Q3

2014

THE ZENDESK BENCHMARK

IN FOCUS: MEASURING CUSTOMER LOYALTY WITH NET PROMOTER SCORE^{SM}

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The Zendesk Benchmark

Abstract

This quarter's benchmark report explores a new metric available in Zendesk: Net Promoter Score (NPS®), which helps companies measure customer loyalty. Based on 103,000 NPS responses, our initial NPS data analysis reveals what a good NPS number looks like and the type of customer feedback a company can draw from sending an NPS survey.

Early findings reveal a global NPS of 33. Looking beyond the score itself, we found that 53% of survey respondents left open-ended feedback. Analyzing that qualitative feedback gave insight into how a great customer service experience can impact long-term customer loyalty.

In country news, Peru, Argentina, and Italy were our movers and shakers in Q3 with the largest gains in customer satisfaction since the previous quarter. On the industry side, travel, Web hosting, and entertainment & gaming showed the greatest improvement.

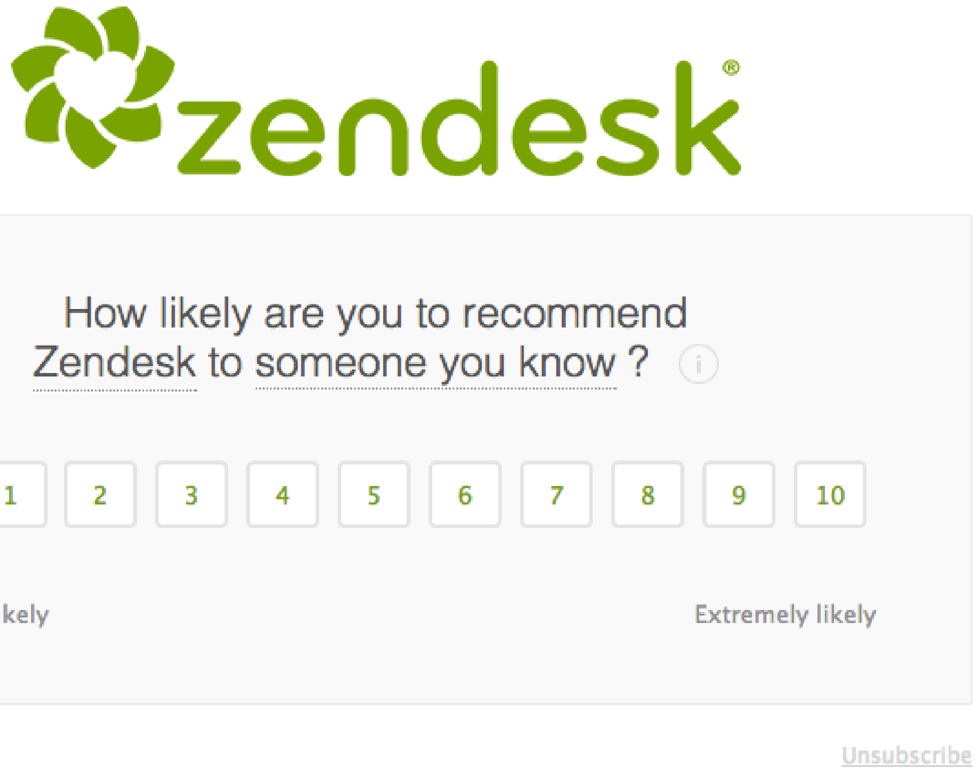
Net Promoter, Net Promoter Score, and NPS are trademarks of Satmetrix Systems, Inc., Bain & Company, Inc. and Fred Reichheld.

In Focus: Net Promoter Score®

Measuring Customer Loyalty

Zendesk recently introduced a Net Promoter Score® (NPS) survey tool to help companies gauge the long-term health of their customer relationships. NPS is essentially a metric that measures customer loyalty. Tracking metrics like NPS over time can help a company quantify customer sentiment and gather valuable feedback that's critical for an organization's long-term success. Through a one-question survey (Fig. 1) that asks, "How likely are you to recommend my company to someone you know?" a business can quickly identify which customers are their biggest evangelists and which ones are churn risks.

Fig. 1 NPS survey from Zendesk



How likely are you to recommend Zendesk to someone you know ?

The value the survey brings is both in the quantitative and qualitative data it provides. The ratings aggregate to form a company's NPS, which can be tracked and improved over time. Additionally, the open-ended feedback a customer can leave behind becomes a wealth of insights into how your customers really feel about your company and its products.

> Learn more about the origins of NPS

The Beginning of an NPS Benchmark

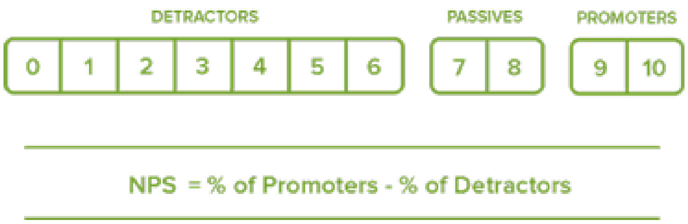
Over the last couple months, our customers have been piloting the Zendesk NPS survey tool and have sent over a million surveys to their customers. Our initial findings are based off of 103,000 responses to NPS surveys sent by 230 companies during our NPS pilot. A company must have received a minimum of 20 ratings back from their customers in order for them to be included in this report, which provides a sneak peak into our early results but is not meant to serve as official benchmark numbers. When we've obtained a statistically significant sample of responses, we will make our official NPS benchmark metrics available.

Aggregating this early data set yields an NPS of 33 across companies in 22 countries and 16 industries. If you're unfamiliar with the calculation of NPS, a company's NPS is aggregated by first categorizing customers into three groups based on the rating they select on the 0-10 scale:

- Customers who gave the rating 0-6 are **detractors**, indicating a dissatisfaction with your company. They are more likely to discourage friends or colleagues from using your product and services.
- Customers who gave the rating 7-8 are **passives**, indicating that they are not likely to actively recommend your company to others.
- Customers who gave the rating 9-10 are **promoters**, indicating that they are likely to actively recommend your company to others.

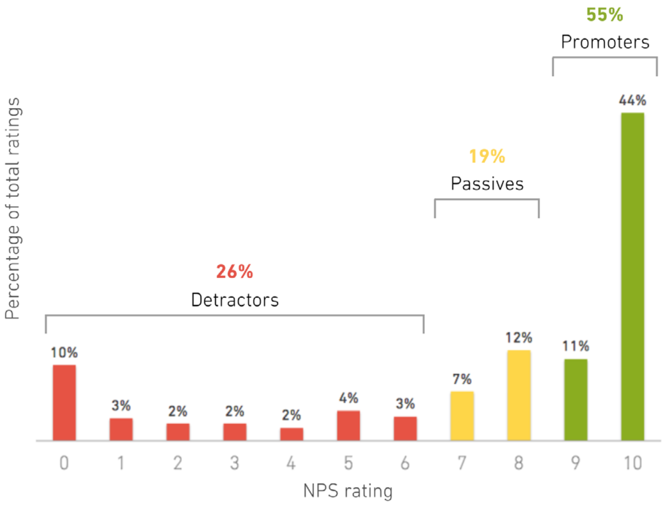
The score is then calculated by subtracting the percentage of detractors from the percentage of promoters[1] (Fig. 2).

Fig. 2 NPS calculation



When we look at the NPS distribution, we see that ratings tend to skew to either end of the 11-point scale with a total of 54% of responses being either a 0 or a 10 (Fig. 3). When we group the ratings by the proportion of respondents that fall into each NPS category (promoters, passives, detractors), we find that the 55% of respondents are promoters.

Fig. 3 Distribution of NPS ratings



While a global NPS measurement is certainly an interesting statistic, customer sentiment and loyalty can vary depending on the type of customer and style of interactions. Zendesk customers use our product in a variety of ways. The majority of use cases are more traditional customer service scenarios—a company providing support to other businesses or individual consumers. But some of the organizations using Zendesk are internal teams, like IT and HR groups, providing support to other departments.

While NPS surveys are more commonly used to measure relationships between businesses and their external customers, internal teams especially in larger organizations have also found value in using NPS surveys as a method of gathering insightful user feedback. When we break down NPS results of companies based on the type of customers they serve, we see that the NPS of businesses serving individual consumers is higher than those serving other businesses (Fig. 4). But the highest NPS comes from teams serving other internal departments. It seems to make sense that NPS respondents are more inclined to give their colleagues higher NPS ratings than to companies they do business with.

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[1] The reason the NPS benchmark does not equal the total % promoters minus the total % detractors is because for the benchmark we perform the calculation for every customer, then take the median NPS across all customers. For more information, see the New and Improved Zendesk Benchmark section at the end of this report.

Fig. 4 NPS segmented by type of customers served

Companies serving individual consumers	32
Companies serving other businesses	29
Teams serving other internal departments	49

trivago®

One of the world's largest hotel price comparison sites, trivago, wanted to uncover how customers felt about their company as a whole—not just how satisfied they were with their user support. This led Julia Sadowski, Head of User Support at trivago, to send their first NPS survey. With the vast volume of customer comments coming in, Sadowski said that they were able to capture so much more feedback about the website that could be shared with the product team to make changes. Now that the team has an NPS for the company, they plan to use it as a benchmark for future improvement.

NPS: -1
Response rate: 15%
Industry: Travel, hospitality, & tourism

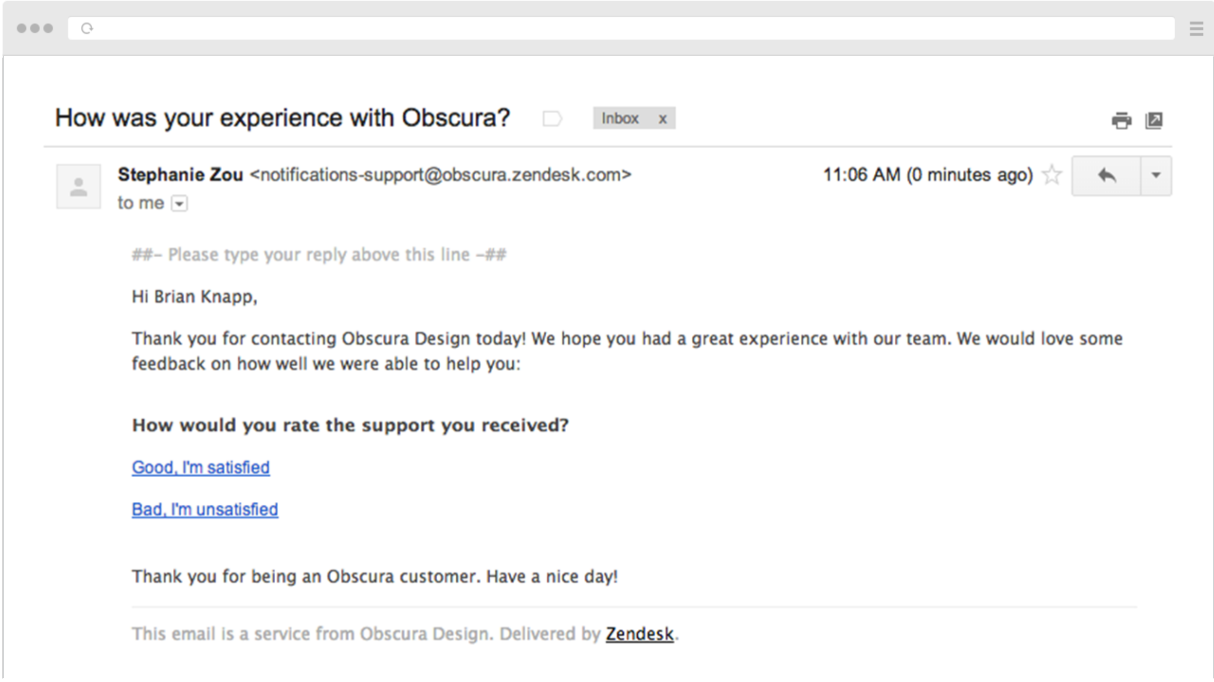
So are these NPS results good or bad? That depends. Your first NPS does not tell the whole story. Our philosophy on NPS is that the first score serves as a baseline. The most important part of NPS results is the customer feedback you receive. And if you're able to address your customers' feedback and needs, how will this impact your NPS over time?

Response and Comment Rates for NPS Surveys

At trivago, one of the world's largest hotel price comparison sites, the head of customer relations sent an NPS survey to their customers to see where they can improve. They received "so much feedback about their website" that they shared with their product team to make changes in the customer's buying experience. Just how much customer feedback should a company expect from an NPS survey campaign?

In looking at response and comment rates, let's compare NPS surveys with the other popular customer feedback survey—customer satisfaction (Fig. 5). Both these surveys are delivered to the customer via email, as opposed to being embedded in-product or on a website.

Fig. 5 Sample customer satisfaction survey from Zendesk



How was your experience with Obscura?

Stephanie Zou <notifications-support@obscura.zendesk.com> 11:06 AM (0 minutes ago)
to me

##- Please type your reply above this line -##

Hi Brian Knapp,

Thank you for contacting Obscura Design today! We hope you had a great experience with our team. We would love some feedback on how well we were able to help you:

How would you rate the support you received?

Good, I'm satisfied

Bad, I'm unsatisfied

Thank you for being an Obscura customer. Have a nice day!

This email is a service from Obscura Design. Delivered by Zendesk.

Fig. 6 Median response rate by survey type

Customer satisfaction survey	21%
NPS survey	13%

Fig. 7 Comment field in an NPS survey

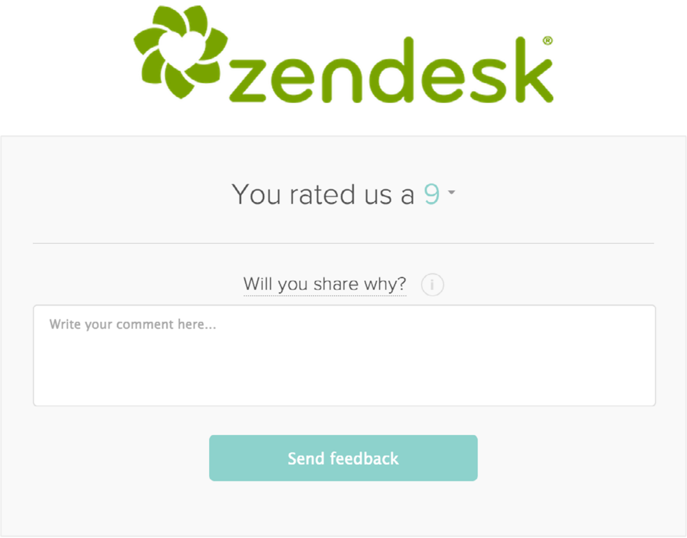
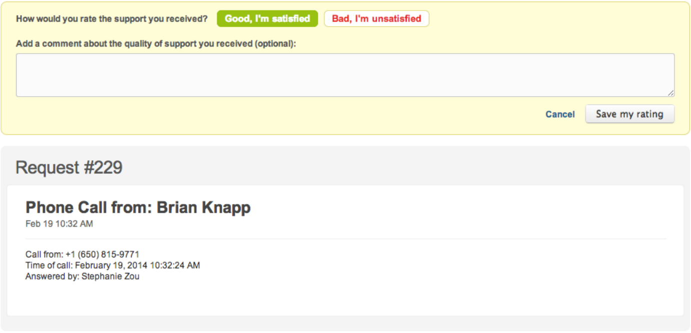

zendesk
You rated us a 9
Will you share why?
Write your comment here...
Send feedback

Fig. 8 Comment field in a customer satisfaction survey


How would you rate the support you received?
Good, I'm satisfied
Bad, I'm unsatisfied
Add a comment about the quality of support you received (optional):
Cancel
Save my rating

Request #229

Phone Call from: Brian Knapp
Feb 19 10:32 AM

Call from: +1 (650) 815-9771
Time of call: February 19, 2014 10:32:24 AM
Answered by: Stephanie Zou

Response rate is the percentage of customers who submitted a survey rating compared to the total number of customers you invited to take the survey. The response rate for customer satisfaction surveys is more than 1.6 times higher than that of NPS surveys (Fig. 6). The reason for this is customer satisfaction surveys are typically only sent to customers who have recently contacted a company with an inquiry.

On the other hand, NPS surveys are sent to a broader, more representative sample of your customer base, whether or not they've recently interacted with your company. NPS surveying best practices suggest that surveying a random sample of your customers at a regular cadence is the best way to avoid response bias and gather the most accurate feedback.

In addition to being able to rate a company, NPS and satisfaction surveys also provide customers the opportunity to provide open commentary on why they gave the rating they did (Figs. 7 and 8).

Fig. 9 Comment rate by survey type and type of rating

Comment Rate by Survey Type and Type of Rating	Customer Satisfaction Surveys	NPS Surveys
Overall median comment rate	28%	53%
Median comment rate for bad ratings	63%	--
Median comment rate for good ratings	25%	--
Median comment rate for detractors (ratings 0-6)	--	50%
Median comment rate for passives (ratings 7-8)	--	37%
Median comment rate for promoters (ratings 9-10)	--	55%

When looking at the percentage of customers who left open-ended feedback, we see that the overall comment rate for NPS surveys is almost twice that of customer satisfaction surveys (Fig. 9). Even though response rates for NPS surveys are half of satisfaction surveys, the customers who do respond to NPS surveys are more likely to provide additional commentary, which translates to valuable feedback for companies.

feelunique.com
THE DESTINATION FOR BEAUTY

When Operations Director Craig Wheeler at feelunique.com, Europe's largest online premium beauty retailer, sought to proactively engage their international customer base, he turned to the NPS survey tool in his Zendesk. The simplicity of the survey is a testament to the speed of response from their international customers, where they saw an 8% response rate within 24 hours of clicking send on the survey. With a high NPS of 69, Wheeler and his team have many plans for NPS, like following up with their detractors and rewarding their promoters to continue building better customer relationships.

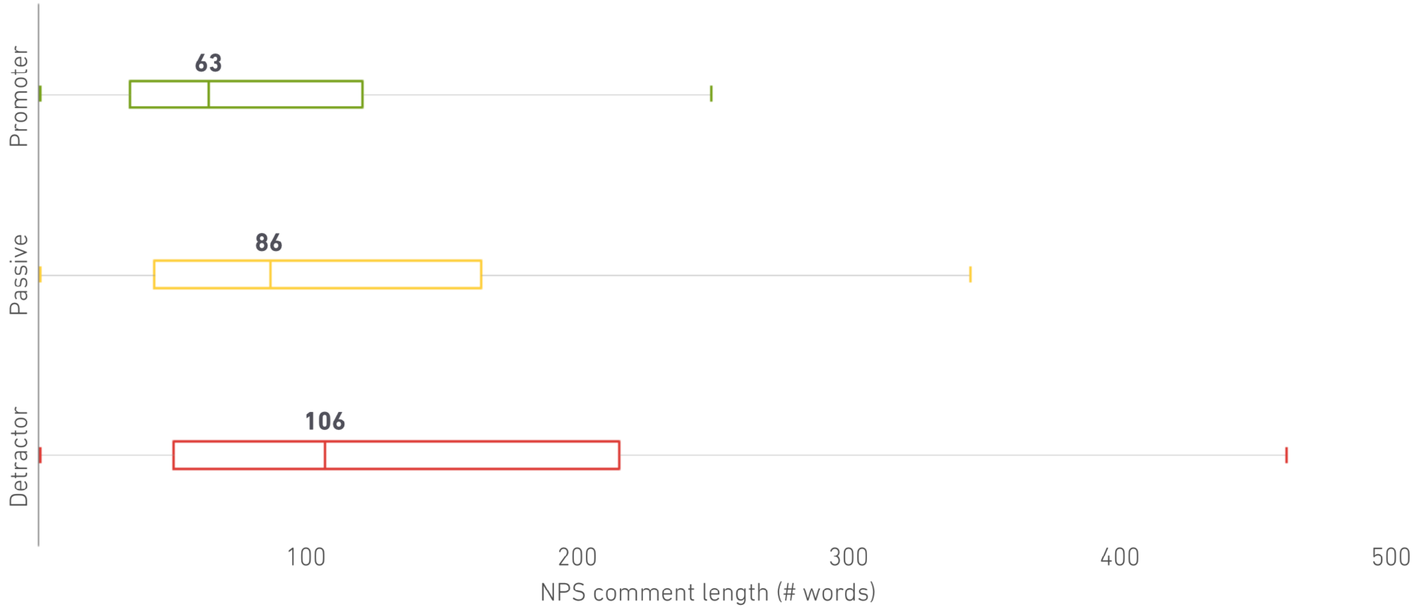
NPS: 69
Response rate: 10%
Industry: Retail

If we drilled into comment rates based on rating type, we see that 63% of customers who submit a bad rating on a satisfaction survey will leave additional feedback, while only 25% of customers who submit a good rating will leave additional commentary. Customers who had a bad interaction with your company seem to be very vocal about it, which is not essentially a bad thing. It gives companies the opportunity to follow up and turn that experience around.

For NPS surveys, we see higher comment rates among customers who are detractors and promoters—50% and 55% respectively. These customers who skew on the ends of the NPS rating scale perhaps have stronger feelings towards the company and therefore are more likely to leave additional feedback on why they feel the way they do. Passives, on the other hand, are not just passive in their rating, but also passive in their tendency to provide open feedback with only 37% leaving an additional comment on their NPS survey response.

Beyond the survey comment rates, the length of the open-ended feedback also differs based on the NPS rating the customer provides (Fig. 10). Promoters tend to leave short comments with the 50th percentile of comment length at 63 words. Many of these comments are short phrases like "you're the best!" Detractors tend to leave longer comments with detailed feedback justifying their negative ratings with the 50th percentile for detractor comments at 106 words and the 95th percentile is at 542 words.

Fig. 10 NPS open-ended comment length in number of words for promoters, passives, and detractors



Because they're opening up a dialogue with customers, companies get more value from open-ended feedback than from a survey with pre-defined, multiple choice responses. A free-form comment box allows your most passionate customers—happy, but more likely unhappy—to lay it all out there for you. Open-ended feedback can help companies avoid the streetlight effect, the never-ending search for customer insight where they'll never find it.

Analyzing NPS Survey Feedback

So what exactly are these promoters and detractors saying in their comments? We wanted to understand the most common reasons customers were promoters or detractors, so we analyzed the content of the open-ended feedback from the NPS comments of those two groups. After all, gathering customer feedback is just the first half of the equation. The second half is turning the feedback into insights that are meaningful and actionable.

In order to analyze this qualitative feedback, we looked at the strongest correlations between phrases in the open-ended feedback and whether a response was from a promoter or detractor. We ordered the list by the conditional probability that a comment is from a promoter or detractor given the fact that the phrase is contained in the comment.

Fig. 11 NPS survey feedback from detractors and promoters

Top Phrases from Promoter Comments

1. great service
2. great customer service
3. great prices
4. easy use
5. great quality
6. fast delivery

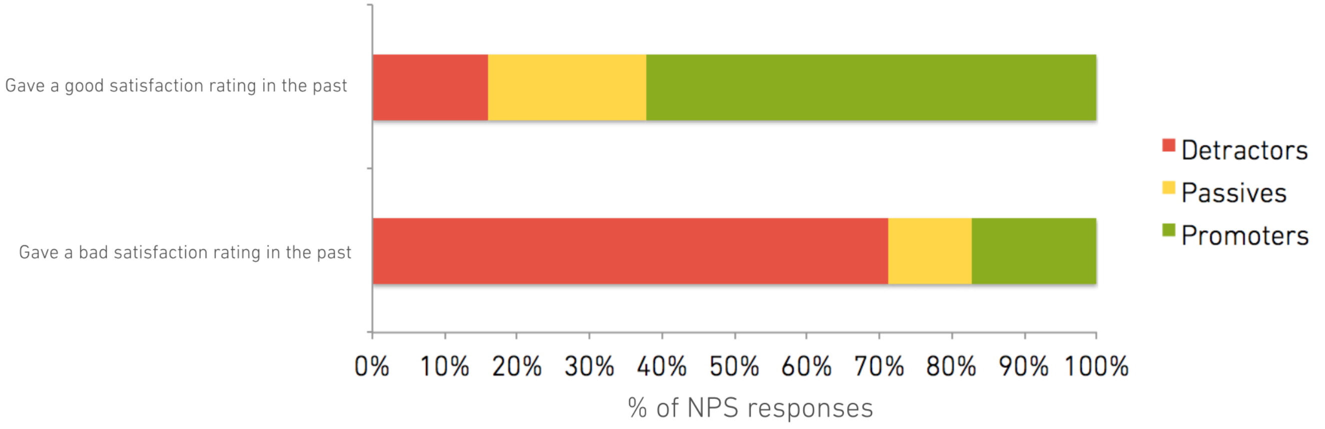
Top Phrases from Detractor Comments

1. poor customer service
2. waste time
3. doesn't work
4. time consuming
5. don't know you
6. difficult to use

This analysis (Fig. 11) highlighted the importance of customer service experiences on a customer's overall perception of a business, such as their likelihood to remain a customer or spread the word about your company and products.

In order to better understand this relationship between customer service and NPS feedback, we tapped into the customer satisfaction data that measures a customer's satisfaction after a support interaction. When we break down promoters, passives, and detractors based on whether or not they had previously left good or bad satisfaction ratings after customer service interactions, we find that 62% of customer's that previously rated a customer service interaction as good were categorized as promoters after their NPS surveys (Fig 12). In stark juxtaposition, only 17% of customers that previously rated a customer service interaction as bad are promoters.

Fig. 12 Distribution of NPS promoters, passives, and detractors that previously submitted good or bad satisfaction ratings



Knowing what your customers are thinking gives companies guidance on where and how to improve. It also gives companies an opportunity to proactively follow up with their customers and open up a dialogue—whether that's to thank them for giving feedback, dig for more details, or resolve an issue that was expressed.

Adam Rudy, Head of Customer Experience at The Catch Group—one of the largest ecommerce companies in Australia—wanted to get to know his customers better through an NPS survey. The open feedback provided by customers highlighted opportunites where they could improve the customer experience. With this data now at this fingertips, Rudy can measure the impact of changes they've been making to the business to demonstrate how it results in a better customer experience. "We're very proud of our NPS of 58," Rudy said. "But more importantly, we now know where we're falling short."

NPS: 58
Response rate: 21%
Industry: Retail

5 Tips for Sending Effective NPS Surveys

Companies have many NPS survey tools at their disposal. Regardless of which your company uses, here are a few tips on how to get the most out of your NPS survey campaigns.

1. **Keep the survey simple** to get the highest response and comment rates. Every additional question you introduce to the survey flow reduces the response rate of the survey. You can always follow up afterwards with more questions that are better tailored and relevant.

2. **Stay true to the NPS methodology.** Not only does the NPS survey have best practices built in to reduce the amount of survey bias, opting for the traditional NPS survey will allow you to benchmark and compare yourself against others.

3. **Survey a random, representative sample** of your customer base to ensure you receive an accurate read of customer sentiment. We recommend inviting a minimum of 2,100 customers to take your NPS survey to garner enough responses for aggregation and analysis.

4. **Pay close attention to the qualitative feedback** and not just the ratings or score. It's more important to understand why a customer gave you the rating they did than simply to know the rating alone. From their feedback, you'll also uncover opportunities to improve the customer experience.

5. **Develop a regular survey cadence** (e.g., monthly, quarterly) and track your NPS trends over time. How often should you survey? A good rule of thumb is to not survey more frequently than you can analyze, absorb, and take action on the responses from the previous survey.

Zendesk's NPS survey tool is available for free to customers on our Plus, Enterprise, and Enterprise Elite plans.

The New and Improved Zendesk Benchmark

Over the last quarter, we re-examined our methodology in aggregating our quarterly benchmark metrics. One of the most common pieces of feedback we've heard from our customers is the relevancy of the Zendesk Benchmark metrics. For example, within any given industry, the companies who've opted into that industry can vary greatly in size. How can the same set of industry benchmark metrics be used by both a one-man shop that has a handful of customers and a large, global organization with millions of customers? We set out to improve our methodology to address this very valid question.

Previously, when we calculated the customer satisfaction rating benchmark for an industry for example, we would calculate the average satisfaction rating for all survey responses within that industry (Fig. 13). While this is a viable and accurate approach, this methodology has the potential to be skewed towards companies within that industry that send a high volume of satisfaction surveys.

Fig. 13 Former benchmarking methodology

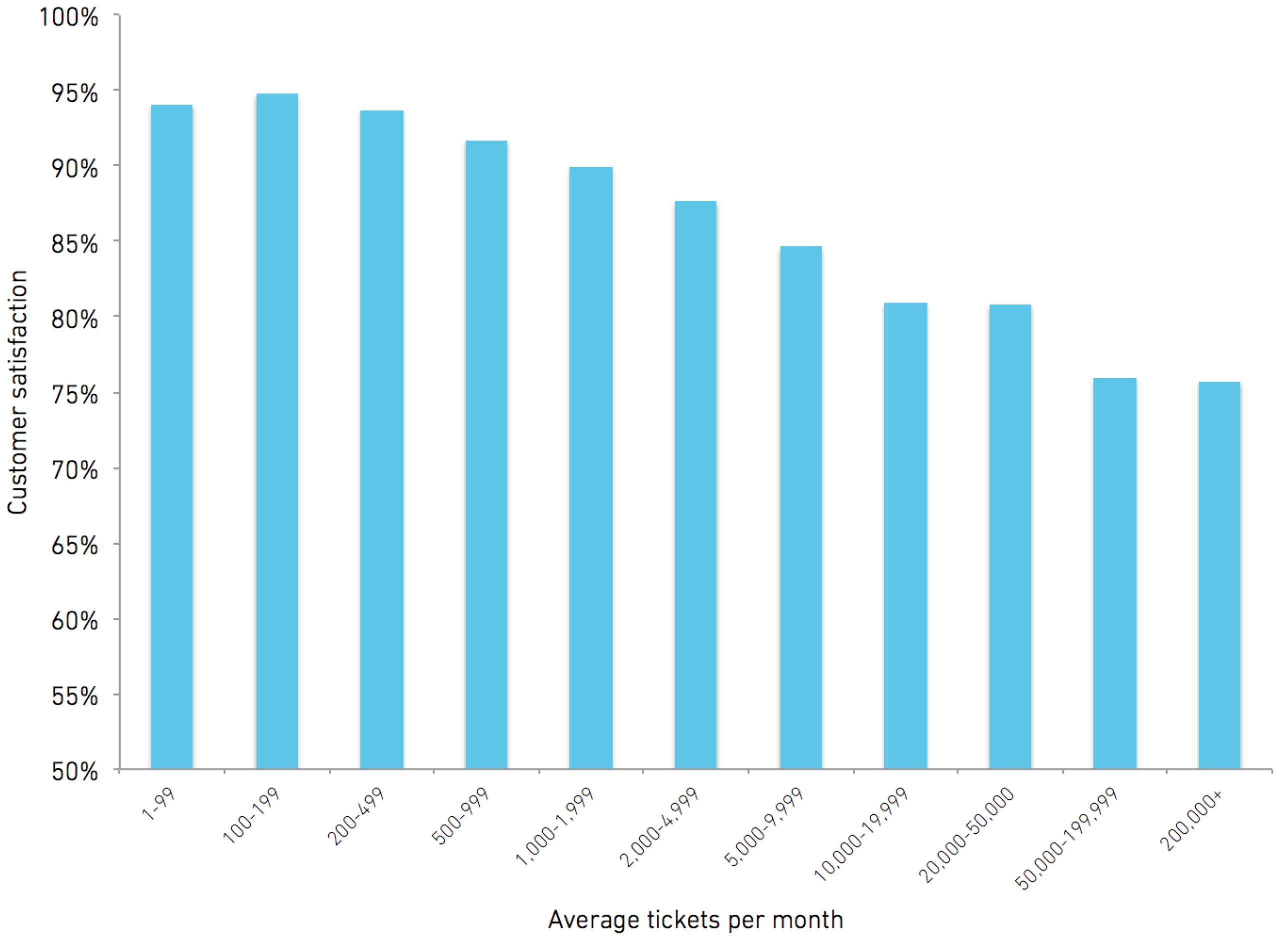
Company	# of Satisfied Ratings	Total Survey Responses	Satisfaction Rating
A	90	100	90%
B	80	100	80%
C	75	100	75%
	Total number of satisfied ratings: 245	Sum of all survey responses: 300	Satisfaction rating benchmark: 81.7%

$$\frac{\text{Good satisfaction responses}}{\text{Total satisfaction responses}} \times 100 = \text{Customer satisfaction rating benchmark}$$

$$\frac{245}{300} \times 100 = 81.7\%$$

The reason we want to balance out this skew towards companies that are high-volume senders is because a higher volume of satisfaction surveys is usually a result of a high volume of support tickets. Typically, an increasing ticket volume is correlated to a decreasing customer satisfaction rating (Fig. 14). Therefore, the former benchmarking methodology skews towards companies with higher volume of tickets, higher volume of satisfaction surveys, and lower customer satisfaction ratings.

Fig. 14 Customer satisfaction of companies based on average tickets handled per month



Moving forward, the customer satisfaction rating benchmark for an industry will be the median of every company's overall satisfaction rating (Fig. 15). The median is essentially the 50th percentile. With the median serving as the benchmark, 50% of customers within that group have a value higher than the benchmark and 50% have a value lower than the benchmark. The benefit to this change is that we now weigh each company within an industry the same. In other words, that one-man shop that only sends out a handful of satisfaction surveys is on the same playing field as the large, global organization that sends out thousands of surveys. This change is rolling out globally across all our benchmark metrics and is reflected in this Q3 report.

Fig. 15 New benchmarking methodology

Company	# of Satisfied Ratings	Total Survey Responses	Satisfaction Rating
A	90	100	90%
B	80	100	80%
C	75	100	75%

Median satisfaction rating Benchmark: 80%

Q3 Movers and Shakers

Every quarter, we examine how companies by country and industry compare in terms of customer satisfaction. Honing in on the countries and industries that saw the highest uplift in their satisfaction rating and the largest contractions in customer satisfaction, here are our biggest movers and shakers from Q2 to Q3 of 2014.

Most Improved Countries by Customer Satisfaction

COUNTRY	QoQ CHANGE*	Q3 SATISFACTION RATING	Q2 SATISFACTION RATING
1. PERU	↑ 8.8	76.5%	67.7%
2. ARGENTINA	↑ 5.1	94.5%	89.4%
3. ITALY	↑ 4.4	96.2%	91.7%

Countries in a Customer Satisfaction Slump

COUNTRY	QoQ CHANGE*	Q3 SATISFACTION RATING	Q2 SATISFACTION RATING
1. INDONESIA	↓ 6.6	79.4%	86.1%
2. UNITED ARAB EMIRATES	↓ 3.8	88.7%	92.5%
3. VIETNAM	↓ 2.5	82.6%	85.1%

Most Improved Industries by Customer Satisfaction

INDUSTRY	QoQ CHANGE*	Q3 SATISFACTION RATING	Q2 SATISFACTION RATING
1. TRAVEL	↑ 1.6	91.8%	90.3%
2. WEB HOSTING	↑ 1.3	95.3%	94.0%
3. ENTERTAINMENT & GAMING	↑ 1.2	86.7%	85.6%

Industries in a Customer Satisfaction Slump

INDUSTRY	QoQ CHANGE*	Q3 SATISFACTION RATING	Q2 SATISFACTION RATING
1. REAL ESTATE	↓ 1.4	94.7%	96.1%
2. RETAIL	↓ 0.4	89.9%	90.4%
3. WEB APPLICATIONS	↓ 0.2	94.2%	94.3%

*CHANGE IN PERCENTAGE POINTS

For the complete ranking of all industries and countries, please see the Appendix.

About Zendesk Benchmark

We introduced the Zendesk Benchmark back in March 2012 to give our customers a real, tangible way to not just measure customer service performance, but put it in a context that helps companies understand how they perform against their peers.

Unlike a survey or expert opinion, the Zendesk Benchmark is based on actual customer service and support interactions from more than 25,000 companies across 140 countries that opted to participate. It focuses on three key performance indicators: 1) customer satisfaction, 2) first reply time, and 3) ticket volume. When a company is a part of the Zendesk Benchmark, they can compare their organization to other like-minded businesses, by industry, target audience, or company size, using these three performance indicators.

Each quarter, we examine and report on trends across our existing benchmark metrics, as well as explore new ways companies can evaluate the health of their customer relationships and support operations. Benchmark metrics are typically reported by industry, country, and other measures that reach a minimum threshold of responses. In order for a country to be included, there must have been a minimum of 10,000 customer satisfaction responses from at least 10 companies in that country for the quarter, and as a result, not every country will appear in every quarterly report.

The NPS data in this report is drawn from customers that have been piloting the Zendesk NPS survey tool; this group has sent over a million surveys to their customers. Our initial findings are based off of 103,000 responses to NPS surveys sent by 230 companies during our NPS pilot. A company must have received a minimum of 20 ratings back from their customers in order for them to be included in this report, which provides a sneak peak into our early results but is not meant to serve as official benchmark numbers.

zendeskbenchmark.com

Appendix

CUSTOMER SATISFACTION BY COUNTRY

	Q2 (2014) COUNTRY		SINCE Q1 (2014)*
1.	NEW ZEALAND	97.1%	↑ 0.4
2.	BELGIUM	97.0%	↑ 0.5
3.	IRELAND	96.7%	↑ 1.5
4.	SOUTH AFRICA	96.5%	↑ 0.8
5.	ITALY	96.2%	↑ 4.4
6.	UNITED KINGDOM	96.0%	↑ 0.2
7.	UNITED STATES	95.6%	↑ 0.1
8.	AUSTRALIA	95.6%	↑ 0.3
9.	CANADA	95.5%	↑ 0.3
10.	NORWAY	95.3%	↓ 0.3
11.	SWITZERLAND	94.9%	↓ 0.5
12.	SWEDEN	94.8%	↓ 0.6
13.	DENMARK	94.5%	↑ 2.4

	Q2 (2014) COUNTRY		SINCE Q1 (2014)*
14.	ARGENTINA	94.5%	↑ 5.1
15.	ISRAEL	93.7%	↑ 2.8
16.	FINLAND	93.5%	↑ 2.6
17.	NETHERLANDS	93.3%	↑ 1.3
18.	RUSSIA	93.3%	↓ 0.3
19.	BRAZIL	92.9%	↑ 1.0
20.	MEXICO	92.4%	↑ 0.9
21.	JAPAN	92.3%	↑ 0.9
22.	CZECH REPUBLIC	92.1%	↑ 2.9
23.	GERMANY	91.8%	↑ 0.1
24.	FRANCE	91.8%	↓ 0.1
25.	COLOMBIA	91.4%	↑ 3.1
26.	MALAYSIA	90.7%	↑ 2.5

	Q2 (2014) COUNTRY		SINCE Q1 (2014)*
27.	SPAIN	89.7%	↓ 2.4
28.	UNITED ARAB EMIRATES	88.7%	↓ 3.8
29.	POLAND	88.7%	↑ 0.2
30.	THAILAND	88.3%	↑ 2.8
31.	CHILE	87.7%	↑ 0.9
32.	SINGAPORE	87.6%	– 0
33.	ROMANIA	87.6%	↓ 0.4
34.	INDIA	86.8%	↑ 2.8
35.	VIETNAM	82.6%	↓ 2.5
36.	INDONESIA	79.4%	↓ 6.6
37.	PHILIPPINES	76.7%	↓ 1.5
38.	PERU	76.5%	↑ 8.8
39.	TURKEY	67.1%	↓ 1.2

*CHANGE IN PERCENTAGE POINTS

CUSTOMER SATISFACTION BY INDUSTRY

	Q2 (2014) COUNTRY		SINCE Q1 (2014)*
1.	GOVERNMENT & NON-PROFIT	98.1%	↑ 0.2
2.	IT SERVICES & CONSULTANCY	97.7%	− 0
3.	HEALTHCARE	97.4%	↑ 0.8
4.	EDUCATION	96.2%	− 0
5.	PROFESSIONAL & BUSINESS SUPPORT SERVICES	96.2%	↓ 0.1
6.	SOFTWARE	95.6%	↑ 0.2
7.	FINANCIAL & INSURANCE SERVICES	95.5%	↑ 0.8
8.	WEB HOSTING	95.3%	↑ 1.3
9.	MANUFACTURING & COMPUTER HARDWARE	95.0%	↑ 0.5
10.	REAL ESTATE	94.7%	↓ 1.4
11.	WEB APPLICATIONS	94.2%	↓ 0.2
12.	MARKETING & ADVERTISING	93.2%	↑ 0.6
13.	TRAVEL	91.8%	↑ 1.6
14.	MEDIA & TELECOMMUNICATIONS	90.5%	↑ 0.2
15.	RETAIL	89.9%	↓ 0.4
16.	ENTERTAINMENT & GAMING	86.7%	↑ 1.2
17.	SOCIAL MEDIA	84.3%	↓ 0.2

*CHANGE IN PERCENTAGE POINTS