



GLOBAL INNOVATOR IN PERSONAL COMMUNICATIONS

**Beltone U.S.**

Capital Markets Day, Bloomington, April 5, 2006



## Todd Murray



2004 - present: Beltone Electronics, President, N.A.

1995 - 2003: Cole National Corporation  
- Pearle Vision, Vice President Corporate and Franchise Stores  
- Pearle Vision, Vice President of Franchising  
- Cole National, Director of Business Development

1992 - 1995: Deloitte & Touche, Management Consulting  
- Manager, Retail and Consumer Products Practice

Education: Brown University, BA Economics, 1987  
Duke University (Fuqua) MBA, 1992

Age: 41



## Beltone U.S. – History (2000 – early 2004)

- 1940
  - Established by the Posen Family
- 1997
  - Acquired by J.W. Childs
- June, 2000
  - Acquired by GN
- Second half, 2000
  - Dispensers leave the Beltone network to Avada and Audibel (Starkey)
- Early 2001
  - Defections continue; aggressive actions taken to stabilize the Beltone Network
  - Business stabilized; however, the business is 28% smaller
- Second half, 2001  
previous 12 months.
  - Focus on adding Beltone dispensers in critical open geography lost in
  - Owned retail established in several key markets
- 2002
  - Focus on improving the business model and reducing structural costs
  - Slow growth; continue to work to stabilize and strengthen the Network
- 2003 into 2004
  - Energy and attention begins to shift towards growth
  - Management team upgraded to add retail management expertise and to consumer marketing skills.



## Agenda

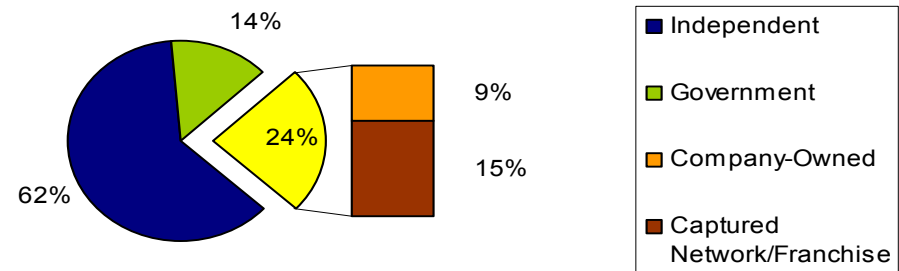
- The Beltone History and U.S. Market Position
- The Beltone Positioning Statement
- Beltone U.S. Strategic Focus – 2005 to 2007



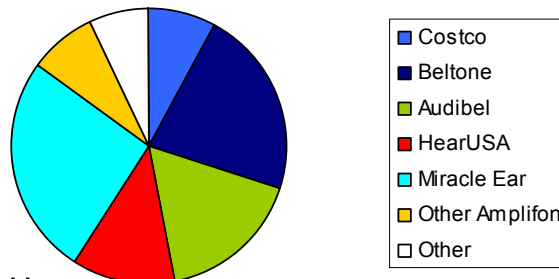
## The U.S. Market - Retail

- Retail i.e. network/franchise and company owned represents 24% of the total Hearing Instrument Market (530k units)
- Two-thirds of retail is network/franchise (330k units)
- “Company Owned” (200k units) is one-third of retail and 9% of the total market

Channel Composition



Retail Segment Share



- Beltone, Miracle Ear and Audibel represent almost two-thirds of the growing retail market

\* Relative Share Position

\*\*Other Amplifon = National Hearing Center and Sonus Corporate Owned

**Beltone has a solid share of the Retail Segment with a strong, recognizable brand.**



## The Beltone U.S. Market Position

### Beltone Brand Strengths

- Hearing Care Practitioner Network
- Well recognized brand > 70% recognition among adults over 50
- Patients respect the heritage of Beltone's 65 years in business
- Beltone is known for Quality Products
- Beltone patients find Beltone professional, trustworthy and caring



Source: Beltone Proprietary Consumer Research

**Beltone's brand equity is a result of 65 years experience.**



## The Beltone U.S. Market Position: The Key Facts

<u>FACT:</u>		<u>COMMENT:</u>
Location Count:	1300	- The heart of Beltone is in the Midwest and Southeast Regions
Dispenser Count:	290+	- 60% of dispensers are in the eastern half of the country
States Served:	49	- Western states with highest opportunity
Dispensers added since 2004:	60	- Key to accelerating growth
Dispensers removed since 2004:	70	- Focus on improved quality of network

**We have a strong base of dispensers and locations with more opportunities to grow with current high quality dispensers.**



# MOBILITY AND LIFE QUALITY

## The Beltone U.S. Market Presence



Beltone drives brand consistency through branding guidelines:

- Office furniture and layout
- Logo and brand use
- Convenient location identification



**Beltone ensures all new locations reinforce its positive brand image.**





## The Beltone Positioning Statement

Beltone will be a “retail brand with dominant points of distribution where our customers can expect a relationship experience that is trustworthy, professional and caring”

**We needed a positioning for the brand that defined what we aspire to build while respecting the legacy of the brand.**



## Beltone Value Proposition:

In exchange for exclusive territory and business support, a dispenser sells Beltone products.

### Marketing

- National Campaign
- Direct Marketing
- Brand Recognition
- Promotional Planning
- “Leads”

### Business Development

- Business Consulting
- Expansion Capital
- Customer Care Support

### Training

- Beltone University
- Self-Guided Training
- Sales Experience Training

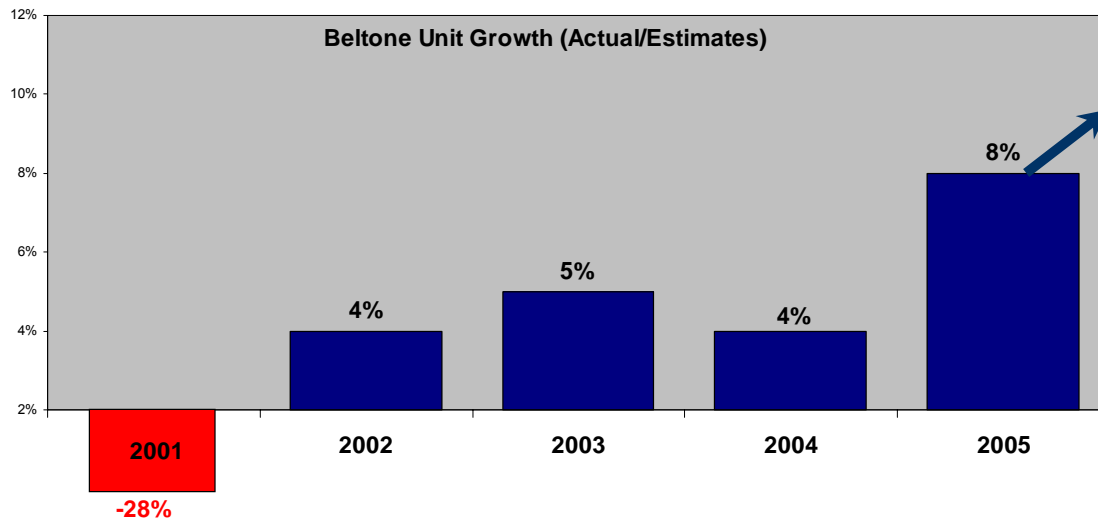
### Product

- Product Development
- Product Trials
- Fitting Software

**Beltone has 65 years of experience and name recognition and we have invested in the value proposition to attract increased interest and association with the Beltone brand.**



## Accelerating Growth

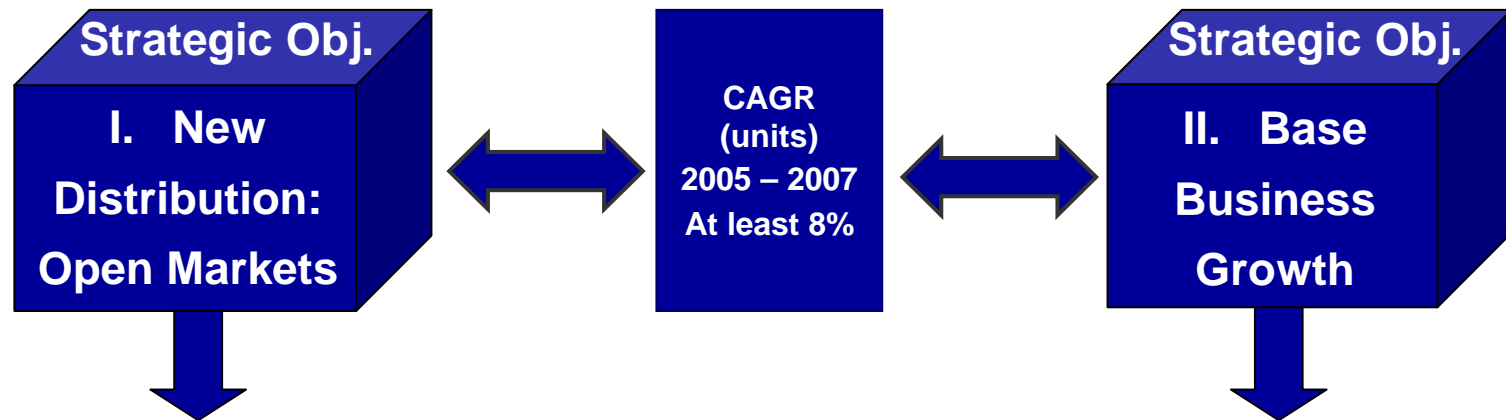


- 2001-2004: Focus on improving the Business Model and growing the quality of dispenser businesses
- 2005: Key transition year which saw consistent growth and strong growth acceleration in the second half of the year



## Beltone U.S. Strategic Focus – 2005 to 2007

### Accelerating Growth and Growing Market Share



#### Strategic Imperatives

- New “Traditional” Dispensers in open markets
- Additional “Mega-Dealers” covering multiple open markets

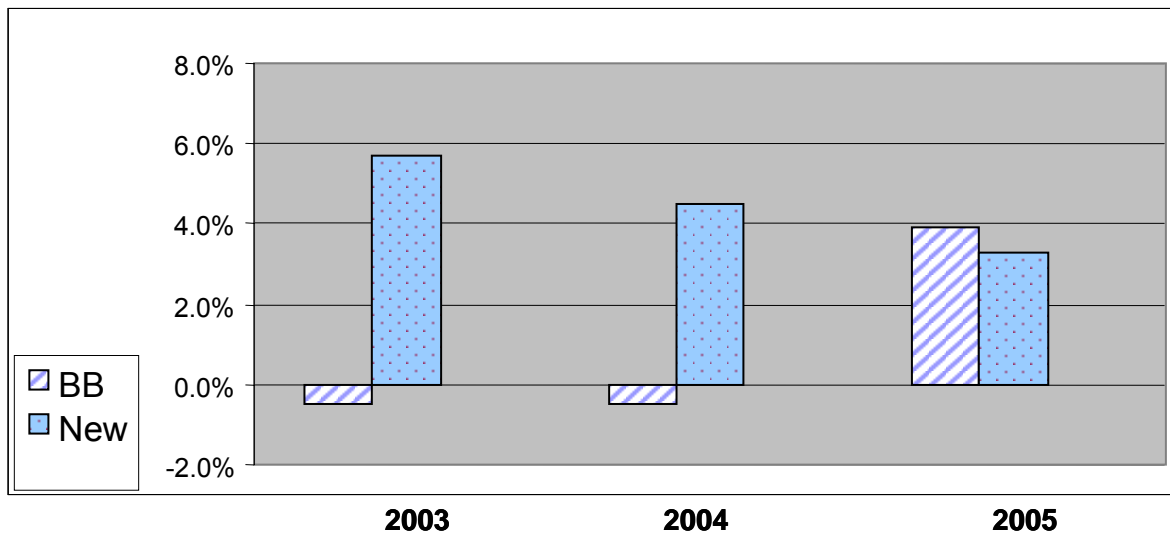
#### Strategic Imperatives

- New locations (expanded market coverage)
- Dispenser segmentation/targeted resources and programs
- Higher impact marketing (office traffic/brand development)
- Expanded training (product knowledge and the sales experience)



## Beltone U.S. Strategic Focus - Rationale

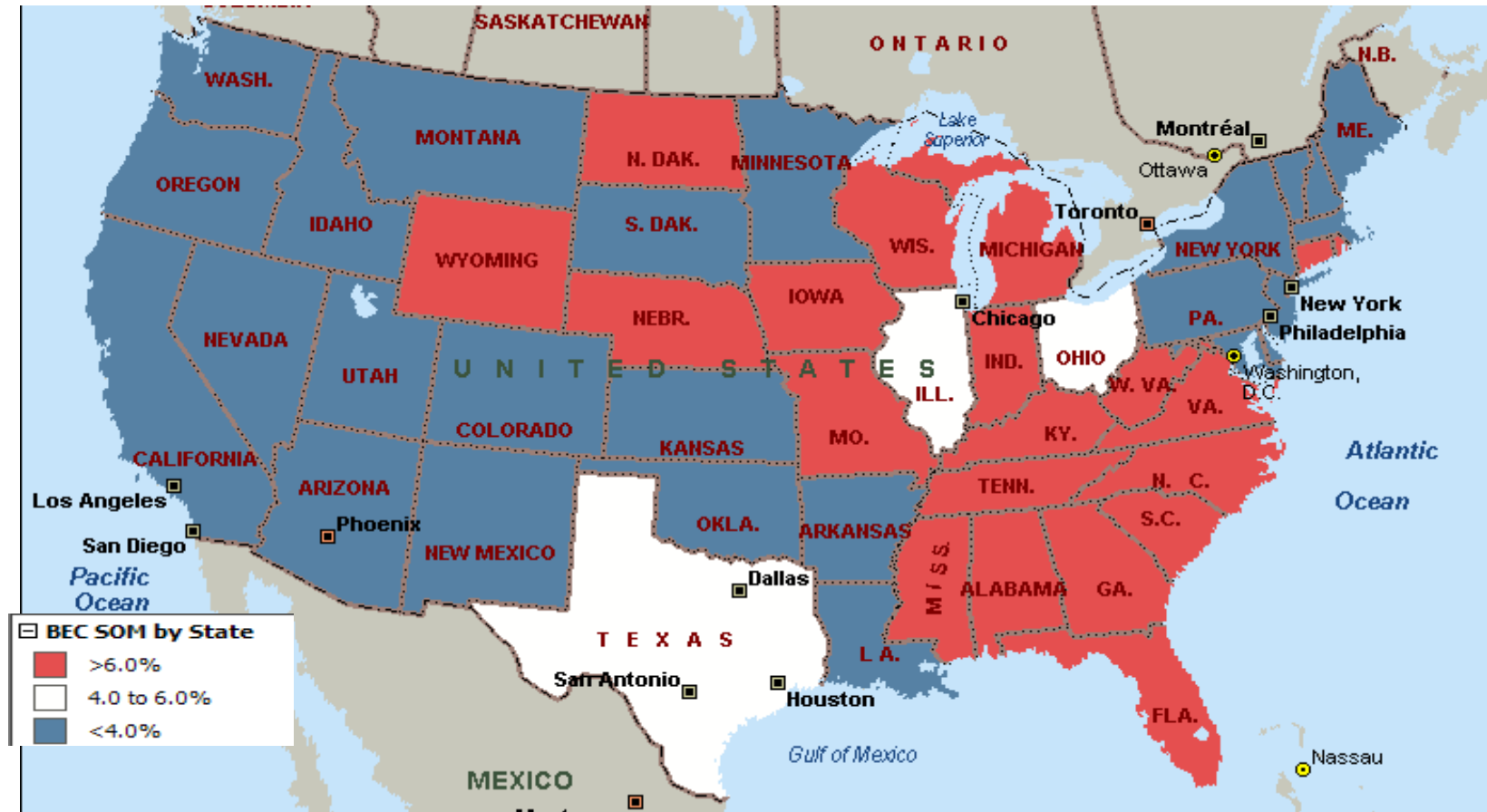
### Beltone Unit Growth (2003-2005)



- The Base Business under performed in the market historically, averaging flat unit growth in 2003 and 2004.
- New Distribution accounted for the growth in 2003 and 2004

**Beltone experienced a significant turnaround in 2005 by delivering growth in both New Distribution and the Base Business.**

## Strategic Objective I. New Distribution



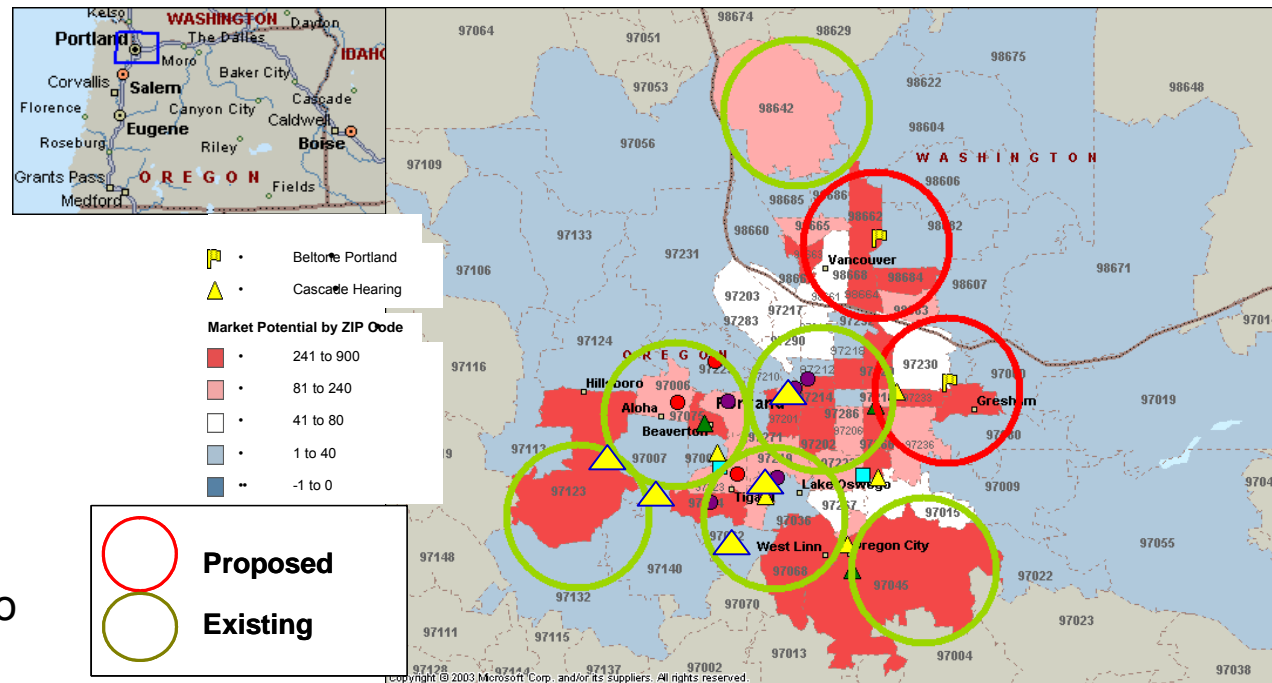
The Beltone strength and legacy has been in the Midwestern and Southeastern states. Distribution is weaker in the Western U.S., where a majority of available territory lies, and in the Northeast, where there is heavy population.



## I. New Distribution – Site Selection

- Key target markets are identified for expansion.
- Detailed mapping identifies potential locations based on demographic and competitive analysis.
- Beltone then calculates market potential through proprietary modeling down to the zip code level.

Example: Portland, Oregon U.S.

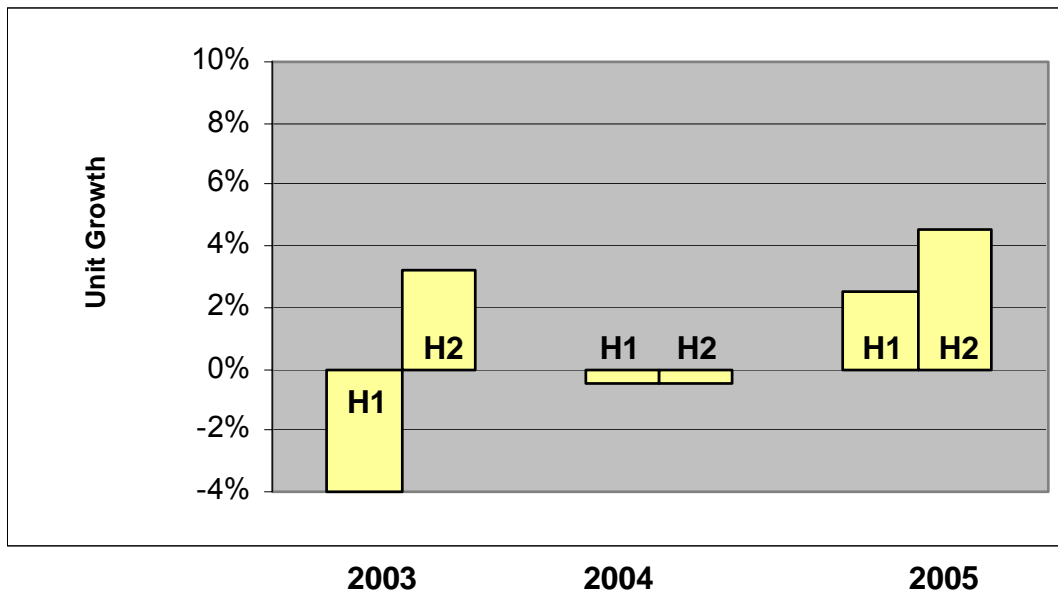


**Beltone's proprietary site selection mapping drives successful dispenser expansion.**



## Strategic Objective II. Base Business Growth

### Base Store Unit Growth (2003-2005)



Base business did not grow for two years

Key Turnaround Actions have included: Focus Segmentation; Marketing Planning; Improved Store Productivity Measurements





## II. Base Business Growth

<u>Segment</u>	<u>Description</u>	<u>2005 Growth Range</u>
A	Excellent performance; expected growth rate to grow above industry	8%-12%
B	Good dealer; potential to grow above industry growth rate	2%-5%
C	Moderate performer; slow growth	slight positive
D	Poor performer; focus on replacing or reducing territory	negative

- We have a number of high quality dispensers in the Beltone Network.
- Customized support to the needs of each segment is critical to driving the business and moving C's → B's and B's → A's.
- "D replacement" is necessary to position for future growth.

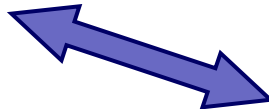


## Enhanced Marketing Value

### National Consumer Campaigns

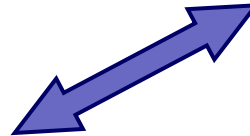
#### Consumer Elements

- TV
- Direct Mail
- Newspaper
- Radio
- Consumer Call-to-Action
- National Technology Trial
  - Edge and Corus Open



#### Dispenser Elements

- In-Store Training for Staff
  - Communication of the promotion
  - Product Demonstrations (DVDs)
- Featured Product Incentives
  - Unit discount
  - terms
- Local Marketing Planners



#### How We Measure Success

- ROI
- Pre vs. Post unit sales
- Direct Mail: Sales to mail matchback
- TV Call Volume
- Network Participation and Local Spending
- Customer Feedback

Edge ■

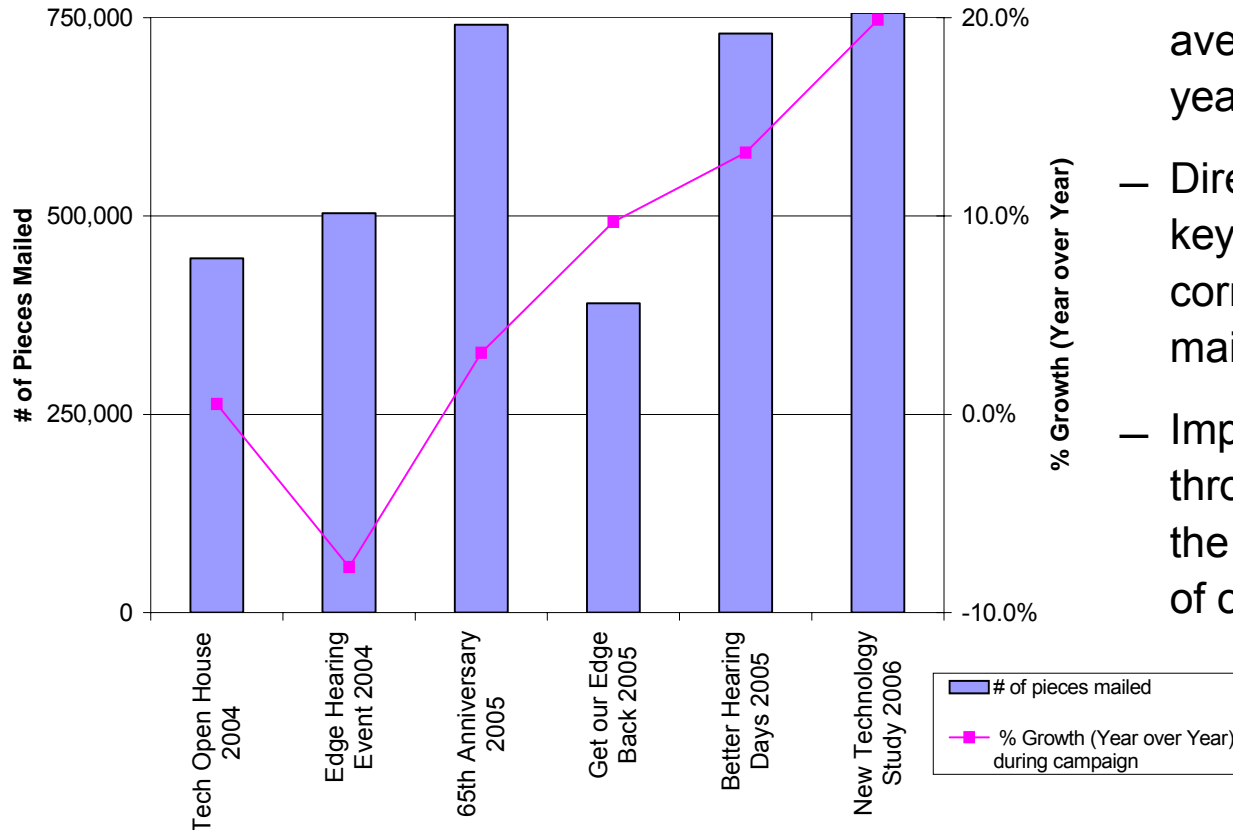
NTS ■

**National Consumer Campaigns are designed to drive office traffic and deliver incremental business – a key element of Belzone's Value Proposition.**



## Enhanced Marketing Value

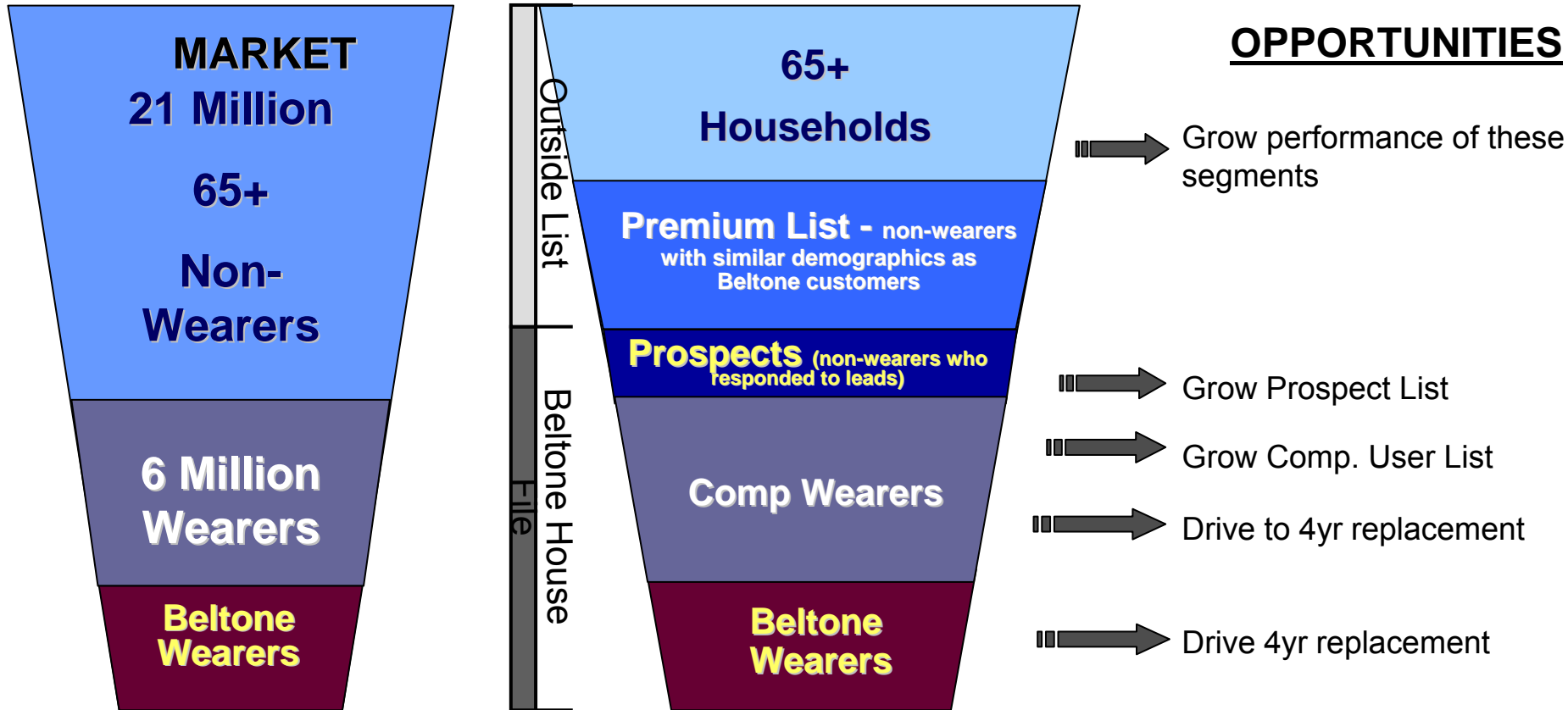
Beltone National Campaigns 2004-2006



- The first step in our improvement was event participation which has averaged over 70%+ the last two years.
- Direct mail volume is one of the keys to our success as the correlation between # of pieces mailed and sales rate is important.
- Improved execution and focus throughout the business has driven the participation and performance of our National Campaigns.



## Enhanced Marketing Value



Beltone's proprietary consumer database is a strong tool to drive consumers to dispenser locations. The database is a unique asset to Beltone's Value Proposition.



## Expanded Training

### Expanded Resources

- New building with current technology and "Learning Center" to support training efforts.
- New and additional people in the Training organization.

### Focused Execution

- Training linked with Sales to identify focus areas consistent with segmentation strategies.
- Training team linked to company goals of unit growth and mix improvement.
- Split responsibilities of training development and field training.

### Self-Guided Study Program

- Introduction of self guided training materials to support dispensers with training effort for new people.
- Up to 10 modules focused on sales product knowledge training.
- Sales Modules introduced at National Convention.

### Beltone University

- Class Instructions
- Technology Training
- New Dispenser Training

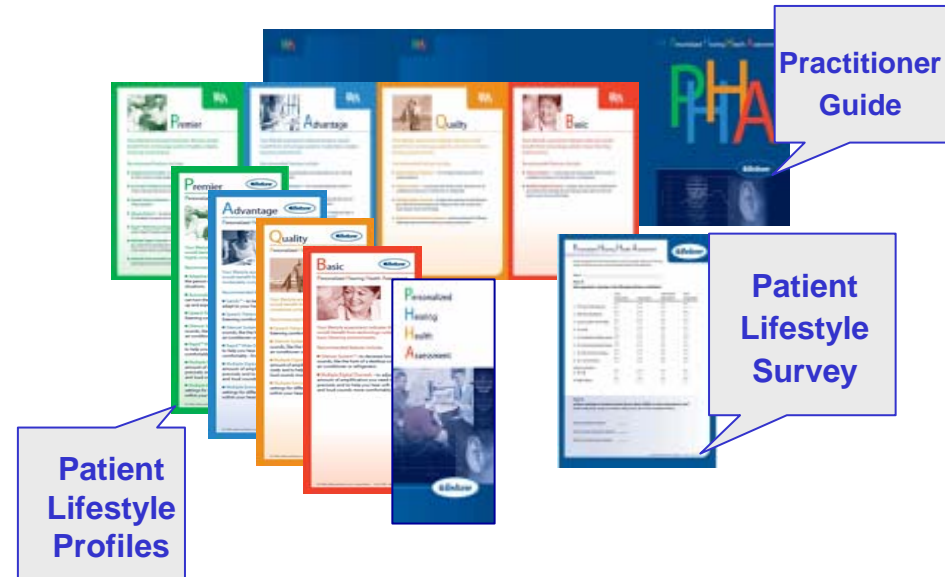
**A comprehensive training program is critical to deliver a professional, trustworthy and caring brand experience.**



## Expanded Training

### The Beltone Personalized Hearing Health Assessment (PHHA):

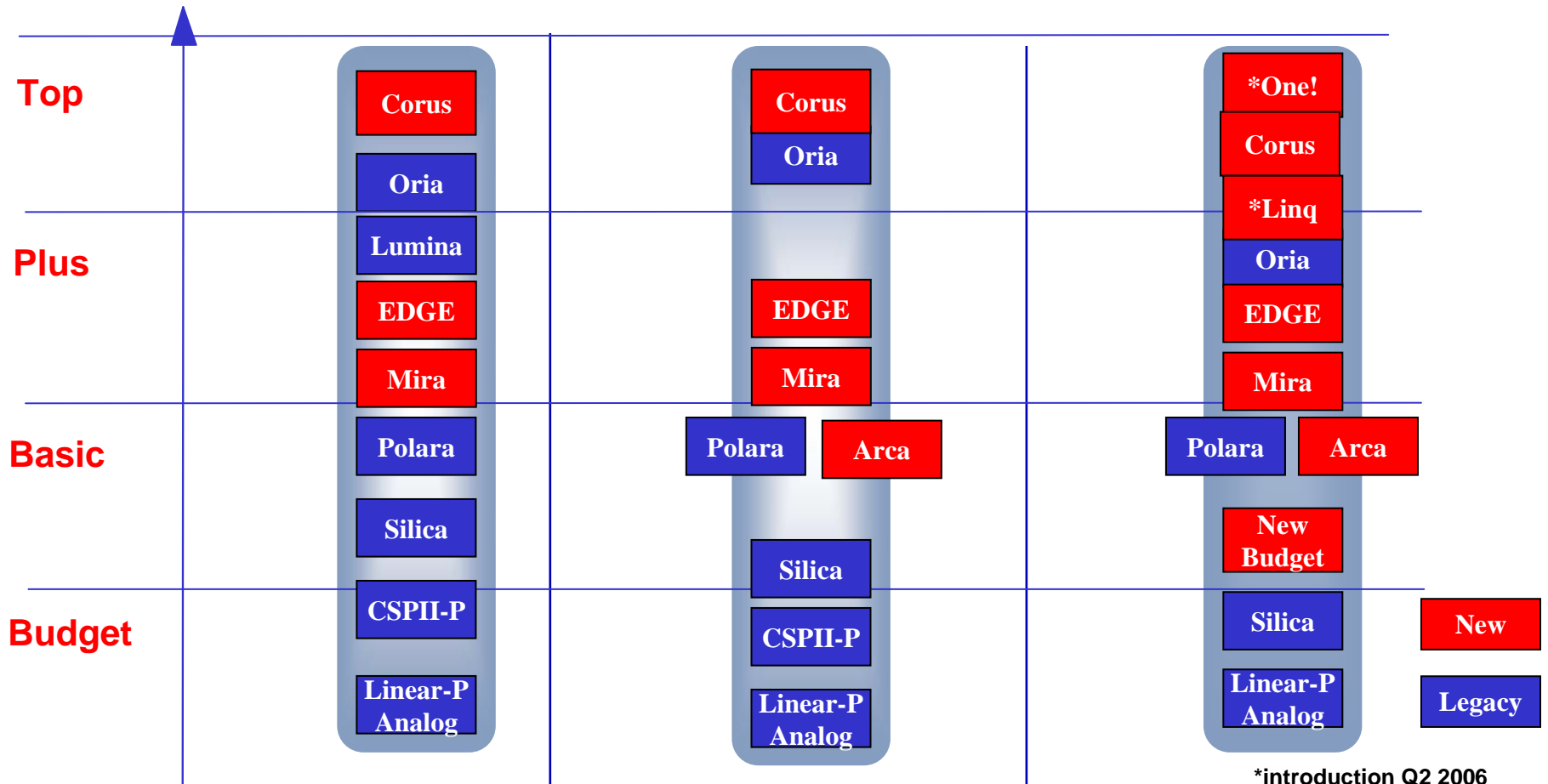
- Exclusive to Beltone
- Allows the consumer to be the technology decision-maker
- Uses a lifestyle survey and interactive protocol to direct product selection
- Ensures the patient will not undercut their purchase decision based on budget alone
- Helps the practitioner sell higher-end technologies



**Consistent with Beltone's Positioning we have invested in enhanced training capabilities to improve store productivity and quality of sale.**



### Beltone US : Product Mix



\*introduction Q2 2006

**Beltone has improved its product portfolio to include advanced feature sets at multiple price points.**



## Summary

- Beltone U.S. is confident in our strategic direction and positioning in the U.S. market place.
- The quality of the Network and our relationships are strong and in better shape than in any recent year.
- We have a refreshed product portfolio which allows our base business to grow and attracts new dispensers to the brand.
- Execution has improved dramatically as we have focused on sales and marketing innovation to drive the business.