Part 1 in a 2-Part Series

Net Worth

Online advertising is becoming an important marketing tool for property/casualty insurers.

by Jaimie Pickles and Candace Thornton

▶ **The News:** Some 78% of Americans now have access to the Internet.

▶ **The Significance:** Property/casualty insurers are buying display and paid-search online advertising.

▶ **Watch For:** P/C insurers to begin utilizing online video ads.

The Internet has proven to be a wonderful marketing tool for personal lines property/casualty insurers and agents. Geico, Progressive, Esurance, State Farm and Allstate dominate online. They have mastered the techniques for attracting prospective consumers who crawl through the Web in search of insurance.

However, when it comes to online advertising, many insurance marketers are still asking questions such as: "How much is being spent?" and "How do I justify a strategy?"

How Much is Being Spent?

Display Advertising

Display advertising involves the banner ads that drape the tops, sides and bottoms of Web pages. Even if consumers mostly ignore them, online banner ads are still powerful branding contributors. Advertisers generally agree a consumer must see something eight times to recall the brand. Other media—television, radio, print, outdoor—all contribute to the effectiveness of an online piece.

Advertisers who placed display ads with online media, as well as in the 210 designated offline marketing areas nationwide, allocated 6% of their total estimated media expenditure in 2007 to online display ads, according to Nielsen Online. They reported similar results for 2008.

Narrowing the group to only the personal lines P/C insurers that advertised both offline and online, the allocation of their estimated advertising expenditure for online display ads was 4%.

Expanding the source data to include all online advertisers, regardless of offline activity, the estimated dollar expenditure figures for online display ads are impressive. As a group, advertisers are estimated to have spent approximately $9 billion for each of the past two years. The personal lines P/C group previously mentioned spent an estimated $90 million for 2007 and $102 million for 2008. (Please see Exhibit 1 on top of page 70.)

Beyond the estimated expenditure, impressions are also a metric to watch. There were 2.3 trillion display ad impressions across all industries in 2008, an overall 20% decline in impressions from the prior year. Yet among the list of insurance advertisers, there were 13% more. In 2008, for personal lines P/C, the online display ad impressions volume reached 26 billion.

To benchmark further, personal lines P/C was subsegmented by distribution—direct, agency or a mixture of both. From 2007 to 2008, direct carriers spent an estimated $2.72 per 1,000 online display ad impressions, while agency carriers spent $5.52—twice as much. Overall, when compared to the other two groups, the direct carriers, remarkably, spent less for more impressions. (Please see Exhibit 2 on the bottom of page 70.)

Naturally, display ad buy strategies will differ. More expensive sites might be worth it because of their known traffic. But as a young channel, not every site knows its own value…yet. It's a

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Technology

Exhibit 1

Online Display Advertisers	2007 Estimated Spending	2007 Impressions	2008 Estimated Spending	2008 Impressions	% Change in $ Spent	% Change in Impressions
All	$9,147,219,500	2,893,885,130,000	$8,561,481,000	2,325,978,583,000	-6%	-20%
Personal Lines P/C*	$89,746,600	23,222,735,000	$101,960,400	26,263,929,000	14%	13%

*Custom list of Personal Lines P/C advertisers based on Nielsen Online.

great time to get ahead of the research curve. It's safe to predict that as sites use more third-party data to understand their non-registered traffic, costs to buy display ad space on their sites will go up.

So the rule of thumb online is the same as offline: Match ad placement with the desired targets.

Paid Search

Paid search is to the Internet what television is to a typical company's overall media mix. It is where personal lines P/C insurers spend the most for online exposure.

In this form of online advertising, an insurer bids on search terms that consumers use. The bid is based on the cost per click that the insurer is willing to pay, in the event a consumer clicks on its "sponsored link" ad. The highest-bidding companies get their ad—and link to their site—placed in one of several spots at the top or the side of the search results page. Insurers bid for placement on popular search engines such as Google and Yahoo.

Overall Internet user search activity increased in 2008 by almost 10% year over year. In 2008, according to Nielsen Online, U.S. Internet users conducted an average of nearly 8 billion searches each month, and ended the year with a record 8.6 billion searches in December.

Google is the primary search engine of choice with a 63% to 70% market share of all search activity last year—depending on the data source—while Yahoo and MSN/Windows Live finished 2008 in a distant second and third place, respectively.

U.S.-paid search advertising spending increased just over 21% in 2008 to $10.7 billion, according to eMarketer, a supplier of online marketing statistics and analysis. The company also expects an increase in spending next year of 15%.

For personal lines P/C insurers, paid search spending increased by approximately 25% in 2008 to $235 million, based on an analysis of data from Internet information provider comScore.

The data also indicate that personal lines P/C insurance search volume, 90% of which belonged to the auto category based on Google AdWords data, increased by almost 10% last year.

Increased competition for search consumers among insurers leads to advertisers paying higher cost-per-click amounts, a trend reported by the search-engine marketing solutions provider Efficient Frontier. This, in turn, contributed heavily to paid search spending growth in 2008.

Confirming the intense level of competition, Karlyn Carnahan, principal of insurance at consulting firm Novarica, said, "When using the keyword 'auto insurance quote,' over 450 sponsored links come up along with 35 million organic results. So it is important to optimize online advertising programs to get top placement at competitive bids."

Competition has increased due to the ability for more insurance providers of all sizes (even individual agents) to use paid search. Better search tools are available to advertisers, allowing for a push toward localization.

According to Penny Hart, president of New York metro-area focused insurer TSC Direct, "Since fewer people are reading newspapers, we have redirected some print ad money to online media. Search is now regional, allowing us to focus in on our geographic market, making it more cost effective."

Jon Kaplan, Google's director of financial services advertising, said his company has made paid search more useful for advertisers.

"Our search platform tools have increased the control and flexibility for advertisers," he said. "For example, because of the platform flexibility, virtually every advertiser has a local bidding strategy for search. Now, Joe Smith in Des Moines can set up a geographic radius around his office and advertise only to search consumers who reside within that territory. We also provide data on the front end, such as Google Insights for Search, to help understand the popularity of a given search term, and analytical tools on the back end to help measure paid search effectiveness."

Exhibit 2

	2007 Est'd Online Display Ad $	2007 Est'd Online Display Ad Impressions	2007 Cost per 1,000	2008 Est'd Online Ad Spending	2008 Est'd Online Ad Impressions	2008 Cost per 1,000	2007 vs. 2008 % Change in CPM
Direct	$28,219,600	11,498,396,000	$2.45	$18,383,700	6,752,543,000	$2.72	11%
Agent	$33,049,100	5,646,364,000	$5.85	$29,783,300	5,399,302,000	$5.52	-6%
Mix	$28,477,900	6,077,975,000	$4.69	$53,793,400	14,112,084,000	$3.81	-19%
Total	$89,746,600	23,222,735,000	$3.86	$101,960,400	26,263,929,000	$3.88	0%

Source: Nielsen Online

Technology

Online Leads

Personal lines P/C insurers and agents began buying online leads many years ago. Online companies—often referred to as aggregators or marketplaces—such as InsWeb, NetQuote and InsureMe, attract consumers looking for multiple quotes. For these three sites combined, 2008 Nielsen Online data indicate there were on average approximately 4.7 million unique visitors monthly.

Nielsen Online 2008 cross-visitation data indicate the vast majority of unique consumers to an aggregator's site did not visit another insurance carrier or aggregator's shopping site. In contrast, consumers visiting an insurance carrier's site were more likely to also pay a visit to another insurer's site. This suggests that consumers seeking insurance quotes on an aggregator are typically one-stop shoppers.

Consequently, in order to quote these consumers, carrier and agents spend millions of advertising dollars each year for online leads. In 2008, the estimated total market for online leads was approximately $200 million. Roughly one-quarter of that total, or $50 million, came either directly or indirectly from the carriers.

Many agents pay for leads. However, most direct companies do participate in varying degrees and an increasing number of agency carriers are subsidizing agents for their online-lead spending.

Last year, Allstate and Farmers joined online-lead purchasing veterans, such as American Family, MetLife Auto & Home, Liberty Mutual and Nationwide, by adding online leads to the advertising programs in which agents are reimbursed.

Steve Haran, director of sales operations at MetLife Auto and Home, said, "Many of our career and independent agents purchase online leads. We often subsidize the agent's investment in leads through reimbursement programs, which helps the agent and MetLife acquire new customers."

Indications are that the online-lead market has been growing in recent years. InsWeb, a public company, saw its revenues grow 13% from 2007 to 2008. During that time, the company also reported a 44% increase in the number of agents on its AgentInsider lead platform.

So what is fueling this growth? Hussein Enan, chairman and CEO of InsWeb, said, "Marketplaces such as InsWeb put agents on a level playing field with direct carriers spending hundreds of millions of dollars on Internet advertising."

He added, "While direct writers cast a wide net and are ready to deal with any consumer they attract, individual agents are only interested in a very small subset of shoppers. Marketplaces perform this pinpoint target marketing on their behalf."

InsureMe, the third-largest online lead company, was acquired in early 2008 by Bankrate based upon its attractive growth potential. And NetQuote indicates that its 2008 revenues nearly reached $100 million—up nearly threefold since 2005.

Did You Know?

- **78%** of households have access to the Internet.
- **75%** of households access the Internet for at least one hour from home per week.
- **73%** of households do online research for items they want to buy.
- **67%** of households use the Internet to shop.
- **48%** of households watched streaming video last year.
- **24%** of households watched streaming video last week (at time of survey).
- **38%** of households visited and/or published to online communities last year.

Source: Nielsen Claritas

Online Video Ads

More than 120 million unique Internet users are watching billions of online videos every month. According to Nielsen Online, 9.6 billion video views were logged in December 2008.

While online video advertising is small today—very likely only a drop in the bucket of online spending by insurers—online video is the fastest growing area of online ad spending. Compared to display ads, the cost per thousand for this form of advertising is much higher.

Based on a survey conducted by online-video advertising solutions provider LiveRail, the average cost per thousand in-stream impressions in the fourth quarter of last year was $16.40. According to eMarketer, total online-video advertisers spent $587 million in 2008, with that number expected to reach $4.6 billion in 2013.

With so many Web users spending a vast amount of time viewing billions of videos online every month, why are so few advertising dollars currently being allocated to this genre?

Two important hurdles stand in the way, and both pertain to a lack of standards. Unlike TV advertising where content, time, size and pricing standards have been in place for years, none exist for online video. This drives inefficiencies and higher production costs.

Further, performance measurement standards haven't been established, making it difficult to understand the return on investment. To establish standards, media firm Starcom MediaVest has launched a study with its advertising clients to test ad formats. According to company spokesperson Lena Petersen, the only insurance company involved is Allstate.

Until quantifiable results can be obtained and measured, the major insurance companies will hesitate to advertise via online video.

Digital Dominance

Insurers can push information toward online consumers in many ways: display ads, paid and organic search, online leads and soon, online video.

Even though online advertising may feel new to some insurers, the visibility is already huge for consumers. Remember, 78% are online. And these consumers aren't sitting there eating popcorn. They are engaged in shopping, buying, researching, blogging, commenting and playing. The aim is to advertise where your targets are.

With so many now online and with information now available to tell us where, insurers must take advantage of this important marketing medium. BR

Look for Part 2 of this article in the May issue of *Best's Review.*