



A Report on the NPS

Maturity of Indian Insurers

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Introduction

Net promoter score is a leading indicator of growth

Net Promoter Score (NPS) is an organizational adoption. An organization's net promoter score program attains power when it becomes integrated into the business as a whole. Organizational adoption happens when you give leaders in sales, marketing, product, service and indeed every area of the business the information they need, when they need, and however they need, to keep their operations customer focused. It should also ensure that customer data is built into the operational rhythms of the business in order to drive continuous improvement and innovation.

The NPS can be calculated by using the answer to a single question, using a 0 – 10 scale: “How likely is it that you would recommend (brand) to a friend or a colleague?” This is called the NPS question or the ultimate question. Respondents are grouped as follows:

Promoters (Score 9 - 10) are loyal enthusiasts who will keep buying and refer others, fueling growth.

Passives (Score 7 - 8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings.

Detractors (Score 0 - 6) are unhappy customers who can damage your brand and impede growth through negative word – of – mouth.

By subtracting the percentage of detractors from the percentage of promoters yields the NPS, which can range from a low of '-100' (if every customer is a detractor) to a high of '+100' (if every customer is a promoter). If your company's NPS is higher than those of your competitors, you will outperform the market. Improving NPS will also improve your business performance since it is tightly tied to the customer journey. NPS is actually a company's performance through its customer's eyes. Bain analysis shows that sustained value creators - companies that achieve long term profitable growth have NPS two times higher than the average company.

Implementation of NPS requires true commitment by company leadership because it defines cultured values and core economics that effect every part of the business system and competitive strategy. NPS finally enables CEOs to hold employees accountable for treating customers right. There is an on-going arms race in the search for the perfect customer feedback metric. It started with venerable customer satisfaction score. Then came the NPS and more recently another word of mouth metric - 'NEV - Net Emotional Value or net value score. Whatever way one may call it, ultimately “customer is the king” and enterprises know it.

“

NPS is a management tool that can be used to gauge the loyalty of company's customer relationships and can be claimed to be correlated with revenue growth. Extensive research has shown that NPS acts as a leading indicator of growth.

”

Sudhin Roy Chowdhury
Ex Member (Life), IRDA

Foreword

Not just fans – fanatics

How the Net Promoter Score Helps Track What Really Counts?

In this age of information, the way customers interact with brands and their communication is being altered at an increasingly rapid rate. Traditional advertising and communication models are being viewed with increased skepticism by consumers the world over. People are increasingly turning to their peers in order to make brand and service choices. This is putting a lot of strain on the conventional concepts of customer satisfaction and loyalty.

This changing landscape highlights the criticality of the NPS or Net Promoter Score since it uses recommendation as a surrogate for loyalty. Why is this important? In an age when peer-to-peer suggestions and validation counts for more than advertising a metric that measures recommendation becomes very, very critical and more and more companies around the globe are using NPS to measure loyalty and unlock actionable insights.

The NPS has a lot of critics who are bothered less about the conceptual robustness of the metric and more about the technical aspects of the measure. Why is there (in the purist version) only one question in the survey? Why is an 11-point scale used? However most of these criticisms are missing the woods for the trees.

The NPS was a very robust methodology when it was introduced. However, since the world has changed the NPS framework also needs to be reevaluated.

Secondly, technology is allowing customers to interact with brands and services across multiple channels both structured and unstructured. This will make touch-point NPS more and more important for organizations. A single unpleasant interaction can impact a customer's relationship with a brand or service forever. More and more retail businesses (including banking) are taking to touch-point NPS.

Social media is allowing customers to have direct conversations not only with brands but also simultaneously with other consumers. The impact on the reputation of a brand or service that these interactions can have cannot be over stated. Hence it is critical that the new NPS framework take into account social media data. As more and more organizations in India adopt NPS as a measure of loyalty, it is also critical for the NPS framework to evolve and take into consideration the emerging market realities. There is no doubt that today it is not just important to have brand fans but convert fans into brand fanatics and the NPS is probably the most elegant metric to chart how organizations are doing on their loyalty journey.



NPS today needs much greater automation in order to increase the velocity of both data gathering and analysis, so that organizations can generate actionable insights faster in order to impact the bottom-line.



Yateesh Srivastava is a past user of NPS
Managing Partner - The Grey Space Consultants LLP

Executive Summary

Net Promoter Score, or NPS as it is more popularly known, is a simple method to gauge customer loyalty to a brand or its product / service. Since its inception in 2003, NPS has been widely used across industries and organizations of all sizes to get a basic bench marking of where they stand in terms of customer satisfaction. But of late, NPS as we know it, has faced a lot of criticism for not being a true reflection of the customer's loyalty sentiment due to its limited scalability in sampling and ineffective execution.

Insurance penetration in India is around 3.3% as per Swiss Re's sigma study (2015). In spite of having less than ideal customer reach, the Indian insurers understand the need to have a robust NPS measurement mechanism in place. Nearly 76% of the participants surveyed in the Aureus NPS Maturity survey have a NPS leadership forum in place. The maturity of the Indian insurers is further reflected in the fact that most have a clear ownership structure for NPS with one corporate function claiming ownership.

It is also interesting to note that the NPS is clearly tied back to improving process efficacy, with more than 50% linking the survey feedback to improve customer service, channel efficiency and process control.

While NPS methods as currently executed, have a lot going for them, there are some key areas of concern that the survey clearly outlined.

NPS measurement still relies on the traditional methods to get a score – draw a random sample (a small percentage uses algorithmic sampling); get agents to call up customer to get a 'rating'; aggregate and serve score across slices. With the advent of big data and associated technologies, it remains a matter of time before they change the way NPS gets executed, measured, reported and analysed.

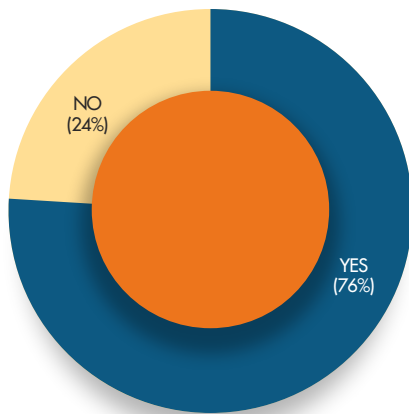
Aureus Analytics recently conducted a survey across insurance companies in India to understand the maturity of the of the NPS methodology as adopted in this industry. The survey was conducted for both life and non - life entities across both the private and public enterprises. We reached out to the key decision makers across the insurance industry who were asked to fill up an survey online. More than 35% of the industry players participated in this survey. This was the first survey of its kind conducted for the Indian Insurance market, and what follows are the key findings and inferences. The results of the survey have been aggregated and anonymized to maintain privacy.

Survey Findings

01. NPS forums appear to be in vogue

The NPS forum is a composite of cross functional decision makers who are responsible for ensuring that NPS gets executed and tracked for the enterprise. According to the Aureus NPS Maturity survey, 76% of companies surveyed have an NPS forum in place.

Does your organization have an Net Promoter Score (NPS) forum?



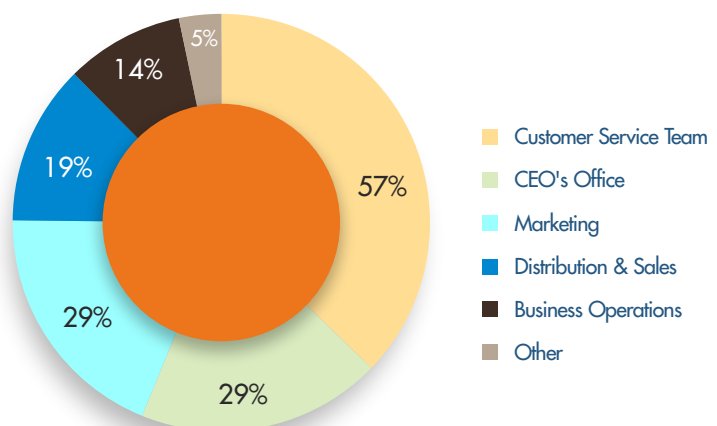
The presence of an NPS forum amongst more than $\frac{3}{4}$ of insurers is heartening. It is a reflection of their customer-centricity and their seriousness with regards to customer loyalty. It reflects a maturity of approach towards customer loyalty in the insurance industry.

02. Look Who's Accountable!

It may appear intuitive that any metric related to the customer would be owned and measured by customer teams. The Aureus NPS Maturity survey results are in alignment with this premise. For nearly 57% of the participants, the NPS process is owned by the customer service teams. These dedicated units are responsible for all aspects of customer satisfaction – from day to day support, and execution and measurement of satisfaction surveys. It was also interesting to note that nearly 30% of the survey participants had multiple teams accountable for the NPS measurement process.

Who is responsible for NPS in your organization?

Though what was not so intuitive, was that for nearly 30% of organizations, the CEO's office owns the entire NPS process. This clear mandate reemphasizes the focus on building business processes centered around the customer.

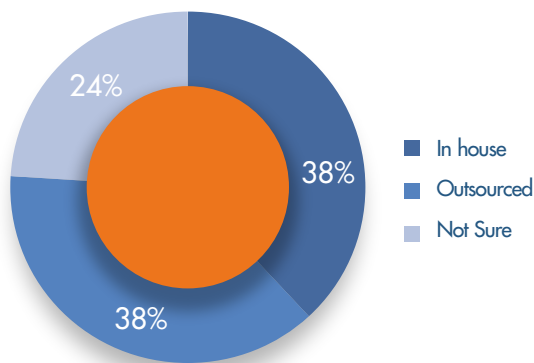


Survey Findings

03. In-house vs. outsourced

The fundamental NPS question is pretty straight forward and asks the customer to rate the likelihood of being referred. Insurers are split in running the NPS survey themselves versus recruiting an agency to do the calling and collecting the survey responses. The sampling is still retained inhouse at the insurer, and only the sample is passed on to the agency. The agency provides the NPS score across different data cuts such as product segments, channels, geographies etc.

Is your current NPS process inhouse, or have you outsourced it to a third party?



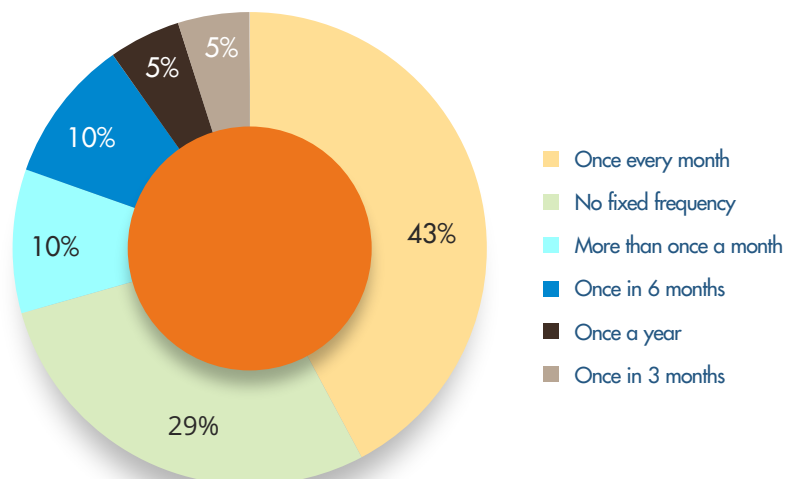
In the Aureus NPS Maturity survey, nearly 40% of the participants said that their NPS survey calling was outsourced, and an equal number said that they had retained the calling process inhouse as well.

This clearly indicates that there is no specific bias or benefits that outweigh one approach over another.

04. How frequently is NPS process run in your organization?

29% of the sample did not have a fixed frequency to run the survey. Also on the lower side (53%) was the proportion of insurers running the survey once a month or more. This points to a gap between the management vision for NPS and its execution on the ground.

How frequently is NPS tracked in your organization?



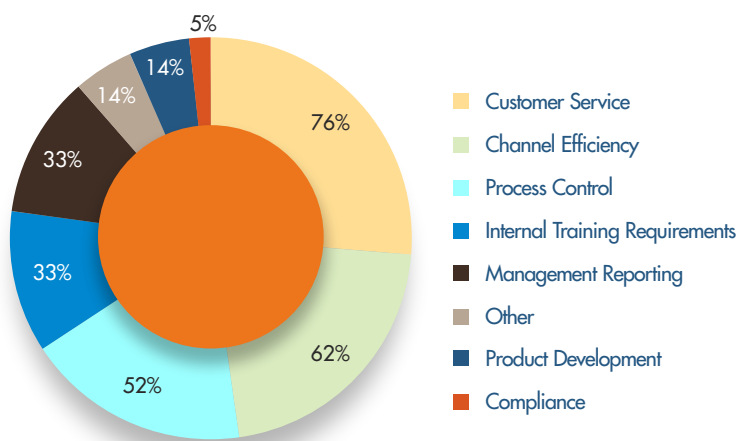
Survey Findings

05. Closing the loop

It is heartening to see that the insurers that do conduct NPS have clear areas of improvement where the feedback helps them.

There appears to be specific areas where NPS is impacting the organization. These areas are Customer Service (76%), Channel Efficiency (62%) and Process Control (52%). This indicates that the strategic efficacy of NPS is viewed more from the Customer Service point of view.

Does your NPS survey result help you improve any of the below area?

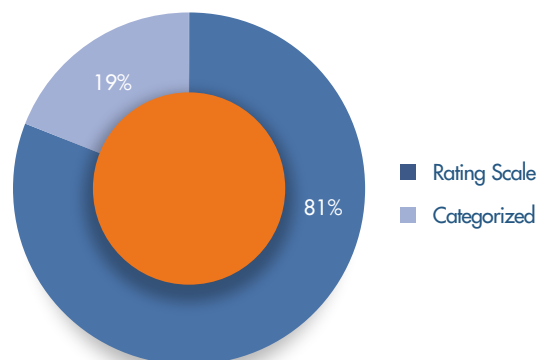


While this indicates that NPS is definitely helping Insurers improve their customer service, its important to note that the findings are not being percolated to many other departments. This can be due to the fact that either the results don't deliver specific action areas that can be shared with other functions or the lack of cross functional co-ordination. This can be a clear area of improvement in the future.

06. Rate or score?

The NPS in its original form was a single question survey based on an 11 point (0 – 10) rating scale with 0-6 being 'detractors', 7-8 being 'passives' and 9-10 being 'promoters'. 81% of participants still use the rating scale to survey for NPS, and the remaining 19% use categorical questions. Some surveyors also follow up the single rating question with 4 or 5 questions to seek further details, at the end of which the rating question is asked again. Though this is a less than ideal approach as it creates a pressure on the survey respondent to reassess and re rate.

Is the NPS rating based on a scale (0-10) or categorized (Yes, No, Maybe)?



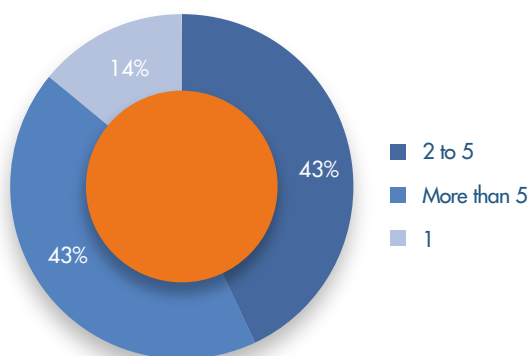
Survey Findings

07.

How much is too much?

The single most important question as far as NPS is concerned (in fact the only question) is “How likely is it that you would recommend [brand/ service / product] to a friend or colleague?” What was interesting to note is that as per the survey responses, only 13% participants use the single question approach. The rest are equally split between using 2-5 or more than 5 questions.

What is the average number of questions in your NPS survey questionnaire?



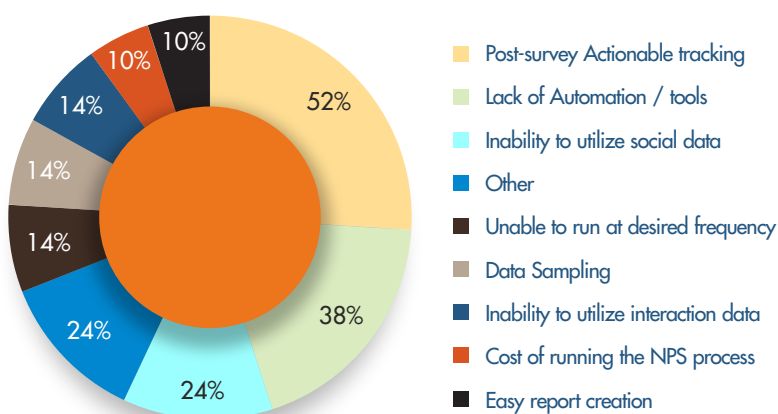
The optimal approach would be to ask the single question and obtain a rating and follow up with a few diagnostic questions.

08.

The most interesting question!

We asked people what was the biggest challenge they faced with their NPS process. Predictably and unsurprisingly, the inability to have concrete post survey actions appeared as the biggest challenge with nearly 52% voting it as a critical challenge. This clearly indicates that the NPS process as such has not evolved much since it was established as a framework over a decade ago. Other interesting challenges to note were the absence of any automation or tools to run NPS evaluation.

What are the challenges in your current NPS process?



Service teams (and others) prefer the good old agent call methods to get the survey done. The inability to leverage social, interaction or other newer data elements is another major challenge with nearly 25% participants struggling to leverage the quintillions of the bytes that get generated every day. Does this also imply that nearly 75% of participants aren't thinking of leveraging social data, or haven't reached that stage?

Conclusion

The Aureus NPS Maturity survey was conducted with the sole intention of understanding how life and non-life insurers leverage (or not) the net promoter score framework. More than 35% of the industry players participated in this survey.

The state of maturity and the will to leverage NPS to make substantive improvements is quite high amongst the survey participants. The majority does in fact leverage the NPS framework and has a structure and method to execute it.

The reality today is that the world today is very different from the days in which the NPS began its journey as a strategic tool to improve business bottom lines. Technology has enabled multi-channel interactions and touch points, particularly social media touch points. It is here that the existing NPS methodology is highly constrained and there lack of automation also is an issue. More critically NPS is being used more as Customer Service improvement tool than as a strategic business tool with bottom-line impact.

Touch point NPS is a nascent but emerging area and in the age of instant gratification will become a stronger determinant of loyalty though this will take time to manifest in the insurance domain.

One of the major issues that came out is the lack of a clear approach to design since the NPS is essentially a 1 question survey. Another issue with NPS is the lack of clear action areas arising as a result of the survey– the 'what next?' question. The lack of any definitive next steps appear to be a major chink in the armour of what could otherwise be a best in class approach. The other, and rather surprising, area of concern has been the lack of any automation tools and data sampling.

The NPS process could do well by leveraging analytics and data sciences technologies to deliver greater value to internal as well as external stakeholders. The insurance industry today is better positioned than ever before to make best use of the customer data gathered over the years, and the sooner it starts the better it will fare.

NPS is an important strategic tool whose efficacy can be further improved by:

- 1 Use of automation tools – to enable more frequent NPS sampling and touch point NPS.
- 2 Incorporation of other data such as social media interactions.
- 3 Concrete and well-defined action plans based on NPS generated insights.

The technology and know how for achieving the above are now available and mature. How soon they get leveraged, is something we will have to wait for.



At the **POINT OF DECISION**

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