

EXECUTIVE SUMMARY

Topic: Membership Product Focus Group Research

Issue or Opportunity: Summarize findings, implications, and recommendations from the Membership Product Focus Groups.

Background Information:

- The MSB's Product Innovation Work Group sponsored a study to determine the relevance of AAA's existing product/service bundle to lapsed and never-members.
- Quantitative research (Lapsed Member/Never-Member Relevance Study) was conducted in 2005. Key findings, conclusions, implications, and suggested strategic actions from this study were presented in September 2005.
- The Relevance Study results illustrated the need to further explore means of strengthening member acquisition and retention. Therefore, the Product Innovation and MS&B endorsed qualitative research focus groups, to gain a better understanding of relevance and differentiation. The specific objectives of these focus groups were:
 - What are the tangible and intangible motivators for and barriers to joining AAA? What can AAA do to positively affect these motivators and barriers?
 - Of the individual products and services currently standard in the membership product and rated as important by the quantitative study, are our differentiation points motivating and relevant?
 - How do we better differentiate AAA from competitors? What differentiation points should we communicate and how do we best communicate them?
 - What potential new or enhanced product(s) or service(s) should be offered to be more compelling in the future? How can we re-engineer existing products/services?
- Focus groups were conducted in the first quarter of 2006 in the following cities: Charlotte, Sacramento, Chicago, and Dallas. An additional focus group was held in Costa Mesa at the request of ACSC (and at the club's own expense).
- Within each city, four separate groups were conducted: never-members with competitive Roadside Assistance coverage; never-members who are "neutral" toward AAA or not likely to join (and may or may not have competitive Roadside Assistance coverage); lapsed AAA members; and newly joined AAA members.
- *Attachment A* is a summary of the findings and implications of the focus groups, grouped by project objective.
- *Attachment B* is an outline of key insights and recommendations from the focus groups.
- The MS&B endorsed moving forward with the presentation of the findings and recommendations.

Request for Action or Input: Request endorsement of MS&B subcommittee/Staff recommendations in attachment B.

Source: *Strategy & Plans*
Date: *July 21, 2006*



Membership Product Focus Groups Summary

- Findings & Implications by Project Objectives -

Introduction

The following represents a summary of key findings and implications from the Relevance focus groups. A detailed set of recommendations and next steps (based on focus group insights and results from the quantitative Relevance study) will be developed separately. Initial opportunities and ‘thought starters’ (coming out of this phase of research) are presented in *BLUE ITALICS*.

Baseline Observation:

Receptivity to AAA differs across markets depending on brand presence & penetration

- Environment is much ‘friendlier’ in markets with high penetration and strong brand presence (e.g., Northern California, Southern California)
 - Stronger presence provides better ground on which to build membership; membership may be an easier sell given already strong brand reputation
- Environment is less friendly in markets where brand penetration is lower (e.g., Dallas, Chicago, Charlotte)
 - Lack of brand presence creates a different set of challenges for AAA; membership may be a harder sell given the lack of a strong brand presence or reputation in these markets
- **Suggests:**
 - *Findings need to be viewed in light of market presence and (in many respects) are points along a continuum (for example, AAA image is less of a problem in stronger markets than in weaker markets)*
 - *Conditions for and job of building increased relevance will differ from Club to Club, market to market*

I Overall Objectives

A. What are the tangible and intangible motivators for and barriers to joining AAA? What can AAA do to positively affect these motivations and barriers?

AAA = RA; motivations and barriers relate to Roadside Assistance (RA)

- Members join primarily for RA
 - Insurance is another reason for membership (to some extent) in strong insurance Clubs (come for good rates and reputation)
- Non-members: if they don't perceive a need for RA, or if RA need has already been met, they don't need AAA

Motivations for joining AAA are driven by the need/desire for RA and AAA's reputation as the leader in the category

- People join AAA for peace-of-mind and security (category benefits) but are drawn specifically to AAA for its reputation as 'the best' RA
- Strong category need and AAA's reputation as RA leader is especially appealing to several identifiable consumer segments (with good targeting opportunities)
 - e.g., business travelers, people who drive a lot, legacy Members (children/grandchildren of Members), parents of teenagers, newcomers to a given state/city (have fewer resources), husbands who want "peace of mind" for their wives/family, etc.
- AAA Members' mindset motivates brand choice to some extent; compared to competitive RA users, AAA users...
 - Appear more responsible, pragmatic, 'plan-for-the-problem' types who cover their bases
 - Look for dependability and known level of assurance; view AAA as known, dependable source for RA (should the need arise)
- Importantly, Members don't think about RA and don't know a lot about AAA's coverage
 - Assume AAA is the best in a generic sense (biggest, known name, etc.)
- Awareness of Member benefits, beyond RA, is limited
 - May know 'signature' AAA benefits (maps, discounts, etc.) but don't know breadth of AAA offerings/benefits
 - Members want more communication about the benefits of membership (especially those which provide added value); complain that AAA doesn't advertise benefits enough

There are numerous barriers to AAA, both tangible and intangible

- **Lack of need** (the #1 barrier)
 - Don't see a need for RA or need has been met by competitive provider
 - Lack of need is also barrier for other (non-RA) products/services
 - Needs are being met by a barrage of competition across a number of AAA categories
- **Competition efforts, which are commoditizing RA**
 - Competition is **increasingly bundling RA** as a cheap (sometimes free) add-on to other services; RA is often bundled with other 'must pay' bills (e.g., insurance, cell phone bills)
 - For consumers, bundling is a benefit; like the convenience (one less bill)
 - Competitive efforts have commoditized RA (available cheaply through many different sources)
 - Has led to the perception that there's **little difference between RA providers**
 - Has fostered a **low cost mentality for RA**; cost is often viewed as the *only* differentiator between RA providers
 - Competition for other AAA products/services (especially discounts and travel planning and information) is rampant; competitors have effectively stolen AAA equity in these key areas
- **Low involvement nature of RA category** (a tacit barrier)
 - Lack of interest/thought given to RA is a significant but tacit barrier (and possible opportunity)
 - Knowledge of and experience with RA is minimal; competitive users don't know what they get, who they'd call or even how much they pay
 - RA is increasingly seen as a low risk event (don't think much about it)
 - Respondents see less need for RA given omni-presence of cell phones (always connected) and improved quality of automobiles (many are driving newer/better cars)
 - Low involvement nature suggests an inherent lack of interest or willingness to think about RA – until forced to do so
- **Lack of knowledge and outdated perceptions of AAA** (passive barriers)
 - Little knowledge of AAA
 - Respondents don't know breadth of AAA offerings (beyond RA and a couple of signature products/services)
 - Don't know how AAA is different/better than competition
 - ◊ Exacerbated by the lack of interest/knowledge of current RA coverage; hard to judge AAA as better/different when they don't know what they have in the first place
 - Little knowledge (and a lot of misconceptions) about AAA pricing – many **assume membership costs to be MUCH higher** than they are; actual costs are “surprisingly affordable” to many
- AAA's image (perceived by many to be dated and somewhat 'old school') is an impediment to brand relevance, especially in low penetration markets
 - Brand is often seen as catering to an older, non-resourceful generation (i.e., grandparents)

- Many see waning relevance for numerous AAA products/services given emerging and more dominant technologies (e.g., cell phones, internet mapping, GPS, etc.)
- Image problems are most severe among younger consumers (<35) and in low penetration markets

- AAA's general lack of presence in some markets and perceived lack of competitiveness contributes to brand irrelevance
 - Widespread commentary on AAA's non-existent or ineffective advertising (awareness is limited in most cases to ineffective "junk mail").
 - A number comment that much of the "junk mail" AAA sends looks dated or "hokey"
 - Strong indication that AAA advertising does little to create a relevant, vibrant or competitive image for the brand
 - Respondents suggest more vibrant advertising (such as more broadcast advertising and less reliance on direct mail); some suggest advertising which hits them while they're driving such as radio and billboards

B. What can AAA do to positively affect these motivations & barriers?

Research suggests:

- AAA needs to make **itself** relevant, needs to differentiate **itself** from competition
 - Research suggests strong need to more effectively communicate benefits, superiority, value and relevancy of AAA
 - Value needs to be a key part of the communication – need to address price/value perceptions given competitive efforts to define RA as price driven commodity
 - Need to communicate the **value of AAA’s superiority AND the comprehensive value of membership offerings**

- May be opportunities to **stimulate increased involvement** in RA and emotional connectivity to AAA by addressing RA unknowns and challenging assumptions
 - Need consumers to think about RA and what they’re getting (or not getting) from the competition
 - Need to re-frame RA from a commodity, thoughtless purchase to a specialized service which deserves just a bit more thought/consideration
 - Specific opportunities:
 - **Establish situational relevance** for AAA where AAA has meaningful differentiation (e.g., OnStar advertising)
 - **Challenge competitive assumptions** (e.g., Hertz “Not Exactly” campaign),
 - **Communicate product differentiation and relevancy** for unplanned events (e.g., Volkswagen side impact advertising)
 - **Create emotional connectivity** to AAA (possibly via consumer testimonials)

- AAA image suggests a need to **contemporize the brand image** through increased presence, advertising and meaningful product innovations

- Feedback suggests strong **opportunity to market to a Member mindset**
 - And to identify and target consumer segments which share this mindset

C. Of the individual products & services currently standard in the membership product and rated as important by the quantitative study, are our differentiation points motivating and relevant?

D. How do we better differentiate AAA from competitors? What differentiation points should we communicate and how do we best communicate them?

(These two objectives are taken together as insights overlap)

AAA products/services lack exclusivity or perceived differentiation in most categories

- Respondents perceive many AAA offerings (within and across various categories) as no different/better than the competition
 - Much of what AAA offers is available from **NUMEROUS** competitors
- AAA has little perceived differentiation (so the question of motivation and relevance is moot) **until various aspects are POINTED OUT to consumers**
 - Pointing out AAA's differences (almost to the point of head bashing) is especially important in RA given low category involvement, lack of knowledge and erroneous assumptions
 - *Suggests that relevance problems are as much a marketing issue as a product issue*

The following could serve as relevant and motivating differentiation points (for a portion of non-members) – IF MEANINGFULLY COMMUNICATED

- **Superiority of AAA RA** (or a more holistic RA) – which can only be communicated when forced to really think about RA and possible limitations of competitive RA providers
 - Need to create dissatisfaction and/or discomfort with what the consumer already has
 - **Personal coverage is a key support for AAA's superiority** – relevant, unique and the most differentiating feature (vs. insurance & MRAP RA)
 - Other support points are uniformed drivers/background checks, some On-the-Go enhancements, increased towing (current tow limits are not perceived as differentiating), no out-of-pocket payment for towing services and DMV services (in areas offered)
 - Individually, these may not be enough to motivate consumers; rather it's the sum of the parts and comparisons to competitive RA which may motivate the consumer desire for greater security and peace-of-mind
- **Value of AAA**
 - **Discounts** – aren't terribly exclusive and don't 'sell' AAA but offset (or can pay for) cost of membership; discounts appear to be key loyalty builders
 - Provide strong measure of added value IF consumers remember to use them; need to advertise and remind Members to use discounts
 - Adding discounts which strive for frequency (like a gas and home improvement stores) will help build relevancy

- **Affordability of membership** – membership can be positioned as a good value given the superiority of RA, the range of Member benefits and the reasonable (i.e., lower than expected) cost

E. What potential new or enhanced product(s) or service(s) should be offered to be more compelling in the future? How can we re-engineer existing products/services?

Challenge is to improve, differentiate and communicate core products/services

- Adding more products/services to membership doesn't necessarily drive interest
 - Especially non-differentiated, "me too" products/services currently available elsewhere
- Challenge is to improve and differentiate core RA offerings as RA is the primary driver (and barrier) to membership
 - Focus should be on maintaining and promoting '**best in class**' status; continue to be the leader in RA, continue to improve RA services
 - With enhancements such as some On-the-Go services, increased towing, better response times, etc.
 - The number of issues raised with On-the-Go indicates some caution and careful management of Member expectations of this initiative
 - Same focus on 'best in class' needs to be on insurance in strong insurance Clubs
- Travel information products are in danger of rapidly losing relevance
 - Technology has eclipsed AAA's equity in this area (given the equity is largely for paper based materials)
 - Travel information is available (free) through numerous online sources, many of whom now dominate the field (e.g., MapQuest, Yahoo, Google, etc.); GPS is seen as further decreasing the relevance of AAA travel information
 - Proposed enhancements do little to stimulate interest; aren't differentiated and come across as playing 'catch-up'
- Other AAA travel offerings have also lost differentiation
 - Travel discounts are increasingly available from a variety of sources (often online)
 - Travel planning has moved away from agents and is increasingly a do-it-yourself online activity (assume better prices online)
 - Low price guarantee might help to differentiate AAA Travel Agency (but isn't a stand alone motivator for membership)

II Specific Non-Member Target Market Insights

A. Target Market I - “Competitive Users” (Never-members who rate ERS as important and have coverage)

- Category benefit – peace-of-mind – is important, but **not to the same degree as for AAA Members**
 - Competitive users view RA as *theoretically* important – have it just in case, but don’t expect to actually need/use it
 - Don’t have the same mindset as AAA Members; aren’t as concerned with dependability and ultimate peace-of-mind
- For many, RA is a **passive choice**
 - Don’t shop for RA; didn’t make choice among different RA alternatives
 - Many were sold RA as a cheap add-on; simply had it bundled into another bill
- **Bundling with another service masks the cost of RA**
 - Many assume it’s free (comes with insurance) or that it’s a nominal fee (costs look cheap in the context of insurance or cellular bill)
 - AAA’s costs look more expensive when compared to a bundled cost; many don’t do the math to see that \$3.99 per month is close to yearly AAA membership
 - *Suggests opportunities to reframe AAA costs in monthly or daily terminology*
- Competitive users don’t know much about their current RA in terms of coverage, services, limitations or (in some cases) even who to call
 - Assume coverage to be better or more generous than it probably is; assume coverage to be similar to AAA
 - Few have actually used competitive RA; those who have used are generally satisfied
- **Insurance RA insights:**
 - Insurance seen as natural fit as RA viewed as a type of insurance
 - Insurance relationships can be strong; many express strong trust in insurance company which carries over to RA
 - *Opportunity for AAA vs. insurance RA = personal coverage*
- **Cellular RA insights:**
 - Increased presence, strong momentum
 - Cellular companies (especially Cingular) are aggressively selling RA as an add-on (easy cross-sell when customers call about their service)
 - Users appear satisfied, spread good word-of-mouth
 - RA is seen as a natural fit with cellular – cell phone is a permanent accessory which means one is never out of touch or far from help; fits emergency situations
 - Coverage = cell phone = person
 - AAA’s personal coverage is not differentiated/unique for this group
 - *Opportunity for AAA vs. cellular RA = reputation (‘best in class’) at an affordable price*

- **MRAP/Extended Warranty RA insights:**
 - Continues to be a challenge for AAA
 - Key problem – MRAP is free (or seemingly free when bundled with car payment/extended warranty)
 - Secondary problem – MRAP is on newer cars; RA is an even lower risk event
 - Users appear very satisfied
 - *Opportunity for AAA vs. MRAP = personal coverage*

B. Target Market II – “Lapsed Members”

- Most have RA with competitive provider (left AAA, didn’t leave category)
- Reasons for leaving AAA are generally based on **non-use and resulting lack of value**
 - Didn’t “use” AAA (meaning didn’t use RA); lack of RA use creates a value problem – paying for something they aren’t using
 - Several report a decreased need for RA; driving newer/better cars
 - A few lapsed due to budgeted tightening; viewed AAA as an easy cost to cut (due to non-use)
 - Lack of RA use **wasn’t offset by use of other AAA products/services**; many didn’t know breadth of benefits they had
 - Knowing/using value driven benefits (e.g., discounts, free maps/travel information) may have made a difference when they were Members (but isn’t motivation to re-join)
 - Some felt that improved/increased communications regarding Member discounts might have prevented lapsing
- Triggers for choosing competitive provider (and resultant lapsing):
 - Buying a new car, often with MRAP
 - Shopping, reevaluating or switching insurance carriers and bundling RA with insurance premium (cheap add-on)
 - Don’t know how insurance RA compares to AAA; assume “as good as,” or maybe not quite as good (which is okay given they didn’t use AAA or expect to use insurance RA)
- Ex-members are generally positive toward AAA
 - Didn’t leave mad; simply found a better value elsewhere or “drifted” away due to lack of perceived need (e.g., new car, not traveling as much, children grown) or lack of a relationship with AAA
 - Competitive claims do little to influence this group; don’t anticipate using RA (based on past non-usage); appreciate that certain aspects of AAA are different or even superior, but don’t see a need for those differences or can’t justify paying more for them
- *In several cases the most important to them is quality service and response times*

C. Target Market III – “Neutrals and Not Likely to Join”

Key learning is that this group overlaps with Target Market I as many in this group have competitive RA (isn't a discreet target segment). Category usage (i.e., competitive RA users vs. non-RA users) is a much more workable target definition than likelihood to join.

Following insights are for non-Members with no RA

- Reasons for not having RA are numerous but most revolve around **lack of perceived need**
 - Haven't experienced need for RA, don't travel extensively by car, rely on self/husband/friends for RA (in rare case it happens), assume cell phone provides necessary security (help is just a call away), etc.
- Target represents mixed potential for AAA
 - Number are interested in AAA for category benefit of peace-of-mind – especially once they know the cost
 - Some express interest when it occurs to them that reducing reliance on family/friends is actually a benefit, e.g., husband, father getting older (not able to help as easily due to work or other commitments)
 - Number are not interested – don't need RA category, don't need AAA; other Member benefits do nothing to sell them on AAA

D. Target Market IV – “New Members”

RA is primary reason for joining – the main drivers for membership were RA-related events or were due to planning an extensive road trip/vacation.

- However, this segment is no more “involved” in the RA category than others.
- Most know only about RA and a couple of other “signature” AAA products/services. Not much awareness of other products/services.
- *In several cases the most important to them is quality service and response times*
- Intention to renew is good in most cases.
- Many new members would like to see more communication about the benefits of memberships, especially discounts.
- Many suggest more electronic communication, such as E-mail blasts.

Membership Product Focus Groups Recommendations to be Developed

The key insights gained from the Membership Product Focus Groups can be grouped around four primary areas:

1. Effective communications
 - ✓ How to better manage aided/unaided awareness and perceptions
 - ✓ How to best communicate the relevant, meaningful differentiation features and benefits of AAA membership
2. *Protecting* and enhancing the core products/services identified in 2010
 - ✓ Roadside Assistance
 - ✓ Member savings/values
 - ✓ Travel information
 - ✓ Advocacy
3. Innovation opportunities
 - ✓ Considering new features/benefits that would further differentiate AAA membership and add unique value to the existing product/service bundle (e.g. Identity theft protection, alternative pricing models such as those currently in place at AA New Zealand, ACS)

For each of these areas, the following items should be discussed:

How or what should be considered to close a negative gap or create a positive leadership gap? What Need, Pain or Opportunity needs to be addressed?

Domain

Should the Association suggest local options?

Should the Association direct/coordinate activities that could be a collaborative solution?

What is the time frame and next steps?

Determine the best way to communicate research findings and manage workflow between Association's committees, workgroups, etc.

The Primary Insight and Recommendation Areas for considerations are:

1. Effective communications

The Focus Group Research indicated that relevance is as much a marketing issue as a product issue.

Communication *issues* include:

- ✓ Determining the best way to break through the clutter of advertising and “junk mail.”
- ✓ Evaluating and developing types of advertising/media channels, increased brand presence/awareness, more contemporary branding, etc.
- ✓ Determining how to best combat the “bundling” that competitors (cell phone, insurance, etc.) offer for roadside assistance in perceived “must pay” bills.
- ✓ Addressing consumers’ low-involvement with respect to roadside assistance purchase decision and reliance on friends and family.

Consider developing communications that will:

- ✓ Compare services, benefits, and features of AAA membership to competitive roadside assistance offerings.
- ✓ Include price messaging to change perception that AAA is “too expensive.” Consider communicating monthly cost of membership.
- ✓ Differentiate AAA’s roadside assistance offering from competitors. Key differentiation points that surfaced during focus groups include:
 - Personal coverage no matter what vehicle you are in
 - No out of pocket towing costs
 - One number to call no matter where you are
 - Background checks on tow drivers
- ✓ Combat the perceived lack of need among non-members with an “I will never need roadside assistance” attitude.
- ✓ Include possible situational messaging (i.e., OnStar, Hertz).
- ✓ Educate new members of the benefits and features early in the membership, and possibly through different media channels than direct mail.
- ✓ Enable employees to better communicate the AAA membership offering.

Develop models and targeted lists of AAA mind-set audiences such as:

- ✓ Business/Leisure travelers
- ✓ Parents with teens
- ✓ Newcomers to the area or country
- ✓ Working single mothers

Develop a communication matrix of Members, Lapsed Members and Never Members that encompasses the BAV Findings and the Focus Group Findings to further develop profile and appropriate types of communications.

2. Protecting and enhancing the key products/services identified in 2010

Key Product Offerings:

- ✓ Roadside Assistance
- ✓ Member savings/values
- ✓ Travel information/mapping
- ✓ Advocacy

Differentiate AAA from competition:

- ✓ Research suggests a need to more effectively communicate benefits, superiority, value and relevancy of AAA membership.
 - ✓ Value needs to be a key part of communication – need to address price/value perceptions given competitive efforts to define RA as price-driven commodity.
 - ✓ Ensure components of roadside assistance offering are greater than or at least equal to competitors' offerings.
 - ✓ Re-evaluate towing mileage limits as compared to competitive offerings
- New product offerings are not always the answer – sometimes enhancing or tweaking what we already have may be what is needed the most.
 - ✓ Examine existing benefits and features of Classic and Plus membership to determine if changes are needed
 - ✓ Continue to evaluate and develop the components of the On-the-Go strategy for roadside assistance.
 - ✓ Evaluate other possible levels of membership.
 - ✓ Evaluate additional travel information/mapping enhancement opportunities.
 - ✓ Evaluate additional member savings/discounts that would add meaningful value.

3. Innovation Opportunities

Through the Product Management Process (SAGE), evaluate:

- ✓ Other potential levels of membership
- ✓ Tenured pricing membership model (such as those currently in place at AA New Zealand, ACS)
- ✓ Possible enhancements that were well-received in the focus groups, to determine feasibility of launch.
 - Travel guarantee
 - Gas Discounts
 - SYC&S discounts at Home Improvement, Grocery stores – build our “everyday” savings/value