The Loyalty Effect

Predicting customer loyalty using the American Customer satisfaction index and the Net Promoter Score

Alexander Jöndell, Oskar Bill

Abstract – The aim of the study is to predict customer loyalty utilising big data. This will be done by combining two models: The American Customer Satisfaction Index (ACSI) and the Net Promoter Score (NPS) using the benefits of each model, the cause and effect relationship in ACSI and the simple survey methodology in NPS.

The findings are aimed to facilitate a work method enabling companies to use big data to predict customer loyalty, in order to pro actively work with detracting customers and to grow future profits. A model combining the ACSI and the NPS was deducted from a theoretical analysis. Two relationships in the model was then established; one between the measurement for loyalty, NPS, and the drivers from the ACSI and one from case specific big data and the drivers from the ACSI. The relationship between the NPS and the ACSI was later possible to confirm however the relationship between the drivers and the data was not.

Keywords – Customer loyalty, Net Promoter Score, NPS, American Customer Satisfaction Index, ACSI

———————————— ◆ ————————————

Customer loyalty is something that historically has been fairly difficult to work with, let alone accomplish. The measurements are many and are often time-consuming and not exclusive to the entire customer population. Big data has in recent years somewhat facilitated the access to customer specific data and increased the knowledge about the customers, but current loyalty measurements have not been adapted to this change. Nonetheless loyalty seems to be an important part of most businesses CRM work. But why? Studies have shown that it costs five times more for a company to attract a new customer than it does to retain a current one. Also, loyal customers grow businesses and profits by spreading the word of a caring company.

The American Customer Satisfaction Index (ACSI) and the Net Promoter Score (NPS) are two well-known models of measuring satisfaction and loyalty. Since loyalty is an effect of satisfaction the two terms usually go hand-in-hand. The study took advantage of these two measurements when conducting a theoretical analysis. How is it possible to combine them into being applied for big data and helping businesses to measure loyalty without always having to ask the customers? The model that was deducted and scrutinized with empirical data can be seen in figure 1.

Interviews with customers and employees were conducted in order to determine which data the drivers consisted of. Hence, the customer specific data was chosen to represent each of the three drivers in the model.
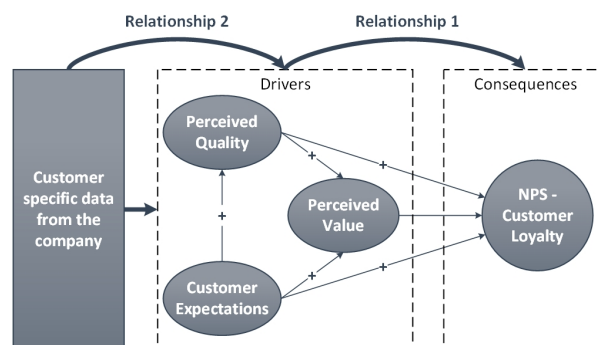

Figure 1 - The relationship model investigated in the thesis.

At the same time a survey was sent out to 2000 customers in order for them to rate their experience with the drivers in the model as well as the NPS measurement. To prove the relationships between the NPS and the drivers (relationship 1) as well as the drivers and the data (relationship 2), multiple linear regression was used. Using the equation from the regressions, predictions of customer loyalty were made possible and the model could be proven.

Relationship 1 was possible to prove. Therefore the first part of the self-deducted model was true and the drivers of loyalty were adequate. This could potentially help business in focusing their efforts when improving loyalty and gives a theoretical contribution when proving the constituents of the NPS. Relationship 2, however, was not possible to prove. Therefore further research will be needed including better populated data and possibly larger samples, in order to accurately predict customer loyalty.