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NPS study makes scathing attack on 'nonsense' claims
Claims 'false' and data 'enormously flawed' says Ipsos Loyalty SVP

A new study of the Net Promoter Score dismisses as "false" its claim to be "the single most reliable indicator of a company's ability to grow", and says the data it is based on is hugely flawed.

Ipsos Loyalty SVP Tim Keiningham, together with marketing and management experts Lerzan Aksoy, Bruce Cooil and Tor Wallin Andreassen, found nothing to support the claims of NPS – a measure of word-of-mouth recommendations – when they replicated the research behind it.

In a presentation announcing the work, to be published in two articles next month in the *Journal of Marketing* and the *Managing Service Quality*, Keiningham makes a scathing attack on NPS and the hyperbole used to sell it, calling it "nonsense".

Keiningham told *Research* that NPS' creators should have picked up on its failings. "We're talking people that have some power hitters in terms of their quantitative abilities," he said. "It's shocking to me that no one would say, 'This is wrong.' Somebody should have been screaming."

Tim Keiningham, SVP and head of consulting, Ipsos Loyalty

The metric, developed by Fred Reichheld of Bain & Company and Satmetrix, is calculated from the results of a simple 'Would you recommend this company…' question, and has been hugely influential in business circles due to its supposed link to future growth.

Reichheld has called NPS "the one number you need to grow", and the question used to determine it "the ultimate question". Companies including General Electric, T-Mobile, and research firm Forrester have jumped on the bandwagon, reporting their scores to investors, and in some cases even using NPS to set executive bonuses.

But Keiningham said the real ultimate question is how anyone could conclude NPS was the "single best indicator" of growth. The study not only found that it was ineffective at predicting future sales, it also found that other satisfaction and loyalty metrics – in particular the American Customer Satisfaction Index – did not perform as poorly as NPS' creators claimed.

In his 2003 *Harvard Business Review* article and subsequent bestselling book, Reichheld said ACSI was no use for predicting growth, while NPS was successful across most industries.

"Nonsense," says Keiningham, whose results showed no such distinction between the predictive value of NPS and the other metrics.

With many firms already far down the NPS path, Keiningham does not expect a warm response to his findings. But he said: "Over time firms will find their scores went up and their sales went down."

Author: Robert Bain

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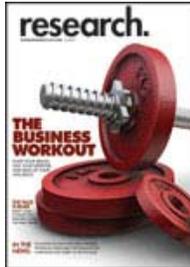
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