Understanding Key Drivers of Customer Experience: A MaritzCX Perspective

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What determines the overall satisfaction of your customers? Is it satisfaction with areas such as sales or service, retail facilities, products offered, pricing, or something else?

Understanding which attributes contribute, and how much they contribute, to overall satisfaction (or any other overall measure) is commonly called Key Driver analysis. It can also be called Derived Importance or Relative Importance.

**KEY DRIVERS EXPLAIN DIFFERENCES IN OVERALL SATISFACTION**

A common misconception is that key drivers tell us what is important. That is not quite right. Key drivers tell us what is important in *explaining* overall satisfaction. For example, seat belts are important in a car, but rarely do they *explain* why someone bought a specific car or how satisfied they are. This is because seat belts are very similar to one another. Satisfaction ratings for seat belts are likely to be very similar to one another, and won’t explain why some people are satisfied overall and others are not. Seat belts are a simple example of something that is important but not a key driver.

The relative value of a key driver in customer experience has two characteristics:

1. Different customers have different perceptions about the attribute
2. Those differences align with differences in overall satisfaction (or other overall measure)

Another example like seat belts may help clarify these two points. Let’s assume that every customer likes their sales person and gives them high ratings. In that case we can’t explain any differences in overall satisfaction between customers by the differences in their experiences with sales. We need differences in sales experiences to tie that attribute to differences in overall satisfaction. As a key driver, satisfaction with sales people will have little value, just like seat belts. But this does not mean your sales people are unimportant. It just means their consistent performance across your customers does not explain differences in overall satisfaction.

The two examples above show how attributes may be important, but not explain differences in overall satisfaction. However there is a flip side to this. When an attribute is a significant key driver, we can conclude that it is important. Why? Because an unimportant attribute cannot explain much. In order to explain differences in overall satisfaction, an attribute must have some importance. This is why key drivers are often used as an estimate of attribute importance. However, we always tell clients if they really want to know what is important to customers, they need to ask their customers. Of course, you need to ask in the right way. In many cases, customers will tell you everything is important. This is especially true if one asks about importance using rating scales. At MaritzCX we recommend using “tradeoff methods” to ask about importance. Common tradeoff methods include ranking, q-sort, constant sum, and maximum difference scaling. More detailed discussion of these methods and their use in eliciting importance can be found in other papers from MaritzCX.

One of the primary reasons we want to understand the importance of attributes is to prioritize improvements. If an attribute is important and we are performing poorly on it, then we need to focus improvement in that area. To flip the sales example, let’s assume now that your customers have very different perceptions about your sales people and those differences align with customer satisfaction more than other attributes. Sales is a key driver and important. Improving those sales people with lower satisfaction scores will improve overall satisfaction.

**ESTIMATING KEY DRIVERS IN A COMPLEX CX WORLD**

Estimating key drivers accurately is complicated. One of the worst analytical methods for most customer experience data is simple regression. In fact, regression typically produces values so intuitively wrong that nobody believes them. The problem lies in what statisticians call “multicollinearity”. Multicollinearity means the attributes are highly correlated with one another. Customer experience data typically has lots of highly correlated attributes and this wreaks havoc on methods like regression.

To measure the key drivers of highly correlated customer experience data, MaritzCX uses a method from Game Theory. The idea is that one can measure the value of a player by considering how much value the player adds to a team. The interesting aspect of this approach is that we have to consider how much value a player adds relative to all possible teams. So we consider one player teams, two player teams, three player teams, etc. We can measure the relative value of a player by evaluating how well the team performed with that player vs. the same team without the player, averaging across all possible teams. So if Player A helps to create more wins than Player B averaged across all possible teams, then A is more important.

Our True Driver Analysis (TDA) works the same way. The teams are combinations of attributes rather than players. TDA evaluates how well the team of attributes predicts overall satisfaction. For those of you who like more details on this game theory approach, it is called “Shapley Value”, though we use a specific extension of it from Theil’s work on information theory.

A common method to estimate key drivers is to compute the correlations of an attribute with overall satisfaction. Correlations can be understood as a very stripped-down version of our TDA. This is because correlations with overall satisfaction can be understood as a one player team. So if we just consider one player teams in game theory, TDA will produce the same results as correlations with overall satisfaction (more specifically the square of the correlations).
Of course the MaritzCX TDA approach considers all possible teams, and is much more complete. Going beyond one player teams of correlations is essential because some attributes are more complementary than others. Consider a soccer team for instance. A good goalie may not have much value on his own as a one player team, but would be a key contributor to the team as a whole. His unique skills complement the team. Likewise, some customer experience attributes are more unique than others, and complement the other attributes in predicting overall satisfaction. Simple correlations with overall satisfaction completely ignore this team contribution, missing the significant value of more unique attributes and their complementary role in predicting overall satisfaction.

Using proper methods for deriving key drivers is crucial. At MaritzCX, we recognize the fundamental importance of understanding how customers differ from one another.

While the TDA approach described above is our typically preferred approach to key drivers, MaritzCX employs other methods as well. Other common methods are Structural Equation Modeling or Partial Least Squares (PLS). These structural models work well when certain variables correlate in blocks with each other, but not with other variables. Unfortunately the correlation structure for customer experience data is not often as clear cut. For this reason we developed our own custom form of Partial Least Squares that uses TDA within the PLS algorithm. This results in far more accurate predictive models than simple PLS. This improved version of PLS is often used in linking customer satisfaction attributes with other variables, like revenue.

MORE INSIGHTS FROM SEGMENTS

Not all customers are created equally. At least not when it comes to what is more or less important to them. At MaritzCX, we recognize the fundamental importance of understanding how customers differ from one another. For this reason we have developed latent class versions of all our driver analyses. A latent class is an underlying segment that is derived from the data. MaritzCX employs a statistical method called True Driver Analysis (TDA). Latent Class TDA is an innovative method to derive different segments with significantly different key drivers. This process provides a more detailed understanding of customers and significantly improves predictive modeling, something that is especially important for linking customer experience data with other metrics like revenue.

SUMMARY

Key drivers don’t tell us what is important, they explain differences in an overall measure like overall satisfaction. Key drivers improve our understanding of customers and give us a way to prioritize areas for improvement. Measurement approaches such as game theory can give us more accurate key drivers in a world of complex customer data. MaritzCX employs a statistical method called True Driver Analysis (TDA). Latent Class TDA is an innovative method to derive different segments with significantly different key drivers. This process provides a more detailed understanding of customers and significantly improves predictive modeling, something that is especially important for linking customer experience data with other metrics like revenue.

For more information about our industry leading work on key drivers, please contact us. We would be happy to discuss any topic mentioned here, along with deeper areas such as ensembles of latent classes, conditional multinomial logit for choices and allocations, non-compensatory analyses that improve on Kano, or the role of classification trees and analyses like CHAID, Random Forests, and Spotlight.

We love innovation, and as leaders in marketing research and customer experience, we innovate to solve problems and make our research more accurate, more predictive, and more actionable. It is the essence of everything we do.

To demo a product or contact MaritzCX sales call 385.695.2800

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