Six Keys to B2C E-Commerce Success

How can insurers capture business from the e-consumer? Firms that have achieved B2C success focus on getting a head start, knowing the customers and giving them the Web tools they need.

By Johannah Rogers

Although insurance companies have embraced the operational, educational and informational opportunities generated by B2B e-commerce, the industry has been slower to adopt the Web as a platform for consumer transactions—specifically, sales. Lately, however—despite (or perhaps because of) the ongoing dot-com shakeout—a growing number of insurers are putting aside their fears of disintermediation and recognizing the potential benefits of Internet technology for serving customers. **>>**

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While actual online sales of insurance products are still quite small, a growing volume of B2C transactions are taking place online, and a hardy core of pioneering companies are trying to get a head

checking account—online.

But who is the e-consumer? What do insurance companies need to do to capture their business and loyalty? Recent studies indicate that, while the online insurance

consumers are typically under 35; brand is important to them; and insurance products that are most easily understood and price sensitive are purchased most often.

The Online Insurance Consumer

	Purchase Online	Online, Research Online	Online, Research Offline	Online, No Research		Online Average	
Mean Dollars Spent	$1,366	$1,597	$1,613	$1,591		$1,605	
Mean Age	38	40	43	43		41	
Percent Male	58%	55%	62%	54%		53%	
Hours Per Week Online	14.9	12.5	9.1	9.5		9.9	
Purchased Anything Online	100%	89%	57%	57%		62%	
Invest Online	14%	12%	4%	3%		7%	
Bank Online	29%	23%	9%	9%		12%	

Source: Forrester Research, Inc. March 2000

start on gaining business from people who are open to handling financial transactions—whether purchasing insurance, conducting a stock trade or balancing a

market is small (but growing), the Internet is important as a medium both for researching and purchasing insurance. In its March 2000 report, "Insurance's Researched Future," Forrester Research (Cambridge, MA) estimated that of the 28 million households that made online purchases in 2000, fewer than 700,000—or less than 1 percent of all US households—purchased insurance online. But these numbers don't tell the whole story. Nine percent of the insurance-owning population researched their insurance purchases online in 2000. By 2004, according to the Forrester study, 10 percent of households will research $42 billion and purchase $14 billion of insurance online.

As for demographics, early competitors in B2C online insurance report that e-

A survey published in 2000 by IVANS (Greenwich, CT) found that 42 percent of consumers would consider shopping for auto insurance online, 23 percent would consider shopping for life insurance, 21 percent for homeowners insurance and 13 percent for health insurance. Auto insurance sales have dominated the online insurance market, accounting for more than 70 percent of online insurance revenue in 2000, according to Forrester Research.

Toby Alfred, Internet site manager, Progressive Insurance (Mayfield Village, OH; $6.2 billion net premiums), has found that "the type of consumer shopping online has not changed significantly over the last few years." At the same time, she comments, "people are getting more comfortable on the Web. There is not as much reluctance to buy online as there may have been in the past."

Perhaps more significantly, insurers also have learned that the Internet is an enhancement, not a competitor, to existing service and distribution channels. "There has been a marked shift over the last 12 months from a focus solely on e-commerce functions to the importance of customer service functions," according to Kimberly Harris, senior research analyst, Stamford, CT-based Gartner Group, who adds, "in the beginning, service was a second priority. Now it is definitely a shared priority."

However, Harris adds a caveat: "In order for growth in online insurance to continue, security needs to become more robust." She believes digital certificates and public key infrastructure still need to be

"Focusing on the synergy of all three channels [Internet, agent, call center] is the true reading of our success or failure," says Rich Heneberry, Allstate.

incorporated into insurance Web sites before the binding of insurance online can be made widely available.

Greg Davies, lead insurance analyst with Waltham, MA-based Gomez, Inc., an Internet consulting and quality measurement firm, agrees with this assessment. "The Internet is fundamentally changing the customer relationship dynamic between insurers and consumers," he says. "Consumers are beginning to relate to insurers on a one-to-one level, which means that insurance companies themselves, not just agents, are now part of the service business."

The experiences of some of the industry leaders bear out this analysis. "From day one, it was clicks and mortar; we have always made the Internet part of a synergistic approach," comments Bob Reiner, manager, enterprise Internet system, State Farm Insurance (Bloomington, IL; $78 billion total assets).

At Allstate Insurance (Northbrook, IL; $104.8 billion total assets), which has been developing a multi-channel distribution approach since late 1999, Rich Heneberry, assistant vice president, direct distribution/Internet channel, believes "focusing on the synergy of all three channels [Internet, agent, call center] is the true reading of our success or failure."

So, what does it really take to capture the e-consumer and generate online insurance sales? Based on *Insurance & Technology's* interviews with both early adopters and industry analysts, there appear to be six key success factors:

1. Strategic Goals Assessment/Customer Needs Assessment.

What are your goals as a company? Who are your customers? What are their needs? These may sound like basic questions, but both insurers and analysts emphasize that a company's Web presence must reflect this information. Insurers should "do their homework and do a lot of consumer research prior to launching an Internet initiative and align Web and business strategies to make sure that there is a connection," advises Allstate's Heneberry.

2. Create a Usable, Targeted and Sticky Web Site.

Usability and site performance are some of the key factors insurers need to keep in mind when developing their B2C e-com-

merce strategies. "We take great pride in our site's performance," says State Farm's Reiner. "The site downloads quickly and content is never more than two clicks away."

Nothing, it appears, is too basic to be overlooked. A survey included in New York-based consultancy Kasina LLC's "Top 20 Web Sites: Property and Casualty, 2001," finds that 30 percent of the current P&C company Web sites do not include basic information, such as company sta-

"You have to have interactivity," says Progressive's Toby Alfred. "No one wants to come to a Web site and find that there is nothing you can do there."

tistics; only five of the top 20 P&C sites include a company mission statement (see listing, page 54).

Insurers also need to be aware of all of their various constituencies when developing B2C initiatives. The Web can reach multiple audiences and none should be overlooked. "A good Web site will communicate with consumers as well as business partners, agents, suppliers and vendors," comments Lee Kowarski, a consultant with Kasina.

Stickiness, or the success of a Web site in attracting and keeping new and returning visitors, is another success factor. State Farm's Reiner believes that "turning

our site into more of an information portal with real-time news feeds will help keep customers coming back." Keeping content updated and synchronized is also important.

Progressive.com recently received Gomez's Spring/Summer 2001 Internet Insurance Carrier Scorecard WebStar Award, which is given to companies receiving the number-one ranking overall for their industry in the Gomez study (see listing on this page). This was the fourth consecutive quarter in which Progressive received the WebStar award. In the most recent Gomez research, Progressive also ranked number one in the "Ease of Use" category and was named "Best Site for Auto Buyers."

3. Integration.
The Internet is not a stand-alone platform or medium. To be an effective service and distribution channel, it must be integrated with back-end legacy systems, agent systems, call centers, marketing initiatives and pricing and underwriting systems. "The Internet is simply another customer relationship channel," emphasizes Davies of Gomez, "and integration with other customer service functions is definitely a number-one priority."

Allstate recently built an enterprise-wide e-mail infrastructure connecting Web users with call centers and agents. "Some new integration features we are adding include a Web Call-Back Button, which allows a Web user to be called by a customer service representative within 15 minutes of the request; text-chat connectivity for help online; and two-way forms collaboration," reports Heneberry.

Progressive has also fully integrated its Web and call center delivery channels, allowing up-to-the-minute Web information

Top Internet Insurance Carrier Sites Spring 2001

1. Progressive Insurance
2. Allstate
3. GE Financial Network
4. Geico Insurance
5. Amica
6. SAFECO
7. State Farm Insurance
8. Nationwide
9. Esurance
10. AIG Direct
11. Electric Insurance Co.
12. Prudential
13. John Hancock
14. Liberty Mutual
15. Coverna Direct
16. Travelers Insurance

Source: Gomez

to be accessed by call center staff, according to Alfred.

4. Innovate with Web Applications and Real-Time Transactions.

B2C online applications range from the relatively basic, such as updating policy information, to the complex, such as comparative rate quoting and electronic claims submission. Regardless of the specific functions a company plans to add to its Web site, they must serve the needs of the e-consumer. This means "immediate gratification," according to Kenneth Clemmer, insurance analyst, Forrester Research, who adds, "Web users have Amazon as a model. They expect immediate service, and next-day e-mail notification just will not cut it." This sentiment is echoed by State Farm's Reiner, who stresses, "Online users want immediate answers."

Progressive Insurance's Alfred has found that insurance Web sites"have to have interactivity. We strongly believe that you have to return instant rates. No one wants to come to a Web site and find that there is nothing you can do there." Some of the Web tools cited by insurers as those most frequently accessed include agent locators, quoting, online payments, updating policy information and online claims submission.

Looking to the future, Progressive is offering WAP and PDA access on its site to enable customers to make payments, locate an agent and access claims contact information. Although use of mobile features is "limited at this point," Alfred ac-

Top 20 Web Sites Property & Casualty Insurance
(in alphabetical order)

- AIG Insurance Co.
- Allstate Insurance Co.
- Amica Mutual Insurance Co.
- California Casualty (A+ Auto & Home Insurance Plus)
- Electric Insurance Co.
- Esurance, Inc.
- GE Financial Network
- GEICO Direct
- The Hartford Financial Services Group
- Infinity Insurance Co.
- Liberty Mutual Insurance Co.
- MetLife
- Nationwide Insurance Companies
- Old Guard Group, Inc.
- Progressive Insurance
- Prudential Insurance
- SAFECO Insurance
- State Farm Insurance
- Travelers Insurance
- 21st Century Insurance E Group

Source: Kasina, LLC

knowledges, "it offers a level of convenience that we think is important and that will become more important."

Conversely, a Web site does not need to do everything in order to be successful. Robust tools targeted to serve the specific needs of a customer are most important. "There are a lot of things you can do online," says Kasina's Kowarski, adding, "this doesn't necessarily mean that you should do all of them. Providing the right information is key—if you're in the auto business, rate quotes should be high on your list."

5. Partnerships.

Although insurers need to be selective in initiating online partnerships, such agreements have the potential to extend market reach and add features in a relatively low-cost manner. According to a recent Gartner Group study, 46 percent of insurance firms active on the Web have partnerships with banks, 30 percent have partnerships with other insurance companies and 22 percent have partnerships with investment firms.

Partnerships with insurance portals provide comparative quoting capabilities and may generate business. The Forrester study estimates "60 percent of insurance researchers start at a search site and price comparison tools are considered some of the most valuable online."

6. Put Tools in Place To Keep Learning.

Insurance B2C pioneers recognize that the e-consumer is a moving target. For example, although Progressive was one of the first insurers to invest significantly in the Internet, according to Alfred, "we are still playing and always capturing information from all of our channels."

At State Farm, "we've done focus groups, used third-party assessments and have hired user interface specialists," says Reiner. "The process is iterative: You just keep learning."
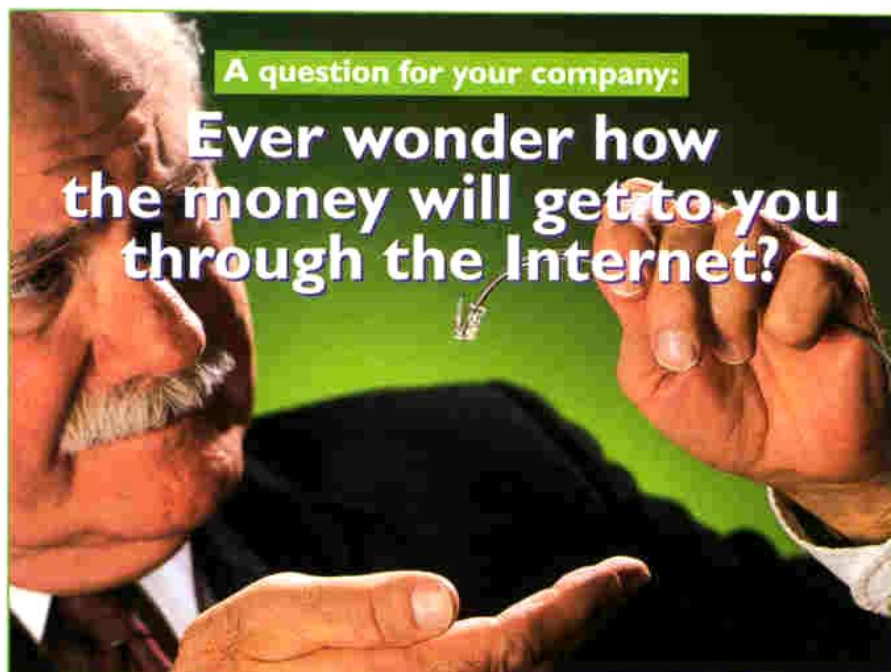
Gomez's Davies emphasizes the extent of data that can be analyzed through server logs, feedback loops and customer surveys. "Insurance is an industry experienced in evaluating risks and mining data; they need to integrate their expertise with

the tools the Internet offers," he says.

Because the B2C learning curve is still relatively steep, Forrester's Clemmer views the limited number of customers currently purchasing insurance online as a distinct advantage to insurers. "Learn to swim while the tide is out," he advises. "Learn from the kinds of customers that

are out there now. It is a small market—play with it, learn to price business in this market, learn how to assess risk. If you can do it well, the stakes will get higher and you will succeed where others may not." ■

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