THE APPLICATION OF THE NET PROMOTER SCORE (NPS) METHOD IN MEASURING CUSTOMER SATISFACTION IN THE RETAIL INDUSTRY IN MEDAN

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ARTICLE INFO	ABSTRACT
Keywords: Net Promoter Score; NPS; Kepuasan Pelanggan; Kualitas Pelayanan; Industri Retail.	*The retail industry in Medan City is one of the most competitive industries. Tight business competition in the retail industry requires companies to constantly improve the quality of their products and services. Therefore, measuring customer satisfaction is very important for companies to find out the extent to which the quality of their products and services meets customer needs and expectations. Research Methods Net Promoter Score (NPS) is one of the popular methods used to measure customer satisfaction. This method allows companies to measure customer satisfaction using one simple question, namely "Would you recommend our products or services to others?" with an answer scale from 0 to 10. The NPS method has been used by many companies around the world to increase customer satisfaction and improve the quality of their products and services. However, there are still few retail companies in Medan City that use the NPS method to measure customer satisfaction. The urgency of the research is to find out the quality of their products and services to meet customer needs and expectations, the use of NPS as a tool to measure customer satisfaction and provide recommendations to retail companies to improve the quality of products and services. Research objectives to apply the Net Promoter Score method in measuring customer satisfaction in the retail industry in Medan City. This research also aims to find out what factors affect customer satisfaction and provide recommendations to retail companies to improve the quality of their products and services. In this study, a quantitative approach with survey method is used to collect data from respondents through questionnaires distributed online or directly to customers of several retail companies in Medan City.*
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1. INTRODUCTION

Customer satisfaction is one of the things that is very important for companies in developing their business. Companies must be able to understand and meet customer needs and expectations in order to maintain and increase the number of customers and increase company profits. Therefore, measuring customer satisfaction is important for companies. One method used in measuring customer satisfaction is Net Promoter Score (NPS) (1). This method has been used by many companies around the world to increase customer satisfaction and improve the quality of their products and services (2). In the retail industry, NPS can be used to measure customer satisfaction and determine what factors affect customer satisfaction. Medan City as the third largest city in Indonesia, has many retail companies competing in an increasingly competitive market (3). To survive and thrive in an increasingly competitive market, retail companies must be able to understand and meet customer needs and expectations. In this case, measuring customer satisfaction is very important.

This study aims to apply the NPS method in measuring customer satisfaction in the retail industry in Medan City. In addition, this study also aims to analyze what factors affect customer satisfaction in the retail industry in Medan City and provide recommendations to retail companies to improve the quality of their products and services. In this study, a survey was conducted to 100 respondents of retail company customers in Medan City using a questionnaire that had been prepared based on the NPS method. The data obtained will be analyzed using statistical techniques such as multiple linear regression and path analysis. It is hoped that the results of this study can make a positive contribution to the development of science in the field of management and marketing and provide benefits for retail companies in Medan City in increasing customer satisfaction and increasing company competitiveness. Based on the introduction above, the formulation of this research problem is as follows:

1. How is the application of the Net Promoter Score (NPS) method in measuring customer satisfaction in the retail industry in Medan City?
2. What are the factors that affect customer satisfaction in the retail industry in Medan City?
3. How to improve customer satisfaction in the retail industry in Medan City based on the results of NPS measurement and analysis of factors affecting customer satisfaction?
4. How much does the measurement of customer satisfaction using the NPS method contribute to the competitiveness of retail companies in Medan City?

Approach and Problem Solving

The approach and problem solving of this research based on the problem formulation above are as follows:

1. Approach:
   The approach used in this research is a quantitative approach by collecting data from 100 respondents of retail company customers in Medan City using a questionnaire based on the NPS method. Furthermore, the data will be analyzed using statistical techniques such as multiple linear regression and path analysis to analyze the factors that influence customer satisfaction.
2. Problem Solving,
   Applying the NPS method in measuring customer satisfaction in the retail industry in Medan City. Identifying factors that affect customer satisfaction in the retail industry in Medan City through multiple linear regression analysis and path analysis. Provide recommendations to retail companies in Medan City in improving the quality of their products and services based on the results of NPS measurement and analysis of factors affecting customer satisfaction. Analyzing the contribution of measuring customer satisfaction using the NPS method to the competitiveness of retail companies in Medan City.
3. Thus, solving the problems in this study is expected to help retail companies in Medan City to improve customer satisfaction and increase their competitiveness in an increasingly competitive market.

Needs Analysis

In general, the retail industry in Medan City uses various methods to measure customer satisfaction, such as customer surveys, direct feedback from customers, or through performance assessment of sales. However, not all methods of measuring customer satisfaction can provide accurate and easy-to-understand results. The current system in the retail industry in Medan City in measuring customer satisfaction levels can include the following components:

1. Customer survey: The retail industry may conduct customer surveys to collect data on customer satisfaction levels. Surveys can be conducted online or through traditional methods such as interviews or questionnaires.
2. Direct customer feedback: Retail industries may receive direct feedback from customers via email, phone, or social media. Feedback can provide valuable information about the customer experience while shopping and help the retail industry to improve areas that need improvement.

3. Sales performance assessment: The retail industry can obtain information about customer satisfaction levels through sales performance assessments such as return rates, customer complaint rates, or re-sale rates.

However, not all customer satisfaction measurement methods can provide accurate and easy-to-understand results. Therefore, it is necessary to develop a customer satisfaction measurement system that is more effective and efficient in identifying customer needs and evaluating the overall customer experience. One method that is considered effective and can be applied to the retail industry in Medan City is the Net Promoter Score (NPS) method. This method allows the retail industry to measure customer satisfaction levels more specifically and identify areas that need to be improved to enhance customer experience and gain loyal customers. In this research, the author will develop a customer satisfaction measurement system that adopts the NPS method in the retail industry in Medan City.

Type of Research

The type of research that will be conducted in this study is quantitative research. Quantitative research is a type of research conducted to test hypotheses or answer research questions by collecting and analyzing numerical data. This research will use numerical data to measure the level of customer satisfaction and compare it with the NPS score obtained from respondents. The research results obtained will be in the form of numerical data which will be analyzed and interpreted statistically. In quantitative research, data collection is done through questionnaires or surveys and the results are processed with statistical analysis techniques such as regression, correlation, and hypothesis testing. Quantitative research is more objective because the data obtained can be verified and tested statistically to support or reject the research hypothesis (6).

2. METHOD

a. Net Promoter Score (NPS) Method

Net Promoter Score (NPS) is a customer satisfaction measurement method often used by companies to evaluate how likely customers are to recommend the company's products or services to others. This method was first introduced by Frederick Reichheld in 2003 and has since become a popular method of measuring customer satisfaction. The NPS method is used by companies to measure and monitor customer satisfaction on a regular basis, as well as to find out how many customers are likely to recommend the company's products or services to others. This can help companies to identify areas for improvement to enhance the customer experience and acquire more loyal customers (1).

b. Conceptual Framework

The conceptual framework of the NPS method is based on the main question asked to customers, which is "On a scale of 0-10, how likely are you to recommend our products/services to others?". Based on customers' answers, respondents are divided into three categories: Promoter (9-10), Passive (7-8), and Detractor (0-6). The NPS score is obtained by subtracting the Detractor percentage from the Promoter percentage. NPS scores can range from -100 to 100, with positive values indicating that customers tend to recommend the company's products or services and negative values indicating the opposite (7).

The conceptual framework of the NPS method is as follows:

1. NPS question: An NPS question is a single question that measures customer satisfaction by asking them to rate the extent to which they recommend the product or service to others. The question asked is "On a scale of 0-10, to what extent would you recommend our product/service to friends or family?"

2. Customer classification: After customers have provided answers to the NPS questions, they are classified into three categories based on the scores given. Customers with a score of 9-10 are considered "promoter" customers who are highly satisfied and likely to recommend the product or

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service to others. Customers with a score of 7-8 are considered "passive" customers who are not very passionate about the product or service, and customers with a score of 0-6 are considered "detractor" customers who are dissatisfied and tend to give negative feedback.

3. NPS score calculation: The NPS score is calculated by subtracting the percentage of detractor customers from the percentage of promoter customers. The result is an NPS score between -100 to 100. The higher the NPS score, the better the company's performance in meeting customer needs (8).

The research objective of this work is to propose a framework for applying transactional NPS to monitor and assess on regular basis the customer experiences in the context of the customer journey. To meet this research objective, the transactional NPS and the framework within which it is applied should satisfy the following requirements (R1-R4):

- R1: Support comparing service performance to benchmarks and business goals;
- R2: Provide insight into key customer experiences and experiential drivers;
- R3: Provide actionable insight into customer problems or pain-points as well as opportunities for service improvement; and
- R4: Be sufficiently general so as to be applicable across customer journeys. These four requirements will be referred to below, both when presenting the framework and in the

discussion of the framework based on the case experiences

The deviation data served to supplement and complement this insight. Deviations were investigated in terms of calls to Customer Service after placing the order. About half the participants (53%) reported to have placed such calls. However, deviations as such were not necessarily negative to customer experience. Customers reporting to have called Customer Service and had their issue fixed immediately, reported substantially higher LTR scores (M = 8.3, SD = 1.9).

Than those having the issues resolved after a while (M = 6.5, SD = 2.8) (t(130) = 4.3, p < 0.001) and those that had not had the issues resolved yet (M = 4.5, SD = 3.5) (t(25.9) = 4.1, p < 0.001). In contrast, customer reporting not to have to call customer service had mean LTR scores of 7.7 (SD = 2.3). Furthermore, customers reporting to have called Customer Service and had their issue fixed immediately were far more likely to report customer service as a reason for score (48%) than any other group. The findings of the combined assessment-based and deviation-based analysis provided insights to service designers and mangers not only as to the potential importance of Customer Service for this customer journey, but also on how Customer Service may affect the customer experience in case of service failure. A key implication of the findings in this customer journey is the paramount need to prioritize routines for improved first-call resolution so the customers

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get their issues resolved without any further delay. This is an opportunity to create a better customer experience and thereby improve customer loyalty at the beginning of the customer relationship. Furthermore, failing to provide first-call resolution is detrimental to customer experience, and may easily outweigh other efforts to improve customer experience at later stages. Case 3 demonstrates the usefulness of combining assessment-based and deviation-based approaches to customer journey measures. The deviation-based approach served to provide richer detail on the effect of Customer Service in the case of deviations from the expected journey. For customer journeys known to be prone to deviations, it may be wise to consider the gathering of deviation data from customers in addition to the gathering of assessment data to get a more complete picture of the customer experience during the customer journe

3. Results and Discussion
A. Research Results

The proposed framework is provided in response to a gap in the current literature; that is, how to efficiently monitor customer experience in the context of customer journeys. The proposed framework takes advantage of the widely used transactional NPS to gather customer feedback across the customer journey, through assessment-based and deviation-based approaches. Here, transactional NPS data are analysed with a customer journey perspective, in terms of target and spillover reasons-for-score. Furthermore, different sets of transactional NPS data, such as start-point and end-point measures may be combined to get new insight in how customer experience evolves across the customer journey. The under-determined characteristic of the LTR question is shown to be key for gathering customer experience data throughout the customer journey. For this underdetermined characteristic to be beneficial, however, it seems necessary to apply transactional NPS as a quant-qual instrument, rather than a plain metric. In fact, the reason-for-scoreTRANSACTIONAL NPS FOR CUSTOMER JOURNEY INSIGHT 21 question may be seen as a means to eliciting those aspects of the customer journey that are most important to the customer. Cases 2 and 3 show how the transactional NPS with relative ease may be implemented as a means to gather insight in customer experience throughout the customer journey. The start-end analysis in Case 2 resembles the approach of Rawson et al. (2013), in their study of changing levels of customer satisfaction across the customer journey. However, in Case 2 and 3 we show how leveraging the qualitative component of transactional NPS can strengthen the analysis as compared to analyses based on a quantitative metric only. As discussed by Palmer (2010), the multifaceted and contextually dependent character of customer experience may make it elusive to quantitative models. Through these cases, we have shown how a quant-qual instrument may help alleviate the limitations of a purely quantitative approach to the investigation of customer experience

4. CONCLUSION

The presented work has limitations pointing to future research needs. In particular, the number of cases is small and the cases reflected the experiences with the framework from only one particular company in one particular service sector. Nevertheless, the cases are adequate for the purpose of demonstrating the framework and generating initial lessons learnt. Future work, hence, is needed to apply and adapt the framework to the context of other cases and service providers. It would be beneficial to try out the elements of the framework in a wider range of sectors, and for customer journeys of varying complexity and duration. Presumably, the need to include additional touchpoint measures throughout the journey will increase as the journey duration increases.

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