Customer Engagement in Insurance
An Imperative for Achieving Organic Growth
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Executive Overview

The marketplace forces shaping the insurance industry have never been more strong or more numerous than today. These forces require a significant shift in strategy in order to succeed in this highly challenging environment, characterized by:

• Pricing pressure. Insurers are responsive to customers’ requirement for a cost competitive product and, as a result, have focused on comparative savings and discounts. Coupled with enhanced price transparency through social media and networks, pricing advantages have become transitory and unsustainable.

• Product commoditization. Insurers are quick to duplicate or match the features of competitors’ products, reducing the efficacy of the traditional innovation model to secure market share.

• Customer evolution. Across all industries, customer expectations are on the rise. The tolerance for product complexity is diminishing, and sales and service interactions that fail to communicate respect for customers’ business and to demonstrate relevance to their individual needs do damage to the strength of the relationship.

Product excellence for insurers is a necessity—but it may no longer be sufficient to move beyond competitive parity to marketplace leadership. In the current environment, a strategy focused on the quality of customers’ experiences and the resulting change in customer engagement is the new differentiating approach that will serve to separate those insurers who maintain the status quo from those who excel through organic growth. The dominate driver of that growth will be the acquisition, retention and development of engaged and profitable customers.

To understand the state of customer engagement in the insurance industry and to identify the priorities and plans by which insurers can enhance engagement, KBM Group—an insurance Consumer Engagement Agency—partnered with 1to1 Media to conduct quantitative research. Using data gathered from nearly one thousand U.S. customers of life and property & casualty (P&C) insurers, the research sought to answer three primary questions:

1. What is the current state of engagement for customers of life and P&C insurers?
2. Which actions of an insurer are most influential in impacting customers’ engagement—and, how does that vary across the lifecycle?
3. To what extent do improvements in customer engagement impact important business outcomes for insurers?

The research insights not only document the need for an increased emphasis on customer engagement by insurers, but also establish a business rationale for doing so.
Customer Engagement

In the insurance industry, the engagement of customers varies widely. Today, only about 4 in 10 (38%) customers are strongly engaged, with an almost equal quantity (36%) moderately engaged—in contrast to the remainder (27%) for whom their level of engagement is weak (see Figure 1). These distinctions are significant, because it is those strongly engaged customers who are most likely to be brand enthusiasts. Those customers are qualitatively different from moderately engaged customers, who are satisfied but unenthusiastic; and from weakly engaged customers, with whom the strength of the relationship with insurers is low. Engagement does not meaningfully or consistently vary by customers’ gender, age, or household income, suggesting that it is not demographically determined.

Figure 1: Customer Engagement Across the Lifecycle

The distribution of customer engagement (with darker bars corresponding to stronger levels) varies for customers of life (grey bars) and P&C (purple bars) insurance, both on an overall basis, as well as across stages of the customer lifecycle.

Source: KBM Group and 1to1 Media
This overall distribution, however, masks differences exhibited by customers of life versus property & casualty (P&C) insurance. Fewer life (29%) than P&C insurance (46%) customers are highly engaged, due perhaps in part to fewer interactions per year (1.7 versus 2.0) with their insurer and to the use of fewer communication channels (e.g., email, direct mail, or phone; 1.3 versus 1.5). This pattern of engagement for customers of life versus P&C insurance is consistent across each of seven customer lifecycle stages:

- **Shopping experience**: learning about my insurer's products, and having my expectations met
- **Buying experience**: applying for and purchasing a policy from my insurer—and, if necessary, reminding me to complete the application and make the initial premium payment
- **Startup experience**: receiving the insurance policy and having initial questions answered by my insurer
- **Relationship building experience**: receiving tips and newsletters, showing that my insurer cares
- **“Growing with you” experience**: looking out for my best interests—for example, by receiving recommendations from my insurer as my needs and life change
- **Service experience**: receiving assistance from my insurer when solving a problem (e.g., billing issue, claim submission)
- **Renewal experience**: Asking if my needs have changed, looking for coverage gaps, or trying to find discounts to help me save

Across the customer lifecycle, the relationship building and “growing with you” stages have the lowest levels of engagement and thus represent the greatest potential opportunity for insurers. By enhancing engagement within those stages, insurers have the chance to strengthen the connection with the customer and thereby facilitate the cross-sell of additional products or secure word-of-mouth referrals.

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**Top Three Takeaways for Insurers**

1. Only a minority of customers are strongly engaged with their insurer—reflecting a customer relationship deficit, but also representing a business opportunity for any insurer seeking to differentiate itself from the competition.

2. Engagement is weaker among customers of life than P&C insurance, indicating a greater need for life insurers to concentrate on strengthening engagement—an enduring foundation for sustainable competitive advantage.

3. Across the customer lifecycle, it is the ongoing relationship building and “growing with you” stages that have the lowest levels of engagement and are thus in most urgent need of attention by insurers.

“Products are short-lived. Relationships in contrast, are persistent. Customer engagement is the only enduring foundation upon which an insurer can create sustainable advantage.”

—Karen Imbrogno, Vice President Vertical Practice Lead, KBM Group
Drivers of Engagement

Engagement is a consequence of customers’ experiences with the insurer—but which experiences, and by how much those experiences impact engagement, is the salient question. In this research, three categories of experiences were examined: (1) insurer behaviors, encompassing advertising and marketing, feedback, reward and recognition, and customer focus; (2) insurer’s providing and using information; and (3) communications, including frequency, adherence to preferred channels, timeliness, use of the customers’ preferred language, use of simple language, and relevancy.

Driver: Behaviors

As customers agree more strongly that an insurer exhibits a constructive behavior, engagement increases—both for life as well as property & casualty (P&C) insurance customers. The extent of that increase varies from modest—for example, a 32% change for “asks for my feedback on its products and services” for P&C insurance customers; to momentous—a 93% change for “stands behind its promises” for life insurance customers (see Figures 2b and 2g).

Figure 2: Customer Engagement Drivers—Behaviors

As customers’ assessment of insurers’ behaviors improve, so too does engagement.
Across both life and P&C insurance customers, it is the advertising and marketing behaviors of the insurer that yield the highest average change in engagement (73%). As customers more strongly agree that an insurer “advertises honestly” and “describes and promotes its insurance products honestly” (Figures 5a and 5c), engagement increases most significantly. Honesty suggests trustworthiness and implies that the perceived trustworthiness of the insurer is critical to engendering customer engagement together with its related beneficial business outcomes. Among customers of life insurance, for example, trust is also known to be the top factor in driving the purchase of additional products.8

“Without customers’ trust, an insurer will be challenged to build authentic and productive relationships that enable engagement that yields business benefits,” explains Thomas Lacki, Ph.D., senior research fellow, 1to1 Media Faculty. “And, in the absence of such relationships, the alternative foundation for achieving sustainable success becomes transitory transactions—a difficult game to win. Trust has been shown to be positively associated with customer commitment, loyalty, and advocacy; and, is recognized by business executives as a key factor influencing the purchase decisions of customers.”8

A focus on the customer is nearly as noteworthy, with a 66% average change in engagement. When an insurer “places my interests above its own,” “treats me like a person—not a ‘number’,” and “stands behind its promises” (Figures 5d, 5h, 5g), engagement is elevated. And, finally, recognizing and rewarding the customer produces enhanced engagement by “rewarding me for being responsible,” “showing appreciation for my business,” and “treating me like a valued customer” (52% average change in engagement; Figures 5e, 5f, 5i).

Beyond examining insurer behaviors individually or in categories, a more sophisticated analysis involves considering the entire set of insurer behaviors collectively, and determining the relative importance7 of each behavior in explaining engagement. For customers of life insurance, the top three insurer behaviors that explain overall engagement are “stands behind its promises,” “treats me like a valued customer,” and “treats me like a person—not a ‘number’” (31%, 30%, and 25% relative importance, respectively). The pattern of the most important insurer behaviors does, however, change when engagement is separately considered for each lifecycle stage. For the shopping, buying and startup stages, “describing and promoting its insurance products honestly” is the most salient life insurer behavior explaining engagement (with 37% average relative importance); suggesting that the perceived authenticity of the marketing messages by the customer is especially impactful during those lifecycle stages. For the relationship building and “growing with you” stages, “showing appreciation for my business” and “treating me like a valued customer” dominate (26% and 28%, respectively); suggesting that recognizing customers for their patronage is not to be forgotten, particularly during those lifecycle stages.

For customers of P&C insurance, the top three insurer behaviors that explain overall engagement are “treats me like a valued customer,” “stands behind its promises,” and “describes and promotes its insurance products honestly” (26%, 25%, and 25% relative importance, respectively). Once again, differences in the pattern of the most important insurer behaviors change across the customer lifecycle. For example, in the relationship building stage, “treating me like a valued customer” (19%) and “asking for my feedback on its products and services” (18%) are the most salient insurer behaviors explaining engagement; suggesting that giving customers recognition and soliciting their opinions are important when seeking to deepen the relationship. For the “growing with you” stage, “treating me like a valued customer” (25%) and “showing appreciation for my business” (22%) dominate. For the service stage, the key insurer behavior is “standing behind its promises” (29%). And, finally, for the renewal stage, “treatment me like a valued customer” (22%) and “rewarding me for being responsible” (18%) are the insurer behaviors with the highest relative importance in explaining engagement.

“Without customers’ trust, an insurer will be challenged to build authentic and productive relationships that enable engagement that yields business benefits.”
—Thomas Lacki, Ph.D., Senior Research Fellow, 1to1 Media Faculty
A second class of engagement drivers are insurer behaviors related to providing and beneficially using information. As customers’ satisfaction with information behaviors increases, engagement increases (see Figure 3).

**Figure 3: Customer Engagement Drivers—Information**

As customers’ assessment of the receipt and use of information from insurers improve, so too does engagement.

- **(a)** Alerts me about ways to potentially reduce my insurance premium
  - Life: 6.8, Neutral: 7.6, Satisfied: 8.8
  - P&C: 5.4, Neutral: 6.4, Satisfied: 8.2, 8.7

- **(b)** Educates me on insurance products and services
  - Life: 5.4, Neutral: 6.4, Satisfied: 8.2, 8.7
  - P&C: 6.8, Neutral: 7.5, Satisfied: 8.2, 8.7

- **(c)** Helps me plan for my financial future
  - Life: 5.4, Neutral: 6.7, Satisfied: 7.8, 8.3, 8.8
  - P&C: 6.7, Neutral: 6.8, Satisfied: 8.3, 8.8

- **(d)** Periodically asks me if my life or circumstances have changed
  - Life: 5.7, Neutral: 7.0, Satisfied: 8.2, 7.0, 7.5, 8.8
  - P&C: 7.0, Neutral: 7.0, Satisfied: 8.2, 8.8

- **(e)** Proactively alerts me to potential issues that may affect my policy or coverage
  - Life: 6.8, Neutral: 7.5, Satisfied: 8.7
  - P&C: 4.9, Neutral: 5.8, Satisfied: 7.8, 8.7

- **(f)** Knows all my history, interactions, product inquiries and purchases when I call
  - Life: 6.8, Neutral: 7.5, Satisfied: 8.7
  - P&C: 4.9, Neutral: 5.8, Satisfied: 6.6, 7.2, 8.3, 8.6

- **(g)** Provides information and tips on how to minimize risk
  - Life: 5.5, Neutral: 6.5, Satisfied: 7.0, 7.8, 8.2, 8.7
  - P&C: 7.0, Neutral: 7.8, Satisfied: 8.2, 8.7

Source: KBM Group and 1to1 Media
For customers of life insurance, “knowing all my history, interactions, product inquiries and purchases when I call” (Figure 3f) is the attribute exhibiting the largest change in customer engagement (68%) as satisfaction improves—and the attribute with the highest relative importance in explaining customer engagement overall (46%) and during the shopping, buying, startup and service stages of the customer lifecycle (41%, 55%, 42%, and 42%, respectively). This result suggests that when a life insurer utilizes customer data to improve the quality of an interaction, customer engagement is enhanced. For the relationship building and “growing with you” stages, “providing information and tips on how to minimize risk (e.g., living a healthier lifestyle)” have the highest relative importance (27% and 25%, respectively).

The other top two attributes for customers of life insurance are “helps me plan for my financial future” and “educates me on insurance products and services” (Figures 3c and 3b), each producing a 52% change in customer engagement as satisfaction improves. As a life insurer uses information to address a customer’s critical need for a financially secure future and to enhance confidence through product education, engagement increases.

For customers of P&C insurance, the most notable similarity is the impact of the insurer “knowing all my history, interactions, product inquiries and purchases when I call” (Figure 3f). This attribute yields the largest change in customer engagement (47%) as satisfaction improves—and is the attribute with the highest relative importance in explaining customer engagement overall (44%) and during the buying, startup, service and renewal stages of the customer lifecycle (38%, 51%, 42%, and 24%, respectively). During the shopping stage, “educates me on insurance products and services” has the highest relative importance (27%), suggesting the significance of the insurer in providing high-quality product information during that initial stage in the lifecycle. That same attribute is also the one with the highest relative importance during the relationship building and “growing with you” stages (39% and 30%, respectively); suggesting the ongoing necessity and importance of continuing to inform and instruct customers even after the sale has been made.

Not surprisingly, when customers’ satisfaction with their P&C insurer “alerting me about ways to potentially reduce my insurance premium” (Figure 3a) increases, so too does engagement. What is surprising, however, is the comparatively modest gain (30%) in customer engagement resulting from increasing satisfaction on this attribute. Additionally, its relative importance in explaining engagement is only salient during the shopping and renewal stages of the customer lifecycle (18% and 19%, respectively), with no apparent impact during the buying, startup, relationship building, “growing with you,” or service stages. Pricing and discount related messaging by the insurer, therefore, have a role—but not throughout the entire lifecycle.

Driver: Communications

A variety of the attributes of the communications sent from insurers to customers impact engagement (see Figure 4). Among customers of life insurance, the degree to which the communications use simple language that can be easily understood, the extent to which the communications are relevant to the customer’s circumstances, and adherence to using the customer’s preferred language (e.g., English or Spanish) are the factors that yield the highest change in customer engagement as the quality of the communication improves from low to high (67%, 61%, and 61%, respectively). Saying it simply, keeping it relevant, and honoring language preferences are therefore all considerations upon which life insurers must focus to enhance customer engagement.

For customers of P&C insurance, in contrast, the pattern of the influence of communication factors changes. As insurers improve the degree to which they communicate on a timely basis, use simple...
language, and are relevant, customer engagement improves by 60%, 54%, and 38%, respectively.

The importance of simple language and relevancy are common to customers of both life and P&C insurance. Also common is the impact of communicating with the desired frequency. When asked whether the amount of communication received from their insurer in the last 12 months was too little, just about right, or too much, those customers who received about the right quantity reported higher levels of engagement as compared to those that received too little or too much (40% for all customers). Additionally, a similar pattern appears when examining the extent to which insurers adhere to customers’ preferred communication channels (e.g., phone, mail, and email). As insurers improve from doing...
The relative importance of communication attributes in explaining engagement varies by the lifecycle stage for customers of life insurance. For the shopping stage, the use of simple language and timeliness have the highest relative importance (33% and 24%, respectively). For the buying and startup lifecycle stages, it is the use of simple language that is most important in explaining engagement (27% and 22%, respectively). For the relationship building and “growing with you” stages, the relevancy of the communication is paramount (48% and 30%, respectively). And, for the service experience, communication timeliness is the critical attribute (40%). In summary, when an insurer communicates to a customer of life insurance during the initial shopping, buying and startup stages of the customer lifecycle, simplicity is essential; during the development and growth of the relationship, relevancy is the priority; and, during service, timeliness is crucial. The identical pattern also holds true for customers of P&C insurance, with the addition that relevancy is the most important communication attribute in the renewal stage (43%).

Despite their pervasive penetration within the daily lives of consumers, the use of emerging digital channels by insurance customers is uncommon. Within the last 12 months, only a small subset of customers of life insurance have used online chat, text messaging, or a mobile app to communicate with their insurer (3.7%, 1.4%, and 0.8%, respectively)—not surprisingly, because many life insurers do not support those channels today. The same is true for customers of P&C insurance, although the incidence is relatively greater (6.4%, 0.8%, 5.4%, respectively); reflecting the more prevalent support of those channels by P&C insurers. In both cases, however, insurers have significant opportunities to improve in supporting these channels and in educating customers about their availability and use. This represents a golden opportunity for insurers to enhance customer engagement by delivering increased value through new and more frequent interactions.

For mobile specifically, the current infrequent usage contrasts with consumers’ interest. Among U.S. online adults, 13% are interested or very interested in using their mobile device for checking the status of a claim; 11%, for viewing an insurance policy; 11%, for paying an insurance bill; 11%, for downloading an insurance ID card; and 10%, for changing personal information. Interest, as may be expected, varies by age, with interest in using a mobile phone to file/check on an insurance claim or to pay an insurance bill highest for both 25-34 year old U.S. adults with a mobile phone (24% and 23%, respectively) as well as for the 18-24 group (23% and 23%, respectively). Yet, better online or mobile account servicing capabilities are a switching consideration for very few U.S. online adults with insurance. One established digital channel—email—is, however, commonly used. Among customers of life insurance, 32% have used email within the last 12 months to communicate with their insurer and are satisfied when doing so, with an average rating of 7.6 on a scale from 0 (“extremely dissatisfied”) to 10 (“extremely satisfied”). For customers of P&C insurance, the usage of email (41%) and its satisfaction (7.9) are both higher.

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"Top Three Takeaways for Insurers"

1. The insurer behaviors that are most salient in explaining customer engagement are “standing behind its promises” and “treating me like a valued customer”—i.e., company credibility and customer relationships. Their importance suggests that insurers would be well advised to add measurements of these two customer perceptions to their dashboard of KPIs.

2. “Knowing all my history, interactions, product inquiries and purchases when I call” is the informational attribute associated with the largest change in customer engagement. Customers’ perception of being known—and the convenience resulting from insurers’ leveraging internal and third-party data to streamline and personalize interactions—builds engagement.

3. When insurers’ communications use simple language that can be easily understood by customers, are relevant to customers’ circumstances, and use the customer’s preferred language (e.g., English or Spanish), engagement is enhanced.
Consequences of Customer Engagement

Creating customer engagement is not only good for customers—it is also beneficial for business. Across a spectrum of critical business outcomes for insurers, the pattern is clear: improvements in customer engagement are associated with customers’ reported intention to deliver heightened value to their insurers (see Figure 5).

**Figure 5: Customer Engagement Consequences**

As customer engagement becomes stronger, a broad variety of business outcomes improve.

- **(a)** Consolidate and purchase all policies from insurer
  - Weak: 4.0
  - Moderate: 4.9
  - Strong: 5.7
- **(b)** Purchase additional/less insurance products
  - Weak: 3.5
  - Moderate: 4.4
  - Strong: 5.6, 5.4
- **(c)** Shop around when it is time to renew your insurance policy
  - Weak: 6.8
  - Moderate: 4.9
  - Strong: 3.2
- **(d)** Switch insurance to a different company when it is time to renew
  - Weak: 4.8
  - Moderate: 3.5
  - Strong: 1.8
- **(e)** Price increase before switch to another insurer
  - Weak: 8.2
  - Moderate: 12.2
  - Strong: 14.6
- **(f)** Recommend insurer to a friend or colleague
  - Weak: 4.4
  - Moderate: 4.8
  - Strong: 6.6, 6.6
- **(g)** Defend insurer when others make unfavorable comments about it
  - Weak: 3.8
  - Moderate: 3.6
  - Strong: 5.3, 5.3

*Source: KBM Group and 1to1 Media*
Cross-selling and growing share-of-customer

Existing customers are often the best prospects for new sales. Not only does cross-selling provide the obvious revenue benefit to insurers, it also reduces acquisition expense and improves customer loyalty. When customers bundle their homeowners and auto policies with the same insurer, for example, the retention rate (95%) is significantly higher than when the policies are purchased from different insurers (83%)—an effect that spans all generational groups.\textsuperscript{12} This ‘stickiness factor’ makes switching more difficult (and, potentially more expensive due to the loss of bundled discounts). A customer engagement lifecycle strategy contributes to achieving this objective.

When asked, “how likely are you to consolidate and purchase all of your existing insurance policies from your insurer, if they were available at a competitive price,” the likelihood rating\textsuperscript{13} increases by 42% for customers of P&C insurance as engagement strengthens (Figure 5a).

Additionally, the likelihood\textsuperscript{13} to purchase additional insurance products from their current insurer increases by 59% for customers of life insurance and by 57% for customers of P&C insurance as engagement rises from weak to strong levels (Figure 5b). The opportunity is especially noteworthy for strongly engaged customers, representing 46% of all P&C customers (see Figure 1), since the disposition toward additional purchases is high.

Shop around and switch at policy renewal

For customers of P&C insurance, policy renewal is a critical juncture and moment-of-truth in the relationship at which the insurer will retain (or lose) the business. Fortunately, customer engagement contributes to a positive outcome.

As customer engagement increases from a weak to a strong level, customers’ reported likelihood\textsuperscript{13} of shopping around at policy renewal decreases by 44% (Figure 5c). Correspondingly, the stated likelihood to switch their insurance to a different company decreases by 61% (Figure 5d). As may be expected, the correlation\textsuperscript{14} between these two outcomes is high ($r=0.72$). What may not be expected—and is especially noteworthy—is the benefit secured by the insurer as engagement improves.

Price sensitivity

Among P&C customers of insurance, price usually drives the purchase decision.\textsuperscript{15} For this reason, the impact that customer engagement has on price sensitivity is especially noteworthy.

When asked “if the prices of similar policies from other insurance companies remained unchanged, by what percent can your insurer raise the price that you pay for your insurance policy before you definitely would switch to another insurance company,” the average percent premium increase tolerated by customers of P&C insurance rises from 8% to 12% to 15% as the level of customer engagement grows from weak to moderate to strong—a change of 79% (Figure 5e). A reduction in price sensitivity through enhanced customer engagement may allow an insurer to more effectively compete on dimensions that are less easily matched, such as brand reputation and trustworthiness or customer service.

Today, price competitiveness is a necessary (but not a sufficient) condition for getting and keeping customers. Customers are comparing insurers, not only on price, but also (and increasingly more so) on experiential dimensions, to ensure that their expectations will be successfully met. “Those expectations are set not only by their experiences with a company (including indirect ‘experiences’ by family and colleagues through word-of-mouth), but more broadly by their experiences with best-in-class companies from a variety of industries, such as financial services and retail,” explains Lacki. “Thus, when evaluating companies, customers compare prices with the competition but compare expectations against a much higher standard. Achieving those expectations enhances customer engagement.”

\textit{“Customer engagement is the proverbial ‘goose that lays the golden egg’ for insurers. Take care of the ‘health’ of customer engagement, and the ‘wealth’ of the business will take care of itself.”}

\textbf{—Karen Imbrogno, Vice President Vertical Practice Lead—Insurance, KBM Group}
Recommendations and advocacy

For insurers, word-of-mouth recommendations from a friend or colleague are a powerful source of potential revenue: an estimated $24 million in incremental sales. Among insurance providers, 62% of those willing to recommend actually do so, and they tell an average of 2.9 people about a good customer experience. About two out of five (42%) consumers expect to use family and friends as a source of information for future research on life insurance, and a recommendation is the top reason why life insurance customers partially switch providers.

Customer engagement encourages the recommendation of an insurer to a friend or colleague. As the level of engagement increases from weak to strong, the likelihood to recommend the insurer among customers of life insurance increases by 89%, and for customers of P&C insurance by 73% (Figure 5f).

Customer engagement is also associated with a related behavior—namely, brand advocacy. One facet of advocacy is the willingness to defend a company when others make unfavorable comments about it, and customers report being more likely to do so—a gain of 85% for customers of life insurance, and of 99% for customers of P&C insurance as engagement increases from a weak to a strong level (Figure 5g).

Together, the willingness to recommend and to defend an insurer constitute a powerful marketing force, one that will only increase in significance as social media and networking continue to grow in prominence and influence. As a consequence, monitoring both of these customer behaviors will achieve heightened importance and visibility for all insurers.

Summary

As significant and important as is each individual business outcome that is beneficially impacted by customer engagement, an even more important observation arises from considering them holistically. “Customer engagement throughout the lifecycle does not merely impact cross-selling or loyalty or price sensitivity or word-of-mouth: it impacts them all,” notes Lacki. “This is leverage in action: a single strategic commitment to (and investment in) customer engagement pays multiple dividends.” Thus, the ratio of output to input represents a multiplicative contribution to organic growth for insurers, and is consistent with other research showing that fully engaged customers “represent an average 23% premium in terms of share of wallet, profitability, revenue, and relationship growth over the average customer.”

Top Three Takeaways for Insurers

When insurers are successful in enhancing customer engagement, they reap the rewards of improved...

1. Cross-selling (i.e., increased likelihood to consolidate all existing policies with the insurer) and share-of-customer (i.e., likelihood to purchase additional products from the insurer).
2. Retention/Loyalty (i.e., reduction in likelihood to switch insurance to a different insurer or to shop around at policy renewal).
3. Price sensitivity (i.e., reduction in the impact of a price increase on switching to another insurer).
Tools of Customer Engagement

The drivers of customer engagement explored in this research—the behaviors, information usage, and communication of insurers—do not automatically occur. Effectively putting them in place and efficiently deploying them to maximum advantage is dependent on enabling capabilities and competencies. These include the compilation, integration, and enhancement of customer data; the transformation of that data to actionable insights; the use of those insights to enhance marketing campaigns, and the implementation of measurement and reporting to facilitate ongoing improvement. Together, these enabling capabilities and competencies constitute the tools of customer engagement (see Figure 6).

Data

All insurers have customer data, to facilitate the onboarding and servicing of policies. But the breadth, depth, integration, integrity, and enhancement of those basic operational data is often lacking, coupled with the fact that data may be spread among several internal departments and possibly multiple disconnected databases. When viewed through the lens of customer engagement, the problem to be solved is building a data-driven 360° view of each individual customer to generate a unified understanding of the policyholder that is essential to enabling enhanced engagement across each lifecycle stage by informing marketing decisions. It is therefore not surprising that obtaining a 360° customer view is the top strategy among leading marketing organizations.19

The 360° customer view spans several data categories: operational and transactional (e.g., contact information and payment history); demographic (e.g., income, education); attitudinal (e.g., perceptions and needs); behavioral (e.g., shopping and purchasing habits or channel activity); and predictive (e.g., forecasting direct response to a campaign or defection). By integrating these data and by enriching them with additional information, a foundation is established for better understanding the behavior, value, and needs of customers (and of likely prospects)—and, for detecting changes that may represent marketing opportunities. For example, appending compiled data allows an insurer to understand the lifestyles as well as the personalities, values and motivations of customers; and to detect changes in family status or a move to a new home, for example. As a consequence, the insurer is better positioned to engage the customer across the lifecycle and to act upon opportunities for cross- or up-selling additional relevant products.

Data play a critical role in several of the customer engagement drivers discussed, including: “treating me like a person—not a ‘number’,” “treating me like a valued customer,” and “knowing all my history, interactions, product inquiries and purchases when I call.” Achieving these aspects of customer intimacy without a 360° customer view is problematic.

Analytics

Analytics transforms data into actionable marketing intelligence. To enhance customer engagement, analytics may be used to profile customers, to understand the composition of customers throughout
the database and how they compare to the overall population or to a prospect file; to segment customers, finding homogeneous subsets that allow marketing initiatives to be more effectively managed and efficiently deployed; and to predict customer attributes and behaviors, such as profitability, propensity to leave, and likelihood to purchase another product. It makes a difference. Best-in-class companies that use analytics to support their customer experience management initiatives enjoy a 90% year-over-year outperformance in annual company revenue as compared to those who do not.

A critical application of analytics is the estimation of customer lifetime value (CLV), the present value of the anticipated future net profit from the individual. Estimating CLV may incorporate not only the worth of retaining the existing business of a customer, but also of enhancing the breadth of the relationship through cross-selling additional products, and of the impact of recommendations shared with friends and colleagues. An insurer may use CLV to wisely inform marketing decisions, such as the amount that may be spent to retain a customer that is at risk of defecting due, for example, to a premium increase for a property & casualty (P&C) policy.

Not only applicable to the renewal phase of the customer lifecycle, CLV may also guide marketing strategies and tactics in all other phases, too. For example, the level of attention and personalization delivered to an individual in the relationship building and service experience phases may be prudently adjusted in light of her CLV.

Knowing CLV is one mechanism that enables an insurer to deliver a differentiated customer experience. As Don Peppers and Martha Rogers, Ph.D., founding partners of Peppers & Rogers Group, explain:

“...in the age of interactivity, managing customer relationships individually will require an enterprise to treat different customers differently within that customer population. Inherent in this idea is the notion that different customers will be subject to different objectives and strategies and that the enterprise will undertake different actions with respect to different customers.”

Another of those “different actions” is “sending communications that are relevant to my circumstances,” a critical contributor to many of the customer engagement drivers discussed in this report that is enabled by analytics. The achievement of relevancy implies that the customer is well understood through the use of profiling, is known to be a member of a marketing segment exhibiting specific traits and propensities, and is predicted to find a message both timely and applicable.

Campaigns

The old “batch & blast” or “spray & pray” approaches of traditional unidirectional mass mail marketing have given way to interactive bidirectional marketing campaigns that are personalized, targeted, and timely, leveraging both digital (e.g., email, SMS) and traditional (e.g., direct mail, contact center) channels. Especially with the advent of social media and networking, the marketer is no longer controlling the conversation—but is, if done well, an appreciated contributor to that conversation through optimized messaging that builds engagement.

To illustrate, an email address may be appended to a customer’s record, and an initial email sent requesting opt-in permission for the receipt of offers. Based on the 360° customer view and the application of analytics, the marketer identifies the right offer and the right time to send it. That offer email contains a customized URL that brings the individual to a webpage that is personalized on the basis of both data and analytics. The website interaction is logged and becomes part of the updated 360° view, and triggers a call from a sales person offering additional information.

Compelling communication experiences that drive customer engagement are the result of designing and implementing campaigns in a cross-channel messaging management framework, impacting many of the communication-based engagement drivers discussed. Getting it right requires interactions that are respectful, relevant and results-producing—in other words, enhancing engagement through the frequency, channel, timeliness, and language of the message across the customer lifecycle.
Measurement

Enhancing customer engagement also requires that an insurer alter its behavior toward customers so that, in turn, customers will alter their behavior toward the insurer. To institute and reinforce such organizational change, measurement and reporting is required. Measurement informs fact-based decision making and enables continuous adaptation as marketplace circumstances change, allowing opportunities to be identified and competitive threats to be minimized.

The successful measurement of customer engagement involves four steps: (1) deciding what to measure, such as key performance indicators that serve to focus efforts; (2) understanding what data are available, what are needed, and how to close any gaps; (3) summarizing and displaying the indicators using data visualization that is clear and credible; and (4) providing insightful interpretation of the measurements to ensure appropriate actions are implemented.

Customer engagement, sans measurement and reporting, may be temporarily or sporadically effective. But for success to be sustained, the measurement of customer engagement must be systematic and ongoing. With the right processes and approach, the goal is achievable, notwithstanding the fact that the difficulty of measuring customer engagement is the most frequently cited barrier to achieving customer engagement.6

Top Three Takeaways for Insurers

1. Achieving customer engagement is not an exercise in “boiling the ocean.” It is a practical goal for every insurer, enabled through effectively implementing and efficiently using the tools of customer engagement at every stage of the lifecycle: data, analytics, campaigns, and measurement. In particular, every marketing decision made to enhance customer engagement should be based on (and optimized by) insights achieved through the use of advanced analytics.

2. A 360° degree view of the customer is essential for building customer engagement, since it serves as the foundation for insightful analysis and marketing action.

3. Transforming data into marketing actionable intelligence through analysis enables communications that are relevant, thereby enhancing engagement.

Enhancing Engagement Across the Lifecycle

Insurance companies have multiple opportunities to change their behavior toward customers to engender a heightened level of engagement and sense of being a valued member that in turn causes customers to beneficially change their behavior toward the insurer. These opportunities exist at every stage of the customer lifecycle.

- **Shopping experience.** To improve engagement, an insurer should make researching and selecting the product easy and enjoyable using, for example, content that is relevant, informative, and clearly explains a product’s benefits and unique features. Since questions will arise, insurers need to provide ways for customers to quickly connect using technologies such as live chat or click-to-call. Finally, insurers must give customers options on how to obtain a quote—for example, through the web, using a mobile app, calling the company, or scheduling a meeting with an agent.

- **Buying experience.** Reinforcing the purchase decision throughout the buying process helps to minimize the occurrence of prospects falling out of the sales funnel. For example, analytics may be used to identify prospects (e.g., those with a projected high lifetime value) who warrant differentiated treatment to further the positive momentum of the relationship, such as an outbound call. Supporting conversations using social media (e.g., Facebook or Twitter) also provides immediacy and intimacy during this critical lifecycle stage as does the use of email, which can effectively provide a reminder and a motiva-
tion to complete the purchase. Finally, the use of contextual website targeting, in which an insurer’s advertisement is shown whenever the prospect is online, is beneficial in driving customer engagement during this lifecycle stage.

- **Startup experience.** An onboarding program consisting of a “thank you” communication, a welcome package, and an outbound call helps to foster the strength of the nascent relationship and to confirm the customer’s purchase decision. Securing customers’ feedback on their experiences both helps the insurer to improve the quality of those experiences and, importantly, may provide data that enables improved predictions who may be at risk of defection at the renewal or anniversary of the policy.

- **Relationship building experience.** During this lifecycle stage, insurers should put in place programs that are not focused on selling but on enhancing the quality of the relationship, such as sending a “happy birthday” card or thanking the customer for their continued loyalty. Also of benefit are newsletters containing relevant content—for example, tips on safety for those with a homeowners policy or healthy living suggestions for those with a life policy. And, developing trust by proactively acting in the customer’s best interest is crucial—for example, by alerting a current customer with only an auto policy who purchases a house that an opportunity to save exists, by bundling both the auto and home policies with the insurer. “Simply doing what you say you’re going to do and charging customers what you say you’re going to charge them will no longer be sufficient,” explain Don Peppers and Martha Rogers, Ph.D., founding partners of Peppers & Rogers Group. “Instead, businesses will be expected to protect the interests of their customers proactively—to go out of their way, to commit resources, and to use their insights and expertise in such a way as to help customers avoid making mistakes or acting against their own interests simply through their own oversight.”

- **“Growing with you” experience.** As customer needs evolve over time, insurers should be there to support and address those changing circumstances. For example, a marriage might suggest the need to add a spouse to a policy, or the birth of a child might suggest the need to purchase life insurance. Through the use of data enhancement from compiled sources, these and other life-stage events can be detected and acted upon. Growing with a customer is all about relevancy and timing, achieved through data and the application of insightful analytics.

- **Service experience.** Providing high-quality service experiences, tailored to the needs of the individual, enhances customer engagement. For example, accommodating customer preferences for the use of different channels (e.g., a mobile app, texting, or email) when initiating and receiving service on a policy demonstrates a commitment to service and is a tangible expression of the importance placed on their business by the insurer. Additionally, customers who are projected to have a high lifetime value may receive priority treatment, such as having their call accelerated in a contact center queue and routed to a concierge specialist.

- **Renewal experience.** A policy renewal is an excellent point for the insurer to express authentic appreciation and recognition of customers’ purchase decisions and loyalty. That experience can be further differentiated through analytics, assiting the insurer in proactively identifying customers who may have a propensity to switch insurers and providing them with marketing treatments in advance of the renewal to minimize that risk. Knowing customers’ lifetime value provides guidance on how much may be wisely invested in those treatments. Finally, understanding customers’ needs also allows an insurer to enhance engagement at renewal through, for example, offering suggestions on how to lower premiums (e.g., by combining policies) or how to enhance coverage, as appropriate.

Though these and other initiatives at each stage of the lifecycle, engagement is enhanced. For customers, that means the insurer is treating each one as a valued individual and caring about their needs: following-up on the policy and on the reason it was purchased, finding ways to save, and sending communications that are personalized and customized based on knowledge of the individual. For insurers, engagement means supporting a mix of channels, having efficient onboarding, and providing quality service that is tailored to the individual. To enhance engagement across the entire lifecycle, it is necessary to move from an “inside-out” (company or product-centric) to an “outside-in” (customer-centric) perspective, and to take a “walk in the customer’s shoes” in order to deeply understand how interactions with the company are perceived. A customer journey map—a document that “visually illustrates customers’ processes, needs, and perceptions throughout their relationships with a company” makes it real. It reflects the experience of interacting with the insurer from the customer’s perspective, and provides the insurer with a shared vision of what those experiences are today (and what they should be tomorrow). The map also serves to identify specific experiential facets that are most in need of improvement, and thereby helps to set priorities, to assign ownership and responsibility for improvement, and to ignite organizational commitment to the necessity of enhancing customers’ engagement.
Conclusion

W. Edwards Deming, noted management consultant, said it best: “It is not necessary to change. Survival is not mandatory.” For insurers today, it is not necessary to change by making a strategic commitment to (and investments in) customer engagement. Organic growth is not mandatory.

Yet, as demonstrated by the research findings described in this white paper, placing an increased emphasis on customer engagement is becoming a necessity, a conclusion confirmed by business executives from around the globe who expect a strategy of creating deeper customer engagement to have a strong positive impact on their company’s growth now (33%) and in five years (60%).

An insurer’s pursuit of customer engagement is a practical path, achievable through the tools of engagement—data, analytics, campaigns, and measurement—that beneficially impacts cross-selling, loyalty, price sensitivity, and word-of-mouth recommendations. This is the path of customer engagement: the new differentiating approach that will serve to separate those insurers who maintain the status quo from those who excel through organic growth.
About the Research

Data were collected through an anonymous online survey from March 25th through March 29th, 2013 from adults in the United States. These individuals were sourced from a national research panel, and were prequalified on the basis of owning either life insurance or property & casualty (P&C) insurance.

Sample was selected proportionally to the 2010 U.S. Census based on gender, age, ethnicity, income, and region. Each wave of survey invitations was adjusted to account for different response and qualifying patterns among the demographic groups to ensure the final set of completed interviews was as close as possible to a census representation.

To have been eligible for participation in the research, a participant (or member of the immediate family) must not be employed in the insurance industry, must currently own either a life or P&C insurance policy, and must have been personally involved in the decision making process when that policy was purchased. Of the 2,462 individuals who started the survey, 34% were terminated as a consequence of failing a screening criterion.

Participants were assigned to either a (1) life or (2) P&C insurance group, based on ownership of each type of insurance in conjunction with a quota management process that was implemented to ensure that approximately half of all completed interviews were in each of the two groups. Participants who owned more than one insurance policy were asked to select the one that was most important to them, and to respond in reference to that specific policy throughout the survey.

The survey gathered data on the participants’ insurance policy (e.g., method by which it was purchased, tenure, premium); insurance decisions and actions (e.g., likelihood to purchase additional products or recommend); insurance experiences (e.g., quality of customer experiences with the insurer and communications); life insurance (e.g., reasons for not owning a life policy); and demographics (e.g., gender, age, household income). The median interview duration was 11 minutes, with an inter quartile range of 8 to 15 minutes.

To ensure data quality, several items were added to the survey to detect respondents who may not have been devoting adequate attention to the research. These included, for example, rating statements in which the participant was instructed to “choose 3 for this item, to verify the browser is working properly.” Of the 2,462 individuals who started the survey, 10% were excluded as a consequence of these data quality checks.

A total of 1,014 completed interviews were obtained, with 22 interviews subsequently rejected due to the participant not knowing the name of their insurer; for a net quantity of completed interviews equal to 992.

Among those interviews, the distribution of the primary demographics were:

- Gender: male, 48%; and female, 52%
- Age: 18-24 years old, 3%; 25-34, 16%; 35-49, 29%; 50-64, 30%; and 65+, 22%
- Married, domestic partnership, or civil union: yes, 67%; and no, 33%
- Number of adults in household: 1, 24%; 2, 58%; 3, 13%; and 4+, 5%
- Number of children in household: 0, 73%; 1, 14%; 2, 8%; 3, 4%; and 4+, 1%
- Race: White, 80%; Asian, 9%; Black, 9%; American Indian, 2%; Pacific Islander, 1%; and other, 3%
- Hispanic, Latino, or Spanish origin: yes, 6%; no, 94%
- Household income in 2012: 14%, less than $30,000; 31%, $30,000 to $59,999; 28%, $60,000 to $99,999; 17%, $100,000 to $149,999; and 10%, $150,000+

Endnotes

2 Respondents’ ratings of the quality of their experiences on a scale ranging from “extremely poor” (0) to “extremely excellent” (10) is used as a proxy measure for engagement in this research and is classified as strong (9-10), moderate (7-8), or weak (0-6), reflecting active experiential satisfaction, passive experiential satisfaction, and active experiential dissatisfaction.
3 Only individuals responding in reference to their property & casualty insurance policy were asked to rate their level of satisfaction with their renewal experience.
4 Respondents rated their agreement on a scale ranging from “strongly disagree” (0) to “strongly agree” (10), grouped into “disagree” (0-4), “neutral” (5), and “agree” (6-10) categories.
8 Respondents rated their satisfaction on a scale ranging from “extremely dissatisfied” (0) to “extremely satisfied” (10), grouped into “dissatisfied” (0-4), “neutral” (5), and “satisfied” (6-10) categories.
13 Respondents rated their likelihood on a scale ranging from “extremely unlikely” (0) to “extremely likely” (10).
14 A correlation measures the degree of linear relationship between two variables on a scale, in absolute value, from 0 (independence) to 1 (dependence).

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