Enhancing the Customer Relationship

Enhancing customer relationships and optimizing costs are on the agenda of nearly every executive boardroom in the country. At face value, these two topics are in conflict with each other, but they do not need to be. Although both initiatives demand attention from executive leadership, many insurance companies overlook opportunities to achieve both of these organizational objectives simultaneously. Now more than ever before, the agendas of senior management must be aligned to help organizations successfully compete in a market hallmarked by lack of differentiation and a relentless focus on price. When insurance providers work to identify performance improvement opportunities that strike a balance between delivering to customer needs and achieving the overall business goals, they gain the ability to deliver a more differentiated customer experience while decreasing operational costs.

Some insurance companies have succeeded at striking this balance in the marketplace recently. USAA, the frequently praised insurance company focused on serving the friends and family of military members, was recently recognized as a top performer in Forrester Research Inc.'s "The Customer Experience Index, 2012[1]." USAA achieved the highest scores among all other brands in each of the three industry sectors in which it was evaluated: banking, credit cards, and insurance. Out of the 160 brands across 13 industries included in the study, USAA's Banking Business earned highest customer experience ratings. In addition to customer experience accolades, USAA's CEO Josue Robles Jr. emphasized the company's commitment to cost optimization last year by stating "We manage our financials conservatively. We prudently manage our risks. And we operate a growing, thriving business focused on serving military families."[2]

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[1] http://www.forrester.com/The+Customer+Experience+Index+2012/fulltext/-/E-RES59377?objectid=RES59377, https://www.usaa.com/inet/ent_blogs/Blogs?action=blogpost&blogkey=newsroom&postkey=usaa_bank_earns_top_spot

[2] https://www.usaa.com/inet/ent_blogs/Blogs?action=blogpost&blogkey=newsroom&postkey=usaa_remains_strong_as_ever&SearchRanking=8&SearchLinkPhrase=josue%20roble

The following are initiatives insurance companies are implementing today in the pursuit of striking the balance between simultaneously improving customer experience and capturing cost savings. Although some may seem obvious or simplistic, the examples below are practical approaches that are delivering immediate impact to both customer experience enhancement and cost benefit.

Ensure Consistency Across Channels – *Are we communicating the same message to all customers?*

Issue: A customer receives policy information from their broker that is different than what they've received online. The customer suspects that they may not be receiving complete or correct information from either channel. This dissonance caused by varying information about the exact same policy leads to customer anxiety, brand degradation, and unfortunately, lost business.

Approach: Review the channels, touch points, and interactions from the customer's perspective from the outside in to identify specific areas of inconsistency in communications, product/service offers, and customer support that may undermine the company's business objectives. Invest in training and education programs for brokers and employees that impact customer experience.

Impact: Achieve consistency of policy information and communications, better customer experience, and increase revenue.

Cleanse Outbound Marketing Mailing Data – *Is customer data accurate?*

Issue: In this case, an insurance company found that 10 percent of direct mailings were returned due to incorrect addresses. This organization collected returned mail in a central location and then destroyed it. This company was missing an opportunity to use returned mail as a tool for insight into the customer/prospect base. Clean customer data helps make every marketing dollar count, but more importantly, it improves accuracy for mandatory mailings such as policy updates.

Approach: Remove outdated or inaccurate addresses from the outbound mailing distribution database. Deploy an initiative to identify correct contact details for the customers, including inbound interactions with contact centers or brokers/agents.

Impact: Increase customer knowledge about available products, while at the same time enhancing marketing expenses.

Contact Defectors – *Why are customers leaving, and can we save them?*

Issue: At this insurance company, customers were terminating their policies at an increasing rate of 15 percent over the previous year. The company was losing important business but it didn't know why.

Approach: Review the behaviors and the business process for the customers who have recently closed their policies. Contact select customer segments as part of a win-back campaign. In the meantime, establish a "save strategy" and process to intervene with customers who may be exhibiting some of the noted defection behaviors.

Impact: Establishing a win-back campaign and a "save strategy" can lead to reengagement of customers who have exited, a decrease in attrition, and insights that improve overall customer satisfaction.

Bundle Products – *Can we move customers towards an integrated insurance experience?*

Issue: Given the average number of products per customer at this insurance company was extremely low by specific customer segment and overall), it was evident that customers were obtaining complementary insurance products from competitors.

Approach: By bundling products into complementary product offerings and clarifying the value proposition, insurance companies have the opportunity to compete on attributes other than price including convenience, quality, customization, etc.

Impact: For this company, providing an integrated customer experience increased sales and reduced acquisition costs. Since the attrition rate decreased, overall customer retention levels also increased.

Segment Customers – *Does customer experience vary by desirability of the customer?*

Issue: At this insurance company, the most desirable customers received the same experience across servicing, promotions, etc., as the least desirable customers. This often implies misalignment between spending per customer and the associated value of that customer.

Approach: Use customer segmentation techniques to clearly define the value tiers among customer segments based on overall sales, number of insurance products, etc., and develop an approach to deliver differentiated customer experiences based on customer value.

Impact: Customer append allocated to customer value tiers and segments, increased return on marketing investment, and reduction of spend on undesirable customers.

Leverage Technology – *Do we have a single view of the customer?*

Issue: Employees from one part of this insurance company were unaware of customer-related activities occurring within other parts of the company. Despite best efforts, inconsistent/inappropriate messaging occurred.

Approach: Create a single dashboard of all customer touch points that fully integrates the customer-related activities of the entire organization, including feedback from the customer service function.

Impact: Consistent use of a single repository of customer-related activities increases awareness of all customer touch points and decreases redundant/inappropriate customer communications. Reducing redundant/inappropriate messaging saves money and increases customer satisfaction.

These examples, however, are just the tip of the iceberg. By methodically analyzing all of the customer touch points across channels and assessing the customer experience at each touch point, insurance companies can uncover a plethora of opportunities to improve the customer experience and reduce costs — two of the most important key success factors in the insurance industry today.

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