



The Three Keys to Achieving Client Loyalty

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«There are three fundamental keys governing the route towards achieving client loyalty: knowledge, communication and quality. Silence is one of the greatest enemies of this strategy.»

MAPFRE Hogar is the leading product in its sector of multi-line homeowners' insurance, with 1,600,000 policies held by 1,450,000 clients. MAPFRE Hogar and the company that markets it, MAPFRE Seguros Generales, are going through a wide-ranging process of change that is connected with a type of business that all companies, especially those that deal with large groups of clients, have just discovered: the conservation of client business in the portfolio.

Up until now it had always been thought that an increase in business was exclusively linked to an increase in the number of clients. We have suddenly realised that, although this is true, this should be complemented by a greater amount of business with existing clients and with the maintenance of these clients' portfolios and their status as «members» of our company.

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Those companies that are making an attempt to analyse, so as later to avoid, the causes of client loss have come to an important conclusion.

A client's acceptance of services from a service company will not now carry on indefinitely if there is not a series of posterior contacts, which, in prac-

tice, means new sales. These contacts will come about through the provision of the service which has itself been requested, in the case of MAPFRE Hogar this would involve the settlement of a claim, and also through other contacts that we should have so that our clients – above all those that do not use our services – continue to consider that the decision that they took to receive services in certain circumstances continues to be of interest.

We have realised that a one-time sale, closing a sale, is now more than ever the beginning of a series of small and large new sales, at different times and through different channels, but all tending towards achieving client loyalty.

AFTER THE SALE

A company's after-sales services are taking on an extraordinary importance due to the greater level of competition and greater client mobility.

In the financial sector, and insurance with a service component is an example of this, we have seen that products are very similar and that any innovation can be copied in a matter of hours. The marketing channels to which we have access are also becoming increasingly similar. In the end the only way of distinguishing one company from its competitors is its after-sales service to its clients.

The sale is not simply the end of a commercial process, it is also the beginning of a profitable and lasting relationship; in other words it has added value.



After assessing a number of experiences in this field, including our own, from companies whose future growth is linked to maintaining client loyalty, we have come to the conclusion that customer loyalty and satisfaction programs should be based on the «three loyalty keys»: knowledge, communication and quality, all three of which are fundamental.

KNOWLEDGE

It is not possible to achieve a client loyalty programme or, what is the same in our sector, to lengthen the average time that our clients stay with us, without having sufficient knowledge of these people or institutions. This is the practical implication of that well-known piece of advice given by David Ogilvy: «Never sell to strangers».

Our first objective was, and this should be continued in the long-term, to achieve a better knowledge of clients, something towards which we had never taken any specific actions.

The reason for this is simple: a company or a product protects property and assets; it does not have – because until now this was not necessary – a large amount of personal information on its clients. This has led to the requirement to:

- Identify, using available information, essential location information.
- Reorganise this set of data, its source of information and enrichment (initial policy purchase, service provision, telephone or mail contacts) and access routes and authorisations.
- Transform, with the help of specialists, what was a simple client database that served the business transactions, into a true marketing database.

This today gives sufficient information on our clients, their geographic location, volume of business, length of time with the

company, the quality of their business and other information relevant to our sphere of activity.

I have talked about «sufficient information» because, with regard to databases, the use to which we will put this information is something that should not be forgotten.

Better knowledge of our clients is making it possible for «cold calling» to become increasingly infrequent

THE PURPOSE OF THE INFORMATION

In MAPFRE Hogar we are using the information on clients in order to identify those that should receive special attention, following the principle that not all clients are the same.

The aim is to discover which clients are of greatest interest, more profitable in a certain way, using two fundamental criteria:

- Those that are of interest due to the profitability of the business that they give us; this is related to length of time with the company and the existence of a good loss history.
- Those that are of potential future interest due to possible future developments in the business they provide. We define this through their personal, property, geographical and policy take-up profiles.

Without any doubt this latter group is a primary objective and it is certainly worthwhile investing the greatest share of resources in a client loyalty programme.

CLIENT DEVELOPMENT

The next step, after gaining a better understanding of the

clients in the portfolio, was to see how these people progressed and changed, how many joined the portfolio and how many left it, and to analyse the reasons behind these changes.

Rates have been obtained that allow possible improvements to be assessed, identifying each year's new clients as well as those that leave the portfolio.


What MAPFRE Hogar is aiming to do is as follows:

- To observe the organisation's capacity to retain clients.
- To measure the advances made in the process that starts with the sale and is the area in which differences with the competition are shown.

With regard to the reasons, the analysis of questionnaires regarding the causes for withdrawing business is always of interest, making note of aspects such as price/product, service and other commercial factors.

This has been done on various occasions by an external company without a previous questionnaire and the results that have been obtained lead to important general and specific conclusions for the sector:

- Something that has been previously mentioned, there has been a marked change in the sale of insurance products with a service component to private individuals. Now, and above all with regard to clients without portfolio activity, which at times are a large proportion and that represent 50% of the lapse rate, simply a more frequent contact – annual, in order to give a reminder of the interest rate for the purchased product – gives a certain guarantee of the client's continuation. An effort must be made to resell the product with a certain reasonable frequency.
- The second conclusion, which is related to the previous one, is that, with regard to services, many of the causes of policy annulment are linked to an insufficient or erroneous understanding of the contract



that these clients have signed; in other words the product must be re-explained periodically, it must be sold again using basic reasoning. There is a tendency for clients to forget the reason for the initial purchase and this leads to dissatisfaction and a desire to cancel the product.

Lastly, greater understanding of MAPFRE Hogar's clients is leading to wide-ranging commercial changes both with respect to the search for new business and with respect to increasing client loyalty through greater satisfaction. Better understanding of clients is making it possible for «cold calling» to become increasingly infrequent and for certain commercial actions to increase the organisation's level of success.

COMMUNICATION

After analysing client activity, we have found that there seems to be a direct relationship between policy lapses and communication – or rather a lack of communication.

The prolonged period of time that a large part of the clients has been with the company confirms the fact that they have gone through a relatively long period of time without contact with the company. This conclusion is clearly reached when observing long-term clients that have not had the opportunity to test the usefulness of the service that they have bought, that have not made a claim nor had contact with the company.

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We have seen that when a client buys a service that he does not use, and when he does not receive or initiate any contact there is a greater chance that he will leave:

- For a competitor that is more active in this respect, even with a less attractive product.
- Due to a lack of interest in the product or service.

It can today be stated that there is very little doubt that silence is the worst enemy of client loyalty.

In the recent past taking care of client relations has not been a priority for many companies, nor has it in insurance, and this opens up enormous possibilities for those that make a concerted effort to invest resources in this direction.

We talk about excellence and usefulness, of giving clients the feeling that they have made the «right choice»

QUALITY

The third of the keys to achieving client loyalty on which

we are working in MAPFRE Hogar, surely the most obvious, but not always the one that receives the most attention, is the quality of the products and services that are offered to clients, both at the beginning of their relationship with the company and, as we have seen, at later times. This has a great effect on client satisfaction and loyalty.

When quality is given as a client loyalty aim in MAPFRE Hogar, reference is being made to the design of a management system in which the whole of the company participates and that is designed to always satisfy and increasingly exceed client expectations.

Difficulties are increased in the service sector since expectations, and meeting these expectations, have a large subjective component, much larger than for tangible products.

We know that when expectations are not met this puts the future of any company in doubt, since these are increasingly dependent on their clients. Similarly when expectations are exceeded this produces satisfaction, generates loyalty and, in consequence, is a quality objective.

We talk about excellence and usefulness, and giving the client the feeling that he or she has made the right choice and of the positive effect of making the decision to buy again every year – this being the principal loyalty indicator that we use. Quality is nothing more than client satisfaction, and it is for this reason that it should be the client and not the company that sets the standards that must be respected by the organisation. ■