

top issues

An annual report

Strategy: Knowing your customer | An imperative for growth

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The insurance industry in 2014



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Strategy: Knowing your customer | An imperative for growth

The insurance industry continues to experience challenges in stimulating demand for its (often poorly understood) key products. The gap between the need for protection in a time of economic uncertainty and softening consumer demand highlights the how traditional insurance offerings are generally unresponsive to changing demographics, especially younger consumers.

However, there are potentially significant opportunities for companies that can change with the times. Both in the US and globally, accelerating demographic shifts are creating new and important customer segments that span a wide range of cultures, ages, socio-economic backgrounds, and family structures. As importantly, technological change has created new and potentially superior distribution and communication channels that are changing both the nature of the business and relationship management. We believe that successful carriers will most effectively take advantage of these transformational changes by understanding and in turn addressing households' holistic, long-term – even multi-generational – needs.

One of the best ways to create a holistic customer experience is via actionable consumer segmentation that incorporates multiple data sources to create a detailed understanding of consumers' demographic profiles and their psychographics (i.e., attitudes and behaviors). Armed with this information, insurers can address any significant gaps that consumers and advisors may face during their respective decision-making lifecycles. The end result will be value to the customer, including greater satisfaction and loyalty, as well as greater profitability for the insurer.

That said, optimal returns will occur only with a careful balance of customer and insurer goals. In order to achieve this, the carrier must break down product and channel silos to shift from a product to a customer focus. The goal is to align consumer segments with their desired channels, and thereby enable carriers to reach new segments and optimize their distribution channel strategy and investments.

The following table lists some of the key ways insurers can focus on consumers' holistic needs and extend their target markets.

Traditional insurance offerings are generally unresponsive to changing demographics.

Areas of focus	Action items	Benefits
<p>Build consumer research capabilities in:</p> <p>1) Advanced analytics for better targeting and predictions;</p> <p>2) Closed-loop consumer feedback processes to better understand their preferences.</p>	<ul style="list-style-type: none"> In order to better understand customer preferences and actions, use predictive modeling to analyze customer demographics, transactions, and behaviors. Create enterprise-wide customer feedback channels that measure and track customer perceptions and behavioral intentions, including tracking /event driven quantitative research, ad hoc qualitative text analytics, ethnographic studies and social media listening posts to better gauge engagement/ sentiment. 	<ul style="list-style-type: none"> Marketing strategy and customer retention initiatives will be based on hard data, which should result in improved targeting efforts, identification of appealing product combinations, and enhanced loyalty through a proactive retention strategy and better customer experiences. Better understanding of customers' preferences, needs, profitability, and price sensitivity. Ability to predict when consumers will have new needs and proactively match distribution channels and agents to the consumers who are most likely to purchase additional coverage. Proactively manage service failures and enact recovery/resolution processes through daily monitoring/feedback mechanisms. Engage in fact-based research outcomes that resonate emotionally with the consumer.
<p>Utilize new technologies to:</p> <p>1) Create a compelling and convenient multichannel experience to strengthen consumer trust and relationships.</p> <p>2) Provide producers with sophisticated productivity enhancing tools that help them meet changing consumer needs, drive more effective acquisition strategies, and further expand the depth and breadth of relationships with consumers.</p>	<ul style="list-style-type: none"> Develop an integrated multi-channel strategy that enables producers and consumers to connect in an efficient and economical manner. Provide on-demand information to consumers through easy-to-use, self-service, interactive digital platforms and devices. Provide a seamless transition for the consumer between different lifecycle stages using an integrated software platform and technology infrastructure. Create a consistent look and feel and capability across platforms utilizing media rich tools. Develop social media strategies to better engage the customer, broaden brand awareness and appeal, and enable both electronic and word-of-mouth recommendations. Help maximize producer effectiveness through technology-based lead management tools and training in point of service electronic and social media. 	<ul style="list-style-type: none"> Provides customers with flexible options on how to interact (all through a consistent interface), which encourages an easy and pleasant customer experience. Maximizes available information that consumers can access anytime, anyhow and anywhere. Supports simple information transfer (e.g., summarizing policy terms and conditions) and positive customer experiences. Social media engagement can create additional brand "stickiness" by promoting increased external awareness and consideration. This should lead to more purchase opportunities. In addition, peer recommendations help build confidence in the brand and connect customers with each other. Regardless of platform, better facilitation and linkage of the shopping experience to the buying and service experience. This promotes a consistently positive customer experience, uniform branding, and increased retention and cross-selling opportunities. Optimize producer acquisition and lead management efforts via a workforce that is more aligned to the consumer segments that are comfortable working online and using media-rich digital tools. Moreover, the workforce will be more engaged as a result of optimization of resources, including back office and manager/mentor support/ development. This culture of partnership and mutual benefit can increase producer motivation and result in more and stronger consumer relationships.

Optimal returns will occur only with a careful balance of customer and insurer goals.

Areas of focus	Action items	Benefits
Broaden target market to address needs of underserved demographics.	<ul style="list-style-type: none"> Focus targeting strategies towards younger consumers; the less affluent; the middle market; and multicultural, multigenerational, and non-traditional families. 	<ul style="list-style-type: none"> Re-allocates resources toward segments that offer a potentially greater ROI. Greater inclusiveness will drive brand awareness and consideration, increase sales opportunities, and raise brand perceptions and loyalty among non-traditional consumer segments.
Focus on holistic advice and needs driven product design and support it with an integrated, high touch, high tech selling strategy.	<ul style="list-style-type: none"> Focus on products and solutions that address the consumers' overall financial health and wellness, as well as change with customers as they age. Encourage transition from producer to holistic financial advisor. Maximize the "human touch" to foster relationships and sales, as well as optimize collaborative strategies. 	<ul style="list-style-type: none"> Position carrier as a trusted lifetime financial advisor that can help policyholders achieve financial goals, not just protection against misfortune. Offering a collaborative selling strategy will help identify household solutions and ideally increase retention and customer referrals. Streamlined and simplified product descriptions and purchase decision processes. A diversified portfolio of products that effectively address consumers' individual needs; these products can be bundled for ease of purchase (e.g., universal life insurance with long term care).

Implications

- Consumer demographics, behaviors and expectations are very different than they used to be. In order to differentiate themselves and grow, insurers need to have a deeper understanding of them than in the past, and adopt strategies and tactics that meet consumers' long-term, holistic needs. Use of more advanced analytics techniques for data analysis, interpretation and application will help make this a reality.
- Distribution channels need to better incorporate current technology to provide a more tailored and customized experience for the different segments that carriers target. Doing so can facilitate unique and differentiated interaction with customers, as well as streamline and simplify research and purchases. In turn, this can significantly increase producer effectiveness and optimize channel economics.
- Fostering trust and confidence – a feeling that “my agent/carrier really knows me” – will go a long way toward developing the long-term (instead of one-off) relationships that result in more cross-selling opportunities.

***Knowing your
customer***

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