

Segmentation and Target Marketing of the LTCi Worksite Market

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May 2005**



Questions

What is segmentation?

Are there different LTCi segments?

How many segments are there?

How big are the segments?

What makes the segments unique?

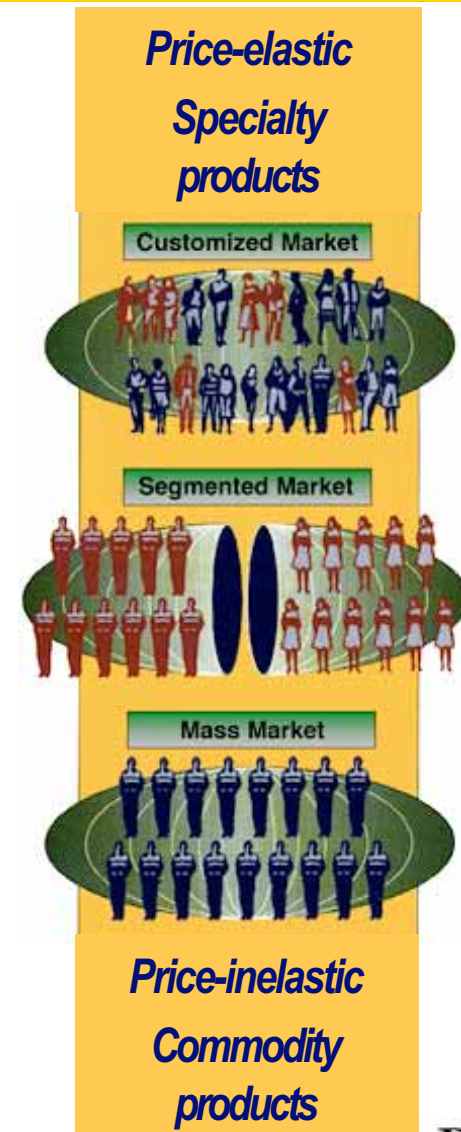
How can segmentation be used to improve Multi-Life LTCi sales?

What is Segmentation?

Segmentation identifies groups of individuals that are maximally similar to one another within each group and maximally different between groups along dimensions that are relevant to marketing

Segmentation = *grouping*

| Represents midpoint between mass marketing of the past and one-to-one marketing of the future



A Very Brief History of LTCi Target Marketing

1980 – 1990s: LTC insurance marketing concentrated on affluent retirees

| Matching sales pitch, product, pricing left to LTC agents

» Agents recognized existence of segments

1990s: Expanding choice in group and association marketing to meet different needs

| Group LTC plans emphasized high-medium-low bundles to match affordability levels

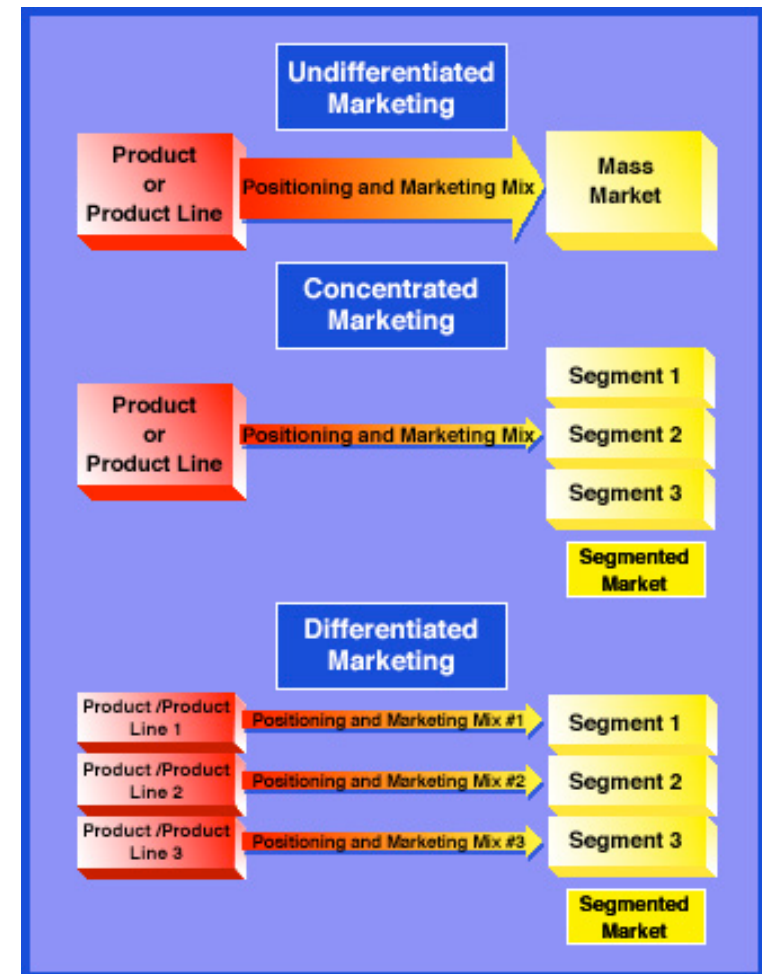
| AARP plan offers bundled or customized approach

2000 – 2005: LTCi product development responds to broad segment needs

| Promote riders to overcome objections

| Promote “Simplicity” to overcome complexity

| Limited pay products to meet needs of affluent and IRA rollover markets



Are there different LTCi buyer segments?

Are buyers all the same? **No**

Are there consumer groups that share common profiles? **Yes**

Messaging “hot buttons”

Product Needs/Preferences

Price sensitivity

Sales channel preferences

Demographics

Lifestyles

Attitudes & Values

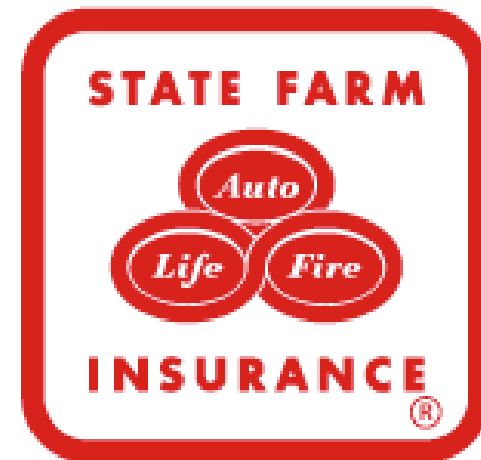
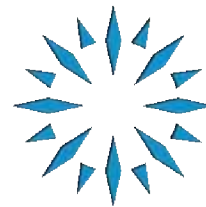
Media usage



The Study



Study Sponsors



Consumer Survey Sample

2,732 respondents recruited from the TNS/NFO Worldwide Interactive Panel of 3.6 million individuals completed the LTC questionnaire

This large sample supported the need to conduct detailed analysis of sub-samples (i.e., 12 segments)

Target Market

Consumer Survey Sample

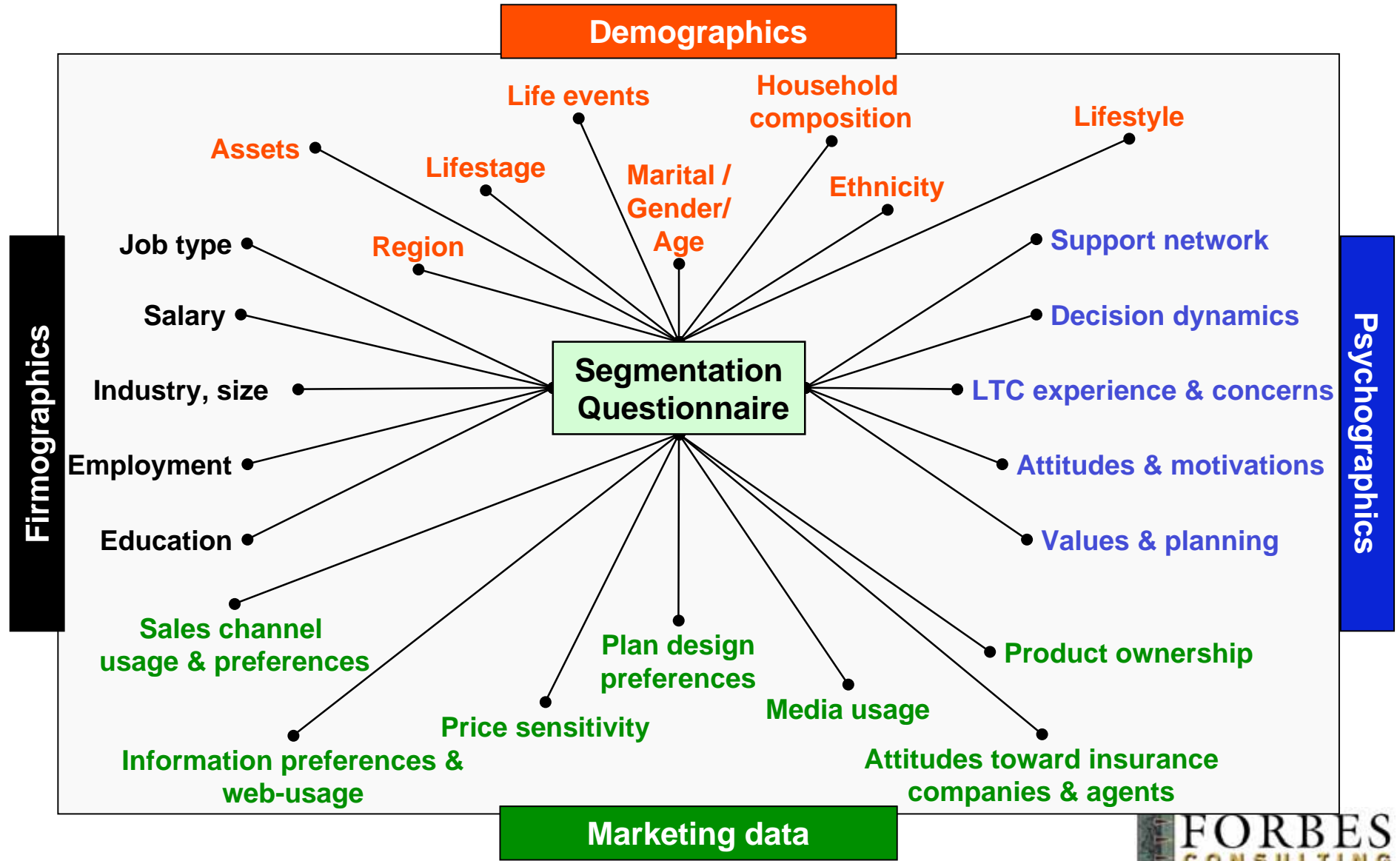
| Characteristic | Sample Size |
|------------------|-------------|
| LTC Owners | 811 |
| Active Prospects | 937 |
| LTC Aware | 984 |
| Total | 2,732 |

| Ages | Sample Size |
|-------|-------------|
| 40-44 | 612 |
| 45-49 | 577 |
| 50-54 | 501 |
| 55-59 | 412 |
| 60-64 | 354 |
| 65-74 | 276 |

Other requirements:

Age 40-59: \$40,000+ household income
 Age 60-74: \$30,000+ household income
 and \$50,000+ assets (not including home)

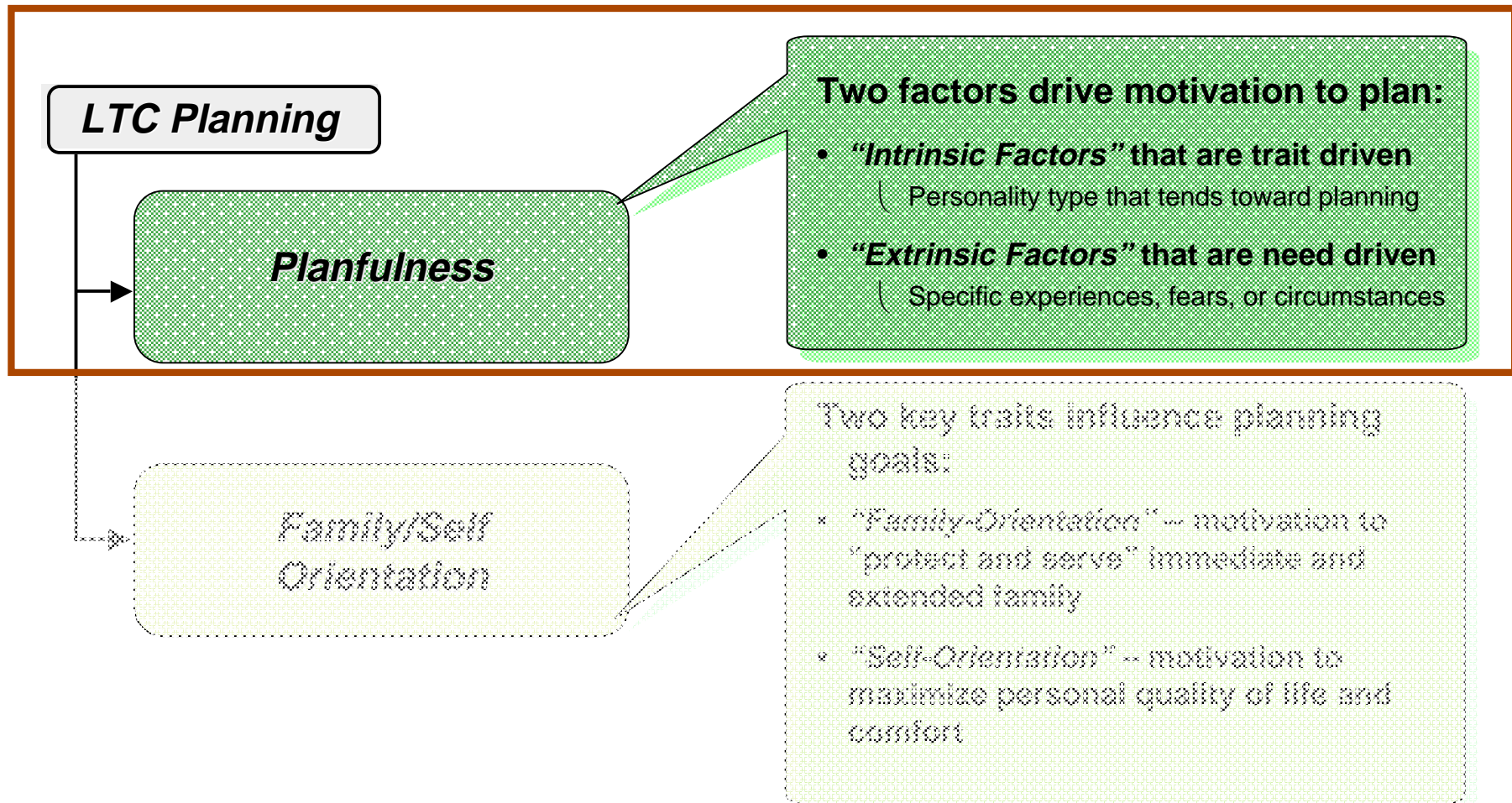
Questionnaire: 360° View of Consumer



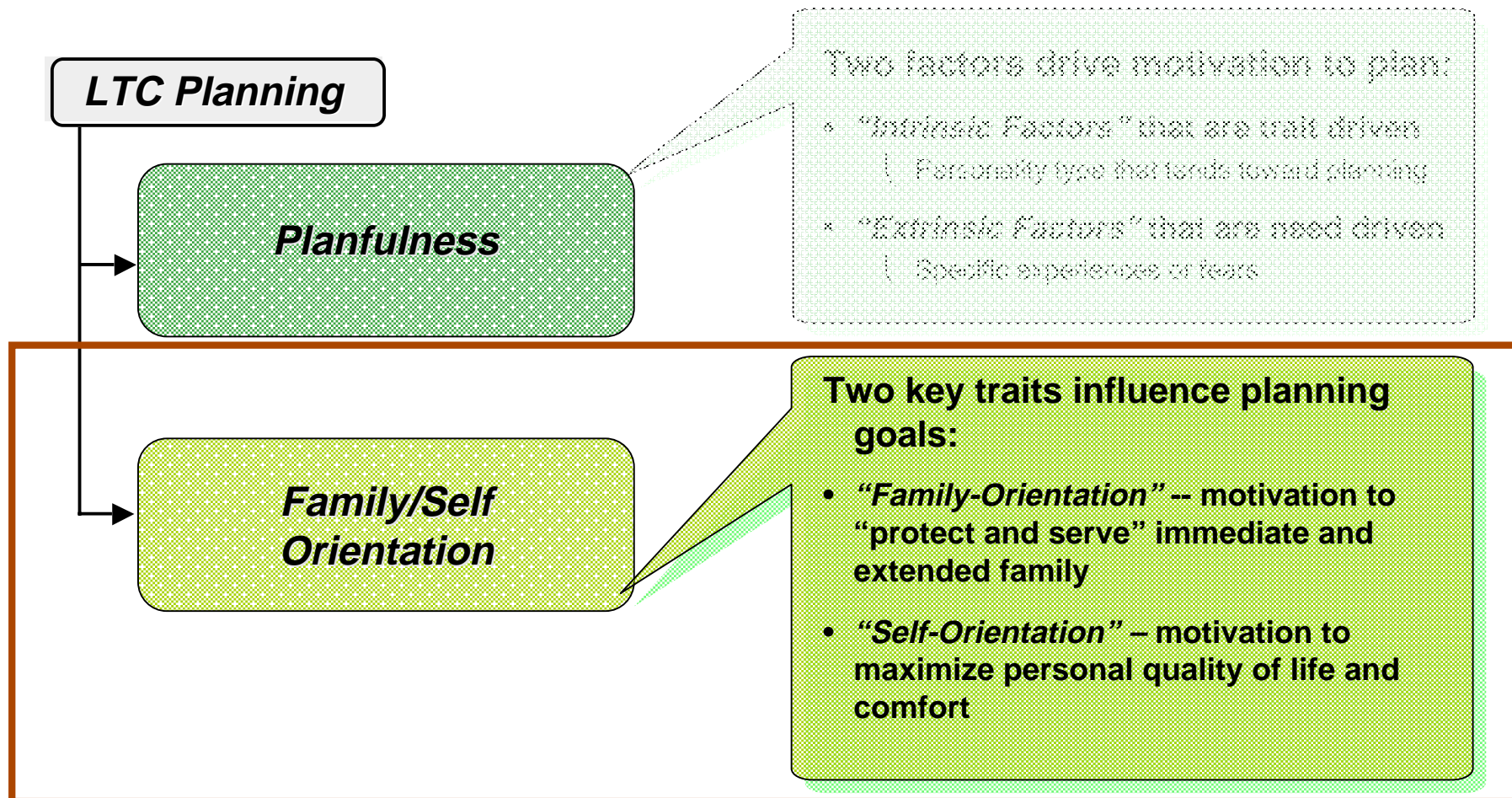
What defines the segments?



Two factors account for differences in LTC planning



Two factors account for differences in LTC planning



Four Basic Segment Types

Planners

Non-Planners

**Family-
oriented**

Motivated to protect family
from burden of LTC

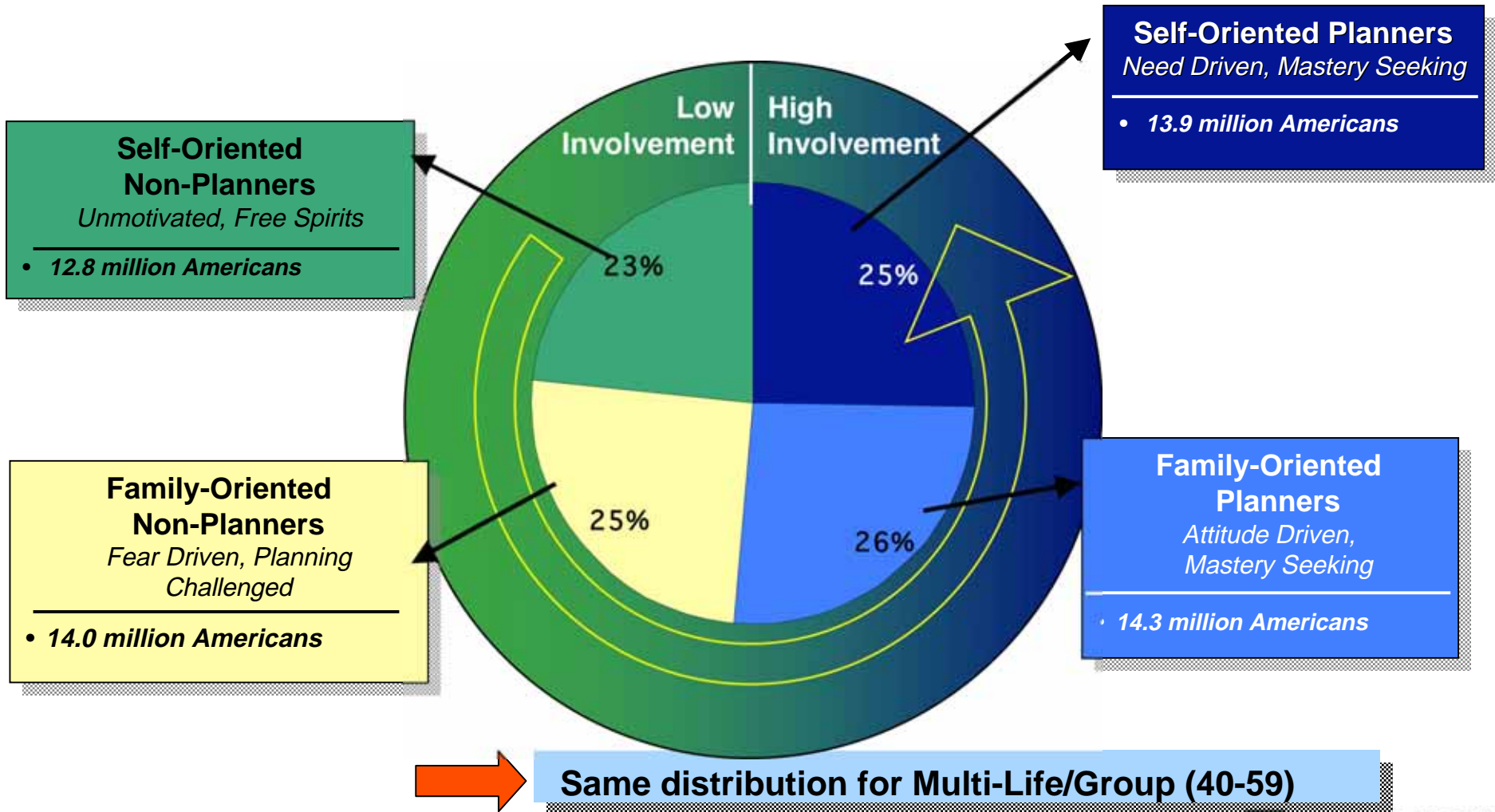
Family should take
care of their own

**Self-
oriented**

Independence,
Control, Comfort

Unconcerned w/ burdening family
or personal well-being

Half of the “target” population represents good prospects



Assumptions: As of July 1, 2003 there were 110m Americans age 40-74; 55m earn above median income

4 Types x 3 Age Groups = 12 Segments

Each type “ripens” at a different age...

| Orientation | | 40-49 | 50-59 | 60-74 |
|--------------|--------|---------------------|-----------------------|----------------------|
| Planners | Family | Family-Centric | Confident Couples | Comfortable Realists |
| | Self | Independence Driven | Self-Directed Singles | Diligent Preservers |
| Non-Planners | Family | Head in the Sand | Passive Burdened | Fear for Family |
| | Self | Live for Now | Fading Denial | Value-Seeking |

...and develops new ways of thinking about LTC as they age

Segment profiles



Family-Oriented Planners

Attitude-Driven, Mastery Seeking

The “Family-Oriented Planner” Story

Jim is a married business executive in his mid-50s who plans to retire early.

Jim’s very confident that he has done a good job of preparing for retirement.

He wants to protect his family from the burden of having to care for him; he’s more concerned about protecting his family than protecting himself.

He’s interested in buying LTC insurance, but doesn’t know exactly what he needs or if this is the right time to buy.



Self-Oriented Planners

Need Driven, Mastery Seeking

The “Self-Oriented Planner” Story

Karen is a divorced professional in her late 50s who lives in a large city. She plans to retire in her early 60s.

She feels personally responsible for LTC planning and believes that she cannot rely on her family or friends to provide it.

Even though she hasn't yet purchased LTC insurance, she fully intends to buy it soon.



Family-Oriented Non-Planners

Fear-Driven, Planning Challenged

The “Family-Oriented Non-Planner” Story

Laura is in her early-50s, married with two teenagers at home. She works for a large manufacturer and gets all her insurance at work.

She does not believe in long-term planning because she believes that things will either work out or they won't.



Self-Oriented Non-Planners

Unmotivated Free Spirits

The “Self-Oriented Non-Planner” Story

Paul is married with teenagers, in his mid-50s, and is a well-paid technician. He’s a bit of a “Peter Pan” – refusing to accept his own aging, going to bars, and playing sports.

Paul is not a planner, he’s more of a gambler. He’s not worried about becoming a burden to his family – he figures that’s why people have families.



Selling to working-age segments



With over 500 Marketing Mix combinations (4 x 8 x 4 x 4), what combination should you lead with?

Message themes

Avoid Nursing Home

**Immediate Risk
(accident, MS)**

**Protect Family &
Inheritance**

**Control over
Quality of Care**

Product design

**Short/Long
Benefit Period**

**Short/Long
Elimination Period**

**Compound
Inflation**

**Shared Family
Benefits**

**Facilities-Only or
Home Care**

Informal Care

Limited Pay

**Daily Benefit
Amount**

Target Premium

Minimal

Low

Moderate

High

Communication & sales channels

Web / email

**Mailing to home
or office**

**Seminar / employee
meeting / telephone**

**One-on-one
interview**

Selling to Motivations and Emotions

Planners

Non-Planners

Family-oriented

Superego

Guilt

Anxiety

Fear

Self-oriented

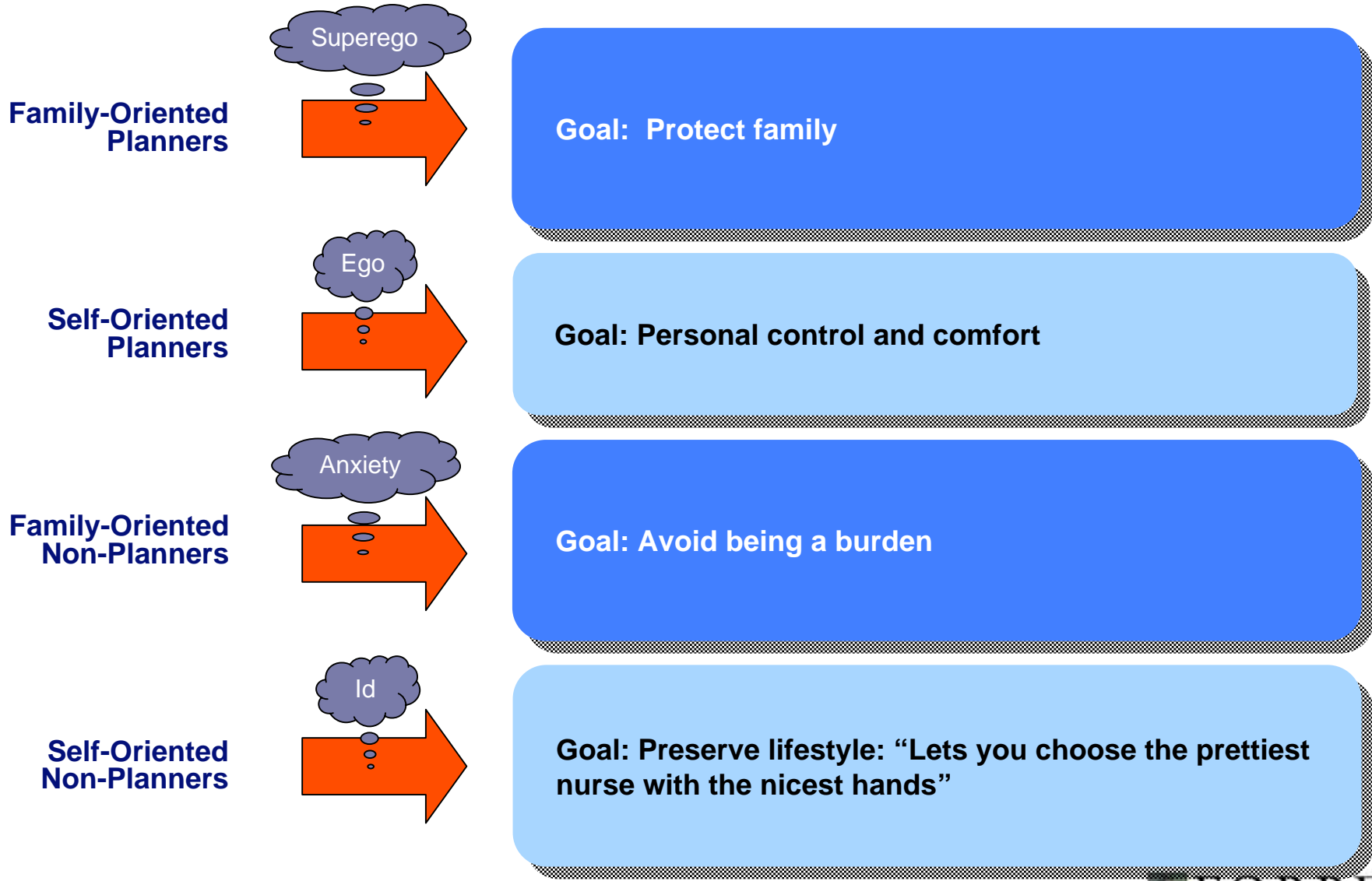
Ego

Control

Id

Pleasure/Denial

A Simplified Guide to Segment Marketing at the Worksite



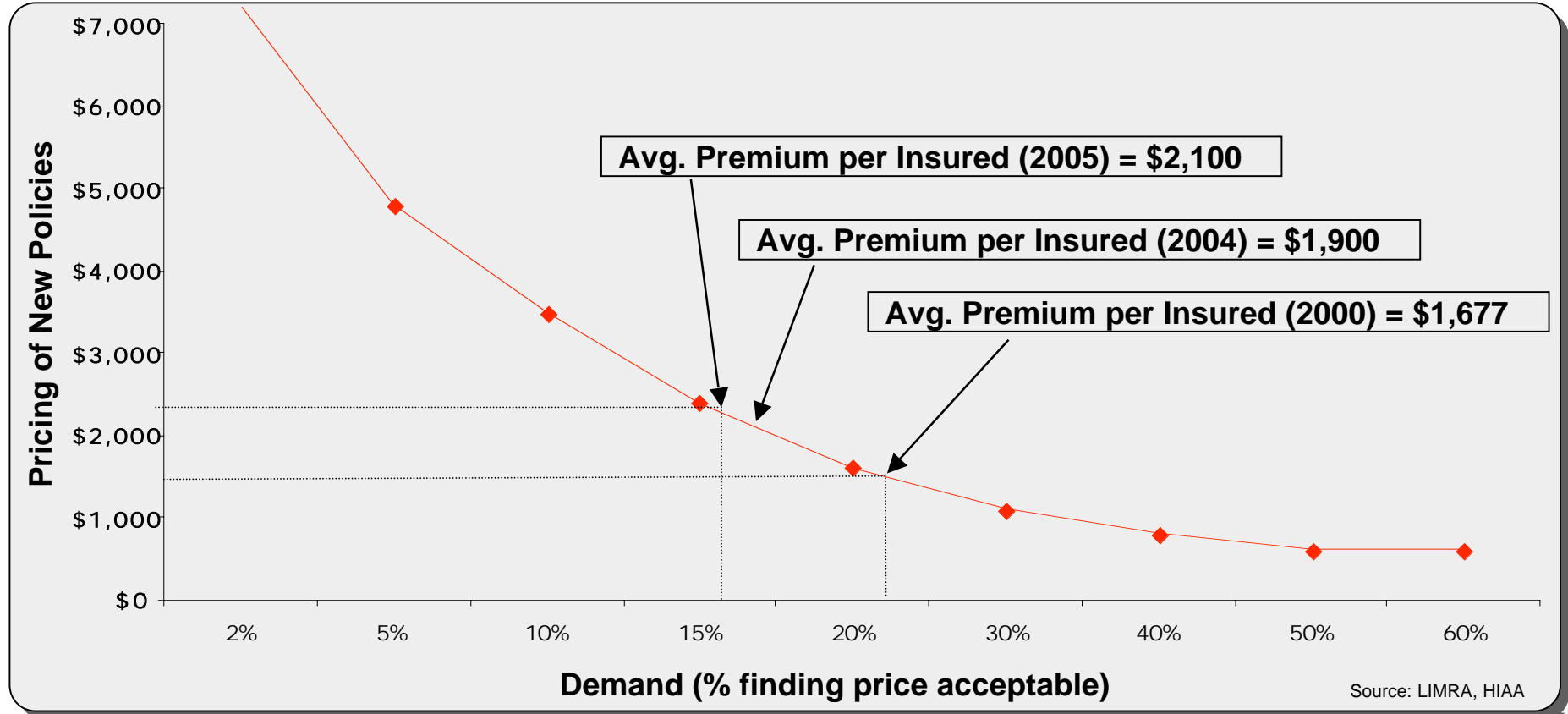
***The role of price in
selling to each
segment***



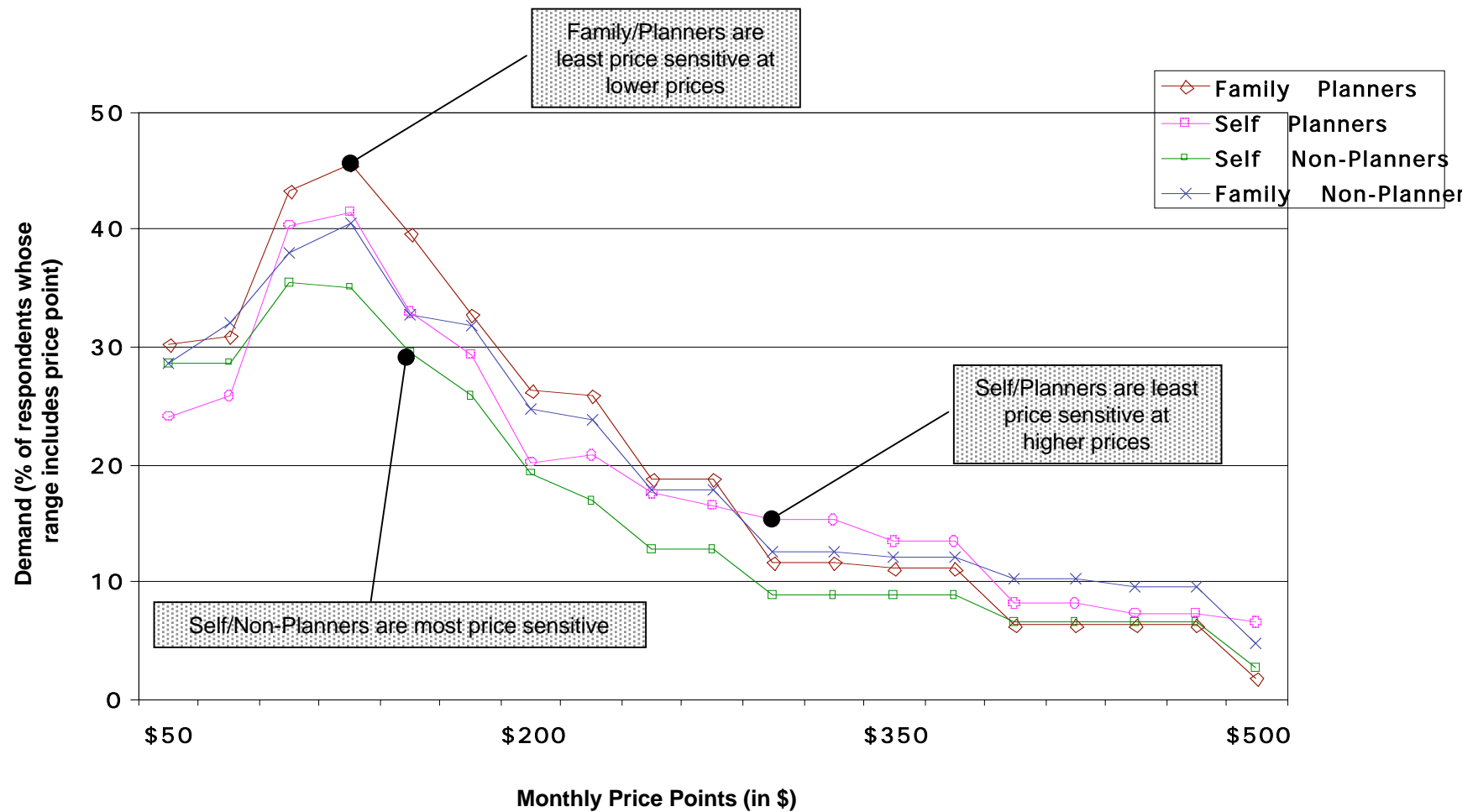
Price Elasticity: The Effect of Upward Pricing of New Policies and Sales

Higher priced new policies largely account for the decline in individual sales

A 20-25% increase in premiums is associated with a 26-33% decline in sales



But, Price Sensitivity Depends on Segment...



Note: These results are for a specific age band

What if we could accurately predict segment membership before the enrollment?



If we knew the segment composition of a group ahead of time...

We would know if we should write this group at all (prospect qualification)

We could select bundled A, B, & C plan designs that align with the primary buying segments' plan design hot buttons and key pricing thresholds

We could tailor our group presentation to the needs, hopes, and fears of the dominant segment

We would dial-up or dial-down our reliance on different communication channels (self-service vs. advisory)

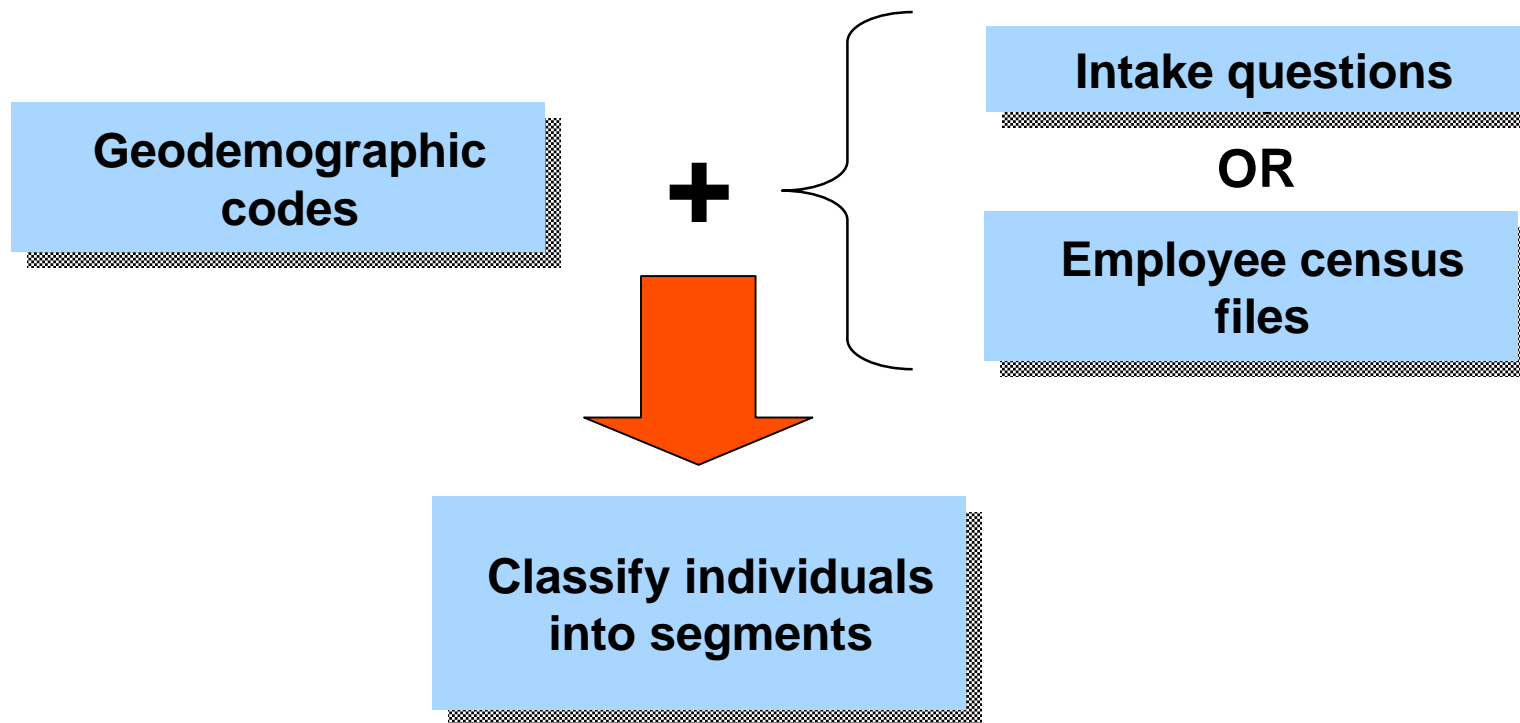
We would dial-up or dial-down our emphasis of the employer, the carrier brand, or the local relationship with the producer

Segment Classification

Sales process is made more effective when prospects are classified into segments before product is presented:

~ 5 “intake questions” re: family support network, financial condition, specific goals (for agents, call centers)

Available data, such as employee census data and U.S. Census information linked to home addresses (for group, multi-life, association)



Key Takeaways

There is no optimal “one size fits all” approach to marketing LTCi

Motivational differences are key to understanding segment behavior:

- | Plan design preferences are linked to specific concerns
- | Price sensitivity reflects immediacy of need
- | Channel behavior is driven by salience of purchase decision (high vs. low involvement)

Being able to pre-identify segments before enrolling employer groups or associations allows you to optimize and target the marketing mix

Being able to identify segments during one-on-one interviews increases your ability to hit hot buttons and make sales

Drop off a business card if you would like to be contacted regarding the LTCi Segmentation Study