Customer Relationship Management in Asia

A Cross Cultural Case Study based on Aetna Universal Insurance A. Berhad

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A Cross Cultural Case Study

Customer Relationship Management (CRM) has received significant attention in the last 10 years, promoted in part by a series of books written by Don Peppers and Martha Rogers, Ph.D (the 1to1® Series), and subsequently by the activities of a large number of competitive software vendors marketing their CRM technologies.

Living in Asia, one cannot help but notice the Western orientation of these books and systems, if not their outright “American-ness.” There are inherent values embedded in the CRM literature that do not reconcile with the public face of Asian values. At the simplest level, CRM literature assumes that the customer will unerringly respond to the basis of self-interest and self-gratification: Offer more and better incentives, make it interesting for the individual customer and he will remain loyal and give you more business.

But what about the Asian values of filial piety, delayed gratification, loyalty to family and clan, and Guanxi (connections and networks of obligations)? How do these impact the working success of CRM initiatives in Asia?

In order to better advise non-US clients, and multinational enterprises that span cultures, Peppers and Rogers Group has been reviewing examples of successful CRM implementations in Asia. These case studies will help determine the critical success factors that distinguish a successful Asian CRM strategy from an American or Western European strategy.

Customer Relationships: Different in Asia

- Language preferences are complex but important to any Learning Relationship between vendor and customer. For example, it is not unusual for Chinese/Malaysian customers to speak a Chinese dialect such as Hokkien informally…but to use Mandarin formally; transact business with the Malaysian Government in Bahasa Malay but prefer legal documents (such as policies) in English. Distinguishing the proper message in the appropriate language adds richness to the relationship, but few CRM systems have this level of intra-personal relationship tracking as a standard facility.

- The issue of identifying customers uniquely by name poses challenges in a racially diverse society. Muslim names are often very long and don't always include a surname; Chinese names usually start with the family name, then first and second given names, and occasionally "take" a Western name. Considerable flexibility is needed in the system.

- Some jurisdictions allow for more than one marriage, and wealthy male customers may have several addresses in intricate arrangements. Sending investment or insurance details to the wrong address can create difficulties. Linking multiple addresses, relationships and interactions, while at the same time maintaining discretion and privacy, is absolutely critical.

- In much of Asia, there is a cultural bias against flaunting wealth, and certainly there is a reluctance to declare it to strangers (especially if there could be a link to a government authority). Thus, it is difficult to judge the true net worth of customers. Individuals with modestly stated monthly incomes of RM1,000 (US$315) have been seen driving luxury cars and supporting several wives. Proxies are clearly needed to recognize potential Most Valuable Customers.

Aetna Faces Loyalty Challenges

In the mid-1980's a new entrant in the Malaysian insurance business was making a name for itself with a particular endowment insurance product: Universal Life Sdn. Bhd. Based in Kuala Lumpur, Universal grew rapidly, with an attractive product and high agent commissions.

In the early 1990s, the American insurance company Aetna expanded its presence into Asia, and acquired Universal Life and its Philippines-based parent.

Aetna restructured the products, and lowered agent commissions, correctly anticipating the government's directive to industry to make similar changes. As is common when strategies change, many of Aetna's agents were lost to the competition. There was another round of agent defections in 1994, and Aetna's sales growth stagnated. More importantly, customer churn was high with customer persistence in the 65 percent range for second year renewals. For every $100 million in new-customer premiums, $35 million was lost in the next year, creating a significant drain on profitability.

With stagnating growth and low persistence rates, Aetna understood its challenge to establish a direct relationship with the customer, without disenfranchising or competing with its agents. Defecting agents routinely took their customers and a network of sub-agents with them — any threat to customer "ownership" was considered a reason to defect. This was a battle for customer ownership that neither the agents nor Aetna could win without the other's help.

Branding A Relationship Strategy

According to K.K. Loo, ING Aetna's senior vice president and general manager of corporate and consumer insurance, the company set out establishing some key brand messages to begin the delicate process of serving both constituencies. (Aetna was acquired by ING in 2001.) Those messages were:

- Aetna is easy to do business with.
- You are buying from a Trusted Agent.

These brand messages were intended to counter the perception in Malaysia that insurance companies take customers' money quickly, but don't give it back very easily. In addition, ING Aetna had to create a relationship with the customer that included the agent. Customer touchpoints had to be coordinated and streamlined, and new touchpoints had to be created where none had previously existed.

"These brand messages were potent, but only effective if the customer experiences them directly with ING Aetna. Having the agent describe them does not have the same effect," explained Loo.

With this in mind, ING Aetna negotiated with its agents for several years, to build trust and a relationship that included the customer. Although progress was slow, ING Aetna was well positioned when the Malaysian Central Bank tightened industry rules and capped commission rates. Those insurers who relied purely on high commissions to retain agents were severely disadvantaged.

The negotiations revolved around a new business proposition for the agents. According to Loo, ING Aetna proposed a "Partnership for Growth," in which agents would concentrate on selling and ING Aetna would focus on servicing the customer. "In light of the commission reductions, ING Aetna needed to provide a strategy that gave value to its channel partners and the policyholders at the same time."

Upgrading Customer Systems

Building relationships with customers based on the promise of efficient, reliable service created performance requirements for the transactional systems and the IT staff. ING Aetna's Malaysia and Regional Business Group, along with its Philippines-based IT team, participated in a collaborative design project with the company's global CRM IT team. Asian needs were added to the functional requirements being assembled at headquarters.

Vantive, now part of PeopleSoft CRM, was selected in 1997 to implement the customer relationship strategy. In addition, ING Aetna provided office space to its

CRM in Asia

CRM adoption rates in Asia have been relatively low (and slow) compared to the U.S. There are a number of factors that help explain this less-than-wholehearted acceptance.

CRM projects involving process re-engineering, new systems and user education are often expensive. The first broad coverage CRM products were released in 1995-96, but by the time they achieved market awareness in Asia, the 1997 currency crisis was in full swing and discretionary funds for new projects were limited. In addition, short-term returns were overemphasized, and the long-term strategic improvements that could come from CRM were consequently given less credence.

As economies recovered from the 1997 crash, all available technology funds were invested in resolving Year 2000 risks, leaving few funds for new CRM projects.

One result of this has been that, except for Western multi-nationals doing global rollouts, Asia has seen no dramatic upswing in CRM technology sales since 2000.

Insurance Law in Malaysia

Insurance agents typically sell within their extended family group, or through guanxi. They own the customer relationships, and their defection to other companies and products is a constant concern for insurance companies.

In addition, disreputable agents have damaged the reputation of insurance through overselling, and in some cases outright fraud. Insurance companies exacerbated problems by bidding up agent commission rates to promote competitive defections and gain customers.

In 1996, commission rates had reached 250 percent of first-year premiums when the Malaysian Central Bank intervened with the Insurance Act Operating Cost Control Guidelines. Aimed at protecting the insured by imposing discipline on the industry, among other things the law limits commissions to 170 percent of first-year premiums.

The Act also makes insurance companies responsible for the actions of their agents, deeming that any knowledge the agent has is also insurance company knowledge. This provides more impetus for insurance companies such as ING Aetna to be involved in the customer relationship.

agents, giving them a "sense of belonging and a closer relationship with the policy issuer," said Loo.

ING Aetna also invested in training programs, which improved the agents' professionalism and their ability to address the needs of customers. Loo also observed that "a number of independent agents who had chosen not to stay with ING Aetna regretted their decision when they saw the benefits that were put in place."

Becoming Easier to do Business With

Like many insurance companies, ING Aetna had a great deal of sensitive customer information. Prior to the CRM initiative, this data was not proactively or easily used to serve the customers. ING Aetna sought to construct an integrated view of the customer, cutting across the traditional product silos of Life, Property, Casualty, and Health, as well as across all of the customer touchpoints.

This data integration enabled predictive analysis and empowered agents to provide the best advice to customers on how to structure their business with ING Aetna. Agents provide valuable input on life events, because usually they are well aware of family and community events, births, deaths and marriages among their customer base. Cross-selling and up-selling has become more successful because the company and agent know more about the specific needs of individual customers.

To build its relationship with agents, ING Aetna began providing them with resources, administrative help and training. Third-party research showed that the average agent was spending 30-40 percent of his time collecting small premiums from neighborhood customers. By taking over this function, ING Aetna generated an opportunity for interaction, while increasing service levels for customer and agent. The contact center was the next focus, and a simple policy change made a big difference. Based on the fact that responses to complaints submitted through agents were often subject to delays, ING Aetna gave the highest priority for problem resolution to agent-submitted complaints. This provided both sets of customers with high service levels.

To measure progress, the company benchmarked its performance against best-of-breed practices not only within ING Aetna but also external companies, both in Asia and elsewhere, irrespective of industry.

Benchmarking uncovered a seemingly unattainable goal: the "one-hour loan." An insurance company in Taiwan was providing customers with loans against their insurance policy with literally a single hour of processing time. Throughout Asia, such loans routinely took 10 days to process. As a result, ING Aetna's service staffs were sceptical that they could achieve such a result.

Then a customer called and pleaded that he needed funds urgently. Taking up the challenge, the service team walked the loan approvals and paperwork through the system in one hour. They bent some rules, they ruffled some feathers, but the grateful and emotional customer, who explained he needed the money for a friend's funeral, left with a public vow: "I will not do business with any other company."

The internal impact at ING Aetna was dramatic. The service and finance teams re-engineered the way they identify customers, interact with them and customize their service. Traditionally controls were put in place and processes designed to satisfy audit requirements first. Following the success of the one-hour loan, ING Aetna decided that processes should be designed around customer outcomes first, with controls added after processes are optimized. For example, identification needs were met by shifting the focus to customer identification — not the policy document — by using the Malaysian national identification card (IC).

Agents enthusiastically embraced these new processes, and began recommending that clients contact ING Aetna directly for faster loans. Growth has picked up, agent loyalty is climbing and ING Aetna is building one-to-one relationships with customers based on their requirements for rapid service and response to life events.

Learning to Differentiate

ING Aetna also began building a customer data warehouse to organize its valuable knowledge about customers, and to help determine the appropriate levels of service for each, based partly on estimated Lifetime Values.

ING Aetna is now differentiating customers aggressively based on predictive measures of customer Lifetime Value, and intends to launch an innovative affinity/loyalty card issued in conjunction with Visa and Citibank. ING Aetna is also one of the first Asian insurers to obtain ISO 9001 (version 2000), which includes covers not only the design but the implementation of its new business processes. ■

ING Aetna's ROI On CRM

	Before New CRM Technology and Processes	After New CRM Technology and Processes
First Year Churn	35%	20% (for auto payments and credit card payments it is 10%)
Benefit Processing Time	2-3 weeks	1week (1 hr for walk-ins)
Loan Processing Time	10 days	1 hour
Policy Surrender	7 days	1 day (1 hour for walk-ins)

About Peppers and Rogers Group

As the preeminent management consulting firm specializing in customer-focused business issues, Peppers and Rogers Group helps clients devise strategies and plans for strengthening their customer relationships; assists clients in the operational implementation of their customer relationship initiatives; offers training and e-learning programs, research studies, workshops and keynote presentations; and helps clients locate and evaluate CRM professionals through its 1to1® Executive Search subsidiary. Peppers and Rogers Group's advertising-supported newsletters and magazines reach more than 250,000 CRM professionals around the world. Peppers and Rogers Group was founded in 1993 by Don Peppers and Martha Rogers, Ph.D., co-authors of a series of books and articles on managing customer relationships, including *The One to One Future* (1993), which first popularized the term "one-to-one marketing." Steve Skinner, a former partner at McKinsey & Company, is president and CEO.

In addition to its headquarters in Norwalk, CT., Peppers and Rogers Group maintains 16 other offices throughout North America and on five other continents. Recent and current clients include Agilent Technologies, Bayer Corporation, Bentley Systems, Ford Motor Company, Jaguar Cars, Lowe's, Verizon and Volvo. Internationally, new clients include Banco Itau, Sul America Investimentos, EDS, Lloyds Bank, and Unimed (Brazil); Bell South (Chile), Ford Chile; Novartis Pharma (Argentina); Village Group (Australia); Dogus, one2one, P&O Stena Line, Syngenta, Thomson Holidays, and Winterthur (Europe) ; and Discovery Health and SAS Institute (South Africa).

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