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Insurance Marketing through Digital Tools: Opportunities and Challenges

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Abstract
Insurance is not a product; it is a service to provide a customer an experience of a lifetime but of course, the experience should be amazing and not awful. This difference in experience is most of the times created because of difference in how the service is marketed and sold to clients vis a vis how it is delivered and executed when the claims arise. Looking at marketing strategies, there is an array of tools available like advertising, be it television, radio, bill boards, print, magazines, industry publications, fliers and business cards of agents, or any other digital mediums like social media. Irrespective of any of the tools or strategies applied, the need of the people to get their life, homes, vehicles, health and other properties covered against risk of loss is inevitable. Fintech firms are emerging as major disruptors in financial services; therefore, the existing firms which can catch up with the pace to be digitally enabled are only going to rule the roost. The Fintechs, specifically in the context of insurance industry, are now being identified as InsureTechs. The study found that a collaborative approach between traditional insurers and budding InsureTechs is a key to provide an enchanting customer experience to Gen-Y customers in the times to come.

Keywords: *Marketing strategies, Advertising, Business, Inevitable, Properties, Collaborative approach.*

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INTRODUCTION

Insurance is not a product; it is a service to provide a customer an experience of a lifetime but of course, the experience should be amazing and not awful. This difference in experience is most of the times created because of difference in how the service is marketed and sold to clients vis a vis how it is delivered and executed when the claims arise. Looking at insurance from the point of view of its stakeholders, the list would start with the company selling and marketing it followed by the agent or the financial planner who acts as a link between the other most important stakeholders, i.e., the insurance buyer. Apart from the three prominent stakeholders, the regulators and reinsurance companies also play an important role in ensuring the requisite service standards, protecting the interests of customers and regulating the insurance companies with respect to their risk exposures.

The biggest anomaly of insurance market is how the sellers and the buyers behave. The buyers hardly read and try to know about the product they wish to buy whereas sellers precisely know what they are selling, and they will not deliver a penny beyond what they are paid for. Another corollary of this anomaly is buyer pays today to get something later and the seller is not going to pay anything if the buyer does not pay the premiums and misses out on some other terms and conditions. As every other insurance product is essentially going to have this feature of pay today and get later subject to terms and conditions, thus the whole model boils down to the argument whether the insured are getting the time value of money for what they are paying. Also, the buyers wish to pay the least amount of premiums even if the value insured is compromised [1]. Aren't the insurance companies acting too smart to bank the fears of customers and pass on a good portion of risk of loss of value to them as well?

REVIEW

In order to harp upon the fears of customers, the role of marketing is pivotal and also certain times questionable. The driving forces behind these marketing and sales processes are the insurances agents, brokers, and professional financial planning individuals/institutions. Looking at marketing strategies, there is an array of tools available like advertising, be it television, radio, bill boards, print, magazines, industry publications, fliers and business cards of agents, or any other digital medium. All in all, the power and potential of social media should not be ignored by any chance. Irrespective of any of the tools or strategies applied, the need of the people to get their life, homes, vehicles, health and other properties covered against risk of loss is inevitable. Not taking this need for granted, the wise marketers continuously develop new products to meet this ever-increasing demand for insurance and leverage every possible opportunity to disrupt the market place. One such disruptive challenge is how the Generation-X, Generation-Y, or for that matter millennials, would prefer to buy Insurance. Further, they need to gauge how the industry is going to grow and what is that the present-day financial planners and agents should do reach out to prospective clients. It is all very important now for the wealth managers and financial planners to adopt digital tools in wealth management practices. This desire for digital tools is getting stronger and stronger day by day. According to World Wealth Report 2014 [2], 64.2% of high net-worth individuals (HNWIs) expect their future wealth relationships to be mostly or all digital while as per World Wealth Report 2016 [3], 65% of all HNWIs consider sophisticated digital channels to be highly important. According to wealth managers, digital tools are valuable in supporting a few functions:

a) Increased collaboration with clients (85.9%).
b) The ability to better leverage client data to identify growth opportunities (82.1%).
c) Time savings through reduced paperwork (82.1%).

Here, Fintec firms that use computer programs and other technologies used to support or enable banking and financial services, are going to play a very pivotal role. Automated advice platforms, open investment communities, and third-party capability plug-ins are increasingly being embraced by HNWIs as alternatives to traditional face-to-face advice in some services. However, these firms may vary based on digital maturity. There are four levels of digital maturity that are discussed in World Wealth Report 2016. These levels as discussed can be found in Fig. 1 [3].

As per World Insurance Report 2016, Gen-Y customers have high comfort level with advanced technologies; they would like to purchase insurance from a technology firm. A Gen-Y is a person born after 1983 but the report has gathered responses of people between 18 and 35 years only. Not just this, they would also like to engage more frequently, preferably through social media. Such connected technologies are threatening traditional insurance models. Technologies related to the Internet of Things (IOT), including smart ecosystems, wearables and driverless cars, are expected to have a large impact on daily consumer life and in turn, insurance service providers. Insurers must begin considering new long-term business models to ensure their ongoing viability. Even though globally, customer experience has improved, but Gen-Y customers significantly have lower customer experience levels. Gen-Y customers are eager to embrace all channels, especially newer digital channels of mobile and social media. They interact with the insurer up to two and a half time more than the non-Gen-Y customers. This eagerness can be seen across all channels which are listed below:

- Gen-Y customer interacts more compared to non-Gen-Y.
- 37.1% of them use digital channels for such interactions.
- They turn to social media to get information.
- They prefer to interact with their agents on phone, etc.
- Social media acts as a medium for discussing insurance issues.
- The future is that customers across all ages are expected to gravitate towards greater use of digital channels.
- It is an opportunity for insurers to connect and appeal to Gen-Y customers.

The above list indicates that the present-day customers are more likely to purchase insurance from non-traditional insurers. This is more important here because by 2020, more than 25% of the global population is expected to become a major part of the workforce in many countries. The customers who took claims in 2015-16 had lower levels of positive experience for both auto and property insurance. As more and more competitors are foraying into this sector, a good number of firms see a definite opportunity in offering insurance through digital channels. In the same year as above, the non Gen-Y customers had a positive experience to the tune of 33% while the Gen-Y customers on the other hand had positive experience to the tune of 54%. The new players in the industry are scaling up faster by catching the attention of tech suave customers. The existing firms can also build upon this opportunity to grow organically. However, the same opportunity can become a threat if these 40.5% strong global users of technology are not tapped appropriately by players in insurance industry [4].

The World Insurance Report 2017 [5] published by Capgemini has introduced *InsurTech* to be the new buzz word. It has identified Generation-Y to be the most sought-after segment for insurance needs. This statistic has led to a lot of innovation in technology-enabled insurance services space. Though the incumbent players have their innate advantages of years of patronage, market standing and share, still they are not able to get that traction with the new-age clients who are tech savvy. The traditional insurers are already accustomed to data handling; the only arm they must extend is data analytics. The use of artificial intelligence and connected devices is already leading to a lot of innovations, all credits to digital revolution that Gen-Y is a part of. Their digital interactions would largely depend upon the emerging digital technologies such as smart phones, wearable devices, Internet of Things (IOT), etc. Such interactions are of great value to them and other tech savvy customers because for their insurance transactions computers are the first touch point. Figure 2 shows the kind of services expected by Gen-Y, tech savvy, non-tech savvy, or otherwise customers.

This specific segment of tech savvy and Gen-Y customers is more likely to buy another product from a firm if it is technology-enabled and is more likely to leave the existing firm if it is not tech friendly. This likelihood percentage of customers can be found in Figure 3.

***Fig. 1**: Source: World Wealth Report 2016.*

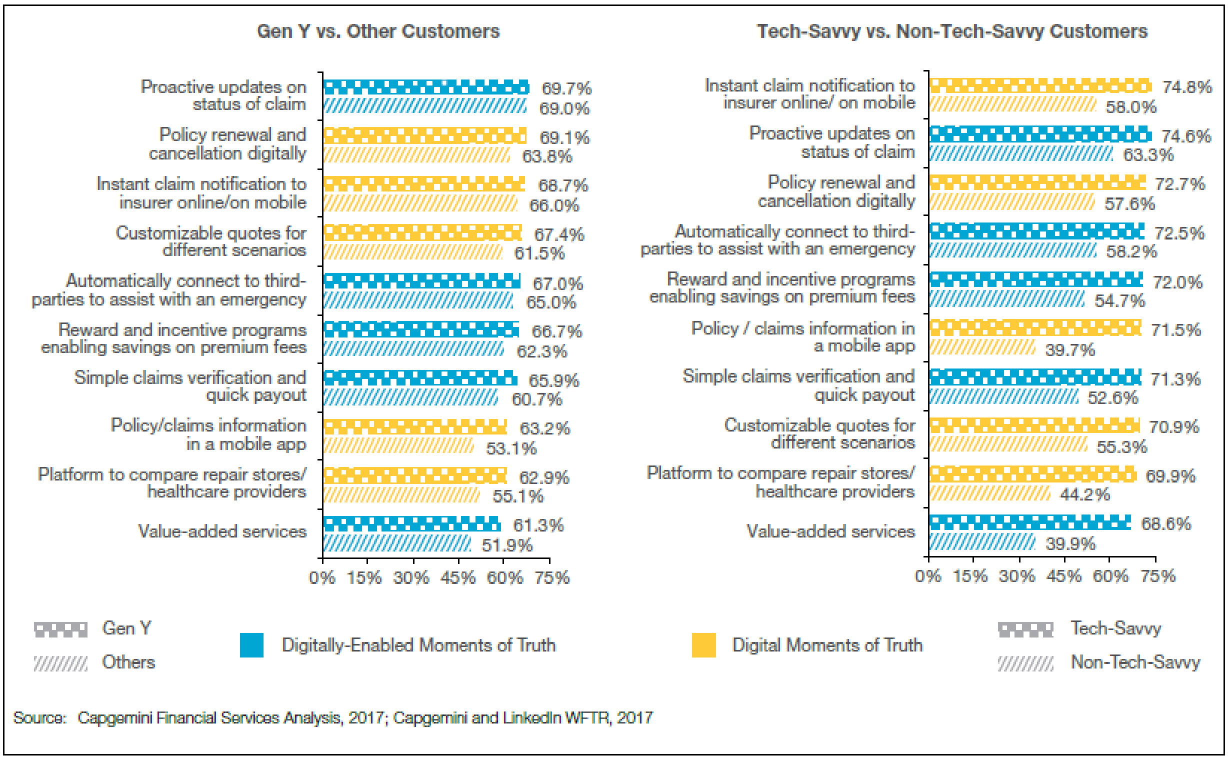

***Fig. 2**: Source: Capgemini World Insurance Report 2017.*

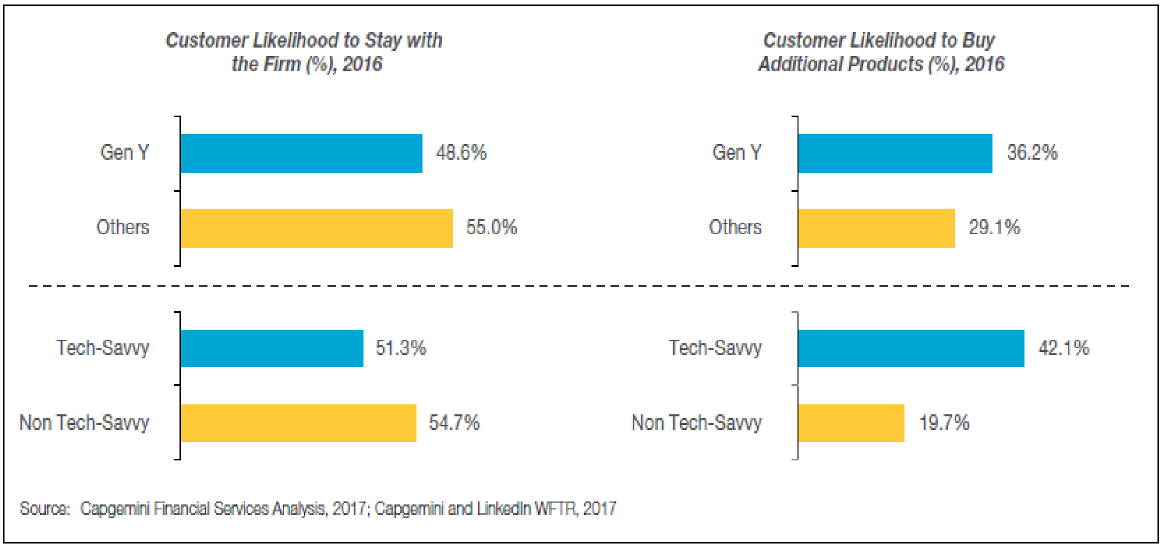

***Fig. 3**: Source: Capgemini World Insurance Report 2017.*

***Table 1.** Source: Compiled from Capgemini World Insurance Report 2017.*

S. No.	Company	Digital medium	Benefit for the insurer	Benefit for the customer
1.	Aviva	Free App	Monitors driving skills	Savings on auto insurance policies
2.	Allstate's Quick Photo Claim	E-claim through photographs	Electronic claim estimate based on the photo of vehicle damage	No botheration of visiting the repair shop to get the claim estimate it can be easily done with a help of the photographs of damaged vehicle.
3.	Meiji Yasuda Life Insurance	Windows tablets	Better resource for sales force	Better understanding of products through videos
4.	United Health Care	E-payment through website	Settlement of medical bills through My Claims Manager website	Not just settlement of bills but also payment for deductibles and out of pocket expenses can be done.
5.	Aetna	Twitter	Communication with the customers	An additional option to communicate concerns and queries apart from phone.

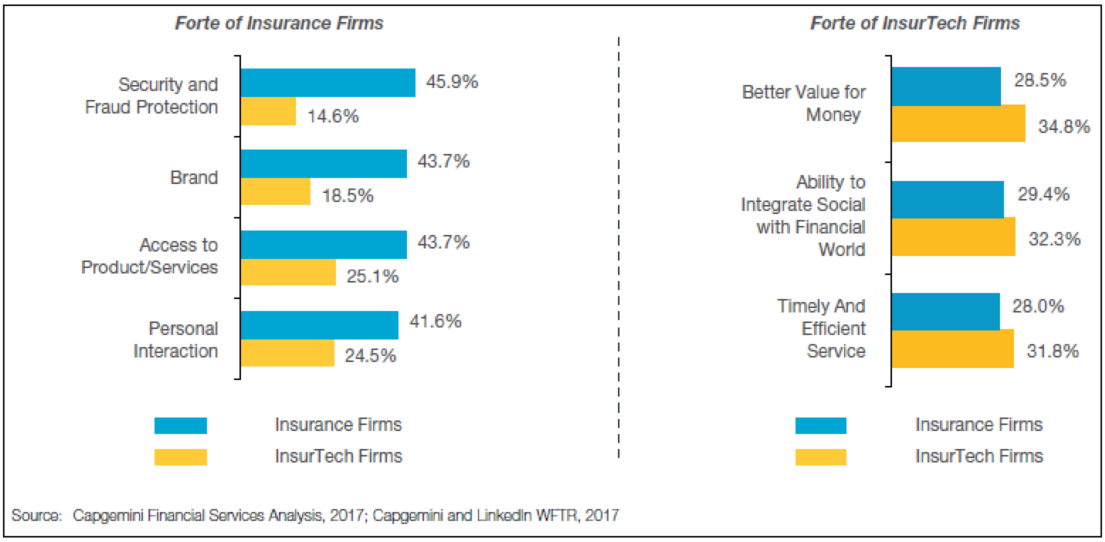

***Fig. 4**: Source: Capgemini World Insurance Report 2017.*

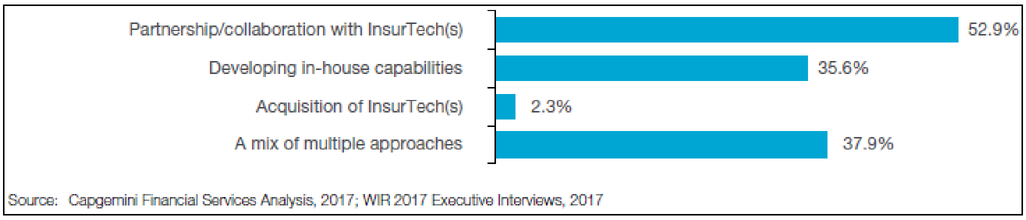

***Fig. 5**: Source: Capgemini World Insurance Report 2017.*

***Table 2**: Source: Compiled from Capgemini World Insurance Report 2017.*

S. No.	Strategy	Approach towards collaboration	Examples	Benefit of collaboration
1.	Venture Capital Investment	Investments or equity position in InsureTechs	XL innovate, Allianz Ventures, Mass Mutual Ventures Fund	Establishment of investment arm with InsureTechs
2.	Strategic Partnerships	Partnerships	AXA's use of Alibaba's e-commerce platforms to sell insurance in Asia.	Leveraging the strengths of InsureTechs
3.	Incubators	Help entrepreneurs develop new business models	AXA's Kamet	Making available resources such as infrastructure and mentorship to entrepreneurs to develop new business ideas.
4.	In-house Incubators	Having in-house innovation experts	MetLife's LumenLab	Leveraging upon the experience of the dedicated staff that have backgrounds of startup and development of businesses within or outside the industry
5.	Acquisitions	Acquisition of InsureTech firms	Allstate's acquisition of SquareTrade	The company benefitted by acquiring SquareTrades's models of insuring electronic devices like mobile phones, laptops and tablets.

A few examples of digital engagement of customers can be found in Table 1.

However, the only issue this new genre of InsurTechs is struggling with is the lack of trust of the customers. A good 40% of the customers wish to rely on their existing insurer because their knowledge of insurance business is far superior to the recent entrants and they are also cost-effective because of a large client base. Therefore, the only alternative that is in front of them is to collaborate and excel. Both can harp upon the strengths of each other to address the issues and challenges faced by them. Figure 4 vividly shows customer preference for both kinds of firms.

A glimpse of the examples of collaborations of traditional insurers with InsureTechs as mentioned in the report can be found in Table 2.

Given the customer preferences, these firms are finding way to collaborate by way of venture capital investments, strategic partnerships, incubators, in-house incubators, acquisitions, etc. Figure 5 shows surveyed insurers' ways of collaborating with InsureTechs in order to leverage the digital technologies. More than 50% of them wish to collaborate or get into partnerships with them.

Singularly, no matter howsoever good the above strategies are as, more and more insurers wish to harp upon every possible opportunity available to speed up their digital technology adaptation process, almost 38% of them are inclined to consider a mix of these approaches and strategies [6].

CONCLUSION

The trends are apparent from the reviewed reports that the Gen-Y customers have their own choice and set of expectations from their financial planners and investment advisors. In order to effectively engage with them it is very important to understand how they wish to engage with their financial planners. The Gen-Y particularly wishes to engage with their insurance companies through digital mediums or platforms whether it is over phones, mails, internet-based apps, or through social media. Fintech firms in any case are going to be the major disruptors in financial services and the existing firms which can catch up with the pace to be digitally enabled are only going to rule the roost. The Fintechs specifically in the context of insurance industry are now being identified as InsureTechs. But these firms cannot all alone win the trust of their customers because of their nascent presence in the arena. Therefore, collaboration between traditional insurers and budding InsureTechs is going to be a key to provide an enchanting customer experience to Gen-Y in times to come.

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