



All kinds of clever

**Does the Net Promoter Score measure up
as a metric in Higher Education?**

Andrea Jeffreys



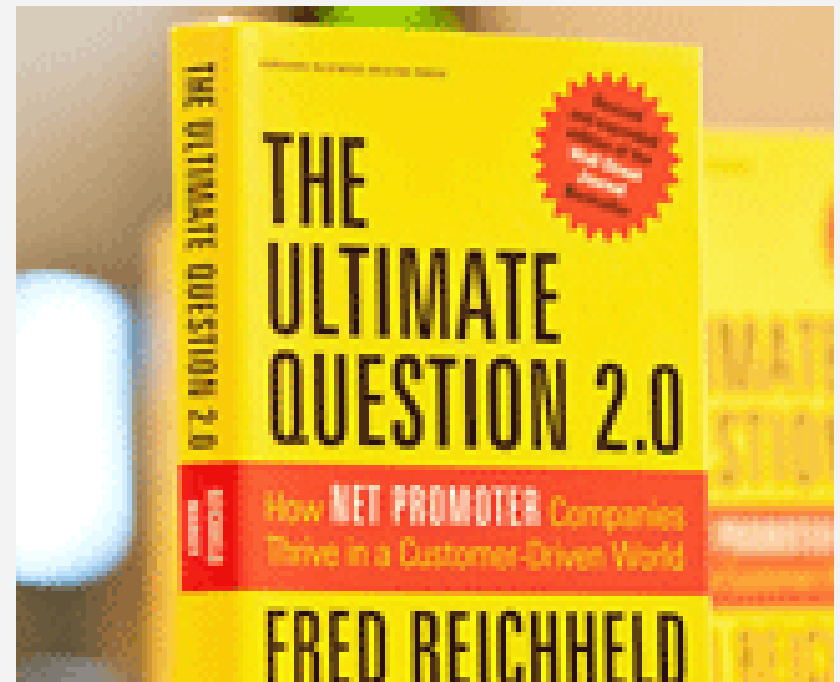
Harvard Business Review

The One Number You Need to Grow

By Frederick F. Reichheld
December 2003



You only have to ask your customers one question “How likely is it that you would recommend our company to a friend or colleague?” The more promoters your company has, the bigger its growth.



Reichheld's methodology and claims

- Research undertaken by Reichheld (Bain & Company) in conjunction with Satmetrix
- Surveyed 4000 consumers in 6 industries
- Asked 20 loyalty based questions
- Built 14 case studies
- Correlated survey questions with repeat purchases or referrals
- ***Found that the 'would recommend question' ranked 1st or 2nd in 11 of the 14 case studies***
- Identified 3 scale clusters: promoters (9/10), passives (7/8), detractors (0-6) based on their predictive capability
- Tracked 400 companies in over 12 industries
- Correlated NPS with revenue growth
- ***Found that the NPS was the best predictor of revenue growth in most industries***
- ***Claimed that the ACSI is a poor predictor of revenue growth***



MAN'S BEST FRIEND

"A dog has no use for fancy cars,
big homes, or designer clothes.
A water logged stick will do just fine.
A dog doesn't care if you're rich or poor,
clever or dull, smart or dumb.
Give him your heart
and he'll give you his.
How many people can you say that about?
How many people can make you feel
rare and pure and special?
How many people can
make you feel extraordinary?"

- John Grogan

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The promoters say...

"The last step is how we measure success, and this is something we've taken across the company called the Net Promoter Score ... We're doing it in commercial finance, consumer finance, healthcare, every business It's not just the kind of metric for the sake of having a metric. It gets embedded into the customer culture in terms of how we interface with customers." (Jeffrey Immelt, 2005, chairman and chief executive officer, General Electric)

"So what's driving growth? ... We measure the customer experience using this thing called the Net Promoter. The higher the score, the more customers are delighted with the product and service experience and would recommend it to a friend ... It's all about Net Promoter" (Steve Bennett, 2005, president and chief executive officer, Intuit)

"All companies should ask their customers what Fred Reichheld calls the ultimate question." (Ken Chenault, 2006, chairman and chief executive officer, American Express)

"There's a book that has really impressed me by Fred Reichheld called The Ultimate Question that seems quite plausible. And it's that you count your net promoters." (David Chidester, 2006, senior vice president of finance, Overstock.com)

"Less than three years after its inception, one of the most provocative marketing ideas since 'The Tipping Point' is well, hitting the tipping point. General Electric, American Express and Microsoft have all adopted the metric The so called Net Promoter Score is even being reported to investors." (Advertising Age, 2006)

How the NPS is being used



- Customers giving the highest rating to their rental experience are three times more likely to rent again than those giving the second highest rating
- Increase NPS by understanding and resolving issues (passives / detractors)
- Field managers ineligible for promotion unless their branch or group of branches exceeds the companies average NPS scores
- Achieved greater growth relative to competitors

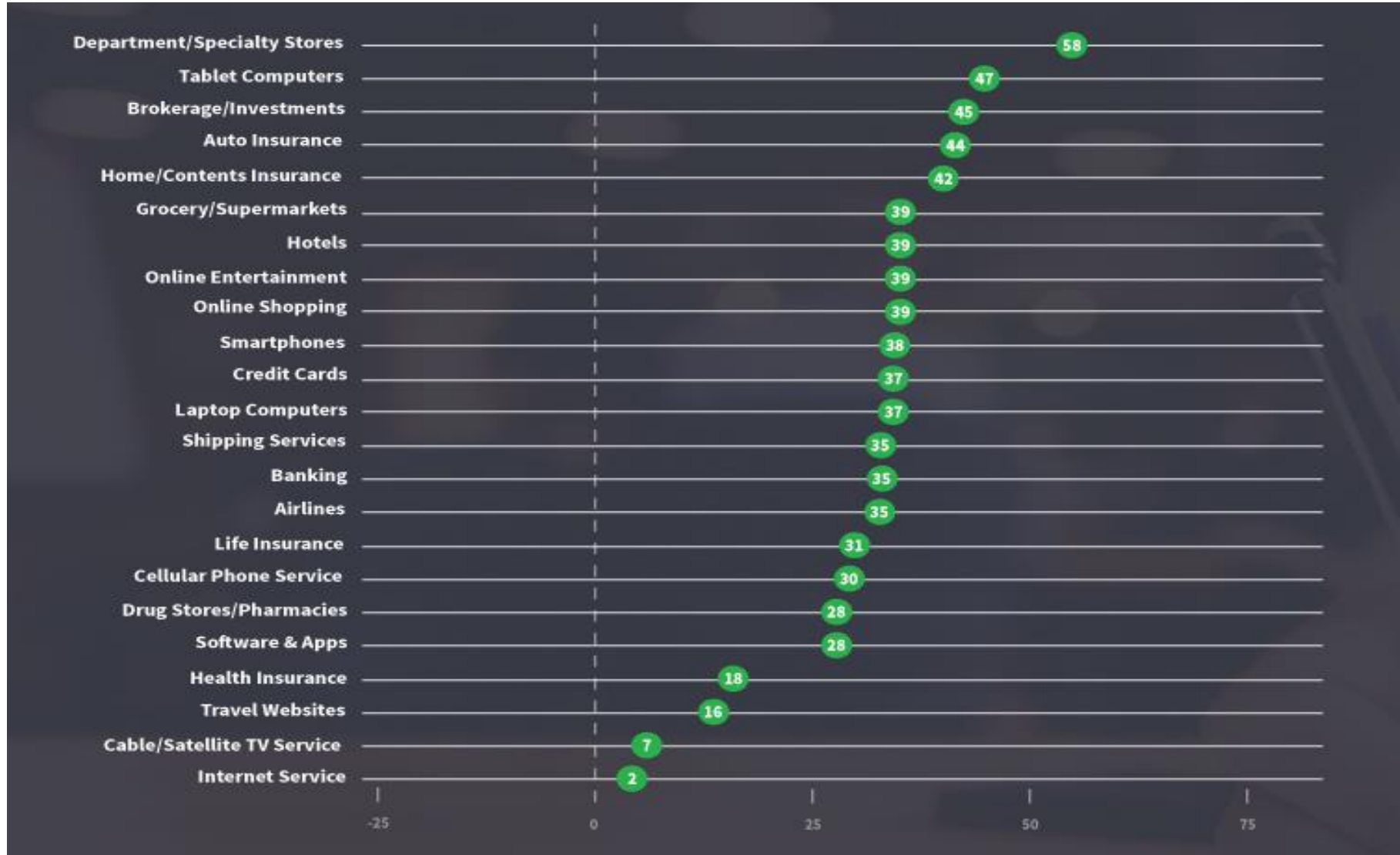


- Customers surveyed after every transaction; individual results sent direct to employee; consolidated results made available via an online dashboard
- Frontline staff contact customers to understand issues; resolve or escalate
- Benchmark individual operating enterprises (OEs) with competitors
- Best in class OEs increase revenue significantly faster than OEs below rivals

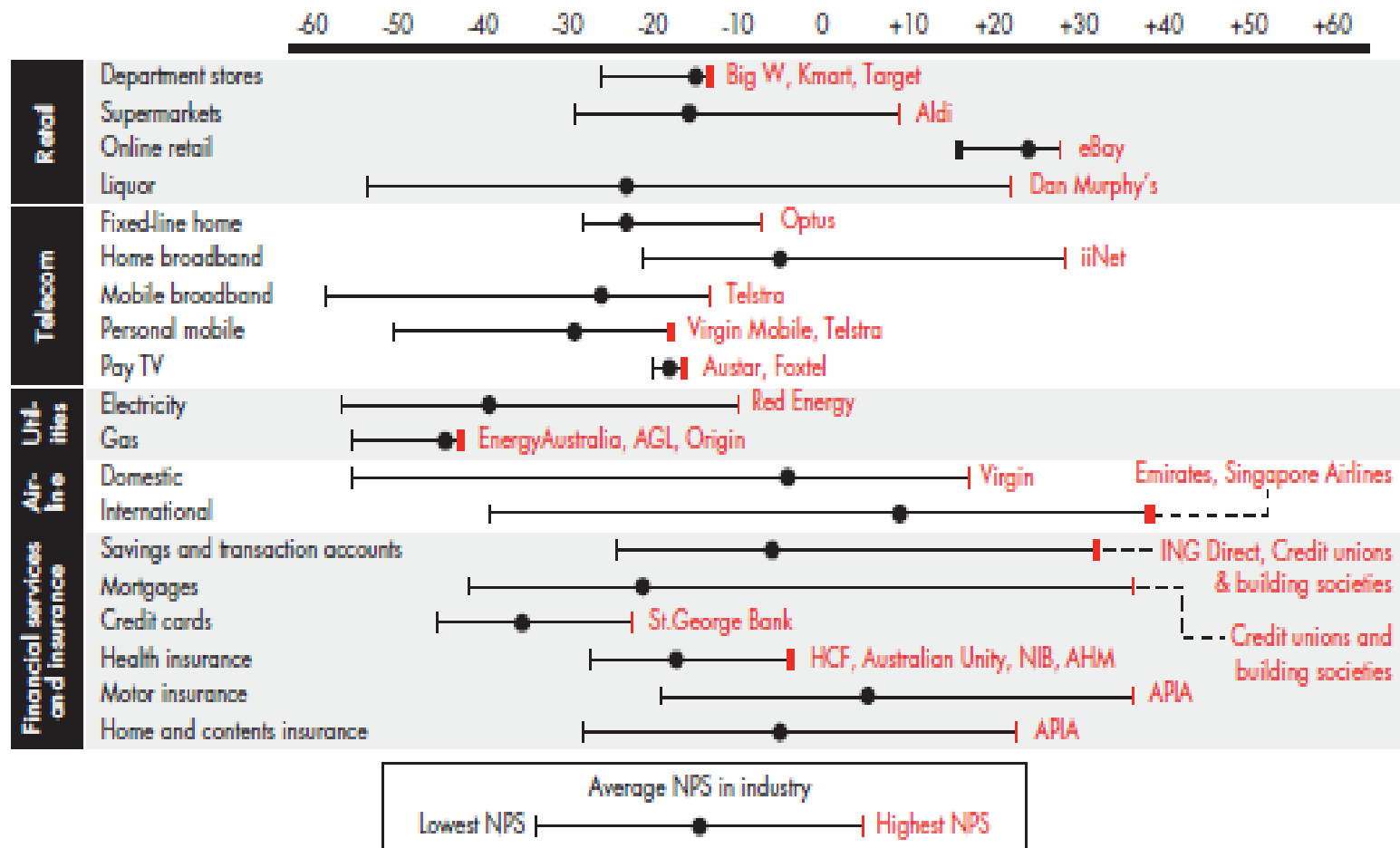


- Requests for card replacements unresolved at around twice the rate of other call center requests and often these customers the highest spenders
- NPS ratings of card members experiencing replacement delays on average one third lower than those not requiring a replacement card
- Introduced new card replacement protocols; raised first call resolution rates by 20%; raised NPS of these customers to parity

Net Promoter Score by Industry



Industries show a wide range of Net Promoter Scores

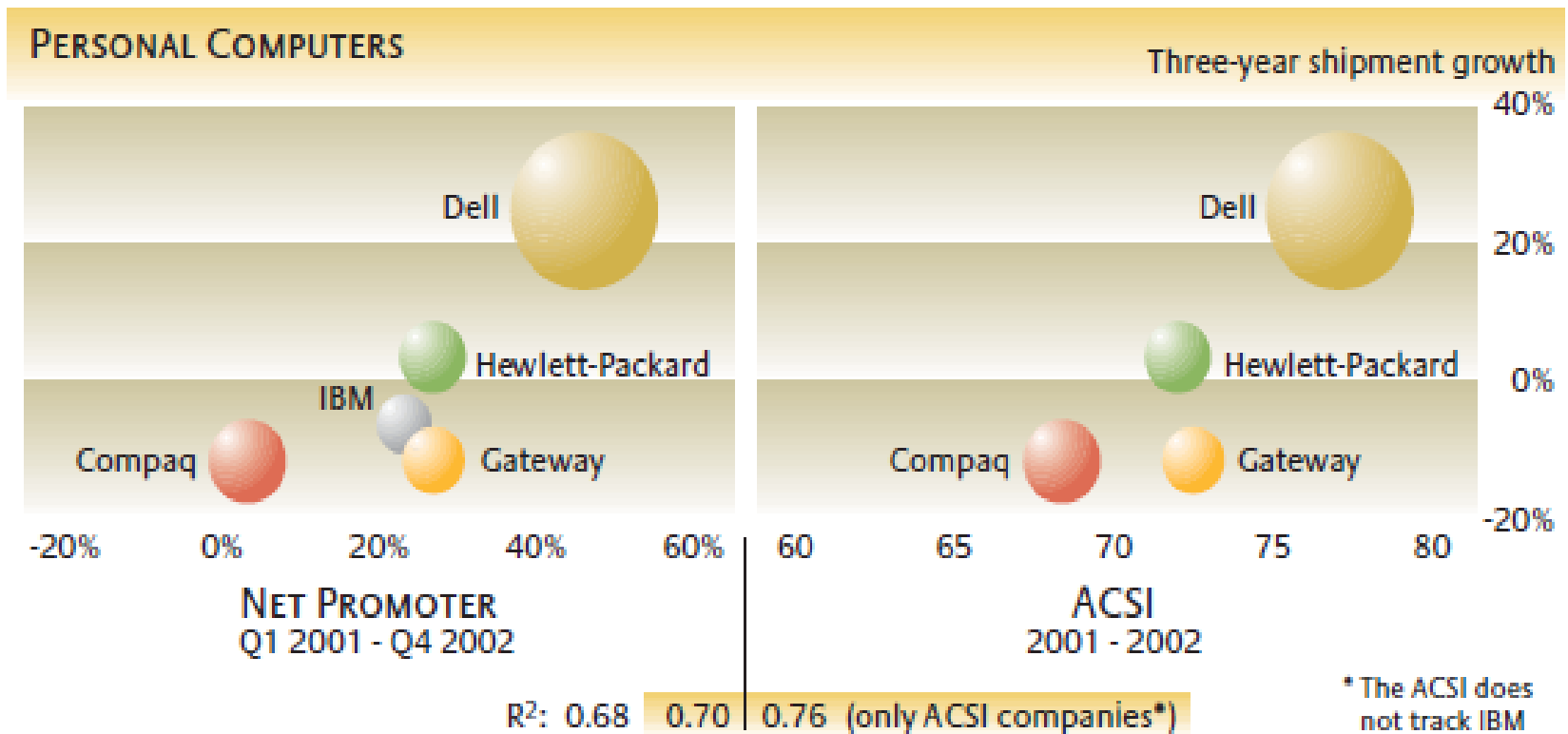


The detractors say...

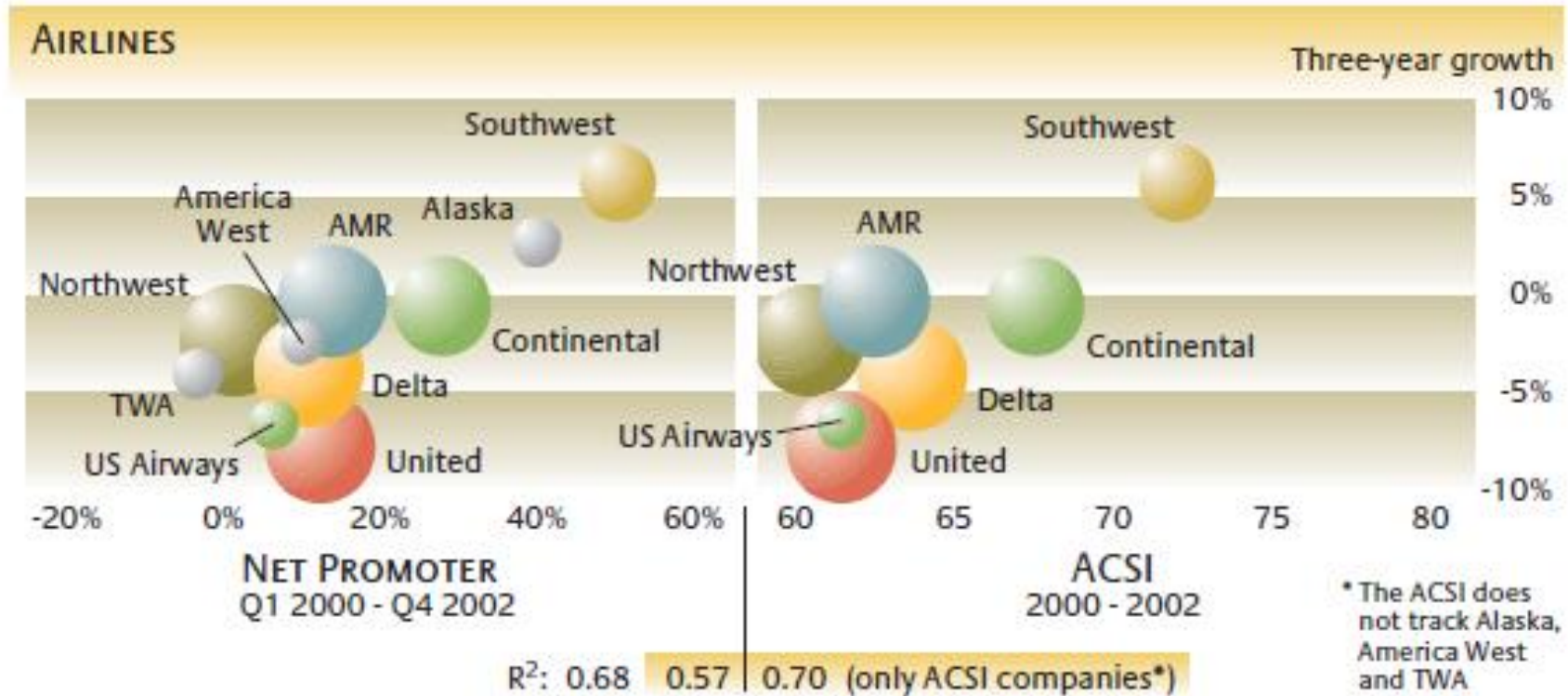
- Robustness: sensitivity of the NPS during the research
 - NPS is sensitive to sample size and distribution
 - Differences in gender – women more likely to promote
 - Demographic and cultural differences influence the way in which a rating scale is used; disagreeing response tendency
 - Validity: ability of the NPS to measure what it claims
 - Grouping into detractors, passives and promoters is not reflecting loyalty - shows a poor correlation between intention to switch supplier
 - One variable does not predict more than 20% of variation, dual or multi-variable models are better predictors
 - Reliability: precision of the NPS relative to other metrics
 - Discarding 16% - 63% of collected data by excluding passives
 - Not including a 'no' category lowers the measure
 - NPS performs no better than other loyalty or satisfaction metrics when correlated with revenue growth; significant variation by industry
- Conceptual and empirical studies 2007-2014
 - Keiningham, Aksoy, Cooil, Andreassen & Williams
 - Kristensen & Eskildsen
 - Pollack & Alexandrov
 - Grisaffe
 - Kirby & Samson



Company growth correlated with the NPS and ACSI



Company growth correlated with the NPS and ACSI



“Too many of today’s satisfaction survey processes yield complex information that’s months out of date by the time it reaches frontline managers” (Reichheld, 2003)

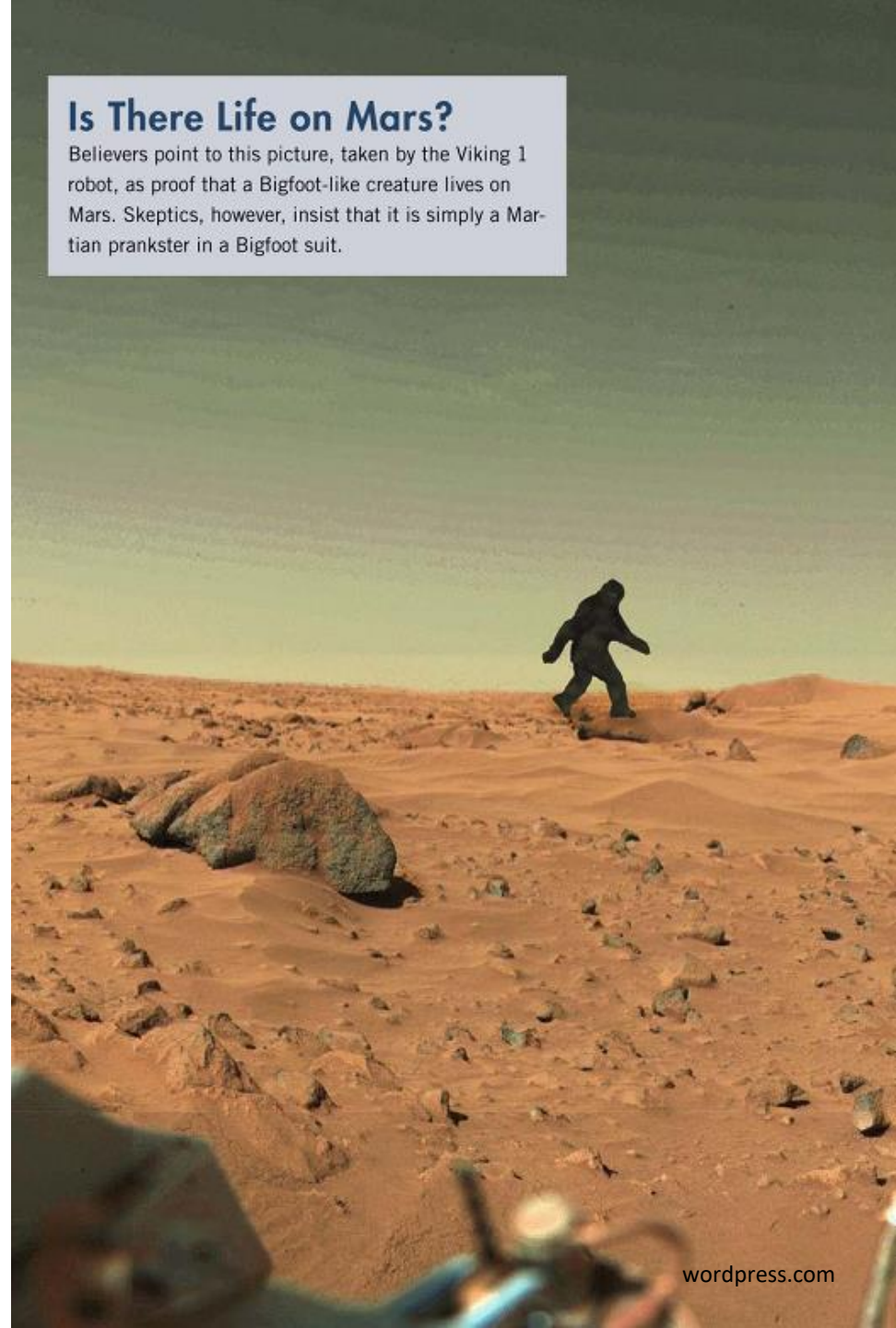
“These practical leaders have little interest in advanced statistical methods. Frankly, we see little value in continued debate about cause versus correlation, timeframes or statistical methods” (Reichheld, 2006)

“I’ve read that NPS is too simple I’ve read NPS doesn’t paint an accurate enough picture of who brand advocates or detractors are While vigorous measurement is required and root cause analysis needs to occur the information you get from a net promoter score is a good proxy into how that revenue is being generated” (CEO Charles Schwab & Co., 2008)

Wouldn’t it be “just a bunch of nerds at universities who care about those technicalities” (anonymous cited in Kirby & Samson, 2008)

Is There Life on Mars?

Believers point to this picture, taken by the Viking 1 robot, as proof that a Bigfoot-like creature lives on Mars. Skeptics, however, insist that it is simply a Martian prankster in a Bigfoot suit.



Higher Education



Transferability of the NPS:

- Not for profits do not primarily aim to achieve profit
- Students are not consumers in the classical sense
- A positive reputation is important
- Repurchases are less important
- Direct experiences are important for influencing indirect experiences and long term loyalty (alumni, sponsors, supporters)
- A good relationship is important to achieve goals regardless of the industry

Schmatz, R., Wolf, G., & Landmann, M., (2015), Students as customers: The Net Promoter Score as a measure of satisfaction and loyalty in higher education, proceedings of the EAIR 37th Annual Forum in Krems, Austria

Case Study: The University of Cologne

- NPS questions added to the First-Year Student Survey: would recommend question and open ended question outlining the reasons
- 1,981 students surveyed in June 2015, 309 responses, 208 full survey
- NPS correlated well with existing first year student satisfaction metric
- Largest cohort is the passives (36.1%), then promoters (34.2%), then detractors (29.7%). **NPS = 4.5**
- Detractors commonly cite lack of information, lack of organisation / inefficient systems, feeling of anonymity
- Passives commonly cite the above plus dissatisfaction with their course
- Promoters are happy with their course, perceive a positive atmosphere, engage in extracurricular activities and spread positive word of mouth
- Plan to repeat and extend the NPS to graduate tracer studies, and link to other measures to better assess the usefulness of the NPS

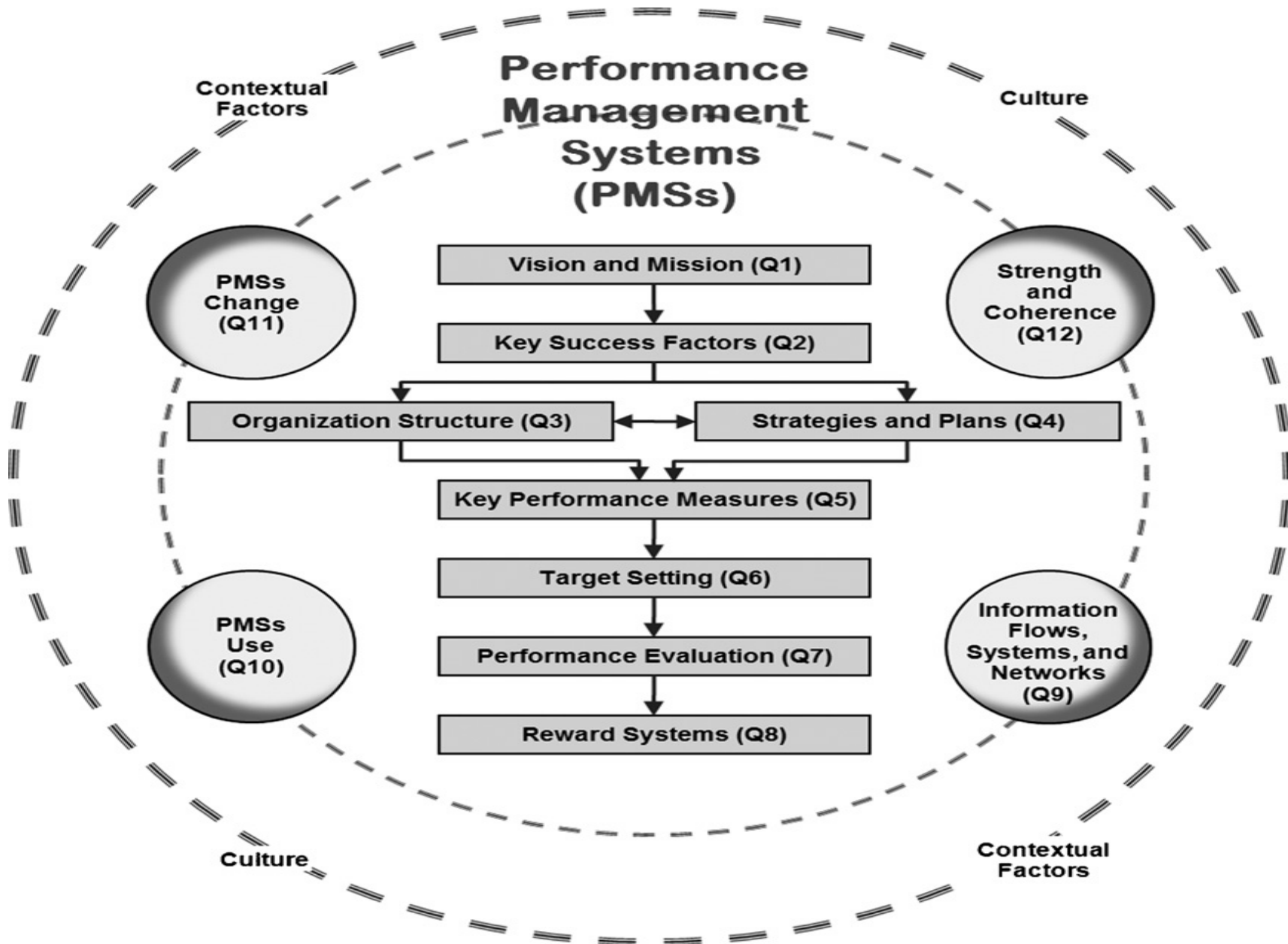
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Case Study

La Trobe University

- Disposition survey launched in 2016
- Always open, sample sent out weekly
- Tracks student satisfaction and advocacy with key elements of LTU
- Monitor NPS, key academic, service and facilities metrics
- Dashboard reporting with drill down
- Reason for the advocacy rating captured





Measuring what Matters

- Simple to measure and understand
- Agreed definitions
- Evidence and performance based
- Accountability / ownership
- Comparable
- Reflect strategic priorities

There is nothing so useless as doing efficiently that which should not be done at all – Peter Drucker



Would you recommend

this metric?

Thank you



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