Six Steps to an Unmatched Customer Experience

How Insurance Companies Can Create Deeper and More Valuable Customer Relationships Using Existing Data
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Introduction

The nature of demand in the insurance industry used to be predictable. If you had something of value to protect – a vehicle, a building or employees/dependents – you needed insurance, and you got it from your friendly local insurance agent, who brokered and serviced policies for some big insurance company.

Many insurance companies continue to operate on this business model – high-volume sales of products designed for mass markets and distributed through agents. Companies that use this model know very little about their customers because the perception is that the agent “owns” the customer. The company’s relationship with the customer often doesn’t really begin until the first claim is made, which you hope will be never.

Since traditional insurance companies don’t interact much with customers, they tend to treat their websites as static information/marketing channels. Unlike banks, airlines and e-retailers, there’s often no login mechanism to engage customers to come into the site and provide information about themselves. As a result, when customers do visit the website, the company can’t display personalized content or make very relevant recommendations. The overall customer experience suffers.

The 2012 Ernst & Young Global Consumer Insurance Survey quantified what insurers already suspected – customer loyalty is low and expectations are high – higher than traditional methods can meet:

“Technology, and in particular the growth of online and social media, is driving a fundamental shift in customer expectations in terms of how products are marketed, priced, sold and serviced, and how companies are perceived. Pure Internet businesses have set new standards for customer-centricity and engagement that raise the performance bar for players in every retail business sector.”

Voice of the Customer: Time for Insurers to Rethink Their Relationships, Ernst & Young, 2012

Online and offline, direct-to-consumer marketing is skyrocketing. Consumers are bombarded with ads directly from the big insurance companies that sell and service their own policies. Investment in brand awareness in the insurance industry has been growing at double-digit rates, as much as 20 to 30 percent compound annual growth in some cases. An animated gecko and a perky brunette in a headband have more face recognition than the leaders of the free world. That’s a guess, but probably not far from the truth.

In the face of intensifying competition and direct marketing, insurance companies need to change their traditional thinking about who owns the customer and how much they should know about them. They must look beyond the most common interactions – such as handling quotes, renewals, billing and claims – and think about creating an exceptional customer experience.
“Carriers talk a good game about customer experience, but there still are several things they’re not doing that would help create a great insurance customer experience,” wrote Nathan Golia, Associate Editor of Insurance & Technology (“Four Ways to Ruin the Insurance Customer Experience,” December 2011).

For one, most insurance companies are still product-focused. Customers are viewed more as risk exposures than as consumers of the insurer’s products. There’s no cohesive view of the customer across products, departments and operational areas. Organized around product lines, the customer experience is inconsistent across distribution channels – direct, agent, social media, etc.

Companies that deliver a suboptimal customer experience will see their market shares decline as customers drift to direct channel carriers and other financial institutions that offer more tailored offerings and personalized service. Granted, in their present state, many insurers have significant obstacles to the customer-centric ideal:

- **No single view of customer.** Different functional areas and business units use various legacy IT systems that are barely on speaking terms, if they share information at all.
- **Insufficient customer insight.** Beyond simple transactional history, insurers often know little about customers’ lifestyle changes, insurance buying habits and behaviors.
- **Multiple distribution channels.** Customer loyalty is rapidly decreasing as competition from banks, direct channel carriers and aggregator websites makes it easier for the customer to find the cheapest price.
- **Lack of cross-channel integration.** Firms struggle to plan and act with cohesion across multiple distribution channels and communication channels – agents, brokers, direct sales, social media, etc.
- **Budget constraints.** With costs and competition soaring, it is hard to know where to put marketing dollars to maximize profitability.
- **Ineffective segmentation/profiling.** Inconsistent and incomplete customer information and lack of collaboration across departments make it difficult to build segmentation models.
- **Inefficient leads communication.** There’s no fast, reliable method for identifying new opportunities and passing leads to agents, call centers and the website.

Evolutionary times call for adaptation. Organizations need to understand customers better, in full context – and cultivate deeper relationships with them. Never before has customer intelligence been so central to profitable growth. The insight is there; it is hidden in the data, and the technology is available to unearth it.

“Insurance companies, through their actuarial departments, pioneered the use of what has come to be known today as predictive analytics, using sophisticated models in the areas of pricing mortality and reserving for risk. Insurers have not been as aggressive as consumer product companies in aggregating customer information and using it to develop the right tailored products at the right prices, and to deliver them to suitable customers through appropriate channels.”

_Holism: Enabling High-Performance Insurance Distribution_
Kevin Kraft and Steve Diamond, Accenture 2010
Six Steps to an Exceptional Customer Experience

Creating a customer experience that competitors cannot match requires three overarching elements:

• Having a holistic understanding of the customer.
• Using that knowledge to define tailored products and communications.
• Interacting with agents and customers more effectively, with more personalized service.

Every interaction with a customer represents an opportunity to get data to support these goals. Never before could insurance companies compile so much information about customers and markets, transform that information into predictive insights, and guide the investment of resources with precision. It only takes six steps to get there.

Create a 360-Degree View of the Customer

Is what you know about customers only a small piece of the total relationship? Is it a snapshot in time, without context or prediction? Is what you know about customers actually framed in product terms and segregated by organizational boundaries?

According Insurance & Technology research, that’s the case for most insurers. Multiple, disparate legacy systems across different lines of business results in conflicting and inconsistent customer views.

“Many insurance organizations lack a single customer view, which enables insurers to link customer data from disparate sources to develop a holistic profile of all relevant aspects of each customer, including demographic information, current and historical policy and product information, claims history, channel preferences and more. Although a single customer view can lead to increased customer retention, better cross-sell and up-sell success, and superior customer service, not all insurers have made it a priority to get that 360-degree customer view.”

“The State of Customer Insights in Insurance,”
Peggy Bresnick Kendler, Insurance & Technology, 2011
A business analytics framework provides a data warehouse that enables that essential 360-degree view of customers, households and the entire customer base – across all lines of business and distribution channels. A comprehensive data platform:

- Integrates data from multiple sources, including purchased data.
- Performs extract, transform and load (ETL) processes on this data.
- Performs data cleansing to assure data quality and eliminate duplications.
- Provides analysis-ready data to other enterprise applications.

“With quality data, our internal productivity while obtaining and managing available information, both in terms of data volume and information integrity, has increased and exceeded all expectations,” said the operational marketing manager for a large private capital insurer that implemented a data quality solution. “As a result, the organization started to have a more integrated – and, consequently, a more realistic – view of the database where we store information on our customers and other entities involved in our business.”

**Understand Customers Better Than Anyone Else**

Customers, especially younger ones, are more empowered than ever. They have more choices and channels, available on demand. With a few clicks of a mouse, they can compare your offerings to competitors worldwide, and they can publish opinions that sway millions of other consumers.

According to the Ernst & Young *Voice of the Customer* report, “To seize the opportunity that these changes present, we believe that insurers can no longer rely on received wisdom about what consumers think and how they behave. The challenge is to really understand what drives customer behavior today, not yesterday, in all the geographies, sectors and channels where you operate.”

**Advanced analytics and data mining** capabilities use your 360-degree view to develop customer profiles and segments based on customers’ historical behavior, profitability and future potential. Historically, segmentation has been used to support product-push marketing models, but today more companies are using it to more closely understand customers and drive customer-centric strategies, even in a product-centered organizational structure.

For example, an Asian life insurance company implemented analytics to achieve remarkable improvements in retention and cross-selling. “In the first quarter after implementing SAS, sales to existing customers jumped to more than 20 percent [of total revenue],” said the company’s head of business intelligence and analytics. Previously, only 7 percent of revenue came from existing customers. “Depending on how the macroeconomy performs, we think we can get that number closer to 25 percent or 30 percent. Our senior management team is very pleased with that performance.”
Make Marketing More Efficient

With insurance products promoted through agents, brokers, call centers and the Internet, insurance companies struggle to provide a consistent customer experience across these distribution channels. In addition, with greater budget constraints and increased competition, it is more important than ever to maximize the returns from marketing dollars. With a 360-degree view of customers in place, other applications can now use that data to ensure consistency and balance across channels.

Advanced marketing automation enables marketers to plan the most effective campaign offers and strategies, target campaign activities to tightly defined market segments with high propensities to buy, act on those plans and learn from the results. Campaign management automates campaign processes such as pulling lists, managing communications with customers across channels, tracking responses, and consolidating and reporting results.

Marketing optimization empirically determines the optimum outcomes, given a set of constraints, such as marketing dollars, sales agent capacity, channel capacity or customer value. This technology takes the guesswork out of allocating resources to campaigns and balancing campaigns across channels – and improves return on investment for desired business strategies.

For example, a large UK insurance chain uses marketing automation to run more timely and targeted campaigns to attract new and lapsed customers. Multistage campaigns can be created and run with minimal intervention, so marketers can focus on using campaign results rather than on implementing campaigns in the first place. While other insurers might run 10 campaigns monthly with five cells each, this company could instead run one big insurance campaign each month comprising 50 cells, mailing up to 1 million pieces to 300,000-400,000 recipients with known renewal dates. You would think this segmentation would be quite complex, but the company’s head of marketing analysis says that with marketing automation, “segmenting the data is simple to do and easy for others to understand.”

Provide Quality Leads to Agents

The most successful insurance companies will be the ones that exploit predictive analytics to truly understand customers – not just past behaviors, but likely future preferences and purchase patterns. This knowledge makes it possible to anticipate customer needs, improve customer retention, and spot opportunities to cross-sell and up-sell.

Taking this idea a step further, interaction management identifies hot leads triggered by specified events, time or behavior. This technology continuously monitors customer behaviors, looking for changes of state that could represent either a risk or an opportunity.
As a result, agents could rapidly get important insights, such as which customers are about to defect, in time to do something about it. Previously hidden sales opportunities are revealed by early alerts to triggers, such as large money deposits or purchases of complementary products or services.

For example, a New York insurance and financial services firm analyzes client data to customize its financial planners’ books of business to identify special client situations and circumstances the busy financial professional would not want to miss. “We’ve tracked changes in surrender and sales rates for clients, and the business case built on them was met within the first six months,” said the company’s senior vice president of marketing. “If you compare the cost of creating a customized book of business and the business it has generated – we’ve seen a huge return on investment.”

Manage the Brand More Proactively

Social media has taken word-of-mouth and elevated it into a global conversation. Social media opens up new ways for customers to converse about company brands and for firms to be more personal in interacting with customers. Social media also represents a rich new data source, now that there are tools and techniques to extract value from it. These analysis tools fall into four broad categories:

- **Descriptive statistics.** How many Twitter followers do we have? How many reviews were generated on Facebook? What trends are we seeing, month over month? Are customers’ conversations shifting more toward one channel or another?
- **Social network analysis.** You can follow the links among fans and followers to identify the connections of influence as well as the biggest sources of influence.
- **Text analytics.** Evaluate the content in online conversations. Because these conversations are public, you can analyze reviews of your competitors and compare them against yours, an unprecedented opportunity for market research.
- **Sentiment analysis** categorizes conversations as positive, negative or neutral based on the words people use. You can classify and categorize these sentiments, look at trends over time, and see significant differences in the way people speak either positively or negatively about the brand – and your competitors.

Deliver a Better Real-Time Experience

As insurance companies seek to move up the value chain from delivering profitable commodities to delivering exceptional experiences, the marketing cycle accelerates significantly, and it should. How do you ensure customer interactions become experiences that will delight them and earn their loyalty?

One answer is to use **real-time decision management** to guide the best treatment for a customer during a live interaction with the customer. For example, a customer may be on the phone with a call center agent. The agent may receive several screen pops to ask specific questions. The customer’s responses are collected, and the system uses predictive and descriptive analytics to calculate best actions within seconds.

Marketing success stems from shaping the interaction with the right offers at the right time – even in real time – while prudently avoiding spending on unprofitable prospects.
For website visitors or social media users, **adaptive customer experience** solutions use a 360-degree view of the customer – coupled with the customer’s online activity – to display the most relevant content during the online session.

### How SAS® Can Help

SAS provides all the capabilities described in this document – including data management, customer segmentation, campaign management, marketing optimization, and social media analytics. These solutions are available individually but are all built on an integrated business analytics framework, so you can start with your most pressing need today and expand as your information infrastructure matures.

Of particular interest to insurance companies – and tailored for the industry – are three application suites:

- **SAS Adaptive Customer Experience** for tailoring the real-time customer experience in live or online interactions.
- **SAS Marketing Automation** and **SAS Marketing Optimization** to create and run more effective campaigns and generate quality leads.

### SAS® Adaptive Customer Experience

As consumers rely more on the Internet to research and buy insurance products, it becomes all the more important to provide an exceptional online experience. A static website isn’t enough. Every time customers interact with a website, they expect to get exactly what they need or want with just a few clicks, with a minimum amount of time spent searching the site.

SAS Adaptive Customer Experience solutions enable you to understand how customers interact with your Web properties, target the right customers for outbound marketing, and personalize your interaction with those customers – all based on a combination of online and offline data, including information collected during the current session. With analytics-driven insights, the website can automatically display the most relevant content and offers.

### SAS® Marketing Automation

Far more than just automating campaign processes, SAS Marketing Automation brings together campaign planning and budgeting, customer segmentation and profiling, campaign management, and campaign and customer analysis. Improve efficiency and effectiveness at every stage of the marketing process: setting strategy, targeting opportunities, implementing customer communication initiatives, coordinating across multiple channels, measuring results, and feeding that information back into planning for future campaigns.

Make it easier for customers to find your product or service by serving it up to them as they interact with your website, rather than having them spend time hunting for it – and possibly never finding it.

“*This industry and the nature of our customers have changed significantly, and SAS will help us address a very competitive marketplace.*”

Head of marketing analysis for a major insurance chain in the UK
SAS® Marketing Optimization

SAS Marketing Optimization applies mathematical techniques to maximize campaign returns by revealing how to make the most of each customer contact and enabling you to assess the impact of changing business constraints, such as budget, channel capacity and contact policies. Available as an option, SAS High-Performance Marketing Optimization applies analytical optimization algorithms to tens of millions of rows of customer data to solve complex business issues at unprecedented speeds.

What sets SAS apart is the depth and breadth of analytical capabilities to identify the customers who matter most and maximize the mutual value of the relationship. Many other marketing automation solutions offer only simple analytical capabilities that are not well-integrated with customer communication processes or cannot handle the complexity of truly personalized contact strategies.

Closing Thoughts

“When I talk to teammates out there, I’m often asked, ‘What’s the next new innovative product that you’re going to introduce?’” said Susan Faulkner, Deposit and Card Products Executive at Bank of America. Speaking at a SAS event in 2011, Faulkner noted that the next big thing isn’t necessarily a product:

“I tell them, ‘Wouldn’t it be innovative if every time we interacted with a customer, they got what they wanted, it worked like they wanted it to work, it had value for them, they were satisfied, they told 10 friends, and they brought us more of their business? Isn’t that going to be more powerful than any new product we could ever put in place?’”

Do this, and you will have created a highly differentiated customer experience – one that is data-driven but highly defensible, one so personalized that nobody else can replicate it, one that delivers on a brand promise to be authentic, to care and to reflect the voice of the customer in every action. Do this, and you become the company that not only delivers great policies and quotes, but the one that is esteemed for putting customers at the center of everything it does.

For More Information

For more information about SAS Customer Intelligence, visit: sas.com/software/customer-intelligence/index

To learn how award-winning insurer Swinton Insurance is using SAS to increase market share, visit: sas.com/success/SwintonSoftware

To read more thought leaders’ views on marketing, visit the Customer Intelligence Knowledge Exchange: sas.com/knowledge-exchange/customer-intelligence/

To get a fresh perspective on analytics in insurance from industry experts, visit The Analytic Insurer blog: blogs.sas.com/content/insurance/
About SAS

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