

How Valuable Are the Net Promoter Score and Other Customer Feedback Metrics?

By **Evert de Haan** and **Peter Verhoef**



A large and growing amount of firms rely on Customer Feedback Metrics (CFMs) to monitor the customer base and the performance of the marketing department. Examples of these metrics include Customer Satisfaction (CS) and the Net Promoter Score (NPS).

Recently, new customer feedback metrics, such as the Customer Effort Score (CES), are gaining traction with a promise to outperform the existing CFMs.

While the positive relationship between customer satisfaction and firm performance, including revenue and profitability, is well documented in academic literature, most findings are mixed for the NPS. In regards to the new Customer Feedback Metrics, such as the Customer Effort Score, third party empirical proof is relatively nonexistent, keeping managers in the dark about the reliability of these metrics. Despite the lack of academic literature and empirical proof, many firms rely on a single metric, specifically the NPS, as their key performance indicator.

Our research team aimed to shed more light on popular Customer Feedback Metrics by investigating the following issues:

1. The extent in which different Customer Feedback Metrics are appropriate to monitor the customer base, and
2. The effectiveness of using multiple metrics as opposed to using one single metric.

The research performed by our team proved that the NPS is as good as Customer Satisfaction in predicting customer retention. We also found labeling customers as Promoters, Passives, and Detractors works well for many firms. The NPS, combined with information regarding Customer Satisfaction, further improves the ability to monitor the customer base. Using

multiple Customer Feedback Metrics is therefore highly recommended.

Table 1. Customer Feedback Metrics (CFM)

CFM	Measurement
CS (Customer Satisfaction)	“All in all, how satisfied or unsatisfied are you with [company X]?” (1 = <i>very unsatisfied</i> , 7 = <i>very satisfied</i>).
Top-2-Box CS	The proportion of customers of the firm that gave a score of 6 or 7 on the CS question.
Official NPS (Net Promoter Score)	“How likely is it that you would recommend [company X] to a friend or colleague?” (0 = <i>very unlikely</i> , 10 = <i>very likely</i>). Respondents who gave a score of 0–6 are “detractors,” those who gave a 7 or 8 are “passives,” and those who gave a 9 or 10 are “promoters.” Subtracting the proportion of promoters by the proportion of detractors provides the Official NPS.
NPS (Net Promoter Score)	This is the average untransformed NPS score (0–10 range) provided by the customer.
CES (Customer Effort Score)	“How much effort did you personally have to put forth to handle your request?” (1 = <i>very low effort</i> , 5 = <i>very high effort</i>).

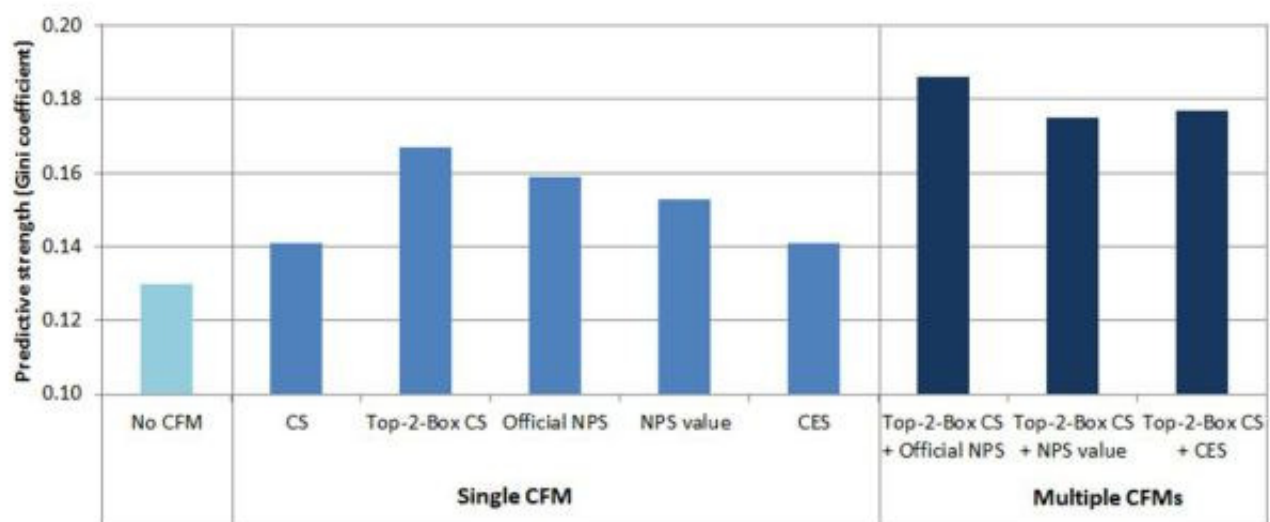
In our research, we surveyed an extended group of customers from 98 firms across 19 different industries. In this survey we measured three different Customer Feedback Metrics, including Customer Satisfaction, the NPS and the Customer Effort Score. Information regarding these three different Customer Feedback Metrics can be found in the above table.

For Customer Satisfaction and the NPS, we used the untransformed scores as well as two popular transformations. The first transformation, the Top-2-Box CS, indicates the proportion of customers providing one of the two highest scores on Customer Satisfaction at a firm level. In other words, the Top-2-Box CS is the proportion of customers who are (very) satisfied. The second transformation is the official transformation for the NPS; grouping customers into Promoters, Passives, and Detractors. Further detail regarding NPS can also be found in the table above.

Two years after the initial survey measuring the Customer Feedback Metrics, we asked the same customers if they were still customers at the surveyed firm. This allowed us to test how accurately different Customer Feedback Metrics can predict actual behavior of customers. Given the historical strong, positive correlation to overall firm performance and firm value, our team looked at customer retention.

The graph below shows the strength of the relationship between the different Customer Feedback Metrics and customer retention, while controlling for firm- and industry heterogeneity, customer demographics and relationship length. Our research found that all Customer Feedback Metrics are significant in predicting customer retention, since all Customer Feedback Metrics perform better than having no Customer Feedback Metric information (i.e. the bar most to the left in the graph).

Transforming Customer Satisfaction and the NPS do significantly improve the predictions. This is indicated by the higher bars of these two Customer Feedback Metrics compared to their untransformed counterparts. The difference between the Top-2-Box CS and the Official NPS is not significant, so these two Customer Feedback Metrics work equally well in predicting customer retention. When looking at the three bars on the right you can see that combining the Top-2-Box CS with one of the other Customer Feedback Metrics leads to even better predictions. The combination of Top-2-Box CS and the Official NPS leads to the best predictions.



Predictive Strength of Customer Feedback Metrics

The Customer Effort Score, although statistically significant, is the least predictive Customer Feedback Metric compared to the other predictive measures. This finding contradicts the promises made by the developers of the Customer Effort Score who stated that it would outperform both Customer Satisfaction and NPS. Although this may be the case in some conditions, on a broader level this Customer Feedback Metric performs quite poorly. Therefore, we highly recommend firms and managers not rush to adopt Customer Effort Score, especially as a single metric, until it has been objectively shown that it is a good indicator of future customer behavior and/or firm performance. Customer Effort Score, as an indicator of future customer behavior and/or firm performance, can be proven by independent (scientific)

research, or tested by the firm.

In conclusion, we recommend firms to continue using the NPS to track customers and performance, but also include the Top-2-Box CS in the dashboard of metrics. This dashboard enhancement will enable firms to better monitor and predict customer behavior and firm performance. Furthermore, we recommend firms to not only measure these Customer Feedback Metrics, but also link these metrics to customer behavior and firm performance. Doing so will result in a better understanding of the consequences of changes in the Customer Feedback Metrics, and help to make a more educated decision about which Customer Feedback Metrics to include, or exclude, in the dashboard. This approach can better enable firms to financially quantify the impact of marketing initiatives, which ultimately can help improve the position of marketing departments within firms.

The article **The Predictive Ability of Different Customer Feedback Metrics for Retention** featured in the post was co-authored by Evert de Haan (University of Groningen, The Netherlands), Peter Verhoef (University of Groningen, The Netherlands), and Thorsten Wiesel (Westfälische Wilhelms-Universität Münster, Germany). It is published in the *International Journal of Research in Marketing*, Volume 32, Issue 2, Pages 195-206.



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Research in Marketing, *Harvard Business Review*, *Marketing Letters*, *Journal of Consumer Psychology*, *Journal of the Academy of Marketing Science*, and *Journal of Retailing*. His work has been awarded with the *Donald R. Lehmann award* for the best dissertation based article in the *Journal of Marketing* and *Journal of Marketing Research* in 2003, the *Harald M. Maynard Award* for the best paper published in *Journal of Marketing*, and the *Sheth Award* for long-term impact of the *Journal of Marketing* in 2013. He is currently an editorial board member of the *Journal of Marketing*, *Journal of Marketing Research*, *Marketing Science*, *Journal of Retailing*, *Journal of Service Research*, *Journal of Interactive Marketing*, and the *International Commerce Review*. He functions as an area editor for *Journal of Marketing Research* and the *International Journal of Research in Marketing*. He has extensive teaching experience for undergraduate, graduate and Ph.D. students. He is also involved in executive teaching on customer management and is the founder of the *Customer Insights Center*, University of Groningen. He is department chair of the marketing department.

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