



FARMERS

Farmers Insurance analyzes customer lifetime value with SAS®

Insurer fine-tuned strategy for early savings of 15 percent, ROI of 14 percent

Industry

Insurance

Business Issue

Analyze and model customer lifetime loyalty and profitability, determine distribution and marketing strategies and identify customer experience investments.

Solution

SAS Analytics

Benefits

With SAS, the insurer increased ROI by 14 percent in its direct marketing efforts and developed a holistic approach to drive sustainable profitable growth.

Farmers Insurance Group, the third-largest US personal lines insurer, uses SAS to analyze and model customer lifetime loyalty and profitability, determine distribution and marketing strategies and identify customer experience investments. Early results include a more sophisticated approach to direct marketing, which increased internal rate of return by 14 percent.

Farmers analyzed its customer data and found that the top 20 percent provided nearly 80 percent of its revenues. That data provided an interesting question for Murli Buluswar, Vice President of Insight and Innovation at Farmers. His team's mission is to explore uncharted territory and enable strategy through the use of analytic insight. In this capacity, his team's mandate is to support business units "to answer questions with a high level of analytical rigor and enable more informed decision making."

According to Buluswar, SAS Analytics is the foundation of everything his team does and is now fundamentally shaping Farmers' strategy. "The insight piece of this is that we've discovered something about an aspect of our business through the use of data and modeling," said Buluswar. "The innovation of it then is, 'How should we change our practices such that it adds value to the organization?'"

Buluswar and his team are using SAS to understand their best customers at a granular level, both in terms of who they are and what their attitudes are. "This is the foundation shaping multiple aspects

of our interaction with our most valued customers," he said.

Understanding customer lifetime value

One of the questions that Buluswar's team asked is, "How may we adapt our branding, direct mail, agency location and behavior, and pricing to attract higher-lifetime-value customers?" Using SAS, Farmers now understands more of the customer lifetime value ramifications at every level of customer engagement starting with brand awareness and ending in retention.

"This is a holistic, customer-level view toward growth, not just a policy or a product view. This customer view enables us to live up to our brand promise," said Buluswar. "SAS is helping us make informed decisions at a granular level in order to drive a comprehensive strategy."

Subtle changes, meaningfully higher returns

SAS is changing the way Farmers views marketing campaign data. In the past, Farmers measured the success of its direct mail campaigns based on the number of those who responded and the number of sales completed. With SAS and the customer lifetime loyalty model, the insurer can see that not all sales are equal.

"We can now make more sophisticated decisions that improve the ROI on our direct mail strategy," said Buluswar. "And the incremental impact on our internal rate of return on the direct mail has been 14 percent."

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Murli Buluswar
Vice President of Insight and Innovation

SAS® fine-tunes agent distribution

The industry standard by which agent performance is measured is number of policies sold and in force. The analysis of the customer lifetime data allows Farmers to tie agent performance to a powerful measure because it takes into account not just the number of customers and policies but also the future revenue streams from customers, and the implications to incremental profitability.

“At the simplest level, using SAS to understand who our most profitable customers are helps us understand which agents are driving greater value,” said Buluswar. “Our goal is to understand what those agents are doing

differently to attract more high-lifetime-value customers.”

The important considerations are the agents’ marketing practices and attitudes, their customer experience, and factors related to storefront and location. Understanding those success factors will support a comprehensive agent distribution strategy.

“Understanding customer lifetime value helps us determine where we place our agents, how we reward them, and what factors actually improve customer loyalty,” said Buluswar. “While we haven’t seen the immediate ROI for that, we think that’s an important investment for the company.”

Insight and innovation looking forward

Buluswar says that using analytics to answer questions that haven’t been asked takes a back-end function and turns your organization into a forward-thinking, cutting-edge dynamo. He says that’s what Farmers has done with SAS.

“SAS is an ideal platform for any group that is trying to drive analytics and really take a more science-driven view of the business,” said Buluswar. “It’s like saying I want to make a train trip. You really have to be using Amtrak for that unless you’re hitching a ride on a CSX.”



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