Customer Case Study

Corona Direct

Insurance company increases long-term customer profitability by 20 percent

Company
Corona Direct/DEXIA
Country: Belgium
Industry: Property and casualty insurance

Application
Outbound customer acquisition

Product
SPSS PredictiveMarketing

Situation

Founded in 1931, Corona Direct is Belgium's second largest direct insurance company, employing 150 people and generating revenues of $25.8 million in 2002. A subsidiary of the Belgian-French banking and insurance company DEXIA, Corona Direct provides customers with products such as car, fire, and property insurance.

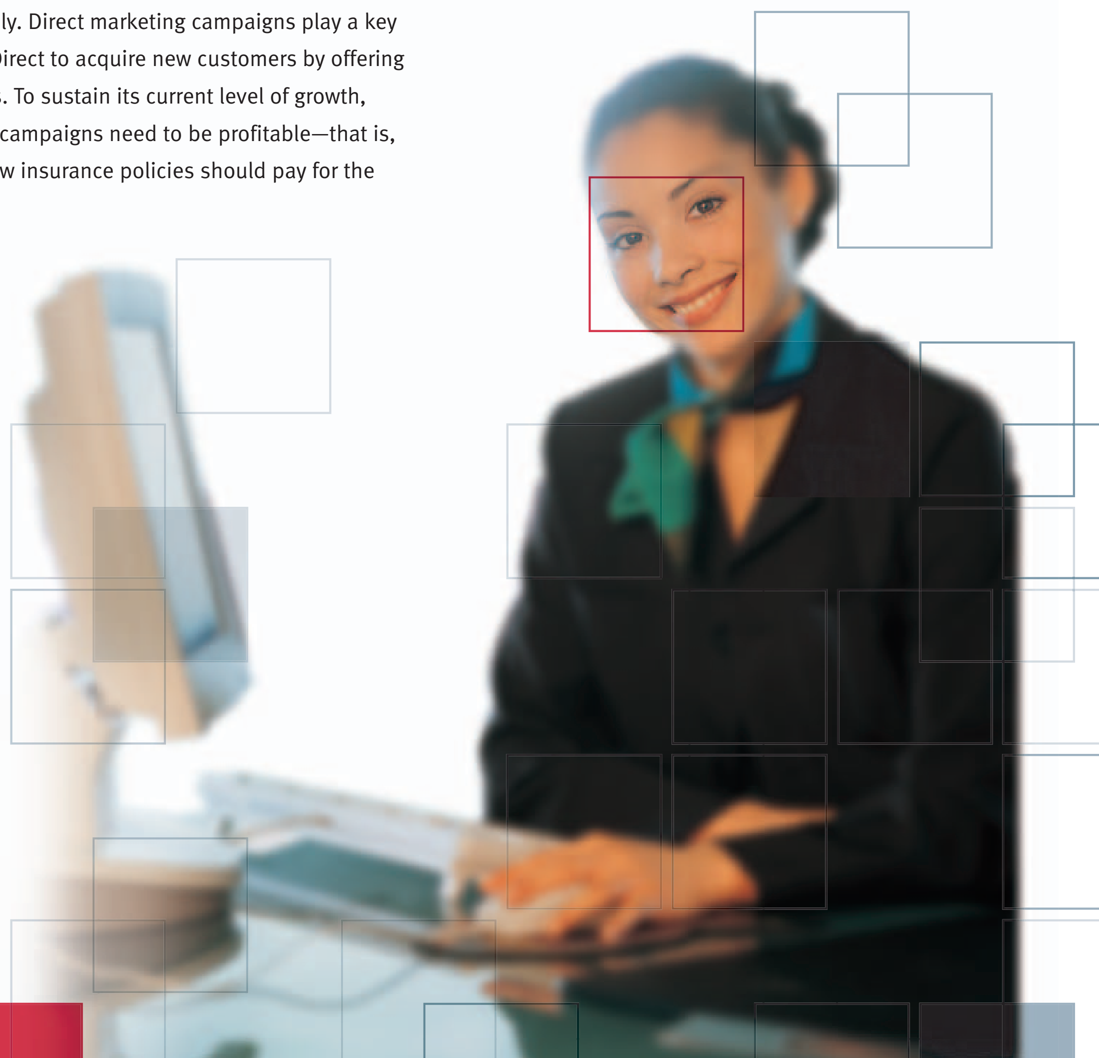
Corona Direct markets to prospects and customers through four channels:

- Direct marketing
- Its call center
- Its Web site
- Affinity insurance writing, through which it underwrites insurance programs for third-party vendors

Critical issue

Corona Direct has been growing rapidly. Direct marketing campaigns play a key role in this growth, enabling Corona Direct to acquire new customers by offering attractively priced insurance products. To sustain its current level of growth, Corona Direct's customer acquisition campaigns need to be profitable—that is, first-year revenues generated from new insurance policies should pay for the cost of the acquisition campaign.

However, in the past, the cost of securing new customers exceeded first-year revenues by almost 50 percent, putting Corona Direct's growth strategy at risk.



Solution

To turn its unprofitable acquisition strategy into a profitable one, Corona Direct implemented SPSS PredictiveMarketing. This application enables Corona Direct's marketers to efficiently create, optimize, and execute their outbound marketing campaigns. SPSS PredictiveMarketing automatically identifies groups for Corona Direct that are likely to respond to a campaign, and then performs a sophisticated profit-cost analysis, balancing growth targets against profit margins. With this dual focus on likelihood of response and expected profitability, Corona Direct is able to optimize its potential for growth.

Results

As a result of using SPSS PredictiveMarketing, the company's acquisition campaigns are now profitable. First-year revenues cover campaign costs, enabling Corona Direct to sustain its growth strategy. In addition:

- Campaign costs have been reduced by 30 percent
- Long-term customer profitability has increased by 20 percent
- Product sales have risen significantly
- Payback for the cost of the implementation was achieved within six months

"Two years ago we were mailing four million letters annually at an average cost of $.50 per letter. We decided on a strategy that would help us mail less while maintaining our prospect conversion rate, so we looked for software that would allow us to achieve this goal. After modeling with SPSS PredictiveMarketing and then fine-tuning our prospect mailings, we were able to reduce our costs by 30 percent while maintaining new customer conversion rates."

– *Philippe Neyt*
Commercial Director
Corona Direct

"SPSS PredictiveMarketing has exceeded our expectations. The results we obtained in successive mail campaigns during the pilot phase were very good. For Corona Direct, this is only the beginning. We are convinced that our success in cross-selling will be much higher, as our database managers gain more experience with the analytical software and build up a richer knowledge of customer needs. With additional data and cross-selling, we are expecting improvements of 50 percent and more."

– *Philippe Neyt*
Commercial Director
Corona Direct

"Using SPSS' software to gain a better understanding of our customers and market opportunities has enabled us to outperform the competition in both growth and profitability," explains Philippe Neyt, commercial director, Corona Direct. "Predicting the needs and profitability of individual customers and prospects is key to this growth. However, creating a profitable acquisition strategy is only the first step. We expect SPSS PredictiveMarketing to increase our success rate by 50 percent or more for targeted cross-selling and retention strategies."

Next, Corona Direct plans to use SPSS' PredictiveCallCenter application to increase cross-selling within its call centers and to create profitable retention campaigns that focus on high-value customers.

Corona Direct also plans to use SPSS' PredictiveClaims application. By analyzing historical data, modeling it, and applying predictive analytics, this application will enable Corona Direct to detect fraudulent claims, reduce the costs currently associated with false claim requests, and increase profits.

To learn more, please visit www.spss.com. For SPSS office locations and telephone numbers, go to www.spss.com/worldwide.