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ENHANCING RETURN ON MARKETING INVESTMENT: THE NET-PROMOTER SCORE IN HIGHER EDUCATION

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ABSTRACT

This research examined Reichheld's central thesis asserting a single survey question can yield profitable growth to an organization by calculating the Net-Promoter Score (NPS). This proposition applied to higher education confirmed the single-question approach, specifically, "have you ever recommended others to attend your university?" – generates meaningful and strategic insights for higher education professionals tasked with improving ROMI by identifying "hidden promoters" enrolled in the first-year cohort.

INTRODUCTION

Absent an extensive review of the literature, many professionals in higher education would agree that institutions not only have marketing managers, but marketing is essential for growth. In this era of intense competition, strategic marketing is a necessity (Gibbs, 2001) and the identification of effective channels of communication and promotion is an integral component of long-term competitive advantage. Applying marketing theories, concepts and practices in higher education is not only practical, but imperative. If educational institutions are to grow and thrive, they must adopt and apply relevant, dynamic and effective techniques found in business.

Marketing in Higher Education

Early research in higher education marketing focused on the student as a customer and education as a product. As such, university marketing campaigns developed print communications to assist prospective students in the decision-making process (see Mortimer, 1997; Gatfield et al., 1999; Hesketh and Knight, 1999). As research and practice evolved, marketing in higher education deviated from the customer-product paradigm to higher education as a service. Gibbs (2002) later encouraged marketing professionals to cultivate educational relationships and eschew transactional deals between traders.

Concurrently, marketers recognized the importance and value of consumer word-of-mouth (WOM) communication. Misner (1999) called this form of communication the world's most effective, yet least

understood marketing strategy. Forrester (2005) reiterated this sentiment and cautioned market researchers that traditional marketing media (print, electronic) were losing effectiveness, being partially supplanted with social network communications.

Return on Marketing Investment (ROMI)

Often, ROMI in higher education is a direct measure, that is, the size of the enrolled class. As such, the enrollment manager either hits or misses a time-limited and defined target number. However, a university could benefit from a sustained, comprehensive marketing strategy that identifies internal marketing promoters who influence, connect and attempt to convince peers to attend their college. Gladwell (2000) defined this type of individual as a "salesman" while other researchers refer to this person as a "promoter."

In 2003, Reichheld highlighted several companies that measure their productive customer relationships utilizing the satisfaction survey; yet, customer satisfaction does not necessarily correlate with profitable growth. The author asserts instead of using multiple or extensive measures of satisfaction, the marketing professional should ask one simple question: *How likely is it that you would recommend our company to a friend or colleague?* He proffered the "Net-Promoter Score" (NPS), the ratio difference between promoters and detractors. If the NPS exceeds 75%, Reichheld considers the company to be world class.

Ascertaining the percentage of net promoters facilitates the development of an operational and actionable ROMI. Reichheld did not address the specific

or identifiable characteristics of a promoter or detractor but did acknowledge the quest for profitable and sustainable growth begins with creating more promoters and fewer detractors.

Lawrie, Matta, and Roberts (2006) suggest the Net-Promoter Score may be too simplistic for a comprehensive picture of growth. Cummings and Venkatesan (1976) suggested people may inflate their positive assessment, simply because they purchased the product or service.

The Net-Promoter Score focuses not on quality, satisfaction or value, but on how customer word-of-mouth, both negative and positive, affects growth (Keiningham et al., 2008). Moreover, dissatisfied customers are more likely to speak about their experiences than satisfied customers (Anderson, 1998). Finally, the Net-Promoter Score is one factor that may increase the company growth rate, but it is not the only factor (Mandal, 2014).

DERIVATION OF HYPOTHESES

This research acknowledges the understanding of promotion is essential in higher education marketing, but even more important is to identify the promoter-salesperson(s) within your social networks and channels of communication. As Cumming (2014) discusses in a review of ROMI, it is as much a strategic challenge as it is a tactical one. It is difficult not to assess marketing effectiveness in today's competitive marketplace without acknowledging the return on advertising and promotion investment.

The focus of this research is to examine Reichheld's central thesis that one question, *have you ever recommended others to attend your university?* – can generate meaningful and profitable insight for higher education professionals and improve ROMI. Although marketing managers are aware of the significance of ROMI, they have been slow to leverage their ability to maximize outcomes (Cook and Talluri, 2004).

In higher education, this begins with the enrolled first-year class and assessing the long-term marketing and promotional advantage of this cohort. This research intends to identify, if possible, the hidden promoters willing to recommend enrollment to others and to evaluate the hidden ROMI often overlooked. An ancillary finding may elucidate those first-year distractor students, that is, those most likely not to recommend enrollment to others, diminishing ROMI.

QUESTIONS OF INTEREST

The purpose of this research is to determine if there is a relationship between identified “promoters” and “student type” (i.e., student's ACT/GPA, Self-Identified Gender) according to when or if a student recommends

enrollment to others. Specifically, the research questions are:

1. Can a market researcher ascertain a Net-Promoter Score by student type;
2. Is it possible to identify institutional promoters within the first six weeks of matriculation;
3. Is it possible to identify to whom promoters recommend their institution;
4. What channels of communication do promoters utilize and,
5. Does a promoter's ACT/GPA offer relevant data beyond self-identified gender?

METHODOLOGY

All participants were first-year residential students attending a private comprehensive university in the Midwest with a university mean composite ACT of 23 and HS GPA of 3.3. By random selection, eight floors (total of 16) in three residence halls had an opportunity to volunteer. One hundred and forty-two students completed the survey (N = 142).

Demographics for each participant included a self-identified, gender status; ACT Score; and High School GPA (researchers verified academic profile). The survey was brief and followed the Reichheld (2003) caveat not to permit survey questions to multiply, for this would diminish the response rate, reliability, and validity of data.

The quintessential question of interest mirrored Reichheld's directive to use a single and targeted question, *have you ever recommended others to attend your university?*

The student-participant could select one of three options related to their recommendation intent: 1. Don't Plan on Ever Recommending; 2. Already Recommended; and 3. May Recommend in the Future. Data collection occurred during the 6th week of the first semester.

Participants could select all that applied: Peers; Guidance Counselors; Teachers/Coaches; Family Members; or Other; as the person or professional to whom they recommended enrollment. Also, each participant indicated how they made the recommendation: In-Person; Digital (email, tweet, Instagram, etc.); By Phone; In Writing (Letter, Postcard, etc.); or Other.

The operational definition classified students as High-Effort or Low-Effort students. For research purposes, students received an E-Score. High-E score students earned a High School GPA greater than expected, given their ACT score. Low-E score students earned a High School GPA less than expected, given their ACT score. The ACT cut-score resulted from analyzing the university first-year class profile and employing simple regression to predict High School

GPA. Employing a dichotomous assignment (High-E or Low-E) was a pragmatic decision given the recognized mathematical constraint on deviation range scores.

Given the nature of this exploratory research, correlation and regression models assessed the relationships between variables of concern. The alpha level was .10 to minimize a Type 2 error. Given multiple comparisons, researchers employed the Bonferroni correction to minimize a Type 1 error (Stevens, 1996).

When assessing NPS significance, Reichheld (2003) assigned the label of World Class (W.C.) at 75% and acknowledged a median NPS score of 16%. Given

the author utilized a median score instead of a mean score, a researcher must consider skewness of the data. For this research, statistical significance used an estimate of standard deviation (SD); that is, Range Score/6. The NPS range is -100 to +100; therefore $100/6$ yields an estimate SD of 16.66. Thus, a significant NPS is any score greater than 58.33% (i.e., $75\% - 16.66\%$). Theoretically, this would be +2SD, if Reichheld's W.C. moniker is 3SDs. For clarification, the average NPS in higher education is 51%, with a maximum NPS of approximately 69% (Lyons, 2006).

RESEARCH FINDINGS

Table 1 is an overview of the descriptive findings.

Table 1
Descriptive Statistics

Recommendation	%	Recommend to	%	Channel	%
No Recommendation	0.25	Peers	0.49	Face-to-Face	0.41
Already Recommended	0.63	Guidance Counselor	0.18	Digital	0.58
Future Recommendation	0.12	Teachers/Coaches	0.33	Phone	0.36
		Family	0.42	Hand Written	0
		Other	0.30	Other	0

Note. Population NPS is .50 (combining Already + Future - No Recommendation)

The first question of interest assessed if a market researcher can ascertain an NPS by student type: Table 2 highlights Self-Identified Gender and High-E vs. Low-E students results.

Table 2
NPS: Self-Identified Gender and High-E vs. Low-E Students

NPS: Self-Identified Gender					
Assessment	N	Female	Male	Difference	W.C. = 75%
Net-Promoter Score	142	29.76	71.27	41.51	S
NPS: High-E vs. Low-E Students					
Assessment	N	High-E	Low-E	Difference	W.C. = 75%
Net-Promoter Score	142	33.33	71.87	38.54	S

Note. Table values represent percentage of participants making a recommendation

The second question of interest posed if it is possible to identify early promoters (i.e., first six weeks) who recommend their institution to others (see Table 3).

Table 3

Identifying Early Promoters: Self-Identified Gender and High-E vs. Low-E Students

Self-Identified Gender	N	Female	Male	R-Value	P-Value	Sig.
Already Recommended	142	52.85	73.61	-0.21	0.01	S
Future Recommendation	142	8.33	15.71	0.11	0.20	NS
No Recommendation	142	31.42	18.05	0.15	0.08	NS
High-E vs. Low-E Students	N	High-E	Low-E	R-Value	P-Value	Sig.
Already Recommended	142	52.56	76.56	-0.25	0.00	S
Future Recommendation	142	14.1	9.37	0.07	0.39	NS
No Recommendation	142	33.33	14.06	0.22	0.01	S

Note. Table values represent the percentage of participants making a recommendation

The third question of interest addressed to whom promoters recommend their institution (see Table 4).

Table 4

Recommending Their Institution: Self-Identified Gender and High-E vs. Low-E Students

Self-Identified Gender	N	Female	Male	R	P-Value	Sig.
Peers	142	35.71	61.11	0.25	0.00	S
Guidance Counselor	142	18.57	16.66	-0.03	0.77	NS
Teachers/Coaches	142	32.85	33.33	0.01	0.95	NS
Family	142	38.57	45.83	0.07	0.39	NS
Other	142	25.71	34.72	0.10	0.25	NS
Grand Mean	142	30.28	38.33	0.08	0.34	NS
High-E vs. Low-E Students	N	High-E	Low-E	R-Value	P-Value	Sig.
Peers	142	43.58	54.68	-0.11	0.19	NS
Guidance Counselor	142	6.41	31.25	-0.32	0.00	S
Teachers/Coaches	142	17.94	51.56	-0.36	0.00	S
Family	142	30.76	56.25	-0.26	0.00	S
Other	142	23.07	39.06	-0.17	0.04	S
Grand Mean	142	24.35	46.56	-0.24	0.03	S

Note. Table values represent the percentage of participants making a recommendation

The fourth research question examined the channels of communication promoters utilized when recommending their institution (see Table 5).

Table 5

The Channels of Communication Utilized: Self-Identified Gender and High-E vs. Low-E Students

Self-Identified Gender	N	Female	Male	R	P-Value	Sig.
Person (Face-to-Face)	142	35.71	45.83	0.10	0.22	NS
Digital (text, chat, etc.)	142	48.57	68.05	0.20	0.02	S
Phone (voice)	142	41.42	30.55	-0.11	0.18	NS
High-E vs. Low-E Students	N	High-E	Low-E	R	P-Value	Sig.
Person (Face-to-Face)	142	34.61	48.43	-0.14	0.10	NS
Digital (text, chat, etc.)	142	50.00	68.75	-0.19	0.02	S
Phone (voice)	142	52.56	15.62	0.38	0.00	S

Note. Table values represent percentage of participants making a recommendation

The fifth question of interest asked if a student's ACT/GPA profile offers relevant data beyond self-identified gender (Female/Male) when predicting a recommendation to others. Findings suggest the student's cognitive profile (ACT/GPA) does predict a recommendation, holding constant self-identified gender ($R = .239$; $p = .004$).

DISCUSSION AND RESEARCH IMPLICATIONS

This research suggests when students make recommendations to others to enroll in their institution, the most frequently utilized communication channel is digital, followed by face-to-face, and phone. These initial findings appear to be tenable; however, no participant utilized another channel, nor did any participant write a letter, note or postcard. This finding supports Forrester (2005) who cautions marketers that traditional communications, primarily print, appear to be losing effectiveness and usage today. The implication is astute enrollment managers should consider a media plan utilizing digital, face-to-face and phone while minimizing the traditional print media to maximize ROMI. This is not to suggest print has no value, but rather limited when facilitating enrollment to their college. Print material may have a greater function in generating interest, rather than matriculation.

Students tend to recommend their institution, by rank-order to peers, family or [others] primarily. Ancillary data suggest that [others] referred to new peers or acquaintances who inquired as to where the student was attending college. A germane finding is the relatively low recommendation rate of their institution to teachers, coaches and guidance counselors. This suggests restraint when a student recruiter develops strategic marketing plans for ROMI utilizing the high school or secondary system professional staff. Having a student recommend their institution to peers is not the same as having teachers, coaches or guidance

counselors recommend attendance. This type of professional recommendation is an enrollment function, not a measure of ROMI; and every educational marketer would encourage and promote such activity.

Two salient strategic issues emerge from a student's decision to recommend. First, sixty-three percent of enrollees had made a recommendation prior to the seventh week of their first-year. This implies an inherent ROMI emanating from the first-year class, a "hidden persuader" component of a synergistic, internal marketing initiative, corroborating Misner's (1999) assessment of word-of-mouth (WOM) marketing as the world's most effective, yet least understood marketing strategy.

Second, by the seventh week, twenty-five percent of the first-year class decided they would not recommend their university to others. Although relatively low, this nullifying marketing effect could adversely influence marketers attempting to recruit future classes or build brand equity. Anderson (1998) argued dissatisfied customers are more likely to speak about their negative experiences and more often than satisfied customers. This university's NPS (.50) is within the national range (.51) therefore, is one indicator of reliability and validity of the findings.

The first research question assessed if a market researcher can associate an NPS by student type. Results (Table 2) suggest the answer is yes. NPS outcomes were significantly higher for self-identified Males and those with Low-E scores. Although an analysis of NPS elicited hidden persuaders, it also noted a wide discrepancy in NPS. The Female-Male ratio may be a pragmatic artifact for marketers, given the Male-Female ratio in higher education has been trending in favor of females attending college, proportionately more than males (CCAP, 2012). Also, it is not uncommon for enrollment managers to focus on attracting the best and the brightest, the overachiever. Results suggest that recruiting the best and brightest overachiever will likely

not engender powerful promoters of your institution. Moreover, what may be beneficial for the institution's academic profile may not necessarily yield a positive ROMI, vis-a-vis organically driven promotion. To be clear, the priority of most university officials is the high-achieving student, with expensive financial leveraging, yet this type of student sustains a lower NPS and adversely impacts ROMI.

A prudent marketer should exercise caution with this finding since alternative explanations are plausible, viz., Low-E students attending a competitive high school or being overly involved in extracurricular activities, thereby earning a suppressed GPA.

The second question of interest examines if it is possible to identify early promoters, those most likely to recommend prior to the seventh week of their first semester. Results in Table 3 suggest that Males have a significant edge over recommending their institution to others, compared with Females. Approximately seventy-four percent of the Males recommended the institution to others before the seventh week of the term. The implication is Males tend to focus on "their good decision" to enroll and thus tell others. This corroborates the Wood (1996) and Mason (1994) findings that Females use communication to enhance social and personal relationships; whereas Males use communication to explore or discuss discernable outcomes.

When examining early promoters by assigned ACT/GPA profile (see Table 3), Low-E students recommend their institution to others at a significantly greater rate than High-E students, with a difference approaching twenty-five percent. Moreover, High-E students have a statistically significant edge when Not Ever Recommending their institution to others, an almost twenty percent margin difference. From anecdotal follow-up interviews, High-E students were expecting to attend another [more prestigious] university. However, this group received a rejection or lacked the financial aid to attend. The implication may be the Low-E students were [pleased to gain admission] or received a favorable [unexpected] financial package, increasing their likelihood to recommend their institution to others. High-E students may be mourning the lost opportunity to attend their college of first choice.

For clarification, this finding reflects sentiments within the first seven weeks of their first semester. High-E students may not have had sufficient time to psychologically adjust to their unexpected enrollment or perhaps High-E students, given their cognitive profile, may wait longer to provide a blanket assessment.

The third question of interest addressed to whom the promoter recommended their institution. Results in Table 4 suggest that Males are more likely to recommend their institution to peers at a significantly higher rate than Females, with no significant gender

difference in the percentage of recommendations given to Guidance Counselors, Coaches, Family, or [Other]. In Table 4, Low-E students recommend their institution to others, i.e., a Guidance Counselor, Coach, Family Member or [Other] more than the High-E student. However, there was no significant difference between the Low-E and High-E student when recommending to peers. Marketers cannot assume all students will promote or recommend their university equally. Moreover, this finding supports an earlier assertion, that given the High-E students' reported inability to enter their school of first choice, they may be less likely to recommend their university to others because of a sense of self-frustration and rejection or perhaps given their cognitive profile, exercise greater restraint and require more time before offering a recommendation to attend.

The fourth question of interest examined the channels of communication promoters use to recommend their institution. Data in Table 5 indicate that Males and Low-E students prefer digital communication, whereas, Females prefer to communicate any school recommendation by phone in a personal exchange, again, supporting Wood (1996) and Mason (1994) findings that women use communication to enhance social and personal relationships. Females and males differ regarding a preferred communication channel when or if recommending their institution.

The fifth question of interest revealed a significant relationship between student cognitive profile (High-E; Low-E) and recommendation status over and above self-identified gender (Female; Male) effects. This implies it would be specious to assume an interaction between Male and Low-E scores exists when predicting recommendation status. Cognitive factors appear to be independent of self-identified gender.

A summary of research findings employs a BRAG model addressing ROMI in higher education (see Table 6).

Table 6

BRAG: A Summary of Findings

<p>Believing all enrolled students will recommend their college to others can be erroneous</p> <p>Realize a student's cognitive profile influences when; to whom and how a recommendation occurs</p> <p>Assessing ROMI inherent in student typology with one directed question is warranted</p> <p>Growth models incorporating NPS have strategic relevance in higher education marketing</p>

LIMITATIONS AND FUTURE RESEARCH

This study used a single, Midwest, comprehensive university with an average National student profile. Therefore, exercise caution with generalization.

However, future researchers may consider: using multiple universities; targeting majors across class rank (e.g., Freshman, Sophomore; Junior; Senior); increasing N-size; or adding variables to assess hidden ROMI. Also, investigating when or how the student decided to elicit a negative recommendation is important. Did the student bring this decision with them or did their early

university experience evoke such a response? Future research could address how a university may intervene to increase the university's NPS and enhance the college experience for the enrolled student. Moreover, studying the relationship between NPS and university retention can yield strategic insights in building and maintaining brand equity and long-term competitive advantage.

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