

Digital

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The below demographics are an indication of power of the consumer segment both in terms of spend capacity and mass. Gen Y will set the trend and will influence all demographic segments.*

US Population Distribution by Generation

	2010	2015	2020
Gen X	21%	30%	37%
Gen Y	34%	33%	32%
Boomers/Silvers	45%	37%	29%
Minorities	21%	25%	34%

- By 2015 –Gen Y will have an income of \$2.45 trillion, surpassing the income of baby boomers by 85%
- Combined, Gen Y and Gen X will comprise 70% of the market

Source: "The Future of U.S. Consumer Spending: It's a Generational Thing," SeekingAlpha.com, October 2009.

The changing demographics are indicators that **Gen Y** will dominate demographics because of rapid growth, early adoption and strong influence on behaviors of previous generations. Advances in social and communication media have had a major impact on the consumer segment - they are well networked, have a strong 'virtual' presence, and are well adapted to the technology.

This breed of consumer is redefining the value propositions in every industry. This consumer is digitally active and has access to information, is well connected socially and has an established peer network. They would like more freedom and flexibility in their purchasing experience.

The emergence of smart devices - mobile phone, navigation system, gaming devices, social networking sites – provide consumers real-time access to information. Some of these devices have potential to become multi-purpose devices and will do lot more then it does today (e.g. e-wallet, e-agents that can act on behalf of consumer).



It's June 2014 and Sue Lee is both excited and apprehensive about her upcoming graduation party. She is excited to celebrate this moment and uses her virtual planner to plan the event. She is equally nervous as she is graduating and will need to manage her own finances, arrange for her own home, car, and insurance since she can no longer be covered by her parent's insurance. She is well connected, tech-savvy and well informed. She checks with her peer network to get insights, research, and stories about the products, service, and providers to make purchase decision that fits her need.

The above scenario depict the digitally-networked generation. It is one of the forces that will drive imminent disruption and will push insurance organizations to change and innovate. Internet as a means to buy products has drastically changed the way shopping happens in today's world. The changing demographics in coming decade will see a significant shift in the type of consumer that the insurance companies will have to tackle. Internet will be starting point for over 50% of the shopping activity.

The consumer of tomorrow will:

- Be well connected, socially wired and comfortable with technology
- Want to be in direct control of their purchase
- Trust and rely on the wisdom of their social networks
- Consider many services to be basic and expect them to be free, hence, redefining value
- Be willing to pay premium for customized services tailored to individual preferences
- Demand rich contextual and real-time data and analysis to make decisions
- Spend significant time online while in transit, at work, at leisure and so on, thus facilitating an active interface between the consumer and the enterprise

Consumer

The digital consumer will have a significant impact on three key operating levers of the insurance industry: products, channels and markets. The table below captures the shift in these levers in the coming years.

Shifts	Today	Tomorrow
What? Products with redefined boundaries	<ul style="list-style-type: none"> • Traditionally sole standing • Minimal flexibility • Products driven solely by the insurance companies' vision • Consumers tied to contract 	<ul style="list-style-type: none"> • Flexibility – Product based on consumer's choice and preference (e.g.: Flexibility to bundle product for life, retirement and wealth management needs) • Financial flexibility – Move towards micro transactions (e.g.: Flood insurance coverage sold in \$5-\$10 premium increments, term insurance for a day) • Co-creation / customization – Develop products with, by, and for consumer (e.g. What Lay's did with their chips) • New Business models - Pay as you use products
Where? Channels and nature of transactions	<ul style="list-style-type: none"> • Exclusive Agency (EA) • Independent Agents (IA) • Internet Channel • Banks 	<ul style="list-style-type: none"> • EA/IA – serving only high net worth individuals • Mobility (e.g.: Smartphone providing real-time status information for pay as you use, smartphone becoming POS devices for retailers) • Gaming devices (e.g., XBOX and Wii for brand penetration) • Social Networking sites (e.g., Facebook, Twitter, etc.) • Business ecosystem (e.g., Home insurance policy bought through ADP and insurance company) • Other consumer touch points – ATMs, gas pumps
How? Markets and influencers	<ul style="list-style-type: none"> • Driven by the presence of agencies • Regional promotions and sales drives 	<ul style="list-style-type: none"> • Social listening (e.g., Using the Twitter user base and YouTube audience for products and service performance) • Increased virtual presence - Riding the wave of personalization as content become portable

Consumers like Sue represent the generation who are well-educated, comfortable with gadgets, looking for more flexibility, eco-conscious and well informed. Organizations must prepare and position themselves on all fronts of emerging products, channels and markets to sustain their current industry positions and differentiate themselves as industry innovators in order to grow and a relevant organization for decades to come.

Organizations must invest in developing:

- A robust social strategy to leverage the fast-growing medias of interaction to the new generation of consumers through blogs and social networking sites
- A mobility strategy keeping in perspective the various consumer touch points from smartphones to gaming devices and not just look at it from brand awareness perspective
- Redefine a more agile sales and marketing strategy that is nimble and adaptable to the changing needs of consumers

These strategies would bring them closer to the consumer of tomorrow.

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