

The Seven Habits of Highly Effective EIA Marketing

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For the last four or five years EIAs struck a chord with consumers and were a sales success for producers and insurance companies. When first introduced the EIA concept was new, exciting and unique; it had much more sales sizzle and customer appeal than traditional fixed annuities. This was especially true in a relatively low fixed rate environment because EIAs allowed customers to earn a potentially higher rate than that available on traditional fixed annuities without the downside risk associated with variable products. Along with this exciting new concept came extraordinary product differentiation as insurance companies were challenged to create a foothold in the EIA market.

From three basic designs evolved 45 insurance companies selling over 137 EIA products and almost 30 clearly different methods of calculating and crediting index linked interest. Even with the tremendous product variety available today, future EIA product development possibilities seem to have no end in sight. The excitement is growing.

Seven Effective EIA Habits

1. Knowing Your Customer
2. Creating The Right Product For That Customer
3. Creating The Right Expectations
4. Emphasizing The Guarantees
5. Offering Flexibility
6. Solving Customer Needs
7. Making It Easy To Buy And Sell The Product

With such a varying degree of product designs, crediting methods, participation rates, index margins, caps, etc., it is almost impossible to compare one EIA product directly to another. However, depending on the person to whom the product is being sold there are some general considerations you should keep in mind to ensure you are matching the right EIA with the right customer. There are seven very important issues or "habits" that can make the difference between effectively marketing an EIA product and a marketing effort that falls somewhere short of success.

1. Know your target customer

Whom do you want to purchase your EIA products? Are your target customers in the stock market or variable annuities today? Are you looking to target people who would normally purchase a CD or traditional fixed annuity? How comfortable are they with volatility? Do they need to see gains credited each year or can they wait until the end of a nine or ten year period? Are your customers going to be comparing the return of their EIA with CDs or the stock market? The answers to these questions will help determine which type of EIA product will best fit your target customer.

2. Select the right product

While it is virtually impossible to say that one product design is better or worse than another it is important to realize that one certain design of EIA product may be much more appropriate for a certain customer than another design. For example, a person who is accustomed to having gains credited each year and reflected on their annual statement is perhaps a more likely prospect for an annual reset structured EIA. Likewise a person who has been in a variable product, and who understands how day-to-day market fluctuations can affect returns, might prefer the higher return potential offered by point-to-point styled EIAs. If your product offerings do not match the profile of your target customers you will end up with the proverbial "square peg in a round hole" - it won't work.

3. Create the right expectations

The performance expectations created with EIA products can either help significantly if created properly or hurt us if not presented appropriately.

Performance expectations - either expressed or implied, will be read into everything the customer sees or hears about the EIA whether the expectation is based on company developed sales materials or the agent's presentation. Ensuring that you have created appropriate expectations among both producers selling EIA products, and customers purchasing them, will generate long and lasting relationships with both parties.

4. Emphasize the guarantees

One of the strongest words in marketing anything - whether you are selling vacuum cleaners, cars or annuities, is **GUARANTEE**. When designing and marketing EIA products you must not forget that these are fixed annuities and they have the same basic guarantees as traditional fixed annuities. EIA customers are **guaranteed** not to lose their principal. EIA customers are **guaranteed** a minimum interest rate. And, EIA customers, with most product designs, are **guaranteed** to share in the "up's" of the index and guaranteed not to share in the "down's".

5. Offer plenty of flexibility

A successful EIA product must do a good job of accumulating customer wealth, but it must also have the ability to return to the customer an income when the customer decides they want or need these funds. Most EIA products have provisions allowing the customer to withdraw a percentage of funds without penalty each year. Additional liquidity riders providing customers enhanced access to their funds in the event of nursing home confinement, unemployment, disability or terminal illness can be valuable.

Liquidity and income features will become increasingly important when the first group of baby boomers begins to retire less than ten years from now.

6. Solve customer needs

Remember that customers buy benefits, not features. Products and sales presentations must approach the customer as a solution to his needs, rather than simply selling the highest participation rate or lowest index margin. EIA customers benefit from having their needs solved through tax-deferral, safety, guarantees and liquidity.

7. Make it easy to buy/sell

The job of a marketer is to make EIA products as simple and easy to understand as possible. To do this the marketer must begin with relatively easy to understand concepts and product designs. Customers are much more likely to buy products if they understand them and they are much more likely to understand simple designs than the more exotic ones.

This same theme must be carried throughout the sales literature and producer training materials. Quality producer training literature, point-of-sale videotapes, computer presentations and highly trained sales support staff must have the central goal of making it easy for the producer and customer, but it cannot stop there. The process is not complete if you do not train your sales force on how the product works and how to properly present the product to their clients. Producers must be given the education and training they need to accurately and effectively promote EIA products to their clients. When it comes to this type of training there is really no substitute for face-to-face producer meetings and seminars.

Make successful EIA marketing habits work for you.