

CUSTOMERS ARE CHANNEL SURFING. WHAT ARE YOU DOING TO RETAIN YOUR INSURED?

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IN A FAST-CHANGING AND INCREASINGLY COMPETITIVE INSURANCE MARKETPLACE, CARRIERS ARE FORCED TO PUT THE CUSTOMER EXPERIENCE AT THE CENTER OF THEIR BUSINESS STRATEGY IN ORDER TO IMPROVE CUSTOMER RETENTION AND POSITION THEMSELVES FOR SUCCESS.

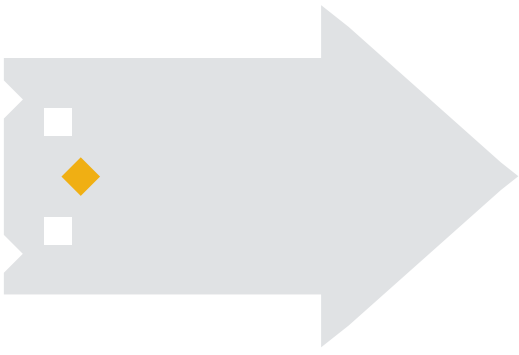
COMPETING IN A FAST-EVOLVING INDUSTRY:

Property and casualty insurance carriers are facing rapid and pervasive changes in how they acquire, retain and grow customer relationships in today's world. Residual effects of the financial crisis, emerging competitors, changing demographics, and technology evolution are just some of the environmental factors forcing a shift within the insurance industry. Customer retention becomes a central focus when designing strategies targeted at growing the business. There are many scenarios that exemplify changes taking place that directly impact a carrier's ability to retain their customers and compete in the marketplace:

- ◆ New vehicle sales are down nearly 8% over the past 10 years, meaning increased competition for the buying power of fewer consumers. (1)
- ◆ Declining household net worth and reduced buyer power creates a dip in the overall demand for personal lines of insurance.
- ◆ New competitors are forming within emerging channels, leaving many insurers vying for a smaller pool of policyholders -- further pressuring profits.
- ◆ As direct channel use rises, customers are able to shop easily and switch companies more frequently. With insurers left contesting in a smaller pool and customers eagerly searching for the "next best thing," customer retention is dwindling.
- ◆ Carriers must provide 100% satisfaction 100% of the time or risk losing their existing client base to a competitor. A modest improvement in customer experience will increase loyalty and boost revenues by nearly \$300 million for a \$10 billion insurance provider according to a recent Forrester article . (2)

As these factors transform the industry, business expectations of insurance firms are fluctuating and forcing further changes – changes around strategy, technology, and customer experience. Most notably, how do they bridge the gap between what their customers expect (their "brand promise") and the actual experience? The ability to ask key questions to help identify where this gap exists across organizational operations and activities is vital to understanding the issues surrounding customer retention and loyalty.





Many insurers attempt to resolve their challenges solely with technology, but technology is simply a tool for achieving specific business objectives. To remain competitive during times of change, customer retention must be a priority. Acquiring new customers can cost up to 10 times as much as retaining an existing customer – implying it can take years for a new customer to become profitable; thus, even a small rise in customer retention can have a significant effect on profitability.

A recent *Insurance Journal* study (3) found that bundling products increased customer retention rates by as much as 15 percent when customers bundled home and auto policies. Understanding customers and being attuned to their needs gives insurers the ability to tailor products and services accordingly. For example, a principal driver of customer churn is enduring dismal claims experiences. Claims cost insurers not only in the form of associated direct costs but also—and perhaps more significantly—in the number of customers lost due to poor claim experiences. In fact, one of the most effective ways for insurers to reduce customer churn is by delivering an effortless customer experience.

INTEGRATE PROCESSES AND CHANNELS SEAMLESSLY

To remain competitive, insurers need to strive for agile commerce. Changing consumer mix and more demanding customer experience expectations are leading to fast-changing customer technology. The soft market has put policyholders in control and carriers need to understand how to maximize the effectiveness of channel integration to support customer needs and expectations:

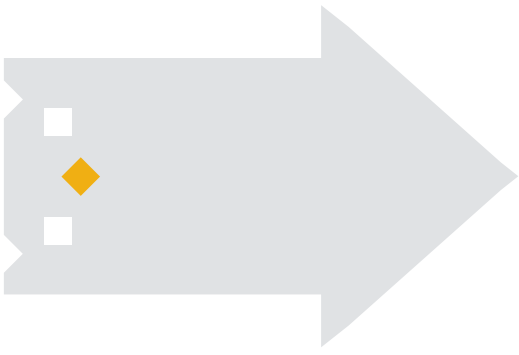
- ◆ Offer multiple channel options and points of interaction for the customer
- ◆ Provide consistent services across all channels
- ◆ Ensure the ability to use multiple channels without repeating activities
- ◆ Support instant gratification from self-service options

Many insurers recognize the need for multi-channel integration but lack movement in this direction. Self-service options are instantly gratifying to customers and enable them to quickly shop multiple providers and make informed decisions. Nearly 26 percent of consumers who have a poor experience online are unlikely to shop with that company in any other channel. (4) Many insurers underestimate the importance of the direct channel. As insurers look to multiple channels, implementing highly-configurable, rules-based products will promote continuous integration. Furthermore, by integrating channels, data sharing improves exponentially, allowing insurers to apply analytics to understand their customers and develop targeted, more personalized experiences throughout the servicing process.

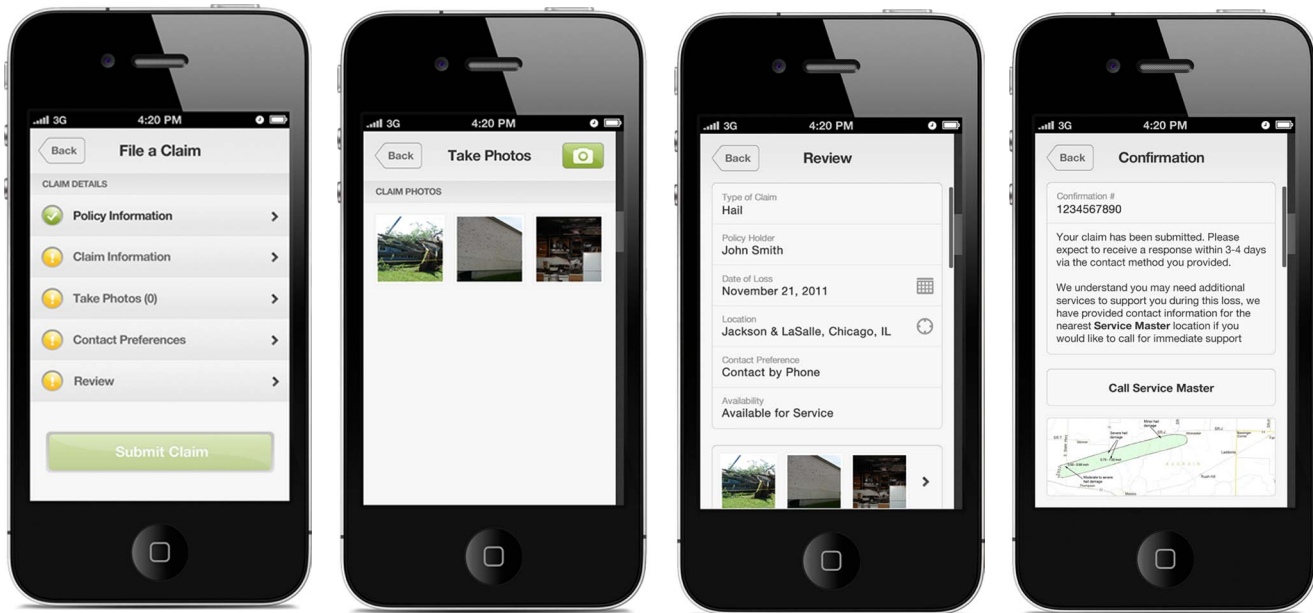
Understanding the unique needs of an individual customer by truly orienting the business around the customer sets an organization apart from its competition. Establishing a systemic approach aligned to the business strategy is required to create an effortless experience. Effective multi-channel strategies can increase sales, customer satisfaction, and profitability for many insurers.

OPTIMIZE CLAIMS OPERATIONS

Customers do not hesitate to switch carriers once they have endured a poorly managed claims encounter. In fact, poor claims experience is a leading factor in customer churn, rising costs, and regulatory complaints. According to a Forrester study (4), more than 30 percent of customers who endured a bad claims experience switched insurers within a year of the incident. And claims are costly due to increasing inefficiencies and increased customer churn due to poor customer experiences. Furthermore, claim costs account for \$74 of every \$100 earned in private passenger auto premiums, with \$12 dollars going to legal fees. Effective information sharing and communication are essential for the processing system – reducing overall claims cycle time and costs. Fraud shreds about \$30 billion from non-life insurers according to the Insurance Information Institute. (5) By sharing data, insurers can reduce fraud-related costs significantly. In addition, consolidation of multiple claims systems drives efficient operations, resolving the issue of data duplication and deficiencies. Joining these systems allows insurers to better utilize the abundant amounts of data presented to them while reducing manual data entry errors.



By developing an integrated claims channel strategy, insurers can drive self-service options and refocus customer service representatives and agents to higher value interactions. Self-service options can include channels such as mobile applications for users to access via wireless devices, anytime, anywhere. These applications can be customized to the organization's specific needs. Benefits of mobile claims applications include a reduction in fraud – through triangulation of data from external services - as well as a streamlined customer experience.



TO SUCCESSFULLY DELIVER CLAIMS ACROSS CHANNELS, INSURERS NEED TO:

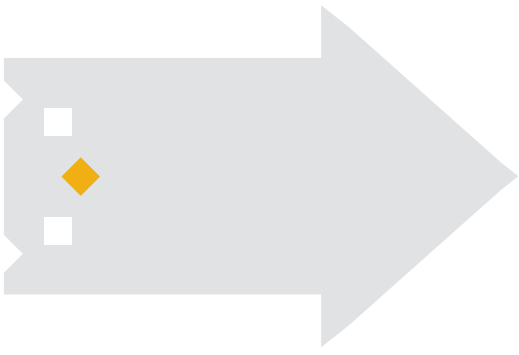
- ◆ Provide reassurance and empathy, promoting a simple and secure conversation rather than an interrogation
- ◆ Address customer needs by providing online tools and resources to support a better understanding of the claims workflow
- ◆ Be transparent throughout the whole claims process to foster trust with the customer
- ◆ Develop a tool for knowledge sharing across roles within the end-to-end claims process

Because the claims experience tends to be an eye-opening event for customers, insurers must develop a level of customer intimacy that facilitates customer satisfaction. Ultimately, improving the claims system will empower insurers to deliver on their brand promise and provide an enriched customer experience.

WHERE DO YOU START?

Your organization may not have even begun to think about customer experience strategies as a long term initiative, or you may have full documentation of how you want to address the issues facing carriers in today's shifting marketplace. Regardless of what step you are in the process, it's imperative to take the time to do the following:

- ◆ Define the strategies that will foster customer loyalty and retention
- ◆ Identify the capabilities needed to support these loyalty and retention initiatives
- ◆ Understand the gap that exists between your customers' expectations and their actual experience, and how to bridge that gap to provide satisfaction at each point of interaction



Increased competition and a reduced number of policyholders are compelling insurers to develop clear customer experience strategies. Keeping the customer in mind, insurers should seek to develop a multi-channel integration strategy, promoting consistent messaging throughout a customer's journey with the company. In support of continuous integration, insurers can mitigate the risk of customer churn by consolidating multiple claims systems and driving consumers to use self-service options for basic activities -- processing a claim, checking the status of a claim, and verifying payment status, to name a few. Targeting an increase in customer satisfaction not only will impact the bottom line, it can produce intangible benefits in the form of positive brand recognition.

So where do you start? A good first step is to assess where you stand today as an organization. Awareness of current status and implications will allow you to articulate a clear approach to improving your customers' experience.

FOR MORE INFORMATION ON HOW TO BETTER DEVELOP AND ACHIEVE YOUR CUSTOMER EXPERIENCE GOALS, PLEASE CONTACT CINDY DE ARMOND AT CDEARMOND@WESTMONROEPARTNERS.COM.

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