We Share Our Knowledge

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The Insurance Market's Shift towards End Customer Management

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1. Introduction

In the past, when the insurance industry was mostly based on insurance salespeople and agents, big words like CRM were unnecessary. The insurance agent knew where we lived, what kind of car we drove, when we were married, when we had children and when we changed jobs and tax brackets.

In that old world, insurance companies invested in their only customer, the personification of the ideal distribution channel – the insurance agent.

Insurance companies did not advertise on TV or anywhere else. Marketing efforts focused on the agent and in his wellbeing: agents' clubs, grand holidays, medals, awards, fat bonuses…. Even back then, insurance companies managed their customer base wisely. Only back then, it was just a small, localized group.

It this article, we aim to review the shift Israeli insurance companies made from managing a small, focused group of insurance agents, to managing thousands of insured customers.

2. The Turning Points

The first significant change began with general insurance. As direct insurance companies ventured into the car and home insurance markets, new standards of sales, marketing, service and pricing were established. Moreover, end customers' service awareness grew remarkably across all sectors, and insured customers began demanding efficient, speedy and reliable service. The insurance companies, who were accustomed to catering to the needs of a small, familiar group of agents with slower reaction times, (if nothing else, due to the fact there were always middlemen to deal with), could not answer the call of these new service demands.

These winds of change also influenced the industry of life insurance - "long term savings accounts". The ordinances of the insurance supervisor, instituted in 2004, considerably impaired life insurance agents, dramatically decreasing their commissions. Many insurance agents were hurt by these new regulations, and the insurance companies had to deal with a massive decline in life insurance sales. In an attempt to support the agents in their time of crisis, insurance companies had to invest in "Agents Alliances", so that agents' operation and service costs will be diminished, and agents could focus on sales.

With the new decrees of the Bachar committee and the banks throwing their hats into the insurance ring, the future is not looking any brighter. Within the next five years, the only key market players who would remain standing will be insurance companies, pension funds, and insurance mega-agencies, generally owned by insurance companies. This grim forecast explains why insurance companies are now doing their best to establish their connections with end customers.

3. The Shift towards End Customer Management

Currently, most insurance end customers don't know which company they are insured by, nor do they have a very high opinion of insurance companies. In order to change that, insurance companies realized that they needed to position and differentiate themselves from the competition. In the past two years, insurance companies have launched mass media advertising and marketing campaigns, in order to position themselves in the public's awareness. Most campaigns are unsuccessful in educating the market or enhancing brand values, failing to create the desired differentiation. Additionally, mass media advertising costs are excessive, at least as far as cost effectiveness.

So what's the right way to do it? Refocus the organization's perception on customer management.

I deliberately refrained from using the overbearing "CRM" buzzword, due to its technological connotations, which take away from the subject essence – a strategic and executive perception, based on customer management tactics. That's exactly what happened in the insurance market –

companies hastily purchased operation-enhancing technologies that were not always compatible with the commercial demand, and therefore got stuck with "Operational CRM" that doesn't deliver.

4. How Is It Done?

The shift towards end customer management includes an entire realm of projects dealing with marketing strategies, organizational changes, perceptive implementation of central processes and anything in between. Below are a few issues that should be examined and dealt with:

1. Know your customer – the first stage of customer management is getting to know the customer, his needs, his preferences, etc.
   Tactics of learning about the customer include: defining customer value, constructing segments compatible with the organization, and establishing an analytical system that provides the necessary commercial information.
2. High end service – in order to make the customer feel like the organization "knows him", interactions with the customer should be recorded, to create service continuity. The customer should be contacted using his preferred channel of communication (SMS, fax, email), and be given the option to complete entire processes in the organization's website.
3. Customer-centered marketing – we should find out what's right for our customer. What would answer his true needs, based on his character and his status. The chance of a sale significantly increases if the product offered is compatible with the customer's needs.
4. A marketing contact plan – we should design a contact plan with clear business rules that will enable follow-up on offers sent to the customer, success/failure rates, learning and improving, thus increasing sales and reducing costs.

All of these examples, in addition to the strategies, will establish the customer's commitment, loyalty and connection so craved by many organizations.

5. The Agent/Agency as Business Partners

The changes in the industry force insurance companies to no longer regard insurance agents as "customers".

Insurance companies must view their agents as true "business partners", offer them analytical abilities of cross sell and up sell, include them in customer-targeted campaigns (where the agent is the distribution channel, as far as operation management goes), share segmentation and focus analyses with them, etc.

This way, the agent will choose to work with the insurance company that offers his customers the best service and him - the most advanced sales and marketing tools.

6. Insuring Our Dreams

The insurance industry is almost the only one to touch all of the important areas of our lives: insurance companies insure our family's wealth, our lives, our health, the quality of our retirement, and by extension – our dreams. That's why, more than anyone else, they should know us better than anyone.

About Synergy

Synergy is an international consulting company, specializing in Analytical CRM solutions.

Synergy offers marketing oriented business ventures, formed by a team of leading local and international industry experts.

Synergy aims to provide its customers with the ability of acquiring commercial advantages by informative analysis of their customers' shopping data.

Synergy has vast experience in working with leading commercial organizations, both locally and internationally, and its clientele includes foremost industry leaders in the communications, financial and retail fields.

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