Crash and Churn

Results of 2019 consumer survey into the relationship between quality of customer service and retention in the Insurance industry
Key findings

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Poor customer service leads to churn

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Key findings

A broad study of US consumers was conducted to examine the reasons consumers cancel policies with their insurance companies due to the quality of customer service and to explore ways to prevent churn.

**Poor customer service leads to churn**

39% of Americans who canceled a contract with a company in the past 24 months cited customer service as the primary reason for cancellation. 11% of them canceled insurance policies. 58% of these customers canceled after an ongoing negative experience, while only 18% canceled after a one-time crisis.

**Reactive retention strategies are ineffective**

Despite the fact that 54% of the insurance companies in question tried to retain their customers after they canceled their policies — usually by offering a discount or an apology — their efforts were unsuccessful.

** Fallout from negative word of mouth**

68% of customers admitted sharing their disappointment about an insurance company’s level of service with others. 64% discussed the company negatively with friends, family or colleagues,

13% shared it on their social media channels, 18% posted on the company’s official social media channel or website, 13% shared it in an online forum, and 8% even discussed it with the media.
Key findings

Churn is triggered by high customer effort

Customers canceled their contracts because insurers wasted their time (31% waited too long to have their issue resolved), because they had to unnecessarily repeat information (52% had to call more than once), 14% left because of inferior self-service options and others churned due to untrained or incompetent agents (30% thought the agents were rude or had a negative approach).

Need for improved customer retention strategies

While 53% of dissatisfied customers actively searched for an alternative insurer, a large number of respondents (47%) churned passively, either because they were disengaged with the insurer’s services or because they heard about or were offered a better deal from a competitor.

Proactive efforts are key

Among those who churned following a negative service experience, 53% would have changed their mind if they had been offered a better service plan, and 38% would have stayed if they had believed that the insurer’s service would improve in the future.
Introduction

The days of long-term customer loyalty to insurance companies are over. Today, consumer stickiness is far more dependent upon their experiences with claims processing and other customer service-related interactions throughout their life cycle. In a fiercely competitive industry, traditional insurers are facing new challenges from disruptive players offering innovative business models, and understand the need to work harder than ever to retain their customers.

While some attrition must be expected, a high churn rate can cripple the growth of an insurance company. Across all sectors, the global average value of a lost customer is estimated to be $243, and failing to focus efforts on customer retention causes businesses to lose $1.6 trillion per year when customers defect to the competition. Finding ways to reduce customer churn is essential, with even slight fluctuations impacting profit margins significantly. According to research from Bain & Company, a mere 5% increase in customer retention can increase profits by up to 95%.

With these numbers in mind, it's no surprise that insurance agencies are seeking innovative solutions to build customer loyalty and reduce churn.

To address this opportunity, a comprehensive survey was conducted with the following goals:

1. To learn more about the drivers of customer churn following interactions with customer service
2. To discover when consumers are most likely to churn based on a company's level of service
3. To gauge consumer sentiment about ways companies can improve customer loyalty
Methodology

Responses were generated from a pool of 2,533 randomly chosen adult consumers via an online opinion panel. Of those who canceled contracts over the past two years, 11% reported that they canceled an insurance policy. 68% acted as the sole decision maker and 32% decided jointly with someone else. Respondents were of varying incomes and geographic locations within the continental United States. Responses were split between genders, with 59% male respondents and 41% female respondents. 91% of the surveys were taken on a mobile device, while 9% were taken on a desktop/laptop.
Poor customer service leads to churn

According the survey, 39% of Americans who canceled a contract with a company in the past 24 months cited customer service as the primary reason for cancellation, with 11% of them cancelling insurance policies due to the quality of customer service they received. It’s interesting to note that 58% of these customers canceled after an ongoing negative experience, while only 18% canceled after a one-time crisis. This indicates an opportunity for insurers to improve their processes, and also to find ways to target customers who have indicated that they are dissatisfied with their level of service — and take corrective action before they churn. In fact, proactive retention activities are relevant for all customers; 54% of customers were not unhappy with the insurer’s service but simply left when they found out about a competitor with a better service offer.

What was your main reason for leaving the company?

- I hadn’t been happy with their level of service for some time (58.04%)
- I simply found out about a company offering better service without having trouble with the previous company (24.11%)
- I had a crisis with the company as a result of a specific issue (17.86%)

There wasn’t a single experience. Over the course of a year I received subpar service and felt that the company didn’t value my time — I should never have to spend time on hold or deal with anyone who can’t answer my questions.
Churn is triggered by high customer effort

Today's insurance customers want their lives to be as easy as possible. Hype about 3-second claim payouts mean that convenient and effortless customer service transactions are now expected by customers everywhere. When these expectations are not met, customers will take their business elsewhere.

**Which of the following things did you experience that helped you decide to leave the company?** *

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Had to call more than once to deal with my issue</td>
<td>51.76%</td>
</tr>
<tr>
<td>Repeated myself multiple times when speaking with multiple representatives</td>
<td>40.0%</td>
</tr>
<tr>
<td>The company was unable to resolve my issue</td>
<td>37.65%</td>
</tr>
<tr>
<td>Felt that the company didn't try to understand my specific situation or needs</td>
<td>36.47%</td>
</tr>
<tr>
<td>Representatives who weren't knowledgeable enough</td>
<td>30.59%</td>
</tr>
<tr>
<td>Resolving my issue took too long or involved too much effort</td>
<td>30.59%</td>
</tr>
<tr>
<td>Representatives who were rude or had a negative approach</td>
<td>29.41%</td>
</tr>
<tr>
<td>Waited a long time to connect with customer service</td>
<td>27.06%</td>
</tr>
<tr>
<td>Transferred between different departments</td>
<td>25.88%</td>
</tr>
<tr>
<td>Waited too long for a field representative (e.g. adjuster) to arrive at my place</td>
<td>23.53%</td>
</tr>
<tr>
<td>Lack of a proper self-service option</td>
<td>14.12%</td>
</tr>
<tr>
<td>Had to switch between channels (e.g. phone, live chat, email, etc.) to deal with my issue</td>
<td>11.76%</td>
</tr>
<tr>
<td>Difficulty in describing my issue</td>
<td>4.71%</td>
</tr>
</tbody>
</table>

*Responses from those who experienced poor service only*
I LEFT BECAUSE OF

Wasted customer time

According to the survey, customers who had a negative experience canceled their policies because insurance companies wasted their time. They reported waiting too long to connect with customer service (27%), waiting too long to have their issue resolved (31%) or waiting too long for an adjuster to arrive (24%). This data reinforces the need for insurers to focus on improving their First Contact Resolution (FCR) rates — a key metric in customer service — as part of their customer retention strategies.

“Waited too long for customer service to answer my calls”

“Spent four hours in total on hold, being transferred to dead extensions”

“Super-hard (30-60 minutes) to get a real person to talk with”

I LEFT BECAUSE OF

Repeated contacts

Another trigger was the need to unnecessarily expend effort by repeating information, including having to repeat themselves multiple times when speaking with multiple agents (40%), and having to call back more than once to deal with the same issue (52%). This data reinforces the need for insurers to focus on improving their First Contact Resolution (FCR) rates — a key metric in customer service — as an important part of their retention strategies.

“I spent 5½ hours in total and 6 calls attempting to resolve my issues”

“Calling several times and having to start from the beginning several times to explain the problem over and over and just be put off repeatedly”

“Had to call 3 times and each time they told me we will have someone call you but never did”
Of course, insurers must invest in training and preparing their first line of defense — their agents. A large number of respondents specified a negative experience with the customer service representatives themselves as their reason for leaving. They indicated that the representatives weren’t knowledgeable enough (31%) or were rude or had a negative approach (29%). This data suggests that insurers should find ways to empower agents with more knowledge and tools, including developing a collaborative culture in the contact center as well as enhancing agents’ capabilities with broader responsibilities.

I LEFT BECAUSE OF

**Shoddy self service**

14% of the survey-takers indicated that they left an insurance company due to inferior self service. Directing customer enquiries to self-service channels such as FAQs, live chat, community forums, and knowledge center databases is an efficient practice, but these channels must be easily available and executed flawlessly to ensure they actually reduce customer effort. Millennials, especially, appreciate self-service options, with 69% reporting that they “feel good” about both themselves and the company when they can solve a problem on their own.

“Too much time involved with multiple options that open more options where your issue is not even listed”

“Customer service might as well have been robots. They were unable to understand my particular situation... as if they were reading from scripts and not able to deviate... none of their responses made any sense to my issue”

I LEFT BECAUSE OF

**Untrained agents**

The representative not only had a negative attitude, but she was also not well trained and got mad when I asked to speak with a manager
Need for improved customer retention strategies

While 50% of dissatisfied insurance customers actively searched for an alternative provider, an equal number churned passively, either because they were disengaged with the insurer’s services or because they heard about or were offered a better deal from a competitor.

This points to the need for effective customer retention strategies as a valuable business practice that is so critical in today’s competitive economic environment.

What was your thought process when you decided to leave the company?

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Reason for Leaving</th>
</tr>
</thead>
<tbody>
<tr>
<td>50.00%</td>
<td>I actively searched for a company with better service</td>
</tr>
<tr>
<td>22.32%</td>
<td>I heard about another company offering better service</td>
</tr>
<tr>
<td>20.54%</td>
<td>I got an offer from a competitor with better service</td>
</tr>
<tr>
<td>7.14%</td>
<td>I decided I didn’t need the product/service anymore</td>
</tr>
</tbody>
</table>

With the global average value of a lost customer estimated to be $243, failing to focus efforts on customer retention causes businesses to lose $1.6 trillion per year when customers defect to rival companies. Implementing effective customer retention strategies has been proven to increase overall revenue, and encourage customers to act as brand ambassadors to generate more referrals. In fact, 29% of the respondents said that they would be willing to consider using the insurer again in the future if they improved their customer service. Among Millennials — the achievement-oriented GenY — that number jumped to 41%.
Reactive strategies are ineffective

As indicated by the data, despite the fact that 53% of the insurance companies in question tried to retain their customers after they canceled their policies, their efforts were unsuccessful.

The most common tactics used by insurers were to offer the dissatisfied customer an apology or explanation about the reason for the poor service (53%) or to offer a discount (47%).

They should have offered better service and showed they valued me as a customer to begin with, rather than waiting till I’d had enough and canceled my service to realize their level of service was unacceptable. If there is room to offer better rates or better service, that should happen before I’m fed up and looking for better providers.
Some respondents noted that the best time to take action would have been before they made up their mind to leave. Among those who churned following a negative service experience, 54% would have changed their mind if they had been offered a better service plan, and 37% would have stayed if they had believed that the service would improve in the future. Insurers must explore and implement proactive strategies, tools and technologies to help them retain both their satisfied and dissatisfied customers.

**What did the company do to try to make you change your mind?** *

- **53.33%** Apology or explanation about the poor service
- **46.67%** Offered discount
- **35.56%** Offered a better plan
- **28.89%** Promised that I would receive better service in the future
- **28.89%** Offered free upgrade or gift
- **4.44%** Other

*Select all relevant responses

**What could the company have offered that might have changed your mind?** *

- **53.33%** Better plan
- **37.78%** The belief that I would receive better service in the future
- **35.56%** Free upgrade or gift
- **33.33%** Discount
- **22.22%** Apology or explanation about the poor service
- **4.44%** Other

*Select all relevant responses*
Fallout from negative word of mouth

Beyond the loss of the customer’s business, dissatisfied customers present a threat as they could negatively influence others, especially in the era of social media. Any disappointing interactions can have long-lasting effects as humans are hardwired to dwell more on negative experiences than positive ones. And these less-than-stellar experiences — according to Gartner — are four times as likely to result in a more disloyal than a more loyal customer. Even worse, negative experiences result in an 81% likelihood of negative word-of-mouth.

This is consistent with the survey’s findings. 68% of customers admitted sharing their disappointment about an insurance company’s level of service with others. 64% discussed the company negatively with friends, family or colleagues, 13% shared it on their social media channels, 18% posted on the company’s official social media channel or website, 13% shared it in an online forum, and 8% even discussed it with the media.

With whom did you share your decision to leave the company due to its level of customer service? *

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>63.53%</td>
<td>I told some friends, family or colleagues</td>
</tr>
<tr>
<td>31.76%</td>
<td>I didn't share it</td>
</tr>
<tr>
<td>17.65%</td>
<td>I shared it with my friends and followers on social media</td>
</tr>
<tr>
<td>12.94%</td>
<td>I shared it on the company’s official social media or website</td>
</tr>
<tr>
<td>12.94%</td>
<td>I shared it in an online forum not owned by the company</td>
</tr>
<tr>
<td>8.24%</td>
<td>I shared it with the media</td>
</tr>
<tr>
<td>2.35%</td>
<td>Other</td>
</tr>
</tbody>
</table>

*Responses from those who experienced poor service only
Consumers speak

When asked to describe the experience that convinced them to leave the company, respondents cited the need for simpler processes, improved customer service and better training for agents. Here are some examples:

Need for empowering service reps

“I had horrible service reps with the new company I switched to, they weren’t able to resolve anything.”

“Very rude customer service after being on hold for a long time.”

“Rude, thoughtless crass employees.”

“Customer service reps who acted as though they were doing me a favor to speak with me.”

“Customer service reps who were obviously unknowledgeable and poorly trained and spoke poor English.”

“Their out of country call center was useless and barely understandable.”
Need for improved customer service processes

“Tried several times to contact the company customer service department regarding issues with service not being performed properly. Always had to leave a message. Never got a return call.”

“Had to call 3 times and each time they told me we will have someone call you but never did.”

“Dealing with multiple people multiple times before getting anything accomplished.”

“I felt like I wasn't a priority for the company but just another number.”

“The company kept passing me from one dept. to another, their call screeners did not try to understand the severity of my issue, so I told them to just refund my money and I’ll take my business elsewhere.”

“I ended up going with a company that costs me more but has great customer service.”
Need for effortless experience

“After spending an entire 8 hour day on the phone with numerous people in numerous departments and being assured the issues were solved only to find out the issues continued was the last of my contract with this company. They continue to have the nerve to call monthly to see if I would like to try their “new” and “improved” service. Absolutely no way would I try them again.”

“Poor customer service is a deal breaker for me. If your “team” isn’t armed with correct and accurate information don’t send them into battle with me. It’s not really the fault of the person on the line, rather the person who trained them and them and them... Nonetheless it all comes down to poor customer service leads to no customers.”

“The process was very long and was too much of a hassle.”

“I had to talk to several people including reaching closed offices and being redirected.”

“Called multiple times to discuss the situation, waited for customer service on the phone a long time.”

“Had an issue which could’ve been solved within an hour if the CS actually bothered to go beyond their script.”
Conclusion

Insurers hoping to compete in the “now economy” need to adapt their customer-facing processes to ensure every interaction and claim is as quick and seamless as possible.

McKinsey’s research shows that companies that eliminate inefficiencies along the customer journey increase revenues by as much as 10-15%, while simultaneously lowering the cost to serve by up to 20%. But even more important is the direct correlation between customer effort and churn. Customer experience (CX) leaders must take a long hard look at the overall customer journey and eliminate any friction that might affect customer loyalty. If your customers must put in any unnecessary effort to get their insurance issues resolved, take immediate steps to fix your processes, before your customers take their coverage needs elsewhere.
Footnotes

1. https://neilpatel.com/blog/retaining-customers
ABOUT TECHSEE

TechSee revolutionizes the customer experience domain with the first visual engagement solution powered by Computer Vision AI and Augmented Reality. It enables enterprises around the world to deliver better customer assistance, enhance service quality and reduce costs. TechSee is led by industry veterans with years of experience in mobile technologies, artificial intelligence and big data. The company is headquartered in Tel Aviv with offices in New York and Madrid. For more information, visit www.techsee.me.

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