Brand Equity Net Promoter Scores Versus Mean Scores. Which Presents a Clearer Picture For Action? A Non-Elite Branded University Example

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Abstract

Reichheld (2003; 2006) argues that every organisation’s customers can be grouped as promoters, detractors or passives. This paper presents an exploratory comparison of a non-elite branded university’s brand equity (quality, value for cost and loyalty) mean and net promoter scores. This investigation identified that mean scores may misinform and that net promoter scores seem to provide better descriptions of customer satisfaction than mean scores as they incorporate variance information. Reichheld’s (2003; 2006) approach seems better at identifying both the level of urgency and creating cost effective interventions to enhance a university’s brand than the more conventional mean based score method.

Introduction

If growth is what you’re after, you won’t learn much from complex measurements of customer satisfaction or retention. You simply need to know what your customers tell their friends about you (Reichheld, 2003, p.46). Do they tell their friends that what you did is good quality, good value for money (Netemeyer, Krishnan, Pullig, Wang, Yagci, Dean, Ricks and Wirth 2004) and do they recommend it to others (Yoo and Donthu 2001)? Are they loyal promoters of the course or are they embittered detractors?

Reichheld (2003; 2006) has argued that every organisation’s customers can be categorised as either promoters, passives or detractors. Promoters have been identified by Reichheld (2006) as loyal, enthusiastic customers who keep buying from the organisation and urge their friends to do the same, passives are satisfied but unenthusiastic customers who are easily swayed by competitors and detractors are unhappy customers that are trapped in a bad relationship. Reichheld (2006) adds that customers can be categorised according to their responses. If you used an 11 point scale, a nine or a ten (that is a response value of greater than 80% on the scale) equates to promoters, a value of zero through to six (that is a response value of less than or equal to 60%) equates to detractors and the values seven and eight are passives. This is an extremely demanding measure of customer satisfaction since it is designed to measure how many net promoters the organisation actually has. Reichheld (2006) states that the average organisation produces a net promoter score efficiency of only 5 to 10%, and that some entire industries have negative net promoter scores. These organisations with negative net promoter scores are actually creating more detractors than promoters on a daily basis. It is not known whether within the university sector net promoter scores are within Reichheld’s (2006) reported norm of 5 to 10% or whether they are negative. Also it is not clear whether mean scores or net promoter scores provide better descriptions of customer satisfaction to inform action.

The conventional method in contrast to Reichheld’s (2006) net promoter score method, which has been used to create satisfaction scores can be called the mean scores method. The mean
scores method simply uses the mean to summarise information in a large set of data. Aaker, Kumar, Day, Lawley and Stewart (2007, p.338) state that: *Descriptive statistics can provide accurate, simple and meaningful figures by summarising information in a large set of data.* However at times variance may be more meaningful than the mean and the mean score value may not accurately summarise the data being investigated. The mean score method has been applied as a measure of customer satisfaction across a wide range of business services globally. Industries range from tourism to financial services (see: McNeilly and Barr 2006; Rittichainuwat, Qu and Mongknonvanit 2002; Shaw, Lewis and Khokey 1991; Tsang and Qu 2000). Shaw et al.’s (1991) research formed their conclusion by using the mean score of customer satisfaction levels with hotel convention services. Rittichainuwat et al.’s (2002) research also used the mean score method to gauge consumer satisfaction levels of tourists visiting Thailand, and McNeilly and Barr’s (2006) research on customer satisfaction with accounting services is another of the many examples of customer satisfaction research using the mean scores method.

The Study

This study presents an initial exploratory investigation into whether brand equity mean scores provide clearer direction for brand equity management or whether Reichheld’s (2003; 2006) net promoter score approach does. A large non-elite branded university based in metropolitan Melbourne was selected, and the postgraduate business student population targeted. The sample comprised of 255 participants, with 116 females and 139 males. Sixty two percent of these participants were from Asia and 30% from Australasia.

This postgraduate business student consumer group were asked to rate their responses on a seven point scale, where 1 = strongly disagree and 7 = strongly agree, on three brand equity measures: Netemeyer et al.’s (2004) quality and value for cost dimensions; and Yoo and Donthu’s (2001) overall brand equity (OBE) dimension which is relabelled loyalty. Cronbach’s alphas for the three scales were 0.911, 0.897 and 0.830 respectively; mean scores were 3.9, 4.3 and 4.3 respectively, and the net promoter scores were -58%, -35% and -43% respectively. The net promoter scores for each of the brand equity dimensions are calculated according to Reichheld’s (2006) net promoter score approach using a 7 point scale. On the seven point scale used to collect the data: promoters equate to response values of sixes and sevens (≥ 80%), detractors are those who score between one and four (≤ 60%) and the passives are those who score a five. In order to calculate the net promoter score the percentage of customers who are promoters (P) and detractors (D) need to be calculated. The net promoter score for each brand equity dimension is then calculated by subtracting the percentage of detractors from the promoter percentage, see Table 1 below.

Table 1: Net Promoter Scores

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Scale Rating Responses in %</th>
<th>% of Promoters</th>
<th>% of Detractors</th>
<th>Net Promoter Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Quality</td>
<td>5</td>
<td>8</td>
<td>16</td>
<td>39</td>
</tr>
<tr>
<td>Value for Cost</td>
<td>4</td>
<td>7</td>
<td>11</td>
<td>29</td>
</tr>
<tr>
<td>Loyalty</td>
<td>4</td>
<td>7</td>
<td>10</td>
<td>38</td>
</tr>
</tbody>
</table>

The Quality Dimension of Brand Equity

On examining the descriptive statistics of the quality dimension of brand equity, the prognosis appears to be poor but not urgent. This dimension had a mean value of 3.9 on a 7 point scale.
This would often be represented as a 56% satisfaction rating of the quality of their course. The quality net promoter score however, presents a more urgent situation, with a value of -58%, see Table 1 and Figure 1. This result clearly suggests that detractors swamp promoters (Reichheld, 2003, 2006). In other words most consumers are unhappy with the quality of their course. Though this is not how the mean would commonly be interpreted. The net promoter score seems to more clearly indicate the negative word of mouth behaviours about the quality of this university’s courses by this consumer group than the mean score.

There are two types of intervention to change this score, one is aimed to shift the extreme detractors the strongly disagree and disagree and the second to shift the borderlines, the neither agree nor disagree or the somewhat agree. Changing 50% of the strongly disagree responses to disagree and 50% of the disagree responses to somewhat disagree, produces a change in mean score from 3.9 to 4.1 (a change of 0.2), a 58% satisfaction rating of the quality of their course, but has resulted in no change to the net promoter score. If the focus is on shifting the borderlines, that is shifting 50% of its passives into promoters and 50% of its neither agree nor disagree detractors into passives, it will provide a substantial improvement in the quality net promoter scores from -58% to -27%. This intervention however only produces a modest change in mean score of 0.4 from 3.9 to 4.3. This further suggests that a modest change in mean score caused by a borderlines intervention represents a substantial change in the quality net promoter score. Therefore an extremes intervention has no impact on the net promoter score whereas a borderlines intervention does. The strategy suggested for this non-elite branded university is to focus their initiatives on the borderlines segment.

**Figure 1: Quality Net Promoter Distribution**

![Quality Net Promoter Distribution](image)

**The Value for Cost Dimension of Brand Equity**

The mean of the value for cost dimension of brand equity, appears to be non-urgent at 4.3, which is commonly interpreted as a 61% satisfaction rating for good value for money courses. On further examination the value for cost net promoter score revealed a result of -35%, see Table 1 and Figure 2. Though this is almost half of the quality net promoter score of -58%, it still indicates an urgent need for action since detractors swamp promoters. The implication of this is that the majority of consumers are dissatisfied with the university’s value for cost, and indicates negative word of mouth behaviours from this consumer group. If this non-elite branded university adopted a borderlines intervention which focuses on shifting 50% of its passives into promoters and 50% of its the neither agree nor disagree detractors into passives,
it will provide a substantial improvement in the value for cost net promoter scores from -35% to -5%. This however is only reflected in a modest change in mean score of 0.3 that is from 4.3 to 4.6.

**Figure 2: Value for Cost Net Promoter Distribution**

The Loyalty Dimension of Brand Equity

With a mean score of 4.3, it is commonly interpreted as 61% satisfaction with the university resulting in recommendation behaviour. This also does not seem to be an urgent area for action. However, the loyalty net promoter score is -43%, see Table 1 and Figure 3, and indicates that the majority of this consumer group are detractors and are not willing to recommend this university and its courses to others. A *borderlines intervention* will provide a large and meaningful improvement in the loyalty net promoter scores from -43% to -10%. This again only represents a modest change in mean score of 0.3 but a substantial improvement in the loyalty net promoter score from -43% to -10%, similar in magnitude to that of the quality and value for cost net promoter scores. An *extremes intervention* for loyalty would change the mean by 0.1 but due to the nature of extreme interventions it would not alter the net promoter score.

**Figure 3: Loyalty Net Promoter Distribution**
Discussion

The net promoter score for this university suggests urgent action but it also provides an insight for action. A reasonably large proportion of students are sitting at the borderline of the detractors and passives categories; and that there are an equally large number of students who are in the passives category. If this non-elite branded university focuses on a borderlines intervention by shifting 50% of its passives into promoters and 50% of its neither agree nor disagree detractors into passives, it will provide a significant improvement in net promoter scores resulting in low to very low negative net promoter scores. Using mean scores does not present the same clear picture for action.

Presently this non-elite branded university is minimising its capacity to create brand equity from its postgraduate business student consumer group. The strategy suggested for this university and other non-elite branded universities generally, is the adoption of what Treacy and Wiersema (1993; 1995; 1997) identify as a customer intimacy approach since they may not have the current or legacy resources to engage in academic product leadership, though customer-centric product innovation is possible. A customer intimacy approach is where organisations pursue long term relationships with their consumers and specialise in satisfying unique needs. These needs are often only identified as a result of the close relationships forged with their consumers. Therefore this non-elite branded university and other non-elite branded universities may be in a better position to compete in this globally competitive higher education sector if they choose to differentiate on customer intimacy. If this is the strategy of choice for non-elite branded universities, then it is imperative to have a detailed understanding of borderlines’ needs. Interventions need to be targeted to meet these needs in order to maximise their brand equity net promoter scores and also use their limited resources wisely. The net promoter scores seem to provide better descriptions of customer satisfaction than mean scores and are better at identifying cost effective borderlines interventions.

Conclusion

This paper presented the results of an exploratory investigation into the comparison between brand equity mean scores and net promoter scores. The findings suggest that dimension mean scores can be deceiving, and that net promoter scores provide greater insight into consumer behaviours. A strategy to improve brand equity net promoter scores specifically for the non-elite branded university investigated, and other non-elite branded universities generally was also presented.

References


