

NAC Executive Insights

Net Promoter Score - Measure Customer Loyalty and Satisfaction

Key Points

- Net Promoter Score (NPS) is defined and its purpose described.
- Respondents are categorized to better understand and identify areas for improvement.
- NPS can be extended beyond external customers to include internal customers/organizations in addition to project organizations.
- Higher NPS scores correlate with better business performance.

Introduction

The **Net Promoter Score (NPS)** is a valuable metric commonly used to measure customer loyalty and satisfaction. As we will see later in this Executive Insight, its use can be extended to consider internal customers both in engineering and construction organizations as well as into larger projects.

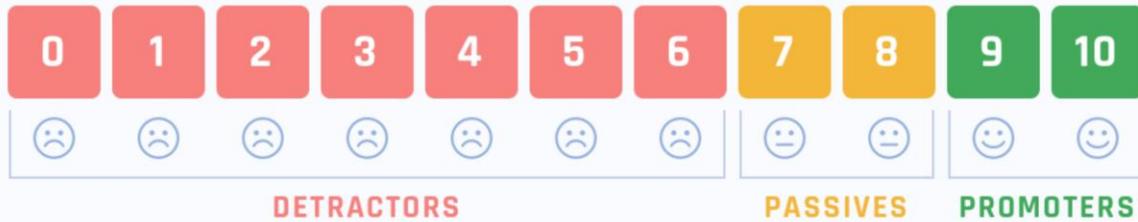
What is NPS?

NPS gauges how likely customers are to recommend a company, product, or service to others. It is based on a **single** question increasing the response rates from those surveyed. When assessing external customers of an organization the traditional question is usually of a form similar to one of these examples:

- "How likely are you to recommend our company/product/service to a friend or colleague?"
- "How likely are you to refer our product/company to others?"
- "Would you recommend our product/company to others? Please rate on a scale of 0 to 10."

Respondents rate on a scale of 0 (not at all likely) to 10 (extremely likely).

$$\text{NET PROMOTER SCORE} = \% \text{ PROMOTERS} - \% \text{ DETRACTORS}$$



Based on the responses received customers are grouped into three categories:

- **Promoters (9-10):** Loyal enthusiasts who actively recommend your business.
- **Passives (7-8):** Satisfied but not strongly attached to your brand.
- **Detractors (0-6):** Unhappy customers who may spread negative word-of-mouth.

Follow-up open-ended or multiple choice questions may be asked in some instances.

Calculating NPS

NPS is expressed as a number between -100 and +100. To calculate NPS, subtract the percentage of detractors from the percentage of promoters. The resulting score can range from -100 (if all customers are detractors) to 100 (if all are promoters).



Higher Net Promoter Scores indicate better customer loyalty and satisfaction.

How does the construction industry rate?

The Construction industry experienced the most dramatic change in 2024 with an NPS score of 37 (-23 points), being unable to maintain the impressive value from 2023. In contrast, the most noticeable boost was registered by the Consulting industry with an increase of 9 points (from 67 to 76). (Source: Retently)

Retently 2024 NPS Benchmark for B2B

average NPS score per industry



Cite and link to the source when using this data.

Source: Retently [What is a Good Net Promoter Score? \(2024 NPS Benchmark\)](https://retently.com/blog/what-is-a-good-net-promoter-score-2024-nps-benchmark) (retently.com)

Benefits of NPS

NPS provides a ready measure of customer satisfaction and loyalty. It facilitates tracking progress in experience improvements. Customers can be segmented based on loyalty and customized engagement experiences tailored for each group.

NPS provides for identification of at-risk customers for timely intervention and allows you to close the loop with dissatisfied customers to improve experiences.

Case Studies

Net Promoter Score (NPS) case studies that demonstrate its impact on business decisions are described below. Examples from the engineering and construction industry would include Caterpillar, AECOM, Bechtel and Skanska.

- **Solid NPS Correlates with Customer Recommendations**
 - Caterpillar’s NPS of 37 results in 58% of current customers likely to recommend their equipment

- **Lifting NPS Leads to Cost Reduction (B2C – Business to Consumer):**
 - A power systems parts and service company, Wajax, saw a dramatic drop in the cost of customer acquisition after improving NPS.
- **Increased NPS Linked to Promoter Spend (B2B – Business to Business):**
 - CRM software provider SuperOffice directly correlated increased NPS with higher promoter spending.
- **CX Leaders Outperform Laggards (B2B and B2C):**
 - Companies with higher NPS achieved more than double the revenue growth compared to CX laggards between 2016 and 2021.
- **NPS Correlates with Sales Growth (B2C):**
 - An increase of one NPS point led to sales growth of 1.458 percentage points in the following quarter.
- **Promoters' Gross Profit Growth (B2B):**
 - Gross profit for promoters grew at three times the rate of detractors.
- **Expansion Revenue Linked to NPS (B2C):**
 - NPS correlated with expansion revenue for a global technology firm.
- **Retailer Revenue Increase with NPS (B2C):**
 - A leading retailer found that a 1% lift in NPS resulted in a 0.5% increase in revenue.

Assessing Engineering & Construction Organizations

While Net Promoter Score (NPS) is primarily designed to measure customer loyalty and satisfaction, it can be adapted to assess the performance of individual departments within an organization. For example:

- **Department-Level NPS:**
 - Collect feedback from stakeholders (internal, external and especially projects being supported) related to specific departments.
 - Customize the NPS question to focus on that department's performance. For example:
 - "How likely are you to recommend our [Sales/IT/HR/Finance] department to others?"
 - Calculate the department's NPS using the same formula: $NPS = \% \text{ Promoters} - \% \text{ Detractors}$.

The benefits of department-level NPS include:

- Identifying areas for improvement within each department.
- Understanding stakeholder satisfaction with specific services or processes.
- Comparing NPS scores across departments to allocate resources effectively.
- Encouraging departments to enhance their performance based on stakeholder feedback.

Consider the following scenario:

- Imagine an organization with an IT department. They survey employees using a customized NPS question:
 - "How likely are you to recommend our IT services to colleagues?"
- High NPS indicates effective IT support, while low NPS prompts investigations into service quality, response times, and user experience.
- Variance across supported projects warrants a deeper dive to understand other factors present

Remember, while NPS provides insights, it's essential to combine it with other relevant metrics for a comprehensive assessment of departmental performance.

Assessing Project Organizations

While NPS is traditionally used for customer feedback, it can also be adapted to assess project organizations including both line (design departments, construction operations) and support groups (safety, quality, document control). This would extend to include home office support (human resources, purchasing, accounts payable, IT) or third party service providers (catering, logistics, testing).

- Collect feedback from project stakeholders (team members, clients, partners, subcontractors) using the NPS question.
- Analyze the results to identify areas for improvement, gauge stakeholder satisfaction, and track changes over time. Share the results and actions taken with the relevant stakeholder population.
- Remember that context matters—compare your NPS to departmental, project, company and industry benchmarks (if available) and consider relative performance within your field.

It is worth highlighting that the use of NPS can be extended to measure relative stakeholder support and how it is trending over time.

NPS can provide valuable insights into project organization performance, especially when combined with other relevant metrics.

Conclusion

The Net Promoter Score (NPS) serves as a vital metric for measuring customer loyalty and satisfaction, providing organizations with a clear framework to assess and enhance their relationships with both external customers and internal stakeholders. By categorizing respondents into Promoters, Passives, and Detractors, businesses can gain valuable insights into customer sentiment and identify areas for improvement. The calculation of NPS, which involves subtracting the percentage of Detractors from Promoters, offers a straightforward method to quantify customer loyalty, with scores ranging from -100 to +100.

The adaptability of NPS extends beyond traditional customer feedback, allowing organizations in the engineering and construction sectors to evaluate departmental performance and project effectiveness. This holistic approach not only aids in understanding stakeholder satisfaction but also facilitates targeted interventions to improve service quality and operational efficiency.

To leverage the insights gained from NPS effectively, organizations should consider the following:

- **Regularly Measure NPS:** Implement a routine schedule for collecting NPS feedback from both customers and internal stakeholders. This will help track changes over time and identify trends that require attention.
- **Act on Feedback:** Establish a process for analyzing NPS results and taking actionable steps based on the feedback received. Engage with Detractors to understand their concerns and implement improvements that can convert them into Promoters.
- **Customize NPS Questions:** Tailor NPS questions to specific departments or projects to gain deeper insights into performance. This customization can help identify strengths and weaknesses within various organizational areas.
- **Benchmark Against Industry Standards:** Compare NPS scores with industry benchmarks, if available, to gauge performance relative to competitors. This can provide context for the scores and highlight areas where the organization can improve.
- **Foster a Customer-Centric Culture:** Encourage a culture that prioritizes customer satisfaction across all levels of the organization. Training and resources should be provided to employees to understand the importance of NPS and how their roles contribute to enhancing customer loyalty.

By implementing these recommendations, organizations can harness the power of NPS to drive continuous improvement, enhance customer experiences, and ultimately achieve greater business success.

Implementation in Action

by Jerry Eyink

From an owner's perspective the ability to evaluate the importance, quality and trust of both external stakeholders (such as building partners) and internal stakeholders (other internal project organizations) is extremely valuable. This Net Promoter Score appears to be an easy approach to do this.

My experience suggests that you need to focus on all 3 levels:

- Promoters – It is valuable that you have a strong relationship with this group. If they are of high importance to your success, then you need to continue to work on maintaining this high- quality relationship. You need to know what is important to each of your stakeholders.
- Passives – Important to identify what is driving this passive position, what is important to them and what can be done to create a better win-win relationship. It may be valuable to identify a champion to spend the time needed to focus efforts to improve these passive relationships, to drive the relationship forward.
- Detractors – Understand this feedback and use the results to identify areas for improvement. Also, it is critical to understand how important each of these detractors are to the success of your organization, project and future projects. If they are of high importance, then it is essential to work to improve this relationship to the desired level. In the case of external stakeholders, such as building partners, it may be best to terminate the relationship and move on to another partner. Even saying that, my experience indicates it is often better and easier to mend (Improve) that poor relationship that it is to find and develop a new business partner relationship.

Positive relationships are the key to success in the construction business. Relationships are built on trust, so know what is important to each of your stakeholders. Remember – relationships are built on how we treat each other when times are rough and troubled ... it is easy to get along when things are smooth and routine.

About the Authors

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