



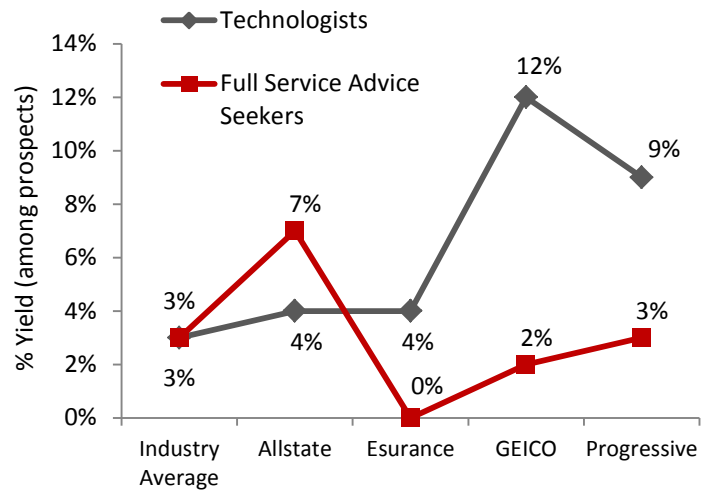
## Cracking the Customer Segmentation Code

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Customers' expectations and preference in the property and casualty insurance continue to evolve, driven in part by the growing importance of price and the blurring of sales and service channels. Insurers' ability to evolve with those changes is dependent on their understanding of who their prospective customers are, what makes them different from one another, and how best to engage them.

Some insurers are better equipped to engage specific customer segments than others, and some segments may be more profitable to insurers than others. For insurers that have cracked the code of these dynamics, there is a significant benefit in terms of winning new business across multiple segments and increasing profitability.

YIELD RATES AMONG TECHNOLOGISTS AND FULL-SERVICE ADVICE SEEKERS



Source: J.D. Power & Associates 2013 U.S. Insurance Shopping Study<sup>SM</sup>

## Behind the Numbers

- Customers who have shopped for auto insurance in the past 12 months can be grouped in five segments: Full-Service Advice Seekers (20%), Price-Checker Advice Seekers (20%), Technologists (28%), Serial Shoppers (8%), and the Unengaged (24%).
- Full-Service Advice Seekers and Technologists together comprise nearly half of the shopper population (48%), yet these two segments differ from each other in terms of their demographic and attitudinal profiles, as well as their approach to the shopping process. Agency-based insurers attract more quote requests from Full-Service Advice Seekers while direct insurers attract more Technologists.
- Unlocking customer acquisition potential hinges on an understanding of how these business models influence or attract prospective customers. For example, while Technologists are aware of agency-based Allstate, the insurer is not as successful as direct-based insurers such as GEICO and Progressive, in converting shoppers in this segment.
- However, Allstate's position among Technologists is strengthened by its ownership of Esurance, which is more competitive in closing prospects in the Technologist segment. Collectively, Allstate and Esurance are able to compete for these customers, claiming a combined 8% of shoppers in this segment. This compares to GEICO, the leading insurer in this segment, which has a 12% share of Technologists.
- Progressive and GEICO are not as successful at winning Full-Service Advice Seekers, collectively closing only 5% of these prospects. However, strong quote rates for Progressive (28%) and GEICO (27%) indicate these brands are positioned to win more of these shoppers.
- Assessing the potential value of each customer segment is also an important element in helping insurers focus their acquisition efforts. Technologists are not as likely to switch insurers when they shop and are more likely to prefer online sales and self-service compared with other segments—attributes that may represent significant savings in terms of lower acquisition and servicing costs.