

Issue 3

Are your clients
satisfied?

Confidence

Understanding customers helps make smarter decisions

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Introduction

In this, our third and final issue of the Vero SME Index in 2017, we explore the important issue of client satisfaction and what brokers and advisers can do to effectively meet their clients' needs.

Client satisfaction is a hot topic. Keeping clients satisfied is a core goal of most service oriented businesses these days and with good reason. Satisfied clients are more loyal, less price-driven and more committed, and can often be a valuable source of referrals.

But achieving client satisfaction is easier said than done. So, what have we learnt about client satisfaction in the insurance industry and how can brokers and advisers use this to improve satisfaction levels with their own clients?

To explore this, we have taken a close look at clients who claim to be highly satisfied with their brokers and compared them with those who are less than satisfied. How are they different? What do their brokers do differently and how are their relationships different?

By understanding these differences, we have been able to identify some clear trends that highlight the core drivers of satisfaction in our industry.

We hope that these findings are useful for brokers and advisers in understanding some fundamental actions they can take to ensure their clients are so satisfied that they will stay loyal and refer their broker to their friends and peers.

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The findings

The third issue of the 2017 Vero SME Insurance Index focusses on client satisfaction – which clients are most satisfied, and what do their brokers do differently? This finding is broken into three parts:

3a What type of clients are most satisfied with their broker?

3b What do brokers do for satisfied clients?

3c What type of relationships do satisfied clients have with their broker?

Findings from Issue 1

This inaugural report of the Vero SME Insurance Index focused on the general market landscape, including:

- insurance purchase behaviour
- broker satisfaction
- reasons for using a broker
- broker relationships
- barriers to using a broker
- current business concerns.

Findings from Issue 2

The second issue of the Vero SME Insurance Index focussed on business owners and decision makers under 50 years, how their attitudes and behaviours differed from older SMEs and strategies on how brokers and advisers can ensure that they meet the needs of this important segment. In particular, we explored:

- differences in attitudes to insurance of SMEs under 50 years
- differences in expectations and satisfaction levels of broker clients under 50 years
- insurance purchasing behaviour of direct buyers under 50 years.

Access all issues of the 2017 Vero SME Index at vero.co.nz/sme-index



WHO IS MOST SATISFIED WITH THEIR BROKER OR ADVISER?

Over half of New Zealand SMEs are satisfied with their broker or adviser

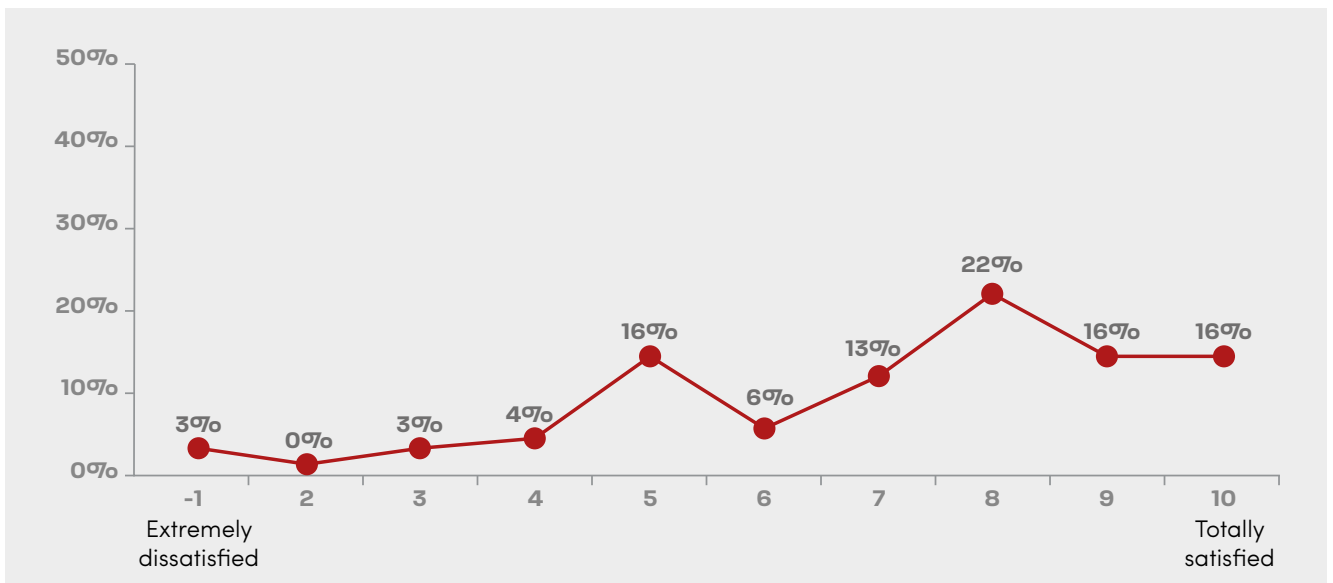


It is reassuring to know that when asked to rate their levels of satisfaction with their brokers and advisers on a scale of 1 – 10, the majority of New Zealand SME broker clients score their broker at least an 8. Clearly most brokers are doing a good job for many of their clients. (See Figure 1.)

Conversely, just over a quarter give their broker 5 or less, while around 1 in 5 are more ambivalent, scoring 6 or 7. Of course, in a competitive environment there is no room for complacency and therefore it is important to understand how to convince even more SMEs to score

their brokers a perfect 10 out of 10! Those who score their brokers 7 or less are far more likely to consider changing brokers or even buying direct, making improving this score extremely important.

Figure 1: Satisfaction with current broker



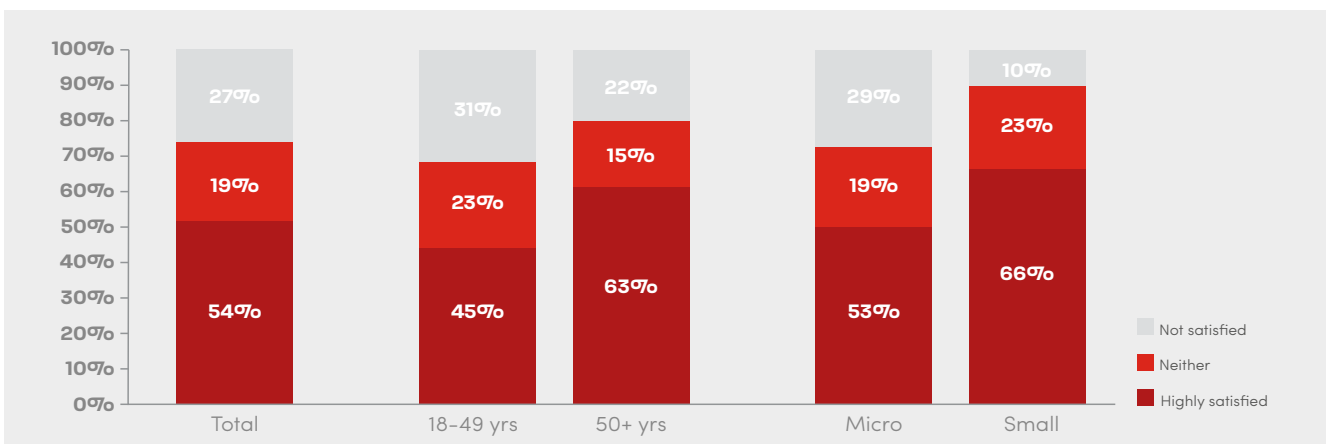
Satisfaction is highest amongst older SMEs and larger businesses

SMEs over 50 are significantly more likely to be satisfied with their broker. Almost 2 in 3 score their broker 8 out of 10 or more, compared to less than half of their younger counterparts (see

Figure 2). Similarly, small businesses (those with between 6 and 19 employees) are more satisfied than micro businesses (self-employed to 5 employees). This suggests that **brokers need to pay particular attention to younger business owners and micro businesses** as these tend to be less satisfied. We know from other studies

(for example, Capgemini’s World Insurance Report in 2016 and our own findings from Issue 2) that younger customers are more likely to consider non-traditional sources of insurance, making their satisfaction levels even more important).

Figure 2: Satisfaction with current broker groups



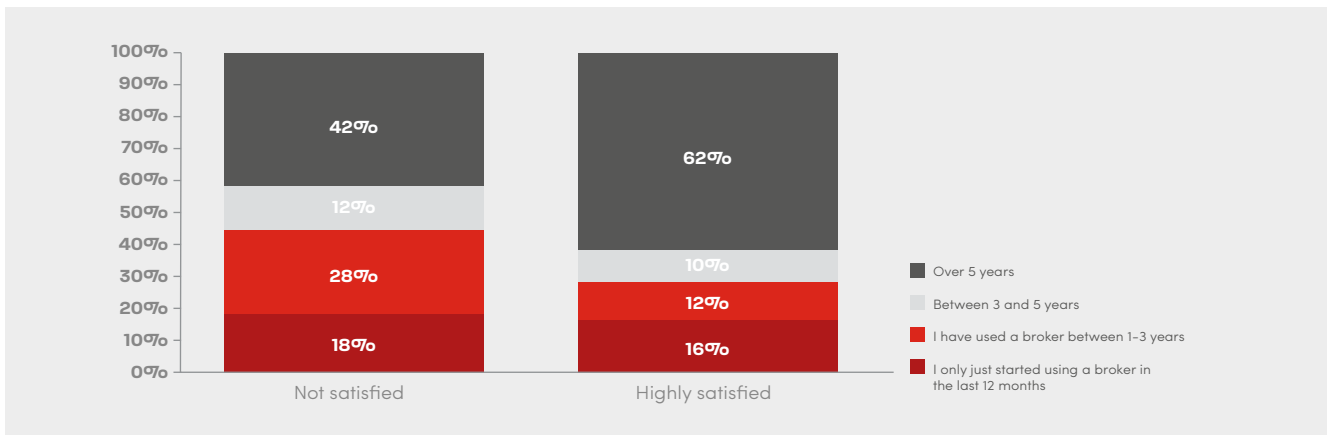
Satisfied clients have longer relationships with brokers and advisers

There is a strong correlation between satisfaction and the length of time SMEs have been working with a broker. Almost two thirds of SMEs who have worked with a broker for

over 5 years are highly satisfied, compared to only 42% of those who have spent less time working with a broker (see Figure 3). There is clear implication here: brokers need to pay particular attention to clients who are newer to the broker experience to build satisfaction and ensure that they understand the benefits of

working with a broker. Time spent with customers should be used to better understand what newer customers need from their broker with the objective of tailoring their offer accordingly.

Figure 3: Length of time using a broker or adviser



Satisfied clients better understand the value of their broker or adviser

In Issue 1, we reported that around 1 in 5 SMEs do not understand the difference between their insurer and their broker. When we look at how this differs according to satisfaction levels, we find that over 1 in 4 dissatisfied clients think that their broker is their insurer, compared to only 14% of

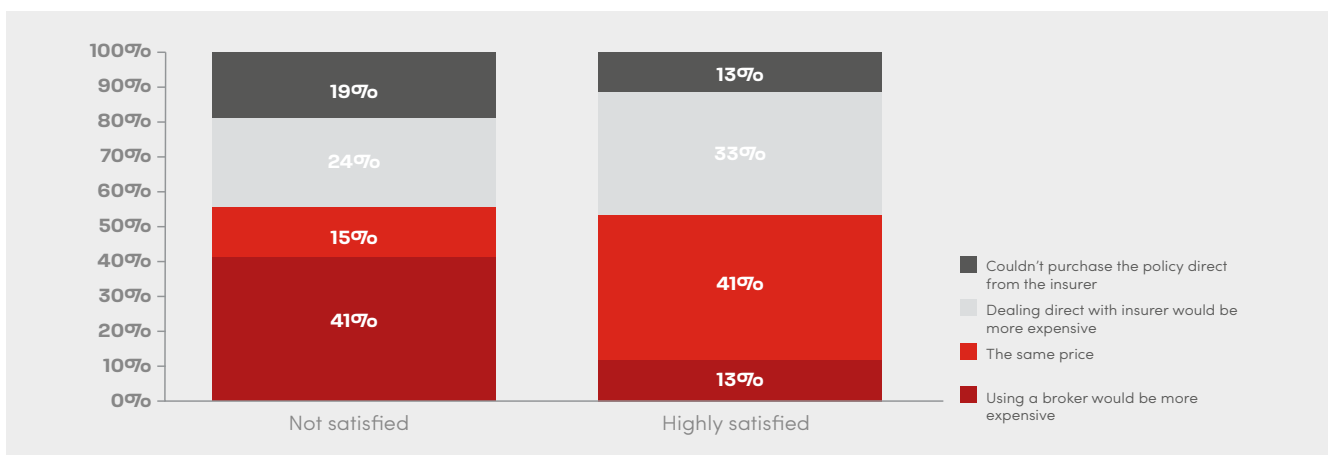
satisfied clients. **This suggests that dissatisfied clients are less likely to have a good understanding of what a broker offers.**

Satisfied clients and their price perception

Highly satisfied clients have a very positive perception of the price they pay through a broker. Compared to buying the same policy direct, 74% of

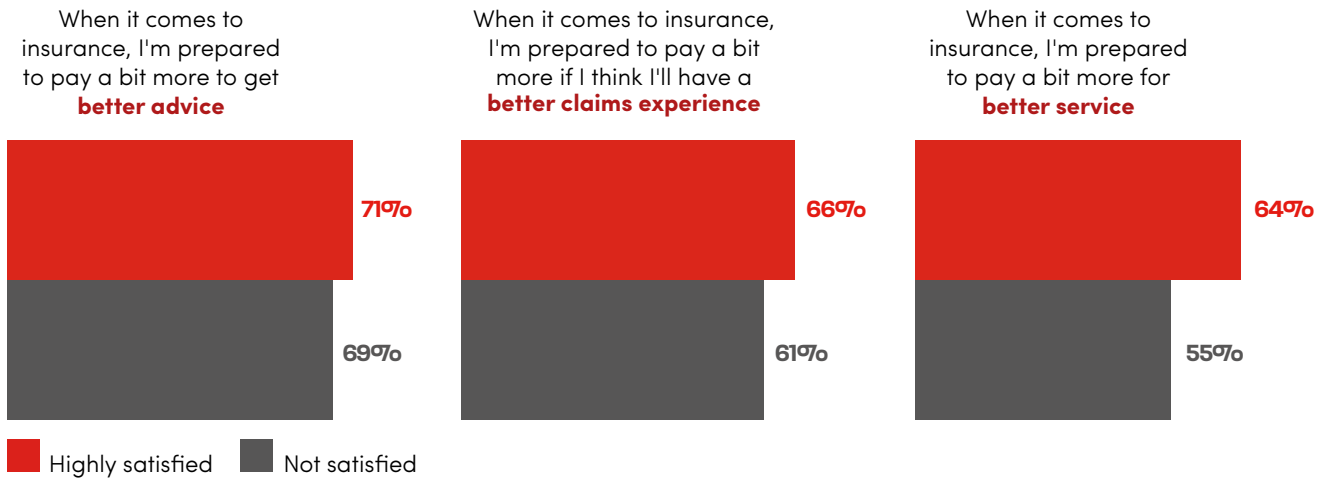
highly satisfied SMEs think they pay the same or less through a broker. Conversely, 41% of dissatisfied clients think they would pay less if they bought the same policy direct. Price will always be a hot topic in insurance but is highly driven by perceptions, and this means that managing perceptions of value vs price is a key factor for brokers to consider (see Figure 4).

Figure 4: Price expectations



While highly satisfied clients believe that they are getting a good deal from their broker, in general they also claim to be **willing to pay more for better service, advice and claims experiences** (see Figure 5). This suggests an appreciation for higher quality, added value services.

Figure 5: Attitudes towards business insurance



Things for brokers and advisers to consider

- Pay attention to younger and newer clients and understand what customers value and tailor your offering.
- In particular, explain pricing so that clients understand exactly what they are paying for and help them understand the value of their insurance cover.
- Take time to understand customer needs at the outset of the working relationship.



WHAT DO BROKERS AND ADVISERS DO FOR MORE SATISFIED CLIENTS?

Satisfied clients report that their brokers provide them with more information and expertise



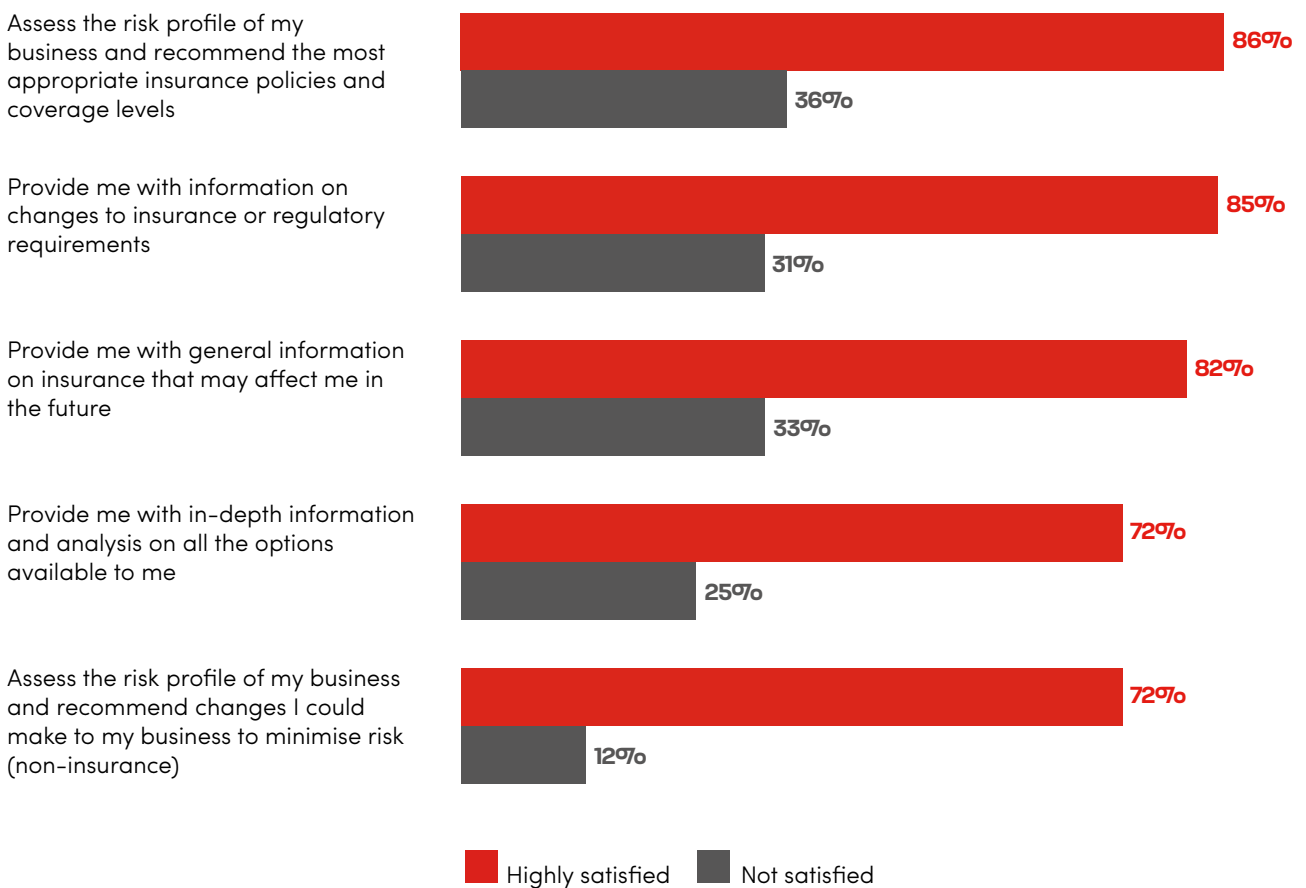
There are many different tasks that brokers may undertake on their clients' behalf, from basic administrative tasks to more value-added advice and analysis roles. The type of tasks undertaken by a broker have a significant influence on whether clients are satisfied or dissatisfied.

Satisfied clients claim to have brokers who provide them with a high level of information and expertise compared

to less satisfied clients. For example, 72% of satisfied clients claim that their broker provides them with in-depth analysis of options available to them, compared to only 25% of less satisfied clients. Similarly, 86% of satisfied clients have brokers who assess their risk profile, compared to only 36% of less satisfied clients (see Figure 6). These gaps are large and suggest that **brokers can greatly improve the satisfaction of their**

clients by providing more knowledge and demonstrating their specialist expertise.

Figure 6: Saying "My broker does this"





Satisfied clients place importance on value-added tasks while dissatisfied clients mostly want their brokers to focus on price

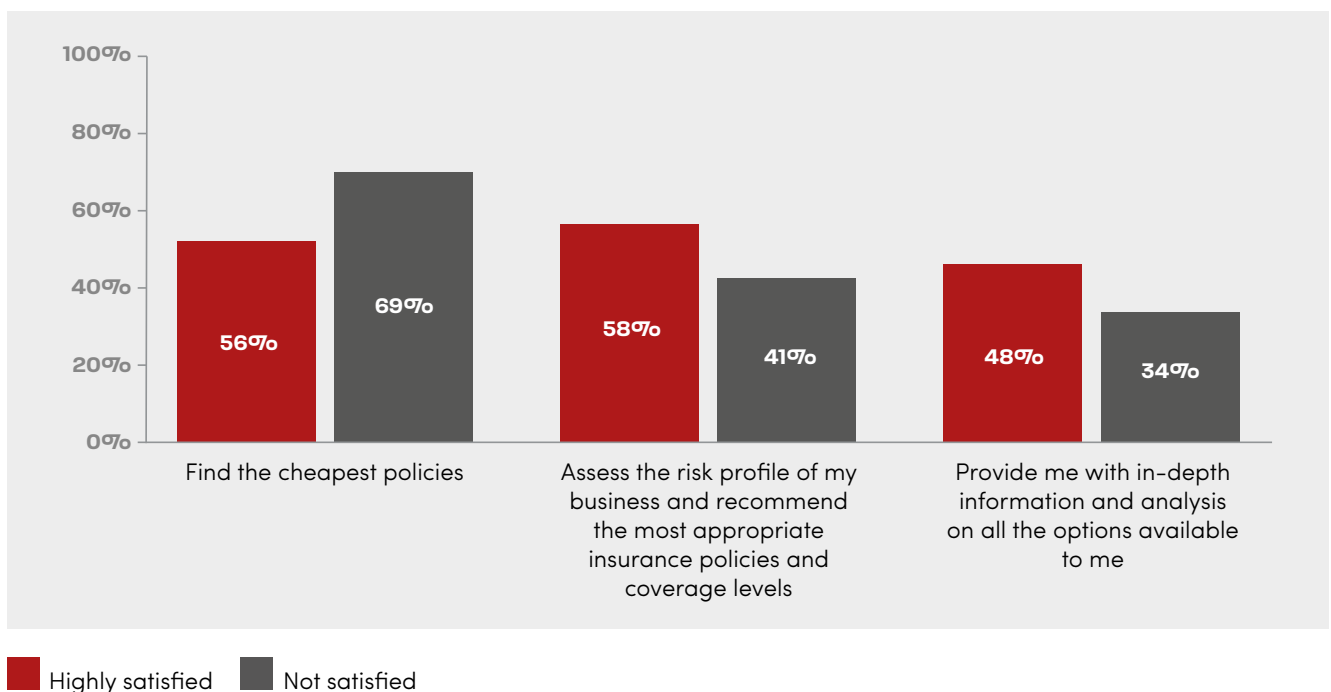
When we asked SMEs which broker tasks are most important to them, we

again uncovered a difference between satisfied and dissatisfied clients.

Satisfied clients are more likely to place importance on tasks requiring expertise and advice. For example, 58% of satisfied clients say that it is important that their broker assesses the risk profile of their business, compared to only 41% of dissatisfied clients. Similarly, 48% of **satisfied clients value the in-depth information and analysis**

that they receive from their broker, compared to only 34% of dissatisfied clients. In contrast, 69% of dissatisfied clients want their broker to find the cheapest policies (see Figure 7).

Figure 7: What tasks are considered important



So, why is there a difference in what the two groups value from the broker? One possible explanation is that dissatisfied clients have minimal contact with their broker (see next finding) and therefore have little understanding of how valuable advice and expertise can be for their business. This means that they then only see their broker as a sales channel and therefore place most importance on price.

Overall, this suggests that when SMEs understand and experience the full range of a broker's professionalism and expertise, they are more likely to appreciate the value that the broker brings to their business.

Things for brokers and advisers to consider

- Provide more relevant information and analysis:
 - Many SMEs want more than just the basics and satisfied clients are more likely to claim that their broker does more value-added tasks that demonstrate their expertise. For example, offer customers an in-depth analysis of insurance options available to them.
- Understand what value looks like for your customer and deliver this in terms of prioritised tasks.
- Build awareness and demonstrate the value of the expertise that you're providing when recommending insurance. For example, if you're conducting a risk assessment of the business, show the customer the work that you're doing.
- Work to understand the customer's business and their unique situation.



WHAT TYPE OF RELATIONSHIPS DO SATISFIED CLIENTS HAVE WITH THEIR BROKER OR ADVISER?

Trust and respect for expertise are the main reasons for satisfied clients to use a broker or adviser

Satisfied clients understand the benefits of using a broker

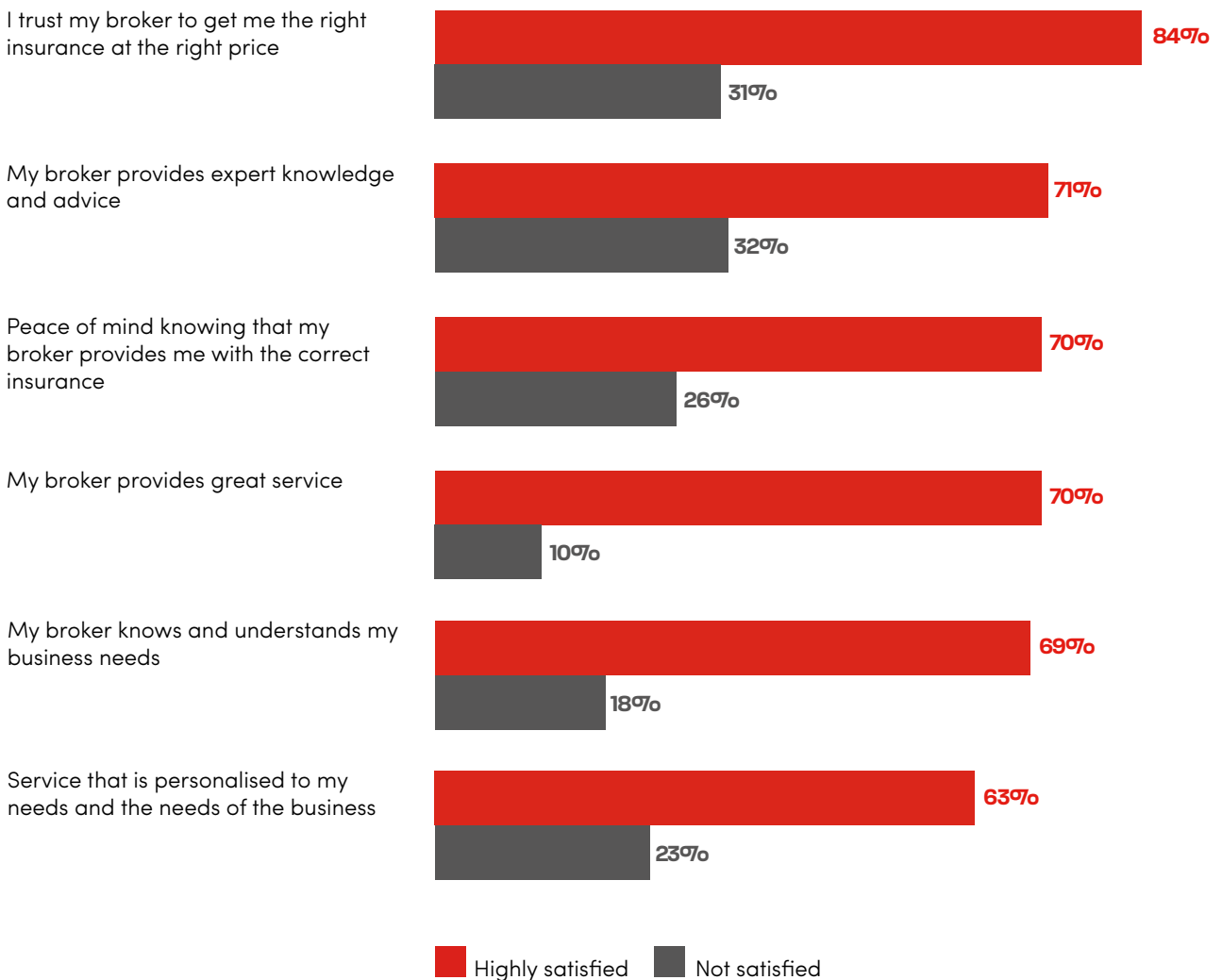
There are many reasons that a SME may choose to use a broker for their insurance, and these reasons represent the most significant difference between satisfied and dissatisfied clients. Satisfied clients are more likely to cite a large number of reasons for

using a broker and tend to value their broker for their service, expertise and the confidence they deliver.

For example, 84% of satisfied clients say that they trust their broker to get them the right insurance at the right price, compared to only 31% of dissatisfied clients. Service is a major gap, with 70% of satisfied clients saying that they use their broker because of

great service, compared to just 10% of dissatisfied clients (see Figure 8).

Figure 8: Reasons to use current broker

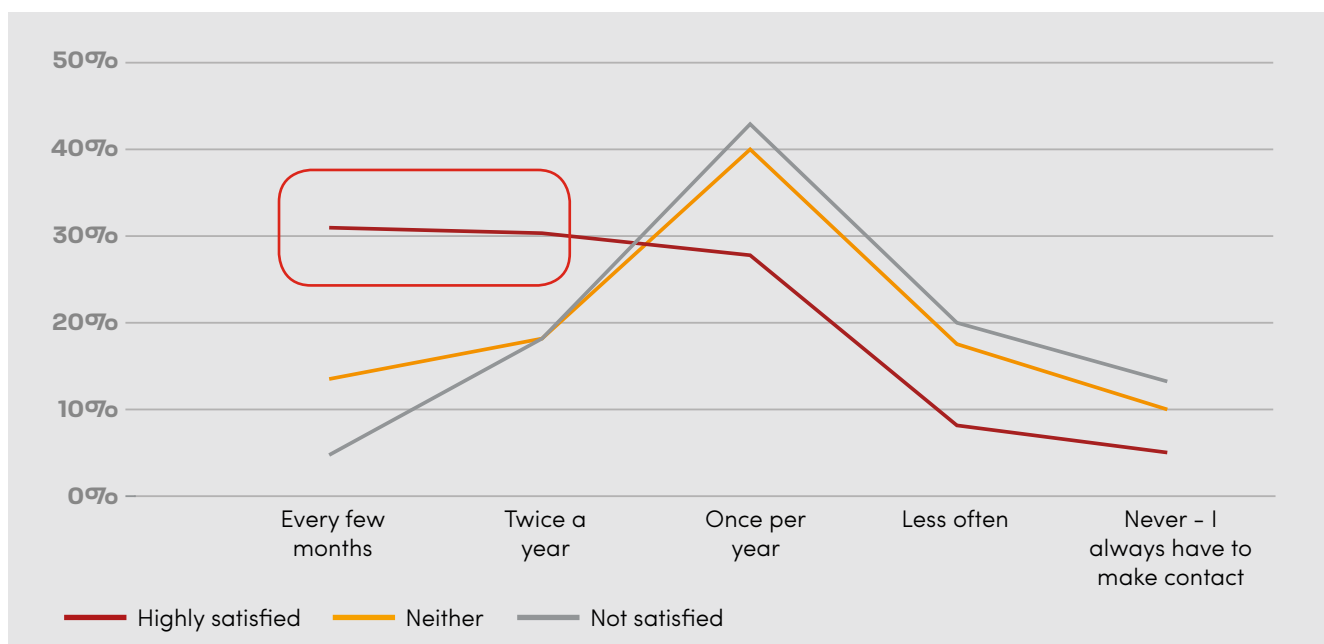


Satisfied clients have brokers and advisers who are in regular contact

Service is clearly a key reason to use a broker, and therefore it is unsurprising that **highly satisfied clients report being in contact with their broker more often** than dissatisfied clients.

31% of satisfied clients hear from their broker every few months, compared to just 4% of dissatisfied clients. At the other end of the scale, 14% of dissatisfied clients never hear from their brokers and a further 20% hear from them less than once a year (see Figure 9).

Figure 9: Contact frequency



Relationship quality and proximity has a clear impact on satisfaction

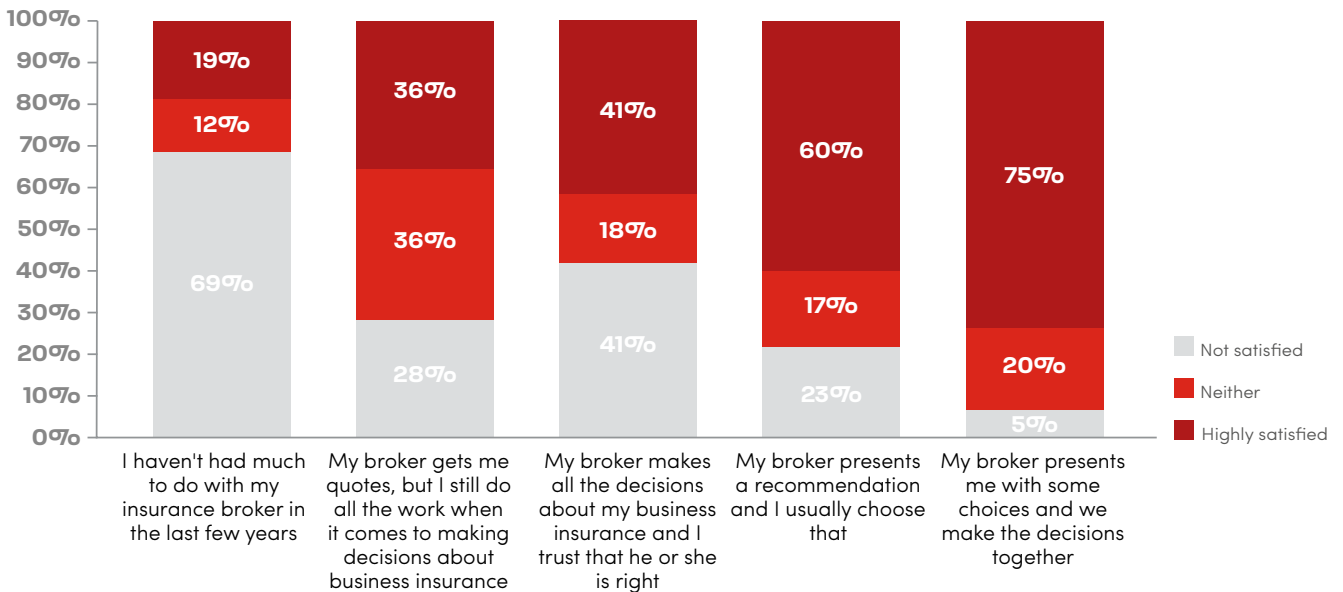
The less involved SMEs are with their broker, the less likely they are

to be satisfied while collaborative relationships appear to be the most satisfying.

75% of SMEs who say that they work together with their broker to make decisions say that they are satisfied,

while only 5% are dissatisfied. At the other end of the involvement spectrum, of those who say that they haven't had much to do with their broker only 19% are satisfied, compared to 69% who are dissatisfied (see Figure 10).

Figure 10: Relationship types



Of course, there are SMEs who are happy to be less involved in the process, and 60% of those who say that “my broker presents a recommendation and I usually choose that” are satisfied.

Overall, there appears to be a clear link between the type of relationship and how satisfied clients are. And while different clients have different expectations of their broker relationships, it is very difficult to achieve satisfaction in a distant, hands off relationship. **Brokers need to understand what their clients are looking for and stay in contact.**

Things for brokers and advisers to consider

- Understand what type of relationship your clients are looking for. Do they want to be involved in the decision making process or do they want to delegate decision making to you?
- Stay in contact. The more SMEs claim to be contacted by their broker, the more satisfied they tend to be. 2-3 times per year appears to be optimal. Consider using communication channels that appeal to different segments to get in touch. For example, younger SMEs are 2.5 times more likely to interact with insurance providers using social media (World Insurance Report 2016, Capgemini).
- Be involved. The most satisfied clients tend to have collaborative relationships in which they make decisions in partnership with their broker.

In the end

Four key things that brokers can do to increase client satisfaction:

PAY EXTRA
ATTENTION TO
NEWER CLIENTS
AND MICRO SMES

STAY IN REGULAR
CONTACT – AT
LEAST 2-3 TIMES
PER YEAR

DEMONSTRATE
YOUR EXPERTISE
AND THE ADDED
VALUE YOU CAN
GIVE SMES

BE INVOLVED
– AIM FOR
COLLABORATIVE
RELATIONSHIPS
WITH CLIENTS



The research

This report is based on research involving more than 1,000 business owners and decision makers of small to medium sized businesses around New Zealand. The research was independently* conducted in two stages:

Stage One – Quantitative Survey

A nationwide online survey of 999 business owners and insurance decision makers was conducted, covering a range of business types, locations and sizes. The survey was conducted during November 2016 and the data was weighted by region and organisational size to current Statistics New Zealand data. The survey covered:

- general business sentiment
- attitudes towards insurance
- insurance purchase process
- purchase channel (broker or direct)
- attitudes towards insurance brokers
- expectations and impact of price changes
- demographics.

Respondents were screened to ensure that they were responsible for making insurance decisions for their businesses. Quotas around region and business size ensured that representative samples were obtained.

Businesses were divided into two groups, following Statistics New Zealand standards:

Businesses which employ 0 (self-employed)-5 employees.

Businesses which employ 6-19 employees.

Stage Two – In-Depth Qualitative

A series of interviews was conducted with eight SME respondents representing a mix of business sizes, types, attitudes to insurance, insurance purchasing channels and demographics. These sessions were held at respondents' workplaces during February 2017.

* This research was conducted by BrandMatters. See www.brandmatters.com.au

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