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In the
Right Market

**AIG Travel Guard ensures prospecting success
with analytics, enhancement and modeling**

Trina Sankey, senior
project manager, and
Carol Mueller, director
of marketing communications

By Amy Syracuse

In the
Right
Market

For AIG Travel Guard, homing in on prospects
who look like the company's best customers
is a matter of dollars and sense

It's not always what you say.
Sometimes it's to whom you say it that matters most—at least that's the experience of the direct marketing team at Wisconsin–based AIG Travel Guard, a leading travel insurance plan provider and part of the American International Group Inc. conglomerate. Charged with growing the company's consumer direct business, the team had long sought to home in on prospects that fit the image of its typical customers: the "NPR [National Public Radio] crowd," as Carol Mueller, AIG Travel Guard's director of marketing communications, describes them.

"They're empty nesters … They're in a higher income bracket. They have a computer, and they're Internet savvy," Mueller elaborates. "They obviously like to travel. They drive nice cars. They're into investing … fine wine … gardening and fitness, and they listen to public radio." But in a nation with more than 300 mil-lion residents, pinpointing the ones who fit neatly into this well-defined niche is, perhaps, easier said than done.

AIG Travel Guard launched its consumer direct marketing program in late 1999—focusing mainly on customer retention—but Mueller says it didn't have "much success finding people like our current customers and doing more of an acquisition marketing initiative." A partnership with Olathe, Kansas–based Ruf Strategic Solutions, specialists in marketing research and database marketing intelligence, changed that. Leveraging the agency's travel and tourism expertise, targeted list services, advanced analytical and modeling capabilities, and Navigator^{SM} online customer relationship management system, AIG Travel Guard has succeeded in achieving two seemingly incongruous goals: casting a wider net with its direct mail while simultaneously narrowing in on the most qualified prospects.

Carol Mueller, director
of marketing communications,
and Trina Sankey,
senior project manager

Understanding Customer 'Clusters'

At the heart of AIG Travel Guard's direct marketing strategy is the often-invoked Pareto Principle, suggests Jake Ruf, Ruf Strategic Solutions' vice president. "We're looking for the 20 percent of your customer base that give you 80 percent of your revenue. Let's focus our marketing expenditures on that group and treat these people differently."

In order to find that 20 percent, AIG Travel Guard first needed to qualify the data points that distinguished buyers of its travel insurance from the rest of the pack. The nature of the product meant AIG Travel Guard's customer database already housed a wide range of information about the individuals who had purchased insurance coverage and their travel habits.

"We're pretty robust in the type of data that we collect because it's an insurance product," explains Mueller. "We're able to get information on the individual, but we're also able to get information on their trip and where they're going, the type of trip they're taking [and] if they're getting a rental car."

Ruf Strategic Solutions' analysis of the AIG Travel Guard database focused on people who had done the "right" thing, notes Terry Berggren, the agency's director of destination marketing. "In different tourism communities, the 'right' thing means different things to different people," he adds. "In the case of Travel Guard, a trip insurance provider … they had to travel and they had to buy."

Data was evaluated according to Ruf's proprietary "cluster" system, which segments the United States' 124 million households into 144 unique groups or clusters. Each is defined by demographic, lifestyle and credit traits derived from the Experian INSOURCE^{SM} Database, the U.S. Census Department and Simmons Market Research, and by how the cluster's dominant traits compare to national averages.

"Cluster analysis identifies similar subgroups, or clusters, of a population," explains SallyAnn Gray, marketing manager, Ruf Strategic Solutions. "Ruf does this at a household level, meaning we group similar households together, as neighborhoods and ZIP codes do not offer the granularity of household [segmentation]."

According to Berggren, the analysis yielded positive results. "Many of the [client's] suspicions were confirmed and many more lifestyle traits were identified. We have been able to isolate prospects that are likely to engage in a trip where trip interruption insurance would be desirable."

Among the lifestyle traits that emerged as indicators of prospective AIG Travel Guard customers were affinities to airline frequent flyer programs and allegiances to hotel brands and/or car rental agencies.

Sourcing Targeted Lists

To put intelligence gleaned from the cluster analysis into action, AIG Travel Guard takes advantage of the targeted list services offered by Ruf Strategic Solutions. In addition to data appends to housefiles, Ruf can provide lists that include nearly 2,000 lifestyle and brand preference selections for more than 170 million consumers in 110 million U.S. households. This allows marketers to drill into any given geography and get a desired quantity of prospects to mail within their preferred clusters.

"If we've got an order for 100,000 records and we can define that as being household clusters H03, H08, H05 or whatever the numbers might be, we can target to an area or fill to a quantity based on those high-performing household-level clusters," explains Berggren.

"Taking a different strategy, we can define our lists by any of those lifestyles that we might want to target," he continues. "I could go after those that are frequent flyers or that are affinities to a hotel … cruise line or brand, or those likely to have a passport. While these are propensities, they are also very strong indicators of a behavior."

The initial cluster analysis identified close to a dozen groups with characteristics that looked like AIG Travel Guard's current customers. "We began to [do] direct mail in those clusters and, from the tests within those clusters, three rose to the top," says Mueller. "We started blowing out our drops in those three clusters over the last two years."

Affinity lists, such as travel and adventure travel publication subscribers and travel clothing and accessory catalog customers, have performed especially well, she adds.

Slicing and Dicing

Sophisticated modeling helps AIG Travel Guard identify not only the best prospects in which to invest but also the best time of the year to spend marketing dollars on them. "We look at 'what if'-type scenarios, or we can look at certain slices of that file and make meaningful kinds of data interpretations," says Berggren.

Seasonality can have a dramatic impact on the effectiveness of travel marketing campaigns, he adds. So the ability to derive actionable intelligence from data—for example, summer is not the best season to prospect or January is the best month to market to those

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>
> —Carol Mueller

on cruise lists—is critical.

"Travel Guard came to us to understand those subtle differences between [when people travel] and where they're going," says Berggren. "It's all kind of confusing, but with the ability to present the information in an easy-to-understand form and the ability to go in and … redraw the plan on the fly, it gives them much more of a surgical approach."

What's more, "having all of that

By building profiles of its best customers, AIG Travel Guard can better target the tone of its direct response efforts, such as this 6″ x 9″ self-mailer used for lead generation.

data and having it enhanced gives you the ability to … clone behaviors that are desirable," he continues.

Bringing It All Together

Ruf's Navigator℠ online customer relationship management system serves as the control center for AIG Travel Guard's marketing. It houses and maintains the company's database of prospects and policyholders; it automates many marketing processes, including data mining, campaign management, reporting and media analysis. In addition to providing a holistic view of the company's marketing, Navigator℠ minimizes the internal IT support needed to carry out marketing department initiatives, observes Jake Ruf.

Trina Sankey, senior project manager at AIG Travel Guard, says the tool puts power back into the hands of marketing practitioners to produce targeted customer communications, including those that may be time-sensitive. For instance, "We can pull a certain criteria of customers and survey them about an upcoming trip or find out if they have concerns about things going on in the travel industry," she explains.

Navigator℠ also offers a forecasting tool that can make predictions on how campaigns will progress over a 12-month maturation period. "When you load in a brand new list, there's no historical data on how this list will perform, so Ruf built an algorithm that looks at look-alike lists—lists that were sent out in the same time of year and performed in a certain way after the first month or two months," explains Mueller.

"[Before], we would be able to say this is a list we mailed to and here's the net pull—basically do some very archaic measurements that took three months to get information on how a campaign was doing," she continues. "Now we can make those decisions today to go back into a list if we want to or … hold off for a couple of months to see how it's performing if it's not doing as well as we thought the first couple of months. The forecasting has become an excellent tool to help us make decisions quickly."

Upping the Ante

AIG Travel Guard's direct marketing team is "constantly pushed to continue to grow the business … to mail more, drop more, grow more," says Mueller. Through its partnership with Ruf Strategic Solutions, the company has been able to find the volume of quality lists it needs to mail and to do so strategically.

In 2006, AIG Travel Guard dropped 2.8 million direct mail pieces. That number encompasses marketing for both acquisition and retention, though the lion's share comprised educational pieces that focused on informing prospects about the benefits of travel insurance, Mueller says.

Last year the company's direct mail marketing more than doubled, with mail volumes reaching between 7 and 7.5 million. Mueller says the company plans to send out more than 10 million direct mail pieces in 2008.

AIG Travel Guard simultaneously has succeeded in growing the share of business it attributes to consumer direct sales. "We've gone from the consumer part of our business being less than 5 percent of our business to being nearly 20 percent now of our total," says Mueller.

This development is critical to the company's bottom line because customer acquisition costs are considerably lower in the direct channel than those incurred when selling travel insurance through retail or wholesale partners.

And, of course, the intelligence AIG Travel Guard derives from its use of analytics and modeling has been applied to every stage of the marketing process. "We make sure our print advertising is placed in publications that really match … this type of customer makeup. Online partners are selected based on the type of visitors that they have that match our customer criteria," explains Mueller. "The key phrases that we use in our paid search are developed based on the type of customer and the phrases that these people would use. It's our roadmap … our gospel."

Berggren summarizes the fundamental change in AIG Travel Guard's direct marketing: "It was kind of a shotgun approach in years past. Now we're more of a laser pointer, marketing just toward those people that are likely to respond."

Having enjoyed such remarkable success, the company is now considering ways to up the ante in its quest to find the "right" prospects, including identifying the most profitable individuals among those who match the AIG Travel Guard customer profile.

"That's the next evolution of this system …We'll be able to eventually load in our claims data to find out whether the people on these lists are profitable," Mueller says. "We're not there yet, but it's definitely on the radar." ‖

Amy Syracuse is a London–based freelancer, who profiled Live Nation in the December 2007 issue. Read the article at www.targetmarketingmag. com/r?s=82651.

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