Tapping the millennials market

Munich Re is committed to expanding insurability, be it through changes to the underwriting paradigm or tapping into underserved markets. One such market is the millennials. You can find different breakpoints for defining that generation, but it is generally defined as being born between 1982 and 2004. However defined, they are now the largest generation in America, comprised of approximately 80 million people. Munich Re is actively focused on expanding insurability by investigating the unique characteristics of this age group, and the messages and products that resonate with them, to best meet their protection needs.

We recently conducted research in the individual disability insurance (IDI) space to gain insight on the millennial market. First, a group of Georgia State University (GSU) students analyzed the millennial IDI market and proposed recommendations for penetrating that market. One piece of the GSU students' research was a survey of 21 questions asked to more than 1,000 respondents. In addition, we conducted two small focus groups of millennials (one comprised of internal staff and the other of non-insurance individuals) to ask about their buying habits and views on financial matters. While we focused on IDI, the lessons learned from these efforts can be applied to the broader life insurance industry and categorized into the following key factors — convenience, engagement, cost and information.

It is no surprise that millennials look for convenience when making a purchase. After all, this generation has never not known the Internet. Purchasing insurance is no different; it's got to be convenient. However, there is a fine balance between convenience and cost. All else being equal, millennials seem to be willing to pay 5 percent to 10 percent for the convenience of instant issue insurance. On the other hand, they may be willing to sacrifice some convenience for the sake of cost. One focus group was asked how long they would be willing to wait for approval and completion of the insurance process in order to get the "right" price. The answer was in the range of five to seven days. So, while the current 30+ day process does not fit at all into the millennial mindset, they do not necessarily need instant issue.

The GSU research dispelled the notion that millennials are unconcerned about the future or financial matters. They are, especially at age 25 and older, when they're entering the "real world." Survey results showed that 54 percent were planning for retirement and 86 percent would invest or save a financial windfall (as opposed to spending it). When it comes to insurance, the issue does not appear to be that they are unconcerned about protecting assets. The issue is lack of awareness.

By finding ways to engage the millennials with the message—whether about insurance or anything else—they may become prime consumers. As an example, GSU hosted an information session on disability insurance with free pizza as incentive to attend. They were able to attract a group of 40 individuals just with free pizza. A post-session survey indicated that 96 percent of attendees saw the value of the current DI products and 90 percent were planning to spread the message to family and friends. It is not likely that this alone would lead to a sale, but increased awareness can surely be leveraged.

This issue of awareness came through loud and clear in the survey and in the focus groups. In fact, the GSU work came to the conclusion that the single key to turning millennials into insurance consumers was to increase awareness, and to do so at a young age. In fact, recommendations were to begin awareness campaigns while they are in school—before they start their income-earning years.

But how do you effectively increase market awareness? There were some interesting findings regarding ways to engage millennials through marketing. Perhaps unsurprising is that traditional media—television, print advertising, direct mail—is not the way. Social media is by far the best means to reach millennials. However, what is a little surprising is the framing of the message. Millennials are not as interested in statistics. They are interested in stories. A common message in the IDI space is that one in four Americans will be disabled in their working careers. That kind of statistic not only doesn't resonate, but it actually repels millennials. On the other hand, telling them a story about the impact of a disability is something that will connect with them. Even more effective is being able to relate the message to them—to speak to them directly.

"How many people do you know that have been out of work for an extended period of time?"

"Did they suffer any financial hardship?"

These are messages that engage them. For example, 49 percent of survey respondents knew someone who was unable to work for more than 30 days due to injury or sickness, and 47 percent of those resulted in a financial burden. Focusing on that message, not just the numbers, strikes a chord with millennials.

Because they are most effectively transmitted over social media, messages must be communicated quickly and more than once. YouTube partnering, Snapchat geofiltering and Facebook/Instagram advertising are surprisingly cost effective marketing channels. Note that 67 percent of survey respondents spend 31 minutes or more on video sharing apps, while 72 percent spend 31 minutes or more on social networking apps.

Another interesting idea regarding engagement and messaging is gamification. Whether creating a virtual insurance "game" or launching a competition to develop an advertising slogan, creating a competition engages millennials while simultaneously getting your message across. College students are particularly engaged in this type of activity and, thus, this can be a prime way to start awareness at these ages.

Closely related to engagement is how millennials acquire and exchange information. As noted above, a first conclusion is that information needs to be provided to them quickly, multiple times and through multiple sources. Millennials will research before purchasing. We all know that they are online; obviously they can, "Just Google it." It goes beyond that. They rely heavily on reviews like those on Yelp or Amazon. They are used to and rely on the "people like you" messaging that Amazon uses. More than anything else, though, millennials rely on a trusted advisor—or, more likely, advisors. These include family and friends.

As to millennials sharing personal information during the insurance buying process, it is likely not a surprise that they are more comfortable with this idea. Sharing personal data for the purposes of getting insurance is something they expect. One focus group touched on the idea of third-party data with the millennials. They were asked their reaction if they knew that an insurance company was monitoring their social media or getting other personal information on them. The initial reaction was that it would be "creepy"; but, in the end, as long as they knew it was a possibility, they were not concerned.

Moving from engagement and information to cost, research confirms what most of us suspect—cost is an issue for millennials. These are people under 35 years old who don't have a lot of disposable income. In addition, they generally don't see an insurance product's value to them being consistent with the cost. Now, the focus groups and survey confirmed that millennials do see value in insurance. That is, they understand the concept and would be willing to pay—just not as much as we are charging for the products they are seeing. A DI focus group put a number on the cost. They saw the value of protecting their income but wouldn't pay more than $50 per month. The internal focus group capped the amount at $25. We have anecdotally heard that millennials will pay up to their cell phone bill amount for insurance. Millennials want to see something tangible for their money. In addition to insurance protection, the industry needs to provide them with immediate benefits—wellness visits, gym club memberships, rewards points, etc. They need something tangible.

Finally, millennials are altruistic and more likely to engage with a company that supports a cause that they are aligned with. Millennials will generally pay more to be loyal to a brand that aligns with their values, especially one that shares their success. For example, the shoe company TOMS provides a pair of shoes to a child in need for every pair of shoes they sell which has equated to roughly 51 million lives positively impacted and nearly $400 million in revenue.[1] This is a brand committed to social good, and that resonates with millennials.

Overall, the focus groups, survey and research all pointed to some common themes. Millennials are forward thinking and have financial goals. They can see the value in the concept of insurance and are willing to pay for protecting themselves against risk. However, to get them to see that value, they must be reached earlier, in new ways and in multiple ways. This will increase awareness and engagement. To do so effectively, focus on stories rather than statistics. Messages should be about people like them — this hits home. Find a way to get testimonials — through on-line reviews or other means. Once they see that value, they will pay for it. However, it must be affordable. To see the value and be affordable, the insurance company may need to revisit how insurance policies are constructed. This can be in the form of more bundling or perhaps temporary contracts. Think of the sharing economy and on-demand delivery. They want insurance that covers them "now" and for the period of time they "need" it. The point is, the current insurance products may not meet those two needs.

Millennials comprise 25 percent to 30 percent of the U.S. population and are a largely untapped insurance market. By changing the way we approach them, we as an industry can provide them products that provide them with value.

References

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Mark Costello
FSA, MAAA

*VP & Actuary,
Living Benefits
Munich Re, U.S. (Life)*