P&C National Underwriter

Why Do Customers Tune Out Insurers?

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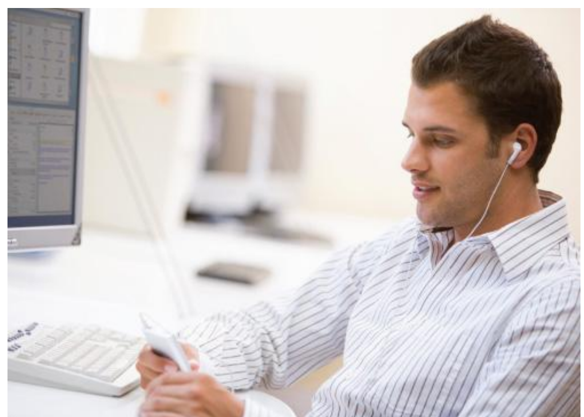
Is anyone listening?

At one time or another, it's a question that crosses the mind of every businessperson, from C-suite executive to small business owner.

Companies of all sizes are challenged by how to punctuate the chatter that surrounds consumers these days. People are bombarded by e-mails, text messages, Facebook updates, blog feeds, and 500 cable TV channels, among other things. How do you know if consumers are getting your message, hearing your value proposition and listening to what you have to say?

Sure, there are traditional brand awareness measures – like how many people have heard of your company or seen your advertisements. But getting consumers to *hear* your message and getting them to *listen* to your message are two very different things.



▶ **"GETTING CUSTOMERS TO TUNE YOU IN** isn't about saturating the airwaves with advertising. It's about capitalizing on each and every customer interaction in a way that impresses and inspires."

People listen to businesses they trust. They listen to businesses they feel good about. They listen to businesses they believe have something valuable to share with them.

For this reason, one way to gauge how successful a company is at getting people to "tune in" is to look at measures of consumer engagement. Businesses scoring high on such measures, companies like Apple or Amazon, are creating intensely loyal customers who are more apt to listen to what the firm has to say and offer.

Unfortunately for the insurance industry, some common measures of consumer engagement suggest lots of room for improvement:

- In Forrester Research's 2010 Customer Experience ratings, not a single insurer was ranked in the Top 20. Moreover, not a single insurer's customer experience earned Forrester's top rating of "Excellent."

- Many insurers fared even worse in Net Promoter Score (NPS), one of the most widely used measures of customer engagement and loyalty. In 2010, the average NPS for all industries was 23%, with top-performing companies earning scores in the 70's. Life, health and property/casualty insurers averaged 14%, meaning they didn't have a whole lot more promoters (elated customers) than detractors (irritated customers).

- The third sign of trouble comes from the Reputation Institute, an international research firm that asks consumers to rate companies on their product and service quality, as well as their commitment to ethical and transparent business dealings. In the Institute's most recent annual ranking of corporate reputations, insurance firms came in 15th out of 18 industries.

What all these statistics indicate is that consumers aren't feeling very good about the insurance industry, which means they're more likely to ignore what insurers have to say.

That's a real problem for an industry where acquisition costs are so high and the economics of customer retention are so compelling. And that's why all insurers should be familiar with the Top Five reasons that customers tune them out:

5. Customers don't like insurers (or are indifferent to them)

With mediocre NPS scores, decidedly average Customer Experience scores, and a Reputation Index that's cringe-worthy, it follows that consumers just don't like the insurance industry very much. At best, consumers feel indifferent toward insurers, which is hardly a recipe for engaging them in a meaningful way.

To help get customers to like (and listen) to you:

- Nail the basics. Don't be fooled by the adage that insurance is a "relationship business." Consumers don't want to have a "relationship" with the businesses they patronize. What they do want is for the products and services that they buy to *work* – as they were promised, as they expected. Most businesses fail to meet even this low bar, which is why simply nailing the operational basics can actually drive unusually high levels of customer engagement.

- Stand for something. Great brands that resonate strongly with consumers are often grounded in a compelling sense of purpose. More than mere mission statement, the purpose-driven brand defines a company's "reason for being" in terms that transcend profit and market share. As companies like Whole Foods and Google have found, when you put principle before profit, when you truly stand for something, consumers take notice and reward you with their admiration, trust and loyalty.

4. Customers never hear from insurers.

After purchasing insurance and getting their policy, what do insurance customers tend to hear? Crickets. Sure, they'll get some bills and maybe some renewal documents from their provider, but beyond that, years can go by without a customer ever hearing anything from their insurer.

That makes it easy for customers to tune out insurers. After all, if the company is rarely communicating with the policyholder, it doesn't take much brain power to ignore the firm.

Overcoming this pitfall doesn't require rocket science:

- Speak up. Before customers can tune you in, you need to start broadcasting. Look for new opportunities to communicate with customers, be it at certain policy events or lifecycle milestones. View every customer contact not as a transaction, but as a chance to reconnect with your customer and reinforce your brand.

3. Customers don't have a clue what insurers are saying.

When insurers do take the time to communicate, it is all too often done in confusing and undecipherable ways. Studies have shown that many consumers have just stopped reading what insurers send them, because it's so unintelligible. One study even found that consumers were more likely to read the back of their cereal box than information sent to them by their financial service providers!

From policy documents to call center interactions to correspondence and forms, insurance communications are riddled with industry jargon that brings a glaze over the average consumer's eyes. It becomes easier for customers to just ignore insurers than to figure out what they're trying to say.

To help make sure customers understand what you're communicating:

- Keep it simple. Rid live, written and electronic communications of industry jargon, instead composing information in plain language. And don't just focus on simplifying current communications. Question what you're communicating in the first place – make sure it's not just intelligible, but also relevant from a customer perspective.

- Capitalize on cognitive fluency. People prefer things that are easy to think about compared to those that are hard. This dynamic (dubbed "cognitive fluency" in academic circles) can influence consumer behavior in fascinating ways (like 401(k) enrollment rates falling when too many investment options are offered). How products are designed, how services are structured, how communications are visually presented – these are all examples of areas where cognitive fluency can play a big part in engaging (or repelling) your customers.

2. Customers don't believe what insurers are saying.

Even if customers understand what you're saying, it doesn't mean they'll believe you. If the messenger doesn't have credibility, if the insurer has not earned the customer's trust, then it's nearly impossible to get people to take you and your messages seriously.

This has become an increasingly thorny point for insurers given events of recent years. For decades, insurers trumpeted their financial strength, their centuries-old traditions of honoring commitments, their conservative business practices and investment strategies, their stability and security. These were key components of most every insurer's brand.

But then the credit crisis and Great Recession came. Consumers saw a Triple-A financial services giant (complete with an advertising tagline claiming it had "the strength to be there") nearly fall into bankruptcy overnight. They saw insurance companies that had touted their strength, stability and conservatism get torpedoed by bad investment bets, poor product diversification, and non-existent enterprise risk management. Firms that had touted their rock solid foundation were being downgraded left and right, with many forced to seek financial assistance from their governments or other white knights.

Making matters worse is the tone deafness insurers often exhibit, failing to appreciate how what they say and do – particularly as it relates to public policy matters – will be interpreted on Main Street. The industry's response to recent regulatory developments, in areas such as compensation disclosure, contingent commissions and the fiduciary standard, sound dreadfully out of touch (and decidedly customer unfriendly) to the average American.

For all these reasons, consumer confidence in the insurance industry has eroded. People are more cynical about what insurers *say* and are much more attuned to what insurers actually *do*. They are skeptical that the industry has consumers' best interests at heart, and are therefore more inclined to tune insurers out.

To build credibility and trust that will encourage customers to tune you in:

- <u>Put a stake in the ground.</u> Think carefully about your organization's reason for being. Define what business you're in and what's important to you in a way that sets you apart from the crowd. Google, for example, doesn't define itself as a search engine company. They have articulated a higher purpose: organizing the world's information and making it universally accessible. Purpose-driven brands that resonate with your target audience can be great credibility builders.

- <u>Act in the customer's best interest.</u> Many insurance manufacturers and distributors claim to put their customers first. Far fewer infuse this principle into their business practices in highly visible and compelling ways. Acting in the customer's best interest – especially when it may not be in the company's best interest – is an extremely powerful tactic for cultivating customer trust and loyalty.

1. Insurers never send the right message at the right time.

As mentioned in Reason #4, insurers often fail to communicate with their policyholders in any meaningful way, beyond basic transactional documents like policies and bills.

Even if they do proactively communicate in some manner, it's rarely grounded in any contextual relevance. What customers often receive are generic, cookie-cutter mailings that exhibit little sensitivity to each policyholder's personal situation.

Consumers can sense when a company's messaging isn't personalized – and it's a turn-off. It smacks of robotic business mechanics, a world where you truly are a policy number and not a person. It's hardly an approach that encourages customers to listen intently to what you have to say.

To better engage your clientele by sending the right message at the right time:

- Tune into your customers. If you want customers to tune into you, you've got to tune into them. Every day, in every interaction, customers are transmitting information to you about their hopes, their worries and their aspirations. Whether it's a question they pose to your call center, a transaction they seek to execute, a page they dwell on within your website, or a mention they make of your firm in social media – these are but a few examples of the many frequencies through which customers are constantly sending signals. Embedded in those signals is a treasure trove of information that can help you interact with your target audience in more personalized and relevant ways.

- Shape a dialogue. Once you begin deciphering all those signals, the next step is using the information to shape a more robust dialogue with your customers. That means reaching out to them proactively, when it appears they have a need, a concern or a question you can help address. Even seemingly mundane customer activities – like an address change, a coverage question, or the purchase of a new vehicle – present key opportunities to dialogue with your customers in an engaging and memorable way.

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Getting customers to tune you in isn't about saturating the airwaves with advertising. It's about capitalizing on each and every customer interaction in a way that impresses and inspires. As the Top Five Reasons demonstrate, getting and keeping consumers' attention is a complex endeavor, with many pitfalls present that can derail even the most well-intentioned efforts.

Nevertheless, it's a strategy worth embracing because the payoff can be substantial. When customers are engaged by your company's purpose, when they sense that you're genuinely looking out for their best interests, when your products and services perform flawlessly – that's where lifelong customer loyalties are forged.

And once those loyalties take hold, the resulting competitive advantage is compelling – because not only will you get customers to tune *your company in*, you'll get them to tune *everybody else out*.

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