

Customer loyalty

A strategic advantage in the world of insurance



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hat can make your agency unique or different? Why should an individual or family do business with your agency instead of another one within a 20-minute driving radius? Are your products and services wildly different from your local or internet competitors? For many professional insurance agents, differentiation has been difficult to achieve as commoditization of offerings has become more commonplace.

Perhaps your agency's best long-term strategy is to develop an obsession for creating and retaining loyal customers and implementing positive emotional connections across the entire customer experience.

This strategic initiative can separate your agency from your competition. Acknowledge others' findings that say agencies with high numbers of loyal customers enjoy growing revenues, thus surpassing their competition. We suspect agencies only achieved those results after a strategy of developing loyal customers became ingrained throughout the agency's culture.

Here is an example of when customer loyalty was not part of an agency's culture:

The insureds had some water damage in the lower level of their house. As a national insurance carrier's customers, they worked with their local agent to file a claim. The adjuster did a site visit. The claim was denied based on the determination that groundwater caused the damage. Not liking the decision, the customers asked the local agency to submit a second claim. After a second adjuster did a site visit, the claim was denied again for the same reason. The customers were angry, but there was more to their frustration.

What was it? After being customers of the local agency and the national insurance carrier for over 16 years, they received no phone call to convey the sentiment that: *While we can't do anything about the determination, we still value your business and hope you will stay with us.*

This lack of compassionate follow-up was the last straw. Ultimately, the insureds moved all their insurance policies to another agency.

When implementing a competitive strategy that deals with creating loyalty, note what Janelle Barlow and Paul Stewart said in their book, *Branded Customer Service: The New Competitive Edge*. "The customer service experience must be aligned with your agency's promises."

When the customer's experience does not reflect what has been advertised, promised, or expected, every instance further undermines trust (and happiness) in the agency's performance. Lost revenues or opportunities to grow the relationship are the inevitable results.

Agents need to create strong relationships through frequent points of connection that are emotionally positive and deliver the service experiences promised by the agency's marketing and advertising campaigns. Examine the immediate impact on your profitability by providing such an exceptional experience based on promises made.

Your customer's wants

"Quality in a service or product is not what you put into it.
It is what the client or customer gets out of it."
—Professor Peter Drucker

Drucker understood the power of the customer experience far before others started to embrace the concept's value.

Before answering the question, "What does your customer want?" Consider this broader question: Have you adequately defined your customer?

When you define your customer using specific terms, you make it much easier to identify and execute what experience your customer wants. Generally, customers want hassle-free experiences and to be individually recognized, respected, and emotionally engaged. Customers want positive experiences, and they want to deal with insurance providers who have empathy and understand how they feel. They want insurance providers who create strong points of connection. A powerful point of connection creates a bond that ensures a high level of trust. Trust builds solid relationships—which ultimately, creates customer loyalty.

Advantages of customer loyalty

There are many requirements to building a successful and sustainable agency, such as:

- the ability to manage the agency effectively,
- the ability to create financial growth,
- the ability to innovate, and
- the ability to develop and sustain a loyal customer base.

When these four components work in sync, an agency experiences sustainable success.

Take a moment and compare the value and significance of a loyal customer to your agency—a customer who has had a satisfactory, but average experience may or may not come back. Creating multiple and consistent revenue opportunities has a positive financial effect on businesses regardless of the industry.

Agencies benefit from the strong word-of-mouth advertising, ratings, and social-networking reviews generated from their loyal customer base.

They know that their customers are less likely to be swayed by discounted pricing or other incentives from the competition.

For example, think about your own experience and thought process when you anticipate purchasing an unfamiliar item. Do you usually buy purely based on an advertisement you saw about a store, a product, or service, or do you instead choose a store, a product, or a service based on the recommendations of someone you know and trust? Do you simply rely on Amazon for recommendations? Did you choose your current physician or specialist by selecting a random name from the phone book? Probably not.

In other articles for *PIA Magazine*, we have written that referrals from existing customers present a better quality and qualified customer for an agency. [EDITOR'S NOTE: *The article "When it comes to selling, a sophisticated approach is not always better" is on PIA Northeast News & Media (www.blog.pia.org).*]

Creating loyalty

Creating the best customer experience and understanding customer loyalty is essential. However, learning how to develop and measure loyalty is critical for sustaining agency success. Here are the components for driving customer loyalty:

- Establish trust with every customer at every point of connection. Identify all your potential points of connection—those involving both passive and active vehicles (examples of passive vehicles: your website and signage). Active connections involve interaction and activities (e.g., phone calls and email exchanges).

- Create an emotional tie with your customer at every point of connection.
- Utilize empathy to strengthen customer relationships.

All three components are necessary; however, developing trust is the No. 1 priority. You already know that people buy from others they trust, and your customers are more interested in your suggestions and guidance when you've established trust.

Maintaining trust

To build and maintain trust in every service interaction, internalize the following steps:

Always put your insureds' interests and needs ahead of yours. Your first concern is their question, purchase or request. Do the right thing—consistently make the insured's agenda your priority. We acknowledge that this position will not always be easy for you or your organization to fulfill.

Be yourself. We often model other people's behavior, but understand that what works for some insurance providers may not work for you. Be yourself and let your strengths and personality shine.

Always give customers your full and undivided attention. Today, we can find ourselves in many customer service situations and circumstances with little time to make a positive impression and develop relationships. The quickest way to start is to make immediate eye contact and appropriately focus your *full* attention on your customer.

When you are on the phone and you can't make physical eye contact, pay close attention to everything your customers say. Assess their mood from their tone of voice. From time to time, repeat back or paraphrase something they said so they know you are engaged.

Demonstrate knowledge and authenticity about your products or services. Increase insureds' confidence about your ability to provide the serve for their needs and solve their challenges. Maintaining current subject-matter expertise allows your agency to bring the most relevant solutions to all your clients. This move is both proactive and defensive simultaneously. When clients recognize that their trusted insurance provider is truly an expert, they naturally conclude that they won't receive better advice from anyone else. Eliminate their need to switch to another insurance agency. This mindset can help protect what your agency already has built! Remember, integrity and authenticity are increasingly crucial to people today.

Only promise what you and your agency can deliver. Resist the tendency to over promise and under deliver—especially in times of stress or fatigue. It can come back to haunt your agency for years.

Never put off dealing with an upset customer. Think of your experiences as someone's customer. We suspect that you have had some experience with being left hanging when you had a problem or a concern. When the clock is ticking, it never feels good to be ignored.

While every situation may dictate a different solution, the common thread is that the condition needs to be dealt with quickly. Start every interaction with an upset customer by expressing regret and thanking the customer for bringing the problem to your attention. These two simple things, apologizing



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govaffairs@pia.org

Industry Resource Center
resourcecenter@pia.org

Member Services
memberservices@pia.org

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publications@pia.org

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yip@pia.org



and thanking them, can go a long way to developing and maintaining trust. An upset customer who has his or her problem resolved is more likely to become a loyal customer than one who was merely satisfied.

Measuring customer loyalty

Holding onto a customer has never been more challenging—or more critical. Usually, the key to winning customers isn't price or even product. It's doing the right thing; it is doing the right things correctly and doing the right things with a heart that creates the best customer experience.

Measuring loyalty was a challenge in the past, mainly because most businesses didn't understand loyalty. We now know that loyalty is tied to consistently positive points of connection. Yes, it does take skill and emotional intelligence to handle emotions appropriately. If they ever could, agencies can't ignore this critical ingredient anymore. A positive emotional connection with a customer is the basis for creating and building loyal customer relationships.

In his book, *The Ultimate Question: Driving Good Profits and True Growth*, Fred Reichheld indicates that companies need to know how their customers are feeling and how to create accountability for the customer experience. He believes all agencies should ask their customers one ultimate question: "How likely is it that you would recommend this agency and our products or services to a friend or colleague?" The question and measurement system, albeit relatively simple, has become timeless. From the answer to this question, customers fall into one of three categories: promoters, passives and detractors.

Promoters are loyal, enthusiastic customers who continually buy from your agency and tell their friends to do the same. **Passives** are satisfied with their experiences, but they are unenthusiastic customers who may or may not revisit your agency. **Detractors** are unhappy customers who would probably not provide your agency with good word-of-mouth advertising, rating or reviews. If you want to find out who your loyal customers are:

1. Find out how likely they are to recommend your agency to someone else, perhaps on a scale of 1 to 10.
2. Remember, one of the critical measurements of loyal customers is their desire to recommend your agency.

Always listen to everything promoters and detractors tell you. They will provide you with great insight into how your agency can continuously improve. Treat this information like gold. Be concerned when you are not getting this feedback and crucial measurement. There is a direct and strategic correlation between an agency's revenue growth and customer-loyalty score. Focus on increasing your loyalty score, and your business will grow exponentially. 📈

Kohl is a partner in Trusted Advisors Network. Reach her at (484) 507-9641. For more information, visit www.trustedadvisorsnetworkllc.com. Brown is chairman/CEO of Paradigm Associates LLC. Paradigm Associates can add value to your business through strategic, executive, and sales development processes, whether you are on the insurance industry's agency or carrier side. Visit Paradigm Associates on the web, www.paradigmassociates.us, or call (908) 276-4547.