

Developing and Supporting Strategies with ValueMetric®

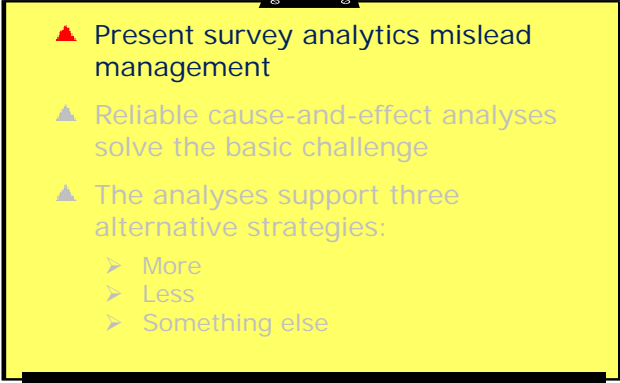
- The ValueMetric® Approach in Summary -

Developing and Supporting Strategies with ValueMetric®

- ▲ Present survey analytics mislead management
- ▲ Reliable cause-and-effect analyses solve the basic challenge
- ▲ The analyses support three alternative strategies:
 - More
 - Less
 - Something else

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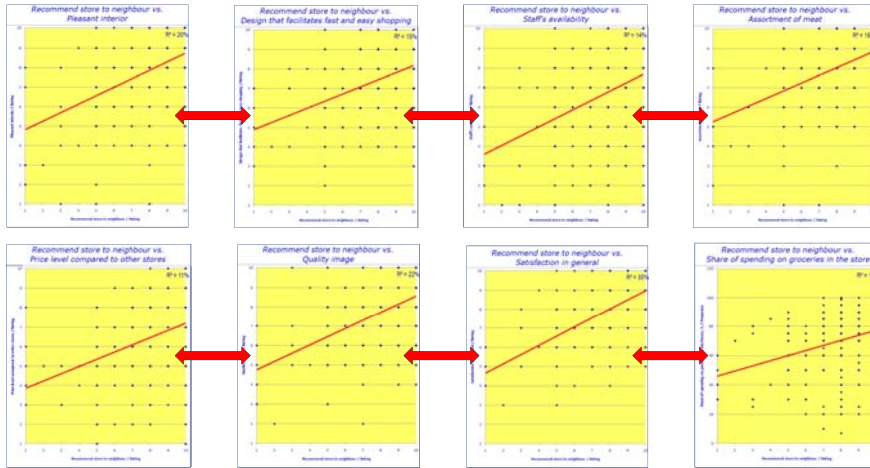
Present survey analytics mislead management ...

- ▲ Properly understanding the drivers of stakeholder behavior is fundamental for successful leadership
- ▲ Surveys is the only efficient way to capture stakeholder attitudes in large organizations
- ▲ Present survey analytics are insufficient
 - Extensive correlations blur impacts of individual score changes
 - High scores not equal to high margins
 - Inherent scoring patterns may reduce the value of score changes

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... as extensive correlations blur impacts of individual score changes ...

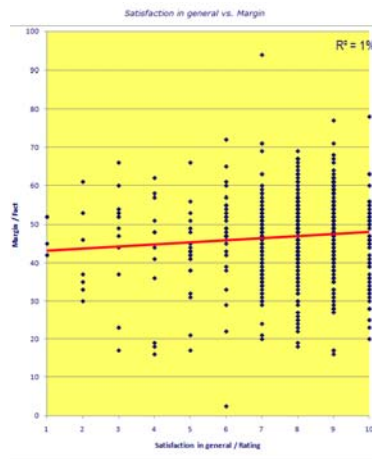
Correlations between "Recommend" and eight other survey questions for Swedish retailer



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... and high scores are not equivalent to high margins ...

Example showing actual Satisfaction-Margin linkages for a Swedish consulting firm



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... and inherent scoring patterns may reduce the financial value of score changes
Example from Norwegian retailer confirms that high scores may point at financially less attractive mix

TYPICAL SCORING PATTERNS

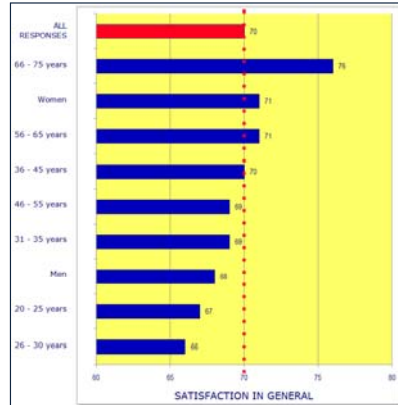
▲ High customer scores:

- Elderly respondents
- Women
- Limited education
- Live in the countryside



▲ Low customer scores:

- Young respondents
- Men
- Well-educated
- Live in the main cities



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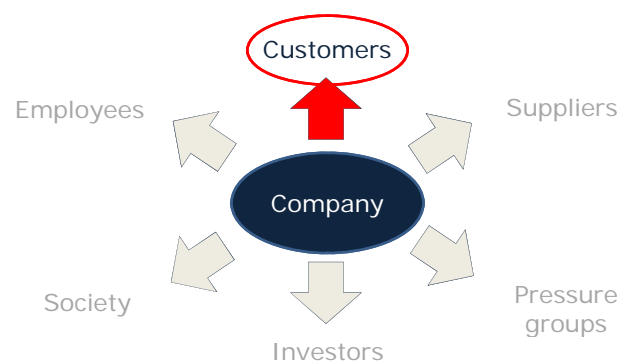
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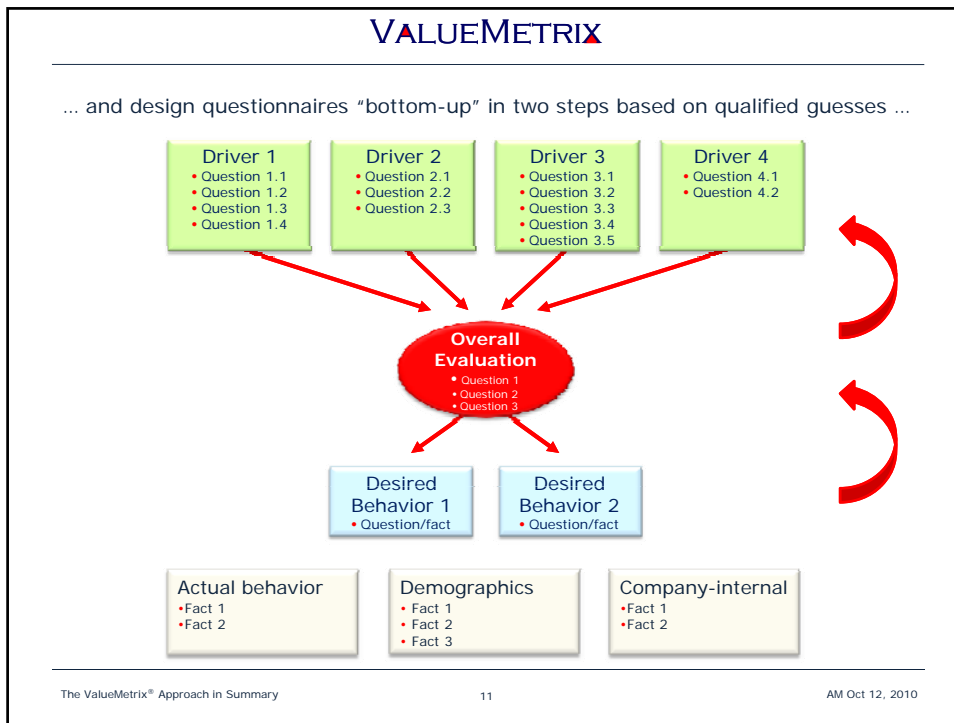
Reliable cause-and-effect analyses solve the basic challenge ...

- ▲ Design survey for selected stakeholder category
- ▲ Confirm stakeholder factors using statistical factor analysis
- ▲ Use structural equations to estimate
 - Scores
 - Impacts
- ▲ Generate graphs and value simulators for further evaluations of actions

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... where you begin by selecting which stakeholder category to survey ...





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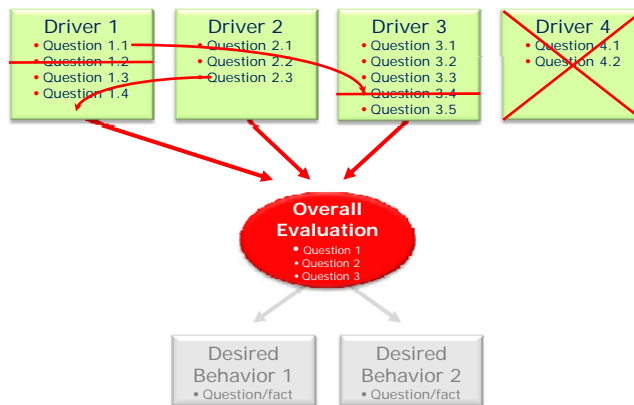
... use factor analysis to determine how stakeholders actually classify experiences ...

Factor Loadings (Varimax normalized) (Spreadsheet2)
Extraction: Principal components
(Marked loadings are > .700000)

Variable	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
atmoenvi	0.810530	0.060308	0.249566	0.232305	0.379879
atmofres	0.625872	0.001686	0.286304	0.324155	0.425155
atmodci	0.614944	0.001366	0.202995	0.280119	0.433837
serveasy	0.680584	0.297406	0.216804	0.121691	0.128860
servthro	0.729594	0.183208	0.158397	0.231420	0.076414
servfind	0.633100	0.243760	0.216368	0.114117	0.173706
persinte	0.183455	0.141187	0.764131	0.198946	0.272897
perscomp	0.241338	0.133641	0.753100	0.231170	0.204039
perswai	0.213902	0.176748	0.603599	0.171286	0.081918
pershelp	0.197215	0.149112	0.799885	0.217837	0.209101
persatte	0.187198	0.204589	0.819120	0.192262	0.189687
assomeat	0.172296	0.151324	0.261938	0.636734	0.291543
assofru	0.192556	0.155558	0.073411	0.737593	0.206548
assobrea	0.130537	0.157081	0.203198	0.706883	0.129792
assofill	0.302838	0.025921	0.275851	0.525177	0.162691
pricmeat	0.138629	0.471960	0.233640	0.388659	0.194565
pricfri	0.119950	0.444607	0.112462	0.618918	0.138051
pricbrea	0.190836	0.550505	0.234991	0.522072	0.116269
pricbasi	0.150636	0.845099	0.159569	0.152430	0.179414
pricown	0.177644	0.796206	0.107291	0.198750	0.148539
pricsohe	0.072288	0.844958	0.118676	0.129620	0.187414
pricqual	0.209837	0.650222	0.278235	0.350939	0.257188
imagcust	0.256383	0.191848	0.205359	0.084130	0.750793
imagrel	0.166585	0.166366	0.190555	0.246750	0.717561
imagqual	0.214990	0.114665	0.199477	0.458112	0.606037
envfrne	0.096455	0.222515	0.165603	0.174289	0.530021
imagfutu	0.255226	0.220774	0.121229	0.263450	0.623244
satisfe	0.259553	0.242408	0.232397	0.502018	0.430972
satisxpe	0.283334	0.252355	0.235538	0.499155	0.375152
satisdeaf	0.153044	0.240639	0.178501	0.433365	0.315584
Expl Var	3.484775	3.956974	4.119712	4.460039	3.635785
Pcp Toll	0.116159	0.131899	0.137324	0.148678	0.121193

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... rearrange the analysis structure until it satisfies statistical quality criteria ...



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... use structural equations to calculate scores and impacts ...

FACTOR SCORES

- ▲ Weighted average of 3-5 questions
- ▲ Weighting that best reflects the Desired Behavior
- ▲ Respondents' ratings on a 1-10 scale are converted to scores between 0 and 100

IMPACTS

- ▲ How much would a certain score change if another score changed by 5 units on the 0 to 100 scale?

The ValueMetric® Approach in Summary
15
AM Oct 12, 2010

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... present scores and impacts for management discussions in a positioning graph ...

Example from Swedish consulting firm

POSITIONING GRAPH - ATTRACTION
ALL RESPONSES April 20XX

Nr of respondents: 522 ■ Reconsider ■ Improve

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16
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... use a value simulator to find the best actions considering both revenue and costs

Example from Swedish consulting firm

Estimates of how 5-unit OEI increases are likely to impact on the Desired Behaviour:

DESIRED BEHAVIOUR	ACTUAL	
	Score	Impact on Desired Behaviour
Likely purchases from ConsoCo, %	33	2,1
Likelihood to recommend ConsoCo Inc.	70	4,6

Financial value of a 5-unit increase of the Overall Evaluation Index:

Value of sales to segment	1000
Margin, %	25%
Likely increase in sales to segment, %	4%
GROSS FINANCIAL VALUE	10

Estimates of how changes in Driver scores would impact on the OEI and on the financial value:

DRIVERS OF THE OVERALL INDEX	ACTUAL		SIMULATOR				
	Score	Impact on OEI	Comparative target scores	Difference	GROSS FINANCIAL VALUE	Cost of Action	NET FINANCIAL VALUE
IMAGE	71	1,8	73	2	1,4	1,0	0,4
OFFER	71	0,8	76	5	1,6	0,3	1,3
CONSULTANT	76	2,1	78	2	1,5	1,0	0,5
ENVIRONMENT	66	-0,2	70	4	-0,2	1,0	-1,2
INVOICE	75	0,1	70	-5	-0,2	-0,8	0,6
OEI/TOTAL	71		73	2	4,1	2,5	1,6

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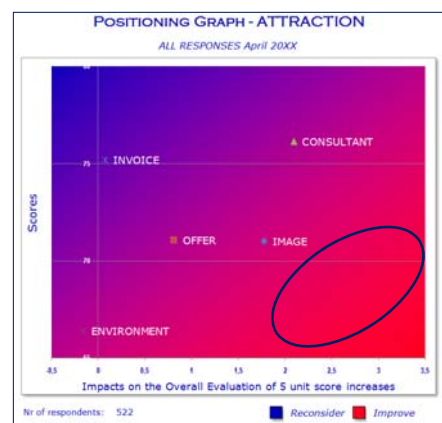
The analyses support three alternative strategies ...

- ▲ Consider three types of strategies
 - More
 - Less
 - Something else
- ▲ Match market attractiveness with own competitive strengths
- ▲ Specify a sound portfolio of segments to address

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... consider spending more on factors with low scores and high impact ...

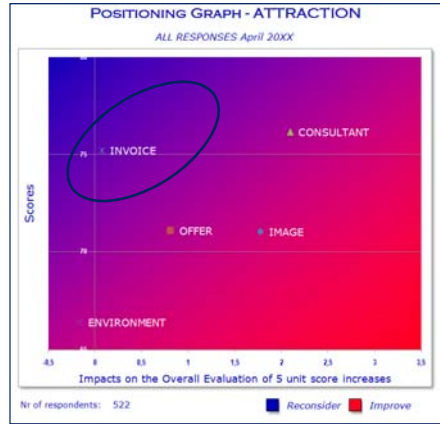
Example from Swedish consulting firm



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... consider spending less on factors with high scores and little impact ...

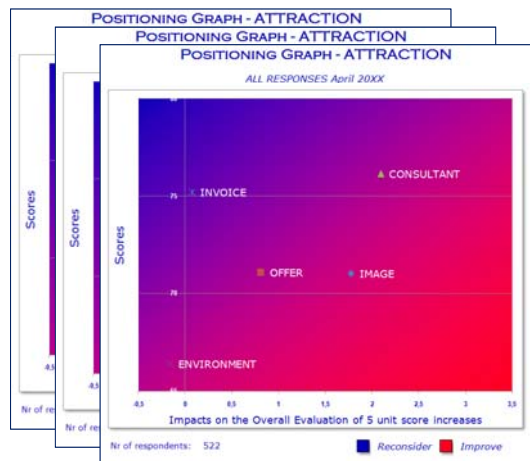
Example from Swedish consulting firm



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... consider redirecting resources to something else than today to win new segments ...

Example from Swedish consulting firm



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... also match market attractiveness per segment with own competitive strengths ...

Illustrative example for customers

	MARKET ATTRACTIVENESS				OWN COMPETITIVE STRENGTH			
	Size	Growth rate	Profit-ability	OVERALL	Share	Profit-ability	Fit	OVERALL
Segment A	H	H	H	★	H	M	H	★
Segment B	H	M	H	★	L	L	M	⚠
Segment C	M	M	M	•	L	M	M	•
Segment D	M	M	L	⚠	H	L	M	•
Segment E	M	L	M	•	M	H	H	★
Segment F	L	H	L	⚠	H	M	H	★
Segment G	L	M	L	⚠	L	L	L	⚠
Segment H	L	L	M	⚠	M	M	L	•

LEGEND:	High = H / ★	Medium = M / •	Low = L / ⚠
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... and learn lessons from those who come, go, or are repelled

