Every interaction with a customer represents an opportunity to capture data that leads to driving not just growth, but profitable growth—and this is why the enrollment process and the development of the customer relationship over time is key.

BIG Data— BIG SALES

Competing on Customer Intelligence
Maximizing Customer Lifetime Value

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THE NEW BUZZ

Three of the hottest topics in the insurance industry today are Big Data, Customer Centricity, and Maximizing Customer Lifetime Value. It's an interesting trio since without so-called big data insurance carriers and their distribution partners cannot become truly customer centric, and without being customer centric, they can't maximize customer lifetime value.

I've discussed these three topics with more than a few insurance industry executives I know and on all three carriers seem to be mired in a multitude of questions. When considering Big Data the initial and key questions are:

- What data should we look to capture?

- Where and how do we get it?

- How do we analyze and sort it?

- How do we use it to maximize customer lifetime value?

Customer centricity has its own set of questions:

- How do we define customer-centric?

- What initiatives need to be put in place to achieve customer centricity?

- How will becoming customer centric affect each department within the company?

- How will becoming customer centric affect our channel partners?

Big data and customer centricity are part and parcel of each other. Any discussion of one necessarily includes the other.

Let's take customer centricity first. When it comes to defining customer-centricity, the most common "definitions" I hear have to do with improving customer service or creating

the ultimate customer experience. Unfortunately, it's all too easy to confuse customer-centricity with customer service and/or being customer friendly. A focus on customer service or delivering a world-class customer experience (however one might define it) does not mean that a company is customer-centric. They are simply focused on improving what they already do. And, while espousing this new focus on the customer, their business and marketing models remain the same.

A LITTLE BACKGROUND

The traditional approach to marketing is the four Ps: product, price, promotion, and placement. This is a product-centric marketing model. It also defines the insurance industry and for good reason. It's the nature of insurance and the industry's distribution systems. Insurance companies develop a product, price it, promote it to, and push it out through, their distribution channels. This has been the insurance industry marketing model from day one right up to today. It's a time-tested, proven approach to business and a model that reflects what insurance companies have always been—inwardly focused on the product rather than outwardly focused on the customer.

"Organizations that follow this model (product-centric) are literally built, from top to bottom, around the demands of the product:

- All strategic advantage is based on the product and the product expertise behind those products
- Divisions and teams are set up around products
- Employees are rewarded based on their ability to create new products or sell existing products

- The long-term focus is about strengthening the product portfolio and constantly finding new ways to expand it."[1]

This **IS** the insurance company model.

THE GENERATIONAL SHIFT

Marketing insurance today requires a customer-focused and generational approach. The segmentation of the market by generations is sharply defined today. Generations X and Y, having grown up with technology, have different expectations than baby-boomers. They prefer to communicate electronically, and prefer texting and email to the telephone and, as evidenced by the Facebook phenomenon, will readily share information about themselves.

As consumers, Generations X and Y have little patience. They know what they want, and they want it immediately. As customers, Generations X and Y, and even younger baby-boomers, want to have a sense that a company knows them on an individual level, and they expect to receive a consistent experience from the companies with which they do business.

It behooves insurance companies to gain a deep understanding of current and future generations, of their needs and what they *really* want, not just in terms of product, but from the perspective of communications, marketing, and sales as well. If companies are not prepared to speak to their individual needs and meet their demands today, *tomorrow* they may not, as Peter Fader suggests, be their customers.

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[1] Peter Fader, <u>Customer Centricity</u>, (Philadelphia, 2011), p. 20.

CUSTOMER CENTRICITY DEFINED

If it is the intent of insurance companies to profitably engage their customers, effectively manage their customer relationships, reduce acquisition costs, increase ROI, differentiate themselves and their brokers in the marketplace, then becoming customer centric is not a choice—it's a necessity.

So, the central question becomes: *How do insurance companies implement customer centric strategies, have them take hold within the organization, and achieve profitable customer-centric growth, in a deeply rooted product-centric system?*

Notice the emphasis on *strategies.* Insurance companies do not need to, nor should they, become wholly customer centric, but they can, and must, implement customer centric strategies within their current framework to drive profitable customer centric growth.

"Customer centricity is a strategy that aligns a company's development and delivery of its products and services with the current and future needs of a select set of customers in order to maximize their long-term financial value to the firm."[2]

ENTER BIG DATA or, BECOMING CUSTOMER CENTRIC

To achieve the goal of customer-centricity insurance companies must be able to:

1. Manage massive amounts of customer data

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[2] Ibid., p.39.

2. Convert customer data into insights that can be used to, among other things, maximize customer value and achieve profitable growth

3. Understand and be able to gauge customer lifetime value (CLV)

4. Determine customer attributes and profile and segment customers by those attributes

5. Understand and predict customer behavior, and the preferences of customers (whose needs are not static)

6. Manage customer engagement at the enterprise level

7. Engage customers in one-to-one dialogue

8. Manage and optimize customer interactions at a one-to-one level

9. Identify the most profitable growth opportunities and identify and maximize cross-sell and up-sell opportunities

10. Measure and report results/**key** performance indicators (KPI's)

11. Apply lessons learned to deliver a consistent experience across products and markets

12. Implement the technology to get there[3]

When you link these competencies together, it produces a closed-loop business process that manages organizational activity around the customer. It is an outward and forward looking model that aligns the organization and the delivery of its products and services around the prospects and customers that represent the best opportunities for profitable, long-term growth. And because much of this knowledge is created at the customer level, it sets the stage for being truly customer centric by understanding and responding to customer needs one-to-one.[4]

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[3] "Competing on Customer Intelligence," SAS White Paper, 2-3.
[4] Ibid.

Referring back to point number 1 above, "Manage massive amounts of customer data," we must ask: What data are we looking for, and where do we get it? In order to become customer centric, we must gather customer data, and the best place to get it is directly from the customer. This is where insurance companies are ideally positioned, through the application and enrollment process and the opportunity to develop ongoing dialogue, to gather the needed data from each individual customer to get to know their customers more intimately than they've ever known them before.

Never before have marketers been able to collect the mountains of information they can collect today on their customers; actionable information about customer behavior, sentiment, attributes and attitudes, and transfer that information into knowledge to drive profitable customer-centric growth and enhance customer lifetime value.

The catch-all name for this is "big data," but it's not a massive data grab that includes mountains of irrelevant information. Rather, it's limited to the data needed on each individual customer to maximize each customer's lifetime value to the company and its distribution partners.

Concomitant with the ability to gather customer information must be the analytics to clarify performance results, determine the net present value of the customer base, understand customer preferences, and transform customer attributes and market data into insights that can guide decision making.

ENRICHING THE CUSTOMER EXPERIENCE AND ADDING VALUE TO FINANCIAL SERVICES PROVIDERS, BROKERS, AND CUSTOMERS

The insurance industry, where products have been traditionally distributed through intermediaries, faces a challenge: how to use customer analytics to enrich the user

experience and increase the lifetime value of customer and channel partner relationships. The issue is the disconnect between product providers, distribution channels, and customers, and the lack of a single customer view. The solution is for insurance companies to become customer centric marketers, and enable their distribution partners to become customer centric sellers, by implementing dynamic customer centric marketing platforms that can adapt to multi-channel distribution and provide real time data analytics and marketing.

Many businesses, from mom and pops to major corporations have realized that customer data is their main asset, and the opportunities to harness data within financial services companies are among the highest for any industry whether selling direct to customers or through distribution partners.

Once companies are set up to gather and leverage customer data an endless array of opportunities and spin-off applications present themselves. For example:

- Creating intelligent customer insights from 'data exhaust' (data that companies already have but that sits unused), and customer market interactions to maximize the lifetime ROI of the customer and channel partner.
- Tracking and analyzing millions of customer interactions in real time to deliver relevant, timely, two-way dialogue.
- Algorithms that deliver real time content, web pages, and new and relevant product offerings based on purchasing history and behavior.

- Personalized web pages (portals) to provide unique one-to-one customer experiences based around interests and sales opportunities.

- Complex sales processes and forms created 'on the fly' with automated data mapping to simplify the user experience.
- Closed loop data capture that continuously learns customer preferences to increase ROI.

SO HOW'S IT DONE?

So, how does an insurance company go about setting up a system that continuously learns and responds dynamically to customer and market opportunities? Perhaps more important, how do they provide one-to-one marketing and sales processes to millions of customers across multiple channel partners, brands, products and states, each with their own legal and compliance issues?

The solution consists of four parts:

1. A sophisticated independent database that aggregates and analyzes real time customer behavior and data from all customer and market interactions, including web, email, SMS, call centers, channel partners, social media, etc.
2. A marketing engine that uses algorithms and configurable rules to trigger fully automated sales and marketing communications, products, collateral, and even processes.
3. A content database where all marketing collateral, rich media, video, compliance, rules and processes are contained and updated.
4. A business process integration engine that allows information to be passed between the enrollment/data gathering system and third party tools to support through processing, policy issue, premium calculations, and screen flow.

The central hub that integrates all these components is the intelligent database, a database that integrates and enhances, rather than replaces, existing systems.

TRADITIONAL CRM IS PASSE

A far more effective solution than traditional CRM is to create personalized web portals (purls) for each client, which dynamically updates content and processes for each customer, integrated with call centers and advisors where help is needed. These portals become the focal point for the client and the relationship, containing all existing products owned by the client, collateral and educational material, as well as new product ideas, with rich context specific media that enhances the cross product and up-sell opportunities, working 24/7/365. Each portal is based around customer profile, interests and needs, and may have context specific video, calculators, educational material, and products, with different call centers and advisers.

Distribution is a major issue for most companies and the rationale behind many mergers and acquisitions, particularly in financial services. The challenge is leveraging sales, particularly when faced with multiple business units, brands, products and customer groups often across multiple, disconnected, and legacy data bases.

Web technology offers a new and radical distribution and cross-selling solution. It is now possible to open new distribution channels through collaborative marketing in a completely secure, data protected environment. For instance, some insurance companies market their products through hundreds of own-branded affinity web sites across the country, representing many millions of customers, with the branding,

compliance and processes automated to provide a seamless, personalized 24/7 sales experience, which would be impossible to maintain without the technology behind it.

For financial services, where compliance is an integral component, data and process driven rules can be used to dynamically create and pre-populate branded application forms, consent wording, and underwrite and process applications using electronic or voice signature. The result is a scalable marketing solution that can measure, learn, and replicate the functions of a knowledgeable sales advisor, without the cost, while allowing human contact at any time. And, a full audit trail is maintained which can guarantee compliance, even when marketing multiple products to millions of customers across multiple states with different legal requirements. The result is reduced cost, higher customer ROI, and a better customer experience.

Research shows that the insurance industry has the highest response rate across all industries for personalized marketing. The capture and intelligent use of customer and market data is key.

IN SUMMARY

A ***customer centric enterprise enrollment and marketing platform*** using algorithms and configurable rules to support ***automated sales and marketing*** and combining compliance rules with ***personalized communication*** will deliver increased sales at reduced costs, increase ROI, and ***maximize customers' lifetime value*** to the company and its distributors.

FOR THE INSURANCE COMPANY

It helps win and retain business by providing added value tools and features for the company's agents, brokers, TPA's, and customers:

1. It's quick and easy to set up new employer/affinity group sites, regardless of size or complexity. Own-branded, fully functional and state compliant web sites can be created in minutes or hours using templates with drag and drop design, branding and work flow, allowing you to focus on marketing your products and adding value to your group, worksite, and affinity clients and their employees / members.

2. Marketing and customer acquisition costs are virtually eliminated allowing the creation of unlimited branded affinity and employer sites with added value tools for the various groups and their employees / members.

3. Product offerings and marketing campaigns can be created in hours allowing smaller, more targeted and dynamic 'test and learn' marketing.

4. A centralized data base with a workflow ensures that the branding, content, rules, processes, products and prices for each state are always compliant and the customer experience is always personal, regardless of the matrix of websites, products and customer groups.

5. Multiple products, payroll, call centers, and underwriting are seamlessly linked with flexible data mapping to provide enterprise wide integrated solutions.

6. The customer experience is personalized and simplified with own-branded (HTML) application forms with inbuilt XML data capture and through processing making the sales process simple and customer friendly.

7. Added value tools allow the affinity / employer to communicate and market to members / employees based on personal and community interests.

Individualized marketing, with data capture, increases sales, provides measurability, and identifies and maximizes cross product opportunities.

8. Statistical and data reporting measure and improve effectiveness of marketing and communications campaigns and provide valuable feedback and insights to distributors and clients.

FOR THE BROKER, TPA & EMPLOYER:

1. New business acquisition tool that helps distributors win, retain, and increase the value of new and existing sales by providing a much more personal employer / employee user experience with the ability to embed rich context based media and education content.

2. Ease of use and set up, with no programming required, to create client demos that become the 'live' system.

3. Communication portal for agents, brokers, TPA's that include additional content such as employee / member and employer / association or product news.

4. Marketing and data analytics tools to capture lost sales and increase sales revenue with less effort by understanding the customer's behavior and presenting timely, relevant products and information automatically.

5. Increases understanding and appreciation of benefits (core and voluntary) leading to greater employee retention with the ability to measure and improve based on live analytics.

FOR THE MEMBER/EMPLOYEE:

1. Improves and shortens the 'customer journey' by streamlining applications and processes.

2. Communicates on a one-to-one basis with language and tone of voice based on profile, age, and ethnic background.

3. Educates and informs on products using rich media and contextual video.

4. Recognizes and triggers automated call back or video chat as and when required.

5. Allows applications to be saved for later and keeps a record of past behavior.

6. Works on any PC, tablet, or mobile device.

7. Incorporates a range of tools to help educate and direct, and facilitate purchases.

A WORD ABOUT VOLUNTARY

Companies engaged in the sale of voluntary products to affinity and/or employer groups should be especially keen to establish a customer centric marketing model. The relative stability and longevity of these groups (yes, even in a down economy) lends itself to maximizing the value and benefits of customer centricity.

A key to the sale of voluntary benefits is the enrollment process. In a company with a customer centric marketing model, every interaction with a customer represents an opportunity to capture data that leads to driving profitable growth. In a company with a customer centric marketing model the value of the enrollment is multiplied many times over as relevant customer data is gathered and used for initiating customer dialogue, marketing, steering the dialogue and guiding the customer to make the best decision.

As we well know, even employing today's best enrollment and communications platforms, once the initial enrollment has been completed the short-lived relationship with the customer comes to an end (at least until the next enrollment period and/or product introduction). *So, how do you, as an insurance company, effectively*

manage your relationships with customers and engage them in one-to-one dialogue—rather than treating them as audiences who simply receive information, much of it irrelevant to most of them, as we do today? The answer is a *cloud based, customer centric enrollment platform.*

This is where customer centricity really kicks in using customer data to transform the enrollment experience and lay the groundwork for long-term customer relationships with each individual employee to maximize their long-term financial value to the insurance company and its distributors, and to maximize the value for members/employees of their relationship with their affinity group, employer, agent/broker, and the insurance company to maximize the value of the products they purchase and the services they receive.

CONCLUSION

When a company tracks and gathers relevant customer information, analyzes its customer interactions, and utilizes a closed-loop system of continuous improvement, customer centric strategies will take hold—even in the most product centric companies. A transformation from inwardly focused transactional models to customer focused relationship models will take place resulting in long-term customer relationships, increased sales and retention, reduced acquisition costs, increased ROI, and a unique and enviable position in the marketplace.

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ABOUT AFINIUM

Afinium's intelligent marketing software is built around helping insurance and other financial services firms reduce acquisition costs and increase ROI. Afinium's award winning software is the under-pinning of true customer centricity, enabling our clients to develop and maintain long-term customer relationships based on the needs and wants of individual customers, knowing and understanding customer behaviors and proclivities, creating an engaging customer journey, dialoguing with customers one-to-one, and maximizing the customer relationship and lifetime value.

For more information on how Afinium can help your firm employ big data, achieve true customer centricity, reduce acquisition costs, increase ROI, achieve profitable customer centric growth, and maximize customer lifetime value, please contact Jim Ouimet at jim.ouimet@afinium.com or 1 215 862 3080 in the US, or robert.paterson@afinium.com, or 00 44 (0) 778 044 5842 in the UK.

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Jim Ouimet is President, US Sales & Marketing, for Afinium, Ltd., a customer centric enterprise enrollment and marketing platform using algorithms and configurable rules to support automated sales and marketing. He is also founder of JCG consulting, a thought leadership firm dedicated to advancing ideas and strategies focused on staying ahead of the curve and maintaining a competitive advantage in the benefits market place. Jim began his career with MetLife where he was instrumental in the development of Met's individual voluntary benefits program. He subsequently served as Vice President of Broker Sales for BCBS of Kentucky, and was President and CEO of Kentucky Home

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