

MARCH 2017

# The Current State of Direct-to-Consumer Models in the Insurance Industry

---

Jay D'Aprile

EXECUTIVE VICE PRESIDENT



In today's marketplace, consumers want to be empowered in their buying decisions and are more driven by research, reviews, and ease-of-use than they ever have been before. These changing consumer habits are impacting the insurance sector more than any other industry. The manufacturing and travel services fields are shining examples of areas that have already made the shift to a consumer-facing business model. However, the insurance industry is held back by legal ramifications and regulatory considerations that make this transition more complex and intimidating.

This is particularly troubling as startup companies begin to enter the insurance scene with a strong focus on customer service. They may currently be small with a limited share of the market, but their practices are guaranteed to gain momentum with customers who value the user experience. To remain competitive, established insurance companies must be future-oriented in the acquisition and retention of customers. That starts with understanding the state of direct-to-consumer models in the insurance industry.

## What DTC Looks Like in Insurance

A core feature of the direct-to-consumer model in insurance is technology. Although DTC must extend across the entire enterprise to be effective (as we discuss in more detail below), technology is what facilitates the DTC strategy. In short, this consists of applications and tools that engage consumers and provide the information they need in a user-friendly way. This typically requires a multi-channel approach, including web, mobile, social, email and phone. Interaction on each of these plains must be tracked coherently to cater to the increasingly non-linear customer journey. Customers want convenience, speed, and ease; catering to these expectations through better technology is a core approach to attracting and delighting customers.

A customer-centric application also enables companies to think outside the box when it comes to insurance offerings. Alan Cohen, Co-founder of [Liazon](#), a private benefits exchange for US businesses, [discusses the "paradox of choice,"](#) the idea that customers are paralyzed when presented with too many offerings to choose from. Cohen's approach turns this notion upside down, saying that it's not the number of choices that paralyzes, but how those choices are presented. With better technology, designed with user experience in mind, customers can potentially be presented with hundreds of choices but in a way that makes it easy to compare, refine, and understand the value of each one. When direct-to-consumer models are facilitated by more cohesive technology and tools, insurance companies have the opportunity to broaden their offerings and packages to better cater to their customers. This results in a direct impact

on customer satisfaction, retention, and return on investment for the company.

Additionally, smarter technology means the flow of information can go both ways.

Traditionally, insurance companies are only privy to customer information that is provided through applications and claims. Now, enabled by the [rise of big data in the insurance industry](#), companies can gather greater insight regarding their customers' lifestyles, habits, and preferences. This information helps insurance companies better understand what drives customer satisfaction and retention, opening the door to optimal customization, higher engagement, and greater differentiation within the industry.

## **Beyond Technology: Enterprise-Wide DTC**

It would be a mistake to assume that great technology alone can drive a successful direct-to-consumer model for insurance companies. In today's insurance environment, it's definitely possible to boost customer acquisition through the user experience by delivering online educational insight in combination with customized offerings that are easy to compare. But acquisition is not the end goal.

If DTC is not a strategy that is deeply ingrained across the entire enterprise, customers will quickly see it for what it is: a smoke screen. Fancy technology cannot overcome operational siloes and uncoordinated business functions. For DTC in insurance to work effectively, it must be seamlessly communicated and implemented at every level, from executive leadership to frontline agents. Every customer touch point must be designed to delight, and every business function involved in the customer journey, from marketing and sales to underwriting, claims, and customer support, must be able to communicate coherently.

An enterprise-wide implementation of a direct-to-consumer insurance model inherently means that leaders need to reevaluate their value propositions, product offerings, marketing strategies, communication practices, operating systems, and performance metrics. There's no denying that this is a time-intensive overhaul, but the return is exponential. Companies will see an improved customer experience – positively impacting both acquisition *and* retention – as well as capturing significant efficiencies in business processes and securing their competitive edge in the marketplace.

## **What Direct-to-Consumer Means for Executive Hiring in Insurance**

Implementing a direct-to-consumer model in the insurance industry is an enterprise-wide endeavor. Thus, executive leadership must have the vision and capacity to strategically see

the transition through to every business function. Finding the right talent to aid this process can be challenging, and many insurance companies are turning to candidates outside of the insurance industry for their expertise. The manufacturing and consumer packaged goods industries are both good examples of fields that have embraced DTC models. Bringing in talent from these areas, particularly in the executive function, may be highly beneficial in reaching and sustaining a competitive edge.

At Slayton Search Partners, we deliver executive search services across a number of key industries, including the insurance sector. We've worked closely with clients to face the challenges that arise in transitioning to a direct-to-consumer business model, and we have a vast network of key players from which to recruit the talent that will make it work.

**For assistance recruiting insurance executives, [tell us more about your executive search needs today.](#)**