Building a Collaborative Multichannel Insurance Distribution Strategy

A CRM-enabled agency management solution can help improve agency channel productivity and enable multichannel collaboration, thus advancing carrier abilities to achieve sustainable profitable growth.

Executive Summary

Despite the faltering economy, during which insurance companies might be expected to hunker down and concentrate on survival, profitable growth has nevertheless held steady as the industry’s polestar. In fact, Celent’s 2012 survey of the U.S. insurance industry\(^1\) found that increasing profitability is the key business goal identified by CIOs as the primary component of their strategic agenda over the next few years.

Meanwhile, the distribution channel has emerged as a key focus for transformation — one that, if properly executed, can enable insurance carriers to generate improved efficiency and realize their growth objectives. Insurance distribution channels traditionally have been dominated by agencies and brokers. These channels remain the preferred choices for customers, particularly since many continue to seek face-to-face interaction to help them buy complex insurance products.

According to LIMRA,\(^2\) 66% of customers prefer to purchase life Insurance products from insurance or finance professionals.

However, with the increased adoption of the Internet, which provides faster access to company and product information, customer behavior is rapidly changing. Customers now often initiate their product research through direct channels (e.g., the Internet and contact centers) and then purchase policies from traditional channels.

According to the Insurance Information Institute,\(^3\) 54% of consumers obtain quotes for auto insurance online, and about half of customers purchase policies from agencies. Thus, the insurance industry must embrace a hybrid distribution system, which combines the best of both worlds and also improves the overall effectiveness of the agency channel.

Challenges: The Collaborative Agency and Emerging Distribution Ecosystems

This change in customer behavior is forcing insurance companies to set up multiple-channel distribution systems to improve customer interaction. However, the companies face several challenges in order to create and profit from the synergy among the various channels. As a result, traditional agencies are increasingly worried about their long-term viability.

- **Agency motivation and loyalty:** While the agency channel will continue to be the preferred one for insurers, the elevated presence of direct channels have agencies worried that sales will
increasingly be cannibalized by the Internet and call centers. Insurers, therefore, must take steps to motivate the agency channel.

- **Cross-channel consistency:** Providing a similar cross-channel experience is crucial to customers completing the entire purchase cycle. The transition between channels should be seamless, with each mode offering the ability to retain information captured in previously used channels to provide a satisfactory customer experience. Communications inconsistency often leads customers to abandon the sales process.

- **Servicing/upscaling direct customers:** The criticality of the agency channel increases when customers move up the product value chain, particularly as they require personal guidance to choose the correct insurance product. Carrier efforts to cross-sell and up-sell will not succeed without hands-on assistance from the proper agencies.

- **Non-value-adding agency tasks:** Of course, the increasing number of distribution channels also increases the complexity of the distribution structure. In today's complex distribution landscape, carriers and agencies struggle to gather reliable and actionable data. As a result, they spend more time on administration and data collection rather than focusing on providing consultation services to customers, which is where they add the most value.

**Recruit and Retain the Right Partners**

In developing multi-distribution scenarios, carriers need to recruit and retain agencies that can leverage technologies and appreciate multiple channels. Carriers must deploy CRM systems for acquiring, servicing and effectively managing their agencies’ sales forces. It is incumbent on carriers to establish efficient on-boarding processes for choosing agencies that are the right fit for their organizations by leveraging CRM systems’ lead and opportunity management functionalities. For example, carriers can set up advanced algorithms to estimate prospective partner quality and evaluate their fitness to the organization’s objectives and strategy. Strong on-boarding systems can also help carriers comply with insurance regulations by placing a strong governance system through rules engines and alert mechanisms.

Insurance companies can benefit from social CRM by gaining valuable insights on prospective agents who are active on social networking sites and use this technology in their business operations. For example, carriers can mine prospective agent profiles and interactions contained in social networking sites such as LinkedIn and Twitter and on-board suitable candidates. Agents thus acquired through social media channels are highly likely to leverage emerging technologies to connect with their customers and advance the carrier’s objective to set up multiple distribution channels.

As part of ongoing agency management, a CRM-based system can be leveraged to effectively coordinate agency sales forces. Agency managers can use the system to track key performance indicators for each agent such as opportunity conversion ratio, retention ratio, policy portfolio and customer satisfaction index, and enable them to create an annual plan tailored for each agency to support the carrier’s strategic goals. The agency management system can also help agency managers schedule various tasks, such as developmental activities and sales promotions to improve agency and carrier engagement.

CRM-based agency management can also be used to conduct agency-specific events and multichannel campaigns to communicate new product launches, key features, sales promotions, etc. For example, carriers can schedule sales promotional events to explain key points to attendees rather than apprising them individually. This approach ensures that communication is consistent among agents and avoids duplication of the carrier’s agency management efforts.

Agencies prefer to conduct business with those carriers that resolve their issues transparently and promptly. The CRM system can enable carriers to set up dedicated service processes for agencies and help them prioritize and resolve queries.

To improve collaboration, carriers can leverage CRM-based agency management systems to deploy social platforms such as agency communities, groups and blogs. These social platforms can be used to discuss and resolve common problems and to share best practices and latest industry information. CRM systems like those offered by Oracle (Siebel, Fusion CRM) and Microsoft support social CRM features that enable community creation, idea sharing and networking.

**Enhance Agency’s Ease of Business**

Agencies prefer those carriers that can help them improve sales productivity. Tools such as sales analyzers, quote generators and benefit
illustrators both enhance agency productivity and are appreciated by customers. Carriers need to transform B2B CRM platforms to B2C CRM ecosystems by extending these systems to agencies to more effectively track and resolve customer requirements and manage sales operations. The CRM system would enable agencies to efficiently plan and conduct their sales activities (see Figure 2). For example, agencies can improve their sales conversion rates by using CRM system lead and opportunity functionalities for customer on-boarding. Carriers can easily share and track new leads they receive from various sources such as call centers and marketing campaigns, thus increasing the business potential of their agency partners. Carriers can maximize their marketing effectiveness by executing collaborative campaigns and coordinating actions to enhance lead conversion.

The extension of CRM systems to agencies can expand their ability to offer personalized service to customers. For instance, agencies can utilize these systems to track important events such as due dates, customer anniversaries and birthdays, etc. and use these markers to retain customers, up-sell and cross-sell. Carriers can extend their existing IT infrastructure to top performing agencies and help them build agency-specific, credentialed microsites that are safe and compliant with industry best practices and regulations. In turn, agencies can leverage such microsites to host profiles, channelize leads, and manage customer servicing needs. Also, carriers can empower agencies with social tools to better understand each customer’s profile and preferences, which can help them to offer personalized service and propose best products. The incorporation of emerging social tools can act as a major differentiator among agencies; conventional wisdom suggests that customers, particularly millennials, are more apt to do business with those agencies that use such technology in their business operations.

Improved Cross-Channel Collaboration

Carriers are increasingly deploying the Internet to enable consumers to purchase insurance policies. During the policy purchase process, however, customers often abandon their prospective purchase. To make sure this set of customers is more consistently acquired, carriers should capture information about them (i.e., application and quotation information) throughout the process and provide leads to their agency partners along with the information that they have already submitted. Such initiatives would increase both the agency’s and customer’s satisfaction and help prevent the loss of a potential buyer.

The carrier’s Web site can also act as a source for new customer leads for advisors, thus improving the collaboration between the channels. The
customer can record product interest in the insurance company’s Web site, and this data can then be transferred to the agency’s B2C CRM platform as a lead. Product interest inputs can be periodically uploaded from the carrier’s Web site to the agency CRM systems to drive lead- and opportunity-chasing activities.

Customers acquired through online channels are in our view typically associated with less complex, low-cost term plans. Customers clearly need expert opinion during the purchase of more mature plans and for overall financial planning. Such customers prefer to purchase policies from the agency channel. The carrier’s objective of upgrading these customers to more mature (and more profitable) products can be achieved if these customers are allocated to the agency sales force on the basis of geography. Customers can also be given the option of choosing their agencies directly.

Establish a Cross-Channel Analytics Framework
As we have stated above, the distribution structure is becoming increasingly complex. To evaluate the performance of each link in the value chain, and the overall performance of any given channel, carriers need a strong analytics framework. The channel platform should highlight the productivity of each channel and the level of collaboration among different channels. Carriers should be able to know operational details, such as on-boarding progress, development activity, agency sales activity details, lead and opportunity conversion details, cross-sell and up-sell information and revenue information to initiate strategic decisions. Reports generated from these analytical tools can highlight the level of channel collaboration by providing information on conversion of abandoned leads, up-selling/cross-selling to online customers, lead sharing reports, etc.

A strong reporting platform can provide valuable information on distribution channel structure, productivity, strengths and weaknesses – all of which can be used to strengthen the network.

To build these analytical capabilities, carriers need to get the buy-in from executive sponsors. This can be achieved by having a common understanding of the key business drivers (e.g., linking KPIs of senior management with sales people) and a strong change management team advocating the need for an analytics framework.

Looking Forward
The changing economic microenvironment and customer preferences are driving insurance
companies to rethink their online distribution channels. However, the agency channel remains the industry’s dominant one and is the preferred channel for customers who want to purchase high value complex insurance policies.

The growing strength of the online direct channel often results in dissatisfaction and discouragement among agency personnel — and the carriers cannot ignore this. Carriers, thus, need to initiate steps for improving collaboration among these channels. Implementing CRM-based agency management strategies can help insurance companies achieve the objective of greater cross-channel collaboration.

These systems can help the carriers in recruiting and retaining the right agency partners, efficiently manage the agency sales force, align agencies with insurance companies’ business objectives and provide differentiated service to the agencies for maximizing customer retention. These systems can be extended to partner agencies for improving their sales effectiveness and customer service capability, undertaking sales and marketing initiatives and integrating with carriers’ online systems.

Insurers should consider engaging a strategic partner on the following activities to ensure their long-term competitive advantage:

- Create a multichannel distribution strategy with specific roadmap definitions.
- Build a product evaluation and technology deployment roadmap.
- Conduct a distribution/agency effectiveness assessment exercise.
- Embrace business process reengineering and industry best practices.

Footnotes
2 2011 Insurance Barometer study by the Life and Health Insurance Foundation for Education (LIFE) and LIMRA.
3 Insurance Information Institute article, “Buying Insurance: Evolving Distribution Channels.”

About the Authors
Brotin Kumar Chakraborty is a Director of CRM within Cognizant’s Customer Solutions Practice, where he heads delivery for all CRM insurance accounts across the globe. He holds a B.E. in electrical and telecommunications from Jadavpur University. He can be reached at Brotin.Chakraborty@cognizant.com.

Abhisek Jhunjhunwala is a Senior Consultant within Cognizant Business Consulting’s Insurance Practice. He holds a B.E. in computer technology from Nagpur University and an M.B.A (finance) from NMIMS, Mumbai. He can be reached at Abhisek.Jhunjhunwala@cognizant.com.

Shouvik Biswas is a Senior Business Analyst within Cognizant’s Customer Solutions practice, focusing on Siebel projects. He holds a bachelor’s degree in information science from Delhi University and a postgraduate diploma in management from IIM, Lucknow. He can be reached at Shouvik.Biswas@cognizant.com.

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