

Optimizing the Customer Experience – an Opportunity for Differentiation in Insurance

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Executive Summary

More effective management of the Customer Experience is emerging as a key insurance industry opportunity for sustainable competitive differentiation. It has the potential to help create better internal alignment of actions, identify cost savings, and drive incremental revenue growth. The practical first step towards achieving these goals is Customer Journey Mapping. Contact David Hicks, CEO of Mulberry Consulting at david.hicks@mulberryconsulting.com to schedule a no-obligation 30 minute online demonstration of how insurers and other “best practice” companies are using Customer Journey Mapping to get ahead.

Context

The global recession has provided a sharp reminder for many insurance companies of the fundamental importance of maintaining open, honest and fair relationships with customers. Those relationships are the accumulation of every contact, exchange, transaction and perception that a customer experiences when dealing with a company, and as technology and globalization continue to drive commoditization in the industry, the strength of those relationships may well be an insurer’s most important asset.

Indeed, it seems to us that the only sustainable operating model in the global insurance industry is one which effectively combines the value of (i) disciplined underwriting and risk management, (ii) operations which minimize friction in back office and delivery, (iii) a powerful and well-positioned brand, and (iv) a superior Customer Experience delivered consistently across all relevant touch points.

Not one or two or three of these in isolation, but all of them together - anything else is a compromise which will not differentiate or create value over time. And it is the last of these - the Customer Experience - which seems the most problematic.

Insurers across the world have made significant efforts in recent years to become more customer focused, but business results appear decidedly mixed. In an industry where parity products are the norm, and where product innovation is swiftly copied, a superior Customer Experience remains one of the few sources of sustainable competitive differentiation. The need for a clear end-to-end view of the customer lifecycle and experience is greater than ever, but the reality remains elusive.

Industry Challenges

Let us look at some of the causes of this. There are a number of industry-wide challenges which many insurers face when seeking to improve their Customer Experience:

- The traditional drivers of an insurance business – underwriting and risk management – are by definition inward-looking, and the distribution function, while customer-facing, tended to operate on a “push” model which hardly put the interests of the customer first. In many carriers this resulted in systemic risk-aversion and a deep resistance to changes in ways of doing business. The very notion of the customer as more than a policy number seemed to be a challenge for many insurers.

- The insurer often lacks control over the complete value chain. The complex nature of insurance distribution and channel structures means that “the customer” may be an independent agent, a broker, a bank or other third party, or an end-user, significantly increasing the difficulty of creating and managing a coherent brand promise and Customer Experience.
- Insurance companies tend to be built around strong “functional silos” and such organizations often end up with fragmented responsibilities when it comes to managing the Customer Experience, meaning that no-one is really accountable and opportunities for synergies of effort across functions and business units are limited.
- Performance metrics often - mistakenly - treat transaction volume and efficiency as proxies for customer satisfaction, particularly in situations where the processes are lacking to provide a business with actionable customer insights.
- The global recession has been particularly challenging for insurers; amidst ongoing bad publicity, increased capital requirements and greater regulatory scrutiny, risk management has diverted senior executive time and attention away from a focus on the customer.
- At the same time the industry is under unprecedented pressure from emerging non-traditional competitors, from supermarkets to price-comparison websites, which both increase customer choice and depress margins. Unless an insurer deeply understands its customers and the specific experience it offers, they run the risk of becoming irrelevant: it is better to mean something to someone than to mean anything to anyone.
- Many insurers are currently outsourcing or off-shoring big parts of their customer-facing operations to hold down costs, with varying degrees of success. Customer Journey Mapping can play a vital role in ensuring that the service level agreements and brand training programs reinforce the desired Customer Experience.
- And finally, the customer’s ever-rising expectations regarding the speed, quality and transparency of information create immense IT challenges, particularly for companies still grappling with a fragmented array of legacy systems.

From a business model perspective we see three main strategies emerging from all this: (i) Low Cost Provider, (ii) Service Leader, and (iii) Premium Brand. Each business model triggers varying expectations from the customer with respect to price, service, value and brand, but regardless of model the Customer Experience remains one of the very few sources of sustainable differentiation.

A Practical Approach

Whether or not an organization subscribes to Professor Reichheld’s “Net Promoter Score” concept (and many do), most would agree that a superior Customer Experience is desirable. However, endorsing that notion in principle is not the same as implementing processes to understand and execute against it in practice. Even a largely NPS-based program is unlikely to have the desired business impact and require deeper and broader customer work.

Optimizing the Customer Experience does NOT mean “gold plating” everything that the customer touches. Rather, it involves systematically measuring and understanding the rational and emotional drivers that customers care about most, and then “operationalizing” consistent delivery of the intended experience. In simple terms, the key is to understand what matters to customers and then to deliver an experience accordingly, over time and across multiple touch points.

The key method for accomplishing this is Customer Journey Mapping. This is a practical way to capture and measure what customers experience when dealing with a company, looked at from the customers' own perspective. Customer Journey Mapping provides a visualization of all the touch points and interactions between an organization and its customers. The process of mapping shows where service delivery is valued by the customer and where it falls short, allowing for the creation of an operational framework with detailed descriptions of the actions an organization must take to deliver the desired experience.

It is also worth noting that all insurance products and business models have a Customer Experience component – not just direct-to-consumer propositions, and not just individual life or P&C product lines, but also commercial, institutional and group offerings. The customer interfaces may be very different but the underlying principles remain the same.

Because of the tendency of insurance companies to be organized around strong “functional silos”, a major challenge to delivering an optimized Customer Experience is ensuring that the whole organization acts in concert, and indeed one of the internal benefits of Customer Journey Mapping can be to achieve better operational alignment across functions. Focus in one area without an understanding of how it impacts the overall picture can actually add cost by creating complexity and friction in the end-to-end experience. A journey-mapping initiative therefore requires the buy-in and ongoing support of top management if it is to have a real and lasting business impact.

Getting Started

For organizations considering a new or revised Customer Experience effort there are a number of pragmatic questions that will help establish the starting point:

- Have we defined who the customer is? What are their expectations and how do they want to interact with their insurance company?
- Do we treat our customers equally or equitably? Do we have an effective customer segmentation framework in place that differentiates our offer? How, very specifically, do we create value for our customers (from the customers' own perspective)?
- Has the business broken down its brand promise so that it is easy to see how the Customer Experience is required to support and enable the value proposition? Is there visibility as to which touch points have the greatest impact on customer retention, persistency and advocacy?
- Are the customer-facing capabilities across the business aligned to provide a seamless service experience regardless of product or channel?
- Does the business understand the rational and emotional components of its service proposition, and does it know what customers do and do not value? Is the business able to measure whether equity is being created or destroyed at key touch points?
- Do individual staff members understand the singular purpose of their individual role in delivering a component of the overall Customer Experience, and how that fits into the bigger picture?
- Can the organization assess how many non-customers it fails to convert because of a negative experience?

If the answer to many of these questions is “no”, then Customer Journey Mapping is a good place to start!

Business Benefits

The business impact for insurers of effectively mapping and optimizing the Customer Experience for key customer groups are significant and compelling:

- **Return on investment:** every major insurer has invested enormous resources in IT infrastructure to support the information needs of current and potential customers as well as the operating requirements of their agents and other channel partners. A fully mapped and operationalized Customer Experience can provide a guide to the deployment of IT solutions and a clear framework against which to measure return on investment. This will also help ensure that IT resources are deployed in the areas of the business that have the greatest impact on the customer.
- **Distributor expectations:** providing a strong customer service experience to the policy holder in terms of how well quotes, claims and billings are handled obviously also reinforces an insurer's relationships with its independent agents, brokers and other third party distributors.
- **Internal alignment:** clear agreement of the desired Customer Experience and a comprehensive map of the customer journey are powerful tools for achieving internal alignment of functions, with a consequent positive impact on staff morale, motivation and effectiveness. The credit card companies have found Customer Journey Mapping particularly effective in this respect.
- **Retention and persistency:** studies consistently show that a positive service experience helps maintain retention and persistency rates, and conversely, that a poor service experience drives these metrics down. Also of course a business cannot up-sell or cross-sell customers who leave, so customer retention needs to be a strategic priority for any insurer. Every company operates with a unique set of circumstances but our experience suggests that the financial business case for Customer Journey Mapping is very strong, with a single percentage point improvement in retention adding significantly to both the top and bottom lines. This also holds true for cross-sell and up-sell opportunities.
- **Cost control:** delivering a poor Customer Experience rather than an optimized one is in fact significantly more expensive as money is often wasted in over-servicing areas not valued by customers. A poor service experience adds cost when - for example - a customer has to call back or schedule follow-up meetings to resolve an outstanding issue. Additionally, Customer Journey Mapping can help businesses build and operationalize better models of customer behavior, thereby reducing costs over time. Again, we are talking about very significant sums of money in large organizations.
- **Segmentation:** Customer Journey Mapping can reveal the flaws in some segmentation models and can also provide data and insights leading to more nuanced strategies. For example, insurers tend to segment customers around attributes rather than circumstances, which can easily lead to a "one size fits none" outcome, even within a single customer segment.
- **Differentiation:** increasingly, neither distribution reach nor product innovation nor price alone are sustainable points of differentiation for insurers. As more players enter the industry and technology continues to level the playing field, delivering an optimized Customer Experience in support of a clear brand value proposition remains a clear route to sustainable differentiation.

Mulberry Consulting

Since its start-up in 2002 Mulberry Consulting has been retained by senior management at some of the world's largest organizations to provide advice on optimizing the Customer Experience and driving customer-centered change, a process we think of as helping our clients become more **Customer Intelligent**. Our proprietary tools and processes have been used successfully by many companies to develop frameworks within which disparate internal activities can be effectively connected and aligned behind a clear Customer Experience proposition. Headquartered in the UK, and with offices in New York and Toronto, Mulberry Consulting has significant experience in the insurance industry, in both Europe and North America.

For more information please visit us at www.mulberryconsulting.com or contact David Hicks, Mulberry Consulting CEO, at david.hicks@mulberryconsulting.com to schedule a no-obligation 30 minute online demonstration of how insurers and other "best practice" companies are using Customer Journey Mapping to get ahead. Our existing clients are also available to talk directly about the impact this type of work has had on their businesses.

The authors are the insurance industry leads at Mulberry Consulting:

Jay Donnelly

With over 25 years of marketing experience, Jay has worked across a number of product categories with a focus on financial services and particularly insurance. As Vice President of marketing for President's Choice Financial, Canada's largest combination grocery and financial services retailer he was instrumental in the development and launch of its property and casualty insurance product line, in partnership with Aviva Canada. In that position he also worked with major white label providers in building new travel and pet insurance programs. The focus of the President's Choice brand on exceptional customer service has led to repeated top box rankings in JD Power surveys for the category. Jay's executive responsibilities have also included a range of banking services, credit cards, and both in-house and coalition partner loyalty programs. At ING Canada Jay was Vice President of Marketing with responsibility for communications, brand strategy, research and CRM. In this role he also played an active role as a member of ING's Global Marketing group. He holds graduate (MBA, University of Windsor) and undergraduate degrees (University of Western Ontario, University of Windsor) and is an active strategic marketing consultant in both the private and not-for-profit areas. He started his career with advertising giant J. Walter Thompson.

Niklas Sandberg

With more than 15 years international work experience at senior levels, Niklas Sandberg spent five years working for Allianz Group both in Europe (HQ, Munich) and North America (Novato, CA). He helped initiate, design and deploy a major Customer Experience program, the global Customer Focus Initiative, aimed at some 170,000 employees worldwide. At Fireman's Fund (Novato, CA), Niklas designed and deployed a successful innovation management program which became an Allianz "best practice". Previously, Niklas spent seven years with Merrill Lynch and Citigroup in London, New York and Frankfurt working in the investment banking division. He also launched and managed his own strategic management consulting practice out of London and Scandinavia; this effort was recently revived under the brand "Nexus Advisors." Niklas, who received his undergraduate degree from Groupe EBS (European Business School), is a Swedish citizen, residing in Garmisch-Partenkirchen, Germany.

Simon Turner

An international marketing professional with over 20 years experience building and managing brands in financial services and consumer goods worldwide, Simon is now a senior consultant with Mulberry Consulting. Most recently, as International Marketing VP for the insurance giant MetLife, Simon was responsible for marketing strategy, brand communications and market intelligence across the 14 countries which comprise MetLife's \$10BN+ International division. Greater brand relevance and improved strategic alignment among local distribution channels (including agents, brokers, IFAs, banks, and direct) helped drive significant sales growth in Latin America, China, India, Korea and UK. Before joining MetLife he held a number of senior marketing positions at Mars Inc., the privately-held, \$25BN packaged goods giant. Simon started his career in the advertising business, first in London and then on Madison Avenue in New York. Born in England, he has an MA degree from Oxford University and has written extensively on marketing topics. He is based in the New York area.
