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INSURANCE APPLICATIONS OF MODERN MARKETING TOOLS

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- o Identifying consumer needs
- o Surveys, focus groups, simulations
- o Test marketing -- direct-response insurance
- o Consumer advertising
- o Target marketing, list segmentation

MR. MOHAMMED NASIM ALI: For this panel discussion we have put together a distinguished group of panelists, including two guest speakers. Our panelists will discuss identifying consumer needs, market surveys, and direct response research and testing, which will include discussion on focus groups, simulators, test marketing, target marketing and list segmentation. Finally we will have consumer advertising.

Our first speaker is Dr. Kenneth Frantz. Dr. Frantz is presently Director of Marketing, Planning and Research with John Hancock Financial Services. Dr. Frantz graduated from college in 1949 and went to work for Citibank. He worked for Citibank until 1966 where he was Vice President in their Institute of Money Management Division. In 1966 Dr. Frantz went back to graduate school

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where he earned a PhD in business. He taught at Boston College from 1972 to 1978 as an Associate Professor. From 1978 to 1984 Dr. Frantz was a consultant with SLI International. He joined John Hancock in 1984 in their market research group.

DR. KENNETH E. FRANTZ: It is a delight to have the opportunity to spread the gospel, which in today's sermon appears under the heading of Insurance Applications of Modern Marketing Tools. Now before you rise up and assault me, let me hasten to add that my use of insurance and modern marketing within the same sentence is not a contradiction in terms. This simple truth characterizes the business environment in which we live. We are caught up in the revolution of the manufacturing and the delivery of financial services.

We will be concentrating on the subject of financial services distribution -- we are talking marketing; and specifically, marketing which has at long last found its way into the world of insurance.

Let me step back for a minute or two and set the stage for what's to follow. The revolution in the financial services industry is driven by economics, fueled by competition, and evidenced by the introduction of fresh marketing concepts, greater depth and sophistication in the content of marketing programs, and the use of a wide variety of gathered data gathering and analytical methodologies long used in the world of packaged goods marketing, but only recently (and that's in a relative sense) brought to the financial services industry. It is this collection of things which includes strategic concepts, data bases of depth and breadth and sophisticated analytical methodologies, when taken collectively, that I refer to as the tools of modern marketing.

A moment ago I made the assertion that the revolution in the financial services industry was driven by economics. Let me support that notion by asking you to draw broadly on your own experience. Consider what has happened to the level of labor content, that is the help and advice that you used to receive when you bought food or clothing, and the level of the salesperson's help you get today when you shop for food or clothing. I think that is enough said on that subject.

I further asserted that the changes in our industry have been fueled by competition often rising from firms that were once considered as external to our industry. I characterize it here drawing upon the rhetoric of the marketers of entertainment as "the invasion of the body snatchers." And my meaning is clear, it is our bodies that those guys want to snatch.

Some of you might be accustomed to thinking that the Lincoln National is a large company, after all they have about $5 billion in assets. Or maybe you think in larger terms, the New York Life or the John Hancock with $28 or $30 billion in assets; or maybe that giant of them all, the Prudential. After all the Pru has $78 billion in assets and over $2 billion of equity. Here I will try to show you what large really is. Large is the Citicorp with $150 billion in assets and $6 billion in equity. Or GM with $80 billion in assets and $20 billion in equity. That's what large is. And these animals have announced there interest in our miserable bag of bones. As a bit of a throw away for you, another way of spelling large is J-A-P-A-N-E-S-E. For example, Japan's Sumotumo Bank has recently paid $500 million for a part interest in Goldman Sachs; not a small piece of change in anybody's currency.

Let's move on to the business of looking for the evidence of modern marketing tools. We can look for this evidence among those business functions classically associated with marketing: selling, advertising, promotion, pricing, and research. I want to concentrate my attention on research for a couple of reasons. For one, most importantly because other speakers will address other areas, but even more importantly because in the financial services industry, research is the area that is undergoing significant change.

I have organized the rest of my presentation around three dimensions of research which I have labelled basic concepts, content, and methodology. Within concepts I want to speak to the notions of market structure and customer needs and eventually provider effectiveness. Provider, that's trade jargon for someone who wants to sell you something. Think insurance company, bank, stockbroker, credit card company and so on.

When it comes to concepts they are often more difficult to illustrate than talk about, but in terms of market structure this picture does the job reasonably well. Ten years ago, the insurance industry was doing business by the numbers. That same set of numbers had been in use for 150 years. The stock-brokerage industry was in chaos, the banks were loading their cannons and the insurers were doing it by the book.

Today we are undergoing competitive positioning and I have only to refer you to A.L. Williams or Executive Life to illustrate the point. But the larger and more important point is that we're moving in the direction of being customer driven. The intensity of competition is such that the survivors of the battle will prove to be the providers of the future and now you realize that it was with malice aforethought that I defined providers as banks, stockbrokers, and credit card companies, as well as insurers.

Once we have accepted the direction of industry change underway and the strength of the forces driving that change, we need a conceptual structure for addressing the change. We need both a knowledge base and a structure for creating action. Illustrating the knowledge base is rather easily done. In brief, I am trying to point out the need for understanding the macroeconomic context in which we operate and then the competitive environment therein. Beyond that we address the interlocking relationship of the customer, the products that meet customers' needs, and how delivery systems respond to customers' needs and maintain provider effectiveness.

And it is not enough to merely understand the marketplace, though such an understanding is a critical first step. An understanding of the marketplace must be organized so as to support the implementation of that understanding. It is a waste of our resources if we require knowledge and understanding only to find that there is no practical way to bring that knowledge to bear on bringing the business in the front door. Implementation capabilities require that we understand our corporate culture as it relates to the macroeconomic environment, and that our research relate not only to customer needs but also to our ability to create and service products, and our ability to mobilize distribution capabilities, the strength of which is clearly our agents but which also includes alternative forms of distribution.

Not only must we be able to organize our thoughts along the dimensions of market forces and be able to deal with those market forces, but we must also put in place an understanding of those fundamental elements which drive human behavior in the financial services marketplace. I'll call these basic financial needs and I particularly emphasize the word *basic* because our ability to address those needs depends on our ability to identify needs which are permanent and ongoing.

Customers do not have a need for term insurance. They have a need for protection. Term insurance is one way in which providers meet that need for protection. Basic needs fall readily into two classes: those that are behavioral (for example -- 90% of all households store a portion of their wealth usually in a bank or a thrift and it is often called a savings account) and those needs which are basically attitudinal (for example -- I want to do business with someone I trust or I want to do business with someone who is stable, less risky).

Financial needs relate to products which for example provide transaction capabilities, such as a checking account; protection capability, such as insurance; or accumulation capability, such as a saving certificate. Basic to this concept is the notion that many providers offer many products which are in competition with one another for the opportunity to meet a few basic financial needs. Behavioral needs also exist in the context of the management of one's financial affairs, or the effectiveness of the distribution capability for those services. In a like manner, attitudinal needs exist relative to products (make it simple enough so that I can understand it); or to management (make it so the information I need is easy to locate); or relative to relationships (don't talk down to me).

And we need a set of concepts that deal with the issue of being an effective provider, specifically, the segmentation scheme. For example, as a marketer you might find it useful to know that all U.S. households have on average about $1,285 in savings instruments. You are somewhat better off knowing that older, high-income households have $3,400 on average and you're even more better off if you know that older, low-income households have under $700 on the average. Clearly you want to concentrate your efforts on the older, higher income households if it is only savings balances which attract your attention as marketers.

The general extension of my argument is that to be effective in today's environment, you must understand market segmentation concepts. Or in a rhetorical sense, why segment? And the answer is, because consumers vary in what they want, how much they can afford, what they actually buy and to what message they respond.

How do we segment to address consumer needs and behaviors? We take into consideration their age, their income and their wealth, their social economic status and their attitudes. Age related segmentation leads to life cycle segmentation. Life cycle changes begin with relatively young households. We examine their needs for transaction capability, protection and accumulation. We next think of the product attributes required to meet those needs and we arrive at attributes most important to young households which include easy cash access, available credit, and low-cost vehicle and liability coverage.

The more extended version of this same approach leads us to examine a household's needs for life insurance at an increasing age. Add to that Lifetime events also linking it to available coverage sources -- individual and group -- showing peak coverage, age/event related needs and interplay of group/individual sources in meeting those needs.

A further extension to this approach leads us to examine age and income simultaneously. And here we learn that age/income segments have different product behavior. We categorize herein income breaks as either affluent or middle market and within affluent another income cut -- very and moderate -- and within middle market an age cut -- older as contrasted to younger. When we examine credit usage along these dimensions, we find three of the segments relatively heavy credit users. They are both income levels in affluent and the younger middle market households. We discover that older middle market households avoid credit.

In a heightened segmentation contrast, we can examine that same set of households with regard to their approach to high tech delivery systems, and we find that they do not break down the same way that they did relative to their credit usage. Here we find that the very affluent and older middle market households are similar and that the moderately affluent and the younger middle market households are similar.

I have one final example. Attitudinal segmentation leads to the fact that segments feel differently about vendors and the images that are projected by the vendors. Combining our household demographic descriptors with household attitudes towards the kinds of firms they want to deal with, for example, suggests that older middle market households and moderately affluent households contrast sharply in their willingness to use providers that can be perceived as having somewhat high levels of risk associated with them.

To capsulize, the marketer's challenge lies in understanding the market, understanding both customer needs and how those needs vary by segment. This entails using both demographic and attitudinal approaches to segmentation. To round out our approach, once the concepts are in place, the conceptual buckets are filled with content and the quality of that content depends on sound methodology.

I had originally planned to spend some time talking about analytical techniques in the context of methodology. For example, we can distinguish between qualitative approaches and quantitative approaches. And we can also talk about doing interviews of the one-to-one type, or doing focus groups. And I had also one time thought about discussing the various types of analytical techniques that are sometimes regarded as the most powerful ways of going about our business. But the truth of the matter is, as I was reviewing my presentation and thinking about the comments I was going to make, I really concluded that I wanted to deliver a somewhat different message than talk about the content in each of those. Again, it is because I am deeply concerned that our access to sophisticated analytical capabilities, both in the sense of powerful methodologies and also in the sense of packaged, canned, personal computer access to that methodology, when combined with an explosive demand for knowledge about the marketplace has suddenly put in place all the ingredients for misuse of analytical power. Our understanding of the behavioral aspects of the demand for financial services is relatively rudimentary at the moment. Few of us have the knowledge base to evaluate the real world, a common sense meaning of the output for what I shall call the black box methodologies. For the moment I believe we must discipline ourselves to proceed slowly in order to bring our analytical power to bear, less we fall in the trap of having techniques produce answers whose content is only an answer without economic or business value.

And one last throw away line for you, designed to make your drooping eyelids pop back open again. As a relative newcomer to the industry, I find it astonishing that product pricing decisions do not appear to be made by those people closest to the marketplace. Is it really a matter of regulatory philosophy or is it more that we collectively have just not yet thought through the implications of an increasingly competitive marketplace?

MR. ALI: Mr. Bill Ring is the President of Ring Consulting Group which is a full service direct response consulting firm which provides direct response research and testing, product development, pricing, legal, administration, advertising and data management functions to the insurance industry. Mr. Ring is a Fellow of the Society of Actuaries. He graduated summa cum laude from Hillsdale College in Michigan and received an MBA degree from the University of Michigan. After college he joined Allstate in 1967. At Allstate he was Assistant Vice President in charge of direct response operations. As a matter of fact, Bill started and managed the direct response operations at Allstate. He left Allstate in 1977 for CNA where he was Vice President in charge of marketing, including all aspects of direct response insurance business. Bill started his Ring Consulting Group in 1979. Bill will talk about direct response, research and testing techniques.

MR. WILLIAM M. RING: Let's begin our session with a philosophical statement and a question. The philosophical statement is that products should deliver to the needs and desires of the consumer. And the question, triggered by this philosophy is, how do you determine the needs and desires of the consumer? We will talk about some proven practical techniques which will answer that question, but for now, lets give our discussion a little more perspective by looking at a situation that many of us have faced or will face; that is, getting a product ready to sell.

Typically the initial steps in the direct response product development process go something like this, or at least they should. First, isolate the specific marketing need, then analyze the competition, brainstorm and formulate the product ideal, create the advertising, and determine the price. Then you say, now what? A normal response might be, well let's live test it. But wouldn't it be nice if we had a little more information before we had to procure this product, before we had to hire the manpower, before we had to set up the data processing systems and the administrative systems. We find ourselves asking for more information. We want to know what the response rates are. What are the target markets? Why are people buying this product? Why aren't the people buying this product? What is the ideal price/offer? What are the best features of what we're offering? What are the worst features? What is the best advertising strategy? Are answers to these questions really available without a product, without inventory, without manpower or without systems? Let's take a look now at two tools that can be used by direct response management, researchers, and marketers that will give those answers: focus group research and simulator testing.

Direct response focus group research is qualitative research and is principally designed for unique concepts; things that you dreamed up and now wonder if they are really going to work. For those of you that don't know about focus groups, this is a research technique whereby information is gathered from face-to-face interviews with small groups of people. These people are very carefully selected for their characteristics and normally you run about 6 or 8 of these. They last about an hour and 45 minutes and people who are interested in the outcome can observe the whole process through one-way glass.

Its advantages are that it is very quick and it is designed to avoid negatives. If your new concept is going to fail miserably, focus groups will tell you in a hurry. Unfortunately, they don't tell you if it's going to be a big winner. But they will tell you if you have a loser and it saves you a lot of time and money. Some practical suggestions for direct response focus groups is that you will need a skilled moderator and a well thought out moderator guideline that tells this moderator the things you are concerned about and the questions you would like to have answered from these interviews. For direct response, we use advertising material mock-ups, which are a little different than normal focus groups because we want to test both the product and the advertising material together.

Generally, when the advertising material is passed out, which is the first thing that happens in these focus group interviews, the people are given colored pencils -- one red, one green, one black. They're asked to find anything on that advertising material that they think is negative, whether it be the way it is worded or whether it be a feature, and mark it with the red pencil. If there is something that is positive, that they like very much, we ask them to mark it in green. Anything confusing, we ask them to mark in black. And then we go back and talk to them about everything. We ask them what they marked in green, red and black because we want to know what they thought just as they read it. We are trying to simulate the environment under which they normally buy. If we don't do something like that, then what happens is a dominant persuasive individual, who has strong opinions, can sway the entire group. All we want to know is what they thought when they first read it.

Here are some more practical suggestions. Have the copywriters and the product development personnel attend the sessions. They are looking through one-way glass observing the comments that these participants are making and they are going to make changes to the copy and changes in the product in time for the next session. So you want them right there involved in the whole process so that they have an understanding of what the people are saying.

It is pretty difficult sometimes to interpret focus group findings. Look for what researchers call a hot reaction. If you never thought about it before it comes out as clear as a bell as soon as you see it. Also look for simultaneous reactions. There is an upwelling in the whole group. They all want to talk at once. Those are very significant findings. Then you only deal in the extremes. Ninety percent more of the people feel this way before you begin to make changes. Very often you use questionnaires during the sessions serving the same purpose as marking out the ad copy in red, green or black pencil. You ask questions like, what did you think about this? You ask them to rank features. It is used as a discussion guide so that again you get their reaction right after they read it. The process being that they read the advertising material, mark it up, fill out the questionnaire and then open up for discussion.

Focus groups very often play a big part in providing input for simulator testing. So what is a simulator test? Simulator testing is a direct response testing system. It was developed purely and solely for direct response. Although it's a quantitative survey technique, it is different than the classical surveys. For example, it will ask biased questions. In direct response we want to know not only what they think of the feature but what they think about how it was advertised, so when we extract the feature and ask them about it we take the words right out of the advertising. It also deals very specifically with what management wants to know. So often the classical research gives you a whole bookshelf full of nice-to-know information and a little bit of need-to-know information. The simulator tries to deal with must know information only. It's tailored for what your needs are and for what your concerns are in offering this product. It concentrates on providing information regarding probable success or failure. It also tells you how to improve that apparent success or how to make that failure a success.

It's not necessary, with a simulator, to manufacture a product, to maintain an inventory, to develop systems, or to hire manpower. What is necessary, however, is advertising material in its final form, just as if this product really existed. That is very key to being able to predict a response rate.

The package is mailed in a kit along with the simulator components. A postcard is sent out about 5 days in advance of the research package. It tells people that we are going to ask them for their help in determining some marketing direction and that within the next few days they will be receiving a research package. That little postcard increases response to the questionnaire by over 30%. In the package a letter is included telling them that everything will be anonymous, that it is only going to take a few minutes to fill the service out, and that most everything can be answered simply by circling a number. It asks that they read the advertising material and then answer the questionnaire. We use the same incentive we've been using for the last 10 years and that is a Bic medium blue gray barrel with a blue tip. We've tested everything we can against that, even dollar bills, and it still gets the best or most economical responses to the questionnaire. One time we put the name of the company on the pen and the responses dropped off dramatically. We usually give them a pen they can carry around that doesn't have a company's name on it. And, of course, there is a business reply envelope to make it easy for them to send it back.

Let's now look at some of the things a simulator can do for us. One of the very special, unique things it will do is predict the sales rate or the response rate. It will predict a minimum sales rate and we have never had an actual test mailing or live mailing go out after a simulator has been done that has ever been lower than this minimum sales rate. So if this minimum response rate meets your profit objectives, you're golden. It also predicts a probable sales rate. We're accurate within 15%, 90% of the time, which is as good as a live test. It will also predict relative sales rates assuming you set up the simulator to test different advertising packages, or different features, or different prices. You can change the price in the simulator where the benefits can be absolutely identical and you decide to charge $14.95, $19.95, or $24.95 to see which one works best for you. It will also predict relative sales rates by demographics. You simply ask questions about the demographics -- age, education, etc. -- and you can go back and use that information for target marketing purposes.

Sales rates and response rates are very important numbers. But the key to all of this is the bottom line. What is the profit potential? And that means we need to develop statements of income.

The simulator can't give you that missing information that you need in order to create realistic statements of income. In direct response everything gets down to the bottom line. It is possible for a response rate of 1% to be much better than a response rate of 2%, depending on the advertising cost, etc. With that aside, let's take a look at some of the things that it will predict for income statements. Payment modes, best price/offer, what percent will take which options, and if it should be that your price varies by age, sex, or other demographic characteristics, it will predict a percent of sales in each of those categories. What it finally boils down to is that you can get an average amount of sale. You don't have to deal with a whole lot of assumptions and guesswork. It also predicts how to improve the advertising. And some people feel that this is as significant or more significant than being able to predict the sales rates. It does this by telling you which features are desirable or undesirable according to the buyers and also according to the nonbuyers. In this analysis the responders will rank a feature from very important right on down to very undesirable and the percent saying the feature is very important or undesirable are the key statistics. The responses in the middle don't really tell us anything. They are not actionable results which generally will change anything. When we get to the extremes, and they really like it or they really dislike it, then we have changes to make.

I mentioned that the simulator is completely analyzed according to what buyers say and there is an identical analysis done according to what nonbuyers say. The rule is to concentrate on to what buyers say. It's a tremendous temptation to deal with what the nonbuyers say. After all we are talking about direct response here and 99% or more aren't buying this product. Couldn't we make a few changes to motivate just a few of these nonbuyers to come in? We tried it and we keep trying it but we have never been successful doing that. However, when the buyers tell us something and we go out and change it, it means something. I think it has to do with the propensity of these people to buy through the mail. When you pay attention to what they say, something happens with your response rates. Also, look at the differences between the buyers and nonbuyers. Very often you can isolate some very special advantages by doing that.

The simulator will isolate believability of copy strategy. We know that if your main theme is not believable, no matter what you have or what you're advertising or what your product is, it isn't going to work. So we pull that out of the simulator. It also will determine the clarity and understandability of copy strategy components.

The following highlights the results extracted from an actual simulator report produced for a life product. The report showed how specific features of the copy ranked among all the features. The rankings showed how important each feature was perceived by both buyers and nonbuyers. The number one feature turned out to be "Your coverage can never be cancelled due to ill health." The copywriter wasn't particularly knowledgeable about life insurance and felt that being cancelled because you got sick sounded pretty good to him. So he put it in there. We that were knowledgeable said that was nonsense and to take that out of there. He fought and we said, okay we would test it in the simulator to see if it means anything. It turned out to be the number one feature. A total of 85% of the buyers and 64% of the nonbuyers thought it was very, very important.

Looking at two other features, "No agent will call" was the fifth ranked feature and "You can buy directly by mail" was the twelfth ranked feature. Basically they are the same thing. Up until this time "You can buy directly by mail" was the key phraseology that you wanted to use in direct response advertising. It turned out that 65% of the buyers said the "No agent will call" was a very significant feature, versus only 45% for the standard way of saying it.

In the simulators, any time that something is undesirable by 10% of the people or more we go in and try to make changes. It was significant that 19% of the people said that "You can buy directly by mail" was very undesirable.

The simulator will also predict target markets. To do this you need a pre-selected, unbiased distribution of names and careful test matrix design. The same thing as is true with a live test. You could do relative segmenting by asking demographic questions on a questionnaire.

When I talk about relative segmenting, I am saying that people in this age group will respond better than people in that age group. I can't tell you what the response rate will be for each age group but we can tell you which one is best; that is if we don't have this isolated in the test matrix. If different advertising packages are tested, the simulator will predict which packages should be mailed and to which segment they should be mailed.

At this point, we have now covered focus group research and simulator testing, granted in a sketchy fashion, but I hope I gave you some insight into this. These are two rather powerful tools for determining the needs and desires of the consumer. For each of them all you need is an idea and some advertising material.

If we could switch gears at this point in time and assume that the product is ready to go, we now have available to us another marketing tool which is list segmentation, a very powerful tool. Since the list is a key asset for direct response, we want to do everything we can to enhance the value of that list. The process of list segmenting begins with the examination of the list selection parameters that are contained in the list. These list selection parameters could be demographic characteristics such as age, sex, income, marital status, education level, geographical location, type of residence, number of children or number residing in the household. You could also utilize buying behavior activity such as recency of purchase, account balance, etc. Really you want to use everything you have on the list that tells you anything about this customer, things like type of account, length of membership, type of policy, size of policy and number of policies purchased. You really don't know in advance what's going to work and what's not going to work. One time, we did list segmenting on a huge Sears credit card file. We found out that people who took out their credit cards in the 1960s were great responders. Nobody could figure out why owners of credit cards issued in 1960 to 1969 responded so well. We later found out from Sears that was the time period when they were not actively soliciting credit cards. People who took out the cards then really wanted that card. Who would ever think that the date you took out your card would have anything to do with the response rates. Don't try to predetermine these things.

Here are a few tools for list segmentation. The first is list cleaning. It is very seldom that you can take a list and just mail it and have it work. List cleaning goes into that process of eliminating those names that are poor responders according to previous tests, it eliminates bad addresses, and also gets rid of duplicate names, states that are ineligible, etc.

Next would be a live test. With a live test, you need to predetermine which segment you are going to isolate and analyze. Simulators, which we have already talked about, go further than live test. You can predetermine subsegments but you can also get relative statistics that help you with your target marketing.

Data overlays involve the use of a huge, compiled list containing accurate address information, age information, income, etc. You take this compiled list and match it with your list and when you do get a hit or match on any information from the compiled list it is pulled into your list and gives you additional list selection parameters. This is particularly important if you have a list that has no age information and you want to mail a product where the eligible ages are 18 to 49. You go through and get an age overlay in order to better segment your list. This can prevent wasting a lot of names.

Match keys are another very powerful device. Here there is no predetermination of what is going to work or what is not going to work or how to select a name. Every name on the list is given a match key code. And that code, interpreted by the computer, tells us everything we know about that individual on that list. That key code is also put on the enrollment form. When the enrollment form comes back, all that data is fed into the computer and then the computer goes and segments out your list according to the best or the worst key codes for responses.

There is a lot going on now with geodemo cluster analysis. This is geographic, demographic life style clusters. Organizations that specialize in this technique have broken down just about every name in the country according to geographic, demographic lifestyle clusters which were determined from block proof census data. They'll code your list according to these clusters and you mail it out. When they come back you can then get a ranking by response rate to which clusters will pull the best on down to which ones will pull the worst.

Well, my purpose was to show you some insurance applications of modern marketing tools. We have talked about three. I hope I have given you some insight as to how to utilize these.

MR. ALI: Our next speaker is also a guest. Mr. Frank King is presently the General Director of Advertising at John Hancock Financial Services. Frank is a graduate of Princeton University. After graduation from college he worked for an ABC sister TV station in Boston for about 2 years. He has been with John Hancock for about 12 years.

MR. FRANK R. KING: It is really a delight to be able to tell you the story of John Hancock's "Real life, real answers" advertising campaign. But quite honestly, when I received the invitation to be here with you, with my background in broadcasting and marketing, I felt a little bit like the cross-eyed javelin thrower that the coach invited to the track meet just to keep the spectators on their toes.

What I would like to do is take you through a "Real life, real answers" chronology, stopping here and there to give you a peek or two behind the scenes. "Real life, real answers" was born in the fall of 1985 as part of an advertising agency search Hancock conducted, and out of the market segment research Ken has shared with you. Our company had changed drastically, as had society, but our image had not, and the time had come to make a radical departure from past ad campaign themes like "Put your John Hancock on a John Hancock" which our agents, incidentally, are still asked to sing very often when they go into houses and "We can help you here and now -- not just hereafter" which was our most recent slogan before "Real life, real answers."

We knew what we wanted our new campaign to do and we had in fact set four objectives before we set out on this search. First, we wanted to create awareness of Hancock's position in the marketplace as a diversified, financial institution, one of the few companies we thought that could substantiate the claim of being a full financial provider. Second, we aimed for a particular emotional response. We wanted critical audiences to relate to our ads in a way that would disturb them, to the degree where they recognized that Hancock's products and services could unravel their financial dilemmas. Third, we wanted to create new demands for products and services not traditionally associated with the company, including our mutual funds, Tucker Anthony securities, universal and variable life, and disability income. And fourth, we wanted to continue to support those product lines and services that had been the traditional strength of the company these past 125 years or so.

But perhaps the most important thing we had to accomplish was to break through the advertising clutter. That is really a problem in the financial services industry, where the products for sale are intangibles to begin with, where a major new player seems to be entering the field just about every week, and where $800 million a year is being spent on advertising by all financial services companies. So we did a competitive review. We took a look at the ad campaigns of those friends we love to hate in our own category and we found a way that we could stand apart, primarily by orienting our message toward the customer rather than inward to our own company or products. Instead of talking about Hancock, we would portray real life financial issues and hopefully draw a subtle link to our solutions. We called the campaign "Real Life, Real Answers."

To use Ken's phrases, it is consumer driven and and it is also segmented to some degree. It's a campaign that shows how contemporary financial problems and opportunities can be met, in a way in which individual viewers can relate. Our campaign reflects today's lifestyles, not yesterday's. And we think it treats people as adults.

As Ken said, basic financial needs are what we are trying to illustrate. We wanted people to watch those commercials and look at them and say "That's me." We were really floored by the number of letters from customers and from agents reporting about customers or prospects who literally used that phrase in their letters. "Yes, I saw your ad on the Super Bowl the other day and that was me buying the house at the bank" or "that was me with my baby" and so on. We had several cases where people actually walked into the Hancock offices waiving checks and as you all know, insurance is supposedly bought and not sold. We were just very, very gratified by the response we got and I will soon talk more about this response to the campaign.

In terms of media strategy we had what we thought were dynamite TV commercials here. Now the questions are, what do we do with them, where do we essentially run them? Well, we believe very strongly in sports sponsorships. We launched our new campaign on network TV over a one-month period beginning December 22, 1985 and ending with the 1986 Super Bowl. During this period, we sponsored a total of 22 football games.

At the same time, we ran a print campaign in national consumer magazines. These print ads played directly off the TV spots, and featured real life situations and their solutions. Of special note here were a pair of 8-page spreads we ran in *Newsweek* and *Time's* Man-of-the-Year issue. All of these ads reinforced the John Hancock Financial Services message breaking on TV.

As for results, these are just a few of the industry awards our "Real life" campaign won during the spring and summer of last year. In April, the ad agency became the first New England-based agency to win Agency of the Year and we understand that "Real life, real answers" had a great deal to do with that. In May, we won five Andies, in June, three Clios, in July, the Grand Prix at the Cannes International Advertising Festival in France, and in September, fourteen Hatch Awards.

More importantly, several waves of benchmark consumer research conducted by an independent, third-party testing company showed that the campaign was significantly boosting the public's awareness of Hancock as a diversified financial services provider with quality investment products. Purchase consideration levels were up smartly. Let me remind you that the major objective we had was to shift the image attitude towards Hancock in the mind of the customer, not necessarily to immediately drive sales up by X%. That is a more long-term goal that we see happening hopefully two, three, or four years down the road. However, last but certainly not least, Hancock had a great year in 1986 with a 24% increase in net operating gain. I think that is the largest in the company's history. And of course, those of us in the advertising division are first to wave our hand to take some of the credit for the great year we had last year.

This past fall, as we looked to the second year of our ad campaign, I had a recurring nightmare and that was that "Real life, real answers" would be added to the list of One Hit Wonders. (Many musical artists and rock groups had number one hits, not just a top 10 hit on the music charts, and many were never heard from again.) The message here is that getting to the top is hard, but sometimes staying there can be even harder. At John Hancock, our challenge this year, in 1987, is to keep "Real life, real answers" from meeting a similar fate.

So for 1987, we decided to retain the "Real life" format with essentially no changes. At the same time, we decided to portray life styles and human relationships that not only created unique financial problems, but which were in and of themselves at the frontier of modern social conditions and somewhat controversial. Where the campaign creativity had been risky in 1986, the campaign subjects would be in 1987.

That goal was uppermost in our minds, as we explored with our agency a wide variety of possible life styles to illustrate in our new TV spots. Of course, we also took into consideration our corporate direction in terms of target markets and our ability to provide relevant products to meet the various financial needs inherent in these lifestyles.

In the end, we chose three cases: a middle-aged brother and sister trying to deal with their father's declining health and advancing age; a young couple weighing their future and considering as one option, the possibility of living together without getting married; and a recently divorced woman with custody of her son whose relationship with her "ex" is somewhat troubled.

First, with no small degree of reluctance, we decided to spend more on TV and less on print, so that, unlike last year, we'll have a TV presence in both the first and fourth quarters of the year, the times when consumer interest in financial services and taxes tends to be highest. Also, behind this difficult decision was the relative success and strength of our TV ads over our print ads, and feedback from our own sales forces as well.

The second big change was on the air four months ago, the first John Hancock Sun Bowl, telecast live on CBS on Christmas Day. The Sun Bowl actually was the second program to help relaunch our ad campaign this year, the first being the Hall of Fame Game featuring Boston College. We were also in three big New Year's Day games, as well as the college championship game, the Fiesta Bowl.

Over the following three weeks, we sponsored major NFL and NBA contests. We capped off our winter schedule again this year with three spots on the Super Bowl.

Let me take a quick minute to tell you some results of the Sun Bowl. The Hancock Sun Bowl was the fifth most watched Bowl Game this year right behind some pretty good company -- the Fiesta, Rose, Orange and Cotton Bowls. Better yet its viewership went up more than 100% in just one year, more than the Fiesta Bowl, which was the championship game, and double the increase of the next Bowl down the list, the Freedom Bowl. Better still the John Hancock Sun Bowl was the most cost-effective Bowl game on the air in terms of audience delivery. In fact, the only negative aspect of the Sun Bowl, from our perspective, was that those silly football players kept running all over the John Hancock logo on the center of the field. We decided that next year we are going to fix that by putting a fence up around our name.

As for the balance of this year, during March and April, we were again on ESPN and Boston area TV in connection with Hancock's sponsorship of last week's Boston Marathon. In the fall, we'll return to network (or possibly local) TV to sponsor a mix of sports and other programming to help counterbalance the skew to the predominantly male audience reached this winter. And we have just signed an agreement with the New York Road Runners Club to sponsor the New York Marathon this November. The agreement includes exclusive rights to televise the event nationwide on ABC.