INSURANCE INNOVATORS

The Future of General Insurance Report 2017

In association with:

Chartered Insurance Institute
Standards. Professionalism. Trust

Sponsored by:

IBM

SAS THE POWER TO KNOW

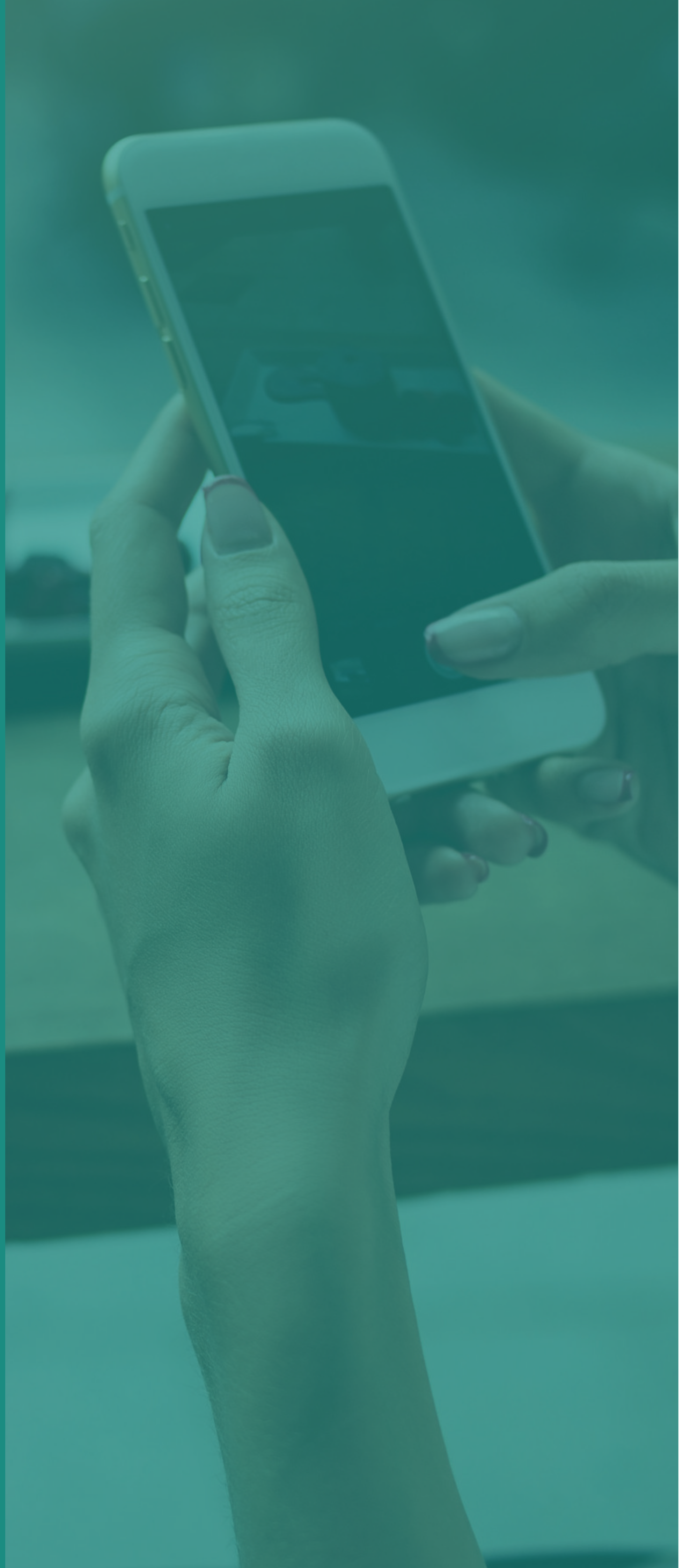
SMART COMMUNICATIONS

Chapter 5:

Reaching the Millennial Generation

Sponsored by:

SMART COMMUNICATIONS™



Reaching the Millennial Generation

At 12.5 million people, Millennials now represent the largest consumer group in the UK[26]. Born between 1982 and 2000, this is a generation who have grown up with computers, low cost international flights and, for younger Millennials, smartphones, social media and an always-on digital world. It's a much-disparaged generation, maligned for their entitlement, a sometimes naïve world view and a propensity to rely on the Bank of Mum and Dad. Yet it's also a generation facing escalating debt, soaring housing costs and a shrinking jobs market: almost three-quarters believe life is more uncertain for them than for previous generations[27].

It's not all bad news: this is also the generation expected to benefit from what has been termed one of "the largest intergenerational wealth transfers in history"[28]. The sums are unprecedented: Baby Boomers are expected to pass down around US$30 trillion between now and 2050 in North America alone[29], while in the UK soaring house prices mean that one in every 76 Brits is now a millionaire, assets that will eventually pass down to the next generation.

Little wonder that the financial services industry is keen to understand and engage this generation. There is a multitude of surveys seeking to understand Millennials, yet it's important for organisations not to assume this is an homogenous social group: after all, someone in their 30s, with kids and a flourishing career, will have very different experiences and attitudes to someone just starting university and facing unprecedented levels of student debt. Despite their differences, however, Millennials do tend to share some common expectations when it comes to dealing with financial services organisations and managing their finances:

The "now" generation

This is the on-demand, one-click generation. When they want something, they want it now. Used to having the world at their fingertips, they expect the organisations they engage with to be similarly responsive, 24/7: research shows nearly one in four Millennials expects a response within ten minutes of reach out to a brand via social media[30]. Ambiguous or lengthy delivery times grate on Millennials: they are nearly twice as likely as Baby Boomers to shop instore to avoid online wait times[31]. Also, they are more likely than other shoppers to abandon an online transaction if the checkout is cumbersome, tedious or they have concerns about online security[32].

This impatience also extends to their financial dealings: one study found 93 per cent of Millennials had abandoned a mobile banking transaction—applying for a credit card, opening a new account or simply accessing an existing account—on at least one occasion, with forgotten passwords the biggest barrier[33]. Our respondents understand this: 97 per cent view speed of service and onboarding as important if they are to attract the Millennial generation and 93 per cent believe 24/7 service availability is important.

[26]http Office of National Statistics 2016
[27]YouGov survey
[28]Millennials: The global guardians of capital, UBS White Paper, June 2017
[29]The Greater Wealth Transfer, Accenture 2012
[30]Research by Desk.com, June 2015
[31]The truth about online consumers, KPMG, 2017
[32]Research by Visa Inc, August 2017 found four in five Millennials had abandoned online purchases; the figure for all shoppers was 72%
[33]Millennials Speak Out on Mobile Banking, Jumio, September 2016

Seamless experiences

When Millennials want something, they reach for their smartphone. Indeed, one study found they interact with their smartphone more than anything or anyone else, and report feeling anxious or bored when they don't have access[34]. One study found consumers would forego a salary increase or give up family and friends or even go to prison rather than lose their smartphones[35]. And the smartphone is the Millennial's gateway to their finances, with research showing they use their devices for mobile banking more than any other service, even shopping[36].

46%
believe a seamless journey between channels is critical to retain the Millennial customer…but

48%
have yet to integrate any channels

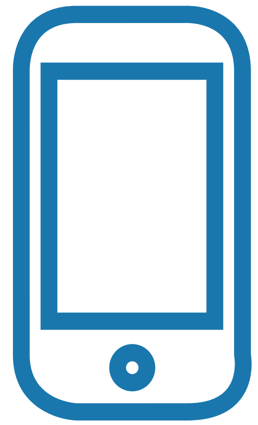
Little wonder so many insurance-challengers are taking a mobile-first approach to woo the App Generation. Yet mobile-first shouldn't mean mobile-only. Research repeatedly shows that customers, including Millennials, still seek out the human touch, especially when making important decisions: Morgan Stanley reports that 82 per cent of Millennials who work with a financial adviser want more time with that adviser, not less. What customers really want is to hop from channel to channel without having the user experience ruined by cumbersome identity checks, inconsistent information or failed hand-offs.

Alarmingly, while nine out of ten insurers recognise that a seamless journey between channels is important to attract and retain Millennials – indeed, almost half (46 per cent) believe it is critical – our research finds the industry is woefully unprepared to meet the omnichannel expectations of this crucial generation. Not only have nine out of ten yet to achieve full omni-channel integration but almost half (48 per cent) have yet to integrate any channels. Given that Millennial customers are unforgiving of poor customer experience, this failure to deliver the omnichannel experience could prove costly.

[34] *Trends in Consumer Mobility Report 2016, Bank of America, 2016*
[35] *Smartphones and customer IoT Trends, B2X, August 2017*
[36] *Jumio press release, October 2016*

Get Appy

Head down, mute and thumbs a-blur, it may seem that the typical Millennial is a socially-isolated phone addict. Yet the truth is that the ever-present phone is a communications hub and those thumbs are reaching out to people, pinging messages to friends via chat apps and texts, sending emails and posting messages across multiple social media platforms. Phone calls may be on the decline but phone usage statistics show that young people are in constant contact, even checking and responding to messages in the middle of the night. This obsession accounts for the 90 hours per month spent on smartphone apps alone and explains why, of usage growth across all platforms, it is mobiles that dominate, representing 65 per cent of the growth, followed by 12 per cent for tablets[37].



Just 23% offer a mobile app

Our respondents recognise that channel choice will be increasingly important if they are to engage Millennials (93 per cent agree that availability of channel of choice is important, of whom 43 per cent see it as critical). Yet worryingly, just 23 per cent of our surveyed organisations currently offer a mobile app. This is in sharp contrast to banking, where last year UK customers used mobile banking apps more than 7,610 times a minute, or 4 billion times a year, as part of a consumer-led personal finance revolution[38].

Some pioneers have developed insurance apps, designed to make onboarding or filing a claim simple and intuitive. Insurance giant Ageas, for example, designed and developed its Back Me Up app in partnership with its targeted Millennial customer base, allowing users to customise their policies to cover the items they value most by simply uploading a photo and choosing the description of the item. The industry is keen to follow this lead: 69 per cent of our respondents plan to launch a mobile app in the next two years.

Going social

Millennials remain social animals. Research shows that more than two out of five don't go more than five hours without checking their social media feeds[39]. Facebook continues to dominate reaching 90 per cent of this demographic, more than 30 percentage points higher than second placed Instagram, and keeping its audience more engaged than other platforms: on average Millennials spent 795 minutes per month on Facebook sites, more than double the time on Snapchat[40]. Furthermore, with Facebook adding payment capabilities and chatbot features via Messenger, this is a social media platform that financial services organisations can plug into to make life easier for their already logged-in customers. Banks, payment services providers and FinTech are already launching AI-powered chatbots over Facebook Messenger. Among insurers, InsurTech has been ahead of the curve

[37] *Comscore.com*
[38] *The way we bank now, BBA, 2016*

[39] *Research by Qualtrics and Accel, 2017*
[40] *Comscore.com Insight, September 2016*

in spotting the potential: 2017 saw start-up Next Insurance launch an insurance chatbot to enable small businesses to select and buy insurance via Facebook Messenger, while French giant AXA's Switch brand is the first of the big insurers to partner with Facebook Messenger to allow for easy connection with prospects and customers.

Many insurers have a Facebook presence, of course, but too often this is more of a customer service and brand identity checkbox rather than a fully-fledged channel. Our respondents are keen to capitalise on the reach of Facebook: one in four (24 per cent) already say they provide a Facebook channel and this is set to surge to 67 per cent within two years.

It's good to instant chat

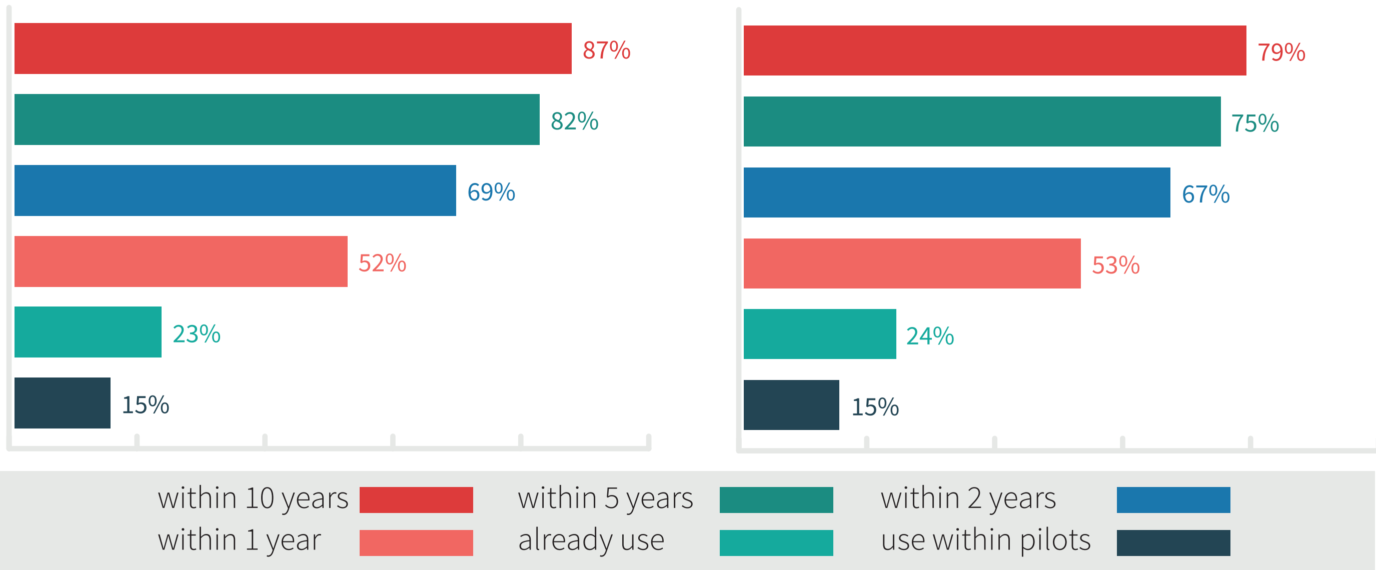
Instant messenging apps, such as WhatsApp or Snapchat, also remain relatively untapped. One survey of global insurers found none of its surveyed insurers were making use of WhatsApp as a contact channel, despite studies showing it hugely increases customer satisfaction[41]. Of our surveyed insurers, only 15 per cent currently use instant messenging as a distribution channel but there is now a scramble to catch up, with 70 per cent expecting to offer this in the next two years.

Lifestyle portals – the next frontier?

Millennials have grown up with a world that is increasingly friction-free: entertainment on-demand, curated playlists, an Uber on every corner. In the future, they will expect the same convenience from their financial services providers. Their search for convenience, and the plug and play portability of digital services, backed by pro-competition regulations such as PSD2 and GDPR, will shortly give rise to concierge services that will pull all their data together and create a one-stop-shop portal for all their banking, insurance, telecoms and retail affairs. Indeed, three-quarters of our respondents believe it will be commonplace for Millennials to manage all their affairs through a single portal linked to their personal data store in the next five years. This rises to 98 per cent within ten years.

The proportion of insurers who expect to provide apps as a communication channel, within the following time-frames

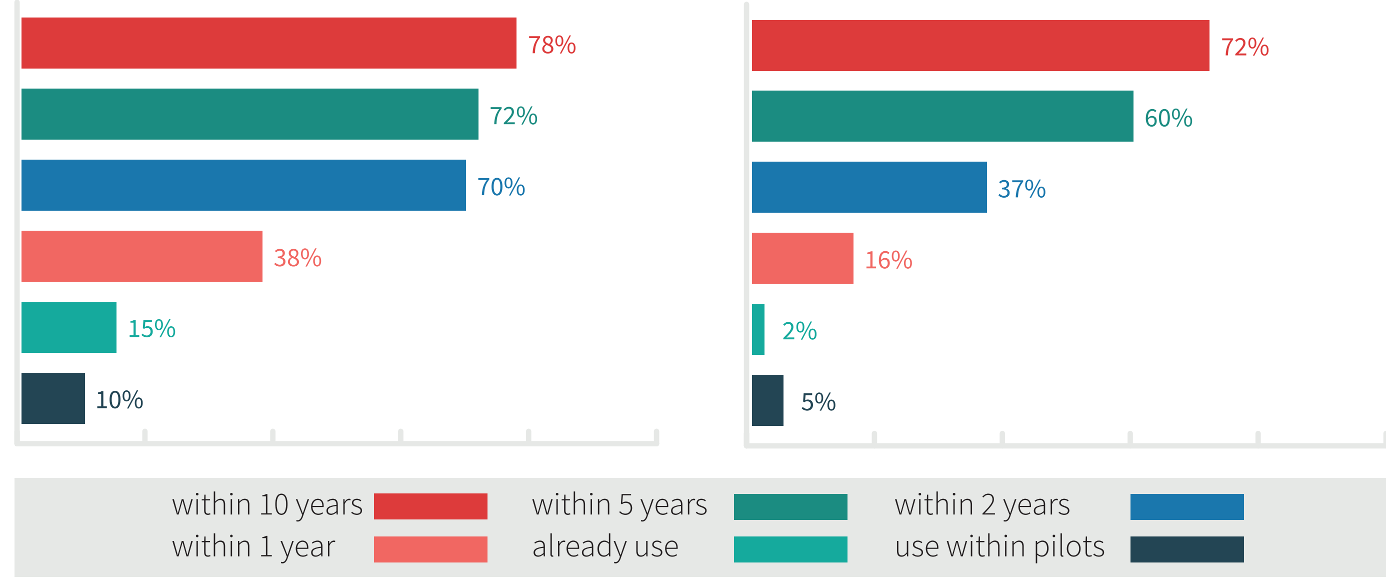
The proportion of insurers who expect to provide Facebook as a communication channel, within the following time-frames



[41]*Social Media Insurance Monitor, ITDS, 2016*

The proportion of insurers who expect to provide instant messenger (e.g. Whatsapp) as a communication channel, within the following time-frames

The proportion of insurers who expect to provide smart watches as a communication channel, within the following time-frames



76% think it will be common for digital natives within 5 years to manage all their affairs across everything, from banking and insurance to telecoms and retail, through a single portal linked to their personal data store, (**rising to 98%** in a 10 year time frame). The equivalent figures for digital immigrants are lower but still significant at **36%** in 5 years, and **79%** in 10 years.

The personalisation imperative

With lifestyle portals likely to provide customers with an easy means to manage their personal data for all consuming-facing organisations, earning access to that data will become the name of the game. In this respect, effective personalisation will become key particularly among millennial customers. One survey of insurance executives found 82 per cent believe personalised experiences will be important to retain market share among this highly prized demographic[42]. This is backed by our latest research, with 83 per cent of our respondents agreeing that providing useful information and suggestions tailored to the individual's preferences, lifestyle and behaviour will be effective in boosting an insurer's popularity among Millennial customers.

The good news is that the data revolution makes it possible to deliver truly personal service, based not just on crude gender, age and postcode segmentations but rather finely calibrated advice, offers and benchmarking based on real-time data flows from the Internet of Things and AI-powered predictive analytics. As yet, only seven per cent of our respondents claim to be able to personalise based on an individual's precise circumstances and behaviours in real time but 43 per cent expect to get there within two years and 72 per cent within five.

[42]*Customer-centric differentiation in Insurance: Meeting the Data Challenge, A Marketforce/Visionware report, 2015*

Be relevant, be flexible – the appeal of on demand insurance

Millennials' craving for the personal touch should also inform product design. Millennials are suspicious of off-the-shelf insurance policies, perceiving them to be poor value and irrelevant to their needs of Generation Rent. Instead, they want to take control of what they insure and for how long, building bespoke cover that is flexible, transparent and cost-effective: 93 per cent of our respondents agree that customisable, flexible products will be important to attract Millennials.

93% agree that customisable, flexible products will be important to attract Millennials

The surge in on-demand insurance over the next five years will come at the expense of traditional "all risks" contents insurance: almost eight out of ten (79 per cent) expect that over the next decade "all risks" policies will cease to be the most common way of insuring possessions among Millennials.

This is a big shift in how the industry operates – and it's coming fast. Yet just one in ten of our surveyed insurers has an on-demand offer in the marketplace, while only three out of ten are in the planning and design stages. This means almost three out of five insurers have yet to make any moves to provide on-demand insurance, exposing them to loss of business and relevance in this key demographic.

Sharing is the new owning

Another significant trend among millennials, is their participation in the sharing economy. A recent study found that over half (53 per cent) of millennials used a sharing economy business last year[43]. A generation graduating to debt, recession and soaring housing costs has collided with the emergence of technology that allows the matching of under-utilised capacity with end users for close to zero transaction costs, spawning multi-billion-dollar global enterprises like eBay, Uber and Airbnb. Peer-to-peer (P2P) transactions generated by the UK's five most prominent sharing economy sectors - collaborative finance, P2P accommodation, transportation, on-demand household services and on-demand professional services - are forecast to grow by 60 per cent or £8 billion in 2017 alone and could reach £140 billion by 2025[44].

Unsurprisingly, last year two-thirds of insurers agreed that providing specific insurance for the sharing economy would be one of the largest growth markets for insurers in the next five years.

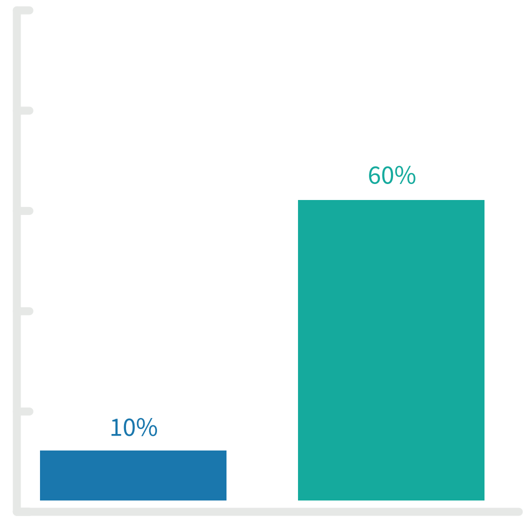
Despite this, we find progress towards delivering sharing economy policies has flatlined: we find just 10 per cent of surveyed insurers currently have a sharing economy offer on the market – the same figure as in 2016. Encouragingly, however, we find one third are either working towards the launch or developing an offer as the industry scrambles to catch up with InsurTech-led solutions.

[43] *https://fashionunited.uk/news/retail/2017-the-rise-of-millennials-and-the-sharing-economy/2017010422996*
[44] *PwC forecast, 2016*

Sharing economy partnerships: stronger together

As we reported last year, it's widely expected that insurers will need to partner with a sharing economy platform to accurately price risk and won't make these products available through traditional channels. Certainly incumbents' early forays into the sharing economy have been through partnerships: Zurich has partnered with Airbnb as part of its Host Protection Scheme, AXA has developed partnerships with P2P carsharing company SocialCar, home exchange community MyTwinPlace and pioneer P2P insurer Friendsurance in Germany while in the UK Admiral supports car-sharing through a partnership with easyCarClub.

That said, this year we find our respondents expecting that increasingly sharing economy cover will become a standard feature: six out of ten think sharing economy use will be a standard option in home & contents and motor policies within five years and 85 per cent expect this to be standard within ten years. Some frontrunners are already there: in June 2016 Admiral launched host insurance as an option on all of its home insurance policies, becoming the first major UK insurer to do so. Customers with Admiral Host Insurance can rent out their property for up to 90 days during the policy term, providing cover for up to two adult guests per bedroom during each rental period. It remains to be seen how quickly the rest of the market responds to the development of this fast-growing market.



Just 10% have a sharing economy offer on the market…

…yet 60% expect this to be a standard option in home & contents and motor policies within 5 years

Millennials are an important generation. Their behaviours and attitudes will shape our world, creating new opportunities for those with the empathy, agility and ingenuity to respond. Insurers unable to rise to this challenge will increasingly find themselves irrelevant in the mobile, personal, always-on sharing society of the future.

Smart Communications Viewpoint

To effectively communicate with millennials, you must take an overall customer-centric approach
By Simon Tindal, CTO Smart Communications

Millennials now account for the largest segment of the UK population. And a recent InfoTrends report from Keypoint Intelligence, investigating customer communications within enterprise companies, found that millennials accounted for a considerable share of respondents' customer base (33%) and an even larger share of revenue percentage (41%). It's not surprising that so much emphasis is placed on trying to understand how they make decisions, and what influences them. One thing we know for certain is they are very clear about how they want to receive communications from the companies with which they do business. They are happy to interact with multiple channels (both online and offline), but they expect a seamless experience and they want responses quickly.

While many millennials prefer digital channels such as web, email and mobile apps, companies cannot take a one-size-fits-all approach to interacting with them. If so, they risk overlooking personal preferences that make each customer feel valued as a unique individual. By making widespread assumptions about this customer segment, organizations undermine the core feedback millennials have offered – a desire to be uniquely in control of the conversation they have with the companies they select.

To deliver the most meaningful conversations, financial services companies should develop communications strategies that consider both the purpose of the message and the recipients' preferences. Ideally, each communication will be relevant, personalised, timely and tailored specifically for the delivery channel—and, better yet, for the customer's channel of choice.
The best approach to effectively communicating with millennials is to improve your overall communications strategy. To do so, financial services companies are increasingly relying on Customer Communications Management systems to deliver the most personalised messages possible via the most appropriate channel. And with no time to waste, many are turning to cloud-based systems, which can be implemented quickly and easily, and updated frequently as new functionality is available.

---

marketforce

www.marketforce.eu.com