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Examining the Relationships Between Branding Factors and Likelihood of Recommending: Determinants of Net Promoter Score

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Examining the Relationships Between Branding Factors and Likelihood of Recommending: Determinants of Net Promoter Score (NPS)

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EXTENDED ABSTRACT

The Net Promoter Score (NPS) is a concept introduced by Fred Reichheld in 1993 as a method to predict customer purchase and referral behaviors (Rowe, 2021). It has gained popularity and been adopted by numerous large global firms in different industries. According to Reichheld *et al*. (2021), the firms that have the highest NPS achieved twice the returns in the stock market. However, some of the studies argued that NPS may not be the ultimate performance measure or single metric that a company needs to benchmark and track its performance (Kristensen & Eskildsen, 2011). Researchers point out that more research needs to be conducted to shed light on the performance of the NPS in cross-cultural and business to business settings, and that the focus should be on managing the influential factors, not just managing the outcome of the influential factors. In this regard, this study takes a broader approach by including branding factors of mindshare, satisfaction, repeat purchase, emotional bond, friendliness and helpfulness of employees, societal and environmental concerns, value identity and importance of the brand's loyalty program that could influence likelihood of recommending a brand. The NPS and branding factors that are measured and examined are for a convenience store and fuel station chain operated in the mid-western part of the U.S.

This study draws from the literature the relevant branding factors that may lead to recommending the brand and in turn a high NPS. The specific objectives are to: 1.) Assess the customer perceptions of various branding factors including mindshare, satisfaction, repeat purchase, emotional bond, friendliness and helpfulness of employees, societal and environmental concerns, value identity, importance of the brand's loyalty program, and recommending the brand as a convenience store and fuel station, 2.) Calculate the NPS for two main businesses of this convenience store chain – convenience store and fuel station, 3.) Determine the effects of branding factors on the likelihood of recommending the convenience store and fuel station (NPS), and 4.) whether the NPS is impacted by shopping frequency.

 To accomplish the ROs, a survey instrument was developed, which included questions for each of the branding factors, which are measured with a single item to capture respondent perceptions of these factors that are compiled from the relevant literature. The survey also included several demographic questions. The survey was first pilot tested to improve the clarity of the wording,

easy comprehension of the survey questions, and the face validity of the concepts/factors used in the study (Churchill & Iacobucci, 2005). The target population of this study was members of the convenience store's loyalty program. The survey link developed using Qualtrics included the instructions and the purpose of the survey. Ten $50 gift cards were offered to improve the response rate. The link was sent to the entire list of 50,000 loyalty members. Two email reminders were sent one week apart. Within three weeks, this process produced 6,099 usable surveys for analysis.

The study reveals that the convenience store's loyalty program plays an important role in customers' selection of this convenience store. Customers were found to be very satisfied with fuel and very likely to recommend it. The findings indicate the convenience store business is performing well in all branding factors included in this study, as reflected by the high scores for the likelihood to recommend and high net promoter scores for convenience store and fuel operations. Additionally, the proposed relationships are supported by the significant correlations between likelihood of recommending and branding factors. The NPS scores calculated for both convenience store (42.4) and fuel station (59.2) indicate that the convenience store chain has a strong customer base that would highly recommend the two strategic business units.
The study also found that all branding factors are highly and significantly correlated with one another. In addition, the regression analysis revealed the branding factors that significantly predict the customers' likelihood to recommend the fuel station. The purchase frequencies were also significantly related to NPS, which suggests that future NPS studies could include purchase frequency to examine the NPS.

This study confirms that the NPS formula itself does not provide as detailed insights as the proposed brand audit framework this study developed and tested. The findings also revealed some of the branding factors that company may need to attend. It is recommended that the management must improve the performance on these factors. Because the study identified the relevant branding factors that are highly associated with NPS or likelihood of recommending the convenience store and fuel business, the company should focus on developing strategies related to the most relevant branding factors to improve its NPS. The framework this study developed and used provided deeper insights concerning each of the branding factors as indicators of brand performance and their influence on NPS. Some of the limitations are discussed.

Keywords: *Net promoter score (NPS), Convenience store, Brand audit*

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