

OK is Not Great

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The Net Promoter Score (NPS) can be a dangerous tool. Implicitly ignoring “passives” – those offering a “7” or and “8” on a 10-point scale – the NPS disregards a large segment of the market that is less loyal, more likely to spread negative word of mouth, and more responsive to “cheap delighters” that can enhance loyalty and positive word of mouth.

OK Is Not Great—The Biggest Problem with Net Promoter Scores

Customers who give passive ratings make up a large part of the market. They're not benign and shouldn't be ignored.

By John Goodman, TARP Worldwide

I believe that the Net Promoter Score (NPS) is dangerous because it can distract companies possessing apparently good scores from their biggest single opportunity—those customers who give scores of 7 or 8—what NPS promotes call passive customers. Passives are not passive and are not loyal! I will explain below.

NPS was introduced in 2003 by Frederick Reichheld as “the one number you need to grow” to enhance profitability (“The One Number You Need To Grow,” *Harvard Business Review*, Vol. 81, December, pp. 46-54). Since then, there has been an ongoing debate about the utility of NPS, including a recent article in *Contact Center Pipeline* (“Net Promoter Score: The Reality Behind the Hype,” August 2012). I do not quibble with a willingness to recommend question as a strong indicator of customer loyalty and future repurchase intention. In fact, I first recommended using a willingness to recommend question in place of or as a supplement to a plain satisfaction or repurchase question in *Quality Progress* in May 1992 (“Ineffective—That’s the Problem with Customer Satisfaction Surveys,” by John Goodman and Scott Broetzmann).

There are, however, three difficulties with how the NPS treats those respondents who assign a score of 7 or 8, what Reichheld terms passive or benign. First, they are not benign—they spread negative word of mouth, are less loyal and are much more price sensitive than customers who

assign a 9 or 10 rating. Secondly, they often constitute a large part of the overall customer base and should not be ignored. If you have a strong brand with less than 10% detractors, your biggest opportunity is the passive segment, and NPS, by implication is not very actionable. Third, the passives present a huge opportunity in that there are easy ways to move them up the scale to become advocates. For these three reasons, they should not be ignored, or even called passive.

Passives Are Not Passive

Passives are both significantly less loyal and very likely to spread negative word of mouth. In comparing the word-of-mouth behaviors of those assigning a 7 or 8 on a 10-point scale (or generally a 4 on a 5-point scale, which also constitutes a major part of TARP’s research), I find that passives do indicate they tell several friends and associates about their experience. (TARP is aware that there is a significant debate on the validity of direct translation of 7s and 8s on a 10-point scale to 4s on a 5-point scale. Space does not allow addressing that issue in this article.) The numbers are usually 30% to 50% of the magnitude of those told about very good or very bad experiences but they are still significant contributors to the overall volume of word of mouth being spread about the customer experience.

The ambivalent experience related in passive word of mouth does the company no good and

is usually at best faint praise or actually negative. Think about how you would react if someone came to you and said, “I just went to this restaurant and I’d definitely give it a 7.” What you hear is them saying, “it was barely adequate,” or “they didn’t do a bad job.” Would you rush right out to that restaurant? I think not.

Second, customers who give passive ratings, e.g. 7s and 8s, or a 4 on a 5-point scale, are generally significantly less loyal than those giving a top-box rating. In comparing willingness to repurchase against willingness to recommend, we find that passives are usually 10% to 20% less likely to remain loyal or intend to repurchase. In his analysis of T-Mobile’s market, Bob E. Hayes, president of research and consulting firm Business Over Broadway, writing in a respected market research journal, indicated that 7s and 8s constituted **37%** of the total market. He also shows that their disloyalty (those highly likely to switch) was exactly the same for 7s and 6s and 5s (“Customer Loyalty 2.0,” by Bob E. Hayes, *Quirk’s Marketing Research Review*, October 2008). We usually find that those customers who assign passive ratings have either had some sort of minor question or problem that was not even reported or they have had a completely uneventful transaction with no interaction with employees. As noted further on, these situations can provide a significant opportunity.

Finally, passives tend to be much more price-sensitive. Correlated ratings of satisfaction with price and value for price paid with willingness to recommend show that customers who assign passive scores are significantly more sensitive to price and perceive significantly lower value for price paid. While this might seem tautological, it reinforces the point that “passives” are NOT passive.

Market leaders live and succeed in a top-box world. This correlation of mediocre recommend scores with ambivalence toward repurchase, value and price sensitivity was best characterized by the SVP of a major agricultural equipment company that charges a premium for its products. He said, “When someone gives you a 4 on a 5-point scale, he’s saying, ‘I’ll keep buying your product until someone else offers me a better deal.’” He then went on to say, “We don’t want to compete on price, so a 4 or a 7 (on a 10-point scale) is not acceptable!” Similar views have been

expressed by executives in leading retail, auto and insurance companies, all of whom live in a top-box world.

Passives Are Large Part of the Market: A Major Opportunity

I usually find that 20% to 40% of all respondents end up in the passive category. In most organizations, unless you have a train wreck, the total number of detractors is less than 10%. These detractors are vocal and submit many more complaints. Further, their problems are obvious and judged to be serious, placing the company's reputation and treasure at risk. On the other hand, the passives are often viewed as somewhat satisfied or even satisfied (as opposed to very satisfied). Their situation is not viewed as dire and a lower priority. If, in executing the NPS calculation, you drop out passives, you are ignoring a very significant part of your market.

Further, the passives can be more easily affected. They have not had any serious problems with your product or service though many of them have experienced a minor problem or question. They are the group you are most likely to move to top-box advocacy. This means that provision of a low-effort value-add can potentially move their ratings up to top box. In many cases such a low-effort action is a much more feasible approach to improving scores than assuring that serious problems that result in 6s and below will never occur.

I have found that a range of "cheap delighters" can both enhance ratings and foster positive word of mouth rather than ambivalent or negative word of mouth ("Treat Your Customers as Prime Media Reps," by John Goodman, *BrandWeek*, September 12, 2005, p 16). These delighters can range from transactional convenience and financial discounts to proactive communication and emotional connection (*Strategic Customer Service*, by John Goodman, AMACOM, pp 180-181).

Several examples will illustrate moving passives to raving fans.


- At a major catalog company, when the phone queue is not excessive, customer service reps are instructed to pick a few customers they feel comfortable talking to and 'talk to them about something

other than the transaction." This building of rapport and emotional connection can lead to a 20% to 25% increase in top-box ratings, all for a 90-second investment of talk time.

- Recently, at the O'Hare Airport Starbucks, I asked for a cup of regular coffee and the counter person said with a smile, "I'm just making a new pot so there will be a three-minute wait... but of course it will then be free. Do you mind waiting?" The cost of a cup of regular coffee was minor compared to the increase in my satisfaction. Both of these transactions moved the rating to top box via frontline flexibility and exemplary interactions skills.
- A third example comes from a leading quick-service restaurant chain. They have now hired your grandmother to cruise the dining room topping off sweet tea and interacting with customers. They have found that she can create "micro-bursts of emotional connection" that convert unremarkable transactions into top-box experiences.
- Finally, if you can anticipate the customer's next question or need and proactively deliver it, you move the transaction from uneventful and adequate to dazzling, meriting positive word of mouth. This anticipation and delivery is what we call, "Psychic Pizza"; that is, ringing your door bell and saying, "Here is the pizza you were about to order." The Auto Club of Southern California has achieved significant increases in service ratings by moving 4s to 5s in their road service offering. They have partially achieved this by assuring that the tow truck operator, upon arrival at the broken down car, always offers a cold bottle of water and apologizes for the wait, even when they are early. Again, the cost is minimal and the impact is huge.

Capitalizing on the Passive Opportunity

I recommend four actions to address the pitfall and opportunity of passives identified above.

- First, change the organization's attitude toward the passives—they are not benign and should not be ignored. Stress that they are the biggest single opportunity, usually one-third of your total market.
- Second, create the economic imperative for action by quantifying the size of the opportunity; the monthly incremental revenue value if passives were moved up to top box, the word-of-mouth magnitude and direction and the customers' current sensitivity to price and value for price paid all contribute to this economic imperative.
- Enhance the interaction skills and flexibility of your frontline staff to deal with the top-five minor challenges they encounter so that they can be uniformly successful in handling them and creating "micro-bursts of emotional connection."
- Finally, experiment with "cheap delighters" and "Psychic Pizza" actions that convert the colorless transaction into a remarkable event. These can be simple emotional connections or minor value-adds as previously described. 



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Strategic Customer Service, by John Goodman, summarizes 35 years of TARP's work measuring and managing the customer experience.

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