



Article from

News Direct

September 2016
Issue 63

Middle-Income Market— What the Experts Have to Say

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The Marketing and Distribution Section (MaD) has embarked on a project to gather insights from “experts” or “knowledgeable” people in the marketing of life insurance or similar products to the middle-income market. Over the last 10 years or so there have been a number of studies and ideas presented as potentially viable strategies for serving the middle-income market, yet successes have been limited. The goal for this project is to help explain the apparent lack of success and what the experts think companies need to do differently.

This project is a continuation of MaD’s multi-year effort to provide its members a better understanding of the middle-income market and its demand or lack of demand for life insurance. This effort started with an extensive buyers’ attitude study that demonstrated that middle-income life insurance buyers could be segmented based on their attitude towards life insurance. That

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research showed that it was possible to predict a potential buyers segment based on their answers to as few as nine questions. But that research did not help to answer the question why the life insurance industry has not been able to widely penetrate the middle-income market. While this project will not provide a definitive answer to the question, it is intended to be a catalyst to a conversation on this topic and document the range of opinions and experiences in this market.

MaD expects to present a comprehensive report detailing the findings of this project in the second half of 2016. In the meantime, this article will describe the methodology used to gather the insights and a high-level review of those insights.

EXPERTS AND DATA COLLECTION METHODOLOGY

A Program Oversight Group (POG) was organized by MaD to

define the scope of the project and identify experts. The experts were not necessarily people who had implemented successful middle-income strategies—as previously mentioned, not many companies have reported outstanding success in this market. The experts chosen were known to have knowledge of the market, prior strategic initiatives or were actively involved in their own organization’s efforts to penetrate this market.

Sixteen experts agreed to participate in the project. The experts had varied work experiences including:

- Distribution managers,
- Chief marketing officers,
- Agent/brokers/agency managers,
- Insurance sales consultants,
- Corporate/Product actuaries, and
- Reinsurance actuaries.

They worked for insurance companies (where life insurance was either a primary or secondary line of business), distribution consultants or as insurance sales reps.

The experts’ observations, insights and opinions were collected using one-on-one telephone interviews. Initially it was expected that consistency across interviews could be maintained by using an interview guide. In practice, much of the guide went unused because the experts’ field of knowledge varied so widely the guide could not possibly cover all the topics the experts were qualified to talk about. Ultimately the interviews were structured in a way that focused on the experts’ specific understandings of the industry’s middle-income market short comings and potential opportunities. A single researcher conducted the interviews as a way to maintain consistency across the interviews. By participating in all the interviews the researcher could identify common concepts being articulated from experts’ differing points of view.

Lists of observations, insights and opinions were compiled from each interview. These lists were further compiled into common themes. Themes were considered to be important if they were found in more than one interview even if the experts expressed conflicting views. For example, the lack of economic recovery for the middle-income market was offered by some as an ongoing impediment to successfully marketing to middle-income customers, but was discounted by others. These inconsistencies were noted in the results, but no attempt was made to resolve them. This is left as part of the ensuing discussion that MaD hopes comes about because of this project.

MIDDLE-INCOME DEFINITION

During the project planning process the POG struggled with the definition of the middle-income market. A specific income range was discussed and whether this range should vary by geographical region. If the definition were made too specific there

was a concern that it would limit potential observations. It was decided that experts would be recruited on a broad definition of middle-income. In the end, the market was described as ranging from those individuals or families with enough disposable income that they might consider buying life insurance to those with not so much income that the purchase of life insurance could be considered part of a financial or estate plan. The interviewees were not troubled by the lack of specificity and their observations were generally consistent with this definition.

Not all experts defined middle-income market based on customers' income. In some cases they equated the market of a specific product to the middle-income market. Final expense insurance was often thought of as strictly a middle-income product. Alternatively some experts defined middle-income based on the use of a particular distribution channel. The primary example of this was companies using worksite marketing. These experts tended to be from niche market companies. Their observations were still relevant to the broadly defined middle-income market but in compiling the results, if their observations differed widely from other's observations, the differences were noted. Similarly, when discussing the middle-income market, the same experts focused their comments almost exclusively on Millennials. It was not clear if this was because the millennial market is the focus of much of the current consumer research or that these companies no longer consider the older middle-income consumer as a viable market.

PRELIMINARY RESULTS

Once all the observations were compiled and adjusted for the varying points of view, a set of eight specific themes emerged from the interviews. These themes are not necessarily strategic in nature, but should be important considerations for anyone building a middle-income strategy.

IMPORTANT THEMES

- All experts agreed that when using traditional methods of measuring need (multiple of income, FNA, etc.) there is a gap in coverage for the middle-income market and the industry does not seem to be closing it, though some questioned if the gap was real.
- The experts were unanimous in the belief that middle-income consumers do not understand insurance, especially life insurance, the difference in product types or even how to figure out how much insurance they need to buy.
- While not a unanimous position many of the experts opined that in one form or another, insurance companies needed to own distribution.
- At the same time, those companies that talked about their experience deploying alternative distribution systems re-

ported significant investment (tens of millions of dollars) and/or time and effort.

- Similar to owning distribution, experts talked about the need to brand their company, especially when no agent is involved.
- Other than income replacement (which is not new), no expert suggested the need for a new or better product.
- Much of the prior research on the middle-income market pushed the need to streamline the new business process, reduce the intrusiveness of underwriting and strive for instant issue. While some agreed, there was fairly broad disagreement with this position.
- Success is going to require a “sea change”—both at company and industry level.

HIGH LEVEL MIDDLE INCOME STRATEGY

The experts were not specifically asked to describe their organization's actual middle-income strategy. That was not the point of the research. But from the discussion, two very different high-level strategies could be inferred.

The first can best be described as “more of the same.” These were primarily niche companies that were building their strategy on identifying distribution outlets already successful in the middle-income market. The company would build products with features, compensation and ancillary support services those outlets would find attractive. The final expense and worksite markets were two such examples.

The second high-level strategy was revolutionary in nature. These experts talked about the need to recognize that in the middle-income market, the product had become a commodity and high sales volume was most important. They felt their companies were never going to attain the required volumes doing business as usual. Expensive changes were going to be needed in distribution, marketing and back office administration.

CONCLUSION

As mentioned above, the final report will be available sometime in the second half of 2016. Based on the results so far, MaD is confident that the results will significantly add to the discussion on how companies can best serve the middle-income market. ■

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