

White Paper

# Customer experience transformation in insurance



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## The Case for Customer Experience

There is no doubt that Customer Experience (CX) is on the agenda. Businesses are shifting from their historic battle ground of price and are instead recognising the long-term benefits of delivering market leading customer experiences. Businesses are now placing serious emphasis on CX as a way of securing a competitive advantage. In fact, a recent Gartner study found that:

in **2017** **89%** of organisations expect CX to be their differentiator.

The study also predicts that by 2018, more than 50% of organisations will redirect their investments to customer experience innovations. Additionally, a Deloitte study found that 62% of companies view customer experience delivered by the contact centres as a competitive differentiator, so it seems that CX really is the new holy grail of differentiation.

## Customer Experience in insurance

The emphasis on CX is never more apparent than in the insurance industry where the traditional focus has been on price competition.



The combination of lack of perceived product differentiation, a traditionally low engagement category and low switching barriers have created a downward spiral for profit margins and increased customer churn rates.

Added to this, price comparison sites, the increased compliance burden, proliferation of channels and increased customer expectations has meant that insurance companies are facing challenging times.

## Time for change

These are undoubtedly difficult times for the UK insurance market; however, smart insurers are using the market conditions to their own advantage. While many insurers are competing on traditional terms (i.e. price and marketing), a new breed of insurers have taken a different approach by focusing on customer experience as means of differentiation.

Pricing can be copied with relative ease however customer experience offers a lasting impression on customers and a longer term competitive advantage that doesn't negatively impact on profit margins. We have seen this play out in the German P&C market where there has been a direct correlation between providing a consistent best-in-class customer experience and profitability. In fact, these companies generated 2 to 4 times more growth in new business and about 30% higher profitability than organisations with inconsistent customer focus.

(Source McKinsey).

A separate motor insurance study, also by McKinsey reinforces this view, identifying the top 4 factors driving customer satisfaction as:

- Employee courtesy
- Employee knowledge
- Transparency & ease of the process
- Speed of claim settlement

The notable omission here is the lack of financial motivators such as settlement amount. In fact, service factors scored much more highly than financial when it came to overall satisfaction. Similarly, the IBM Smarter Commerce for Insurance study found that:

83%

of consumers are more likely to do business with brands that allow them to control where, when and how they interact.

### So what effect is this shift having on the industry?

A recent Digital Transformation in the Age of the Digital Insurance Customer Report highlights that 63% of insurers plan to improve the online customer experience. This shows that the shift hasn't gone unnoticed by the insurance industry who are beginning to take steps towards improved CX.

# The case for CX in insurance

The case for CX, especially in a commoditised market such as insurance is clear, but what exactly are the critical success factors for insurance companies looking to transform their CX?

## ■ Omni is the new multi

Omni-channel is here to stay. With the proliferation and fragmentation of channels, this is only set to increase the emphasis on creating frictionless customer journeys that work across channels. Gone are the days of channel silos, individual channel metrics and internal processes and legacy systems dictating the customer journey.



In today's brave new world, customers expect to decide how their buying journey will happen and they want organisations to be the facilitators of these journeys not the directors. Research by Aberdeen Group Inc. supports this view, finding companies with the strongest omni-channel customer engagement strategies retain an average of **89%** of their customers, as compared to **33%** for companies with weak omni-channel strategies.

Insurance companies who want to transform their CX need to organise their business around the customer experience, by breaking down channel silos and ensuring they have the right tools to facilitate a joined up CX.

## ■ Mind the gaps



Every customer journey has breaks, whether its stopping the process to request documentation or to get a form signed, or at the point of renewal.

In many cases this temporary stalling point turns into a permanent break and a lost customer, or at the very least negatively impacts on the customer experience. Delivering best-in-class CX is about breaking down these customer journeys and identifying the gaps by mapping out the customer journeys on a granular level. Often the journeys that deliver a negative customer experience are the difficult journeys with multiple stalling or stopping points, or the journeys that start with an 'infrequently asked question'. By focusing on these more challenging journeys and working out why they are failing, organisations can deliver huge improvements in their CX.

## ■ Leverage technology

Understanding a customer journey and identifying the breaks is a critical starting point for improving CX, however fixing and facilitating streamlined journeys is the obvious end game and this is where technology can really transform a customer experience. Having the right technology can be the difference between a bad or best-in-class CX whether it's using technology to analyse real-time customer data or to give the customer the ability to digitally share and sign documents or having technology that connects up your different channels. However, organisations need to beware of falling into the trap of tech for tech's sake – this can be avoided by ensuring technology choices are driven by customer journeys and can improve the experience in measurable ways.

## ■ Delivering transparency

With increasing compliance demands and a perceived lack of differentiation across products, transparency is a critical issue for insurance providers. Compliance is always a thorny issue and not one that will necessarily enhance the customer experience but is essential to building customer trust and protecting the organisation from some of the remediation issues that have so badly affected the industry over recent years.



Finding ways to ensure the customer knows what they are signing and what their products will deliver is especially important in the insurance industry, with complex products and low customer engagement leading to a price driven market. Finding ways to demonstrate product features vs alternative products is essential in building customer trust. Of course it's not easy to communicate policy features and benefits however there is a real opportunity to illustrate these differences at the point of sale and technology can increasingly facilitate this.

## ■ Made to measure CX



Demonstrating value from investment in CX is obviously essential and is also vital to delivering ongoing improvements.

It can be tempting to focus on Customer Satisfaction Scores or Net Promoter Scores as they have traditionally been the benchmark for customer service; however, while they are a good overall indicator, measuring CX in meaningful way requires a more granular approach.

Businesses need to look at individual customer journeys and see what the outcomes and problems are associated with that journey and design metrics around them. Typical measurements include completion times, completion and conversion rates as well as the important measurement of business costs. Additionally, the best CX programme will not only improve the customer experience, they will also reduce business costs at the same time.



For example, reducing the need for posting out documents and obtaining hard signatures can not only improve the customer experience by reducing the completion time and making it much more effortless for the customer, it can also reduce administration and postage costs thereby providing additional financial benefits for the organisation.

## Conclusion

It's clear, there is huge opportunity for insurance companies to use CX to transform the way they interact with their customers and break out of the price competitive market while minimising threats from compliance requirements and comparison engines. Creating a market leading CX strategy will not only create a point of differentiation in an otherwise commoditised market, it will also deliver measurable results in terms of increased conversion, retention and reduced churn and costs.



White paper by Vizolution.

### About Vizolution

Vizolution is a CX Tech company focused on streamlining customer journeys. With a SaaS suite of digital products, Vizolution supports the omni-channel strategy of it's customers to eliminate the breaks in customer journeys.

To find out more about Vizolution visit [www.vizolution.co.uk](http://www.vizolution.co.uk)