

The Case for Automated Services: The Web and Email - Customer Retention and Sales Growth

What is required to steal a customer away from another agency? Interviews with successful producers indicate that about a 10% price advantage is all that is required. Many observers have noted that the insurance market place is, in the vernacular of economics, inefficient. One of the hallmarks of an inefficient market is a wide price spread for the same product or service.

An example of this inefficiency was highlighted in a 2000 Progressive survey which found that the premium difference between the highest and lowest priced policies for identical personal auto risks varied by \$1,030 annually. With that kind of spread, nearly every agency has the necessary competitive advantage to poach customers from other agencies. The agency that has an effective program to get the attention of competitor agency customers has tremendous growth potential; the agencies that don't risk losing a lot of customers over time.

So what is an agent to do to get and keep the loyalty of their customers? Independent surveys of insurance consumers have revealed that the majority of insurance consumers consider themselves to be relationship buyers. But what does that mean? What do consumers expect from a relationship with their insurance providers? The answers were provided in the same surveys:

- 83% want their agent to review their policy annually
- 95% said they expected expert counsel and information
- 99% said they want their agent to be available when they need them
- 92% said they want a local office
- 90% said they thought the biggest benefit of insurance was peace of mind

Most independent insurance agents have the raw materials to meet consumer expectations and solidify customer relationships. But few agencies are delivering the services that meet expectations across all dimensions of the customer relationship.

The fewer customer expectations that are met or exceeded, the more important price becomes in gaining and keeping customers. Remember, 10% is all an effective producer needs to dislodge a client from an incumbent agency. And price inefficiencies in the market almost guarantee that a price advantage can be secured. The impact on customer retention, a key to profitability and the foundation for growth, is at risk when expectations are not met.

One extremely important activity that most agencies don't follow through on is annual reviews. Yet, there is a high correlation between annual reviews and improved retention. Studies have revealed a 4% retention difference between agencies providing annual reviews and those that do not. Why? Annual reviews, by themselves, meet several of the other relationship components. Customers who are offered reviews have the opportunity to receive counsel and information and are more likely to have peace of mind. Also, consider these statistics:

- Over 60% of customers who leave their agency never contact their agent
- Disaffected customers stayed with their agent 86% of the time if the agent intervened

Annual reviews keep agents engaged with dissatisfied customers and allow them to save accounts. As the numbers show, if an agent has a chance to save an account, they are almost always successful.

The primary reason most agents do not perform annual reviews is cost. An annual review generally requires preparation and follow through by staff – in short, reviews take more time than most agencies have available. But there is a way to provide reviews, using the web and email, that places few demands on agency staff while maximizing client satisfaction and retention.

The web and email can also be used to deliver updates and other information. The right mix will engender peace of mind among agency customers, one of the most sought after benefits of insurance.

Using the web, email and simple process control can extend expected services to customers at virtually no cost. In fact, the absence of cost allows an agency to extend many services to prospective customers through referrals. Careful crafting of web and email services can facilitate referrals through a viral marketing mechanism similar to the approach the free email service, Hotmail, used in the 1990's. Using a viral marketing model, Hotmail was able to amass 10 million users in less than a year.

Referrals are the life blood of most agencies. 59% of agency customers find their agent through referrals but most agencies have no way of controlling and increasing the referral flow. An annual review and needs analysis program that embodies the elements of a successful viral marketing program will generate significant referrals, new prospects and, ultimately new customers. Other free web services can do the same. The key is to find a way to automate services and push those to low cost delivery mechanisms like the internet and email.