

Using Best-in-Class Customer Service to Improve Customer Retention

Customer retention is not a new concept among insurers, but today's market demands a novel approach to building and maintaining loyalty.

Unprecedented increases in policy lapse rates — up to ten percent, for some life insurers — might reasonably be ascribed to external factors such as the harsh economy and regulatory demands for transparency. These and other conditions have been influential as customers lose confidence, withdraw funds early, and drift to the competition.

But we inside the industry have not adequately enhanced the customer experience. Traditional customer retention models have been reactive rather than proactive, offering attention only after a customer has one foot out the door. The outdated programs provide too little, too late, and historically have yielded only short-term successes.

Given that a one percent improvement in customer loyalty can have the same long-term impact as a five percent increase in new business, the quality and substance of customer retention must be newly prioritized and emphasized.



Key Elements to Success

An effective customer retention (“CR”) strategy not only retains the customer but promotes the sale of additional products to that customer as needs arise. Four proactive elements are at the core of a successful program.

- » **Target & Tailor** – Get to know your client’s behaviors and priorities. Capture information related to financial background, future plans, and propensity to save/spend/invest. Use this information to develop customer groups that can be segmented according to retention-sensitive factors — but never sacrifice individual attention to customers within a segment. Even personal choices such as preferred contact channels and other “nice to haves” are invaluable in customizing the relationship. The one-size-fits-all mentality that has governed traditional CR strategies is perilously flawed.
- » **Enhance Customer Experience** – Align deliverables with customer requirements. Having captured information regarding behaviors and preferences, customers can be serviced immediately and in the future according to their wants and needs. Know the links between your customers and the products and processes that suit them best.
- » **Embed Retention** – Integrate retention in the organization’s customer service policies. Communication and service are at the center of any successful strategy, so schedule regular outreach and seize opportunities to develop the relationship. Improved communications position the insurer to deal with customer issues as they arise and plan appropriate interventions. Built-in incentives and rewards can further ensure long-term loyalty.

- » **Engage Employees** – Instill in employees the sense that they own the client relationship. Effective engagement is critical to ensuring employees are motivated to improve and sustain customer relations. Progressive productivity measurements coupled with incentive/reward programs help maximize performance. Retention begins under your own roof.

The Brilliant Basics

Customer interaction is the cornerstone of a proactive CR model. Clear and regular communication, above all, forms the foundation of an approach that will endure and grow over time. The simple act of listening to what a customer desires — and then delivering what you’ve promised, when you’ve promised it — is one of the often-overlooked “brilliant basics” of customer retention.

The foundation is further stabilized with an understanding of wants and needs. Attentiveness, responsiveness, sensitivity to individual concerns — these are the standard elements of customer service that every client expects. A service that reliably attends to these core drivers of satisfaction is repaid with a lasting and robust customer relationship. Moreover, attention to how a customer’s wants and needs evolve over time is critical for preempting a situation in which retention might be at stake. Note that it takes only one error for customer satisfaction to be spoiled completely, and such blunders are easily made even by well-intentioned providers.

With consistent and high-quality customer service in place, loyalty is cemented with the formation of an emotional bond. As in any relationship, it’s the “moment of truth” actions — those that come unexpectedly and are above the call of duty — that establish emotional connections. Such moments are key to influencing policy-holder behavior, and they are invaluable elements of any genuine rapport.

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Delivering a Retention Strategy

Several models exist for implementing a strategy across an organization, and countless variations are possible to make for an appropriate fit. Settling on an approach will certainly be influenced by the existing operational structure. Even allowing for a great variety of configurations, though, a handful of factors are universally important to consider.

- » Know who owns the customer relationship. If a client were to call and surrender a large universal life policy, would the sales staff be informed? Is the customer in regular contact with a financial advisor — or was the product sold through a bank channel?
- » Establish criteria for designating which contracts should be put through the retention program. Contracts can be marked for retention utilizing data that specifies type, value, age, and size.
- » Coordinate efforts across a range of business functions including Sales, Operations, Compliance, Risk, and Finance. In traditional models, lapsing policies are handed off to specialized units — leaving the customer with a sense of disloyalty. With an integrated approach, all relevant departments are vested in customer service and their processes are linked to retention.

- » Create a strong “people dimension” internally to revitalize the customer experience. Skilled employees with a genuine empathy for clients must be engaged, encouraged, and rewarded for taking responsibility of retention goals.

Overcoming the Challenges

Though several fundamental components of a successful retention strategy can be identified, there is in fact no silver bullet. For most organizations, challenges quickly arise relative to data capacity, resource allocation, and time; indeed, very few firms are equipped to deploy a turn-key program.

But foreseeing the obstacles is the first step to overcoming them. The acknowledgement of internal limitations should be coupled with an assessment of internal strengths. With a keen understanding of the available models and delivery options, a renewed approach to customer retention can be underway rapidly.

There will be time to test and improve strategies. The current state of the industry may be rife with adversity, but it's also rich with opportunity.

