What's Your ZIP Code's Annuity Potential?

By Kerry Pechter   *Thu, Jul 24, 2014*

IAP, a small market research firm, analyzes and compares two giant databases to discover whether a particular ZIP code in the U.S. is saturated with annuity sales, underdeveloped, competitive or uncontested.

If you ever read or watched *Moneyball*, the book and movie about the Oakland Athletics, you know that the application of statistical analysis to the chore of identifying under-valued ballplayers helped turn a mediocre club into a contender, if not a champion.

Bill Poll, co-founder of a New Jersey-based market research firm called [Information Asset Partners](#), wants to help annuity producers, wholesalers and manufacturers sell more annuities with less wasted effort by using a similarly data-driven approach.

As Poll explained it to *RIJ* recently, his company uses data from a massive biennial survey of household finances, called MacroMonitor, to create a profile of likely annuity buyers. Then it grades U.S. ZIP codes on their annuity sales potential, as indicated by their density of such people.

That's Step One. In Step Two, his firm uses regularly updated annuity sales information, from DTCC, the giant securities clearinghouse, to grade U.S. ZIP codes on their actual level of sales. By cross-referencing sales potential with actual sales, he can tell if a territory is saturated, underdeveloped, concentrated or diffuse.

IAP's product is the Annuity Market Assessment, and Poll, a former Dun & Bradstreet marketer with an MBA from Columbia, has been pitching it to prospective customers—insurance companies, insurance marketing organizations (IMOs), broker-dealers, individual producers and journalists—since last February.

"Someone compared my solution to fracking," Poll (right) told *RIJ* recently. He meant it in the sense that the fracking industry locates resources that are widely dispersed and not amenable to traditional mining techniques. "It's a new technique for extracting more sales from the same territory."

"For instance, we can look back at 2013 and ask, 'How much business did you write in the most highly competitive ZIP codes? Give me your production numbers and we'll see if you're getting your chunk of the competitive markets.' Or I can show them some ZIP codes that are not highly developed and suggest that they hold their seminars there. I'm giving them a sense of what the grass roots look like."

That may sound straightforward, but it takes rocket science to build the algorithms that distill the characteristics of likely annuity buyers, to create independent benchmarks for every state in the Union, and to keep sharpening the blade with new data. IAP's resident rocket scientist is Raisa Suhir, a graduate of Moscow University and Dun & Bradstreet veteran who co-founded IAP with Poll in 2003.

Actual sales per ZIP code

IAP's annuity sales data comes from the Analytic Reporting for Annuities service of the Insurance and Retirement Services division at DTCC, the Manhattan-based, user-owned organization that clears trillions of dollars in securities trades every day for financial industry.

DTCC can provide annuity sales flows and numbers of contracts sold, which it gets from participating insurance carriers and broker/dealers. In 2013, 117 carriers and 138 distributors reported $94 billion in sales of 3,467 annuity products.

Andrew Blumberg, group director of Analytic Reporting at DTCC, has been collaborating with Poll. The two worked on webinars in July for members of the Retirement Income Industry Association. DTCC is active in RIIA and RIIA's research director, Elvin Turner, brought IAP and DTCC together last summer.

"Bill may be the only one out there who, besides looking at what's happening in each ZIP code, has the extra dimension that measures what the market potential is," Blumberg told RIJ. "That allows him to be prescriptive on ZIP code by ZIP code basis. That kind of information can tell whether the area is producing up to potential or if it's saturated.

"You could give IAP's analysis to a branch manager at a broker/dealer, and he or she could tell, within a 15 or 20-mile radius of the office, where the business is: what types of products are selling and what types of accounts it's going to. For a wholesaler, this helps develop the picture of a market in a way that people haven't been able to do until now.

"DTCC doesn't do this kind of work itself, but we always envisioned that our partners would use our data and combine it with data that we don't have to develop entirely new views of the market. We think it's unique and potentially powerful for our customers."

"Using the DTCC data, we can see, at the state level, names of companies and their market share," Poll said. "That's useful from a marketing perspective, but you still need it brought down to the branch or practice level. So the solution we've created is as much for the wholesaler calling on the RIA or the branch so they can understand how this market is similar or different from another."

Potential sales per ZIP code

DTCC's data is only half of what IAP needs to fuel its Annuity Market Assessment. It also needs the MacroMonitor, a storehouse of detailed information on the attitudes and buying habits of American households, based on survey of 4,200 representative households and refreshed every other year.

"The MacroMonitor uses statistical survey technology, employing random probability sampling, to gather a representative national sample of 4,200 household decision-makers, including all of their personal balance sheet items and their attitudes about financial needs," said Larry Cohen, vice president, Strategic Business Insights.

The household survey captures over 3,600 variables, and asks about ownership of products from 160 specific financial services companies. "The goal is to have a complete household balance sheet and an understanding of the goals and motivations, and to do it in a way that projects to the entire nation. We've been doing it since 1978," Cohen told *RIJ*.
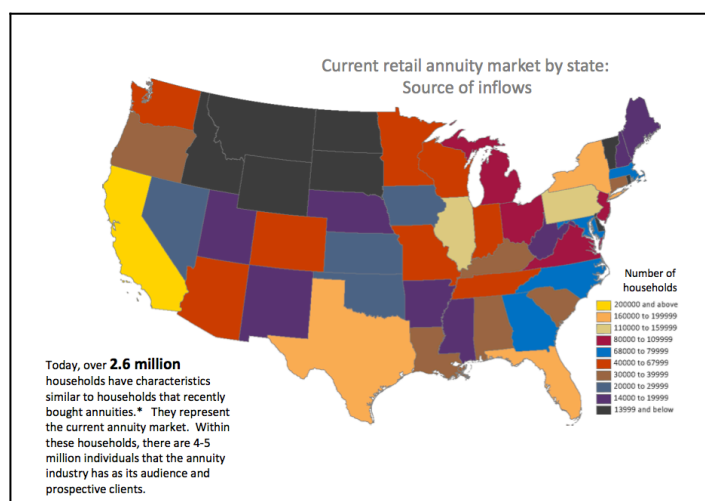
"IAP can go to the MacroMonitor, pull out a sample that shows the characteristics of people who own or who have recently bought or who are likely to buy annuities, and find ZIP codes with those people," he added. "The DTCC data tells IAP what was sold, and MacroMonitor tells them the potential for sales"—based on the match-up between the characteristics of people in a specific ZIP code and the people who buy annuities.

"We look at the underlying characteristics of annuity buyers, and ask, 'Who looks like a buyer?'" Poll told *RIJ*. "We don't just look at age or investable assets. Hundreds of variables go into each equation. Each has its own weight. And that's how we score the micro-geographic markets."

Locating opportunity

Those buyers are scattered in ZIP codes all over the country. At present there are 2.6 million households in the U.S. (and four to five million individuals in those households) that resemble households that have recently purchased annuities, according to a slide from a recent IAP webinar.

In terms of sales, annuities traditionally hew closely to the 80:20 rule. Seventy percent of these households are located in just 22% of America's 30,000 ZIP codes, and 57% or 956,000 of those households are located in 12 large states: California, Florida, Georgia, Illinois, Michigan, North Carolina, New Jersey, New York, Ohio, Pennsylvania, Texas and Virginia.

To locate high-potential ZIP codes anywhere in the country, IAP works state by state, classifying each ZIP code according to two criteria: actual sales and households with potential. Each ZIP code is graded, in Tier 1 through 4, according to whether it's three times the state benchmark, twice the benchmark, at the benchmark or below the benchmark for each criterion. When he merges the two grids, he can tell if the annuity market is saturated, undeveloped, concentrated, or diffuse. He can do custom work by integrating a company's or a producer's own data.

The significance of this is demonstrated in one of IAP's webinar slides. It compares ZIP code 32034, Fernandina Beach, Fla., with ZIP code 33311, Fort Lauderdale, Fla. Both had Tier 1 sales potential, but Fernandina Beach had Tier 1 sales flow in 2013 ($17.3 million) while Fort Lauderdale had Tier 4 sales flow ($3.6 million).

The two ZIP codes offered different kinds of opportunity. Fernandina Beach was a strong but highly competitive market, where growth could come by grabbing a larger share. Fort Lauderdale was relatively undeveloped, with lots of untapped high-potential households and room for multiple companies to grow.

The applications for this type of data, Poll believes, are significant. By overlaying their own sales data, individual manufacturers, distributors and producers can see how they are doing relative to the overall market. Companies can decide where they should send their wholesalers. Sales managers can set sales quotas or expectations based on the characteristics of the territory.

Marketing the tool

Poll is now pounding the pavement, literally and virtually, in search of customers who can use his Annuity Market Assessment. He has gotten some coverage in the trade press. He has done webinars hosted by RIIA. "I'm talking to anyone who sells annuities. I'm selling solutions. I just got off the phone with a producer in Dallas–Fort Worth who wants to understand his market and the Lubbock market," he said.

IAP can use the same data to create different solutions for different clients. "For carriers and broker-dealers, the AMA is a market share improvement tool and sales/marketing performance tool. For IMOs, there are the added recruiting and direct marketing applications. For the producer, it's about evaluating adjacent markets and improving direct marketing performance. There are lots of 'end customer' insight applications but now I'm focusing on the wholesalers and producers who have quotas to meet this quarter."