Invited Commentary

Net Promoter, Recommendations, and Business Performance: A Clarification on Morgan and Rego

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One of the most controversial findings in Morgan and Rego (2006) was that two widely advocated loyalty metrics, “Net Promoter” and “Number of Recommendations,” have little or no value in predicting the financial outcomes of firms. We argue that neither measure was actually examined and that conclusions about the predictive value of these measures cannot be drawn from their analysis. A primary problem is that the measures used in Morgan and Rego (2006) do not adequately adjust for the presence of neutral word-of-mouth activity. Nevertheless, Morgan and Rego (2006) provide important information regarding other common customer metrics and firm financial outcomes. We are unaware of another longitudinal study that examines the predictive value of satisfaction and loyalty metrics in such a comprehensive way.

Key words: Net Promoter; word-of-mouth; recommendations; financial performance; intentions; customer satisfaction; customer loyalty

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spoken, among those customers who reported positive word-of-mouth activity according to their version of Net Promoter. Thus, this measure also includes customers who engaged in both positive and neutral word-of-mouth. We note that Figure 1 of Anderson (1998, p. 11) leaves no doubt that word-of-mouth activity, as measured by ACSI, includes positive, negative, and neutral comments. Anderson (1998) uses the same question that is used by Morgan and Rego (2006) to calculate number of recommendations (during the same timeframe).

Despite the problems with the Net Promoter and Number of Recommendations metrics, Morgan and Rego (2006) have provided valuable insight regarding the relationship between business performance and other commonly used customer metrics, an area of importance to both researchers and practitioners (see for example, Rust and Chung 2006, Gupta and Zeithaml 2006, Zeithaml et al. 2006). We are unaware of another longitudinal study that examines the predictive value of satisfaction and loyalty metrics in such a comprehensive way.

**References**


