



AIG Assurance®



Canada Post: AIG Assurance Case Study

Test Campaign Demonstrates the Value of Targeting

Insurance company uses Addressed Admail™
service to attract clients



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*David Roberts
Marketing Director
AIG Assurance Canada*

AIG Assurance Canada and AIG Life of Canada are part of American International Group Inc., a large network of companies that provide insurance, retirement and financial services to commercial, institutional and individual customers around the world. In Canada, AIG enjoys a healthy share of the market for full life insurance.

The company secures the vast majority of its customers through direct marketing—telephone solicitations, mail-in coupons published in select magazines and application packages sent directly to the homes of potential customers. Addressed Admail service is the cornerstone of the company’s marketing efforts; AIG relies on Addressed Admail to deliver several million pieces each year in a series of campaigns.

“Addressed Admail is a proven performer for us,” says David Roberts, Marketing Director for AIG Assurance Canada. “We send out application packages that include a wealth of information. Potential customers can study the materials at their leisure and then make up their minds. Direct mail is also cost-effective. Most of our policies feature small premiums—about \$20 per month—so we can’t afford to spend large sums of money to attract new customers. Overall, we’ve been happy with the results we get from direct mail.”



Although Addressed Admail service has been successful for AIG, some campaigns perform much better than others. To generate a steady flow of new customers, Roberts and his team continually adjust AIG’s direct mail campaigns.

Fine-tuning direct mail campaigns

AIG acquires the mailing lists for its campaigns from two sources: an internal database and private brokers. The company maintains a large database with contact information for existing and previous customers, along with people who request information. AIG also relies on brokers who provide access to a broad range of mailing lists, according to Roberts.

“Finding new groups of potential customers is a big part of our challenge,” he says,

“and using a variety of different list brokers helps us do that. When it comes to the addresses we mail to regularly, we must walk a fine line. For some people, several identical mailings will inspire them to sign up; for others, though, receiving multiple copies of the same package makes them less likely to sign up.”

Roberts and his team track the results of each mailing carefully. Lists that perform poorly are often retired temporarily. The timing of campaigns is another important consideration.

“The results really taper off during the summer and in the weeks leading up to Christmas,” says Roberts. “Most of our campaigns take place between January and April, and from September to November.”

Targeting for better results

In 2007, Canada Post offered to help the company improve the performance of its campaigns through the use of targeting. AIG agreed to partner with Manifold Data Mining—a company specializing in customer and market intelligence—on a test campaign.

Manifold analyzes research published by groups, such as Statistics Canada and the Bureau of Broadcast Measurement, to identify commonalities among Canadians in each six-digit postal code across the country. The commonalities include demographics, household spending patterns and lifestyles. Using this data, Manifold can provide a company with an accurate description of its current customers, and also identify qualified prospects—people who share attributes with a company's current customers. For many clients, Manifold develops lists of six-digit postal codes whose residents are most like existing customers.

For the test campaign, AIG chose to promote its most popular product: Guaranteed-Life *Plus*. Guaranteed-Life *Plus* enables people between the ages of 40 and 75 to obtain affordable life insurance—acceptance is guaranteed and no medical examination is required. Direct mail campaigns are central to AIG's marketing strategy for Guaranteed-Life *Plus*.

To begin, Manifold analyzed the postal codes associated with a select group of Guaranteed-Life *Plus* policyholders: those who had been customers for three to five years and had never missed a payment. The postal codes on the list were then compared with those in Manifold's database to identify matches. Manifold further analyzed the data associated with matching postal codes to develop a profile of Guaranteed-Life *Plus* customers.

"I think the profile helps us get to know our customers a little better," says Roberts. "With this information, we can improve the way we communicate with existing and future customers."

Manifold then applied its model of Guaranteed-Life *Plus* customers to its master list of all 740,000 residential postal codes in Canada. The codes were ranked in descending order of similarity—the addresses that most closely matched the profile appeared first. The list was also divided into deciles—10 groups of 74,000 six-digit postal codes each. In theory, appeals to addresses in the top decile of postal codes would yield significantly better results than those sent to other groups.

Two factors that affect the outcome of AIG campaigns

- **Determining the optimum number of appeals:** While repeated direct mail appeals from AIG do spur some people to sign up for policies, the results tend to decline with each wave of mailing. AIG adjusts its direct-mail campaigns continually, based on response rates.
- **Inconsistent quality of mailing lists:** Some lists perform much better than others. AIG constantly strives to find lists of potential customers that produce above-average results.



Proving the value of targeting

To test the theory, AIG sent application packages for Guaranteed-Life *Plus* via Addressed Admail service to postal codes in three groups: deciles one and two—the groups most like existing Guaranteed-Life *Plus* policyholders—and a control group, comprised of addresses chosen at random. All of the addresses were taken from lists rented from brokers regularly used by AIG.

In late October, AIG sent out more than 200,000 copies of its application package with the company's standard, time-limited offer of Guaranteed-Life *Plus* coverage. The company then tracked the responses it received in the weeks following the mailing.

The results demonstrate the power of targeting. The first decile (prospects most like existing customers) yielded approximately 23 per cent more sales than the control group. "We were pleased with the results generated by the top decile," says Roberts. "There's no doubt that targeting boosted the number of Guaranteed-Life *Plus* customers we gained through the campaign."

The test also yielded valuable information about the processes AIG uses to conduct direct mail campaigns—insights that Roberts says will improve the effectiveness of future campaigns.

Test points toward valuable lessons

The first bit of intelligence has to do with the timing of the test campaign—due to various delays, the application packages went into the mail late. A second insight relates to the quality of the mailing lists used in the campaign.

"The results generated by any list will diminish over time," says Roberts. "I think people on an overused list get tired of hearing from the same company."

Roberts also believes that updating the company's direct-mail strategy would also help boost results. AIG intends to study the results of the campaign more closely to see if it can gain any additional insights. In any event, Roberts says the test clearly demonstrated the value of targeting.

"The results of this test campaign will certainly inform our future campaigns," says Roberts.

About Canada Post

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