

Strategic Insights

Member engagement strategies for today's mutual and cooperative insurers



During 2013, the members of ICMIF's Intelligence Committee explored the topic of member engagement through a series of presentations about their own knowledge and experiences. The key learnings from those presentations are included in this edition of Strategic InSights, which also explores the nature of member engagement, its economic and strategic rationale, and the challenges of implementing a member engagement programme.

It also identifies the key questions we would suggest considering when developing a member engagement strategy and offers practical frameworks to help your organization assess the effectiveness of its activities.

Note: For most cooperatives/mutuals, the term "member" refers to the individual end user – in the case of the insurance industry, the policyholder. However, some mutuals/cooperatives are owned by other affinity or people-based organizations, rather than the individuals within them; in those cases, "member" refers to the organization that owns the insurer. This paper addresses member engagement strategies and tactics for both types of cooperative/mutual.

What does member engagement mean for our sector?

The relationship between a cooperative/mutual and its members is of paramount importance: without its members, as both owners and customers, the organization would not exist. The relationship therefore requires careful management, which becomes even more important in a crowded or volatile market, where it is difficult to achieve differentiation, build trust or retain customers.

Historically, however, we have sometimes forgotten that the approach used by cooperatives/mutuals to manage member relations is entirely distinct from that used by shareholder-owned firms managing customer relations. In this paper, we will seek to understand the different drivers, characteristics and interpretations of managing relations with members which lead to effective member engagement strategies.

From satisfaction to engagement

Looking back, the insurance industry's transformation from product-focused to customer-focused -- largely aided by the advent of call centres and customer relationship management (CRM) in the 1990s -- prompted a series of ICMIF seminars and studies about "customer satisfaction": smooth and efficient contracting, single customer files, sophisticated databases and process automation, along with frontline staff training, all of which created a new benchmark in customer expectations.

The aim for mutual/cooperative insurers today is to go "beyond satisfaction", adding loyalty and advocacy, and thereby increase the number of members who repeat-buy, recommend the firm to others, participate in its running and have a genuine, ongoing interest in its future success.

Current management thinking¹ suggests that firms can achieve this through a series of processes and practices referred to as "engagement".

Within the context of our sector, engagement reflects the emotional connection between the member and the mutual/cooperative, which influences the member's behaviours and efforts towards the organization. The more engagement the member feels, the more effort they make. So, highly engaged members will, for example, turn to their mutual/cooperative as their first-choice provider of additional products and services, and will recommend it to family, friends and colleagues.

Based on this understanding, ICMIF members could generate significant strategic and economic benefits through successful member engagement.

Understanding engagement

To date, most research into the field of engagement has been undertaken from three perspectives:

Employee engagement: although this topic is not within the scope of this paper, it has great relevance for mutuals/cooperatives who are often well-known for excellence as employers.

Member engagement: this has mostly been looked at and defined within the context of associations (trade bodies, professional groups, etc) or online communities (social media).

¹See, for example: McKinsey Quarterly (July 2011) "We're all marketers now"; KPMG (September 2013) "Improving Stakeholder Engagement"; Forrester (August 2012) "Forrester's European Companies Start To Embrace New Systems Of Engagement"; Loyalty 360 (December 2012) "Understanding Customer Engagement: The Opportunities and Challenges Marketers Face Today".

Customer engagement: generally applicable to shareholder-owned firms, 'customer engagement' has been defined in various ways over the last seven years, with some degree of acceptance but, as yet, no consensus.

While there are some useful lessons from this existing research, there are clearly limitations in its application to cooperative/mutual insurers. This paper therefore considers how cooperative/mutual insurers can develop engagement strategies, taking into account their unique organizational and governance structures, to effectively manage the relationship between the firm and its members (customer-owners) in order to create business value.

It is important to distinguish between member engagement and other activities which, although similar in activity, have different objectives.

Member engagement is about:	Member engagement is not about:
Creating loyalty and advocacy	Providing standard customer service
Encouraging participation	Delivering outbound communications
Building dialogue	Offering efficient contracting
Forming long-term relations	Creating short-term benefits
Ensuring business sustainability	Maximizing profits

The way in which each firm defines and develops its own member engagement strategy will be based on its overall strategic goals, membership base, organizational structure and external environment. An effective strategy is also likely to address questions of how to build trust between members and the organization, ensure accessibility, and enhance reputation and brand.



What specific purpose does/could member engagement serve for your organization (eg building brand as an insurer that is owned by and listens to its customers)? Could it help address a key weakness in your business?

Assess how much consideration you give to members in board discussions, management processes and daily operations. (Compare to a shareholder-owned company's consideration for its owners.) Are there gaps, or areas in which your members should/could receive greater consideration?

Why engage?

Within a mutual or primary cooperative, the members are also the direct owners of the organization, and, as such, have specified participation rights, as described by statutes and/or codes of governance. Building engagement with those member-owners therefore reinforces the firm's licence to operate.

Within secondary-level cooperatives (ie where a cooperative or other people-based body is the owner and, in turn, its members are the end users) engagement activities can also provide an opportunity to reach individuals who, although not direct owners, are nonetheless crucial to the economic success of the business. Importantly, an intended outcome of engagement is trust - a much-discussed and researched subject in recent times, particularly in the wake of the recent economic recession and many notable corporate failures around the globe. Trust can be described as the "glue" that binds a customer to the firm and it underpins his/her propensity to be loyal to the firm. This in turn can reduce the firm's transaction costs because:

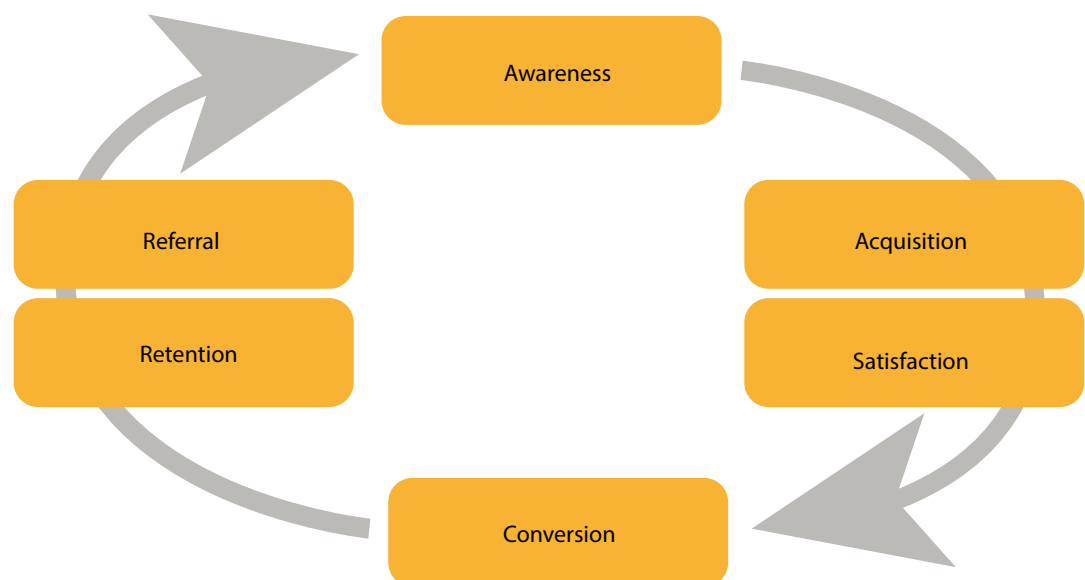
- a) Loyal customers are more likely to renew their policies with the firm, thus reducing the (often high) costs associated with acquiring new business to replace lost business; and
- b) Loyal customers are more likely to recommend the firm to others, thus supporting the firm's advertising/promotional efforts.

Effective member engagement builds brand value, increases per-customer spend, enables cross-selling, extends customer retention, enhances customer loyalty and generates advocacy.

A clear member engagement strategy is essential for mutual/cooperative insurers seeking to enhance their competitive brand advantage as trustworthy, member-owned businesses.

Process and constituents

Engagement can be described as a six-element cycle:



Although this process may seem fairly obvious, it is not always easy to ensure a balance between relevance to the business and relevance to members.

As we have already emphasized, engagement is not merely about communicating with or serving customers efficiently, but about extending the value created by these activities, requiring constructive, meaningful, two-way contact between the organization and its members:

Constructive, as value can be built on over time, to have a cumulative, positive effect.
(Conversely, poor engagement can create destructive, negative effects.)

Meaningful, as it must ultimately influence the members' behaviour
(buying, endorsing, etc).

Liminal (2011), Razorfish,
downloaded May 2013 at
http://liminal.razorfish.com/?page_id=11

In its report Liminal², the global marketing agency Razorfish identifies six elements of engagement. These provide a helpful checklist for verifying the usefulness of member engagement strategies, and also prompt a wide range of possible actions for cooperative/mutual insurers.



1. Valued: making the member feel that his business is valued and that his/her participation with the organization is valued.

Suggested actions: offer multi-product/renewal discounts; tell members of customer panels how their input has influenced new products or service standards.

2. Efficiency: respecting the member's time and efforts.

Suggested actions: enable online policy updates if the member is unable or does not want to call you during regular business hours.

3. Trust: communicating with transparency and honesty

Suggested actions: use "plain language" in advertising, advice and contracts.

4. Consistency: being consistent in the way you engage with members; ensuring consistent sales and service processes and standards are applied, trained for, and monitored across your distribution network.

Suggested actions: ensure that when sales staff promise that customer services will call a customer within two hours, the promise is actually fulfilled.

5. Relevance: making sure any engagement efforts are relevant to members; undertake the necessary research to fully understand what motivates and is important to your current and future members.

Suggested actions: use a Facebook page to offer advice on the prevention/reduction of risks that are specific to an affinity group, rather than using it to widely promote any new product which may not be suitable for their needs.

6. Control: let members specify when and where they want contact; allow them to choose and move seamlessly across multiple channels, as available (phone, face-to-face, internet).

Suggested actions: let members opt in or out of telephone contact.

Note that these suggested actions are attached to regular business activities, and are not “add-ons” or “gimmicks”. Member engagement is less a series of discrete activities and more a way of doing business which ties the customer to the firm.



Do your organization's efforts include the six elements of engagement, as above? If an element is missing from one (or more) of your activities, does it (do they) deliver value to members such that their relationship with the firm is strengthened, or should that activity (those activities) be adjusted/abandoned?

Measuring engagement

The most common measures of engagement include member (customer) satisfaction surveys, membership numbers (most useful when measured against premium income to evaluate per-member spend) and direct involvement (eg voting at general meetings, attendance at member events).

Increasingly, we are seeing ICMIF members use the Net Promoter Score to gauge member advocacy.

The stated objectives of member engagement for The Co-operative Insurance, UK, as part of the multi-business The Co-operative Group, are to grow membership, per-member spend and cross-sales, as well as increase non-trading engagement. It has an engagement index which is compiled annually, through telephone surveys of members. Measures include: perceptions of the membership brand; understanding of membership; membership rewards; and member communications, activities and events. (It also rewards members through a cross-business membership scheme, giving members benefits, such as money off at a Co-operative Food supermarket.)

Every two years, a third-party provider administers a survey for The Co-operators, Canada, to measure member engagement of its member-owner firms. The results of these surveys provide a valuable input to identifying issues and opportunities which drive The Co-operators' member engagement strategy. At the primary customer level, The Co-operators participates in similar third party research annually to ensure that the client or customer experience is measured on key attributes that are most important to customers (ie service, accessibility, etc).

Although the topic of measuring engagement has not yet been looked at in detail by ICMIF, it may be interesting for ICMIF members to consider the management information and specific indicators used in satisfaction surveys, and how these can constructively inform their engagement activities.

Some markets also have customer satisfaction benchmarking programmes and/or awards run by external organizations which can be valuable, though it is essential to recognise the potential limits of tools which are aimed at shareholder-owned companies.



Are your member engagement activities subject to a useful assessment process?

How are results used to improve the effectiveness of your member engagement programme?

Current focus

Our findings to date show that ICMIF members primarily engage with their members in three ways:

Governance systems

Member/customer groups

Risk reduction events.

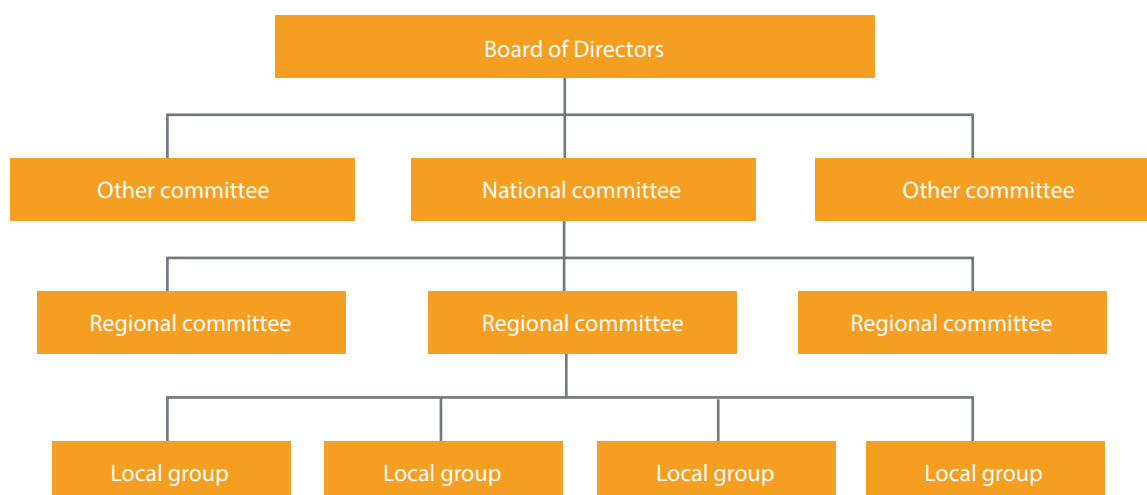
A) Governance systems

The oldest and still the commonest way for cooperative/mutual insurers to engage with their members is through governance structures. Even the largest organizations usually have some degree of member representation at (eg regional) committee or board level.

An increased focus on corporate governance provides increased stimulus for cooperatives/mutuals to involve members in the running of the company, which also generates reputational benefits.

These benefits would be further enhanced by efforts to raise general awareness among the public, regulators, the financial press and consumer groups, that members' participation is a key feature of the cooperative/mutual business model. In contrast, we see few examples of ICMIF members making their member-based governance models and processes widely known.

Organizations with a large membership base traditionally require large, multi-level governance structures; these can only ever have a limited effect on engagement with members, due to the dilution of direct contact that occurs with each level of governance. In other words, a member who sits on the board of his or her cooperative/mutual would naturally feel much more engaged than the member whose link to the board is through several additional layers, which could be represented thus:



Modern technologies and social media are likely to play an increasingly important role for shortening the link between individual members and the board within large organizations, using it to return to the original "one member, one voice" concept for issues which are handled at higher governance levels, for example through online surveys, webinars and live streaming.



Would more member involvement in your corporate governance enhance stakeholder relations and reputation?

How well is the cooperative/mutual model understood within your market? Are there opportunities to increase awareness of its democratic features, which may create business value?

How effectively does your governance structure enable the voice of individual members to be heard at the highest (eg board) levels?

Do you have other mechanisms within your business model which allow direct contact with members?

As suggested by the final question above, where an organization has minimal or no members represented at its highest governance levels, exploring opportunities for building direct relationships with individual members becomes all the more important.

Opportunities to utilise existing governance structures as platforms for enabling contact with individual members should not be overlooked – giving them the authority to act as a conduit between members and the firm extends their remit and increases their relevance, which can help strengthen the commitment of those involved in committees, regional boards, and so on.

Where members appear reluctant to become involved in governance, member-facing mechanisms become a useful way to ensure alternative means of positive member influence.

NFU Mutual (UK) has eight regional boards which, in collaboration with the firm's regional manager, organize their own Member Forum meetings during each year (on average, nearly six per region) which ensure frequent, direct, face-to-face contact with selected members from across their customer base.

During these events, relevant information about the business is presented to the members and discussions are held about local issues and concerns, such as weather-related events, the handling of specific claims and rural crime. The key learnings from the Member Forum meetings are shared with NFU Mutual's senior management by the regional managers.

B) Member/customer groups

B1. Member groups/panels: for product development /market research

Continuously winning members' insurance business requires an ongoing understanding of their current insurance coverage needs. Member forums, such as panels and/or focus groups, enable this information to be captured effectively and cost-efficiently.

Such forums can be conducted in two ways: face-to-face or remotely (by telephone or electronically).

Bringing members together in a face-to-face environment enables direct contact with your organization's representatives, which can be more influential on members. The careful selection of the firm's representatives is therefore key to maximizing the relationship and brand-building effects of such an exercise.



Who represents your organization in face-to-face situations, such as focus groups? Do the attitudes, behaviours and appearance of your representative align well with your organization's brand and values?

These types of direct contact also enable members to form relationships with other members. Such relationships can, as a welcome consequence, have the effect of reinforcing the sense of association with the firm.

It is also interesting to note here that the UK's Annotated Corporate Governance Code for Mutual Insurers recommends that firms enable member-to-member contact (eg through making directories of members available) as a way of improving governance.

Over recent years, increasing numbers of ICMIF members have developed online forums which have the obvious advantage of requiring less time commitment from members to give their input, though on the other hand, can have a relatively limited value, due to the remote nature of the dialogue.

Engage Mutual (United Kingdom) runs member forums, primarily through the internet and email, to help them understand their members' concerns, develop new products and ensure service levels are meeting expectations. Numerous surveys are run through the groups and the results are published. This completion of the feedback loop is important for ensuring members feel their contributions have been worthwhile and encouraging their ongoing contributions.

Those organizations which are reporting the greatest levels of participation in online member panels and the most effective outputs from those panels are those which ensure that the results from the surveys, debates and discussions in which the panels are involved are reported back to both the panel members, and that the high-level results are reported to the broader membership. These efforts serve to demonstrate the organization's transparency and the value of member ownership, as well as encourage more members to become involved.



Are your organization's findings from member panels reported back to those involved and/or the wider membership?

B2). Member groups/panels: for claims dispute handling

The greatest opportunity for an insurer to create positive relations and build trust with members is, arguably, at the moment of a claim. It is also, of course, the moment when the relationship and trust could be destroyed!

Claims handling dissatisfaction or settlement disputes are among the most likely causes for members to complain about or criticize the organization to their friends, family and colleagues. Indeed, it is possible that they would be more vocal about being dissatisfied with a claim than about being entirely delighted with a claim; one poorly handled claim could feasibly undo the good work of several well-handled claims.

Dispute resolution mechanisms which involve other members are one way of handling such situations. Complaints panels comprised of members, or member-ombudsmen, provide disgruntled claimants with a perceived "ally" who is most likely to understand their perspective.

The Co-operators (Canada) has a Service Review Panel which is made up of clients who review complaints made by other clients about the handling or settlement of their insurance claim and recommend an outcome which they determine as fair to both parties. (Claims over CAD 20,000 or claims involving certain issues, such as personal injury, cannot be handled by the panel.) The panel members are volunteers. Should the complainant disagree with the panel's decision, s/he still has full rights to pursue their complaint through any other system, including legal channels.

The panel's work reinforces the firm's brand as a cooperative that is taking a client (member) centric approach. The panel has been successful in resolving numerous complaints. In addition, the firm has used learnings from the panel's decisions to improve its claims handling.

The potential benefits of such panels are three-fold:

A decision made by a group of members can be more palatable to the dissatisfied member and help turn a difficult situation around.

The relationship with members on the panel is strengthened, as they feel more involved in the decisions of the firm.

Reputational benefits of such initiatives can extend among various stakeholder groups.



Do members have recourse to a member panel or group in the event of a complaint, to represent their interests and/or guide them?

C. Events for safety and risk reduction

Many ICMIF members organize roadshows, training, or similar events to educate members about risk and how they can prevent accidents. Such initiatives reinforce the organization's brand or reputation as, for example, a protector, trustworthy or dependable.

Maif (France) has run a wide range of events for members and the public since 2003 which have grown in popularity over the years. These events, providing information and advice, look at current issues, such as: safety for small children, care for the elderly, climate change and biodiversity, and the internet. In 2012, it ran 192 events, attracting 33,500 participants.

Beyond insurance

The insurance industry has been increasing its focus on sustainability issues for many years and investing more and more resources into addressing the social, environmental and economic impacts that it creates, which it can reduce or which it is well placed to manage.

An organization's sustainability initiatives are likely to fail, however, if they do not correspond with the concerns of its stakeholders. In the context of cooperative/mutual insurers, this means that a clear understanding of members' sustainability concerns is crucial to the success of its sustainability

strategy. Member engagement systems are a very effective way to gather information about members' sustainability concerns and how they expect the organization to respond to those concerns.

The Co-operative Insurance, UK, surveyed its members to establish the criteria of its socially responsible investment activities. The survey asked members to rank the importance of a wide range of social, environmental and ethical issues, from which they developed corresponding measures for assessing organizations as part of the firm's asset management.

Engage Mutual, UK, uses member and public voting to determine who will receive its Community Award and who will receive funding awards from the Engage Foundation.

There are also opportunities for mutuals and cooperatives to enhance their reputation as game-changers by running campaigns, with members being invited to attend campaign events, participate in campaign activities, sign petitions, or join in online discussions.

Social media: untapped opportunity?

Technology has already rapidly transformed the way in which firms manage relations with customers, from sales to service, but using it to go beyond business transactions is not so advanced.

The use of social media by ICMIF members remains largely untapped at present³. While many ICMIF members - and indeed, insurers generally - are, for now, monitoring the development of web-based social tools (Facebook, Twitter, etc), a small number of them are actively using social media or have created their own tools for sharing public or customer-targeted information such as: risk reduction advice, details of local events, campaigns, social/community activities, financial capability programs.

Social media is most effective for cooperatives/mutuals which have clearly defined, affinity-based customer groups, since messages can be tailored to specific themes which are relevant to those groups.

Messages which have clear relevance to members' lives (work, family, community, social concerns, leisure time) are likely to engender a feeling that the organization understands and wants to help its members. Messages which are intended to boost sales are, even at their most subtle, likely to be ignored by members or, worse, repel them.

ICMIF Strategic Insights (March 2013) Trends in Online Business and Online Strategies:
www.icmif.org/insights-reports-trends-in-online-business-and-online-strategies



Can you create specific messages which speak directly to members (and potential members)? Could they be effectively conveyed via social media?

Could online forums enable relationships which originated in face-to-face meetings/activities, to be maintained in the longer term? Consider both firm-to-member and member-to-member relationships.

Online activity also represents an opportunity to build on existing relationships and advance the goodwill created through other, face-to-face member engagement activities. It can also serve as a support to corporate governance.

As consumers become more accustomed to online insurance business, including self-servicing their own details and policies online, it will be more important to identify other opportunities for web-based engagement.

Conclusions

Member engagement goes beyond providing good customer service and communications. It extends the value of the relationship between the cooperative/mutual and its members and creates higher levels of loyalty and trust, evidenced by repeat business, increased per-member spend, and advocacy.

At present, ICMIF members primarily engage with their members through:

- Governance systems
- Member/customer groups for product development/market research
- Member/customer groups for claims disputes
- Risk reduction events.

Environmental, social and economic issues are areas in which many cooperatives/mutuals could potentially extend their conversations with members, to inform members about their sustainability initiatives and reinforce their brand as member-owned, trustworthy organizations. This is even more important given the fact that many shareholder-owned insurers are taking up the sustainability challenge and have recognized the positive impact it can have on their own brand and reputation.

Considerable opportunities for further evolving member engagement exist in social media. Messages must be relevant, provide value, and avoid being focused on sales.

In the future, as online functionality and demand increase, and as cost decreases, webcasting may offer a low-cost, modern channel for widening members' access to AGMs, voting, and participating in other aspects of corporate governance. In turn, this would help promote cooperative/mutual insurers as transparent, member-owned businesses.

Some particular challenges or future priorities for ICMIF members might include:

- Higher focus on member interaction – currently, two-way dialogue is limited.
- Measure member engagement at various touch points – overall member satisfaction is often measured, but the relationship between those measurements and specific contact points/activities is less understood.
- Increased digitalisation and online self-service options – creating meaningful online dialogue with members will not be easy to achieve, yet it should not be ignored as an opportunity.

ICMIF will continue to monitor new initiatives in the insurance industry, in particular within our sector, and to identify examples of best practice for cooperatives/mutuals seeking to enhance their member engagement. We are always happy to receive information from ICMIF members about their own examples of working in these areas, which may be featured in future ICMIF publications or at events.

Please contact Faye Lageu, VP Shared Intelligence, at faye@icmif.org with your stories.