



LINKAGE ANALYSIS:

Quantifying the Value Of Customer Experience



The ultimate benefits of improving the customer experience (CX) can be measured by the extent to which positive customer experiences lead to better business results. And, better intelligence and insight into your customers (and their behaviors) leads to Experience Improvements (XI) and greater ROI. Business is changing rapidly, but many companies are still running the same experience programs they implemented three, five, or even ten years ago. They

are trying to solve problems that can't be solved by technology alone. True innovation and being able to prove business value of your CX program often requires leveraging data science and industry experts who use a variety of models and methods to derive intelligence from and make more connections with your program data so you can improve every experience—not just manage them.

“Customer experience professionals tell us that most companies still struggle to get all the value they can from their VoC programs.”



Bridging the Gap Between Customer Feedback and Behavior

In this paper, we'll explain how linkage analysis can help you establish a business case for managing and improving your customers' experiences by moving beyond just surveys to prove the value of your technology and CX investments. One way to bridge the gap between customer feedback and behavior is to leverage linkage analysis as part of your CX program strategy. A linkage analysis initiative can give you the added intelligence you need to align your people, processes, and activities so that your organization can increase its ability to make customer-based business decisions—to uncover areas of growth, retention, friction, and cost savings.

Even with the success we've seen with our clients there are still misconceptions about linkage analysis and its use.

First, many brands that haven't tried linkage analysis think it is too complex for their organization, takes too long to complete, and that they don't have enough resources to effectively execute it.

Second, many brands that attempt linkage analysis accrue disappointing or inconclusive results.

So, if your brand fits into one of these groups, we want to put your mind at ease and help you understand what intelligence you can discover using a linkage analysis solution.

The Investigative Power of Linkage Analysis

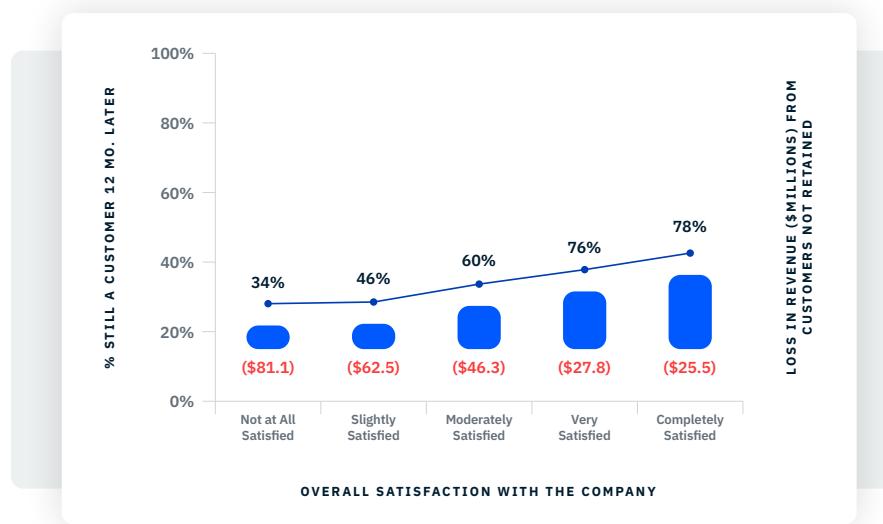
What does it take to perform linkage analysis effectively? The best place to begin is with the basics of what linkage analysis is and how it can help your brand. Linkage analysis provides a way to explore and quantify relationships between customer experience and business results. It gives companies the ability to pinpoint the financial implications of their CX program, including how improving key metrics impacts the bottom line. It also examines how improving operational metrics improves the customer experience.

A quick-service food chain analyzed OSAT for frequent guests (more than eight visits/month) and infrequent visitors (once per month), and found that satisfaction scores dropped over 25 points for infrequent visitors. InMoment ran a linkage analysis for the company and identified **\$13 million** in potential revenue across 550 locations. This added revenue could be attained by improving the experience for infrequent guests and getting them in the door just **one more time each year.**

Simply put, linkage analysis is the process by which information from different sources is brought together for the purpose of discovering relationships among data. Let's take a look at a few ways our clients are using linkage analysis to identify potential revenue growth initiatives within their businesses.

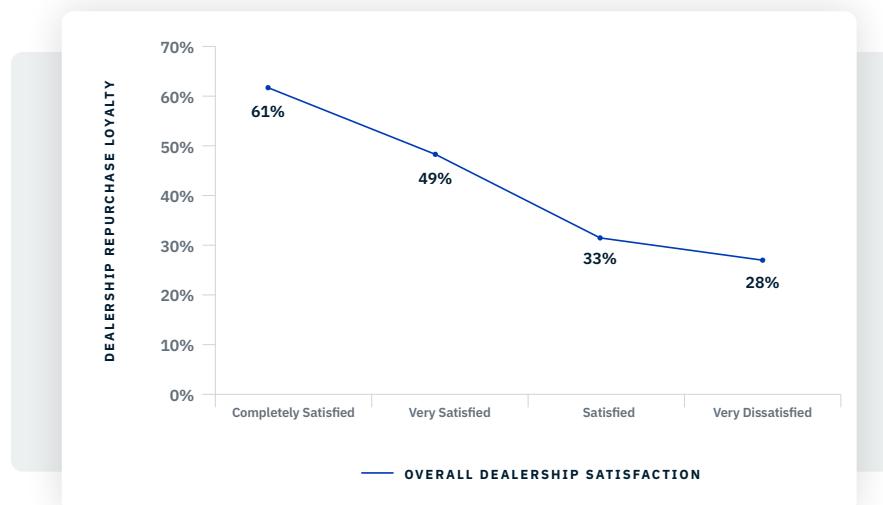
CUSTOMER EXAMPLE:

After conducting a linkage analysis for one of our large lawn care clients to determine the relationship between its customer satisfaction and customer retention, we found that 34% of customers who were not satisfied with their service remained their customers one year later, **while 78% (44% more) remained customers if they were completely satisfied.** The loss of customers resulted in a significant loss in revenue. See below:



CUSTOMER EXAMPLE:

A linkage analysis was conducted to determine the relationship between satisfaction with a car dealership and dealership loyalty, the team saw that a clear pattern exists between the car dealership satisfaction and future car repurchases. See below:



Three Keys to a Successful Linkage Analysis Strategy

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Identify Your Most Pressing Business, Customer, and Financial Questions

The more you know, the better your customers' experiences will be. One of the benefits of using linkage analysis as part of your CX strategy is the ability to dive deep into the most pressing questions you want to answer. These questions range from overall business questions to specific customer questions to exploring financial "what if" scenarios that can help you further understand your customers' relationship with you:

BUSINESS INSIGHTS

Understanding top-level loyalty, retention, and business profitability are key to building customer relationships and tying them to overarching business drivers such as:

- How is customer experience related to customer loyalty?
- How do changes in operations under my control affect customer retention?
- How does customer satisfaction relate to profitability?
- What are the financial impacts of improving our customer experiences?

CUSTOMER-SPECIFIC

Drilling down into the detail of customer specific transactions and behaviors can reveal customer scenarios such as:

- Which is more critical to customer retention: how call center representatives handle customers' problems or the mechanics of the contact (navigating the menu, wait time, how the customer is greeted, etc.)?
- What aspects of a new car buyer's experience with the sales process and in-warranty dealer service are most influential in repurchasing the brand when the customer is in the market again?
- How good do service levels have to be to achieve/maintain our desired market position, and at what level do we gain little or nothing by improving them?

"WHAT IF" SCENARIOS

When linkage analysis results are integrated into simulation tools, organizations are free to explore such financial scenarios as:

- What is the revenue upside for shortening the claims handling process?
- What is the incremental annual revenue an auto dealer gains (or loses) in sales and service revenue by increasing/decreasing satisfaction?
- How much does an engaged workforce lower absenteeism and reduce turnover?

The More Data You Leverage the More Informed You'll Be

Leveraging data types from throughout the company is key to ensuring your linkage analysis initiative will be successful. The more types of customer data you can make available to cross reference the more insight your team will have to make business decisions. Below are a few examples of the types of data we recommend to include in linkage analyses.

DATA TYPE	EXAMPLES OF DATA TO INCLUDE
Survey Data	<ul style="list-style-type: none">• Satisfaction• Loyalty• Intent to Repurchase
Operational Data	<ul style="list-style-type: none">• Operational Standards• Metrics e.g., cleanliness, organization• Service level metrics, e.g., wait time, problem resolution
Customer Data	<ul style="list-style-type: none">• Segments• Tenure• Customer spend• Demographics• Account status & history
Employee Data	<ul style="list-style-type: none">• Tenure• Experience• Education• Demographics
Financial Data	<ul style="list-style-type: none">• Revenue• Account information• Firmographics

Take Advantage of a Tried-and-True Linkage Analysis Process

As we mentioned earlier, there are many misconceptions about linkage analysis. Many brands feel it is too complex, too time consuming, and that they do not have the right resources. Below are five key steps to effectively managing linkage analysis.

Step #1: Discussion of Scope and Process

During this critical stage, you should determine the scope of the linkage analysis and all available data. The discussion should include all stages of the process, including expectations and limitations. You should then develop a blueprint of the business model to determine which business outcome to track and all the variables that might influence the outcome. Sufficient planning and communication are essential to achieving a successful outcome.

Step #4: Modeling

You can use the data you've gathered to build a formal statistical model that links the customer experience data, operational data, business metrics, etc. as defined in the scope stage. Useful Techniques here include linear regression analysis, partial least squares, decision tree techniques, and InMoment's unique True Driver Analysis.

Step #2: Data Preparation

After the scope has been defined, you should conduct a data inventory and identify what intelligence is available. Once this data has been delivered, it can then be merged with survey data and prepared for analysis. Data preparation techniques often include variable transformations, aggregation, categorization, missing value imputation, and variable type correction.

Step #5: Simulator

The simulator tool uses the uncovered statistical relationships between the data to enable various "what if" financial scenarios in which the user can explore expected impacts on business metrics or customer behavior. Since the model is based on actual data, this impact reflects the actual relationships and can be used to identify improvement opportunities.

Step #3: Exploratory Data Analysis

In this step, intelligence is collected from the data based on descriptive statistics (e.g., means, frequencies, standard deviations, and so forth). You can use these statistics to determine whether any significant patterns exist in the data, which helps to identify the variables that will be included in the model.

Leveraging the Power of Linkage Analysis with InMoment

When conducted properly, linkage analysis is an extremely powerful means of uncovering important relationships between customer experiences and customer behavior, especially behavior that impacts the bottom line.

Many of our clients have used linkage analysis to make more granular customer-based business decisions based on the moments that matter—uncovering opportunities for growth, retention, and cost savings.

At InMoment, our global Strategic Insights team understands how to develop a linkage analysis that allows you to align your people, processes, and activities.

Looking for more information about linkage analysis and additional ways you can improve experiences? Visit our [resource center](#) to learn more!



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About InMoment

Improving experiences is why InMoment™ exists. Our mission is to help our clients improve experiences at the intersection of value—where customer, employee, and business needs come together. The heart of what we do is connect our clients with what matters most through a unique combination of data, technology, and human expertise. With our hyper-modern technology platform, decades of domain authority, and global teams of experts, we uniquely deliver a focus on Experience Improvement (XI) to help our clients own the moments that matter. Take a moment and learn more at inmoment.com

