

Making Marketing Make Sense



Pricing Innovations

Bundling

Example: Teleco

Issue

- Maximize number of products customers hold. Create stickier relationships in a high churn market with ubiquitous products

Results

- Revolutionized bundling and prices of voice, TV, and internet packages

Unbundling

Example: Airlines

Issue

- Effectively compete in a price-driven market with escalating operating costs and heavy capital investments

Results

- Redefined travel from "prix fixe" pricing to "a la carte" travel service

VAS Add-ons

Example: Technology

Issue

- Increase value capture with a mature product line by focusing on customer solutions with add-ons

Results

- Created a market for VAS with incremental pricing opportunities relative to base product (upsell)

New Product Introduction

Example: Technology and Home Goods

Issue

- Capitalize on first mover advantage (revenue capture, market position, brand recognition, etc.)

Results

- Established a new product category at a premium price and iconic brand status



Pricing: A Wave of Change in Healthcare

- A new era of healthcare has arrived in the US
 - Need for more healthcare services and support as the population ages
 - Introduction of healthcare exchanges
 - Growing number of accountable care organizations
 - Increasing number of risk-managed physician organizations
 - Shifting responsibility for healthcare costs from payers and employers to consumers
- The market will evolve to create a more competitive environment and more discerning patient

Health Care Organizations



Price transparency

Price awareness

Patients



- What will be the impact on pricing?

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What New Data Science Allows

- Precise audience segmentation
- True audience size



100,000 data-points / 71 Segments



Attitudes (7,000 Psychographic Metrics Available)

- Profiling – demographic, lifestyle, psychographic

- Purchase Categories / Products



Financial Product Ownership (81 different products)



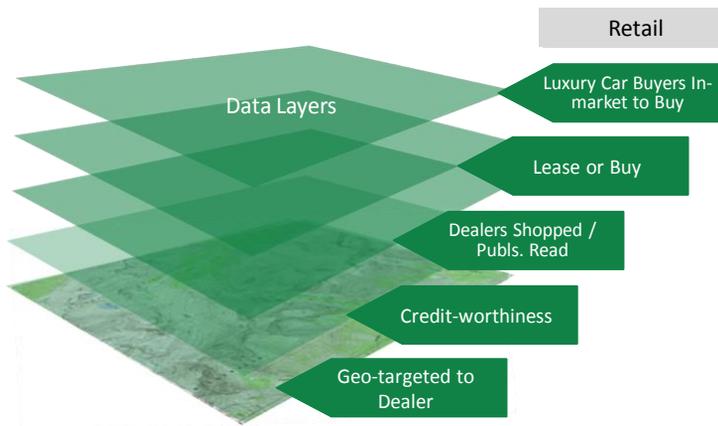
Media Consumption (Exact media / daypart / program)

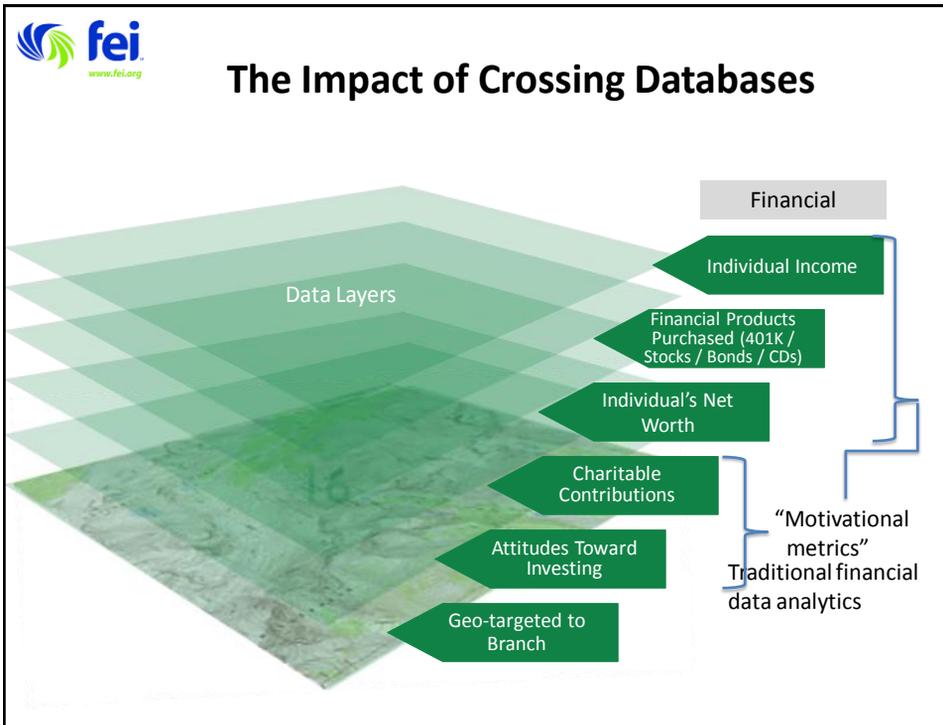
- Non-duplicated media consumption pattern

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The Impact of Crossing Databases





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Strategic Integrated Market Simulation (SIM²)

- Forecasts how simulated customers respond to go-to-market strategies by examining how changes in the marketing environment across any paid, owned or earned touchpoint drive choice
- Measures the simultaneous interactions of traditional media, digital, product consumption, social connections, word-of-mouth, competitor actions, and many other attributes that contribute to brand equity
- Calibrated to historical sales are achieving 90%-95% efficacy using existing data sets
 - Strategists are better understand the potential effect of message emphasis creative content, product usage, innovation and intangible brand attributes





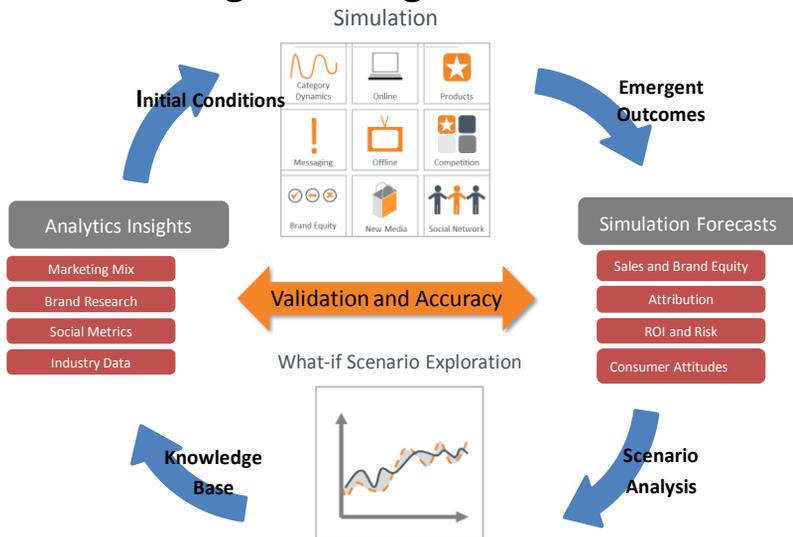
SIM² Answers Key Questions Simultaneously

Resource Allocation Scenarios

Return on Investment	Customer Behavior	Brand Perceptions	Touchpoint Impact
<ul style="list-style-type: none"> What is the expected sales per competitor? What is the ROI of each competitors' marketing campaign? What is the ROI for each customer segment? 	<ul style="list-style-type: none"> What is the likely change in brand perceptions? What are the awareness trends for each segment and for each competitor? How many units are sold amongst each segment? 	<ul style="list-style-type: none"> What is the change in brand equity for each competitor? What is the perception change for each driver of the brand? What trends in perception among segments? 	<ul style="list-style-type: none"> What is each touchpoints' contribution to sales for the year? What are the cross-channel interactions? What is the effect of each touchpoint on WOM?



SIM²: Integrates Insights to Evaluate Strategies





SIM²:Case Examples

Case 1 – Top Telco Provider

- As the small business market continues to grow and become more lucrative, client wanted a strong, profitable presence
- SIM² was the testing ground for new tactics and service characteristics
- Results of testing over 395 offer combinations among 2,000+ small business decision makers revealed that:
 - As a first mover strategy, client can rapidly create an installed customer base AND significant revenue by setting prices high on add-on services (customers were relatively price insensitive)
 - Maintaining position as competitors enter will require proactive tactical anticipation of the market dynamics (vs. reactive)
 - Building a strong relationship with businesses that have 21+ employees will be the most lucrative (biggest spenders)

Case 2 – Financial Services Company

- Client faced strong downward pricing pressure in its Life, Pensions, and Investments businesses (Planning, Shopping, and Manufacturing)
- Used SIM² on three levels: business model strategy, value proposition testing, and offer testing
- Recommended services model resulted in significantly higher profitability and market share than current Integrated model
 - Recommended services returned 375% increase in profit and 428% more market share
 - Large-scale volume growth due to multi-brand retail model

Case 3 – Major Electronics Retailer

- For 2 years, client faced decreasing comparable store sales, increasing customer dissatisfaction, and declining profitability within a weakening economy
- SIM² helped client improve the in-store and pre/post-store visits by testing new experience concepts through pre- and in-market testing
- Client realized:
 - 15% growth in spend by using a Store Greeter
 - 16% more revenue by offering a delayed warranty (vs. at POS)
 - 15% more profitability with new sales force compensation system

Case 4 – Wireless Provider

- Despite improvement efforts, client was feeling pain of customer churn: net connections down; competitors establishing loyal customers and building relationships; reducing churn by 2% would increase profits by 10%
- Surveyed 1,400 customers and defectors to understand the type and level of rewards program that would be most attractive AND cost-effective AND for which customer group
- We determined that:
 - The best loyalty program that the client should offer has the rewards equivalent of a 17.5% discount for the cost of 4%
 - Would pay back its reward costs with a 6-10% tenure increase
 - Client brand name is strong and is equal to an 8% price premium

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