



## DRIVING AHEAD WITH THE OVER 50s

Faced with a decline in policy inforce of 60%, Post Office concentrated on its brand affinity with the over-50s customer segment, to achieve mind-blowing results. RICHARD PENNANT JONES, Head of Financial Services Marketing at Post Office Financial Services, reports.

### THE CHALLENGE

Since May 2009, the policy inforce count of car insurance has dropped by 60%, with the decline caused by a significant worsening in product competitiveness. This in turn has led to declining seller confidence, and a lack of product focus. Increasingly marketing-led CPAs brought further challenges as more and more activity had to be stopped.

The challenge facing both product and marketing teams within Post Office was to reverse the inforce decline and grow policies by 10%, while commercially delivering positive return on investment (ROI).

# ROLE MODEL: INFORMING STRATEGIC DIRECTION

## THE STRATEGY

**Insight:** Although Post Office is a universal brand, car insurance appeals predominantly to an over-50s customer base, which accounts for over 60% of quote volumes (*source: Brands database*). This segment converts significantly better than all other segments, with greater brand loyalty (*source: conversion data*) and with more than 40% of over-50s visiting a Post Office each week, this provides natural footfall and strong brand affinity.

Our customer research identified that free breakdown cover was liked by customers with the take-up of our Keycare upgrade also favoured by the over-50s. Financial analysis supported the commercial case for including both previously optional upgrades within the core product.

## 'WITH MORE THAN 40% OF OVER-50s VISITING A POST OFFICE EACH WEEK, THIS PROVIDES NATURAL FOOTFALL AND STRONG BRAND AFFINITY.'

**Impact:** Since May 2008, no advertising had been undertaken, with PO share of voice (SOV) less than 0.02%.

Econometrics showed a close link between SOV and market share, indicating that without supporting spend it would be difficult to transform the business performance (*source: Brand Science Dynamic Jones analysis*).

**Return on investment (ROI):** By focusing product and communications resource on the over 50s segment, we could reverse customer decline and provide a basis for a sustainable step change in sales. The principal elements to support this strategy were:

- proposition development
- channel engagement
- effective direct customer communications.

Fundamental to this marketing campaign was strengthening conversion rates and targeting an audience already inclined to the brand. The expected impact of the strategy was increased sales force confidence, and increasingly efficient CPAs.

## THE EXECUTION

- A relevant customer offer of free RAC breakdown cover was researched and introduced to increase customers' reasons to choose Post Office.
- Introduction of a specific over-50s customer product: using competitor benchmarking, enhancements were made to the existing generic product to meet the needs of over-50s customers, such as incorporating the Keycare product as standard.
- Securing of over 50s pricing enhancements: working with a number of panel insurers to secure pricing improvements which were passed on to customers.
- Implemented an efficient over-50s communications programme, over and above the existing generic car insurance communications:
  - a. Branch literature – a specific over-50s leaflet was developed and distributed to over 11,000 branches. Posters promoting car insurance and over-50s car insurance in 11,000+ branches between December 2011 and February 2012.
  - b. Web brochureware promoting the new over 50s product.
  - c. Incorporation of over-50s messaging into acquisition programmes.
- Implementing a hard-hitting direct marketing communications plan with:
  - a. Direct marketing programme specific to over 50s customers. Mailing programme off the back of in branch renewal date capture, lapsed, enquirer and cross-sell files, with 200,000 mailings per month.
  - b. Implementing ATL radio and press direct marketing programme to uplift in branch, web and BTL direct marketing activities.

## PROOF THAT IT WORKED

As the first campaign since 2008, the performance exceeded expectations.

### Objective

- increase policy inforce by 10% beyond 240,000
- increase sales from branches by 50%
- increase branch conversion rates to 20%
- increase the percentage of over-50s customers as a percentage of total new business
- increase overall direct mail to sale rates beyond 0.5% through targeting over-50s customers

- increase website hits by 20%
- demonstrate ATL direct marketing can generate efficient sales uplift.

### Achievement

- Target reached by 20 March 2012.
- Policy sales before and after the start of the campaign, and YOY, have increased across branch. Branch sales YOY have increased by almost 250%.
- Conversion rates have increased beyond 20% target since December 2011, hitting 21% in January 2012.
- The shape and profile of new business customers has aged significantly, with a 6% increase YOY on over-50s business, which now accounts for over 60% of new business customers.
- Through tailored messaging and renewal date accuracy we have exceeded target of 0.5% and are now over 1% MTS rates for the first time.
- Website visits to car insurance web pages increased by over 45%, with 30,000 extra visits alone between 16 January 2012 and 20 March 2012.
- Econometric evaluation showed ATL generated over 4,700 incremental sales at a CPA of £128.

## VALUE ADDED

The campaign has informed future strategic direction, with segmentation at the heart of our medium-term planning. This approach has had many additional benefits:

- 200% increase in sales is a major achievement
- policy inforce uplift of over 10% policies up to the end of March 2012
- campaign lifetime value contribution of £1.68 million generated
- since end of April, the base level of branch sales is up 82% as compared with before the campaign
- since end of April, the base level of direct sales is up 51%
- based on econometric modelling, the direct marketing programme has been extended and is now a core part of marketing mix. ■

