

Introduction to the Net Promoter Score®

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About Net Promoter Score®

Over the past decade, there have been substantial shifts in the tourism marketplace that have resulted in the growing importance of the delivery of outstanding travel experiences. High satisfaction with travel experiences is critical to achieve increased visitor spending, longer stays, repeat visits and positive word of mouth referrals. Destination advocacy, either face-to-face or through electronic media, is critical to attract first time visitors to British Columbia.

To address these shifts, in late 2014, Destination British Columbia (DBC) released a [new corporate strategy](#). A key goal of the strategy is for British Columbia to become the most highly recommended destination in North America. The Net Promoter Score® (NPS®)¹, developed by Frederick Reichheld and Bain & Company in 2002, is a simple metric that can be used to measure the intention to recommend/refer a travel destination, organization or sector and is also an indicator of overall satisfaction with the travel or customer experience. Therefore, DBC actively encourages its tourism partners (e.g. businesses, communities, sectors) to measure and increase their NPS. This document provides an introduction to what the NPS is and how it is currently being used in the tourism industry.

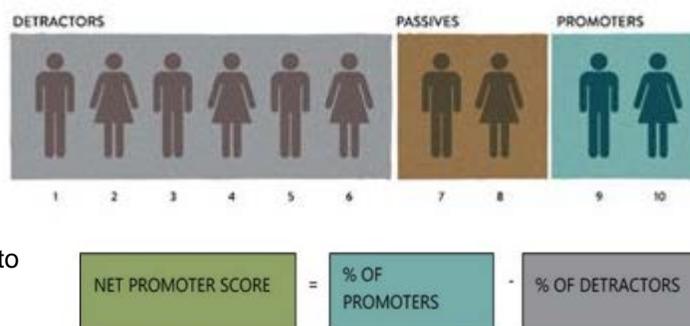
Background of NPS

More than a decade ago, Frederick Reichheld and his research team set out to determine a simple and practical indicator of what customers were thinking and feeling about organizations they did business with. The research, published in a 2003 Harvard Business Review article², identified that one question was most effective in determining loyalty and predicting growth. The question is:

How likely is it that you would recommend [Company X/destination X] to a friend or colleague?

Research also found that an 11-point response scale with anchors of 0 (not at all likely) and 10 (extremely likely) is most effective for this question. Responses are then categorized into three groups:

- **Detractors** (scores of 0 to 6): Unhappy visitors, unlikely to tell others to visit and might even damage the reputation of a destination through negative word of mouth.
- **Passives** (scores of 7 or 8): Marginally satisfied visitors not excited enough to tell others about their travel experience.
- **Promoters** (scores of 9 or 10): Loyal enthusiasts likely to return and rave about their travel experience.



NPS is calculated by subtracting the percentage of detractors from the percentage of promoters.

Since 2003, several books have published about the NPS. The authors point out that hundreds of businesses in a variety of industries have adopted NPS illustrating that customer service is at the core of business operations. The NPS helps organizations measure customer loyalty and engagement and utilize consumer feedback (via NPS customer surveys) to drive operational decisions to improve consumer experiences.

Since the development of the NPS, published reports outside of the tourism and travel industry have summarized the following key findings:

- Organizations that use the NPS have sustained higher revenues and referrals;

¹ Net Promoter, NPS and the NPS-related emoticons are registered service marks, and the Net Promoter Score and Net Promoter System are service marks, of Bain & Company, Inc., Satmetrix Systems, Inc. and Fred Reichheld.

² Reichheld, F. F. (2003). The One Number You Need to Grow. Harvard Business Review, 81 (12), 46-55.

- Customers who are promoters spend more through repeat business and generate new business through referrals. Promoters also cost businesses less in customer service;
- It is worthwhile to understand the characteristics of promoters, passives and detractors and to distinguish between impressions from a single interaction and overall loyalty to the organization;
- NPS is most useful in industries where there is substantial competition and customers have the option of choosing other businesses;
- Cultural response bias has been detected in customer satisfaction survey questions (including NPS) when results are compared across countries and geographic regions. Some businesses have reduced this bias by introducing country-specific correction factors³;
- It takes time and hard work to establish reliable, trustworthy measurement and also to understand what the scores mean and create a feedback system⁴;
- The NPS is sensitive to research methodology and requires careful project planning. Organizations should:
 - Ensure all customers and not just those that have issues or are outspoken are surveyed;
 - Document methodology and use a consistent approach over time in order to identify shifts in the proportions of promoters and detractors;
 - Attempt to eliminate sample bias by doing everything possible to obtain high response rates.

NPS in the Tourism Industry

The intention to recommend a travel destination, reported by the NPS, is a proxy measure of overall satisfaction with the travel experience. Satisfaction with the travel experience and the intention to recommend greatly increase the likelihood of a return visit to British Columbia. Word of mouth advocacy, either face-to-face (or other one-to-one means e.g. telephone, or email) or various electronic and social media platforms (sometimes referred to as e-word of mouth), is critical for attracting first time visitors to British Columbia. NPS is regarded by researchers as the question that best predicts the future growth of customer centric businesses like those in the tourism industry.

Overall, the advantages of tracking NPS for the tourism industry include:

- One question with a single score that is fairly easy to understand and calculate summarizes the visitor experience;
- It is possible to track over time;
- Measuring NPS raises awareness of the quality of visitor experiences and emphasizes the importance of customer service and the visitor experience;
- The results can be linked with social media behavior and business results;
- It is possible to compare results for a destination or business against key competitors (where comparable NPS measures are available).

For these reasons, adoption of the NPS as a key performance indicator is becoming more and more common for tourism organizations. In British Columbia, tourism organizations that measure and track NPS include:

- Destination Canada;
- Destination British Columbia;
- Tourism Vancouver, Tourism Whistler, Tourism Kamloops, and Tourism Richmond;
- The Canadian Ski Council with the Canada West Ski Areas Association and RRC Associates at participating British Columbia ski resorts.

In addition, numerous ski resorts and destination communities across the United States have been tracking NPS over the past several years.

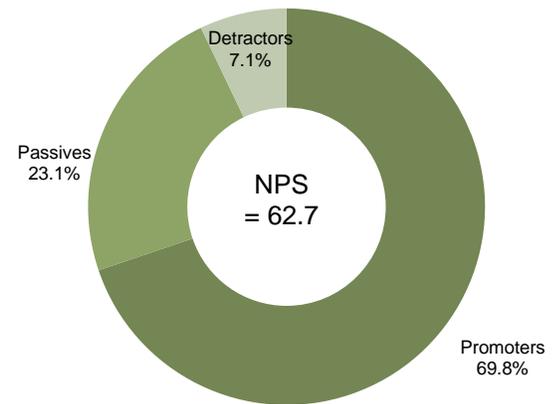
³ Satmetrix (2014). Neutralizing Cultural Response Bias on Customer Loyalty Surveys.

⁴ Reichheld, F. and B. Markey. (2011). The Ultimate Question 2.0. How Net Promoter Companies Thrive in a Customer-Driven World. Harvard Business Review Press.

Published NPSs for tourism destinations include:

- Destination Canada's *Global Tourism Watch* studies measure the NPS for Canada through surveys in key markets around the world. In 2012-14, NPS ranges by market from -5 (Japan) to 67 (Mexico).⁵
- New Zealand's Visitor Experience Monitor tracks the NPS for international visitors. Overall New Zealand has a NPS of 76. In 2015, New Zealand's best promoters were the United States (NPS = 87), Germany (NPS = 82), UK (NPS = 82) and Australia (NPS = 82).⁶
- British Columbia's NPS was 62.7 in 2013. Destination British Columbia tracks NPS annually, targeting an improvement of 0.5 points per year.
- Steamboat Springs, Colorado has measured NPS since 2010 (2010 NPS = 75, 2014 NPS = 67).⁷
- Bend, Oregon measured NPS over a five year period. (NPS 2008 = 58, NPS 2009 = 65, NPS 2012 = 75 and NPS 2013 = 79).⁸
- NPS was measured for Australian destinations in 2006 with scores ranging from -55 (Adelaide) to 80 (Broome).⁹

BC Net Promoter Score (2013)



Published NPS for the airline industry include:

- NPS ranging from -12 to +60 for the airline industry in 2011;¹⁰
- NPS ranging from -33 to +39 for the airline industry measured in Australia in 2006.¹¹

Variances in NPS Results

Research has shown that NPS scores in the tourism industry can vary by:

- Market of origin (this could be a result of actual experience differences, cultural differences or different interpretation of response scales);
- Repeat vs. first time visitors;
- Household composition (e.g. households with or without children, empty nesters);
- Community length of stay (day vs. overnight visitors);
- Primary trip purpose (business vs. leisure trips);
- Destination characteristics (factors) that drive destination selection;
- Seasonal visits, probably related to primary trip activity (e.g. ski/winter vs. summer).

Measuring NPS in BC Communities

Destination BC has developed a guide, "*Measuring NPS in BC Communities*." The guide provides details on recommended approaches for measuring NPS at a community level, which can be adapted to regions, sectors or business level. A summary of this guide has also been developed which is available on Destination BC's corporate website.

For more information:

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⁵ Destination Canada (2012-14). *Global Tourism Watch Reports*.

⁶ Tourism New Zealand Insight Team (2014). *Visitor Experience Monitor 2015 Infographic*.

⁷ Mount, I. (2014). *A Whole Town in Colorado Pushes to Improve its Customer Service*. *New York Times*.

⁸ RRC Associates Inc. (2013). *Bend Area Visitor Survey Summer 2013 Final Results*. Prepared for Visit Bend.

⁹ Ritson, Mark (2006). *Net Promoter Scores Australia 2006*. Melbourne Business School.

¹⁰ Satmetrix (2011). *Net Promoter Benchmark Study of U.S. Consumers*; Bain analysis.

¹¹ Ritson, Mark (2006). *Net Promoter Scores Australia 2006*. Melbourne Business School.