

Attribute Importance & Performance for Customer-Based Strategy¹

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.

¹ © 2018 by Collaborative for Customer-Based Execution and Strategy[™]. Authored by Vikas Mittal. This document is only licensed to be used by permission from The Collaborative for CUBES[™]. No parts of this case may be copied, reproduced, electronically transmitted, or stored in a retrieval system without permission. For rights and permissions contact: info@ccubes.net

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.

(This table is intentionally blurred in the source image)

(This table is intentionally blurred in the source image)

(This table is intentionally blurred in the source image)

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

[The following text is extremely faint and illegible in the original image. It appears to be a list of points or a detailed explanation of the shortcomings mentioned above.]

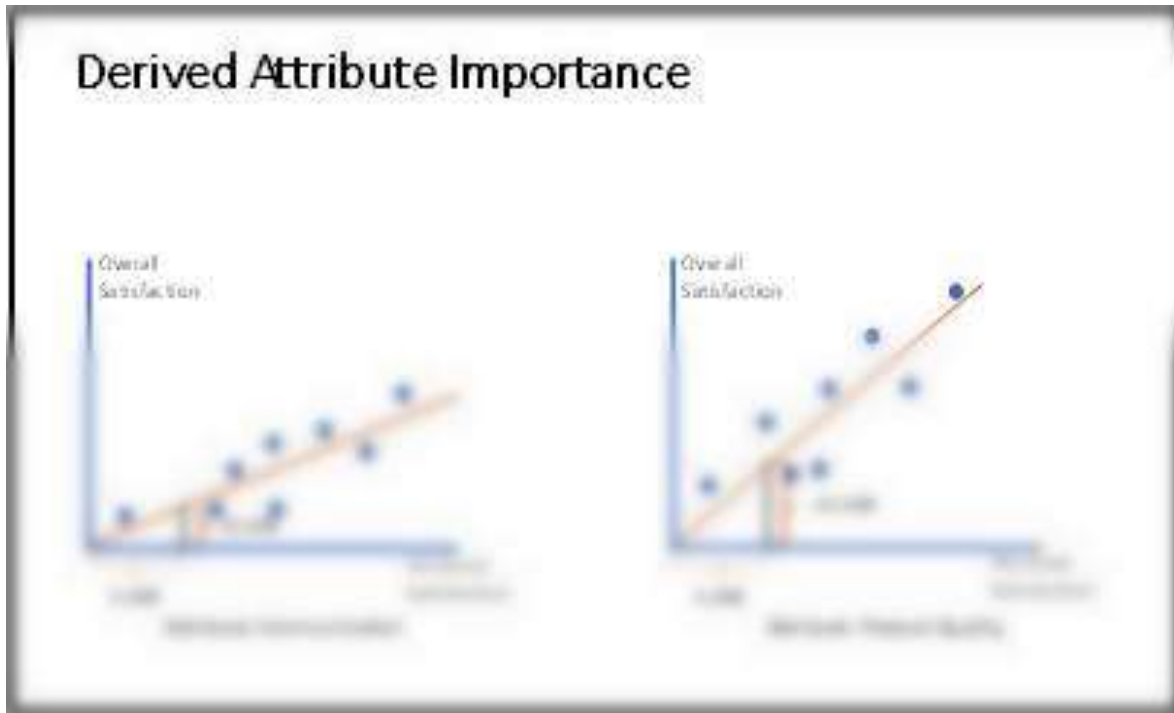
DERIVED ATTRIBUTE IMPORTANCE

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

Consider the hypothetical example of two attributes: convenience and service quality. Figure 1 illustrates how the satisfaction rating of convenience is used to derive the overall satisfaction. The overall satisfaction is derived from the convenience and service quality attributes. Both are measured on a scale from 1 (lowest) to 5 (highest). The overall satisfaction is derived from the convenience and service quality attributes. Both are measured on a scale from 1 (lowest) to 5 (highest).

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.

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.

Derived importance is used to rank attributes based on their relative importance. Derived importance does not reflect the overall importance of an attribute. Derived importance is based on the association of satisfaction with an attribute and overall satisfaction. This does not mean that overall satisfaction is derived from 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

1. Step 1 is measured with a set of multiple regression models to estimate the unique importance for each attribute with each attribute for each overall satisfaction.
2. Step 2. The coefficient from a regression equation provides the derived importance of each attribute in determining overall experience. In addition, the change regression coefficient is used to estimate the importance with a single coefficient.
3. Step 3. The derived importance can be presented in the relative range of each attribute by applying a weighting.

Example: Automobile Marketing Service

The example is used to illustrate how the change regression equation. The survey data used here is the customer's satisfaction with the following: the sales service and the quality of the product.

Step 1 will be the survey with customer ratings for satisfaction with attributes and overall experience. Below is an example of the survey data for a sales service.

Table 1. Measuring attributes and overall customer satisfaction

| How do you rate your satisfaction with the following: the sales service | | | | | | | |
|---|------|-----|-----|-----|------|-----|-----|
| | 100% | 75% | 50% | 25% | 100% | 75% | 50% |
| Very Dissatisfied | | | | | | | |
| Dissatisfied | | | | | | | |
| Satisfied | | | | | | | |
| Very Satisfied | | | | | | | |
| How do you rate your overall satisfaction with the sales service | | | | | | | |

| How do you rate your overall satisfaction with the quality of the product | | | | | | | |
|---|------|-----|-----|-----|------|-----|-----|
| | 100% | 75% | 50% | 25% | 100% | 75% | 50% |
| Very Dissatisfied | | | | | | | |
| Dissatisfied | | | | | | | |
| Satisfied | | | | | | | |
| Very Satisfied | | | | | | | |
| How do you rate your overall satisfaction with the quality of the product | | | | | | | |

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

Table 2b: Using regression results to derive attribute weights

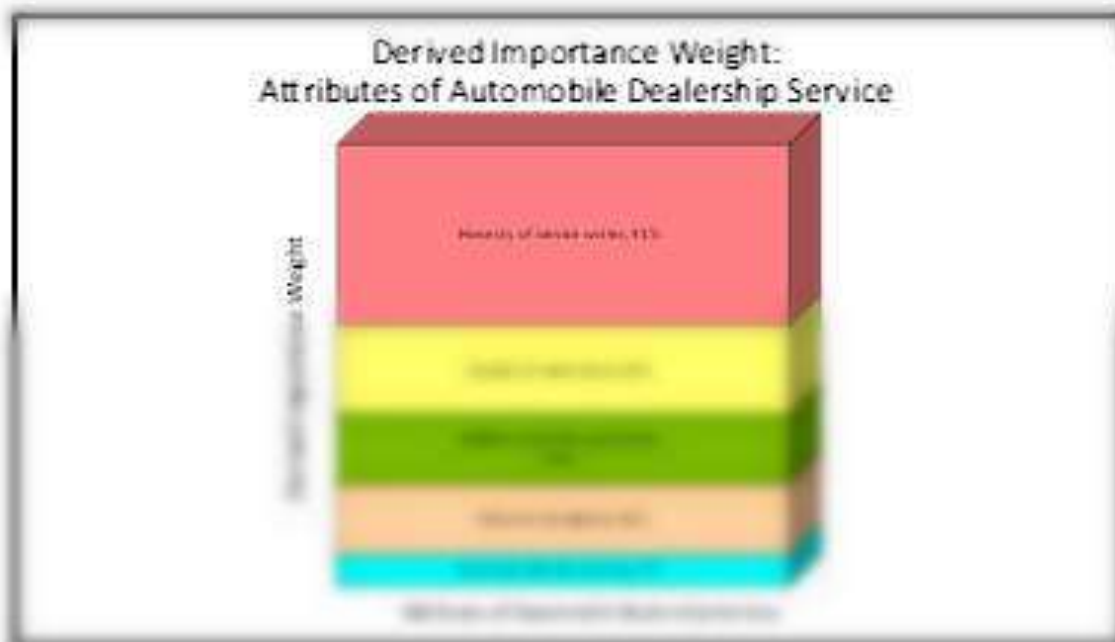
Overall Satisfaction Score

Using Regression Analysis to Derive Attribute Weights

| Attribute | Beta | T-Stat | Significance Level |
|-----------------------------|------|--------|--------------------|
| Honesty of service writer | 0.15 | 3.2 | 0.001 |
| Quality of work done | 0.12 | 2.8 | 0.005 |
| Service writer's appearance | 0.08 | 1.8 | 0.07 |
| Service writer's attitude | 0.05 | 1.2 | 0.25 |
| Wait time before write-up | 0.02 | 0.5 | 0.62 |
| Overall Satisfaction Score | | | 0.79 |

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

Figure 2: Derived importance weights



The graphical representation of derived importance weights provides a management-level and customer-level view of the relative weight of each attribute. Generally, attributes with higher weight get more attention in a marketing program because they are critical drivers of the overall derived importance.

There may be several derived importance weights for each of the major segments, as well as the major sub-segments. All these weights are represented in service segments from different 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.

Though it is more appealing to objective measures of attribute performance can be collecting the data because this is a rating scale of 1-5, whereas a subjective and subjective rating scale is a rating scale of 1-5. However, customer may not rate the difference and may be equally satisfied going a rating of 1 to a rating of 5. Thus, objective performance measurement may not measure the underlying subjective importance to customer.

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.

[The text in this block is extremely faint and illegible.]

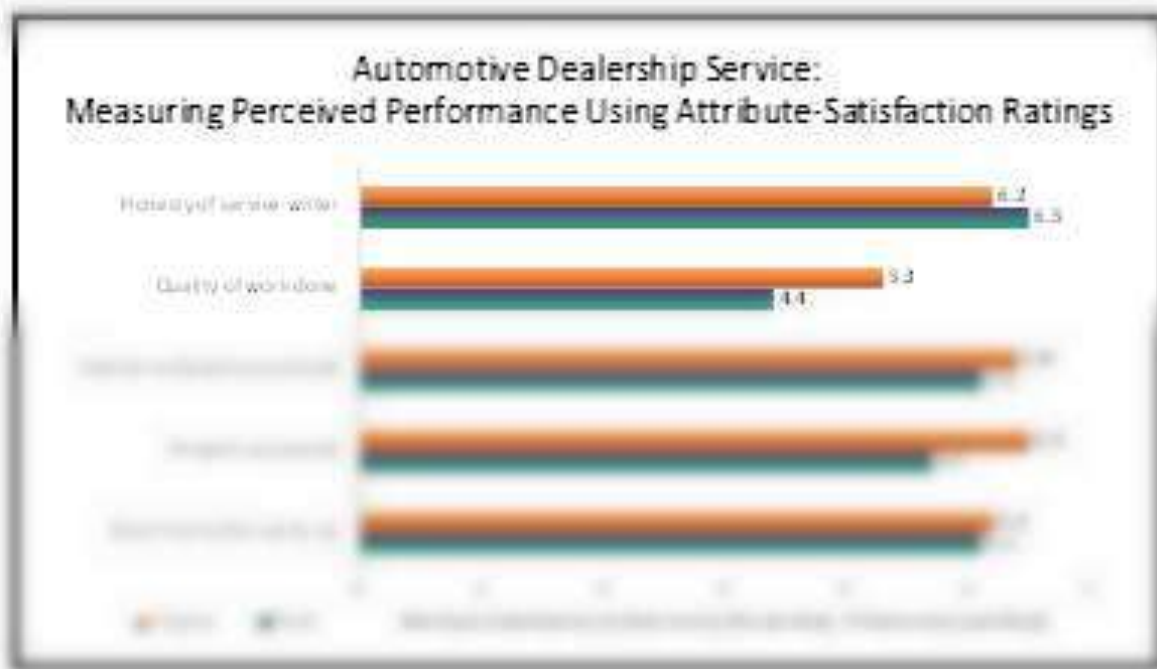
Figure 4a: Perceived attribute performance based on customer-satisfaction ratings



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.

1. Both competitors perform poorly on attributes that are relatively more important to customers. The important competitors struggle to find a way that may be able to position itself in the market. Developing a corresponding marketing and branding strategy. Specifically:
 - a. An advertising strategy may be considered to address the importance of service writer honesty and quality of work done.
 - b. Service writer may be given additional training to ensure they can deliver specific attributes that marketing will address.
2. Both competitors perform well on attributes that are relatively less important to customers. The important competitors struggle to find a way that may be able to position itself in the market.
 - a. Focus on the less important attributes and ensure they do not negatively impact the overall brand image. In this case, they may be provided with additional training to ensure they can deliver these attributes.

- 1. The business unit receives the appropriate support or training needed to perform high quality work in the market.
- 2. The business unit is high quality, it may not be directly accountable to the customer.
- 3. The business unit has the financial flexibility to understand the product and provide a high quality customer experience in a variety of markets.

ATTRIBUTES, BENEFITS & STRATEGIC 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 or 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:

Table 2: Grouping attributes into strategic areas for implementation

| Strategic Area | Attributes | Strategic Area |
|------------------|---------------------|------------------|
| Customer Service | Service quality | Customer Service |
| | Price | |
| Product Quality | Product quality | Product Quality |
| | Product reliability | |
| Product Variety | Product variety | Product Variety |
| | Product reliability | |
| | Product quality | |
| Product Price | Product price | Product Price |
| | Product reliability | |
| | Product quality | |

As shown in Table 2, strategic areas can be used to define and implement strategic priorities. The implementation of strategic "fit" is a strategic priority across the business. Typically, different departments are responsible for strategic areas for implementation. However, different units in the organization, if given services, could also play in the implementation of that service. Table 2 shows strategic areas, the responsible departments, and the services that are responsible for each specific attribute and strategy for implementation.

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,

[The following text is extremely faint and largely illegible. It appears to be a list of definitions for primary, secondary, and tertiary strategic areas, but the specific content cannot be accurately transcribed.]

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

1. The relative weight of strategic areas can vary from region to region
2. The relative weight of the three areas using the following matrix:
 - a. Primary: primary development, full product, product design and product integration, primary strategy, primary customer engagement
 - b. Secondary: People processes and activities in customer areas, including operations, sales, distribution services, service policies, media, distribution process, and so forth
 - c. Tertiary: supporting, enabling, cross-functional
3. Other primary strategic areas for each unit, regionally competitive through service engineering to each primary strategic results under the best enabling strategy. The secondary enabling strategy of strategic areas through service strategy areas - that can be used either in each unit or. The strategy is a distributional and technical advantage of the strategic area distribution to customer or customer response along with the relative weight in each Table 1

Table 1: Mapping the Primary, Secondary, Tertiary mapping of Strategic Areas to 2015

| Strategic Area | High | Strategic Area | High |
|----------------|------|----------------|------|
| Primary | High | Primary | High |
| Secondary | High | Secondary | High |
| Tertiary | High | Tertiary | High |
| Other | High | Other | High |

Using the approach, other strategic areas can be identified and measured in regional performance to guide strategic initiatives in each.

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

to gather customer feedback. This document provides a framework for developing and implementing customer surveys. The framework provides a number of customer survey methods and an understanding

Table

| |
|---|
| Table 1: Customer Survey Methods |
| Table 2: Customer Survey Design |
| Table 3: Customer Survey Implementation |
| Table 4: Customer Survey Analysis |
| Table 5: Customer Survey Reporting |
| Table 6: Customer Survey Evaluation |