



New Customer Satisfaction Index for the Japanese Market: From Net Promoter Score to Promoter Score Japan



Cross Mark

Tatsuya Kimura

Graduate School of Business and Finance, Waseda University, Tokyo 169-8050, Japan

ABSTRACT

Objective - This paper aims to examine the applicability of the Net Promoter Score (NPS) to Japanese consumers. The NPS measures the relationship between customer loyalty and corporate growth as an alternative to the conventional customer satisfaction index because of its simplicity and ease of understanding for managers. However, because of its simplicity, the NPS has been criticized for not considering the culture and consumer characteristics of the various countries in which it is used. In this study, we review Japanese consumers' response styles and examine a more adaptable measurement scale to the Japanese market.

Methodology/Technique - The sales data and customer NPS ratings of four companies in four industries—a cosmetics brand, a fashion e-commerce company, a daily necessities manufacturer, and a credit card company—were collected, and the relationship between them was analyzed to examine the validity of NPS classifications for the Japanese market.

Findings –The study yielded the following results. (1) Customers who give the highest ratings tend to exert a more positive impact on corporate earnings through sales (spending amount). (2) Median spending amount intersects with the recommendation score at around 6. (3) On an ordinal scale from 0 to 10, the recommendation frequency significantly increases at 5. Moreover, this study reveals that the NPS classification of consumers is inconsistent with Japanese customers' actual situation.

Novelty - As an alternative to the Net Promoter Score (NPS), the Promoter Score Japan (PSJ) is proposed to measure customer satisfaction and produce more accurate recommendations in the Japanese market.

Type of Paper: Empirical

JEL Classification: M31, M39.

Keywords: Net Promoter Score; customer satisfaction; customer recommendation; response bias; net promoter ratio; extreme response style; midpoint response style

Reference to this paper should be made as follows: Kimura, T. (2022). New Customer Satisfaction Index for the Japanese Market: From Net Promoter Score to Promoter Score Japan, *J. Mgt. Mkt. Review*, 7(3), 129 – 137. [https://doi.org/10.35609/jmmr.2022.7.3\(5\)](https://doi.org/10.35609/jmmr.2022.7.3(5))

1. Introduction

This paper re-examines the applicability to Japanese consumers of the Net Promoter Score (NPS), which many corporations and organizations use as an indicator for customer recommendations.

Paper Info: Revised: July 15, 2022

Accepted: September 30, 2022

* Corresponding author: Tatsuya Kimura

E-mail: kimura@waseda.jp

Affiliation: Graduate School of Business and Finance, Waseda University, Tokyo 169-8050, Japan

The NPS was developed by Frederick Reichheld and colleagues at Bain & Company and is used by major US hotels, airlines, and retail chains, as well as around 30% of Fortune 500 companies—including Apple, Amazon, Google, and Facebook—to measure customer loyalty. In recent years, an increasing number of companies in Japan have been using NPS to obtain primary data for deciding customer retention policies. Furthermore, local governments and various non-profit organizations use surveys to measure their activities' results and decide on future strategies. Meanwhile, it is necessary to keep in mind doubts about the so-called "ultimate question": "On a scale of 0 to 10, how likely is it that you would recommend (this product, service, company) to a colleague or friend?" (F.F Reichheld, 2011). Some have argued that this approach is too simplistic and lacks scientific rigor. However, this is not surprising considering the various characteristics of target companies, products, services, and brands, as well as the wide variety of customer attributes and individual market characteristics. Indeed, because of this, NPS's usefulness in real business settings cannot be fundamentally denied. This paper does not address the structure of NPS itself but instead focuses on its practical applicability; in particular, we consider NPS from the perspective of how it should be used in the Japanese market.

The remainder of this paper is structured as follows: Section 2 reviews the literature and explains the fundamental research concept; Section 3 describes the issues and research methodology; the results are presented and discussed in Section 4; and finally, Section 5 concludes the paper.

2. Literature Review

The concept of NPS was developed by Frederick Reichheld and colleagues at Bain & Company in 2003 as an indicator of customer loyalty that would show its contribution to earnings growth (Reichheld, 2003). In developing the indicator, Reichheld and colleagues tested multiple survey methodologies, and the one with the strongest observed correlation with earnings growth was dubbed the "Net Promoter Score" (NPS). One of the surveys that NPS was based on was a customer satisfaction survey conducted by Enterprise Rent-A-Car, in which the company reduced the number of question items in its 1988 survey from 18 to just two. One question asked about the quality of the car-rental experience, and the other about the customer's likelihood of renting from the company again. The customer group that gave the highest rating to the quality of the rental experience was three times more likely to repurchase (i.e., rent again) compared with the group that gave the second-highest rating. The company also developed a customer-recommendation measurement scheme that included diagnostic information compiled from dissatisfied customers (Frederick F Reichheld & Covey, 2006).

The survey scheme is simple. The measurement for each customer is based on their answer to the abovementioned question: "On a scale of 0 to 10, how likely is it that you would recommend (this product, service, company) to a colleague or friend?" The company's customers are then grouped into three categories, and each group has distinctly different behavior patterns, attitudes, and expectations about the company (F.F Reichheld, 2011). The three customer groups are as follows.

Promoters: This group consists of customers who responded 9 or 10 and are considered loyal, enthusiastic customers who will continue to purchase of their own accord and recommend their friends do likewise.

Passives: This group consists of customers who responded with 7 or 8. Although they are satisfied with the target company's products or services, they are not enthusiastic customers and are likely to switch brands in response to marketing from competitors.

Detractors: This group consists of customers who responded from 0 to 6. Not only are they very dissatisfied with the target company's products or services, but they are considered likely to criticize the company to their friends and colleagues. NPS is calculated by subtracting the Detractor group's percentage from the Promoter group's percentage, ignoring the percentage of customers assigned to the Neutral group.

Meanwhile, different country-specific responses from survey participants have been pointed out in previous studies. When respondents answer a question, the answer is formulated based on the actual meaning of the question, but their response style also influences it. (Chen et al., 1995) surveyed Japanese, Taiwanese,

Americans, and Canadians, asking 57 questions with responses rated on a 7-point scale. They found that Americans had a stronger tendency than others to give answers at either end of the scale (extreme response style: ERS), and that Japanese had a strong tendency to choose answers in the midpoint of the scale (midpoint response style: MRSi) compared with North Americans. They explain this difference by saying that "differences in response styles between North Americans and East Asians are in line with cultural differences as to whether they tend to be individualists or collectivists" (p. 174). In a multinational study of response styles, (Hofstede, 1980) analysis of cultural dimensions found associations between social and cultural factors that produce different response behaviors, and (Johnson et al., 2005) showed a positive correlation between ERS and dimensions of individualism and masculinity.

A multinational study by (Tasaki & Shin, 2017) showed that, unsurprisingly, Japanese and South Korean participants were more likely to choose a midpoint response (MRS) than their American counterparts. (Yonemura, K., and Matsuda, 1991) Surveyed participants from Japan, the U.S., U.K., South Korea, and Singapore and found that the percentage of MRS from Japanese along the lines of "can't say which" was more frequent compared with participants from the U.S., U.K., and Singapore. (Harzing, 2006) investigated response styles in 26 countries (three in northern Europe, four in Western Europe, four in Eastern Europe, five in southern (Latin) Europe, three in Latin America, and seven in Asia) and found that Japan, in line with Denmark, had the highest MRS response rates among the 26 countries. (Samovar et al., 1991) point out that people in group-oriented societies such as Japan tend to be more attentive to group norms and more reluctant to exhibit extreme attitudes compared with people from less collective societies. A study by (Si & Cullen, 1998) comparing the response tendencies of a group of Asians (Japanese, Chinese, and Hongkongers) with those of a group of Westerners (Americans, Germans, and British) found that the Asians were less likely than the Westerners to choose endpoints (extremes).

These studies show that Japanese (and other East Asians) have a contrasting response style compared with people from other countries (Americans in particular, who are strongly individualistic)—they tend to choose neutral (midpoint) responses rather than those at either end (extreme).

3. Issues and Research Methodology

Although roughly 30% of Fortune 500 companies are believed to use NPS to measure customer loyalty, doubts have been raised about the reliability and validity of the metric because it uses just one question, the abovementioned "ultimate question." For example, (Keiningham et al., 2008) argue that the oft-cited characteristics of NPS that (1) it is the best leading indicator of corporate growth and that (2) NPS is more closely linked to profitability than to customer satisfaction, are at odds with the survey results. Furthermore, (Keiningham et al., 2007) analyzed correlations between improved profitability and customer satisfaction, repurchase intention, and NPS and noted that NPS does not necessarily display the strongest correlation and that there is no evidence that NPS has been subjected to rigorous scientific scrutiny. (Morgan & Rego, 2006) analyzed American Customer Satisfaction Index data from 1994 to 2000 to investigate the impact of various indicators on business results and concluded that the average customer satisfaction score is more valuable than NPS in forecasting business performance. As seen here, a number of questions regarding the reliability and validity of NPS have been raised through empirical investigation.

Another factor related to the adoption and application of NPS that must be considered is regional characteristics or differences inherent to the culture of the target customer base. In this paper, we examine differences between Japan and the U.S., where NPS was developed and is most widely used by corporations and other organizations. NPS is generally thought to land between 10 and 30, with outstanding companies achieving scores of 50 or higher (Keller & Kotler, 2006). Meanwhile, NPS in Japan is in negative territory in all cases (Table 1).

Table 1. Average NPS ratings by sector in Japan and the U.S.

Sector	U.S.	Japan	Difference
Life insurance	31	−52	83
Credit cards	37	−43	80
Car insurance	44	−52	96
Mobile carriers	30	−59	89
Banks	35	−46	81
Online stockbrokers/investment funds	45	−30	75
Airlines	35	−17	52
Security software	28	−24	52

Note: NPS ratings by sector for the U.S. are from Satmetrix (U.S. Consumer 2006 Net Promoter Benchmarks), and those for Japan are from NTTCom Online Marketing Solutions Corporation (NPS benchmark survey 2019)

Table 2. Top NPS ratings by sector in Japan and the U.S.

Sector	U.S.	Japan	Difference
Life insurance	45 (State Farm)	−39 (Prudential Life)	84
Credit cards	52 (Discover)	−20 (Rakuten Card)	72
Car insurance	77 (USAA)	−43 (Tokio Marine & Nichido Fire)	120
Mobile carriers	54 (Cricket)	−55 (NTT DoCoMo)	109
Banks	73 (USAA)	−25 (SBI Sumishin Net Bank)	98
Online stockbrokers/investment funds	66 (Vanguard)	−18 (SBI Securities)	84
Airlines	67 (JetBlue)	−7 (ANA)	74

Note: NPS ratings by sector for the U.S. are from Satmetrix (U.S. Consumer 2006 Net Promoter Benchmarks), and those for Japan are from NTTCom Online Marketing Solutions Corporation (NPS benchmark survey 2019)

As shown in Table 2, Japan's maximum NPS values (points) by sector are negative across the board, even for the highest-rated companies. Furthermore, the gap between the U.S. and Japan ranges from 72 to 120 pointsⁱⁱ. If the NPS shows the percentage of promoters, its counterpart in Japan is not NPS but rather a net detractor score. Taking an example from the car insurance industry, USAA in the U.S. scored 77, while Tokio Marine & Nichido Fire, the highest-rated Japanese company, scored −43. Below, we investigate whether the 120-point gap in absolute value, despite identical calculation methods, reflects the real difference in customer loyalty between Japanese and U.S. companies or whether it stems from different response tendencies among Japanese and U.S. survey participants, focusing on the latter perspective.

To identify the underlying causes of the differences in scores between Japan and the U.S., this paper uses an empirical approach to examine the validity of the NPS measurement scale. The potential for new applications of NPS and new indicators is explored by graphing the results of NPS customer surveys. Specifically, the sales data and NPS of four companies from four industries—a cosmetics brand, a daily necessities manufacturer, a fashion e-commerce company, and a credit card company—are analyzedⁱⁱⁱ.

4. Results and Discussion

Figures 1–4 show the performance of the companies in terms of sales and annual spending per customer, grouped according to their answers to the question "On a scale of 0 to 10, how likely is it that you would

recommend (this product, service, company) to a colleague or friend?" (Reichheld, 2013). Tables 3–6 show the distribution of the percentage of respondents according to the score for each company.

Figure 1. Cosmetics brand A: Sales by NPS rating (n =7,538)

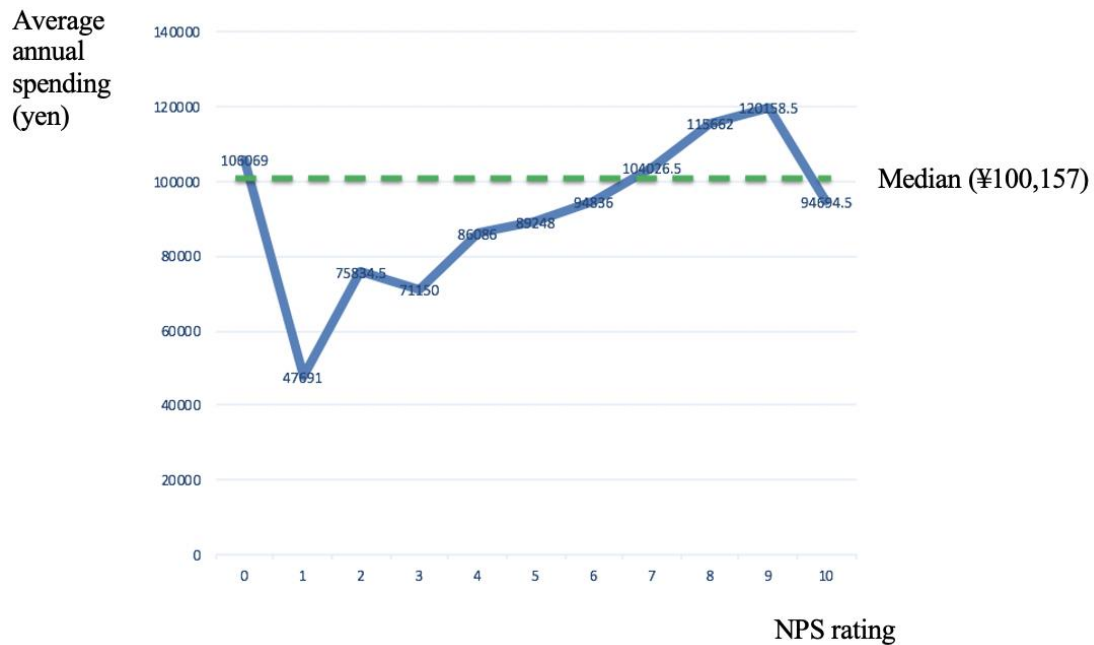


Table 3. Cosmetics brand A: Distribution of scores (n=7,538)

NPS rating	0	1	2	3	4	5	6	7	8	9	10	Total
Number of customers	25	21	52	167	189	1,409	961	1,776	2,042	348	548	7,538
%	0.3	0.3	0.7	2.2	2.5	18.7	12.7	23.6	27.1	4.6	7.3	100

Figure 2. Daily necessities manufacturer L: Sales by NPS rating (n = 6,403)

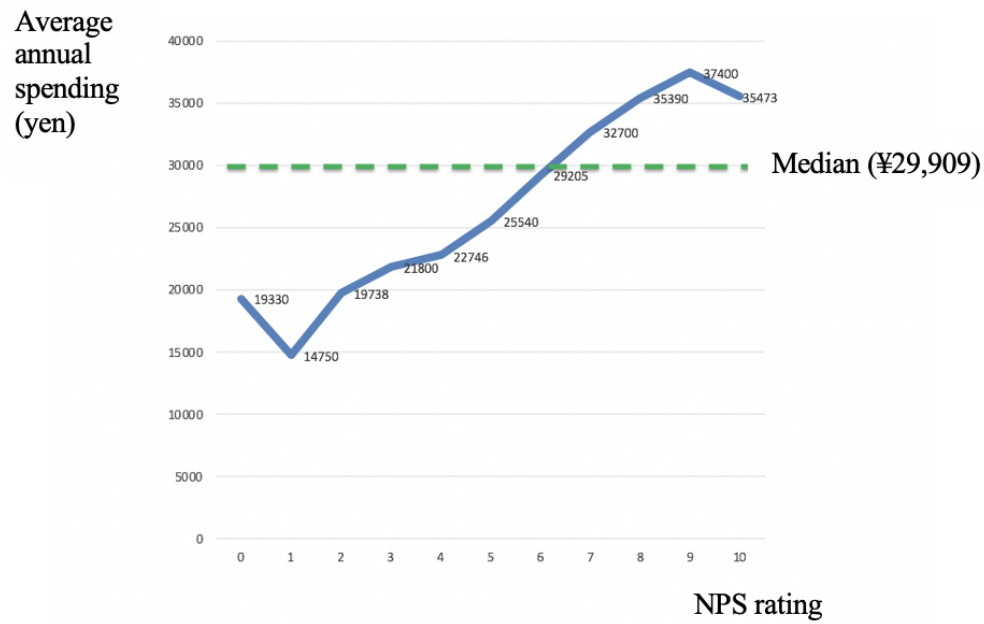


Table 4. Daily necessities manufacturer L: Distribution of scores (n = 6,403)

NPS rating	0	1	2	3	4	5	6	7	8	9	10	Total
Number of customers	111	79	100	297	201	1,665	803	1,227	1,431	212	277	6,403
%	1.7	1.2	1.6	4.6	3.1	26.0	12.5	19.2	22.3	3.3	4.3	100

Figure 3. Fashion e-commerce company E: Sales by NPS rating (n = 9,450)

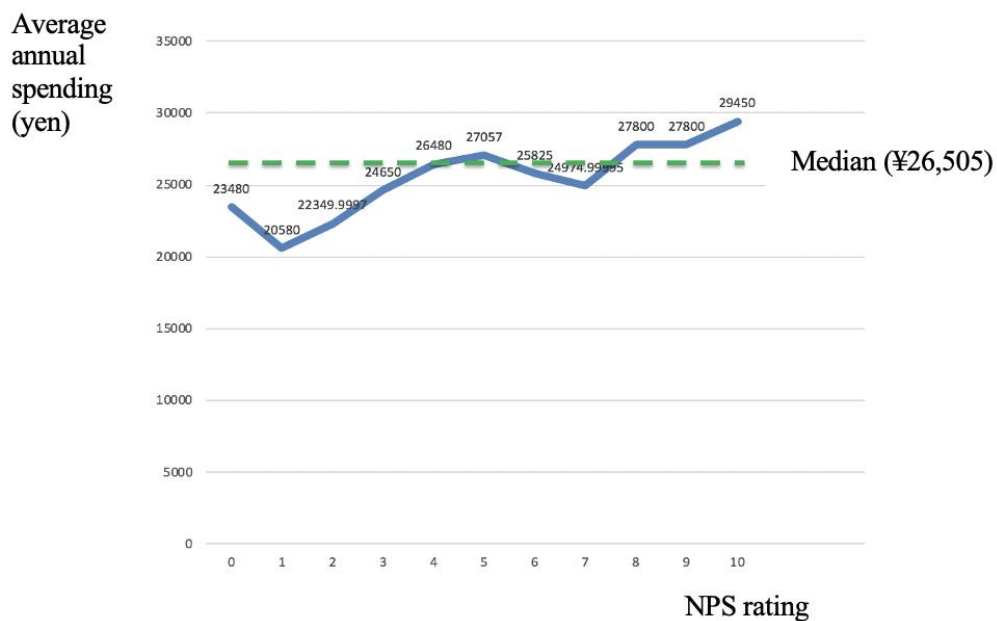


Table 5. Fashion e-commerce company E: Distribution of scores (n = 9,450)

NPS rating	0	1	2	3	4	5	6	7	8	9	10	Total
Number of customers	633	263	287	610	303	1632	732	1274	1611	501	1604	9,450
%	6.7	2.8	3.0	6.5	3.2	17.3	7.7	13.5	17.0	5.3	17.0	100

Figure 4. Credit card company T: Sales by NPS rating (n = 32,937)

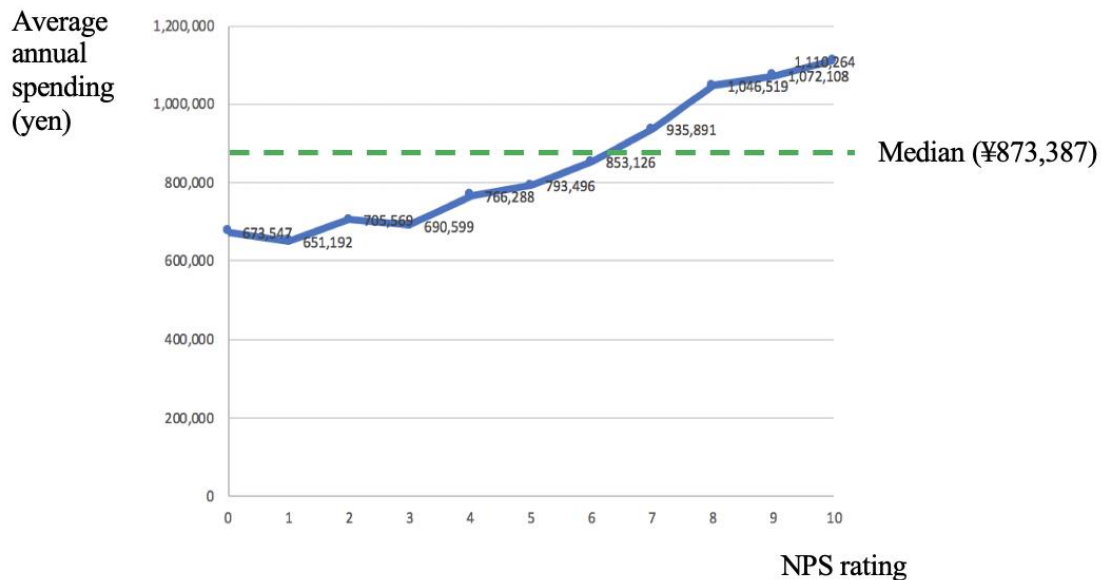


Table 6. Credit card company T: Distribution of scores (n = 32,937)

NPS rating	0	1	2	3	4	5	6	7	8	9	10	Total
Number of customers	1,131	748	1,081	2,519	1,351	10,428	3,377	4,904	4,517	634	2247	32,937
%	3.4	2.3	3.3	7.6	4.1	31.7	10.3	14.9	13.7	1.9	6.8	100

The analysis of the above four companies revealed the following three points. (1) Customers who give the highest ratings tend to exert a more positive impact on corporate earnings through sales (spending amount). (2) Median spending amount intersects with the recommendation score at around 6. (3) On an ordinal scale from 0 to 10, the recommendation frequency significantly increases at a score of 5. We interpret this as in line with the explanation mentioned above of the Japanese response style.

Customer groups with an NPS rating of 5 or 6, as stipulated by (Frederick F Reichheld, 2003), are considered detractors, but in the case of Japanese customers, this is at odds with reality. Therefore, in this research, we deem customers with scores of 5 or 6 to be passives, and we propose a modified Japanese version of the NPS that we call the Promoter Score Japan (PSJ), which can be used as a guideline indicator for measuring customer recommendations.

Table 7. NPS and PSJ

	Detractors	Passives	Promoters
NPS	0–6	7, 8	9, 10
PSJ	0–4	5–7	8–10

5. Conclusion

It has been pointed out that NPS ratings vary according to country. In his first paper on NPS, (Frederick F Reichheld, 2003) said that NPS should be used as a sales management tool rather than a market research tool. In reality, NPS is often used to compare a company's performance against its competitors in a specific market (country or region), rather than the same company across different countries.

However, NPS is used by many Japanese companies because of its simplicity, ease of use, and easy-to-understand results, despite the several limitations and constraints that have been pointed out. By slightly modifying the NPS for Japanese customers, the PSJ makes the metric even more useful for companies conducting business in Japan. Of course, in practice, managers do not focus on any particular indicator, and they will naturally base their decision-making on as many indicators as possible.

This study sought to empirically verify the validity of the NPS for the Japanese market and proposed a modified version of the NPS, namely, the PSJ, based on the analysis results. However, the study dealt with cases from only four industries; thus, empirical studies in other sectors are needed. Future developments in this research area are likely to entail broader empirical studies to elucidate the usefulness and limitations of PSJ in business settings.

References

- Chen, C., Lee, S., & Stevenson, H. W. (1995). Response style and cross-cultural comparisons of rating scales among East Asian and North American students. *Psychological Science*, 6(3), 170–175.
- Harzing, A.-W. (2006). Response styles in cross-national survey research: A 26-country study. *International Journal of Cross Cultural Management*, 6(2), 243–266.
- Hofstede, G. (1980). *Culture's consequences*. Sage.
- Johnson, T., Kulesa, P., Cho, Y. I., & Shavitt, S. (2005). The relation between culture and response styles: Evidence from 19 countries. *Journal of Cross-Cultural Psychology*, 36(2), 264–277.
- Keiningham, T. L., Aksoy, L., Cooil, B., Andreassen, T. W., & Williams, L. (2008). A holistic examination of Net Promoter. *Journal of Database Marketing & Customer Strategy Management*, 15(2), 79–90.
- Keiningham, T. L., Cooil, B., Andreassen, T. W., & Aksoy, L. (2007). A longitudinal examination of net promoter and firm revenue growth. *Journal of Marketing*, 71(3), 39–51.
- Keller, K. L., & Kotler, P. (2006). *Marketing management*. Pearson.
- Morgan, N. A., & Rego, L. L. (2006). The value of different customer satisfaction and loyalty metrics in predicting business performance. *Marketing Science*, 25(5), 426–439.
- Reichheld, F.F. (2011). *The ultimate question 2.0*. Harvard Business Review Press.
- Reichheld, Frederick F. (2003). The one number you need to grow. *Harvard Business Review*, 81(12), 46–55.
- Reichheld, Frederick F., & Covey, S. R. (2006). *The ultimate question: Driving good profits and true growth* (Vol. 211). Harvard Business School Press Boston.
- Samovar, L. A., Porter, R. E., & McDaniel, E. (1991). *Communication between cultures: A reader*. Belmont, CA: Wadsworth.
- Si, S. X., & Cullen, J. B. (1998). Response categories and potential cultural bias: Effects of an explicit middle point in cross-cultural surveys. *The International Journal of Organizational Analysis*.
- Tasaki, K., & Shin, J. (2017). Japanese response bias: Cross-level and cross-national comparisons on response styles. *Shinrigaku Kenkyu: The Japanese Journal of Psychology*, 88(1), 32–42.
- Yonemura, K., and Matsuda, Y. (1991). A study of ambiguous and midpoint responses and social surveys by Japanese people. *Proceedings of the 32nd Annual Conference of the Japanese Society of Social Psychology*, 66–69.

ⁱ Other terms such as net ratio of promoters, net promoter ratio, and customer recommendations are also used.

ⁱ This is sometimes expressed as “midpoint responding.”

ⁱ Because the maximum value for NPS is 100 points, this shows how big the gap between the two is.

ⁱ The sales data and NPS ratings in this section were provided by Emotion Tech Inc. in Tokyo, a consulting firm specializing in customer satisfaction surveys and customer recommendations. Company sales and customer spending are all historical data covering direct e-commerce transactions for each company with registered customers from July 2017 to June 2018. Because corporate data are confidential, company names are not disclosed.