



Overview of Index Model Creation

J.D. Power listens to the Voice of the Customer—consumers and business customers—analyzing their opinions and perceptions and refining research techniques and study methodologies to offer some of the most advanced research available today. The company not only measures customer satisfaction, but also identifies and assesses the determinants of customer satisfaction. The conceptual model assumes that customer satisfaction is influenced by several attributes that can be grouped into subcategories, or factors. These factors are determined specifically for each J.D. Power study based on the company's knowledge of the market and extensive pilot study research. As such, these models not only allow J.D. Power to determine which attributes influence satisfaction, but also enable the company to determine the relative importance of each factor based on how well they predict customer satisfaction and, in turn, customer advocacy and loyalty.

To rank the performance of each company, brand, or manufacturer, an index is created based on the data J.D. Power obtains regarding the influence of the factors and attributes on customer satisfaction. Specifically, J.D. Power research first determines the relative weight each attribute contributes to the factor, and then determines the relative weight each factor contributes to explaining the overall satisfaction score. Using these weights, a predicted overall satisfaction is computed based on a weighted sum of the factors,

which constitutes the overall index. By basing the index on several factors and attributes within each factor, the estimate of a company's performance is more reliable, compared with a single item measure of customer satisfaction.

Structure of the Index Models

J.D. Power typically uses hierarchical models in which each factor section includes an overall satisfaction question in addition to an overall satisfaction question for the entire experience or product. The questionnaire is organized such that all items within a factor are grouped together and followed by the overall satisfaction item for that factor. Factors are presented in a random order to respondents and encompass areas related to the J.D. Power 5Ps: People, Presentation, Price, Process, and Product. These 5Ps are critical-to-customer drivers of satisfaction and are the foundation upon which companies can build customer service excellence.

The assignment of attributes to factors is based on the knowledge of J.D. Power regarding the industry and empirical evidence as determined by factor analyses of the attribute batteries. Factor analysis is used in the early stages of the development of a new index to determine how the attributes should be grouped into categories. Periodically, factor analysis is used to determine if this structure remains similar over time.



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All J.D. Power models are mathematically derived formulations that predict overall satisfaction with a set of attributes describing the customer’s experience with a product or service. Thus, the weight or importance of each attribute is defined as the ability of that attribute to predict overall satisfaction.

To estimate the attribute weights, a multiple regression model is used in which the attributes predict satisfaction.

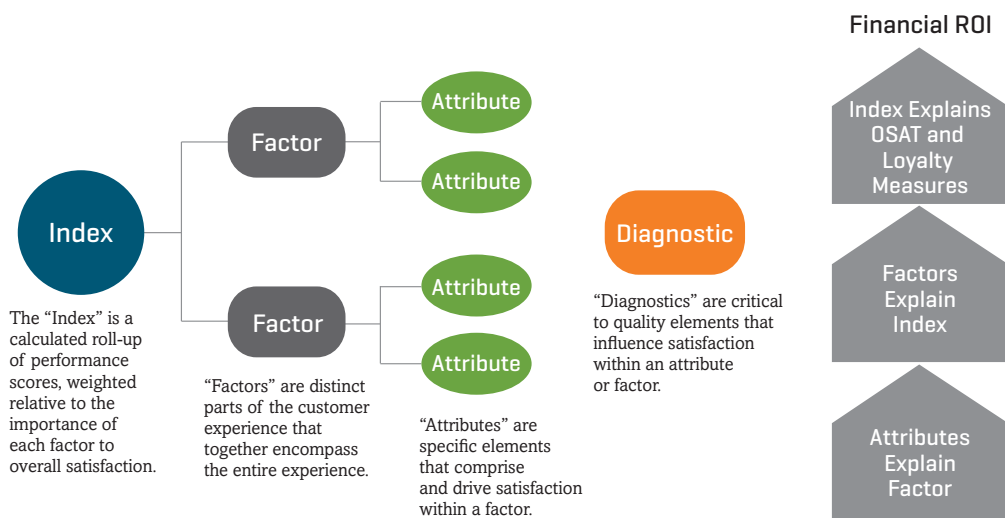


Figure OS-20

Auto Insurance Customer Satisfaction Index

J.D. Power has conducted its *U.S. Auto Insurance Study* for more than a decade. During this time, the questionnaire has been refined, partly based on input from the industry. This process of refinement has yielded rating questions that have steadily improved in their ability to predict the outcomes of overall satisfaction.

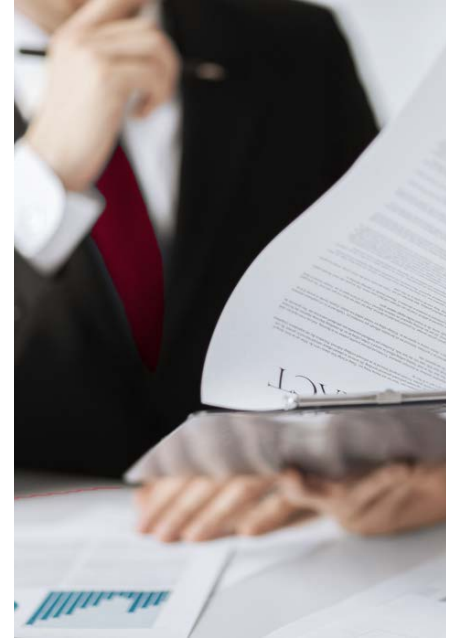
J.D. Power has developed a robust statistical index that combines all of these tactical-level attributes into a single summary statistic to better compare the relative performance of the insurers profiled in the *U.S. Auto Insurance Study*. After validating the index model in 2003, it was first introduced to subscribers at the 2004 Insurance Study Roundtable. The insurer rankings and criteria for 2013 *U.S. Auto Insurance Study* award are based on the overall Customer Satisfaction Index (CSI) score.

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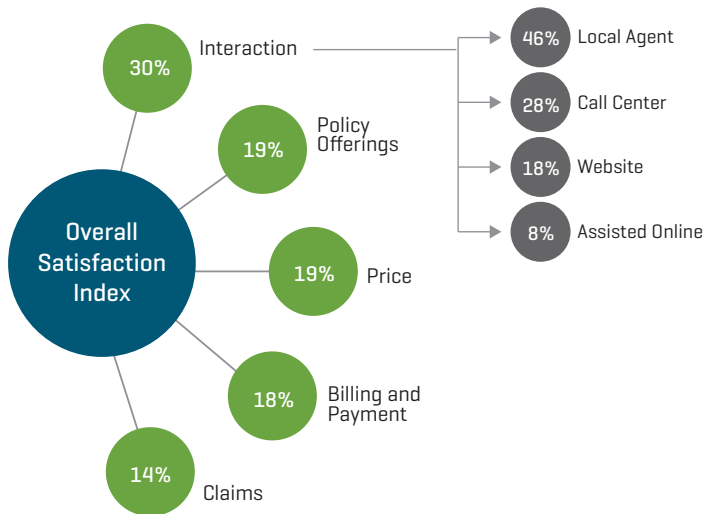
Drivers of Satisfaction in the Auto Insurance Customer Satisfaction Index

The Auto Insurance Customer Satisfaction Index segments the customer experience into five factors. As the figures below depict, the performance model's structure is hierarchical, with the tactical-level attributes (e.g., Courtesy and Responsiveness) defining and predicting the factors (e.g., Interaction and Claims). In turn, the factors collectively predict the Customer Satisfaction Index, and finally, the CSI predicts customers' loyalty and advocacy measures with respect to their insurer.

While the questionnaire and, hence, the index encompass all the touch points a customer might have experienced with their auto insurer, not every customer has filed a recent claim or contacted their insurer with a non-claim-related need. Therefore, CSI scores are calculated based on the experiences and factors that customers actually rated. Summarizing the 45,521 surveys gathered this year, Figure OS-22 illustrates the impact that each of the five factors has on the overall impression customers have of their primary auto insurer for the total industry by proportionally combining the varying Claim and Interaction experiences. Therefore, among all customers, the largest factor influencing the overall CSI is Interaction, stemming from a non-claim-related inquiry. Furthermore, of all the communication channels available to insurance customers, Interaction between the customer and their insurer or the insurer's agent is most important.



CUSTOMER SATISFACTION INDEX MODEL-COMBINED



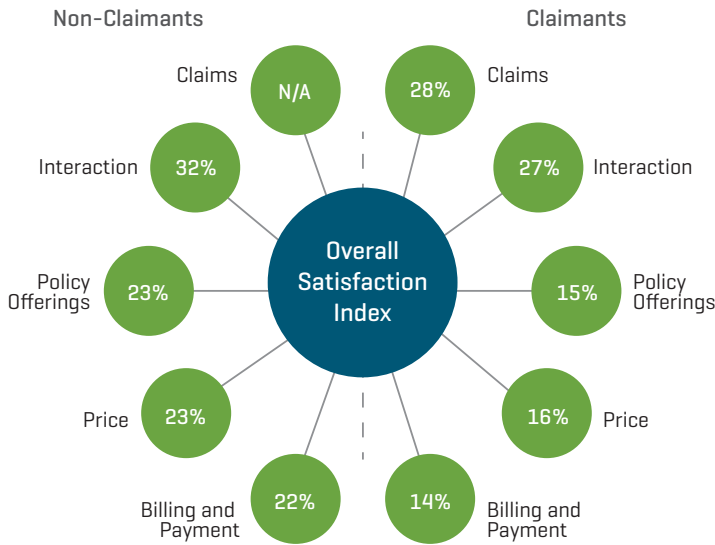
Source: J.D. Power 2013 U.S. Auto Insurance StudySM

Figure OS-22

Nearly one-half (49%) of all customers surveyed indicate that they have filed an auto insurance claim with their current insurer. For these customers, Claims becomes the most important factor, driving 28% of their total experience. For non-claimants, the Claims factor is dropped from the CSI, and Interaction is the most important factor, driving 32% of their total experience (Figure OS-21).

For more information about the many ways J.D. Power can help your organization measure, understand and improve, contact:
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CUSTOMER SATISFACTION INDEX MODEL



Source: J.D. Power 2013 U.S. Auto Insurance StudySM

Figure OS-21

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