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Viewpoint

Market views

1 February 2009

Considering the current economic climate, what do you think the main focus will be in terms of marketing budgets in the next 12 months? Do you think that lead-buying will fare well?

Paul Russell

Paul Russell, A1 Life Insurance

The economic climate means that businesses are being forced to monitor their spending more stringently than ever before. Although companies may struggle to afford the costs of big marketing campaigns, many will look at cutting back in other areas so that such projects can be achieved.

The insurance industry is more competitive and challenging now than ever before. Customers are confident in shopping around and vigilant in where they spend their disposable income.

Over the next 12 months, brokers and insurers will have to demonstrate an effective marketing approach to ensure they are noticed more than any of the competition. Those that cut back too much on their marketing budgets this year will be giving business away.

When looking at 2009 marketing, the main focus for many companies will be to take advantage of the competitive lead-generation market. Over the last few years, there have been more lead providers entering the market and providing excellent packages; some even offering free leads for a trial period and, as a result, brokers now have more choice on what type of leads they receive and how much they pay for them.

For the smaller companies, referral business will be key as the industry enters 2009 - it is essentially free business and advisers should be asking every client they see to pass their name on.

Jamie Marchant, Groupama

At moments in history when times get tough, the marketing budget becomes an easy target to be cut or minimised as costs come under pressure. However, marketing activity should always deliver value and, if this continues to be the case, there should be no reason to consider major reductions. It must be remembered that marketing should be regarded as an investment in the brand rather than an expense.

For those brokers who do find themselves under pressure, there will be a greater need to keep their profile high with clients as, inevitably, recession means a greater need to enhance business retention. New business acquisition may be regarded as a bonus in stringent times, although, brand visibility at any time can do no harm in attracting clients who may be disaffected elsewhere.

However, brokers will also recognise that their existing clients are more likely to come under greater pressure to switch and this means there will be a greater need to stay close and target marketing spend and communication activities appropriately. Clients will also be looking for greater value for their spend so, although price will always remain important, offering a little more in terms of service or product enhancement can go a long way in securing important relationships as business comes under potential attack.

Graham Mace, Optilead

This year will be a tough one for the insurance industry; with consumers watching their pennies, acquisition costs will rise and retention rates will fall. So what should we do? Aside from the obvious campaign reviews, marketers should focus on making more of the leads they have.

Many companies focus solely on getting the customer on the phone or to the website. However, getting them to enquire is the expensive bit and, too often, companies do not spend that little extra to try and maximise their conversion.

Websites, in particular, are massive leaky buckets and most companies could do more to plug the holes. Evidence shows that picking up the phone to prospects from your website can easily double conversion rates.

Providers should think creatively and trial new and inexpensive techniques. For example, text campaigns can achieve double digit response rates, yet most financial companies are slow to adopt new media.

Finally, providers should not overlook generating revenue by referring prospective customers to competitors if they have failed to sign them up. It is simple: if the customer is going to call them as soon as they put the phone down or leave your website, you may as well get something out of it.

Providers and advisers need to be prepared to adapt to the prevailing conditions.

Neil McCarthy, Direct Life & Pension Services

As the economy grinds down into what may be a long recession, marketing budgets for any business need to be carefully aligned alongside detailed and thorough business plans.

Unfortunately, reduced budgets in times like these mean that there will be fewer opportunities to 'test and pilot' innovative concepts that may have delivered new streams of income and a potential enlargement of the customer base. Instead, there may a well-measured spend on solutions that have worked and delivered profitable returns on investment in the past. This depends if that customer segment continues to exist which, in the current throes of turmoil, is far from guaranteed.

This approach, quite simply, implies that a level of sophistication has been in place to accurately measure whether or not a marketing campaign has generated an agreed margin or whether it has failed in its intention.

Purchasing leads works very well for some protection businesses. However, this is definitely not an area that follows the old adage that 50% of marketing works. In a time like this when all the pennies count, advisers that consider purchasing leads should continually challenge and assess the process by questioning the cost, evaluating the quality and acquisition time of the leads supplied, and the impact on profits.

Source: **COVER**