

WHITE PAPER
KEEPING SALES ON PACE IN A
CHALLENGING ENVIRONMENT

Insurers face a challenging environment in 2011 and 2012. Slow economic growth means that it will take time for the number of insurable risks to begin to approach the levels seen prior to the Great Recession. Sluggish job growth means that consumers will continue to be exceptionally price sensitive. At the same time, low interest rates severely limit investment income. A bad year for claims could provide the triple whammy to batter company profits for P&C and health insurers alike. Life insurers may face soft demand while consumers cope with inflation in basic necessities as the early 2011 hike in gasoline prices trickles through the rest of the economy.

Carrier direct sales and online quoting services pose a serious threat to business for many insurers. According to Deloitte's P&C Producer Survey, 2009, "Three out of four property and casualty producers fear more competition from carrier direct sales, much of which will take place over the web."

Clearly, insurance companies need solutions. And while growth can increase profits, additional exposure can erode them as well. Good underwriting and the skillful use of data and technology can be keys to safe and profitable growth. Those parts of the solution will be discussed by others. This white paper will highlight the role that effective marketing strategies can play in helping insurers increase sales in the coming years.

> ACQUIRING THE MOST DESIRABLE CUSTOMERS

Research by longtime insurance executive John Rutecki found that the insurance client market breaks down into three basic categories based on customer loyalty. Roughly:

- 40% of insureds are highly loyal, happy with their company and will not switch
- 20% are easily swayed by attractive offers and will readily defect
- 40% are generally loyal, but could be enticed to change carriers for sufficiently good reasons

The first 40% are not available as new business prospects. The 20% that are easily swayed are undesirable customers—a good offer might move them to your company for a year or two, but an attractive overture from a competitor will readily entice them to move on. The final 40% are the best prospects—their constancy makes them valuable clients, but unlike the highly loyal insureds listed first, they are willing to move their business for the right reasons.

For some that reason might be an unsatisfactory experience with their present carrier. Naturally, good agent relationships can steer some of that business in your company's direction. In other cases, effective marketing that leads to good name recognition may help to put your firm in the

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running. This can be as simple as finding ways through advertising and public relations to make your company name more familiar. According to widely-respected social psychologist David Myers, PhD, “More than 200 experiments reveal that, contrary to an old proverb, familiarity does not breed contempt. Rather, it fosters fondness.” Other research has shown that often-repeated statements are widely accepted. Dr. Elliot Aronson, voted by his colleagues to the list of 100 Most Influential Psychologists of the Twentieth Century put it this way: “Familiarity breeds attraction, liking and even “truth.” Of course, repeating the same ad too many times can irritate consumers. But research and experience have revealed methods that can enable an advertiser to restate its key message many times without wearing it out.

Interestingly enough, discount retailer Target Corporation has grown substantially over the past decade despite enormous price pressure from the largest merchant in the world, Wal-Mart. This retailer’s strategy is to constantly repeat its attributes shown by research to be most highly valued by its target audience. Over and over again Target reiterates its key messages in ways that are acceptable, even entertaining to consumers. This has caused those points to be widely accepted. But the amusing nature of Target ads does more than create an acceptable way to repeat salient arguments. Research reveals that consumers who enjoy a company’s

advertising actually develop more positive feelings about the company itself. Well-conceived, engaging marketing campaigns can help current and prospective insureds increase their liking for an insurer. That can lead to more opportunities and sales.

> **SEARCHING FOR THE BEST PROSPECTS**

Marketing executives hear a lot lately about the benefits of paid search and search engine optimization. Both can be very beneficial when prospects are actively looking for a new insurance company. But carriers can develop a base of qualified prospects who may look to them at renewal time by reaching out with a well-conceived search campaign. This type of initiative, familiar to seasoned marketers, often involves sending direct mail and, when possible, email to prospects. The most effective search campaigns use a well-designed offer to encourage prospective insureds to respond even if they’re not presently in the market for a new carrier. This tactic often succeeds for two reasons:

1. It reduces response resistance. Contacting an insurance company to explore a new policy is a major commitment; replying to receive an offer is easy. Campaign landing pages give prospects a comfortable way to respond. Customized websites (pURLs) provide insurers with additional marketing “real estate” that can be tailored to

the individual, containing text and images that research has shown will likely appeal to them.

2. The act of responding to an offer can actually increase many prospects’ interest in your company if the offer is well designed from both marketing and psychological standpoints.

The power of search campaigns to markedly increase prospects’ interest is due to what social psychologists call the Commitment/Consistency Principle. This principle, verified by a full 1,000 controlled scientific studies essentially states that most people (roughly 80% of the population) will actually change their feelings so that they are consistent with their commitments. One example of research was discussed at length by renowned persuasion expert Robert Cialdini, PhD. In it, social psychologists Jonathan Freedman and Scott Fraser had an assistant call homeowners to ask if they’d be willing to participate in a survey. Here’s exactly what householders were told the survey would require:

“The survey will involve 5 or 6 men from our staff coming into your home some morning for about 2 hours to enumerate and classify all the household products that you have. They will have to have full freedom in your house to go through the cupboards and storage places. Then all this information will be used in the writing of the reports for our public service publication, The Guide.”

Amazingly enough, 22% of people agreed to this marketing equivalent of a search warrant. A second set of householders had been called three days earlier and asked if they'd participate in the survey for The Guide by answering a few questions on the brands they preferred. It was a quick, easy survey and most consented. Three days later the research assistant called again, asking them to agree to submit to the "Marketing Search Warrant." Amazingly, 53% said yes! The old English proverb proved true: "In for a penny, in for a pound." Leonardo da Vinci once observed, "It is easier to resist at the beginning than at the end."

The same principle that achieved these astounding results can help insurance companies attract new, high-quality prospects in this difficult economic climate. Prospect search campaigns can be conducted on behalf of insurers using well designed offers to attract and engage prospective insureds. Even if they're not looking to change carriers, most will feel an interest in the company to whom they've responded. This interest can be progressively nurtured by further campaigns. With a relationship thus built, it

may only be a matter of time and the right circumstances before such qualified prospects become clients.

No insurance company can single-handedly speed up the nation's economic recovery or improve investment returns. None can prevent catastrophic storms or other natural or man-made disasters. But carriers can really get to know their insureds and provide them with the services they desire most. And, with the help of skilled marketers, they can regularly remind current and prospective clients that they offer the things they want most from insurance companies. They can effectively use search campaigns to begin relationships that may often result in new business. Building a base of loyal customers who engage and remain with a firm for reasons other than price can give insurers one of the greatest assets they can have during the uncertain days ahead.

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