

# **Time for insurers to claw back the customer from the Meerkat**



In 2016, being a direct insurer in a world dominated by aggregators is tough. What was once an industry commonly buffered by brokers and advisors is increasingly at the direct mercy of the individual. Consumers can – and will – delve deep into the market and switch providers at ease.

Many independent bodies support this course of action; endlessly encouraging customers to shop around to get a better deal, often at the expense of true and lasting value. Insurance brands using these sites have become little more than logos against competing costs, and a commoditised market that leaves scarce room for innovation and growth. The aggregators are suffocating brand identity and values. It's time for insurers to take back the relationship with their customers.

What's more, aggregators are going to be in very hot water come 2018 when the new General Data Protection Regulation comes into play; a piece of legislation will fundamentally change the way businesses can collect, store and use customer data. Insurers simply cannot afford to be over-reliant for much longer and must take this as an opportunity to transform the current model and reclaim the market. It's high time insurers return to dealing direct with customers and putting people before the policy.

Bringing together our research alongside YouGov to analyse the problem faced by insurers today, this report explores ways in which this can be overcome and – ultimately – recognise and draw out the opportunity for businesses to increase their value and surmount the disruption caused by aggregators. It's time to put the Meerkat back in his cage.

## State of play

The dominance of aggregators is at an all time high, with brand awareness soaring through the roof for the top brands. The vast majority of the UK public have heard of Moneysupermarket (88%) GoCompare (87%) and Comparethemarket (86%).

Meanwhile, brand awareness of the longstanding, traditional insurance providers pales in comparison: only 24% of people have heard of RSA and 37% AIG, for example. There is no doubt that aggregators have disrupted the sector enormously, leaving behind a fragmented market and a new kind of clientele: the switchhappy consumer.

What's more, the current environment has affected consumers' core motivations when it comes to choosing a policy or provider: for eight out of 10 people, price is the primary factor.

This renders the relationship between insurance brands and their consumer near-on over. With only 10% of shoppers citing brand loyalty as a key factor in their decision-making, customer retention – however attractive a marketing objective – is effectively dead.

Of the people we surveyed, 70% stated that they find the process of buying insurance simple and only 20% confirmed they would be unlikely to switch within the year; with the majority undecided and open to changing providers.

## The opportunity for change

Things must change. The onus is now on insurance brands to win back the relationship with their customers and ensure they are maximising the opportunities available to them. In light of this, our team of data consultants has identified a consumer-centric solution available to insurers enabling them to return true and lasting value to their business.

## Turn the policy model on its head

The 'Uberisation' of the business world has fashioned a new set of consumer priorities. Shoppers, whether in the market for insurance or groceries will often shop along the path of least resistance. Our research shows that there are no longer obvious pathways to purchase. Attempting to coerce consumers into one-size-fits-all portfolio of policies is a model of a bygone age. And it is broken.

Businesses, in any industry, which sell products in isolation will soon be left behind. In this environment, there is an enormous opportunity for insurers to offer long-term value, which aggregators simply cannot provide. And it starts with the consumer.

Putting the individual at the heart of your offering is the key to success in the insurance market. But the policies we see offered by insurers still show a dangerous lack of understanding of the consumer psyche: what they want, need and expect out of businesses.

Insurers must have a comprehensive understanding of the customer they are courting. They must offer them a long-term solution dependent on who they are, their life stages, their needs as they grow up. Great grocery retailers don't see a consumer in the market for an alcoholic drink, they see a woman agonising over what to bring to a dinner party. Google doesn't see a person who wants to search the Internet, they see a man desperate to find an answer.

Microsoft sees a graduate who dreams of becoming a business leader; O2 sees a teenager who wants to be taken seriously, Gillette sees a young man preparing for his first date, Ikea sees a cash-strapped young couple moving into a tiny studio.

Insurers need to begin thinking exactly the same way: developing a new kind of intelligent service which people will want to buy into. Through this, they can start to establish themselves as a partner, a trusted advisor; and bring the value back to their brand.

The right data, the right intelligence, can help insurers find the new customers they want, develop valued relationships with the ones they have, retain the ones they want to keep.

## **Insurers need to start asking the right questions**

Who are they? Where do they transact? How is it best to engage with them? What will excite them? Are they connected with my brand? What level of cover do they need? What is their preferred channel of communication?

It is now possible to combine demographic and lifestyle characteristics with purchasing patterns from the past 12 months, making it a highly predictive tool for the insurance sector and far more effective than traditional geodemographic segmentation.

This knowledge should go much deeper than the marketing department, embedded right across the business. Companies need to understand how to customise, and therefore optimise, the services they offer to consumers. Understanding them is the very first step.

## **Customer profiles - understanding the individual**

Our proprietary tools have identified four clusters of insurance customers, based on the pool of respondents from the panel study, which make up 75% of the entire market.

These have been profiled against all available demographic and insurance variables, as well as transactional data to provide insurance companies a starting point in creating a blueprint for innovation in their sector.

## 'Mandatory minimums'

Mostly young (18-44), single and male, these consumers require the bare minimum from insurance providers (basic motor cover, for example). Where insurance is necessary, the Mandatory Minimums are most likely to purchase direct from the provider, using a combination of friends, family and internet research as tools to find the best deal.

They find the process simple and aren't likely to spend much time reviewing all their policy options. Insurance is simply a necessary evil that gets in the way of life. At most, they spend about two hours researching car insurance to find the cheapest deal, but when it comes to other products such as life insurance, they spend a mere 30 minutes.

## How to engage with them

Insurers need to capitalise on the attitude of this consumer group. Offering them cheap car insurance deals bundled with other necessary products such as home insurance, will satisfy their needs to cover the basics at minimum cost and effort.

This digital native group has a preference for email as a method of contact and never want to be contacted by phone. Insurers should consider utilising digital channels to communicate with this social-media friendly group, with postal mail as a back-up.

Mandatory Minimums are typically interested in sport, going out with friends and having fun, so insurers will do well to offer lifestyle perks and rewards that will make purchasing insurance less of a drag.

Building positive relationships with Mandatory Minimums at this stage could prove beneficial as they eventually mature and transition into 'Worth Its'. Read on to find out about them.

## 'Influencers'

Part time or unemployed females comprise the majority of this group. Either cohabiting or married with children, they tend not to own a great deal of policies personally, but pet insurance is the most prevalent.

Though not the primary purchaser of insurance products for their household, Influencers still play an important contributory role in the decision making process. They will often consult friends and family for advice and are likely to make recommendations to the ultimate policy purchaser; most commonly their husband or partner.

Out of the four clusters, Influencers are the most likely to find the process of buying insurance confusing, and will use aggregators for all insurance policies purchased.

## How to engage with them

Influencers' natural urge is to use aggregators so insurance companies need to use simple, clear instructions when communicating with this group. Though influencers are not primary purchasers of insurance within their household, they consider themselves as key decision makers in the process, so should be treated as such. Influencers have no explicit preference on how they would like to be contacted, however, they tend to use Facebook a lot, so social media presents a useful tool to get buy in from this group. A lot of their interests and activities are family focussed so messaging should centre around this.

## 'Worth-Its'

Predominately middle-aged and male, the Worth-It's are often heavily insured, keen to protect assets accumulated over the course of their working life. They will find the process of buying insurance very simple and be prepared to switch regularly to find the best value.

Married with children, and working full time, they are likely to own every insurance type, but approach each differently. For home insurance, Worth-its will use a combination of friends, family and the internet for research purposes, spending approximately two hours researching, before ultimately turning to an aggregator for purchase. Decisions on car insurance sees Worth-its spend much less time researching (approximately 30 minutes) going on to use either a broker or an aggregator. Travel Insurance: goes direct or uses the internet for research purposes, spends approximately 30 mins researching, then uses an aggregator or goes direct to purchase.

When considering life insurance policies, perhaps the most important for Worth-Its, a variety of research tools are exploited over the course of two hours or more. Starting first on the internet and in some cases contacting insurers direct to compare quotes, they will then use a broker/aggregator to purchase.

## How to engage with them

The switch-happy 'Worth it' has significant lifetime value for an insurer, if only he can be retained. He is a key example of why insurers should move away from product marketing and instead take a much more holistic approach. By focussing on the needs of the entire household, insurers should offer as much as possible in one package to appeal to this type of consumer. Any communication needs to centre on the family and security, with email and telephone being the preferred method of contact for this group.

Remember: value driven 'Worth Its' are confident, well informed and not afraid to spend time shopping around for better deals. Insurers need to make sure they are fully up to speed with the changing needs of this consumer group and be on hand to offer additional value on an ongoing basis.

## 'OAPs (Over-Assured Pensioners)'

Post-family Over-Assured-Pensioners are aged 55 and older, and comprise slightly more females than males. Retired, perhaps widowed, with no dependent children, the OAPs are regional dwellers with every type of insurance available. They realise they are getting older and need more protection.

Unlike the Worth-Its, they approach the process in a similar way regardless of the type of policy. Light or non-users of social media and the internet, OAPs are legacy insurance customers who rely on newspapers, advertisements and other media material to research policies before going direct or through a broker to purchase – a process they find very confusing.

## How to engage with them

The nature of OAPs means it is crucial that insurers value them not just in terms of what they might buy, but also in terms of their influence over others. They are extremely social and will be vocal in making recommendations to friends and family based on their own experience. It is therefore imperative that the service they receive is top-notch so that they talk positively about the brand.

Expectedly, their preferred methods of contact are traditional: telephone or post. If nothing else, use these simply to say 'thank you' – OAPs appreciate this.

## Headroom for growth: The Uninsured

While exploring the research we identified that there is a huge untapped market for insurers which they can capitalise on if they understand who they are and what makes them tick.

### We found that...

**1** 22% of the UK are uninsured, representing significant potential for insurers

**2** London has the highest uninsured population in the country, with 30% of Londoners holding no policies

**3** 51% of students have no insurance, despite being a high risk group for crime

**4** 49% of 18-25 year olds own no insurance products

**5** Those with less insurance products are highly confused by the process

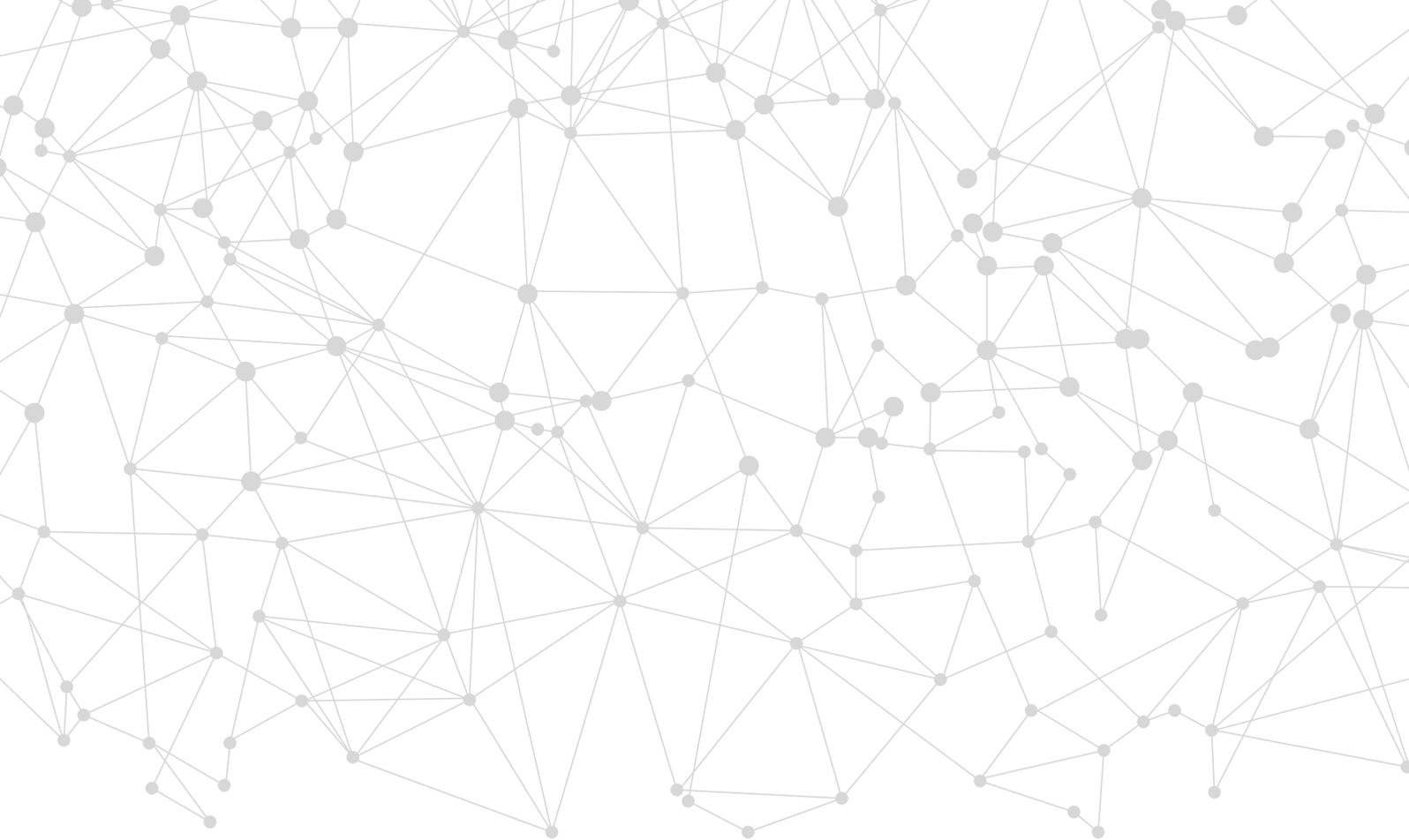
## **Conclusion: act now**

It's time for insurers to take control of customer relationships, cut out the middle man and deal direct. If you're an insurer struggling against the aggregator tide: take this report as a warning. Question your policy model and start building your growth strategy around the customer you want and the customer you can keep.

Profile your customer base using insurance, demographic, lifestyle and transactional characteristics to understand who they are and what they want from you. Personalise your customer acquisition and retention messages, and develop new propositions built around the specific consumer you are targeting. Treat every customer as an individual, keeping up to date with their changing needs and attitudes, and identifying cross and up-sell opportunities in the process.

Work to sustain loyalty from the outset so that when it comes to month eleven, your customers have a solid reason to renew, rather than being lost to irritating jingles and toy rodents.

**Now is the time to repair the market and offer something aggregators simply cannot: long term valuable relationships. Simple.**



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