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Best Practices

Modifying NPS
When to Bend the Rules

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Over the past decade, NPS (Net Promoter Score) has become an increasingly popular method for measuring and acting on customer feedback. Although there were some initial objections to the method when it was first introduced – that it is too simplistic, that it offers limited diagnostic information, that its correlation with company growth is overstated – the attractions of NPS have proven to be more compelling than the arguments against it. NPS is popular because it's simple, it's intuitive, and it leads to action. If there is a trade-off in precision and analytical power, so be it. The important point is that companies understand the approach and are doing something with the results.

So, from a practical point of view, NPS has proven to be effective. Unfortunately, many users approach it in a dogmatic manner, treating it as an inflexible formula rather than a useful set of guidelines. In some cases there is an almost cult-like devotion to the details of the method, with limited appreciation for the fact that it is the broader principles, rather than the specifics, that make NPS valuable.

"True believers" treat the formal aspects of NPS, such as the wording of the survey question, the 11-point rating scale, and the formula for calculating the net promoter score, as inviolable. But what do companies do when it doesn't make sense to follow the NPS recipe precisely? Should they consider:

- **Changes to the Scale?** Many organizations have internal conventions that require the use of specific rating scales. Can they use a 7-point or a 9-point scale to measure NPS, or must they adhere to the "correct" 11-point version as dictated by the literature?

- **Changes to the Question?** What if the "likely to recommend" question is inappropriate for the target respondent group? In many cases companies wish to gather feedback from stakeholders who are not in a position to recommend, and who are not being relied upon to recruit new business through word-of-mouth. Is there another question that can be asked that maintains the spirit, if not the form, of NPS?

- **Changes to the Formula?** The formula for calculating net promoters (top-two box minus bottom seven) assumes a left-skewed curve of responses, which is typical for customer loyalty surveys. That is, most of the "likely to recommend" ratings will be clustered on the high (right) side of the scale. That's why a rating of 6 is considered in

What Is NPS?

NPS stands for *Net Promoter Score*. It refers to a method for collecting and measuring feedback from customers, as well as a process for taking action on the results.

NPS begins with the survey question, "How likely is it that you would recommend us to a friend or colleague?" Respondents rate the question on a scale of 0 (Not at all likely) to 10 (Extremely likely). Those who give a rating of 9 or 10 are considered "Promoters", while those who give ratings of 0 through 6 are considered "Detractors." The Net Promoter Score is calculated by subtracting the percentage of Detractors from the percentage of Promoters.

In addition to rating their likelihood to recommend, respondents are asked to describe in words the reason for their rating. Analysis of these comments provides the main source of information for understanding how to keep and delight customers.

NPS includes a process for taking action on the ratings and comments in order to increase customer loyalty and referrals. Accountable managers are expected to read the customer comments and use that information to correct problems, improve quality, and encourage positive word-of-mouth.

the "detractor" range – very few respondents give a rating that low, so it is treated as a negative rather than a neutral point, despite the fact that it is in the middle of the scale. However, there are some circumstances in which the typical distribution of ratings does not apply. For example, in certain countries (such as Japan) average satisfaction ratings tend to be lower than in the US, while in others (such as Mexico) they tend to be higher. There are also some customer relationships, particularly in the business-to-business world, where the distribution of ratings is likely to vary from the broader consumer population. Should the top-two/bottom-seven formula still be used, or can net promoter calculations be re-calibrated in these cases?

The fact is, NPS can and should be modified when the situation calls for it. So long as the underlying principles of the method are maintained, there is no reason that the details should not be adjusted to suit the circumstances.

The key, then, is to understand these four principles:

1 Keep it simple. NPS was developed in part as a reaction to lengthy and complicated satisfaction surveys. While these surveys may collect valuable data, the reports are often perceived as too "researchy"; many managers find them confusing or intimidating. NPS is simple and easy to understand, and any modifications to the form should stay consistent with that approach.

2 Focus on the tails of the curve. NPS is based on the notion that customers who give very high or low ratings are more "energized" than neutral customers. As such, they are more likely to take action, either to the benefit or the detriment of the company. By focusing on the tails of the curve rather than average ratings, NPS is designed to help promote specific customer behaviors, such as retention and referral. As such, it is thought to be a more effective way to impact the company's financial performance than simply raising average satisfaction levels.

3 Read the comments. Customers who have something to say to a company are generally not interested in providing a lot of ratings. They just want to tell their story. Research professionals, on the other hand, would prefer to have nice, clean numbers to work with because they know that customer comments can be messy, time-consuming, frustratingly vague (or maddeningly detailed) and full of contradictions. Nevertheless, open-ended comments provide the most important information in an NPS study. They truly represent the voice of the customer, providing managers with rich data that can be applied in a variety of ways.

4 Take action. NPS is not simply a survey or a number; it also includes a process for taking action on the findings. In NPS programs, managers are assigned accountability for survey results and expected to systematically apply the information within their areas of responsibility. They may use NPS data to document problems and root causes, spot emerging trends, identify unhappy customers who are at risk of leaving, improve product and service offerings, or any number of other applications. However, they do not use NPS as simply another number on a dashboard.

Keeping these four principles in mind, there are various modifications that can be made to the classic NPS design while still staying true to the spirit of the method.

Modifying the Scale

There are situations in which the 0 – 10 rating scale may not actually be a company's best choice. The primary advantage of using this scale is that it is the standard among NPS practitioners, which makes it easy to compare results to other companies and competitors. However, many organizations have long-standing surveys in place that use different scales, and in these cases it may be more important to maintain internal consistency than to follow the NPS form.

There is, in fact, nothing magical about the 0 – 10 scale. Advocates for this design frequently make the case that it provides greater precision than the more commonly used 5- or 7-point scales, and that respondents find it more "natural" and easy to use. Neither argument is particularly persuasive.

Adding more points to a scale may increase precision, but only if respondents answer in a consistent manner. In other words, a rating of "6" must mean the same thing to everyone who completes the questionnaire. But this is clearly not the case. In the world of loyalty and satisfaction research, one person's "6" is another person's "5".

Some respondents will rate a company or product a perfect "10" if it simply meets expectations, while others will never give a perfect rating, regardless of the circumstances. Precision is often illusory.

Besides, NPS is not concerned with the individual scale ratings. Its central premise is that customers tend to fall into one of three categories: detractors, passives, and promoters. So long as it can be determined where these ranges are likely to fall (keeping in mind that there will be considerable variation among individuals) other scales may work perfectly well.

Typical Distribution of "Likely to Recommend" Ratings
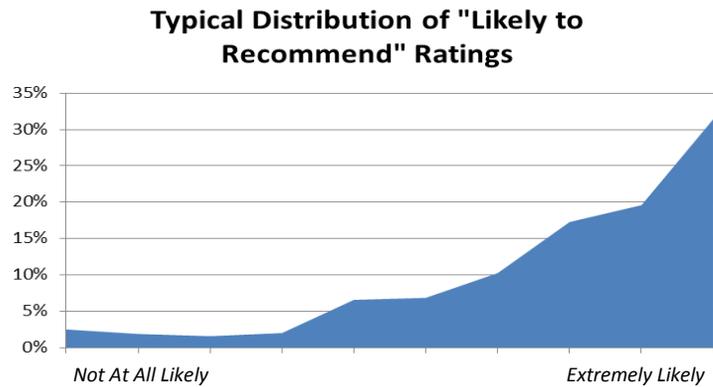
As to whether the NPS scale is more natural than, say, a 7-point scale, this is a highly questionable claim. It is true that consumers tend to be comfortable with *10-point* scales; everyone is familiar with the phrase, "On a scale of one to ten, how would you rate . . .?" But NPS uses an *11-point* scale. Why 11 instead of 10? A probable reason is that researchers like to use odd-numbered scales for opinion ratings. This is because odd numbers have a mid-point, which allows respondents to register neutrality. But the mid-point in the NPS scale (5) is not considered neutral; it is in the "detractor" category. Again, NPS focuses on categorical ranges, not specific ratings, so any scale that is used should be examined in the context of the customers' comments to determine the bounds of those ranges.

Modifying the Formula

Another variable that is open for modification is the formula for the net promoter score. The standard calculation – percentage of top-two minus bottom-seven ratings – is based on observation, not dogma. Consumers who are clearly advocates for a company tend to give ratings at the very high end of the scale, while those who are clearly unhappy (and thus, probable detractors) will give ratings from the low end to the middle. However, if observation shows that the distribution of responses varies from this model, then the formula for calculating NPS should reflect that difference. For example, among populations that tend to be more restrained in their rating habits (such as Germans and Japanese), it may be necessary to include the top three or four points in the "promoter" category.

What do companies do when it doesn't make sense to follow the NPS recipe precisely?

Again, the way to determine where these ranges fall is by analyzing the customers' survey comments. An easy technique for doing this is to read the comments without looking at the corresponding ratings. Group them into the three NPS categories based solely on their content and sentiment. Then re-attach the comments to their ratings and see if they fall into clearly identifiable ranges within the scale. The resulting ranges should then be the basis for how the net promoter score is calculated for a specific population or sub-group.

Modifying the Question

A third variable that can be modified is the classic NPS question, "How likely are you to recommend this company to a friend or colleague?" One reason that "likely to recommend" is used rather than, say overall satisfaction, is that it asks customers to imagine themselves as active advocates for the company. In other words, customers are not asked how they *feel*, but rather what they are likely to *do*. This approach is thought to be a better predictor of future action than more passive indicators, like satisfaction.

There are many cases, however, in which this question does not make sense. For example, public utilities, which are monopolies, would not rely on referrals from their ratepayers to grow their business. Since customers of utilities generally have no choice of provider, it would be illogical for them to recommend the local power company or water service.

Nevertheless, organizations of this sort do need to collect feedback from their day-to-day customers, and it may well be advantageous to follow the principles of NPS in designing their feedback program. The customers on the tails of the curve will still be more "energized" than the ones in the middle, and the actions they take – complaints,

> *NPS can and should be modified when the situation calls for it.*

positive word-of-mouth, etc. – might still have an effect on the fortunes of the service provider. The "likely to recommend" question may need to be changed, however, so that it better fits the circumstances. For example, the public utility might ask, "If you had a choice of providers, how likely would you be to stay with our company?"

Finally, there is sometimes a need to lengthen the questionnaire in order to collect information that can be used for deeper diagnostics. For example, a company may wish to better understand NPS findings in the context of customer segmentation. This could require questions regarding demographics, psychographics, usage preferences, tenure with the company, etc. Staying true to the spirit of NPS means keeping it simple, but sometimes a few more questions may add significant value to the survey. The key is not to overdo it – surveys have a tendency to become overlong, creating a burden on both customers and companies.

The popularity of NPS is likely to continue growing, at least for the next few years. Managers appreciate its simplicity and the fact that it is tied to a clear course of action. However, as more and more organizations jump on the NPS bandwagon, there will be an increasing need to modify the approach in order to accommodate different circumstances. So long as the essential ideas behind NPS are kept in place, it is perfectly acceptable to fine-tune the details.

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