I. CHALLENGE

For State Farm to maintain its position as the leading property and casualty insurance company in the U.S., it must begin attracting and retaining a larger portion of the estimated 33-million Young Adults, 18-25. Your challenge is to develop a fully integrated marketing communications program to help State Farm achieve this goal. Proposals should include strategy, creative, media, and sponsorship plans for May 2010-May 2011.

II. TARGET OVERVIEW

Young Adult Target Definition:

Young Adults, 18-25 represent a huge opportunity for State Farm to grow its core businesses. The 18-25 population currently numbers approximately 33 million people. There are over 11 million households that currently include a Young Adult, with an additional 3.3 million as heads of their own household. By age 22 or 23, the older portion of this demographic is more likely to become heads of household.

Currently, State Farm is under-penetrated in this market but long-term growth requires making inroads with the 18-25 age group, in order to build a strong book of business for the future and to guard against an aging customer base. At the same time, brands like Geico and Progressive have been growing among young adults, making them a significant competitive threat.

State Farm defines the Young Adult opportunity as Independent Young Adults aged 18-25. About 17 million Young Adults are considered “Independent”, paying 50% or more of their living expenses. Independent Young Adults are distinguished from Dependents by their autonomy and decision making on both insurance and financial services products. Over 60% are college students and 56% are also working full-time. Not surprisingly, they are more price sensitive. Almost three times as many Young Adults who pay for their own insurance have switched insurance providers (32%) compared to those whose parents pay (12%). Those Young Adults whose parents had State Farm, are considered “Legacy” Young Adults. They are more loyal to their parents’ insurance provider, State Farm, than are new prospect Independents.

The Young Adult target is a diverse group. According to a report in Business Week, this generation is the most multicultural generation to date, with one in three considering themselves not Caucasian. Young Adults within multicultural groups are more likely to be Independent than their general market peers, representing an important marketing opportunity.

[Source: US Census]

Young Adult Mindset:

Little could be of less interest to today’s Young Adults than insurance. For the average 18 to 25 year old, the thought of worrying about things that could happen but might not is tantamount to carrying an umbrella on a sunny day. It’s a topic they neither care for nor are interested in learning more about. Couple this with their sense of invulnerability and it becomes exceedingly difficult to engage them in a discussion about spending money to prepare for the unexpected.
Another key insight into the target’s mindset is the unique combination of fierce independence and rampant insecurity that they face in this transitional period of life. Young Adults want to be considered “adult” yet have limited life experiences. As a result, they often find themselves in situations where they simply don’t know what to do. They are reluctant to ask for advice and bristle if people dictate what they should do. However, they appreciate guidance so long as they feel like they are getting it in a way that does not make them feel “exposed” about all they do not know. They are also extremely budget conscious as they are often worried about reducing debt and just getting started on their careers. But this is balanced by the desire to be insured by a company they trust and that can take care of their needs and issues quickly.

**Young Adult Insurance Category Behavior:**
Young Adults are more likely to be shopping for insurance than other segments of the population. One out of three shopped within the past year, and half of those ended up switching providers as a result. There are a variety of reasons that 18-25 year olds shop to change insurance, with the top being:

- Dissatisfaction with service (including feeling that their previous insurance provider didn’t respond fast enough, made them feel like a number, or didn’t treat them in a way they liked)
- Price
- The purchase of a new or used vehicle

The target uses a variety of channels to conduct business for their insurance needs.

- For price quotes, they prefer online or phone access followed by in person at a local office.
- For advisory issues, obtaining initial coverage and coverage questions, they prefer in person or phone access.
- For account maintenance and learning about additional products and services, they prefer online access.

### III. INDUSTRY OVERVIEW

**Size & Scope**
The property and casualty insurance industry covers a variety of types of insurance, including auto, homeowners, boat, motorcycle, renters, and personal liability. Most P&C (property and casualty) insurance companies, however, focus primarily on auto for two reasons – it is the product that customers most need and the product from which insurance providers generate the majority of their profit. In determining what products to support with marketing dollars, insurers must consider both what’s important to consumers (protecting their possessions, staying legal by having Auto insurance, etc.) and where there is profit potential. Auto represents the biggest piece of the puzzle for both of these, hence it is generally the main focus of most insurers. However, there can be value in supporting other lines of business as well. Consumers both need and want protection in other areas of their lives, and having more than one type of coverage with an insurance provider can favorably impact your Auto rate as well (such as receiving a multi-line discount when you purchase renters or homeowners insurance in addition to auto).

Today’s insurance industry is an extremely competitive marketplace, with top insurers aggressively fighting for new customers while retaining their current policyholders. In 2006, the U.S. auto insurance industry totaled over $162 billion in written premiums (the cost of the total payments an insurer will collect on the policy). Within that market, 64% of market share is concentrated with the top 10 insurance companies. State Farm ranks #1, far ahead of the competition, with a 17.6% share.

![Auto Insurer Market Share](image)

(Source: A.M. Best 2006)
Business Models – Agent vs. Direct:
Today’s insurance landscape is divided into those companies that maintain an independent agent model and direct-to-consumer insurers. The agent based model, including companies such as State Farm, Allstate, Nationwide, and Farmers, stems from the belief that agents are an essential part of a consumers’ insurance experience. It is based on the philosophy that agents can provide critical guidance and consultation for what can be a confusing process; act as a single point of contact for questions, concerns or claim submission; and add an element of humanity (the “face” of the enterprise).

For State Farm, Good Neighbor service is a philosophy the company lives by and a point of differentiation from other insurers. And the representatives of that Good Neighbor service are the State Farm Agents. State Farm has approximately 17,500 Agents across the US and Canada. These Agents are independent contractors who sell only State Farm products and in turn, State Farm products are only available through this Agent force.

In contrast, the direct insurer model seeks to streamline the insurance process by creating efficiencies, conducting business primarily via call centers and the internet. These competitors include Geico, Progressive, and esurance. They cater to an increasingly impersonal world and often offer Auto insurance only, as opposed to a broader array of products.

The rise of the internet has significantly changed the dynamics of the industry. The internet has become a popular way to do business, leading to the direct insurers becoming a significant force in the industry. In addition to basic information, many insurance carriers offer online price quoting tools and price comparisons to aid in the shopping process, and allow for a number of transactions to be handled easily online for existing customers. Today’s Young Adults are used to turning to the internet for solutions and have come to expect immediate answers and accessibility on their terms. For them, insurance providers must be able to provide quotes, answer questions, and settle claims 24/7, in order to remain competitive. This has meant that even those carriers with an Agent focused business model must be prepared to do business over the internet, or be left behind.

State Farm is adapting to a changing world and can now provide price quotes via the internet and a call center to field inquiries 24/7. But Agents continue to remain the center of the business model. Though an inquiry may be initiated online or via the call center, all new inquiries, claims, and follow-up eventually filter back to a specific State Farm Agent in your local neighborhood. For Young Adults, this can contribute to a perception that State Farm is old-fashioned and out of touch with their lifestyle. They don’t understand the value and guidance that an agent can provide and are hesitant to initiate this personal contact when they’re used to doing business in more impersonal ways. They also may not understand that even with the agent model, State Farm can still do business the way they’re used to interacting (online, over the phone) and be available 24/7, around their schedules.

Messaging & Support:
The competitive environment for insurance providers has become much more aggressive in recent years. Price and affordability have become extremely important, all the more so with the current economic situation. Consumers are concerned about getting good value for their dollar, especially Young Adults, who are just starting out and have more limited financial resources. In today’s landscape, consumers are increasingly shopping the insurance category and being bombarded with constant price and discount messaging, while heavy competitive spending is marginalizing brand awareness and top-of-mind consideration. The top competitors are battling for market share, each trying to carve out a distinctive positioning within the category.

Young Adults represent a resistant target for a venerable company like State Farm, which built its leadership position by communicating how it helped people manage the risks of everyday life and recover from the unexpected. While Young Adults describe State Farm as a reputable and aspirational company, they often see it as their parent’s insurance company – an old-fashioned, expensive brand for older, more established adults. These perceptions can make Young Adults feel that State Farm is out of touch with people their age and not a brand for them.
Conversely, other brands in the category like Geico and Progressive have been positively perceived by Young Adults and making strong inroads with the target. Geico heavily communicates a savings message and appeals to their sense of humor and desire to avoid the actual topic of insurance – why talk risk when you can be entertained by a gecko or caveman? Progressive appeals to both their thriftiness and their preferred mode of interaction – online with a “we’ll do the shopping comparison for you so you can just sign up and save” promise.

Geico ranks 3rd in terms of number of Auto policies, trailing #1 State Farm and #2 Allstate. Despite that, they are often perceived as the biggest player due to their incredibly high media spend. While State Farm, Allstate, and Progressive spend at somewhat comparable levels, Geico has been investing significantly more in advertising than any of those brands, outshouting the rest of the category and leading to very high brand and advertising awareness.

IV. PRODUCT OVERVIEW

Areas of Opportunity – Auto & Renters:
State Farm Auto insurance is the strongest product to build a relationship with Young Adults, and the brand can improve its position by showing how SF Auto insurance meets the needs of this target. State Farm has been the leading Auto insurer in the US since 1942, insuring 1 out of every 4 cars, with over 40 million drivers. They are the largest Auto insurer of Young Adults, however, share has been eroding due to action taken by competitors like GEICO and Progressive. Since 1995, State Farm’s share of US licensed drivers has declined compared to total US licensed drivers 18-24. In order to protect State Farm’s leadership position, it is critical to stop the downward trend and demonstrate relevancy of State Farm Auto to Young Adults.

State Farm is #1 in Renters insurance and is highly successful in gaining new Young Adult Renters customers from those who apply for a policy. According to the Insurance Information Institute there is a big opportunity for growth in Renters insurance. A poll done in 2006 by the Insurance Research Council found that 96% of homeowners had homeowners insurance while only 43% of renters had Renters insurance. So approximately 57% of current renters do not currently have insurance coverage, making it an ideal cross-sell once the consumer has decided on Auto with State Farm.

Auto Insurance:
In most states, if you want to drive your own vehicle, you must be insured. Car insurance is designed to help financially cover potential auto-related damages, loss or injuries. It helps protect you, your passengers, your fellow drivers, pedestrians, other people’s property and your car. It can also help protect you in the event of an automobile-related lawsuit.

With all insurers, the price of your Auto insurance is calculated based on a variety of factors, including things like what kind of car you drive; where and how much you drive; your age, sex and marital status; your driving record; your credit history; and limits of liability that the policy provides. All insurance companies use their own complex formulas to determine rates, developed by actuaries and calculated on an individual basis. As a result, there is no such thing as one “low rate” company, unless they are providing less coverage with higher deductibles. Additionally, as each company’s underwriting model (the process by which they determine who they will “accept” for coverage) is different and every consumer is unique, predicting an individual’s rate without going through the quoting process is difficult.

State Farm offers a variety of discounts, including:
- Multiple Vehicle
- Multiple Line
- New Vehicle Safety
- Accident Free
- Anti-Theft Device
- Defensive Driving
- Good Driving
- Good Student
- Driver Training
- Steer Clear® Safe Driver Discount
Renters Insurance:
Renters insurance has few restrictions and is not expensive, but the need for it is still largely unknown. Education about the need for Renters insurance presents a great opportunity for growth with the Young Adult target.

While a landlord’s insurance policy protects the building itself, Renters insurance can protect your personal property in your apartment against fire, theft and vandalism – which your landlord won’t cover. In addition to covering everyday necessities like furniture and clothes, it also helps protect theft-prone valuables like your laptop and bike – even if you take them out of your apartment.

Renters insurance can also help protect you in case of a liability lawsuit against you. This could occur in a situation where you are held responsible for injury to a person or damage to their property – whether the incident occurred within your rented residence, or elsewhere.

State Farm offers some discounts for Renters insurance, including:
- Multiple Line Discounts (when purchasing both Auto and Renters)
  - With the Auto and Renters discount, you can generally get $10,000 Renters coverage for only about $1 to $2 per month more than for just Auto coverage alone
- Home Alert Discounts for devices such as fire or smoke detectors, or burglar alarms

Additional State Farm Products:
State Farm provides a number of other insurance and financial services products. While Auto and Renters insurance represent the biggest growth potential for the Young Adult target, opportunities may exist to support other lines of business to meet our objectives with the target. Note that there are some legal regulations involving how insurance and financial services products can be advertised together. While these must be taken into account when supporting these products in the market, they will not be factored into this case.

There are a number of companies within the State Farm Group, covering the wide array of lines of business, including:
- State Farm Mutual Automobile Insurance Company focused on providing Auto insurance.
- State Farm Life Insurance Company which provides Life insurance products.
- State Farm Fire and Casualty Company including homeowners, renters, boat owners and many commercial and small business lines.
- State Farm Bank, which received its charter in November 1998 to provide consumer-oriented financial products including bank accounts, credit cards, loans, and mutual funds.

V. STATE FARM & YOUNG ADULTS – WHERE WE’VE BEEN

The “Now What?” Campaign:
Several years ago, State Farm initiated a Young Adult task force to put together a plan to try to market share with the target. The brand recognized that in order to get Young Adults to think differently about the brand, it had to act differently towards them. In order to get Young Adults to recognize that State Farm was a brand for them, the challenge was to puncture their indifference to the insurance category, engage them with the brand in a way that would cause them to re-evaluate its relevancy, and finally, jolt them into action.

In 2006, a series of unbranded television, print, digital and OOH executions were created that featured provocative situations and posed the question “Now What?”, providing just a web address as the answer – nowwhat.com.

Rather than using the typical scenarios featured in most insurance advertising – car accidents and property damage – the campaign focused on real-life situations that might not immediately trigger an insurance association, such as: hearing a freshly installed air conditioning unit slip out of an apartment window, or watching a group of club goers leave a car outside of a busy night spot with someone they mistake for the parking valet. By pairing these unfortunate events with the question “Now What?” State Farm tapped into a key target insight – Young Adults don’t always know what to do. These highly relatable scenarios could cause them to question what they might do in the same situation, and be intriguing enough to get them to visit nowwhat.com to figure out “how it will end”.


The success of the program hinged on nowwhat.com delivering a relevant experience for Young Adults – one that would reflect positively on State Farm and cause them to re-assess the brand’s appropriateness for them. As a result, the site was not anything like the traditional statefarm.com site, which was copy intensive, confusing, and difficult to navigate for quick answers.

Nowwhat.com provided helpful insurance advice in a tone and style that Young Adults appreciate – entertaining, simple, interactive, and approachable. Insurance information was served up in an engaging way (such as games and short videos), and carefully designed to represent the types of cars that target drove, the apartments they lived in, and the belongings that were most important to them – computer, cameras, bikes, guitars, skateboards and electronic gadgets. The site tastefully, but clearly, revealed State Farm as its sponsor and offered an easy way to find an Agent for an insurance quote.

In addition to relevant insurance information, the nowwhat.com website also tapped into a key passion point of Young Adults, music, in order to create a relevant and engaging connection. “Now What?” appeared in places such as at local music festivals and concerts the target attended, and the site became a source to view videos and backstage interviews with their favorite bands, see exclusive concert footage, and download free music.

With limited budgets to generate awareness and interest in nowwhat.com, State Farm needed to place the unbranded advertising in places that would attract a high concentration of Young Adults and mark a radical departure from the traditional State Farm media plan. TV ran on highly targeted cable networks such as MTV, VH1, and Cartoon Networks’ Adult Swim. Events were carefully chosen to deliver the 18-25 year old audience. And digital advertising not only appeared on highly targeted sites, but took advantage of the music connection as well, leveraging sites like MySpace band pages, ArtistDirect, and mtv.com.

The creative and media strategies were inextricably linked: advertising was used to set up a problem and the website to solve it and position State Farm in a much more contemporary and relevant way.

“Now What?” Results:
“Now What?” was created as an unbranded bridge to the State Farm brand, with the goal of gaining share of the young adult market, ages 18–25, by changing the perception of the brand among this group. In its three years in market, it was successful in achieving key goals.

1. Changed Perceptions: Young Adult perceptions improved on key attitudinal measures for brand relevancy.
   - Young Adults 18-25 who visited nowwhat.com, were asked how strongly they agreed or disagreed with various statements about State Farm that related to them seeing the brand as relevant to them and their lifestyle. Results were compared against a control group of Young Adults who did not go to the site. Across all brand attributes rated, significantly higher ratings were found for the group exposed to nowwhat.com.
   - Young Adults 18-25 were surveyed to track their awareness and perceptions of insurance brands and advertising. State Farm led over competitive brands on key perceptual and favorability measures.
II. Changed Behavior: Policy increases were seen for key products among the Young Adult target.

- The number of new Auto and Renters policies purchased by Young Adults 18-25 was tracked each year to determine increases in the number of new policies written among the target. Significant gains were tracked for both Auto and Renters among 18-25 year olds.

VI. STATE FARM & YOUNG ADULTS – WHERE WE’RE GOING AND WHY

In its three years in market, the “Now What?” campaign allowed State Farm to begin making inroads with the challenging Young Adult target. There are several lessons that were learned along the way that can be helpful in determining the path ahead:

- Young Adults’ perceptions of State Farm can change when they are spoken to in a uniquely relevant and engaging way
- In order to connect with Young Adults, State Farm needs to find them where they live and push boundaries to be in their spaces, connecting via their passion points and interests
- To truly engage Young Adults with product information and get them to consider State Farm, it needs to be provided in a way that’s entertaining and gives them an active role
- An unbranded campaign creates limits in its inability to allow for specific product or affordability messaging within communication and the inability for State Farm Agents to be able to leverage the campaign
- Due to the need to stay fresh and surprising in the digital space, messaging needs to continue to evolve to stay engaging to the target
- In today’s climate, more than ever, Young Adults are receptive to brands that can provide guidance to them in ways that are helpful, relevant, and on their terms. State Farm’s brand promise provides an opportunity to engage and provide support in uncertain times.

While the “Now What?” campaign acted as an effective way to begin building a bridge to the State Farm brand with Young Adults, the time has come to evolve communication to the target. Going forward, the goal is to find a way to continue to change Young Adults’ perceptions of State Farm and drive growth, with a campaign that’s branded. This will allow for State Farm to speak openly to Young Adults about specific products and benefits, involve State Farm Agents in the campaign, and maximize marketing dollars by working in synergy with General Market messages.

VII. STATE FARM BRAND OVERVIEW

History:
In 1922, a retired farmer and insurance salesman named George Jacob Mecherle determined that farmers drove less and had fewer auto accidents than city dwellers. As a result, he thought that they should pay less for automobile insurance. The insurance company he worked for didn’t agree, so he started his own company, State Farm, dedicated to fairness and doing the right thing for the customer.

His belief in insurance coverage at a fair price, coupled with fair claim settlement, is at the cornerstone of State Farm’s success and still a guiding principle. Today, State Farm insures more cars than any other insurer in North America and is the leading U.S. home insurer. And with the launch of State Farm Bank in 2000, also provide a wide array of financial products and services.
Mission Statement:
State Farm’s mission is to help people manage the risks of everyday life, recover from the unexpected, and realize their dreams.

We are people who make it our business to be like a good neighbor; who built a premier company by selling and keeping promises through our marketing partnership; who bring diverse talents and experiences to our work of serving the State Farm customer.

Our success is built on a foundation of shared values – quality service and relationships, mutual trust, integrity and financial strength.

Our vision for the future is to be the customer’s first and best choice in the products and services we provide. We will continue to be the leader in the insurance industry and we will become a leader in the financial services arena. Our customers’ needs will determine our path. Our values will guide us.

Brand Promise:
State Farm understands that nothing’s more important than being there: Like a good neighbor, State Farm is there.

Brand Tone:
State Farm takes their role as Good Neighbor very seriously. This permeates their beliefs and actions and sets the tone for the kinds of communication that are brand appropriate.

A Good Neighbor:
- Acts inclusively and makes people feel welcomed, valued and accepted
- Is honest, looks out for your best interests, and has your back
- Does not exclude, alienate or disparage
- Does not poke fun at others but is certainly willing to share a good joke
- Never makes people feel excluded with excessive violence or innuendo that might offend

Brand personality can be summarized as follows:
- Established and experienced yet surprisingly forward-thinking. Sincere, empathetic, and trustworthy.

VIII. ASSIGNMENT
Challenge:
Develop a fully integrated marketing communications program, to continue to change Young Adults’ perceptions of the State Farm brand, moving beyond the previous “Now What?” campaign into branded communication.

- Target: Independent Young Adults 18-25
- Timing: May 2010-May 2011
- Budget: $40 million

Business Goals and Objectives:
Overall goal is to gain State Farm’s fair share of the Young Adult market by changing the perception of State Farm among Young Adults, which will then lead to consideration of the brand and purchase.
- Primary objective is to achieve growth through new Young Adult Auto policies
- Secondary objectives include achieving growth through:
  - New Young Adult Renters policies
  - Retention of Legacy Young Adult Auto policies (those Young Adults from an existing State Farm household)
  - Retention of current Independent Young Adult Auto and Renters customers
Guidelines:

Comprehensive plans should be sure to address the following areas:

- **Strategy**
  - Marketing communication strategy based on the above target and goals that clearly lays out target insight, single main idea around which communication will be based, support, and tone
  - Strategy and all work created should be mindful of remaining consistent with the Brand Tone detailed earlier in this document
    - There is a desire to contemporize State Farm with the target, but still remain true to who we are as a brand

- **Creative**
  - Specific examples of creative work to bring your communications plan to life
  - This should include work to fulfill the media plan, activation of any sponsorship or grass roots efforts, and any online destinations such as landing pages or micro-sites to be developed

- **Media Plan**
  - Media plan to bring the communication strategy to life, considering both mass media and non-traditional tactics

- **Sponsorship Plan**
  - Sponsorship/event plan that considers any relevant partner relationships that will help accomplish objectives with the target

- **Measures of Success**
  - Plan for any metrics you will put in place to measure the success of your efforts in achieving objectives