

Who We Are





wunderman



- KBM Group was formed in 1999 as a merger of three marketing services companies
- KBM Group has over 800 employees in 14 offices.
- KBM Group is part of Y&R's Wunderman Network, one of the largest integrated marketing solutions companies in the world.



"ranked #1 worldwide Direct/CRM:"

Advertising Age, April 2010

KBM Group Health Services Scope

- 59 Managed Care Organizations under management
- 80% of all Medicare Advantage and Medicare Supplement lives
- 50% of all insured individuals in the US

Agency Services

Direct Response Creative, Campaign Design & Execution, Contact/Response Management

Analytics

Segmentation/Modeling, Business Intelligence & Reporting

Consulting

Go-to-Market Strategies, Healthcare Reform, Database Marketing Readiness/Strategy

Digital Services

Response to Conversion Optimization, Paid Search/SEM, Channel Management, Social Media

Database

Data Integration and Hygiene, Enterprise Databases

Data

Consumer / B2B Data Specialized Healthcare Data Sources



Core Competencies



Marketing Science Mission

Employ state-of-the-art statistical techniques to inform marketing strategy and optimize marketing tactics for our clients to measurably:

- 1. Decrease the cost of acquisition
- 2. Increase retention
- 3. Improve health outcomes

Analytic Process

Use the Scientific Approach to Marketing



Fish where the fishes are

Individual Response Rates Vary



Objective: Optimize Acquisition Communications



- Predictive models have successful history for insurance acquisition
- Purpose is to apply predictive models to prospect mail files to optimize communications ROI
- Response data from previous period used to build predictive response models

Use the Past to Predict the Future



- Over 400 external data elements appended
 - Demographics, financial, hobbies, interests and census data are used from compiled sources
- Predicted model uses multivariate technique (LOGIT) to assign a probability to each person based on their likelihood to respond
 - In other words...how closely does this member resemble a responder?

Enriched Consumer Database



- Date of Birth
- Gender
- Race
- Family Position
- Occupation
- Voter
- Responder Index
- Ethnic Group
- Generational



- Estimated Income
- Mail Buyer
- Mail Responder
- Children's Data
- Telephone
- Length of Residence
- Donor
- Credit Active
- Homeowner
- Net Worth



- Geo Level Data
- Census Attributes
- Dwelling Type
- Home Value
- Lot Size
- Zip Aggregated Credit

Model Production Process



- Receive name and address of prospects/customers from past campaign with response/no response indicator
- Complete and validate AmeriLink append
- Complete exploratory data analysis
 - Review fields
 - Complete distribution analysis
 - Create new fields
 - Finalize analytic dataset
- Begin iterative model development
 - Estimate parameters using model sample
 - Validate using holdout sample
 - Document including gains chart

Model Performance: Gains Chart



% RR

Model Execution: Mail Plan

Base Response Rate		Total Universe	Lead Goal									
1.13%		583,606	16,800									
Modeled Campaign - C	Calculator Only											
Modeled Decile		1	2	3	4	5	6	7	8	9	10	
Modeled Mailings Modeled Factor		58,361	58,361	58,361	58,361	58,361	58,361	58,361	58,361	58,361	58,361	583,606
	% All Responses	25.5%	14.6%	13.1%	11.8%	8.8%	6.5%	6.4%	5.4%	4.7%	3.2%	
	RR	2.88%	1.65%	1.48%	1.33%	0.99%	0.73%	0.72%	0.61%	0.53%	0.36%	1.13%
	Responses	1,681	963	864	776	578	426	420	356	309	210	6,583
Modeled Campaign M	ailings to Top Decile											
Modeled Decile	annigs to rop beche	-3 1	2	3	1	5	6	7	8	0	10	
Modeled Decile			2	5	-	5	0	,	0	5	10	
1st Mailing		58,361	58,361	58,361	58,361	58,361	58,361	58,361	58,361	58,361	58,361	408,524
Responses		1,681	963	864	776	578	426	420	356	309	210	5,708
Response Rate		2.88%	1.65%	1.48%	1.33%	0.99%	0.73%	0.72%	0.61%	0.53%	0.36%	1.40%
											_	
2ndMailing		58,361	58,361	58,361	58,361	58,361	58,361	58,361	58,361	58,361	58,361	291,803
Responses		1,513	867	777	699	520	383	378	320	278	189	4,375
Response Rate		2.59%	1.49%	1.33%	1.20%	0.89%	0.66%	0.65%	0.55%	0.48%	0.32%	1.50%
2rd Mailing		59 261	59 261	59 261	59 261	59 261	59 261	59 261	59 261	59 261	59 261	201 002
Sid Mailing		1 245	20,301	50,301	50,301	30,301	241	20,301	20,301	247	30,301	291,603
Responses		1,345	1 2 2 9/	1 1 9 1	1 069/	402	341	330	200	247	0.20%	3,009
Response Rate		2.30%	1.32%	1.10%	1.00%	0.79%	0.56%	0.56%	0.49%	0.42%	0.29%	1.33%
4th Mailing		58,361	58,361	58,361	58,361	58,361	58,361	58,361	58,361	58,361	58,361	233,442
Responses		1,177	674	605	543	404	298	294	249	217	147	2,999
Response Rate		2.02%	1.16%	1.04%	0.93%	0.69%	0.51%	0.50%	0.43%	0.37%	0.25%	1.28%

Est	imated % Decay		
Wave 1	-		
Wave 2	90%		
Wave 3	80%		
Wave 4	70%		

Total Mail Quantity 1,225,573

Total Responses 16,971

Overall Percent Response 1.38%

New Sales 2,546

Model Return on Investment



- By targeting people with the highest response probabilities:
 - Reduce total mail cost
 - Generate more leads
 - Typical return on a model is 4 to 1 or more

Base RR	Total Universe	R P	espon Iannei	nse Rat r	e										
0.900	1,200,00														
0.80%	<u>6</u> 00														
Unmodeled Campaign															
Unmodeled Decile	1	2	3	4	5	6	7	8	9	10	Total				
		1:	2001	20.0.1	20.0										
Random mail per decile	120,000	120,000 00	0 0	0 0	0	120,000	120,000	120,000	120,000	120,000	1,200,000	Total cost	@ \$.50 =	\$	600,000
RR	0.80%	0.80%0	.80%0	0.80%	.80%	0.80%	0.80%	0.80%	0.80%	0.80%					
Leads	960	960	960	960	960	960	960	960	960	960	9,600				
Modeled Campaign															
Modeled Decile	1	2	3	4	5	6	7	8	9	10			7		
				00.0.4	00.0										
Modeled Mailings	120 000	120 000 00	20,01	20,0 1	20,0 0	120 000	120 000	120.000	120.000	120 000					
Modeled Factor - % All	120,000	120,000 00	5 0	0 0	0	120,000	120,000	120,000	120,000	120,000					
Responses	24.7	19.8	14.6	10.3	8.3	7.2	5.4	5.1	3.2	1.2					
RR	1.98%	1.58%1	. <mark>17%</mark> 0) <mark>.82%0</mark>	.66%	0.58%	0.43%	0.41%	0.26%	0.10%					
Leads	2,371	1,901	1402	989	797	691	518	490	307	115	958	1 All Deciles			
												Mail Top 6			
												Deciles		<u>\$</u>	
											815	0Cost =		<u>360,0</u>	<u>00</u>

% of all Responses in top 6 Deciles 85% Cost savings: 480,000 pieces @ \$.50 = <u>\$ 240,000</u>

Notes:

By limiting mail to the top deciles, the majority of the responders can be solicited by using less mail.

The second mailing is estimated to produce 60% of the response rate achieved in the first mailing, seen below:

Modeled Campaign 2nd Mailing top 2

Deciles					
Modeled Decile	1	2			
2nd Mailing	120,000 1	20,000			
Leads	1,423	1,140	2,563 2nd Mailing response to to	p tw	o deciles
RR	1.19%	0.95%	10,714 Total modeled leads		
			Incremental cost 2nd mailing:	\$	120,000
			Total cost of mailings 1 & 2:	\$	480,000
			Cost savings from mailing everyone:	\$	120,000

Cost per lead if mailing	<u>\$</u>
everyone =	<u>63</u>
	<u>\$</u>
Cost per lead if mailing modeled plan =	<u>44.80</u>

Response Model: Case Study Summary



Medicare Advantage – Response and Conversion Model Performance

- Response Model
 - Top four response deciles were predicted to contain 69.4% of all responders
 - The top four deciles after the first fall mail campaigns produced 71.1% of all responders
 - Direct mail cost per lead was \$54 across the entire DM campaign
- Converter Model
 - Top five converter deciles were predicted to contain 82.2% of all converters
 - The top five deciles actually produced 76.7% of the converters
 - Cost per new member was \$479

Add Other Predictive Models



- Defection (retention)
- Value
- Adherence
- Communications response

Apply to Defection: Case Study



- Communications campaign during AEP to medicare plan members
 - A/B test
 - Result was 0.5% reduction in defection
 - Campaign ROI

QUESTIONS COMMENTS THOUGHTS

