

2014 DAVID ARF OGILVY AWARDS

TITLE OF CASE STUDY: PHYSICIANS MUTUAL INSURANCE COMPANY: “Insurance For All Of Us”

Al Lee, Sawin Lee, Sara Giusti, Brendan Kitts, Dyng Au, Jane Shepard, Lisa Moore, Stefanie Zlomek, Craig Schwartz, John Crim, Mark Nelson, Kim Lesinski, Nina Rongisch, Mike Carstens, Jason Bangs, Brenton Pyle, Paul Nygard, Mike Ebeling

CAMPAIGN SUMMARY

Physicians Mutual Insurance Company offers a wide variety of supplemental insurance to individuals, focusing on health, life and retirement needs. In 2011, Physicians Mutual was facing significant challenges with their traditional DRTV programs. The overall results for these campaigns were not as consistent, nor as profitable, as they needed to be.

Therefore, Physicians Mutual embraced a more scientific testing approach to media buying in 2012 in order to (a) identify the consumers who would be the best match for their insurance offers using cluster analysis and long-term value analysis, (b) target those consumers by measuring their concentration on media (c) understand cross-channel impact of their marketing programs using in-market experimental designs, and (d) coordinate their marketing programs to maximize their effects. These efforts have enabled Physicians Mutual to buy large broadcast television placements using predictive algorithms to manage call center staffing.

Over two years of work, cost per lead for the Dental program has dropped by 35% and leads have increased 14x with only 8x the spend. Early retention metrics also show marked improvement, results showing more valuable customers. Physicians Mutual is now growing DRTV campaigns profitably, while supporting integrated distribution and corporate objectives.

COMPANY BACKGROUND

Physicians Mutual Insurance Company was founded in 1902 to provide health insurance to medical professionals. In 1962, they began offering supplemental health coverage directly to Americans from all walks of life and five years later, added a dedicated force of field agents. Then in 1970, they expanded their family of companies to provide the added security of life insurance protection under the Physicians Life Insurance Company.

Today, the Physicians Mutual family offers a wide variety of health, life and retirement coverage, including Medicare Supplement, dental and supplemental health insurance, whole and term life insurance and annuities.

"I absolutely love my dental insurance through Physicians Mutual Insurance Company. I had no problems with it. My dental office files the claims, leaving me with very little balance to pay. I would not have any dental care without it."

— Dorothy P., Tennessee, Member of our family since 2009

"I cannot say enough about how your claim checks help me, with the cost of medical insurance these days. Your monthly premiums are low and the checks get to me very quickly. I tell everyone about your insurance because you are #1 with me! Many thanks."

— Cheryl S., Georgia, Member of our family since 1993

PROBLEM

In 2011, Physicians Mutual was facing significant challenges with their traditional DRTV campaigns. The overall results for these campaigns were not consistent, nor as profitable, as they would have liked. Clearance was unpredictable and limited to typical "DR" times of the year. If clearance was tight, they were not able to spend their budgets effectively, nor could they grow this business. The overall quality of the responders also needed to improve – they needed more buyers who turned into valuable customers. Therefore they were focused on finding a media partner who could help them:

- Drive DRTV media buying decisions with sales and value data in addition to cost per call and cost per lead metrics, and improve the quality of their responders overall
- Clear DRTV promotion dollars more consistently, allowing them to better project call flow and allocate call center resources
- Understand the impact of DRTV campaigns on their other channels, such as direct mail, print inserts and agency

CHANGING THE TARGET TO PROFITABLE CUSTOMERS

Physicians Mutual took a hard look at historical campaign and policy data, and could see that television programming mattered when it came to acquiring good customers. They began looking for a media

buyer who could help them spend their DRTV dollars more profitably, to bring in prospects with a greater propensity to apply for coverage and keep their policies in force.

The traditional method of matching station to prospect demographics wasn't enough. They needed a buyer who could target dollars based on all of the subtle yet meaningful attributes that reflect more valuable customers, not just on the fact that older women watch a station. They found that partner with PrecisionDemand.

CROSS-CHANNEL MEASUREMENT AND DIRECT MAIL OPTIMIZATION WITH TV

Physicians Mutual was aware that their media channels were interacting, but were not sure to what extent. If television dollars went away, what would be the impact to the other channels? In order to measure these interactions, Physicians Mutual worked with PrecisionDemand to build a calibration test, coordinating television advertising with other marketing areas, such as: direct mail, radio, online, agency and telesales.

For the initial test with Dental TV, Physicians Mutual invested \$448k in local, in-market tests in 8 markets, using over 40 other markets with various combinations of direct mail as controls. As a result of this work, Physicians Mutual was able to measure that for each television sale, additional sales were produced across other channels. This has led to increased coordination between all of Physicians Mutual's marketing efforts so as to take advantage of positive interactions and company-wide lift.

TELEVISION BECOMES TARGETED AND A PREDICTABLE LEAD GENERATION CHANNEL

Using a metric called tRatio, which is proportional to the number of buyers reached per million impressions, PrecisionDemand refined Physicians Mutual's Dental TV campaign to reach more of their best customers. The higher the tRatio score, the higher the concentration of targeted customers in the TV audience. This, in turn, created more phone calls and better penetration of their population.

With the help of the in-market calibration test, Physicians Mutual was able to see the impact of higher targeting on both leads and applications.

Using this experimental data, PrecisionDemand then built a model for Physicians Mutual, mapping targeting per impression to expected leads and applications per impression. They then implemented this model against all available television media to produce an expected leads per airing. This was then compared to cost per airing, to create a CPA per airing. Finally Physicians Mutual had a predictable method of executing television. They could now purchase airings that were better than their CPA.

They no longer had to rely on demographics to match offer to station, they could rely on the model to identify programs that good customers were more likely to be viewing.

TWO YEARS OF WORK

Over the next two years, PrecisionDemand and Physicians Mutual worked to:

- (a) significantly improve their lead targeting tRatio, effectively increasing it each quarter
- (b) expand and increase the DRTV lead generation program budgets, using the prediction model to ensure that call centers were staffed adequately for each television airing

A good example of the improvements in the campaign can be illustrated in how Physicians Mutual transitioned to large, US-wide, national broadcast ad placements for their Dental TV offer. Physicians Mutual had traditionally purchased spots on local broadcast and small cable stations which had low impression counts but were cost and call effective. This was a workable strategy for producing a modest numbers of leads within call center hours. They were focused on balancing the needs of their call center with cost per lead requirements, but were not able to substantially grow the program.

With the move to PrecisionDemand and more targeted media selection, they were able to adjust and refine their media requirements fairly quickly – doubling spend within a year – while supporting and growing their internal call center. Once a consistent call flow and cost per lead were established and call center capacity reached, they expanded their sales models to take advantage of additional media opportunities.

The targeting models suggested that national broadcast programming such as “The Price Is Right” would be highly effective. Yet the scale of advertising on this program was formidable - with such a massive airing on broadcast nationwide, there could be thousands of phone calls coming in within seconds of the airing, requiring effective call overflow contingencies.

With the target-phone response model developed by PrecisionDemand, they were able to very precisely estimate call volume for a test run. The call centers were staffed appropriately and the overall results were remarkable – actual call volume was very close to predicted, alternative fulfillment methods were in place and Physicians Mutual was now able to expand this program outside their internal call center constraints. Physicians Mutual could now harness the full power of national television broadcasting to access millions of households.

RESULTS

Overall performance statistics

The statistics on the campaign from 2012 to the end of 2013 are impressive. Each quarter the campaign improved, and by the end of 2013, Physicians Mutual was consistently generating:

1. **8x increase in spend per quarter**

2. **14x more leads per quarter**
3. **35% lower cost per lead**

Dramatic improvements in all metrics from 2012 - 2013

These results are not momentary – these are part of a two year, long-term evolution of Physicians Mutual towards a significantly profitable operation. Physicians Mutual shows two years of continuous and dramatic improvement from 2012 to the end of 2013 at the time of this report. Figures below show Physicians Mutual’s performance per quarter over two years of the campaign. CPL has improved every quarter; leads have increased every quarter. Clearly, the Physicians Mutual Dental TV program is performing better and better.

Predictable Lead Generation: Weekly Hourly Predictions for Call Center Staffing

Not all of the improvements are financial. Because Physicians Mutual did in-market testing to model the effect of targeted media, PrecisionDemand was able to create a model calculating calls and leads per impression. Physicians Mutual now uses this model to tightly control its lead generation process and help provide more consistent call flow for their call center.

Customer Retention Improved

Because of radical change in Physicians Mutual’s targeting towards highly profitable customers, it has experienced very promising improvements in customer retention. They are seeing more valuable customers stay on the books longer and at expected or better loss ratios.

Profits

Physicians Mutual has significantly increased their Dental TV budgets since 2011, moving promotion dollars to this campaign because of its profitability for the company and positive impact on the overall Dental program. The campaign shows the potential for much more growth and sustainability. Physicians Mutual is using their data to identify good customers and PrecisionDemand is finding more of them with the tRatio scoring which supports highly targeted media selection and buying.

Summary

Physicians Mutual’s lead generation program has been revolutionized by improved targeting and has converted the program from a small and inconsistent campaign into a significant, profitable machine.

"...we are able to buy media smarter and apply what we learn more quickly than ever before. We're also much more aware of the impact DRTV offers have on the other distributions, increasing the overall value of our broadcast dollars....We're putting our data to work for these programs and seeing good results!"

- Kim Lesinski | Assistant Vice President, Direct Marketing Group, Physicians Mutual

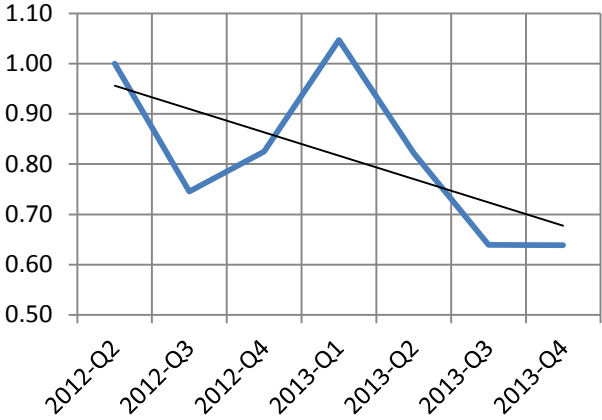


Figure 1: Cost Per Lead has dropped to about 65% of 2012-Q2.

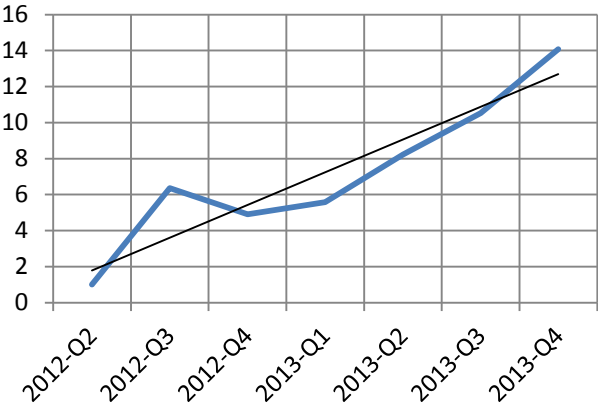


Figure 2: Leads have increased by an amazing 14x.

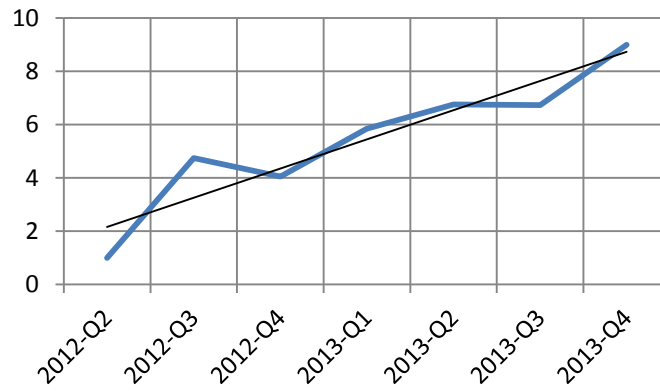


Figure 3: Spend has increased by 8x.

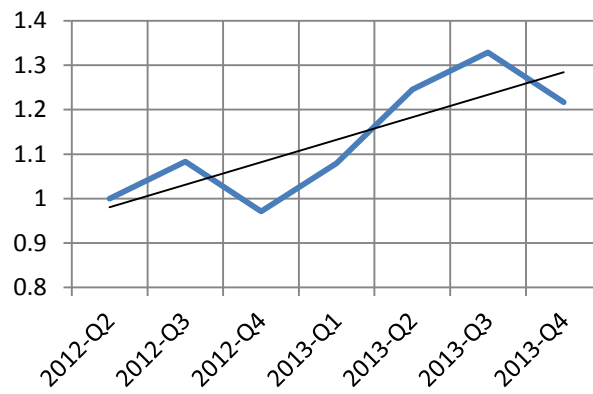


Figure 4: tRatio is 30% higher.

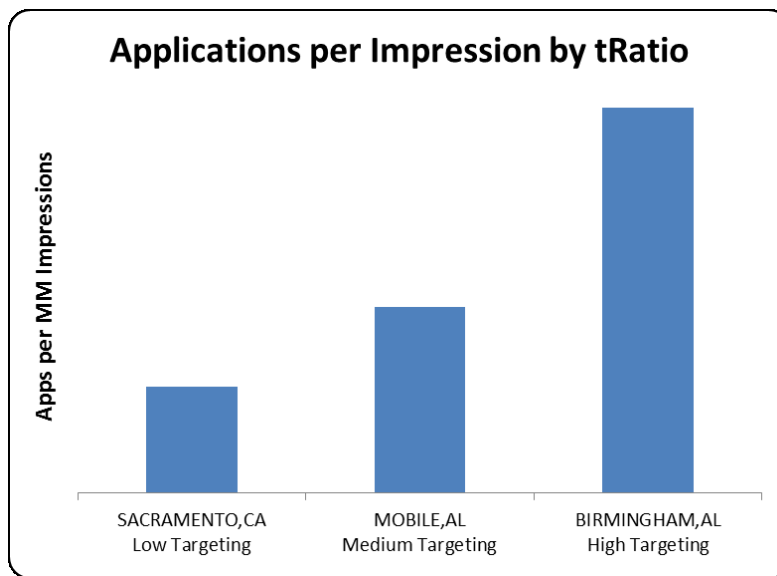


Figure 5: In-Market testing with different targeting enabled Physicians Mutual to determine the impact of targeting per impression.