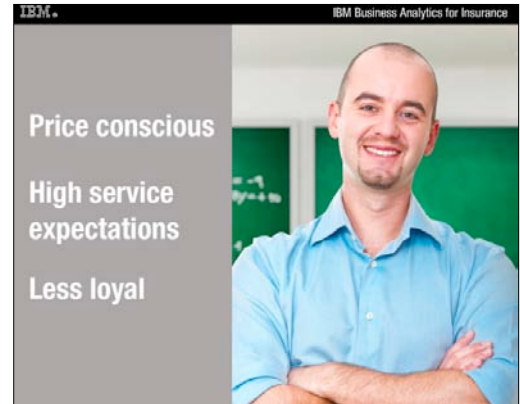


IBM Business Analytics for Insurance Demo
Customer Retention and Growth
Non-Flash Transcript
November 17, 2010

VOICEOVER:

Overview

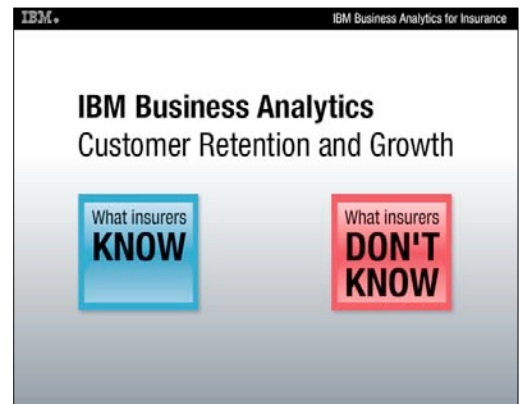
In the highly competitive insurance industry, customers are more price conscious, have higher service expectations, and are less likely than ever to remain loyal to the same company. So in order for insurance companies to retain customers, attract new clients, and offer differentiated services, they need to understand customer needs, behaviors, and preferences. IBM Business Analytics Customer Retention and Growth solution can close the gap between what insurers know—and what they don't—about the customers they serve.



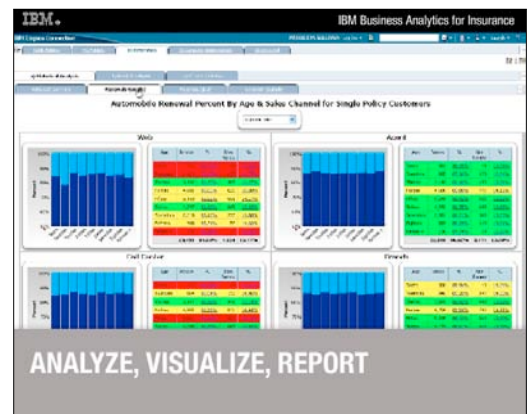
The IBM Business Analytics customer retention and growth solution combines the power of business intelligence, predictive analytics and decision optimization to help insurers improve retention and wallet share.

This advanced solution enables insurers to:

- Effectively micro-segment customers and markets,
- Analyze, visualize and report on customer policy, demographics and marketing data,
- Focus marketing efforts on customers likely to defect
- Identify customers for cross-sell and up-sell offers
- Predict responses to offers and understand customers' preferred channels,
- Develop proactive marketing strategies, and
- Monitor outcomes of marketing campaigns



Let's take a look at how one insurer proactively manages customer relationships to improve their longevity and profitability.



Scenario

HONEST Insurance is a global property and casualty insurer that has faced recent struggles to improve revenue in the face of increased competition, lackluster investment returns, and a demanding customer base.



CEO Joe Fortis begins each day looking at his executive insight dashboard. This morning, he's been alerted to a potential problem: a downward trend in auto policy renewals.



He emails Robin Murphy, senior vice president of the auto division, asking her to take a closer look at the issue and work with marketing to reverse the trend.

Robin opens her customized dashboard tailored to her preferences with at-a-glance views of departmental metrics, which will allow her to analyze the renewal situation.



She clicks on the renewal trends chart, which allows her to drill down for more info, viewing renewals by number of policies, channel, and age group. With the solution's intuitive dashboard, she is able to quickly identify an issue with Web renewals, especially with younger customers.

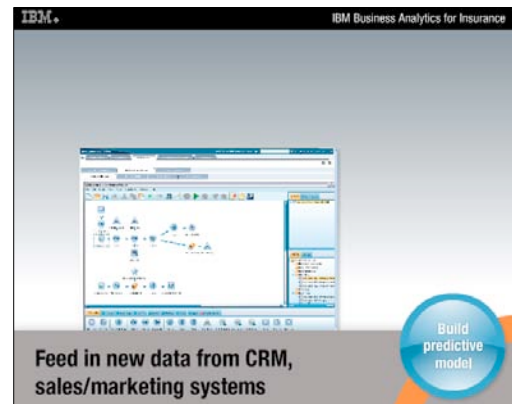


Robin forwards this information to an analyst for further investigation.

Martin Josh, a business analyst, receives Robin's request and starts to build a predictive model, finding hidden relationships in data that will help him predict the likelihood of customers to renew their policies. This predictive model is combined with pre-configured business rules that categorize customers as high, medium, or low risk to cancel or not renew.



Once the predictive model is complete, Martin compares it with historical information and a scoring model—providing predictions about which offers will perform best with specific customers or segments. And HONEST Insurance can constantly improve the accuracy of this predictive model by automatically feeding in new data from CRM, sales and marketing systems.



The predictive model results in recommended actions that are integrated into the company's CRM system, and Martin prepares a summary of the plan—all in time for Robin's 10 a.m. meeting with the Chief Marketing Officer.

With solid insight gained from historical customer data and responses, and predictive analytics to identify the best target audience, offer and channel, the CMO can develop a proactive, cost-effective retention marketing campaign targeted at auto policy holders most likely to drop their policies.



The predictive insights gained from the customer retention and growth solution provide the data Robin needs for a bi-weekly "Customers at Risk" report to her regional sales managers. And the Chief Marketing Officer can now direct his team to develop specific marketing campaigns to best service at-risk customers—such as an automated email campaign for producers or a social media campaign for Web savvy customers who frequent those sites.

This report helps Robin and her team identify customers likely to leave...BEFORE they leave.



And with decision optimization capabilities and customer scoring models, managers are enabled to provide the most profitable renewal offer, through the customer's preferred delivery channel, such as broker, call center, website, or other method. And managers can even predict the response to those offers.

The IBM Customer Retention and Growth Solution also helps monitor the outcome of campaigns, feeding that data back into the predictive models. This helps track ROI and justify marketing budgets. And as more data is captured and fed back into the predictive models, they become even smarter – helping Honest Insurance make better decisions over time.

Capabilities

Now, let's take a closer look at the specific capabilities of the Customer Retention and Growth Solution that we saw in the previous scenario.

A core capability is advanced analytics, including predictive modeling and decision optimization.

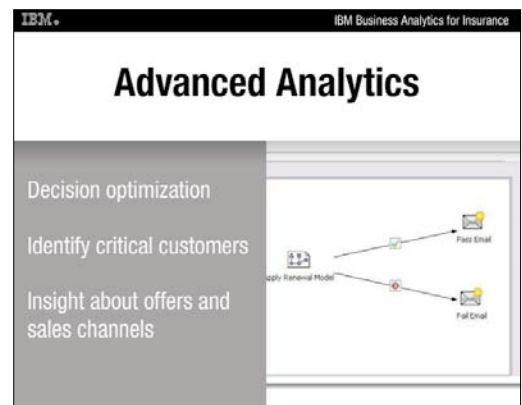
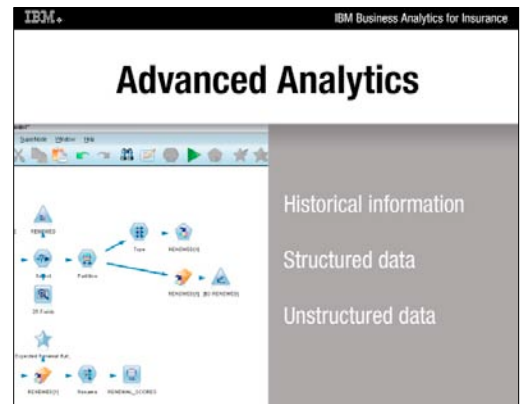
Advanced analytics uses historical information, structured data from CRM and finance systems, as well as unstructured data from call center transcripts, claims, or emails to help predict customers most likely to leave.

Decision optimization identifies which customers are most critical to retain, and provides insight about which offers they are most likely to respond to as well as the sales channel they prefer.

Advanced analytics enables data-driven strategy and marketing campaigns. And new responses and data can be continually added to the predictive model, revealing patterns and conclusions that may not otherwise be apparent.

Another key capability of the solution is business intelligence. Visualizations of customer and sales data and self-service analyses enable executives, customer service and marketing representatives to easily understand and develop strategies based on customer behavior.

These capabilities are all easily accessed through executive dashboards that provide at-a-glance views of key performance indicators and alerts when potential issues arise. Plus, highly intuitive analytics tools enable all stakeholders in the business to gain deeper insight into underperforming areas and to develop corrective action plans.



Analytical Process Section

The foundation of the analytical process includes three basic steps: capture, predict, and act.



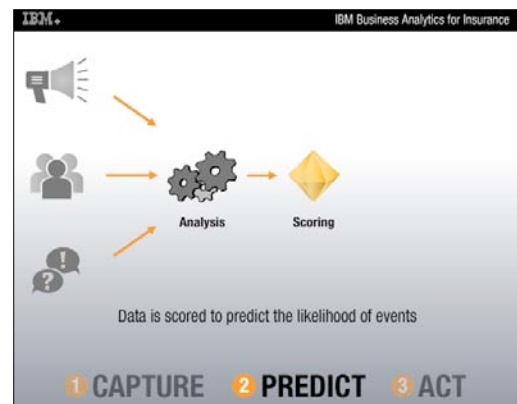
The first step—Capture—brings together both structured and unstructured customer data from multiple sources including:

- Marketing campaigns, including information about sales channels, offers, and responses to offers
- Service interactions, such as call logs, e-mails, surveys, and
- Customer data, like demographics, policies, and claims



Business users can then analyze this customer data and build predictive models. Data entered into these models is then scored and used to predict the likelihood of events, such as customers not renewing policies or a customer purchasing additional products or increasing coverage.

The final phase of the analytical process is to take action using the results of the predictive models. Actions might include generating a list of customers at risk so that regional sales managers can determine and execute the most cost-effective renewal offers, sending them to the right customers through the most effective sales channels.



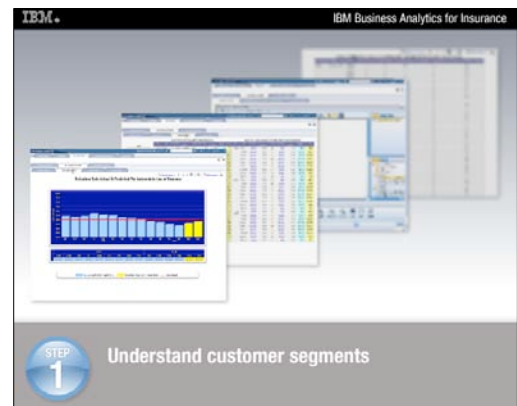
The “Capture, Predict, Act” steps take HONEST Insurance from collected data, through advanced analytics, to incorporating these insights into a data driven marketing campaign aimed at improving customer retention and growth. This process becomes a “virtuous cycle,” producing continuous improvement: New data is captured, enhancing analytical views. This then enables more accurate predictions to drive better decisions with a higher rate of positive outcomes.



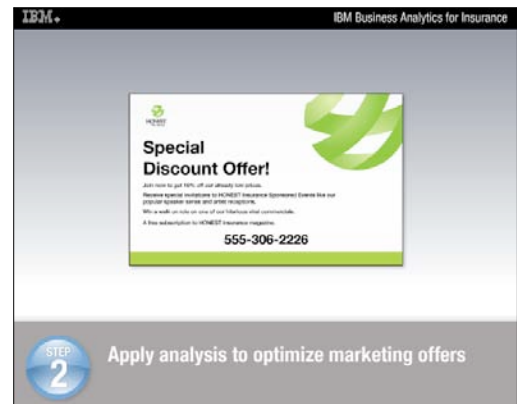
Journey Section

The Customer Retention and Growth Solution provides templates for dashboards and reports that are extremely easy to use. To demonstrate, let’s take a look at a quick summary of how HONEST Insurance used the solution to improve profitability and customer loyalty.

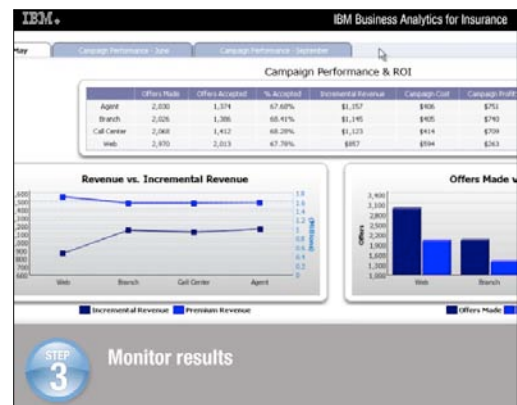
1. The first step involves compiling data from multiple data sources and systems and analyzing it to understand customer segments likely to drop their policies and what might motivate them to renew.



2. The second step is to use analytics and predictive models to optimize marketing offers according to customer segments. For instance, ‘at risk’ customers without claims may receive a special incentive for renewing early, or customers with two policies may get a discount on a third policy.



3. The third step is to monitor results. Custom reports enable stakeholders to track actual versus predicted renewals rates along with responses to marketing offers.



4. Finally, the fourth step is to feed information collected from customer interactions and responses to marketing offers back into predictive models. In doing so, HONEST Insurance is constantly improving the accuracy and effectiveness of its predictive models.

Summary

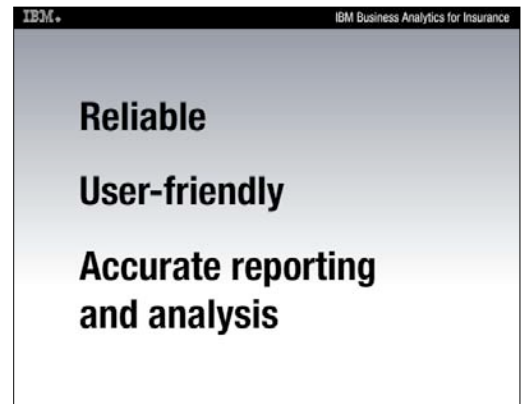
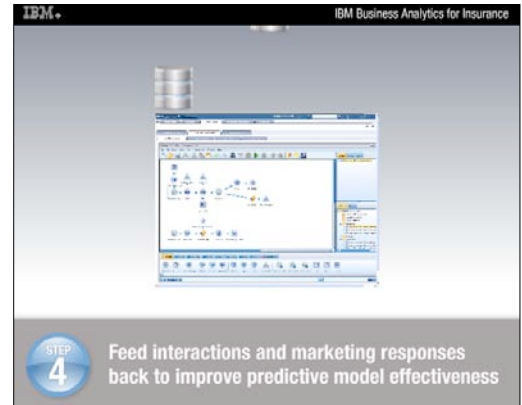
Four out of the top five property and casualty insurance companies trust IBM Business Analytics to deliver reliable, user-friendly, accurate reporting and analyses for users of many skill levels in every department.

IBM Business Analytics created the Customer Retention and Growth Solution based on best practices learned through years of experience helping insurers increase their revenue and maintain their profitability.

The solution consists of a set of predefined reports, scorecards and dashboards that give users at-a-glance insight to drive better business decisions and more profitable business outcomes.

So what were the results for HONEST Insurance?

- Increased profitability from reduced churn rates
- Greater wallet share from cross-sell offers
- Improved marketing ROI through pinpoint segmentation
- Proactive, differentiated customer service, and
- Improved customer satisfaction and loyalty



The Customer Retention and Growth Solution from IBM Business Analytics software allows insurance companies to predict the most effective marketing methods and tactics for maximum success in retaining and growing their customer base.



To learn more, visit us online at ibm.com/cognos/insurance

