**Word of Mouth Marketing Index – A Better Model than Net Promoter Score**

Word of Mouth Marketing (WOMM) also known as buzz marketing and viral advertising has become more and more prevalent and important in a world of increasing connections. As globalization advances, it becomes really difficult to ascertain which factors will help take one’s products to the markets at large. The potential of a global market for one’s products or services looks extremely lucrative to all businesses. Yet, it is really difficult to find out how to create a sustainable brand in a market that has many more imponderables than controllable factors. One method of building a brand is through creating (*actually hoping!*) customer loyalty. Once your customers are loyal to you, it is likely that they will spread the word about your products and services to others. The receiver of word-of-mouth referrals tends to believe that the communicator is speaking honestly and is unlikely to have an ulterior motive (i.e. they are not receiving an incentive for their referrals).The WOMM has become such a great idea, especially after the now classic book “The Tipping Point” by Malcolm Gladwell that it is foolhardy for any business – big or small – to ignore its power. Just to reiterate the importance of WOMM, there is an association studying and spreading WOMM (reader can refer to <http://www.womma.org>). It is however, not very clear that all customers who buy your product or service may be loyal to you. Further, it is also not known whether they will spread the word about you. To measure the loyalty of your customers, Net Promoter Score (NPS) has been proposed, used and proliferated quite successfully.

**Net Promoter Score – A Metric for WOMM**

Net Promoter Score (NPS) is a loyalty metric that has been credited with being the “best predictor of growth.” Ever since its introduction, the NPS has been widely embraced and adopted by managers spanning different domains for measuring their firm’s future growth potential. In fact, Frederick Reichheld, its proposer asserts that NPS is “the one number you need to grow.”

NPS is computed based on surveying a statistically valid sample of a firm’s customers with only one question: “How likely is it that you would recommend [brand X or company X] to a friend or colleague?” The respondents are provided a consistent scale for responses ranging from zero [not at all likely] to ten [extremely likely]. Respondents are further classified into three categories based on their responses viz. promoters, detractors and neutral respondents. “Promoters” are respondents who provide a rating of 9-10. Respondents who provide a rating of 6 or lower are classified as “detractors” while the rest of the respondents namely, those who rated the firm as 7-8 are “neutral.” Net Promoter Score (NPS) is then calculated by subtracting the proportion of a firm’s detractors from its proportion of promoters (i.e. Net Promoter = promoters – detractors).

**The Attractiveness of Net Promoter Score (NPS) as a Loyalty Metric**

As can be seen from the explanation in the previous section, NPS as a metric is very simple and is based on the premise that customer loyalty drives a firm’s growth. Loyal customers are willing to put their reputations on line by recommending a firm’s products and services to their friends and relatives. Recommendation, which is what NPS measures, thus makes a lot of intuitive sense from the loyalty perspective. One of the other reasons why NPS has caught the imagination of managers without exception is that it is a practical metric that is understandable and cost effective to administer. It is feasible to administer the questionnaire on a continuous basis and obtain instant feedback. Since respondents do not have to fill in a big questionnaire, they are more likely to give the firm sincere feedback.

Another advantage is that a firm is able to identify its promoters and detractors. This enables a manager to directly act on this knowledge and address the issues that detractors face. Similarly, the firm can also introduce programs that strengthen the relationship with promoters and thus make them their unpaid “sales persons.” Thus, the NPS provides a path for a firm to grow by creating more promoters for the organization while reducing the number of detractors.

**Limitations of NPS**

For all its attractiveness as a simple metric, the NPS has also been criticized for its limitations. It has been pointed out that the NPS does not have a strong theoretical basis thus weakening its claim as “the best predictor of growth.” Similarly, in some domains, NPS does not seem to give better results than traditional loyalty and customer retention metrics.

Another limitation of the NPS is that it goes by pure numbers rather than the actual profile of the promoters. A respondent is not likely to be a 100% promoter or a 100% detractor. Customers who have responded with a rating of 0-6 might also promote the firm’s products or services, though in a small way. Similarly, respondents who come out as neutral with a rating of 8, might also “promote” a firm’s products or services, though much less than a customer who gives a rating of 9-10. Thus, “shades of grey” are not captured by NPS. This might overstate or understate the promoter to detractor ratio.

In a similar vein, not all promoters are likely to be equally effective as promoters. Similar is the case with detractors. A CEO of a company or a community leader who has high influence is likely to be more effective as a promoter than a college graduate who is just starting his/her career. This is because their opinions get more publicity and are also likely to be more valued by people who hear the same. Firms have used this idea in the form of product and service endorsements by respected public figures. These public figures are likely to be high achievers whose opinion matters for a large number of potential customers.

Similarly, a low or neutral response does not essentially imply that the particular respondent is a hundred-percent detractor. A customer might not be satisfied with any of the current products or services in a particular category in the market. However, when asked for an opinion, he/she might recommend one that has caused the least dissatisfaction, and thus act as a promoter. Such customer behavior is not currently captured by NPS. In fact, the simplicity of NPS makes it unlikely that it would be able to capture subtle elements of customer behavior. In order, to overcome some of the limitations of NPS while keeping its chief attractiveness, namely simplicity intact, we proposed to embed the elements of WOMM as explained in Gladwell’s *Tipping Point* within the NPS framework. We found this measure the efficacy of WOMM much better than NPS. We call the new Index – WOMM–Index.

**The “Tipping Point” Framework**

According to Gladwell three types of people create *Idea Tipping Points*. *Connectors* are those with wide social circles. *Mavens* are knowledgeable people. *Salesmen* are charismatic people with powerful negotiation skills. They exert "soft" influence rather than forceful power. Gladwell says besides the few people – mavens, connectors and salesmen, there are two other factors that play an important role in idea tipping. These are

*Stickiness*: Ideas or products found attractive or interesting by others will grow exponentially for some time. *The Power of Context*: Human behavior is strongly influenced by external variables of context.

**The Word of Mouth Marketing Index – Embedding Tipping Point factors into NPS**

Taking the *Tipping Point* factors into consideration, we refine NPS to include the identification of Mavens, Connectors and Salespersons. Besides including a factor to include stickiness and the context in which the respondent was at the time of answering. This comes out to be a set of four questions instead of one as required by NPS.

The four questions are

**(A)** **Would you recommend The Company to your friends and relatives?**

**(B) Your Profession/Job? (An Evaluation of Maven/Connector/Salesperson)**

**(C) What are you doing now? (Context)**

**(D) Compared to other products/services how do you compare our product/services? (Stickiness)**

As is evident, the first question is exactly the one which is asked in NPS. Answers to the three questions are mapped to the NPS through a mathematical model developed in-house based on the well-known method of Analytic Hierarchy Process (AHP). The details of mathematical model are beyond the scope of this article. Suffice it to say that our initial results in small in-house surveys and many online ventures created and tested in MBA student projects are very encouraging.

The WOMM Index Model for word of mouth marketing measurement can be a good and simple metric for online customer facing systems or even Small and Medium Enterprises (SME).

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