

Economics of NPS in the Retail Industry

KEY TAKEAWAYS

- + Retailers received an average NPS of **26**, which is 14 points higher than the 20-industry average and the second highest score of any industry included in the study.
- + There is a strong positive relationship between a company's NPS and its performance on our *XMI Customer Ratings – Overall* benchmark, a composite metric measuring customer experience (CX).
- + Compared to detractors, promoters are **3.1x** more likely to purchase more from a retailer, **4.6x** more likely to trust a retailer, and **4.3x** more likely to forgive a retailer if it makes a mistake.

ABOUT

These charts look at how NPS® correlates to CX and influences key loyalty behaviors in the retail industry. This data comes from a study of 10,000 U.S. consumers, who provided feedback about their experiences with 319 companies across 20 industries. 7,629 consumers rated their experiences with 41 retailers as part of this research. For more information on the methodology for this study, see the *Appendix: Description of Methodology* at the back of this document.

Retail NPS

Software vs. 20-industry Average

26

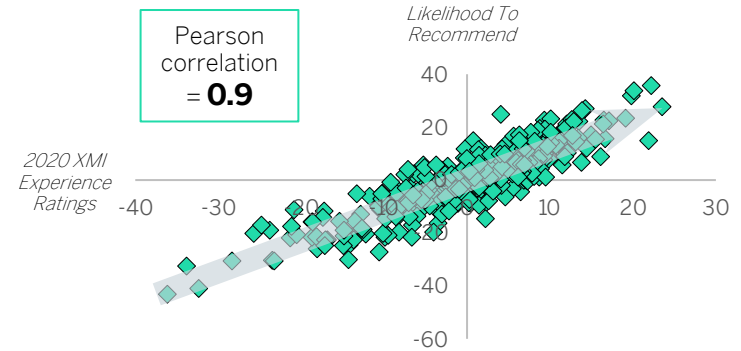
Average NPS across 41 retail companies from 7,629 customers

12

Average NPS across 319 companies in 20 industries from 10,000 customers

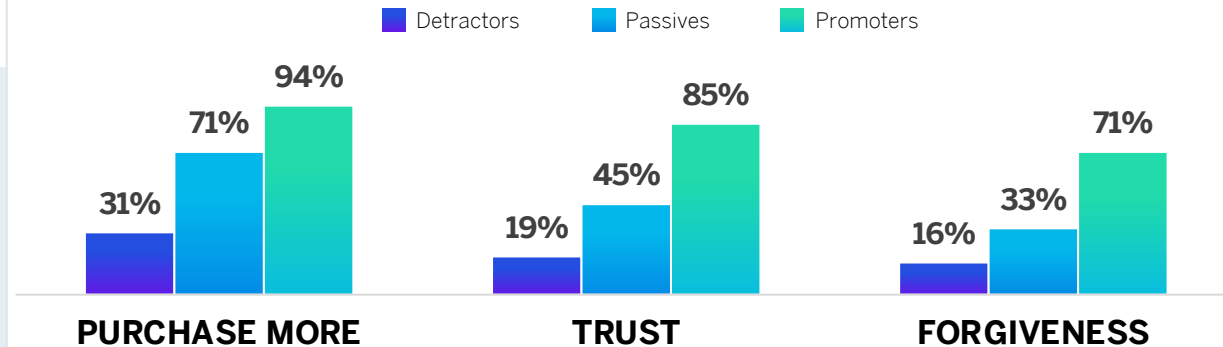
CX Correlates with NPS

319 Organizations Across 20 Industries



Effect of NPS on Key Loyalty Behaviors

Percentage of detractors, passives and promoters who say they will purchase more from the retailer, they trust the retailer, and they will forgive the retailer for a mistake:



Base: 10,000 U.S. consumers, 319 companies, 20 industries
Source: Qualtrics XM Institute Q2 2020 U.S. Consumer Benchmark Study

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Appendix: Description of Methodology

How does Net Promoter® Score (NPS®) relate to customer experience and key loyalty behaviors across different industries?

To address this question, the XM Institute conducted a large-scale benchmark study where we asked a representative sample of 10,000 U.S. consumers to rate their recent interactions with 319 organizations across 20 industries.

Calculating NPS

- + We asked respondents who had interacted with a company to answer the standard Net Promoter® Score (NPS®)* question: *How likely are you to recommend <company> to friends and colleagues?* Consumers selected a response from 0 (not at all likely) to 10 (extremely likely).
- + We determined the percentages of each company's respondents who were *promoters* (selected 9 or 10), *passives* (selected 7 or 8), or *detractors* (selected between 0 and 6).
- + We then calculated the NPS for each company by subtracting its percentage of detractors from its percentage of promoters.
- + For more information on each industry's NPS, see the Data Snippet *XMI Customer Ratings – Consumer NPS® Scores, 2020 (by Industry)*.

Correlating CX and NPS

- + We asked respondents who had interacted with a company to rate their experience across the three components of an experience: *success* (were they able to accomplish their goals?), *effort* (how easy or difficult was it for them to accomplish their goals?), and *emotion* (how did they feel?).
- + We found the *XMI Customer Rating – Overall* for each of the 319 companies by averaging the ratings for these three experience components.
- + We then took each company's NPS and subtracted it from the average NPS of its industry, and we took each company's *XMI Rating* and subtracted it from its industry's average *Rating*.
- + Finally, we looked at the relationship between these two data sets. Through this analysis, we found them to be highly correlated, with a Pearson correlation coefficient of 0.9.

Evaluating loyalty behaviors by NPS

- + We asked consumers to rate three key loyalty behaviors on a scale from 1 (extremely unlikely) to 7 (extremely likely). The three loyalty behaviors were likelihood to purchase more from the company, likelihood to trust the company to take care of their needs, and likelihood to forgive the company if it makes a mistake.
- + For each of these three loyalty behaviors, we separated responses out across *detractors*, *passives*, and *promoters*.
- + We then looked at the percentage of each of these three groups who indicated that they were likely to repurchase, trust, or forgive a company by selecting 6 (very likely) or 7 (extremely likely) on the seven-point scale.
- + Note: Numbers are rounded so may not match independent calculations.