

Introduction to Net Promoter Score

I. Introduction

- a. When companies choose to pursue a differentiation strategy their goal is to delight customers with a unique offering. But how do you know if your differentiation strategy is working?
- b. For rapid assessment and real-time adjustment, many companies utilize the Net Promoter Score
- c. The Net Promoter Score is based on a simple and intuitive score – on a scale from 0-10, how likely would you recommend product or service X to a friend or colleague? The Net Promoter Score, or NPS, provides a bottom line metric that can become a focal point for organizational learning and improvement

II. Our Goals for This Topic

- a. understand what a net promoter score is
- b. learn how to calculate a net promoter score
- c. learn how to interpret the results of an NPS analysis, including potential weaknesses in the tool
- d. understand how using NPS helps companies to accelerate profitable growth

III. What is the Net Promoter Score (NPS)?

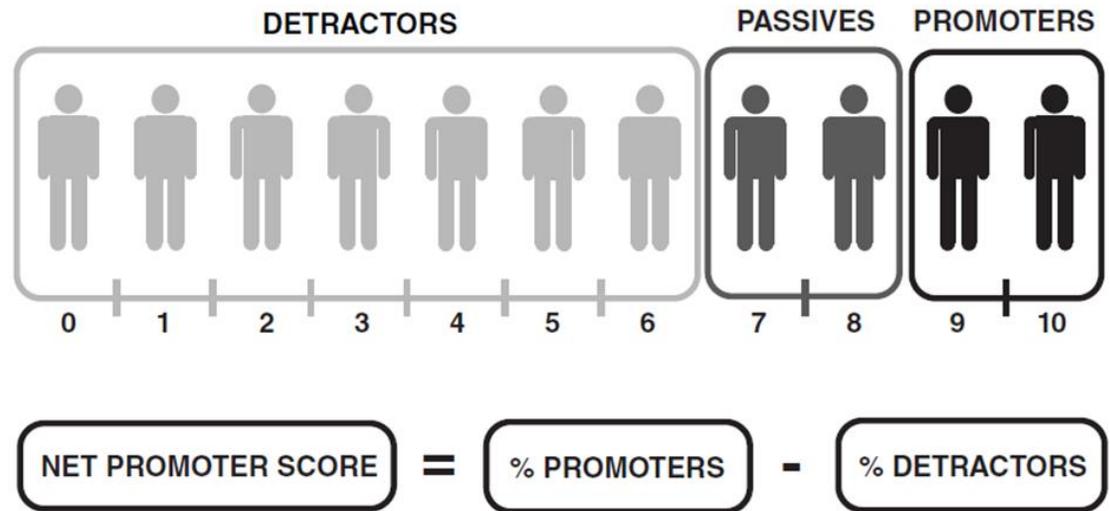
- a. What is a net promoter score and how do you calculate it?
- b. A net promoter score is calculated based upon a sample of customers' responses to the following question: How likely are you to recommend [company X; or product Y] to a friend or colleague? Respondents answer on a scale of 0-10, with 0 meaning "not at all likely," and 10 "extremely likely"
- c. Customers (Promoters) that respond with a 9 or 10 not only provide referrals, they increase purchase volume and frequency
- d. Scores of 6 or below indicate a Detractor, someone who is likely to steer friends and colleagues away from your company or product and to defect as soon as possible
- e. Scoring 7 or 8 are labeled Passives—they got what they paid for but are not really assets or liabilities for the firm.

IV. Possible Flaws of NPS

- a. Some criticized the Net Promoter Score because the 0-10 scale doesn't provide clear labels throughout the scale
- b. Some have recommended putting clear labels on the scale
 - i. 9-10 score would mean "Definitely would recommend"
 - ii. 7-8 could be labeled "Might recommend"
 - iii. 6 and below would be "Would not recommend"

V. Calculating a NPS Score

- a. To calculate a Net Promoter Score, subtract the percentage of Detractors from the percentage of Promoters:



- b. Here are survey results from a sample of 50 college students who are Mac users who responded to the question: On a scale from 0 to 10, how likely are you to recommend the Mac to a friend? The column to the right shows the responses of PC users to the question of whether they would recommend the PC to a friend

Score	Mac	PC
0	0	0
1	0	1
3	0	0
4	0	0
5	1	2
6	2	6
7	2	9
8	1	9
9	23	12
10	17	11

- c. Using the Net Promoter formula, we identify the percentage of respondents who are promoters for Mac 40/50 or 80%, minus the percentage who are detractors, which in this case is 3/50 or 6%; to get a NPS of 74%
- d. If we do the same thing for PC users we (23/50 or 46% - 8/50 or 16%), we get a net promoter score of 30%

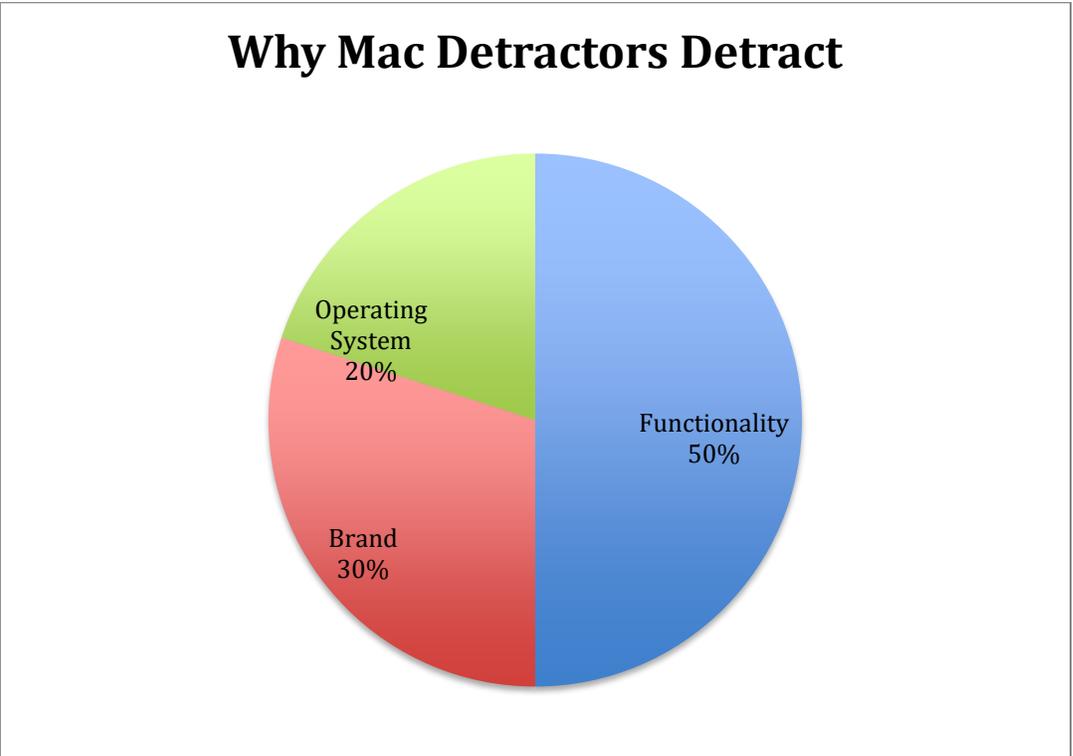
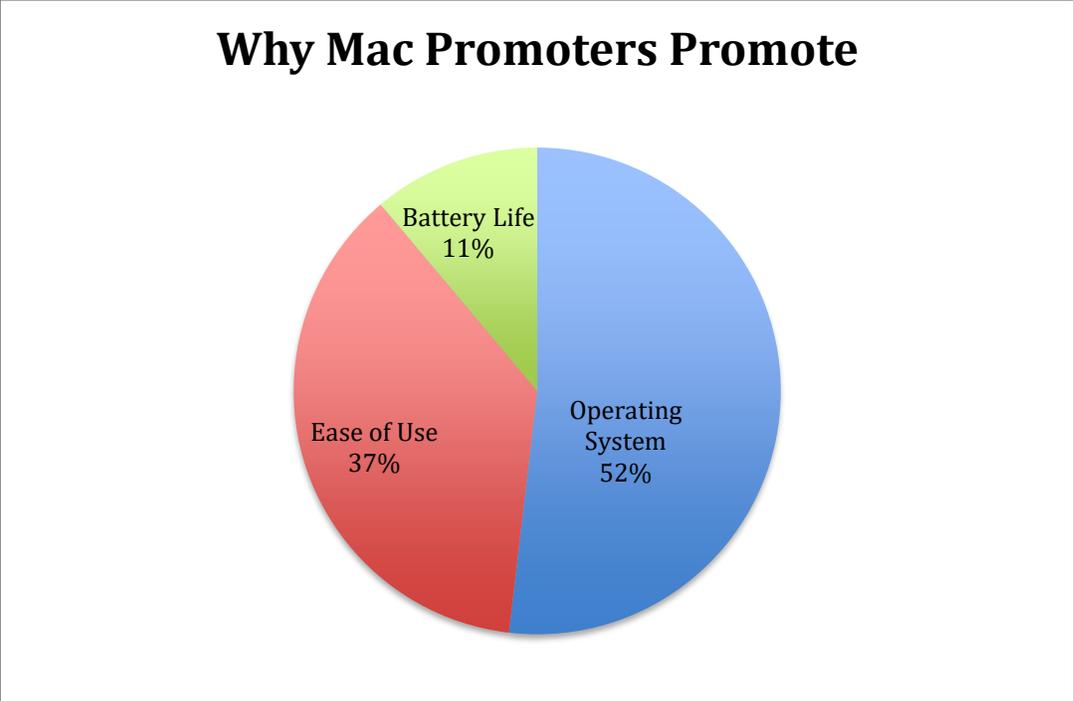
VI. What is a Good/Bad NPS Score?

- Your score is good if it is substantially higher than your competitors...and is improving. Scores vary widely by industry
- NPS above 60% are considered very strong and scores in the 70-90% range are usually world-class. When a company achieves at least a 10-point NPS advantage versus its leading competitor, this is a clear indicator of a winning strategy

VII. Additional Insights

- It is wise to ask a second question following the likelihood to recommend question

b. What is the single most important reason for your score? The resulting verbatim responses can be analyzed with comments grouped by promoter, passive and detractor to search for patterns and insights



c. Mac detractors were primarily unhappy with the product's business software compatibility and speed

- d. PC detractors were unhappy with the product's weight, vulnerability to virus', lack of Apple-like ecosystem, and aesthetics
- e. We can see the aspects of a product or service that 'win' with customers, as well as the aspects of a product that turn them off

VIII. Population and Longitude of Survey

- a. It is critical to ensure that you have a representative sample of customers
- b. Whenever conducting a net promoter score analysis, be aware of the population you are surveying
- c. But sometimes you may want to see how a company's net promoter score differs among different customer segments
 - i. Apple may want to know how its NPS differs between college students, business executives, and stay-at-home moms
 - ii. As a result, Apple would need to compile separate results for each of these different customer segments.
- d. Finally, collecting NPS data over time can provide insight into important trends

IX. Conclusion

- a. No matter how good your strategy is in theory, the real test is how well it is executed—and it is here that NPS can be a particularly useful tool
- b. For some companies, NPS has evolved beyond merely a score; it is a system of management to ensure effective execution of strategy
- c. With a common framework, language and philosophy, all levels of the organization can remain focused on one objective: strive to enrich the lives of customers