

Functional Areas	Industries	KPI record
Marketing & Communications, Marketing	Any	sK1303
Sub-categories	Sub-categories	Tags
Marketing	Any	portfolio, customers

Name	# Net Promoter Score					
Description						
Definition	Measures the net difference between promoters and detractors, out of all customers that responded to the survey.					
Variations	# Promoter Score # NPS					
Related KPIs	% Customer satisfaction with new products and services					
Calculation						
Subordinate metrics	A = # Promoters B = # Detractors C = # Customers	<table border="1"> <tr> <td>Calculation formula</td> <td>$(A/C)*100-(B/C)*100$</td> </tr> <tr> <td>Trend is good when</td> <td>Increasing</td> </tr> </table>	Calculation formula	$(A/C)*100-(B/C)*100$	Trend is good when	Increasing
Calculation formula	$(A/C)*100-(B/C)*100$					
Trend is good when	Increasing					
Focus						
Purpose	To monitor the level of customer loyalty by evaluating the extent at which customers act as brand ambassadors.					
BSC perspective	Customer					
Objective measured	Improve customer satisfaction					
Data Profile						
Data capture period	Spot	<table border="1"> <tr> <td>Standard reporting frequency</td> <td>Quarterly</td> </tr> </table>	Standard reporting frequency	Quarterly		
Standard reporting frequency	Quarterly					
Data collection method	Customer Satisfaction Survey and Brand health trackers					
Limitations	Being based on customer surveys, results can be altered by the respondents' subjectivity or incentives given by the company to stimulate responses.					
Targets						
Threshold examples	Red: <50 Yellow: 50-80 Green: >80					

Target setting notes

Thresholds are for exemplification purposes only. Net Promoter Score can greatly vary from one company to another depending on the industry or on the methodologies used to determine and benchmark a NPS. Some argue that benchmarking might not be suitable, as companies may use different-point scales (the standard is 11, but some use 10, some 5 and so forth). Also, some companies may resort to incentives so as to increase the rate of responses. Some organizations consider that any NPS above 0 is a good score as it means that there are more promoters than detractors, however, the commonly agreed methodology states that only an NPS above 50 is considered satisfactory.

Analysis and Resources

Overall notes

NPS is used nowadays by many large companies as a customer feedback tool. It gives an unambiguous number that is easy to understand for all employees and useful as input for managers to steer the company. NPS also gives a good indication of growth potential and customer loyalty for a company or product. Net Promoter, Net Promoter Score and NPS are registered trademarks of Fred Reichheld, Bain & Company and Satmetrix. To understand the motives of Promoters and Detractors, it is recommended to accompany the NPS question by one or more open questions that probe the underlying reasons behind the given score. This allows managers to make the appropriate adjustments to increase the future NPS, either by boosting the percentage of Promoters, either by reducing the proportion of Detractors (or better yet, a combination of both).

Additional resources

<http://www.callcentrehelper.com/top-tips-for-improving-netpromoter-scores-nps-42754.htm>
<http://blogs.hbr.org/2011/05/how-philips-uses-net-promoter/>

References

1. Rao, D. N. (2018) How net promoter score relates to organizational growth, available at: https://www.researchgate.net/publication/328305049_HOW_NET_PROMOTER_SCORE_RELATES_TO_ORGANIZATIONAL_GROWTH
2. Fisher, N. I., & Kordupleski,(2018), Good and bad market research: A critical review of Net Promoter Score, available at: <https://doi.org/10.1002/asmb.2417>
3. Baehre, S., O'Dwyer, M., O'Malley, L., & Lee, N,(2021)., The use of Net Promoter Score (NPS) to predict sales growth: insights from an empirical investigation, available at: <https://doi.org/10.1007/s11747-021-00790-2>