

Evaluating “Net Promoter” Scores for the Cable Business?

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EVALUATING “NET PROMOTER” SCORES FOR THE CABLE BUSINESS

Inspired by **Fred Reichheld’s** book “*The Ultimate Question: Driving Good Profits and True Growth*,” many clients have come to us wanting to generate “Net Promoter” scores for their cable systems.

For those who are not familiar with the “Net Promoter” concept, the organizing principle is that consumers are asked to answer “the ultimate question”—“Would you recommend (your company) to a friend or colleague?”—on a ten point scale. The “Net Promoter” score is calculated by subtracting the percentage of people who are less likely to recommend, or promote, your company from the percentage of those who are more likely to recommend you. Assumedly, this “Net Promoter” score is an indication of how well your company is performing. The higher the “Net Promoter” score, the better you are at developing customer loyalty and the more likely you are to be able to grow your business. The lower your “Net Promoter” score, the more work you need to do to keep your current customers happy and develop customer loyalty.

Not a bad concept. Over many years now, we at Horowitz Associates have been advising our cable clients that they do little or nothing for the silent majority of their customers. There are programs and discounts in place to woo non-subscribers, there are programs in place to retain disconnecting customers and there are win-back programs for defectors, but nothing, nothing at all, for loyal, long-time customers.

In fact, we might say that *loyal customers are actually punished for their loyalty*. For example, we see bundled package offers that are attractive up front but expire after one year, subjecting customers to a drastic price increase to reward them for their year-long relationship with their provider. When new, more robust programming packages are offered, it is rare that current customers are informed that they now have more, and better choices. And when was the last time a cable customer was rewarded for the dollars spent on video, voice or data services, like they are when they spend money on air travel, hotels, books, groceries, or pharmacy items, just to name a few?

As consumer advocates who spend most of our professional time listening to the gripes of cable customers, we would like nothing better than to see our clients become more aware of how their current customers think and feel about their provider. However, after studying, collecting, working with and analyzing “Net Promoter” scores for various clients, we would suggest that there are some inherent challenges that need to be taken into account when applying this method of measurement to the cable business.

Importantly, if we examine the examples in the book, it becomes apparent that “Net Promoter” scores are designed to evaluate transactions as opposed to on-going (non-event) relationships. The difficulty this presents for cable is that most *video* customers have been long-standing, non-transacting customers. When it comes to successful transactions, we have every reason to expect a “passionate” score (9 or 10) with neutral scores (7 or 8) being unacceptable, let alone negative scores (1-6). But these standards would be difficult to maintain among the “silent majority” of non-transacting cable customers, if they were randomly selected to be surveyed during a routine customer satisfaction survey. And, if they were surveyed as a follow-up to a call they placed to customer service, then there is a high likelihood their call was due to some sort of problem they had with the cable company, which may automatically prejudice them against being an enthusiastic promoter even if their problem was resolved to their satisfaction.

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Scores involving transactions have a “real” chance of being higher or lower depending on performance. Scores involving general, non-transaction based satisfaction would reflect inertia. Scores based on customer service follow ups could reflect an inherent prejudice. This suggests that if we are going to successfully use “Net Promoter” scores to incent the performance of people and operations, it is important to carefully segregate these three distinct scores when doing analysis of “Net Promoter” numbers.

A separate, but important issue inherent in using the “Net Promoter” score to judge satisfaction and loyalty among video customers is that, aside from picture quality, the major benefit of the video product is the programming that the cable company delivers. It would be up to the programmers, not necessarily the cable operator, to generate loyalty in this regard. And in analyzing “Net Promoter” scores, it becomes important for the cable provider to understand the motivation behind the score, to be able to understand if, indeed, internal factors (bad customer service, pricing, technical problems/outages) or external factors (the programming) are the biggest influences on it.

The challenge of using “Net Promoter” scores for the cable industry is highlighted in two trends we have seen that may seem confusing or troubling at first, but, in the context of what we have presented above, are very understandable.

One trend we see is that often, satellite achieves higher “Net Promoter” scores than cable. This mirrors other data that suggests that satellite customers are “more satisfied” than cable customers. However, let’s reflect more deeply on these findings. For the most part, satellite customers have actually made a conscious decision to get satellite over cable. On the other hand, having cable is often more a “legacy” from the days when cable was the only player in town. Hence, it makes sense that the satellite customer— the one who has consciously selected this provider— would give their provider higher ratings. Ironically, as the market for video services becomes more and more competitive and cable customers become more aware of their choices, cable’s churn rates may rise, but so too will those “Net Promoter” scores.

The other interesting trend is that scores among cable modem and cable telephone subscribers (with or without video) often come in higher than scores among cable-only subscribers. Again, this makes sense considering the context of these very different consumer relationships. The groups of customers who have Internet and telephone services from their cable company have made a relatively recent upgrade decision for a discretionary product or products, whereas many or most of the residual video-only customers have not. Since the “Net Promoter” scores work best in the context of a recent transaction, the scores among those customers would naturally be higher.

Needless to say, with the telcos coming on board with competitive bundled services, the timing for cable to adopt a forceful, focused and pro-active customer-oriented stance could not be better— or more important. In our opinion, “Net Promoter” scores can be useful in helping cable better understand their relationship to their transacting customers, but need to be contextualized within a robust customer satisfaction research program, and better customer loyalty and outreach efforts.

Interested in talking to Horowitz Associates about putting in place a Customer Satisfaction/Strategic Research Initiative? Put our expertise in the area of research, analysis, information processing and project management, in general, and cable and customer satisfaction, in particular, to work for you. Please contact:

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