

Customer Satisfaction measurement beyond the Net Promoter Score

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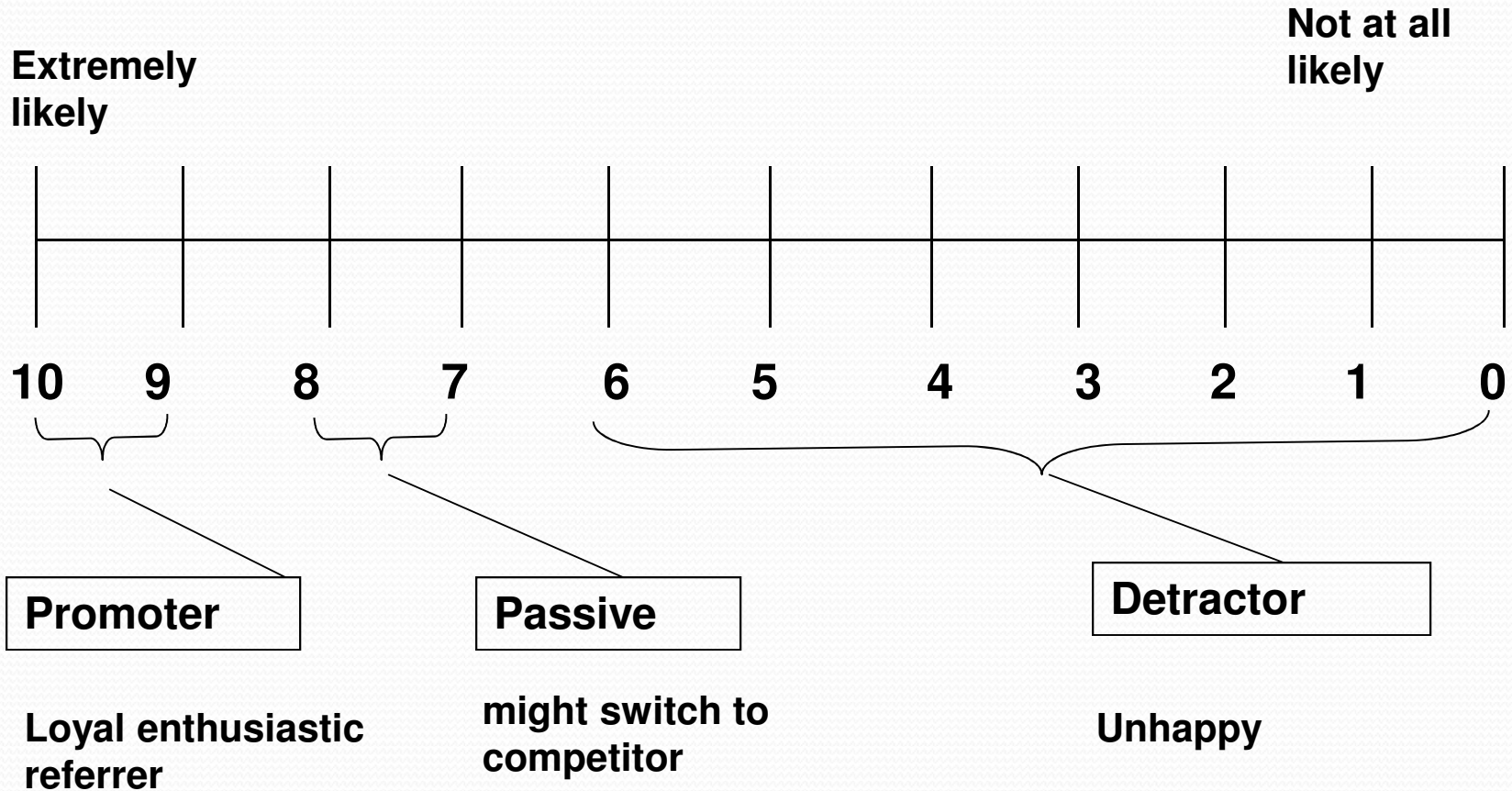
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What is the Net Promoter score and how is it calculated?

- The Net Promoter Score, or NPS®, was developed by Fred Reichheld, Bain & Company, and Satmetrix in 2003. For background see: [About Net Promoter](#)
- Analysis showed companies with long term profitable growth have NPS scores 2 x higher than the average company.
- There is claimed validity for both B2B and B2C businesses (Fred Reichheld – “The Ultimate Question”).
- How it works: It assumes that all customers can be divided into three categories: Promoters, Passives, and Detractors, by using a rating scale question such as “How likely are you to recommend our company/product/service to your friends and colleagues?”
- Based on their score, customers are allocated to one of three categories:
 - **Promoters** (score 9-10) – Loyal customers who will keep providing revenue and promoting the company
 - **Passives** (score 7-8) – Customers who may move to competitors
 - **Detractors** (score 0-6) – Unhappy customers who can damage your brand
- The NPS = (percentage of customers who are Promoters – percentage of customers who are Detractors)

NPS based on a key question: "How likely is it that you would recommend this company to a friend or colleague?"



Example: If Promoters = 33%, Passive = 41%, Detractors = 27%. ...Then NPS score is $33\% - 27\% = 6\%$

Source: npr@npresearch.com Tel. 01482 635281.

Weaknesses of Net Promoter score

- The claimed advantage of NPS is that it captures a key customer opinion with a single question, but it has its weaknesses, of which at least four can be identified:
- **1. Open to gaming/bias.** Customer facing employees (sales, service) and their managers can “game” the system to generate high NPS scores;
- Customers can feel ‘pressured’ to give high scores. They may be asked by the employee to “give a score of 9 or 10”.
- Some customers, especially the more powerful ones in B2B, can exercise their new-found power to extract concessions – free ‘products’, more discounts, credits, special treatment – from the sales reps and account managers; and some sales reps and account managers ‘give away’ more than they need to’ in order to play safe and assure high NPS scores.
- **2. The NPS Question puts all eggs in one faulty basket.** The question’s close-ended, yes-or-no format is too black-and-white and the question simply does not work for every situation.
- But even if it *does* apply, the question itself rings false. The language is not customized to your industry, or branded to your company. It sounds like a tired, one-size-fits-all market research question—and your customers can tell.
- **3. NPS is Not Always Accurate-** Research has identified problems with questions that presuppose positive responses. Some research has even shown that satisfied customers are more likely to participate in customer feedback surveys.

Weaknesses of Net Promoter score

- **4. Scope for Bias** – Our research has found that NPS measurement research carried out by an independent market research company (which guarantees respondent anonymity) on Brand XYZ, produced markedly lower scores than the Brand owner was recording by its employees in their After-sale calls. A comparison with NPS “norms” showed that calls by employees gave markedly over-inflated and therefore misleading scores. Inflated results may raise morale within an organization, but is dangerously misleading and undermines any drive towards improving customer experience.
- **5. Cultural differences** - It is well known that there are inconsistencies in how measurement scales are used by respondents in different countries. In some cultures the scale starts at “9”, whereas in other countries (more open to giving and receiving criticism) it begins at a “6”.
- **6. Leaves you in the dark without a torch.**
- While Net Promoter Score measures customers’ overall experience, it isn’t helpful in giving understanding on what specific elements are driving the score or how it can be improved.
- This last point is a fundamental weakness of an over-reliance on NPS, particularly in organizations where the score has become a totemic “be all and end all”.
- Our view is that NPS has a role to play but its importance has been over-stated and its weaknesses have been ignored.
- To move beyond NPS as the sole measure, we would include Customer Satisfaction measures of each element (product and service) that is important to the customer.

Moving beyond NPS in Customer Satisfaction

- There are 2 distinct stages to Customer Satisfaction measures:
- Step 1. Draw up a list of key elements. Ensure that the list of elements (product and service) reflects what is important to the Customer and is not simply those the Manufacturer/Brand owner thinks are key.
- Here, small-scale qualitative research can be useful in uncovering a list of what is important to the Customer (e.g. delivery on time, response to enquiries, customisable features, Lowest price etc)
- Step 2. Conduct Quantitative research amongst Customers which would:
 - A. Measure the importance of each element. This can be on a score out of 10 where 10 is “extremely important” and zero is “not at all important”.
 - B. Measure how satisfied customers are with the Brand/Manufacturer on each element, again on a score out of 10.
 - C. Simply calculate the gap between the importance of each element and how the Brand/manufacturer is rated (A-B). See next slide as an example.

Customers Rating of Brand XXX (green line) versus Importance to them (blue bar)– 2015 (Customers) (10 means extremely good and 0 = not at all.) (150)

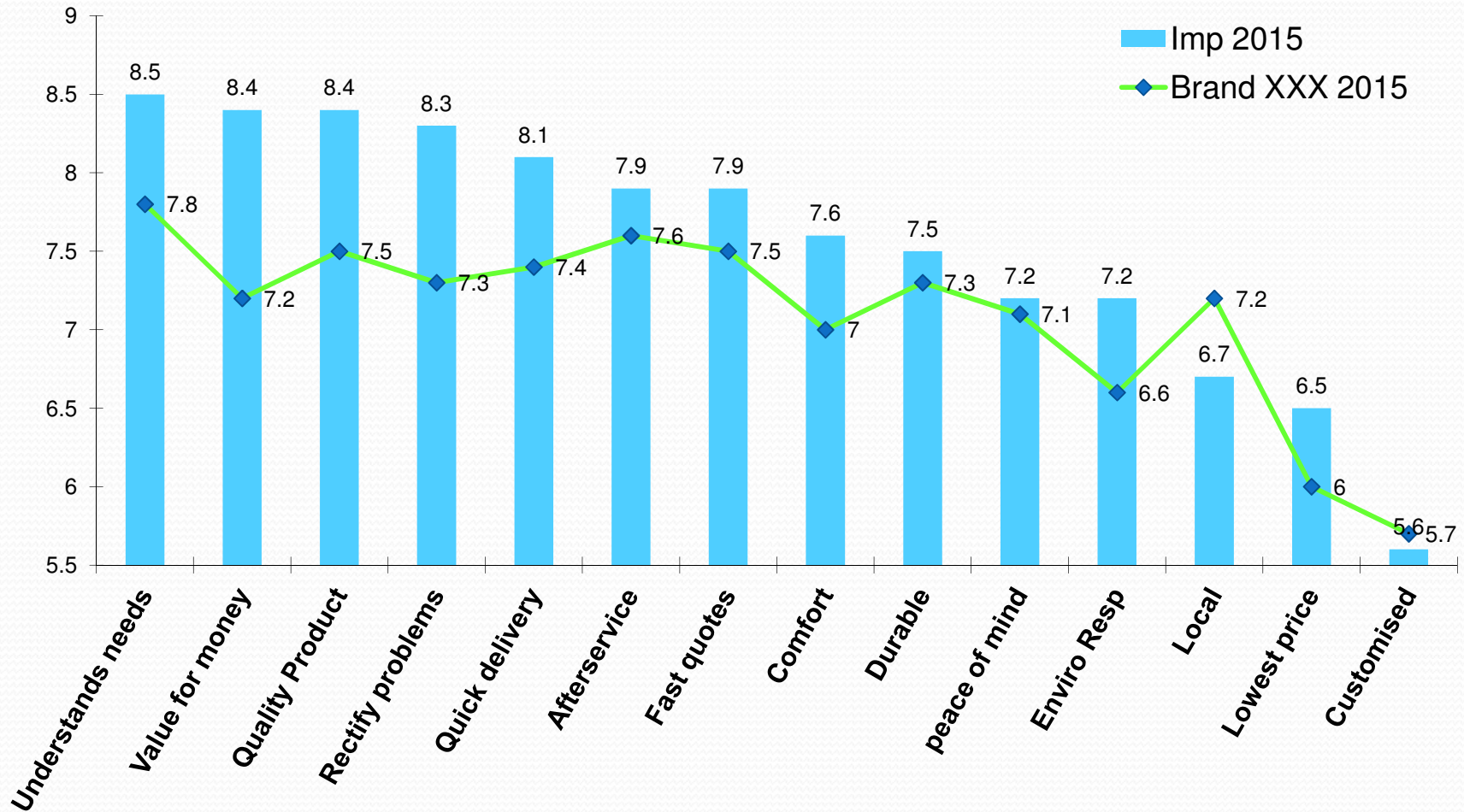


Chart showing customer ratings of how important each element is to them (bar) and their score for Brand XXX (line)

Gap between importance to customer and their rating of Brand XXX - 2015

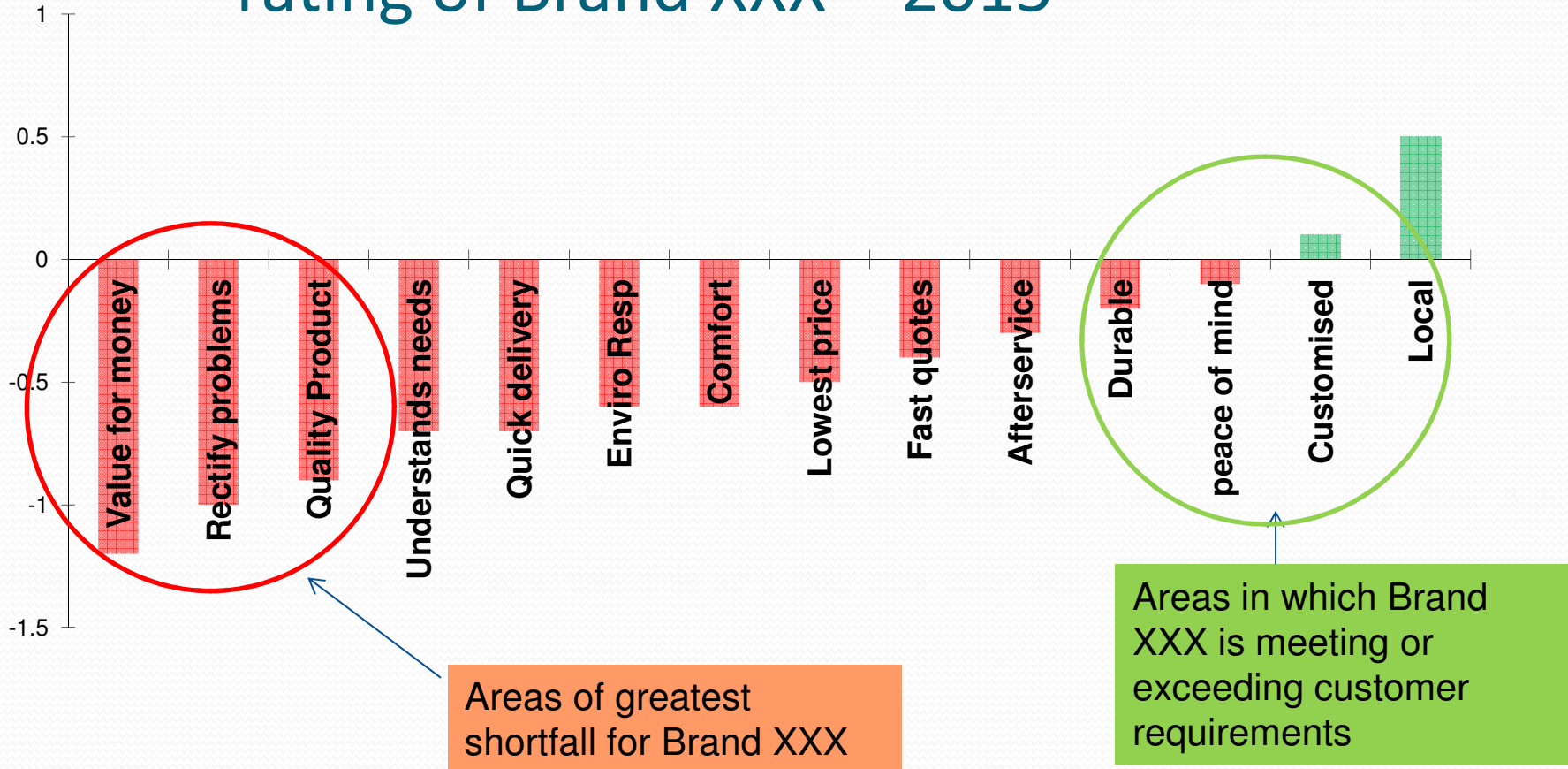


Chart shows difference between importance rating and brand rating on each element.

Moving beyond NPS in Customer Satisfaction

- Segment Customers into groups for analysis – It is possible to segment the Customers into groups such as:
 - A. Net Promoter Score based – Promoter, Passive, Detractor
 - B. Loyalty – Only/mainly use your Brand, mainly use competitor, Switchers
 - C. Industry Sector
 - D. Public v Private
 - E. Size of Organization
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