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"Likelihood to recommend"

Holy Grail or Fool's Gold?

It feels right to use a measure of likelihood to recommend when assessing customer engagement. Recommendations for hotels, restaurants, local tradesmen and business professionals feature in offline and online conversations. In these markets, customers may act on recommendations, thus driving growth for these businesses.

Likelihood to recommend is used to measure loyalty and in advertising ('9 out of 10 would recommend Confused.com to a friend'). It even has its own metric, the "net promoter score." Its proponents believe this score is linked to business growth. However, initial buying and subsequent loyalty dynamics differ by category, making this metric inappropriate in many cases. It can turn out to be fool's gold for some who see it as their holy grail.

Category engagement matters. Some categories are interesting and important enough for consumers to spend time looking for and providing recommendations. The influence of recommendations is likely to be category dependent. When inertia is a key driver, as in current-account banking, recommendation has little impact. The UK bank first direct has reported it has the highest level of recommendation amongst its competitors, but still has a relatively low market share more than twenty years after its inception. In part this is a channel issue, but in the main it is a category issue.

Using likelihood to recommend as an indicator for growth in businesses where customers are tied into long-term contracts, or have bought durables, would need to take account of the time lag between purchases. But this is not how companies report the metric – it is reported post-purchase, and may bear no relation to consumer buying behaviour in two years' time.

In FMCG markets, recommendation may lead to trial (as switching costs and risk are low). But personal taste, brand image, previous experience, and occasion will be more important; and barriers to switching back are also low. FMCG brand owners use many other measures of brand equity for good reason. Luxury brand buyers want to stand out in a crowd. Recommendation defeats the purpose.

Recommendation may be only one source of influence, as serious investigation in some categories places other factors first. Take insurance. It is quite possible that consumers share experiences and brands, but when it comes to the actual purchase, consumers are able to double-check and shop around. The direct recommendation may lead to nothing.

WHAT SHOULD BRAND OWNERS DO?

Brand owners should look as deep as possible into the buying dynamics within their category, and understand the links between intention and behavioural recommendation to establish if recommendation is really that useful. 9 out of 10 Confused.com customers would recommend; but have they recommended? What influence has any recommendation had? Collecting and paying for referrals would enable assessment of its importance. Consequently, brand owners should look at behavioural recommendation, not intention, and truly understand whether social media has had an influence when developing a social media strategy.

Interviewing new customers about their route to purchase would allow brands to understand the power of recommendation, so timing the research and how the metric is reported is important.

The basics of satisfying customers should not be forgotten: customers have to be satisfied with their purchase, and remain satisfied if they are going to repeat the purchase or buy additional services. Look at the underlying drivers of satisfaction before reporting recommendation as a key performance indicator. Focus on developing thought-provoking or stimulating content that has the potential to go viral through recommendation. Perhaps this is where recommendation is easiest to influence! **RW**

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