



directiveanalytics

Guiding Strategic Marketing Decisions

Category Driver Analysis
helps researchers and marketers uncover the most important influencers of consumer satisfaction, loyalty and product/brand preference.

Example Applications

Category driver analysis has a wide variety of market research applications:

- **In loyalty studies**, it may be used to identify what drives consumer affinity for various products, services, or brands.
- **In satisfaction research**, category driver analysis uncovers elements that consumers value most and are the most differentiating within a category.
- It may be used **in customer service studies** to understand which elements of customer care have the greatest influence on perceptions of service.
- **In customer attrition studies**, category driver analysis can identify reasons consumers switch to other suppliers or brands.
- **In advertising**, category driver analysis may be used to identify how different messages impact perceptions among consumers.
- It may be used **in product development** to identify benefits/features that most influence consumer purchase intent.
- It may be used **in attitudes & usage studies** to identify a company's market position relative to its competitors.
- It may be applied to **human resource studies** to determine what influences employee satisfaction in the workplace.

Category Driver Analysis (Derived Importance)

The importance an attribute has on influencing attitudes or behavior can be measured in two ways; it can be asked directly (Stated Importance) or it can be derived through statistical analysis (Derived Importance). While respondents may be asked how important something is to their decision, what people say influences their decision is often not what *actually* influences their decision. Stated metrics often understate the “less desirable” reasons for behavior (such as price, image, or popularity). For this reason, category driver analysis can often better measure drivers of preference, loyalty, satisfaction, and a variety of attitudes within a given category.

Methodology

Regression and other multivariate statistical analyses are used to help identify which variables have the greatest influence on an intended outcome. The intended outcome can measure overall performance, purchase intent, satisfaction, likelihood to recommend, value, a combination of these, or similar performance-related metrics. The variables (or category drivers) may include product attribute ratings, overall perceptions, problem incidence, usage patterns, demographics, etc.

Category drivers that are actionable (e.g., quality of customer support) and have the best overall potential for improvement are most often selected for the model over those that a company cannot directly influence (e.g., my friend likes it). Results may be looked at in aggregate or by sub-segments such as brand, product users, or varying demographics to identify category drivers unique to specific consumer groups or products. The primary benefit of category driver analysis is that it identifies key areas of importance, which, if addressed, will provide the greatest value to the customer.

Applications

- Satisfaction research
- Customer loyalty
- Customer service
- Customer attrition
- Concept testing
- Product development
- Competitive positioning
- Market segmentation
- Brand equity
- HR/Employee research

Methodological Considerations

The following are some important guidelines to consider when conducting a category driver analysis:

- The model is only as good as the inputs available. A reasonable set of relevant predictors must be used to obtain meaningful results.
- Although an attribute may be highly correlated and predictive of the target variable, it will not enter the model if all respondents answer similarly (i.e., there is no variance that can be predicted by the model). Care should be taken to acknowledge important category drivers that may not enter the model for this reason. (Note: This will be illustrated by a later example.)
- If there is a great deal of collinearity between the independent variables, modeling becomes difficult. Factor or correlation analysis may be options to address this problem.
- It is important to carefully check for unusual patterns, outliers, and missing data that may impact the validity of the model.

Illustrative Example

In the study illustrated below, consumers were asked to rate the importance of several attributes related to air travel. The objective of this study was to identify the category drivers of consumers' selection of an airline. The variables in the table at the right were included in this research.

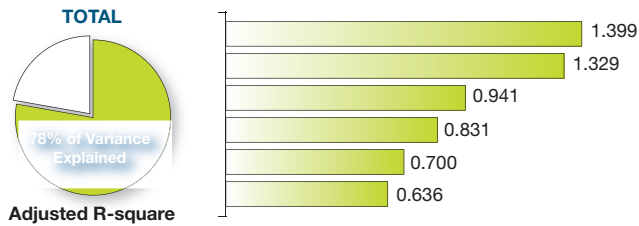
**Note: Although an attribute may be highly associated with and predictive of the target variable, it will not enter the model if all respondents answer similarly; in this model, "safety record" is an example of such a variable. Although "safety record" is a key consideration when selecting an airline, it does not enter the model because all respondents provided similar importance ratings. It does not prove to be a differentiator of consumers' airline preference. This does not mean that airline safety is not important to the category, but instead should be viewed as a cost of entry to this industry.*

Variables	
Cost of airfare	Entertainment provided (music/movies)
Safety record*	Frequent flyer miles/promotions
Location of airport	Permits in-flight internet and cell phone use
Availability of direct flights	E-ticket availability
% on-time arrivals/departures	Baggage restrictions
Flight times	Meals served
Beverage service	Courteous staff
First-class upgrades	Spacious seating

While many variables were initially considered, the final model explains 78 percent of the variance in airline choice with just six attributes (shown below). Performance in these key areas drives choice of airline. The relative importance of each attribute in the overall driver model is also presented:

Category Driver Detail for Airline Selection: Total Sample

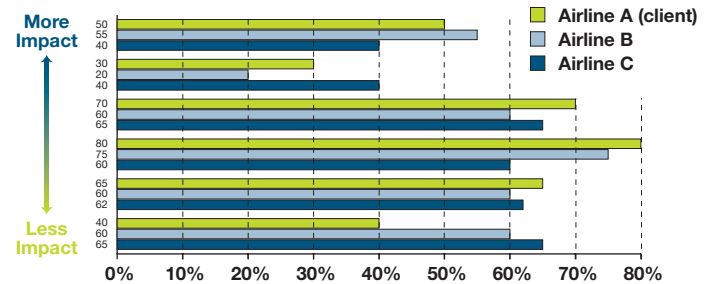
When selecting an airline, consumers are most concerned with cost, timeliness/timing of flights, and the ability to book a direct flight. Airport location and frequent flyer promotions also influence purchase behavior.



Comparing performance across the category drivers to key competitors illustrates where the greatest opportunities for improvement exist:

Drivers of Airline Selection: Top 2 Box Satisfaction Ratings for Client versus Competitors

"Airline A" performs well compared to its key competitors across many of the category drivers. Areas to focus improvement efforts include: reducing the cost of airfare, better managing timeliness of departures/arrivals, and enhancing frequent flyer promotions.



Drivers of Airline Selection: Total Sample versus Frequent Flyers and Vacation Travelers

Frequent flyers are most concerned with timeliness and timing of flights. Vacation travelers are primarily concerned with cost, timeliness, and baggage restrictions.

	Total	Frequent Flyers	Vacation Travelers
	78% of variance explained	80% of variance explained	75% of variance explained
More Impact	Cost of airfare	% on-time arrivals/departures	Cost of airfare
	% on-time arrivals/departures	Flight times	% on-time arrivals/departures
	Availability of direct flights	Availability of direct flights	Baggage restrictions
	Flight times	Location of airport	Location of airport
	Location of airport	Cost of airfare	Flight times
	Frequent flyer miles/promotions	Frequent flyer miles/promotions	Entertainment provided (music/movies)
		E-ticket availability	Meals served
Less Impact		Permits in-flight Internet and cell phone use	

When examining drivers across categories of consumers, there are clear differences in what drives purchase decisions. Improvement efforts may be positioned to meet the needs of specific customer segments.