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The attention economy: How insurers can stay visible in a crowded field

As 2022 gets under way, insurers have opportunities to boost their visibility beyond simply increasing their marketing spending.

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A customer's attention has been a rare commodity since long before the term "attention economy" entered the business lexicon. Wherever consumers are online, providers from all sectors are competing to get noticed. Staying visible is the name of the game, but it is becoming increasingly difficult as digitalization advances and delivers an ongoing clamor from companies in every conceivable industry vying for customers' limited attention.

At the end of every year, the battle intensifies. Retail sales soared during the Christmas season, with special events such as Black Friday, Cyber Monday, and Singles' Day enticing customers to take advantage of campaigns and deals. At the same time, skyrocketing electricity and gas prices prompted many customers to explore switching utility providers. In Europe, insurance renewal season heated up in November, with wildly different rate increases in various corners of the market laying an uncertain groundwork for 2022.

As a consequence, the relevance of the attention economy continues unabated—and insurers will continue to vie for customers' wandering gazes.

Spotlight on auto insurance: Tough competition in a tight market

The auto insurance industry in particular is feeling the effects of wandering customer attention. While many other insurance products are still benefiting from the pandemic-led push to digitalization, internet search rates for auto insurance products are down by double digits. German interest in auto insurance in November 2021 was only 30 to 40 percent of that in November 2019, according to Google search trends, even though 80 percent of Germans are still using their vehicles at least once a week—just as they did before the COVID-19 pandemic.

In parallel, the market is getting smaller—and not just as a side effect of the mobility transition. New-vehicle registrations are down 25 percent—in part because of the ongoing chip crisis—and auto insurance premiums have fallen by as much as 8 percent. Reduced claims during the COVID-19 pandemic have had a positive effect on financial results, but this has also made price increases difficult to implement. As a result, the 2020 changeover season cost auto insurers approximately €250 million in premium volume.

Competition is picking up

Today, more and more traditional players are developing their digital presence. In 2017, just five traditional omnichannel auto insurers were among the top 20 internet search hits, according to McKinsey analysis. That number of insurers has now risen to 12. Meanwhile, young, digitalized companies have entered the market. Some automotive companies have already implemented "embedded insurance" elsewhere, while leading tech companies and retailers have begun to consider becoming insurance players.

The auto insurance market in particular is becoming increasingly tight and polarized. In underwriting, five providers accounted for nearly half of the total profit in 2020, according to McKinsey analysis, with another 70 accounting for the rest. Ten underwriting players did not profit at all, despite considerable investments in marketing.

How can companies bring in and retain customers?

More investment in marketing is not the answer. This is particularly important as rising sales costs affect the price in the medium term, which is the primary reason customers change insurance in 67 percent of all cases. So-called price walking (low-cost initial offers that increase in price in subsequent years) has also become increasingly difficult for companies to implement due to legislation. This is the case for energy companies in Germany, and it also applies to insurance in the highly competitive British market.

What can companies do? There are several options:

— *Manage budgets in a smarter way.* Every euro invested must be used as efficiently as possible for the most attractive customer profiles (those with the highest lifetime value, for example), as well as for measures with the highest conversion rates. Approaches such as smart bidding and attempting to speak with customers at an earlier stage in the process may help, and in our experience, they can generate a 30 percent and 10 percent gain in efficiency and growth, respectively, with the same amount of investment.

— *Modify products.* Some providers have long experimented with intrayear primary due dates and longer terms. In fact, according to the German Insurance Association (GDV), 16 percent of all auto insurance already works on an intrayear basis. This approach can be advantageous regarding comparison portals, which bundle their marketing expenditures during the year-end renewal season. And those year-end expenditures have also increased significantly recently. Modern telematics approaches also offer opportunities for developing new customer segments.

— *Continuously capitalize on leads.* Visibility is helpful only if it leads to more customers closing more contracts. Digital pioneers are successful in maintaining visibility: according to an analysis by Similarweb, digital pioneers' pages attract more visitors, who stay three to four times longer and click away directly from the home page only half as often as visitors to the sites of non-pioneers. Omnichannel providers can then follow up offline, which requires excellent lead management in terms of both technology and processes.

— *Use innovative ecosystem approaches.* In the longer term, providers can raise awareness in new ways by, for example, targeting motorists when they are purchasing a car, changing a tire, filling up at the gas station, or parking. Customer loyalty also benefits from ecosystem services—and the impact of this approach will extend far beyond 2022.

In the future, visibility will remain a central criterion for success—and not just for European auto insurers. Companies that can position themselves in front of customers' headlights and offer added value will be the winners in the digital world.

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