3 ways life insurers can embrace the nuances of digital marketing

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A tiger never changes its stripes. But does the same have to be true of life insurance companies? They're good at selling through distribution, but there is a large pool of younger generations that must not be overlooked. This is where digital distribution comes in - digitizing the whole process end-to-end, from improving the sales process through to identifying new target audiences. But how can this actually work in practice? And what are the barriers for life insurance firms?

Digital distribution is often conceived of too narrowly – something akin to 'we'll market via social media', with little thought behind it. In reality the use of digital has multiple applications right through the whole sales process.

First, there is the question of funneling new customers into the sales process: getting people aware, interested and to the door. The insurance industry has a real opportunity here to supplement its traditional reliance on agents and intermediaries with direct-to-customer marketing through all manners of online engagement. But rather than this being a one-off initiative, long-term success depends on making a virtuous cycle out of it. Any company that moves into digital sales and marketing will find themselves with an influx of new data. This needs to be stored, analyzed and used in a sophisticated way to inform future marketing, in terms of who to target, how and when. It needs to be an ongoing process.

Second, there's the sales process itself, which is still fairly archaic and often involves reams of paperwork with incomprehensible or irrelevant detail (from the customer's point of view). Embracing digital distribution means giving new customers the ability to sign up to a policy in around five minutes maximum, via a simple, slick and intuitive mobile app that doesn't overload the user with information.

Third –- and most often overlooked -– is the role digital can play in engaging, retaining and upselling to existing customers, so those who are already through the door. One example of this is what we call "Reciprocal Intelligence," whereby instead of the data flow being entirely one way (from customer to company), the insurer gives something back. For instance, if a consumer is using wearable apps to monitor their fitness levels for a policy, the insurer should provide information back to them. If their average resting heart rate has improved, or about the level of subsequent health risk that comes with certain lifestyles.

The main misconception with digital distribution is that it's all about replacing traditional marketing. In reality, it's an opportunity to supplement the more traditional approaches and start to tap into an entirely new set of customers. The more traditional, agency-based model does still works well at engaging and selling to the type of customer it has always favored– the asset-rich households. However this pool of revenue is shrinking, and younger, less financially secure generations are far less inclined to purchase insurance through traditional channels. It is in tapping this relatively untapped pool of customers – and thus growing the overall pool of potential revenues – that digital distribution will come into its own.

Another misconception is that digital distribution brings channel conflict. A few years ago this was a dominating fear, and the main reason behind a lot of companies' reluctance to adopt direct, digital models. But the fear was largely based on the misconception that both strategies would be targeting the same audience. This isn't the case. On the contrary, embracing the digital side can make the traditional component more efficient and effective. The data and insights generated on the digital side can be used to inform and improve marketing and outreach on the traditional side in a way that was too prohibitively expensive before. There's more synergy than conflict.

But of course, there are challenges for life insurance carriers looking to digitize. These include questions around tech and infrastructure, as well as talent and culture. We'll tackle these next time.

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