



National Senior Loyalty Study

October, 2006

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"Profitable growth may lie in a company's ability to get its loyal customers to become, in effect, its marketing department."

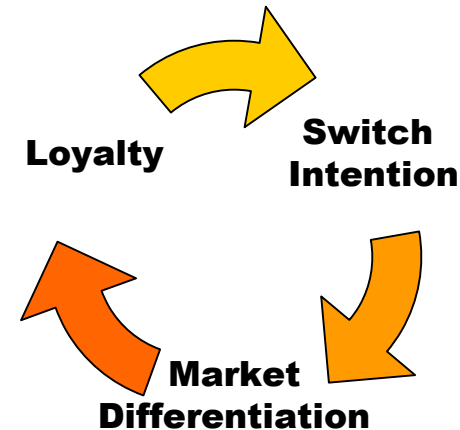
F.F. Reichheld



Study Overview

In late September and early October we surveyed 1,357 seniors about their health insurance coverage. Our web-based survey was weighted towards younger – the most likely purchasers of new coverage – and was national in scope.

The survey was designed to test customer loyalty, the intention of the customers to switch coverage and the perceived market differentiation.



We found that Loyalty, as we measured it, strongly correlates to customers' intention to switch their coverage to a different insurer. We also found that customers' perception of the difference between their insurance company and its competition was strongly colored by Loyalty and Switch Intention.

The study captured enough responses to produce results for 22 individual health and drug coverage insurers, plus a 23rd for drug coverage only. Because of the interrelationships between Loyalty, Switch Intention, and Perception of Market Differences, we conclude that when taken together, these results picture the degree of difficulty some firms will have profitably growing in the Medicare market.

The implication is that levels of Loyalty, may be leading indicators of future customer retention, the cost of acquiring new customers, and the size of the pool of customers available for cross selling.



Senior Loyalty to Medical Coverage

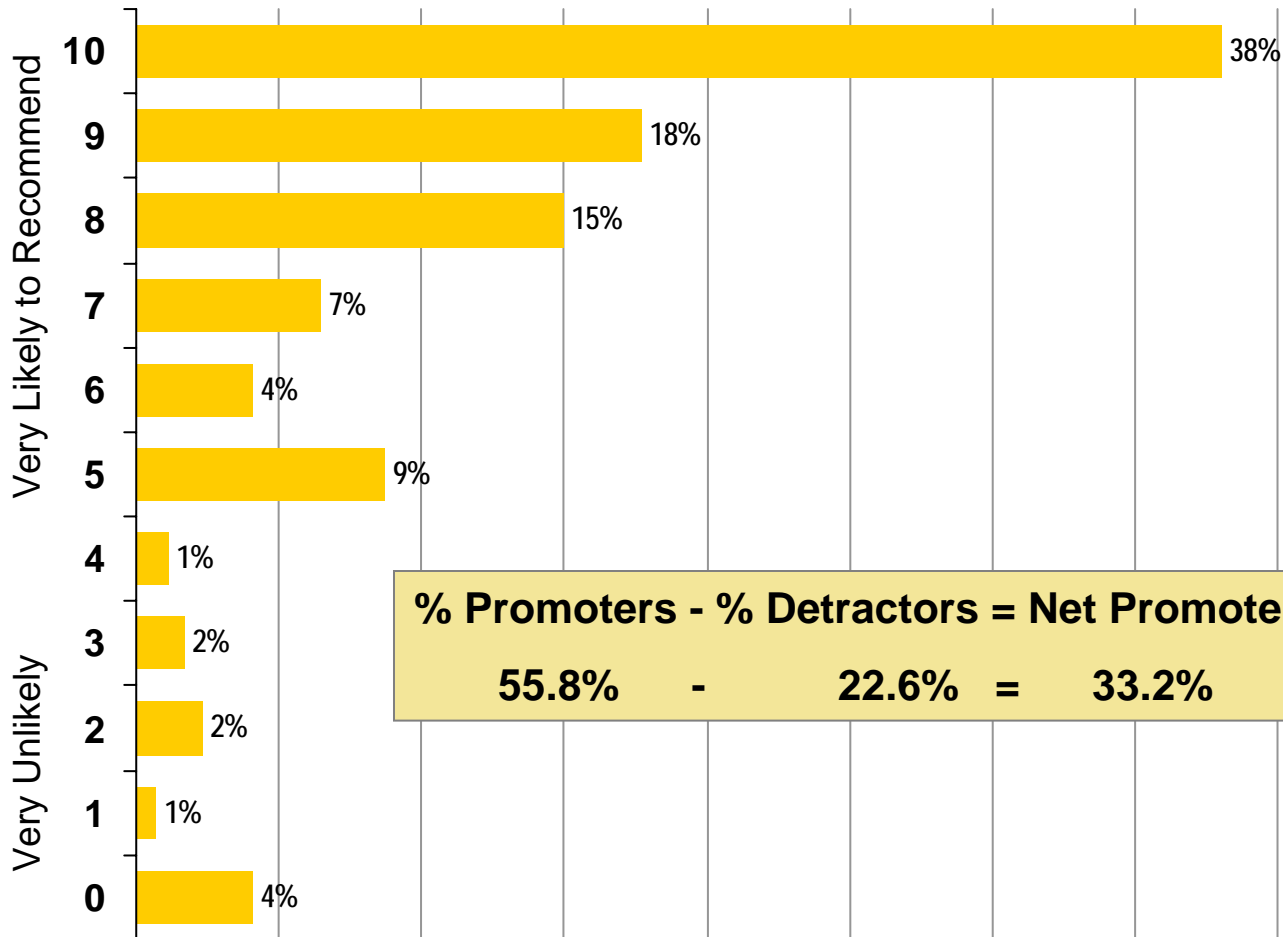
National Medical Net Promoter Benchmark = 33.2%

n = 1115

Promoters
55.8%

Passively
Satisfied
21.6%

Detractors
22.6%



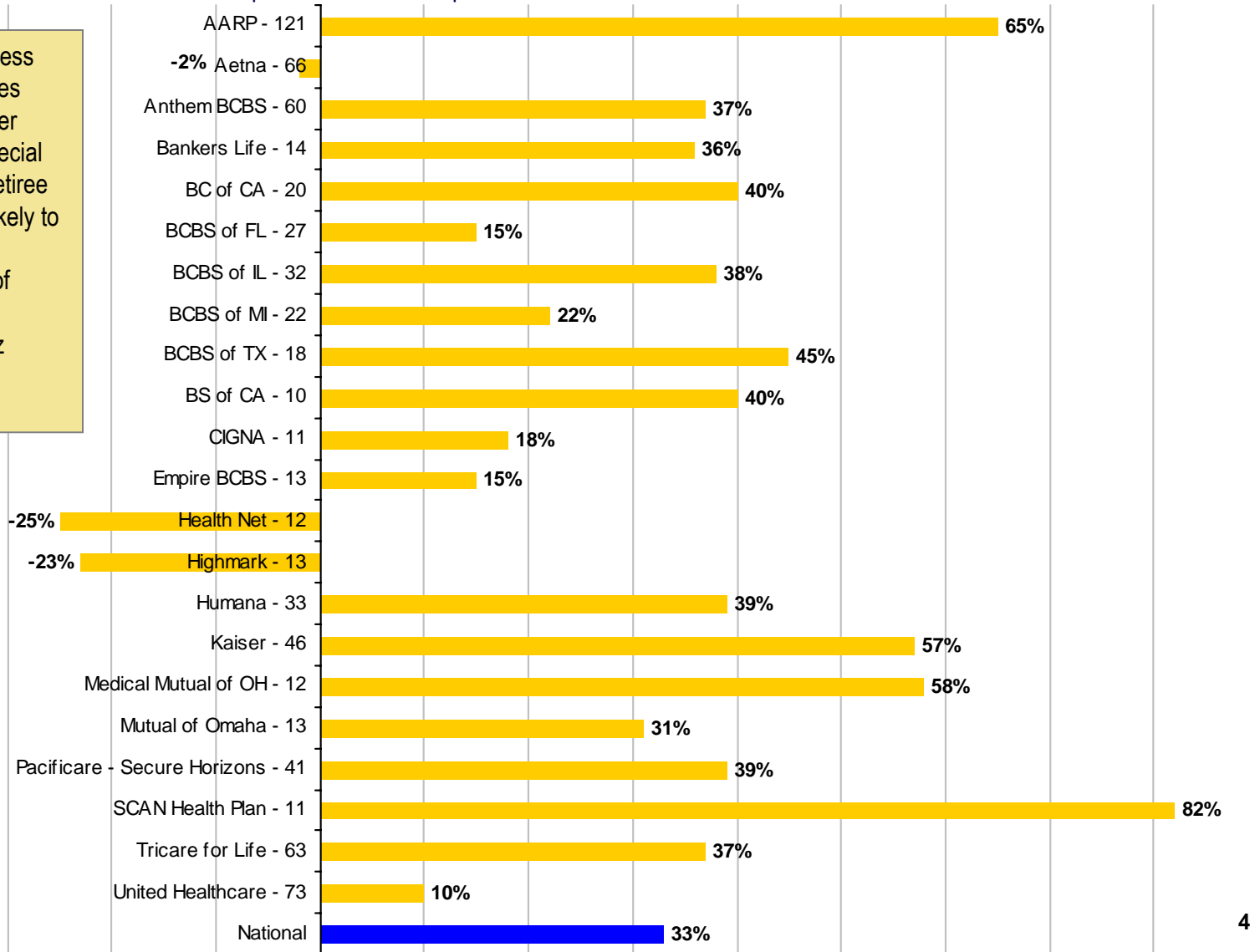


Medical Coverage Loyalty by Company

Net Promoter Metric

- n = number of respondents from each plan

Firms whose book of business includes many group retirees may see lower Net Promoter scores. Because of the special eligibility requirements of retiree plans, retirees are not as likely to make recommendations. Notwithstanding the book of business, Net Promoter measures the positive buzz companies receive in the communities they serve.





Senior Loyalty to Drug Coverage

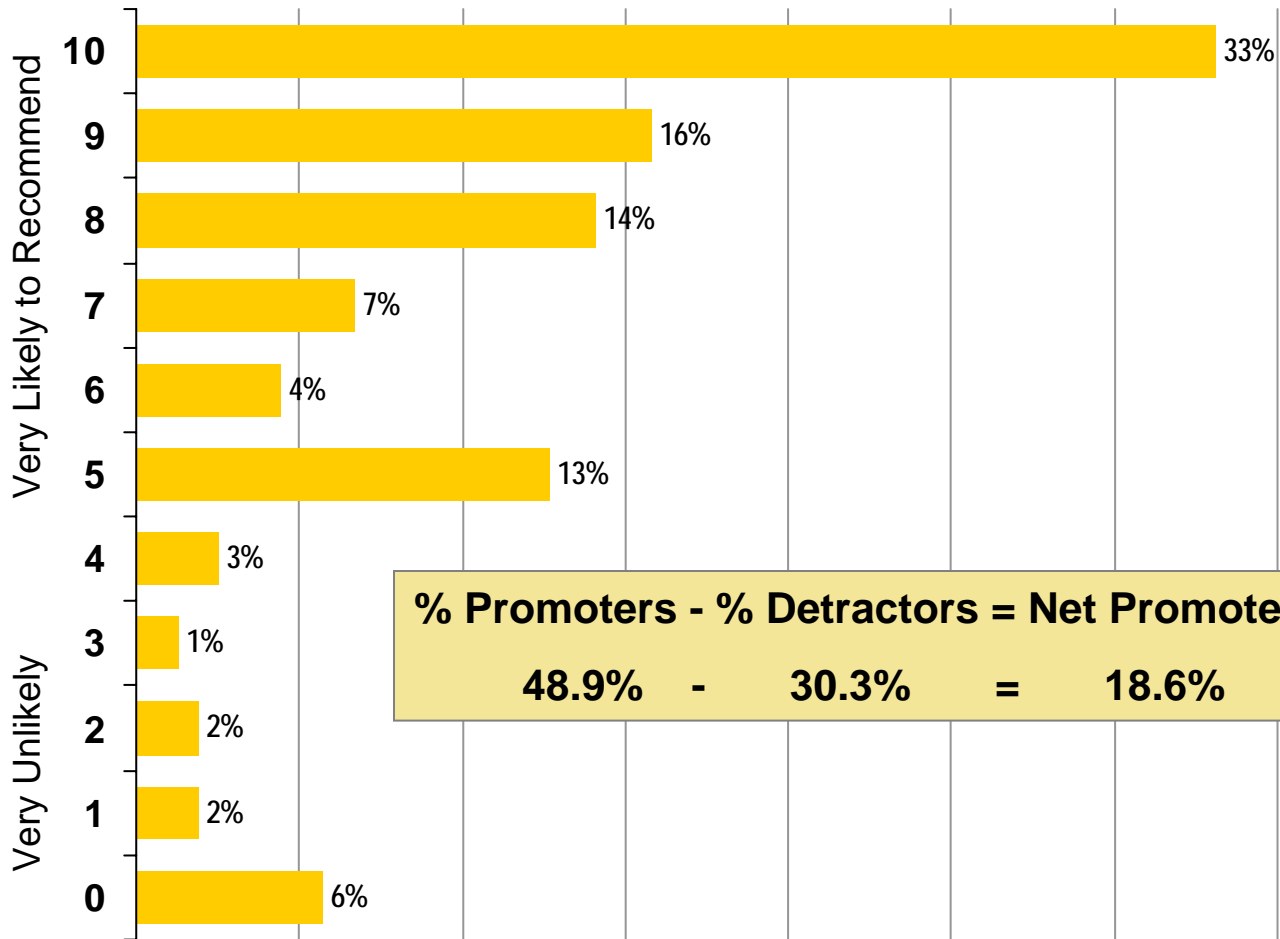
National Drug Net Promoter = 18.6%

n = 1183

Promoters
48.9%

Passively
Satisfied
20.8%

Detractors
30.3%



% Promoters - % Detractors = Net Promoter
48.9% - 30.3% = 18.6%

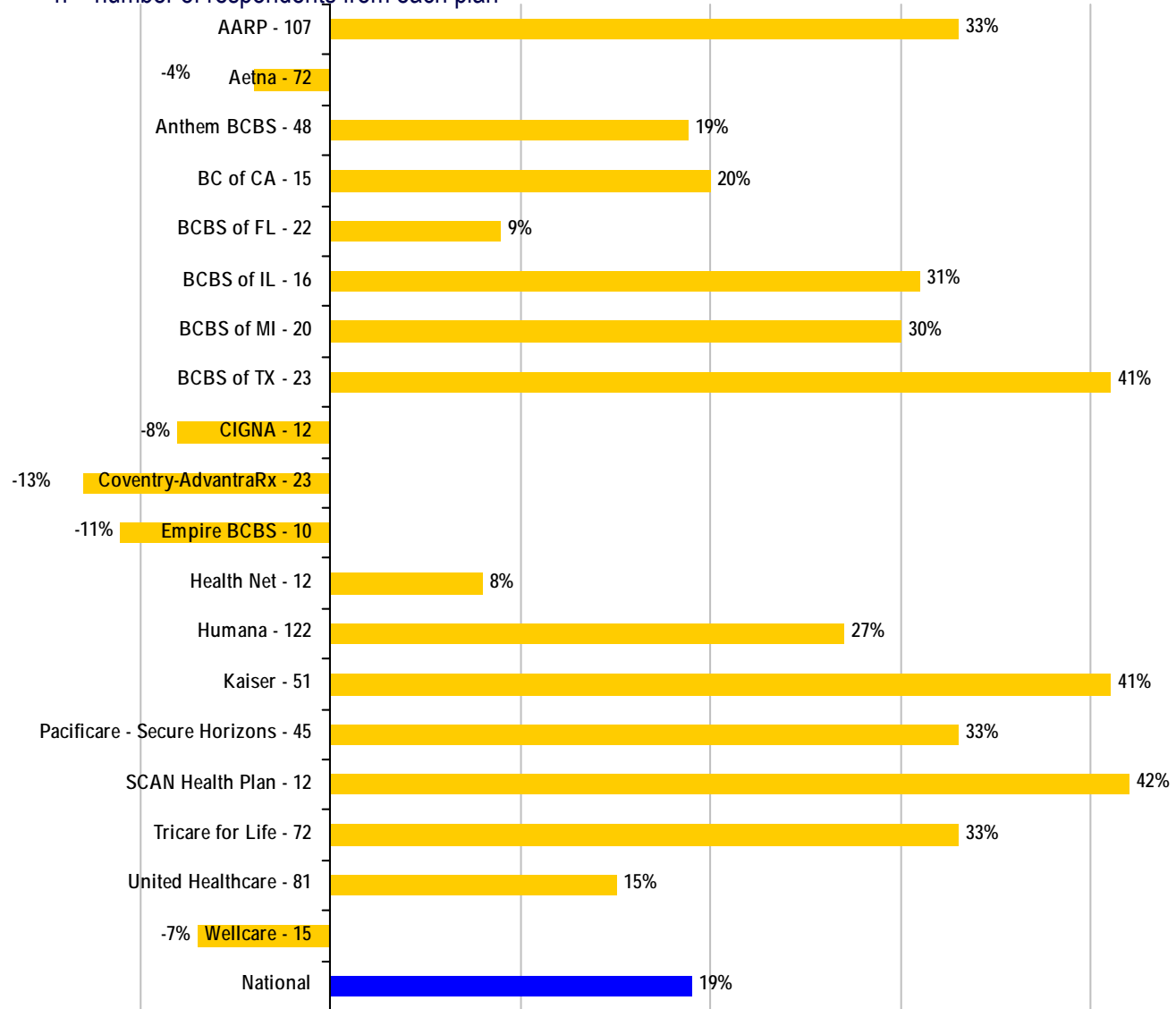
Net Promoter metric for drug coverage is lower than it is for medical coverage.



Drug Coverage Loyalty by Company

Net Promoter Metric

- n = number of respondents from each plan





Sample Comparison, n = 1357

Demographic	On Line Sample	National Stats	Comment
Gender for persons 65+			
Female	66%	58%	For all methods, data collection from men is more difficult than from women. Here we set a quota for 35% men.
Male	35%	42%	
Age			
65-69	52%	27%	Sample is weighted toward 65-75 age groups.
70-74	26%	23%	
75-79	15%	20%	
80-84	6%	16%	
85+	1%	14%	
Income, persons 65+			
less than \$10,000	3%	4%	Sample is representative.
\$10,000 to \$15,000	9%	7%	
\$15,000 to \$25,000	19%	21%	
\$25,000 to \$35,000	20%	20%	
\$35,000 to \$50,000	20%	18%	
\$50,000 to \$75,000	17%	14%	
\$75,000 or more	12%	15%	
Marital Status, persons 65+			
Married	54%	58%	Sample is representative.
Living with a partner	2%	--	
Widow or Widower	24%	27%	
Divorced	16%	10%	
Never Married	4%	5%	
Education, persons 65+			
Some high school or less	2%	27%	Sample is weighted toward higher educations.
High school diploma or GED	51%	36%	
College graduate with a 4-year degree	25%	11%	
Graduate or professional degree	19%	8%	
Race, persons 65+			
White	90%	83%	With any method, representativeness by race requires quotas. We did not use quotas for this research.
Insurance Coverage			
Private Supplemental/Medigap	28%	21%	Sample is representative.
Retiree Health Plan	37%	35%	
Managed Care Plan	16%	17%	
No Supplemental	16%	15%	
States: CA, NV, TX, MO, IN, OH, IL, MI, GA, FL, MD, VA, DC, NY, PA, MA			
National Data from U.S. Census Bureau, various sources, all 2005.			



Conclusion

- ▶ The study identified the strengths and weaknesses of companies in terms of Loyalty, Switch Intention, and Market Differentiation.
 - For example: AARP
 - Strengths = Health Coverage Loyalty and Market Differentiation
 - Weaknesses = Relatively high percent switchable customers and lack of packaged medical/drug coverage.

- ▶ The study supports a model of the value of loyal customers.
 - Loyal customers perceive positive differences between their own company and competitor companies, and they are more likely to recommend their company to friends or colleagues. They will use the perceived differences as the subjects of statements made during recommendation. Both willingness to recommend and positive market differentiation are likely to hold customers in a “no intention to switch” attitude. The strongest predictors that a customer will be loyal are whether they have experienced good customer service and have developed a sense of trust in the company. Companies who manage the perception of market differentiation among their customers will experience better retention and better growth triggered by positive word of mouth.



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October 25, 2006

Dear Sir or Madam:

It is our understanding that you would like to purchase Deft Research's **National Senior Loyalty Study**, with data as of October 2006.

Deft Research's **National Senior Loyalty Study** captures competitor metrics on Loyalty, Market Differentiation, and Switch Intention.

The National Senior Loyalty Study offer:

- \$3,000.
- We guarantee your satisfaction. If you can't use the study, you can have your money back if you ask for it within one month of purchase.
- We will deliver a data and graphic rich set of analytical slides and profiles of the top companies. All deliverables will be electronic for your convenience and re-use. The raw data will also be available to clients upon request.

Deft Research's National Senior Loyalty Study was fielded on line between 9/29 and 10/8/06. It captured responses from 1,357 seniors.

Please signify your intention to purchase this study with your signature below. Then fax this back to **612/436-8320**.

Sincerely,

Richard Hamer,
Principal

We would like to purchase the National Senior Loyalty Study. Please invoice us for the fee listed.

Name: _____ Date: _____

Title: _____ Company: _____

Telephone: _____ email: _____