BEST'S REVIEW
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The Digital Dash

Why and how insurers are outspending other industries on online display advertising.

by Jaimie Pickles and Candace Thornton

For most industries, 2009 was a year of scaling back on digital advertising spending. However, personal lines property/casualty insurers stepped on the gas—increasing their spending by 47% year-over-year to $591 million—in four major online advertising categories: paid search, online display ads, online leads and online video.

Given this stunning increase in spending, it appears insurers capitalized on abundant online ad inventory, aggressive consumer shopping behavior and record numbers of online consumers (more than 36 million unique visitors on insurance Web sites in December 2009). Regardless of the drivers, the insurance industry experienced a first in 2009: Insurer spending exceeded other industries' in terms of the percent of total ad dollars allocated to online display advertising.

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Display Advertising

From 2007 to 2009, according to Nielsen, the top 1,000 joint offline and online advertisers allocated 6% in 2007, 6% in '08 and 7% of their broadcast expenditures in 2009 toward display advertising on U.S. Web properties including social networks. For the subset of personal lines P/C insurers that advertise both offline and online, the allocations were 4% for both 2007 and 2008. But in 2009, it doubled to 8%.

▶ The News: The insurance industry experienced a first in 2009: Insurer spending exceeded other industries in terms of the percent of total ad dollars allocated to online display advertising.

▶ What It Means: Online display ads not only reinforce branding efforts, but also direct consumers to a specific insurer's Web site for a quote and to buy a policy.

▶ Watch For: Insurers to continue to connect with customers via blogs, online communities and streaming video.

Expanding the source data to include all advertisers, regardless of offline activity, the estimated dollars spent for online display ads in 2009 was more than $8.5 billion. But there was no growth in estimated spending across the all-company average.

Yet the personal lines P/C group spent more than $212 million in 2009, representing a 97% increase year-over-year. And the impressions, which are ads available to be seen, improved as well, by 111% to 58 billion.

Drilling further into the efficiency of display ads, it is evident that direct carriers have been consistently obtaining the best cost-per-thousand impressions. However, the agency carriers improved their yield—moving from $5.31 cost-per-thousand in 2008 to $3.92 cost-per-thousand in 2009—while boosting estimated

Online Display Advertisers All and Personal Lines

Estimated Spending	All	Personal Lines P/C*
Y2007	$9,147,219,500	$89,746,600
Y2008	$8,555,697,600	$108,186,300
Y2009	$8,568,984,300	$212,909,700
Y08-Y09: % Change in $ Spent	0%	97%

Impressions	All	Personal Lines P/C*
Y2007	2,893,885,130,000	23,222,735,000
Y2008	2,324,317,725,000	27,650,176,000
Y2009	2,034,765,907,000	58,427,210,000
Y08-Y09: % Change in $ Spent	-12%	111%

*Custom list of Multiline and P/C advertisers.
Source: Nielsen Online

Did You Know?

2008	2009	
78%	78%	of households have access to the Internet
75%	75%	of households accessed the Internet for 1+ hours from home last week
67%	67%	of households use the Internet to shop
48%	50%	of households watched streaming video last year
24%	28%	of households watched streaming video last week
38%	44%	of households visited and/or published to online communities last year

Source: Nielsen Claritas

spending by 84% to generate 148% more impressions to a total of 16.8 billion. (See Online Display Advertisers Personal Lines, Mix, Direct and Agent on page 74.)

The high impression volumes should not discourage those on the display ad sidelines. Like Equifax's IXI Digital Media President Marsh Marshall notes, "Advertisers do not want quantity over quality." He works with "advertisers looking for display solutions that reach desired segments."

While display ads do reinforce branding efforts, they are intended to direct a consumer to a specific insurer's Web site for a quote and to buy a policy. David Dowhan, executive vice president of business development for eBureau, said, "Display advertising offers the chance to engage the right audience much earlier in their decision cycle. This form of advertising can be expensive. The key is to make sure advertising dollars are focused on the right audience. Recent technology

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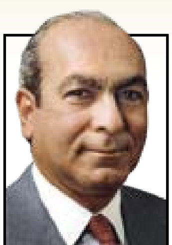
Online Leads Become a Core Growth Strategy

Many personal lines property/casualty carriers and agents get online leads from aggregators such as InsWeb, NetQuote and InsureMe, and these Web firms are a core component of new business sourced from the Web.

Each month, millions of consumers visit the aggregators' sites to comparison shop and get connected with the most relevant agents and carriers. According to Nielsen data, these comparison shoppers do not visit individual insurance carrier sites; therefore, they are incremental consumers that cannot be sourced via other advertising channels.


Paul Ford

The online-lead business enters its third decade after experiencing a year of significant growth because of increased comparison shopping by consumers and accelerated acceptance of this form of marketing among carriers and agents. Insurers establish direct relationships with the aggregators to buy leads and many agency carriers end up paying indirectly by subsidizing their agents for their online lead spending. In 2009, the amount carriers spent for direct and indirect online leads was $62 million, up 23% over 2008.


Hussein Enan

One of the largest aggregators, NetQuote, has grown significantly. Paul Ford, chief executive officer of NetQuote, said, "We have enjoyed a three-year [2006 to 2009] revenue compounded annual growth rate of 30%. For 2010, we will continue to implement strong lead quality initiatives."

Regarding heightened agency and carrier awareness of online leads, Hussein Enan, CEO of InsWeb, said, "We see 2010 as a seminal year in the involvement of large captive and independent agency companies in Internet marketing. Many carriers are actually subsidizing the cost of purchasing Internet leads. It's clear that Internet lead generation has graduated to a higher level."

And Lou Geremia, CEO of InsureMe, said, "Our business grew 25% last year. Direct carriers increased their spending in 2009, and companies like Allstate and State Farm more actively engaged in helping their agents gain access to quality lead sources. In 2010, growth and lead quality will be big themes. Carriers have begun looking more closely at conversion rates by source and using companies like eBureau and Targus to help source higher quality leads."

Some new entrants are attempting to gain awareness by emphasizing both higher quality leads and service.

Rick Natsch, CEO of Potrero Media's Producer Pipeline program, said that "outside of the extraneous factors involved with managing a sales funnel, lead quality is ultimately driven by three things: the source of the lead, how often a lead is shared, and with whom the lead is shared."

Natsch continued: "That's why we primarily provide search-based leads, where potential customers have a strong intent to buy. Second, we offer exclusive leads to reduce the noise and competition involved with reaching the consumer by phone. And third, we gather disposition data, so we can create a custom plan for improving performance. As a result, quality actually improves over time."

Online Display Advertisers Personal Lines, Mix, Direct and Agent

Online Display Advertisers		Personal Lines P/C*	Mix	Direct	Agent
Y2007	Estimated Spending	$89,746,600	$28,477,900	$28,219,600	$33,049,100
	Impressions	23,222,735,000	6,077,975,000	11,498,396,000	5,646,364,000
	Cost Per Thousand	$3.86	$4.69	$2.45	$5.85
Y2008	Estimated Spending	$108,186,300	$53,793,100	$18,383,800	$36,009,400
	Impressions	27,650,176,000	14,111,896,000	6,752,542,000	6,785,738,000
	Cost Per Thousand	$3.91	$3.81	$2.72	$5.31
Y2009	Estimated Spending	$212,909,700	$129,618,600	$17,208,200	$66,082,900
	Impressions	58,427,210,000	35,888,386,000	5,677,974,000	16,860,850,000
	Cost Per Thousand	$3.64	$3.61	$3.03	$3.92

*Custom list of Multiline and P/C advertisers.
Source: Nielsen Online

Paid-Search Marketing Jumps for P/C Insurers

Personal lines property/casualty insurers continue to apportion more than half of their digital advertising spending to paid search.

In this form of advertising, insurers bid on keywords that consumers use on popular search engines like Google and Yahoo. Bids are based on the cost-per-click that competing insurers are willing to pay in the event a consumer clicks on its link/ad. An individual advertiser's bid amount and ad quality score (calculated by the search engine's algorithm) determine the ultimate cost-per-click amount and where the ad is placed on the search result page.

Overall Internet user search volume in 2009 increased by 20% over 2008. And, according to Nielsen, U.S. Internet users conducted an average of 9.5 billion searches each month. Total U.S. paid search spending across all categories increased by only 2% to almost $11 billion, according to eMarketer, which tracks online marketing statistics and analysis. This indicates a softening in advertiser bids across the board and/or a modification in where consumers are clicking.

For personal lines P/C insurers, the picture is vastly different. Paid search spending increased by 29% in 2009 to $303 million, based on an analysis of Nielsen and Google data. This result follows a 25% increase from 2007 to 2008. The increases have been driven mostly by increased search traffic, and by new advertisers entering the insurance category, leading to higher cost-per-click amounts.

Paid search competition in the insurance space has always been high. John Evans, chief operating officer at digital agency Closed Loop Marketing, agreed: "While the supply of consumers searching for insurance is high and moving higher, insurer demand for that traffic is as intense as it gets in any keyword category. Consequently, some of the most expensive search keywords are in the insurance space."

Google, with a two-thirds market share, is the dominant search engine. According to Google Insights for Search data, personal lines insurance keyword activity increased by 20% in 2009. Jon Kaplan, Google's director of financial services advertising, said, "The increase was a direct result of accelerated comparison-shopping behavior among consumers. More than ever, consumers are relying on multiple searches before converting."

"Increased spending in all forms of advertising to strengthen the brand has an impact on consumer behavior. We see that strong brands benefit by being used in keyword searches and getting clicked on in search results more often."

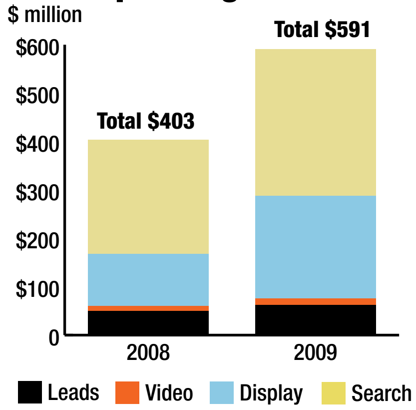
—Jon Kaplan, Google's director of financial services advertising

Also credit traditional advertising with the increase in insurance search traffic. Kaplan said that "increased spending in all forms of advertising to strengthen the brand has an impact on consumer behavior. We see that strong brands benefit by being used in keyword searches and getting clicked on in search results more often. For example, last year we saw a 550% increase in the keyword term 'Progressive Insurance Girl'."

Many insurance marketers, both large and small, may look at the sheer size, complexity and dynamics of the paid-search advertising business and wonder how they can compete. According to Google's Kaplan, there is hope for new and existing search advertisers. "Our focus remains on helping the advertisers increase the efficiency of consumer traffic," he said.

"We continue to roll out more flexible and effective search tools and are presenting richer content in the search result. For example, the Plus Box is a new piece of technology that allows us to enable more rich content—such as an image, video or local information—in the search result. We also enabled deeper links to be placed in an ad, helping the user go directly to a specific site page of an advertiser. The effect of these improvements makes search more useful to the consumer and improves the ROI of the advertiser."

2008-2009 Comparison Of Ad Spending



"Display advertising offers the chance to engage the right audience much earlier in their decision cycle."

—David Dowhan, eBureau

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advances in 'look-alike' predictive modeling have made it possible to target display impressions to users who look exactly like a specific carrier's best customers. This precision audience targeting allows carriers to focus budget on the right consumer and achieve ROI targets."

Online Video Ads

Nielsen reports that more than 137 million unique viewers watched 10.7 billion videos in December 2009 alone. These numbers, however, don't translate into big dollars being spent on advertising. Online video advertising is small today because of the many problems associated with targeting and standards.

Dan Rayburn, executive vice president for StreamingMedia.com, said, "I can't think of anything regarding the online video advertising space that has gotten better. What's improved? Maybe the size of the ad window, but the quality of the ads is pretty poor, targeting is not there, the inventory is limited and the industry still has absolutely no video ad standards."

Even though insurers increased spending by 40% last year to an estimated $14 million, it may be several more years before online video advertising becomes one of the larger categories.

While there weren't major changes in online consumer demographics in 2009, three notable behavioral changes took place.

More consumers allocated more time to watching online videos and participating in online communities/social networks. And, more importantly to insurers, consumers stepped up comparison shopping activities. Insurance marketers responded by increasing expenditures for paid search and online leads to get in front of these comparison shoppers.

In a strategic move seemingly made to attract more captive consumers to their Web sites and strengthen their brands, carriers almost doubled the amount they spent on display advertising.

Mark Zeitlin, vice president of eBusiness at Farmers Insurance, explained that company's approach to changing consumer shopping behavior: "At Farmers, we are very aware of the tremendous growth in the number of online shoppers. However, we also know that the majority of online shoppers, at the end of the day, continue to buy policies from a local insurance agent. This is especially true when auto insurance is combined with other coverages. Our online advertising efforts are three-fold: attract consumers who wish to get a Farmers quote online, those who wish to contact an agent directly, and those who want an online quote combined with the personal service provided by a local Farmers Agent. We believe that this approach allows us to provide the best service for all consumers."

So where will consumers be in the coming years?

Recent trends suggest they will be scanning all types of sites, viewing online display ads, using search engines, registering to request information, visiting communities, reading blogs, creating consumer-generated media and downloading streaming video.

With such large volumes online, insurers will be looking to connect with consumers where they are and through numerous touch points. The Internet holds enormous potential; however, many marketers are still adjusting to the fact that consumers, not companies, dictate the pace. BR