

Working with Customer Loyalty in Topdanmark

Bjørn Verwohlt



Presentation of Bjørn Verwohlt

- **1984 DM specialist of Baltica**
- **1988 Head of marketing of Baltica Life**
- **1990 Head of marketing of DanicaPension**
- **1994 Partner of an ad agency**
- **1995 Head of marketing of Danica (Danish Bank)**
- **1997 Head of marketing of Topdanmark**



Agenda

- **Topdanmark's value chain**
- **The impact of customer loyalty**
- **Mass communication, CRM and contact focus**
- **How to improve customers' loyalty over the next three years**



A little about background

Short and long-term thinking

Activities

Non-financial
value drivers

Financial
value drivers

Share
price

Customer satisfaction - Employee satisfaction
Reputation - Alliance partners
Process efficiency - Project management
Knowledge collection and sharing - Innovation

Increase in customers
Retention of customers
Loss ratio
Expense ratio



How does increased customer loyalty influence the price of Topdanmark's shares?

- Increased customer loyalty results in higher growth
- 1% higher growth impacts 15 points on the price of Topdanmark's shares

Sales

- Customer lapse

Growth



Growth

- **In insurance, sales are normally given importance because**
 - they are quickly measurable
 - they are easy to adjust - new business rate
 - there are people responsible for sales
- **Loyalty**
 - is difficult to measure
 - it takes time to measure the effect of activities
 - nobody is directly responsible for customer lapse



Marketing activities

- **Mass communication**
 - **Small effect on**
- **CRM activities**
 - **Continued improvement in profitability**
- **Contact strategy**
 - **Unused potential**



Mass communication goals and effect

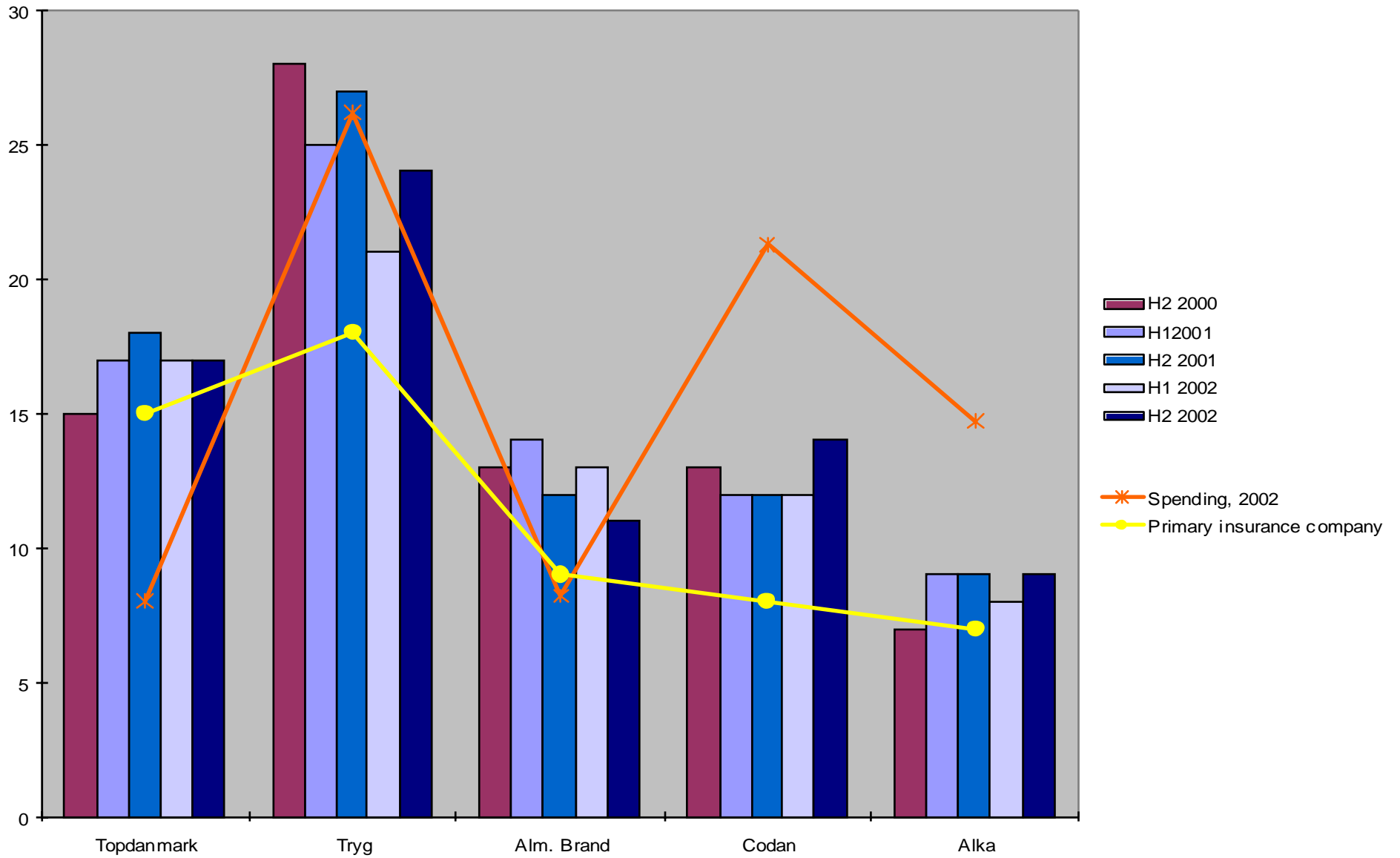
- **Top of mind** **Yes**
- **Image - non-customers** **Slightly positive**
- **Image - customers** **Slightly positive**
- **Bottom line** **No correlation proved**

Conclusion:

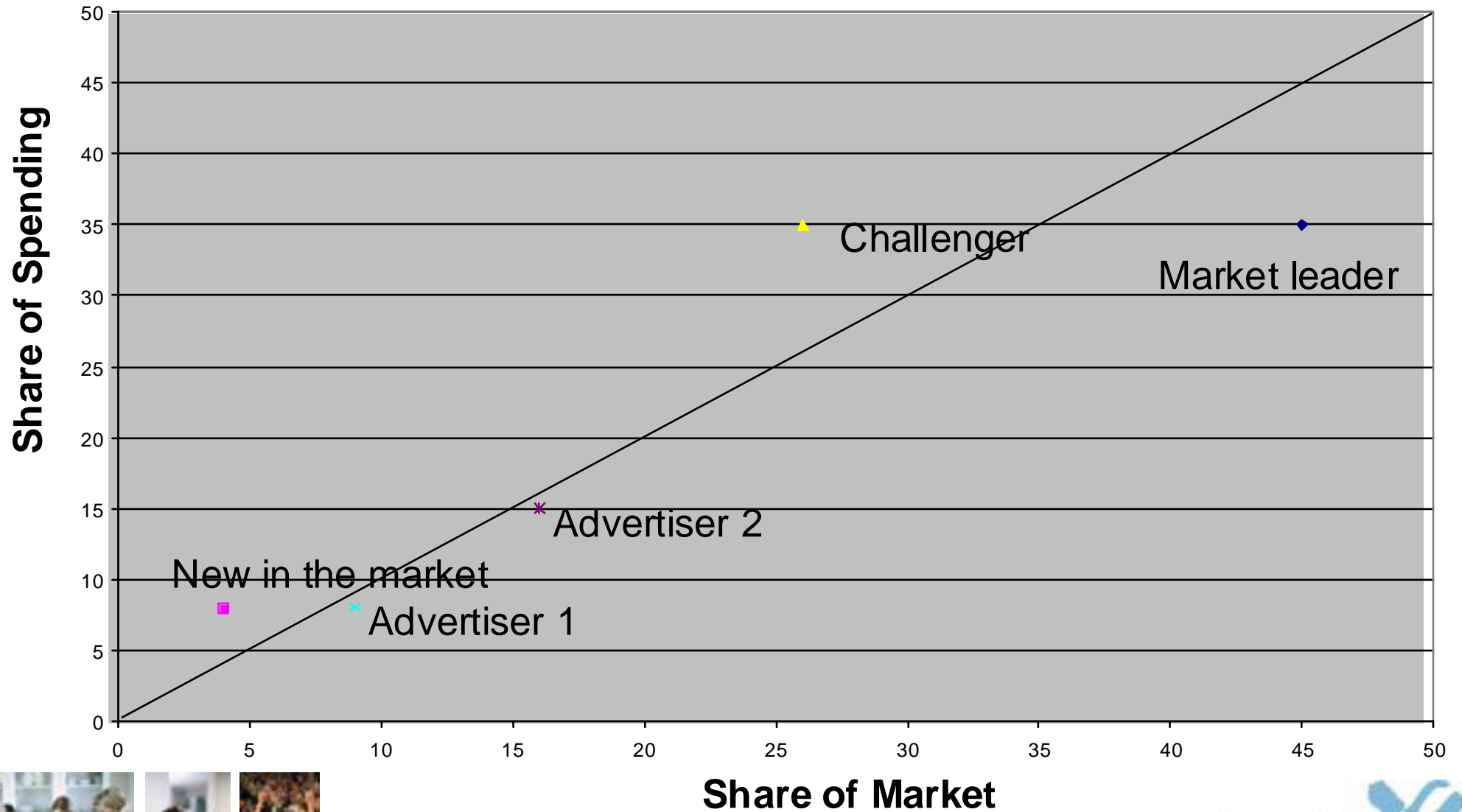
- **Expensive, prestigious.**
- **Correlation with business development not yet proved**
- **Challenge to prove your worth**



Top of mind - trend



Share of spending compared with Share of market



Share of spending compared with Share of voice 2002

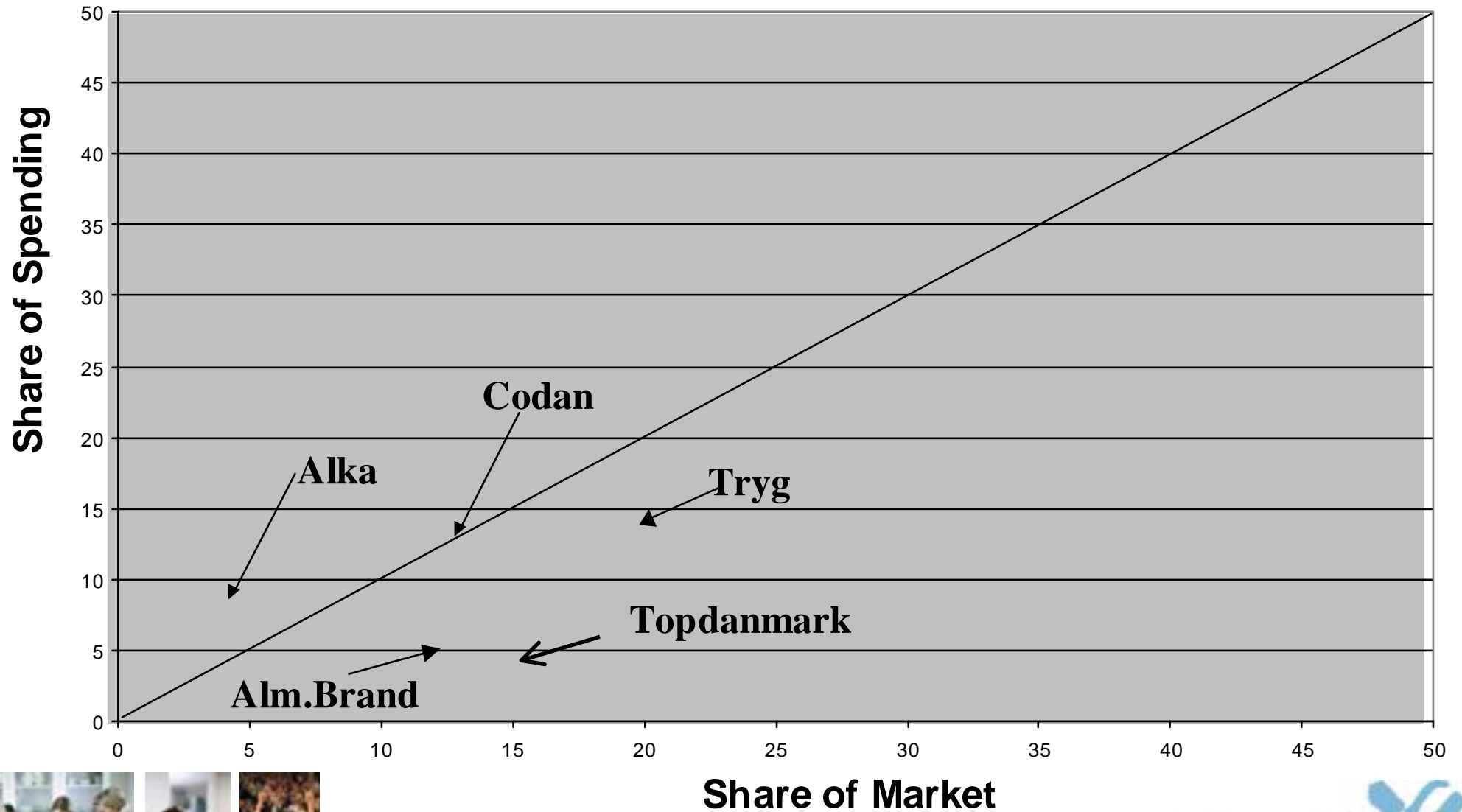


Image - Non-customers

Conditional on awareness ("helped") and "Non-customer of the company"

Q3 2003

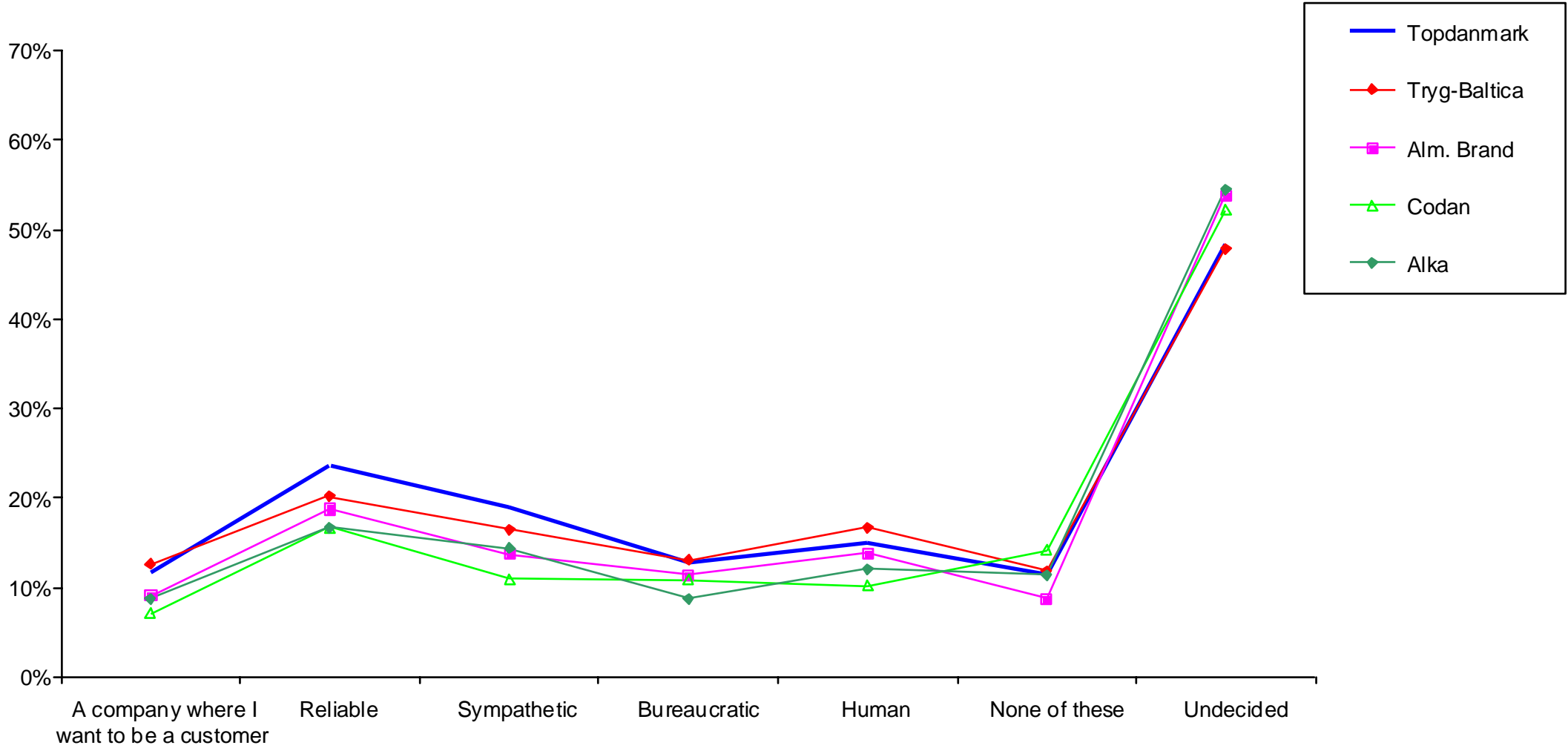
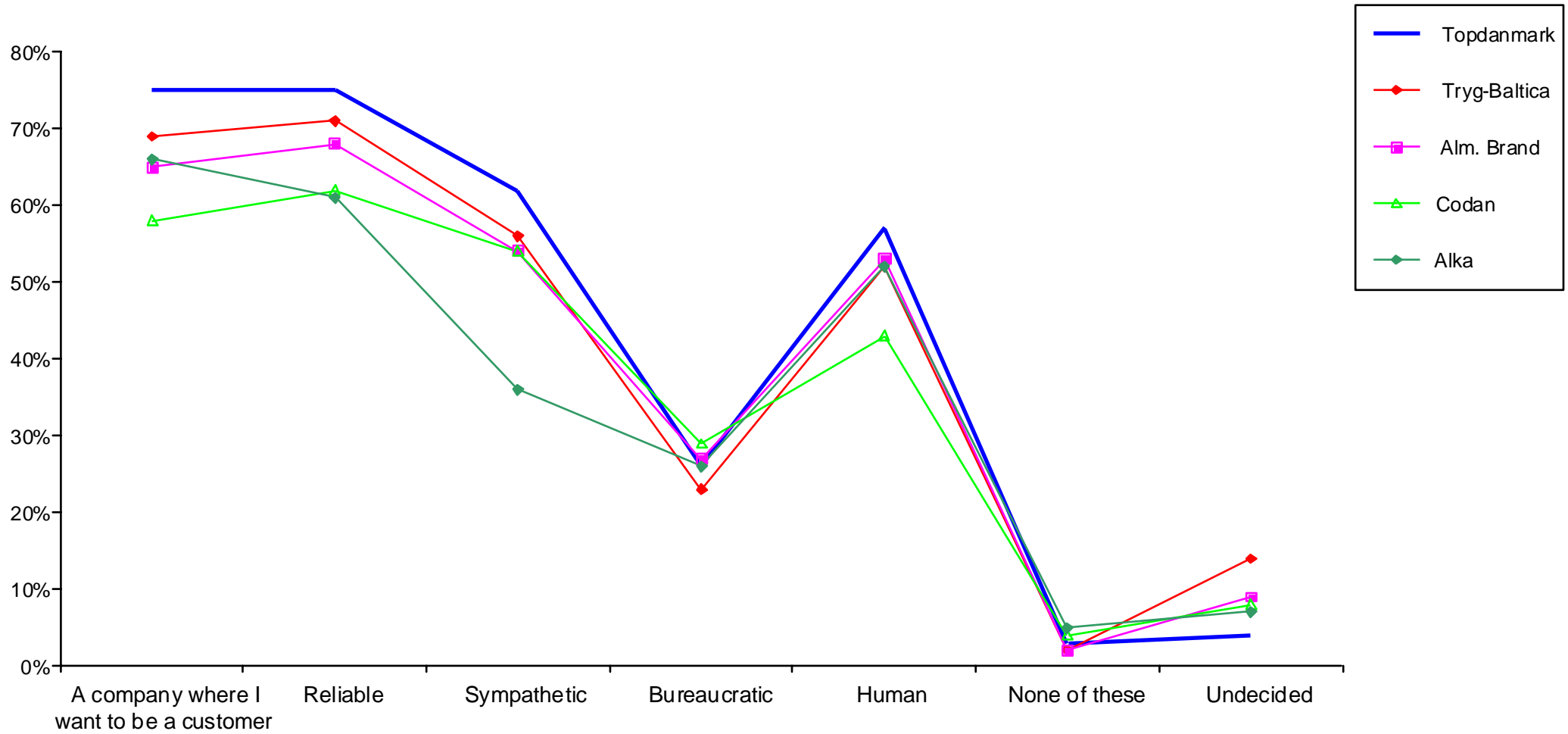
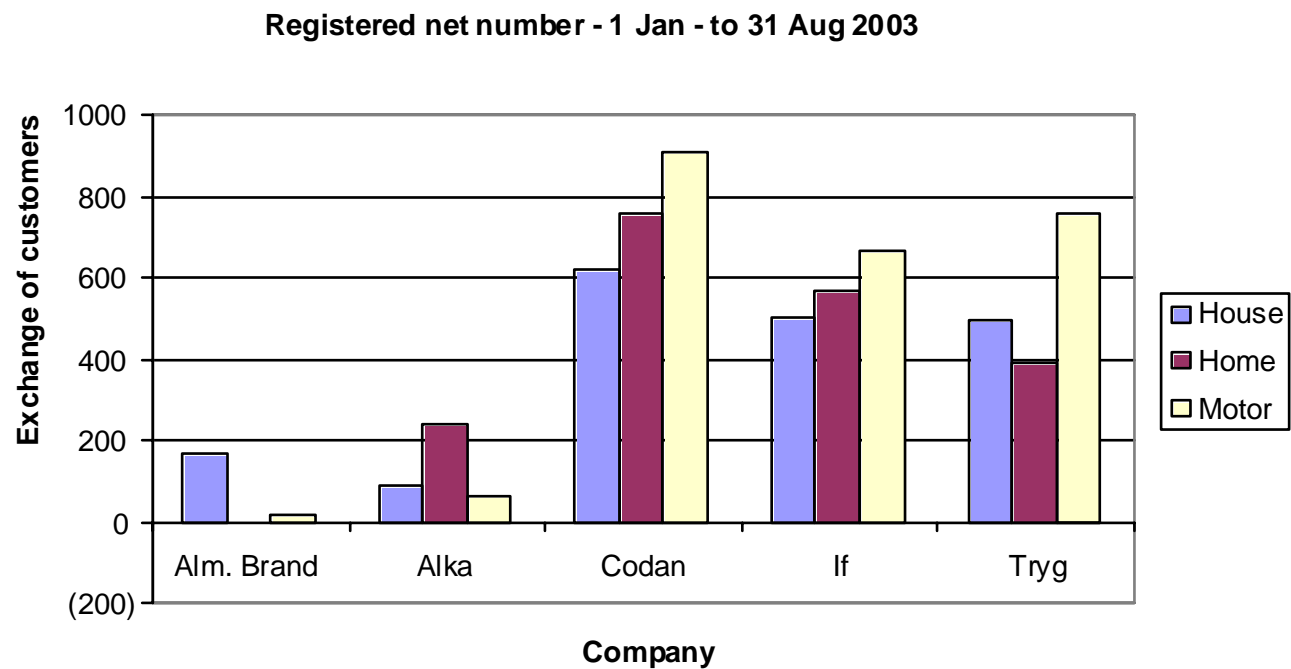


Image - The companies' own customers

Conditional on awareness ("helped") and "Customer of the company"
Q3 2003



Exchange of customers



CRM activities

- **Over the last four years the effect on sales or retention per cost krone has increased from an index 100 to 300**
- **Saves customers on their way out**
- **Data mining of good customers highly probable to leave**



CRM - goals and effect

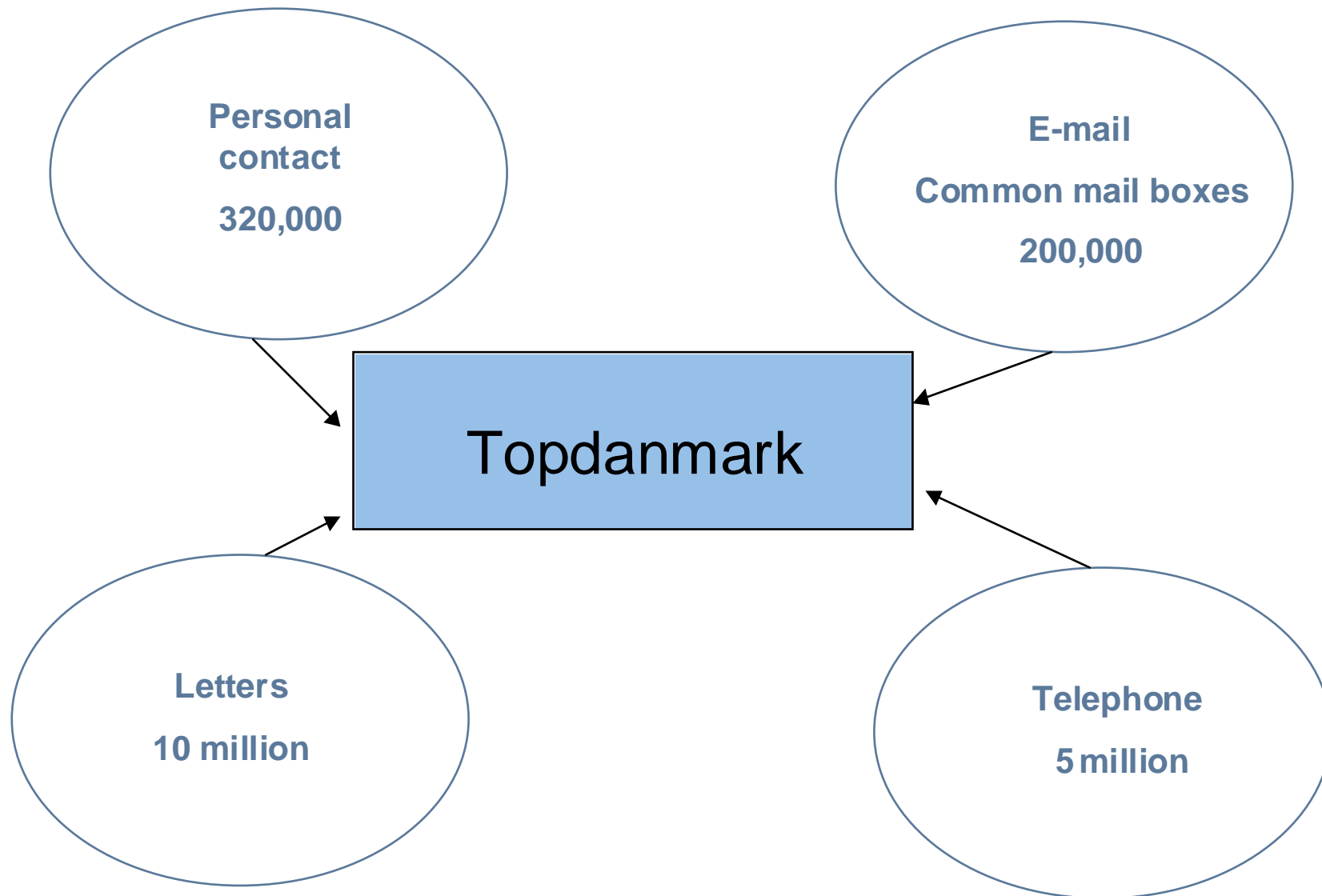
- | | |
|-------------------------|-------------------|
| • Top of mind | Limited |
| • Image - non-customers | Slightly positive |
| • Image - customers | Positive |
| • Bottom line | Great impact |

Conclusion:

- Effective
- Closely related to business development
- Effective for portfolio retention and lead generation



Contact strategy - unused potential



Contact and channel strategy

- **15 million customer contacts a year to be utilised optimally**
- **In insurance, brand is employees and contacts - products are basis**
- **Satisfaction created in customer contacts**
- **Bad basis level for insurance companies**



Behaviour is the best communicator



Internal branding

- **implementing brand values throughout the organisation since end of 1999**
- **focusing on and measuring all customer contact**
 - **personal**
 - **letters**
 - **e-mails**
 - **phone calls**

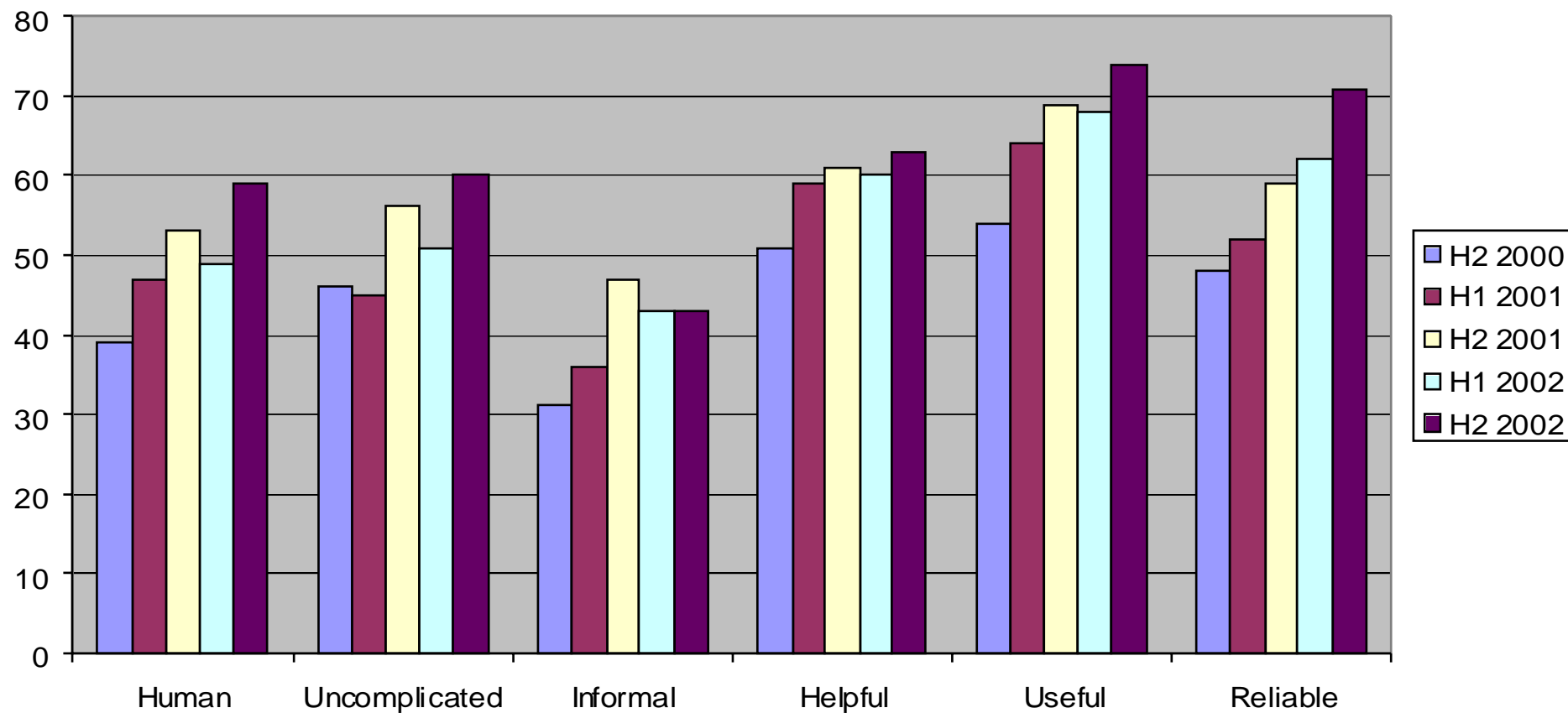


Letter project

- **10 million letters posted each year**
- **All computerised letters rewritten to reflect Topdanmark's values**
- **1100 employees trained**
- **Continued tracking at a general level**
- **Now implementation of continued tracking at a group level**



Assessment of contact by letter



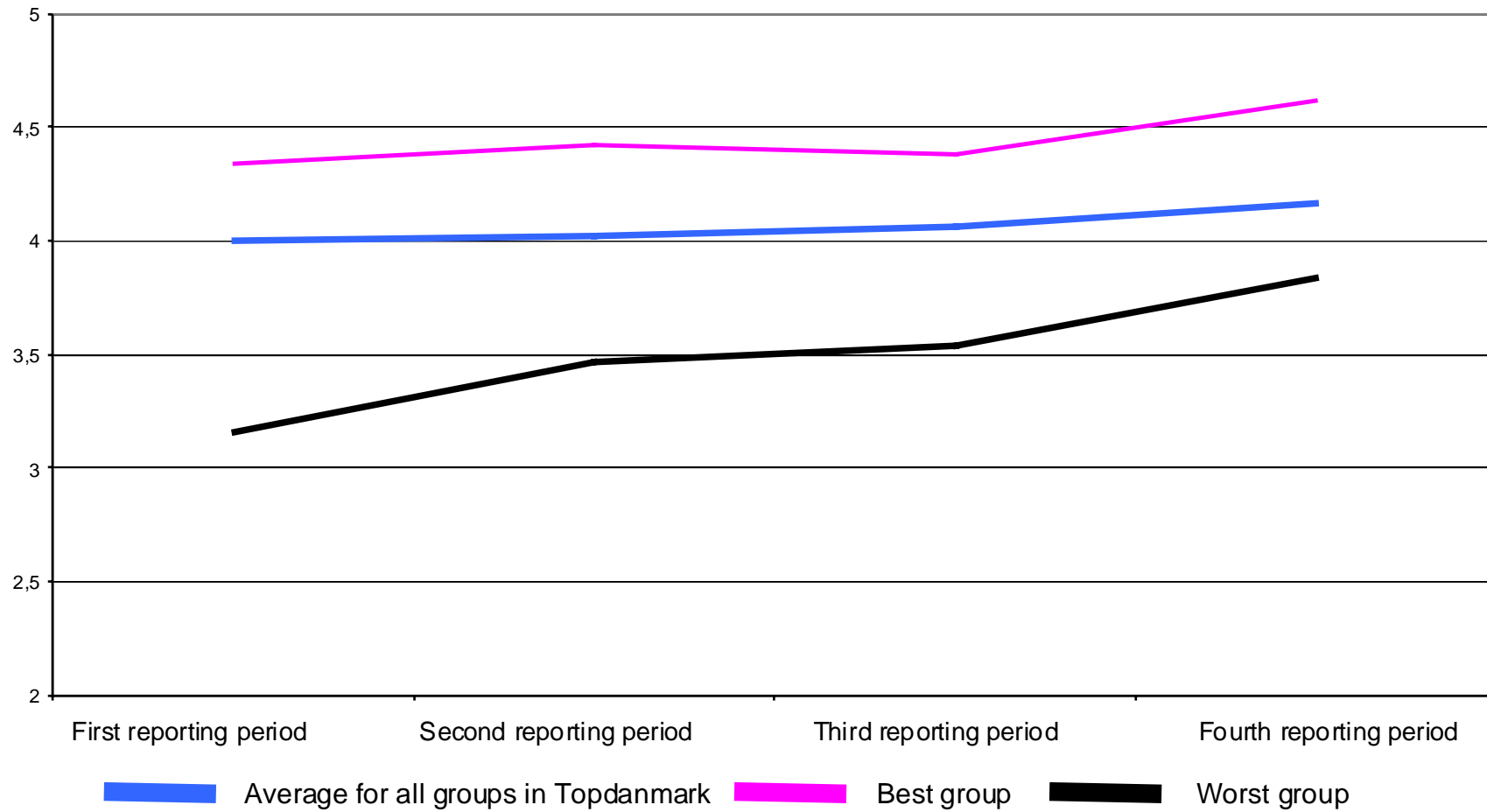
Telephone project

- **5 million incoming calls**
- **All of the 42 call centres are measured every six week**
- **Processes for improving for customers' satisfaction at group level**

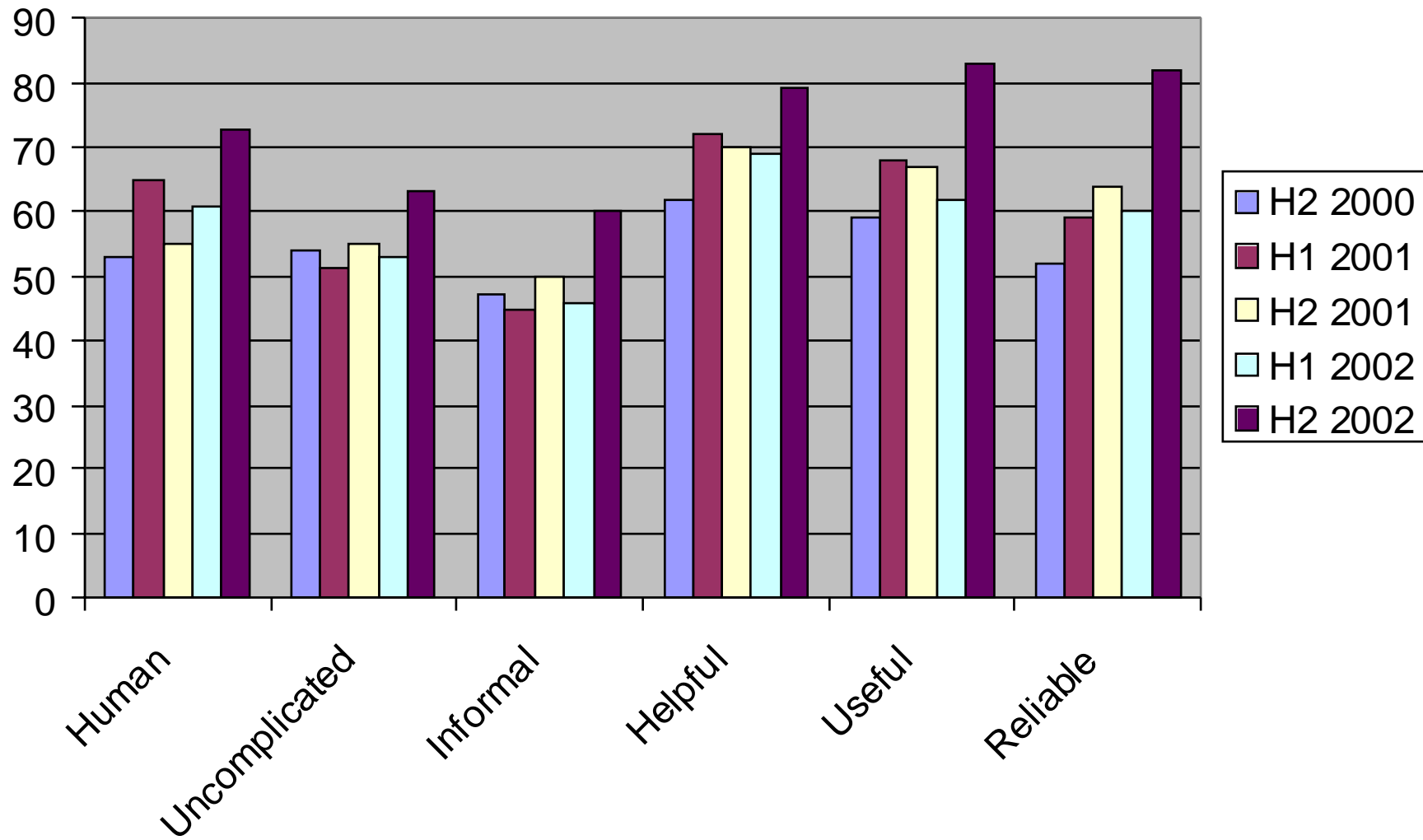


Overall satisfaction

Best and worst groups and average for all groups in Topdanmark



Assessment of contact by telephone



Assessments change behaviour

- Telephone: TeleFaction assessments
- E-mail: Automated in-house assessments
- Letters: Assessments by means of voice response tele technique
- Personal: Assessments by means of voice response tele technique
- We are going to asses a representative segment of all types of contact
- All groups and managers to be provided with a development tool for the relevant groups
- + Customer satisfaction assessment in each business sector is an element of non-financial value drivers

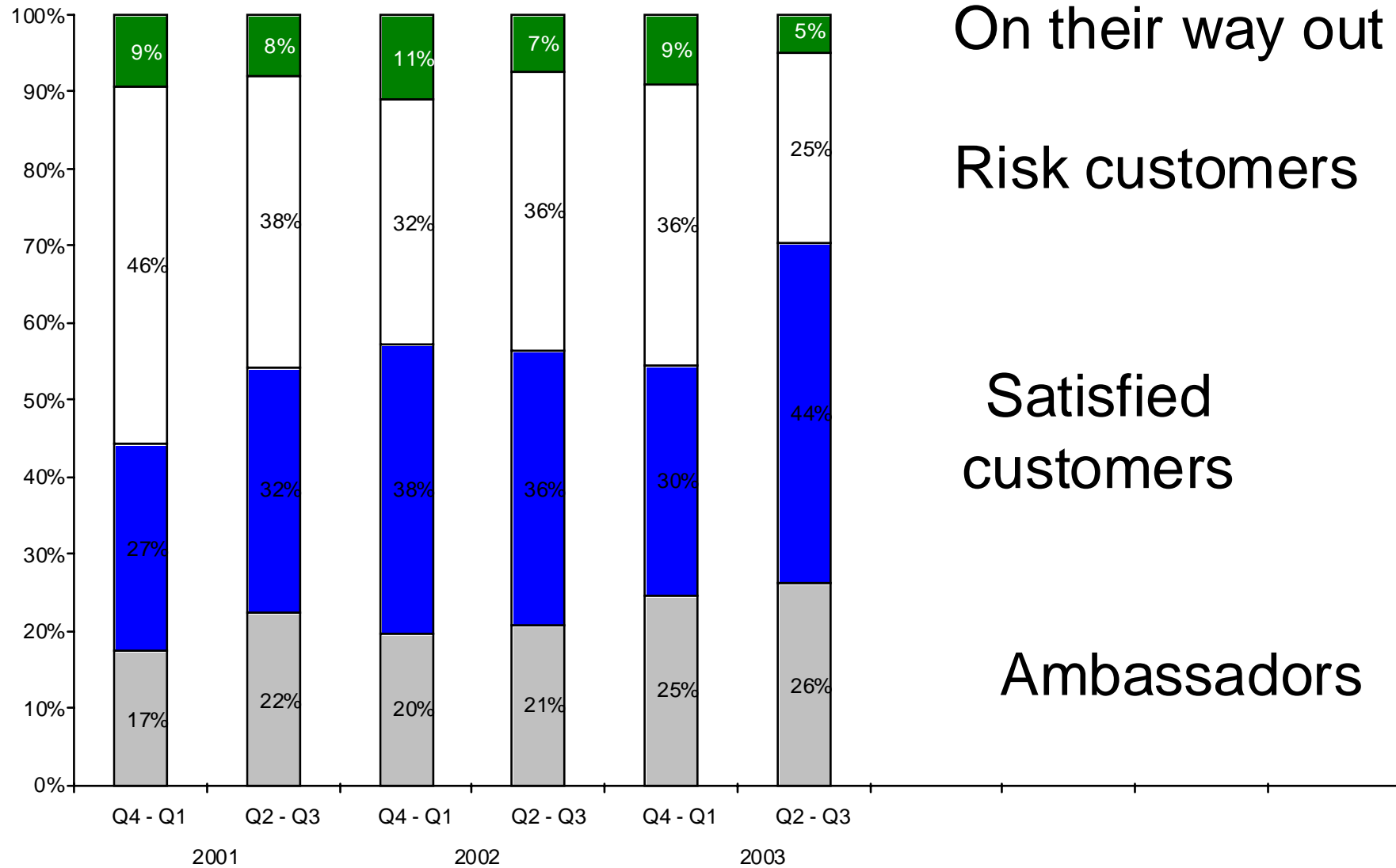


Customer lapse rate depends on customer satisfaction

| <u>Group</u> | <u>Perc. of portfolio</u> | <u>'00</u> | <u>'03</u> | <u>Lapse rate ('00)</u> |
|--------------------------------|---------------------------|------------|------------|-------------------------|
| • Ambassadors | | 17% | 26% | 7% |
| • Movable customers | | 27% | 44% | 17% |
| • Customers at risk of leaving | | 46% | 25% | 18% |
| • Customers on their way out | | 9% | 5% | 28% |



Customer satisfaction index



On their way out

Risk customers

Satisfied customers

Ambassadors



Image - Topdanmark - Own customers - Trend

Conditional on awareness ("helped") and "Customer of the company"

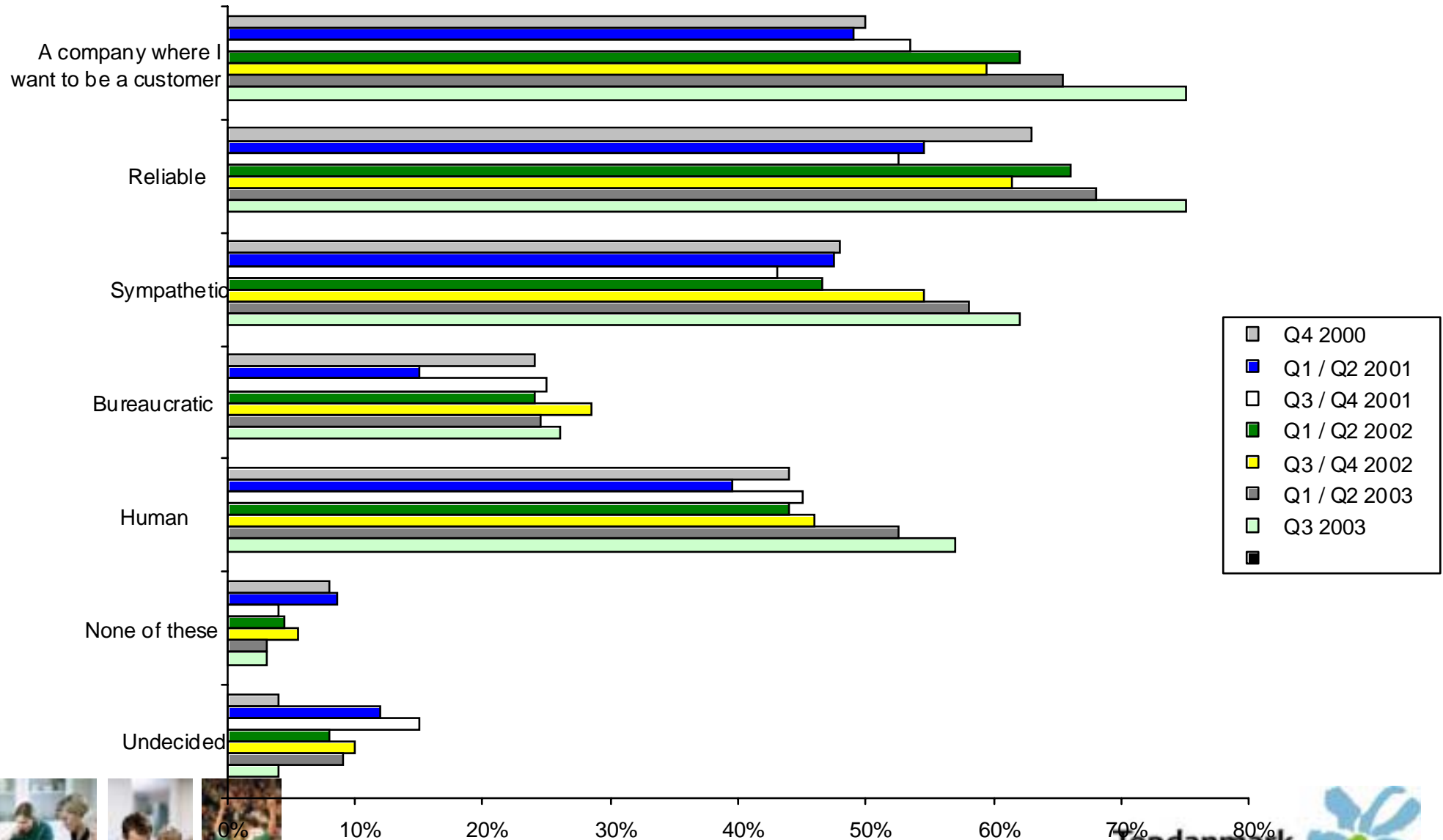
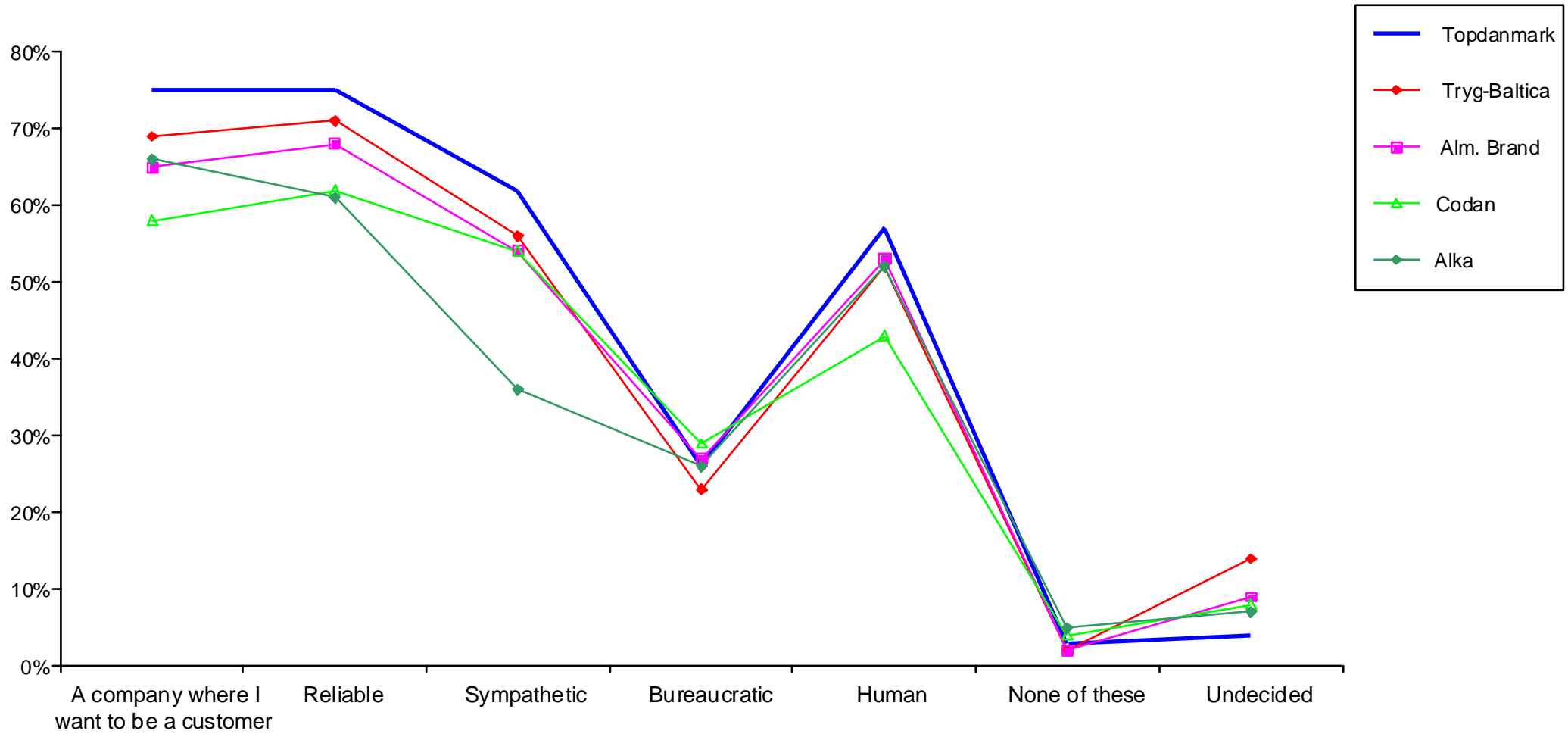


Image - The companies' own customers

Conditional on awareness ("helped") and "Customer of the company"
Q3 2003



Topdanmark market image

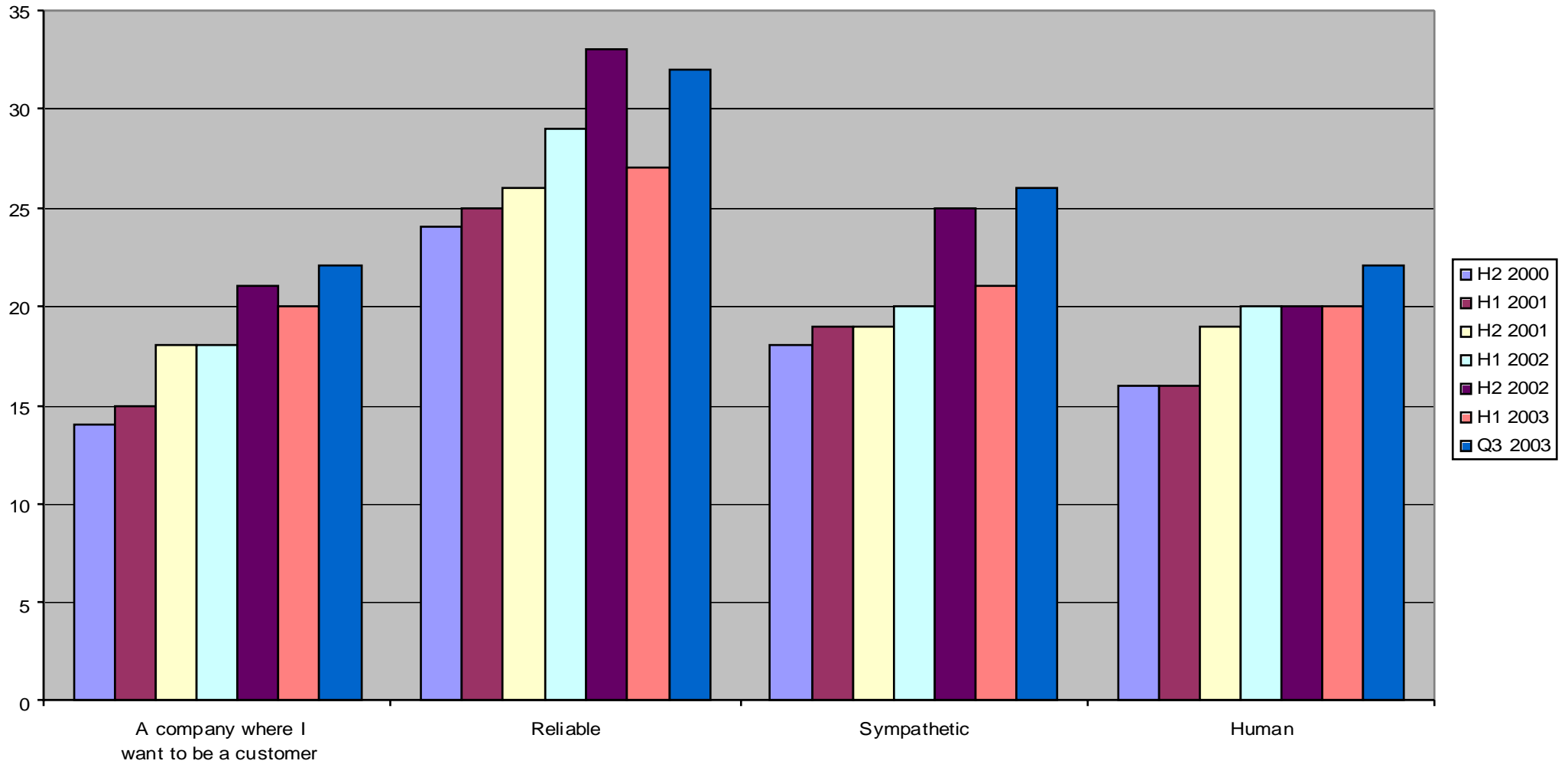
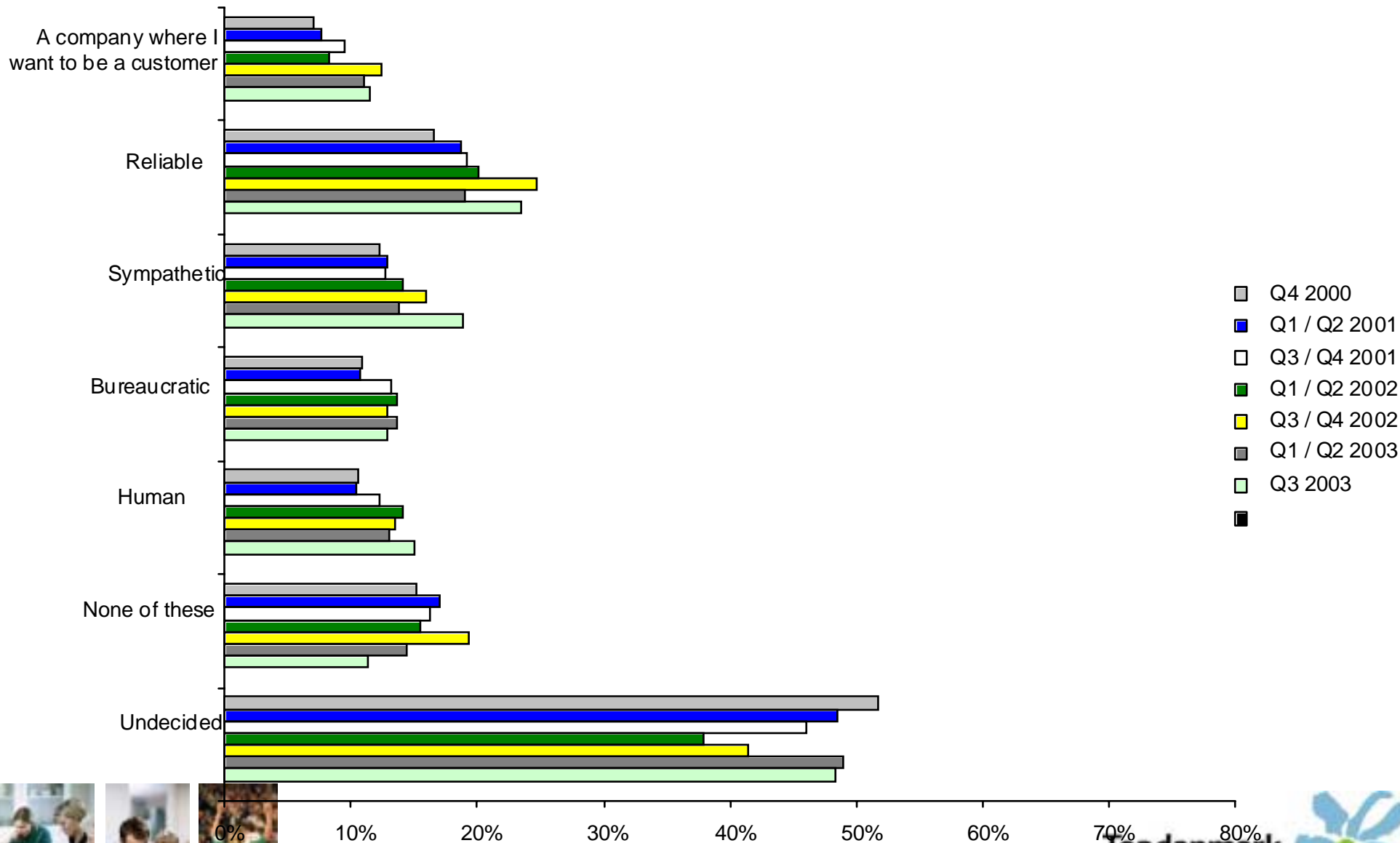


Image - Topdanmark - Non-customers - Trend

Conditional on awareness ("helped") and "Non-customer of the company"



How to improve customers' loyalty over the next three years

- 1 Ensure that your basic communication / services are perfect**
- 2 Ensure that you can identify your best customers - and give them extra attention - and measure the result**
- 3 Find a way to service your customers constantly in a cost-efficient way**
- 4 Give responsibility to customer group and measure loyalty and customer lapse**



www.topfacts.dk

- a source of updated information on Topdanmark

