



Brokering better loyalty.

A guide for insurers on keeping customers loyal.

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A word from Michael Kalli.

Is a lack of customer loyalty impacting profits? What value could improving customer loyalty have on your business? And what are the key factors influencing a customer's decision to stick with a brand long-term?

Customer retention has long been a struggling area for insurers, with consumers consistently looking for alternate options when it comes to their renewals. Consumers are becoming increasingly selective. They know what they want, when they want it and the resources available to help them get exactly what they're looking for in a provider.

We find ourselves in an increasingly digital world and insurers have a wealth of data at their fingertips which can help determine exactly what makes their customers tick and help them to create hyper-personalised opportunities which will, in turn, positively impact loyalty.

It's common knowledge that retaining existing customers is more cost-effective than acquiring new ones, but each and every consumer has a different perspective. It's no longer a one size fits all situation and there are various factors businesses should have front of mind when it

comes to developing their customer retention strategy.

There are various things influencing brand loyalty but, above all, ensuring a customer-centric approach is essential for increasing rates of retention.

As consumers become more frugal in their spending habits, they expect outstanding service that's cost-effective and from a trustworthy/ethical organisation.

To form this report we surveyed over 2,000 consumers to uncover how valuable a customer is to a brand over the course of their lifetime. We look at consumer perception of loyalty today, what sways their purchasing decisions, what they're looking for in an insurance provider and most importantly, what are the key factors that will ensure they stay put with their existing insurer.

We also honed in on key differences between various demographics, surveying Gen Z, Millennial, Gen X, Boomer and Silent Generation respondents. We delve into what influences their decision to choose an insurance provider and would instil loyalty when it comes to remaining with them.



Michael Kalli, Managing Director, Ello

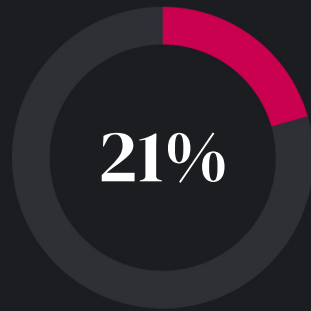
Standout stats.



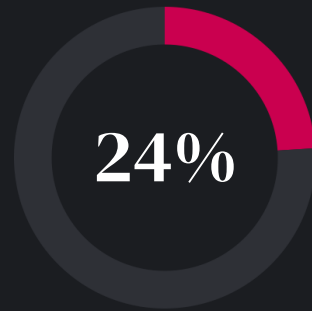
What's impacting consumer loyalty across the UK's insurance sector?



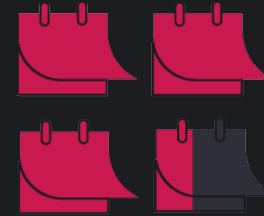
60% of consumers state bad interactions impact their loyalty to a brand and often result in them cutting ties



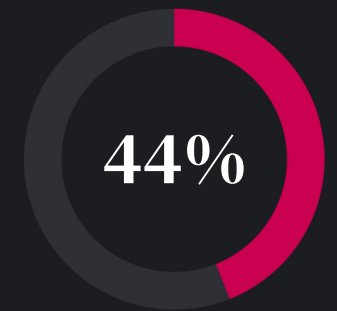
More than one-fifth say they would leave a brand if they engaged in unethical practices



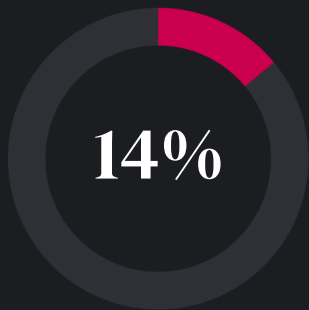
would leave if they found out a brand mistreated employees (such as not paying them fairly or forcing them to work long hours)



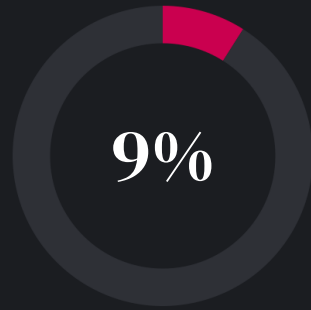
On average, consumers are typically loyal to their insurance provider for 3.3 years



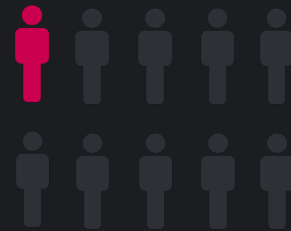
of consumers say they're not loyal to their insurance provider which is the lowest loyalty rate we found in comparison to banking/finance, retail, telecoms and utilities



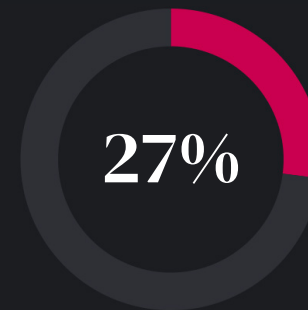
of consumers believe it pays to be loyal to their insurance provider



of consumers feel like a valued customer to their insurance provider



1 in 10 have been a customer with their insurance provider for more than five years



admit they often look for better deals on their insurance policies



1 in 5 confirm they're not offered better deals if they stick with their provider for multiple years

Part one.



What's influencing loyalty in insurance?

There are various factors influencing brand loyalty. From price, perks and quality, to trust, reliability and values, it's essential insurers get it right if they want to retain valuable customers long-term.

On being asked how they define loyalty, the vast majority (65%) said it's continuing to purchase products from a brand over a long period of time (five or more years).

Loyalty can however be very fragile, especially across the insurance sector where we know many consumers frequently turn to new providers for a better deal as their contracts end.

Building loyalty and improving retention.

There are multiple reasons why a customer would opt for a new provider. In fact, of those surveyed 60% admit bad interactions impact their loyalty to a brand and often result in them cutting ties. Further to this, more than one-fifth (21%) say they would leave a brand if they engaged in unethical practices. While 24% would leave if they

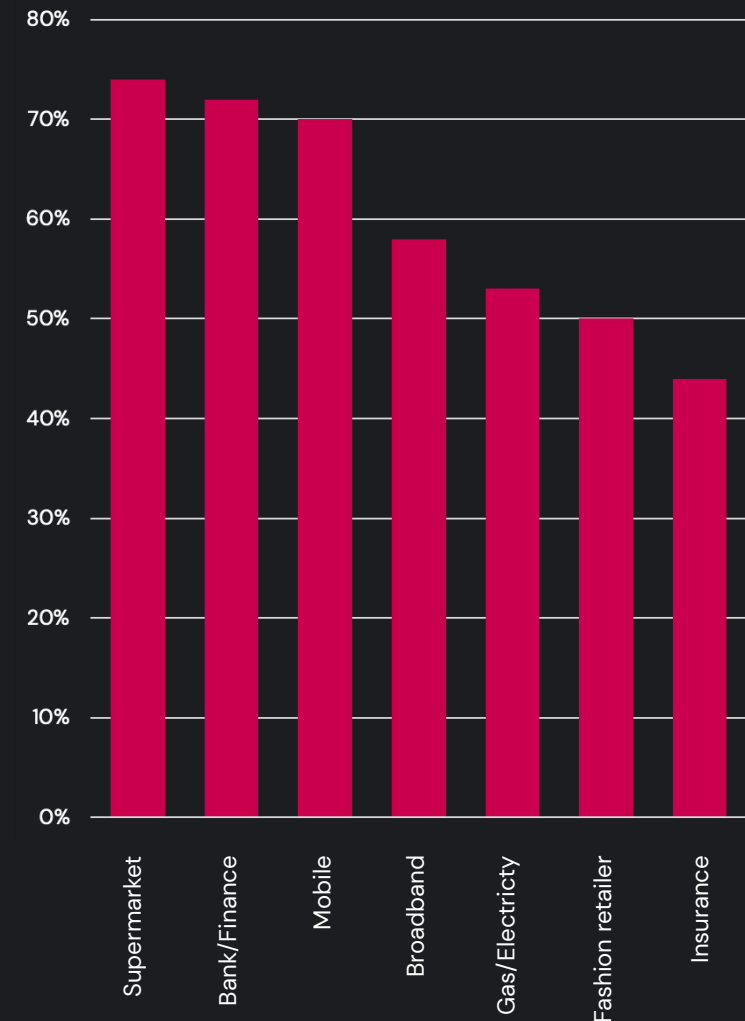
found out they mistreated employees (such as not paying them fairly or forcing them to work long hours).

On the contrary, 50% admit they would pay a brand more for a product/service over their competitors if they trusted them and knew they were reliable. 35% would put up with a period of poor customer service if the product was good quality, however 27% wouldn't.

On how various industries perform when it comes to customer loyalty, the data confirmed the following.

When it comes to ranking customer loyalty across various sectors, insurance providers don't currently fare well. The data confirmed consumers are least loyal to their insurance provider, when compared to how loyal they are to their telecoms, finance/banking, retail and utilities providers. Supermarkets currently come out on top, presenting a great opportunity for insurers to adopt some key learnings from the sector to determine what they could be doing differently.

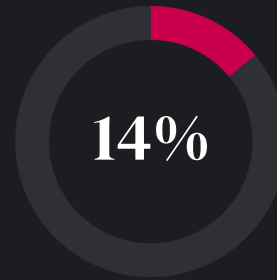
Consumer attitudes to brand loyalty by industry



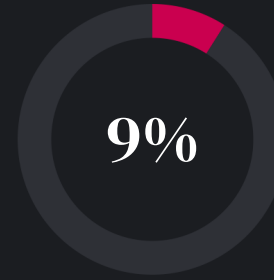
On consumer loyalty, the research uncovered that:

Many providers aren't currently cutting it when it comes to improving rates of customer retention. As they plan for the future there are various factors that should remain front of mind which could result in big improvements, and in turn increased profitability.

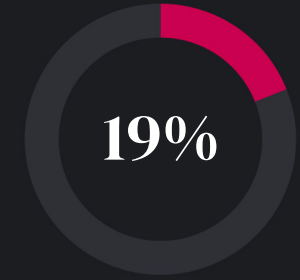
Although it's important to remember that while loyalty across various sub-sectors, such as motor, health/life and travel insurance, will vary the tactics that can be adopted to improve retention remain the same.



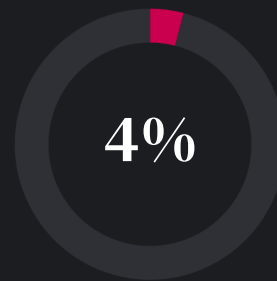
Only 14% believe it pays to be loyal to their insurance provider



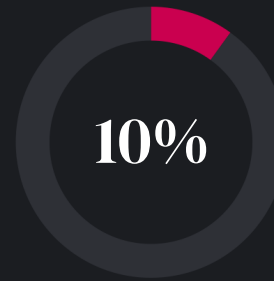
As few as 9% feel like a valued customer to their insurance provider



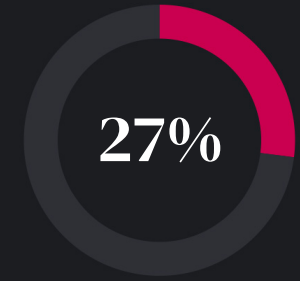
19% say they're not offered better deals if they stick with their provider for multiple years



Just 4% admit they're offered perks by their provider

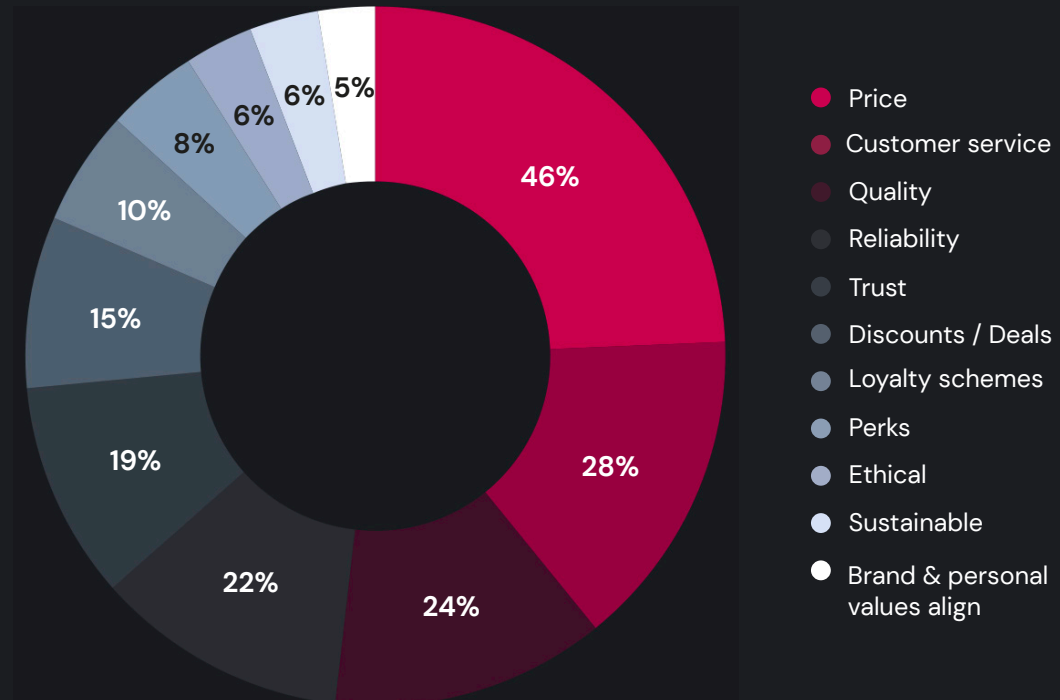


Only 10% have been a customer with their insurance provider for more than five

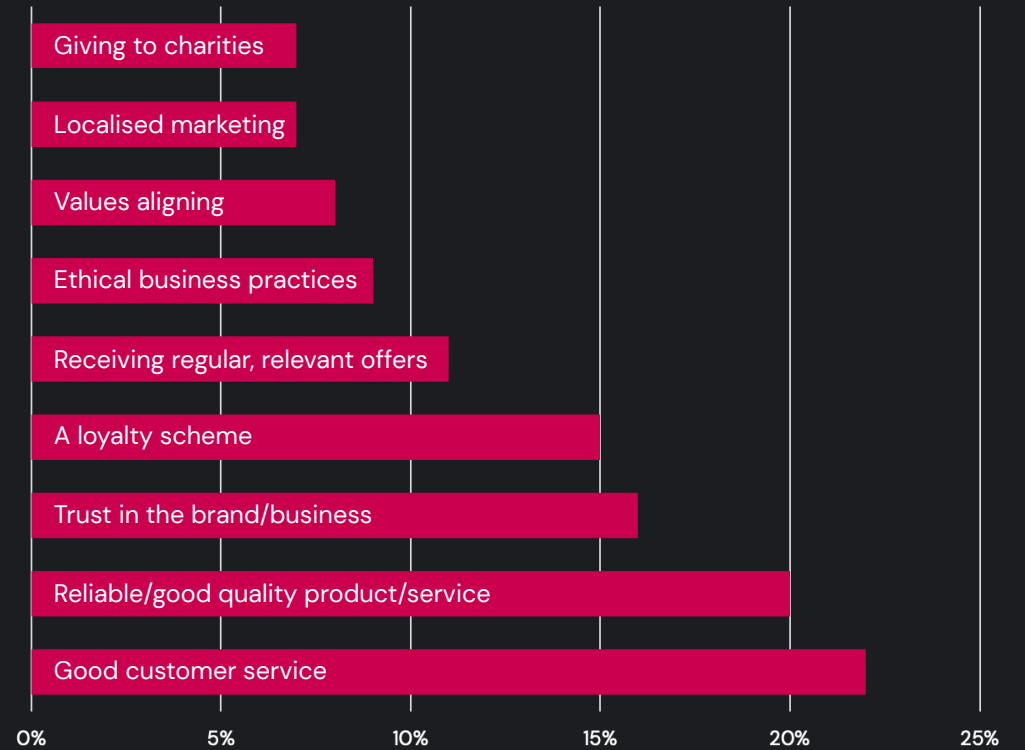


27% admit they often look for better deals on their insurance policies

Factors influencing brand loyalty, ranked in order of importance.



Factors likely to result in increased spend.



It's clear there's room for improvement and there are various areas insurers should be focusing on if they want to instil brand loyalty amongst their customer base. Consumer needs are constantly evolving, but price and good customer service will always be essential. A recent Deloitte survey of 200 insurance executives revealed that 57% believe being able to speak to friendly and knowledgeable staff for information and assistance is the most effective way to maintain customer loyalty. Yet only a third (33%) feel that their business is performing well against this metric.*

In recent years technology has completely transformed the way the insurance sector operates and has presented an exciting opportunity for providers to really hone in on consumer behaviours.

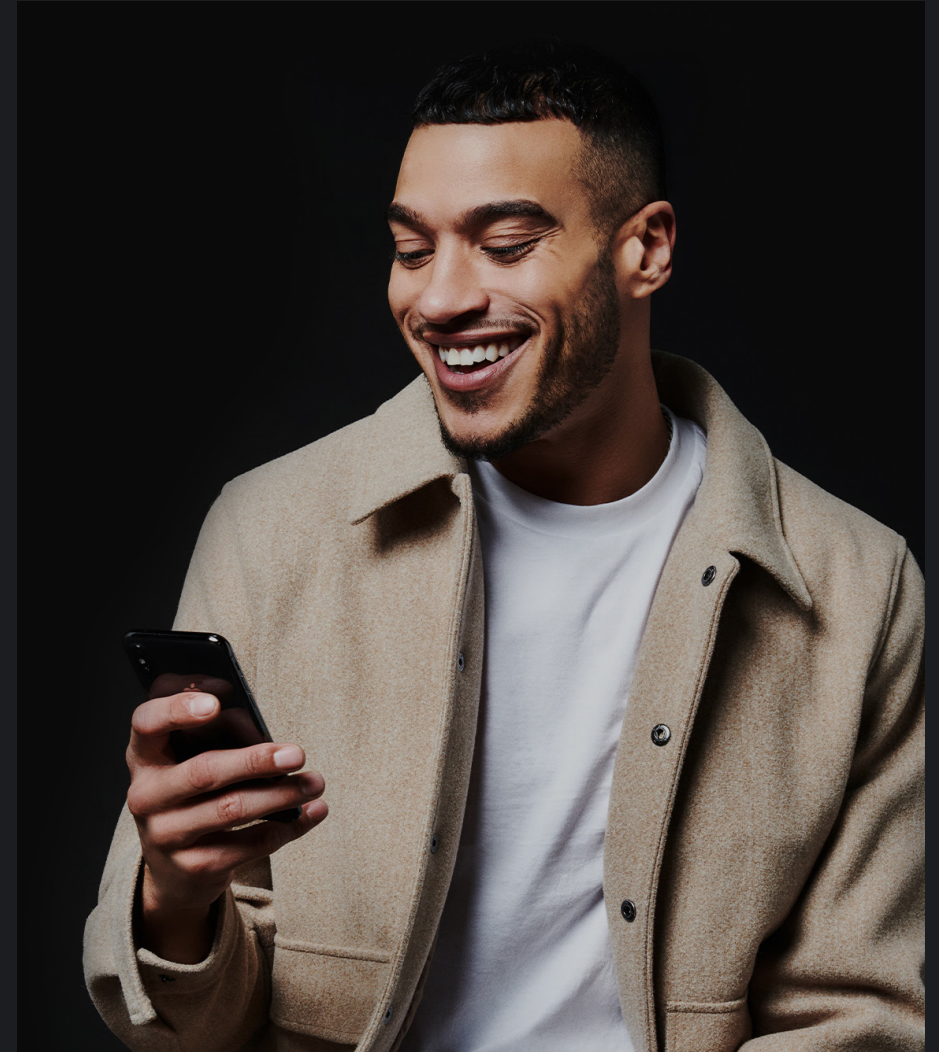
However, many aren't currently utilising the data available to them, or due to legacy systems have access to

data, to help them to create bespoke experiences for their customers which could be valuable in maintaining loyalty and improving customer service/experience.

Insurers should be looking to other sectors that are performing well when it comes to customer retention and taking note of what they're doing differently. While price, quality and good customer service are essential, trust, loyalty schemes and perks are tactics many prominent brands have adopted to further instil loyalty. Think Compare the Market, Tesco, Nando's, Boots and Starbucks.

We know extended loyalty can be incredibly valuable from both a retention and profit standpoint. But what exactly is it worth long-term to an insurer?

*Deloitte, A demanding future: The four trends that define insurance in 2020.



Part two.



A lifetime of loyalty – what's it worth?

After uncovering there's a clear divide amongst the sector's customer base when it comes to loyalty, with half admitting they're loyal to their current provider and half admitting they're not, there's clearly room for improvement.

Our research found that over a 12-month period, the average consumer spends roughly £417 on insurance services, while they're typically loyal to a provider for 3.3 years.

With the average cost to acquire a new customer in the sector estimated to be approximately £218, based on the exchange rate in April 2021, the return on investment (ROI) of focusing more on retention for the long-term vs acquisition of new customers could be substantial.

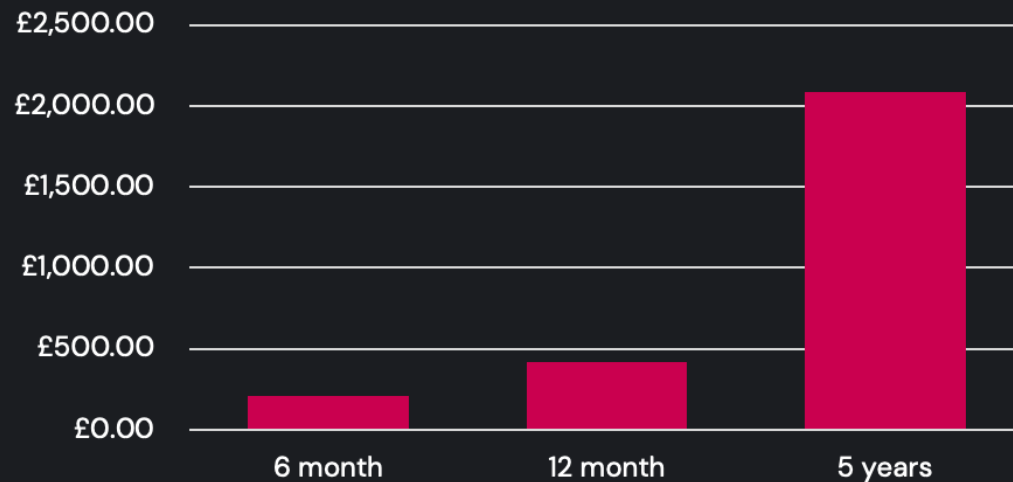
3.3

£218

On average, consumers are typically loyal to their insurance provider for 3.3 years

Average customer acquisition cost is approximately £218

The lifetime value of an insurance customer



With only 10% of consumers staying with their insurance provider for more than five years, it's clear the thought of staying with a single provider for an extended period is unheard of right now. However, if a provider is getting it right and creating a truly exceptional offering for consumers, there's no reason they wouldn't remain loyal for a lengthy duration of time.

So, what's going wrong? What could insurers be doing differently to ensure they're not making such significant losses due to lacking customer retention? What do consumers actually want from their provider? And how does this vary across different generations?

Part three.

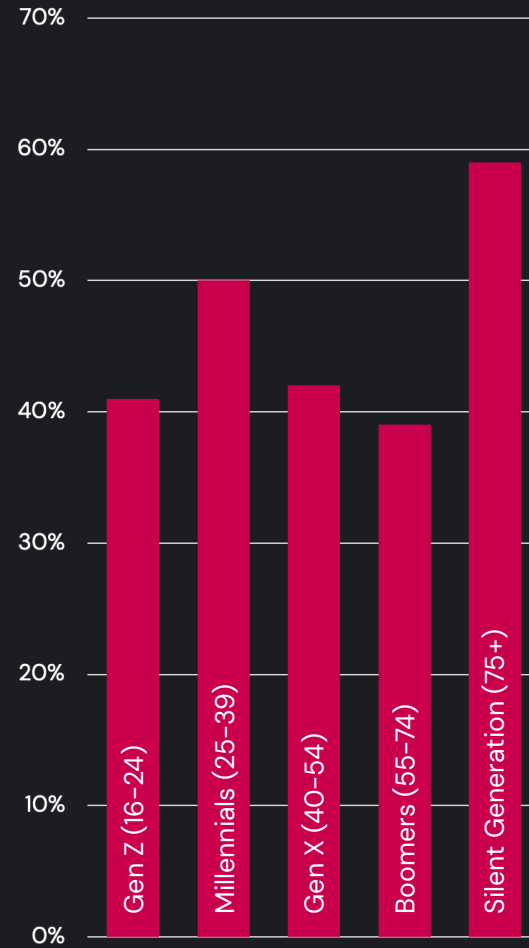


'Generation loyal' – who are they and what drives their decision making?

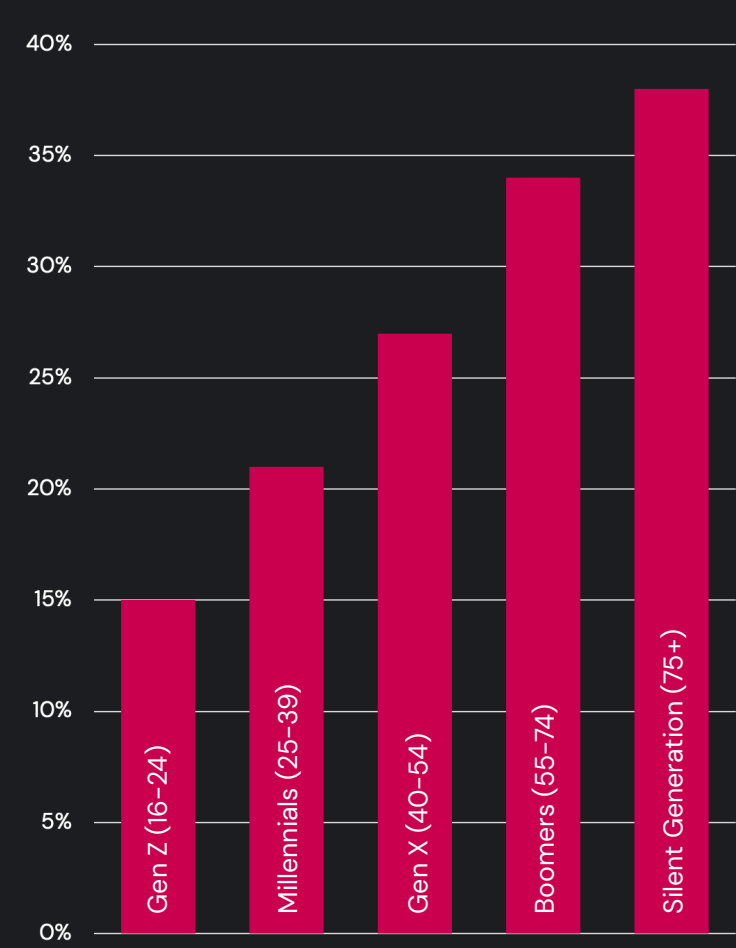
Consumer habits are shifting substantially with various factors including technology, trends and cultural changes impacting how we interact with brands.

Behaviours across the demographics also vary significantly, with the factors influencing a Boomer's purchasing decision being somewhat different to what drives a Gen Z consumer. Yet all are incredibly valuable to insurers and have the potential to spend a considerable amount of budget on their insurance.

Loyalty to insurance providers by demographic.



How likely are demographics to search for better deals on their insurance policies.



On the biggest factors influencing why they stick with an insurance provider, this is what various generations said:

Above all price sways consumer loyalty across the insurance sector. There are however various other factors insurers should be focusing on including customer service, ensuring they're a reliable provider, they're offering a quality service and providing perks – especially for their Gen Z customers.

It's also important to remember, while there are generational trends, insurers have a wealth of data at their fingertips and the opportunity to create bespoke personalised offers for their customers to again, help instil loyalty.



Gen Z

Price (18%)

Reliability (16%)

Perks (15%)



Millenials

Price (35%)

Good customer service (22%)

Reliability (20%)



Gen X

Price (51%)

Good customer service (29%)

Quality of product/ service (25%)



Boomers

Price (60%)

Good customer service (37%)

Quality of product/ service (32%)



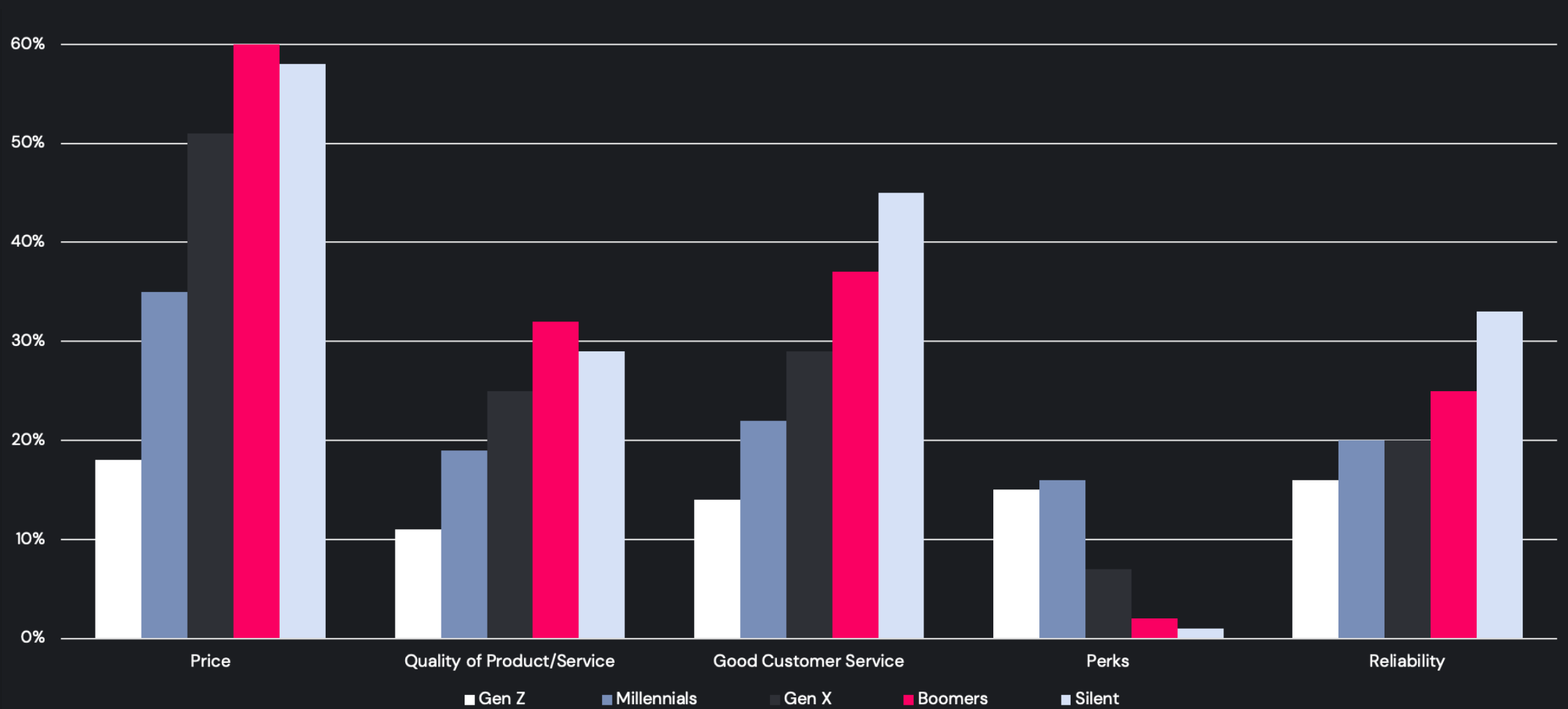
Silent Generation

Price (58%)

Good customer service (45%)

Reliability (33%)

The biggest factors influencing consumer loyalty to insurance providers.





Gen Z (16-24)

Gen Z is the future of your customer base and they regard perks as a key driver for their loyalty. Interestingly, only 15% of Gen Z say they're likely to look for better policies (the least likely demographic to change provider), providing beneficial perks are tailored to them. Investing in a long-term loyalty strategy could ensure they stay loyal to one provider throughout their lifetime.



Millennials (25-39)

At 50%, Millennials are the second most loyal demographic. Providing good customer service is one of the biggest factors you should consider when attempting to retain this demographic. Effectively listening to, understanding, and resolving customer queries could lead to long-term acquisition and lifetime loyalty.



Gen X (40-54)

The quality of the service provided is massively important to a quarter (25%) of the Gen X, while over half (51%) say the price is the biggest reason for staying loyal. Finding a balance between providing the highest quality service at the lowest possible price would bode well when attempting to retain Gen X customers.



Boomers (55-74)

At 39% Boomers are the least likely to be loyal to insurance providers. 60% did however state that price is the biggest reason for staying loyal – the highest of all demographics. From the survey, we can gather that providing a high-quality service coincided with good customer service, at a reasonable price point would help retain this age group.



Silent Generation (75+)

At 45%, good customer service is more important to the Silent Generation than any other demographic, along with reliability (33%). While the silent generation can be the most loyal demographic, they're also the most likely to search for a better deal (38%). Providing good customer service and a highly reliable insurance policy will ensure the Silent Generation remain the most loyal demographic.

Actions for insurers.



The data has proven various factors are impacting how long a customer sticks with their insurance provider. We've summarised the key takeaways from the report to consider, to help improve your rate of retention.

Top 3 customer engagement strategy tips:

1

Tailor your customer engagement strategy to appeal to your target demographics

2

Align your engagement strategy to your customer values

3

Create an engagement strategy that rewards your customers throughout their customer life-cycle

On the whole...

While price is clearly a determining factor for consumers, regardless of demographic, it's not the only element that insurance providers need to consider when thinking about a retention strategy. Customer service, quality of product/service, perks and reliability are also a driver.

When it comes to looking for better deals on their insurance policies, older consumers are more likely to explore their options than their younger counterparts – with good customer service, reliability, quality of product/service, along with price, influencing their decision to stay with a provider. Compared to the younger generation who are driven by perks, if positioned correctly insurance providers can tailor their loyalty programs to surprise and delight both.

Conclusion.

Overall, the insurance industry isn't currently performing well on the loyalty front, with many consumers admitting they don't believe it pays to be loyal to their existing provider. It's time to change this perception to improve retention and guarantee loyalty for the long-term. Loyalty is fragile and multiple factors can lead to a consumer opting for a new provider. Be it poor customer service, unethical practices, a lack of trust, not offering perks or a single bad interaction, it's important to bear all these factors in mind and ensure each is prioritised to instil loyalty.

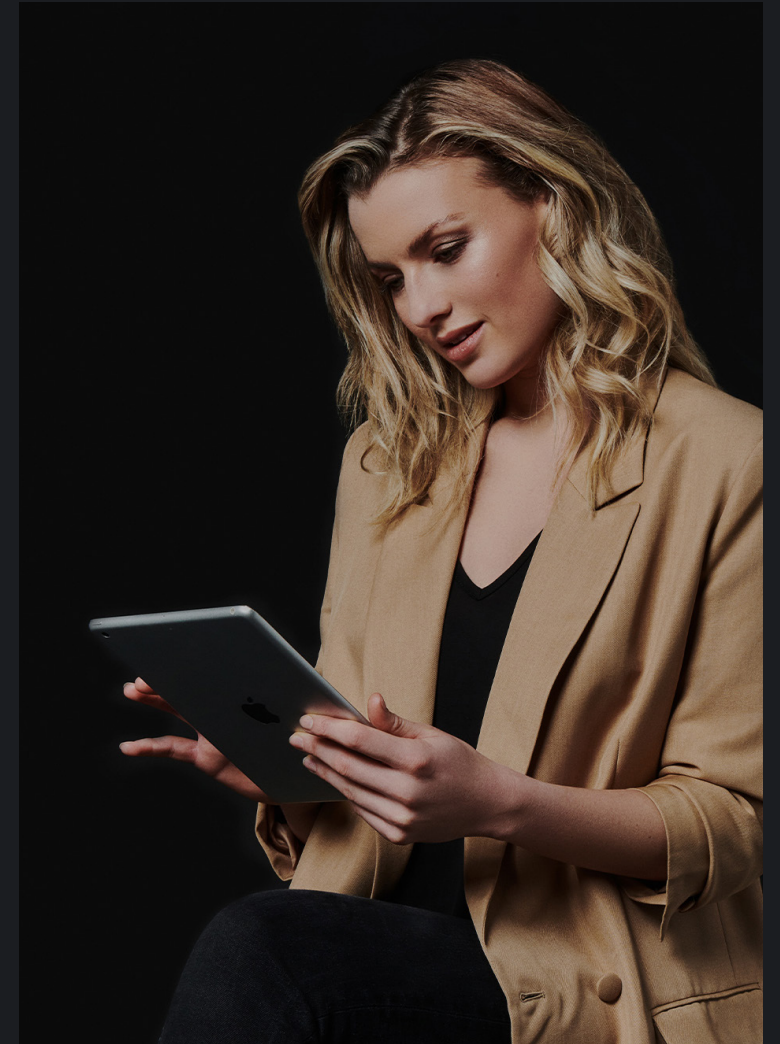
This is just the tip of the iceberg. While there is too much to cover off in one report, hopefully this offers some food for thought on simple ways to inform your customer engagement strategy.

About Ello.

Ello creates everlasting connections between brands and consumers by providing brands with the tools to give consumers genuinely rewarding acquisition, engagement and loyalty schemes. And in return, brands watch those consumers stick around. It believes the most impactful programmes are the ones that feel like an extension of a brand, not a partner offer. With its home-grown products, expert services, nimble tech and experienced people, it does just that to achieve real commercial results, increasing acquisition and engagement for brands. Already providing some of the UK's most recognisable brands with sophisticated propositions, Ello's capabilities are ever-growing to help more brands deliver incremental commercial revenue and delight consumers.

The research.

To form this report, we surveyed 2,016 consumers to uncover the key factors impacting their brand loyalty, what makes them stick with an insurance provider for the long-term and what could influence increased spend. We also looked at how valuable a customer is to a provider over the course of their lifetime, by drilling down on exactly what they're spending currently on insurance.



We'd love to hear your thoughts.



To discuss the information contained within this report further or to comment on the findings, please reach out to info@ellomedia.com

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