



Whitepaper Customer feedback in the global insurance industry

CUSTOMER FEEDBACK IN THE GLOBAL INSURANCE INDUSTRY

A vibrant new global customer is emerging – and it demands attention. Like others in the financial services arena, the insurance industry needs a rapid digital transformation to cater for the needs of the empowered, highly-connected, well-informed and very impatient millennial customer.

This new, dynamic customer spends more and more time online, using tablets, smartphones and computers relentlessly searching for the best value and service; poring over product information; comparing prices and features online; investigating customer reviews; and soliciting feedback from family and friends before making a purchase decision. Even when it comes to the complexity of insurance products, this new breed of customer expects straightforward simplicity in a digital interaction.

But insurers are currently lagging behind the digital curve. Failure to meet the channel demands of empowered and social customers will see laggards in the insurance industry struggling for survival. Established insurers are particularly ill-placed to deliver against customer expectations and new entrants and digitally advanced competitors in the form of FinTech and InsurTech will be looking to exploit this failing. In short, the global insurance market is under attack. Under attack from the demands made by the increasingly important millennial demographic - and the insurance industry needs to act fast.

THE VOICE OF THE MILLENNIALS



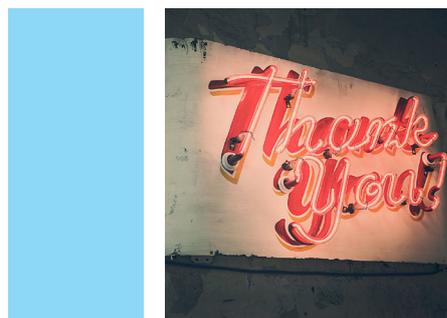
Millennials represent a third of the world's entire population. Intimately attached to their mobile devices, social media and text messaging keeps this generation abreast of what matters right now, and this is how they want to interact with insurance brands. Millennials have learned the art of living in the moment – no time to wait on hold on the phone – they want answers now, and they expect brands to be where they are, when they are there, regardless of the channel they are using.

The voice of the millennial customer can be heard throughout the industry, yet few insurers are listening. Customers want a frictionless journey when interacting with insurance brands. They're not thinking about channels and devices, but they will make a judgement on your brand if they perceive an experience to be negative or inconsistent, and they are quick to voice their concerns.

"They will make a judgement on your brand if they perceive an experience to be negative or inconsistent."

When millennials share their voice in real-time with you and your organisation, they expect you to listen, act and report back to them.

SATISFACTION WITH THE INSURANCE SECTOR



Millennials are raising demands and lowering customer satisfaction ratings for insurers. This tech-savvy generation presents a huge challenge for insurers often demanding a high level of service across digital channels.

Insurance ranks well below other industries in consumer satisfaction polls. The further the consumer progresses along the insurance journey, the greater the level of dissatisfaction.

Satisfaction is at the highest during the research stage and purchasing stage, recording a 'Net Promoter Score' of +4, then drops sharply to -49 when it comes to managing policies and claims. The Net Promoter Score then drops to -28 at policy renewal stage.

Globally, this is a common problem, as reflected by research findings from Morgan Stanley's Blue Paper - Insurance and Technology: Evolution and Revolution in a Digital World. It reveals that in the US, consumer satisfaction with insurers is only 38% compared to 69% during the research process. This compares to Japan, where over 70% of consumers say they are dissatisfied during the managing policies and claims stage.

Less than 30% of global insurance customers report positive customer experiences, according to research by Capgemini and EY's The Voice of the Customer survey, which asked more than 15,500 customers in 30 countries across five geographic regions about their general satisfaction with their insurer.

The survey revealed a particularly sharp drop in positive customer experience levels among millennials around the world, although the decline was most pronounced in developed countries where, for example, in North America positive customer experience ratings declined by 10.9% and by 5.4% in developed Asia Pacific.

70% of consumers say they are dissatisfied during the managing policies and claims stage.

Falling positive customer experience ratings coupled with a growing number of regulatory changes and disruptors such as FinTech and InsurTech have seen customer experience ratings globally drop from 3.7 percentage points from an already low 32.6% in 2013 to 28.9% in 2014. North America saw the largest decline (8.3 percentage points), followed by Latin America (5.3 percentage points) and Europe (3.4 percentage points).

According to Engine's Annual Customer Experience Survey 2016, only 10% of respondents said insurance was a sector with the best customer service, while 25% believed that insurance was the worst. This should be a wake-up call for an industry that is already characterised by large customer churn levels due to service concerns.

HOW AND WHERE TO CAPTURE CUSTOMER FEEDBACK

At a time when brands are looking to build loyalty through emotional engagement, 'Voice of the Customer' offers unparalleled insight into behavioural drivers.

Analysing customer feedback about their experiences with and expectations for your products or services in real-time, gives the insurer the opportunity to identify customer demands, improve both product development and customer service, and create an opportunity for dialogue that will deepen the relationship.

Whether it is via surveys, focus groups, deep structured interviews, online feedback forms or SMS surveys, the Voice of the Customer enables organisations to identify missed expectations and new opportunities. However, time is of the essence and customers want to spend as little time as possible sharing their valuable feedback.

So what are the feedback channels of choice for customers?

There are now over 4.35 billion email accounts according to Radicati Group. Over 70% of consumers say that email is their favoured conduit of communication with companies with whom they are dealing.

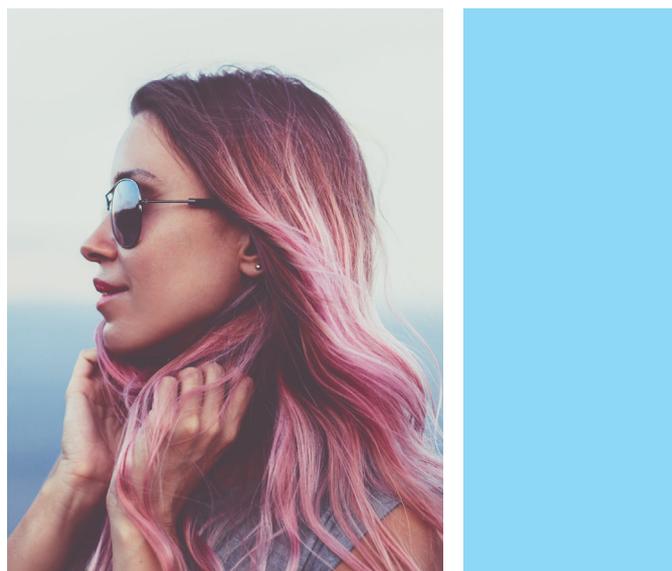
On average, consumers receive 7 commercial or promotional emails per day.

However, your email messages are not the only communications your customers receive. On average consumers receive seven commercial or promotional email messages per day, so while doubling your email investment sounds great, there's a catch – your messages need to be seen by customers.

70% of consumers prefer email as the conduit of communication with companies.

We now use our mobile devices to manage our email more than we used to – over 90% of households have at least three internet capable devices, according to Ericsson ConsumerLab, and the baby boomers (those born between 1946 and 1964) have been particularly keen users of email in customer surveys.

MILLENNIALS ARE DRIVING FEEDBACK CHANGES



According to ResponseTek's latest CX Compass survey, the change in device usage is most pronounced in the younger generation.

Financial institutions reported that 58% of customers in the ages 17-24 were completing their surveys on a mobile device. This represented an increase of 9% from the previous year.

This age range is not only moving away from desktop computers and laptops, but also from iPads, preferring smaller mobile devices. This means that feedback surveys need to use fewer 'matrix style' questions that are ill-suited to small devices, and look to SMS as a complementary or primary method of survey capture.

The recent drop in email usage for customer satisfaction surveys, and the uplift in SMS as a preferred method is a particular trend that insurance firms need to note. The fast pace of the millennial means that they don't have the time to complete email surveys, preferring instead SMS responses for their speed and accuracy.

Research from the Shift Communications Consumer Survey shows that globally, over 80% of mobile users open every SMS text message they receive, and more than 90% of people read a text message within the first three minutes of receiving it, according to MobileSQUARED, a mobile research firm.

The Mobile Behavior Report by Salesforce found that over 90% of millennials who opted-in to receive texts from a brand say that they see those messages as somewhat or very useful, and that SMS services helped them to 'feel like they are cared about' and 'feel in control' of the services they received.

Adding to the overall brand experience, 78% of respondents say that they consider purchase tracking, alerts and notifications, as well as monetary transactions via SMS, are high value and important aspects of a service or overall brand when dealing with insurance providers. The ever-connected millennial, with its increasing appetite for SMS, is further represented across Europe with 65% of mobile users, 72% in North America and 70% across APAC admitting to checking their handsets at least once every hour – if not more frequently.

With many mobile users interacting with brands on a one-to-one basis via SMS many times a day, it seems that, while the smartphone is a very powerful and multi-functional device, there is a recognition that SMS – a technology that pre-dates the smartphone by decades – is welcomed and embraced as a communication channel by the most fussiest of users: the millennials. Age plays a pivotal role in determining acceptable types of digital interaction, and the insurance industry's established customer engagement choices will need to change in order to meet the engagement styles of not only millennials, but eventually all its customers.

THERE MAY BE TROUBLE AHEAD



Globally, customer needs are evolving and research demonstrates that consumer perceptions of the industry and its providers have shifted dramatically. Consumers are no longer so cautious and conservative. Many report they would be willing to share more information in return for specific benefits – 48% say they would share more data with motor or home insurers if this would lead to lower premiums, according to an Accenture survey. And there is also a willingness amongst consumers to engage with insurers in new ways – whether it be social media or SMS.

With technology now being inseparable from everything millennials do and attention spans diminishing, this represents a new battleground for insurance brands, and a new opportunity to capture the customer voice and improve customer satisfaction and experience – and therefore reduce churn and drive up loyalty.

The top two drivers of insurer companies' digital strategies, according to a recent EY Global Insurance Digital Survey, were 'enriching the customer experience' and 'regaining more direct control of the customer relationship'. However, despite this acknowledgement, many insurers remain digitally immature.

"No insurance company has yet completed a digital transformation."

Whilst insurance organisations must ensure that they do not go from one extreme to the other, and become too reliant on digital channels at the expense of the important human element, there is clearly plenty of scope for improvement. Indeed, there is an appetite for this amongst customers, particularly the digital natives: millennials.

No insurance company has yet completed a digital transformation – but for those insurance companies who get it right, the future is bright. For those who get it wrong – in the words from the 1994 TV ad of the now defunct Allied Dunbar – there may be trouble ahead.

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