

Creating Loyalty to Compete in the Insurance Sector

In an environment of moderate economic growth, a barely-growing population and interest rates at an all-time low, the leading insurance companies on the Spanish market are finding that they need to introduce client loyalty strategies in order to boost profits.

Most large multi-product companies have a wide client base, but a very low penetration rate (ratios of 1:1 or 1:2 products per client are very frequent). The level of insurance in Spain is close to the European Union Average.

What is the problem? Most traditional insurance companies are still product management oriented, instead of geared towards the implementation of client management strategies. In this context, client data is held almost exclusively by the network of intermediaries rather than by companies themselves.

However, clients nowadays are very demanding; they know more about their needs and demand multiple access doors in order to interact with the company: contact centres, offices, Internet, specialised advisors, etc. In order to compete in this environment, the companies must transform their operative models and the infrastructures that support them.

The client base is the most important asset of any insurance company. Capturing a new client has a much higher cost than leveraging the existing client base and increasing the amount of business done with them, offering products and services adapted to the needs of each client profile.

The client portfolio is very heterogeneous in terms of its needs and the value contributed by each client. Therefore, successful companies have a client policy oriented at:

- Increasing the individual value of clients, through up-selling and cross-selling.
- Retaining the most profitable clients (avoiding the “coffee for everybody” approach) through more personalised premium services.
- Rejecting clients who destroy value for the company (through microsegmentation strategies...).

In order to implement this type of policy, it is necessary to carry out a series of tasks as part of the transformation of the organisation towards integral client management. In this regard, the company must advance in four large stages:

identifying clients, differentiating clients, interacting with clients and personalising the offer.

The ultimate aim is to maximise the captured value of the client base through the proactive management of each client, from both a commercial and a service point of view. In this model of action, the intermediaries become advisors and sellers with a high added value, and technology is an instrument to facilitate tasks with a lower added value.

A coordinated implementation of important organisational, cultural and technological changes is necessary in order to bring about this change of orientation.

From an organisational point of view, it is necessary to differentiate between areas with commercial functions and areas with client service functions. On the other hand, it is also necessary to develop the marketing function, and to ensure that the “client vision” is shared by the entire organisation, both at the central services level and at local organisation level.

It will be necessary to make changes to the management indicators used, monitoring commercial activity, operations per channel and results by client segments, stimulating cooperative sales, the product/client ratio in each segment and profitability per client. On the other hand, the individual balance sheet of each branch will lose relative weight. The process of detecting client needs and personalising the offer must be based on corporate information systems.

Companies in the insurance sector have traditionally used IT to optimise processes and reduce operating costs, but from a product-based focus. Now, however, the use of technology to manage client relations in a personalised manner is one of the requirements for implementing client strategy and creating more substantial revenues.

From the point of view of commercial strategy, it is necessary to have tools to manage the relationship between clients and the company, to facilitate the integral management of contacts between clients and the company through the different channels, and to aid decision-making as regards products, channels and type of contacts. As these tools must be operative at all points of contact between the company and the clients, all these information systems must be integrated.

In short, the introduction of a client strategy is an essential need for insurance companies on the market today. Those which are quickest and most efficient in

implementing this strategy will enjoy a short/medium-term competitive advantage, but the road is long and changes must be made in many areas of the company.

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