughtful, creative, and caring that it delights customers and enriches their lives.

The book is both timely and timeless. Fred begins by updating the stories of a few great companies—such as Apple, Enterprise Rent-A-Car, and Chick-fil-A, which are companies he has been writing about for decades—because they have sustained their great performance over time. These updates provide clear evidence that businesses built on virtue are resilient. They can cope with the flocks of black swans that so often descend on business leaders. In the past year alone, we've had to confront pandemic lockdowns, worldwide recession, racial reckonings, and an armed assault on the US Capitol. You will also read fresh new stories of digital revolution-

aries that are using Net Promoter philosophy and tools to shape winning strategies, companies such as Airbnb, Warby Parker, Peloton, and Chewy. By the time you finish the book, you will surely have a new understanding of what it takes to build a great business.

To be clear, this book is no mere recap of Fred's greatest hits. I consider *Winning on Purpose* to be his most important work to date. It reveals fresh breakthrough insights and clarifies the moral responsibilities of leadership as the world transitions from financial capitalism to customer capitalism. The book also provides deep and convincing evidence that the primary purpose that guides all great organizations is to enrich the lives of customers—hence, “winning on purpose.” If you do nothing else, read Fred's Customer Capitalist Manifesto, quoted above, which distills his arguments to their very essence. Be sure to study the charts in chapter 5, which demonstrate that only companies that win the love of their customers can sustainably deliver superior returns to investors. And be sure to get familiar (and comfortable) with Fred's Earned Growth Rate, his powerful new metric that will help unlock the next burst of progress in the NPS revolution.

I hope that you will enjoy and find practical value in *Winning on Purpose* as much as I did. It is the right book at the right time.

Preface

The Genesis of Net Promoter

Just a few weeks before my sixty-fifth birthday, I awoke from an anesthesia-induced sleep to hear my doctor pronounce six dreaded words: “*You have a large malignant tumor.*”

Talk about a bracing wake-up call. Later that day, I followed the nurse’s instructions to hold my breath and remain motionless while the unyielding gantry glided me through the CT scan machine. As barium-contrast dye pumped through my veins to ferret out just how far my cancer had spread, it struck me that no matter what the radiologist discovered, my clock was ticking. As usual, my head was full of ideas that I wanted to share. But this time was different. If I failed to get those thoughts down on paper, and if I reached the end of my road sooner than expected, those ideas would disappear along with me.

So, it was the diagnosis of a potentially life-threatening cancer that first got me focused on writing this book. After a week of scans and tests, my team of physicians sat me down and explained that my treatment regimen would take more than a year, with multiple surgeries bracketed by months of chemo and radiation. They introduced me to the notion of survival curves—that is, what percentage of patients with my condition could expect to be alive in two or five years. Again, that kind of conversation really focuses the mind. It makes you think very hard about what you most want to get accomplished while you still have the chance. The more I thought about it, the more I became convinced that I simply had to get this book written.

If you’re like me, under normal circumstances procrastination comes pretty easily—especially when you think you probably have another decade or two of good health ahead of you. In addition, I really don’t enjoy

the writing process. It's the mental equivalent of strenuous calisthenics—yes, you know it's the right thing to do, but actually *doing* it is no fun at all. Luckily, I got my wake-up call while there was still time to take action.

So, what are these ideas that seemed so important to me—to the extent that I was willing to devote the rest of what might be a foreshortened life to a task I really don't relish? I hope this book will make the answer very clear.

I have spent most of my forty-four-year career at Bain & Company focused on one subject: understanding the role that loyalty plays in building and sustaining great organizations and then developing tools and frameworks to help leaders nurture that focus. In my several published books, dozens of articles, and hundreds of speeches—thousands if you include the dinner lectures my poor family has been subjected to over the years—I have had plenty of opportunity to clarify and communicate my thinking. Meanwhile, the viral transmission of Net Promoter has spread my ideas to countless thousands of organizations around the globe. Pretty cool! So, it might be reasonable to assume that there was little more I could say about the subject. A reasonable person in my situation might resolve to fight through the daunting regimen of radiation, surgery, and chemotherapy and then retire to the garden, secure in the knowledge that the necessary seeds have been well planted.

So again, why another book on the subject? Well, first, while I am pleased that so many companies have embraced NPS, I am deeply troubled how badly most of them are implementing it—achieving only a tiny fraction of the system's potential impact. Second, some people presume that as more customer interactions shift to digital solutions, NPS becomes less relevant. In fact, many of the most successful digital revolutionaries rely heavily on our NPS framework, combining digital signal analytics with surveys to ensure that their digital solutions deliver such an appealing experience (with the right human touch) that customers become Promoters.* Finally, far too many practitioners are corrupting NPS by making the score a target rather than a measure that inspires learning and growth. I hope that by reviewing the genesis of NPS—its core principles, its

*As a rule, I'll capitalize Promoter, Passive, and Detractor in this book when they refer to components of NPS.

underlying purpose, and some practical advice—I can help resolve these misunderstandings.

Special Days That Opened My Eyes

The germination of NPS began during a few eye-opening days that changed my understanding of what it means to win in business, how to measure success (in both business and life), and the relationship between love and loyalty.

One of those special days came when I traveled from Bain's Boston headquarters to meet with Andy Taylor at his company's headquarters in Clayton, Missouri, a suburb outside St. Louis. The company was Enterprise Rent-A-Car. I'm sure that many of you have rented a car from one of Enterprise's seventy-six hundred branches in the United States and abroad.

I already knew that there was something special about Andy and his company, but I hadn't quite been able to put my finger on what it was—and this was the main reason I was in Clayton that day. I had been a strategy consultant at Bain & Company for a couple of decades by that time, so I was certainly impressed by the methodical way Andy had grown his family business from a local leasing company into the world's largest car rental firm. Enterprise had raced by its larger entrenched rivals—such as Hertz and Avis—despite operating in a low-margin, low-growth, and capital-intensive industry. As a privately held company, Enterprise had no need of outside investor equity, and this broke most of the rules about microeconomics and corporate strategy that I'd been taught at business school. But I suspected that there was more going on, and I wanted to learn what it was.

By that time Andy was already a billionaire many times over, with plenty to do other than talk to the likes of me, and he could easily have sidestepped my interview request. Instead, he welcomed me and was extremely generous with his time. In response to my probing questions to discover the secret to his firm's remarkable success, he patiently explained that there was no magic behind Enterprise's growth. "Fred," he told me, "there is only one way to grow a business profitably. You make sure your customers are treated so well that they come back for more and bring their friends."

In the ensuing twenty years, I have come to understand that Andy was right. If you care about sustainability and what I call “good profits”—more on that later—that’s the *only* way to grow a business.

Of course, this begs the question of *how* you make sure your customers are treated that well. When I asked Andy what he was most proud of during his tenure as head of the firm, he pointed to a fat binder on a nearby bookshelf. He explained that it was a list of every employee at Enterprise who had earned more than \$200,000 that year. I’m sure that book is much thicker today in light of the firm’s continued remarkable success.

Another thing Andy mentioned that I will never forget: “Fred, when your name is on the door as the leader or owner of a company, when customers aren’t treated right, you need to take it personally—it is your *personal reputation* that is being hurt. When I hear friends and neighbors talking at cocktail parties or neighborhood barbeque gatherings about their Enterprise experiences, I know they are really talking about my extended family and how we influence our neighbors’ lives.”

Perhaps you’ve noticed that unlike many of its competitors, Enterprise generally stays away from nuisance fees, such as additional driver fees for your spouse, exorbitant late fees, and abusive markups on the gasoline they use to refill your tank. Yes, these are tricks that may boost the corporate bottom line in the short term. But over the long term, they surely diminish customer happiness and damage the company’s reputation.

If Andy had a secret weapon—if he had a competitive insight that others in his industry hadn’t tuned into—it was this: *Those cocktail party conversations, those anecdotes told over the backyard grill, will make or break your reputation—and your business.* As those conversations are magnified through social media, Enterprise’s advantage grows exponentially.

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On another one of my special days, I was fortunate enough to spend time talking with Bob Herres at his office in San Antonio, Texas. After graduating from the US Naval Academy, Bob had risen through the ranks to become vice chairman of the Joint Chiefs of Staff under President Ronald Reagan. When I met Bob, he was CEO of USAA, the insurance and financial services giant that has grown from a tiny niche insurer of autos

for military officers into a member of the *Fortune* 200. You've almost certainly seen USAA's ads on TV in recent years, with military families—actual customers—singing the company's praises.

Bob arranged a tour for me of USAA's enormous headquarters, which is one of the largest office buildings in the world—so big we needed a golf cart to get around. One unforgettable scene unfolded in an unlikely place: one of the company's kitchen commissaries, which by the late afternoon was stacked to the ceiling with freshly boxed meals. The chef explained that these were evening meals that employees could bring home to their families. Single parents in particular appreciated the time that they could now spend with their families rather than having to shop and cook. I had a lively conversation with the chef, who was particularly proud of the innovative meals his team had prepared that, he told me, not only appealed to young children but were also nutritious. Based on this and a number of other encounters I had that day, it struck me that USAA was caring for its employees' happiness and well-being in the same way that really good generals care for their troops. Bob taught me that the job of a leader is to ensure that the team is on the right mission, that they understand it and have the resources required to succeed, and, most important, that they know their leader will do everything possible to take care of their safety and well-being. Great leaders wake up in the morning worrying about that, and they go to bed worrying about it.

My USAA education didn't stop there. A number of times after that first visit, Bob reached out to be helpful. We talked several times on the phone about his leadership philosophy and the role that loyalty played in building a great organization. Bob even volunteered to fly to Boston to help me teach an executive seminar on loyalty at Babson College Executive Conference Center. During that visit to the Boston area, he took me out to dinner with our spouses. I noticed that his questions and answers both at the seminar and at dinner seemed aimed at helping me in my work rather than making himself or his company look good. At one point, I asked his longtime secretary if Bob was this generous with everyone. "Not everyone," she said without hesitation. "But when Bob spots someone doing work he believes is important, he just finds ways to be helpful. He invests in those people."

That lesson stuck with me. When you find someone who's working to make the world better or an organization full of such people, you should

look for ways to help them succeed. You invest in those relationships, and through those investments you multiply your personal impact. This has to do fundamentally with *loyalty*. Bob understood loyalty not only in the context of risking your life in combat but also in the daily decisions and priorities you make that brighten the days of your customers and colleagues in a financial services business. Loyalty means investing time and resources in relationships. That's how you advance the principles on which those relationships are founded. That's how you make the world better.

USAA stands out as a pioneer in digitizing episodes across the customer journey (no surprise, since the company has no branches and has a customer base that's spread out all around the world). For example, USAA's digital banking team invented mobile online deposits for checks. Despite its digital sophistication, USAA never uses digital bots or algorithms to extract additional value from customers so as to serve them better. And that word gets around. Remember those cocktail parties and neighborhood barbeques, today complemented by social media, YouTube, and rating sites? Customers and employees learn to trust that the company will always act in their best interests. Of course, USAA has to match or exceed its competitors with sophisticated analytics and underwriting acumen. But it is the company's determination to use both human and digital capabilities to enrich the lives of its customers and inspire its employees to embrace that sacred mission that has made USAA a force to be reckoned with in the insurance industry.

• • •

A third day that stands out in my mind as especially instructive was the time I visited Chick-fil-A to help moderate a discussion on leadership succession with the company's executive team. Truett Cathy, the company's founder, set the tone for the visit immediately, inviting me to stay at his country house that night and making waffles for us all the next morning.

Let me make clear from the outset that I was concerned about Truett's position on how the Golden Rule applies to LGBTQ rights. I am the father of four children, two of whom are gay and proudly married. Truett was entering his ninth decade of life, a product of the Old South and a devout

Southern Baptist; I was a middle-aged Harvard-educated Unitarian from the North. So, we certainly didn't see the world the same way. I confess that as I flew from Boston to Atlanta, those differences weighed on my mind.

I'll never forget the tour that Truett took me on, driving me around town to visit a few of the dozen or so foster homes he sponsored and visited regularly. (I began this tour with some trepidation because Truett was definitely a senior citizen, but he turned out to be a surprisingly solid driver.) He was greeted warmly at each stop and obviously knew and cared about the families he sponsored. We talked candidly as he drove from place to place, and at one point he explained to me the Southern Baptist tradition of adopting a passage from the Bible as one's life verse. For him that verse was Proverbs 22:1, which in essence says that a good name is more valuable than silver or gold. He told me that he tried his hardest to live by that rule in both his personal and professional lives.

I remember thinking to myself at the time, *well, that might be the right verse for just about anyone*. I still think so today. Your reputation is indeed your most valuable asset. It defines the kinds of opportunities that will come your way while you're alive, and it may well be the only thing that outlives you. Every time you treat someone right—the way you would want to be treated if you were in their shoes—you are building your reputation and making the world a better place, one life at a time. This, of course, is the Golden Rule, a near-universal standard. Any behavior short of that Golden Rule standard diminishes your reputation and makes the world a little worse.

One lesson I took away from that day with Truett was that the sooner you figure out your purpose, the more time you have to deliver on it so you really can leave the world a better place than you found it. It also struck me that we need a better way to measure progress toward that purpose so you can gauge progress, learn from both successes and mistakes, and set the stage for further improvements down the road. Truett shared with me the thing that most energized him was turning a person's frown into a smile. His influence on NPS is apparent when you consider the score's underlying arithmetic ($NPS = \% \text{ smiles} - \% \text{ frowns}$). Over the past decade, I have been pleased to see Chick-fil-A make important progress in affording to gays the love that (in my humble opinion) is consistent with

an enlightened understanding of the Golden Rule. As a result, even more frowns are turning into smiles.

Like Enterprise and USAA, Chick-fil-A continues to grow and prosper in near miraculous fashion. With no need to tap into public equity markets, this former niche regional chain of chicken sandwich shops has grown to become the world's third-largest restaurant chain in revenues (trailing only MacDonald's and Starbucks), with more than twenty-five hundred locations in the United States and Canada. Financing this growth with internally generated cash flow—notably after donating a substantial portion of profits to charity each year—does seem like something of a miracle, especially when you consider that store operators make a onetime investment of ten thousand dollars up front and often earn several hundred thousand dollars per year—sometimes much more.

I think again of Andy Taylor's fat binder in which he took such pride. Truett and Andy were very different people, but they shared a common mission: helping their partners succeed and prosper through solving customer problems in such a way that frowns turn into smiles.

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For me, these three episodes taught and underscored several vital lessons. First, my understanding of the economic forces governing business was deeply flawed. The financial model taught at business school and refined by my early years at Bain simply couldn't explain these three companies' astonishing self-financed growth. To understand their true economics, we had to uncover and quantify an underlying, overwhelmingly powerful force: *loyalty*.

Second, we had to get our arms around the fact that the leaders of these firms—each an incredibly successful entrepreneur—thought of themselves as servants to their companies' frontline teams. They were extremely generous to team leaders (imagine a restaurant manager earning several hundred thousand dollars per year!) and celebrated their successes visibly and happily. They cared for their team leaders' well-being by ensuring that they could live great lives and build prosperous careers—*when their teams treated the customer right*.

And this was a third and intimately related lesson. These companies embraced a purpose that was far more inspiring than profits or growth. Those things were beneficial by-products. The core mission was delivering happiness to their customers—solving their problems and turning frowns into smiles. By achieving that mission, these firms don't need to buy growth with costly advertising and marketing gimmicks. Instead, they earn growth by ensuring that team members treat customers (and one another) right. They eschew nuisance fees, gotcha-pricing tactics, tricks, traps, and fine print because these would be inconsistent with their purpose. When customers feel such loving care, they come back for more and bring their friends. That in turn fuels sustainable and profitable growth.

Personal Implications

While this is primarily a business book, these lessons have deeply influenced my personal life. By sharing a few personal stories, I hope their universal relevance will become apparent and help guide individuals—in every kind of organization, along with their customers, members, employees, and investors—toward better choices and more successful lives.

For example, I try to buy from firms that earn the highest NPS (read: customer-love) ratings. Life gets much more *fun* when you're dealing with suppliers who love their customers. When I finally jettisoned my bank after years of tolerating nuisance fees and mediocre service, I shifted to the bank with some of the highest customer scores in the industry: First Republic Bank. Now, I actually look forward to visiting my branch or phoning and emailing my banker. During the height of the Covid-19 crisis, she happily offered to walk out through the snowy parking lot to notarize documents while I sat (safely masked) in my warm car. These documents, by the way, were unrelated to my banking business. Life got *so much better* when I switched to a bank that believes its primary purpose is delighting customers.

My family has also benefited directly from understanding which companies most love their customers. For example, I have worked with Bain & Company since 1977, where many of the practices you will read about

in this book were invented. Through Bain's analysis, I knew that Apple earned outstanding scores from both customers and employees. When my son Bill graduated from college and began trying to land his first full-time job in the midst of a recession, I encouraged him to consider applying to a local Apple Store. To make a long story short, he did and was hired. It couldn't have worked out better. As a result of his time at Apple, he has been indoctrinated in a culture and management process that takes seriously its mission to enrich the lives of customers and employees. In my estimation, the value of the skills Bill has developed in that community far exceeds the value he would have gained from earning an advanced degree in business or economics.

Bill has learned firsthand how it feels when a company cares for the well-being of team members. For example, Apple encourages its employees to save and invest, knowing this is a vital life skill that many young people have not yet acquired. First, the company promotes savings through with its generous 401(k) plan. Over the past decade (which is about when Bill joined the store team), an employee contributing fully each year (into the Vanguard Total Stock Index Fund) would have built a balance over \$100,000. To make saving and investing even more attractive, Apple also offers a stock purchase plan enabling employees to automatically invest up to 10 percent of their paycheck in Apple stock at a price equal to 85 percent of the closing price at the beginning or end of each six-month period (whichever is lower). If that hypothetical store employee who joined with Bill participated fully in the stock purchase program, her or his Apple stock balance would have grown to \$300,000. Considered together with the person's 401(k), she or he would have accumulated savings of \$400,000—quite a nest egg for ten years of work in an Apple store!

Of course, not every employee can afford to save 16 percent of their paycheck, but with such programs in place, many employees saved much more than they might have otherwise. And more important than any financial benefit, every employee benefits from the opportunity to spend time hanging around with good people—that is, the kind of people whom Apple tries to hire and whose inherent goodness is reinforced through Apple's recognition and reward systems that celebrate enriching the lives they touch. In Bill's case, he ended up marrying a wonderful coworker at his store (thank you, Apple!). Most of their friends are store colleagues or alums.

Truly, their lives have been enriched by the relationships built and lessons learned through their time at Apple.

Of course, to a father few things are as important as happy children. But for me there was another fringe benefit of viewing Apple from the inside: seeing the company not through the eyes of its advertising campaigns or its write-ups in the press but instead through the eyes of its employees. What I saw made me double down on my investment in Apple stock. That too turned out to be a very happy decision.

The Lessons Never End

You will see on the title page that Darci Darnell and Maureen Burns have joined my writing team as coauthors. Their editing judgment and steady stream of suggested improvements rose far beyond the level appropriate for behind-the-scenes editors, so I am pleased that they have joined me in a more public role. In one of our book development sessions, Maureen reminded me that when I originally created NPS, it stood for “Net Promoter Score.” Then it evolved into a set of solutions that we came to call the “Net Promoter System.” As we were digging into one of the chapters of this book, she remarked that today we are really talking about the soul of NPS. She recommended we refer to it as the *Net Purpose Score/System*. Darci concurred, noting that NPS implemented correctly reveals how consistently a company lives up to its purpose of loving customers. Thank you Maureen—and Darci.

INTRODUCTION

Know Your Purpose

Then Live It

What is my purpose?

For almost any individual or company, this is a loaded question. For the individual, it carries philosophical and religious overtones and compels us to probe our very reason for existence. Every person needs to answer it for themselves and then, hopefully, live their lives accordingly.

But when it comes to a company, this book will make a bold argument: there is only one purpose that consistently wins. Sure, there are lots of possible purposes that seem appealing: become a force for good, be the lowest-cost and most efficient provider, become the largest in our industry, be the technology leader, be a great place to work, deliver happiness to our customers, reduce pollution, become a model of good governance, maximize shareholder wealth, improve equity and social justice, and so on. But the most resilient and sustainably successful firms consistently select one primary purpose: *enrich the lives of their customers*. Then they run their business accordingly.

This is not a widely shared point of view. According to a recent Bain & Company survey, only 18 percent of business leaders believe that the primary purpose of their firm is to maximize value for customers.¹ Many companies still operate in the old-school financial capitalist mindset in which maximizing shareholder value is front and center. In recent years, even

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more have attempted to adopt a balanced scorecard of accountabilities to multiple stakeholders: customers, employees, suppliers, investors, the environment, and society. But over the past four decades, I have observed that those firms that put customers first can deliver superior results—not just to customers but also to all these other constituencies.

You will see compelling evidence in chapters 2 and 5 that companies that best love their customers also deliver the best returns to shareholders. By making customers happy, they can make investors happy. The opposite strategy surely fails, because when firms put investor interests first, they often do things that alienate customers (think excessive late fees, overdraft fees, flight-change fees, etc.).

Of course, many firms today want to become more customer-centric, so there's nothing radical in that idea. But they aren't willing to elevate customer happiness to become their primary purpose, so they struggle to achieve meaningful progress. The truth is that despite today's profusion of customer-centric rhetoric, most businesspeople still believe that the primary purpose of business is profits. That's not surprising, given that we measure company success, pay bonuses, and determine career promotions based primarily on financial results. Why? Financials provide the most reliable audit-worthy information, so they drive planning, decision making, accountability, and they command investor attention. Even though many leaders now recognize that we live in a world that rotates around customers rather than investors, their organizations, control systems and governance processes were all designed to operate in that old profit-centered world.

Today's winners—including giants such as Apple, Amazon, T-Mobile, Enterprise Rent-A-Car, and Costco and digital revolutionaries such as Warby Parker, Peloton, and Chewy—have managed to adopt a customer-centered mindset. Their leaders have inspired teams to put customer interests first and foremost, above those of all other stakeholders.

Net Promoter shines a bright light that reveals the forces separating winners from the pack. By using NPS, firms can gauge progress against customer purpose. Customer centricity can advance beyond the puffery of public relations platitudes to the scientific rigor of measurement. The preface noted that Truett Cathy knew intuitively that what inspired him (and his organization) was turning frowns into smiles. NPS elevates this

to a measurable and manageable process—indeed a science. As you will see, NPS can not only help customers choose the right suppliers but also help job seekers find the best place to work. And NPS can help investors beat the market—by a country mile.

The Dreaded Cold Call

When I was an MBA student, I dreaded getting cold-called by the professors.² Decades later, I felt that same adrenaline surge one morning when I got a phone call out of the blue from a Harvard Business School (HBS) professor named Boris Groysberg. After introducing himself he explained that he sat on the board of his children's school, where it seemed that the head of the school was using NPS feedback very effectively. Groysberg was also a director at First Republic Bank, which recently had begun rolling out NPS. He explained that based on these two accidental exposures, he wanted to learn more about best-use applications for NPS. Where was it most successful, and where was it less effective? We agreed to meet for lunch at the HBS faculty club several days later.

Over lunch we compared life experiences, and Groysberg eventually shared his surprise that despite NPS's widespread adoption in the greater business world and my own connections to the school and its publishing arm, there had never been an HBS case study written about NPS. In fact, most faculty members preferred to keep a safe distance from my work. Why? I told Groysberg that the faculty must have pigeonholed NPS as a marketing tool—a marginally improved measure of customer satisfaction and therefore not of interest to executives in the corner offices.³ But Groysberg, who focused on leadership and organizational strategy, saw much greater potential impact for NPS and wondered aloud if I could suggest a company that was using NPS to its fullest effect.

Toward that end I introduced him to FirstService Corporation, a Toronto-based property-services provider with some \$3 billion in annual sales on whose board I serve. That introduction led in turn to the first HBS case study about NPS. The study focused on California Closets, a subsidiary of FirstService that has used NPS in a variety of ways. The case study captured a number of innovative applications for marketing segmentation

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and strategy, some of which you'll read about in future chapters. But at its heart, the case is about *mission*—how you inspire employees to treat customers right.

I sat in on a couple of the initial classes in which Groysberg taught the new case; he was masterful at helping the class recognize the many challenges to consider when implementing NPS, which stoked an animated discussion among the students. Toward the end of the class Groysberg asked me to comment on the origins of NPS, and then we finished up with a lively question-and-answer segment. Next Groysberg led me to a studio downstairs, where he interviewed me to create content for a supplemental teaching video. One theme of that interview was whether it had been wise to make NPS an open-source solution. I explained how that decision helped achieve rapid adoption and innovation but also created some confusion about its most effective application. NPS is currently being used by companies to measure brand equity, reduce customer churn, test out digital innovations, segment markets, and evaluate channels. However, as noted, the most important role for NPS is the framework it provides (along with an ever-expanding toolbox) to help leaders build and nurture a customer-centric culture in which progress is gauged against a company's primary purpose: *enriching customer lives*. In my view, I told Groysberg, this is where NPS can help companies solve some serious shortcomings in our capitalist system and forge its next stage of evolution.

The End of Capitalism as We Know It

The evidence is clear that dissatisfaction is surging against traditional capitalism, which I refer to as financial capitalism. In recent years, that dissatisfaction has been voiced by not only typical antibusiness radicals but also middle-of-the-roaders. A Gallup poll in 2018 found that the number of Americans with a positive view of capitalism had declined to 56 percent (and 47 percent among Democratic voters). The majority of respondents under thirty years of age preferred socialism over capitalism. Even the capitalist glitterati attending the annual World Economic Forum in Davos, Switzerland, have expressed concern about the current system. Michael Bloomberg echoed this distress in his 2019 Class Day address at HBS.⁴

The blue-chip CEOs who comprise the venerable Corporate Roundtable have clamored for change. There seems to be a mounting demand for enlightened CEOs to hold themselves accountable for creating value for *all* stakeholders: customers, employees, communities, the environment, society, and so on.

Yes, these kinds of arguments are emotionally appealing, but the problem is that *being accountable to everyone means you are accountable to no one*. Being equally accountable to everyone is virtually impossible, just as optimizing value along multiple dimensions simultaneously leads to mathematical chaos. Even the most powerful of supercomputers balk when they're asked to maximize multiple dimensions of a complex system such as a business organization. They spit out some version of this error statement: *indeterminate solution*. Linear programming algorithms can't cope unless all variables except one are treated as constraints for which minimum hurdles can be specified; only one *single* dimension can be maximized.⁵

Of course, it's not just computer models that stumble when multiple goals for maximization are put forward. Complexity trips up humans too. That's why the best leaders work hard to simplify team objectives so they can focus their creative efforts productively.⁶ This begs the obvious question: What is the single dimension that a business should optimize in its quest for greatness? I'm willing to entertain the argument that at one time in history, perhaps up to about the early twentieth century, maximizing shareholder value (famously promoted by Milton Friedman) was the correct theory and legitimate goal of the firm. But today, with oceans of capital sloshing around the globe in search of a slightly better-than-average return, capital is *not* the truly precious and constrained resource.

Today, targeting the maximization of shareholder returns, especially short-term returns, leads quickly to mediocrity and decline. Why? Customers are not loyal when they don't feel loved. But additionally, talented employees are the precious and constrained resource, and few people today embrace enriching shareholders as their life's work. Almost every company is desperately seeking the talent required to move more processes to digital platforms and to take advantage of cloud computing—and we've seen ample evidence that people in this Millennial and Gen Z talent pool want to work only for companies with an inspiring purpose.

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So, should we embrace employee happiness as the central objective and line up behind their favorite purpose du jour? Labor unions and many progressive politicians naturally endorse this point of view. The problem is that many of the things that make employees happy—lots of vacation time, evading those demanding customers who insist on innovative solutions, avoiding the stress of competition and taking risks, sidestepping the need for uncomfortable change and adoption of better processes—are the very things that make customers *unhappy*, which quickly smothers their loyalty and over time eviscerates corporate growth and prosperity. And truth be told, those things make employees happy only in the short term and fail to engender the kind of loyalty that employers need.

Take a look at one of those “Great Place to Work” lists. They rarely mention delivering great customer experiences as a central criterion underpinning workplace rankings. Instead, they focus on cool fringe benefits: great cafeterias, ping-pong tables, free smoothie machines, and so on. But the sober truth lies in their collective name: these are benefits at the *fringe* of work life. I argue that beyond competitive salaries and benefits, what makes a company a great place to work is when it puts workers in the position to do great things for customers—again, building lives of meaning and purpose.

What will be the next stage in the evolution of capitalism? I believe we have already entered the age of “customer capitalism.” While I am certainly not the first person to use this term, I believe this book provides the first comprehensive explanation of the full system, including its guiding philosophy and underlying economics, along with the metrics and managerial processes required to win in this customer-centered world.⁷ You’ll find my Net Promoter Manifesto in chapter 9, which distills the book down to its quintessence: detailing the seven core principles that business leaders must follow to build a sustainably prosperous business in this age of customer capitalism. Once again, the exemplars of customer capitalism do not attempt to extract maximum profits from every customer and employee to boost share prices and dividend streams. Instead, they focus on the vital role of kindness, generosity, and love in dealing with their customers and employees.

Did you hang on those three nouns? Let me underscore them: *kindness*, *generosity*, and *love*.

So many self-help books today focus on actions you can take to make yourself happier and more successful. But by and large, they ignore the most vital question you must answer in order to earn happiness and success: *What is the primary purpose of your life?* If your answer is anything like mine—that is, to enrich the lives of others and to make the world a better place—then you need to think carefully about which relationships (individuals and organizations) deserve your investment of precious time and resources, *your loyalty*. You need to make sure they embrace and embody a concordant purpose. If they do, you can focus your energy on helping them prosper. And you can measure progress by how consistently you actually live up to the Golden Rule, which is the surest guidepost orienting you toward a life of meaning and purpose.

This is one of the key lessons that I want to convey through the stories and arguments in this book: be sure to *invest your loyalties wisely*. In the following pages I'll explain how to spot the right companies, those that are worthy of investing your time, your energy, your resources, and your reputation—in other words, your loyalty. The rules of thumb, tools, and frameworks I've developed—with the invaluable assistance of my Bain partners—can help you make better choices by clarifying the best organizations to buy from, work for, and invest in.

The Evolution of Net Promoter

My earliest work focused on quantifying the economics of loyalty, but that soon shifted to understanding how companies earn loyalty. I was already starting to think and talk in terms of *enriching the lives of customers* as the highest purpose for a business. But to test the results of embracing that purpose, we needed a practical method to gauge success and failure. In 2002, I began to develop Net Promoter to fill that void. It was inspired in large part by the customer-feedback process that Andy Taylor used at Enterprise, which he generously explained to me in great detail, but I took it further (shrinking his two questions about satisfaction and likelihood to repurchase to one question about likelihood to recommend) so it could be used by companies in any industry to improve their customer loyalty.

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As Net Promoter has grown and evolved—accelerated by open-source innovation—one negative consequence has been confusion about what it really stands for. Far too many people presume that the central component of NPS is a specific metric based on a survey question that asks about likelihood to recommend. That’s certainly not what I intended when I created NPS. As I discuss later in this chapter, the first name I considered for the system was “Net Lives Enriched.” That’s still probably a better descriptor for the system. Net Promoter is essentially a philosophy that posits that our success should be measured by our impact on customers. Did we enrich their lives? In other words, did we brighten their day, lighten their load, ease their suffering, and make them feel loved? Did we reduce the number of frowns and increase the number of smiles?

NPS divides those outcomes into three categories: Promoters (smiles), Passives (meh), and Detractors (frowns). *Promoters* are customers who are so pleased with their experience that they come back to buy more and recommend your brand to family, friends, and colleagues. They feel like they got more than they paid for, which when you think about it is one definition for “having your life enriched.” Their enthusiastic loyalty makes them extremely valuable assets who help grow the business and its reputation. *Passives* are customers who feel they got what they paid for but nothing more. They are merely satisfied, not loyal assets with lasting value. And finally, *Detractors* are customers who are disappointed with their experience and feel like they got less than they paid for. Their lives were actually diminished by their experience with you, so they have become liabilities who may well diminish your growth and reputation.

We launched Net Promoter using a survey based on one scoring question (likelihood to recommend) followed by one or two follow-up questions explaining why that score and how to improve. The advantages of simplicity far outweighed the disadvantages. This score (which indicates success or failure at the core purpose) and the system of management around it have blossomed and developed. The world is tired of surveys, so today leading practitioners derive many Net Promoter insights through advances in big data analytics. Observing real-time customer behaviors (digital signals) provides more timely and accurate identification of Promoters, Passives, and Detractors. But surveys still play a critical role in probing more deeply into root causes and testing alternatives; in fact,

survey results are used to train mathematical models to distinguish signals from noise.

One thing that has *not* changed with the digital revolution is that when you have truly enriched customers' lives, they want that experience for their loved ones and recommend you to friends and family. This single insight helps illuminate whether you have achieved your Net Promoter purpose.

The Power of Recommendation

Originally, we chose the question “How likely would you be to recommend us to a friend?” because it predicted subsequent loyalty behaviors of individual customers (such as repurchase, increased share of wallet, actual referrals, and so forth).⁸ Those are the factors that drive loyalty economics. Over time, I learned more about why someone's *likelihood to recommend* is so revealing. When people recommend a product or service, they are effectively cobranding their own reputation with the recommended company. If a friend acts on their recommendation and ends up being unhappy, this reflects badly on the recommender's judgment and trustworthiness. The CEO of a *Fortune* 100 company shared with me his reaction when his next-door neighbors acted on his recommendation to visit his favorite Caribbean resort. The CEO felt anxious that entire week, worrying whether his neighbors were having a good time. (He even checked online to monitor the weather at the resort each day.) He was deeply relieved when the neighbors' kids reported that the vacation had been fun.

But a personal recommendation goes even deeper. In essence it is an act of love, aimed at improving the life of a friend or family member. Good people will not enthusiastically recommend a company that they know pollutes the environment, abuses its employees, or mistreats its vendors. An enthusiastic recommendation reflects more than the quality or value of a brand; it probes into the heart and soul of a business and its core purpose, reflecting important truths regarding how we feel about an organization's governance, its impact on the community, the environment, and social justice. Perhaps that is why German industrial giant Siemens now reports NPS as an explicit Environmental, Social, and Corporate Governance (ESG) sustainability metric.⁹

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As noted earlier, I originally considered calling this system “Net Lives Enriched,” since that is the core purpose our system measures: looking at all the lives you touch, how many are enriched, and how many are diminished. But I blinked. Instead, I opted for terminology that I thought would appeal to practical business leaders focused on bottom-line results. Surely they would understand the enormous value of Promoters—who drive profitable growth—along with the crippling cost of Detractors. So, I decided to call the system Net Promoter and, together with the help of my Bain colleagues, introduced this customer-centric management process to the world.

It worked. The subsequent rate of adoption has been astonishing. Since its conception in 2002, the Net Promoter System—and especially its eponymous score for gauging progress—has become the world’s leading management system for putting customers first and measuring progress based on customer success. *Fortune* devoted a feature article to NPS in 2020 with this conclusion by *Fortune*’s senior editor, Geoff Colvin:

All this devotion for a particular measure of customer sentiment? It may seem bizarre, but the phenomenon is real and growing. At least two-thirds of the Fortune 1000 use the Net Promoter Score, including most or all of the financial service companies, airlines, telecom companies, retailers, and others. Quietly, steadily, without anyone much noticing, NPS has moved into the C-suites of most big companies and the owners’ offices of thousands of small ones—extending its reach deeply and broadly through the global economy. Skeptics and enemies have largely been vanquished. It is now used in every developed economy and many emerging ones. It’s pored over in all types of organizations, not just businesses; in Britain, the National Health Service uses it. As organizations everywhere obsess over the customer experience, NPS’s advance across industries and countries is, if anything, accelerating.¹⁰

The NPS phenomenon has also spread beyond the *Fortune* 1000, gaining traction among startups, small and medium-sized businesses, and non-profits.¹¹ And tomorrow’s leaders are taking note as well. A senior Stanford Business School professor told me that 60 percent of Stanford students

already know about NPS when they show up for their first MBA class; by the time they graduate, that number climbs to nearly 100 percent.

A Road Map for Reading This Book

One key contributor to the rapid and far-ranging spread of NPS was our decision to make it open-source, thus freeing practitioners to experiment and adapt it to their own needs for both customer and employee feedback. As a result, our ideas have been shaped, refined, and customized to fit the increasingly digital challenges of thousands of organizations around the globe, making NPS the predominant framework for measuring customer experience.¹² But as with any open-source system, some putative innovations turn out to be harmful. Throughout subsequent chapters, I will try to resolve confusion surrounding the core purpose of Net Promoter and call out some of these destructive approaches—especially those that corrupt the score by converting a useful *measure* into a less useful (and less trustworthy) *target*. I will also illustrate the best practices across a variety of dimensions through practical company examples. In the final chapter I summarize the current state-of-the-art system, Net Promoter 3.0 (and provide a detailed checklist of NPS 3.0 components in appendix A).

The first two chapters illustrate what it means to have a winning purpose and how pursuit of the right purpose can lead to greatness. Chapters 3 and 4 explore what it means to love customers and how great leaders inspire their teams to embrace that mission. Chapter 5 explains why loving your customers leads to the best outcomes for investors and offers evidence that wise investors should insist that leadership teams prioritize loving customers as their primary purpose and that they upgrade to customer-based accounting so they can report reliable data on progress. I will introduce a new metric I've named Earned Growth Rate as a complementary gauge to buttress Net Promoter (and will include more technical issues around that metric in appendix B). Chapter 6 explains how the Golden Rule provides the moral and philosophical foundation for successful business communities and illustrates how leaders can nurture such communities. Then, in chapter 7, we explore how companies innovate and move beyond mere satisfaction to deliver a stream of

remarkable customer experiences. Chapter 8 illustrates practical systems that can reinforce customer-centric cultures and put principles ahead of profits. Chapter 9 advises that humility is in order for most business leaders—because they have so much work to do before they can hope to approach the full range of best practices defined in Net Promoter 3.0—and that their organization’s primary mission should be loving customers.

Good Profits

I once believed that loving customers and earning their loyalty provided a functional niche strategy useful only to a few firms (mostly private) in a limited subset of industries, especially those in which customer acquisition costs were high. Well, I was wrong.

The deluge of NPS feedback over the past decade reveals that in today’s world, organizations that go beyond satisfaction and treat customers with loving care are building the only growth engines that can prosper sustainably in fully competitive industries.

Yes, free markets and financial capitalism have contributed hugely to advancing democratic ideals and raising living standards around the world. But the failures of old-school capitalism are increasingly apparent. In the coming chapters, I will refer to “good profits” and “bad profits.” Bad profits are giving business a bad name; they result from exploiting customers and thus weaken support for capitalism. Good profits are earned by creating promoters. No apology is necessary for generating a sizable net worth when that is accomplished through living the Golden Rule and enriching customers’ lives. Wealth earned through creating promoters is a formula that makes the world better.

One billionaire company founder you’ll hear more from in subsequent pages once told me that “we don’t deserve any profit until we have made our customers happy.” I can almost feel Wall Street cringing. But as I’ll try to demonstrate in the following pages, this radically moral approach provides an unbeatable strategy that helps all constituents, including investors, win. Customer capitalism wins because it strives toward the right purpose. It holds businesses leaders and their teams accountable to the highest standard in human affairs: *Love thy neighbor as thyself.*

CHAPTER 1

Lead with Love

The Unbeatable Purpose

When Steve Grimshaw joined Caliber Collision as CEO in 2009, that chain of sixty-eight auto body shops operated in only two states. By early 2020 it had expanded across the country to more than twelve hundred locations, and its revenues had rocketed from \$284 million to almost \$5 billion, making it far and away the US industry leader.

Then in March 2020, the black swan known as the Covid-19 pandemic flew into town, causing cars to sit parked in garages and driveways—where, of course, they tend to get into far fewer collisions. Industry revenues plummeted 55 percent, and many competitors shuttered locations to remain solvent. Caliber decided to sail directly into this headwind. It kept every one of its shops open and found a way to weather the crisis, despite a substantial decline in revenues.

Steve explained this choice to me. “At Caliber,” he said, “we don’t put profits first; we put people first.” Instead of shutting down stores in response to the industry downturn, the company drew down a portion of its \$300 million credit line. Then Caliber used excess capacity in the stores to upgrade its service and delight more customers. As a result, its Net Promoter Scores jumped to unprecedented levels, far exceeding industry norms. Insurance carriers noticed and began referring a higher share of business to the company.

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What accounts for this remarkable and resilient performance? Steve explained, “Fred, people work hard for a paycheck, they work harder for a good boss, and they work hardest for a meaningful purpose.” I asked him to describe Caliber’s meaningful purpose. He told me his team had thought long and hard about their purpose and engraved the answer in their mission statement:

When our customers come to us, their lives have been disrupted. They’ve been in an accident, which is a distressing ordeal. Then they experience the angst of having to find an honest and efficient repair shop. They are worried about insurance coverage and out-of-pocket expenses. Their work schedules have been upended, and they face the hassle of finding alternative transportation while their vehicle is in the shop. Their life is in chaos. So we decided our purpose should be to help get each customer’s life back in order—to *restore the rhythm of their lives*.

So, Steve and his leadership team looked for ways to boost store volumes in a way that would restore that rhythm and at the same time inspire Caliber’s employees. Caliber announced that throughout the Covid-19 pandemic, it would cover the deductibles (up to \$500) for all first responders and frontline medical personnel. That meant substantial savings for every police officer, firefighter, ambulance driver, doctor, and nurse who needed collision repair. What a powerful way to say “thank you” and to inspire your teams and soak up excess capacity!

It’s clear that when a company keeps teams gainfully employed during a downturn by helping them delight customers, the company ends up with happy customers and employees. But what about the investors? The private equity firm that hired Steve as Caliber’s CEO paid \$165 million for the acquisition. Today, just over ten years later, Steve estimates that Caliber’s market value is approaching \$10 billion, which represents something like a fifty-two-fold return on the private equity firm’s investment, or almost a 50 percent annual return when compounded over a decade. Sweet!

Steve built a culture at Caliber based on always doing the right thing, which meant, among other things, always treating people right. “How our employees feel on the inside,” he says, “is how they treat customers on the outside.” So, every leader attends training courses to help them ensure each

team member can experience what it feels like to treat customers (and teammates) right. The name of one of Caliber's advanced leadership development programs is particularly appealing to me: *Leading with Purpose*.

Caliber has also developed measures and systems to reinforce the cultural values that are taught in leadership training. To ensure that front-line team members could savor the full impact of their wins with customers, Caliber execs installed a weekly standup huddle process by which each branch reviews its customer numbers. During those huddles, Steve reported, "the team reviews the handful of metrics that gauge how well that branch has lived up to our purpose. By far, the most important of these metrics is their Net Promoter Score." All along the way, individual team members get shout-outs for "getting caught doing the right thing."

The Caliber story demonstrates a classic pattern you will see repeated throughout this book: there is one (and only one) purpose that generates long-term prosperity for a business and benefits all stakeholders. That purpose is *to enrich the lives of customers*. But remember, only 18 percent of business leaders believe that the primary purpose of their company is to enrich the lives of their customers.¹ To cast that troubling fact in an even more negative light, more than 80 percent of today's executives dismiss the unbeatable advantages of a customer-centered purpose.

Nevertheless, the winning formula is relatively straightforward. Leaders who win on purpose attract and inspire good team members by helping them find meaning and purpose through brightening the days of their customers. When employees and their teams get recognized and rewarded for enriching their customers' lives, this reenergizes the purpose-driven flywheel, accelerating sustainable growth and economic prosperity. Simply stated, this is the path to both personal and organizational success. And as you will see in the chapters that follow, this purpose-based strategy is resilient to recessions, pandemics, and the increasingly regular black swan events that expose the fragility of less compelling approaches.

Purpose in the Digital World

Winning on purpose works beautifully in Caliber's gritty business of collision repair, even though that might not be the first industry in which you'd

expect to find an example of virtuous employees providing loving care for their customers. (Think of the body shops in your own past!) So, could this same approach also work in a twenty-first-century digital business populated mainly by software engineers, coders, and systems designers, most of whom rarely interact directly with customers? The answer is “yes,” and this became clear to me as I observed the successful evolution of one of the software industry’s most admired companies.

Scott Cook and I joined Bain around the same time in the late 1970s. I stayed to consult and write books; he departed to found the financial software giant Intuit, which he built into an impressive loyalty leader with a market cap over \$100 billion. Intuit’s resilience is most impressive when you consider how few software companies managed to transition successfully from the era of shrink-wrapped boxes sold by mail order or through computer stores to the digital download era and all the way to cloud-based apps. I remember chatting with Scott at Intuit’s headquarters in Mountain View, California—more or less the heart of Silicon Valley—shortly after I conceived of Net Promoter. He was so excited that he insisted we walk across the parking lot (in the middle of a rainstorm) to go tell his CEO about my new concept.

I’m not sure if the Net Promoter System would have ever taken off the way it did had it not been for Scott’s early enthusiasm and his commitment to finding innovative ways to integrate the system into the core processes that made Intuit great for its customers. Intuit was a pioneer in using Net Promoter to guide annual budgeting and capital allocation processes. In addition, Intuit was the first company I know of to regularly report to investors its NPS for each business line, *benchmarked to key competitors*. Scott bravely shared his goal: that every business line would lead its competitors’ NPS by at least ten points. In the NPS universe, that’s a lot of points.

I think Scott became one of Net Promoter’s earliest adopters because he saw the possibility that it could help him manage an essential element of his company’s purpose: to solve customer problems and make them happy. I’ll always remember the way Scott described the primary purpose of his organization, a quote that I’ve already foreshadowed in the introduction: “We don’t deserve any profit until we have made our customers happy.” Back when Intuit was still young, he believed that Net Promoter

could help the company live up to that credo. He remains convinced of that in today's digital world, as Intuit continues to play a leading role both in its industry and in the Net Promoter community.

The Intuit credo constitutes a remarkable departure from the traditional capitalist notion of *caveat emptor*—buyer beware—that ranks profits for investors far ahead of customer interests. Of course, profits sufficient to attract investors are necessary to make a business sustainable, but profits measure *value extracted*, so to customers and employees they are inherently selfish and uninspiring, which in turn creates other problems. For example, old-fashioned capitalism puts a company's employees in a precarious position. They are supposed to care more about profits than treating customers and colleagues right. They are supposed to endorse the idea that caring for customers can take a back seat to feeding the (insatiable) appetite of investors. And by and large, they know that this makes no sense especially in the long term.

What's the alternative? A new cynosure: enriching customer lives through products, services, and experiences so remarkable they afford employees lives of meaning and purpose. When leaders decide that their primary purpose is to put employees in a position to enrich the lives of customers, they are aligning the ambitions of their companies with those of their teams. When Scott says "We deserve profits only after customers are happy," he is pointing toward a new North Star—a new way of setting a course. Especially for public companies that historically have navigated mainly toward profits, it's a radical shift indeed.

This is not an easy or obvious transition, and it won't happen without relentless determination at the top. Leaders who decide to make this leap must come to grips with a plethora of tools and practices that are based on (and reinforce) the old profits-above-all paradigm. This paradigm continuously infects and reinfects firms, even those led by determined people such as Scott Cook. Why? There are lots of reasons. The old recidivist mindset spreads virally through business schools that are looking backward, journalists who aren't doing their homework, and transferring employees whose only work experience has been in firms that operated on traditional profit-centered principles. New hires (and new board members) join the Intuits of the world and unconsciously spread practices and processes that stifle customer-centered leadership. The drumbeat of financial

reporting—and accountabilities tied to financials—can easily drown out the call to *do the right thing for customers and colleagues*.

In other words, living the right life is an ongoing challenge. But as we'll see in the following two stories—from the opposite ends of the NPS spectrum—it's an investment that's well worth making.

NPS, the Wrong Way

Let's start with the disheartening story. On the first stop of a recent car-shopping trip, I was impressed with the dealership's fancy new showroom: a glass palace replete with snack bar and leather sofas. I knew going in that this particular auto manufacturer and its dealerships boasted about their embrace of Net Promoter. Toward that end, they had implemented software company Medallia's state-of-the-art customer feedback technology platform, which is used by Apple and other leading Net Promoter practitioners. This system provides relevant customer feedback scores and comments directly to each employee's smartphone to enable real-time learning and improvement. So, at my auto dealership the table seemed to be set for a satisfying customer experience.

Wrong. In fact, my car-shopping adventure at this dealership was maddeningly old school, more reminiscent of a root canal than a delight-filled, life-enriching experience. At his first opportunity, the salesperson—let's call him Joe—disparaged the website I had used to research a fair price for the new car. Then he made an offer for my trade-in that was far below that website's estimate of its true value. I stayed relatively cool and told him that on both ends of the deal—trade-in and purchase price—I was only looking for a median deal. (In my younger days I would have insisted on something in the best quartile, but I guess age has mellowed me.) Even so, we spent the next hour dickering back and forth. The negotiation tactics were dishonest and manipulative, aimed at tricking me into paying the highest possible price (“just one moment while I confer with my manager”) while reimbursing me as little as possible for my trade-in (“gee, now that we see it again in the daylight, we realize that it's in pretty good condition, after all”).

It was an irritating, time-wasting process that ate away at both my patience and his dignity. Despite it all we finally agreed on a deal, and the next thing Joe said nearly took my breath away. “Of course, Mr. Reichheld,” he began, putting on his most earnest face, “you know that you will be receiving a survey about your experience today. And at *our* dealership, only a score of 10 out of 10 is a passing grade.” I must have been spotted rolling my eyes, because a few minutes later the clerk at the cashier’s window who had overheard the conversation reinforced the point. “I hope you realize how seriously management takes this survey,” she said. “Joe really will get in a lot of trouble if he gets a score less than 10.”

Within a few days I received a survey not from the manufacturer, as I was expecting, but instead from the dealer. It turns out that many dealers try to get out in front of the manufacturer’s survey with a preliminary “practice” survey of their own to ensure that their customers will give them all 10’s when the subsequent “real” survey arrives. Despite my irritation with the whole process, I really didn’t want to get Joe in trouble by slapping him with low scores—after all, most of the problems I encountered were the result of the systems and incentives created by management and thus beyond his control—so I simply ignored the dealership survey. But, of course, that wasn’t the end of the story. Next I received a barrage of messages by phone and text imploring me to fill out the survey and to get back to them *right away* if I felt I couldn’t give them a 10 on every question.

Well, I value my time, so I ignored those messages, which were nothing more than a silly exercise in gaming the system. They obviously didn’t care the slightest little bit about getting honest feedback and learning how to improve how they did business. They just wanted to be sure that if I did bother to respond to the *real* survey, from the manufacturer, I would score them a 10. And sure enough, next came that real survey, which I also chose to ignore. I was fatigued by the whole experience—especially the survey antics—and had no energy to keep playing this game.

After the fact, I found myself wishing I had the opportunity to ask Joe how he feels when he gets a 10 from a customer. Is it in some way gratifying, or is he simply relieved? Failing that, I did the next best thing: I asked the dealer group senior executive who at the time was responsible for that location what Joe would have said if he had the courage to be completely

honest. In response, the senior executive first explained that, as I suspected, the dealers are simply marching to the drumbeat of the manufacturers, who have little faith in tools such as closed-loop follow-up, root-cause diagnosis, or test-and-learn systems, which are the kinds of tools that make Net Promoter possible. He confided that most dealership managers watch scores but don't even bother reading customer comments. What the manufacturers *do* care about is winning a J.D. Power Award, mainly for its perceived advertising value. So, they built a system to punish dealers if they receive low scores that would disqualify the brand for an award.

Then the senior executive answered my question more directly. "Fred," he said, "that salesperson certainly wouldn't have said anything about feeling good about his life. Most likely he'd have said something like "Thank goodness I dodged another bullet, and I get to keep my job another day."

So, the answer is *no*. Receiving a 10 at that dealership doesn't generate positive energy among employees; it mostly alleviates fear. Management posts the scores for each salesperson on the wall of the team meeting room. During weekly reviews, anyone receiving a low score feels the heat. Any salesperson with two or more low scores in a week is at risk of being fired. And yes, most scores *are* 10s, but it's a system rigged with begging for forgiveness, pleading and browbeating, and occasional bribes of free car mats or oil changes—and nobody's fooled by it.

In other words, Net Promoter surveys, even when delivered with a state-of-the-art technology platform, can't magically transform the low-grade hell on earth that so many of us experience on visits to our local Auto Mile. That requires a change of heart from leadership and a new way of thinking about what Net Promoter is really trying to measure and why.

NPS, the Right Way

Now let's turn to the second and more inspiring story. It focuses on Apple Retail, which now operates more than five hundred stores worldwide and was an early adopter of the Net Promoter System. I have done a number of favors for Apple over the years, including appearing onstage at a couple of its worldwide store management meetings. In return, Apple invited me to visit its flagship store on Boston's Boylston Street for a morning of film-

ing and interviews. This was highly unusual: the Apple retail stores, like the larger company, operate under a pretty thorough veil of secrecy. So, I was very pleased to get a rare behind-the-scenes opportunity to observe Apple teams putting Net Promoter into action.

I arrived an hour before the scheduled 10:00 a.m. opening time. The team began its day with a stand-up huddle, dubbed the “daily download.” This turned out to be a high-energy affair, focused almost entirely on issues relevant to enriching the lives of customers and employees, which is the explicitly stated core mission of Apple Retail. The team leader didn’t talk about sales targets or what the store had to do to “make its numbers.” Instead, he reviewed the Net Promoter feedback received from the prior day’s customers. Team members shared ideas for solving a range of customer problems, and the leader summarized some ideas that might delight even more customers that day. He reminded the team of some retail basics—looking customers in the eye, shaking hands when appropriate, and so on. Finally, there were several minutes of formal recognition for team members who had received “Promoter” comments from yesterday’s delighted customers. Since this was a stand-up meeting, the ovations were standing ovations.

This may strike the reader as a bit corny or formulaic or forced. But to my eye, in real time it was none of those things. It seemed to me that the team members who received shout-outs were energized and inspired by that recognition. And it’s only a short step to infer that those employees were inspired by their mission as well: *enriching lives*.

After the huddle, team members dispersed to their various assignments. I made my way down to the basement team room to interview the associate with the highest Net Promoter Score in the Boston store, which at the time was earning some of the very highest Net Promoter Scores among Apple’s flagship stores.

This young woman—let’s call her Alice—soon struck me as the distillation of the best aspects of the millennial generation. For example, she seemed far more interested in mission than in the size of her paycheck and more focused on purpose than on how quickly she would get promoted. Her role at that time was an “Apple Creative”—that is, a teacher who helped customers learn how to get the most out of their Apple products. She began by describing her upbringing, emphasizing the impact that her education

at a Quaker school in Cambridge had on her. There, she said, she came to understand that the Golden Rule—treat others the way you would like to be treated—is the best foundation for a healthy community and a good life. I asked her for an example of how she put that rule to work. She thought for a moment and then responded. “I struggled with ADHD in school,” she said, “and I had trouble concentrating in boring classes. That experience made me focus on finding ways to make learning exciting and fun for all my students.”

By “students,” Alice meant her customers. She said that she listened carefully to her customers’ comments and feedback to be sure she was able to put herself in their shoes. Early on she realized that many of her customers found technology intimidating, so she discovered ways to make those customers feel safe and comfortable. She made a point of telling them that there is no such thing as a stupid question. When they occasionally asked her about something she didn’t know, her response was usually along the lines of “Well, that’s a great question. Let’s go find out together.” Then she and her customer would walk over to consult with another employee in the store who had deeper expertise in that particular subject.

Alice told me that she got most of her job satisfaction from seeing the positive impact she had on her customers’ lives. She explained that one major advantage of Apple’s Net Promoter System was that it tracked how well she was doing, *each day*, at enriching customer lives. Net Promoter enabled her to gauge how consistently she was living up to the Golden Rule that she had embraced years earlier as a life standard. She wasn’t apprehensive about getting this kind of visible, rolling “report card”; in fact, she welcomed it. She was proud when Promoter comments scrolled across video monitors in the break room, thereby making her positive impact visible to all team members across the store. (By that point the Boylston Street store had more than five hundred employees, few of whom would get to see firsthand the smiles on her customer’s faces.) And Alice knew that her store leaders studied these scores—as did her market manager, as did Apple execs in faraway Cupertino.

I asked Alice how it made her feel when she got a 10 from a customer. She pondered and then she said something I’ll never forget: “It makes me feel like I’m living the right life.”

My initial reaction was one you might expect from someone who was forty-plus years older than Alice: a mix of skepticism, empathy, and maybe even a little frustration (“Ah, Alice; you’ll learn soon enough that the world doesn’t always reward that kind of idealism!”). But then I realized that although I might have used different words, *I felt exactly the same way*. When the question is asked honestly and if in response to that question someone decides to give you a 10—in other words, an unqualified recommendation that they would want their loved ones to have a similar experience—this is incontrovertible evidence that you have brightened their existence. I’ll go further. It’s not too much to say that in earning your 10, you have found and embodied a little greatness—in the sense that Martin Luther King Jr. intended when he observed that *everybody can be great because everybody can serve*.

Living the Right Life: The Net Purpose Score

One common denominator that a lot of us human beings seem to share is the desire to live a life of meaning and purpose—to make this world a better place. With a bit of reflection and even without the benefit of a mind-focusing cancer diagnosis, most of us come to realize that the surest path toward this goal is enriching the lives of the people we touch. The trouble is that this goal seems so elusive—so amorphous, rarely urgent, and generally impossible to measure—unless, that is, you work at a company where the Net Promoter System rigorously tallies each day the portion of lives each employee enriches (Promoters) and subtracts the portion of lives diminished (Detractors).

When I walk into an Apple store, I can feel the positive energy and vibe from that community of employees. They are not simply trying to sell me another iPhone, although they’re very good at that (Apple has far greater sales per retail square foot than anybody else).² They are also striving to brighten the day of another customer—and by so doing live the right life.

To some extent, the argument that customer and employee happiness are inextricably intertwined and are linked to organizational success seems self-evident. How could they *not* be mutually reinforcing? And yet, too

many companies fail to connect the dots or connect them badly. In my view, the typical Apple store (along with its customers and employees) is getting far more benefit from its Net Promoter System than the typical car dealership. This was not by accident but instead was by design. Apple designed its system to energize frontline employees and help them learn how to innovate to enrich customer lives. (Alice received daily digital feedback from customers' smartphones, not just scores but also comments and suggestions that helped her track and manage her progress.) By contrast, most car companies design their systems not to help frontline dealer salespeople learn how to enrich customer lives but instead to help their corporate team control their sometimes unruly dealers.

Regrettably, the Net Promoter System at most companies resembles that of my local car dealership rather than Apple's. The leaders of those companies have missed a golden opportunity. But there's no reason why they can't get it right. In the chapters ahead, I will review the best practices that consistently inspire teams to delight customers. Many of the choices involved in designing an effective Net Promoter System hinge on the answers to seemingly small questions. For example, should employees ever mention impending surveys and desired scores to customers? Should individual employee results be shared with peers? Should individual employee score results drive recognition, compensation, or promotion? Who should be responsible for closing the loop with unhappy customers? Can we replace bothersome surveys with customer behavior data that signals their status as promoter, passive, or detractor? Should there be a target score or benchmarks for score improvement? Who should have ultimate accountability for customer scores?

The choices made in response to these seemingly small choices accumulate into *enormous differences* in results. But the most important decision of all is this: What is the primary mission toward which leaders are navigating with NPS? NPS helps employees consistently enrich the lives they touch—in other words, lead the right life. That is the purpose of great organizations. Designed and deployed correctly, NPS can become an organization's Net Purpose Score and gauge progress toward living that purpose.