

# How's Your NPS Doing?

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# Do You Remember ...



## HBR July 2002

- Andy Taylor, CEO of enterprise Rent-a-Car publishes “Driving Customer Satisfaction”
- He grew the company by linking management bonus to % completely satisfied



## HBR Dec 2003

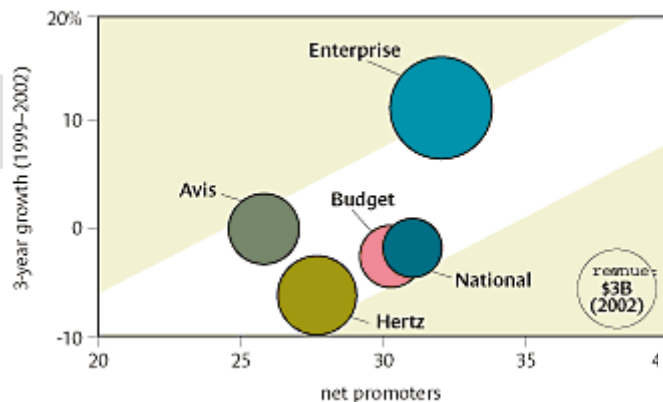
- Frederick Reichheld from Bain & Company, after a study meant to identify the best ONE indicator linked to growth (inspired by Taylor’s example), publishes “The One Number You Need to Grow”

... right 😊 the Net Promoter Score

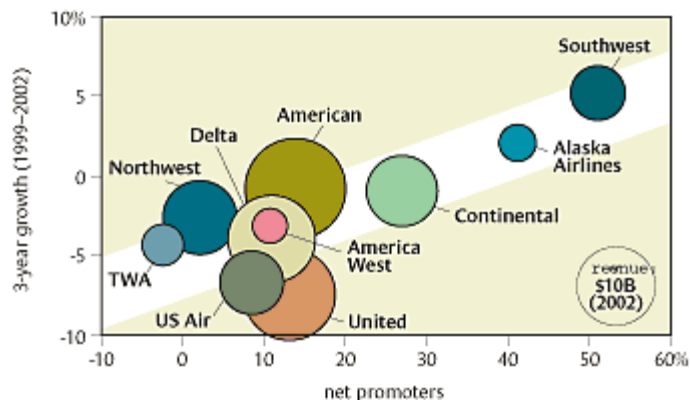
# The Growth Connection

HBR July 2003

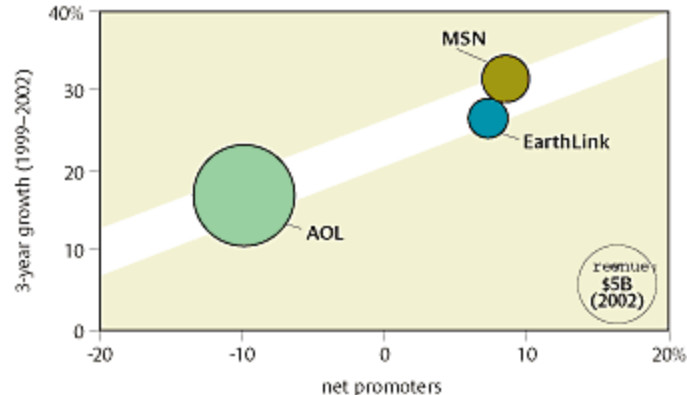
Car Rentals



Airlines



Internet Service Providers



# Do You Remember ...

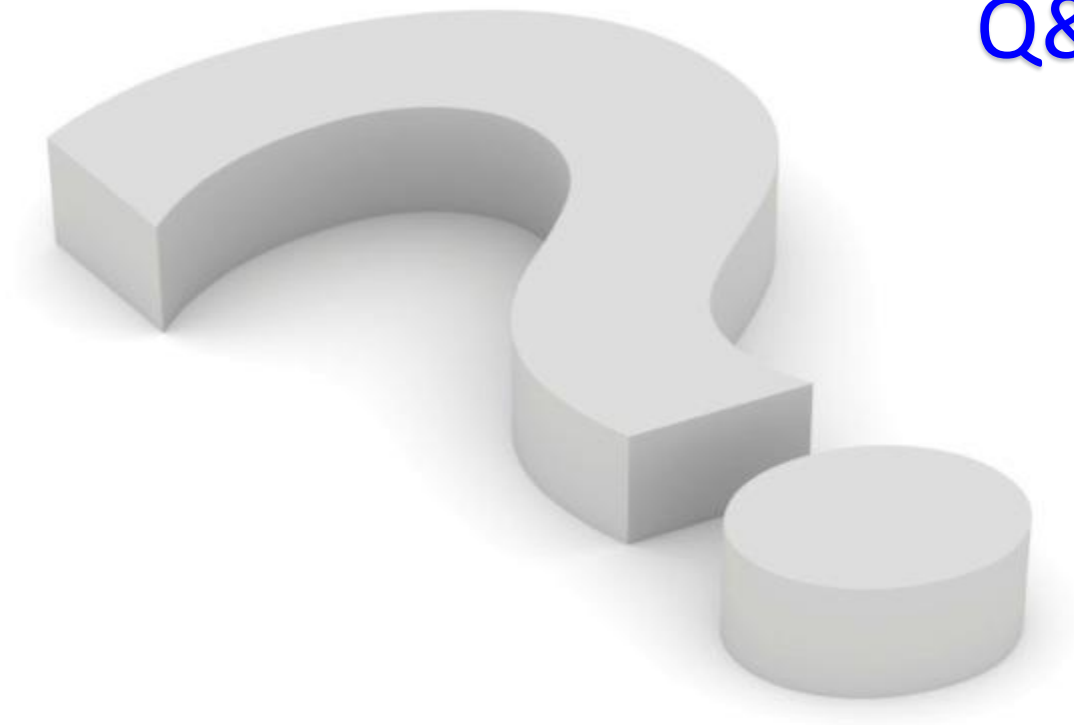
## HBR July 2003

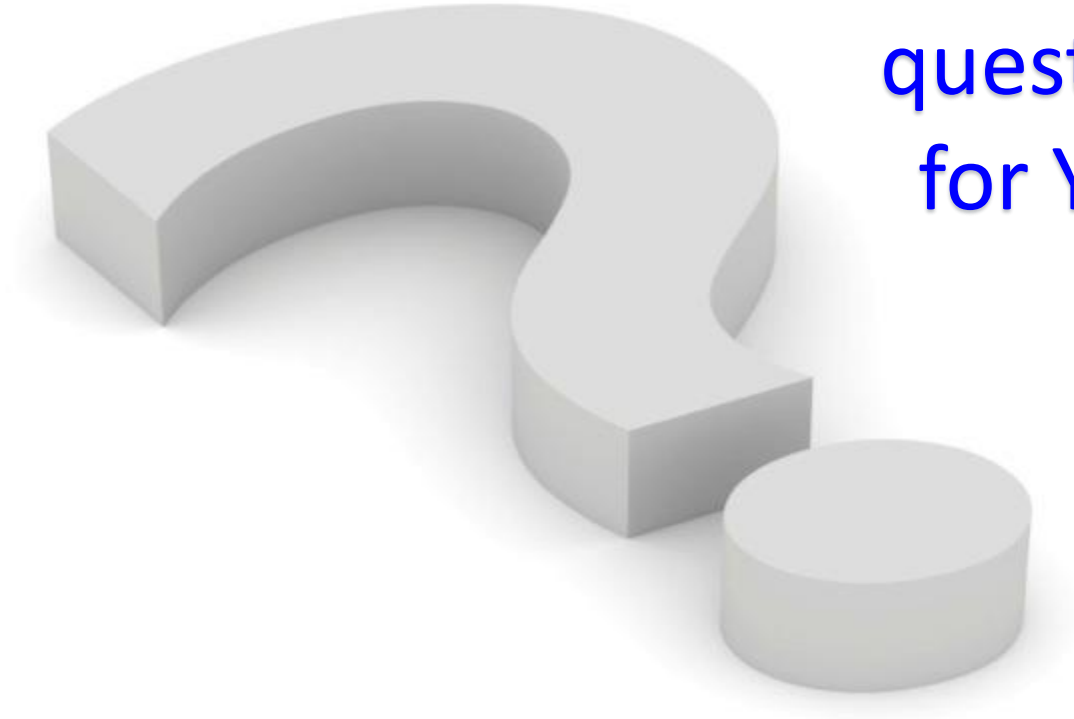
- “Survey a statistically valid sample of your customers with the question ‘**How likely is it that you would recommend [brand or company X] to a friend or colleague?**’”
- “Subtract the % of detractors (zero to six) from the % of promoters (nine or ten) to arrive at your **net-promoter score**”

## Now, 15 years later

- Most companies measure NPS
- A part bonus employees on NPS
- And some other things happen...

Q&A





I have some  
questions  
for YOU

## Who thinks ...

- NPS's promise to be the one number you need to grow was kept?

Yes?

No?

- NPS creates problems and confusion in their organization?

Yes?

No?

- In their organizations NPS is linked to growth ...

Directly?

Inversely ?

- The research budget for NPS?

Decreased? Increased?

# Well, I think...

- NPS's promise to be the one number you need to grow was fulfilled?

Yes?

**No?**

- NPS creates problems and confusion in their organization?

**Yes?**

No?

- In their organizations NPS is linked to growth ...

Directly?      Inversely ?

**either way**

- The research budget for NPS?

Decreased? **Increased?**



So ...

## What's Wrong with NPS?

1 Ambiguity

2 Loss of information

3 Names are not adequate

4 Random volatility is too large

So ...

# What's Wrong with NPS?

## 1 Ambiguity

- Sources:

- Jerry Thomas – Decision Analyst
- Mercury Research studies

- Are grades 7 and 8 really neutral?
- We found in Mercury's surveys that quite a few give 9 to indicate why they would not recommend
- Some people just say "yes, I would recommend" but cannot give a specific number

So ...

## What's Wrong with NPS?

- 10 has the same value as 9
- 7 and 8 are eliminated
- 0 through 6 have the same value
  
- Really this is a yes/no answer!
- Why bother with 0 to 10?
- For an author advising “Keep it simple” it does not look right 😞

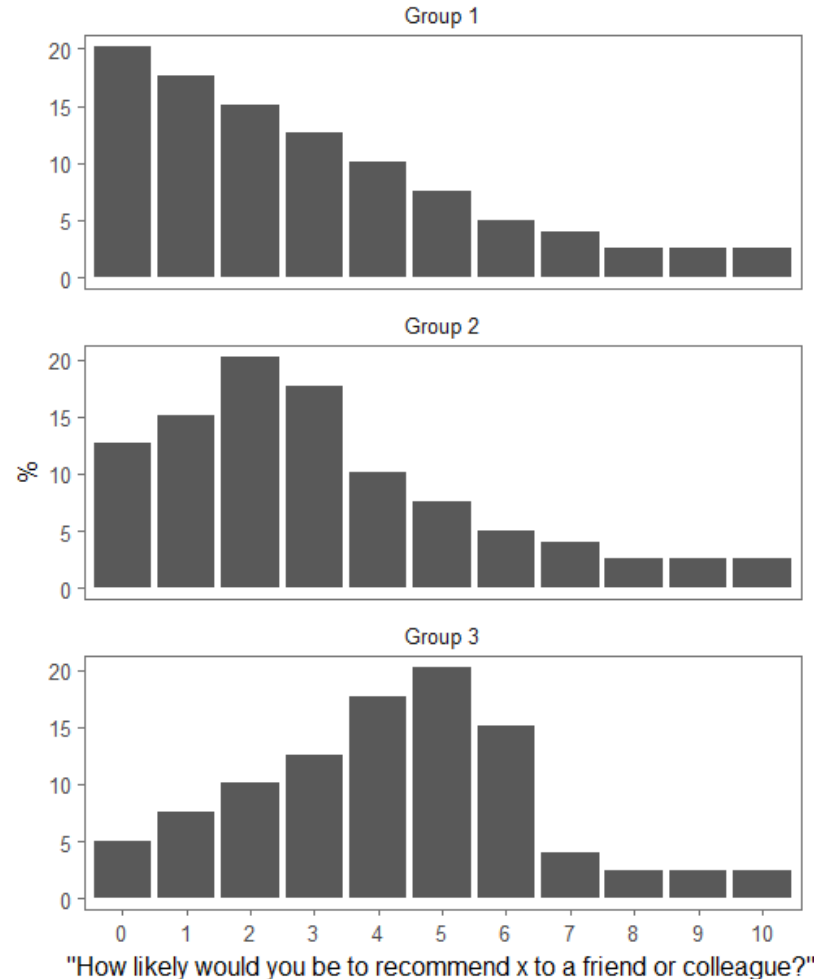
### 2 Loss of information

- Sources:
  - Jerry Thomas – Decision Analyst

# Just how much info is lost?

See this example  
published on Medium  
by Colin Fraser  
Data Scientist at Facebook

Three response distributions, each with NPS = -83



So ...

## What's Wrong with NPS?

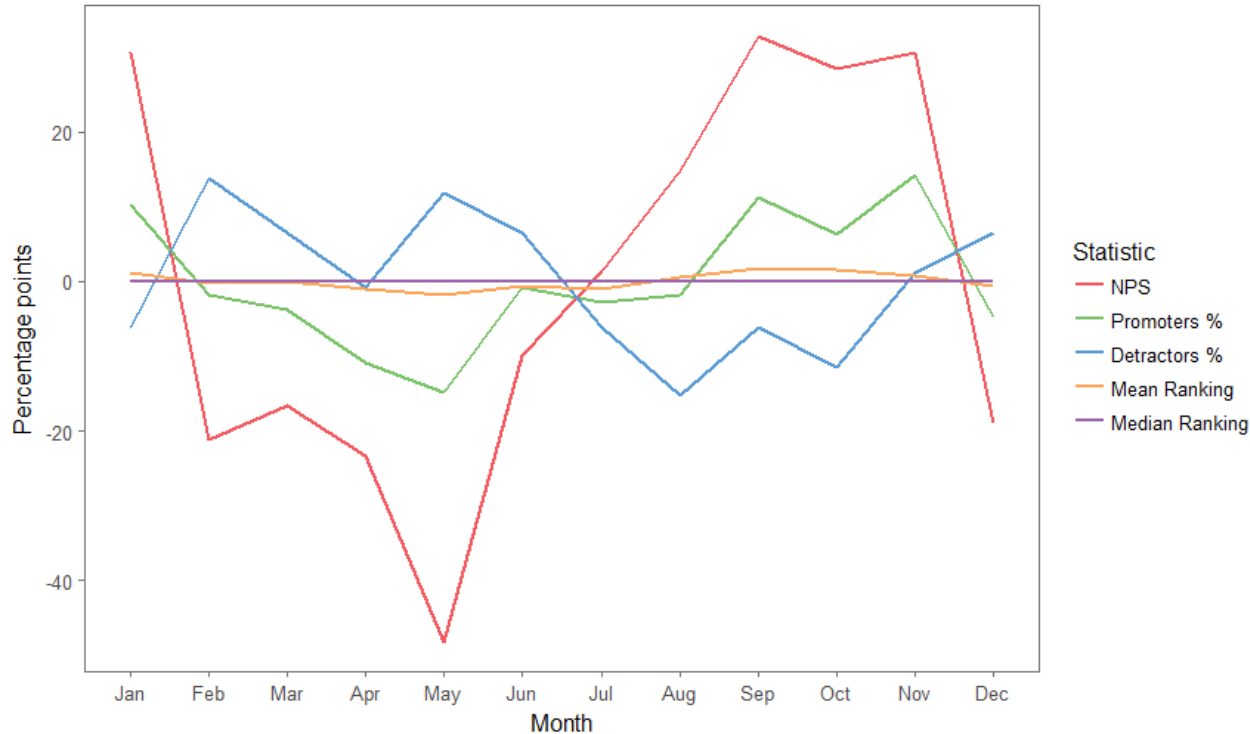
### 3 Names are not adequate

- Sources:
  - Jerry Thomas – Decision Analyst
  - Mercury Research studies
- And neither are the actions

- Is a 9 sure to recommend? I do not think so!
- Not even 10s! We've seen customers delighted with the product choosing not to recommend, for fear of not being taste compatible.
- Is a 7 or 8 without consequence?
- Is a 0 to 6 sure to recommend not to use the brand?

# So ... What's Wrong with NPS?

Simulated Swings in Different Summary Statistics



4 Random volatility is too large

- Sampling error for NPS 3 times that of average, 1.5 times that of %9+10 (My own experiment)
- Left – Colin Fraser's experiment

... to vent all NPS  
frustrations...

“Why did you give this answer?”

You see this often in the NPS survey

Answer?

... to vent all NPS  
frustrations...

“Why did you give this answer?”

You see this often in the NPS survey

😊 **Because we ask them** 😞



Still ...

# What's the Use of Recommendation?

Results of our investigation with Focus Groups

# Asking for Recommendations The Essentials



# Theory Applied

**No personal experience:**

*“if I never went there before, I got to see what others have to say about it”*  
woman gen X about hotels



Women - Fear of ruining your vacation, the only part of your life that you can enjoy

*“I didn’t know much about speakers, so I asked around.... My friends helped me with specifications, and once I knew what I was looking for I focused on reviews and the number of stars the product had. Since then I didn’t need my friends, only the reviews...”*  
man gen Y about car speakers



Men (almost) - Fear your male buddies would mock you for having a lame car audio system

# Theory Applied

## **No link of specifications to usage:**

*“even if they say what power it has, what volume, how many liters the oven has, I didn’t know how it works technically. Maybe it burns on the left or on the top...”*

woman gen X about ovens



Women - Fear of having the baked goods criticized by friends, coworkers, your mother-in-law, or, even worse, your own mother!

## **High risk by previous failure:**

*“Trying to avoid another negative experience made me search ... and ask people who had experience. I asked how it is for them, and then I chose the doctor. The main reason was the negative experience I had.”*

woman gen Y on selecting a doctor



Fear of health risks, shame of being mistreated

# Theory Applied

**High stakes:**

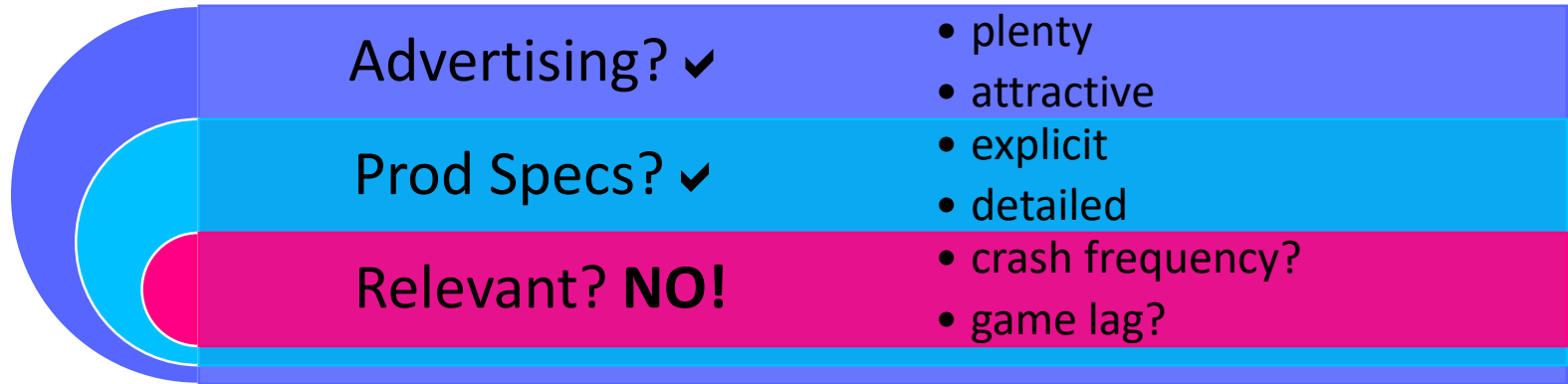
*“if we’re talking a significant amount, then I buy something good, that is long lasting ... Wasting 40 million, I do not think we can afford this”*  
woman gen X about durables



Fear of loosing a crippling amount of money

# Relevant Information

- Laptop - most frequent example in our research of both offering and following recommendations
- You'd think there's plenty of info on Laptops ...



- This industry lives on recommendations and wastes on advertising

# Offering Recommendations The Essentials

( + )

Influence, reciprocity credit

Good product experience

Being asked

( - )

May result in being disliked

Taste may differ and receiver may be dissatisfied

Variability - product may not perform well

May raise suspicion of having an interest

# Laptop business ++ works well on recommendation

++	• ASK	0	• GIVE
+	• Information	0	• Taste
0	• Risk	0	• Variability
+	• Stake	0	• Interest



Accommodation + + +

works very well on recommendation

+++	• ASK	0	• GIVE
+	• Information	0	• Taste
+	• Risk	0	• Variability
+	• Stake	0	• Interest

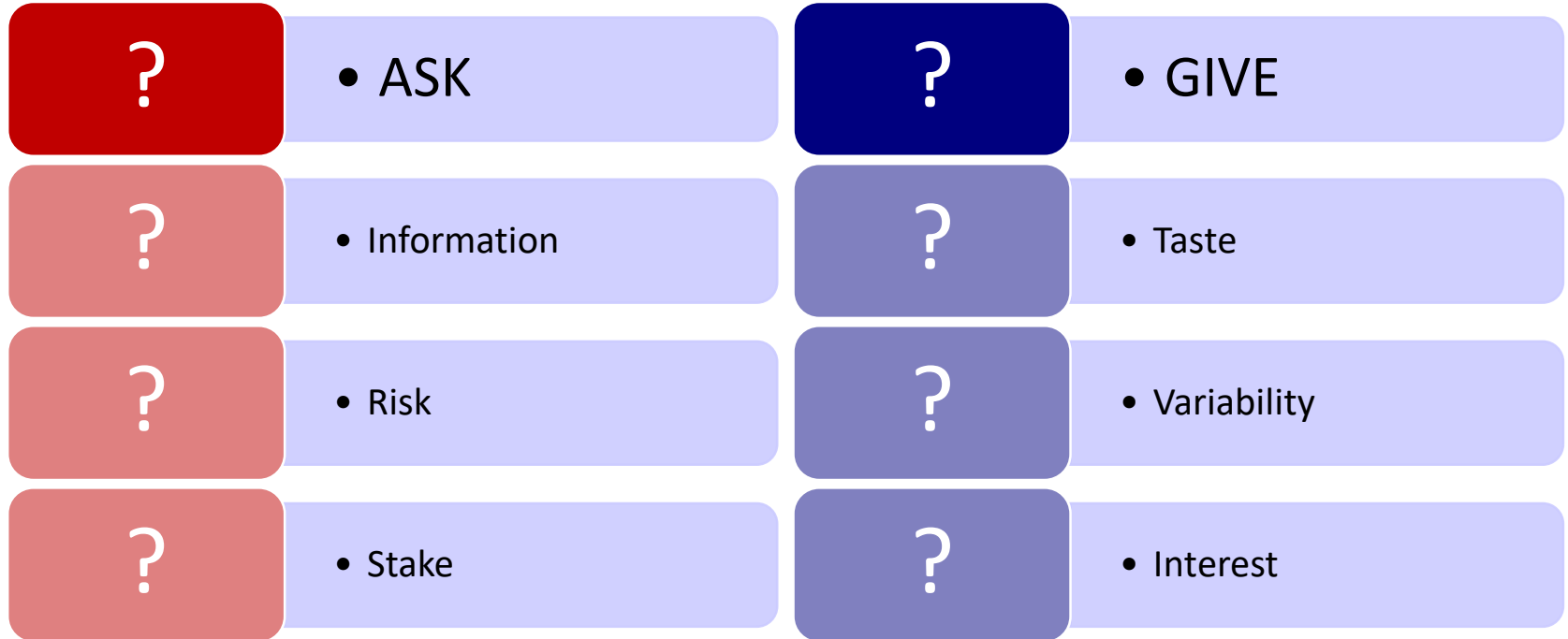
Banks - -

Do not work well on recommendation

0	• ASK	--	• GIVE
0	• Information	0	• Taste
0	• Risk	-	• Variability
0	• Stake	-	• Interest

# Your Industry

## How does it work on recommendation?



**THANK YOU!**

