

## strategy journeys

*how I have helped organisations  
develop effective strategic plans  
and realise strategic opportunities*



# Strategic modelling

## - developing a tool to stimulate debate

*When considering different strategic options it is important to be able to evaluate each of them objectively – particularly if they challenge the 'status quo'. Developing an effective modelling tool is a powerful enabler to help stimulate and inform the strategic debate.*

### The context

The financial services team at a major retailer wanted to consider their future strategy for developing their insurance business, including the role it would play in attracting new customers as well as meeting the needs of their core store customers.

### The challenge

Insurance is a complex market, with industry pricing driven by market cycles, strong competition for new customers, and varying levels of customer loyalty and retention. Making the right decisions about marketing investment is crucial – both the total budget and spending it cost-effectively. The team needed a modelling tool to help them work through some of the options, and so stimulate a debate about their future strategy.

### How I helped

- My starting point was to work with the team to understand all the various parameters and the dynamics involved. We could then separate out the key elements, and design an overall structure to the model to reflect how these fitted together.
- In such a price-sensitive market, it was important to be able to model different price relativities and see what effect these had on attracting new customers and retaining existing customers when they renewed their policies. This module needed to incorporate different pricing profiles over the duration of a customer's policy – in effect a two-dimensional pricing relativity vs the market and the premiums previously paid by that customer.
- Customer segmentation was another element to be included, to reflect the fact that some customers are more inclined to shop around for the lowest premiums than others.
- The model provided the team with the ability to consider options for marketing investment, including predicting the response rates from various media and promotions.
- All these various elements flowed through into financial projections – with the ability to alter some of the costing assumptions there too.
- An important final stage was to ensure that the model was clearly explained, to enable others in the organisation to be trained in its use and to be able to develop it further in due course.

### The outcome

'Powerful' was how the Head of Savings and Investment described the model, and it is regarded as a tool that will be integral to future marketing planning as well as being used to assess various strategic scenarios.

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