



**Press Release: 21 June 2021**

## What's an NPS score really worth?

DBM Consultants study quantifies value of NPS and uncovers a new dimension of advocacy that can unlock even more growth.

A longitudinal study by DBM Consultants has now quantified the financial benefits of doing the right thing for customers. The work confirms the importance of “advocacy” – both in its traditional NPS form (i.e. the proportion of promoters minus detractors) and in a new metric that incorporates a “competitive” dimension.

### NPS Confirmed as a Key Predictor of Success

To test the predictive ability of NPS, DBM closely observed the loyalty and behaviours of 51,000 customers of a retail bank over time. The research showed that within 6 months:

- NPS Promoters (the highest advocacy raters) are 1.8 times more likely to take up both Deposit Accounts and new Credit Cards with their bank than are Detractors (the lower raters).
- NPS Promoters are 1.6x more likely to take up a Mortgage Account with their bank and to regard it as their main financial institution than are Detractors.
- NPS Detractors are 1.2x more likely to defect than Promoters.

The study determined that improving NPS by a single point may be valued at around \$10 million per year in additional (net interest margin) income, to a major retail bank, just from growing the share of their customers' wallet. If lifetime customer value and fee incomes are added, a single NPS point gain represents several hundred million dollars for a bank.

“Our research across multiple brands in retail banking shows how NPS can be a true indicator of future customer behaviour and financial outcomes,” says Kipling Zubevich, CEO. “Even a minor improvement in NPS or advocacy has a significant business impact for major retail banks in the form of increased share-of-wallet, new customer acquisition and reduced customer attrition.”

“In measuring and understanding these types of customer attitudes, leadership teams can make informed decisions on how much to invest in advocacy management and where to expect returns. Leaders can also decide whether there is greater monetary value in focusing on new customer acquisition or reducing customer attrition.”

### A New Dimension of Advocacy

The DBM research also showed that while NPS is good at predicting what the customer will do, an additional measure which applies a competitive lens to advocacy is an even stronger predictor of financial success.

Zubevich said, “We discovered that for customers with multiple banking relationships, the institution they rank first on advocacy (regardless of the actual score) is most likely to retain these customers and win their future business. In other words, if a customer is giving you an 8 but another provider a 9, you are at risk of losing that customer.”

“This finding means that each institution has to constantly strive to not just be the best they can be but to be better than their competitors on the things that drive customer advocacy.”

## **Background Information**

### **About DBM**

Founded in 1992 by Dhruva Gupta, DBM Consultants is one of Australia's leading market research companies and part of the APAC-wide Illuminera Group. A specialist research and insights consultancy with over 25 years' experience, Over 50 financial services brands use DBM metrics. DBM has deep experience in financial services, telecommunications, government, energy, media and education sectors.

### **About NPS**

*Net Promoter Score (NPS) is a widely used metric by organizations globally to measure their performance. NPS was originally developed by Reichheld and published in the Harvard Business Review (2003).*

*The metric is derived from the advocacy question “On a scale of 0-10, how likely would you be to recommend <us> to a friend, family member or colleague?”.*

*Those giving a rating of 0-6 are labelled Detractors; 7-8 raters are known as Passives and 9 and 10 raters are called Promoters. NPS is the percentage of Detractors subtracted from the percentage of Promoters.*

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### **For all media inquiries, please contact:**

Noha Ahmed, Communications & Content Manager

nahmed@dbmcons.com.au

+61 405383190