

Internet Usage Grows and Creates Anticipation

By: David Toaff, Consultant, Synergy, December 2009



1. Summary

For a while now, the internet is being used as much more than a mere advertising channel. Commercial companies from various industries prompt their customers to use the internet in order to cut costs. The customers, on their part, are enjoying this channel's accessibility and ease of use, and are happy to oblige. This added value of the internet instilled new usage behaviors in customers, and they are eager to use this accessible and available channel for all their insurance needs as well.

"Financial companies who relied on the assumption that customers will be willing to forgo the stability and safety of brick and mortar are now realizing that recent bankruptcies of financial institutions are prompting customers to use the internet for their financial needs, and find more cost effective vendors" (J.P. Morgan, Jan. 2009).

Insurance companies can not afford to stand idly by. In a time when more and more customers find all the necessary commercial and financial data online, insurance companies must show their presence within this medium. Additionally, the internet enables these companies to significantly save on distribution and service costs, thus presenting an ever bigger advantage of going online in order to remain viable.

A research published by *Swiss Re* found that:

- Online insurance will gain a substantial market share.
- E-business increases efficiency.
- E-business lowers barriers to market entry and increases competition.
- The role of traditional brokers is shifting towards the provision of finance management and risk consulting services.

2. Demographic changes and their affect on online commerce demand

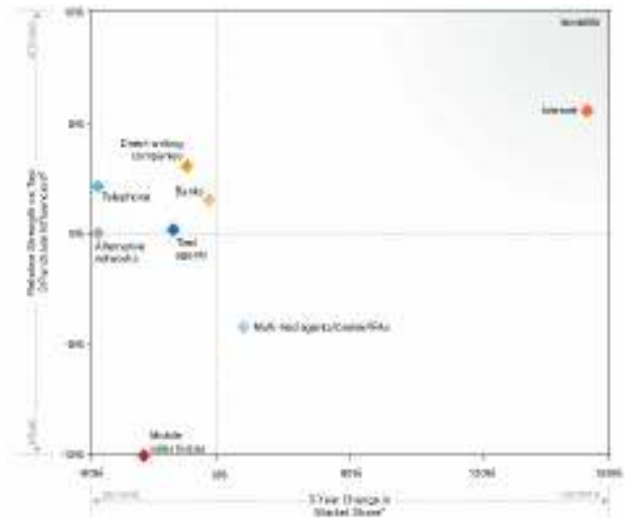
The population of insurance customers constantly changes. The "good" insurance customers, who purchased their policies 10 and 20 years ago are currently in their 50's or 60's, and still prefer the human touch and service from human agents.

Today's "good" insurance customers, people in their 30-50's, accumulating assets and savings, are no longer attached to a human insurance agent. These customers are accustomed to and interested in receiving online information on products prior to purchase, comparing prices and being offered the best price. Even after having made the purchase, the wish to constantly receive information about their personal policies and savings. And they wish to get all this information at their convenience. These customers represent 31% of the entire population (USA), and 51% of the market's workforce.

3. The internet's influence on other channels

Using the internet as a marketing and sales channel influences other channels. Companies focusing on traditional distribution channels are being negatively affected and will be harmed even more in the near future ([download chart](#)).

However, as strange as it may sound, correct usage of the internet will not prevent damage to other channels, but can actually promote usage of them!



A good example of that is Progressive, an American company selling car insurance, ranked 3rd in the US in this field. This company offers extensive online services, alongside human agents and a direct sales call center.

Progressive published the following statistics:

- The number of online requests for quotations, purchases or service is constantly rising.
- Despite the constant growth in number of users, the internet does not take away from the human agents' channel or any other channel!

- 33% of the company's insurance policy quotations in 2006 were offered online.
- In the past 5 years, Progressive showed the most significant rise in customer satisfaction, out of all insurance companies!

4. Advantages for insurance companies

The internet offers insurance companies many advantages, and improves work process with all relevant insurance markets: it offers information, accessibility and low costs for potential customers.

To insurance agents it offers information, data, and the ability to increase the number of customers.

To the insurance company it offers various data management options, communication with agents and customers, the ability to sell add-on products, cheaper and more effective marketing campaign distribution, and, of course, access to attractive populations interested in this channel ([download chart](#)).



About Synergy

Synergy is Israel's largest international consulting company, specializing in customer management and assisting organizations to fulfill their end-customers' business potential.

Synergy's uniqueness is in its team of highly experienced professional consultants who have an extensive marketing background from the service and retail industries.

ISRAEL
 1 Ben Gurion st. Bney-Brak,
 2 Besser Towers, Israel.
 Tel. +972-(0)3-5788861
 Fax. +972-(0)3-5788862

POLAND
 Representative office:
 Ul. Wilcza 66/68, Warsaw, Poland
 Tel. +48-(0)22-622-3221
 Fax. +48-(0)22-625-3688

UK
 Sams Barn, The Greenway, West Hendred,
 Wantage, Oxon OX12 8RD, UK.
 Tel. +44-(0)1235-821-353
 Fax. +44-(0)1235-861-678

Synergy offers its customers the most advanced professional know-how, both locally and globally, on a variety of customer management issues, thus maximizing revenues generated from end-customers.

Synergy is widely experienced in organizational consultancy, both locally and abroad, on all marketing, service and retention areas, dramatically improving your business results. Among our customers are local and international leading organizations in the communications, finance and retail fields.

Synergy's implementation approach is based on characterizing and establishing the business need, by defining a combined business, technological, analytical and organizational solution.

For more information, visit our website at: www.il-synergy.com & www.datanetis.com/, or email us at: info@il-synergy.com

ISRAEL
1 Ben Gurion st. Bney-Brak,
2 Besser Towers, Israel.
Tel. +972-(0)3-5788861
Fax. +972-(0)3-5788862

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Fax. +48-(0)22-625-3688

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Fax. +44-(0)1235-861-678