

Realizing the Potential of Social Media: A Strategy and Approach for Insurers

While insurers have ventured into social media, their efforts do not seem to have borne fruit to the degree expected. A honing of insurers' social media strategy is sorely needed.

Executive Summary

Insurers face daunting prospects in the digital era where social media can either build customer base and brand loyalty or erode them in no time at all.

Insurers globally need to effectively leverage the social media platform and the explosion of data exchanged therein. The challenge for insurers today is not a lack of awareness about social media but how to extract valuable insights from all the noise and clutter surrounding it. This paper aims to help insurance carriers understand conversations, and perceive the underlying sentiments and the buyer behaviors ensconced in them, in order to develop an approach for engaging customers and prospects better.

The paper draws on primary research into social media activity linked to 15 insurers in the U.S. over two months, on two separate occasions, in 2012 and 2013 across Facebook, Twitter and YouTube. The response from their customers and prospects was analyzed to derive these insights.

The key questions that insurers need to ask are:

- What are the challenges that they face in customer engagement, lead generation and servicing in the digital age?

- How can they clearly define a social plan that is aligned to their vision, strategy and marketing goals?
- Will a step-wise social media blueprint and strategy help to extract maximum benefits in the form of improved brand awareness, enhanced leads and better sales?
- What are the key pitfalls they should avoid when interacting in the social world?

Being Human Is Being Social

The world has always been a social place, and people have always talked to each other about the different aspects of their lives. However, due to factors such as geographical diversity and people's propensity to interact mainly with their friends and acquaintances, the degree of separation between individuals historically was high and information reach was limited and localized. With the advent of the Internet in general and social media in particular, there has been a paradigm shift in interactivity among people. The ability to chat, post and share information instantly across the globe, even with people they might not have met, has slashed the degrees of separation between any two people around the world. Based on research by Twitter, that gap is now approximately 3.435. Every minute, 510,000 new posts go up on Facebook and 100,000 tweets are tweeted on Twitter.¹

The proliferation of social media has had a significant impact on both buyers and sellers. Today's socially active buyer is "360-degree connected," "mobile," "social," "informed" and "influential" and, most importantly, tends to access and share information on various social media. This is even more prominent for financial instruments for wealth, savings and retirement, and for protection products such as insurance. Customers now shop for information first on social media before shopping for the actual insurance product. Insurance carriers, who have been traditionally publicity-averse, cannot afford to ignore social media due to the wide reach and spread of consumer opinion through platforms such as social networking sites, blogs, wikis, discussion forums and mash-ups.

Customers leverage different media for satisfying different needs (see Figure 1).

From an insurance perspective, customer engagement on social media is driven by the following needs:

- Give and receive feedback on specific insurance products and coverage across insurance carriers.
- Feedback on insurance carriers' services and claims processing.
- Seek information on insurance carriers' products and services.

According to research by Pitney Bowes Software in 2013, 5% of consumers will stop using a brand that upset them as a result of its social media behavior.² Of the respondents, 68% avoided traditional sources of advice such as advisors and agents and instead sought peer recommendations on social media, and 15% of them bought insurance based on the peer recommendations.

In such a scenario, it has become imperative that insurers invest in getting to know the customer better and align themselves to customer expectations as well as formulate a strategy to leverage the full potential of a social media presence.

The Value of Being Social

To make a staid topic like insurance gain traction on social media, insurers need to think out of the box and focus on areas such as customer experience transformation, social conversation for new product design and building strong differentiation using emotive attributes.

Social media can be effectively leveraged to support insurers' key business strategies, as identified by Gartner:³

- **Customer-centricity:** through user engagement and improved product design using social analytics.
- **Claims transformation:** through fraud analytics on social media.

How Different Social Media Platforms Are Leveraged by Customers



Figure 1

- **Improved underwriting profitability:** through social risk profiling.
- **Improved operational efficiency:** through improved sales process using social analytics.
- **Enhanced brand recall:** through customer engagement with relevant information and rich content, etc.

Insurers need an evolving model that will mature from listening on social media to actively engaging and influencing buyers. The benefits through the different phases of engagement are outlined in Figure 2.

Benefit Realization Through Increasing Levels of User Engagement on Social Media

Increasing Levels of Maturity 				
	Phase 1: Observer (Listening and gathering)	Phase 2: Converser (Engaging with the users)	Phase 3: Influencer (Being proactive and influencing)	Phase 4: Optimizer (Integrating with processes)
Product Design	<ul style="list-style-type: none"> • Product ideas and innovations. • Competitor products. 	<ul style="list-style-type: none"> • Product feedback. 	<ul style="list-style-type: none"> • More customer focused and customized product ideation. 	<ul style="list-style-type: none"> • Increased speed-to-market.
Marketing	<ul style="list-style-type: none"> • Market research (customers, other products, competitors, etc.). 	<ul style="list-style-type: none"> • Analyze reach of marketing efforts. • Collect feedback. • Ideation. 	<ul style="list-style-type: none"> • Brand advocacy • Customized branding for different customer segments. 	<ul style="list-style-type: none"> • Improved inputs for marketing. • Opportunity management.
Sales	<ul style="list-style-type: none"> • Lead identification. • Sentiment analysis to identify dissatisfied customers of competitors. 	<ul style="list-style-type: none"> • Lead conversion through improved engagement. • Lead qualification through social media interaction. • Product information. 	<ul style="list-style-type: none"> • Sales referrals. • Cultivate social influencers. 	<ul style="list-style-type: none"> • Automated lead generation and integration with lead management systems. • Preemptive quoting workflow integration. • Social analytics for more customized sales and cross-sell and up-sell.
Underwriting	<ul style="list-style-type: none"> • Feedback on pricing versus competitors. 	<ul style="list-style-type: none"> • Supplement channel for getting additional quoting data and intimations. 	<ul style="list-style-type: none"> • Increased risk reduction awareness. 	<ul style="list-style-type: none"> • Leverage social risk profile of prospects for improved underwriting.
Claims	<ul style="list-style-type: none"> • Feedback on claims handling versus competitors. 	<ul style="list-style-type: none"> • Provide clarifications reactively once claim is filed. 	<ul style="list-style-type: none"> • Proactively engage with customer once claim is filed for increasing satisfaction. • Provide claims update through social media manually. 	<ul style="list-style-type: none"> • Fraud analytics with social data. • Integrated and automated processes to engage customers on social media when claim is filed. • Claims system integration with social media for real updates.
Customer Servicing	<ul style="list-style-type: none"> • Understand pain points/customer expectations. • Sentiment analysis. 	<ul style="list-style-type: none"> • Engage with customer on a regular basis. 	<ul style="list-style-type: none"> • Proactively engage with the customers for providing help and guidance. • Analyze customer interests through social analytics and provide customized perks. 	<ul style="list-style-type: none"> • Integrate with different core processes and systems and provide relevant information.
Brand Management	<ul style="list-style-type: none"> • Monitor brand reputation. 	<ul style="list-style-type: none"> • Improved damage control. 	<ul style="list-style-type: none"> • Brand advocacy. 	<ul style="list-style-type: none"> • Automated processes to identify negative comments about the brand and route it to the appropriate team.

Figure 2

Actively Social But Ineffective

Several insurers in the U.S. are actively investing in social media, such as Progressive with its branding-focused profiles on Facebook and Liberty Mutual's business-insurance-specific Twitter handle. However, although several insurers have forayed into social media, most of them have yet to realize the full potential of their investment.

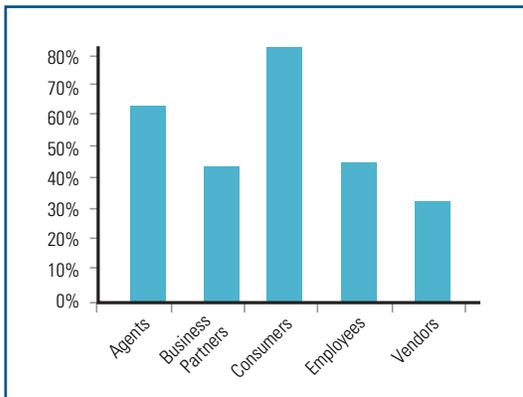
According to a Phoenix Marketing Survey, only 7% of customers are interacting with their auto insurers.⁴ This can be attributed to several reasons:

- **Disjointed target user focus:** Insurers do not have a uniform strategy for targeting different users on social media. While several insurers

have a customer-focused approach, they do not effectively leverage the channel for partner or vendor interactions or have a consolidated platform for facilitating more collaborative interactions among employees, partners and consumers for realizing greater benefits (see Figure 3).

- **Limited business focus:** Insurers have yet to explore all the different ways to leverage social media. Their vision is limited by some of the more obvious benefits and their immediate business focus. They must view social media as having the potential to transform their business in terms of sales, policy and claims processing and servicing (see Figure 4).
- **Lack of alignment with consumer expectations:** Insurers' social media interactions tend to be driven by their needs rather than by consumers' needs. Based on our research of 15 leading auto insurers, we have outlined insurers' activities on social media and the consumers' response to these activities (see Figure 5, following page).
- **Need for a clear vision and social media strategy:** Although several insurers are engaging with customers today both proactively and reactively, they lack a clear direction and a robust strategy that will help them deliver value in an engagement model with increasing levels of maturity. They are also unable to identify and address other necessary enablers for an effective social media strategy, such as efficient utilization of social media tools, leveraging of social analytics and a change management plan for improving user engagement.

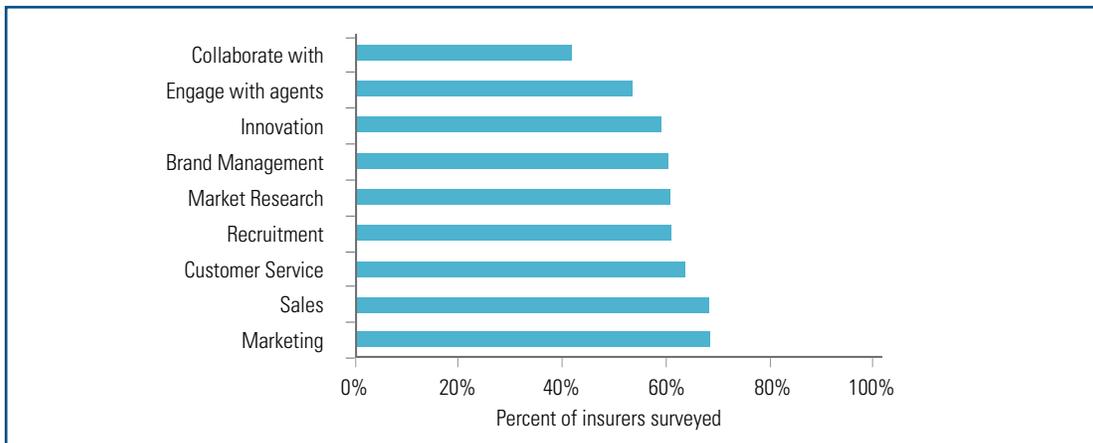
User Groups Targeted by Insurers on Social Media



Source: "Usage of Social Media in Insurance," NAIC, 2012.

Figure 3

How Insurers Are Using Social Media



Source: "Going social - How business is using social media," KPMY, 2013

Figure 4

Alignment of U.S. Insurer Activities with Customer Expectations

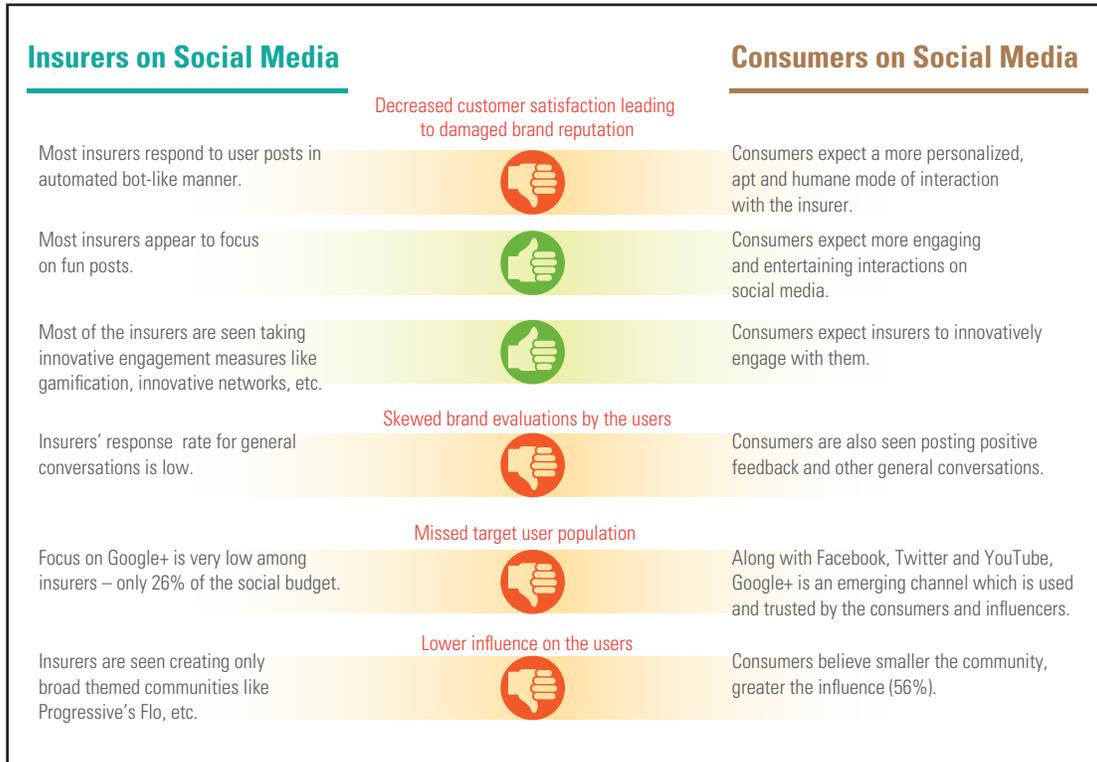


Figure 5

Phased Approach for Customer Engagement on Social Media

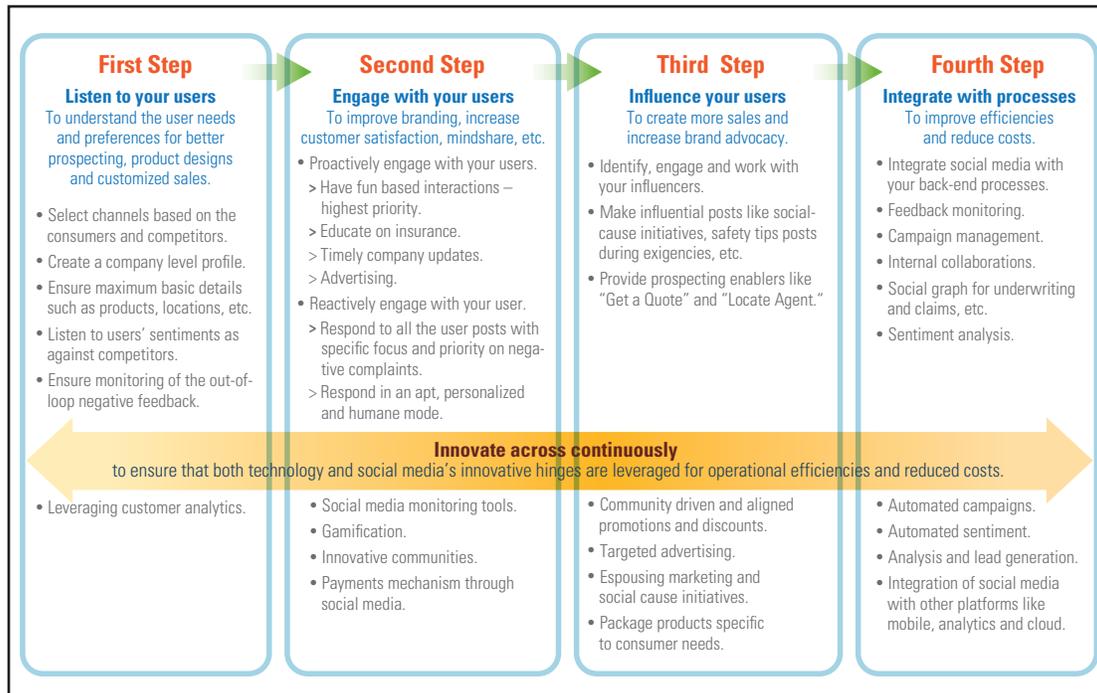


Figure 6

Insurers need a clear vision and a stepwise engagement model for increased ROI. Outlined in Figure 6 (preceding page) is a phased customer engagement approach which would help insurers gain clarity amidst the noise and clutter on social media.

Embarking on a Social Media Journey

A comprehensive social media policy for an insurer needs to consider target users, social activities and social media monitoring tools. However, formulating policies for these in isolation without a clear vision or roadmap for engagement can be a recipe for disaster. These different aspects needs to be knitted together into an approach that spans people, processes and technology to achieve maximum revenue and customer benefits. In Figure 8, we describe an ideal roadmap for an insurer spanning the what, why and how of a social media strategy.

Looking Beyond the Horizon

Some insurers in the U.S. are setting innovative examples for unlocking the power of social media to build brands, expand influence and evangelize for their new product offerings. Some good examples are the “Join the nation” call by Nationwide to appeal to young and old

Americans, and the Hartford Center for Mature Market Excellence for appealing to retired or retiring customers/prospects using a compassionate approach to retirement policy promotion.

An alternative approach is providing tips on safe motoring – e.g., the Allstate picture of a car mirror reading “objects are actually closer than they appear in the mirror” and showing a biker image, which develops an affinity with biker groups. This actually caused a spike in insurance demand from bikers. Promoting a brand through gamification – with, for example, interesting games to emphasize safety aspects in farming and risks such as pest attacks – can capture the imagination of prospects and customers and ensure better brand recall than multiple brand advertisements on traditional media, as evidenced by Farmers’ Farmville and State Farms’ Car Town.

Pitfalls to Avoid

The proliferation of multiple channels and media for interaction including social media platforms has led to a fragmentation of customer touch points. This fragmentation and the high velocity of communications means brands can be made or unmade in just a few hours. Across industries, the manner of interaction between buyers and sellers

A Roadmap for Social Media Excellence

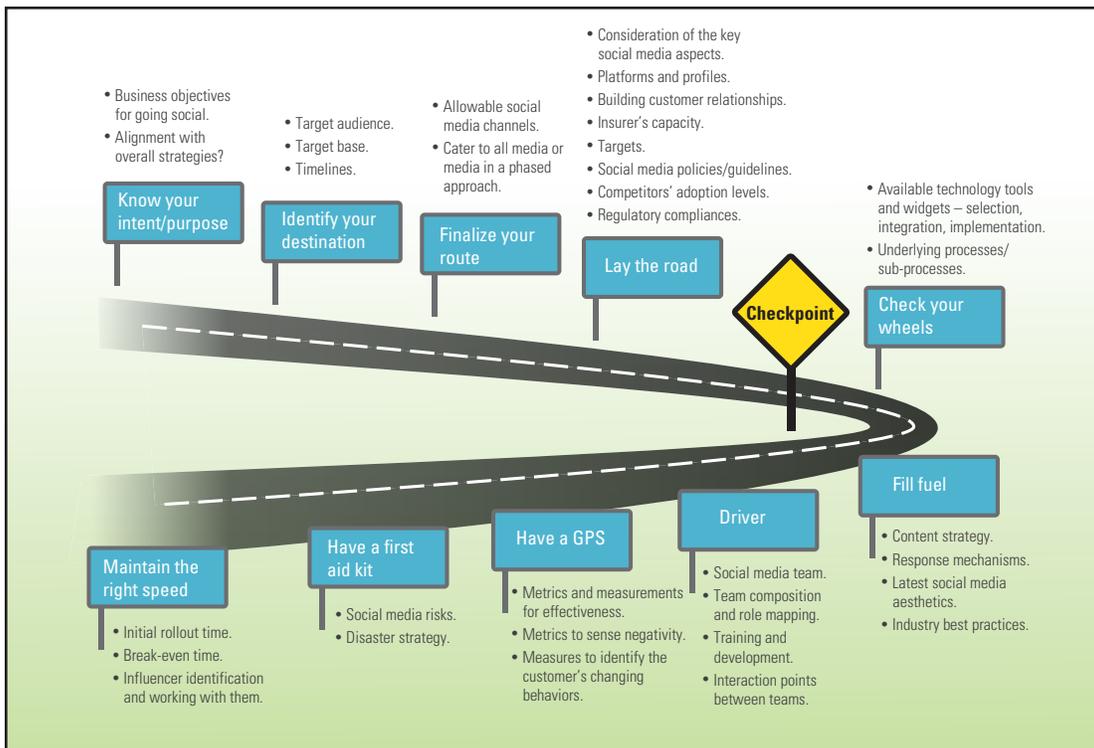


Figure 8

Quick Take

“Social-ite” Insurers

Our research focused on three popular social media platforms – Facebook, Twitter and YouTube – and collected data across 15 major North American automobile insurers during June and July 2013. Following are some of the key insights derived from our research.

Proactive content posted by the insurers was found to follow a pattern best categorized as:

- Informational content (insurance regulations, risk management tips, industry trends, etc.).
- Advertising content.
- Company-related information (such as service updates, management statements, annual reports, etc.).
- Fun content (such as seasons greetings, updates related to sporting events, games, contests, voting, etc.).

Users’ posts on the insurers’ walls were predominantly of two types:

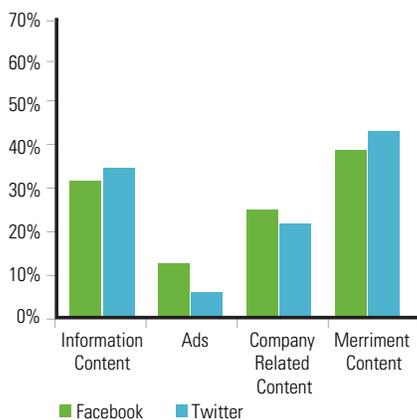
- Negative feedback:
 - On core insurance service of claims, billing and service.
 - Noncore insurance services such as marketing, sales, etc.
- General conversations:
 - Positive feedback.
 - Enquiries.

➢ Banter.

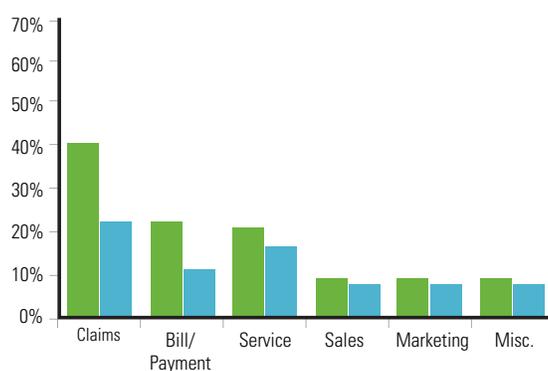
The insurers’ response time for a significant number of negative and general conversations was greater than 12 hours. In cases where they responded within an hour, there was noticeable user positivity and satisfaction – based on the number of likes on the insurers’ responses and also the tone of the users’ subsequent posts.

- The insurers seemed ill-equipped to handle escalating negativity. In 44% of such instances, they did not respond and in some cases deleted such posts which led to increased grievances.
- Insurers appeared to respond to posts that were in their interest, and left many positive and neutral moments of truth unattended; this could lead to skewed brand evaluations among users over time.
- Insurers did not seem to have methods to tackle out-of-loop feedback (outside their social presence), which was about 69% negative overall for all the insurers.
- On Twitter, insurers deployed social media management tools to track tweets but tracking out-of-loop feedback on Facebook remains a challenge.
- Even when insurers respond to out-of-loop feedback posts on Twitter, the responses, which are driven through social media management tools, are automated and very generic and hence not very effective.

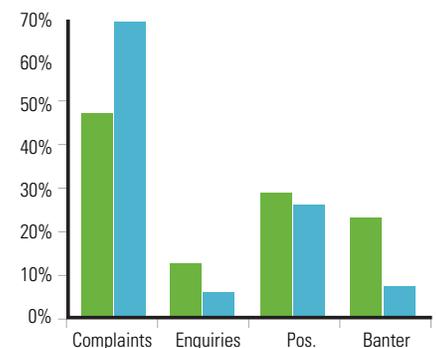
Proactive Content



Negative Feedback



General Conversations



has the potential to have a significant impact on the brand, spreading far beyond the concerned parties. The case Progressive vs. Matt Fischer⁵ is a prime example of this in the insurance industry.

Even outside the insurance industry, a big brand such as Thomas Cook could not escape the scrutiny of social media when it failed to respond effectively to an enquiry from a fan whereas another travel agency, "lowcostholidays.com," jumped into the fray and with its excellent PR steps, managed to put Thomas Cook on the defensive. This went viral, resulting in very high brand visibility for "lowcostholidays.com." On the other hand, a humane and innovative response from the sellers has the potential to tilt the scale in their favor even in the face of negative feedback. Bodyform, for example, in response to a male FaceBook fan's post, created a simple yet creative retort on YouTube which quickly went viral and received more than 1,000,000 views in two days. Another example is when Samsung last year rejected the request of a fan for a free S3 in a very kind and humorous way, which impressed the fan and led him to create a buzz about the story. After the viral reaction to the story, Samsung thanked the fan with a S3, resulting in a happy ending for both.

Insurers should realize that comments and complaints are inevitable in social media but they should be treated as valuable feedback that needs to be dealt with quickly and appropriately. Insurers should learn to leverage social media not to sell but improve engagement with customers and the larger communities, which in turn will yield the benefit of improved business. Also, the messages should be expressed in a manner that will position the insurers as firms interested in community welfare and in running their businesses ethically with appropriate transparency. This will bring the right accolades and positive "vibes" in the "social communities."

Measuring Social ROI for Insurers

Everyone likes to be "liked." However, for insurers using social media to achieve real, tangible, measurable results, the real question is, "How does this grow my business?" They need to find ways to turn eyeballs into profits online and measure and learn from their results. Insurers should efficiently leverage their social media presence to procure top-line and bottom-line benefits such as increased lead generation, brand equity, organizational image-building, reduced market research costs and improved customer service (see Figure 9).

Social Media "Chemistry" for Insurers

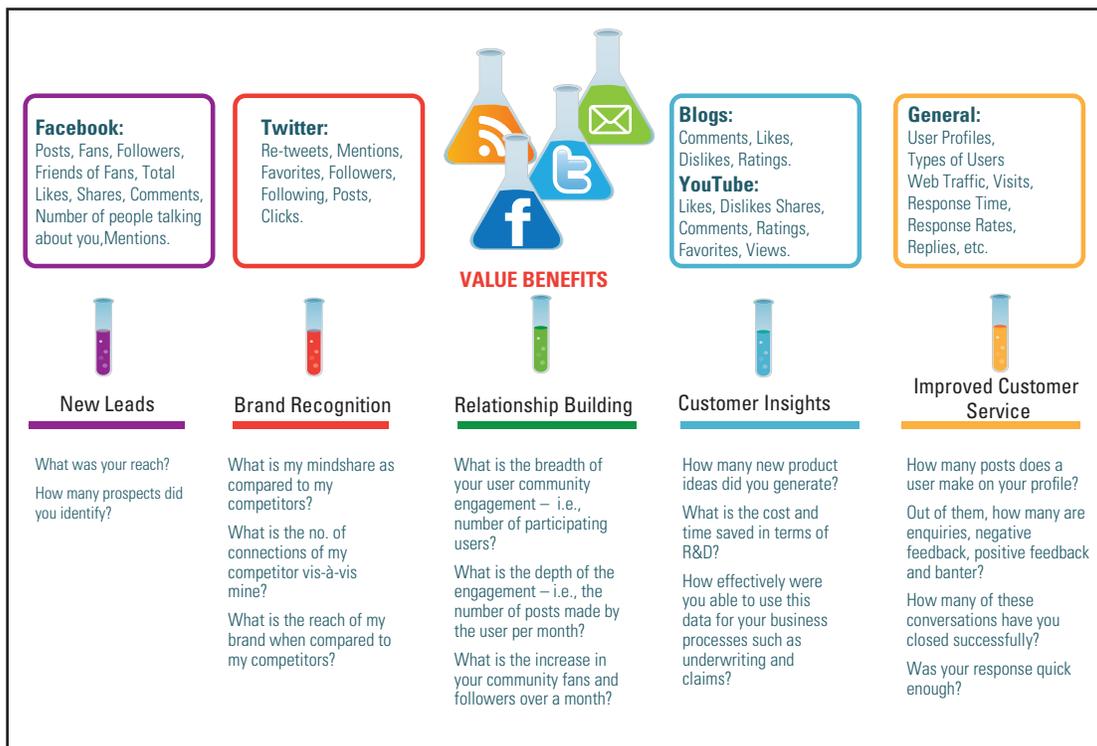


Figure 9

Social Media for Digital Transformation

Insurers are looking to stay abreast of what customers and prospects are talking about in the turbocharged social world. A structured framework based on a robust social media strategy for customer engagement can enable insurers to cut through the clutter and listen to the sentiments behind the conversations. A good strategy would ideally enable listening, engaging, analyzing, measuring and integrating with customers, producers, prospects and the community at large.

Any reluctance to embrace social media will prove costly in the long run – consumers increas-

ingly look for information and community/friend recommendations on Web sites. Social media is already their preferred mode of engagement and looks to remain so for the foreseeable future. Social media is not about immediate sales but forming a bond with relevant audiences.

While social media has the potential to effectively redefine the customer engagement model, insurers should tread carefully to realize full benefits while avoiding the possible pitfalls on this journey. Leveraged correctly, social media can be the ideal interactive means for brand promotion, converting loyal customers to brand advocates and enhancing reach in today's technology-savvy environment.

Footnotes

- ¹ "100 social media statistics for 2012," socialskinny.com, <http://thesocialskinny.com/100-social-media-statistics-for-2012/>.
- ² "Social media: contrasting the marketing and consumer perspectives," 2013, Pitney Bowes Software, http://slp.pbinsight.com/downloads/slp_success_downloads/Social_Media-WP_Pitney_Bowes_Software_2012.pdf.
- ³ "Hype Cycle for P&C Insurance," 2012, Gartner, <http://www.gartner.com/id=2569319>.
- ⁴ According to a 2013 survey conducted by Phoenix Marketing International on 2,000 auto insurance customers, <http://www.prweb.com/releases/2013/5/prweb10775136.htm>.
- ⁵ As obtained in the "theblaze.com" site, this case revolved around an instance where Progressive failed to respond appropriately to a consumer in a claim situation which involved a highly emotional note. <http://www.theblaze.com/stories/2012/08/20/progressive-reaches-settlement-with-gbtvs-matt-fisher-after-defending-sisters-killer/>.

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- Insights taken from http://www.information-management.com/blogs/business_analytics_data_inte-gration_social_crm-10017989-1.htm.

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