

Principled Loyalty

Gain and Retain for Bottom Line Improvement

A Proven Approach to Handling Customer Satisfaction and Loyalty

Contents

1. Background p.3
2. Guiding Principles p.4
3. Procedure – 6-Step Caledonia Process p.5
4. Deliverables p.6
5. Illustrations pp.7-17
6. Timing p.18
7. Qualifications p.19
8. Next Steps p.20

- The Need: improvement at minimal cost
 - Where to start?
 - What to target?
 - Who to target?
 - When to go on the offensive?
 - When to play defense?
 - Where is the biggest bang for the buck?

- The Solution: data-driven customer focus
 - A systematic, logical analytical framework
 - Know your current, competitive brand health
 - Know your upside potential for gain
 - Know your downside risk of loss
 - Know your payback elasticities for improvement strategies
 - Implement improvements

Guiding Principles

1. Customers make choices in a competitive environment
See illustration #1
2. All market participants can be classified by loyalty profiles
See illustration #2
3. Customers can be grouped into acquisition/retention targets
See illustration #3 and #4
4. Brand attributes can be grouped by their gain/loss propensities
See illustration #5 and #6
5. Improvement driver elasticities can show where to focus
 - For Retention See illustration #7
 - For Acquisition See illustration #8 and #9
6. Nothing is gained without implementation
See illustration #10

Steps in Process

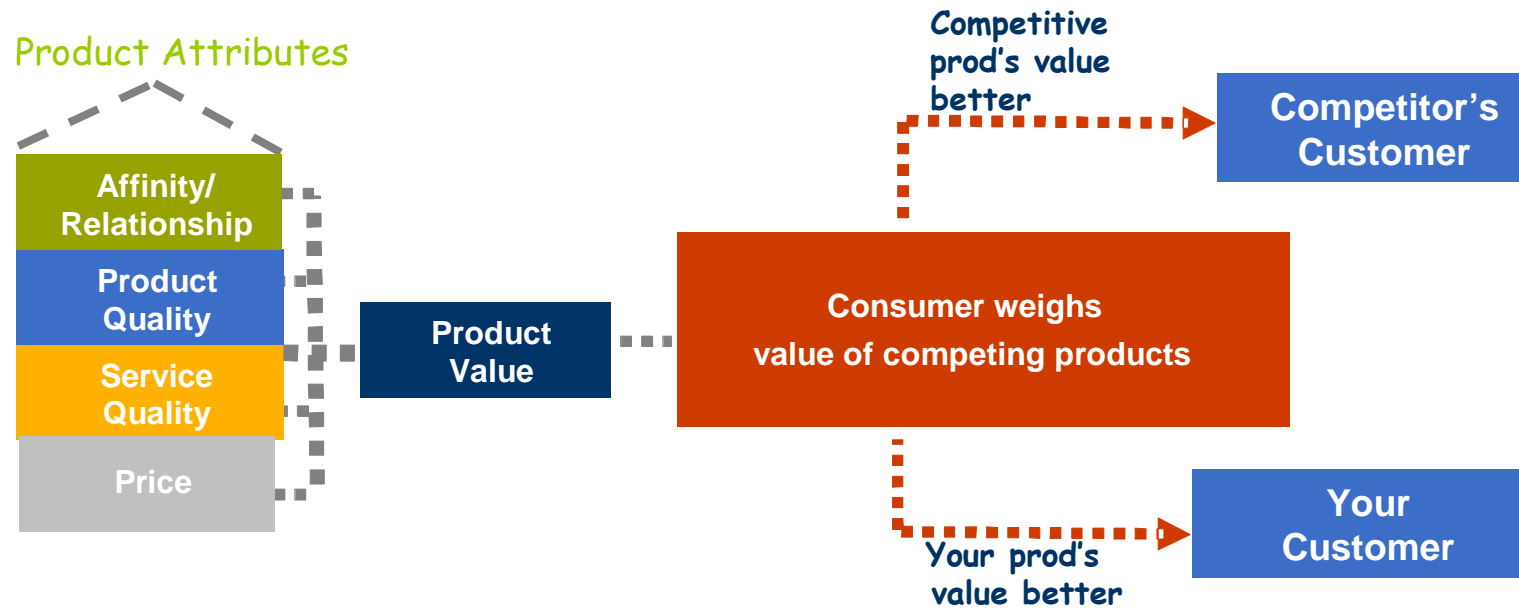
1. Analyze Priors
2. Management Considerations
3. Qualitative Discovery and Affirmation
4. Instrument Pre-Test
5. Survey Implementation
6. Acquisition and Retention Action Planning and Implementation

- Briefings
 - After each step management will receive a briefing report complete with process status and summarized findings to-date
- Comprehensive Graphical Report
 - A comprehensive report and personal presentation detailing results of the survey analysis and recommendations for management on customer acquisition and retention strategies
- Moderated Workgroups & Progress Reports
 - Onsite workgroups in intervals consisting of (1) launch sessions, (2) 3-monthly follow-up working sessions, and (3) a 6-month progress-report session tailored to the acquisition and retention needs of the client

List of Illustrations

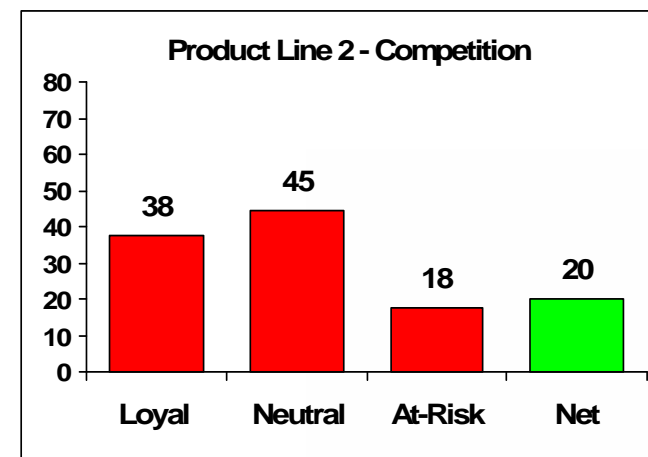
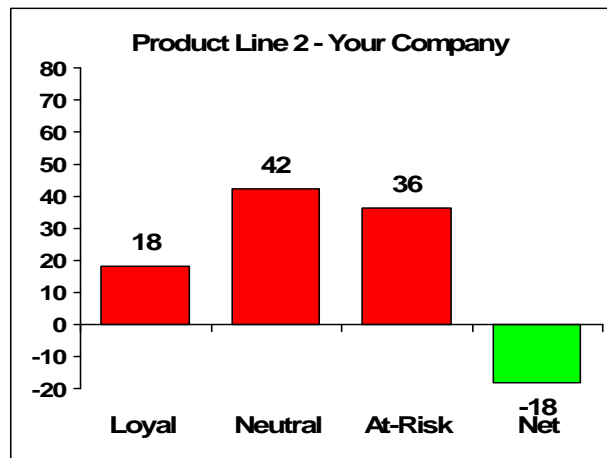
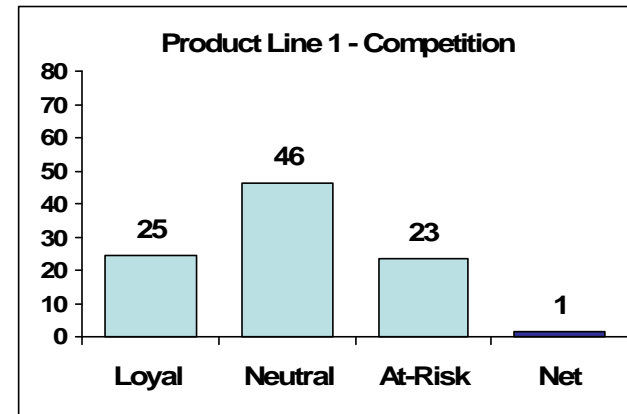
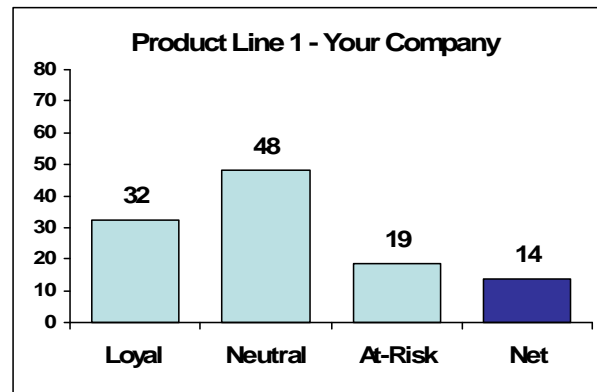
- 1. The Choice Model**
- 2. Loyalty Profiles for Retention v. Acquisition Strategy**
- 3. Acquisition and Retention Model**
- 4. Customer Conversion Profiles**
- 5. Concept: Penalty, Reward, and Power Attribute Map**
- 6. Example: Penalty, Reward, and Power Attribute Map**
- 7. Your Company Retention Drivers**
- 8. Your Company Acquisition Targets**
- 9. Your Company Acquisition Drivers**
- 10. Implementation Flowchart**

The Choice Model

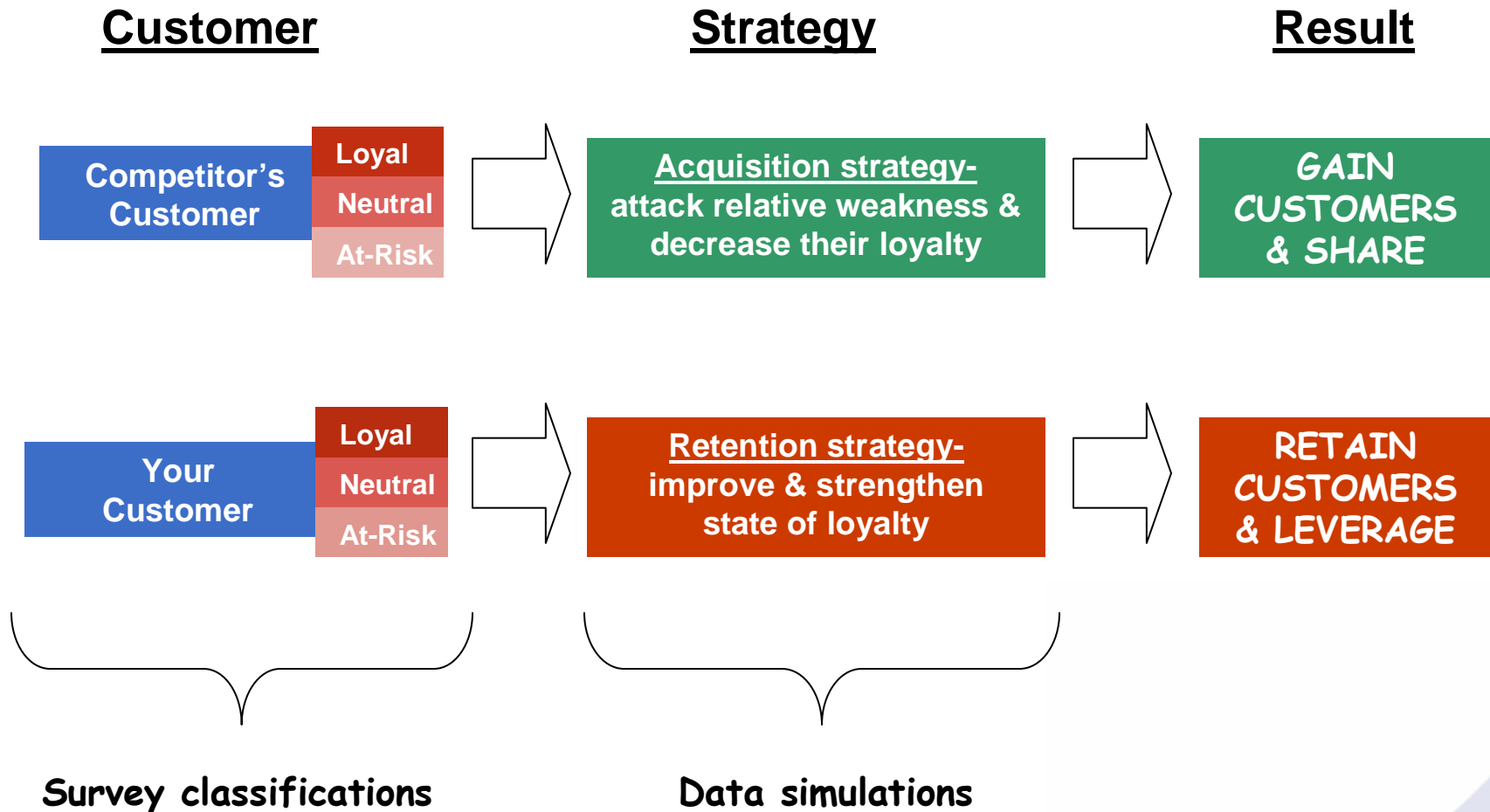


Loyalty Profiles for Retention v. Acquisition Strategy

Two Product Lines – analysis supports Acquisition strategy for Product Line 1 and Retention strategy for Product Line 2

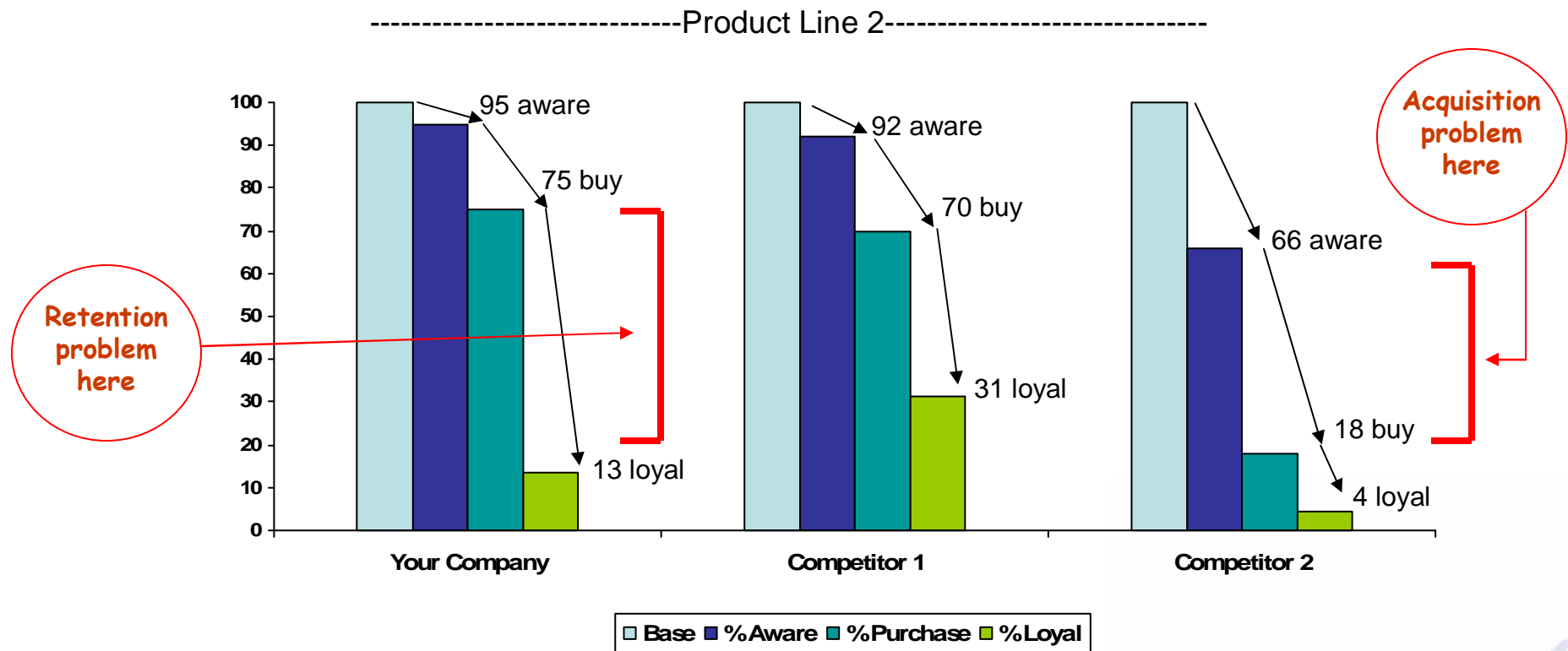


Acquisition and Retention Model



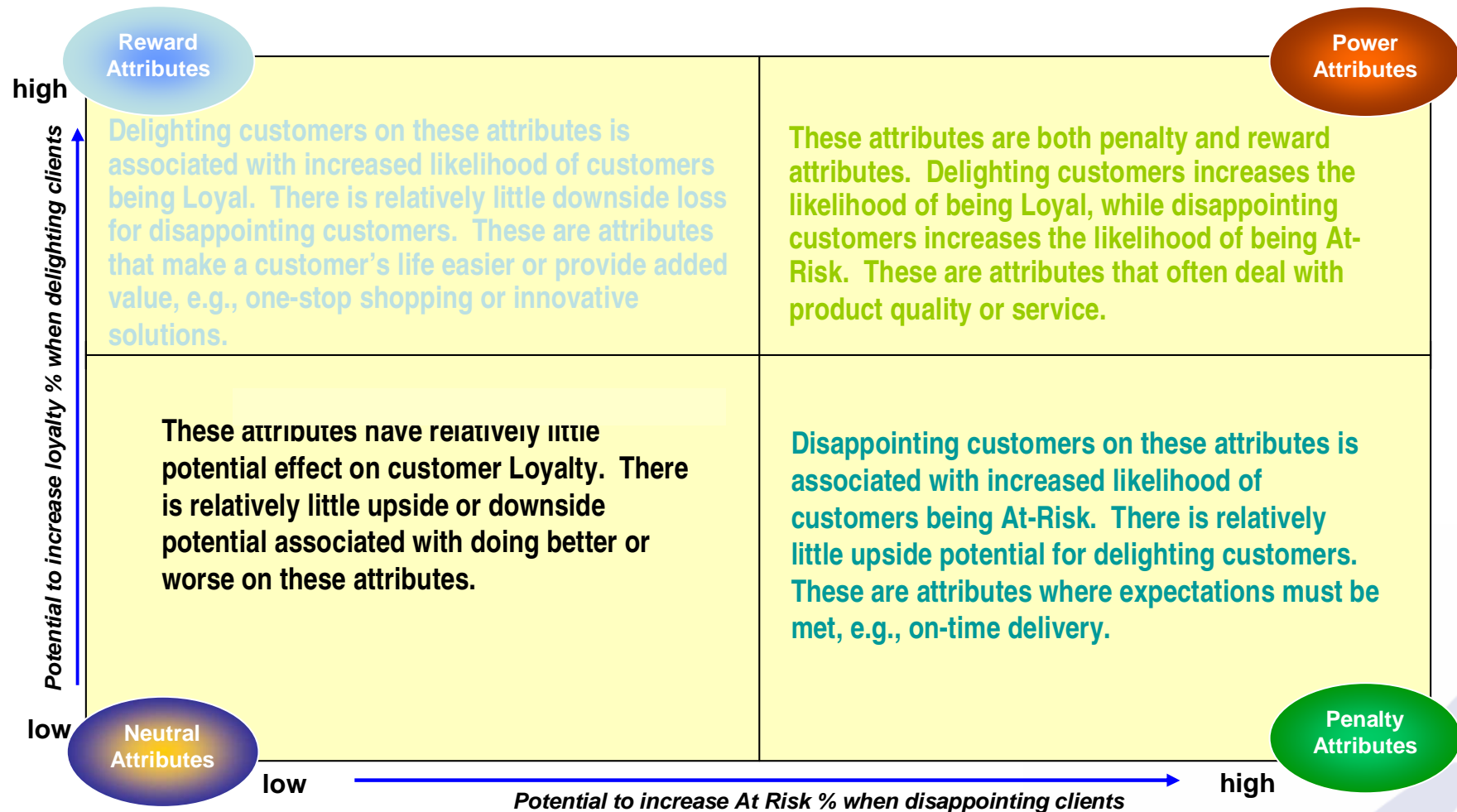
Customer Conversion Profiles

Again, in Product Line 2 your company has a retention problem. (Competitor 2, in contrast, has an acquisition problem)



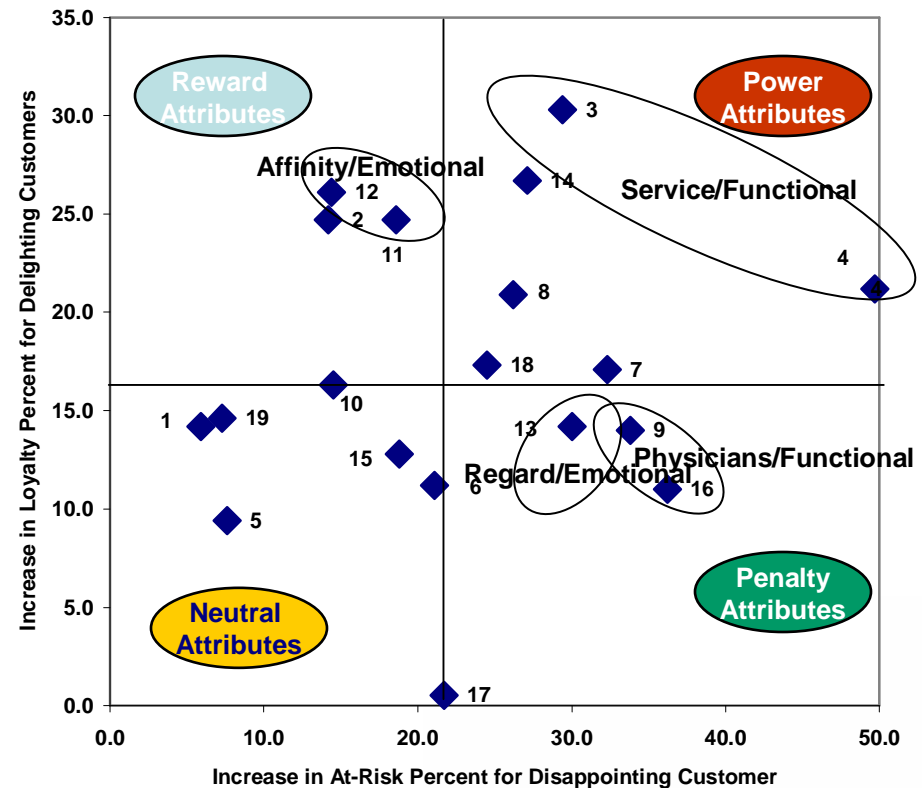
Concept: Penalty, Reward, and Power Attribute Map

The next step is to understand which attributes drive customers to “Loyal” vs. “At Risk”. This is critical for developing your company retention strategy



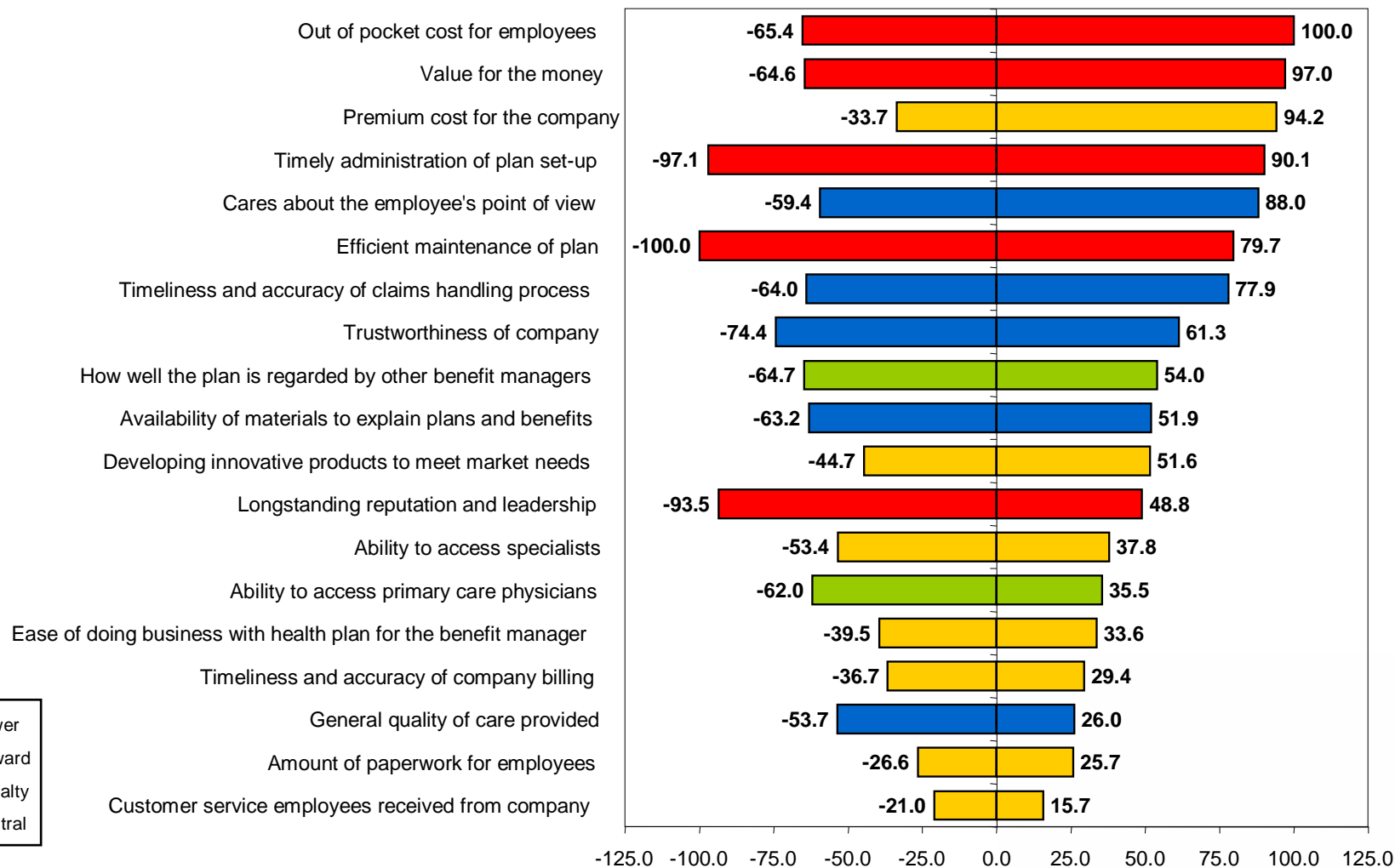
Example: Penalty, Reward, and Power Attribute Map

- 1 Timeliness and accuracy of company billing
- 2 Timeliness and accuracy of claims handling process
- 3 Timely administration of plan set-up
- 4 Efficient maintenance of plan
- 5 Amount of paperwork for employees
- 6 Premium cost for the company
- 7 Value for the money
- 8 Out of pocket cost for employees
- 9 Ability to access primary care physicians easily and quickly
- 10 Ability to access specialists
- 11 Trustworthiness of company
- 12 Cares about the employee's point of view
- 13 How well the plan is regarded by other benefit managers
- 14 Longstanding reputation and leadership
- 15 Developing innovative products to meet market needs
- 16 General quality of care provided by plan physicians, nurses, etc.
- 17 Customer service employees received from company
- 18 Availability of materials to explain plans and benefits clearly to employees
- 19 Ease of doing business with health plan for the benefit manager



Your Company Retention Drivers

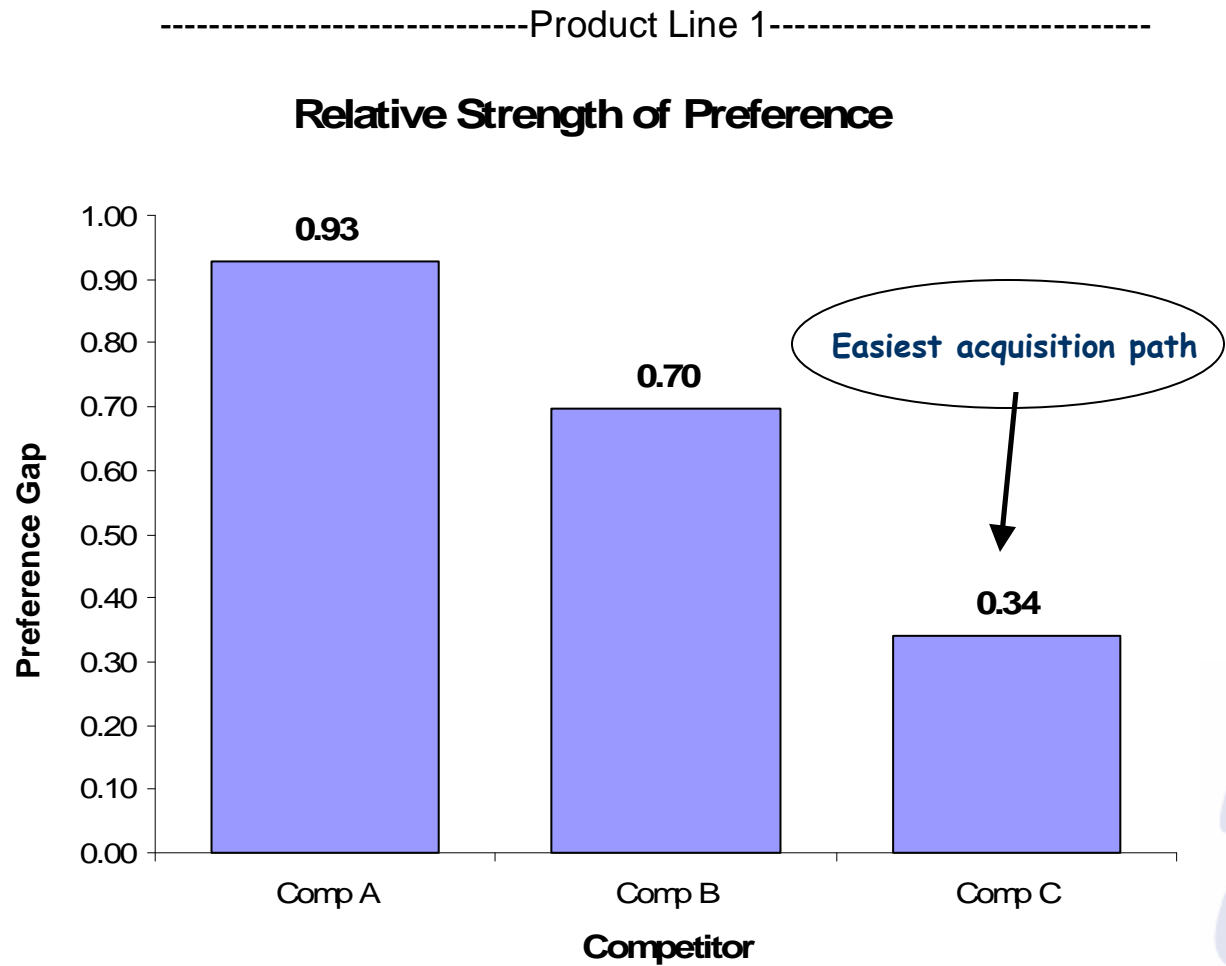
-----Product Line 2-----



Right Hand Side: Indexed % Improvement in Loyalty state (from At-Risk to Neutral and Neutral to Loyal) for improved perf.
 Left Hand Side: Indexed % decrease in Loyalty state (from Loyal to Neutral and Neutral to At-Risk) for deterioration in perf.

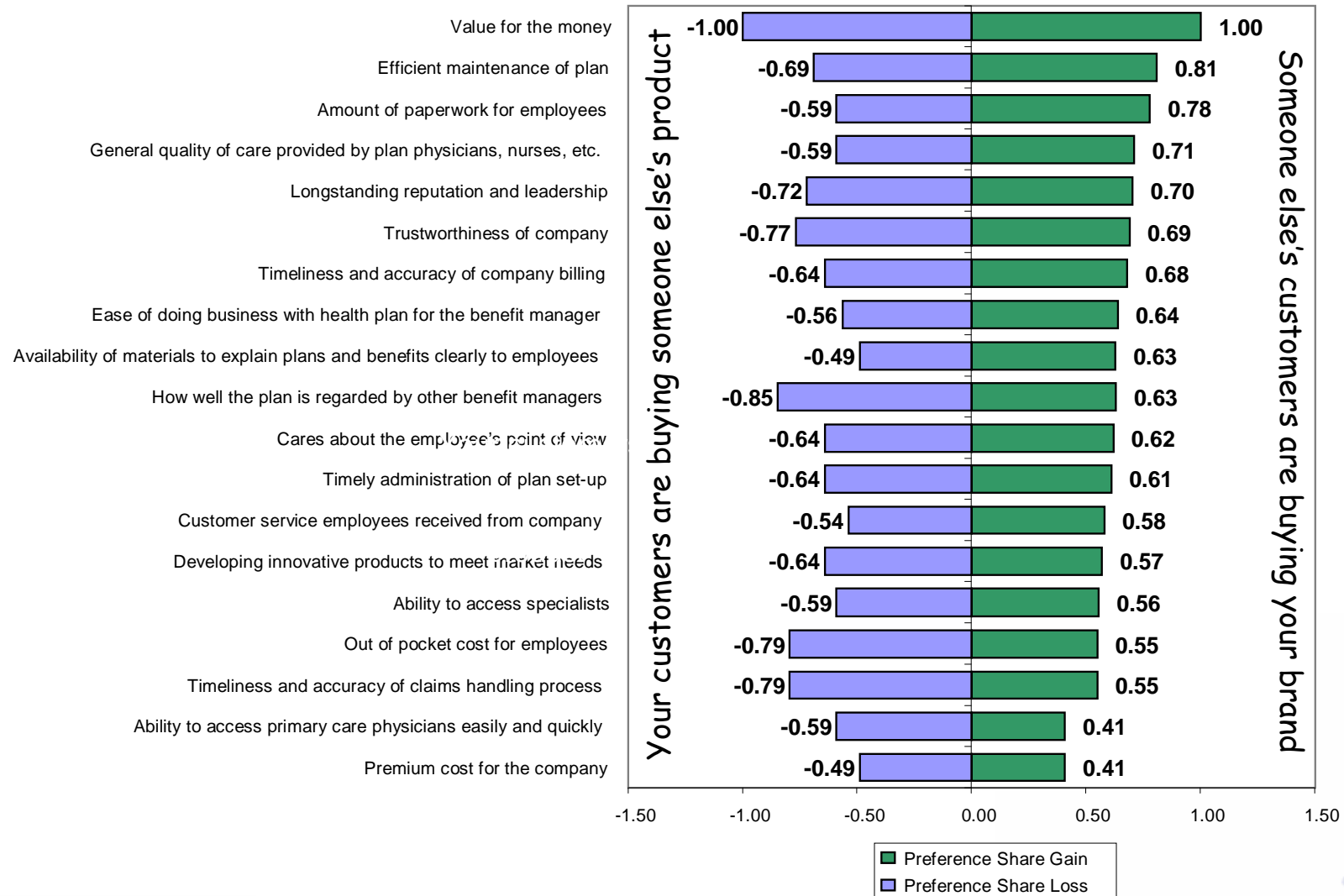
Your Company Acquisition Targets

- Relative Strength of Preference is the preference gap your company would have to overcome to be the preferred provider. It is measured among your non-customers

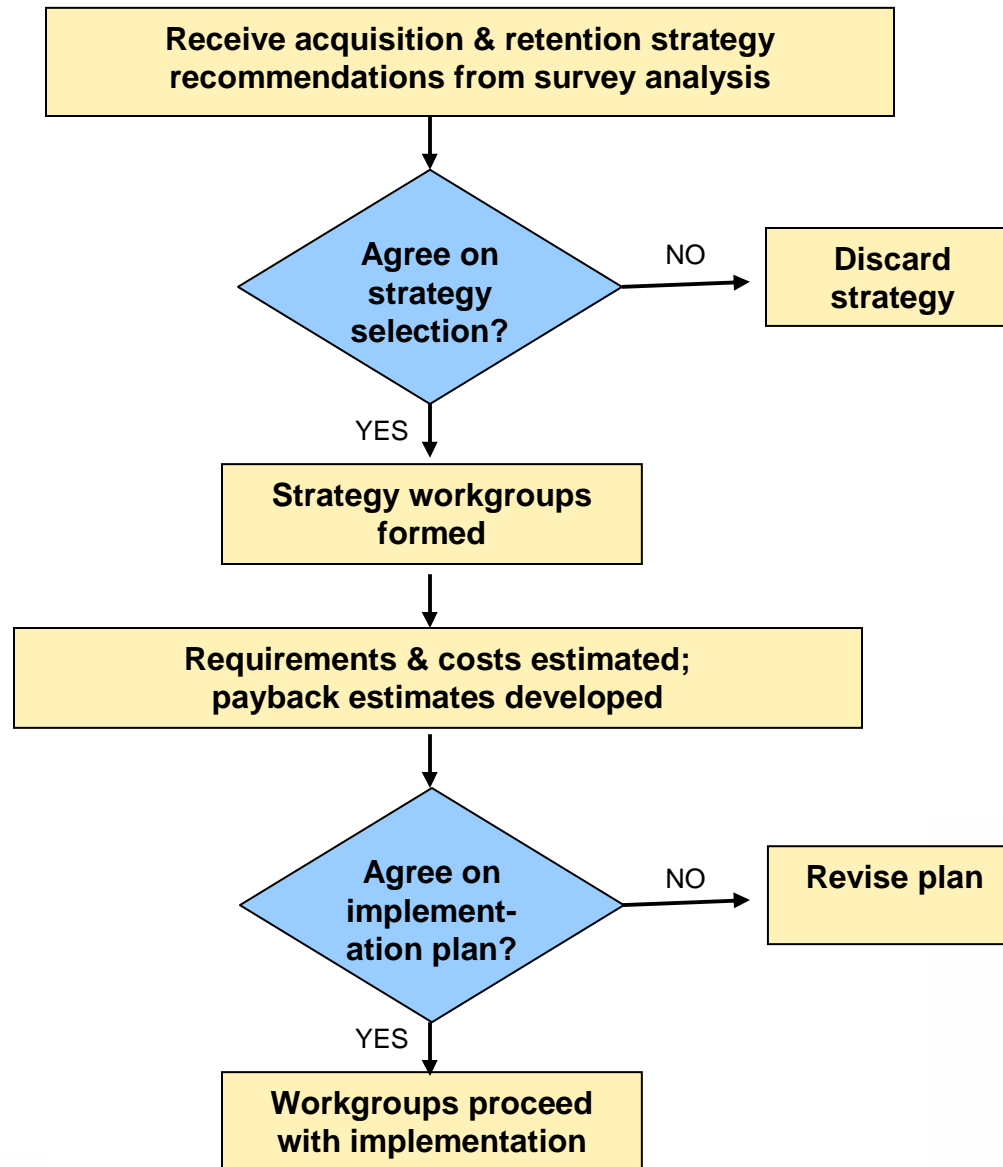


Your Company Acquisition Drivers

-----Product Line 1, Comp C-----



Implementation Flowchart



Timing

Critical Activity

Proposal Acceptance

Step 1: Priors

Step 2: Mgmt Considerations

Step 3: Qualitative Discovery

Step 4: Pre-test

Step 5: Survey Implementation

Step 6: Gain & Retain Planning

Schedule

Project launch

3-4 weeks

2-3 weeks

3-4 weeks

3-4 weeks

6-8 weeks

Launch 2-3 weeks; final progress
report 6-months

Total Lapsed Time

8-12 months

NOTE: Step schedules may overlap as some activities can be undertaken concurrently

Qualifications

- Caledonia Solutions was founded in 2003 by Dr. Robert Hill to serve clients in need of consultative services in marketing and strategic development. Caledonia Solutions fully engages with its clients to ensure they can execute at a high-level on the insightful recommendations offered with every deliverable.
- The principals and associates of Caledonia Solutions have developed their processes and techniques based on many years of practical experience serving a broad range of clients and industries. They have developed and implemented path-breaking processes to help their clients achieve success in their businesses. Caledonia principals and associates are well-respected in their profession, having written articles on the subjects of customer satisfaction and loyalty measurement techniques.

For your research and consulting needs.....



855 Village Center Drive, #325

North Oaks, MN 55127

651/217-2164

info@caledoniasolutions.com