



# MARKETS

By TODD A. SILVERHART, PH.D.  
*Corporate Vice President and Director, Insurance Research, LIMRA*

## Revisiting Segmentation

Where are the best opportunities for the sale of various insurance and financial services products? We know this question is critically important in the eyes of LIMRA's members and, across our research program, much of the work we do is designed to address it. Whether it is looking at individuals' expectations for omnichannel access, the attitudes and preferences of consumers who purchased life insurance via direct response, or how people make the important decisions around financial assets in retirement, much of our research has at its core the goal of providing a better understanding of opportunities in the marketplace.

With our consumer research, we pay a great deal of attention on an ongoing basis to research approaches that can be employed to provide insight about connecting with various consumer markets. To this end, several of our recent initiatives have focused on applying segmentation techniques to key target groups like the middle market and Generations X and Y. In a way, this seems so obvious — “Marketing 101,” if you will. However, collecting meaningful information about vast consumer groups that can be converted into actionable insight is actually quite complex.

While segmentation may mean different things to different people, our approach refers to identifying groupings of customers driven by similarities they share with respect to factors thought to be relevant to the business at hand. The challenge is determining the basis on which to do the segmentation. That is, how do we organize types of information different groups of consumers might be expected to “cluster” around? At the same time, we must recognize that if marketers don't have a practical way of identifying the same information, then the end result is nothing other than an academic exercise. Certainly the clear benefit of effective segmentation is that having a meaningful understanding of sub-groups within a market allows you to develop valuable strategies to identify, target, and communicate with specific audiences.

As I mentioned, one project we currently are working on seeks to provide an enhanced understanding of the U.S. middle market. Figuring out how to profitably address the unmet need for life insurance in this key demographic has been an ongoing enigma for the industry. When you consider that the middle market can account for upward of 60 percent of U.S. households (depending on the definition you use), treating such a massive group as a single homogeneous market really makes little sense.

With this in mind, LIMRA has partnered with Epsilon, a prominent data aggregation firm, to conduct a segmentation project seeking to identify meaningful middle market sub-groups that differ in terms of select attitudes and behaviors. With an understanding of these sub-groups, it is our intention to be able to provide guidance on how to identify specific audiences as well as how best to develop strategies for targeting and messaging to optimize opportunities.

Similar logic applies to an additional project we have begun involving Generations X and Y. While many in the industry continue to scratch their heads over how best to reach these younger consumers, these cohorts (either individually or collectively) are not all the same. As an example, it is generally believed that a defining characteristic — particularly for Gen Y consumers — is their comfort using technology. Nevertheless, isn't it likely that there are individual differences in the role technology plays in these individuals' lives? Basing marketing strategies on assumptions of homogeneity is likely to yield less than optimal results. So in this initiative, we are collaborating with Maritz Research and Clear Voice Research to identify specific segments within these generations, again with the intention to provide direction to help our members develop strategies to optimize opportunities.

While there certainly is nothing new about segmentation, sometimes the keys to challenging problems can be right under your nose. We are hopeful that the application of this tried-and-true marketing tool will point to the best paths for the industry to take to engage with the consumer groups who often need our products and services most. 🌐