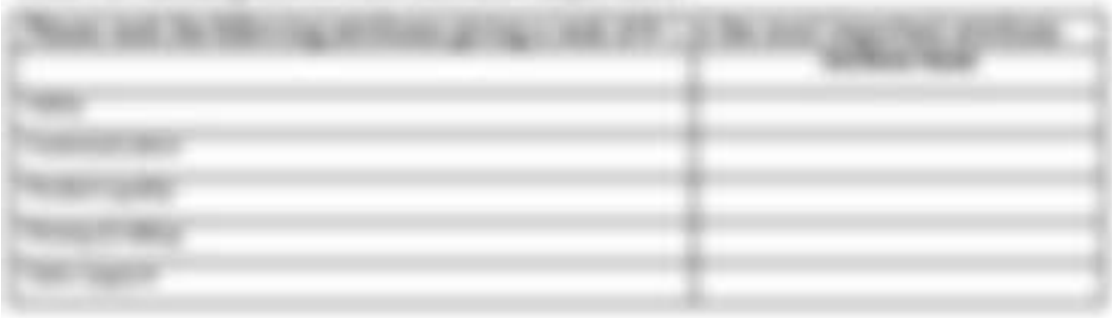
Attribute Importance & Performance for Customer-Based Strategy[1]

Firms gain a competitive advantage by differentiating themselves on benefits that are important to their customers, and on which their performance is perceived as being better than competitors. Thus, Walmart positions itself on low price because low price is important for its customers' overall satisfaction, and because Walmart's target customers are more satisfied with Walmart on low price than its competitors.

This note describes the concept of attribute importance, different methodologies to measure attribute importance, and perceived performance. The concept is illustrated using the example of dealership service for an automotive company.

STATED ATTRIBUTE IMPORTANCE

Customers can be asked to state the relative importance of an attribute using three methodologies: a Likert scale, a ranking scale, or a point-allocation task.



Though stated importance is relatively easy to elicit, it has multiple shortcomings.

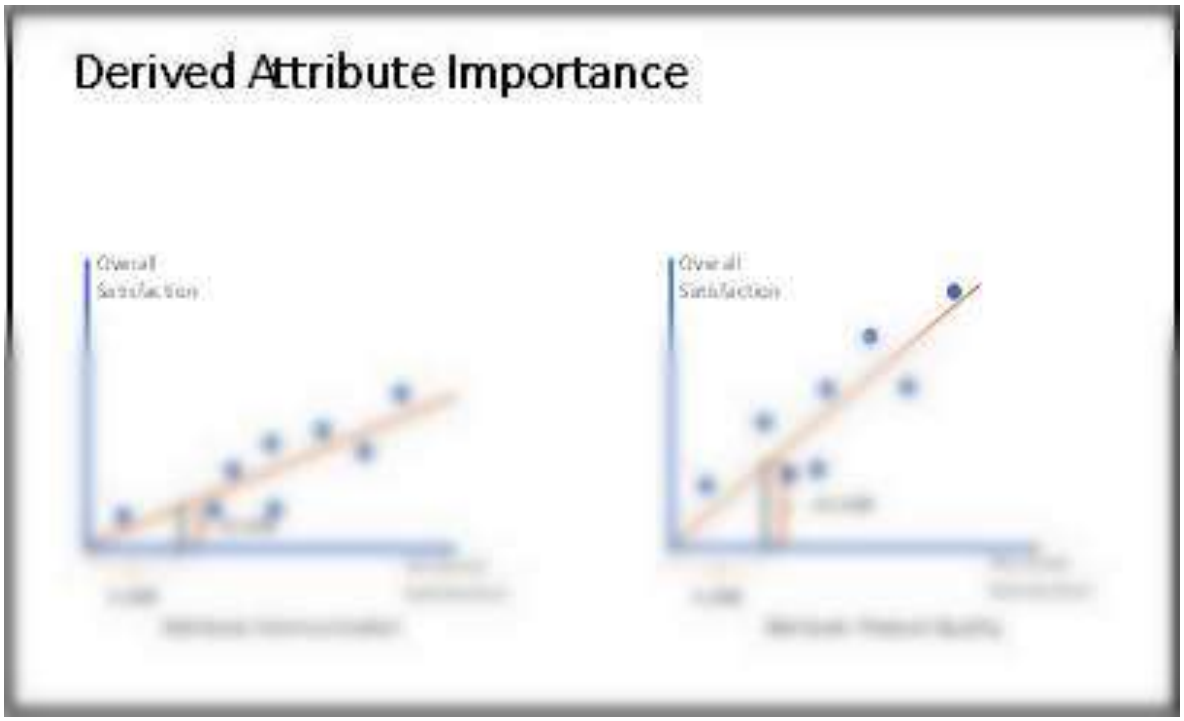
- **Social desirability**: Customers rate attribute importance to make themselves appear more rational, objective, or smart in their own eyes or in the researcher's eyes. Thus, many

DERIVED ATTRIBUTE IMPORTANCE

The derived importance of an attribute is the extent to which improving satisfaction with an attribute improves overall satisfaction. The concept of derived importance is based on the simple idea that an attribute's importance is proportional to its impact in determining a customer's overall satisfaction with the consumption experience.

Consider the hypothetical example of two attributes—*communication* and *product quality* shown in Figure 1. The x-axis shows the satisfaction ratings of customers on each attribute. The y-axis shows how the customers rated their overall satisfaction. Each unit increase in satisfaction with *communication* is associated with a .35-unit increase in overall satisfaction. In

Figure 1: Visual depiction of derived attribute importance



This approach represents derived attribute importance because customers never provide or state the importance of an attribute. Instead, the importance of an attribute is statistically derived based on the association of satisfaction with an attribute and overall satisfaction.

Steps in calculating derived attribute importance

- **Step 1**: Customers rate their satisfaction with specific attributes.
- **Step 2**: Customers rate their overall satisfaction with the entire consumption experience

Steps 3 and 4: A regression analysis quantifies the relative importance of attributes. The regression coefficients are shown in the table below. Each of the coefficients is statistically significant. The regression equation explains 79% of the variability in overall satisfaction implying these five attributes capture the customer experience relatively well. These results show *honesty of the service writer* is the most important attribute followed by *quality of work done.* The least important attribute is *wait time before write-up.*

Table 2b: Using regression results to derive attribute weights

Steps 5: The derived importance weight can be visually presented as follows.

Figure 2: Derived importance weights

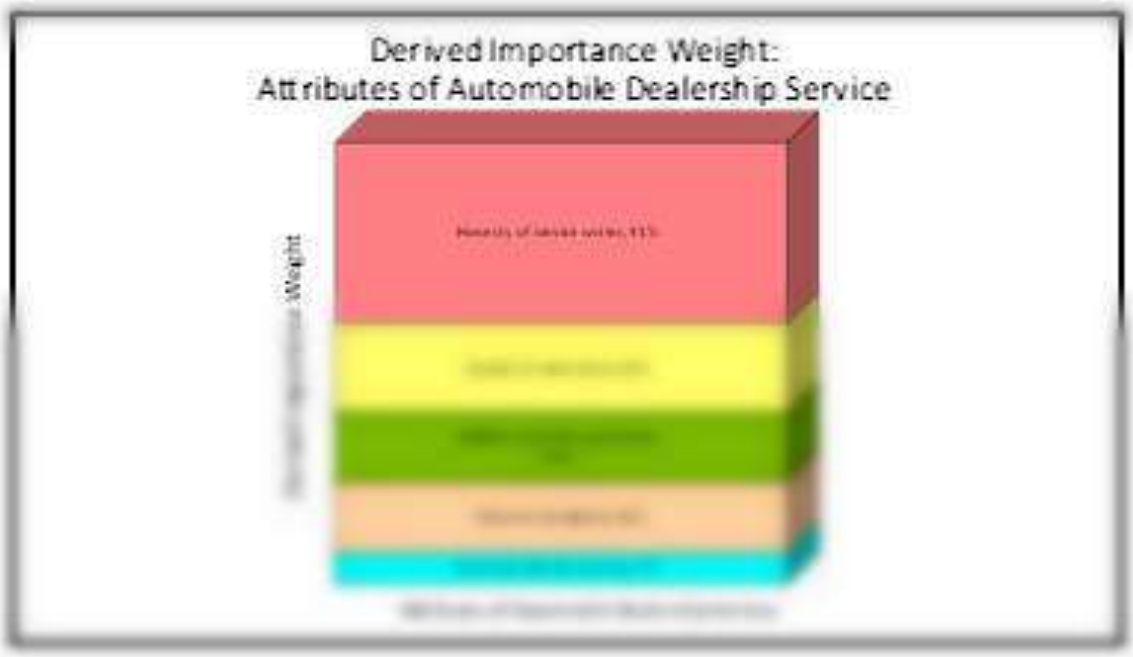


Figure 3: Derived importance weights for different B2B segments

PERCEIVED ATTRIBUTE PERFORMANCE

The performance of an attribute can be measured objectively or subjectively. Thus, *wait time before write-up* can be measured objectively in minutes, or subjectively by asking customers to rate their satisfaction with it.

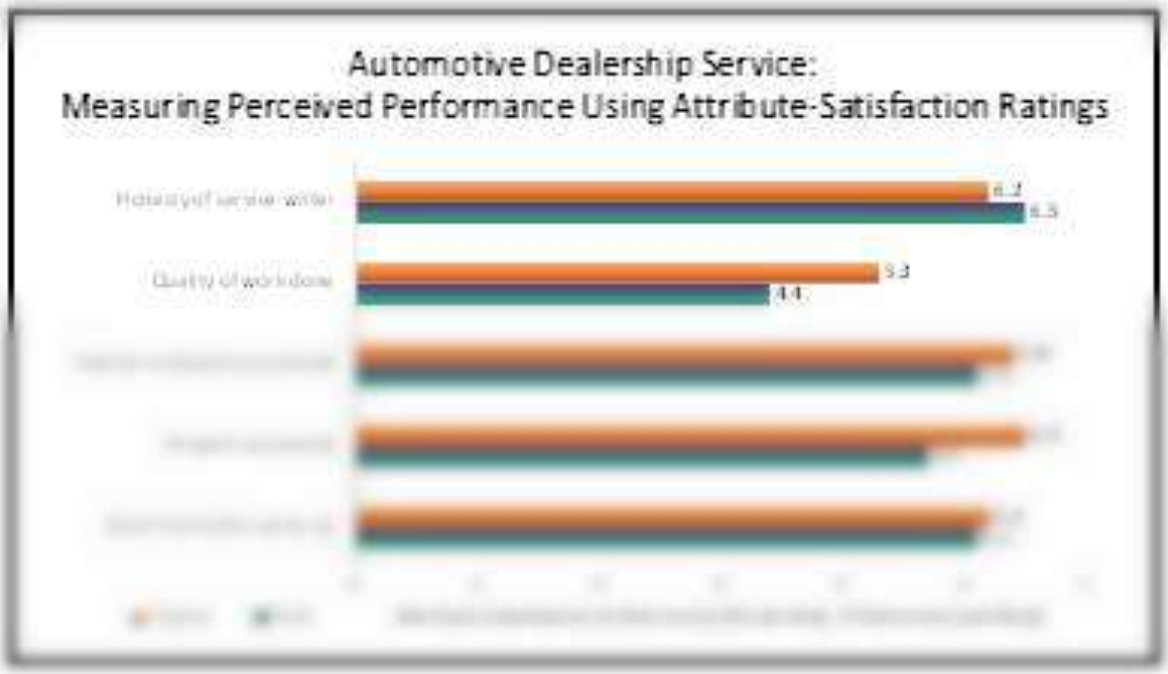
development, R&D, and production resources to achieve a level of objective performance that is barely noticed by customers, but substantially erodes the firm's margin, profits, and stock price.

Figure 4a: Perceived attribute performance based on customer-satisfaction ratings

Based on this, it can be concluded that perceived performance is highest on *honesty of service writer*, followed by *vehicle ready when promised* and *wait time before write-up*. It is lowest on *quality of work done*.

For additional insights, firms may also obtain satisfaction ratings on their competitors, as shown next. By examining relative perceived performance, a firm can also identify performance gaps on key-driver attributes.

Figure 4b: Perceived attribute performance for two competitors



DEVELOPING POSITIONING POINTS

After a firm ascertains the derived importance of different attributes, and the perceived performance on those attributes, it can develop positioning points. For example:

- *Honesty of service writer* and *quality of work done* are relatively more important for customers (62% of the total weight). As such, they are top candidates for positioning points.

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ATTRIBUTES, BENEFITS & STRATETIC AREAS

A benefit is the end-state desired by a customer while an attribute is the methodology used by a firm to deliver the benefit. Customers desire benefits, which are delivered by an attribute or a set of attributes engineered in a product of service. In many cases, firms use a cluster of benefits into a strategic area that can become the focus of execution and implementation. Some examples of grouping attributes in strategic areas are shown below:

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plan. Thus, food-services may emphasize larger portion size over quality of ingredients because the former is deemed more important by guests.

For strategic marketing and planning purposes, firms often use strategic areas—instead of specific attributes—in developing their positioning statement. Specific attributes within an area are then used for activity planning, execution, and implementation of the positioning statement.

A different classification of strategic areas

Instead of classifying them by departments / functions, strategic areas can also be classified as primary, secondary, and tertiary. This also corresponds to core product benefits,

Once strategic areas are classified as being primary, secondary, or tertiary the firm can also quantify their relative weight. Some caveats:

- It is a mistake to assume that primary/core strategic area will get the most weight. In many cases, the secondary and tertiary areas get more weight than the primary/core area

CONCLUSION

Firms interested in a customer-based strategy and execution approach must incorporate the customer's voice in the strategic planning process. Customer surveys are a prominent way for