The Relationship between Purchase Intentions and Recommend Intentions in Assessing Market Potential for Graduate Degree Programs: Uncollapsed and Collapsed Recommend Intentions

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ABSTRACT

The Net Promoter Score® (NPS) system measures recommend intentions on an 11-point scale that is then collapsed into three ranges: 0 – 6 (Detractors), 7 – 8 (Passives), and 9–10 (Promoters). With a five-point scale, the equivalent pooling scheme is 1-3 = Detractors, 4 = Passives, and 5 = Promoters. Questions can be raised about the strength of the predictive ability of the recommend intention and the method of pooling of ratings. In two market potential studies for proposed graduate programs, five-point recommend intentions and purchase intentions were used to gauge interest. The recommend intentions were collapsed into the unbalanced NPS categories and into a more conventional balanced scheme (1-2, 3, 4-5). In each data set, the uncollapsed (five-point) recommend intention and the two collapsed (three-point) recommend intention ratings were then correlated with the five-point purchase intention. All correlations were low, which points to non-redundancy between recommend and purchase intentions, and suggests the need for both metrics in studying market potential. The NPS-style collapse did not improve the magnitude of the association.

Keywords: Collapsing, Net Promoter Score® System, Purchase Intention, Recommend Intention, Uncollapsed

INTRODUCTION

Drawing on the results from two surveys whose purpose was to assess the market potential for proposed graduate degree programs, I examined the relationship between the respondents’ purchase intentions and their recommend intentions. The strength of the relationship has not been studied adequately in the context of higher education, particularly when dealing with products
still at the conceptual stage. I also sought to determine whether collapsing the recommend intention according to the scheme underlying the Net Promoter Score® (NPS) produces any type of change (either detrimental or beneficial) in the relationship between purchase intention and recommend intention.

I begin by reviewing how behavioral intentions are used in studying market potential for both conceptual and existing products, focusing on measurement issues. Next, I consider the NPS and how the recommend intention is the basis for the process. The reported concerns with NPS are identified, including questions about whether the recommend intention is the ultimate metric and how the pooling of ratings leads to an unbalanced behavioral intention scale. Literature on the benefits and drawbacks of collapsing is then reviewed.

LITERATURE REVIEW

Behavioral Intentions in Conceptual and Existing Products

Conceptual products: Before a new product or service is launched, it is prudent to conduct a feasibility analysis, which is the process whereby one determines if the idea holds promise (Barringer & Ireland, 2011). An initial step in this procedure is concept testing, wherein a description of the proposed product or service is shown to potential customers and questions indicative of market potential are asked (Moore, 1982; Ozer, 2009, 2011; Peng & Finn, 2010). Two common questions of this sort are “purchase intention” and “recommend intention.” Namely, the respondent is asked whether (1) she or he would personally buy the item in question if it were to be made available, and (2) would he or she recommend it to colleagues, family and friends. Typically, diagnostic questions are also asked to provide insight about the reasons underlying the stated intentions (Yuspeh, 1975).

Existing products: For existing products, these two intention questions are also frequent survey metrics for assessing customer loyalty (Aksoy, 2013; Keininghan, Cool, Aksoy, Andreassen, & Weiner, 2007; Oliver, 1999; Taylor, Houlanhan, & Gabriel, 1975), and are used to predict a product’s eventual share of the market and profitability. In this usage, instead of asking about a purchase intention, the question deals with a repurchase intention. Questions about satisfaction with the product or service are very common in loyalty evaluations, but these can’t be asked in concept studies because the product has not been used. As noted by Smith (2012), “… it may be meaningful to measure attitudes towards a product or service that a consumer has never used, but it is not meaningful to measure satisfaction when a product or service has not been used.”

Measuring Intentions

Common formats: Usually, intention is captured by means of a Likert scale. The traditional purchase intention measure is on a five-point Likert scale, although three-point and seven-point scales are not uncommon (Dawes, 2008; Jamieson & Bass, 1989; Mullet & Karson, 1985). An 11-point purchase intention scale developed by Juster (1966) has become popular (Day, Gan, Gendall, & Esslemont, 1991; Parackal & Garland, 2006). The 11-point scale for measuring recommend intentions created by Reichheld (2003) is also receiving much attention (both praise and criticism).

On intention scales with at least three response options, the ratings can be summarized in at least four ways: (a) mean (i.e., the arithmetic average), (b) top box (i.e., the percentage
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