

Surviving climate change in the property & casualty industry by growing customer advocacy

The property & casualty (P&C) industry is facing significant change. Changing demographics, evolving consumer expectations and new distribution channels are dramatically impacting how policyholders think, interact and work with their insurance companies. Providers need to effectively respond to and proactively improve their policyholder's experiences to help build policyholder advocacy for their company and their products. To do this, providers should ask themselves: "Who are our advocates? How do we measure advocacy? How do we assess and verify that our distribution models are attracting and retaining the policyholders that contribute to our success?" The ability to grow policyholder advocacy will be one of the most effective strategic weapons that an insurance company can use to help build a sustainable competitive advantage.

The insurance environment is facing evolutionary change. The policyholder base is becoming increasingly segmented, with existing policyholders who are aging and comfortable with traditional insurance models. Younger, newer policyholders tend to be Internet savvy, and expect instantaneous interactions and tailored selections.

Insurance providers continue to see changes to their distribution channels, with the consolidation of independent agencies and their demands for quicker quotes and streamlined claims processing.¹ Providers must work to balance the increasing demands of policyholders, while supporting the growth of their agents.

Striking a successful balance requires a different approach designed to improve the customer experience.

Improving customer experiences and enhancing service delivery are not new concepts. However, without a clear approach, many companies (both within insurance and across other industries) have responded in a narrow fashion addressing distinct operational needs, often focusing on cost reduction and streamlining, rather than fully addressing their customers' needs in a more integrated way. An effective and practical approach is needed to incorporate policyholder perspectives into the evaluation of programs and improvements intended to drive service delivery, product innovation and subsequently, profitability.

To address these challenges, we surveyed over 3000 P&C policyholders regarding their needs and attitudes toward their insurance providers, including their perspectives on service, product and value. We looked at trends across key interactions to determine what insurance providers ought to be doing now so that they can identify not only their advocates, but also their advocate's preferences. Understanding this, providers can then use this information to help tailor their business models to drive improvements to the customer experience and drive growth. Key findings derived from our analysis are:

- The P&C environment is changing
- Demographics matter
- Advocacy decreases the further the carrier is from the policyholder
- Proactive responses to the changing landscape are essential.

A new view: Advocacy and antagonism

Insurers may be able to better align their operations, customer experiences and investments for growth if they better understand customer attitudes toward their companies. A view that focuses on whether customers are *advocates* (those who embrace and promote the company), *apathetics* (those who are indifferent



or passive toward the company) and *antagonists* (those who harbor negative feelings and can adversely influence business economics and other customers) can provide new insight into customer attitudes and behavior. Figure 1 shows a range of customer attitudes and strategies, with advocates driving the highest positive impact on shareholder value.

Proactive responses are essential

While there is no one direct path for any one company to find success in building advocacy, the data and its implications highlight some key areas to address. These include:

1. Build a deeper understanding of what is important to the policyholder.
2. Design customer experiences based on an understanding of customer expectations and perceptions of operational performance.

3. Communicate and transact with customers intelligently during key interactions, on a customer-by-customer basis, making them feel that “you know me.”
4. Improve the coordination of key activities across the delivery channel to improve effectiveness and quality of the overall policyholder experience.
5. Increase policyholder involvement in the development and customization of insurance products.

Companies that seek the right answers will be better prepared to overcome the financial drag imposed by commoditization. While those that build large bases of advocates may still be wondering how the future of the industry and market will change their business, they should feel more confident that they’ve worked to secure the most valuable part of the equation: the customer.

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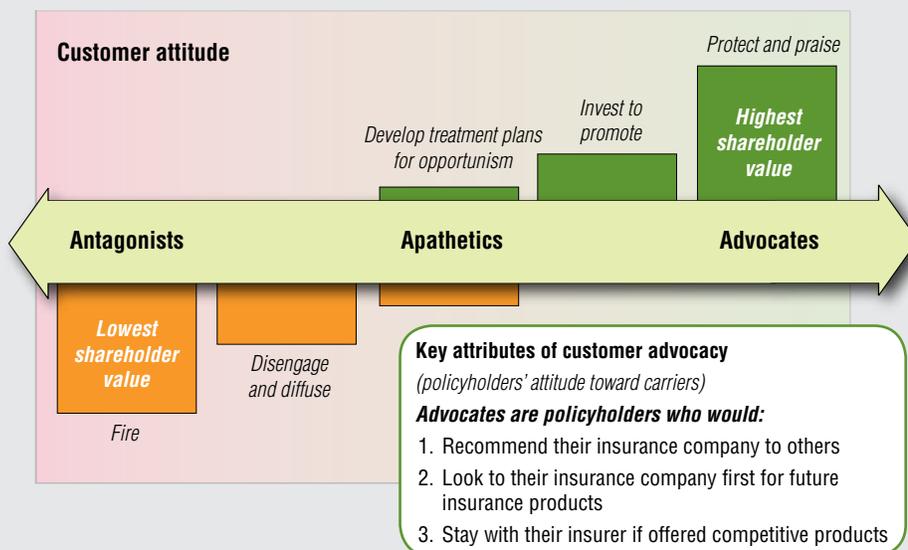
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- 1 National Underwriter Property and Casualty-Risk & Benefits Management. “Agency consolidation picking up speed.” July 26, 2004.

FIGURE 1.
A concise understanding of key policyholder advocacy attributes drives strategic decisions and investments.



Source: IBM Customer Focused Enterprise Studies (2006-2007).