Case study

Norwich Union

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Abstract In the enormously competitive retail financial services markets of today, being good enough is no longer good enough! In the insurance industry, the cost of acquiring customers is very high. Retaining existing ones is therefore of crucial importance. This belief led one of the largest financial services companies, Norwich Union, to implement a strategy to do everything possible to retain customers through focusing on the experience it delivered to its customers. While this example relates to the contact centre environment, the findings should be of interest to all companies where promoting better service for customers is a prime strategy for the future success of their business. Norwich Union has decisive and measurable evidence that it succeeded in transforming the quality of the customer relationship while at the same time boosting the enjoyment call centre agents found in their work and delivering significant commercial returns.

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INTRODUCTION

With 13,000 employees and total annual premiums of almost £8bn, Norwich Union Insurance is the second largest UK insurance company after Lloyds.

The idea that investment in enhanced customer service — when correctly implemented — can make a positive impact on insurance providers' bottom line is often debated. The experiences of Norwich Union Insurance indicate that such an impact can be achieved. While this example relates to the contact centre environment, the findings should be of interest to all companies where promoting better service for customers is a prime strategy for the future of their business.

TRANSFORMING 'GOOD' CUSTOMER EXPERIENCE INTO 'GREAT'

Product pricing is, of course, a crucial factor in winning customers, but if you want to keep them, what really matters is the quality of customer service you provide. In the enormously competitive retail financial services markets of today, being good enough is no longer good enough.

To survive and prosper, companies must embrace radical change. In market conditions such as those being faced now, reducing the costs of doing business can easily become the sole focus. But customers are ever more demanding, and do not readily accept (and nor should they) that

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competitive pricing means a lower quality of service. Therefore, companies must find ways to reduce the costs of doing business and to improve customer experiences. 'Ordinary' contact performance does not deliver the differentiated, exceptional calibre of customer service that wins enthusiastic loyalty from customers.

While pricing can be important in winning customers, what really matters in keeping them is the quality of customer service. One of Norwich Union's business objectives is, therefore, to do everything possible to retain customers through the level of service it offers those customers. Norwich Union has decisive and measurable evidence that it succeeded in achieving this from a wide-ranging initiative it embarked on in conjunction with Cape Consulting. We are a service excellence consultancy with particular experience in the financial services sector.

THE FIRST STEP — LOOKING AT THE THEORY OF CUSTOMER LOYALTY

The team at Norwich Union began this new initiative by taking our advice that they should get to know the work of the business thinker Frederick Reichheld, author of the best-selling books *The Loyalty Effect* and *Loyalty Rules*.

Reichheld is unequivocal in his belief that customer loyalty should be the main focus for a business, not merely part of what it is about. In particular, Reichheld has ingeniously reduced his thinking to the proposition that the best and most reliable test of customer loyalty is simply the customer's response to the question, 'would you recommend this organisation to a friend?'

Reichheld advocates measuring customers' willingness to recommend on a scale of 0–10. He has modelled the results against organisations' sales growth and shown that companies with a significant surplus of promoters (enthusiastic recommenders, 9 or 10 on the scale) over

detractors (those scoring below 7) substantially exceed in sales growth over competitors who do not have such a surplus. Reichheld is adamant that organisations must win from customers strong enthusiasm for recommendation. Mild enthusiasm, from Reichheld's perspective, is worth very little, as such customers will be very likely to migrate to a rival. After considering Reichheld's ideas, the company concluded that if they wanted to transform their customer experience they needed to take every step to improve the quality of both the buying experience and the post-sale customer service experiences that their customers were receiving from their contact centres.

THE CHALLENGE THAT FACED NORWICH UNION

Our problem was that Norwich Union already offered a good level of customer service experience. When an organisation already believes itself to be good, there is a huge challenge involved in overcoming the status quo. People see no compelling reason to change what seems to be already working perfectly well. Their mantra, not surprisingly, tends to be, 'if it isn't broken, don't fix it'.

But the aim was to strive to be 'great' rather than good. And so, through working closely with call centre agents, the company developed an entirely new mindset as far as dealing with customers was concerned.

THE INITIAL RESEARCH

The work began with a programme of customer research in which the ability to generate enthusiastic customers who would be 'promoters' according to Reichheld's terminology was measured. Norwich Union then modelled its ability in this direction against Cape Consulting's database of *Loyalty Building Experiences™* — factors that can be defined as clear, recognisable and distinctive practices that impress customers. The effect of *Loyalty Building Experiences™* is clear: they lead to

customers enjoying the interaction with the organisation and, if delivered at a consistently high level, can significantly increase the likelihood that a customer will become loyal. For example, Loyalty Building Experiences™ are designed to ensure that the customer feels, among other things, that:

- he or she has sufficient time, without feeling rushed
- he or she is dealing with someone who sounded positive and eager to help
- dealing with the organisation is easy, convenient, efficient and enjoyable
- the organisation genuinely cares about meeting his or her needs.

PUTTING THE RESEARCH INTO ACTION

Having assimilated Cape Consulting's take on how to improve the level of customer service, Norwich Union 'looked in the mirror' and had a good think about the nature of the service they provide. The aim was to build momentum in the contact centres towards delivering the Loyalty Building Experiences™ so as to create — in Reichheld's terms — promoters among their customers.

Mindful of the need to maintain simplicity and synergy, the Loyalty Building Experiences™ were aligned to a programme that was already underway to improve the quality of customer service experiences. That programme had defined the ends — not the means. The new programme was called 'Care at the Heart' and the idea behind the Care at the Heart programme was to set very specific objectives for how customers should feel when they dealt with Norwich Union.

The company identified what changes could be made in the ways they communicated with customers in order to give them those feelings both reliably and consistently. As frequently acknowledged in the call centre industry, the biggest

influence on the performance of call centre agents is their team leader. This programme required that the team leader take responsibility and 'teach' their teams the Loyalty Building Experiences™ within the Care at the Heart programme.

This gave the programme an unprecedented level of credibility and additionally helped to ascertain the capabilities and commitment level of the team leaders themselves. A great many stepped up to the mark in an inspiring and convincing way. Their enthusiasm was contagious within their teams.

What does all this mean at the coalface — where call centre agents deal with customers on the phone? It means that the telephone interaction between the call centre agent and the customer is guided by specific targeted behaviours that the agent learns to put into action in a natural and authentic fashion.

Authenticity is the key to the whole thing:

- lack of authenticity is easy to detect in voice, tone and manner
- providing great service is often called 'emotional labour'. An agent must want to deliver the Loyalty Building Experiences™. If agents do not want to put the behaviour into practice on a consistent basis, no sustained improvements are possible
- if agents do not enjoy the experience of talking to customers, their jobs can be very mundane indeed. A principal purpose of the programme is to help call centre agents realise that their jobs will actually become more interesting and more enjoyable if they put these practices into action.

MAKING PROGRESS

The work itself consisted of three key phases: a 'diagnostic' phase, an 'implementation' phase and a 'business as

usual' phase. The 'diagnostic' phase posed the following key questions:

- Are customers impressed with their service experiences?
- Do the people who deal with customers know how to impress them?
- Do management practices support a high performing climate?
- What can be done to better support team leaders in driving improvements to customer experiences?

Quantitative measurement was conducted by Cape Consulting to assess customers' service experiences and derive Reichheld's all-important Net Promoter[®] Score, and the calls were assessed against Cape's framework of excellent performance. This meant that performance gaps that needed to be closed could be identified, increasing the likelihood of creating promoters.

Lastly, given that the team leader population is the most influential to contact centre performance, Cape Consulting audited their coaching skills and practices in order to make recommendations for increasing the effectiveness of this important group.

In the 'implementation' phase, team leaders became even more involved in the heart of the process. They ran events for their teams, which involved sharing real customer data with their agents and discussed customers' feedback. This allowed team leaders to communicate to their agents important discoveries about their current level of performance. Agents were shown that while they were good at what they did, there were many areas where they could make improvements.

Finally, there was the 'business as usual' phase in which Norwich Union 'rebooted' activities with the new working practices built in. These new practices, and the feedback processes that were a crucial element of them, were essential to the key task of instilling new behaviours. Again, the

difference was between knowing what to do and actually doing it. Implementation required dogged effort and persistence to impact those agents who were still comfortably doing just enough to satisfy customers, but not enough to impress them.

CONCLUSION — THE PROOF OF THE PUDDING

The Care at the Heart programme allowed Norwich Union to effect a paradigm shift in how call centre agents do their jobs: a major undertaking, and one that requires constant vigilance. It required a massive modification not only in how the agents see customers, but in how they see themselves and their jobs.

People do not change their behaviour overnight: they have to be repeatedly persuaded to change it, and given positive reasons to want to change it. There was no merit in simply replacing a call script that was based essentially on making sales and limiting the call duration with one that was based on creating a comfortable and human relationship with the customer. Some aspects of the change involved scripting the 'new way' of dealing with customers and, because the agents were dealing with financial services, there were also some necessary regulatory and technical aspects of the conversation that had to be included. The general approach was, however, to create a collaborative atmosphere within call centre agent teams where individual agents felt motivated to work together in the team to effect an enormous change for the better in how they dealt with customers.

Individual agents had opportunities to insert information into the conversation and to improvise where necessary in dealing with customers. The intervention was prescriptive in the sense that agents were urged to put into practice behaviours that work very well in achieving the objectives that had been set. But within this overarching strategy there was room for individual initiative and creativity.

The response to the initiative from individual call centre agents was extremely inspiring and encouraging. Many people who work in call centres are young people starting their first job. Labour mobility within call centres is quite high, and in the past many agents have taken it for granted that their working lives would be rather boring and not very 'human'.

The hard facts show what has been achieved: sales figures up, failure demand down, staff motivation increased and the Net Promoter® Scores up across the board.

In the insurance industry, the cost of acquiring customers is very high. Retaining existing ones is therefore of crucial importance. There is no doubt that there is an opportunity to differentiate in a competitive environment such as insurance by striving to offer a better level of customer service experience. But this

enhanced customer service has to start with how call centre agents help customers. John Willmott, of Norwich Union, said at the time, *'My overall impression about this work is that it is a truly transforming initiative; not only transforming the quality of the customer relationship but also boosting the enjoyment call centre agents find in their work. Cape Consulting has, however, always emphasised that the commercial benefits of their work is what really matters. As someone with a tough and demanding commercial agenda I wholeheartedly accept and endorse this fundamental point. The proof of the pudding has been in the eating, and this initiative has been a highly effective one'*.

Cape Consulting's work on Loyalty Building Experiences™ is described in *'Customer Loyalty, a guide for time-travelers'* by Dr Sionade Robinson and Lyn Etherington, published by Palgrave Macmillan.