



ROLE AND IMPACT OF MOBILITY IN INSURANCE INDUSTRY

January 2015

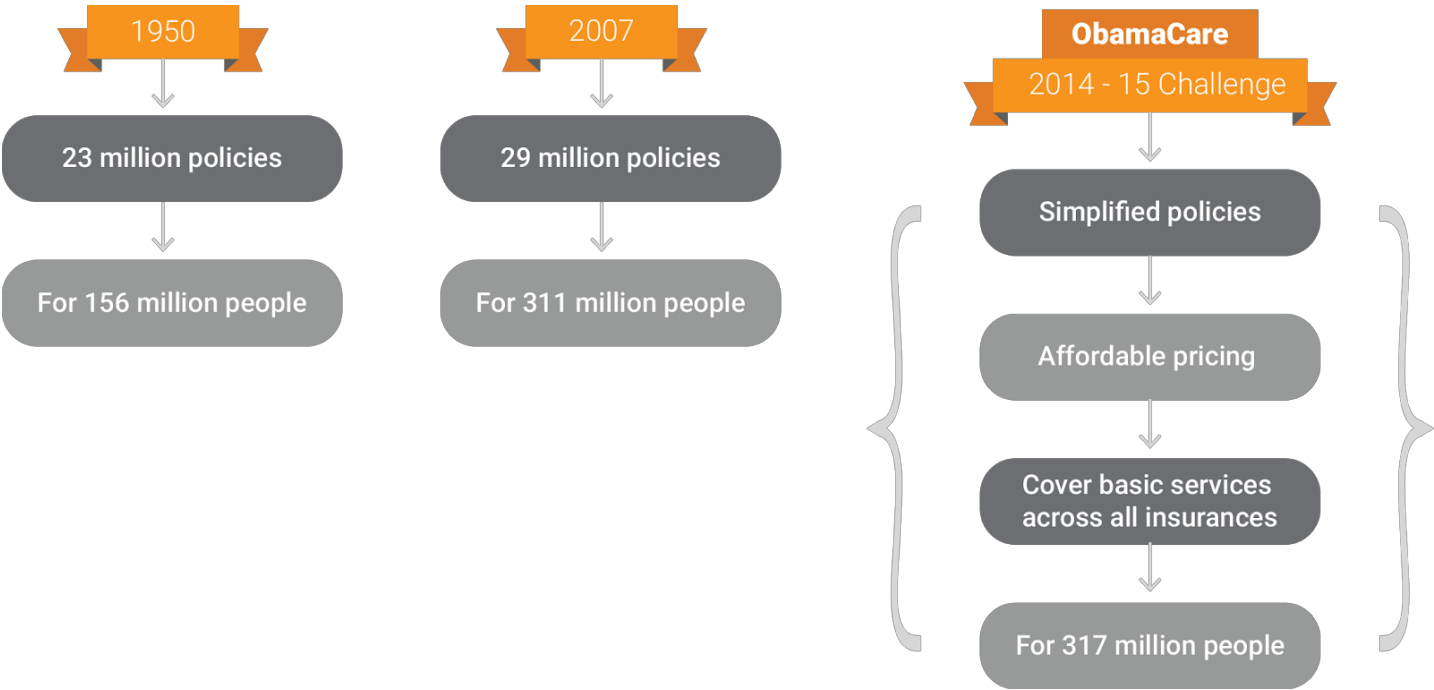
The insurance environment post ObamaCare Act has brought in a wave of new technologies to connect with customers. Among the new-bee entries, mobility is on the high-road and is buzzing everywhere. While top insurance players have already realized the depth of mobile capabilities and are digging deeper, others are tracking the pebbles and are yet to reap from mobile technology. This article speaks for mobility and overviews on why it is an effective medium to connect with today's mobile-empowered customers.

More customers! Clearly, the investment goal of every insurance company. Given the new rule book of ObamaCare to simplify insurance policies, 2015 continues to be a transforming phase for USA's insurance landscape. Now firms have to offer competitive services to attract and retain customers while walking their expenses over a tight-rope. But are enterprises prepared to face the '*Increase Service Quality vs Balance costs*' challenge?

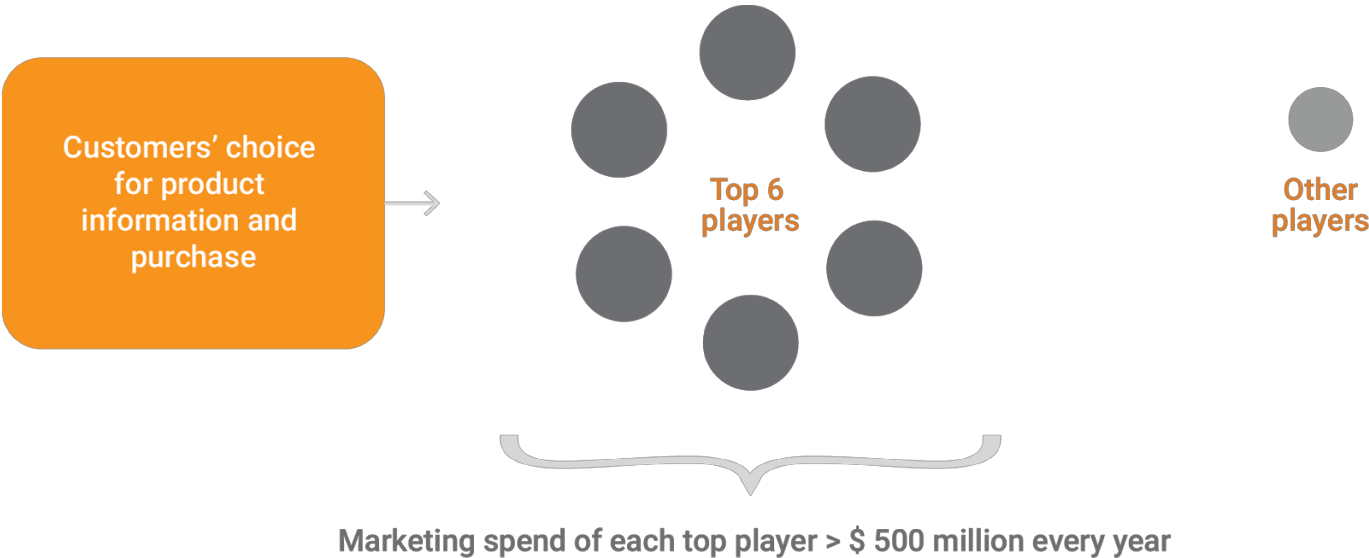
Certainly a paradigm shift, but this new insurance environment has led to the evolution of multiple technology choices, of which mobility tops the chart. Mobility as a tech-trend is catching up in the insurance circle, due to 3 main advantages:

1. Low cost
2. Quick reach
3. Wide coverage

Why Mobility? Considering the ongoing consolidation phase of US' insurance industry, mobility offers several capabilities that can leverage the performance and service quality of insurance sector in many ways, while keeping a tab on the cost aspect. However, it is important to understand why Mobility works better for the insurance market compared to other medium such as Smart TV, Computer, Insurance agents etc.



Visual 1
Evolving insurance trend in the US (Past to Present)
Source: Price Waterhouse Cooper, 2014



Visual 2
Scattered Customer Choice vs Increasing Marketing Spend
Source: McKinsey and Company, 2013

Visual 1 indicates the transition phase of insurance companies, currently redesigning their products and policies based on ObamaCare a.k.a ‘*The Affordable Care Act.*’ **Visual 2** illustrates how top insurance players continue to spend more and more on marketing every year, to acquire and retain customers.

Current Insurance Market - The Big Picture. Now, the pressing challenge for insurance enterprises year on year, is the surge in marketing spend to attract new customers. However, the seemingly obscure piece in the insurance jigsaw is the behavioral trend of the targeted age group.

In the US, potential insurance customers are aged between 24 and 50, also referred as the prime age group. According to a report by *Price Waterhouse Cooper*¹, US population had 23.4% prime age customers during the 1950s, which is expected to plunge to a curious 18% by 2050. This is a vital info for insurance players to note, as most of their marketing strategies specifically target customers between the ages 24 and 50.

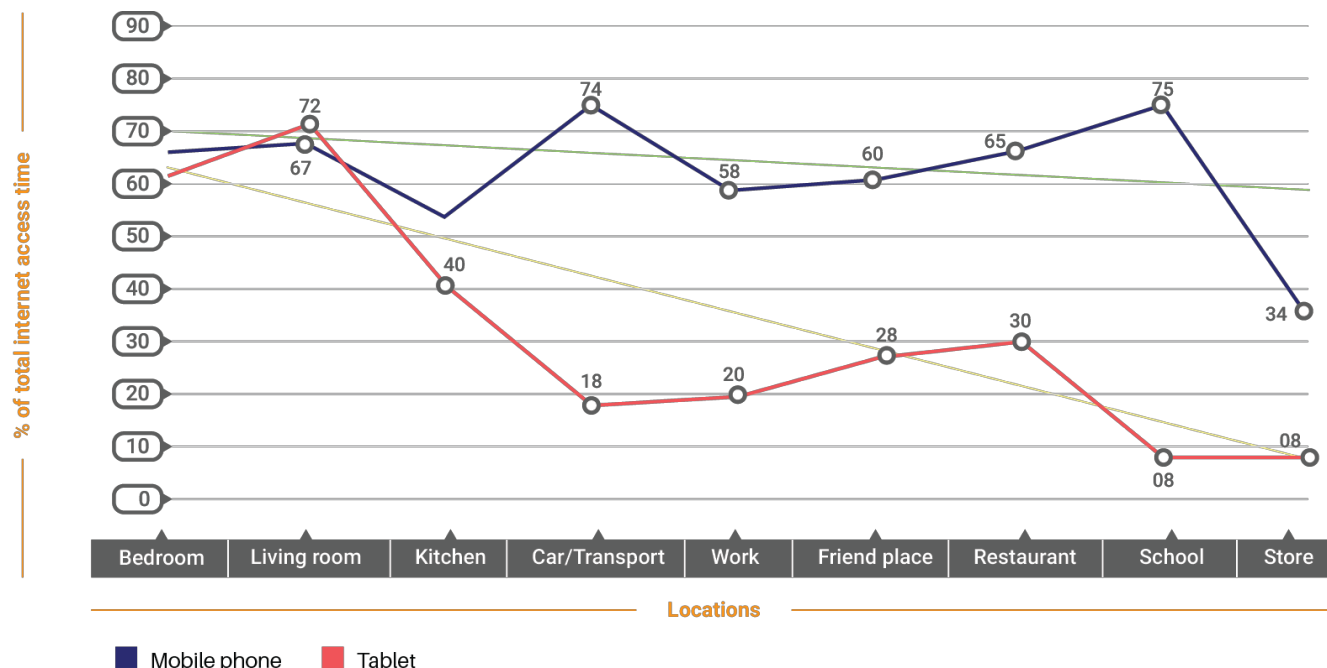
The vitality of the statistics is not only about the eventual decline in the target group, but also about the common decision-making trends of this age group. According to a research report on ‘Smartphone Consumerism’ by *Nielsen*², Americans spent around 34 hours on smartphone apps in December 2013, of which 86% usage was on mobile apps and 14% usage was for mobile internet. The average use of smartphone by an adult American per week was 5 sessions in December 2012 which rose to 7 sessions in December 2013. This shows the increasing pace of smartphone usage, every year.

Mobility Makes a Difference. Given the increasing popularity of smartphones and mobile apps, insurance firms are left with a thrusting need to plan their marketing activities around the mobile. The most prominent advantage of mobile phone is its point-to-point relationship with the customer.

The graph below, shows the increased usage of internet via mobile phone throughout the day, by an average American user.

¹ Price Waterhouse Cooper. “Top insurance industry issues.” Web. 2014.

² Nielsen. “How Smartphones are changing consumers’ daily routines around the globe.” Web. 24 February 2014.

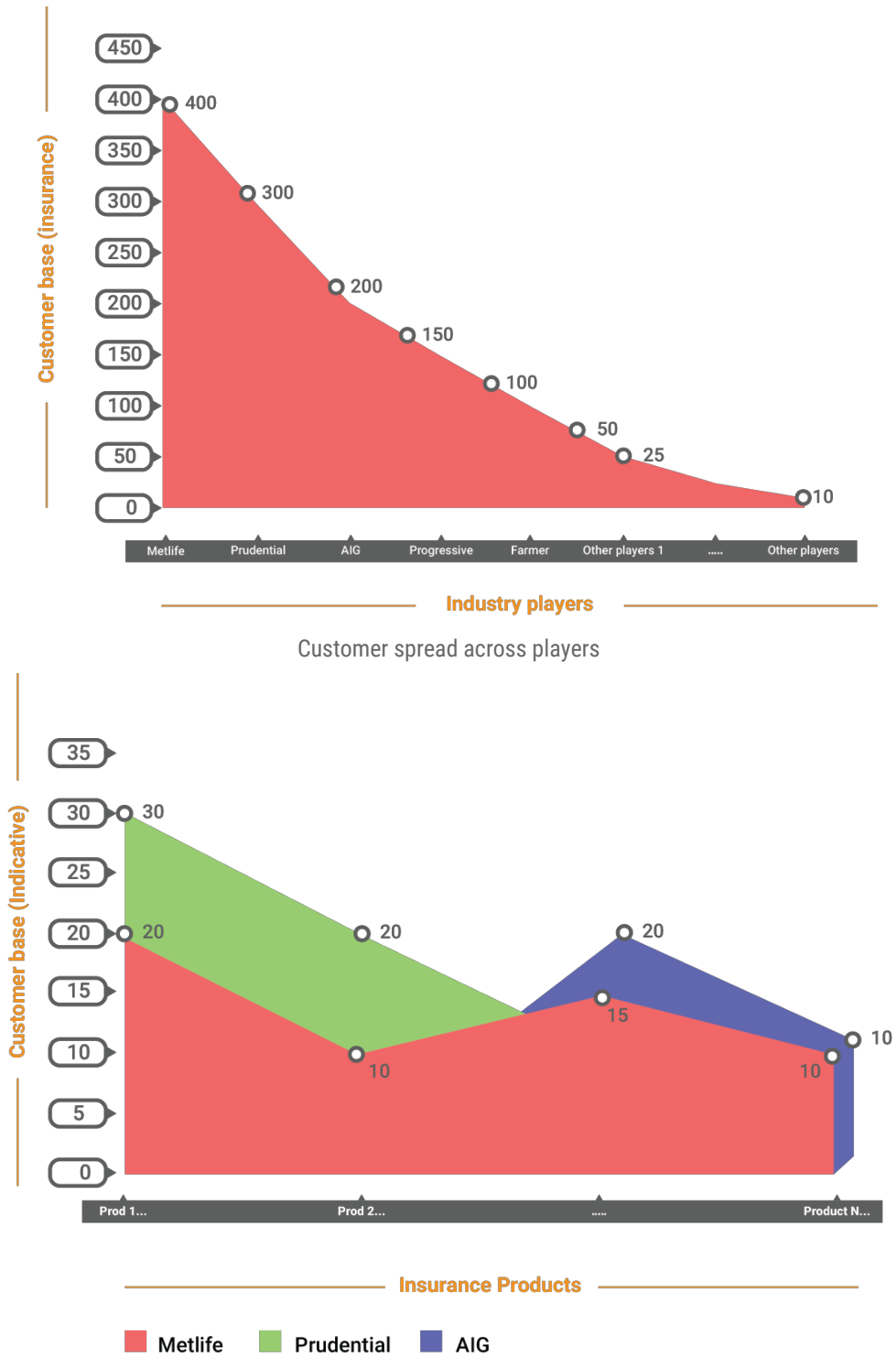


Customer moment opportunities

Source: Forrester Consulting (2013)

Understanding the importance of mobile phones in the life of today's mobile-centric customers, makes it easier to understand why customer choices are skewed across various products in the market.

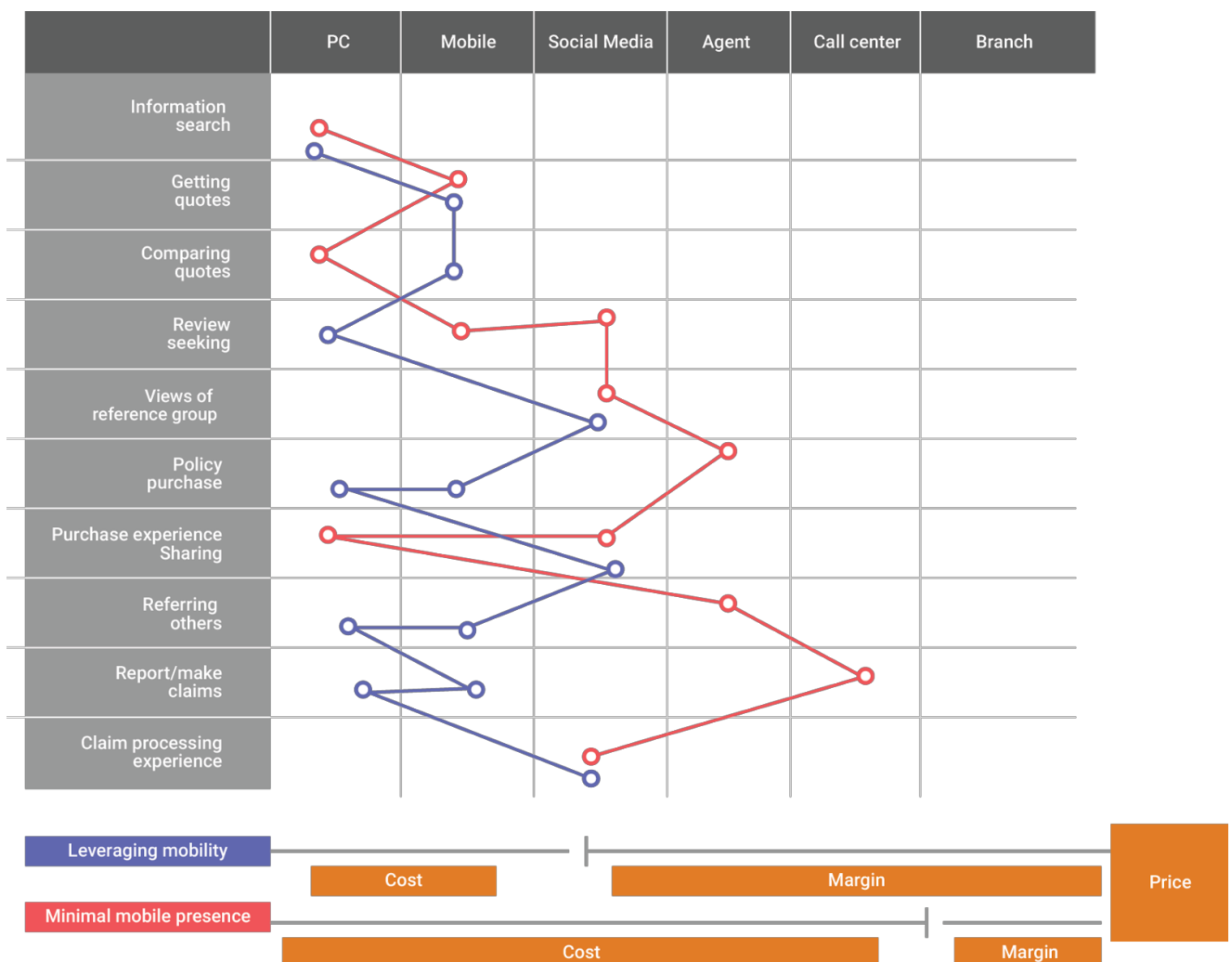
Below is an interesting view of insurance customers spread across different insurance players and products in the market. The charts indicate that customers enjoy more freedom and control over their choices and have opted for different products and players, purely based on their preference.



Source: Price Waterhouse Cooper (2014)

Insurance being a soft zone where customers make purchase decisions based on various criteria such as comparisons, reviews, references etc., it is important for insurance players to reach these customers through various methods. However, what insurance players really need, is a platform to reach their customers where they can be influenced the most - The mobile!

Mobility - An Absolute Advantage. The *graph*³ below shows how leveraging mobility as a medium to reach customers, requires minimal costs but offers maximum margin, while the legacy approach of marketing via other mediums with minimal mobile presence, attracts more investment but returns less margin.



³ Sources:

1. McKinsey and Company. "Beyond price: The rise of customer centric marketing in insurance" Web. 2013.
2. Price Waterhouse Cooper. "Top insurance industry issues." Web. 2014.
3. Forrester Consulting. "The Rise of Holistic Enterprise Mobile Engagement ObamaCare Facts: Facts on the Affordable Care Act." Web. 2013.

Hovering back to ObamaCare pointers, mobility equips insurance enterprises to face the challenge of ‘Quality service vs Reduced Cost’ in a better way. With a well-defined mobility strategy in place, insurance enterprises can balance costs, attract more customers and offer quality service, for both short and long-term business models.

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