



K a n n o n C o n s u l t i n g

Kannon's Growth Framework: Harnessing Net Promoter[®] Scores

Revitalize Advertising and Audience Development

Build a Customer-Centric Organization

**Focus Limited Resources on
Highest Return Initiatives**



Overview

"We need to grow and revitalize advertisers and audience development. Wouldn't it be terrific if we knew what customers thought about us in the areas that drive real satisfaction?"

"We have talked about becoming customer-centric. Wouldn't it be great to have a process and simple metrics to guide the process?"

"We all have too much to do and insufficient time, energy, and resources. Wouldn't it be nice to know what *really* counts?"

Kannon is helping clients accomplish these very goals by identifying what really drives customer satisfaction and business growth. We have a framework, building upon the **Net Promoter® Score (NPS) metric, that is specially tailored to the challenges faced by media companies.**

Want to know more? Read on to learn:

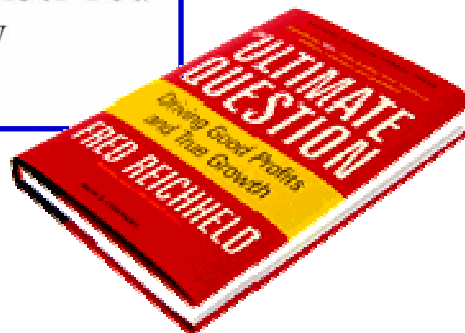
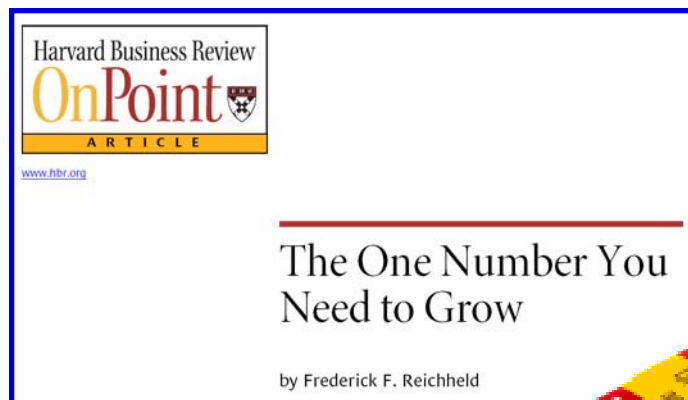
- What NPS is
- How to use NPS in the media industry
- How to make NPS work for you

What is a Net Promoter® Score?

The Net Promoter® Score (NPS) metric is based on recent research which suggested that the likelihood of consumers to recommend a company to their friends and colleagues is a predictive measure of loyalty.

According to a recent Harvard Business Review study, customer loyalty and satisfaction is about much more than repeat purchases. A customer who buys again and again from the same company may not necessarily be loyal to that company, but may instead be trapped by inertia, indifference, or exit barriers erected by the company or circumstances.

Conversely, a loyal customer may not make frequent repeat purchases, because of a reduced need for a product or service.



What is a Net Promoter® Score?

True loyalty and satisfaction may be measured by how often a customer talks up a company to family, friends, and colleagues.

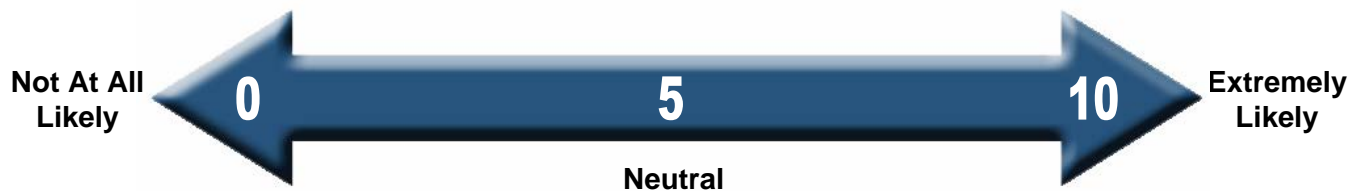
When customers act as references, they do more than indicate they have received good economic value from a company; they, in fact, put their own reputations on the line. And they will typically only take that risk when they are intensely loyal and highly satisfied.

Therefore, customer loyalty and satisfaction can be measured by asking:

“How likely would you be to recommend [this product] to a friend or colleague?”

What is a Net Promoter® Score?

Using a scale where ten means “Extremely Likely” to recommend, five is Neutral, and zero means “Not At All” likely to recommend the newspaper, customer clusters, or segments, emerge.



The Segments

Promoters give ratings of nine or ten to the “likely to recommend” question. They also have the highest rates of repurchase and referral.

Detractors, customers with the lowest rates of repurchase and referral, give ratings of zero to six. Detractors spread negative word-of-mouth comments about the company, which can negatively impact the company’s reputation, ability to attract new customers, and employee morale.



Passively Satisfied give ratings of seven or eight. Passively Satisfied customers stay with a company more due to inertia than true loyalty. They will quickly use a different company if presented with a better deal.





Calculating NPS

A Net Promoter® Score can be calculated by subtracting the percentage of Detractors from the percentage of Promoters.

$$\begin{array}{r} \% \text{ Promoters} \\ - \% \text{ Detractors} \\ \hline \text{Net Promoter}^{\text{®}} \text{ Score} \end{array}$$

Ultimately, the theory behind the Net Promoter® Score metric is that a company will experience long-term and sustainable growth only if the percentage of Promoters is greater than the percentage of Detractors.

NPS and Growth

Harvard Business Review research suggests that, in most industries, there is a strong correlation between a company's growth rate and the percentage of customers who are Promoters – that is, those who say they are extremely likely to recommend a company to a friend or colleague.

For most companies in most industries, getting customers enthusiastic enough to recommend a company appears to be crucial to growth. It is worth noting that the size of a company has no apparent relationship to its Net Promoter® Score.

Companies with the most enthusiastic customer referrals, such as eBay and Amazon.com, received Net Promoter® Scores of 50% to more than 80%. The average firm, on the other hand, has an NPS of only 5% to 10%.

Harvard Business Review research has surveyed several dozen industries around the world and found that the NPS leader on average has been growing at more than 2.5 times the rate of competitors.

Note: An earlier article in The Harvard Business Review cited a median Net Promoter® Score of 16% across 400 companies in 28 industries surveyed. The most efficient companies were cited as having Net Promoter® Scores of 75% to more than 80%.

Source: *The Ultimate Question: Driving Good Profits and True Growth*, Harvard Business School Press, 2006; "The One Number You Need to Grow," Harvard Business Review, December 2003; The Official Net Promoter® Website, www.netpromoter.com



Kannon, Net Promoter® Score & the Media Industry

Rapid changes in the media industry have led to a variety of choices for both advertisers and audience. Measuring customer satisfaction, not simply retention rates or behavior, is of utmost importance. The Net Promoter® Score metric and the unique Kannon framework offer actionable insight that moves beyond customer behavior and gets at the root of customer satisfaction and, ultimately, growth.

By asking the “likely to recommend” question, media companies can keep customer surveys simple. It also allows companies to gather timely information that is easy to act upon.

Data obtained by the Net Promoter® Score metric in concert with the Kannon framework are actionable and easy to interpret and communicate. Media companies can share Net Promoter® Scores within the entire organization.

The key takeaway:

***“We need more Promoters
and fewer Detractors
in order to grow...and
here is what we need to do
to make this happen.”***



Kannon, Net Promoter® Score & the Media Industry

Kannon’s approach to NPS emphasizes growing audiences and advertising through focusing on the right priorities. Kannon helps clients use NPS to win – that is, to build upon best practices in key areas that are most likely to increase NPS, grow revenue, and extend their reach.

Kannon works with clients to design questionnaires that include the “likely to recommend” question, as well as other key areas that are informative and relevant to their specific needs. In addition, Kannon has the resources and experience to field the study itself, including Internet, phone, and mail surveys.

Kannon’s sophisticated analysis of NPS data provides insight into the drivers of NPS. Identifying these drivers enables the client to prioritize resources to increase their NPS. In addition, Kannon examines how NPS is related to other aspects of the client’s business (including audience trends, buying behavior, revenues, etc.) so clients have a sense of the potential impact of increasing their NPS.

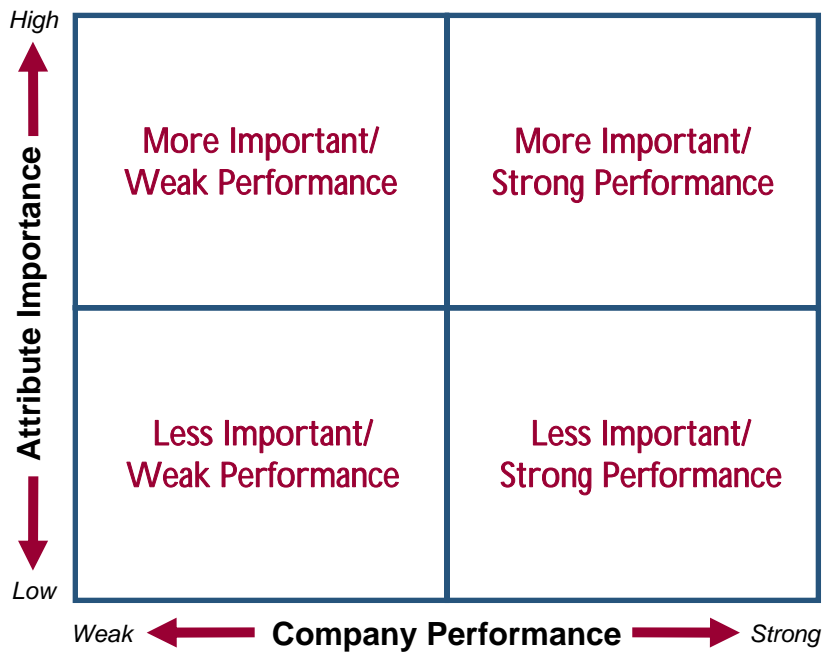
Kannon’s facilitation skills and teaming process with clients helps identify specific initiatives designed to improve NPS and reinvigorate customer relationships. By encouraging the use of NPS as an ongoing metric, executives are held accountable for results.

Finally, Kannon has helped clients track and compare their NPS over time, within a company, against national averages for like companies, as well as against competitors. For example, Kannon provides media clients an assessment of how their Net Promoter® Score compares to other media companies surveyed by Kannon over the past several years.

Kannon and NPS

Kannon has built frameworks to help identify top priorities.

The **Gap Analysis Framework** outlines a comparison of what consumers or advertisers find important against the company's own performance. This framework was developed to identify opportunities; it prioritizes key areas to defend and grow NPS.



Kannon and NPS

Kannon helps identify the target.

Where to focus efforts for increasing Net Promoter® Scores varies by market. For example, the path to winning may lie in converting Passively Satisfied customers to Promoters.



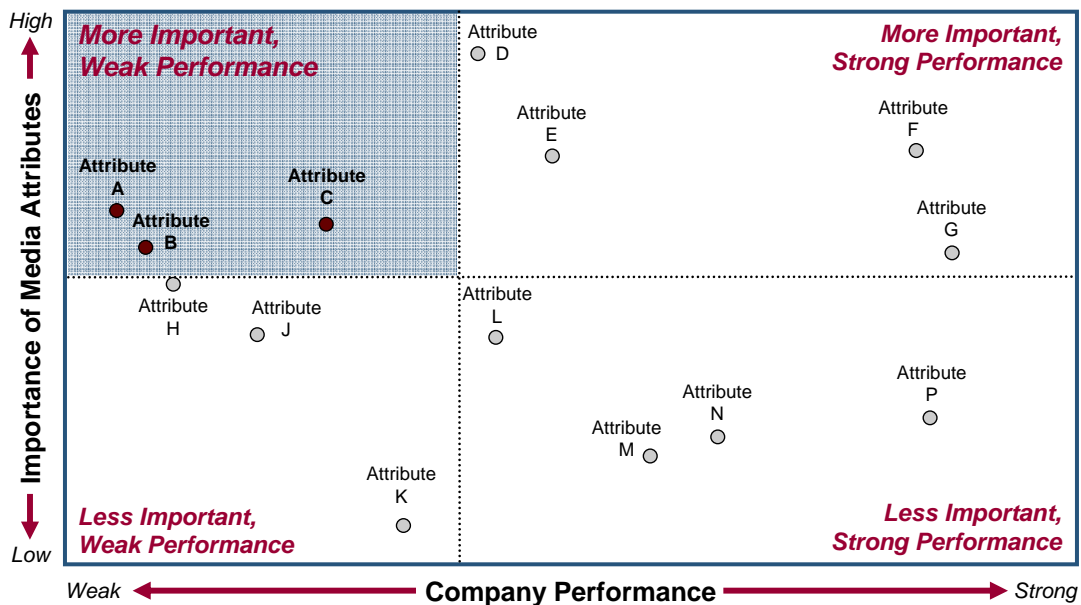
Kannon and NPS

Kannon profiles NPS segments and identifies gaps in importance and performance to discover opportunities.

Who are the Passively Satisfied?

- Spent an average of \$XX,000 with the client
- Were disproportionately in select industries
- Devoted a higher proportion of their budgets to identified competitors

Gap Analysis of Passively Satisfied Advertisers



Kannon and NPS

Kannon uses sophisticated statistical techniques to identify what really matters.

Regression:

A regression analysis assesses whether one variable can be predicted by another. Multiple regression generalizes this to ask whether one variable can be predicted by several others.

For example, multiple regression allows us to answer the question “what are the best predictors of high ‘likely to recommend’ ratings?”

ANOVA:

An Analysis of Variance (ANOVA) assesses whether responses from two or more groups differ significantly from one another on a certain dependent variable.

For example, an ANOVA allows us to answer the question “do advertisers or readers who respond to key statements in a certain way give higher ‘likely to recommend’ ratings?”

Correlation:

A Correlation analysis assesses the extent to which two variables are related.

For example, a correlation analysis allows us to answer the question “are higher ratings on key statements associated with higher ‘likely to recommend’ ratings?”

Chi-Square Test:

A Chi-Square Test is one type of correlation analysis, which examines the relationship between variables when categorical data is used. This allows us to examine whether something happened more or less likely than chance would predict.

For example, “are advertisers or readers who give ‘Outstanding’ ratings on key statements more likely than chance would predict to be Promoters?”



Kannon and NPS

Kannon's participatory work approach virtually guarantees that the outcomes will be actionable.

Not only does Kannon work collaboratively across all levels of our clients/ organizations, we share our work in progress through our secure client extranet.

Our clients have quick and easy access to view, download, and upload presentations and documents directly from Kannon's web site for the duration of the project.

Kannon has no vested interest in the tools or techniques we recommend to grow our clients' revenues; we are, therefore, open to the best tailored solutions to meet each client's specific market needs.

Kannon's logo – two open, interconnected squares – illustrates our open, collegial approach.

Kannon's facilitation skills are renowned in the industry. We have moderated over 50 meetings for organizations like the NAA, corporate level organizations and executive retreats.

Net Promoter® Score Initiatives

Kannon has applied the NPS metric to both Audience and Advertiser Satisfaction Initiatives.

Audience

Traditional audience studies help illustrate behavior, but do not gauge reader satisfaction.

Kannon applies the NPS metric to allow for a new level of accountability, actionability, and urgency to address readers' needs and expectations.



Advertiser Satisfaction

Looking at NPS relative to other satisfaction metrics, NPS adds an innovative, *Outside-In* dimension.



Strategies can be applied to grow and defend key areas of the business to meet advertiser needs better and increase their satisfaction.



Kannon, NPS & Audience

Kannon has conducted Audience NPS studies over 40 times, with an emphasis on print and online. We have identified benchmarks on how readers rate their newspapers on the whole as well as by priority topics such as local news, sports, and advertising, among others.

Kannon aggregated audience data to create a database of almost 9,000 readers across the United States. This provided a foundation, using statistical techniques, for the most in-depth understanding of NPS and newspapers.

Kannon has developed **Outside-In** strategies to defend and grow key areas of the clients' media businesses. By defining the high importance topics to audiences and identifying those requiring excellent media coverage to increase NPS, Kannon has helped clients prioritize resources to optimize customer satisfaction and growth.

Demonstrating the value of Promoters to a company's readership and subscription rates, Kannon builds momentum for initiatives and clients are able to implement company-wide changes successfully.



Kannon, NPS & Advertisers

Kannon has conducted Advertiser NPS studies over 60 times in markets as large as Los Angeles, and as small as San Angelo. We have established benchmarks we can now use across a portfolio of advertisers.

For example, the highest advertiser NPS was +28% from a newspaper with a circulation of 120,000, while the lowest was -34% in a market with a circulation of 60,000.

We also have a depth of data on verticals, by which comparisons can be made by advertiser type. For example, we have Auto Dealer Net Promoter® Scores roughly ranging from -41% to +20%.

Beyond the benchmarks, Kannon has experience in encouraging advertiser participation, building web-based surveys, and understanding how to tailor the NPS questions to this business-to-business segment.

SUMMARY:

Higher NPS, Stronger Growth:

It was recently reported in a Harvard Business review article that this single “likely to recommend” question can be used to measure customer loyalty and predict company growth. That research suggested that the NPS leader on average has been growing at more than 2.5 times the rate of competitors.

Kannon helps media companies use NPS to win:

That is, to focus upon key areas that are most likely to increase NPS, grow revenue, and extend reach.

Kannon has applied the NPS metric to both Audience and Advertisers:

Kannon applies the NPS metric to allow for a new level of accountability, actionability, and urgency to address customer needs and expectations.

Kannon has been at the forefront of NPS research:

Kannon has extensive experience collecting and analyzing NPS data for over 20 newspaper website/markets. With this experience, Kannon is able to provide relevant benchmarks by which to compare a client’s NPS to other media companies.

Kannon emphasizes the client’s core issues:

Kannon uses more varied techniques and resources than do traditional research houses. Kannon has a broad, multi-functional relationship with the client that allows for more strategic insight by a team of professionals – not just statisticians. Kannon turns data into tangible recommendations.

Over 85% of Kannon’s business comes directly from clients/referrals:

Kannon has worked with 50+ media clients over 15 years. Our team has a history of building actionable strategies and tactics reflecting advertiser, consumer, technology, and competitive trends.



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