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Trends and Events in Lead Generation

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Summary: This is an opportunity to learn various aspects of lead generation, including database development and management, market segmentation, and marketing techniques.

Mr. Jay M. Jaffe: John Harrison is an old friend of mine. I've had the great pleasure of working with John over the years. We're not formally associated, but once in a while we wind up on the same assignment or as part of a team of people who are working on an assignment. Officially, John is president of Dimark, Inc., which is located in a suburb of Philadelphia.

The presentations will include the Blue Cross/Blue Shield of Illinois story, a health care example. John and Dimark have been involved with Blue Cross/Blue Shield in Illinois for a long, long time. In 1992, Dimark and United Family Life received the Direct Marketing Association's (DMA) Excellence in Database Marketing Award. By the way, if you get the magazine *Direct Marketing*, there is a whole story on the United Family lead generation program. In 1994, Dimark and United Family Life were highlighted in *Fortune* as a company to watch. Dimark is a great organization in the database marketing field.

John has been with CUNA Mutual, CNA, RLI, and Monarch Capital. He brings to us more than 25 years of experience in database marketing. By the way, I would

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encourage you to join another group that John has been involved with: the DMA's Insurance and Financial Services Council. He was chairperson of that council at one point and has been involved in that organization for years.

Today we are going to talk about lead generation and some of its pros and cons. I doubt if we're going to have any pat answers because in my experience in this field, there aren't any pat answers.

Mr. John J. Harrison: As Jay will attest, the folks who are involved in the direct marketing industry in particular are quite good at sharing information. If I can at any point in time be of help to you, don't hesitate to give me a call.

Today's presentation reminds me of my Aunt Norma and the terrible death of her dog a week ago. When my uncle died, Aunt Norma bought this dog, which was her pride and joy. In fact, it was her life. She woke up last Wednesday morning and found her dog not breathing. Of course, she was terrified. She rushed the dog down to the veterinarian and said, "Doctor, please help me. See if you can recoup and recover my dog. I just cannot go on living without my dog." The vet examined the dog and said, "Sorry. There's nothing more I can do. The dog is not breathing and the dog is dead." She said, "I'll pay anything if you can help me revive my dog." And he said, "Well, maybe there's one other thing I can do." He walked into the back of the room and came out with a cage. And in this cage was a cat. The dog was laying there on the operating table. He set down the cage and let the cat get out. The cat walked around and sniffed the dog. After making a complete circle around the dog, the cat got up and went back in the cage. The doctor said, "That's it. That's the last thing I can do. Your dog is officially dead." So, my aunt finally acquiesced to it and said, "OK, I'll accept it. Why don't you prepare my bill and I'll be on my way." The doctor came back a couple minutes later and presented her with a bill for $330. Shocked, she said, "My gosh. What did you do? I mean I was only here for a few minutes. What did you do that cost $330?" He said, "$30 was for my charge, and $300 was for the CAT scan." That reminds me of why we are talking about lead generation.

I want to expand the scope of what lead generation is. I think of it as you put something in the mail and somebody sends you something back. You pass it on to a salesperson or somebody gets on the phone who is a telemarketer. Or you send something out and you hope somebody does something. You never know if they closed the sale. You never know if they followed-up. The term "lead generation" to me is a misnomer. I'd like to take you through our version of how lead generation interacts into an overall process.

Why would you consider using lead generation? First, I think it's used and has been used very efficiently to qualify suspects to prospects and, ultimately, prospects to suspects. We'll follow that process as you take someone from a suspect to a prospect. Second, it should help lower distribution costs. That's where the CAT scan joke comes in. Most of you have realized that the cost of traditional distribution in your organizations continues to skyrocket. In fact, if most organizations don't do something to fix their traditional distribution system, they will have traditional distribution systems of the past. Lead generation can help lower distribution costs by making agents more productive in their sales process. Third, it will improve target marketing. The ability to select from a database to segment and target will help you choose the right people so that you can do a better job of qualifying and also simultaneously lowering those distribution costs. I suggest to you that the distribution channel or the distribution system in the future will integrate the agents. Recruiting agents will be a component that will be a part of and will be compensated through whatever arrangement that agent is hired into and, therefore, ultimately retained.

The biggest failure in traditional distribution today is prospecting. Agents run out of people to talk to. It's no different from any sales business. Who is left after selling to your family and friends? Using some form of a lead distribution system that will qualify prospects, lower distribution costs, and improve the ultimate productivity of an agent will also help you retain that agent longer. Think of this as a model of the future, totally different from today. When you recruit them, it's an absolute must that the agent participate in this process. You may pay them less commission because someone has to pay for it, but that agent will become more successful and productive and, ultimately, make more money with this component integrated into their process.

Fourth, lead generation will provide management with that agent's ability to do his or her job. By contact management I mean that a good, lead generation system contains a component called contact management that is customized to individual salespeople to help them direct their entire day, life, and sales process—a to-do list, scheduling, the whole works. Again this will fit all these criteria to ultimately make that person more successful.

Last, and this is a rather new one, our organization in conjunction with one of our companies has developed a process that someday will be the front end of the ultimate monitoring and controlling of the acquisition of customers, possibly even the recruitment of agents and the monitoring of agent activity. This compliance in market conduct issue right now is being done at the back end. Think, however, about pulling this process together on the front end: recruiting the right people with the right tools in place not only to help them be productive, but also to monitor

their behavior and communications. You have a total link of very effective systems. This is not going to happen overnight because right now people are addressing the back end, but, ultimately, you need to address the front end. That's why I think you should look at lead generation as a component within your organization.

What are the various components that fit into this lead generation process and feed data into that centralized database? I'm going to call it, for lack of a better term, an integrated, marketing process. You'll hear me use the word "process" repeatedly because marketing is a process. It's an evolutionary process. Every step along the way you will continue to improve the process by gathering information, qualifying the information, and improving the overall process. I'll take you through each of these steps as we go through the next scenario.

What are the separate steps? Marketing and market stimulation, whether we're using direct mail, newspapers, print, or whatever it might be; telemarketing to qualify people; generating leads, ultimately getting the response, whether it's by mail or phone; fulfilling on that response, whether it be a phone response, setting up an appointment, or sending something to those people. Each of those separate systems continues to feed that centralized database, whether it's a telemarketing contact, a sales call, or a seminar invitation. Managing that sales sequence through a predetermined system, and ultimately sales—the sale and the enrollment of the sale and the administration of that enrollment. Then, last, what you folks will be most happy with, the entire analytical tool or tools that are used to measure the performance of the process over a period of time. It becomes a complete cycle evolving back and forth.

Let's talk about the first component, the integrated database marketing system. Think of this system, which contains a lead generation component, as a closed loop marketing process. What we're trying to do, from the very beginning, is measure the effectiveness of not only our marketing dollars that we spend, but of our sales productivity and how we sell the product, whether it's through agents, telemarketing, or direct. We're trying to close that loop, gathering all that information along the way and then measuring the ultimate success. Why do we want to measure the ultimate success? Because you folks price products that have marketing allowables. If you do not get that return on that marketing dollar that you spent and it does not meet the marketing allowables that you priced in the products, you are clearly losing money, whether you are selling the products direct or selling them through alternate or traditional distribution channels.

The process links to other key components, marketing and the sales and service. Not only can we tell how effective our communications were in the marketplace, but we can measure the effectiveness of our sales process. Some people close at a

higher rate than others. We can measure this, individually, by salesperson. We can structure their own matrix for their own usage to fit their own individual needs. Some salespeople need more leads than others because they can't close at the same rate.

We also can follow this all the way through to the point at policy issuance and administration and determine the service. We can measure at the point of response how effective the communication was by letting the service people tell us about the questions they had to answer based on the communications, therefore, allowing us to refine our communications. So, everything we do in this process has some linkage that ultimately will affect the marketing dollars that you're going to spend.

What kind of information do you put in that database? Do you put in information about suspects? Suspects are—in my definition—people who don't know of you or haven't raised their hand and expressed an interest. When someone raises their hand or expresses an interest, we then put them in the prospect category. Ultimately, when they convert to sales, they become a customer. We then can take this through a relationship ladder. They would become a client and, ultimately, a true relationship. We could follow that on indefinitely.

Let's discuss a couple of points about database development. We could spend a day on this alone. It's a huge task and a huge process, but you must begin somewhere. I strongly encourage you and your organizations if you're going to do any type of lead generation/lead management process that you think of the vehicle to capture the information as step number one. Without capturing the information and having, as I call it, a bucket, you have no data or information to analyze to improve on the process. The development of that database should include both internal and external information or data sources. By internal, I mean taking all of your policyholder files in your house, incorporating them together, householding them, and then looking at them through individual linkages within that household so that when you communicate with database marketing initiatives, you can communicate to individual people within a household who have individual needs. They can be selectively targeted. You'd be surprised how many companies in America today do not have a householder database of all of their policyholders and do not know how many different relationships that they have within a given household. Or even with an individual. Some direct companies do have a database because that is by nature part of the beast of our practice—the database application.

Next are external data sources. What I'm talking about here is buying information from the outside that you append to your internal files to add value-added data that you do not have. There are a variety of ways and places that you can get that done,

but it's important in building the database that you look at both internal and external data sources. Think of the data as an enhancement to the existing data that you already have. The systems can be on-line or off-line. It depends on the sophistication of the organization and where you are within the developmental process. J.C. Penny Life has a very sophisticated database marketing system. It's on-line, and probably all of their marketers have access to it. I would assume even their actuaries have access to it for a variety of algorithmic formulas that they are doing continuously, such as looking at lifetime value of customers and continually pricing and monitoring them alike.

It's a significant investment over a course of time, but you must start somewhere regardless of if you're in the direct business or if you're in the agent distribution business because you have to get an understanding of who your customers are and what you can do to retain them or ultimately they will go somewhere else. Someone else will do a better job. It can be done off-line. You can do this on a batch basis. Service bureaus can provide this for you. It can be done in-house. Or it can be outsourced. I suggest if you're looking for the first time to get into building a lead generation system or a lead management system that the core of the database may be difficult to accomplish internally. Ultimately, what are you trying to achieve? You're trying to measure an account for your advertising and your sales expenses so that you can determine whether you're getting the required or proper return on your investment.

Lead generation is the component where you establish your criteria: your marketing rules or your campaign rules. You can key code and score on each individual name based on the type of communication you send to them, such as the list you used to reach them, the telemarketing 800 number they called, or the TV commercial they responded from. All of that can be captured and incorporated into your database. This is where the segmentation process begins, where you start learning about who should be targeted, what product, and at what time. All the unique solicitation and offer codes are established at this time. Some companies use as many as 10 to 12 digit codes to track each individual marketing solicitation, whether it be direct mail, print, or even television commercials. Those kinds of offers can be generated. This is where you put together the solicitation file that is segmented, then coded so that it can be either passed onto telemarketers for telemarketing activity or executed using direct mail. Or the reverse may be true. You may be capturing that information from responses and coding it accordingly. This is where you also begin to create the solicitation history of your customers, which is something most organizations fail to do. It doesn't make sense to continue to send lead generation programs to or make telemarketing contacts with people who don't respond to particular offers. Over a period of time, you fine-tune this process so that you can become better targeted in the solicitation offer but use

solicitation history as a driver. You also may create matrices or models that suggest if someone doesn't respond to this offer at *x* number of times, we offer them this product. That can vary depending upon whether they are a suspect, prospect, or customer. You are building decision tables that will drive this entire process so that it is computer-driven and does not have to be, as with most organizations today, manually operated.

The response processing is probably one of the areas where most organizations fail in this linkage. When you get a lead-in, get back to the people who have responded—whether they are asking for more materials or an agent to contact them—as quickly as possible so that you do not extend the sales cycle life. We have a 24-hour benchmark in our organization after we receive the response. We have measured conclusively over a course of time that every day after the 24-hour benchmark fulfillment response time the ultimate sales conversion rate will go down, whether it's direct or through agent sales. You need timely response and capturing of that information so that you can start monitoring the various activities that occur. This includes the agent sale, where we will monitor what offer was most effective and how many appointments were made. Ultimate sales and ultimate conversions to sales again allow us to capture that assessment of the product that we have in the marketplace. Do the consumers understand the benefits? Do they understand the features of the product? Do they understand how the product works? And the service. Are we responding in time? If this is done through telemarketing, can you tell how effective the communication piece was that we devised? Whether this is paper and it's data entry or submitted electronically through teleresponses, you're literally in a teleresponse organization. You create scripts to capture various data components so that you can capture all of the information that you want. You input that while you are on the phone with consumers. This obviously gauges the marketing effectiveness of your programs and links, ultimately, to the fulfillment process, depending on what that might be.

We talked about fulfillment. It must be timely, but cost-controlled. Fulfilling in 24 hours usually requires extended computer use and a high degree of personalization. Most good fulfillment houses today will customize the fulfillment material to a segment of one. I'm sure that's the way Garden State does it because they sent me back exactly what I spoke with them about on the phone. Here's what we talked about, and here's what I'm sending you. When I get the fulfillment material, it's familiar to me because I recall the conversation that I had.

From the Floor: You use your own name, though, with Garden State?

Mr. Harrison: Yes, even with the American Association of Retired People (AARP) I'm allowed to do that now.

From the Floor: With John Harrison.

Mr. Harrison: Right.

From the Floor: It would be easier to purge him from your files the next time.

Mr. Harrison: No. You have a good product with good quality and value. This also is where you control the various splits. How many of you here are in the marketing side of the business? OK. I'm sure you are aware of all of the regulatory compliance we have on a state-by-state basis. This is where you control those various splits. I'll give you an example. One of our clients is a New York managed health-care company. We have more than 26 splits just in the city of New York for their managed care fulfillment for a Medicare risk product because those splits vary by hospitals within certain geographic pockets. They also vary by the salesperson who is going to follow up. But in most cases those splits vary by state variations of the product and the like, so all of that control takes place here. That's also where the postal sorting takes place when you get the cost control of this timely fulfillment. This is also where the letter shop coordination effectiveness of getting it out in a timely manner takes place. Here's where the quality assurance takes place. With highly personalized fulfillment, it's very important that John Harrison's head gets on his body and not on Jay Jaffe's body. By that I mean with multiple personalized pieces, they need to be monitored so that we're not sending the letter to Jay, but the application is in my name. It's very important to have quality controls within this process. This is all part of a simple little subject called lead generation.

Contact management is fascinating. To me this is the ultimate in controlling the day in the life of a salesperson. Whether they are a salesperson on the telephone or in the field, it allows them access to PCS or laptops where they can upload and download various information back and forth. Many of the systems that we design for our clients literally capture every keystroke that the salesperson makes because we want to measure their activity. It provides them with a contact history, which is sculpted out ahead of time within the design. What are you going to do after the response comes in for this type of product? What do you do next? What do you do after that? How many days do you then follow up? When you enter that next contact, it automatically creates milestones that trigger the next thing to happen. It's an automated process that drives the sales process. It provides a to-do list or a schedule so that every day they get up, the salespeople turn on their laptop, and it tells them what they need to do and where they need to go.

In one of the case histories I'll show you, we're using the Internet to deliver that information in a real-time fashion. I was chatting with Rick this morning about how how we could create through mapping systems the salespeople's entire calendar,

tell them where to go, give them directions on how to get there and manage their entire day. Not only the lead, but give them a map and show them how they could drive there. We even went further than that. Has anybody ever used a rental car with these navigator systems? You can literally put that in salespeople's cars so that we could just drive them around wherever they have to go.

From the Floor: The only trouble is I found myself looking at the little box and not looking at the road when I had one.

Mr Harrison: Yes. It does get a little tricky. But it does work. It's fascinating. Also, you can incorporate this at a local level. Rick and I discussed how you could deliver a proposal right on-site, and I'm sure many agents do. Ultimately that agent will do the underwriting right on the spot and issue the policy on the spot. That's not that far away. The entire sales cycle of underwritten insurance is being compressed now, as Rick tells me, into days. We were looking at some information the other day. The policy administrators are using the Internet to transmit Attending Physician Statements (APSs) back and forth with a life company in a real-time fashion. All of these things are being done as we sit here, and ultimately they will be part of the overall sales process. That clearly is in place today. That's like that to-do list, the scheduling, that tells the salesperson what letter to send next. All of this is built into the sequencing. It can be individually customized for that agent or that salesperson.

Then, of course, it contains marketing and sales reports to capture each of those steps along the process. They can be designed for management-type reports to look at an entire field force, or for district salespeople to look at their office managers, their groups, or their individual salespeople and to monitor their own activity. This is all part of contact management.

This is the one that usually is the most difficult process to link. Consider this scenario. I sent the lead out. My agent went out and called on it, but we don't know if the sale was completed or not because we can't get information from the home office that tells us what the results were from the sales and administration system. Linking that is very difficult, but it's a must in order to control the process. Many times organizations will say, "Well, we don't care. All we want to see is improved productivity." You'll never be able to measure the individual productivity of your salespeople unless you can close the loop with the sales and administration systems. It's important here, but it's also important to, again, close that cycle of productivity and the number of appointments it takes to close the sale.

This is where the accountability in the whole process usually falls apart. Organizations will try to marry the master file against the solicitation file 90 days

down the road to see how many hits they have, but that really doesn't give you the degree of accuracy that linking it together in total does.

Last, but not least, is the analysis of campaign reporting. You can track and analyze anything in a marketing campaign and a sales execution. The reports can be created to measure whatever you want. Some of the more common types of analysis and reporting include looking at a campaign in total solicitation. How effective was it? Another is looking at an offer by offer presentation. Garden State Life can tell you exactly what TV commercial worked at what time, at what placement of the day. They can measure that, usually, by their 800 number. They can tell you the status of that commercial within six to seven hours after it airs. If it isn't effective in that market, they can pick up that commercial and move it to another market or renegotiate the time and the cost for their time.

Mail marketing is equally as sophisticated. You can tell about the response. Most important, though, is the return on the advertising and investment. You can look at the creative components and the offers. By offers I mean what was in the deal for me. I'll show you some offers when I get into the case histories. You can create all kinds of ad hoc querying reports for your own usage. There are numerous reporting tools that can be attached and used with this process. You can do modeling and statistical analysis. And, of course, if you have agents and you're looking at agent productivity, you can use mapping systems to track where the penetration is by various markets and continue to refine the overall process. Then there are many desktop tools so that organizations can put this system right on their desk to do the entire analysis by taking a cut of the files.

Let's get into some of the case studies. The first one I'm going to talk about is a program developed by Jefferson Pilot to allow them to enter the bank assurance marketplace. The target was the middle market, which they define as households with $50,000–75,000 in income. They created a joint venture with several financial institutions and created a concept of marketing called the JP Bank Assurance Program. The products that they are looking to deliver to the market are initially life and, ultimately, universal life, with some disability and eventually a survivor life product. The product that is being tested now is a high-value, low-cost term life product of 10, 15, 20, and 30 years. What they are creating within this process is an agency that's jointly owned by Jefferson Pilot and the bank that is putting agents either on location in a bank or near a bank, taking the bank's customers, making these lead generation offers, and qualifying people for their agents to sell the products to the bank customers.

Engaged in this process of lead generation is a means assessment process in which you try to determine the amount of insurance the individuals need and then help

them arrive at the best product for their affordability range. This program runs off of several platforms. The mainframe does the initial segmentation and manipulation of the data. Many banks have multiple customer files and large databases that need to be integrated. Ultimately, that information is transmitted down on a server to the agency location where it's then downloaded onto a PC or a laptop for use on a face-to-face sale.

What were their client objectives? They wanted to build a prospect customer management system, use direct marketing to improve those efforts in the insurance industry, cross-sell products where appropriate, use specialized agencies to support the program, generate leads, measure the activity, and create, what they call, a franchise-like program. So far, the initial program shows some successes. They are in the early stages where the leads are very successful. They are getting leads at the rate of 2–3%, which for direct marketing is a good response rate.

From the Floor: Is that 2–3% off direct mail systems?

Mr. Harrison: Yes. All they are doing right now is direct mail. I have some examples of some of their creative material.

Workmen's compensation is a traditional two-step process lead generation kit with a personalized letter. A response card will gather enough information so that you can almost have a quote prepared for someone. There is a high degree of use of the affinity of the mailing organization. In this case, Charter One Bank is the endorsing bank. Most likely any customer from this bank will open this window envelope because it looks very businesslike and official. They will open this, thinking it's something from their bank. So, the response rates have been very high. I spoke earlier about personalization. We can use digital capabilities today to digitize signatures. If someone speaks for someone on the telephone, their signatures are digitized. The fulfillment goes back with that person's name having said they spoke to them. We jury-rig the signatures.

Another example of an offer is a charter checkup. Here's the needs analysis. Have you had a checkup lately on your life insurance needs? That's the offer. It was tested against a 9 x 12 kit. This offer is a little more prominent, and it also contains a free atlas. Premiums are an additional marketing technique used in lead generation—giving away something to somebody for responding. If you use a premium, you'll get a higher response rate but not necessarily as highly qualified of a response rate, because, in many cases, the people are writing for the premium as opposed to the real need of the product. Still, they have used a traditional format, personalized the brochure ("Has your life insurance kept up with you?"), and inserted a response card piece. Keep the letter and the response device on the same

form. That works better because people will read the letter and the response device is right there.

The second case study I want to share with you is from a technology linkage standpoint. Envision that this is a virtual process. We maintain the database on our mainframe. We generate the mailing materials. We transmit the data to the sales agency. They download it back and forth to the agents. This will tell you about all the various activities that occur in each of these processes not unlike the activities that I spoke about when I went through the entire cycle. Not every system incorporates all of the same components. Some of them don't want them or can't integrate them. The initial octopus that I spoke about is the perfect world. There is some sending tapes back and forth on this process in order to update and link back together, but, ultimately, you want to get to the integrated process where all of those data links hook up almost in a real-time fashion. All of the things we talked about, however, are in place within this program today.

From the Floor: Can that lead generation drive these people into a face-to-face agent sale?

Mr. Harrison: It is strictly an agent sale approach at this time. I'll talk about another one later where we're trying to do both. We're letting the customer make the choice. In this case, there is a strong commitment on the part of the insurance company that life insurance is a face-to-face sale. Garden State, how would you react to that? It depends on who you have on the phone talking. My personal opinion is that it's demonstrated to be more successful face-to-face, but companies can do very well on a direct basis. However, you should give the consumer the choice of how they want to buy the product from you. That's my overall feeling.

A health insurance client, Independence Blue Cross and Blue Shield of Philadelphia, has a lead generation system—a lead management and retention system—that was built to market to small businesses. It started out 30 and under, and it has now gone 100 and under. Initially, it was a small group product sold by telemarketers over the phones when it was under 30. Eventually we discovered that when the size of the case became larger than 10–12, we had to send out a sales representative, so now it involves both teleservicing people and captive agents. But, literally, we're doing a lease solicitation program. People are calling in and raising their hands. They are gathering the census information over the phones and then, depending on whether they can close the sale over the phone, they are closing the sale, or, if they need to send out one of their small group sales representatives, they will send them out to complete the ultimate sale. This system has all of the same components of the systems we talked about before.

One of the pieces I haven't mentioned yet that's really invaluable in this system, especially for retention, is the competitive information that they capture. All of these lead generation systems should capture competitive information, especially if you're quoting against another competitor. In the small business arena, in most cases, they have coverage with someone or they've had coverage, so that data become invaluable in monitoring the competition and determining whether you're competitive in pricing, benefits, structure, and the like. This started out as an indemnity product. It has expanded significantly now with the advent of managed care. They have an HMO program embedded within the product.

Again, it's a stand-alone system. We built it off-line and installed it in their house. It talks to their proposal system. It contains another component, which is their retention system. That was an adaptation that we built about a year ago. It allows them to use the telemarketing more effectively on renewal and by targeting based on the various campaigns that are going out in front of renewal. It has measured and improved the productivity of the telemarketing staff significantly. Of course, we can measure all of the results of each salesperson individually. This is an interesting alignment that we have in categorizing who owns the data in what area. The supervisors divide it up based on productivity. One salesperson—and these are the phone people I'm talking about—may have customers all around the six-county area that Independence serves as opposed to a certain geographical area. They distribute names of businesses based on productivity. And they've started to do some analysis as to the types of business. Some people work better with some kinds of businesses than others. They also have a sponsored program with a TPA in the Philadelphia area, and they are marketing this program to lawyers, doctors, dentists, and other professionals.

One thing we are learning in this business that is contrary to past assumptions is that humor does work in direct marketing and advertising if done properly. Some of the European companies use humor very well. One of our new clients is Direct Line, the insurance company. We're now doing their lead generation program here in the U.S., and we're transferring some of that humor into their advertising. It's a little red car that looks like a phone with the caption "Call me up."

From the Floor: Are they called Direct Line in the U.S.?

Mr. Harrison: The name of the company is Direct Response. They could not use the name Direct Line in the U.S. This is very similar to the consumer direct mail packages. Quite frankly, it's not hard to get results when you're selling health insurance to small business because there is a significant need in the marketplace. All you have to do is ask them, Are you paying too much for your health insurance?

and the people will respond. Being competitive and ultimately converting them to a sale is a different story. But they've been very successful.

Here's a third variation of a lead generation piece. I can't tell you who this is because they won't let me show their materials, but this is a very large managed care company in the U.S. I won't be able to show you any examples, but what I think we discovered with this process is how inexpensively and effectively the Internet can be used to help close the marketing loop process. This is a program in which we are offering Medicare risk to senior citizens 65 and over. Medicare risk is the program where health-care providers accept the entire risk for Medicare for 95% of the adjusted rate. They are given an area and then manage the care accordingly. In most markets, there is no premium charge for the products so you can get people to respond rather easily. It's the quality of your marketing and how quickly you fulfill on the marketing response—all of the things that I talked about in that closed-loop process: how quickly you get the salesperson out to see them if they want to see a salesperson, or how quickly you can schedule them for seminars, which are really breakfasts or lunches. The seniors like those. That's a great offer to get them to come and listen to your sales pitch. This basically supports all three channels of distribution in which someone can buy a Medicare risk product. Going back to my example on life insurance, we believe that some people will buy this direct. Look at Medicare supplement buyers. We've substantiated that that model works in this marketplace. There are people who want to talk to a salesperson. There are people who don't want to talk to a salesperson. There are people who feel much more comfortable going to a seminar or a luncheon with a neighbor or among other people of their own type; therefore, they will opt for those alternatives.

Through television, print, direct mail, and some radio—radio is not as effective in this marketplace because of the nature of its audience—we stimulate people to respond to 800 numbers or to send in information. We capture that information in a teleresponse system or a data entry system and keep and maintain that information on the Internet in a real-time database where we can schedule agents and carve out the names, addresses, ages, and phone numbers of all the people they have appointments with tomorrow, or all of the people who will be attending their seminar at XYZ location, or in the afternoon at ABC location. That agent can go in and draw down those leads, change them, add them, and delete them. Some of the seminars are overbooked, so there is a waiting list. If someone calls in and cancels, the agent monitors it that morning and invites someone else to come that afternoon. It gives us immediate measurability and accountability on the success of our marketing programs. It also tells us when we have to reschedule seminars. When we started seminars in one market, we used a variety of venues. One was in a well-known restaurant. Some of the others were at the hospitals where they had locations or the doctor's offices. It clearly became obvious which venue the senior

citizens preferred, so we started more of those seminars and moved away from the ones that weren't as productive. It's no different from what list people respond to or what commercial or channel they respond to.

The whole process does the needs assessments, saying to the consumer throughout the entire interaction, "How do you want to do business with us? We can send you information. If you call us back when you have questions, we can send you information. We'll call you back. We can have an agent come out and see you. We can schedule you for a seminar."

From the Floor: Do you give them all of those choices at once?

Mr. Harrison: Well, if they opt for one or the other, we could at that point in time.

From the Floor: I mean in your direct mail.

Mr. Harrison: No, we do not. Our direct mail is just to get information. When they call for the information or they send in and we follow up, we then give them the option. We can send this information to them and they can call us back. We let them know that they're not required to see a salesperson, but if they want to they can. And vice versa with the seminar, and so on. We just try to make it easy and convenient for them as to how they want to do business with us.

From the Floor: So after they become a prospect that's the point when you would give them a choice of the type of future contact?

Mr. Harrison: Correct. Because of some of the steps in signing up for Medicare risk, which requires disenrollment from Medicare Part B, you need to send out the fulfillment material by regulation. They have to have that in their hands before you can suggest any of the options. But on a market-by-market basis, you can make different determinations. What will work more effectively? We found in one market that consumers don't want salespeople. In other markets, they do. The same applies to seminars, depending on where the locations are and the like. So you can measure all of that rather quickly and alter your marketing initiatives and your process accordingly.

With platforms and event management we wanted to manage that relationship as soon as the contact was made. We wanted a shorter time between the contact and the ultimate sales contact. It is fascinating to watch the real-time reporting. Every hour you can take a look at how campaigns are functioning for that day, week, or month. If you run a newspaper ad on a Sunday, you can tell Tuesday how many appointments you will have.

The system has all of these different levels of access that you need so that you can manage and supervise the prospect. Within the contact management, we can qualify with the proper questions and answers. Most of this is regulated by the Health Care Financing Administration (HCFA), which is the federal governing body of the equivalency of insurance commissioners on a state-by-state basis. They can look at their own files at their own seminar sites.

This is a case study that is very similar to the Jefferson Pilot, only it was a system that was built for the bank to generate leads and cross-sell its bank customers. Just recently, we added the insurance products as an extension of the bank relationship. In other words, credit card customers were solicited for loans, mortgages, etc. Now we've added insurance and given them two options either to respond directly or to an agent where they've created an agent distribution system, not unlike the Jefferson Pilot. This happens to be Protective who is the underwriter. Again, the same process. The needs assessment, the quote, which is the offer in the whole process. This again, because of the magnitude of the data, requires the mainframe to do the crunching, the segmentation, and the sorting, but the file server process that is at the client's site—and I'm going to go through this—does most of the predictive modeling that suggests what step occurs next after someone has responded to a particular offer or a type of offer. That tool actually sits in the client's site so that they can manage the marketing initiative. As mentioned, there are all types of products, including their desktop tool Mark-a-View 2000, which allows them to play what-if games based on financial models for their clients. What are the client's requirements on return? How much revenue is wanted? How much income? What kind of profit? That system is generating double-digit response rates and cross-sales because of its productivity.

It's too soon to give you results data for the insurance programs, but we're getting favorable response rates. Part of the processes are not in place yet to really measure and control the loop, but we're at least getting the front end of it.

From the Floor: Are all of these companies going through your call center?

Mr. Harrison: For the initial lead, they are going through either our call center or something that we maintain, but there are other numbers that go directly to some of the agent locations at some of the pilot sites. I would strongly encourage that if you can have the consumer respond to the bank where they do business, it will be a little more user-friendly than calling an 800 number.

From the Floor: John, where they are generating a lead and then it's being fulfilled by an agent, is that a commissioned agent? Can you build in enough marketing cost so that you're paying for generating the lead and paying an agent to sell?

Mr. Harrison: Yes. It's an excellent question, and something Rick and I talked about this morning. The whole intent of this technology is not only to compress the sales cycle, but also to compress and eliminate the salesperson's engagement other than in selling. That is the initiative in each of these examples. All of them aren't there yet, but, ultimately, when you do get there, the belief is that you will drive down the overall expense ratios and be able to pay an affordable salary plus commission, which is what most of these salespeople work on. That will still allow you to offer a value product at low cost. That's the ultimate scheme. But all of those things have to happen. They are happening piece by piece. Rick and I were talking about a virtual company that's close to this.

From the Floor: General American?

Mr. Harrison: General Life. Part of General American? Yes, I think it's the same one.

Mr. Jaffe: I think there's another answer, Ken. It's not the same agent you think of today. It's a different animal. And I think that's the key thing. It isn't that the functions are different, but the person who came into the system and has been part of the system didn't grow up under the system that started 10, 15, or 20 years ago and often is perpetuated today. Distinguish between the body, the person, and the system in which they are learning their business and maturing as productive agents.

From the Floor: Is the telemarketer also an underwriter? Or is the teleunderwriter also a marketer?

Mr. Harrison: I keep hearing from companies that "My agents won't use laptops." Don't recruit agents who won't use laptops. It's that simple. When you hire them they have to use those tools. You then will get the kind of people you need.

Mr. Jaffe: Recruit laptops and then fit them to agents.

Mr. Harrison: In dealing direct you cannot get people to buy direct through the mail—at least without some engaged conversation ahead of time—or to fill out an application that's two-and-a-half pages long. At least that's my experience. If you're going to sell direct, you have to compress the application and, of course, look at the amount of insurance you are selling.

I am aware of some companies now that are very successful selling up to $100,000 with simplified applications through the mail. I don't know what your lines are, but do it in the bank market.

Mr. Jaffe: That's also a function, John, of premium levels that you want to sell.

Mr. Harrison: Precisely.

Mr. Jaffe: It doesn't mean that you can sell the lowest premium per thousand from an underwriting or actuarial point of view, but you may not need the lowest premium per thousand.

Mr. Harrison: Yes. Going back to Ken's question, I'm not convinced that unless you put the proper infrastructure in place you will ever be able to deliver good value, low-cost products direct. You must have the process in place. There's a minuscule market that will buy your product, and that, to me, is the self-directed investor who is the same person who will put thousands of dollars in a mutual fund without dealing with you. But there's a whole other idiosyncrasy in this whole process, and that is people don't buy life insurance. Life insurance is sold. When you put that component into the equation, either you have to use the process that companies like Garden State use, where there is a highly-qualified person dialoging with someone who is self-driven enough to look for good value that you can conclude that sale, or you will have to be face-to-face. You can improve the productivity on face-to-face by using technology to compress and integrate the process. That said, I'm going to introduce Joe Brennan.

Mr. Jaffe: Joe is with Prudential, but he is going to talk about the experience he had at a prior place of employment. When Joe saw what was going on here in the program, he called up and volunteered his time and expertise.

Mr. Joseph E. Brennan: Yes, I'm with Prudential. But until very recently I worked for a third-party administrator and marketer of life insurance and annuity products. We did products very similar to what was done here in terms of lead generation. My former employer was gracious enough to allow me to present one of their pieces and the results of that piece to the group just to give another real-life example. It's funny that much of what I'm going to talk about confirms what John has already said.

What we wanted to do was generate leads for sales of life insurance and annuities to be sold in the workplace. The leads were supplied for free to agents, but the first-year commission of the agent would be reduced 25 percentage points in order to pay for the leads. Actually, in some cases, we used these as an agent recruitment tool, telling agents, "You come on board and we'll hand you ten free leads as soon as you sign the contract." We did the mailing to small businesses. We bought a list from TRW. We specified 5–25 employees. We chose specific geographic areas

where we already had an agent who would service the leads. Then we simply would mail directly to that geographic area.

I have one of the pieces that we used. Let's suppose I had an agent in Chicago and I wanted to generate some leads for him. I would mail this lead to Jay Jaffe Enterprises. Jay would get the lead in the mail. He'd open it up, tear out the business reply card—you can tear it all the way—and mail it back to me. What I have here is a live lead. As part of the program, we offered a premium, which was in this case a free Cross pen for anyone who returned a lead card. We would send out this lead and a bunch of others with a stack of pens to our agent. Our agent would get the card, pick up the phone, call Jay Jaffe and say, "Hi, Jay Jaffe, I'm so-and-so from UBL Financial. I'd like to come by and give you your free Cross pen. And if you don't mind, while I'm there, can I spend five or ten minutes telling you about our program?" We even had a matching purple and green brochure that the agent would go out with to show to Jay.

The cost of the program was about 71 cents per item for this piece. The cost of the responses was $7, which was basically the cost of the Cross pen. As I said before, in compensation for that, we reduced the commissions 25%. The results of the program were interesting. On the average, we pulled a response rate of about 2%, which is about the same as John has seen. The conversion rate, which we defined as the number of individual sold per lead produced, varied quite a bit. On the average it was about 20%, which left us with a cost, when converted to a percentage of first-year premiums, of about 36%, which actually put us in the hole about 11% of first-year premium.

From this we learned a few lessons. It was the largest failure we had. In particular, we did not have an agent contact management system. We simply had an agent. We mailed the agent leads, but we didn't have anything to make sure that the agent followed up on each one of those leads and made an appointment. Some agents did very well. They would get leads and just scramble on them right away. Others would just say, "Well, this one is kind of far away. I'm not going to bother with it." And then, of course, they would use the free pen for themselves.

We eventually sold the leads to the agents. We could predict the number of responses we would get and what our cost was per response. Then we would just sell the responses to the agent. If the agent wanted to have pieces mailed to his or her area, we would do it. If he or she didn't want them done, we wouldn't do it.

The other lesson learned was the need to test pieces, which is basically what I just talked about. You need to get a feel for what your response rates and conversion rates will be by piece. As a contrast, we did a very simple black-and-white

brochure. It was more or less, "How would you like to buy some life insurance?" and it had a little tear-off card. Of course, the response rates were much lower, but the conversion rates were phenomenal. They were up to nearly 60%. It actually wound up being a very inexpensive piece to use, and it is one of the pieces that we continue to use.

Last, and again, this is something that John said, you must have a measurement and accounting system. The marketing staff wants to throw the cost of these leads into their budget for advertising. They have to separate them out and track each piece on its own and determine what the costs are of each piece in order to figure out whether each piece was a viable marketing material.

From the Floor: Did you mail to small groups?

Mr. Brennan: Yes, we were mailing to the proprietors of small businesses. The agent would then go in, get an appointment with the proprietor, and get permission to speak to his group of employees. We would eventually make a sales pitch to do payroll deduction and work-site sales.

From the Floor: Does the cost per kit mailed include postage and everything?

Mr. Brennan: Postage, printing, mailing, and the list cost.

From the Floor: So, your cost per lead there is around $35.50?

Mr. Brennan: Yes.

From the Floor: How big were your circulations, and what was the breakdown between life insurance and annuity?

Mr. Brennan: It was actually a combination product. It was a life insurance policy with an annuity rider. The number of pieces that we would mail would usually depend on the agent and the zip codes that he or she provided.

From the Floor: Is there a reason why you limited yourself to businesses with 5–25 employees since an agent was going to call on each person who responded? Is there any reason why you couldn't go to a larger universe?

Mr. Brennan: We had targeted that as our market. We had competitors in that over-25 group who were stronger than us and had a better product portfolio. We tended to be more successful in the smaller employer shops—auto repair shops, auto dealers, things like that.

From the Floor: And these are underwritten how?

Mr. Brennan: By simplified issue.

From the Floor: How many questions were on the form?

Mr. Brennan: Half a dozen.

Mr. Jaffe: I'll recognize now that we've gone a long way from getting postage reply cards back, which is our lead generation program. You then spin these out to the agents.

Mr. Harrison: I'd be remiss if I didn't identify another expert in the audience, Jim Harkensee, who heads up the Zurich Direct program that I'm sure some of you have seen. Jim, do you get any comments on some of the things your company is doing?

Mr. James C. Harkensee: Everybody knows how to generate leads. It's what you do with those leads and how you treat your customers that will decide who wins and who doesn't. Tying the whole thing together—managing the workforce, the account executives, the to-dos, the correspondence, and the electronic feeds—is key with those leads and how your system can handle that.

Mr. Harrison: As we all know, you can spend a lot of money getting leads. That's not hard to do. But converting them to sales is the difficult thing.

Mr. Jaffe: And then keeping the sales. Don't lose sight of the fact that you have to retain these sales. The first step is the conversion from an applicant to a policyholder. People who convert, however, don't pay only one premium. You must have retention. I would add that I believe that the persistency of policyholders is largely taken care of, believe it or not, in the beginning—how you treat them, what they perceive your relationship to be, and how important that relationship is. You really set the stage in the beginning for persistent customers.

From the Floor: As we look at contact full-blown data management, given the quality of data today, just the ongoing expense of maintaining the databases and doing the contact management can be expensive. How would you pay that cost? Who would pick up the tab?

Mr. Harrison: If you don't invest today, you won't have to worry about it tomorrow. Charles Schwab is always one of my favorite examples. Schwab is not in the investment business. It's a technology company. When you decide what your future is and what you have to do to get there, of course, you have to invest in

technology. Some of you are fortunate. You have deep pockets, and if your organization is willing to commit to building the infrastructure, you can be a gorilla in this marketplace. You will not be that successful in the future unless you do invest in the technology. Where will it come from? The improved productivity. You will see a greater return on your investment, but you will still have to invest. I'm sure Jim has seen that over the last three or four years.

Mr. Harkensee: Yes, it's been going on for four years, and I've been involved for almost three.

Mr. Harrison: I imagine that it's a continuous technology investment.

Mr. Harkensee: It's a major investment.

Mr. Harrison: Your organization proved that you can get leads and responses and convert many of them, but that was the first thing they learned. Now they're pulling the rest of it together just like you suggested.

From the Floor: Are you reaching your return on investment?

Mr. Harkensee: We use our rates similar to the margins that are in distribution. We can put business on the books. This is total cost included from lead generation as well as the call centers, fulfillment, all parts of it. It's more of a fixed-cost-type business, but we can do it more efficiently.

Mr. Harrison: It's like building a factory. Once you get it built and get use out of it, it drives down that overall cost per customer. Ultimately, that's what's going to pay off in the long run. I don't know how to think about it any other way. There is, of course, Jay's point of retention, which is, in my mind, a built-in strategy to initiate the contact management of the customer to start upgrading, cross-selling, and adding on and to continue this relationship. I don't know what your retention rates look like, but historically agent-sold products have a very high degree of mobility because of the value, the agent, and the way the commissions are structured. All of that needs to be changed if we're going to do this right. The best venue is direct, but, in my mind, there is a small universe out there that's going to do business with you that way until we condition the market.

Some interesting things are going on in the property and casualty arena, which is a needs-based product. I liken it to mutual funds. Close to 40% of mutual funds are now direct invested as opposed to paying a commission to somebody. We condition a certain market that was willing to transact financial business one way

although, quite frankly, it was selfishly motivated. There was a bull market, and people did it for their own greed and self-interest, but that's life.

Life insurance companies need to find those people and change their positioning. There are probably 8–12 major auto insurers in the direct business this year. It's just awesome the money that's being invested. Once Warren Buffett bought GEICO, everybody said we should get into this business. Again, it's going to condition the market away from having to do business with an agent. I can buy through a high-quality company with the proper best ratings, and I don't need to deal with an agent I can't find anyway when I need him or her. That will help condition people to buy life insurance, especially with this baby boomer market, which is much more self-invested and has a greater awareness of the need for life insurance.

Mr. Jaffe: I also think, Ken, we're talking about integrated marketing, not direct marketing, agent-only marketing, or seminar-only marketing. At some point in your life, as a consumer, you may want any one of those three. Or you may want all three at some point. You need to be prepared today to work in those types of environments. We're not excluding the agents. We're not saying it's direct only or agent only. We're saying that there's an opportune time to bring all of these pieces together. When you do that, they will work more effectively. I know from past experiences that when you get into cross-selling situations there will be occasions when you can get one out of four customers to buy that product.

Mr. Harrison: I think that bank example is a good example of a similar scenario. We're getting double-digit, cross-selling ratios on bank products.

Mr. Jaffe: Let's assume it costs $1 a piece to talk to these people. If we have 250 out of 1,000 of them respond, it now costs you $4 to generate this premium, which is essentially nothing. If you had only 15% response, double-digit, it would cost you less than $7. If you had just 10% response and $1,000, or $1 a piece to contact individuals, it's normally quite expensive. It won't be the same in each of your companies. John talked about nuances. Your environments will be different. We have a fraternal and a direct marketing company in the room. We have GE Capital, which has its tentacles spread out across many, many lines. Each one of these environments will yield a different process and a different scenario.

John said that he is developing predictive models. Can you comment on that?

Mr. Harrison: The Self-Trust Bank System has predictive modeling built into the analysis process for its segmentation. In other words, when somebody does

something, the modeling automatically says, "Here's the next thing we're going to." We're getting double-digit response sales rates doing that, but it's not effective.

Mr. Jaffe: This is one of the areas where actuaries can be of tremendous assistance to their company—by getting involved in the predictive modeling. It's not something only for MBAs or statisticians. We may need to know more about what they do, but this is a new and challenging area where you can make a contribution in your company. I encourage you to work with this aspect of the business.