



Rethinking Net Promoter®: Serious Flaws Tarnish Simple Idea

By: Larry Freed, President & CEO of ForeSee Results

When I first read about the net promoter concept in the in the 2006 book, [The Ultimate Question, Driving Good Profits and True Growth](#), I must admit I was skeptical right off the bat. The book claims that by asking customers ““Would you recommend us to a friend or colleague?” you can track promoters and detractors while also getting a reliable indicator of your ability to grow as a company. It would be great if it were possible: cheaper, easier to manager, an all-around fantastic proposition. But I had my doubts that one question could provide any true insights.

The idea behind the concept is sound: word of mouth is a crucial business metric and should be measured. But the idea of net promoter has been dumbed down and oversimplified to the point of uselessness. I thought it was just another harmless and transient marketing fad that would pass in time as marketing scientists exposed its substantial flaws.

But my industry is online business, and e-marketers, like those in any industry, are drawn to simplicity and promises of growth, and more and more websites are measuring themselves and their management according to this one simple metric.

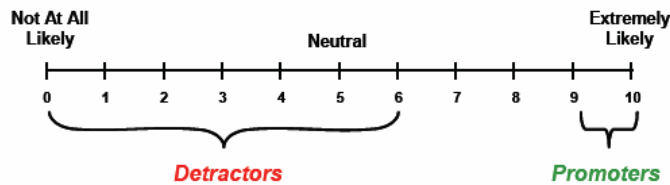
Rather than just scoff at this new kid on the block, I decided to look into it. We've collected more than 20 million online customer satisfaction surveys that measure “likelihood to recommend” since 2001. We've also done a biannual survey of the top-grossing online retailers for the last several years (the *Top 100 Online Retail Satisfaction Index*) that included three questions which would allow us to measure how accurate, precise, actionable, and predictive a net promoter score really was. We also work with top economists at the University of Michigan and Eastern Michigan University that helped us evaluate the science and statistics behind net promoter's claims.

Who knows? Maybe it would turn out to be the best thing since sliced bread, and we could jump on the bandwagon along with everyone else.

Net Promoter®: The Premise

The net promoter concept is this: companies need ask only one question to predict organizational growth and meet customer-relationship goals: “Would you recommend us to a friend or colleague?” Respondents are grouped into three categories based on their responses on a 0 to 10 scale to the question:

- Detractors: Scores of 6 or less
- Promoters: Scores of 9 or 10
- Passives: Scores of 7 or 8



$$\text{\% Promoters} - \text{\% Detractors} = \text{Net Promoter Score}$$

The theory is that knowing how many people will promote your company or detract from it is the single metric you need in order to predict and encourage growth while breaking an addiction to “bad profits,” which the book defines as any profit that comes at the expense of frustrating or annoying a customer.

Our Findings: Net Promoter® Flaws Abound

Issue #1: High Margin of Error Renders Scores Meaningless

First, net promoter’s margin of error doesn’t come anywhere near meeting industry standards. When we calculated overall customer satisfaction scores for the top 100 grossing online retailers, we found that with our sample size, the margin of error for a customer satisfaction score was +/-2.6 points. When we assessed net promoter score (with the same sample size and confidence level), we found a +/-10-point margin of error. Essentially, a net promoter score of 12.5 could actually be anywhere from 2.5% to 22.5%--a range so large that it is rendered useless.

Issue #2: Oversimplified Scale Ignores Key Differences in Customer Behaviors

Net promoter asks people to rate whether they'd recommend a company on a 0-10 scale, but then loses the integrity of this scale by combining responses into three broad categories: detractors (0-6), passives (7-8) and promoters (9-10). Reducing a 10-point scale to a three-point scale greatly amplifies the margin of error and eliminates often subtle (but important) differences in customer behavior.

Our analysis from the Top 100 Online Retail Satisfaction Index shows that people who rated their likelihood to recommend a "6" were 10 times more likely to buy offline than people who scored themselves a "1;" 14 times more likely to purchase next time and a colossal 30 times more likely to buy on the web! By lumping the "1's" and the "6's" together, you lose the ability to differentiate between people with fairly disparate buying behaviors.

Within the group of "promoters," we found that people who rated their "likelihood to recommend" a 10 were 57% more likely to purchase online than 9s and 56% more likely to both purchase offline and purchase the next time they were in the market for similar merchandise.

The ten-point scale is essential for interpreting and acting on subtleties that can and will have a tangible impact on revenue and profitability.

Issue #3: Not All "Detractors" Detract; Not All "Promoters" Promote!

On a hunch, we added two additional questions to see if the net promoter concept was accurately reflecting customer behavior it claims to measure. After all, people recommend or don't recommend a product or company for many reasons. Some people will only recommend something that makes them look smart or trendy, like a new restaurant, PDA, or best-selling book. Others just aren't inclined to talk about anything, no matter how good their experience. Some products and services, such as debt consolidation or personal care products, are rarely recommended because of their personal nature.

As part of our Top 100 Online Retail Satisfaction Index, we asked a total of three questions, including the net promoter question:

- *How likely are you to recommend this website?* (the net promoter question)

- *How likely would you be to communicate your experience with this website to other people?*
- *Assuming you communicated your experiences with this website to others, how favorable would your comments be?*

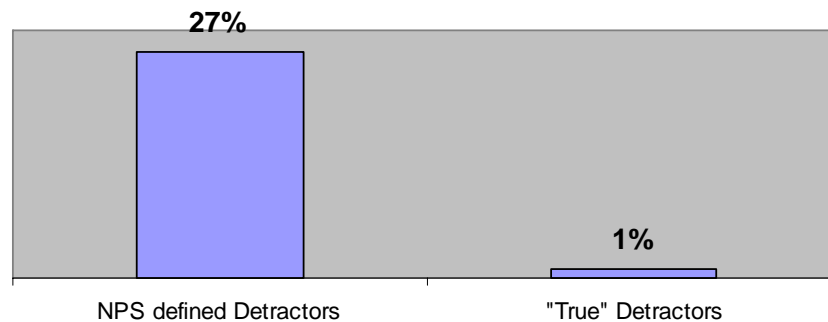
According to NPS calculations alone, 40% of the survey respondents would be categorized as promoters (when asked if they were likely to recommend, they chose a 9 or 10), 33% would be categorized as passive (rating a 7 or 8) and 27% would be categorized as detractors, or “bad profits” (1-6).

Based on the Top 100 survey data (which added two additional questions to get at actual behavior) the Net Promoter® metric misrepresented all three categories (promoters, detractors, and passives) by substantial margins. But perhaps most overwhelmingly, NPS overstated detractor behavior by a factor of 27.

We looked at the people who would be defined by NPS as detractors (meaning they rated themselves a 1-6 on the “likelihood to recommend” question alone) and then asked those people how likely they were to communicate, and assuming they did communicate, how favorable their comments would be.

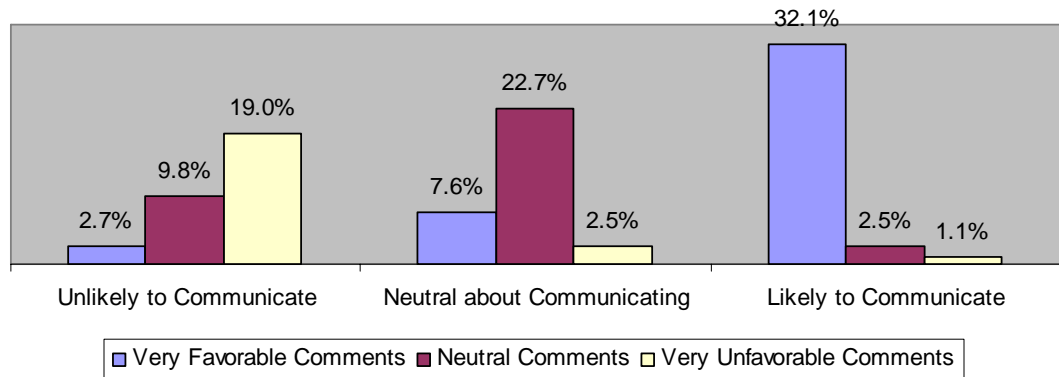
Only 1% of all 20,700+ people we surveyed were likely to communicate a bad experience, whereas the NPS scale estimated that 27% of respondents were detractors. If they aren’t talking to other people and/or they aren’t saying bad things, they can hardly be considered detractors or “bad profits.”

NPS Detractors rated their likelihood to recommend 1 - 6.
"True" Detractors were very likely to communicate (rated their likelihood to communicate a 9 or 10) AND would have unfavorable comments (rated 1 - 6).



Misrepresentations of the numbers of “true” Detractors, Passives and Promoters are caused by a flawed basic assumption: that “likelihood to recommend” measures both positive word of mouth and negative word of mouth. We cannot assume that someone who is not likely to recommend will actually cause negative word of mouth. “Likelihood to recommend” only measures positive word of mouth. This explains why Detractors and Passives are so overstated using the NPS methodology

Respondents Tend to Suppress Negative Comments and Share Positive Comments



If a business really wants to hone in on bad profits, it needs to be looking at people who are out there in the world saying bad things about it, not just people who wouldn't recommend it. Energy and resources could be far better spent converting passives to promoters than obsessing about detractors and bad profits.

Issue #4: Net Promoter® Doesn't Predict Growth

Some net promoter users seem to think they're measuring satisfaction by using the net promoter question. If they were actually measuring satisfaction, they'd be on the right track. The University of Michigan has proven scientifically that customer satisfaction is a predictor of company financial performance, stock prices, and future behaviors like loyalty, word of mouth, and likelihood to buy again.

But “the ultimate question” doesn't measure satisfaction, it measures likelihood to recommend. And likelihood to recommend by itself, while correlated with company growth, it doesn't cause or predict future growth.

The confusion between correlation and causation is a common error; one that usually implies a third variable is at work. For example, researchers have proven a definite link between the number of churches a town has and beer sales in the same town. Looking just at those two figures could make the casual observer think that an increase in churches would *cause* an increase in beer sales, when the hidden third variable is that population growth causes more churches to pop up and more beer to sell.

Similarly, a rising net promoter score doesn't CAUSE revenue growth. Both instances are explained by a third variable: rising customer satisfaction, which explains both an increase in word of mouth recommendations and an increase in revenue. Just as any municipality trying to reduce drinking by limiting the number of churches in town would be barking up the wrong tree, any company trying to increase revenue by measuring only net promoter scores would be missing the point.

We asked top economists and statisticians at the University of Michigan and Eastern Michigan University to help us figure out if high net promoter scores led to company growth and vice versa. In an analysis based on the *Top 100* data, we measured net promoter scores and customer satisfaction scores in 2005 and then again in 2006 to see if they predicted revenue growth experienced by the online retailers in the study in the subsequent years.

The research showed that, with both metrics in the equation, customer satisfaction contributed over 90% of the predictive power by itself, while the effect of net promoter was negligible. Based on this analysis, it is clear that customer satisfaction drives both online revenue change and recommendation. And, contrary to claims made by its proponents, net promoter is not a driver of growth, nor is it a measure of customer satisfaction, which requires a more complex set of questions and drivers to be useful.

Issue #5: Not Enough Information to Influence Behavior

Even if a net promoter score were statistically sound, did accurately measure promoters and detractors, and did predict growth, one question doesn't give you any information to make changes.

Did customer A rate themselves a "1" because of a poor interaction with customer service or because the product was flawed once it arrived? Having seen the huge subtleties in customer behavior on the 10-point scale, what will it take to move someone who rates themselves a "7" today to a "10" tomorrow? Asking one question



gives you no insight into these issues. You just get a number. An unreliable one at that. More and more net promoter users who were initially drawn to the simplicity of one question are finding themselves supplementing with a host of other questions that allow them to actually move the needle.

Net Promoter®: One Question Just Doesn't Cut It

In the perfectly valid and admirable quest for a metric that is simple to use and understand, net promoter has gotten so overly simplified that it's lost any value as a predictive metric. How can it tell you anything with a +/-10 point margin of error? How can it help you convert detractors to promoters by lumping self-reported "1's" in with "6's?"

It can't.

Asking customers about their likelihood to recommend certainly has a place in the marketing metric mix, but it's only one plank of an interrelated customer model that is ultimately driven by customer satisfaction. When retailers are able to understand the complex, causal, scientific relationships between what drives satisfaction, and in turn, future customer behavior, they have the tools to manage and grow their businesses and accurately and reliably predict company growth.

About the Author

Larry Freed is an expert on web effectiveness and web customer satisfaction. He is also President and CEO of ForeSee Results, a market leader in converting online customer satisfaction data into user-driven web development strategies. Using the methodology of the University of Michigan's American Customer Satisfaction Index (ACSI), ForeSee Results has developed a model that scientifically quantifies the elements that drive online customer satisfaction and predicts future behaviors such as likelihood to purchase, return to a site or refer the site to a friend. ForeSee Results, a privately held company, is based in Ann Arbor, Michigan and on the web at www.ForeSeeResults.com.