Marketing Analytics: A Smarter Way for Auto and Home Insurers to Gain Competitive Advantage

Given their enormous advertising spend and stagnant growth, P&C personal lines carriers need to work smarter to generate better quality leads, improve sales effectiveness and efficiency, and design innovative products and services.

| FUTURE OF WORK

Executive Summary

The numbers are staggering. Almost US$6 billion in advertising was spent last year by personal lines carriers. GEICO alone spent almost a billion dollars. And if you thought that independent agency-based insurers don't advertise, think again.

Yet for all the marketing dollars expended, what has the industry achieved? Not much, in our view. The majority of leading companies have posted annual growth rates of between -1% and 1% over the last 10 years. In comparison to the industry's average annual growth rate of 0.9%,[1] this begs the obvious question: Did the personal lines carriers spend their marketing dollars smartly? Thankfully, in this business, most customers don't switch. In fact, despite the proliferation of ads, 30% of customers simply renew with their current insurer without getting a quote from another insurer — a silver lining to the industry's profit tailspin.

Nonetheless, from billboards, to television, radio and the Internet, promotions for car and home insurance seem to be everywhere, and are now among the most prevalent. (Consider the popularity of GEICO's green lizard compared to that of other brand icons, such as the Coca-Cola polar bear, for example).

Yet what is striking are the similarities in insurers' messaging: "Call us and we'll save you $300 by switching from the same company that just told you 30 minutes ago that it can save you $300 by switching to them." Using this equation, a customer who switches insurers three or four times would get car insurance for free!

In our view, these types of defensive marketing strategies cannot last long, although over the last ten years they have clearly shaken the industry and separated the winners and losers. We believe that the next decade will see even more dramatic moves on the marketing stage as personal lines carriers deepen their efforts to win and retain customers, pursue distinct identities and shift to more offensive strategies. Given the industry's questionable return on investment (ROI) from past marketing spend, insurance companies need to advance their marketing analytics capabilities to remain competitive. As we see it, the marketing spend battle will escalate before it slows down. Further, winners will be defined not only by how *much* they spend on marketing, but also by how *smartly* they spend it.

This is where marketing analytics comes into play: Having the right data, the right tools and the right skills to help make better marketing-spend decisions and better customer predictions. Building this capability isn't easy, but the benefits are indisputable — spanning beyond marketing ROI to include better product and service designs.

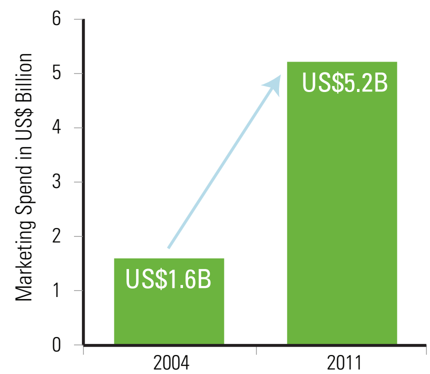
This white paper describes our views on current marketing spend challenges in the personal lines industry; why we believe these challenges will persist; how marketing analytics can help insurers address this issue; why the time is now to adopt this function, and the benefits that can be expected from building a robust marketing analytics capability.

Exponential Growth in Marketing Spend Delivers Questionable Returns

The P&C personal lines industry — particularly auto insurance — has experienced ever-increasing product and service commoditization during the last decade, primarily due to customers' preference for well recognized insurance providers. Today, personal lines carriers dominate the airwaves and other media channels — aggressively promoting their brands, products and services. You don't have to look far to see marketing icons such as GEICO's "Gecko," Progressive's "Flo" and Allstate's "Mayhem." The avalanche of advertising by top personal lines carriers has contributed mightily to the industry's phenomenal spend on marketing. For example, in 2011 the top personal lines carriers spent US$5.2 billion in marketing, compared with US$1.6 billion expended in 2004 (see Figure 1).

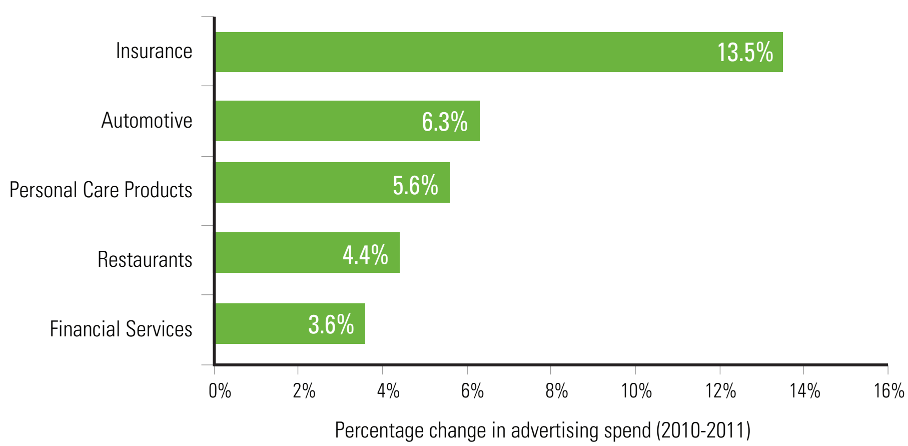
Similarly, if we look at advertising expenditures across industries, insurers exhibited the highest growth in 2011 year-over-year spend (see Figure 2).

Top 20 P&C Personal Lines Carriers' Marketing Spend



Source: National Association of Insurance Commissioners (NAIC) Reports[1]
Figure 1

Advertising Spend Growth Across Key Industries

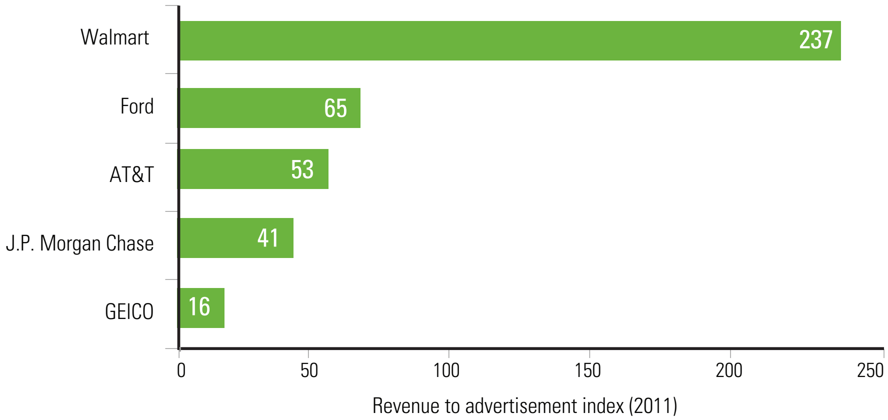


Source: Kantar Media 2011[2]
Figure 2

Marketing spend in the personal lines industry has grown exponentially over the years, despite economic recession, persistently low profitability (caused in part by the high frequency and severity of weather-related catastrophes) and limited growth in exposures in areas such as new automobile and home sales. Also, recent trends indicate that carriers expect to spend their way through these challenges, with no signs of abatement.

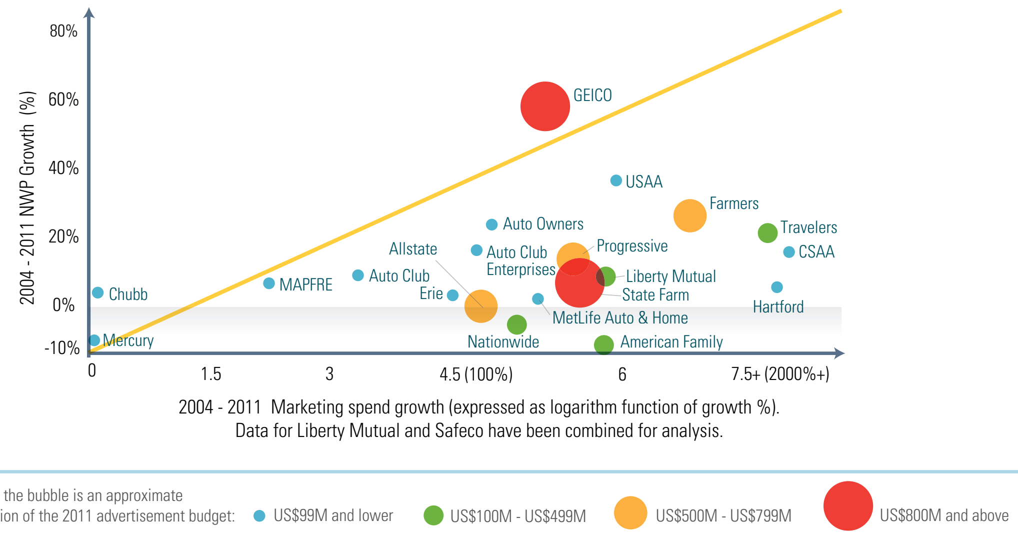
The question remains whether carriers have achieved reasonable returns on their huge marketing expenditures. If we look at the return on investment from advertising spend across industry leaders, top insurance carriers have achieved lower returns compared with other industry leaders. For example, GEICO had a revenue-to-advertisement ratio of 16, which was significantly lower than retail giant Walmart (see Figure 3).

Revenue to Advertisement Spend Ratio of Key Industry Leaders



Source: National Association of Insurance Commissioners (NAIC) Reports,[3] Ad Age 2011[4]
Figure 3

Top Personal Lines Carriers Growth in Net Written Premiums vs. Marketing Spend



Source: National Association of Insurance Commissioners (NAIC) Reports[5]

Figure 4

But not everyone in the insurance industry is over-spending without achieving meaningful returns on their investments. Carriers such as GEICO and Chubb (see Figure 4) have done well by driving net written premiums growth – above and beyond their marketing spend. However, for many other carriers, their net written premiums trailed their marketing spend. Given this analysis, we believe that 80% (approximately US$4.13 billion) of the total marketing spend of the top 20 personal lines carriers in 2011 delivered questionable ROI.

Despite the questionable ROI, we expect marketing spend to rise as the following key macro trends persist in auto insurance and extend further into the homeowners business:

- Increase in product commoditization.
- Lack of service differentiation.
- Shifting customer preferences toward visible brands.
- Increase in self-directed purchase decisions by customers.

Key Macro Trends Driving Marketing Spend Increases

Increase In Product Commoditization

P&C personal lines products, especially in the auto insurance space, are becoming commoditized in the following ways:

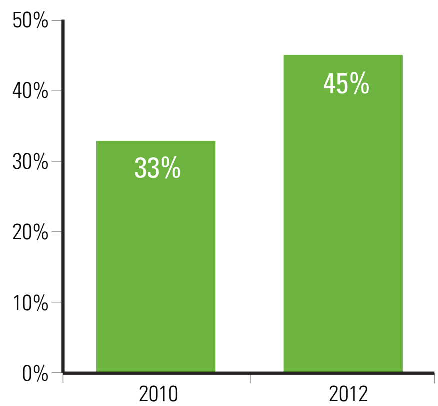
- Price is the most important buying criteria.
- New product features are easy to replicate.
- Switching behavior among customers is increasing as a result of price commoditization.

According to a 2013 Insure.com[6] customer satisfaction survey, price was cited as the top (41% of survey respondents) most important factor in the auto insurance buying process. In the same survey, 62% of survey respondents who did not plan to renew their auto policies with the incumbent carrier indicated price as the primary reason for switching insurers. Today, most auto insurance carriers broadcast advertisements that emphasize low price points and savings that customers can avail themselves of by switching — providing additional evidence of why price is the most important criteria influencing auto insurance purchases.

The key components of auto insurance products (i.e., coverages, limits and packaging) do not vary much across carriers. While some carriers try to differentiate their products by adding "bells and whistles" such as vanishing deductible, zero price increase, zero deductible for total collision, accident forgiveness and new car replacement, these product features can easily be replicated by competitors. Also, since the frequency of insurance purchases is typically low, there is usually no first-mover advantage in rolling out new product features or product lines.

According to the 2013 J.D. Power U.S. Insurance Shopping Study[7] (see Figure 5), the switching rate among auto insurance shoppers increased from 33% in 2010 to 45% in 2012 — the highest since the researcher began measuring customer retention data in 2008.

Auto Insurance Shopper Switching Trends

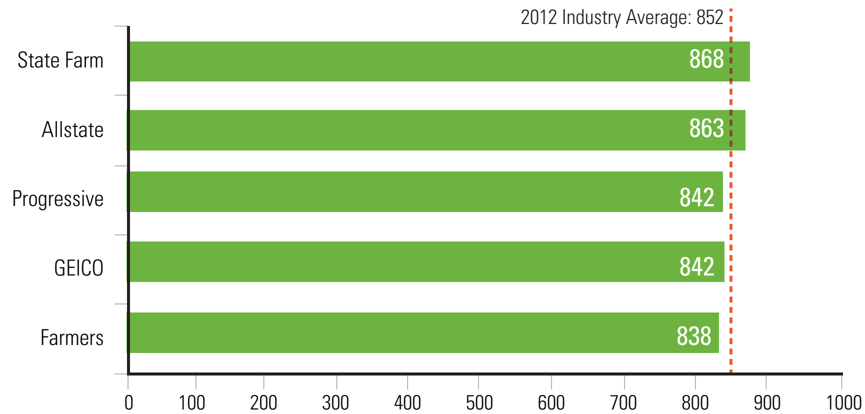


Source: 2013 J.D. Power U.S. Insurance Shopping Study[8]
Figure 5

Lack of Service Differentiation

In addition to coping with product commoditization, insurance shoppers are having a hard time differentiating carriers for services provided. Historically, carriers distinguished their services, particularly claims (e.g., quality of service), to support their higher prices. However, most carriers have improved their claims services to a point where their customers are satisfied with the services their carrier provides. For example, according to the 2013 Insure.com insurance customer satisfaction survey conducted among P&C personal auto insurance customers, only 10% and 8% of those customers who were not satisfied with their incumbent carrier and were willing to switch cited dissatisfaction with customer service and claims service, respectively, as the reason for non-renewal.

Top Five Auto Insurance Carriers' Claims Satisfaction Scores



Source: J.D. Power, 2012 U.S. Auto Claims Satisfaction Study[9]
Figure 6

In addition, according to a 2012 J.D. Power U.S. auto claims satisfaction study, the average industry satisfaction score has risen to 852 from 818 in 2008 (see Figure 6), indicating higher claims satisfaction across all carriers. More important, claims satisfaction scores among the top five carriers are similar enough to suggest that there is no perceptible difference in claims services. Price has become the most important factor influencing purchasing decisions, particularly in the auto insurance mass market space.

The lack of differentiation in claims services throughout the industry is now a selling point in itself. For example, 21st Century's ad campaign captures this sentiment. The advertisement portrays two cars, two collisions, two great coverages and two great claims services, but emphasizes how 21st Century saved the driver hundreds of dollars in premiums.

Shift in Customer Preferences Toward Visible Brands

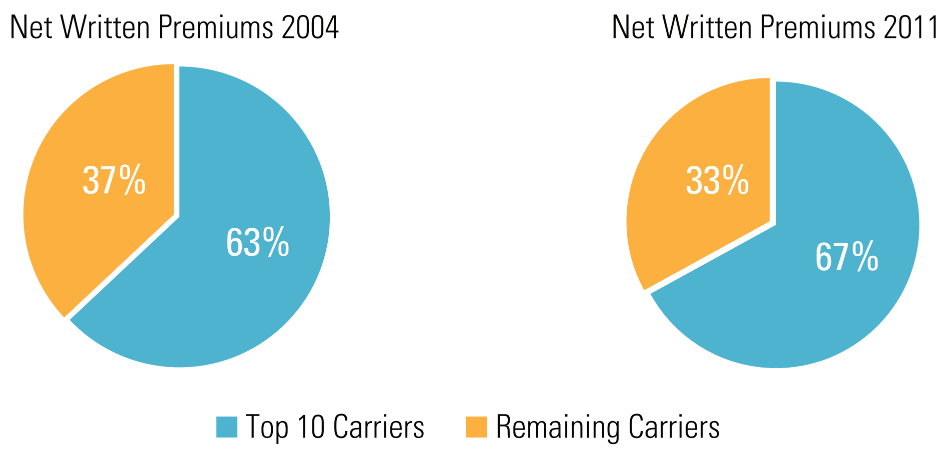
The third industry trend is customers' shift toward more visible brands. This has resulted in 10 top carriers — those with the most prominent brands gaining market share at the expense of lesser known carriers (see Figure 7).

Even among the top 10 carriers, competition for customer acquisition is greater than ever before. The reason? The average customer recalls only three to four brands from a particular industry sector when contemplating buying a product or service. Top personal lines carriers such as GEICO, State Farm and Allstate are conducting micro segmentation of customers and creating multiple brand icons and messages to ensure greater resonance across various customer segments.

Increase in Self-directed Purchase Decisions

Finally, an undercurrent trend has emerged. Customers are becoming more self-directed and are comfortable making their own purchasing decisions. Direct channels such as the Internet, the call center, mobile devices and social media have become mainstream ways of selling and servicing P&C personal lines products. As more and more customers research personal lines products on their own, read product and service reviews on blogs and social media, and conduct comparison

P&C Personal Lines Net Written Premiums

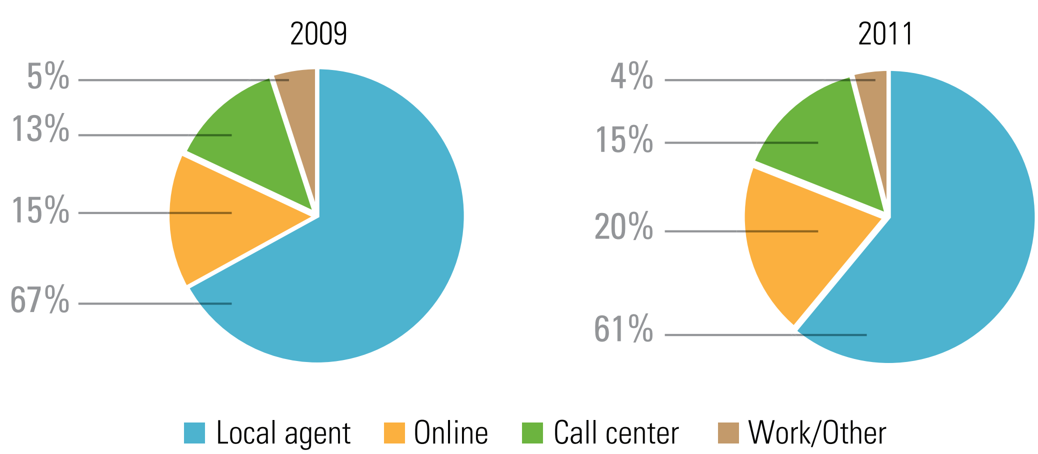


Source: National Association of Insurance Commissioners (NAIC) Reports[10]
Figure 7

shopping, carriers must educate customers about what to buy, and create brand recall to lure prospective customers to their Web sites and call centers, or have them reach out to agents.

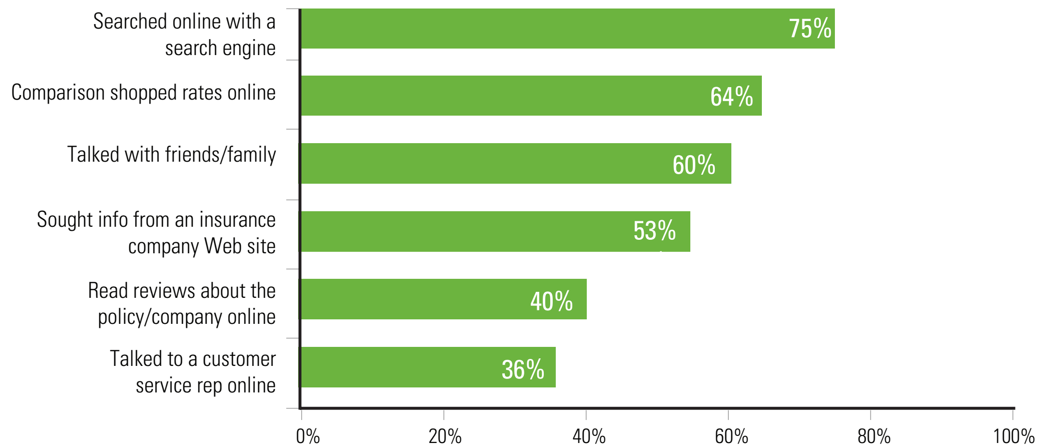
A comScore survey on personal auto insurance customer purchase methods revealed a marked interest in shopping through direct channels (see Figure 8). Furthermore, the 2011 Google Moment of Truth Study for Insurance indicates that more

Personal Auto Insurance Purchase Methods



Source: 2011 comScore Auto Insurance Servicing Report[11]
Figure 8

Information Sources to Help Make Insurance Purchase Decisions



Source: Google/Shopper Sciences, Zero Moment of Truth Study – Insurance, April 2011[12]
Figure 9

customers are shifting to the Internet as their primary source of information for making insurance purchase decisions (see Figure 9).

The J.D. Power and Associates 2012 U.S. Insurance Shopping Study[13] also noted that 73% of customers who are willing to switch carriers visited at least one insurer's Web site during the shopping process. There is an evident shift from traditional marketing methods of agents pushing products to customers, to pull marketing methods, where customers seek information and buy products using different direct channels. As a result, carriers will have to continue spending on marketing to increase their brand's visibility and improve customer awareness of their online channels such as Web sites, Facebook, YouTube and Twitter.

How can carriers improve their ROI on marketing spend? We believe the answer lies in marketing analytics.

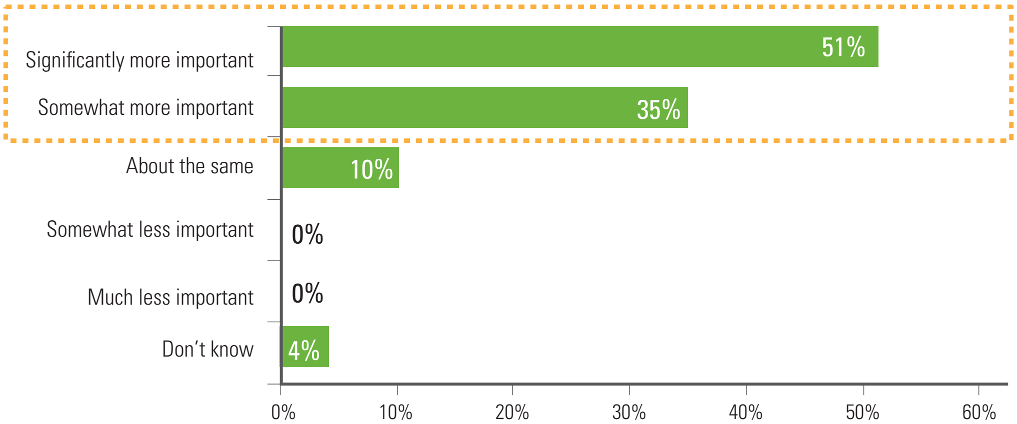
These trends suggest that P&C personal lines industry players will continue to increase marketing spend for the foreseeable future to acquire and retain customers. So the question emerges: How can carriers improve their ROI on marketing spend? We believe the answer lies in marketing analytics.

Leveraging Marketing Analytics

We define marketing analytics as a business function that provides a holistic and predictive view of the effectiveness and efficiency of marketing spend. Marketing analytics can also serve to improve product and service design to heighten customer loyalty.

The research findings suggest that 86% of respondents believe that marketing analytics will be "significantly more important or somewhat more important" (see

Marketing Analytics' Importance Over the Next Five Years



Response base: 144 insurance industry professionals
Source: InformationWeek Financial Services – Cognizant 2013 Insurance Analytics Survey[14]
Figure 10

Figure 10) in the next five years, indicating that this is on the top of the list of strategic initiatives for most personal lines carriers.

Key components of a successful marketing analytics business function are depicted in Figure 11.

- **Key Performance Indicators:** To build and operate a successful marketing analytics business function, organizations need to first define the key performance indicators (KPIs) to measure and monitor the effectiveness and efficiency of their marketing spend. Our research (see methodology, page 13) indicates that lack of organizational appetite to define and measure KPIs is one of the top three

Marketing Analytics: Key Building Blocks

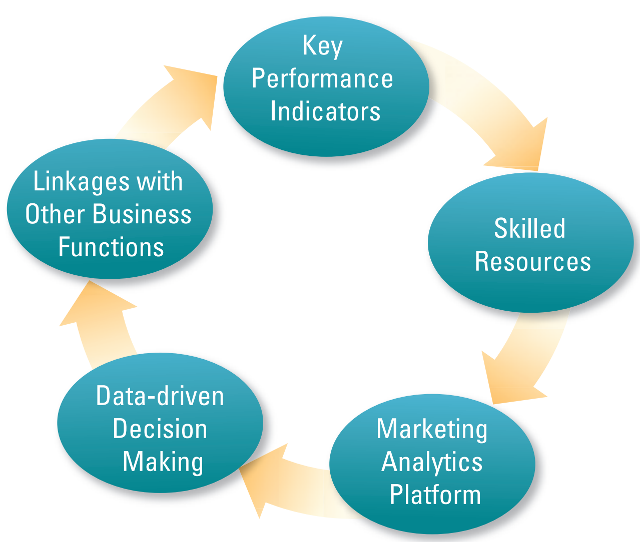
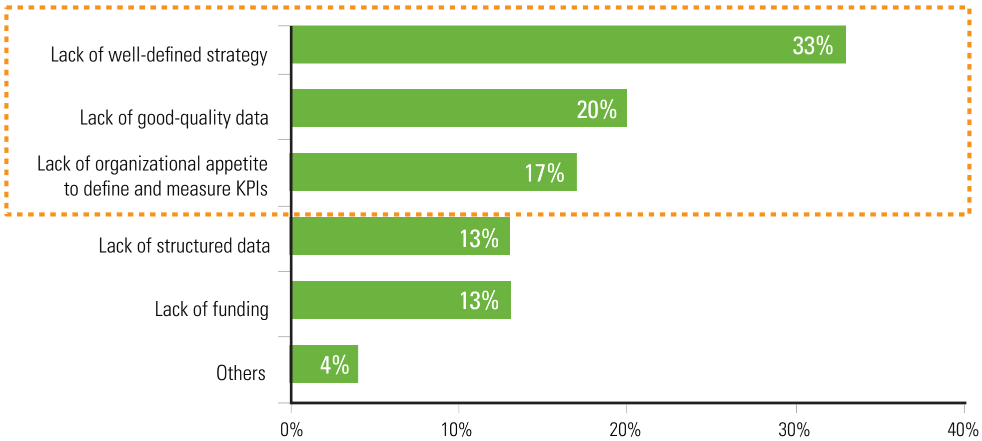


Figure 11

Key Challenges with Marketing Analytics Implementations



Response base: 144 insurance industry professionals
Source: InformationWeek Financial Services - Cognizant, 2013 Insurance Analytics Survey[15]
Figure 12

barriers P&C personal lines carriers face with regard to implementing marketing analytics (see Figure 12). To address this challenge, organizations should define the KPIs and map them to the marketing organization's goals.

Typically, marketing analytics KPIs are grouped into two categories:

- **Effectiveness** defines how to get better returns from the same marketing spend.
- **Efficiency** defines how to get the same returns with less marketing spend.

These KPIs should be segmented by line of business, products, channels and advertising campaigns to gain deeper insights for better decision making. The KPIs should also be benchmarked against competitors, industry best practices, and trended over

Sample Marketing Analytics KPIs

Sample Key Performance Indicators (KPIs)	
Effectiveness	**Efficiency**
• Number of leads generated per campaign. • Number of prospects for every 100 leads. • Number of quotes generated for every 100 prospects. • Number of policies issued for every 100 quotes (close ratio). • Number of referrals generated per campaign. • Cross-sell uptick per campaign. • Net promoter score.	• Average marketing spend for each new lead. • Average marketing spend for each new customer. • Average marketing spend for each new referral. • Marketing leakage costs. • Ratio of new business premiums to marketing cost. • Average time from campaign launch to lead generation. • Ratio of number of qualified leads to number of leads.

Figure 13

Quick Take

Research Methodology

In April and May of 2013, InformationWeek Financial Services conducted an online survey on behalf of Cognizant. The goal was to explore the state of marketing analytics among insurance carriers. InformationWeek Financial Services collected data from 144 survey respondents, primarily business and technology professionals from within insurance carriers in the U.S.

Approximately six in ten respondents worked in their company's IT department, while the others represented their organization's business or business intelligence/analytics departments. Twenty-four percent of the survey respondents held C-level, senior vice president or vice president titles. The majority of respondents worked at carriers with more than US$1 billion in annual revenues, while approximately 40% of those surveyed were employed by carriers with US$5 billion or more in revenues.

time to compare performance. Dashboards that encapsulate the KPIs in a meaningful format should be developed and delivered to senior marketing executives and other key marketing personnel to measure, monitor and track marketing spend and its performance at frequent intervals.

Figure 13 (previous page) shows sample marketing KPIs that should be segmented by line of business, products, channels and advertising campaigns.

- **Skilled resources:** In addition to defining KPIs, having the right talent is critical to ensuring the success of a company's marketing analytics function. Our research (see methodology, above) indicates lack of well-defined strategy as the top challenge (see Figure 12, previous page) that carriers face with respect to marketing analytics. To overcome this issue, carriers need proven, skilled analytics resources with the ability to interpret data in the context of insurance, such as improving customer retention and referrals, and applying insights gleaned to develop actionable tasks for marketing purposes.

  Carriers with a shortage of these skills should consider sourcing from other industries, such as retail, financial services and hospitality, which have made greater strides in successfully leveraging marketing analytics to design marketing campaigns and loyalty programs. In addition to filling the skills gap, this approach can bring a broad and fresh perceptive, and enable carriers to learn from the best practices and success achieved by others — all while allowing carriers to customize their marketing analytics capabilities to address their business requirements. Finally, the marketing analytics function should be led by a marketing executive responsible for engaging both the chief marketing officer and the chief information officer to ensure that marketing analytics remains a high-priority strategic initiative.

- **Marketing analytics platform:** While the KPIs defined earlier will determine the data to be collected and analyzed, a key step is to finalize the most efficient way of acquiring and storing data to provide a holistic view of the carrier's marketing expenditures across different media channels, such as television, radio, billboard, online portals and event banners. These decisions address whether to source some data internally, or acquire data from external sources.

  Hence, the marketing and campaign management data from internal and external data sources needs to be supplemented with data from social media channels, such as Facebook, Twitter and YouTube, to track leads and customer sentiment. Also, the marketing analytics platform should have data feeds from other business platforms — such as new business, policy administration, claims and billing — to obtain a complete view of each customer, encompassing demographics, shopping behavior, credit history and life events.

Equally important is to ensure high-data quality, since data is acquired from different sources. Roughly 20% of survey respondents from our research (see methodology, page 13) indicated lack of good quality data (see Figure 12) as a primary challenge for successfully implementing marketing analytics. Carriers should cleanse the data being brought onto the marketing analytics platform, and standardize definitions and values to drive consistency and reliability for better decision making.

To drive more discipline in this regard, carriers should establish a governance structure aimed at making fact-driven — rather than "gut-feel" — decisions.

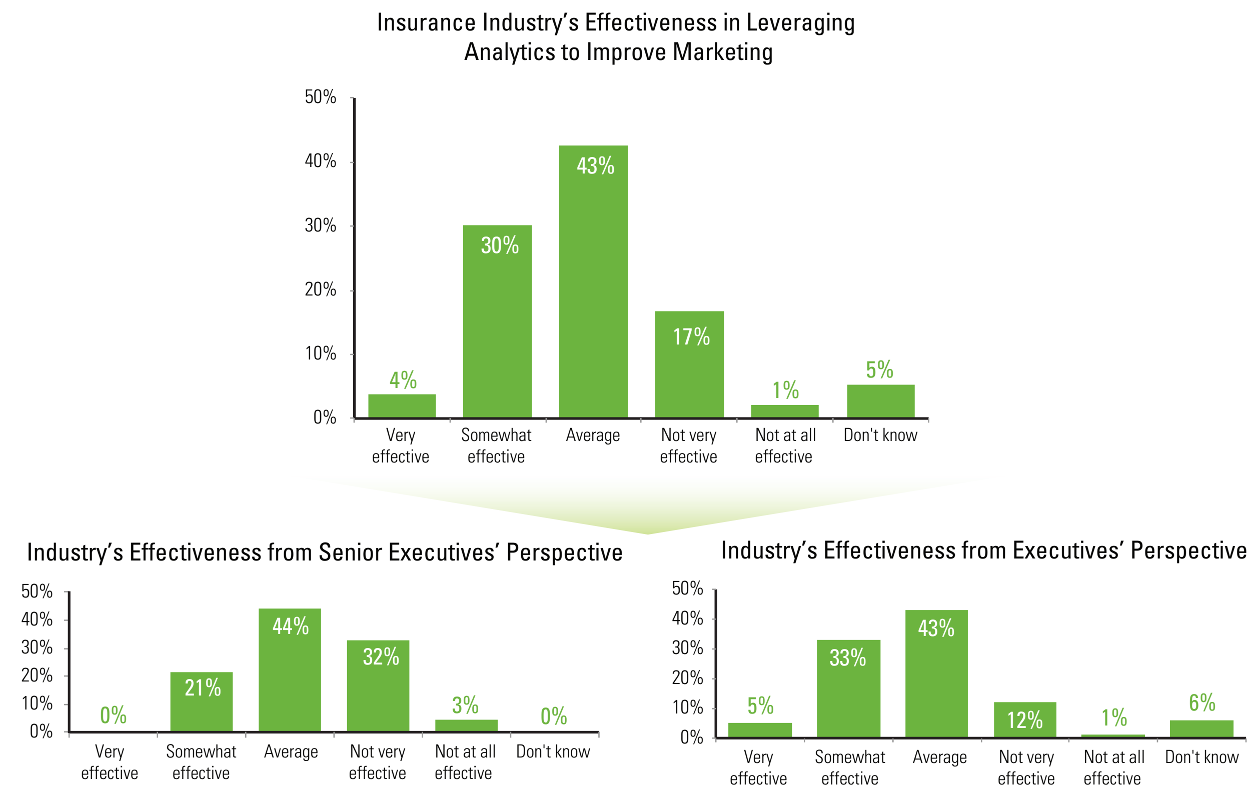
- **Data-driven decision making:** Gaining organizational consensus on using insights from analytics to make marketing decisions is a key aspect of a successful marketing analytics function. If we look across other industry sectors, some market leaders have clearly benefited from this strategy. One example is Amazon, which makes decisions around pricing, supply chain and product promotions based on analytics. The insurance industry is not far behind. Many P&C carriers have leveraged analytics to analyze claims — cycle time, aging, severity and adjuster productivity — to reduce claims leakage and develop an effective, efficient triage process for handling and resolving claims. Likewise, agency and distribution channels have used analytics to design incentive programs for top-performing agents by studying agent productivity and efficiency. To realize similar benefits in marketing, carriers could mandate that marketing decisions be made using analytical insights. To drive more discipline in this regard, carriers should establish a governance structure aimed at making fact-driven — rather than "gut-feel" — decisions.
- **Linkages with other business functions:** The power of marketing analytics can be fully harnessed if it has strong linkages with distribution, product development, underwriting, and claims. This will help ensure that the marketing team works with other business functions, and that whatever decisions are made as a result of marketing analytics are in sync with other business units. In addition to developing better marketing campaigns, this will help drive better product and service design, as well as underwriting and pricing, since decisions will be made by looking at data from a broader perspective, such as customer lifetime value.

The question remains as to whether P&C personal lines insurance carriers see marketing analytics as a top priority.

Marketing Analytics: A Top Priority

To test the importance of marketing analytics in P&C personal lines over the next five years, we collaborated with InformationWeek Financial Services to conduct formal research (see methodology, page 13). As stated earlier, the research findings suggest that 86% of respondents believe that marketing analytics will be "significantly more important or somewhat more important" (see Figure 10, page 11) in the next five years, indicating that this is on the top of the list of strategic initiatives for most personal lines carriers.

Effectiveness in Leveraging Marketing Analytics to Improve Marketing



Response base: 144 insurance industry professionals
Source: InformationWeek Financial Services - Cognizant 2013 Insurance Analytics Survey[16]
Figure 14

According to a 2012 report from Strategy Meets Action,[17] 34% of insurers with revenues of more than US$1 billion and 46% of insurers with revenues of less than US$1 billion are already investing in marketing analytics. While few personal lines carriers have actually implemented predictive analytical applications in marketing, others are actively trying to acquire analytics talent through stepped-up recruiting. This further corroborates our belief that personal lines carriers are prioritizing marketing analytics as a key initiative, and that now is the time to invest in this important business function.

Though they believe it is important, the survey respondents were skeptical about the advances made in insurance marketing analytics to date. Our research indicates that only 34% (see Figure 14) of respondents believe that the insurance industry is "very effective or somewhat effective" in leveraging analytics to improve marketing. If we analyze this deeper and examine responses only from senior executives (i.e., vice presidents and above), this view is further reinforced. Only 21% of these respondents indicated that the insurance industry is "very effective or somewhat effective" in leveraging marketing analytics.

This clearly establishes that it is time to invest in marketing analytics, and if done right, this critical function can lead to significant benefits.

Benefits of Marketing Analytics Done Right

Marketing analytics can provide tremendous benefits both inside and outside of the marketing organization.

Opportunities to Apply Marketing Analytics Within the Marketing Organization

Within the marketing organization, marketing analytics can help carriers reduce wasted investments on marketing campaigns, eliminate non-productive spend on channels, generate more qualified leads and improve sales efficiencies.

- **Reduce wasted investment on non-yielding campaigns:** Amid ongoing ad bombardments, some carriers are running multiple campaigns with different messages in order to grab the attention of various customer segments. State Farm's "Born to Assist," Allstate's "Mayhem" and GEICO's "Maxwell the Pig" were likely designed to resonate with different customer groups. An analytics-driven approach can enable carriers to measure the performance of such campaigns, including their impact on customer acquisition, customer retention and other targeted business outcomes. When practiced properly, this approach can help carriers avoid bad investments by knowing when to end unproductive campaigns. Over a period of time, analytics can also help carriers develop the capability to choose the best messaging strategy for creating high-yielding campaigns.

Using marketing analytics, carriers can profile their leads based on their origin, suitability and engagement level, and direct them to the appropriate sales channel at the opportune moment in the buying process

- **Eliminate spend on ineffective media channels in target markets:** Customers nowadays tend to base their brand perceptions on their interactions with brands across multiple media channels. However, different customer segments use these channels differently. For example, millennials could be more responsive to online display advertisements and social platforms, whereas direct mail might be more effective for baby boomers. Given the increasing media placement options now available to carriers, marketing analytics enables carriers to gain a better understanding of customer preferences and leverage information on customers' use of different media channels. In this way, carriers can confirm the best channel for their marketing initiatives, and target a market placement strategy that maximizes their return on investment.
- **Generate more qualified leads:** Carriers often face a situation in which the marketing team believes they are filling the sales funnel with qualified leads, while agents and CSRs complain about lack of qualified leads. There could be several reasons behind this disconnect, such as a lack of understanding of customers' propensities to buy, or incorrect or premature lead assignments. Using marketing analytics, carriers can profile their leads based on their origin, suitability and engagement level, and direct them to the appropriate sales channel at the opportune moment in the buying process. This helps in achieving a higher percentage of well-qualified leads.
- **Improve sales efficiency:** Educating the customer represents a significant cost in the customer-acquisition process. Across the insurance industry, agents and

CSRs must spend time explaining a new product or coverage to their customers, which significantly undermines their throughput. At the same time, lack of product knowledge may cause a customer to defect or to be uninterested in the product. Typically, well-qualified leads require less education and consume less marketing expense. Analytics-enabled leads and customer profiling can help carriers improve sales efficiency by reducing marketing costs, and aiding the design of effective education campaigns for different customer segments.

Opportunities to Apply Marketing Analytics Beyond the Marketing Organization

Marketing analytics can add value to business activities outside the marketing organization — from product and services design, to cross-selling and pricing.

- **Expedite innovative product design:** Through actuarial risk modeling, carriers have traditionally segmented their customers according to geographic and demographic factors, leaving room for product innovations based on psychographic factors. Adopting this approach can help carriers build loyalty programs that not only improve customer retention, but also increase customer engagement by rewarding customers for various interactions. Marketing analytics can provide personal lines carriers with information on what customers want so that innovative products can be quickly created and offered. Further, carriers can use analytics to quickly build effective bundling strategies that until now have not been explored. For instance, a carrier could be reluctant to insure an expensive motorcycle; however, some customers in this segment could have high-value homes that would make the home and motorcycle bundling a good opportunity for the carrier.
- **Design services more fitting for the target market:** Another area where carriers can leverage analytics is to identify value-added services that customers might use at different stages of the policy lifecycle. Services could be preemptive in nature — such as a discounted offer from a partner roof replacement vendor for a home owner policy — or developed to serve a customer preference such as integration with PayPal payment services for customers using online payment methods. Marketing analytics can help identify the target market, the size of the opportunity, as well as the optimal service level that would exceed customer expectations while balancing the operational costs of providing the service.
- **Improve cross-selling yields:** Carriers can segment customers based on different products they have bought at different stages of the customer lifecycle. Using these insights, carriers can approach customers at a time when they are most likely to buy new products. For example, Target tries to predict customers' pregnancies based on changes in shopping patterns, and accordingly sends coupons for maternity and child care products.[18] Similarly, if carriers can track events that spawn new insurance needs — such as marriage, childbirth and children turning 16 — they can engage in cross-selling and achieve higher close ratios.
- **Enhance customer acquisition and retention via holistic pricing:** Currently, most carriers offer a flat multiline discount to all personal lines customers, wherein all customers are provided the same discount percentage. This means that an individual who could potentially become a loyal customer and thus have a higher lifetime value receives the same discount as a customer with a propensity for switching carriers. Marketing analytics can provide insights into customer profiles — confirming those who have historically been more loyal than other customer segments. Based on these insights, carriers can improve the returns from discounts by giving greater reductions to customers who belong to the "loyal" segment, and lower discounts to the rest.

Looking Ahead

As discussed, it is evident that not only the marketing organization, but also functions outside of marketing, can benefit significantly from marketing analytics. Reducing the ineffective marketing spend, getting better quality leads, improving sales efficiency, and designing innovative products and services are among the important benefits that can be realized by successfully advancing marketing analytics capabilities.

To get started, P&C personal lines carriers must think through what they have and what they do not have to build a successful marketing analytics business function. As we have seen, few carriers have recognized that marketing analytics is of critical importance; the industry, overall, has not effectively leveraged these capabilities to date. However, according to our research, marketing analytics will be significantly more important to personal lines carriers in the next five years. Building this capability is not easy. The key building blocks include key performance indicators, skilled resources, a marketing analytics platform, data-driven decision making, and linkages with other business functions.

As product commoditization and standardization of services continue to increase — not to mention the shift of customers towards more visible and recognized brands and the growth of self-directed purchases — it goes without saying that marketing spend will continue its unprecedented rise. This means there is no escaping the relentless ads on television, the radio, the Internet, social media, billboards and direct mail. Most carriers have not figured out the best way to get the maximum benefit from their marketing expenditures, but it is imperative that they do so now in order to help increase their marketing effectiveness and efficiency, and realize better returns on their marketing spend.

Simply put, the winners will be defined not only by how *much* they spend on marketing, but how *smartly* they spend it.

Footnotes

[1] National Association of Insurance Commissioners (NAIC) Reports, 2004-2011.

[2] Kantar Media report on Advertisement Spending, 2011. http://www.kantarmediana.com/intelligence/press/us-advertising-expenditures-increased-08-percent-2011?destination=node%2F24%2Fpress%3Fpage%3D1.

[3] National Association of Insurance Commissioners (NAIC) Reports, 2004-2011.

[4] 24/7 Wall Street report sourced by Ad Age report on ten largest advertisers in America advertisement budgets, 2011. http://247wallst.com/2012/07/13/the-ten-largest-advertisers-in-america/.

[5] National Association of Insurance Commissioners (NAIC) Reports, 2004-2011.

[6] Insure.com report on Auto Insurance Customer Satisfaction, 2013. http://www.insure.com/best-insurance-companies.html.

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Cognizant is a leading global services partner for the insurance industry. In fact, seven of the top 10 global insurers and 33 of the top 50 U.S. insurers benefit from our integrated services portfolio. We help our clients run better by driving greater efficiency and effectiveness, while simultaneously helping them to run different by innovating and transforming their businesses for the future. Cognizant redefines the way its clients operate – from increasing sales and marketing effectiveness, to driving process improvements and modernizing legacy systems, to sourcing business operations.

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