INSURANCE INDUSTRY ONLINE BUYER EXPERIENCES

A STUDY OF SELLER RESPONSE

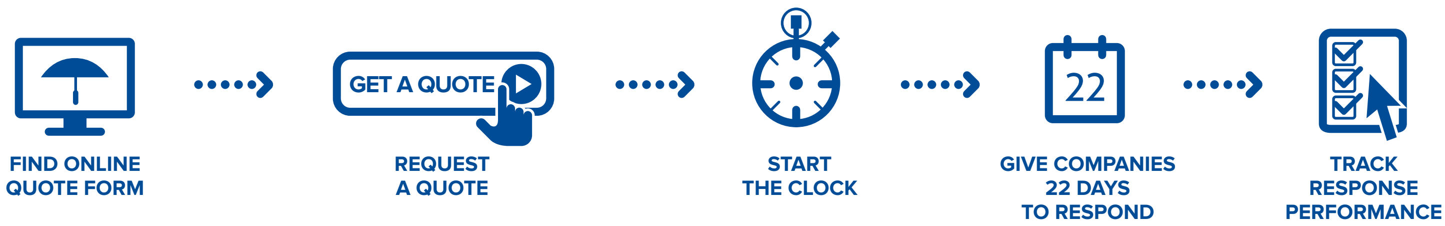
Velocify™

Introduction

A few years ago, Velocify commissioned a secret shopper study to find out how effectively insurance companies respond to online inquiries. At the time, we found there was much room for improvement throughout the insurance industry as a whole. Today, as the insurance landscape continues to shift toward online buyer activity, it is natural to wonder if there has been any improvement. To find out, we recently conducted a second secret shopper study that focused on responses to online quote requests on 25 of the largest property and casualty insurance companies. The companies in our study included direct-to-consumer carriers, insurance carriers that use captive agents for selling, and independent agencies who generally sell products from many carriers.

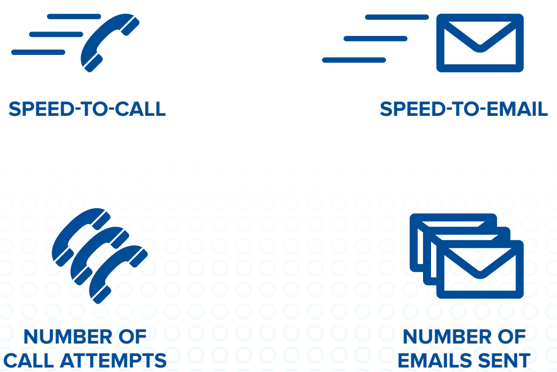
To begin, online quote request forms for each company were located, including forms for personal auto, homeowners, and renters insurance as well as commercial auto and property insurance. Multiple quote requests (leads) were submitted to each company, and whenever possible, a strong intent to purchase was indicated at time of submission. The quote requests were sent during normal business hours, at which point our clock started ticking.

Methodology



Companies were given 22 days to respond, and performance on the following key performance indicators (KPIs) was tracked:

Key Performance Indicators



Previous Velocify research found correlations between these KPIs and lead conversion rates. Please see **The Ultimate Contact Strategy** for more information about these correlations. By comparing performance in each of these KPIs, Velocify is able to evaluate each insurance company's effectiveness in responding to online leads, a proxy for sales performance.

It is important to note that all quotes submitted had standard or preferred risk profiles and at no point did researchers respond to communication attempts made by the insurance companies in this study.

Results

According to a study by J.D. Power and Associates, more than half of insurance buyers say they obtain quotes online. However, most buyers still purchase their policy through call centers or independent agents[1]. Requesting a quote is a buyer's way of telling an insurance company that they are interested in possibly becoming a policy holder, so it is important for insurance companies to capture the value of these leads by responding promptly to inquiring buyers. Given every quote form submitted required the inquiring buyer's phone number and email address, it was surprising to find that 17% of online requests for quotes never received a response of any kind. A staggering 39% never received a phone call and more than one-third did not receive an email response. In looking at how well versed sellers were in utilizing multi-channel communications, just 44% of inquiries received at least one phone call and one email from the seller.

[1] J.D. Power and Associates, U.S. Insurance Shopping Study

Inquiry Response Breakdown

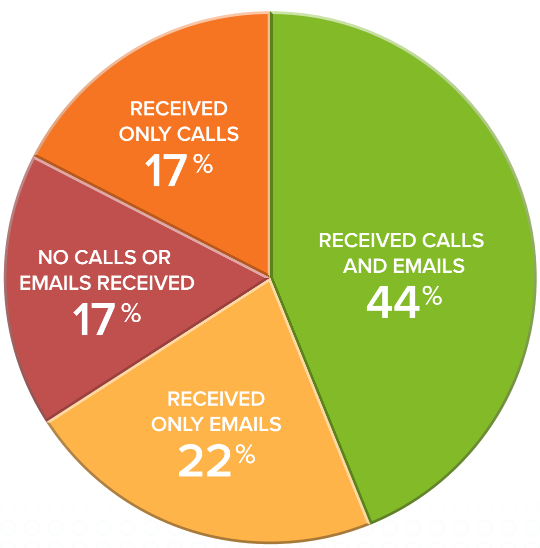


Figure A

Speed-to-Call Attempt

Of the 61% of online leads that received a callback, the average wait time for the first call from the insurance seller was two days and eight hours. Previous Velocify research has shown that attempting to contact a lead within one minute of web inquiry submission increases the likelihood of converting that lead into a paying customer by 391%.[2] Research conducted by Zogby Analytics and commissioned by Velocify, further validates the importance of speed-to-call, revealing 64% of online buyers believe the first company to call has an advantage over the competition.[3] The longer prospective insurance buyers wait to hear from an insurance company, the less likely they are to engage and the more likely they are to purchase from a more responsive insurance seller.

A study by data provider SNL Financial found that property and casualty insurance companies spend nearly $6 billion on advertising annually.[4] Since inquiring customers are more likely to convert into paying customers if called within minutes, insurance companies that respond to online inquiries within this timeframe are better maximizing the value of their marketing investments. Figure B shows how long it took for inquiring buyers to receive an initial call from insurance sellers grouped by seconds, minutes, days, and hours. Only 1.3% of inquiries were responded to within one minute from quote request submission. About 19% received a call in under an hour.

What's more, the majority of leads waited hours or days for an initial call. About 25% of inquiring buyers received an initial call within hours while 10% received an initial call within days. When inquiring buyers are made to wait hours or even days to receive a call, not only does it give ample time for a competitor to be the first to call, it sends the wrong message to potential customers about a company's ability to provide prompt customer service. While responding within hours is clearly better than responding within days, previous Velocify research has shown that the likelihood of conversion drops considerably when responding to inquiries later than an hour after submission.[2] Therefore, companies that take longer than an hour to respond are leaving money on the table and could benefit from decreasing the time it takes to respond.

[2] Velocify Research, **The Ultimate Contact Strategy**
[3] Zogby Analytics, **Online Buyer Expectations**
[4] SNL Financial, Top U.S. Property and Casualty Insurance Advertisers

Considering the large amount of investment that goes into generating insurance leads, it was surprising to find that 46% of inquiring buyers either waited weeks or never received a call. In an age of heightened competition and growing advertising budgets, insurance companies have much to gain from prompt response to incoming leads.

Initial Call Response Time

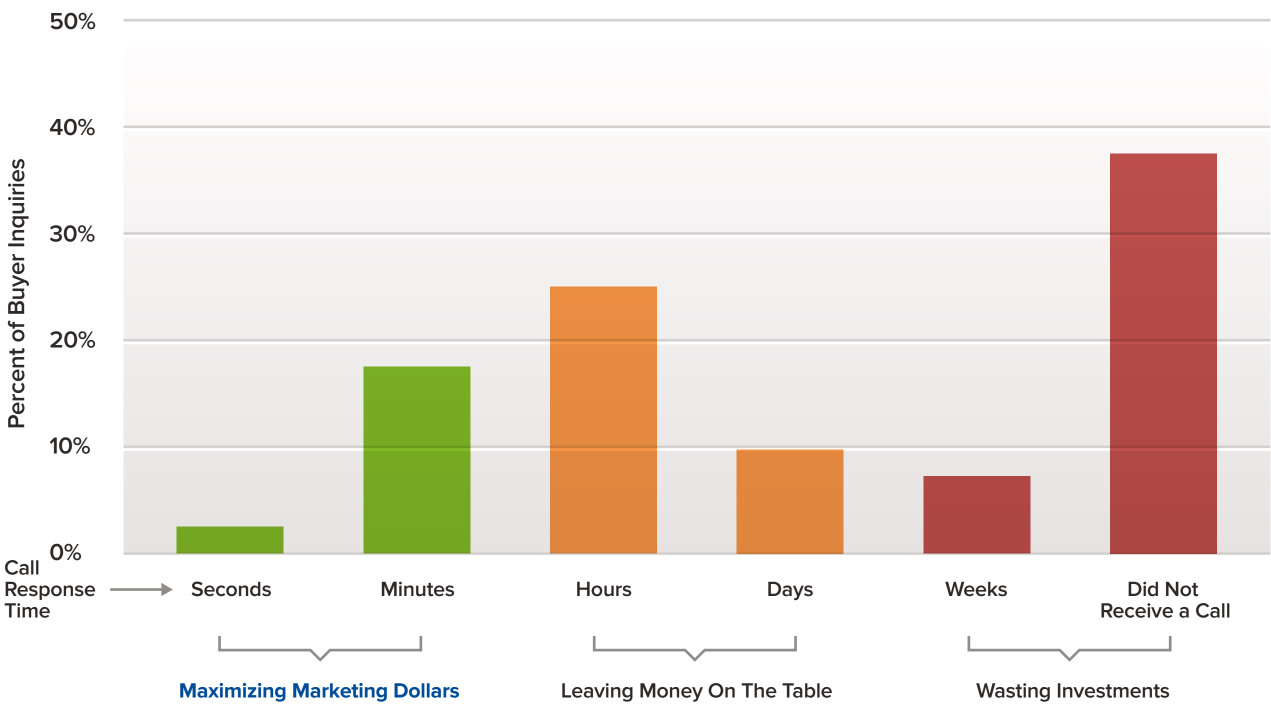


Figure B

Speed-to-Email

With the increased use of auto-responders, it is surprising that a higher percentage of inquiring buyers did not receive an email within seconds or minutes of quote request. While an email might not seem as powerful as a phone call when responding to a quote request, the importance of prompt email response should not be overlooked. Previous Velocify research shows that the optimal time to email a new inquiring buyer is 20 minutes after a lead is received.[5] Therefore, insurance companies that email a prospective buyer within seconds or minutes are maximizing their marketing dollars. Nevertheless, of the 66% of inquiring insurance buyers that received an email, the average wait time was 22 hours, which is much longer than the recommended best practice.

Of 150 quote inquiries submitted to insurance companies in this study, 15% received an email within seconds while 28% received an email within minutes as seen in Figure C. Even with the ease of auto responding via email today, almost 20% of inquiring buyers received an email hours or days after requesting a quote. A few inquiries went without email response until weeks later and one third never received an email communication from the seller. Previous Velocify research has shown that implementing an appropriate email response strategy can increase the likelihood of converting potential customers into paying policy holders by 53%.[5]

[5] Velocify Research, The Ultimate Contact Strategy

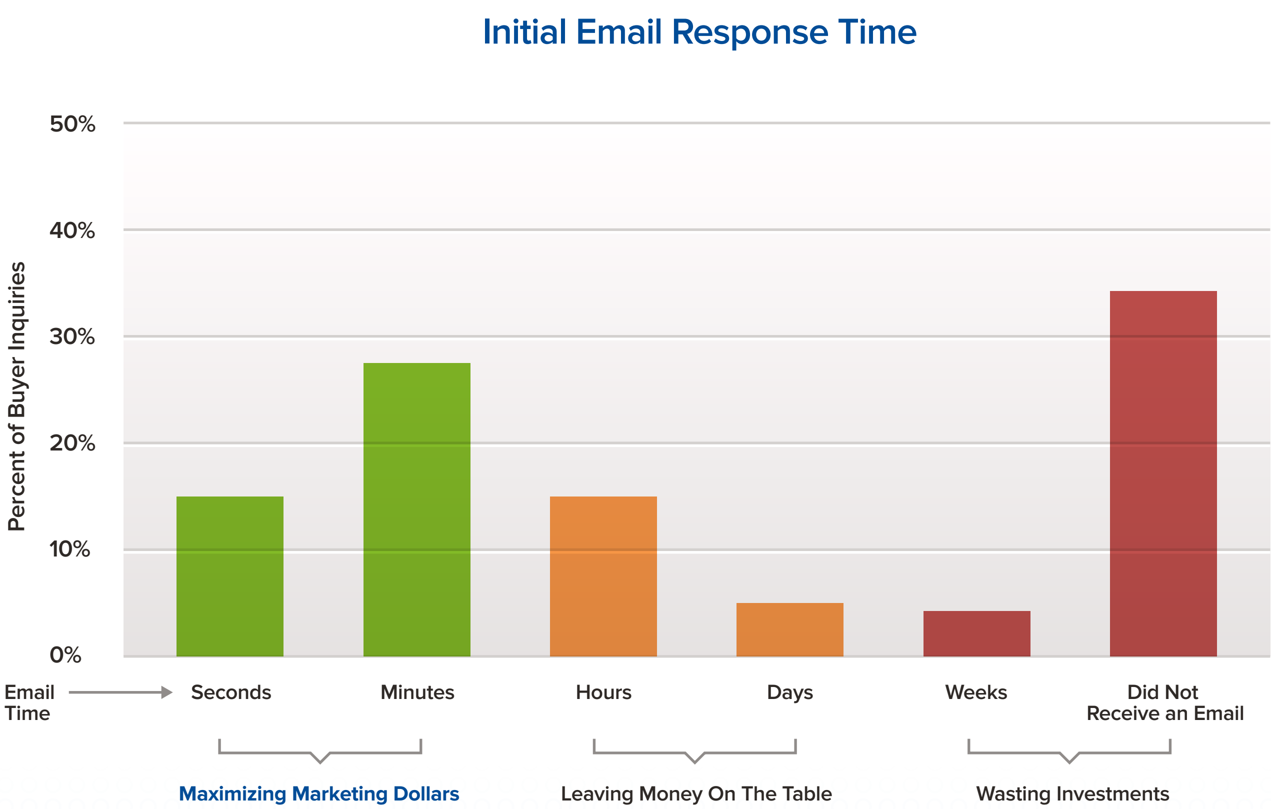


Figure C

Number of Calls

When an insurance seller cannot reach an inquiring buyer after the first couple attempts, it might seem rational to divert resources to other places. On the other hand, one could argue that making as many calls as necessary to reach a potential customer is appropriate. Intuitively, we might be able to sense that the optimal number of call attempts is somewhere in between. By looking at data on the progression of millions of leads, Velocify uncovered that the optimal number of call attempts is six.[6] Most companies start experiencing diminishing returns after the sixth call because at that point, 93% of leads that will convert into paying customers have already been contacted. Therefore, dedicating additional resources to contact the remaining 7% becomes inefficient.

As seen in Figure D, only 3% of inquiring buyers received close to the optimal number of calls (between five and seven calls) before the insurance seller gave up. Insurance companies that make this number of calls are appropriately persistent and are making the most of their marketing dollars. Surprisingly, an overwhelming majority of insurance shoppers (93%) were either under-called or not called at all. There is much more value that can be extracted from these valuable leads by being more persistent. Only 4% of inquiring insurance buyers received eight or more calls, which is likely more than necessary. In these cases, resources could have been diverted to more optimal opportunities.

[6] Velocify Research, **The Ultimate Contact Strategy**

Number of Calls

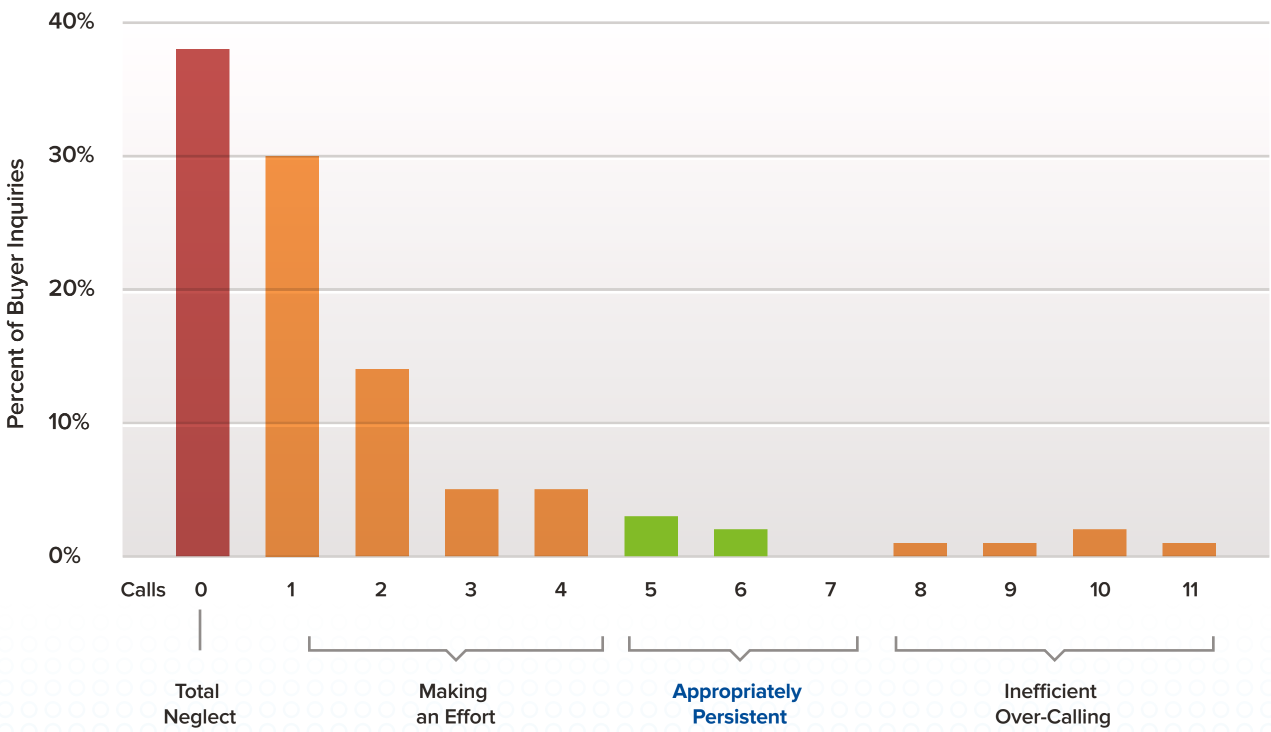


Figure D

Number of Emails

Using the same method used to find the optimal number of call attempts a seller should make before moving on, Velocify found that the optimal number of emails to send prior to placing leads into nurturing campaigns is five. When insurance companies were put to the test, only 6% of inquiring insurance buyers received close to the optimal number of emails (between four and six emails). Only 5% were over-emailed, and as seen in Figure E, 89% of inquiring buyers were either under-emailed or not emailed at all. Considering the low cost and ease of sending emails, it is surprising that insurance companies are not being persistent enough when communicating to potential policy holders via email. The fact that inquiring insurance buyers are under-called and under-emailed shows that insurance companies are neglecting leads that they are not able to contact immediately and are therefore missing out on sales that could have been made with more persistence.

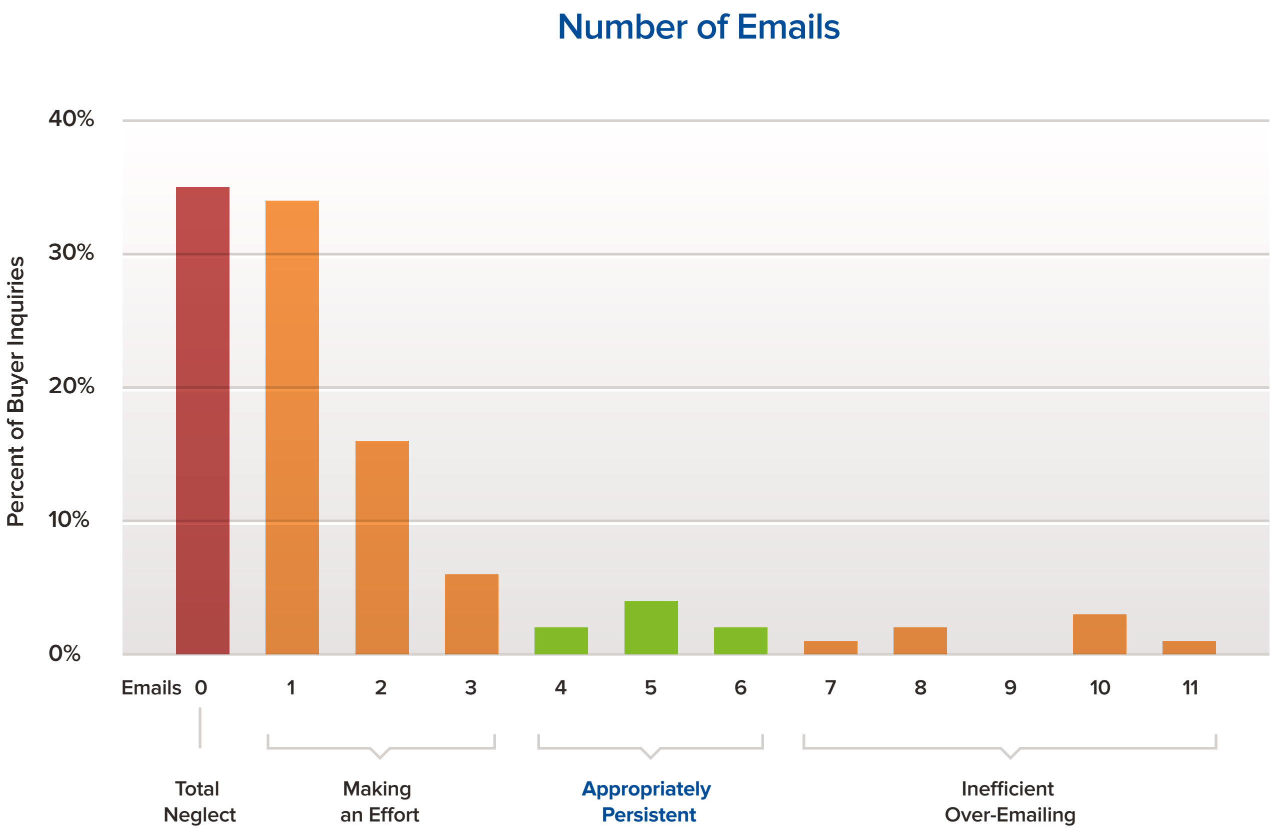


Figure E

Overall Lead Response Performance

In order to evaluate companies' overall response performance, Velocify computed a score for each company on a 100 point scale based on how they performed in each of the four KPIs in relation to established best practices. For example, an insurance company that hits the mark on all four KPIs would receive a score of 100. The average score amongst all companies was 32.

Directs, Captives, and Independents

Figure F shows the distribution of scores by insurance company type (direct, captive, and independent). None of the companies in this study achieved a score of 60 or higher, showing that all companies, even the best, have much room for improvement. The top three companies in this study were direct insurance carriers, but there were also direct insurance carriers that performed well below average. Insurance companies that use captive agents were consistently average or slightly above average compared to their peers. Independent agencies were a bit more spread out, but generally below average.

Distribution of Company Response Scores by Carrier Type

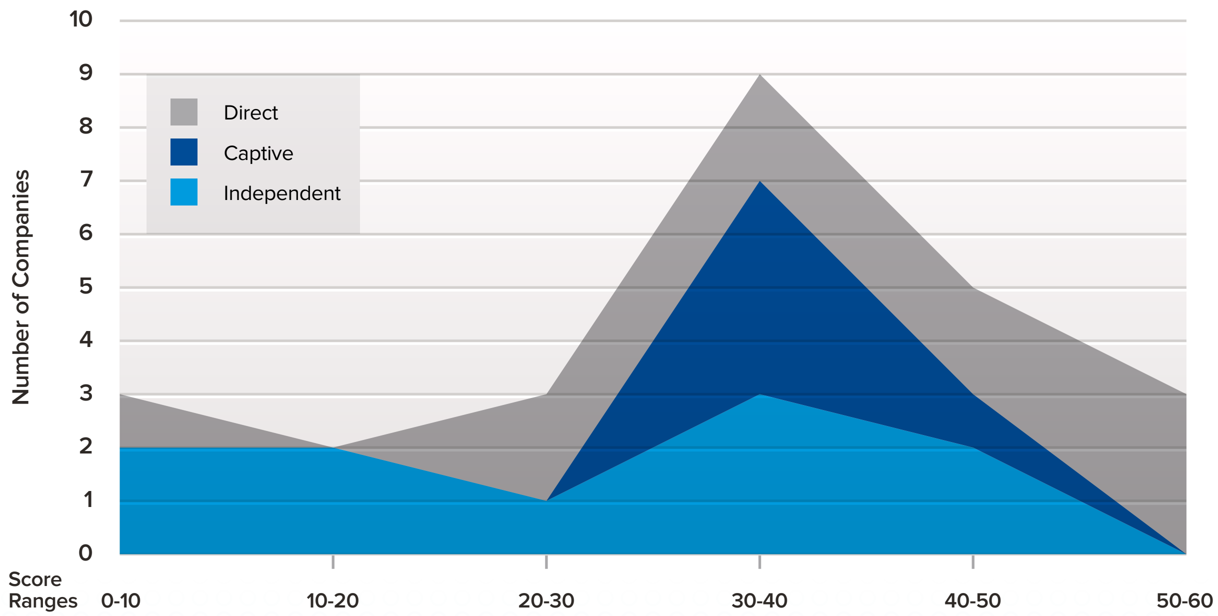


Figure F

Another way to look at insurance companies' performance is shown in Figure G. As a whole, direct insurance companies did about the same as companies with captive agents on average. There were a few direct insurance companies that brought the overall average for that group down, while captive companies were more consistent. Independent agencies also had varying scores but with more companies from that group scoring below 20.

Company Response Scores by Carrier Type

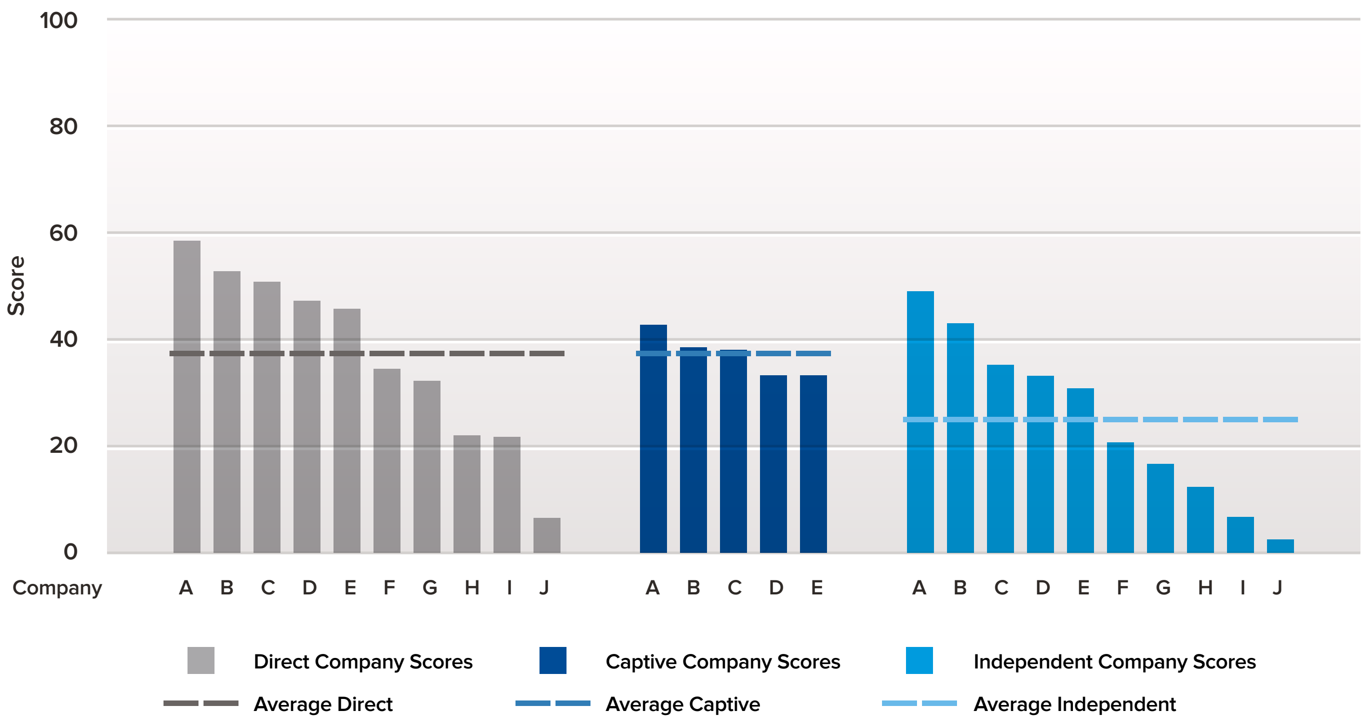


Figure G

Better Response, Better ROI

Using the indexed scoring method not only lets us compare companies, but it also allows us to compare response performance with other metrics. Given the large and growing size of marketing budgets in the insurance industry and given Velocify's previous research, which shows that appropriate contact strategies lead to better conversion rates, we were interested to see how companies' response performance compares to return on marketing investment (ROMI).

$$\text{ROMI} = \frac{\text{Premium Written} - \text{Ad Spend}}{\text{Ad Spend}}$$

To find out, companies' ROMI was calculated using available data on premium written and advertising spend. Companies were then grouped by ROMI (bottom 30%, middle 40%, and top 30%) and each group's average response score was calculated to see if there was a pattern. Figure H shows how each group's score compared to the average score.

Insurance companies with the lowest ROMI had below average response scores and the middle 40% scored close to the average. Companies with the highest ROMI also had above average lead response scores.

Lead Response Performance Grouped by ROMI

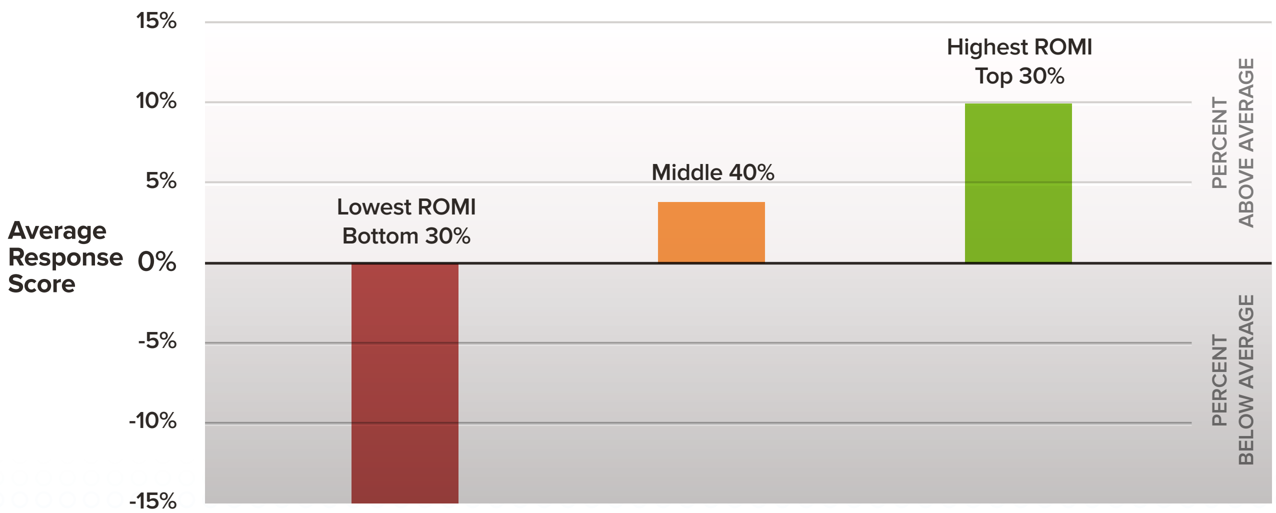


Figure H

Conclusion

This study of top insurance companies shows that there is much room for improvement when it comes to responding to online leads, even amongst the top performers. Advertising spend in the insurance industry is at an all-time high with more than $5.8 billion spent by the industry as a whole in 2012, according to SNL Financial. To ensure maximum return on marketing investment, proper lead response is more important now than ever. Top insurance companies have much to gain from improving their response strategies and smaller competitors have considerable opportunity to compete through better response to buyer inquiries.

Ultimately, potential policy holders who show interest by requesting a quote or more information online, expect to hear back from insurance companies in a timely manner and with appropriate persistence. Given best practices and buyer expectations, responding two days and eight hours after an inquiring buyer shows interest should be considered unacceptable in any industry. Taking advantage of the insights gleaned from this study, insurance companies will be able to better meet customer expectations and make the most of their marketing investments.

About Velocify

Velocify is a market-leading provider of cloud-based intelligent sales software, designed for high-velocity sales environments. Velocify helps sales teams keep pace with the speed of opportunity and increase revenue by driving rapid lead response, increased selling discipline, improved productivity, and actionable selling insights. The company has helped more than 1,500 companies across a variety of industries improve customer acquisition practices and sales performance. Velocify was recently recognized as one of the fastest growing companies in North America by Deloitte and a Best Place to Work by the Los Angeles Business Journal. For more information, please visit velocify.com or follow the company on Twitter @Velocify.

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