

## MEASURING CUSTOMER COMMITMENT OF NEWSPAPERS AND MAGAZINES

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In Summer 2006 Matthias Döpfner, CEO of Axel Springer AG, declared at the regular annual management conference of its company: “Axel Springer becomes Europe’s most customer friendly media company by 2010!”. This was the start of a comprehensive program of improving the relationship with all customer groups, including all relevant B2B clients of the Axel Springer AG which was completed by an internal service quality study one year later.

With the background of decades of close and successful cooperation in media research we – TNS Infratest Media Research – could convince the Axel Springer management to tackle this challenge with the help of the TRI\*M System. This system has been developed in the beginning nineties of the last century and up to now has become the world’s leading research based stakeholder management system.

### **What is the basic philosophy of TRI\*M?**

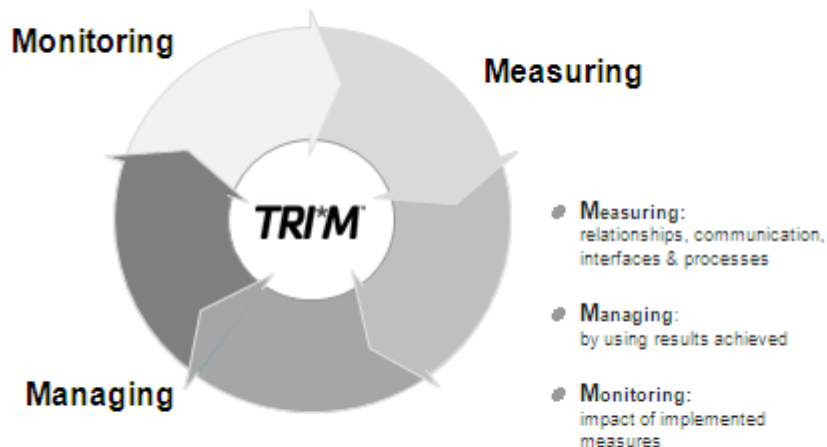
Stakeholder Management is decisive in determining whether or not a company is, or will remain successful. Profitable companies have strong relationships with the relevant stakeholder groups in their business, be it strong customer relationships, committed employees and successful relationships with suppliers, dealers and other stakeholder groups which together define the winners in today's global economy.

If you look at many companies, and the development of these companies over time - back in the 80s the best guarantee for having a competitive advantage compared to other companies in the same market was excellent quality and product management. So many companies were focused on developing new products, bringing them timely to the market and having the best quality products. But this has changed dramatically with competitive markets, similar products and products becoming hygiene factors in the market. So in the 90s most of these companies started to focus on the brand and process management - business reengineering was implemented as a management tool and it was all about doing it right the first time and doing it as cost-efficiently as possible. If you look at these companies nowadays, today most of the airlines, banks and telecommunication companies, are pretty much organised in the same way. So, you still have to do excellent product management, and you still have to have the best processes, but to really differentiate yourself in the market, all these companies are searching for new success factors and this is very much focused on stakeholder management – managing the groups that have an interest, or better, a stake in a company.

The basic idea of this approach has been formulated by the former CEO of GE, Jack Welch: “Too often we measure everything and we understand nothing. There are only three important things to measure in business – this is customer satisfaction, employee satisfaction and cash flow.” He is talking about relationship management. Of course there is cash flow, of course there are financial metrics, but the main focus is on managing relationships with customers and employees. TNS adopted this concept. We want help our clients achieve sustainable, profitable growth by measuring stakeholder experiences, managing internal resources to optimise business performance, and monitoring the market for the impact. This is a holistic approach towards Stakeholder Management. We aim to provide precise and actionable findings of our research.

This is not the place to explain all the facets of this customer centric research strategy in more detail – from employee engagement, to internal service quality, to supplier & distributor research, to customer retention surveys, to corporate reputation projects, and more. But I want shortly describe how TRI\*M links all these pieces up and offers a common measurement tool which applies a consistent framework and tools to help manage all these stakeholders in a systematic process.

The basic idea of the TRI\*M approach is the continuous improvement circle. You can only manage what you measure, and if you manage something you have to control and monitor it over time. You have to know whether you have done it right and you have to know whether the perception of the market is good or bad - so measuring, managing and monitoring - the 3 Ms - are the basis for TRI\*M and this is where the name comes from.



The survey and analysis or reporting is just the starting point in the TRI\*M process where the clients are provided with feedback from their stakeholders. Managing the stakeholder relationship involves a more detailed analysis of process changes that are required and planning for the actions to be taken to further improve stakeholder experiences. Finally, when the planning is completing, it is time to implement these changes and monitor the impact of the same during and immediately after the process. That complete system is the core philosophy of TRI\*M

In order to keep up with the learning curve the system must be both flexible and stable. It needs to be flexible in order to cope with new products, new relationships, and the organisational change. And it needs to be stable with regard to the metrics and the methodology; without these mandates we are not able to provide consistent output and do benchmarking - we would not be able to compare the results from one TRI\*M study to another one.

So key of the TRI\*M approach is that we use the same type of tools with a very similar methodology for various stakeholder groups and this makes it possible to use one only index for employee commitment, as well as customer retention, as well as internal service quality, and you can compare it and create scorecards and really help management to steer all relationships with the same tools.

The TRI\*M system basically consists of four tools:

- The TRI\*M Index which is a one-figure-tool for measuring customer retention.
- The TRI\*M Typology which measures the word of mouth related to the service or product or organisation in respect
- The TRI\*M Grid which analyses the drivers of the TRI\*M Index
- The TRI\*M Competitive Analysis measuring the relative marketplace performance against the most relevant competitor(s)

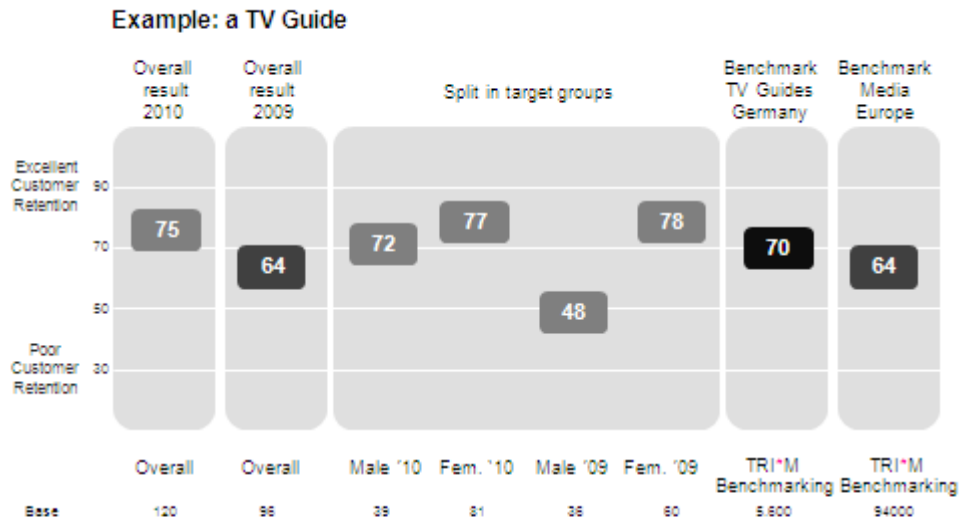
In the following I only want to introduce the two most relevant tools – the TRI\*M Index and the TRI\*M Grid, and in addition the TRI\*M Typology which is derived from the TRI\*M Index. This hopefully will enable you to better understand the results of the research which we did for Axel Springer's newspapers, magazines, and websites, which will be presented afterwards.

### The TRI\*M Index

is based on four questions:

- An **overall performance** question – a very rational rating which measures the perception of overall performance and reflects satisfaction with a companies/brands/ products/services (say BILD, or HÖRZU,...) on a **rational** level
- Then we have **likelihood to recommend** which is a more emotional measurement for customer satisfaction. This question shows whether customers are satisfied enough to act as a reference for the company – therefore this question is a strong indicator for word-of-mouth and **emotional** involvement
- I may be satisfied enough to recommend the company's products and services, but this doesn't necessarily mean that I will buy again or continue to use this product (e.g. BILD, HÖRZU,...), service, or company. Therefore the third question is a question about intent, or the **likelihood to repurchase or continue using** a company's products and services. This reflects the **intentional** dimension and serves as an indicator for future behaviour regarding repurchase or re-usage.
- The fourth question is about the **competitive advantage**: how big is the advantage in dealing with the current provider and using its products and services, rather than using a competitor?

The following example of a TV guide in Germany shows how the results of the TRI\*M Index are presented:



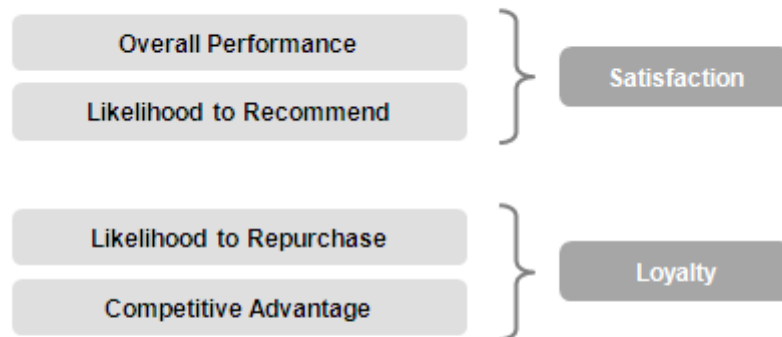
We can see that this TV guide was very successful in improving the customer retention from 2009 to 2010 in the male group. The reason for this was: based on the TRI\*M results they had taken special measures to make the magazine more interesting for male.

Many of you are familiar with the discussion about “engagement” as a metric going beyond reach & frequency and giving additional information to advertisers in order to better qualifying magazines (as well as newspapers, tv programs, websites) in the media planning process. One of the biggest challenges in constructing a universal engagement score is the difficulty to build such a metric which makes very different media comparable. The TRI\*M Index is such a metric. One of the four questions building this index is directly related to communication, more precisely to word of mouth communication: *Based on your experience, how likely are you to recommend <...> (name of magazine, newspaper, website, tv program)?*

### The TRI\*M Typology

When we talk about word of mouth, we are talking about acquisition of new customers. TRI\*M is an experience based customer retention system. The way it deals with the acquisition of new customers is based on the rationale that if a customer has a great experience of a product (magazine, newspaper, website, tv program) or service, this customer is very likely talking in a positive way about the product or service. It is evident that new customers can be attracted by this positive word of mouth. Likewise, if the company has too many dissatisfied customers with a lot of bad experiences, there is negative word of mouth which is ultimately driving away new customers and growth is very limited.

As already mentioned the TRI\*M Index is based of four questions representing two dimensions of customer retention: satisfaction and loyalty.



We all know that it's not enough to satisfy customers - a company (brand, magazine, newspaper, ...) has to establish relationships. And the only way to make money over time is to have as many loyal customers (buyers, subscribers) as possible that are not at risk of defecting. And nothing will convince advertisers more than a high share of highly loyal readers and subscribers.

By taking these two dimensions: satisfaction and loyalty we are looking at four types of relationship.

If we have a relationship that is not only characterised by satisfaction but also by loyalty we call it an **"apostle"** relationship. Apostles are highly satisfied and loyal and in a way the aim of marketing and business in general is to have as many apostles as possible to create a lot of positive word of mouth. This group of customers is talking very positively about their experiences with the company's products and services.

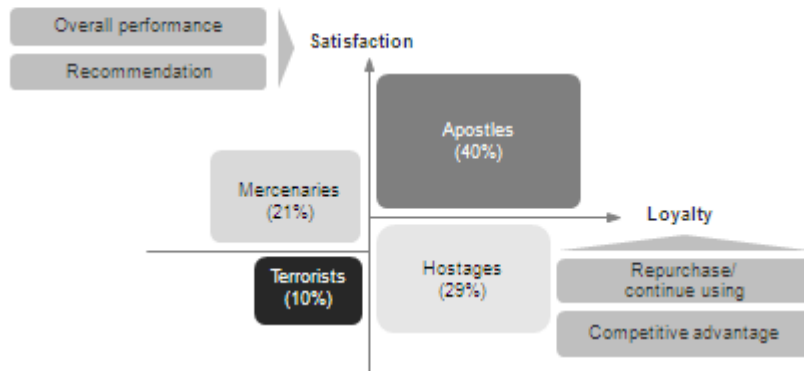
On the other hand we very often see in many markets more and more so called **mercenaries**. Mercenaries are satisfied with a company and the products and services they are experiencing, however they are not really loyal and don't want to stay in the relationship. There is a growing tendency in variety seeking, switching and searching for a better deal. These mercenaries are often very price sensitive and they can lead to a very insecure customer base. In many cases it is not that easy to go for them and tie them into the company/brand/medium and the relationship.

**Hostages**, on the other hand, are not really satisfied, they may have experienced some issues with your company, however, they are tied to the company/brand/medium for various reasons - by contract, by technology, by strategy – there are companies in this world whose main strategy is to create hostages. But this is a risky strategy because once the churn barrier goes away these hostages will leave and the company/brand/medium could lose a part of the customer base.

**Terrorists** are not only dissatisfied but also they are not loyal and talk very negatively about the company/brand/medium. They tell everyone about their bad experiences and are eager to get back by telling bad stories about the

company/brand/medium and in turn they are destroying the customer base. Therefore one really has to look at the balance between apostles and terrorists. If there is no good balance between these two types of relationships there is a very strong risk for the future.

### Example: TRI\*M Typology of a TV Guide



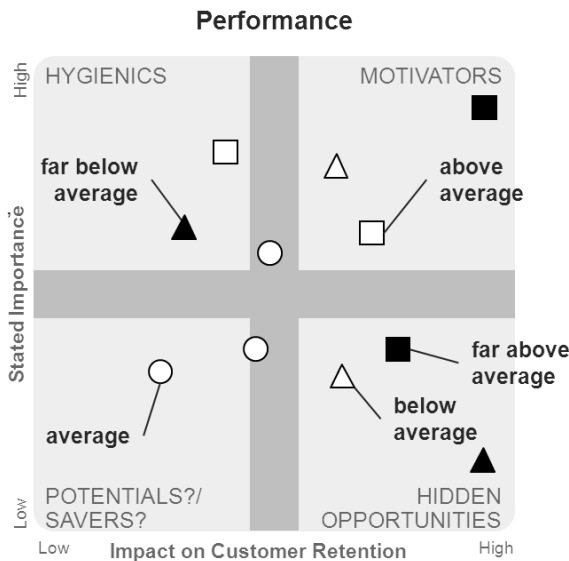
(The labels we use with our TRI\*M Typology originate from an article published in 1995 “Why satisfied customers defect” by two Harvard professors, Jones and Sasser who invented and analysed the relationship between satisfaction and loyalty. The labels they created are really good when for describing the type of relationship and this is why we use them in our approach.)

So when we look at the typology there are two main focuses: One is what about the balance between apostles and terrorists? Are there enough apostles to cover the bad word of mouth from the terrorists? And the other focus is more of a business strategy focus, is the customer base driven by mercenaries or hostages? These two groups require a very different strategy for the future if you want to manage a company/brand/medium successfully.

## The TRI\*M Grid

Why do we have such a good level or such a weak level of customer retention? Why do we have such a positive or negative word of mouth? What are the reasons? What kind of measures can be taken, what exactly should be improved in order to increase the retention? And what is the most effective way to do it, where to begin? Where are the relevant strengths and weaknesses of the company/brand/medium? This is analysed with the TRI\*M Grid.

### TRI\*M Grid: Analysis of strengths and weaknesses



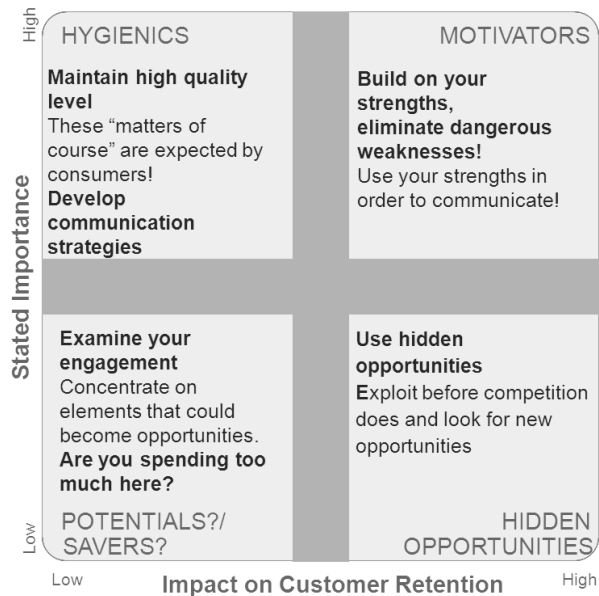
The TRI\*M Grid is a unique key driver analysis. It's unique because it takes into account not only one dimension of importance or relevance, but two dimensions of importance. One is stated importance so we ask the customers how important is a certain attribute to them.

On the other hand, we're also analysing the data to find out if this performance attribute impacts the retention (this is done by a simple correlation analysis). So we get a stated importance, which we plot on the vertical axis and a derived importance, what we call the impact on retention, which is plotted on the horizontal axis.

In order to show whether the company/brand/medium is performing well respectively underperforming on specific quality attributes different symbols are used which represent these attributes. A square in the TRI\*M Grid indicates an 'above average' performance rating, a triangle means 'below average' performance, and circles represent an 'average' performance. Black squares and triangles indicate a 'far above average' or 'far below average' performance.

The idea was to create a chart and an analysis that allows at a glance to identify the key strengths and most dangerous weaknesses and where to prioritise to start with. If you look at the TRI\*M Grid example, you can see a black square in the top right corner. This would be a really good "motivator" - great performance and great driving momentum so this really drives the relationship. You can also see in the right bottom corner a black triangle - well below average performance almost as far to the right as the square in the motivator field - so this attribute has definitely a strong negative impact on the relationship.

The TRI\*M Grid delivers four quadrants which are directly related to management recommendations:



### Motivators

In this quadrant are the most important attributes of the TRI\*M Grid. Attributes here are both claimed to be important and are shown to have high impact on relationship strength. Average or below-average performance by a company here represents a priority for action.

### Hidden Opportunities

Attributes here are thought to be less important, but are shown in reality to have a high impact on relationship strength. These are prime opportunities for a company to gain competitive advantage in the marketplace.

### Hygienics

Attributes that are rated as to be highly important, but for which an analysis shows less impact on relationship strength are called Hygienics. A high – at least average - performance in this quadrant should be maintained, as attributes positioned here are typically the pre-requisites for a sound stakeholder relationship.

### Potentials? / Savers?

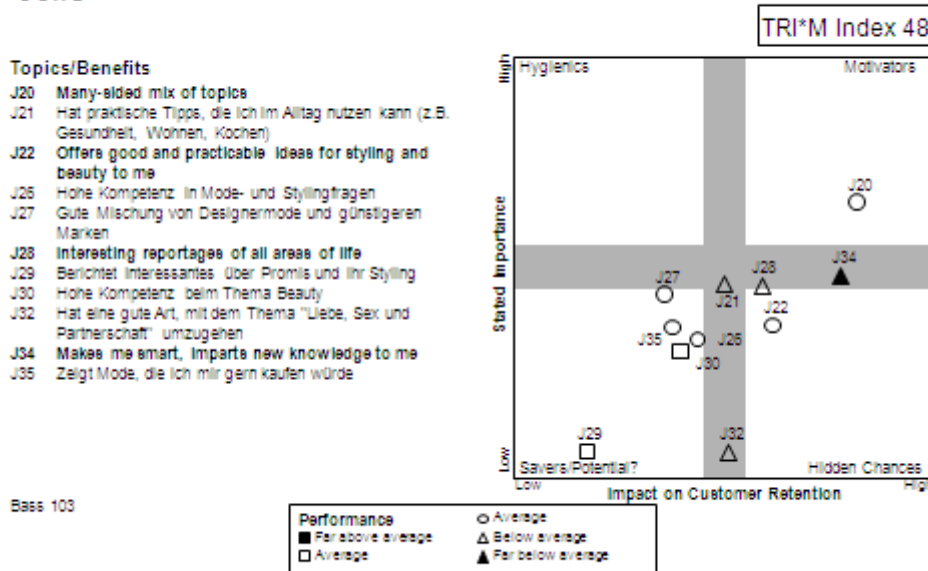
Maintenance is the maximum that is required here as over-performance may represent a waste of valuable resources.

Investment in this area could be re-deployed to improve weak performance in other more critical areas, such as the Motivators segment.

The following example is an extract of the results for a monthly magazine for young women:

## TRI\*M Grid - 2008

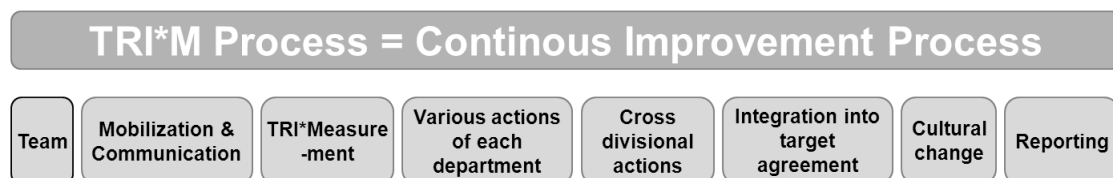
Jolie



With regard to topics and benefits the strengths of this magazine are in quadrant of the “Savers”. The relevant drivers of the customer retention – “Many-sided mix of topics”, “Makes me smart, imparts new knowledge to me”, “Interesting reportages of all areas of life” and “Offers good and practicable ideas for styling and beauty to me” – perform only on an average or worse. The TRI\*M Index is low (compared to average of the segment as well as to the competitors). So at a glance you can see that there are some challenging weaknesses to overcome for the editor (Axel Springer sold this magazine in the following year).

### The TRI\*M project of Axel Springer

From the beginning Axel Springer organized the TRI\*M Process in order to get the maximum benefit for its newspapers, magazines, online sites, sales units etc. After the 2<sup>nd</sup> wave in 2007/08 AS presented the implementation of the TRI\*M process at the yearly TRI\*M Conference 2008 in Budapest in the following way:



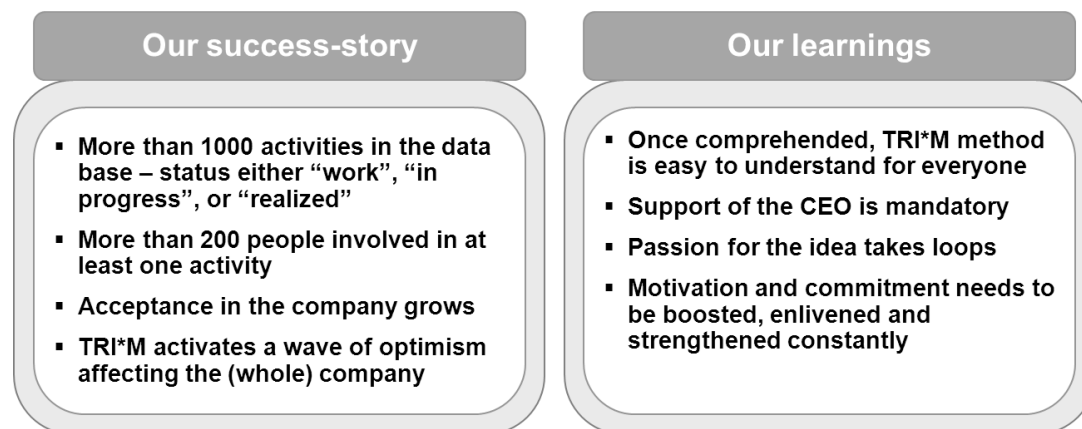
They not only installed a dedicated “Customer Orientation Team” of 4 employees but also a “Buddy System” with Change Agents in nearly every Axel Springer department in order to support the team and to motivate the colleagues. All this was organized to increase company-wide acceptance and cultural change.

The start of the internal mobilization and communication campaign was the already mentioned management meeting 2006 with the announcement “Axel Springer becomes Europe’s most customer friendly media company by 2010!” by CEO Mathias Döpfner. The customer orientation group created an internal website “Customer Orientation”, they installed an internal customer orientation hotline, they arranged a customer orientation exhibition in the lobby of the AS headquarters, they conducted dozens of “Story Telling Workshops” including apprentice workshops, and they organized internal “Market Places” around customer orientation topics.

The results of the yearly TRI\*M measurement are presented to each participating department, and for each of these departments a cause analysis is done with regard of improvements and changes for the worse. Actions are discussed and prioritized, all this is fixed in an action data base with far more than 1000 actions of about 30 departments already in the 2nd year. This is also the base for controlling: Based on the information in the database the actions are reported and controlled with regard of timing, Involvement, and milestones and status of implementation. In case several departments initiated the same idea and identified the same needs (for instance: cross-media competence as a relevant skill for all publications) cross divisional project groups have been built to ensure the involvement of all the advertising and marketing departments in order to find a company-wide solution.

The TRI\*M results have been integrated into the target agreements and into the incentive system. The Salary of executive managers depends on the TRI\*M index and the TRI\*M variances are part of the incentive system.

Karin Hilbert, project director customer orientation at AS in 2007/08, summarized the experiences and learnings:



By now the TRI\*M process of improvement is very well established at Axel Springer. The number of people involved has increased, and the acceptance (and support) in most of the departments is out of the question. I do not know any comparable research based change program in the media area with such a sustainability.

With regard to the research part of the TRI\*M process: We right now have started fieldwork of the 6th wave. The research program has not changed very much since 2006 (but has been completed by internal service quality studies in 2007 and 2010 using the TRI\*M model, and by surveys in another 9 European countries in order to get TRI\*M Index figures of 11 popular papers/tabloids, 6 national newspapers, 4 Sunday papers, 10 magazines, 15 websites of newspapers and magazines, 11 sales units of publishing houses). This year it consists of

- Telephone interviews with buyers/subscribers of 7 daily newspapers of Axel Springer and 6 competitors, 2 Sunday newspapers of Axel Springer and 2 competitors, 8 magazines of Axel Springer and 7 competitors. This is based on a randomly sampled population survey of about 8.400 interviews including regional boosts in Hamburg and Berlin. The sample is completed by boost samples of subscribers of two of the daily newspapers. As a result we get about 200 interviews per title.
- Online interviews with recent users of 20 websites of Axel Springer and its competitors including sites of newspapers, magazines, job sites, and property sites (classified ads markets). This survey is based on a screening of our online panel. It delivers about 150 interviews per site.
- Online interviews (completed by phone interviews where appropriate) with B2B partners of Axel Springer: advertisers, media agencies, classified ads clients, and clients of AS companies as StepStone, zanox, immonet.

Completing the general experiences and learnings of the Axel Springer customer orientation group I want to give you some general results of our research in the last five years regarding the level of commitment of customers which various types of print media (and their websites) can achieve. And I want to show you what the major drivers of commitment are in the area of newspapers (popular papers vs. quality papers).

### **Are there different levels of commitment in the area of newspapers?**

For **popular papers and tabloids** in Germany we have found a TRI\*M Index of 58 on an average in the last 5 years. With a span from 49 to 71 within 33 points of measurement (including Abendzeitung [Munich], B.Z. [Berlin], Berliner Kurier, BILD and BILD Hamburg, BILD am SONNTAG, Hamburger Morgenpost, Kölner Express, tz [Munich]). The regional popular papers tend to score a bit better than the nationwide popular papers.

In our Europeanwide survey last year we found lower scores for tabloids in UK (Daily Mail, Daily Mirror, News of the World, The Sun) and in some East European countries (FAKT in Poland, Novi Cas and Novi Cas Nedela in Slovakia, Blesk and Nedelni Blesk in Czechia) – and by far higher scores in Turkey (Hürriyet, Posta, Sabah);

Average TRI\*M Index in

UK	52
East Europe	55
Germany	58
Turkey	78

In addition we found an exceptional low TRI\*M Index for the Swiss tabloid „Blick“ and a score near to the Turkish level in Austria for the “Kronenzeitung”.

For the **regional subscription** papers in Hamburg and in Berlin we have found a TRI\*M Index of 73 on an average, covering 19 measurement points reaching from 68 to 81 (included are Berliner Morgenpost, Berliner Zeitung, Hamburger Abendblatt, and Tagesspiegel [Berlin]).

For our 3 big **national quality papers** in Germany (Die Welt, Frankfurter Allgemeine Zeitung, Süddeutsche Zeitung) we found a TRI\*M Index of 83 on an average, covering 14 measurement points with a span of 71 to 91.

Our Europeanwide survey showed interesting differences to the German results of the national quality papers: The TRI\*M Index of Le Figaro (France), Le Monde (France), Corriere della Sera (Italy), and La Repubblica (Italy) on an average was 59. In UK the average of The Times and The Guardian was 73. The absence of strong nationwide tabloids in France and Italy may affect the rating of the “overall performance” as well and especially the rating of the “competitive advantage”.

	<b>Satisfaction</b>		<b>Loyalty</b>	
(Mean of 5-point scale)	Overall Performance	Likelihood to Recommend	Likelihood to Repurchase	Competitive Advantage
Popular Papers (G)	3,2	3,6	4,5	2,9
Regional Subscr. Papers (G)	3,5	4,1	4,6	3,3
National Quality Papers (G)	3,9	4,3	4,6	3,3
National Quality Papers (UK)	3,8	4,0	4,4	3,0
National Quality Papers (F, I)	3,3	4,2	4,2	2,7

Analysing the questions constituting the TRI\*M Index we see that there is no big difference in Germany between popular papers and the regional and national quality papers with regard to “Likelihood to repurchase”. But especially the buyers of national quality papers are powerful propagandists of these (expensive) papers!

So there are definitely differences in the customer commitment of different groups of newspapers and there are differences from country to country – depending on the market environment. If you publish a national newspaper in France and reach a TRI\*M Index of 70 you are far ahead of your competitors and benefit from a far better customer retention – whereas you should really take a lot of measures of improvement if you have a TRI\*M Index of 70 publishing a national “quality paper” in Germany.

What about the **websites** of these newspapers? We have results of the sites of the above mentioned national quality papers from France, Italy, and UK. In Germany we have results of 7 news portals, 4 of them related to national publications (spiegel.de, focus.de, welt.de, sueddeutsche.de), and 3 of them belonging to regional subscription papers (abendblatt.de, morgenpost.de, tagesspiegel.de). (There are some more results of portals of popular papers in Germany and UK which will not be discussed here).

The most amazing difference between the offline publications and their websites show the Italian titles: The printed versions have a TRI\*M Index of 58 (mean), the online versions make a TRI\*M Index of 80! The main reason for this result is the better overall performance and the better rated “competitive advantage”.

In France and UK the TRI\*M scores of the printed and the online versions do not differ so much. But here again the “overall performance” as well as the “competitive advantage” of the online offers are better compared to those of the offline products. The distance between the TRI\*M Indices of the quality papers in UK and France is about the same in the offline area and in the online world. The website guardian.co.uk is the highest scoring site we have measured across Europe!

In the German surveys we gather data about the **drivers of customer commitment** of the publications of Axel Springer and their main competitors: 30 to 40 items per newspaper (resp. magazine or website) to be rated by both importance and performance. This enables some general insights of the most relevant drivers in the areas of tabloids, regional subscription papers and national quality papers – and of the regional and the national news portals of these papers.

The most important driver of commitment (which here means: showing the greatest correlation of the performance rating with the TRI\*M Index) in the area of **popular papers** is “is fun to read”! The second most important is “brings topics which touch me”. What next? Sports? Sex and crime? Stars, starlets, celebrities? Topicality? The next important driver is credibility!

Credibility is covered by items like „it is credible, it is true what they publish”, “the articles keep up with the headlines”, “makes a clear distinction between facts and speculation”, “does not try to influence its readers by one-sided statements”.

The most relevant drivers of commitment in the area of **regional subscription papers** are basically the same as in the area of the **national quality papers** – and surprisingly enough they are the same as in the area of popular papers: “is fun to read” and “addresses the topics which I am interested in”. With regard to regional subscription papers the next important drivers are “offers comprehensive information, many aspects and back grounds”, “has a good politics section”, and “examines critically the topical events” (which may be a specific German idea to formulate such a statement). In the area of the national quality papers the next important drivers are “gives me impulses to think ahead”, “has a good politics section”, and “includes contributions of high journalistic quality”.

With respect to the **news portals** the most important drivers of commitment are slightly different: “brings all news and information which is relevant for me” ranks clearly No.1, followed by “gives you the certainty not to miss anything of relevance”, and credibility again: “you can trust in the information of this online portal”. After that the next most important driver is “particularly topical, brings always the latest news” which in former times has been a very important driver in the area of printed newspapers.

A conclusion of these findings is: The printed versions of newspapers have to address the many-sided topics of interest of their buyers in an entertaining way – and this includes a clear and understandable presentation of an overview of all events and information of relevance to their readers. The newspaper has to be made with high journalistic quality which means credibility, critical distance, backgrounds, and impulses to think ahead. The online versions of newspapers have to overtake the role as provider of breaking news, comprehensive information, quick and always up to date. Just like for the printed versions credibility of the information provided by online news portals is key.

### **Some more impressions of different levels of commitment to magazines within Europe**

Since 2006 we have determined TRI\*M Indices of women’s weeklies (BILD der Frau, Tina, Lisa, Laura) in altogether 12 surveys in Germany. The mean for these magazines is a TRI\*M Index of 64. In our European survey last year we covered four comparable women’s weeklies (femme actuelle and version femina in France, Donna moderna in Italy, and women’s weekly in UK) and on an average got a TRI\*M Index of 54. The German market in this segment is characterized by a fierce competition and a lot of plagiarisms. Nevertheless the score reflecting the “competitive advantage” is better particularly in comparison with the results in France.

The TRI\*M Indices of tv guides have been determined in 28 surveys during the last 5 years covering Hörzu, TV Hören und Sehen, Funkuhr, Fernsehwoche, TV Digital, TV Spielfilm, and TV Movie. The average TRI\*M Index for these magazines is 70. For the tv guides abroad (Télé Loisir and Télé 7 jours in France, Sorrisi e Canzoni and Di Piu TV in Italy, Sky Mag and What’s on TV in UK) the mean of the TRI\*M Indices is considerable lower at 51 (with UK at the bottom). Here again the ratings of “overall performance” and “competitive advantage” are worse in Italy and France compared to UK and Germany.

In two major magazine segments (women’s weeklies, tv guides) the German representatives show a better customer commitment than the representatives of the other countries which are taken into consideration here. Is this a surprise? Not at all: Germany is the largest and with respect to printed magazines most developed European market. For the publishers this means: more resources, more competition, more pressure to continuously improve the magazines, more experiences. The results of our surveys of customer commitment in the area of magazines (and of newspapers as well) suggest learning from Germany could be a good idea when you have the task to improve the relationship to your subscribers and buyers in order to optimize your business. Already in 2007 Mathias Döpfner presented the results of the first wave of the TRI\*M surveys with these words: “At the moment we are Germany’s most creative and most profitable big publishing house. And we want continue to be that. But we also want still to improve....Whether readers or ad clients or sales partners or internal clients – customer orientation is the key to success in the analogue world and even more in the digital world” (Berlin, April 2007).