



**INSIGHT REPORT**

# **Economics of Net Promoter Score, 2017**

**LOYALTY LEVELS OF PROMOTERS, DETRACTORS, AND PASSIVES ACROSS 20 INDUSTRIES**

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## EXECUTIVE SUMMARY

Net Promoter® Score (NPS®) is a popular metric that companies use to analyze their customer experience efforts. But how does this metric actually relate to loyalty? To uncover the relationship between NPS and loyalty, we asked 10,000 U.S. consumers to give an NPS to 331 companies across 20 industries, and we then looked at how this score correlated with four key loyalty behaviors. Here are some highlights from this research:

- Compared to detractors, promoters are over four times more likely to repurchase from a company, over five times more likely to forgive a company if it makes a mistake, over seven times more likely to try new offerings from a company, and almost five times more likely to trust a company.
- We performed a detailed analysis of the loyalty data for promoters, passives, and detractors across 20 different industries: airlines, auto dealers, banks, computer and tablet makers, credit card issuers, fast food chains, health plans, hotels and rooms, insurance carriers, investment firms, parcel delivery services, rental car and transport agencies, retailers, software firms, streaming media services, supermarkets, TV and Internet service providers, TVs and appliance makers, utilities, and wireless carriers.
- Ultimately, if a company wants to benefit from using NPS as a key metric, it must focus on improving customer experience, not obsessing over the metric itself.

## PROMOTERS ARE MORE LOYAL THAN PASSIVES OR DETRACTORS

Many companies use “likelihood-to-recommend” as a key metric for measuring their customer experience efforts.<sup>1</sup> One of the most popular incarnations of this metric is Net Promoter Score (NPS), which is derived from asking customers:<sup>2</sup>

*How likely are you to recommend <COMPANY> to friends and relatives?*

Companies ask their customers to select a response from 0 (not at all likely) to 10 (extremely likely) and then use the NPS methodology to group responses into one of three categories:

- *Detractor:* Gives a score between 0 and 6
- *Passive:* Gives a score of 7 or 8
- *Promoter:* Gives a score of 9 or 10

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<sup>1</sup> In a survey of 183 companies with revenues of \$500 million or more, we found that 85% use a likelihood to recommend metric. See the Temkin Group Insight Report, “The State of CX Metrics, 2016,” (December 2016).

<sup>2</sup> Net Promoter Score, Net Promoter, and NPS are registered trademarks of Bain & Company, Satmetrix Systems, and Fred Reichheld.

To understand how NPS relates to customer loyalty, we examined the NPS of 331 companies across 20 industries based on feedback from 10,000 U.S. consumers.<sup>3</sup> We specifically looked at three key loyalty behaviors – how likely customers are to repurchase from a company, how likely they are to forgive a company if it makes a mistake, and how likely they are to try a new company offering – along with whether or not they have actually recommended a company to friends and relatives. When we compared the behaviors of promoters versus the behavior of detractors, we found that:

- **NPS correlates to future purchase plans.** To determine the relationship between NPS and how likely customers are to repurchase, we first took each individual company's NPS and subtracted it from the average NPS of its industry. We then subtracted the likelihood of an individual company's customers to repurchase from the industry repurchase average and looked at the correlation between those two numbers (see Figure 1). Through this analysis, we found that the two datasets are highly correlated, with a Pearson correlation coefficient of .80.
- **Promoters are more valuable customers.** Compared with detractors, promoters are more than four times as likely to repurchase from a company, more than five times as likely to forgive it if it makes a mistake, more than seven times as likely to try new offerings from the company, and almost five times as likely to trust the company (see Figure 2). And when we looked at how loyalty changes across the NPS 10-point scale, we found that loyalty begins to increase sharply for consumers who give the company a score of six or more.

## LOYALTY OF PROMOTERS, PASSIVES, AND DETRACTORS ACROSS 20 INDUSTRIES

We examined how loyalty behaviors differ between promoters and detractors across 20 industries and found that (see Figure 3):

- **Computer & tablet makers providers have the largest repurchase differential.** We looked at how likely promoters are to repurchase from a company versus how likely detractors are to repurchase from a company and found that the difference between these two groups ranges from 78 percentage-points for computers and tablet makers down to 54 percentage-points for software firms.
- **Computer & tablet makers, airlines, and utilities have the largest forgiveness differential.** We looked at how likely promoters are to forgive a company if it makes a mistake versus how likely detractors are to forgive a company and found that the difference between these two groups ranges from 63 percentage-points for computer and tablet makers, airlines, and utilities down to 50 percentage-points for software firms.
- **Airlines and rental cars have the largest new product appetite differential.** We looked at how likely promoters are to try new products versus how likely detractors are to try new products and found that the difference between these two groups

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<sup>3</sup> Data come from the Temkin Group Q1 2017 Consumer Benchmark Survey, which was an online study of 10,000 U.S. consumers conducted during January 2017. Survey respondents were representative of the U.S. Census based on quotas for age, income, ethnicity, and geographic region. To see NPS for individual companies, download Temkin Group Insight Report, "Net Promoter Benchmark Study, 2016," (October 2016).

ranges from 64 percentage-points for airlines and rental cars down to 48 percentage-points for banks.

- **Computer & tablet makers have the largest trust differential.** We looked at how likely promoters are to trust a company versus how likely detractors are to trust a company and found that the difference between these two groups ranges from 74 percentage-points for computer and tablet makers down to 56 percentage-points for software firms.

## **NPS Loyalty Details for 20 Industries**

We evaluated the loyalty of consumers for each of the 20 industries (see Figures 4, 5, 6, and 7).<sup>4</sup> Here's what we found:

- **Airlines.** Compared with detractors, airline promoters are 4.3 times more likely to repurchase from the airline, 7.5 times more likely to try a new offering right away, and 6.3 times more likely to forgive the airline if it makes a mistake. They are also 5.6 times more likely to trust the airline. Out of all the industries we looked at, airlines tied for having the highest percentage of both passives (40%) and promoters (75%) who say that they are likely to try a new offering from the airline.
- **Auto dealers.** Compared with detractors, auto dealership promoters are 5.4 times more likely to repurchase from the auto dealer, 7.2 times more likely to try a new offering right away, and 6.2 times more likely to forgive the auto dealer if it makes a mistake. They are also 4.9 times more likely to trust the auto dealer.
- **Banks.** Compared with detractors, bank promoters are 4.6 times more likely to repurchase from the bank, 13.0 times more likely to try a new offering right away, and 6.0 times more likely to forgive the bank if it makes a mistake. They are also 4.5 times more likely to trust the bank. Of all the industries we looked at, the banking industry tied for having the lowest percentage of passives who say they are likely to repurchase from the company, with only 53% saying they would. Banks also have the lowest percentage of detractors (4%), passives (21%), and promoters (52%) who say they would likely try a new offering from the company.
- **Computer and tablet makers.** Compared with detractors, computer and tablet maker promoters are 5.9 times more likely to repurchase from the maker, 7.3 times more likely to try a new offering right away, and 6.7 times more likely to forgive the maker if it makes a mistake. They are also 5.9 times more likely to trust the computer and tablet maker.
- **Credit card issuers.** Compared with detractors, credit card promoters are 4.8 times more likely to repurchase from the credit card issuer, 9.7 times more likely to try a new offering right away, and 6.4 times more likely to forgive the issuer if it makes a mistake. They are also 4.9 times more likely to trust the credit card issuer.
- **Fast food chains.** Compared with detractors, fast food promoters are 3.3 times more likely to repurchase from the restaurant, 7.1 times more likely to try a new offering right away, and 5.3 times more likely to forgive the fast food restaurant if it makes a

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<sup>4</sup> Please note that the numbers in the text are correct; however, due to rounding error, they may not match calculations you perform yourself based on the numbers given in Figures 6 through 10.

mistake. They are also 4.6 times more likely to trust the restaurant. Out of all the industries we looked at, fast food chains tied for having the highest percentage of promoters who say they are likely to repurchase from the company, with 96% saying they would.

- **Health plans.** Compared with detractors, health plan promoters are 4.6 times more likely to repurchase from the health plan, 6.9 times more likely to try a new offering right away, and 5.8 times more likely to forgive the health plan if it makes a mistake. They are also 4.9 times more likely to trust the plan.
- **Hotels and rooms.** Compared with detractors, hotel and rooms promoters are 4.7 times more likely to repurchase from the hotel, 6.1 times more likely to try a new offering right away, and 5.1 times more likely to forgive the hotel if it makes a mistake. They are also 5.2 times more likely to trust the hotel.
- **Insurance carriers.** Compared with detractors, insurance carrier promoters are 5.1 times more likely to repurchase from the insurer, 8.6 times more likely to try a new offering right away, and 7.2 times more likely to forgive the insurer if it makes a mistake. They are also 4.6 times more likely to trust the insurance carrier. Of all the industries we looked at, insurance carriers have the highest percentage of passives (56%) and tied for having the highest percentage of promoters (91%) who have actually recommended an insurer.
- **Investment firms.** Compared with detractors, investment firm promoters are 5.5 times more likely to repurchase from the firm, 9.7 times more likely to try a new offering right away, and 6.6 times more likely to forgive the investment firm if it makes a mistake. They are also 5.1 times more likely to trust the firm. Of all the industries we looked at, investment firms tied for having the highest percentage of promoters who have actually recommended the company, with 91% saying they have.
- **Parcel delivery services.** Compared with detractors, parcel delivery service promoters are 3.6 times more likely to repurchase from the service, 9.3 times more likely to try a new offering right away, and 4.4 times more likely to forgive the parcel delivery service if it makes a mistake. They are also 4.4 times more likely to trust the parcel delivery service.
- **Rental car and transport agencies.** Compared with detractors, rental car and transport agency promoters are 4.8 times more likely to repurchase from the agency, 7.4 times more likely to try a new offering right away, and 6.3 times more likely to forgive the agency if it makes a mistake. They are also 5.7 times more likely to trust the rental car and transport agency.
- **Retailers.** Compared with detractors, retail promoters are 3.2 times more likely to repurchase from the retailer, 7.3 times more likely to try a new offering right away, and 5.0 times more likely to forgive the retailer if it makes a mistake. They are also 4.4 times more likely to trust the retailer.
- **Software firms.** Compared with detractors, software firm promoters are 2.7 times more likely to repurchase from the firm, 3.6 times more likely to try a new offering right away, and 3.2 times more likely to forgive the software firm if it makes a mistake. They are also 3.2 times more likely to trust the firm. Of all the industries we looked at, software firms have the lowest percentage of promoters who say they are likely to repurchase from the company, with only 86% saying they would. The industry also

has the highest percentage of detractors (20%) and tied for having the highest percentage of passives (40%) who say they would try a new offering from the firm.

- **Streaming media services.** Compared with detractors, streaming media service promoters are 4.3 times more likely to repurchase from the service, 6.2 times more likely to try a new offering right away, and 5.5 times more likely to forgive the service if it makes a mistake. They are also 4.9 times more likely to trust the streaming media service.
- **Supermarkets.** Compared with detractors, supermarket promoters are 2.7 times more likely to repurchase from the supermarket, 7.1 times more likely to try a new offering right away, and 5.1 times more likely to forgive the supermarket if it makes a mistake. They are also 3.9 times more likely to trust the supermarket. Out of all the industries we looked at, supermarkets have the highest percentage of detractors (35%), passives (71%), and tied for having the highest percentage of promoters (96%) who say they are willing to repurchase from the company.
- **TV and Internet service providers.** Compared with detractors, TV and Internet service provider promoters are 6.9 times more likely to repurchase from the provider, 10.0 times more likely to try a new offering right away, and 6.9 times more likely to forgive the provider if it makes a mistake. They are also 7.1 times more likely to trust the TV and Internet service provider. Of all the industries we looked at, TV and Internet service providers have the lowest percentage of detractors (13%) and tied for having the lowest percentage of passives (53%) who say they are likely to repurchase from the company. The industry also has the lowest percentage of passives who say they would forgive the company if it made a mistake, with only 30% of them saying they would. Additionally, TV and Internet service detractors (12%) and passives (40%) are the least likely to have actually recommended a provider to a friend or relative.
- **TV and appliance makers.** Compared with detractors, TV and appliance maker promoters are 5.7 times more likely to repurchase from the maker, 6.6 times more likely to try a new offering right away, and 5.5 times more likely to forgive the maker if it makes a mistake. They are also 5.8 times more likely to trust the TV and appliance maker. Out of all the industries we looked at, TV and appliance makers tied for having the highest percentage of promoters who say they are likely to try new offerings, with 75% saying they would.
- **Utilities.** Compared with detractors, utility promoters are 3.7 times more likely to repurchase from the utility company, 6.8 times more likely to try a new offering right away, and 5.9 times more likely to forgive the utility if it makes a mistake. They are also 4.9 times more likely to trust the utility. Of all the industries we looked at, utilities has the highest percentage of promoters who are likely to forgive a company if it makes a mistake, as 77% say they would. The industry also has the lowest percentage of detractors (12%) who say they have actually recommended the company to a friend or relative.
- **Wireless carriers.** Compared with detractors, wireless carrier promoters are 5.1 times more likely to repurchase from the carrier, 6.7 times more likely to try a new offering right away, and 6.9 times more likely to forgive the carrier if it makes a mistake. They are also 6.2 times more likely to trust the wireless carrier.

## FOCUS ON CUSTOMER EXPERIENCE, NOT A METRIC

How can companies improve their NPS? By focusing on customer experience. Our research shows a very strong correlation exists between customer experience and NPS (see Figure 8). We found a tight connection between NPS and each of the three components of customer experience – *success*, *effort*, and *emotion* (see Figure 9). And although any company can improve narrow segments of its customer experience, creating lasting differentiation requires more than just strong ambitions and superficial changes.

Our research shows that long-term success requires companies to build and sustain four customer experience competencies (see Figure 10):<sup>5</sup>

- **Purposeful Leadership:** Leaders operate consistently with a clear set of values.
- **Compelling Brand Values:** Brand promises drive how the organization treats customers.
- **Employee Engagement:** Employees are aligned with the goals of the organization.
- **Customer Connectedness:** Customer insights are infused across the organization.

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<sup>5</sup> See the Temkin Group Insight Report, “The Four Customer Experience Core Competencies,” (April 2017).

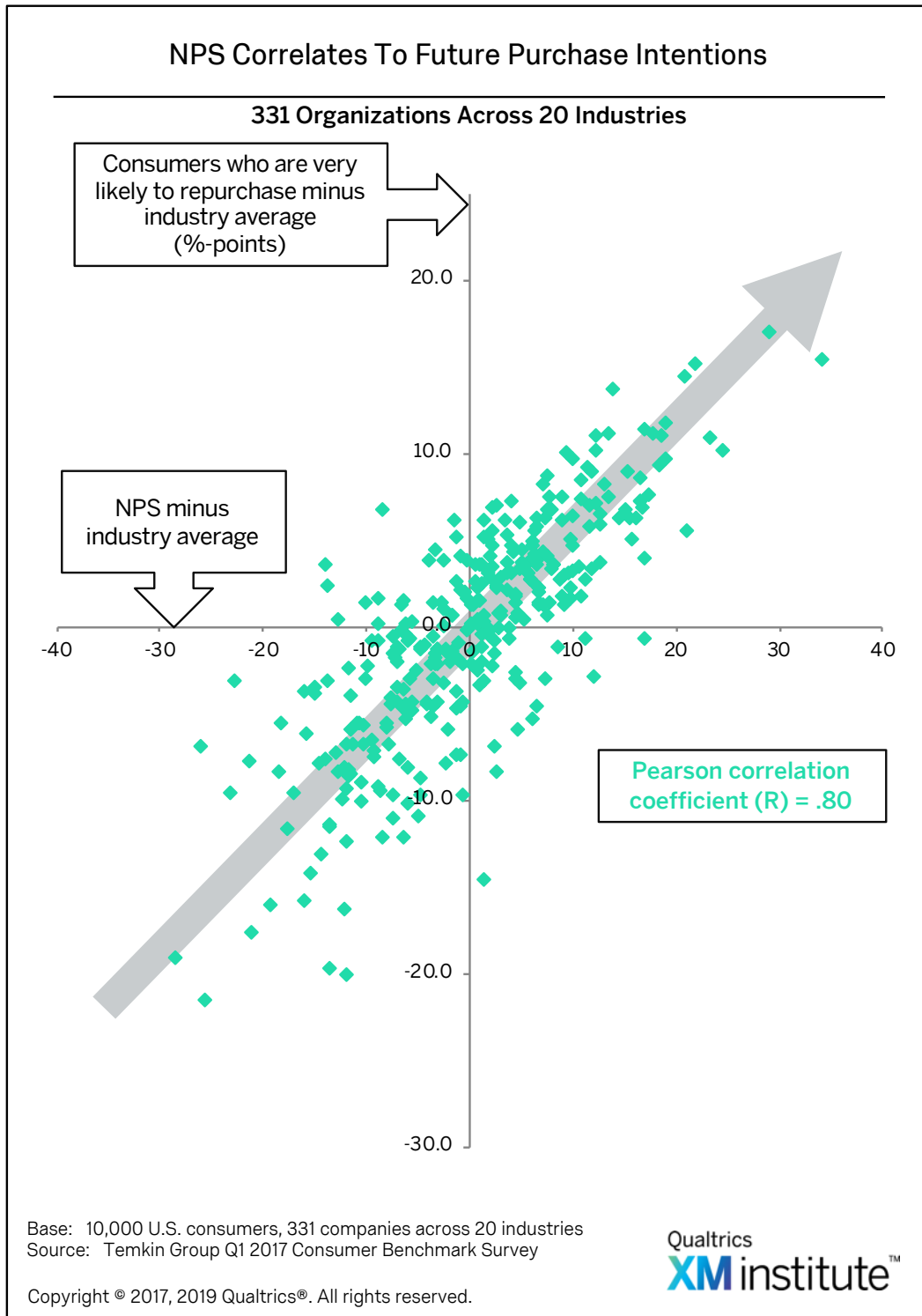


Figure 1



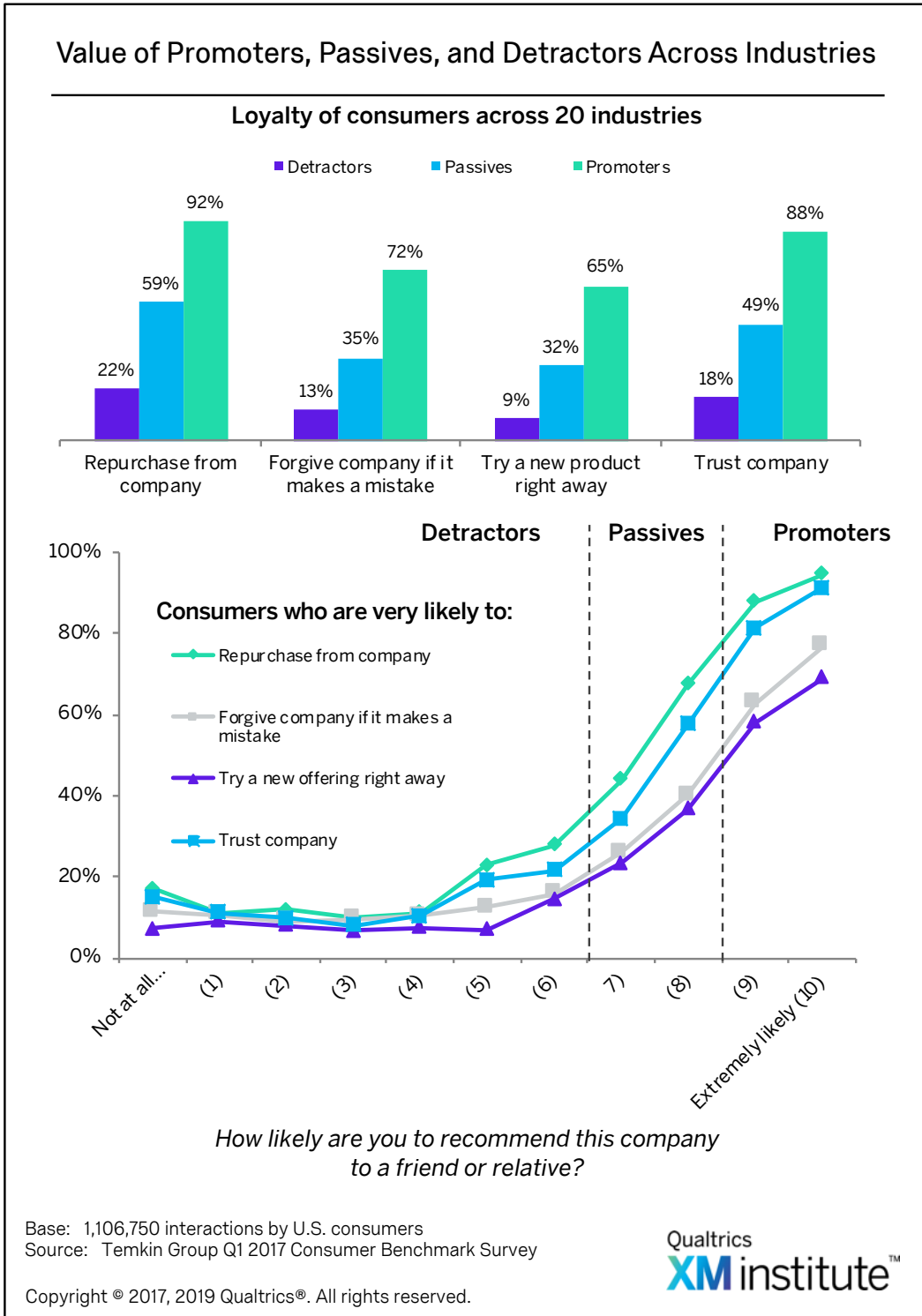


Figure 2

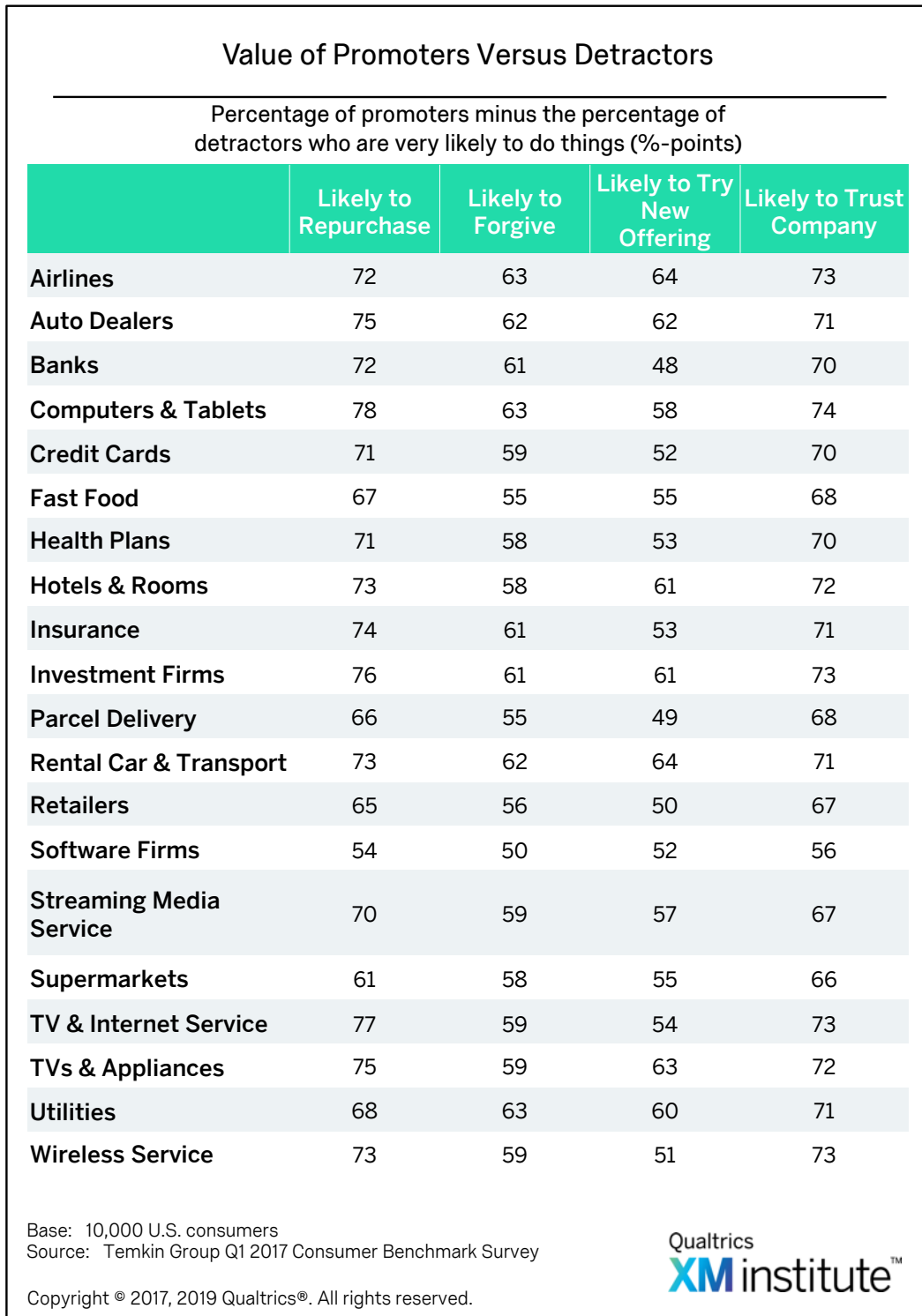


Figure 3

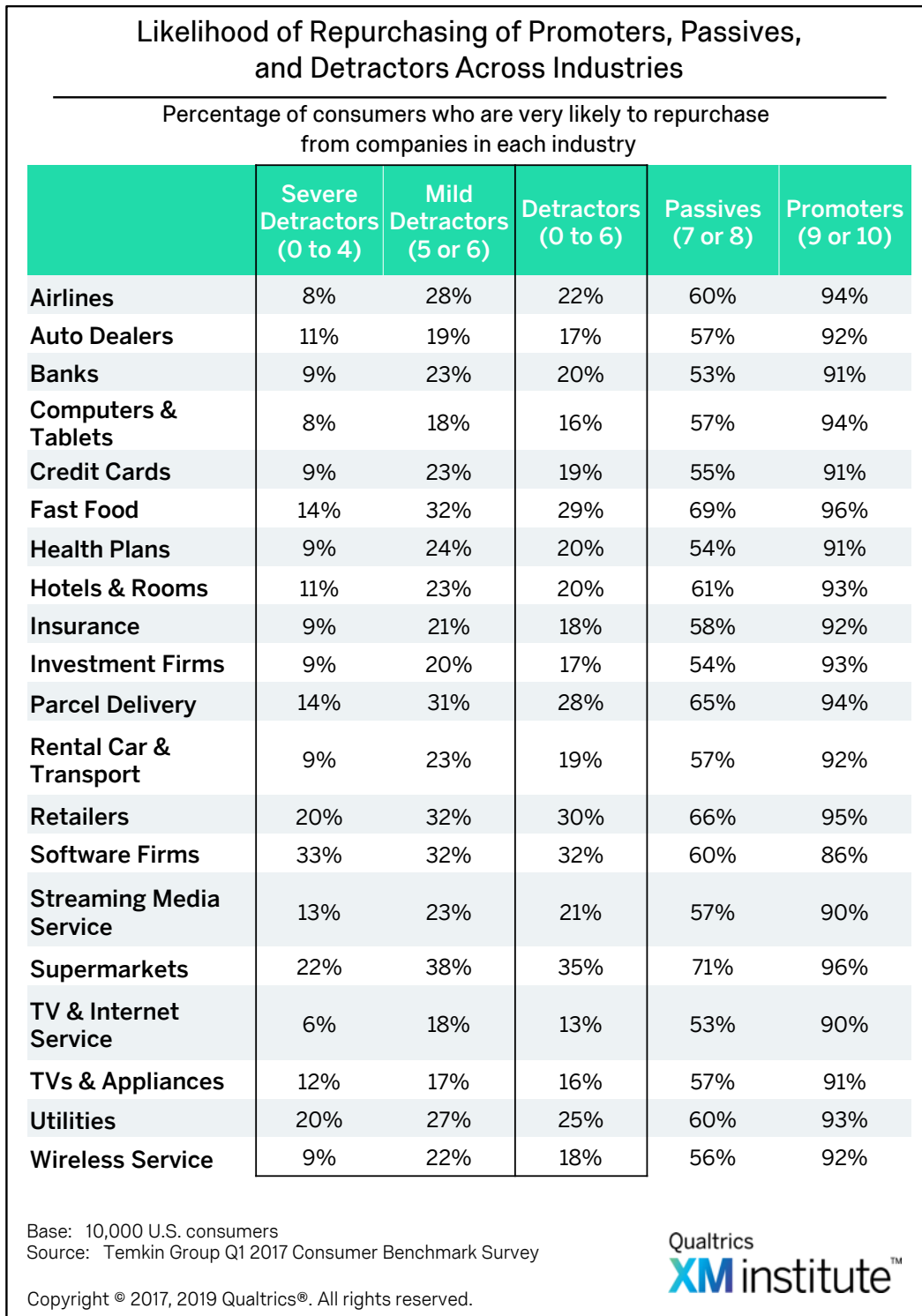


Figure 4

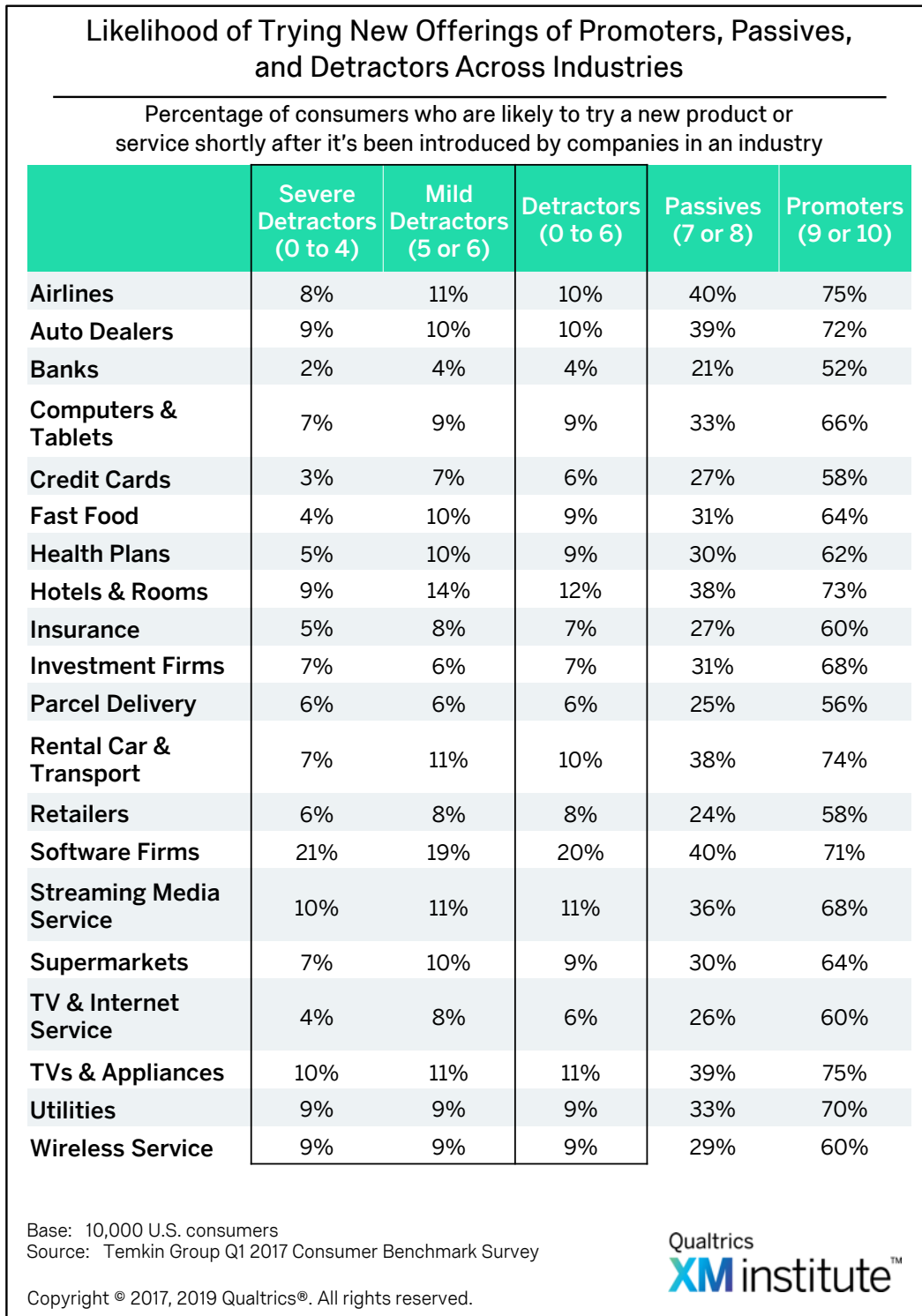


Figure 5

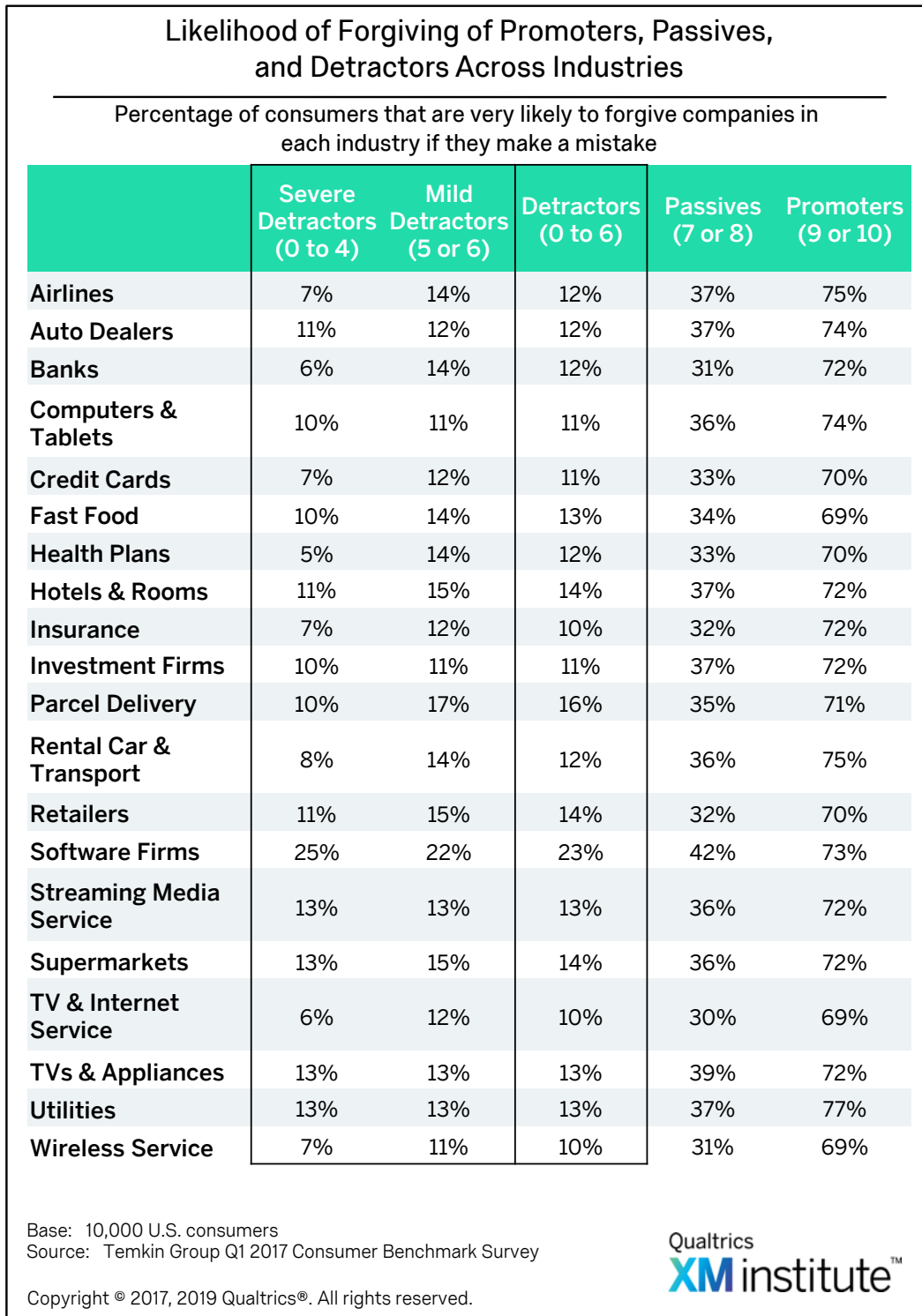


Figure 6

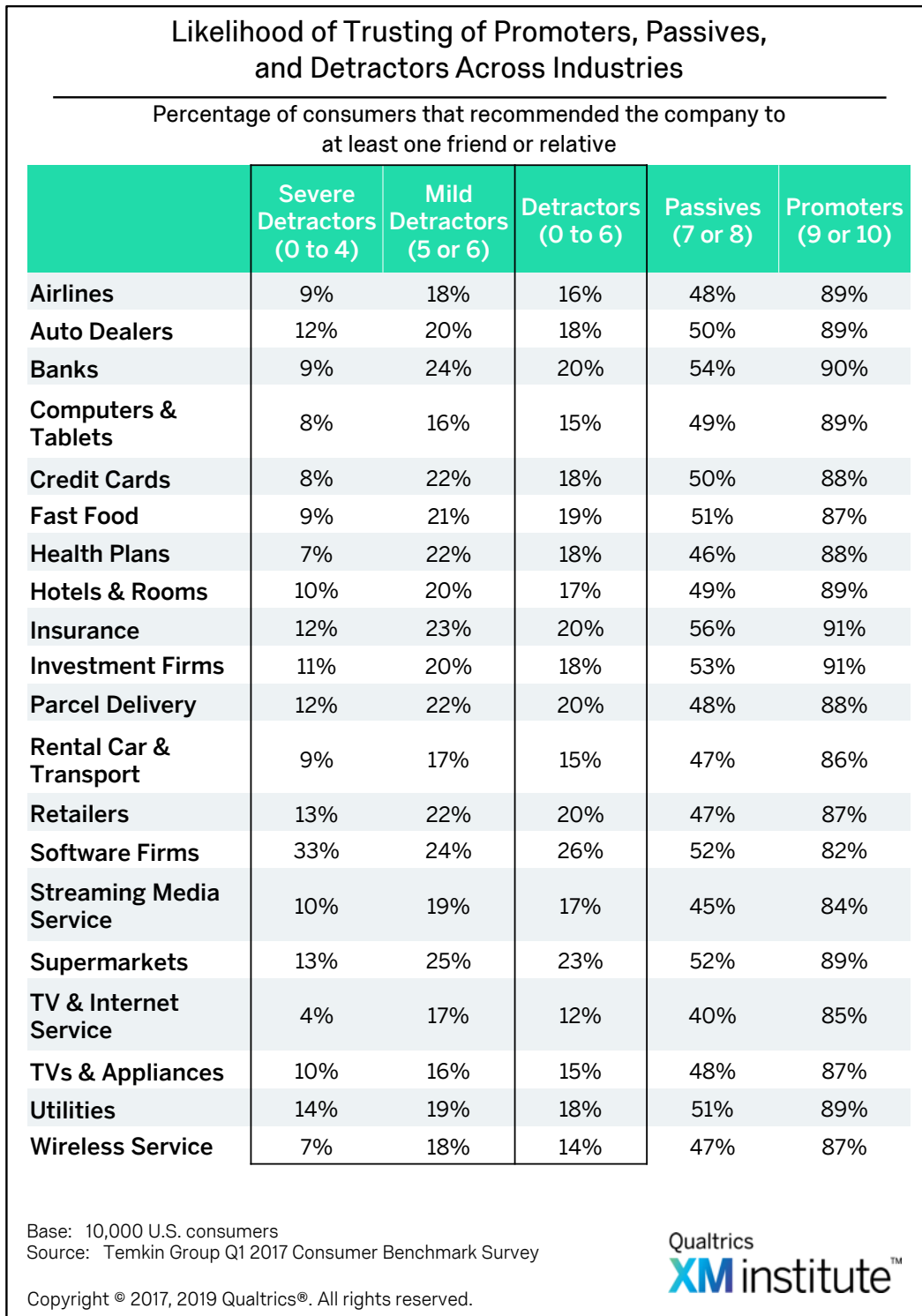


Figure 7

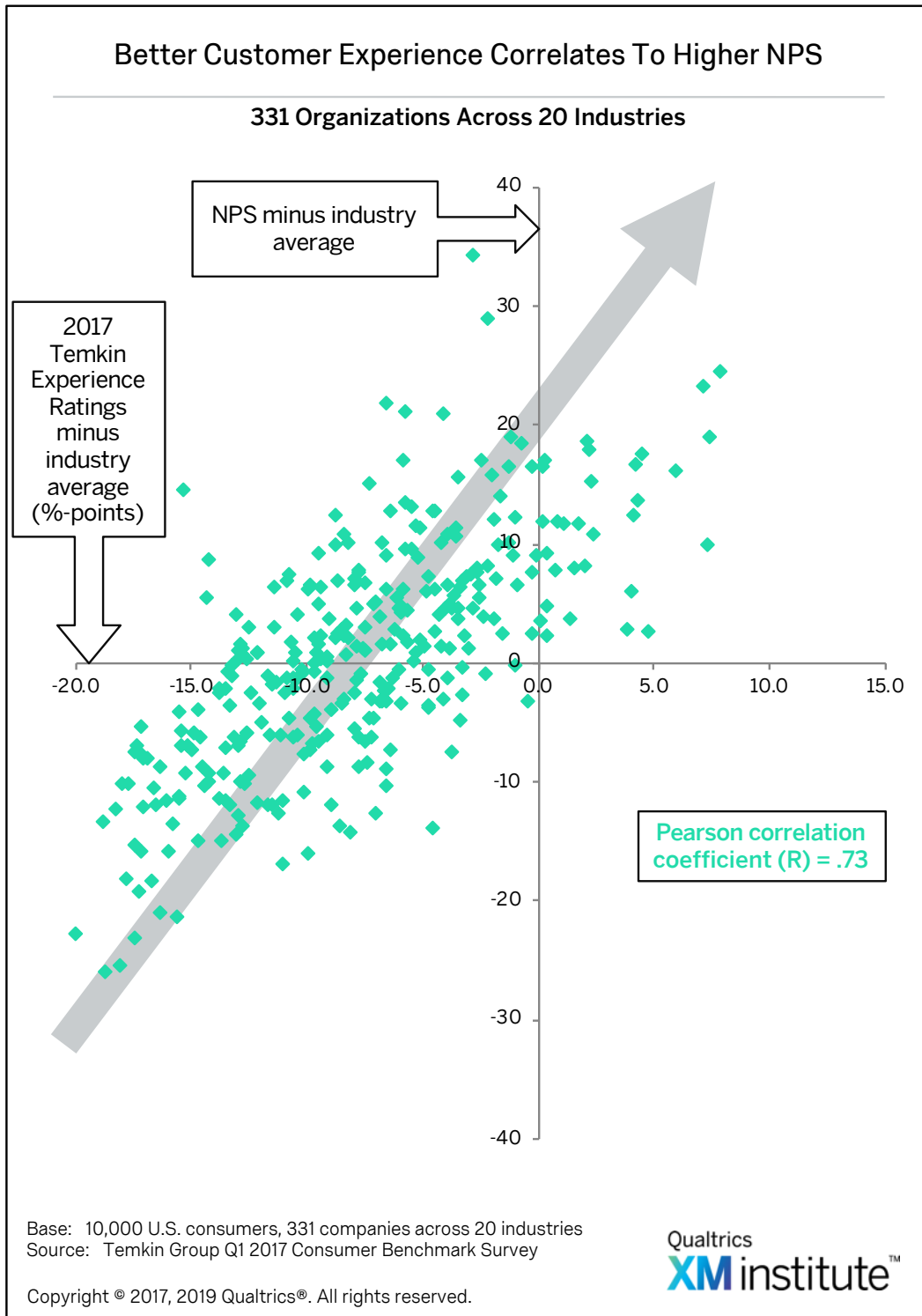


Figure 8



Figure 9



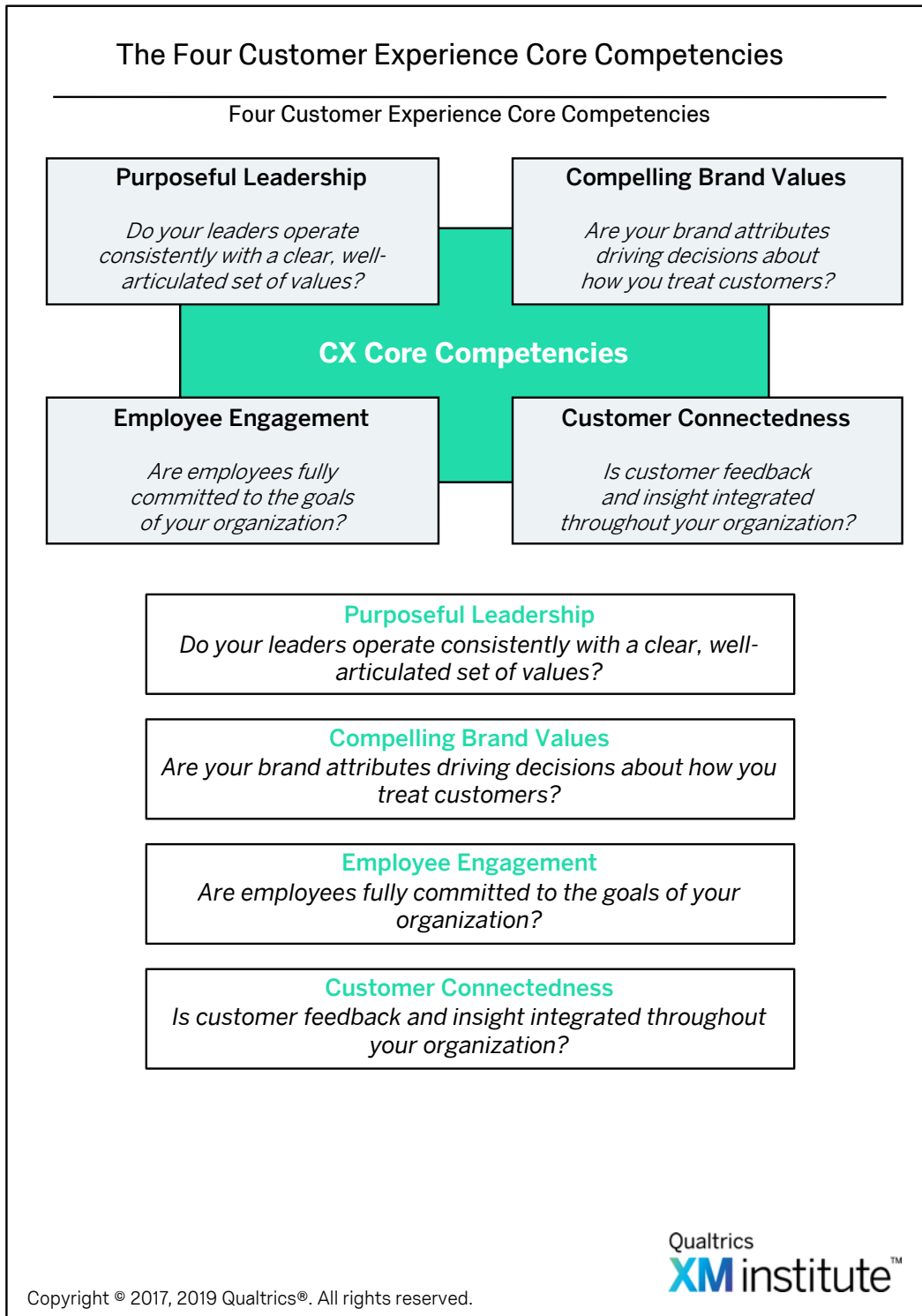


Figure 10