LAZARUS

Powered by DATA XL

PROBLEM ADDRESSED BY THIS INNOVATION

Data XL allows insurers to set-up the win-back price

We know that the client has left the company.
We know that it's necessary to present a lower price, if we want to win-back former customers.
But how low should the price be?
We can answer this question.

KEY BENEFITS

- You can have the first results in 10 weeks' time (in a PoC)
- It is not necessary to offer a big discount to win-back the former customer
- Identify the features that customers value the most and more importantly how much are they willing to pay for them
- No setup cost & No IT layer
- We can use your outbound call center to have the costs under control

MAGIC METRIC

In our experience with motor the Return On Marketing Investment is >60% (including Data XL fees). Nevertheless, it will depend on the market.

WHY IS DATA XL DIFFERENT

1. **We focus on the profitable customer subject to "Willingness to Came Back".** If the lost customer was a difficult one and refused the past insurer renewal offer we should make a counter offer (but profitable) that the client can not refuse.
   The idea is simple:
   - An insurer call center can ask a former profitable customers where he is now (in some countries this is public information);
   - With market price (see Insurance pricing room) is possible to know the price practiced by the competitive set and with the "willingness module" it is possible to make an offer that the customer will accept.

   There is no need to offer a bigger discount - we help insurance companies to offer just a sufficient one!

2. **How do we measure the "Willingness to Came Back"?** Companies spend huge sums on direct marketing to win-back customers. Yet the return on marketing investment (ROMI) is often poor because the response rates tend to be very low — usually less than 2% and often less than 0.5% — and rates have been declining.

   To cope with this, many organizations (still) use traditional A/B testing approaches, that test one sort of offers versus another. We take A/B testing to the limit and test several variables/factors at the same time.
   The power of this statistical approach is that it increases response rates by massively increasing the conditions of win back campaigns and identifying which variables are correlated with the customers behavior.

3. **Can we really understand why did the client left? Maybe the price was not the true reason for the client lapse.** In the insurance sector, and in the short run, is very difficult to find why customers left. There are not many touch points in the insurance sector. Claims can be a relevant segment variable, but besides that specific variable we can only use the risk factors and the price of the competitive set.

   But a price discount sometimes is not the most profitable answer. So we ask at least two more probing questions to find out exactly what the insurer could do to improve the offer. Insurers may not get them back at a very profitable price, but will have information to design new products or procedures that are more customer focused.

SOLUTION DESCRIPTION

Data XL platform – Lazarus – has the following modules:

- **Cost base pricing /actuarial pricing**: measure the prospective cost of a claim and help insurance companies to redefine their cost structure. Data XL prefers that the client provides this information as an input, using their one knowledge and expertise.

- **Market Pricing (optional)**: an algorithm that, with experimental design and a brokers network or web crawling, can accurately capture competitor pricing.

- **Willingness to came back:** an experimental design model (with a some proprietary elements) to predict the customer's willingness to return. This model uses the market information and the cost base pricing info, as an input.

- **Optimal Pricing:** using mathematical techniques to design the best price: a price that reduces allows a better margin and that maximizes the share of preferences for a specific win-back campaign.

Our mathematical algorithm is more comprehensive than others on the market. In fact we are the only ones that combine risk cost, competitors' view and derive a willingness to came back function.

Furthermore, while our competitors opt to sell a software platform not a solution, they do not isolate the price from other marketing mix elements. Therefore, their solution is based only on (lowering) the price.

There is no need of another technological layer. Data XL uses an API.

To run a pilot Data XL needs the following information:

- Risk factors;
- Cost price for each combination of risk factor ;
- Indication of the competitive set;
- Means to buy information from brokers and from relevant players in the market;
- Access to renewal portfolio to backtest our elasticity model;
- Willingness to conduct a new price marketing price;
- Access to the insurer outbound call centre;
- Possibility to address former clients without a broker intermediation.

PREVIOUS AND EXISTING CUSTOMERS

- Portuguese biggest insurance company
- Small direct company in Portugal
- Project with medium Portuguese company - just for cost and market price.

(clients can be disclosed on request and after a NDA)

CASE STUDY

We can provide a simple spreadsheet so you can calculate the Return of Marketing Investment (ROMI) for this simple campaign.

The same can be found at: https://data-xl.com/lazarus.