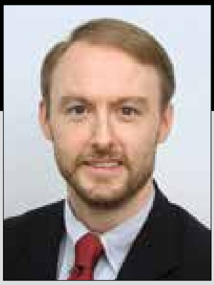
DISTRIBUTION



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Distribution Expansion: Now Is the Time

Each year LIMRA reaches out to financial services leaders in the United States and Canada for their thoughts on what the future holds for the industry. What are its greatest challenges? Where are its opportunities?

This year distribution expansion is cited as the greatest challenge. How do organizations expand access to engage consumers on their own terms? While industry leaders see this as the greatest challenge, it is also the greatest opportunity. To meet the needs of today's consumers, how can the industry (1) align existing channels more effectively and (2) better position itself within other channels for its products and services?

We know that today's consumers have changed the way they shop for goods and services. Daniel Pink, in his book *To Sell Is Human*, notes that the role of the salesperson — regardless of industry — also has evolved. For example, people now have access to more information through the Internet and other sources. As a result, today's sales professionals operate in an era of information parity. Their role, according to Pink, is to serve not only as sources of information, but also as advisors who can identify problems, create solutions, and help consumers make sense of the information they have obtained.

The buyer-seller relationship, thus, has evolved. This has a ripple effect on how the industry distributes products and services and on how distribution expansion will take shape. Organizations — as a whole — need to modernize their approach to business by streamlining product offerings, access points, and convenient service.

When shopping for life insurance, today's consumers rely on several sources as part of the research process: the Internet, their place of employment, family and friends (including social media), and financial professionals. While this should come as no surprise, it is most interesting that a significant number of people consider something or someone other than a financial professional to be their *most valued* source of information.

This development has created an engagement gap for the industry: A significant number of consumers are looking to engage in ways beyond what traditionally has been the case. To capitalize on this opportunity, life insurance organizations must not only realign existing insurance-oriented channels (i.e., career and independent insurance agents), but also create new channels to meet the protection needs of today's market.

Organizations will benefit from creating alignment between the buyer and seller when leveraging insurance-oriented channels. LIMRA research shows that today's financial professionals — regardless of age or experience — want to take advantage of mobile, remote, and social media platforms not only to drive efficiency, but also to engage consumers how and when they want. Forward-thinking firms must create support systems that help insurance professionals leverage these technologies to drive practice success.

Organizations also must look to new outlets to engage those consumers wanting to connect with the industry in different ways. Two areas ripe for expansion are investment-oriented channels and direct-to-consumer models. But each presents challenges for organizations looking to leverage their full potential.

Investment-oriented channels have access to millions of customers. Many of today's consumers — particularly those in the "sweet spot" for protection-oriented coverage — are receptive to buying life insurance through investment outlets. The challenge lies in motivating advisors who work in these channels to embrace life insurance. Wholesaling strategies — both external and internal — play a vital role driving success in these segments. These professionals must be well versed in how to start, and follow through on, the life insurance conversation. They must be comfortable with the process. Wholesalers can help guide advisors through these critical areas.

In direct-to-consumer models, the challenge is that the people interested in buying life insurance online often get "stuck" online. There are countless insurance websites

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Table 3

What Are the Most Important Factors in the Purchase Decision?

Value — the amount of insurance offered for the cost	26%
Cost of the coverage matches my budget	16%
Familiarity with the insurance company	8%
Financial strength of the insurance company	8%
Quality of service received	8%
Recommendation from an agent or financial professional	7%
Recommendation from a friend or relative	5%
Timing of the offer	4%
Clear/understandable offer	3%
No test or physical exams required	3%
All others	12%
	100%

Source: LIMRA (2014)

Keeping the Options Open

The process of evaluating life insurance options is unique for every shopper, and advances in technology have raised consumers' expectations. It is up to the industry to interact with prospects at the right time(s) and place(s) to help them arrive at the best decision for their individual needs. Shoppers need to be confident that someone can and will assist at any step of the process, meeting them wherever they are (online, mobile, or in person). Too often their search becomes disjointed when changing channels or platforms, resulting in lost or inconsistent messages. Companies with multiple access points — those that manage to link the steps in the process — stand to gain the most by meeting future customer needs based on their channels of choice. ⊕

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For more information on this topic, LIMRA members can access the full reports *Shopping for Life Insurance: Different Paths to Success* (2013), *Shopping for Life Insurance: an Uneasy Path to a Decision* (2013), and *Shopping for Life Insurance: Spotlighting Direct Response Customers* (2014) at www.limra.com/research.

[1] This definition further removes all buyers who met face to face with a financial professional at any point during their shopping process and/or who purchased through the workplace. It also excludes most customers receiving third-party assistance when purchasing (e.g., from a contact center representative or via a non-insurer's website).

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(yet few places to truly complete transactions online), and the industry uses language that is not intuitive or user-friendly. While today's consumers are accustomed to going online to make purchases from companies like Amazon®, Zappos®, and Hotwire® — those setting the standard for the online shopping experience — the insurance industry has yet to match it.

People want access to companies anytime and anywhere, and financial services organizations need to find more ways to reach more consumers for sales and service. The outlook is positive for those willing to embrace change by realigning their current distribution strategies and exploring new ones. Now is the time for distribution expansion. ⊕