

Validating Conceptual Critiques - Methodological Issues with Net Promoter Score (NPS) Studies

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Abstract

Since its introduction in 2003 Net Promoter Score (NPS) has become a commonly used business metric which has received criticism from academia which has yet to be addressed in an empirical study. This study addresses three major methodological issues which arose in previous NPS and sales growth studies. They include the utility of the analytical techniques employed; the time lag between NPS and sales growth; and the measurement of both metrics as longitudinal changes. This study employs panel data from seven brands in the US sportswear industry, including NPS data collected from 27,605 customers. The results show that a random effects model in which sales growth and NPS are both measured as longitudinal changes is an effective methodology to address causality between NPS and sales growth. The study concludes that it is important to empirically validate concerns from conceptual critiques to derive an objective point of view on marketing concepts such as NPS.

Keywords: *Net Promoter Score (NPS); Causality; Random Effects Model*

Track: Methods, Modelling & Marketing Analytics