IBM Institute for Business Value

Powerful interaction points

Saying goodbye to the channel

Overview

If insurers are serious about getting closer to their customers, they should forego conventional "channel" strategy development and instead focus on quality interactions. Based on input from more than 21,000 consumers in 20 countries, we believe insurers need to create an interaction mix that appeals to their particular target audiences. To find out what matters, insurers need to take a different approach to segmenting their customers – one based on psychographics not demographics.

In January 2010, the IBM Institute for Business Value published "Meeting the demands of the smarter consumer," a study focused on the retail customer.[1] "The rules of the retail marketplace are changing dramatically," the authors report, with the key findings being the shift from a seller's market to a buyer's market and consistently rising consumer expectations.

Should these findings be of concern to the insurance industry? We believe so. Like the general retail marketplace, the rules of the financial services markets are also changing, as both banks and insurers have found in the aftermath of the financial crisis of 2008. Connecting to insurance customers is becoming more difficult. While thirty years ago, agents, brokers and to a lesser degree conventional mail were the only insurance communication channels used to search for and sell insurance, today there are many different interaction points consumers prefer and insurers can offer. These choices are about both whom to interact with – the insurer directly, tied agents, call center agents, bank advisors, brokers, even peer groups – and which medium to interact through – face-to-face contact, telephone, written media and Internet, either via a browser or smartphone.

How do insurers choose which of these varied options to offer their customers? Which ones do consumers actually prefer? These are the questions insurance leaders have been asking us since we published "Trust, transparency and technology" three years ago – a study where we first showed that insurance customer profile complexity is outpacing traditional segmentation models.[2]

When thinking about how to connect with consumers, insurers – and consultants – often talk about the "channel strategy," but this terminology is indicative of the problem. A "channel" infers a one-way communication from insurer to customer, and today's customers don't think that way. Perhaps the strongest message from our survey is that consumers don't want information to be channeled; they want access. They want to interact with their providers. In this paper, we talk about interaction points. Connecting to the insurer by phone is an interaction point, as are emails to the broker, meetings with the tied agent and even clickthroughs on the website of an aggregator that provides independent insurance comparisons.

Mirroring findings from other industries, we also discovered that insurance customers prefer interaction point choices and have become truly "multimodal." Slightly more than 20 percent of consumers use only a single point of interaction for searching, while another 20 percent of respondents say they use more than four different interaction points to search for insurance. Our research shows there are five predominant channels for information gathering. The remaining interaction points are being used less frequently, but insurers should consider using them since their total represent substantial potential communication (see Figure 1).
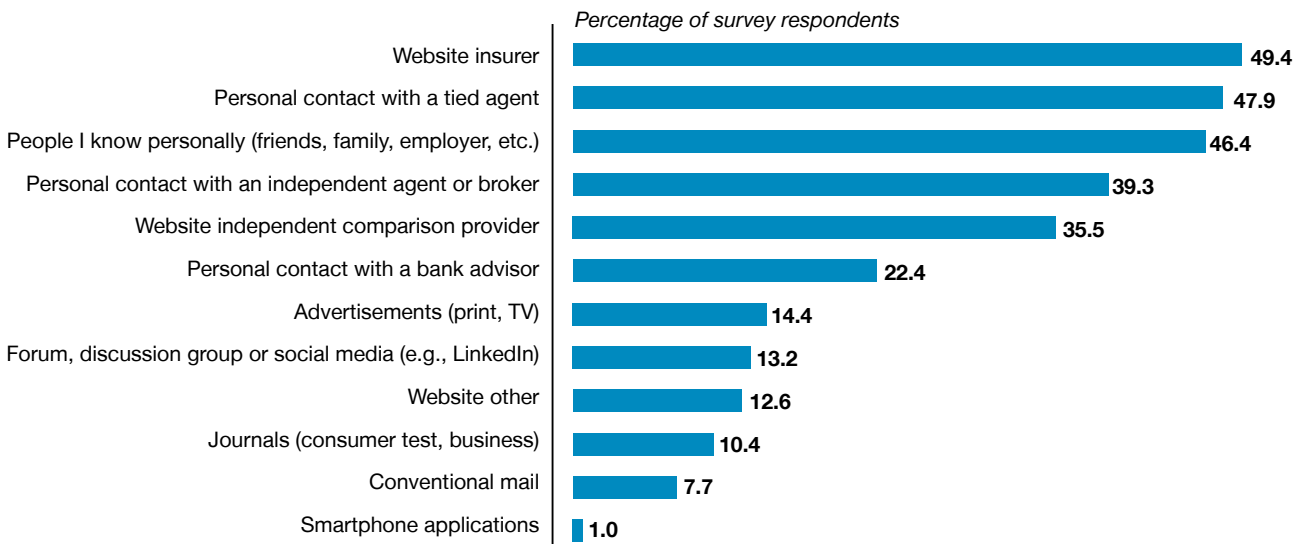
Percentage of survey respondents

Interaction point	Percentage
Website insurer	49.4
Personal contact with a tied agent	47.9
People I know personally (friends, family, employer, etc.)	46.4
Personal contact with an independent agent or broker	39.3
Website independent comparison provider	35.5
Personal contact with a bank advisor	22.4
Advertisements (print, TV)	14.4
Forum, discussion group or social media (e.g., LinkedIn)	13.2
Website other	12.6
Journals (consumer test, business)	10.4
Conventional mail	7.7
Smartphone applications	1.0

Figure 1: **Consumers use a variety of interaction points to search for insurance.**

What else did we learn by surveying these 21,740 consumers?

- Customers are becoming harder to satisfy and harder to maintain, and generally, they still don't trust the insurance industry.
- Despite the commonly held view that the web is all that matters now, consumers often prefer personal interaction. Insurance is still a product that relies on personal trust – people want to buy from people.

Key Contacts

Global
Lee-Han Tjioe
tjioelee@cn.ibm.com

Americas
Rick Mallette
rick.mallette@us.ibm.com

Asia Pacific (excluding Japan)
Paul Robinson
paulrobi@cn.ibm.com

Japan
Takeo Endoh
endot@jp.ibm.com

Europe
Kathie Schoenleben
kschoenl@de.ibm.com

Author

Christian Bieck
christian.bieck@de.ibm.com

Insurance has shifted from a seller's to a buyer's market. And while modern consumers are willing to buy, it is not all about price, as is the pervasive myth. Insurers also have to provide quality service and reach customers with the right interaction mix. A one-size-fits-all approach is unlikely to work.

Action for interaction

Insurance CEOs want to get closer to their customers – how can they achieve this?

- **Increase the number of available interaction points.** Consumers want to use multiple interaction points.

- **Follow your customers.** Insurers should engage these consumers actively and collect the revealing data they offer.

- **Use customer analytics.** A more telling segmentation will allow insurers to compare current interaction point offerings to the preferred mix of current and targeted customers.

- **Improve interaction quality.** The interaction quality will strongly determine whether customers will use the particular interaction point again and, perhaps more importantly, whether they will become advocates.

- **Build a comprehensive business case.** An insurer's stakeholders will want to understand the bottom-line effect of adding interaction points and the business implications of the overall mix.

The key to succeeding with all of the above is flexibility and the smart use of analytics. The world has never been as complex and full of constant and rapid change as today – and the evolving preferences of tomorrow's consumer are part of this complexity. The starting point for being a smarter insurer and delighting customers is the right mix of interaction points.

How can IBM help?

- **Strategy and Transformation:** Define your interaction point strategy and implementation steps with overall branding and access consistency.
- **Business Analytics and Optimization (BAO):** Improve your customer analytics through tools and processes that allow the translation of knowledge into data and data into productive use.
- **Selected Insurance Sector Solutions:** Solutions are available to help in a multitude of ways: Strategy and Advanced Customer Analytics, Information on Demand, Connect with Customers in New Ways (IBM Smarter Planet), Front Office Solutions.

To request a full version of this paper, e-mail us at iibv@us.ibm.com

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