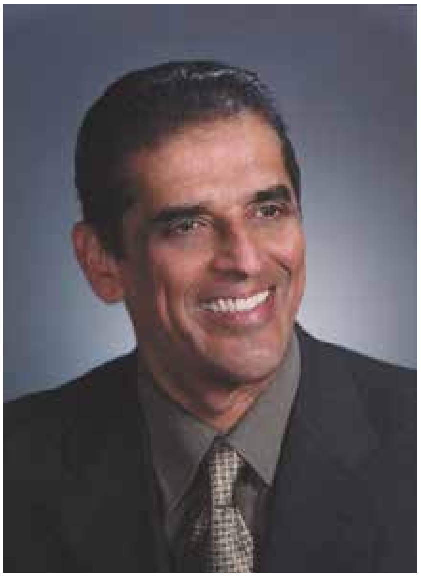

AU CONTRAIRE (2)

# How Key Are Your Key Drivers?

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**"No, no, you're not thinking; you're just being logical."**
— Niels Bohr
(physicist, Nobel laureate)

Identifying the key drivers that will maximize customer satisfaction, loyalty, new product performance, or some such critical measure is a common pursuit of marketers. The idea behind it is straightforward. Consumers use our brand for specific reasons. If we can quantify the effect of each reason on customer satisfaction, we can provide, or claim to provide, more of what consumers are looking for.

So any company that measures customer satisfaction (practically all major companies) also tries to identify key drivers of satisfaction. Correlation-based techniques such as regression analysis, Shapley value regression, path analysis, and structural equation modeling (SEM) provide ways of identifying the effect of each attribute on customer satisfaction.

So far, so good. But does it work in practice? Not necessarily. Not if generalized attitudinal variables are used to predict satisfaction, or some such variable. There are reasons for this.

## Most Brands Are Seen to Be Similar by Their Users

Much as we would like to think that consumers use our brand because our brand has some unique feature, the reality is quite different. Users of *any* brand rate their brand in a way that is similar to the way users of other brands rate theirs. Exhibit 1 shows an example illustrating this point.

**Exhibit 1: Average Ratings of Computers (10-point scale) by Their Users**

| | HP | Dell | Lenovo | Mac |
|---|---|---|---|---|
| Overall evaluation | 8.5 | 8.3 | 8.4 | 8.6 |
| Well-designed | 7.2 | 7.1 | 7.3 | 7.4 |
| Functions well | 8.1 | 8.2 | 8.3 | 8.2 |
| Reasonably priced | 7.7 | 7.9 | 7.5 | 6.8 |

You will note that for "overall evaluation," "well-designed" and "functions well," the average user ratings are very similar for all four brands. This pattern can be found for almost any commonly used product, especially if the brands compared have similar market shares or are equally well-known.

The price rating shows a greater variation, from a low of 6.8 for Mac to 7.9 for Dell. This pattern is also a common one. When something is objectively visible (such as the higher price of Mac), users of the brand are aware of it. It is generally held that Apple's Mac computer is distinct from PC brands such as HP or Dell. And yet the users of these brands believe the same things about their brand as Mac users believe about theirs.

The above pattern holds for brands of comparable market share. When the brands have dissimilar market shares, smaller brands tend to get lower ratings across the board compared to larger brands. This pattern continues to hold, irrespective of geography and time period, as confirmed by hundreds of studies. You can verify this pattern for yourself by looking at the data you may have on hand.

## What Coke Is to You, Pepsi Is to Me

Benefits that are provided by brand A as perceived by its customers are the same as the benefits provided by brand B as perceived by its customers. Most brands are not anywhere near as differentiated as the marketers would like to think. Coke is *distinct* from Pepsi (making it easy for consumers to ask for Coke rather than Pepsi, or the other way around), but the two brands are not really differentiated in terms of the benefits as seen by their respective users. What the Big Mac is to McDonalds patrons, the Whopper is to Burger King patrons. What an HP computer is to HP users, a Dell computer is to Dell users. What Coke is to Coke drinkers, Pepsi is to Pepsi drinkers.

People who drink Coke are likely to rate it high on "tastes nice," "refreshing," "for people like me," and so on. People who drink Pepsi or Dr. Pepper would say the same things about their brand. If "tastes nice" turns out to be the "most important key driver," a Dr. Pepper ad that emphasizes "tastes nice" is unlikely to convert Coke or Pepsi drinkers, because they believe they are already getting that benefit from their brand.

When consumers attribute such generalized characteristics to their brand, they are really expressing the fact that they use and like the brand. Generalized attributes like "tastes nice," "refreshing," and "for people like me" can be seen as proxies for usage and liking.

Therefore, providing or emphasizing common benefits, whether perceived or real, will not induce consumers to switch brands. This statement is particularly true of generalized product experiences such as "tastes good," "for someone like me," "well-designed," "attractive," and so on. As Andrew Ehrenberg observed, "An estimated 55% of the customers of the brand leader Colgate thought that the brand promoted 'strong healthy teeth,' and a very similar 57% of the eighth biggest brand Ultrabrite thought that about their brand – despite Ultrabrite's radically different positioning based on whiteness."

Colgate is not going to entice Ultrabrite customers by emphasizing its delivery of strong, healthy teeth if Ultrabrite users think that their brand already delivers that benefit. Secondly, even if the promise of strong, healthy teeth would induce consumers to switch, since all brands will be emphasizing the same key drivers, there could be no competitive gain. Therefore, in general, using attitudinal key drivers to influence sales is essentially an exercise in futility.

## Do We Use It Because We Like It, or Do We Like It Because We Use It?

We generally assume that consumers use a brand because they rate the brand higher on many desirable attributes. But if I rate my brand in a way that is very similar to the way you rate your brand, is it not likely that we rate our brands similarly because of our usage? Could it be that the commonly assumed relationship of positive brand perceptions leading to brand usage, as given below,

Positive brand perceptions (lead to) → Brand usage

actually works the other way around – brand usage leads to positive brand perceptions?

Brand usage (leads to) → Positive brand perceptions

Our positive rating of a brand may very well be the result of our positive experience with the product. As an example, iPhone users in general do not complain about its price (even though it is high compared to other smartphones), because they are satisfied with the product. So it is not price satisfaction that led to brand satisfaction, but it is brand satisfaction that led to price satisfaction.

If indeed it is the usage that leads consumers to say nice things* about their brands, attempting to increase positive perceptions of our brand is unlikely to influence users of other brands to switch to our brand.

## Key Drivers Can Be Unstable

In a 2001 article entitled "Why Some New Products Are More Successful Than Others," David H. Henard and David M. Szymanski reviewed 41 studies dealing with new product performance. These studies correlated different key variables with new product performance. Exhibit 2 shows the correlation ranges.

**Exhibit 2: Key Drivers and Product Performance (Range of Correlations in 41 Studies)**

| | Low | High |
|---|---|---|
| Product advantage | −0.31 | +0.81 |
| Product innovativeness | −0.62 | +0.81 |
| Technological synergy | −0.73 | +0.68 |
| Likelihood of competitive response | −0.60 | +0.05 |
| Competitive response intensity | −0.72 | +0.63 |
| Dedicated resources | −0.19 | +1.00 |
| Customer input | −0.21 | +0.81 |
| Senior management support | −0.07 | +0.46 |

*Source:* David H. Henard & David M. Szymanski. "Why Some New Products Are More Successful Than Others." *Journal of Marketing Research*, 2001: 38(3), 362–375.

Strange as this may sound, what exhibit 2 actually reveals is that every key driver can have a positive or a negative relationship to new product performance! If you have a product advantage, it can affect the overall evaluation positively (correlation of +0.81) or negatively (correlation of –0.31). So if we measure our key variable (say, better quality) and we get a correlation of 0.8 with customer satisfaction, how much can we depend on this measure? Can we conclude from this correlation that, in general, better quality leads to customer satisfaction? Exhibit 2's summary of 41 different studies shows that we cannot make any such inference. The fact that we cannot make any generalizations even when correlations are strong contradicts common sense and calls for a better understanding of the underlying dynamics of how consumers buy.

**"When a fact appears to be opposed to a long train of deductions, it invariably proves to be capable of bearing some other interpretation."**
— Sherlock Holmes
(Arthur Conan Doyle)

## And Then There Are Non-compensatory Items

The current models of key drivers also assume that if our brand is deficient in one attribute, our strength in other attributes would make up for it. If a car is not the most comfortable, its lower price would compensate for it. If a hotel is less conveniently located, its larger rooms and better service would make up for it.

But such compensation is not always the case. Some items are non-compensatory. For example, when airline customers were asked why they preferred the airlines that they did, the usual suspects such as service, price and reputation figured prominently:

| | |
|---|---|
| Efficient service | 33% |
| Reasonably priced | 32 |
| Well-respected | 31 |

When airline passengers evaluated specific airlines, this is how two airlines, Air Canada and Porter, fared on a seven-point scale (7 is the positive end):

| | Air Canada | Porter |
|---|---|---|
| Efficient customer service | 3.9 | 5.3 |
| Reasonably priced | 3.2 | 4.6 |
| Well-respected | 3.7 | 4.9 |

Given that Porter has consistently outdone Air Canada on the three most important key measures by a wide margin, we would expect that Porter would be the preferred airline. Yet, when asked which one was their preferred airline, approximately three out of four passengers preferred Air Canada. How so?

Air Canada is a national airline with frequent flights to several destinations and Porter is a regional airline with fewer flights, in general. When they want to fly, many passengers consider timely availability as a non-negotiable requirement. Excellence in other variables cannot compensate for deficiency in this variable ("I'd rather fly at 5:00 p.m. after a business meeting than at 7:00 p.m., no matter how superior the other airline is on things I said mattered to me").

**"There is nothing more deceptive than an obvious fact."**
— Sherlock Holmes
(Arthur Conan Doyle)

The problem with many non-negotiable attributes is that their importance is difficult to identify by ratings questions that are typically used in key driver analyses. In our example, "flight schedule/flight frequency" came up a distant fourth in importance, and yet the airline that did well on that attribute became the preferred airline, even though it did poorly on all top three key attributes. When we ask customers what is important to them, they think of attributes that contribute to their evaluation positively by being present and not necessarily of attributes that will contribute negatively by being absent.

## So Does Key Driver Analysis Really Work?

There are at least four reasons why run-of-the-mill key driver analysis is likely to be an exercise in futility.

1. *While brands may be distinct, they are not really differentiated to the extent a marketer would like to believe.* Consumers drink, drive cars, and use airlines for pretty much the same reasons, irrespective of the brand they prefer. If the key drivers are not unique to your brand, there is no great competitive advantage in emphasizing them.

2. *Consumers may rate a brand better because they use it, rather than the other way around.* If this relationship holds (and there are reasons to believe that it does), then influencing attitudes will not lead to sales.

3. *Key drivers are unstable.* Key drivers in one study may not be key drivers in another.

4. *There may be a non-compensatory (non-negotiable) variable that can negate the "key drivers."* Key drivers do not always identify variables that may be crucial to a consumer. When they do not, spending resources on strengthening the "key variables" is likely to be a waste of a company's limited resources.

Although it is not my purpose to state categorically that key driver analysis cannot possibly work, it is obvious that naïve key driver analysis is likely to mislead a firm into thinking that its marketing resources are being spent wisely when they, in fact, are being wasted.

Identifying drivers that would make a real difference requires an understanding of the product category and the many ways one could go wrong using statistical analysis for this type of problem. What you see may not be what you get.

Statistical analysis of data often provides a false sense of security. The reality is that run-of-the-mill key driver analysis is likely to do more harm than good.

## Endnote

* There are, in fact, several reasons for believing that usage leads consumers to say nice things about their brand. We will likely return to this topic in a later article to explore it further.

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