

**argentum**  
STRATEGY GROUP

# NET PROMOTER SCORE OVERVIEW

## The concept of Net Promoter Score came to prominence in a 2003 Harvard Business Review article, and it is not without controversy

---

- Frederick Reichheld's article *The One Number You Need To Grow* was published in the Harvard Business Review in December 2003
  - Premise: Profitable growth is not possible without customer loyalty, and Net Promoter Score (NPS) measures customer loyalty
- While NPS can identify a problem or a strength, it provides no insight into possible solutions or actions
  - Most research professionals recommend measuring NPS in combination with other metrics like more granular satisfaction scores
  - A 2010 Fast Company article about CDW addressed this issue: *Is Net Promoter Really The Ultimate Question* <http://www.fastcompany.com/1696562/is-net-promoter>



## Calculating a Net Promoter Score is simple, but requires conducting some basic customer research first

---

- Ask your customers this question: How likely is it that you would recommend Company X/Product X to a friend or colleague?
  - Remember: Data driven by fewer than 30 respondents is not statistically significant and is therefore directional only
- Rating scale of 0 – 10
  - 0 = Not at all likely
  - 10 = Extremely likely
  - Note: Using this 0-10 scale is critical to calculating the score
- Scoring
  - Add the % of 9's and 10's = A
  - Add the % 0's through 6's = B
  - Net Promoter Score = A - B



## An NPS score of 50%-80% is considered to be very good, and, for perspective, the overall median NPS in 2003 was 16%

---

- Median NPS in 2003 was 16%
  - Measured across 400 companies in 28 industries (Sametrix Study)
- A score of 75% – 80% is considered to be “extremely enthusiastic” according to Reichheld
  - Harley Davidson 81%
  - Costco 79%
  - Apple 77%
- And a score of 50% – 74% is considered to be very good
  - Amazon 74%
  - FedEx 56%
  - Southwest Airlines 51%



## NPS high scores vary dramatically depending on the sector

---

- A 2013 Sametrix report listed industry leaders by sector:

Industry	Company	NPS Score
Airlines	Southwest	66
Cable & Satellite TV	Verizon	32
Credit Cards	American Express	41
Grocery and Supermarkets	Trader Joe's	63
Health Insurance	Kaiser	35
Hotel	Marriott	62
Online Entertainment	Netflix	50
Online Services	Amazon	69
Software and Apps	TurboTax	54
Travel Websites	TripAdvisor	36

- See the 2015 report: <http://www.satmetrix.com/nps-benchmarks-in-the-united-states/>

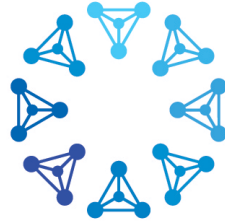


## Recommendation

---

- Definitely use NPS as one tool in your customer satisfaction measurement tool kit
- Also consider including other questions that explore other dimensions of customer satisfaction like:
  - Overall satisfaction
  - Quality of interactions
  - Perceived expertise of your team
  - Resolution of problems
  - What would need to change to generate a higher satisfaction score





**argentum**

STRATEGY GROUP

Susan Silver

[ssilver@argentumstrategy.com](mailto:ssilver@argentumstrategy.com)

312-337-7730

[www.argentumstrategy.com](http://www.argentumstrategy.com)