



Media,
Communications,
and Entertainment

THE BATTLE ROYALE

How Traditional Providers are Competing for Customer Loyalty
in **Media, Communications, and Entertainment**

Insights from the 2013 MECx Study by

PeopleMetrics[®]

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EXECUTIVE SUMMARY

The 2013 Most Engaging Customer Experiences (MECx) study was designed to uncover the negative and positive emotional tags associated with major business-to-consumer (B2C) industries, including: media, communications, and entertainment; insurance; auto parts and service; health insurance; wireless; cable and satellite TV; and Internet TV. The ultimate goal was to help companies determine where they should focus their customer experience improvement efforts to create a stronger emotional tie with their customers.

KEY TAKEAWAYS



Cable TV providers are still hard to love.

In the previous three years of the PeopleMetrics MECx study, cable and satellite TV has consistently fallen toward the bottom of the pack. 2013 is no exception with overall Net Promoter Score (NPS) and Customer Engagement indices underperforming against all other sectors, with the exception of health insurance. Customers associate negative emotional memories with their provider **eight times more often** than do customers of Internet TV providers. And when the customer experience is bad, the most common emotions are frustration and feeling unimportant and unappreciated.



Traditional players will struggle to engage.

Newer entrants have the advantage of invention and innovation outside the constraints of legacy systems and processes. These new players are delivering an easier, more enjoyable experience that leads to **greater loyalty** and **more positive word-of-mouth**. Between the newer Internet TV entrants and the traditional cable and satellite players we found a gap in Customer Engagement of 20 points and an NPS divergence of 48 points.



But all is not lost, as strong performance and improvement are possible.

Among the five traditional providers included in our study (TimeWarner, Comcast, DISH, DirecTV, Verizon FiOS) the range in NPS is large – a 62-point spread from the bottom performing provider (-46) to the top performer (+16). In addition, half of the brands that were also included in past studies **have improved** their NPS over the last three years. This indicates that it is possible to deliver an experience that makes customers want to recommend you – even in an industry that, historically, has struggled to create an engaging customer experience.



The human element is a unique advantage for cable and satellite providers.

Stronger performance comes from creating an experience that is personal. Customers of the top performing traditional providers are **more likely to agree** that a member of staff went above and beyond for them compared to the industry average. When the emotional memory is positive, cable and satellite subscribers have an easier time of making customers feel cared for and appreciated – and this speaks to the power of people.

INTRODUCTION

Craig Moffett, one of Wall Street's most respected cable and satellite TV analysts, tells us that cord-cutting or cord-nevering is officially a reality. In the first quarter of 2013, Moffett says that the industry growth rate declined 0.3% - its largest fall ever. A few years ago, drops in cable and satellite subscriptions were attributed to the recession. However, as the economy has rebounded a similar return has not been seen in the size of the total cable and satellite TV subscriber base. This indicates a more permanent shift in consumer preferences and behaviors.

Customers are finding alternate ways to access content – moving to video streaming, as one option. A recently published article in RapidTVNews references that a full 20% of Netflix subscribers have canceled their subscriptions to traditional cable and satellite providers. And with 1 in 10 US households now subscribing to Netflix, traditional cable and satellite TV providers are no doubt paying attention.

With disruption in any market, new entrants appear, new choices emerge, and the provider with the best customer experience steals share.

The PeopleMetrics 2013 Most Engaging Customer Experiences (MECx) study was designed to help subscription-based television providers navigate through this disruption. We set out to uncover the most common negative and positive emotional tags associated with both traditional

and newer entrants in this space. We strove to identify the elements of the experience that matter most to customers. Our ultimate goal was to deliver customer understanding to traditional TV providers so they can better focus their customer experience improvement efforts to forge stronger emotional ties with their customers. This paper summarizes what we learned and outlines some recommended actions to help companies manage through the change.

Brands included in the study:

TimeWarner, Comcast, DISH, DirecTV, Verizon FiOS, Hulu, Amazon Instant Video, Netflix

MAIN FINDINGS

Subscription TV providers have always struggled to engage their customers at levels seen for other industries such as retail, casual dining and hospitality. This year the story is no different. This sector falls in the bottom two of those included in the 2013 MECx study – beating only health insurers by eight points on NPS rankings.

Internet TV's High Levels of Customer Advocacy Represent a Threat to Traditional Players

As can be seen in the chart at right (see **Figure 1: Net Promoter Score**), Internet TV earns a positive NPS of 36 points. That is 48 points higher than traditional providers who, on average, earn an NPS of -12.

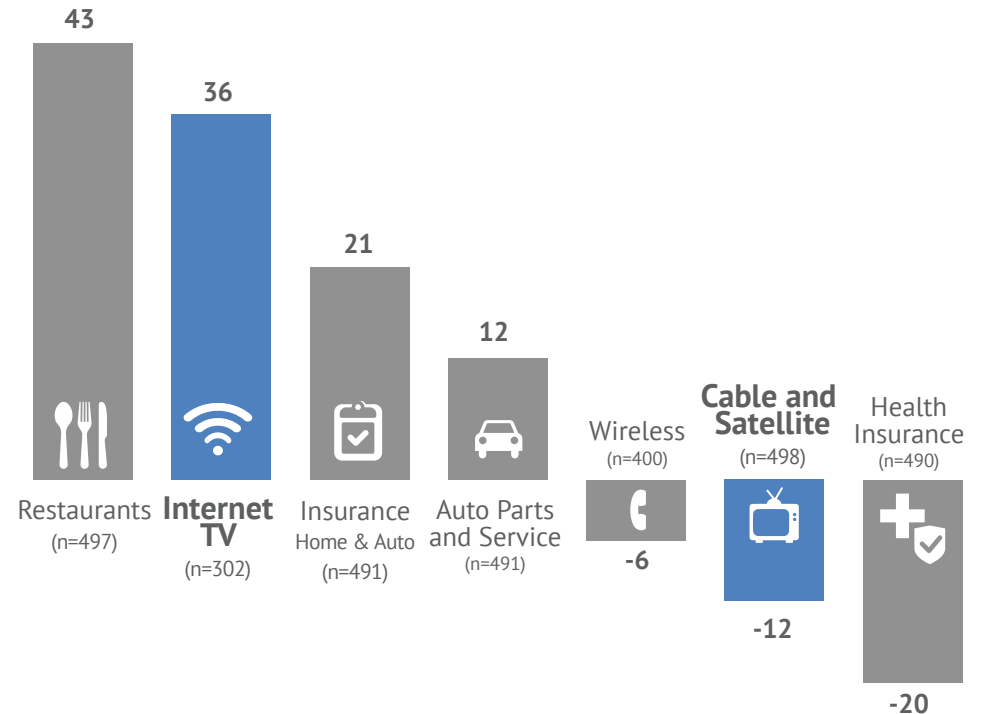
Recommendations from people we know, respect and trust have more of an impact on purchase decisions than advertising, promotional offers and other marketing efforts.

The high levels of customer advocacy among Internet TV subscribers may have dramatic and unwanted consequences for subscription-based television companies. Customers who successfully make the switch to non-subscription based TV and spread positive word-of-mouth about their experience may encourage an increase in cord-cutting behavior. Recommendations from people we know, respect and trust have more of an impact on purchase decisions than advertising, promotional offers and

FIGURE 1

Net Promoter Score (NPS)

Comparisons of Net Promoter Score by industry.



WHAT IS THE NET PROMOTER SCORE (NPS)?

NPS is a metric developed by Fred Reichheld, author of *The Ultimate Question*. It's based on one simple question: "On a scale of 0 to 10, how likely are you to refer to a friend or colleague?" This metric has been successfully linked to revenue growth and is used by companies including Intuit, Apple, and Southwest.

THE POWER OF ENTERTAINMENT RECOMMENDATIONS

Research conducted by Godes and Mayzlin (2004) found that the dispersion of conversations about a television show across several communities had explanatory power for the number of future viewers of that show. Similarly, Lui (2006) found that the number of messages posted about a movie at Yahoo! Movies could be correlated in a causal way to box office revenues.

other marketing efforts. We know that positive word-of-mouth has far-reaching power on consumer behaviors and, as more and more customers rave about their positive cord-cutting experiences, it is expected that the trend will increase.

And it's not just likelihood to recommend that is so starkly different. When we look at the elements of an engaged customer – one who says they will continue to do business with a company, would go out of their way to do so in the future, says they actually 'love' the experience – the storyline is the same.

CUSTOMER ENGAGEMENT – A ROBUST MEASURE OF CUSTOMER LOYALTY

While NPS is a simple and easily understood metric, it is one-dimensional – assessing a customer's likelihood to recommend a company to others. A broader assessment of a customer's loyalty can be calculated by measuring Customer Engagement. Customer Engagement is assessed using a validated, comprehensive measure that links to financial performance. The calculation is based upon individual customer responses to four statements:

- (1) Retention: "I would go out of my way to visit, stay, shop at or do business with [Company] again in the future."
- (2) Effort: "Given the choice, I will continue to be a customer of [Company]."
- (3) Advocacy: "I would recommend the [Company] customer experience to a friend, family member or colleague."
- (4) Passion: "I love the [Company] customer experience."

Depending upon how a survey respondent rates all four statements, they are allocated to a particular Engagement Segment: Fully Engaged, Engaged, On the Fence or Actively Disengaged.

Specifically, more than twice as many Internet TV customers are Fully Engaged compared to cable and satellite TV customers, and the proportion of customers who are Actively Disengaged is 12 times higher in the cable and satellite TV space than in the Internet TV space.

The Engagement Index is made up according to the proportion of customers who agree or strongly agree to four behavioral and emotional statements. The table on the right (see **Figure 3: Measuring Customer Engagement**) shows that significant gaps in agreement scores exist across the four engagement items when comparing the two sub-sectors in the media, communications and entertainment sector. The gaps in ratings range from 20 to 29 points.

FIGURE 2

Customer Engagement Segments

Significant gaps in agreement scores exist between cable and satellite TV and Internet TV.

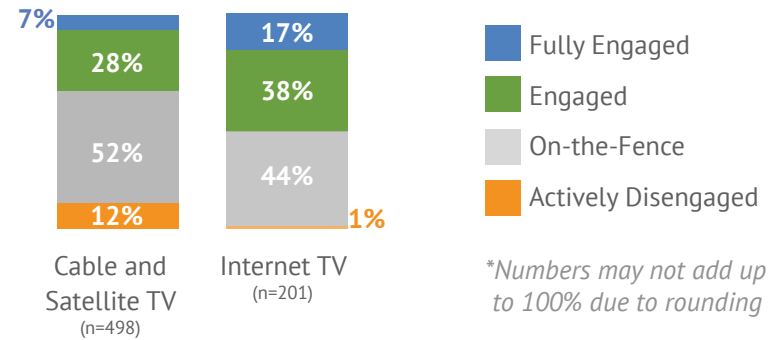


FIGURE 3

Measuring Customer Engagement

Internet TV providers outperform cable & satellite on all Engagement statements.

Engagement Element (% Agree/Strongly Agree)	Cable and Satellite TV	Internet TV	Gap (in points)
I would go out of my way to visit, stay, shop at or do business with [Company] again in the future	64%	84%	20
Given the choice, I will continue to be a customer of [Company]	46%	68%	22
I would recommend the [Company] customer experience to a friend, family member or colleague	56%	85%	29
I love the [Company] customer experience	42%	67%	25

EASY AND ENJOYABLE EXPERIENCES COUNT

Using the *Forrester Customer Experience Pyramid* we have been able to compare the performance of these two competing sectors on the three elements that form the basis of an exceptional customer experience: meets needs, easy to do business with, and enjoyable interactions. The graphic to the right (see **Figure 4: The Differentiated Experience**) depicts that while Internet TV providers outperform cable and satellite on all three elements, the gap on the more fundamental element of the relationship – that is, meeting basic needs – is the smallest.

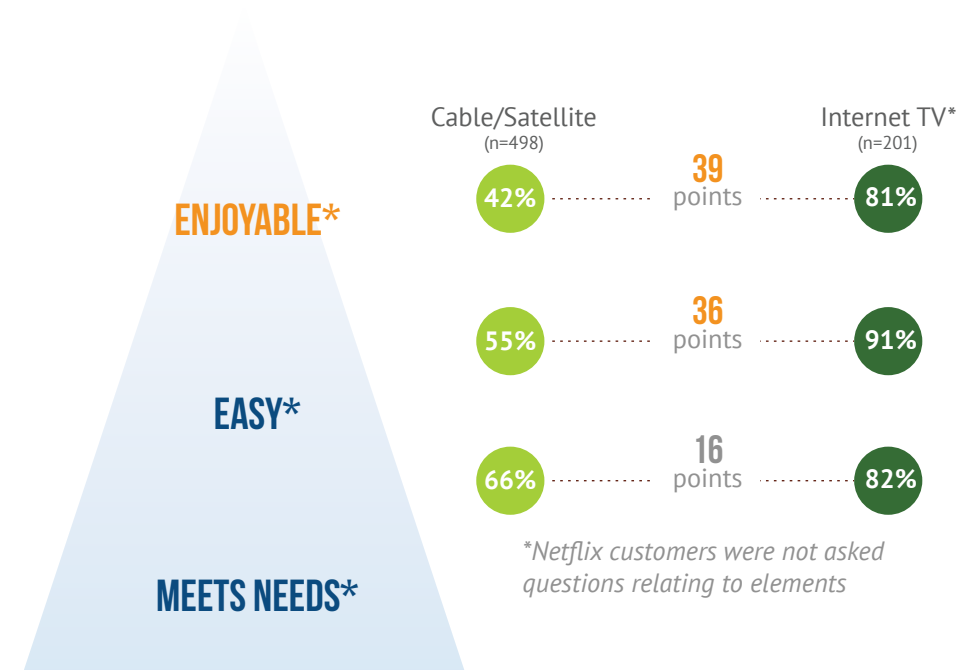
Easy appears to be the hallmark of the Internet TV provider experience. Nine out of 10 Internet TV customers say the experience is easy compared to just over half of customers who receive services from Comcast, TimeWarner, DISH, DirecTV and Verizon FiOS.

Furthermore, the sense of enjoyment – the emotionally positive memory that is left after all interactions with a company – is far lower for cable and satellite TV customers. Just 2 in 5 say they enjoy the experience. In fact, we asked customers whether their memory of their provider was largely positive, neutral or negative.

FIGURE 4

The Differentiated Experience

Internet TV providers excel at creating an easy and enjoyable experience.



**Netflix customers were not asked questions relating to elements*

** Forrester's Customer Experience Pyramid*

Figure 5: *The Emotional Memory* shows that most Internet TV customers have a positive emotional association with their provider compared to around half of customers of more traditional cable and satellite providers. And, in contrast, the proportion of customers who have a negative impression is eight times higher.

Perhaps this is because the likelihood of having a problem is far higher for customers of the traditional players, as can be noted in the **Figure 6:** *The Human Touch*. Just 1 in 5 Internet TV customers claims to have ever had a problem with their provider compared to over half of cable and satellite customers.

Whatever the reason, connecting with customers – when they are in need – is more common for cable and satellite providers.

Of note is that customers are more likely to contact traditional providers about problems. Nearly 9 out of 10 customers of traditional providers experiencing problems contact their provider to resolve the issue. Just over half of Internet TV customers in the same situation do so. Perhaps this is because the problems are less severe. Perhaps it is because Internet TV customers have been trained to self-serve – to resolve issues on their own. Or, perhaps it is because modes of contact are less obvious, not as well publicized. Whatever the reason, connecting with customers – when they are in need – is more common for cable and satellite companies. And this connection represents an opportunity.

FIGURE 5

The Emotional Memory

Comparisons of positive, neutral, and negative emotions by sub-sector.

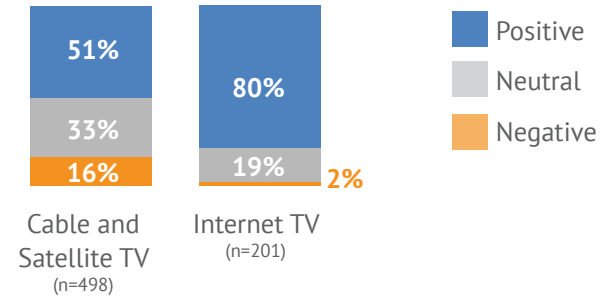


FIGURE 6

The Human Touch

Cable and satellite customers are more likely to contact a person about a problem.

	Cable and Satellite TV	Internet TV
% experiencing a problem	55%	19%
% of customers contacting someone about this problem	89%	54%

TIME IN BUSINESS IS NEGATIVELY CORRELATED WITH NPS

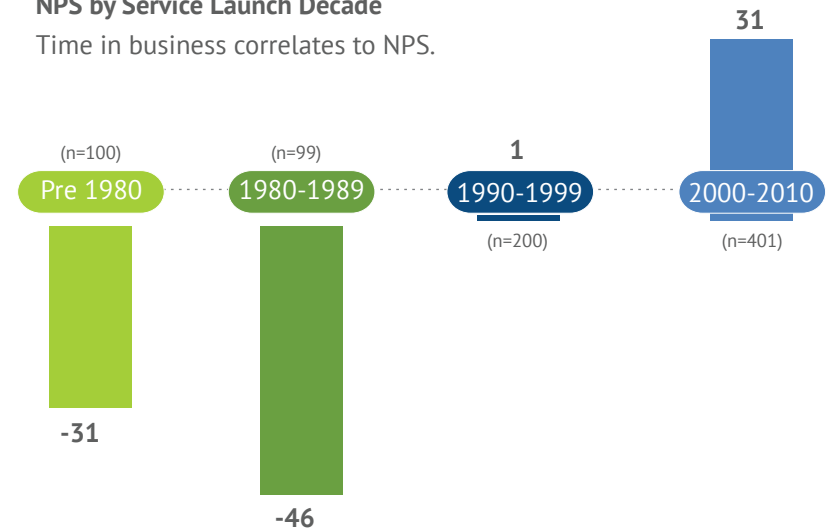
The chart to the right (see **Figure 7: NPS by Service Launch Decade**) demonstrates the challenge companies with a long legacy face when it comes to delivering superior customer experiences. Media and communications companies established pre-1990s earn a negative NPS. The jump is significant when we look at NPS for services launched in the 21st century. Perhaps legacy systems and processes are to blame or, to put it another way, the ability to capitalize on technology is to thank for the companies that are excelling.

A long history alone is not an excuse for failing to deliver great customer experiences.

However, there is no reason why companies with long histories cannot excel at customer centricity. One of the top performing brands in this year's study, Ritz-Carlton, has been around for close to 100 years. Likewise, Wegmans, a top 10 winner, was established just two years before Comcast. And USAA, established in 1922 and part of a sector that is challenged daily by advances in technology, is also among the top 10 brands in the study. A long history alone is not an excuse for failing to deliver great customer experiences.

FIGURE 7

NPS by Service Launch Decade
Time in business correlates to NPS.



THE HAPPY ENDING: HIGH PERFORMANCE AND CONTINUOUS IMPROVEMENT IS POSSIBLE

Improvement – even in a shifting world – is possible. Two out of the four brands included in the 2013 MECx have managed to improve their NPS markedly. In 2010, all four brands had negative scores. By 2013, DirecTV had moved to a positive state, increasing NPS by 14 points, and Comcast had improved by 13 points.

Two out of the four brands included in the 2013 MECx have managed to improve their NPS markedly.

This year the spread of scores across brands is large and a clear indicator of opportunity. If Verizon FiOS, a new brand for the 2013 study, can receive a positive NPS of 16 and fall not many points behind Hulu, then good customer experience in the cable and satellite world is ready for the taking.

FIGURE 8

Improvement is Possible

Two out of the four brands in the study have improved their NPS.

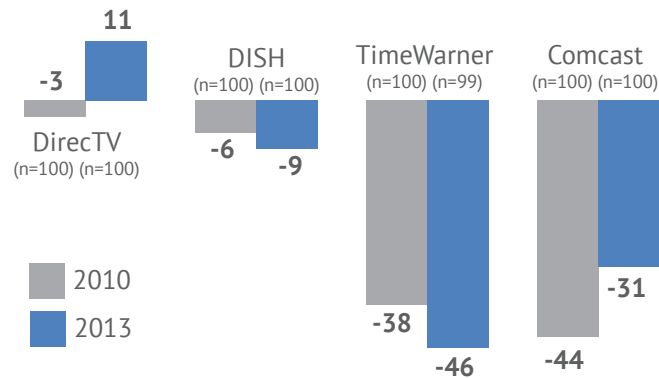
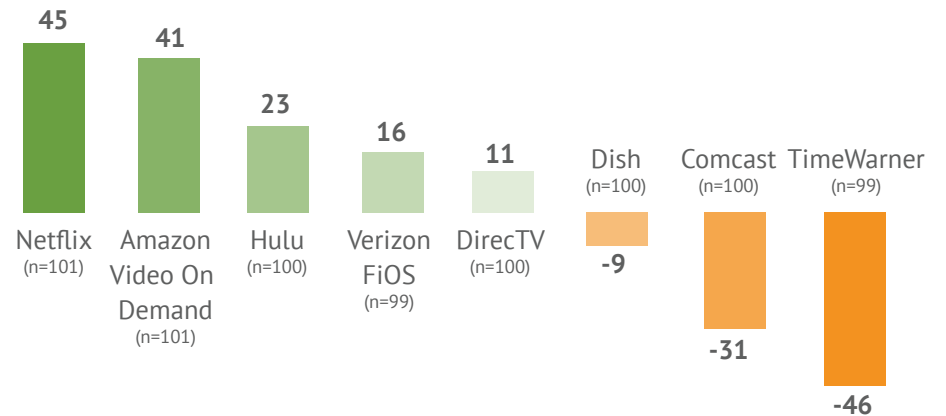


FIGURE 9

NPS by Brand for 2013

A large spread in scores indicates that change is possible.



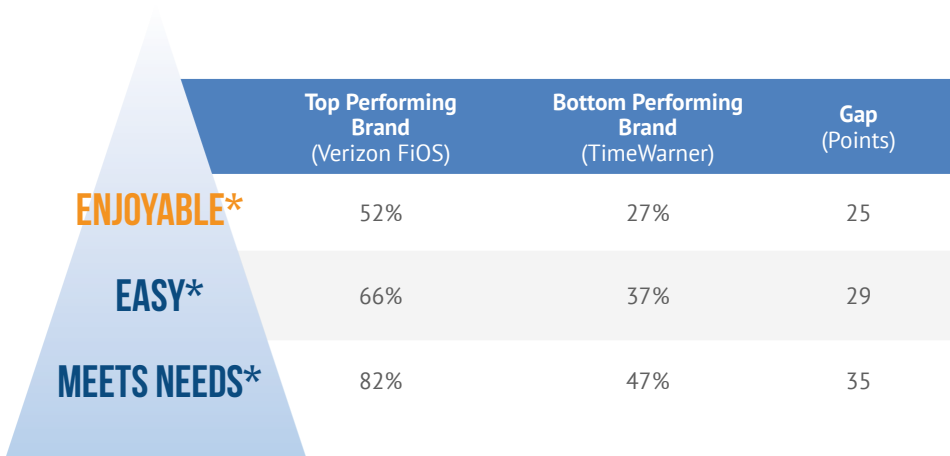
When comparing and contrasting the top and bottom brands on the elements of the *Forrester Customer Experience Pyramid*, the pattern that emerges is similar to that seen across top performing sectors.

Start with the basics and then layer on ease and enjoyment. Without the basics your brand is in jeopardy.

Verizon FiOS outperforms TimeWarner by 25-35 points across the three elements of customer experience. This data reveals that an unusually large negative NPS is forged through failing to deliver the basics. Fewer than half of TimeWarner customers say their needs are being met. In contrast, Verizon FiOS receives a score that is more than 70% higher on this base element of the experience. Start with the basics and then layer on ease and enjoyment. Without the basics your brand is in jeopardy.

FIGURE 10

Comparisons by Forrester’s Customer Experience Index
Failure to get the basics right has a large impact on NPS.



* Forrester’s Customer Experience Pyramid

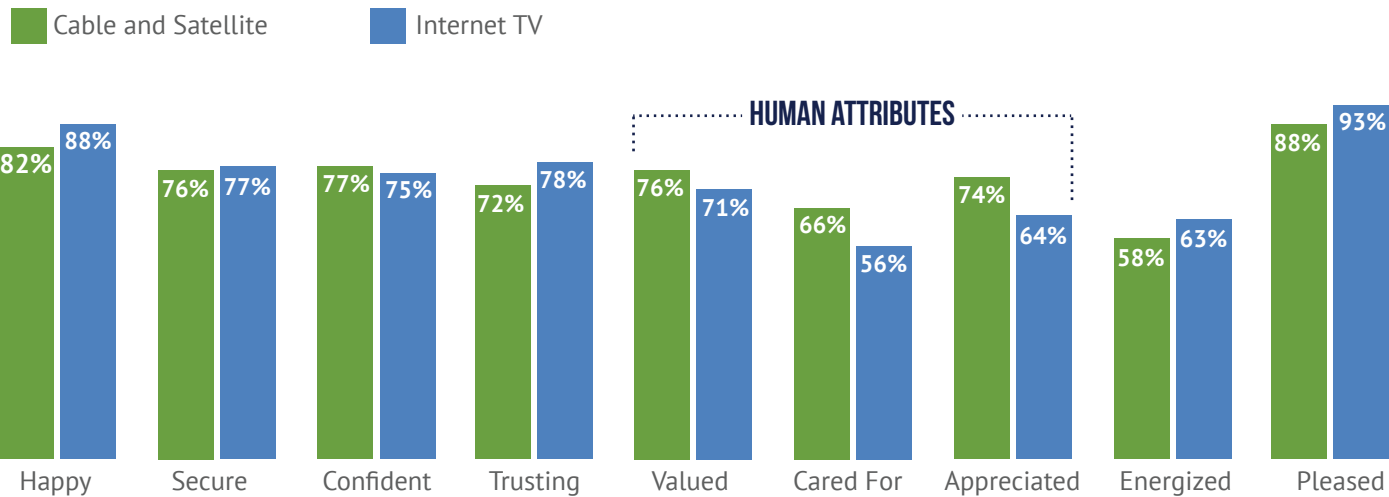
THE HUMAN ELEMENT: THE TRADITIONAL PLAYER'S ADVANTAGE

There is one area where cable and satellite TV providers outperform the streaming competitor set – and that is when it comes to the positive feelings of being cared for, valued and appreciated. These emotions are often delivered through human interactions. Among customers with positive associations of the brand, the proportion who say their provider made them feel cared for is 10 points higher for cable and satellite TV versus Internet TV, and an equivalent gap exists on a sense of appreciation.

FIGURE 11

The Cable and Satellite Opportunity

Traditional providers are better at creating positive emotions that result from human interactions.



This is supported by the higher proportion of cable and satellite customers who say that someone went above and beyond for them in a recent interaction. Fewer Internet TV customers agree with this statement.

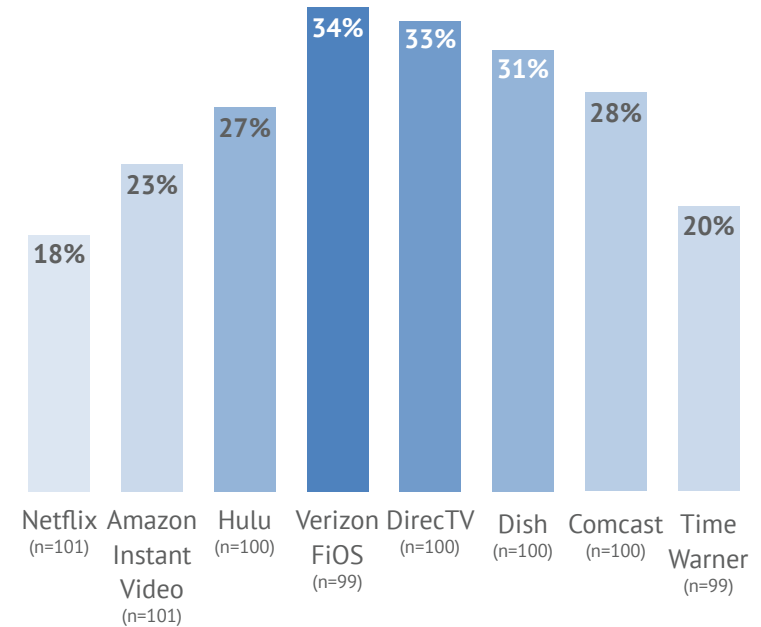
There is one area where cable and satellite TV providers outperform the streaming competitor set – and that is when it comes to the positive feelings of being cared for, valued and appreciated.

With a higher proportion of customers experiencing problems reaching out to their provider to resolve them, cable and satellite TV companies have an innate advantage. They have people who, if hired, trained, and rewarded properly, can turn an unhappy customer into one who feels cared for and appreciated which, in turn, will lead to higher levels of customer recommendation.

FIGURE 12

Above & Beyond by Brand

% of customers agreeing that someone went above and beyond for them.



RECOMMENDATIONS

Return to Your Customer-Centric Roots

Most companies talk about being customer-centric, and findings from the MECx study indicate that the longer a company is in business, the harder it is for them to be truly customer-centric. This might be because legacy systems and processes hinder them. However, we suggest that a large factor impacting the difference in customer experiences between older and newer companies is proximity to the customer – truly understanding their needs and perceptions – and valuing that perspective. Even if you are reinventing yourself after over 50 years in business, start with understanding your customers: who they are, what they need from you, and how you can deliver an experience that connects with them emotionally. Listening to the voice of the customer and acting on that feedback in both individual and aggregate ways is a necessary step in driving customer-centric thinking and behaviors.

Strengthen Human Channels

There is no question that service delivered through people is more costly than self-service transactions handled online. But employees have an emotional impact that is not easily replicated through technology. Clearly, people are able to make others feel cared for and appreciated in a way that digital interactions cannot. Differentiated and exceptional customer experiences leave a lasting positive memory or impression

for the customer, and few are more powerful than feeling cared for and appreciated. Knowing that people are a secret weapon, strengthen this channel. Tap into your employees; ask for their ideas around how to improve the customer and employee experience. Identify the characteristics of your top performers – your Brand Ambassadors – and replicate these in your hiring and performance management structures. Don't underestimate the power of service delivered by people. For traditional providers, the opportunity to go into people's homes, to meet them where they live, and deliver an exceptional in-person experience is a powerful privilege that should not be overlooked.

ABOUT THE AUTHOR

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Kate Feather leads the customer experience transformation group at PeopleMetrics. In this role she acts as strategic consultant on many key accounts, is responsible for the firm's Research & Development projects and is a frequent speaker and contributor to publications on topics related to customer experience.

ABOUT THE STUDY

About the 2013 MECx

From 2008 to 2010 PeopleMetrics conducted the Most Engaged Customers (MEC) study. This was a project that examined the unique drivers of Customer Engagement in multiple industries. In 2013, we brought the project back under the new name of Most Engaging Customer Experiences (MECx) and with a greater emphasis on the emotional components of an engaging customer experience.

Industries Included In the Study

Business-to-Consumer

- Auto Parts and Service (Retail)
- Cable and Satellite TV
- Insurance (Auto & Home and Health Insurance)
- Internet TV
- Restaurants
- Retail Banking
- Wireless

Business-to-Business

- Accounting and Tax
- Telecommunications
- Office and Business Supply Services

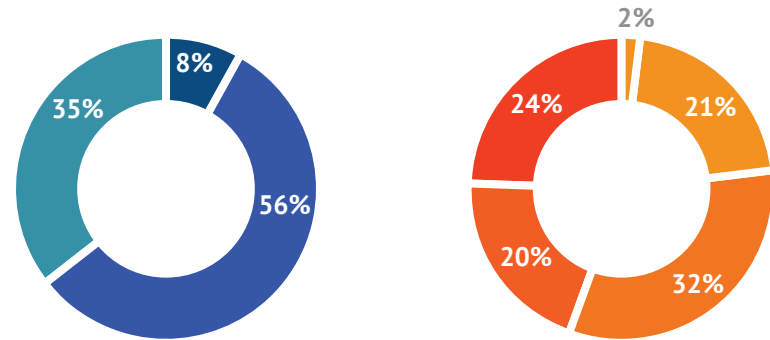
MECx: Media, Communications, and Entertainment

The media, communications, and entertainment portion of the study was fielded in Q2 of 2013. We gathered feedback from 795 customers of the following companies: Comcast, DirecTV, Dish, TimeWarner, Version FiOS, Netflix, Amazon Instant Video, and Hulu.

FIGURE 13

About Our Research

Demographic breakdown of study participants.



Age

- <25
- 25-44
- 45 or older

Income

- Didn't Answer
- <\$45,000
- \$45k-74,999
- \$75k-99,999
- \$100k or more

*Numbers may not add up to 100% due to rounding

FURTHER INFORMATION

If you are interested in MECx research from other industries in this study, please email us at info@peoplemetrics.com



About PeopleMetrics

PeopleMetrics works with companies who believe that people are the heart of their business. Our Voice of the Customer (VoC) and Voice of the Employee (VoE) solutions help companies emotionally connect with their customers and employees. Our approach combines strategic consulting, intuitive software, and insights that help companies deliver consistently great experiences.

Are you ready to transform your customer experience?
Get in touch.



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