



Key Technology & Consumer Trends Driving Change And the Recommended Industry Response

A Report of the ACT Strategic/Future Issues Work Group

September 1, 2009 Report

"We are now at the dawn of a profound technology-driven transformation that will make the changes we have experienced over the past 25 years seem small and slow...We are about to transform how we sell, market, communicate, collaborate, innovate, watch TV, learn, and as you might guess, much more...This is a once-in-a lifetime opportunity for you personally, and for your organization. Don't miss it!"

—Daniel Burrus, January 2009 Technotrends Newsletter

Table of Contents

I. Introduction	1
II. Four Key Trends	2
III. Industry "Must Do" Issues	9

I. Introduction

In 2006, the ACT Strategic/Future Issues Work Group developed and published its first analysis of technology and consumer "hard" trends that created the most challenge and opportunity for the Independent Agency System and assessed the implications of these trends for the different stakeholders. "Hard" trends are those that we believe are permanent and are likely to change the reality with which we must deal.

Following this analysis, the work group in 2006 developed a series of five "Must Do" issues, which the full ACT group approved in the Fall. "Must Do" issues are those that the industry broadly can come together and agree upon, and then commit to take specific actions to accomplish. The five 2006 "Must Do" issues are contained in the footnote below.¹

¹ -- Achieve a consistent industry strategy on security.
-- Create an ongoing agent-carrier workflow improvement forum.
-- Increase the presence and visibility of agency websites and maximize the customer experience they provide.
-- Continue an ongoing dialogue on future trends and their implications.
-- Move the industry's predominant workflow to real-time and download.

In 2008, the work group sought to update the 2006 Trends and “Must Do” documents and in February 2009 held a planning session to which all of the ACT participants were invited. While the full ACT planning group largely affirmed the long list of trends identified in 2006, the group felt it would be more valuable to focus on a small number of key trends that the group determined would have the biggest impact on the industry. The group used an audience response system provided by ACORD to accomplish this prioritization.

The emergence of the “Social Web” has arisen since 2006 as a major new trend and this trend has also created the “Social Marketing” trend discussed in the “Trends” section below.

The work group has also refined the initial industry “Must Do” issues that the ACT planning group identified, and these 2009-10 “Must Do” issues flow directly from the key trends. In addition, the work group has developed specific action plans to give each “Must Do” issue more specificity.

Real Time and Download continue to be major “Must Do” issues, but they appropriately become a part of the industry’s Process Improvement “Must Do” issue. In addition, the 2006 “Must Do” issue to continue to focus on and communicate future trends has become an ongoing activity which the ACT Strategic Future Issues Work Group will undertake.

II. Four Key Trends

The full ACT planning group & Strategic Future Issues Work Group identified four key trends that they believe would have the greatest impact on our industry and would help shape our businesses and economy for several years to come.

Understanding these trends and their implications will enable our industry to create proactive “Must Do” strategies and action plans to take advantage of the opportunities they present.

It was clear from our discussions that there is no hard line or boundary between the trends. They interact with each other and have varying degrees of influence on each other. Perhaps the trends we “elected” to focus on are a good indication and representative of the societal transformation taking place as each of these trends exerts its influence on our society, businesses and culture.

The four trends include:

- 1. Social Web**
- 2. On Demand & Location-Relevant Information**
- 3. Demographic/Societal Transformation**

4. Emergence of Social Marketing

1. Social Web

"Social Web is defined as people interlinked and interacting with engaging content in a conversational and participatory manner via the Internet."

—Wikipedia

So, think of it as a virtual community where people with common interests can gather to share ideas, thoughts, and opinions and make new contacts. It is the general store or town square of today.

Implications

Agencies, carriers, consumers and businesses:

1. Changing the way we communicate (visibility), gather, share and access information
2. Companies becoming more transparent (corporate values, ethical, authentic)
3. Requiring a unified collaboration, participation, and communication strategy (attentive and responsive)
4. A need to find new ways to innovate—*Groundswell*—collective thinking
5. An opportunity to connect and strengthen casual relationships.

Challenges

1. Security & privacy
2. New threat to intellectual property
3. New liability exposures
4. Speed—can the corporate world keep up?
5. Adoption—how do we get acceptance and reach critical mass?
6. Need for a new model for ROI – how do we measure success
7. Need for new management strategy and metrics
8. Need to redefine roles within agencies and carriers.

Opportunities

Social networking will increase viability and market accessibility—a component for increased sales/growth:

1. Facilitates expanded reach into new customer and market groups
2. Puts the “person” back into the equation on the Internet – puts a human face on the corporation
3. Transformation from traditional mass marketing (interruption marketing and static promotion) to dynamic, permission based, and inbound marketing

4. Allows for faster launch of programs and campaigns
5. Enables new models for customer involvement in support and service
6. Opens the way for new insurance coverages
7. Customers as innovators
8. Build/strengthen community and trusted relationships.

By utilizing these new technologies effectively it will be possible to dramatically increase the success of a business by expanding its consumer base, building its brand, creating and strengthening trusted relationships, introducing new products and services, and strengthening its marketing strategy.

2. On-Demand & Location-Relevant Information

The ability to both receive real-time and/or on-demand information on any device anytime and anywhere coupled with distribution of location-relevant information provided by a GPS position.

President Obama's nomination acceptance speech perhaps best demonstrated the on-demand concept. This was an event experienced by millions in person and shared with many more millions of people simultaneously around the world on a multitude of devices in real-time.

Examples of location-relevant information include travel or tourist information such as hotels, attractions, restaurants, etc. or commercial information such as discount coupons and advertising all selected and based on a person's GPS position.

Combined with the Social Web, this new information era provides the Internet user with the opportunity to engage with people all over the world on a variety of devices. The greater breadth and richness of these communications and the relevance of locally available and real-time information are what adds depth to the Social Web.

Implications

A few things that showcase the relevancy of this new era:

- Twitter messaging that allows news of global happenings to be transmitted and distributed within minutes
- GPS-triggered driving directions
- Handheld 3G Devices provide fast access to Internet almost anywhere
- Instant uploading of photos and video from phones to the Web
- GPS triggered multimedia content that displays on handheld devices—instant messages, sms (text messaging) advertising, and more

- Real-time communications such as video calling: Skype Video and Google.com/videochat brings distant people together, bridging time and space.

Challenges

- Privacy
- Information overload
- Integration of new technologies with with core systems
- Development of insurance apps for mobile devices.

Opportunities

1. Real-Time Web

What is going on right now is helping create improved service models, leveraging integration of voice and data communications, and facilitating integration of branch locations and improved communication and workflows between field and office personnel (e.g. producers and CSRs). Customers are provided with a real-time response.

2. More value from interactions

Technology tools that promote tacit interactions, such as wikis, virtual team environments, and videoconferencing, will become no less ubiquitous than computers are now. As companies learn to use these tools, they will develop smarter and faster ways for individuals and teams to create value through interactions.

3. Better management

Technology is helping managers exploit ever-greater amounts of data to make smarter decisions and develop the insights that create competitive advantages. Industry leaders should get out ahead of this trend to ensure that information is used to make organizations more effective.

3. Demographic/Societal Transformation

Demographics have been considered the mother of all trends. The demographic shift of aging, coupled with a declining fertility rate, provides a recipe for significant socio-economic change. Other linked trends include all the cultural, ethnic and generational changes. These changes will have significant and multi-faceted impacts on agency ownership, employment, marketing and service. For the first time ever, there are four distinct generations in the workforce.

Some key facts to consider:

- Generations X and Y will be in their prime child-rearing years, owning homes and running businesses. They will have needs similar to those that their parents had

at this stage of their lives. But they are likely to have some different expectations than their parents, which service providers will have to ascertain and deliver. These consumers have grown up with computers, and computers are second nature to them.

- Many Baby Boomers will reach traditional retirement age, but will continue with active lifestyles and often re-engage with new work, including part-time positions, in-home businesses, or volunteer pursuits.
- New retirees likely will pursue active lifestyles through vocations or hobbies that they enjoy, presenting opportunities in recreational businesses and tourism ventures that cater to their interests.
- Rise of third-world countries – economic, political, religious
- Immigration –Continued shift in ethnic makeup.

Implications

- Will affect and change work environment (workstations, walls, etc.)
- Knowledge gap. Experience vs. Youth
- Impact on succession plans
- Client diversity
- Need to communicate in multiple languages
- Population density
- Religion
- Differences in beliefs, ethics, morality and values
- Non-traditional families.

Challenges

- Need for new products and services based on different expectations and needs
- Communication barriers
- Different generations, cultural, ethnic and religious groups learning to understand, respect and work together and relate to each other as provider and client.

Opportunities

- New and/or expanded workforce
- Contribution of new ideas and perspectives
- New markets
- New products
- New ways of doing business embracing technology

4. Emergence of Social Marketing

The world of marketing is transforming and rapidly changing. The world of mass marketing, push marketing, interruption marketing is starting to be supplanted by:

- Curiosity Marketing: creating a presence that leaves the customer wanting more
- Viral Marketing: Online spider like distribution of your message
- Permission based and one-to-one marketing
- Personal vs. professional brand: differentiation
- It is not about whom you know or who knows you but who *“feels”* they know you
- Transparency: building trusted relationships
- Inbound marketing

The key to deep customer insight—more granular segmentation, low-cost experimentation, mass customization, and customer participation/innovation—becomes increasingly accessible through technological innovations in data collection, processing and availability.

New technologies and resultant social transformations have created a revolution in the traditional world of advertising, which was historically based on creating mass media outbound messaging. The online era is founded upon the specific premise of inbound consuming traffic.

Today, most current online and social web advertising techniques are meticulously precise, measurable and predictable ushering in one-to-one, permission based, and inbound marketing concepts.

Implications

- Advertising – New distribution channels and methods
- Branding – personal and professional – who owns the brand?
- Customer loyalty – trusted relationships
- Lead generation – new tools and venues
- Market presence – expanded venues
- More competition – speed to market and fewer barriers to entry
- Niche market – customized products and services
- Product innovation – customers as innovators
- Trust – more important than ever

Challenges

- Rapid proliferation of new options—which to choose?
- Time to participate, develop content and monitor

- Rising above the clutter so that your message is seen and heard
- Positioning effectively on various search engines and information aggregators
- A major hurdle will be privacy, as there will be extraordinary amounts of information made available enabling companies to target customers.

Opportunities

- Greater reach – new audience and new markets
- Viral marketing – Cost effective methods to deliver message
- Trusted relationships – Customers want to do business with people and companies they know and trust vs. the “faceless” big corporations of the mass media/marketing of the past
- Corporate personality – human quality and personal branding

Making the transition from the old mass marketing model to the new models that are enabled by the social web provide a great opportunity for independent agents. Their strong point has always been the “trusted relationship.” Yet, in a mass marketing environment the concept of “relationship” is undermined by the power of the large corporate message – “insurance is a commodity.” In such an environment the agent is disenfranchised. In today’s “social” environment there is a return to a culture where individual trusted relationships are valued. With the aid of Social Web tools, independent agents have the ability to extend their reach and deliver their message in ways that create, build and strengthen relationships.

Potential Game Changers

The work group also identified several potential “game changing issues” for our industry:

- Economic upheaval
- Major increase in federal regulation
- Changes in the federal law governing health care and in the delivery methods of health insurance
- The rise of health pandemics
- Climate change
- Terrorism.

Each of these issues could also have a significant impact on our industry. Because the ultimate outcome and impact of these issues is so uncertain at this time, the work group could not identify specific “hard” trends arising out of them. However, these issues obviously command the industry’s close attention and monitoring.

Concluding Comments Regarding Trends

Our industry can use a broad spectrum of new tools and options to craft our strategies. These trends are best seen as emerging patterns that can impact our industry in a wide variety of ways. Our challenge continues to be our ability to recognize the key trends that will have an impact on our industry and to develop and implement “must do” strategies that enable us to take a proactive vs reactive approach.

III. Industry “Must Do” Issues [Recommended Action Plans for 2009-2010 to be added following September, 2009 ACT meeting]

After identifying the key hard trends that are likely to affect our business, the ACT Strategic Future Issues Work Group identified three “Must Do” issues that the work group encourages the industry to embrace and commit to accomplish in order for the Independent Agency System to be properly positioned to meet these trends and benefit from them. Each one of these “Must Do” issues ties back to one or more of the trends.

Critical Lens for “Must Do” Issues

Before deciding on the “Must Do” issues, the work group determined that there are several overall success measures or “litmus tests” that each “Must Do” issue must meet:

- Build trust
- Promote or enable profitability
- Enhance the agility of organizations and the industry to adapt and change.

Three “Must Do” Issues

1. Increase industry awareness and collaboration on security & privacy
2. Continue industry coordination & focus on agency-carrier-consumer process improvement
3. Point the way for the industry to achieve an interactive Web presence.

1. Increase Industry Awareness & Collaboration on Security & Privacy

Most of the process improvements the industry is currently working on directly depend upon protecting the security and privacy of the client information being used. Real Time is a great example. If a security breach were to occur, it could seriously impair the continuation of a given process improvement. In addition, there is very limited carrier collaboration on achieving common security approaches which has made the implementation of improved processes more difficult and resulted in less efficient workflows for agents.

At the same time, many agencies are not fully aware of the security risks they face and the repercussions a security breach could have on their business.

There are also security and privacy issues that arise out of creating an Interactive Web/Social Web presence where information can travel to diverse audiences almost at the speed of light.

As pointed out in the trends, there is also an increase in access and availability of information which places increased responsibility on organizations to protect and manage individual privacy.

2. Continue Industry Coordination & Focus on Agency-Carrier-Consumer Process Improvement

Continued improvement in industry processes remains critical to our distribution system for two primary reasons:

- Consumers expect a real-time response today
- Agencies need to automate processing wherever possible so they have more time for proactive service and sales in order to remain competitive.

The work group believes the industry has done a good job identifying, pursuing, and coordinating process improvement initiatives through ACORD, ACT and AUGIE, as well as through individual user groups, vendors, and carriers. It is hoped that the industry will continue and even enhance these coordinated efforts to prioritize and implement further process improvements.

The Real Time/Download Campaign stands as a great example as to what the industry can accomplish if it agrees on a defined goal and then puts the resources in place to accomplish it. The Campaign also points to the importance of having a specific communications and education strategy in order to achieve broad implementation of a particular process improvement once it is developed.

The work group encourages the industry to put increased effort into devising process improvements that reach out to the consumer, such as new real-time rating and servicing capabilities for prospects and customers through the agent's Web site, new paperless options for customers, etc.

In addition, the industry should help agencies integrate their voice and data communications and increase the agency system functionality that is available to agents through their mobile devices.

3. Point the Way for the Industry to Achieve an Interactive Web Presence

The rise of the Social Web is a huge trend that will greatly impact how agents and carriers market in the future and attract new customers. ACT and the industry can add the greatest value in this area by:

- Continuing to research these developments and assessing how agents and carriers are deriving benefit from them
- Designing specific innovative communications and education strategies that increase agent, carrier, and association understanding as to how to create and take advantage of an interactive Web presence and inspire them to get started.

Final Note: Industry Needs a Strong Focus

The work group believes that the Independent Agency System will not be fully successful in implementing any of these “Must Do” issues unless it fully thinks out and defines specific strategies for agent communications, education, and implementation assistance for each one.

The work group urges the industry to put increased focus and resources on these areas, just as it continues to do with the Real Time/Download Campaign.

Going forward, communications, education, and implementation assistance should be part of the charge to each ACT work group.