



CXNetwork

SIX BUILDING BLOCKS FOR A CONCRETE CUSTOMER-CENTRIC STRATEGY

The Insurance Special:

**INSIGHTS FROM RICHARD BEAVEN,
OPERATIONS DIRECTOR – INSURANCE,
LLOYDS BANKING GROUP**

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INTRODUCTION



“Putting the customer at the centre of everything we do is at the heart of Lloyds Banking Group’s strategy. Customer centricity is the only way we think, it provides us with a winning strategy and a way of differentiating ourselves from the competition. It is absolutely important that our customers come first and we build products and services that provide them with great value, that are easy to use and that they feel we are putting their best interests at heart.” – **Richard Beaven**

Insurance companies are under increasing pressure to achieve customer-centric transformation of their services to build customer trust and improve public perception of the industry. No longer can insurance companies simply sell the best policy at the cheapest rate - now the focus must be on how to deliver the best end-to-end policyholder experience.

CX Network gathers first-hand information from Richard Beaven, Operations Director – Insurance, on how Lloyds Banking Group are able to put their customers at the heart of all their internal processes.



HOW TO BUILD AND IMPLEMENT A CUSTOMER-CENTRIC STRATEGY

I do not entirely agree with the commonly held perception that the insurance sector has just been about the bottom line. I do not believe that anybody can build a substantial business like the insurance industry has done without meeting customer needs. I do think that some insurers have lost their way and have put the bottom line before customers, and if you look at statistics around how people feel about the industry - about how trustworthy the industry is - there is certainly a very long way to go in terms of rebuilding and regaining customer loyalty and for the industry to demonstrate that it truly does put its customers first. One way to do that is to demonstrate time after time that what your company is doing is providing value for its customers and building products that you understand that they need and that are good value for money.

Awareness is another key factor: when it comes to making sure the customer's aware of what they have bought, companies need to make the terms and conditions simple and stop trying to hide behind all sorts of legal terms customers do not necessarily understand.

It is really important for the industry to educate its customers so that they understand what they have and have not bought. More often than not, customers spend more time thinking about what they have bought rather than focusing on what they have missed out on – insurance companies have to make sure they present all the information available on products so customers can make an informed decision.

For Lloyds Banking Group, building a customer-centric corporate culture started at the top and

there is no doubt that our Chief Executive, António Horta Osório, has been one of the industry leaders in trying to make sure that the banking sector focuses on its customers and puts the customer at the heart of everything that is done.

“There is certainly a very long way to go in terms of rebuilding and regaining customer loyalty and for the industry to demonstrate that it truly does put its customers first”

We have had some success and seen some major improvements, for example the number of complaints per 1,000 customers in Lloyds Bank is now one of the best in the industry and we are very focused on making sure that position continues to get better. We are also keen to work with our customers in their communities to make sure that we understand what our customers do and how we can help them in the best ways possible.

Once you have got the sort of top management support we do it does not matter whether you are in insurance or mortgages, the expectation is that we all make our businesses as customer centric as we can.

HOW TO BUILD CONSUMER TRUST AND THE RIGHT METHOD TO MEASURE IT

The key to building trust is being seen to deliver good value for money products. You can use external benchmarks such as star rating schemes, which provide industry acknowledgement of what you have done and is good for the customer to see as a strategy to achieve trust. You certainly want to have satisfied customers and you want to make sure that your customer surveys are saying good things about you and are also reacting when you are not doing as well.

At Lloyds, we have our regulators coming to look at what are we doing and how we are doing it to make sure we are doing everything to the highest standard for our customers. There are a lot of ways to demonstrate that you are doing the right thing for customers but what it comes down to is being able to keep delivering for them all the time. I think you get a lot of customers who buy an insurance policy and never think about claiming so they have no idea what product they have paid for is and what they are entitled to until the moment of truth comes.

There is already a strategy in place within the insurance business to look at how we can all make our customers' lives better and how we can improve the level of consumer trust. There are many things that Lloyds Banking Group are focusing on:

First, in times of bad weather when terrible things happen that affect our customers' lives like floods or storms we realised that we were not, as an industry, getting to our customers fast enough and not paying their claims out quickly enough for them to get their lives back on track. From this, we developed an entirely new strategy for how we process our customers' claims and how we can make the process of claiming as easy as possible so that we can be the first of the industry to get

our people and to get to our customers' houses in times of crisis.

Secondly, we follow weather patterns all over the UK. If we think there is going to be bad period we make sure we have got a team of folks out on the road. When we know rivers are going to flood towns we make sure we are nearby so if our customers are affected, we have already downloaded their information and we can get to their houses, knock on their doors and have someone there to help them as soon as possible. We also track all of our claims to make sure that we can demonstrate that we are, as best we can, first out there. We are very proud when we see that our customers are the first ones back in their houses after major events like floods as a result of how quickly we can get there and us being able to provide a team of builders that can come in and sort our customers' damaged property, getting it all fixed so that they can re-enter their homes... which is clearly what our customers want at that time.

Furthermore, we have been very vociferous about all the work we did to help our customers through last winter's very difficult storms. We had accolades from the press and from our customers for the speed of which we were getting to claims. We made sure to have our mobile van (with our logos on) on the road so it could be seen, and we were keen to be seen in the communities where they had terrible things happen to them - all these sorts of things you have to just keep doing time and time and time again and customers will eventually see, hear from each other, though word of mouth or through social media, and start to believe that you have a trustworthy organisation.

Another thing we are able to for some of our customers is provide a replacement item on the phone and get it delivered to the customer's house. The whole point of what we have been trying to do is to assess how to quickly get our customer's lives back on track, and that is what are tracking now, not how quickly we process a piece of paper but how quickly we can get our customer's back in their homes.

“The key to building trust is being seen to deliver good value for money products.”

It is a long journey and we are a long way along that journey but it takes time to speed things up for customers. I think customers hate it when everything takes so long because they want to know whether we are going to answer their claims or not and now we are trying to do as much as we can to speed up that process so we can make an assessment there and then on the phone so that they have got a certain degree of certainty.

How can you measure trust?

There are lots of industry surveys conducted on how the industry is viewed and how it is trusted and one only has to look at anything to do with financial services in the last two years and you can tell that not one of them has said that customers trust banks and financial services companies and one can understand that entirely given some of the things that have happened. What I hope to

see over time is all of us making much more effort to make our businesses more customer centric, so that over time those customers and those trust surveys start to believe that we are not at the bottom of the pile but that we can be trusted and relied on to provide good value and do good things for our customers.

There is no easy way to measure trust because there are so many measurements out there and it takes time to see results from trust-building initiatives.

Trust is not something that you can build overnight. It is something that takes many years and is easily lost but I think we all need to keep reinforcing the good things we are doing, keep making it better for customers and then over a period of time we as an industry will become more trusted.

Customer empowerment, innovation and transparency

Customer empowerment and transparency means keeping your customers informed every step of the way so that they know where they are. Take a claim for example: a claim can take six to nine months, it is a very long process and if you are out of your home during that period it is not great because you want to be back in your own home and you want to know when that is going to happen. To help with this we have a process in place that allows us to provide all our customers with a regular update, rather than waiting for them to call us we can contact them on a range of multi-channel platforms.

We have also discovered that customers are all very different in terms of what their information needs are, some customers do not want to be contacted regularly whilst others want more frequent contact. Therefore, we ask each customer that talks to us when they make a claim what is it they want in terms of the frequency of contact and what their expected outcome from this claim is. Clearly, they want it to be fixed but we are asking in terms of how they want us to handle them, and the one thing you find when you start asking those questions is that every customer is very different and they have very different expectations. So, as an industry we all need to move away from treating customers as an enormous mass of sameness that we all think we understand to asking individual customers what their expectations are because you do get different answers.



HOW TO BUILD EMOTIONAL ENGAGEMENT FOR YOUR BRAND

One of the key initiatives we are implementing in 2015 to improve emotional engagement with policyholders is Service Excellence, which can be defined as: systems thinking in the theory of systems thinking. We have been using systems thinking to completely change the way we deal with claims so that when a customer calls with a claim we can do our best to both assess and settle the claim there and then. We are rolling out the initiative across the whole of our claims business but it is not possible to do it all the time.

To illustrate, a large claim would need the involvement of a claims assessor and at the other end of the scale as long as we can find proof ownership the first time a customer calls us, we make sure to pay the customer as quickly as we can. We are focused on speeding up our claims process by implementing this new approach which will help us assess claims much more quickly and improve the turnaround time for the customer.

We are also very determined to make a difference to our health claims. It used to take a long time to pay a health claim because we would ask customers to fill in forms. We would ask them to go and get their doctor's proof and this could take weeks because the process entailed us having to write to the doctors, who then had to write to the customers and get permission before writing back to us. It was not a very smooth process therefore, what we have been trying to do is speed all of this

up to bring the length of claim time down from months to a couple of weeks.

“When a customer calls with a claim we do our best to both assess and settle the claim there and then.”

In a few cases we have managed to bring it down to 24 hours, and in one case we were able to complete the claim immediately because we had all the documentation we needed so we were able to have the customer's money in her account the next day. This was very sadly a case of a terminally ill customer and she did not have very long to live, so the fact that we could turn around her claim really fast was great because she wanted to be able to distribute some of her money before she died.

Stories like that are what drive us to working on rolling the initiative out across the whole business because it makes a difference and in turn customers will notice.



HOW TO INNOVATE THROUGH INDUSTRY REGULATION

It is about working with your regulator and collaborating in terms of the things that you want to try and do for your customers and I have found that those that do work positively with regulators find them positive, helpful and realise that they are not there to beat you up. They are there to make sure that you can demonstrate you are doing the best possible job you can for your customers.

There are people that believe that somehow regulation and regulators are an obstacle, I do not find that at all. I think regulators want to see you innovate around the customer, they want to see you do better things and they want to see you working on improving the things that get customers fed up. For example, regulators have been working with us on how to change the terms and conditions on products like wear and tear so that customers can understand the products they purchase better.

To some extent we need to help the regulator understand technology is moving very fast. For years the industry has relied heavily on signatures on bits of paper and we have to be able to prove that we have got the signature on the bit of paper for whatever it may be and the regulators supported that for years. We and a number of other firms are working with the regulator now to

say 'well, actually in this electronic age - signatures on bits of paper still do not actually prove who it is and there must be better ways of identifying customers so that we do not have to keep sending bits of paper to each other.' The truth is, we do not have to use old-fashioned mail, we can use electronic means if we can find a secure way of doing it. So, it means working with the regulator to get there and that again will make life easier and modernise the industry, helping it start to reach the level it needs to be at.



HOW TO OVERCOME COMMON OBSTACLES

The industry is beginning to move towards being customer-centric but it is very old-fashioned and very paper driven. I do not think it is an industry that has typically made it simple for customers to understand what they have bought and customers can buy very complicated products. I do think the industry is moving towards being more customer-centric but there is a very long way to go.

Whenever you start to look at the way you handle and pay claims, there is a major concern in the business that we are obviously in business to make money, and of course we need to make sure that our customers only get the pay out they are entitled to. We need to be very careful to assess claims to make sure that customers are claiming for things that they are covered for, that the customers who are claiming are genuinely claiming. We need to do all that because we need to run our business safely and make sure that all of our internal colleagues believe that our new claims strategy is not going to suddenly pay out lots more money and make the business unprofitable as a result of what we are doing. By processing things quicker and getting customer

claims sorted faster we have been able to prove that is the right strategy as we have seen our claims' costs steadily decreasing.

You need to keep testing new strategies because that is how you make sure you are constantly evolving for the customer.



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HOW TO TAKE YOUR CUSTOMER EXPERIENCE TO THE NEXT LEVEL



Customer Experience Transformation: *Insurance*

If you would like to hear more from Richard Beaven, Lloyds Banking Group's Operations Director for Insurance. He is speaking at the keynote address on day one of the Customer Experience Transformation: Insurance Summit on 19-21 May 2015 in London.

His presentation will be discussing the new age of customer experience for the insurance sector - improving customer perception and building trust while improving profitability!

Richard will be joined by other leading insurance companies including: Standard Life, RSA Insurance, BUPA, Zurich Insurance, Aviva, Allianz, AXA.

For full event details, please download the agenda or email enquire@iqpc.co.uk for more information.