

Branding, brokerage, brains. Thoughts on Germany's insurance industry.

For decades, Germany's insurers have relied heavily on brokers for distribution. And if the voices of the industry are to be believed, this will continue for the foreseeable future. Discontent arises only when broker commissions put an insurer's profitability under pressure. But a look at the relationship between brokers and insurers reveals a much more serious problem. One that is likely to cause insurers quite a few headaches in coming years: the problem of visibility.

Customers interact with brokers, while the insurance companies themselves remain in the background, their products seen and sold as interchangeable commodities. As long as the sales process takes place in personal contact between broker and policyholder, this may still be OK. After all, good brokers are characterized by a high level of advisory competence and are able to clearly explain the differences between the service offerings of individual insurance companies to their customers.

But personal contact is no longer the rule. Comparison portals have long since replaced brokers – at least in consumer business. The problem is that comparison portals make insurers even more anonymous and cast a glaring spotlight on price – and price alone. Most portal visitors are not interested in the fine details of the differences in performance.

The challenge of selling products and services that are interchangeable from the consumer's point of view is nothing new, nor is it confined to the insurance industry. Creating a sustainable unique selling proposition (USP) is always difficult in saturated markets. Hundreds of thousands of marketing consultants around the globe earn their money with it. In all industries, companies seek – sometimes at enormous expense – to use branding strategies to differentiate their products and services from those of their competitors. And iconic brands like Coca-Cola, Apple or Hermès have indeed succeeded. They arouse emotional reactions and create lasting customer loyalty – incidentally, based on an interesting phenomenon.

Say a little prayer for brands

The New York Times bestseller "Buy-ology" (Martin Lindstrom 2008) claims that consumers experience their favorite brands in a manner akin to religious devotion. The author cites a 2006 study in which Carmelite nuns underwent fMRI scans after being asked to relive their deepest religious experiences. The neuroscientists conducting the experiment wanted to identify the brain regions that "light up" when a person feels very close to God.

LHD GBR
BÜRO DÜSSELDORF
Stresemannstraße 28
40210 Düsseldorf
Tel: +49 211 46994-11
E-Mail: info@lhd-associates.de
www.lhd-associates.de

LHD GBR
BÜRO MÜNCHEN
Plinganserstraße 57
81369 München
Tel: +49 159 02026265
E-Mail: le@lhd-associates.de
www.lhd-associates.de

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Lindstrom carried out a similar study of his own, comparing brain scans of random volunteers viewing an array of different images – including religious symbols as well as beloved brand-name products like bottles of Coke, Harley-Davidsons and Ferraris. He writes that, when looking at iconic brands, the participants' "brains registered the exact same patterns of activity as they did when they viewed the religious images."

So the solution to the problem of increasing the visibility of insurance brands sounds straightforward enough. It could go something like this: "Create an iconic, compelling insurance brand that will win the trust, devotion and admiration of consumers." Simple? "Simply impossible," many marketing professionals would say.

Back to Lindstrom's study. It also showed that some very well-known brands, including filling station chains like BP, failed to inspire the same "religious" response. It's telling that those brands that did so are all associated with highly emotionalized experiences. Not all brands can – or should – do this. Insurance brands, for example.

An insurance product is neither a cool soft drink nor a thrilling toy for grownups. On the contrary: insurance should provide peace of mind – not a sugar kick and certainly not an adrenaline rush. Insurance is an invisible financial service. This means it offers only limited opportunities for customer loyalty and interaction. So is that it? That branding doesn't work in insurance? Of course it can work! But building a brand in the insurance industry calls for an intelligent, targeted strategy. And this is often missing.

A little more impact than cola

Throughout the DACH region, many insurers retain legacy names and corporate designs that have clearly lost their relevance and capacity to make a lasting impression. In addition, as insurance companies reach out across borders and Germany becomes increasingly international, brand names that are puzzling and/or unpronounceable are becoming liabilities – regardless of the long and venerable traditions they might reflect (sorry).

An up-to-date, trustworthy and memorable name and corporate design are important – and their neglect is an obvious problem. But to succeed, a branding strategy needs to take the entire marketing mix (product, price, position, promotion) into account. Which of these four Ps requires the most attention naturally depends on the individual company and its products.

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In the case of most insurers, the greatest potential for improvement can be found – arguably – in the realm of “product.” This is, in fact, a good thing, as the foundation for any lasting positioning is always laid with product development. And that’s where the building begins: we need to develop products of real and sustainable relevance. And to do this, we must first recognize that consumer needs undergo radical change. Now more than ever!

For example, millennials are far less interested in accumulating possessions than past generations – where does that leave traditional property insurance? Gen Y, with its awareness of environmental threats and climate change, is less inclined to buy cars – what does that mean for the future of motor insurance? Younger people place less importance on owning a home – what will become of homeowner’s insurance? To sum up, the question is: how do you build a compelling and lasting brand promise that meets these evolving needs?

As bestselling author and sought-after speaker Simon Sinek has stated, “People don’t buy what you do, they buy why you do it.” Taking this cue, an insurer can adopt a stance that reflects a sense of purpose that today’s and tomorrow’s insureds buy into. This stance forms the basis for the development of – authentic – products that give a brand more substance and visibility.

Insurance companies that credibly address sustainability issues with their products and take the needs of future generations seriously have a key advantage in overcoming the challenges of interchangeability and customer apathy. And that lays the foundation for emotionally charged communication. Not for cola, but for a product that makes a real difference.

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LHD GBR
BÜRO MÜNCHEN
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81369 München
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40210 Düsseldorf

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