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A Ninety Consulting white paper

# The Omnichannel Insurer

## Part 2 of 2: what can insurers learn about omnichannel customer engagement from other industry sectors?

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## Background

In Part 1[1] of this white paper, we looked at some of the initiatives and issues that are emerging as insurers increasingly move to an omnichannel customer engagement approach. We speculated that some companies are now moving to a different phase of omnichannel that we called Omnichannel 2.0.

We defined Omnichannel 2.0 as including:

- Sophisticated apps for customers
- Further integration and differentiation of direct and agent channels
- Specialist processes for customer acquisition and retention in a digital world
- Increased integration and use of software from specialist suppliers
- Leveraging the data from the Internet of Things
- Knowing your customer and personalising offers and service
- Augmenting customers' physical reality with digital experience
- Active engagement with social media

In this Part 2, we look at examples and lessons from other sectors and try to answer the question 'What can insurers learn about omnichannel customer engagement from other industry sectors?'

Through the rest of this paper, we illustrate some of the issues and results that other sectors are seeing as they advance into these new forms of omnichannel customer experience provision, and we suggest an application in insurance. We conclude by making some keynote recommendations and predictions about the changing nature of omnichannel and its impact on the insurance sector.

## Omnichannel initiatives are benefiting companies in other sectors

**Other sector observations:** in August 2014, McKinsey reported[2] that "A European telecommunications company wanted to lower the cost of its customer service operations but worried about the potential loss of revenue from the cross-selling that its traditional call-centres did so well. In investigating its options, the company learned that 70 percent of existing customer-service contacts could be delivered through digital solutions that had proved effective in other industries. By migrating part of its customer-service operations to similar digital-care programs with a smart strategic approach, the company lowered the unit's costs by as much as 30 percent, with no loss of revenue."

In the same study, McKinsey found that the 11% of customer journeys to purchase that were traditional with no digital, had the lowest customer satisfaction – 57%. The 15% that were entirely digital had the highest satisfaction – 76%. The blended digital/traditional or traditional/digital journeys had satisfaction levels of 61%.

In June 2013, Aberdeen Group assessed 300+ businesses across all sectors for their organisational performance in seamlessly engaging customers across multiple channels[3]. They found the top 20% most omnichannel businesses had a 89% customer retention rate vs 33% for the lower scorers. A 10% average improvement in company revenue vs 3%. An 8% annual decrease in cost of customer contact vs 0.2%.

***Insurance application****: the above findings reinforce both the cost and customer benefits of moving to omnichannel operations. Insurance customers are just like customers from other sectors. Their expectations are set by the totality of their omnichannel experiences elsewhere. And expectation leads demand, leads satisfaction, leads to commercial success in insurance just as it is in other industries.*

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## Knowledgeable and empowered employees, data integration and accuracy, and measurement are differentiators in omnichannel

**Other sector observations:** the study by the Aberdeen Group detailed above analysed the reasons for the better organisational performance of top companies in omnichannel engagement.

What differentiated the best companies was:

- *Employee training and knowledge along with good tools.*
- *Using customer data to direct each customer to the right channel and employees equipped to handle the specific needs.*
- *Integration of disparate customer data repositories to empower employees with correct and consistent information (single customer views)*
- *Regular measurement of the impact of each activity taking place across the customer journey to identify its cost and benefit for the business as well as effectiveness in addressing customer expectation across numerous touch-points.*

And so the employee, far from being sidelined by a whole-sale move to digital communications, is in fact core to the successful delivery of omnichannel customer experience.

Allied to this, and part of the empowerment of the employee, is the ability to make use of strong predictive analytics. Some of us might have experienced this from telecoms companies using analytics to spot high risk customers and intervene at the point of lapsing – perhaps with a better offer. Key to this is a 'saves' team or focused process around retention. Staff need to be empowered to be able to make enhanced offers. At the same time it is important to not diminish trust via this process, particularly when customers have been loyal for a long time. The connection needs to be positive and caring.

The other approach is empowered, empathetic, knowledgeable staff who handle all situations. Keys here are recruitment of right people, high staff satisfaction, encouragement, empowerment, retention and training. First Direct are the UK's 'most recommended' bank and in Sept 2014 topped a Which Customer Satisfaction poll[4]. This story[5] may show why:

> A lady arrived in London from Leeds and discovered that she had lost her purse. Understandably, she quickly got on the phone to the various banks to cancel her cards. This was done professionally and politely. She then called First Direct, and was asked "How are you feeling?", which was a nice start, and then the card cancellation process got underway – very similar to all the other card providers. Except that at the end of the process, the First Direct staff member asked her: "What are you going to do for money in the next couple of days if you have no purse or cards? I can arrange for £200 to be collected from a nearby bank. I've worked out where the nearest one to your hotel is – If you tell me what you'll be wearing, I'll get them to look out for you and you can collect your money."

This behaviour is not taught in a manual. First Direct has created a customer-focused culture that encourages and empowers its people to use their initiative, use the full panoply of channels at their disposal, and delight their customers.

***Insurance application****: as part of their omnichannel initiatives, whether an insurer uses general or specialist teams, staff must be encouraged, empowered and trained to handle different customer touch-points excellently. This can elevate the omnichannel experience from the ordinary to the sublime.*

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## Blended online / offline models work

**Other sector observations:** perhaps the most advanced omnichannel sector is retail. There are now blended retail high street and online models with fast delivery of product to where it suits the customer, e.g. pick up from nearest store, an example being the UK high-street retailer John Lewis, which saw online sales for John Lewis and Waitrose rise by 19% and 41% respectively over the year ending January 2014, as well as significant growth from mobile and the use of its Click & Collect service. Two-thirds of John Lewis customers now shop across channels. Their IT Director said, "They check out products online and go in-store. Lots go into store for advice from our partners, but then they buy online."

Physical store retailers face the threat that consumers look at goods in the store and then shop around on the Internet for best price. Some of the answers for physical retailers to deploy to address this issue are of no surprise:

- Tailoring products, services and shopping experience to delight individual customers. This also includes offering in-store products to match the demographic and psychographic profile of its customers, e.g. customers in some postcodes may want a different product mix.
- Responsiveness to, and resolution of, customer concerns, problems and complaints, especially in a social media age.
- A simple, intuitive and user-friendly purchasing process.
- A stimulating shopping environment that offers attractive store layouts and engaging displays or websites.
- Enough price-led messaging to dissuade customers from the lure of comparing price online.

***Insurance application**: these experiences set customer expectations for an insurer. Monitoring of omnichannel initiatives in other sectors could help insurers keep up with customer experiences and give them an edge in meeting evolving customer expectations.*

## Customer ratings matter

**Other sector observations:** customers like being able to share and read others' opinions. According to Opinion Research Corp., more than one in four adults had rated products or services on some website, and 84% of U.S. shoppers claimed that online customer evaluations had influenced their decision to purchase a product or service. Customers who share experiences tend to trust information from other customers more than company-provided information; they reinforce each other's purchase decisions while sharing insights on product use.

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Another extension of this has been developed by WE Fashion, headquartered in Utrecht, the Netherlands, and with about 250 stores in Europe and China: customers can try on clothing, shoes, bags and accessories and then push a button on the "Tweet Mirror," which allows them to post pictures on Twitter so friends can see them in the new outfits and give immediate feedback.

***Insurance application**: could customer ratings of product and service enhance the sales proposition for an insurer? Many insurers do carry some customer reviews but these are broadly based on how easy it was to buy a policy, not what the customer service was at point of claim. Also missing is a TripAdvisor style aggregator of user reviews for insurance.*

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## Augmenting physical space with digital enhances customer experience

**Other sector observations:** in another blended approach, Oasis stores[6] in the UK introduced iPads in store to enable the customer to browse online, pay online and place orders online whilst in store. Users have the option to try an item on in store, and then order it online and have it delivered, rather than having to queue at the till to pay. Likewise, if a garment is not available in the store, the customer can order it via the iPad and staff are ready to help. In the first week of the iPad ordering system opening in 2011, 20% of store sales were made through the iPad each day. This is a great example of enhancing the customer experience, as it decreases queue times, increases product availability and improves customer service.

> ***iPads in-store decreased queue times, increased product availability and improved customer service.***

In another sector entirely, UPS has equipped over 100 of its US locations with 3D printing facilities[7], re-purposing and augmenting its physical locations with an omnichannel offering, and in so doing, helping mitigate the risk to its traditional delivery service from 3D printing. The UK's Post Office is another example which is seeking to activate digital channels within its over 10,000 branches, with some interesting ideas in play and in the pipeline.

***Insurance application**: could a redesign of the agent space to include browsing areas be advantageous? Could it allow walk-in access convenient for the customer and avoid appointments, etc? Could loss adjusters augment the customer experience through digital technologies and virtual reality?*

## Loyalty programmes improve retention and give insight into lifestyle

**Other sector observations:** the retail sector makes significant use of loyalty cards. Let's take the example of UK retailer Boots' Advantage Card Loyalty scheme, launched back in 1997. Today over 16 million cardholders currently use the card both online and in store, with every purchase registered. The cards then are not just used for savings but also for exclusive personalised offers, which triggers higher levels of re-purchase.

Another initiative that can promote loyalty is the formation of Facebook or member communities for customers. Reid Greenberg, director of US household products brand Seventh Generation[8] reports that customers who are Seventh Generation Facebook fans and on its email list have a $25 higher average order value than other customers.

***Insurance application**: apart from increasing no-claims bonuses, could insurers reward loyalty in different ways e.g. increased discounts on other insurance products especially for those that have not claimed on the initial product? Could various coupons be offered based on lifestyle interests of the customer detected by partnering with a retailer loyalty scheme? And beyond that, given the richness of customer behaviour data captured by retailers, could there be a partnership with an insurer to tailor almost 'usage-based' life insurance based on products purchased, e.g. over-the-counter health products, fruit and vegetables, cigarettes, etc?*

## Customer service wins over sales push?

**Other sector observations:** there is a challenge issued by a survey[9] in Nov 2013 by Zendesk, based on the fact that 73% of consumers think companies are paying more attention to generating sales across multiple channels than in delivering a consistent and seamless omnichannel customer service experience. Just 7% are extremely satisfied that brands provide a seamless, integrated, and consistent customer service experience across channels.

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Interestingly, consumers have very different expectations for resolution from the different customer service channels. For example, they believe the phone will achieve the quickest result, with nearly three in five (59%) expecting resolution within 30 minutes, while about the same proportion (52%) expect to have to wait up to a full 24 hours to get resolution via social media. This explains why the phone remains the most popular service channel, with 54% using it for their first contact, despite the proliferation of service channels. Indeed, when an email is unanswered, 71% will then phone; when social media is unanswered, 55% will then phone, and if the phone is unanswered, 54% will try to call again.

(Of particular interest to insurers, incidentally, should be the fact that 53% of customers of one insurer are using email for customer service tasks. This speaks of a desire for 'micro-conversational' exchanges with 2-3 hour intervals between exchanges. For some transaction types, this is ideal.)

***73% of consumers think companies are paying more attention to generating sales across multiple channels than in delivering a consistent and seamless omnichannel customer service.***

***Insurance application**: there still seem to be great opportunities for wowing the customer with great service rather than merely continuing to push products.*

## Data partnerships with companies in other sectors may hold promise

**Other sector observations:** the possibility of partnering with a loyalty card provider was outlined above. This is an example of the opportunities now appearing to blend data from across industry sectors to offer increasingly personalised products and services. Another example is from the healthcare sector, which is facing its own omnichannel growing pains: the IMS Institute for Healthcare Informatics surveyed pharma decision makers in March 2014 about their current and planned use of new IT solutions[10]. They found that an omnichannel approach was cited by more than 70% of respondents as a priority. Due to the sensitive nature of healthcare data, the adoption of remote, cloud-based technologies by pharma companies has been slow compared to other industries. And yet new mobile applications for both patients and physicians are seen as increasingly important for strengthening healthcare engagement. Nearly 60% of survey respondents rated patient apps as extremely or very important to address commercial challenges, while 69% similarly rated investments in physician apps.

Taking these examples and insights from the healthcare sector, and bringing them to bear on the insurance world, we start to see synergies and potentials for data sharing.

***Insurance application**: this focus on developing the digital relationship between patient and healthcare providers could open up opportunities for health and life insurers to partner with pharma companies to tailor products for a consenting customer.*

## Meet the demand for virtual meetings in omnichannel initiatives

**Other sector observations:** in April 2013, Cisco published the Cisco Customer Experience Report[11] focused on retail banking. The global report examined consumers' desire for a banking experience that is more personalised to help simplify the management of their finances over multiple channels, including online, mobile phones, telephones, video conferencing and bank branches.

One of the conclusions was that there was a willingness for virtual meetings: 63% of U.S. consumers are comfortable communicating with their financial provider using technology (such as texting, email or video) instead of seeing them in person. Globally 7 in 10 consumers and 92% of bankers are comfortable communicating using virtual technology. Even mortgages and loans could be managed virtually: almost half of consumers in the U.S. (48%) would be comfortable securing a loan or mortgage entirely through technology like video for communications with their bank.

***48% of consumers in the U.S. would be comfortable securing a loan or mortgage entirely through technology like video for communications with their bank.***

***Insurance application****: these findings may encourage insurers to experiment with face-to-face meetings over the net using tools such as Skype, Zoom, and Facetime, thus increasing convenience and quality of the experience for the customer. This may be relevant at the point of claim, for instance, and will also be applicable to the agent space.*

## Use customer data to be proactive

**Other sector observations:** a level of proactivity driven by customer data mining can be powerful and yet compellingly simple. Communications and network service company Amdocs, for example, works mainly with telecoms providers globally, providing omnichannel software solutions. As part of their offering, in early 2014, they introduced a new module called Proactive Care[12]. This monitors events in the customer lifecycle, identifies issues that may frustrate the customer, and addresses them proactively, either by eliminating the issue altogether or at least by notifying the customer through online channels. For example, if someone is coming close to their monthly data limit, Proactive Care detects this before the customer notices, and proposes an offer before they incur penalty charges. This then stops the customer being unhappy and reduces call centre traffic.

***Insurance application****: as ever-richer data is collected about a customer, opportunities to analyse this for certain 'trigger' points e.g. number of calls made to company, renewal points, usage-based limits, will provide insurers with opportunities to launch such pro-active care initiatives.*

## What can insurers learn from these sectors?

We have explored a range of sectors, and seen examples of other Omnichannel 2.0 approaches at work. In the grand scheme of things, insurers are really no different than other service or product providers and, if they do not embrace omnichannel, they will lose customers to other companies that do.

Customers want a seamless customer experience across all channels – they do not want to have to repeat themselves each time they change channels or explain services or products they already have with a company – they expect the company to know that.

At the beginning of this paper, we introduced the concept of Omnichannel 2.0 for the insurer with experiences drawn from the insurance sector:

- Sophisticated apps for customers
- Further integration and differentiation of direct and agent channels
- Specialist processes for customer acquisition and retention in a digital world
- Increased integration and use of software from specialist suppliers
- Knowing your customer and personalising offers and service
- Augmenting customers' physical reality with digital experience
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We can now add to this definition from the experiences we can see from other sectors:

- General or specialist teams that are encouraged, empowered and trained to handle different customer touch-points excellently.
- More use of customer ratings of product and service
- Redesign of the physical agent space to incorporate good omnichannel practice from retail
- Personalised offers based on claims and loyalty
- Partnership with loyalty card providers to obtain customer behaviour data
- Leveraging the advantages of great service across all channels
- Cross-sector omnichannel opportunities to embed product and service offerings
- Use of internet video channels for customer service and agent interaction
- Predictive behaviour modelling and pro-active customer service

We see insurers moving towards Omnichannel 2.0 initiatives as their omnichannel efforts mature. Again, progress will be slow with some insurers and fast for others; some techniques will be applicable to some markets, and not for others. So long as the insurers follow the customer expectations and behaviours, the 'fit' will ultimately be a good one.

## Introducing Omnichannel$^2$

If Omnichannel 2.0 is the evolution of omnichannel thinking for insurers, then one of the 'big ideas' we put forward here is the cross-sector merging of omnichannel services and data.

Let's call this concept **Omnichannel$^2$**: leveraging the power of data and channels not just within a sector, but **across sectors**.

Movement in this direction is caused by the pull of customer data availability in another sector, the desire by the insurer to better understand risk, the availability of technology, e.g. different company apps on the same customer phone, and the insurer desire to offer the customer an enhanced service. Insurance products are offered for purchase already, e.g. travel insurance when you buy a plane ticket, but that is not based on knowing the customer.

The **Omnichannel$^2$** sophistication would be to know they are already insured for, say, European travel and to offer a top-up for that insurance for the trip in question if it were outside Europe, by moving across sectors to a travel omnichannel service. Another example would be when a retail customer buys a high-value item, e.g. a large TV system, from a retailer, they could be asked immediately whether they wanted to add it directly to their home contents insurance policy.

Such integrations would be steps towards a 'know me, insure me' future, but obviously we acknowledge that this will take some years to come to fruition. Insurers should institute a watch on omnichannel initiatives in other sectors and start discussions with potential partners on spotting opportunities for cross-sector ideas.

> ***…a service that is tailored to customers' lives, seamless at the point of delivery, and invisible until needed.***

**Omnichannel$^2$** will raise barriers to entry and new customer acquisition for competitors, and potentially lead to a 'continuous' or 'life-matched' insurance offering with no renewal date. Combine this with the 'know me, insure me' vision outlined above, and you have a service that is tailored to customers' lives, seamless at the point of delivery, and invisible until needed. **That would truly be what customers are looking for.**

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**Part 1 of this two-part paper is available at:**
**http://ninety.co.uk/consulting/whitepapers/Ninety-Consulting_white-paper_The-Omnichannel-Insurer_Part1of2.pdf**

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To discuss any part of this report, or to have us help you consider the implications of omnichannel customer service on your insurance business, contact Dan White, Senior Partner for Insurance, on dan.white@ninety.co.uk or 020 7060 4090.

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