



Is it time to rethink customer relationships?

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The Consumer Agenda

The challenge

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Faced with the unprecedented challenges of troubled financial markets, changing regulatory oversight and economic uncertainty, there is a risk that some insurers may not be listening and responding to the most important voice of all — their customers'. Previous assumptions and received wisdom about customers may no longer be reliable, and those insurers who are able to respond best to what customers want now, and in the future, are most likely to succeed.



The findings suggest that insurers can no longer rely on received wisdom about what consumers think and how they behave...

Insurers must **listen to the voice of the customer**

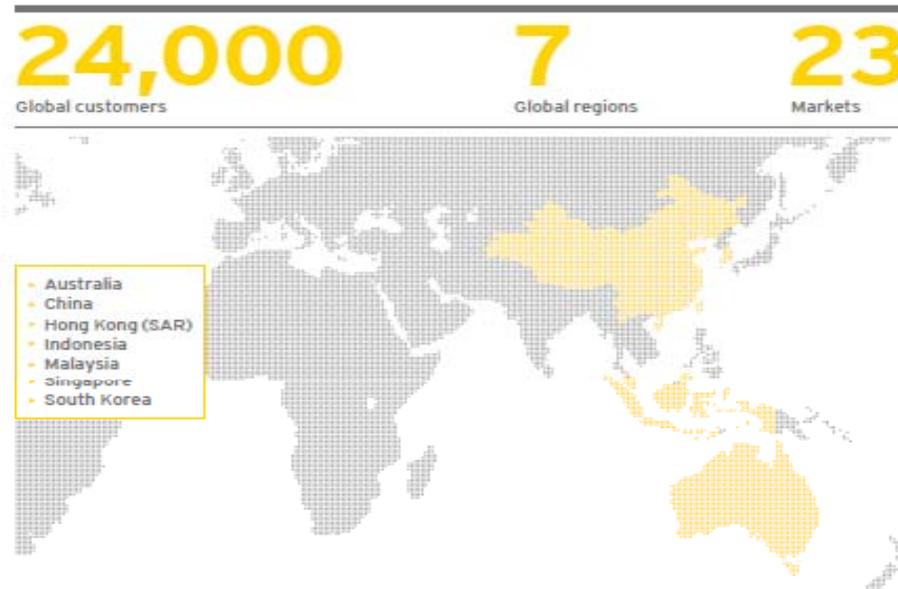
Global Consumer Survey

Focus on Australia

Financial Services Forum



Ernst & Young has conducted a groundbreaking survey of insurance customers. We set out to test the received wisdom by interviewing 9,000 consumers of life and personal lines insurance products in the Asia Pacific, including 1,000 in Australia



- ▶ The survey interviewed consumers in Australia, Hong Kong, Singapore, Malaysia, China, Indonesia and South Korea during August and October 2011
- ▶ This was part of a global survey covering 24,000 consumers across 23 markets in seven regions around the world
- ▶ We believe the survey is the most extensive of its kind – the breadth and depth of the research appears to be unprecedented

Exploring the insurance myths

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Our findings explore the received wisdom of the insurance sector

In line with the rest of the developed world, some consistent themes emerge from the Australian data. These present both opportunities and challenges for insurers. Our results are structured around five commonly held life insurance industry beliefs, that we refer to as received wisdom

Life insurance myths

Myth 1: Consumer confidence in the insurance industry is low

Myth 2: Life insurance is sold, not bought

Myth 3: Personal interaction is essential

Myth 4: It's hard to cross sell to existing customers

Myth 5: Providers can't materially influence persistency

We set out to explore customers' attitudes and behaviours today, to separate myth from reality and provide some hard evidence of **what customers want now**

Myth 1: Consumer confidence in the insurance industry is low

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While only 30% of consumers have a positive view of the insurance industry, over 80% believe that their product meets their needs

30%

of customers have a favourable view of the insurance industry

39%

are neutral

- ▶ Customers in Australia have a rather ambivalent view of the insurance industry: 31% reported an unfavourable view, 30% favourable, and 39% neutral
- ▶ Customers agreed that, compared with other consumer-facing businesses, the industry lags behind in service quality (net **46%** agreed) and rewarding loyalty (net **56%** agreed)
- ▶ Only **11%** of customers are not confident that the product they have purchased meets their needs, compared to 21% across Asia Pacific

Relative to the rest of Asia Pacific, Australia has more than double the percentage of consumers who have an unfavourable view of the industry though 80% are confident that their product meets their needs

Myth 1: Implications for insurers

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While customers are happy with their products, it's not a cause for complacency:

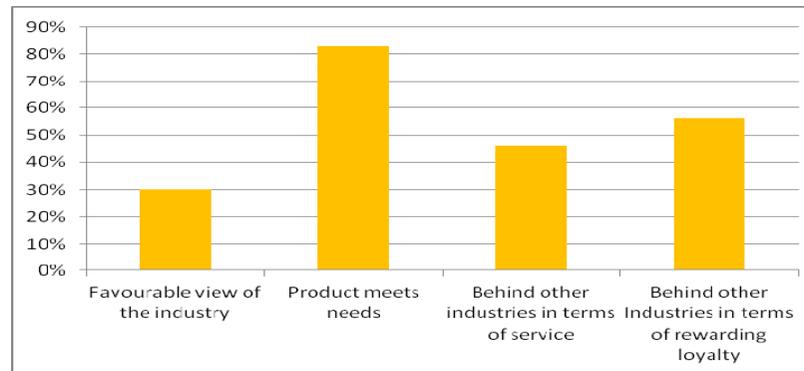
46% of consumers believe that insurance is lagging behind other industries in terms of service

24%

of the customers who are not confident that their product meets their needs, said that it was due to not having enough information on product performance

29%

of customers would like a *named contact* to deal with



25%

said that they would like better access to online services and information

23%

said that they would like communication to be clearer and easier to understand

Insurers should ensure that they provide:

- ▶ Simple and transparent products and information
- ▶ Regular simple performance reporting for investment/saving products
- ▶ A quality online offering which can meet the expectations of the level of engagement that genuinely customer centric business are setting

Myth 2: Life insurance is sold, not bought

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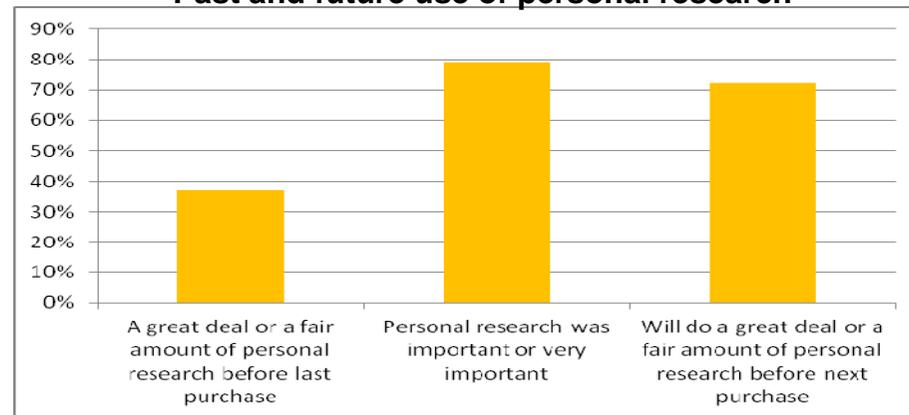


Customers expect to do a lot more self-directed research in the future

38%

of customers did a fair amount or a great deal of research before purchasing, but our research shows a marked shift in customers' intentions to conduct more research in the future

Past and future use of personal research



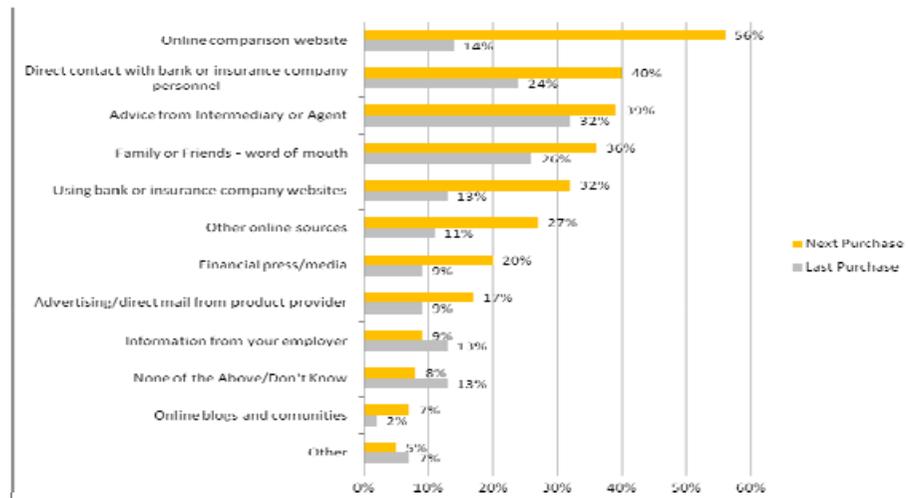
Our research indicates that many customers intend to be much more involved in the purchase decisions in future. While insurance is still being 'sold' there is increasing 'ownership' of the process by customers themselves

Myth 2: Implications for insurers

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Online resources are set to become the dominant source for personal research



Online research is expected to more than double from current rates

70%

of Australian consumers intend to proactively research their next purchase

Insurers need to ensure that they:

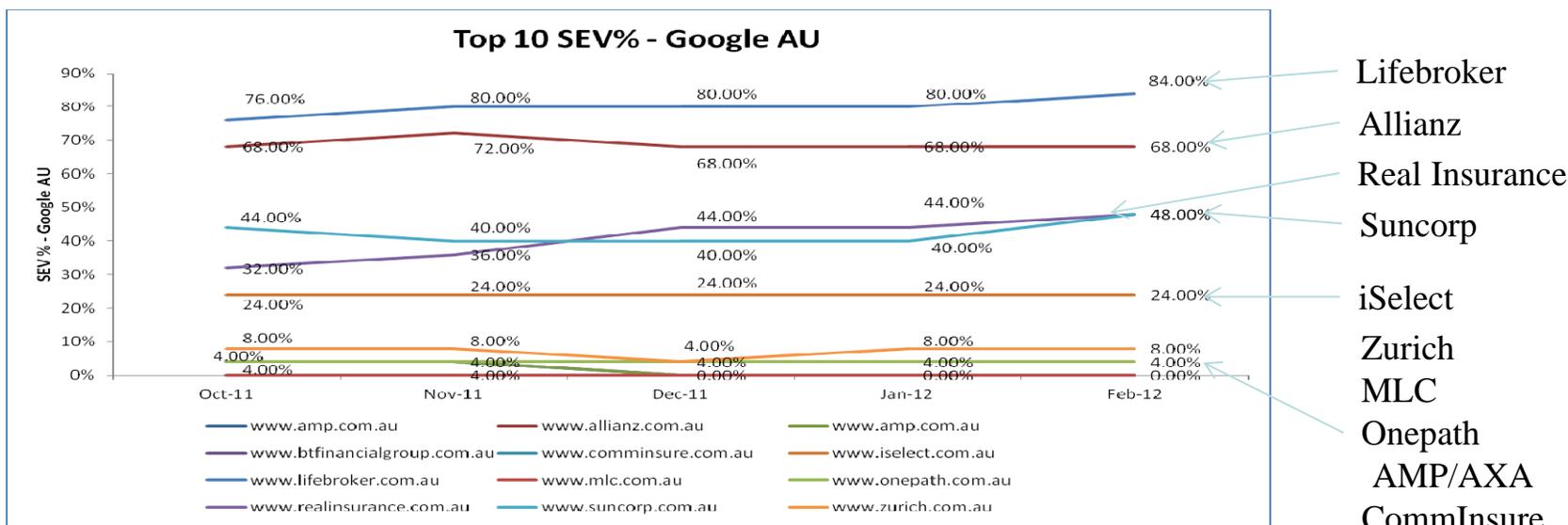
- Make it easy to find, access and get advice on relevant products and information, particularly via online channels
- Dramatically improve their visibility in online searches
- Influence objective digital information sources so that they are represented fairly allowing the customer to make a well informed choice

Search Engine Visibility of Traditional Players is Very Low



30,000 Australian searches per month related to Life Insurance research and purchasing. Traditional Life players are attracting a negligible amount of traffic

Percentage of time the Insurer will be on the first page of web searches related to life insurance or income protection insurance



Myth 3: Personal interaction is essential



Complexity is a key driver of the continued need for personal interaction

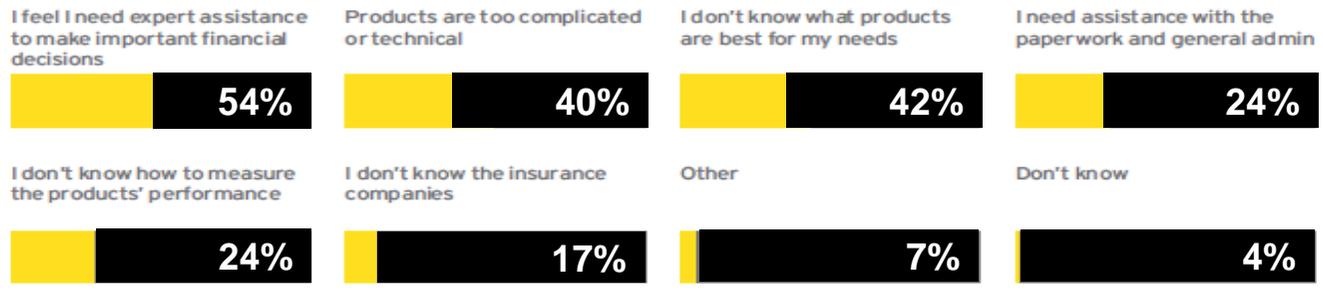
75%

say personal interaction is important or essential

14%

of customers say that the level of personal contact with their provider is not meeting their needs

Why is personal interaction important to you?



Our research indicates that the need for personal interaction is a result of product complexity, which makes it hard for consumers to identify the best product for their needs

Myth 3: Implications for insurers

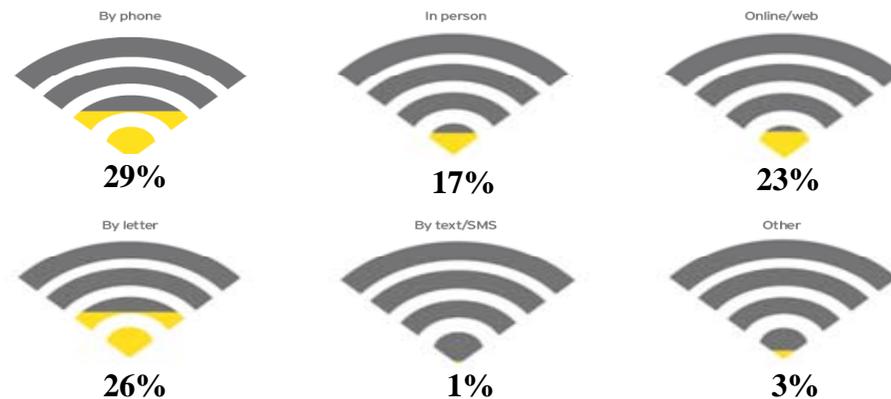
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Preferences for phone and online communication provide an opportunity to exploit alternative channels to provide the needed personal interaction

- Among the different methods of contacting customers, survey respondents show a marked preference for phone contact
- Phone and online communication score as highly as face-to-face contact

What would be your preferred means of contact from your provider?



Insurers need to:

- Interact proactively around key customer life events through better use of predictive analytics and social media
- Use phone and web chat/video interaction to provide personal interaction remotely and at lower cost
- Focus their sales channels on where they really add value to the end customer. This value will need to be effectively communicated as the transparency of the cost of advice increases as a result of regulatory changes

Myth 4: It's hard to cross sell to existing customers



Current cross sell rates are low, but customers are willing to buy multiple products

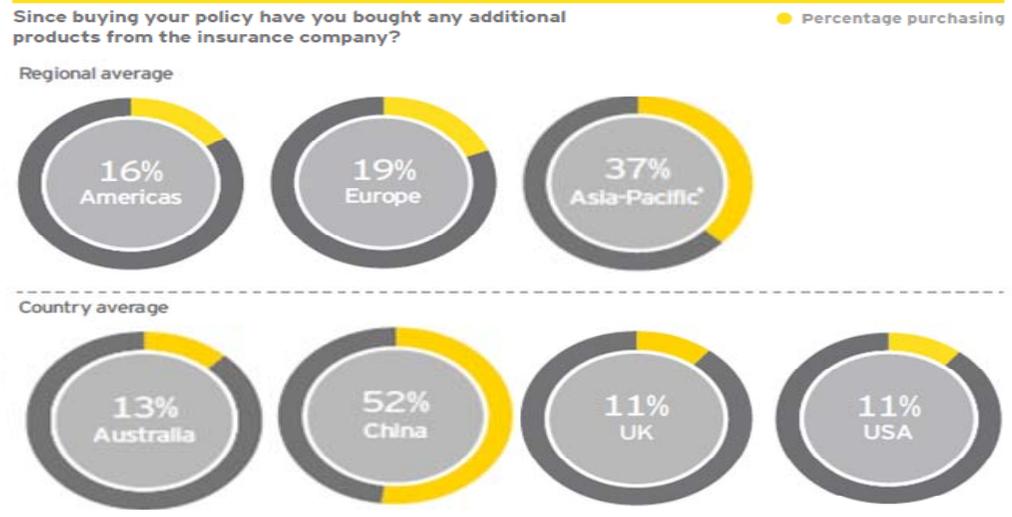
13%
of Australian customers have bought more than one product from the same provider

Multi-product holdings are higher where the agency model is more dominant

52% China

16% US/Canada/Mexico

11% UK



Australia had the lowest cross sell rate in the Asia Pacific region, reflecting lower levels of face-to-face interaction, unbundled product structure, broader choice of distribution channels and adviser agreements which limit marketing

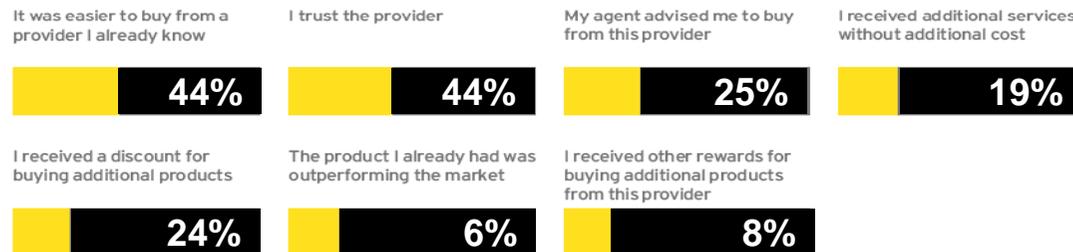
Myth 4: Implications for insurers

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Convenience and trust drive cross sales. Aligning economic incentives to reward multi-product sales is key, where intermediaries are relied on

What factors played a part in your decision to purchase an additional product from the provider?



Our research shows that customers are willing to buy more products provided they trust the insurer and the process is simple and convenient

Insurers will need to:

- Use analytics based on demographic indicators, transactional data and social media, to identify trigger events to sell secondary products at the appropriate time
- Agree customer access protocols with intermediaries that take advantage of the changing regulatory environment
- Serve their customers well, provide a high level of convenience and build a trusted relationship in order to be able to identify and exploit cross sell opportunities
- Move the focus from product profitability to customer profitability

Myth 5: Providers can't materially influence persistency



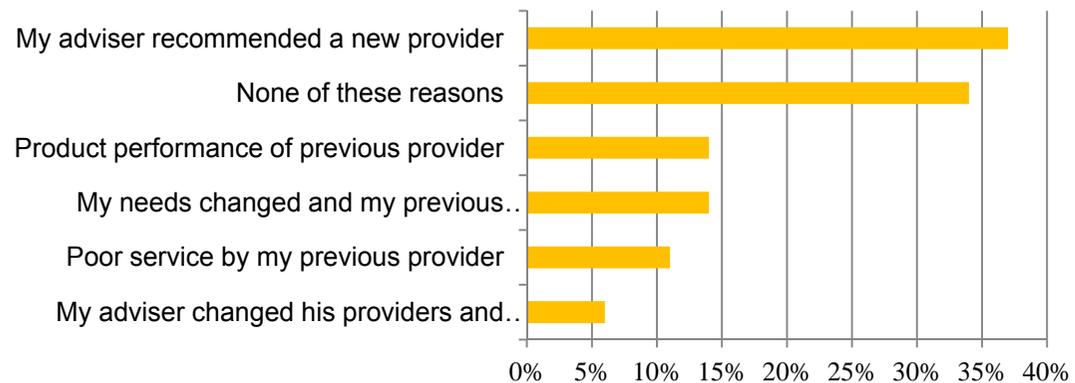
In Australia, “recommendation by adviser” is the dominant factor behind the decision to change product provider

12%

of respondents plan to change policy providers in the next five years

63%

Of those who had switched said their provider made little or no effort to encourage them to stay



Based on those who changed provider

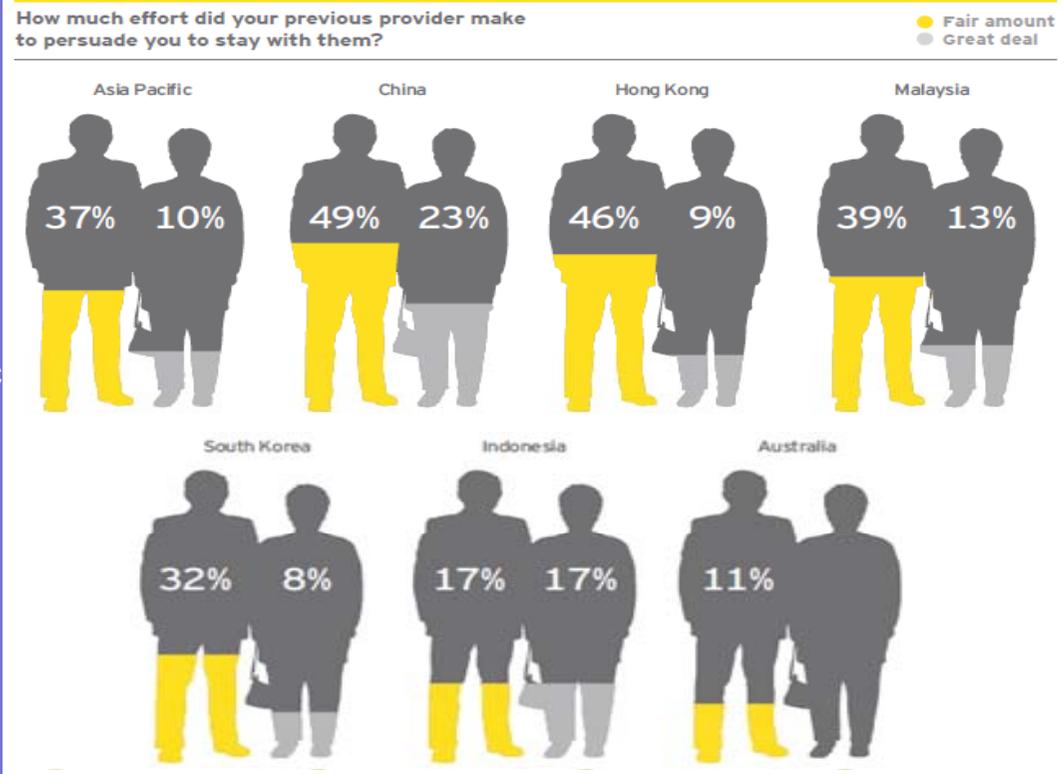
Based on our research, customers perceive that insurers put little effort into retention

Myth 5: Implications for insurers

Customer inertia has favoured providers, but switching behaviour appears set to increase

Insurers need to:

- Manage the impact of intermediaries on persistency
- Focus sales management effort on more profitable intermediaries who deliver higher persistency
- Focus on keeping the customer, not just the policy. Many existing systemic processes are focused on keeping the policy
- Use predictive models to target proactive retention activity, based on risk of lapse of customers
- Use “test and learn” approaches to work out which retention interventions are most effective



Rethinking your customer relationships



	What Customers Want	Implications for Providers
1. Direct Capability	Increased ability to deal directly with insurers	Build “Direct” capability
2. Retention Capability	Increased insurer responsiveness	Build “Retention” capability