

# Watermark Consulting 2021 Customer Experience ROI Study (Insurance Industry Edition)

---

*Demonstrating the business value of  
a great customer experience...*



## A Message From Watermark's Founder

---

What's the business value of a great customer experience (CX)?

It was this question that triggered our very first Customer Experience ROI Study, released over a decade ago.

Back then – and still today – plenty of organizations publicly proclaim their commitment to customer-centricity, but the reality is more complicated. There is an undercurrent of skepticism among many executives around the true business value of a superior customer experience. Often the benefits are viewed as soft and intangible, the payoff uncertain.

With the Customer Experience ROI Study, we sought to counter that perception by conveying the value of a great customer experience in a language that every business executive would understand – the language of shareholder value. Our original cross-industry Customer Experience ROI Study has since become one of the most widely cited research studies of its kind.

**The insurance industry is far more enamored with acquiring new customers than it is with delighting the ones they already have.**

We have since branched out to develop industry-specific Customer Experience ROI Studies. We targeted sectors where there was already a highly regarded, independent measure of customer experience – one that encompassed enough competitors and rating years to yield a rich data set.

Auto and Home Insurance met that criteria and served as the focus of our very first industry-specific study. With this report, we're revisiting that analysis, and the results are as eye-opening as ever.

Best regards,



Jon Picoult  
Founder & Principal, Watermark Consulting  
Author, [From Impressed To Obsessed](#)

Follow me on [Twitter](#), [Instagram](#), or [LinkedIn](#)

## The Business Challenge

---

If the insurance industry is known for anything, it's certainly not customer experience. This is a sector that has traditionally been far more product-focused than customer-focused (which explains the industry's relatively low scores in other studies of consumer engagement and trust).

Insurers collectively spend billions of dollars each year on advertising but tend to hold the purse strings much tighter when it comes to investments in a better customer experience. This is an industry that is far more enamored with acquiring new customers than it is with delighting the ones they already have.

There are exceptions, however. A handful of insurers are very deliberate in how they shape the end-to-end, prospect-to-policyowner-to-claimant experience. And, as you'll see in a moment, that strategy is rewarded by consumers and investors alike.

Our objective with this analysis was to help industry leaders understand the overarching influence of a great customer experience (as well as a poor one). To accomplish that, we sought to elevate the dialogue.

That meant getting the industry to focus, at least for a moment, not on the cost/benefit of specific customer experience initiatives, but rather, on the macro impact of an effective customer experience strategy.

We accomplished this by studying the cumulative total stock returns for two model portfolios – comprised of the Top 5 (“Leaders”) and Bottom 5 (“Laggards”) publicly traded companies in J.D. Power and Associates’ annual Insurance Satisfaction Studies.

As the graphics in the following sections vividly illustrate, the results of our study were quite compelling.

---

### How The Study Was Conducted

Our analysis was based on the cumulative total stock return for equally weighted, annually readjusted model portfolios comprised of Insurance Customer Experience Leaders and Laggards.

For each year covered by the study, Leaders and Laggards were defined as the Top 5 and Bottom 5 publicly traded insurers in J.D. Power and Associates’ annual Auto/Home Insurance Satisfaction Studies. (Those ranking slots generally equated to the top third and bottom third of public companies evaluated.) Where necessary, national rankings were derived by averaging insurers’ regional satisfaction scores.

Portfolio returns were based on the prior-year performance of the Leaders and Laggards, to ensure that the results were not influenced by the publication of the J.D. Power study itself.

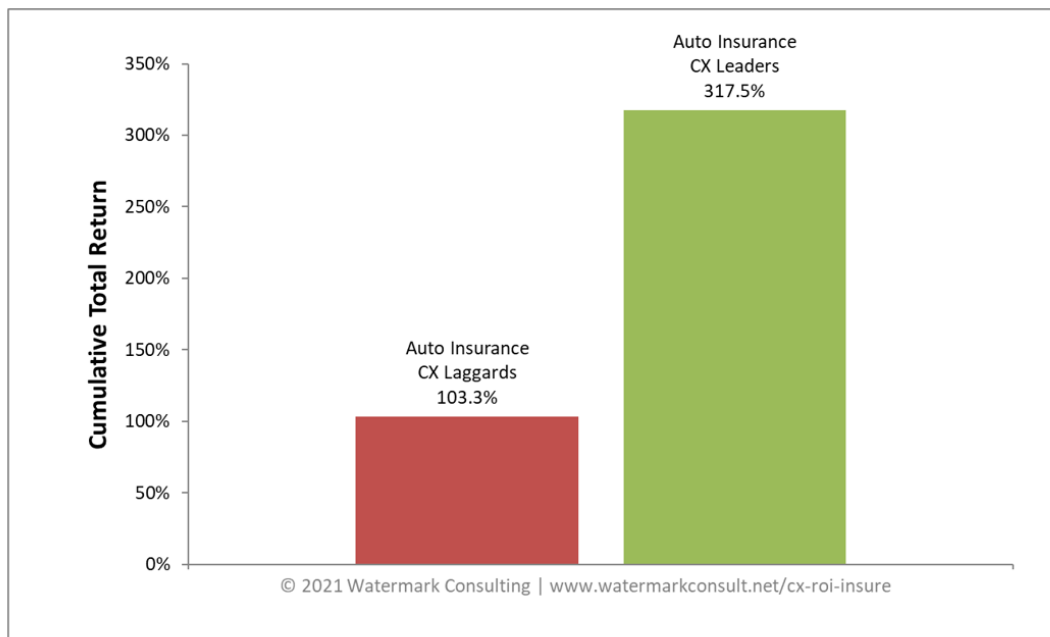
---

## The Results – Auto Insurance

Fourteen years of Auto insurance policyholder satisfaction rankings were incorporated into our analysis. The graph below shows the cumulative total shareholder return across that period for the Customer Experience Leaders and Laggards.

### Auto Insurance Customer Experience Leaders Outperform

14-Year Stock Performance of Customer Experience (CX) Leaders vs. Laggards (2007-2020)



Auto insurance Customer Experience Leaders far outperformed the Laggards, and the size of the performance differential (**nearly 215 points**) was striking.



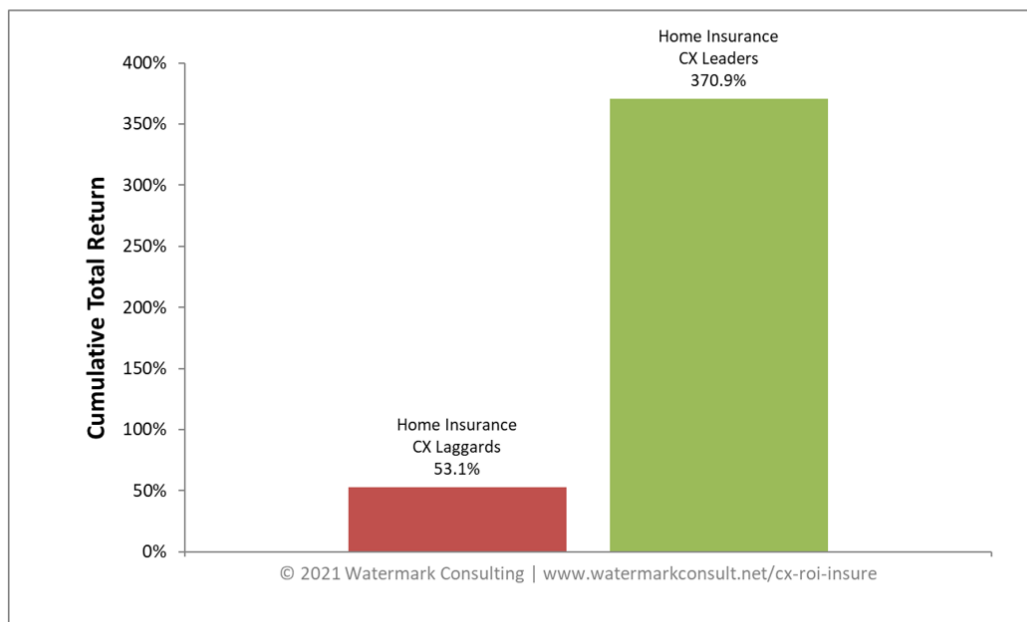
Auto insurance Customer Experience Leaders generated a total cumulative return that was **3.1 times greater** than that of the Customer Experience Laggards.

## The Results – Home Insurance

Fourteen years of Home insurance policyholder satisfaction rankings were incorporated into our analysis. The graph below shows the cumulative total shareholder return across that period for the Customer Experience Leaders and Laggards.

### Home Insurance Customer Experience Leaders Outperform

14-Year Stock Performance of Customer Experience (CX) Leaders vs. Laggards (2007-2020)



Home insurance Customer Experience Leaders far outperformed the Laggards, and the size of the performance differential (**nearly 320 points**) was truly remarkable.



Home insurance Customer Experience Leaders generated a total cumulative return that was a stunning **7.0 times greater** than that of the Customer Experience Laggards.

## The Backstory: Customer Experience Leaders vs. Laggards

---

As this study demonstrates, the fortunes of insurance Customer Experience Leaders and Laggards diverge in a dramatic and revealing way. What's driving the disparity in performance across these two groups?

While there are obviously many factors that influence a company's stock price, the results of this study indicate that, over the long-term, a great customer experience helps build business value, while a poor customer experience erodes it. That's an important takeaway, for public and private entities alike.

What creates that enhanced value? Answering that question requires understanding the economic calculus of a great customer experience. When a company consistently delivers an impressive experience to customers, it triggers behaviors that influence business financials in two important ways:



When most people think about the economic benefit from a great customer experience, this is where their heads go. And that's entirely appropriate, because revenue growth is indeed one clear advantage of customer experience excellence. Why? Happy, loyal customers have better retention, they're less price-sensitive and they're more willing to entertain offers for other products and services – all helping to raise revenue. Plus, because they love you so much, they spread positive word-of-mouth and refer new customers to you – lifting revenue even higher.



This is the part of customer experience economic equation that most businesses fail to appreciate. (It's also why using revenue growth, alone, to demonstrate customer experience ROI is misguided.) When you have happy, loyal customers, it helps to better control – if not reduce – your expenses. For example, due to all the customer referrals you're getting, you can spend less on new business acquisition – which reduces expenses. In addition, happy customers tend to complain less, putting reduced stress on your operating infrastructure (e.g., lower call volumes), thereby also helping to keep expenses in check.

Of course, these economic dynamics cut both ways. Customer Experience Laggards struggle to raise revenue (e.g., poor retention, high price-sensitivity, limited cross-purchasing, negative word-of-mouth) and they're burdened with higher expenses (e.g., to acquire new customers, and to deal with the existing unhappy ones). This weighs on their long-term profitability and makes them less valuable in the eyes of the market.

## Learn From The Leaders

---

How do Customer Experience Leading firms create such positive, memorable impressions on the people they serve? It doesn't happen by accident. They all embrace some basic tenets when shaping their customer experience:

---

1

### **They aim for more than customer satisfaction.**

Satisfied customers defect all the time. And customers who are merely satisfied are far less likely to drive business growth through referrals, repeat purchases and reduced price sensitivity. Maximizing the return on CX investments requires more than just satisfying customers, it requires *impressing them*.

---

2

### **They leave nothing to chance.**

The Leading companies have a keen understanding of the wide array of live, print, and digital touchpoints that comprise their customer experience. They design each of these touchpoints very intentionally, carefully choreographing the interaction to create an experience that consistently nails the basics and also delivers pleasant surprises.

---

3

### **They shape memories, not just experiences.**

How people remember the customer experience is arguably more important than the experience itself, as it's those memories that ultimately drive repurchase and referral behavior. The Leading companies recognize this, and they use cognitive science to engineer customer experiences that people enjoy in the moment but also remember in the future.

---

4

### **They infuse the experience with emotional resonance.**

People's affinity toward a business is ultimately shaped by how they *feel* after interacting with the company, its representatives, and/or its products. CX-leading firms appreciate this, and so they engineer experiences that don't just focus on customers' rational requirements, but also address their emotional needs.

---

5

### **They focus on both the customer *and* the employee experience.**

Happy, engaged employees help create happy, loyal customers (who, in turn, help create more happy, engaged employees). The value of this virtuous cycle cannot be overstated, and it's why the most successful companies address both sides of this equation – obsessing not just over their customers, but also over the employees who serve them.

## Implications For Insurance Providers

---

Insurance providers shouldn't resign themselves to delivering just a mediocre customer experience, at best. The results of this study suggest there is competitive advantage to be gained by differentiating along this axis, but it requires insurers to look at their business through a different lens and embrace some new perspectives:

- **Retention is not a good proxy for loyalty.**

Insurance providers often rely on retention to gauge the quality of their customer experience. While retention is a valuable metric, it can be a misleading indicator of customer perception (after all, a retained policyowner may not necessarily be a loyal one). As a result, many firms tend to overrate the quality of their customer experience.

- **Insurance can be more than a “grudge” purchase.**

Some industry insiders question the viability of a customer-focused business strategy in insurance, given it's an intangible product that people must buy, never knowing if they'll get any benefit in return. Smart providers overcome this perception by engaging customers with value-added services that transcend traditional insurance coverage.

- **It's essential to focus on more than just claims.**

As the ultimate moment-of-truth in insurance, it's critical that the claims customer experience be exceptional. However, the vast majority of insureds won't experience a claim in any given year. For this reason, insurers' experience improvement programs must go beyond claims – targeting other, more common customer touchpoints.

- **The mundane things matter.**

Insurance is a low interaction business, which amplifies the impact of routine, recurring transactions on customer perceptions. Firms often treat these interactions (policy delivery, billing, renewal, etc.) as mundane, administrative tasks – and it shows in the resulting experience. However, for many insureds, these mundane touchpoints are the entire experience, which is why these routine interactions deserve close attention and careful choreography.

- **Trust and advocacy are critical.**

There is an inherent lack of trust between many insurers and insureds given the nature of the relationship between the parties (the less carriers pay in claims, the more money they make). With trust being a key driver in policyholder satisfaction, it's important for insurers to *tangibly* demonstrate their advocacy for customers, thereby helping to counter any perception of misaligned interests.



## Implications For Insurance Providers

---

One key accountability of insurance providers is to help their customers manage risk. Ironically, though, many in this industry are failing to address a key risk that looms over their business: the risk that they become marginalized in an environment where their products and services are viewed as a commodity.

However, there is a solution. The best way for insurance providers to avoid the death spiral of commoditization is by delivering an exceptional end-to-end customer experience – one that is devoid of common frustrations, one that inspires confidence, one that cultivates trust.

As this study has demonstrated, that's the kind of customer experience that is rewarded by both Main Street and Wall Street.

## Ready To Turn Your Organization Into A CX Leader?

---

Watermark has spent years studying companies that excel in customer experience. Through that research, we've pinpointed the customer experience design secrets of these highly successful companies, and those insights serve as the foundation for all of the work we do on behalf of our clients.

What customer experience challenges is your organization facing? Below are just a few that we've helped our clients overcome:

- **“We need to make the case for customer experience at our company.”** Our [executive education](#) programs will help demonstrate the value of customer experience excellence to company leaders, and show them how time-tested CX design techniques could be applied to your business.
- **“We don't really know what customers think of us.”** Our [Consulting Services](#) include quantitative and qualitative tools which help bring the voice of your customer to the forefront, revealing game-changing insights that will spur customer experience innovation and drive your business forward.
- **“We need to rally our employees around customer experience.”** Watermark founder Jon Picoult is an acclaimed [keynote speaker](#). Invite Jon to your next all-employee meeting, sales conference or corporate event – he'll inspire your team to deliver CX excellence, and show them exactly how to do it.
- **“We need to improve our customer experience, but we're not sure where or how to start.”** Our [Consulting Services](#), including Watermark's proprietary “Customer Experience Reality Check” will evaluate your current CX and develop a detailed roadmap for turning it into a competitive differentiator.

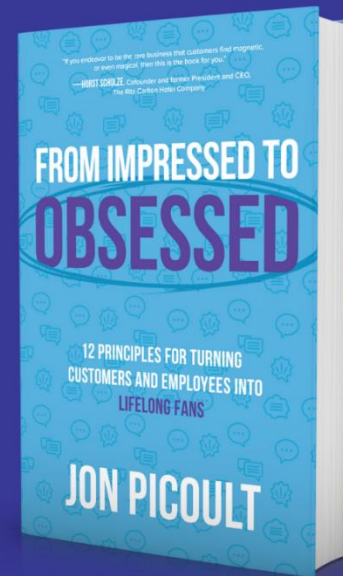
Through our Customer Experience ROI Studies, we've uncovered the techniques that top companies use to turn everyday people into loyal brand advocates. Let us help you apply the same techniques to *your* business – and turn your organization's customer experience into its greatest competitive advantage. [Contact us](#) to start the conversation.

## The Definitive Guide To Customer Experience Excellence

**“If you endeavor to be the rare business that customers find magnetic or even magical, then this is the book for you.”**

-- Horst Schulze, Co-founder and Former President & COO, The Ritz-Carlton Hotel Company

**ORDER YOUR COPY TODAY**  
**[www.impressed2obsessed.com](http://www.impressed2obsessed.com)**



We wrote the book on customer experience... literally!

Accelerate your customer experience transformation by capitalizing on the insights in Watermark founder Jon Picoult's acclaimed new book, "[FROM IMPRESSED TO OBSESSED: 12 Principles for Turning Customers and Employees into Lifelong Fans.](#)"

The book will fundamentally change how you think about creating a successful, beloved business. In it, Jon explores the cognitive science behind great customer experiences, pinpointing the breakthrough, psychology-based strategies that successful companies use to create unforgettable impressions that turn more sales prospects into customers, and more customers into obsessed brand ambassadors.

Packed with intriguing case studies, engaging stories, and eye-opening research, the book details these proven strategies and illustrates how they can be applied to any type of business.

FROM IMPRESSED TO OBSESSED reveals the what, the why, and – most importantly – the how behind great customer experiences. Filled with actionable insights, the book provides an invaluable roadmap for becoming the company that everyone wants to do business with, the employer everyone wants to work for, and the leader everyone wants to follow.

## About Watermark Consulting

---

What if you could “watermark” your customer experience – making it so compelling and distinctive that, like a watermark on paper, it left an indelible impression that couldn’t easily be copied? This is Watermark Consulting’s focus.

We are a boutique customer experience consultancy. We help companies impress their customers and inspire their employees – creating raving fans that drive business growth. We’ve worked with some of the world’s foremost brands, helping them cultivate loyalty in both the marketplace and the workplace.

wa • ter • mark

*A distinguishing mark impressed on paper during manufacture to make it appear richer and more distinctive. Often used to prevent imitation.*

The philosophy behind Watermark is simple: With every interaction, businesses win or lose share. Each touchpoint – be it with customers, distributors, or even employees – presents an opportunity to either build brand loyalty or erode it.

Watermark helps companies capitalize on this concept by creating end-to-end brand experiences that don’t just satisfy, but impress.

To learn more about us, please visit [www.watermarkconsult.net](http://www.watermarkconsult.net).