Welcome to the Consumer Revolution
How Insurers Can Heed the Voice of Customers, Rethink Relationships & Embrace Innovation to Drive Profitability & Market Leadership
Welcome to the consumer revolution

- More demanding – expecting more customization, personalization, flexibility and “me-tricity”
- More sophisticated in their financial services needs
- Mobile and technology-enabled
- More diverse – global markets, empowered women in the workforce

Global consumers in 2020

80% have access to mobile telephony
60+% have smart phones or low-cost tablet computers
50 billion connected devices globally

Source: Ernst & Young Global Consumer Insurance Survey, 2012
Listening to the voice of the customer

The 2012 Ernst & Young Global Consumer Insurance Survey asked 24,000 consumers in 23 countries around the world how they feel about their insurance needs and relationships with current carriers. The findings highlight the challenges and opportunities faced by insurers around the world – this is very much a “good news, bad news” story.

Consumers are generally confident in and satisfied with their carriers, but …

Life and pensions. Customer confidence and satisfaction scores

Regional average

- Asia-Pacific: 7.6
- Europe: 7.0
- Americas: 6.8

Satisfaction scores (out of 10)

- Confidence scores (percentage very/fairly confident product is right for needs)

Customer satisfaction ratings

Regional average

- Asia-Pacific: 7.5
- Europe: 7.0
- Americas: 6.8

Mean score out of 10

Non-life insurance. Lack of effort made by insurer at renewal

Regional average

- Europe: 82%
- Americas: 75%
- Asia-Pacific: 68%

Respondents who felt insurer made a great or fair amount of effort

Life and pensions. Effort made by existing provider to retain customer

Regional average

- Asia-Pacific: 46%
- Europe: 30%
- Americas: 24%

Respondents who felt insurer made a little or none effort

Source: Ernst & Young Global Consumer Insurance Survey, 2012
Welcome to the consumer revolution

Insurance industry impacts: **good news and bad news**

First, the bad news: many insurers are not keeping up with today’s more informed, highly empowered, dynamic consumers – who may know as much about your company and your competitors as you know about them.

Specifically, insurers need to improve along four dimensions:

- Service quality
- Rewarding loyalty
- Communication
- Product transparency
Welcome to the consumer revolution

Insurance industry impacts: **good news and bad news**

Now for the **good news**
There is much to learn and many best practices to emulate from other industries.

- Customer loyalty and rewards programs from airlines, retail, banking and other sectors
- Robust analytics from banking and e-commerce
- Personal touch from hospitality
- Constant market research and innovation focus from consumer packaged goods
Welcome to the consumer revolution

More good news: growth opportunities with current base

Consumers want to build long-term relationships with and are willing to purchase multiple products from their carriers. They aren’t doing so today, however. A simple, transparent buying experience; clear and effective communications; and rewards for loyalty – these are the steps insurers must take to seize the growth opportunity.

Life and pensions. Customers who have bought another product from the same provider in the last five years

Regional average

- Asia-Pacific: 37%
- Europe: 19%
- Americas: 16%

Source: Ernst & Young Global Consumer Insurance Survey, 2012

There is opportunity for insurers that can master all the consumer interaction points.
The journey to customer centricity

The journey to customer centricity is not easy. But insurers that can move forward along the right strategic course will find many opportunities to drive growth, transform operations and seize competitive advantage.

Welcome to the consumer revolution

Define
Define your target customers and their needs

Start
Start to build a culture that puts the customer at the center and aligns objectives, targets, rewards and recognition with customer needs

Take
Take a realistic look at your propositions (solutions, not products) – what will it take to deliver what customers want at a price they want to pay, and still make money?

Learn
Learn to be adaptive – use detailed customer insight to test, learn and act quickly, accelerating the process with prototypes

Involve
Involves distributors and, together, build stronger partnerships

Generate
Generate customer engagement across the relationship life cycle to build loyalty

Focus
Focus on some key levers and build momentum throughout the organization

Next step > operationalizing customer centricity
Operationalizing **customer centricity**

Customer centricity is both a strategic mindset and a set of specific operational capabilities.

- **Segment smarter**
  Focus on multiple attributes, like potential lifetime value and “switching” risk, not just channel and product, to identify and keep the customers you want.

- **Embrace analytics**
  Rethink and reimagine the customer base and current operations by asking more and better questions of operational and external data.

- **Integrate channels**
  Share information and create consistent experiences across channels so customers can knock on any door they want.

- **Reorient the culture**
  Establish rewards for keeping existing customers happy, not just winning new business.

- **Get digital**
  Make friends with and followers out of your customers.

---

**Welcome to the consumer revolution**

---

**ERNST & YOUNG**

Quality In Everything We Do
Welcome to the consumer revolution

Operationalizing **customer centricity**

The overall customer experience is influenced by customers’ direct and indirect interactions with an organization — both physical and digital touch points. Both must be managed effectively in order to maximize the experience.
Welcome to the consumer revolution

Driving **customer centric** innovation

True customer centricity goes beyond operational matters. It’s about reorienting the culture, rethinking the meaning of risk and altering behavioral patterns. In other words, strong executive leadership and effective organizational change management are critical enablers. What must insurers do?

**Overcome the risk-averse culture common to many insurers**
- Drive culture change from top-down
- Engage all associates to identify improvement opportunities
- Reward collaboration across functions
- Experiment, test and learn – open discovery centers and research labs

**Shift to longer-term thinking and decision-making cycles**
- Don’t overlook the lifetime value of the in-force base in the chase for the short-term rewards of new business
- Unleash internal customer advocates to explore long-term relationship building

**Explore disruptive growth strategies**
- Design “insurance as a service” models
- Rethink core customer value propositions
- Seek new partnerships across other industries
Driving growth through customer centric innovation

Tomorrow's insurance leaders will leverage customer-centric innovation to differentiate themselves and gain sustainable market leadership positions.

Welcome to the Consumer Revolution
Welcome to the consumer revolution

The journey to maturity: achieving and sustaining customer centricity

Customer-centric organizations measure the maturity of their strategies and capabilities across a range of dimensions. Choosing the right metrics provides a framework for measuring current performance and evaluating operations and for prioritizing investments and initiatives; they also help guide the ongoing journey to continuous improvement, truly advanced capabilities and sustainable competitive advantage.

- **Brand and market position:** High brand recognition and strong positive associations amongst target customers, based on real evidence and reputation for customer focus
- **Segmentation:** Defined targets based on clear insights into current and potential value
- **Distributor management:** Highly selective approach based on customer profitability, with partnerships based on customer engagement
- **Service delivery:** Value-adding touch points – phone, online self-service tools and information, distributors
- **Propositions:** Focused offerings aligned to needs of profitable customers, with flexible design, transparent pricing and customer self-service.
- **Customer lifetime value management:** Active involvement at key points including lapse, retirement and other milestones
- **Culture:** Management by key metric (like customer lifetime value management) with clear focus on meeting needs of profitable customers
Welcome to the consumer revolution

Start the customer centric conversation

Shona Burns  
Insurance Advisory  
shona.burns@au.ey.com  
+617 3011 3333

Christine Delany  
Global Insurance Center  
cdelany@uk.ey.com  
+44 020 7951 1733

May Knight  
Insurance Advisory Partner  
May.Knight@hk.ey.com  
+852 28499518

Paul Clark  
Global Insurance Center  
paul.clark@au.ey.com  
+61 2 8295 6967

Kaenan Hertz  
Insurance Advisory – Americas  
+1 212 773-5988  
Kaenan.Hertz@ey.com

Ernst & Young
Assurance | Tax | Transactions | Advisory

About Ernst & Young
Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit www.ey.com.

© 2012 EYGM Limited.  
All Rights Reserved.  
SCORE but the no. EG0122  
1306-1089402 NY

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

ED none