

# ON SOUTH ASIAN SIDE



## Nationwide Financial Service changes its marketing strategy to invest in flourishing South Asia

SUJATA SRINIVASAN

NOT too long ago, Columbus, Ohio-based Nationwide Financial Services, Inc. (NFS), a provider of insurance and financial services, was a relatively unheard of brand in the South Asian community. That changed when the insurer plucked industry veterans Tariq Khan and Aamir Chalisa, both of South Asian origin, from competitor MetLife for whom the duo had successfully designed and executed the first ever ethnic marketing strategy for the South Asian market.

Both came to NFS three years ago. "Since 2006, when we started the ad campaign in the South Asian market, the amount of business that Nationwide has done in the South Asian community has doubled," said Chalisa, director of market development and diversity for NFS, a position he filled earlier this year after Khan left to head Dutch insurer ING's South Asian market development initiatives in the US.

"Today, we have grown exponentially in terms of branding. Our campaign has comprised of three things: print and TV ads that target South Asians; print ads for career opportunities at Nationwide — our field force has grown after we started running these ads. The third is we have increased our participation in South Asian events throughout the country — Independence Day, Bollywood Night, Indian or Pakistani doctors' conventions etc.," said Chalisa, whose job responsibility is to also strategically grow the sales force which currently totals 36,000 employees and 10,000 independent insurance agents. He is poised to enhance the company's outreach to diverse markets by recruiting financial professionals from diverse populations. "We realized that Nationwide did not have a diversity program as such on the career side, so we brought it to Nationwide in 2005. Now we're

a world apart from what was known about Nationwide in the South Asian community then and what is known today," he explained.

Chalisa said the company's diverse employee base has changed the organization's culture. "People within Nationwide have understood the South Asian market - this market didn't exist within Nationwide a few years ago. Diversity has led to branding," he pointed out. "You look at MetLife when we started the campaign back in 1997. It took five to six years before people started getting even comfortable (with targeting the pan-Asian market). New York Life has been in the Indian market since the late '80s and it took them years to get to that level (of brand recognition). We have been able to (build brand recognition) in just two or three years, which is a very short time."

### Targeting the ethnic funny bone

CHALISA said immigrants from India and Pakistan are familiar with the concept of insurance and come from a social culture where parents provide for their children's education and put away savings for retirement. "That's why you find insurance companies like us looking to invest money in these markets," Chalisa said.

However, he declined to disclose the amount NFS has spent to date and allocated for this segment. "Nationwide is very committed to the South Asian market and the South Asian community in the Nationwide Financial Network channel is the largest. In the ethnic



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### Targeted advertising will be effective if the product has something customized to the community

market, our focus has been on the South Asian market the last couple of years. That's where we're spending a lot of our resources today," he pointed out. "The fact that three years in a row we've come out with new commercials (targeting South Asian customers) - that is a very unknown thing. Most companies take years to create a set of commercials. We have done six every year. In a period of two and a half years, we've released 18 commercials — that's a commitment to the community."

The company has customized its brand message for the South Asian community by using ethnic phrases, humor and music. "We focus on issues that are known to be of concern in the community. For most people who come from a South Asian background, the family orientation is very big - taking care of older parents, spouse and children," Chalisa said.

Diversity continues to gain momentum at NFS. Candace Barnhardt, chief diversity officer at NFS, reports directly to the CEO. Most chief diversity officers report to the human resources division.

"We believe that diversity spans well beyond the make up of our workforce, which is the focus of the human resources division. Our diversity initiatives involve five elements: our workforce; our workplace — the way in which we create an environment of inclusion; community — the way in which we engage the diverse aspects of the communities in which we do business; the market place; and

## 'Nationwide as a company brings in humor, we want to keep the brand essence'

Nationwide has a series of sparkling new ads for the Indian-American community, featuring the unforgettable Sanjaya Malakar of American Idol fame. Jinnie Kim of A Partnership, Inc., a New York-based advertising firm that specializes in translating brand messages for the South Asian market, spoke to SUJATA SRINIVASAN on the nuances and effectiveness of customizing its client Nationwide's message for the Indian-American community.

■ **What quantifiable results have you had from your ads for Nationwide that target the South Asian community in the US?**

Ever since we started advertising Nationwide in the South Asian community, Nationwide's brand recognition went up from 68 percent to more than 80 percent between 2006 and now.

■ **Nationwide has a universal message - 'Life Comes At You Fast' - which is common to all market segments. How do you**

**customize this specifically for the South Asian market?**

We translate the brand idea into the Asian culture by coming up with scenarios where 'Life Comes At You Fast' fits in an Indian context. A common theme is wedding and education, since the community places a lot of value in both.

■ **You've developed six new ads this summer airing in South Asian TV channels such as Zee TV and Sony Entertainment TV featuring Sanjaya Malakar of American Idol fame. What made you pick Malakar to carry Nationwide's brand message to the community?**

(The idea of roping in) Sanjaya came about when Nationwide did a commercial featuring



Nationwide roped in American Idol contestant, Sanjaya Malakar, to connect with the Indian community

Kevin Federline. (A Super Bowl ad last year showed Federline snapping out of a daydream in which he was a rap star to flipping burgers at a fast food joint, the reality).

Sanjaya did make a big splash in American Idol. He was very recognizable in the Indian community and epitomized

'Life Comes At You Fast' because of his five minutes of fame on the show. One moment you can have everything; the next moment you may not. His personality fit well with Nationwide.

■ **Your competitors MetLife and New York Life also have ads that target the South Asian market. What differentiates you from them?**

MetLife and New York Life's brand personalities are very different. For instance, New York Life's messaging has a more serious tone. Nationwide as a company brings in humor. We've had really good feedback from the community

on how our commercials are entertaining. We want to keep that brand essence in our ethnic markets.

### AT A GLANCE

Nationwide Financial Services (NYSE: NFS)

Price: \$51.51 (August 22, 2008)

Market Cap: \$7.10 billion (August 22, 2008)

Wachovia Capital Markets, LLC estimates: Downgraded from 'Market Perform' to 'Underperform' in December 2007

### KEY MILESTONES

2005: Creates the position of director, market development and diversity, South Asian market, US.

2006: Launches the first ad for the South Asian community in the US.

2008: Creates Chief Diversity Officer position to capture ethnic market share through a diversified sales force.

2008: Launched a new series of TV ads in August. One spot features American Idol finalist Sanjaya Malakar.



COURTESY: NATIONWIDE



**CANDACE BARNHARDT**  
Chief diversity officer

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our suppliers," Barnhardt said. "While it is important for us to have good research that provides us with a perspective on various diverse markets, it's the nuances of culture that can be so powerful in how we present our products and services. And so it becomes critical to us that our workforce is reflective of the communities we serve. All too often, we hear of companies that had good research but didn't have the depth of understanding about cultural nuances, which led them to make foolish mistakes."

While the industry has leveraged ethnic branding and technology to reach diverse markets, it does not offer products specifically

tailor-made for the community, pointed out Rajkumar Venkatesan, professor of marketing at Darden School of Business, University of Virginia. "Targeted advertising will be effective if the product has something customized to the community. For example, health insurance for families, especially elderly parents who are visiting from India. Or driver's insurance for people from India visiting the US on a short-term. Those are more effective. Otherwise the only thing they're updating is communication," he said.

Barnhardt said the company has begun to move in this direction. Since South Asians tend to have parents and other family mem-

bers living with them or visit them for extended periods, NFS now offers household member benefits for health insurance coverage to its employees. "In the past, only immediate family members could receive health-care coverage. Now we have the availability for the extended family, allowing for associates to define for themselves what is the make-up of their families. A typical household no longer consists of a husband, wife and two children," she said.

Neither the company nor the industry has products designed exclusively for the South Asian community. Given the burgeoning market, who will take the lead?

## NATIONWIDE: SWOT

### STRENGTHS

■ In 2006, the company began to target its brand message to South Asians in the US. Since then, NFS's brand recognition has shot up from 68 percent to more than 80 percent, said Jinnie Kim of Apartmentship, an ad firm in New York that specializes in the South Asian market.

■ The company's impending merger with parent company Nationwide Mutual Insurance Company is expected to enable NFS to bring a range of products to the market while operating under economies of scale.

■ NFS has an operating margin (ttm) of 13.66 percent versus 11.41 percent for the industry. The PEG ratio for NFS (5-year expected) stands at 1.16 percent compared to the industry average of 74 percent. The company has low leverage - the debt to equity ratio stands at 0.4222. (Source: Data from Yahoo! Finance)

### WEAKNESS

■ The company's rate of revenue growth is a negative 7.5 percent, whereas the industry posts an average growth rate of 9.5 percent. (Source: Data from Yahoo! Finance)

### OPPORTUNITIES

■ According to the 2000 US Census, there were approximately 10 million Asian Americans in the US, comprising 3.6 percent of the total American population. By 2050, this segment will burgeon to 37.6 million individuals, comprising 9.3 percent of the population. NFS's market base will expand significantly with the population increase.

### THREATS

■ A lackluster macro-economy could put the brakes on revenue growth for products like variable annuities, where the company posted a 20 percent drop in sales for the second quarter of 2008 compared to the corresponding period last year. Sales in private sector retirement plans also fell on the back of volatile capital markets and a deteriorating economic climate.

## Performance and valuations

### SUJATA SRINIVASAN

NFS's competitors New York Life and MetLife are aggressively increasing their presence in the South Asian market. "We are looking to increase our sales force focused on the South Asian community," said Phil Salis of MetLife. The company currently has 6,500 sales agents of which 25 percent are multi-cultural.

"We understand that the multi-cultural market is growing and we need representatives to serve those markets. Consumers like to interact with representatives they can relate to," he said. "We are also currently developing a new creative launch (ads) this year."

Despite the opportunity, increasing the market share remains a Herculean task.

NFS's sales in the second quarter (ended June) of the current year declined to \$4.3 billion from \$4.5 billion in the same period last year. Sales through affiliated channels decreased by two percent due to lower variable annuities sales. Sales through non-affiliated distribution channels decreased by eight percent due to

lower variable annuity sales through the independent broker/dealers and financial institutions channels.

Net income plunged by a whopping 57 percent to \$85.4 million, or \$0.62 per diluted share in the second quarter compared to a net income of \$197.3 million, or \$1.37 per di-

difficult market environment," said Jerry Jurgensen, chief executive officer, in a press release from NFS. "While our consolidated results reflect the broader economic conditions, our focus on execution and expense management helped us to maintain operating margins in our core business lines, and

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luted share during the corresponding period last year. The decline was attributed to non-operating realized investment losses of \$41.5 million, or \$0.29 per diluted share, compared to investment losses of \$1.2 million, or \$0.01 per diluted share, in the prior year quarter. The decline was also attributed to the amortization of deferred policy acquisition costs of \$235.9 million for six months ended June 2008 versus \$151.5 million for the same period in 2007.

"Our core businesses delivered solid results despite a very

we continued to make steady progress in improving our overall life insurance market share ranking. Despite the market turmoil, our capital position remains strong, and our investment portfolio is performing as expected."

EPS for 2009 is projected at \$5.01, higher than the projected EPS of \$4.24 for 2008. As of August 22, 2008, the stock traded at \$51.51 and had market capitalization of \$7.10 billion. According to Yahoo! Finance, the average ttm (trailing 12 months) revenue for the entire industry amounted to \$2.93

billion. Nationwide posted ttm revenue of \$4.2 billion. Competitors AIG and Prudential posted ttm revenues of \$82.23 billion and \$32.47 billion respectively. EBITDA ttm (earnings before interest, tax, depreciation and amortization) for Nationwide stood at \$631.4 million, \$3.16 billion for Prudential, and a loss of \$ (10.91) billion for AIG.

The latest (June 20, 2008) report from Wachovia Capital Markets, LLC said trading volumes fell across all sectors due to a slew of macroeconomic factors such as the credit market and environmental factors including flooding in the Midwest. "We suspect that... investors are unwilling to play the space with so many moving parts," the report stated.

In December of 2007, Wachovia downgraded NFS from 'Market Perform' to 'Underperform'.

NFS has entered into an agreement with Nationwide Mutual Insurance Company for the latter to acquire NFS's Class A common stock for \$52.25 per share in cash. The transaction is valued at approximately \$2.4 billion and is expected to close by year end or early 2009, subject to stockholder and regulatory approval.

