

Customer behavior: building loyalty into your business plan

Specialty insurance markets are growing, but so are customer expectations.

Do you have a loyalty plan in place?

Growing your business requires not only bringing in new customers, but also creating loyalty among your existing customer base. The 80/20 rule, or Pareto Principle, states that 80 percent of results will come from just 20 percent of actions. Applying that rule, we posit that 80 percent of your revenue comes from 20 percent of your current customer base. This means that it's critical to develop customer retention strategies.

Developing loyal customers is good for your business because they buy more products, recommend your company to peers and reduce churn and its associated costs. But creating customer loyalty in the insurance industry is more challenging than ever, as indicated in a 2015 report by Accenture, "Capturing the Insurance Customer of Tomorrow." Customer expectations continue to rise, while more customers believe there is little differentiation between products and services. "Today's insurance customer is more empowered, more social and has higher expectations of his/her providers," explained John Cusano, Senior Managing Director of Accenture's Global Insurance practice, in the report.¹

Low-touch obstacle of insurance

What's challenging to insurance agents, like all insurance providers, is that there is little formal reason to interact with customers on a regular basis. Monika Schulze, Zurich's Global Head of Customer & Digital Experience, said research shows that, on average, there's a touch point every 1.5 years in the insurance industry. By the very nature of its annual renewals, insurance comes across as a low-touch industry. In contrast, we're living in an era when customers have come to expect high-touch, personalized service as delivered by giants like Amazon and Apple, Schulze noted.



Bain & Company's 2017 survey, "Customer Behavior and Loyalty in Insurance" revealed a huge difference in the NPS between customers who had at least one interaction with their insurance provider and those who did not. The survey also revealed that building loyalty could improve an NPS by up to 20 points over a three-year period. It's not just the frequency, but also the quality of interactions that had a positive impact on scores.² Connecting with your customers less than once per year could hurt loyalty and won't differentiate your company from the competition.

Building the emotional connection

So how can a low-touch industry like insurance deepen loyalty with customers? "It starts by building emotional connections, and those start by truly understanding the motivations of customers," explained Schulze. "I don't believe insurance is a commodity. You're dealing with something very emotional here—the protection of someone's life and business."

A core part of business-to-consumer branding has always been creating an emotional connection. But as the business-to-business (B2B) environment becomes more crowded and commoditized, creating emotional connections has become essential.

A survey of 3,000 B2B purchasers across industries showed that these customers were more emotionally connected to their service providers than consumers. The reason? Business purchases involve more investment and have longer-lasting consequences for an organization or an employee than a low-stake consumer purchase.³

"Insurance typically falls back on negative stories to stir up some kind of emotion with customers. A better way of building relationships is through positive stories or experiences between a customer and its provider," said Schulze.

From product to customer focus

According to Schulze, another trap the insurance industry falls into is a focus on product and underwriting, noting "There needs to be a cultural shift away from product to customer needs. Our customers are the ones that are truly in charge now." She noted that today's customers are sensitive to receiving high-quality service. "They want questions answered faster, complex details made more understandable, and more transparent and straightforward communications." In short, Schulze said it's necessary to make the process as enjoyable and painless as possible.

Customers always want their choice of communication methods and availability, Schulze explained. "Some days, a customer may want an in-person human connection, on other days a phone call, and at other times, online works just fine for them." She noted that customers have more digital tools available to them, and big digital competitors with extensive data analytics are threatening insurance providers. "You need to really listen to your customers and find out what they want."

The Accenture report revealed that nearly half of the respondents said they wanted more online interactions with their insurers. However, the report also noted that insurance customers who rely solely on digital channels tend to be less loyal than those who use several channels of communication and interaction.¹

"You really have to take time to understand your customer's journey throughout the year - when they need that human, personal conversation, and when a digital communication will work," said Schulze. "Some customers may be more conservative and like traditional means of communications. Others may want to do more online. You have to let them choose."

Telling your story

There's a popular adage that "facts tell, but stories sell." No doubt you need to understand all the facts and details of an insurance product and policy. However, using a story to explain the higher value you offer will create that emotional connection with your customers.

Schulze explained, "Stories create a conversation with your customers, rather than just having a one-way communication. Your main communication with your customer should not be pushing out what you believe about a product, but telling a story and getting customer input and feedback."

Customers respond to real-life stories and examples. Using a case story of how you helped a company handle certain risks could appeal to another potential customer in that same industry. In addition, telling the story of how a claims situation was resolved quickly for a customer will also make your facts more believable and establish your value in a compelling way.

Build a customer-centric culture

Designing customer-centered experiences is at the heart of improving loyalty and engagement, said Schulze. "At Zurich, employees from around the world are now continually asked to suggest more agile and human-focused approaches to design better customer experiences."

Does your company culture put customers first, ahead of the process and paperwork? If not, you could risk opportunities to build customer loyalty. Ultimately, your customers want to feel good about their purchase decisions. Creating consistent, relevant and high-touch experiences will leave them wanting to keep their business with you...and maybe expand your relationship.

5 Tips to build a customer Loyalty plan

Increasing customer retention requires a proactive and planned approach throughout the year. Here are five ways to get started:

- 1. Ask customers for their communication preferences.** Some customers want digital or text interactions, while others prefer a call. Maybe it's even a combination of communication methods. Be sensitive to the different communication needs of each customer.
- 2. Communicate to build transparency.** Building trust with your customers will create stronger, lasting relationships. Be clear and transparent in your communications can help build that trust.
- 3. Create networking opportunities.** Ask your top customers to join you for lunch with other customers or at a conference or business event. Your customers will enjoy creating peer-to-peer connections to learn from others and to promote their own brands.
- 4. Inspire a storytelling culture.** Tell stories of customer successes at your employee meetings and encourage your sales agents to do the same with their customers. Training your employees to start with a story instead of facts will create the emotional connection proven to influence purchase decisions.
- 5. Develop a frequency plan.** Don't make renewal time the only touch point you have with a customer. Check in with customers periodically about how their business is going, if something new is happening they might need help with, or to share a positive story or insights learned from other customers.

¹ Accenture. " \$470 Billion in Insurance Premiums Up for Grabs Due to Declining Customer Loyalty and Perceived Product Commoditization, According to Accenture Report." 4 August 2015. <https://newsroom.accenture.com/news/470-billion-in-insurance-premiums-up-for-grabs-due-to-declining-customer-loyalty-and-perceived-product-commoditization-according-to-accenture-report.htm>

² Henrik Naujoks, Henrik, et al. "Customer Behavior and Loyalty in Insurance: Global Edition 2017." Bain & Company. 14 September 2017. <http://www.bain.com/publications/articles/customer-behavior-loyalty-in-insurance-global-2017.aspx>

³ Nathan, Sam, and Karl Schmidt. "From Promotion to Emotion: Connecting B2B Customers to Brands." Think with Google October 2013. <https://www.thinkwithgoogle.com/marketing-resources/promotion-emotion-b2b/>

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