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CONSUMERS ONLINE: THE ROLE OF THE INTERNET IN THE PURCHASE PROCESS

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It is no secret that the majority of the population is online and that online retail sales are increasing. But what about using the Internet to seek information about life insurance and annuities?

For most people the insurance purchase process proceeds in stages: identifying the need, seeking information, making the decision, purchasing and obtaining service. While it is known that consumers typically move through these stages, it was not known what role, if any, the Internet plays in each stage.

Prior research suggested that the Internet plays a minor role in the life insurance purchase itself, but that it has the potential to play a much greater role in the remaining steps. Identifying ways online consumers recently made use of the Internet and ways in which they anticipate using the Internet in the future will help companies as they continue to develop their Internet strategies regarding consumers. Identifying those more likely to use the Internet for these processes will also assist in targeting these consumers for their online initiatives. With this in mind, a recent LIMRA study sought to learn more about recent and anticipated future use of the Internet as a part of the purchase process.

Internet-Oriented Consumers

While all the consumers included in the study are online and all had purchased or researched life insurance or annuities in the past 24 months, some of them are more inclined to make use of the Internet in the research or purchase of insurance and investment products. In this segment, known as Internet-oriented consumers (IOCs), LIMRA included only online consumers who actually used the Internet as a part of

their most recent research or purchase experience, whether as a trigger, information source, decision-making or purchase source; speculation about future research and purchase was not considered. The other group, online consumers who had purchased or researched life insurance or investment products, but had not done so online, are called non-Internet-oriented consumers (NIOCs).

The IOCs comprise 16 percent of recent life insurance and annuity shoppers and buyers. They are far from a majority, but as we will see, their numbers have the potential to increase in the near future.

When thinking about insurance or annuities, an IOC sounds like the following consumers:

If I were looking at buying insurance and looking at insurance on the Internet—maybe it takes away the pressure. The [in-person agent] says, 'You need a little of this and a little of that.' So [using the Internet], you are really taking away the pressure. You're just looking at numbers and figures . . .

— Boston focus group participant (age 45 to 65)

The Internet is a gold mine of information. I can access a variety of companies, compare and make better decisions based on the research.

—Recent shopper/buyer mail survey

In contrast, the NIOCs did not use the Internet for their recent life insurance or annuity search or purchase. Their responses run the gamut from those who never anticipate using the Internet as part of the insurance and annuity purchase process to those who just might in the future.

I don't use the Internet for insurance research. I would much rather speak to someone because there are too many variables regarding insurance.

— Recent shopper/buyer mail survey

Since I have just started using the Internet, I am just getting familiar with looking things up. I'm sure the more I become familiar with the Internet, the more I will use it.

— Recent shopper/buyer mail survey

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than permanent life and some experts foresee fixed annuities as more feasible online sales than variable annuities. The option of being assigned an agent for service or the opportunity to get a better price when buying online will induce some to purchase there.

Another issue for many companies continues to be the potential conflict with their field force if they offer the same products for the same price—or possibly even less—online. Use of the Internet for lead generation may be more practical and cost-effective for many companies. Even so, since some consumers indicate that they would be more willing to buy online if the company assigned them an agent for service, such a program could increase online sales, as long as companies are able to develop a process that meets the needs of both producer and customer.

Online retail sales have increased substantially over the Internet. While insurance and annuities are unlikely to enjoy such online success, some online consumers have already gone from buying books online to buying insurance online. For those who know what they want to buy, or are confident of being able to determine this through their research, the Internet will provide a viable channel.

The agent will continue to be the channel of choice for the majority of consumers, but the Internet should increase in use among a segment of IOCs for all aspects of the sales process. What is more, the percentage of the online population that falls into this segment should increase over time. Companies that offer a superior online experience stand the best chance of attracting and keeping IOCs as their customers:

It's the first connection I make with a company because it's faster than a phone connection and I don't waste so much time.

—Recent shoppers/buyers mail survey

In summary, the greatest growth in Internet use for life insurance and annuities is likely to occur as part of the information gathering and decision-making processes. More consumers will also be willing to obtain some services online, as long as they see a benefit to the service, such as a savings of time or money. Online sales will increase slightly as technology catches up with desire. Rather than taking sales from the agent or advisor, these shifts are more likely to be from those who currently prefer the mail or phone for purchases. ■

METHODOLOGY

LIMRA looked at 1,502 online consumers who are members of a mail panel in the United States and Canada. All respondents are between the ages of 25 and 64 and have either researched or purchased life insurance or annuities within the past two years. The recent purchase or research could be through any channel. However, since all consumers in the study report that they are online for personal reasons, it is assumed that the Internet was a potential part of the process for each of them. This article is drawn from a LIMRA report entitled “Consumer Internet Use for Insurance and Investments in the United States, Phase II: The Practices of Online Consumers in the Buying Process” that focuses on the 1,208 respondents in the United States.