

CUSTOMER LIFETIME VALUE
WORKSHOP

SIMON BRICKMAN

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Workshop: Customer Lifetime Value

Simon Brickman

Summary

The intention of the workshop is to provide a basic introduction to the subject of Customer Lifetime Value (CLV). It will also consider the potential benefit of identifying explicitly the customer in a cross-product rating example, from an actuarial viewpoint.

There is much talk in marketing circles of the need for companies to move from mass marketing, to "one-to-one" marketing, and embrace "Customer Relationship Management" (CRM) techniques. Companies who take on these ideas are looking to measure their performance in new ways; for example "share of wallet", rather than "market share" is now typically cited as the standard for supermarkets. Insurance companies are likewise moving outside their traditional markets as the move to becoming a financial services provider continues. CLV aims to provide a financial measure of the net present value to the company of each and every customer. Like an appraisal value it takes account of not just the current, but also the potential product holdings of a customer.

The move to CLV is often associated with Data Warehousing, and indeed the latter may be a prerequisite for some companies to develop a pan-customer view. It is not the intention of this workshop to discuss Data Warehousing, though it would be of interest to consider to what extent a Data Warehouse may be justified by its potential application to enhance CLV.

The workshop will consist of a presentation followed by a discussion. It is hoped that actuaries will come and share their experiences of CLV and give their views as to its merits, and their ideas for how the profession might contribute to its development.