



The Importance of Relationship Management

In the first of three articles, PETER BELSEY, sector head at Huthwaite International, looks at the importance of relationship or account management for brokers in their relations with clients and for insurers in their relations with brokers.

Every day, or so it seems, the national newspapers and broadcast media carry yet another story which casts the insurance industry in a poor light - from the collapse of Independent Insurance to the lack of capacity after September 11. Public trust and confidence are perceived to be at a low ebb. Brokers in particular bear the brunt of private and commercial clients' dissatisfaction at seeing a major jump in premiums with little warning. Many feel caught in the middle, criticising providers for a lack of sensitivity in failing to give adequate notice, explanation or help in "selling" such increases both to individual and business clients.

For their part, insurance companies point to an unprecedented coincidence of disasters last year - for example, floods in the UK, terrorist attacks in the US and the fall in stock market values internationally - as both unpredictable and out of their control, yet which have combined to have a dramatic effect on their balance sheets.

Uncertainty

Customers make no distinction between the various players in their criticism of the sector. Yet as providers and brokers work together to rebuild confidence in the industry, relationships are further strained by

the pressures of impending regulatory changes and continuing industry consolidation and segmentation.

Outcomes

There is uncertainty for example in the wake of the Financial Services Authority taking over regulatory responsibility from the General Insurance Securities Council, itself in place for less than three years. In the area of life assurance the direction at least is a little clearer, with the proposed regulatory framework (published in November 2001) less rules driven or "compliance by tickbox". In future the regulator will be taking a tougher and more "intelligent" approach, judging outcomes rather than processes, and on a broader range of risk.

The compliance framework for general insurers may take a similar approach, but the timing and direction has yet to be announced. Following recent legislation however, the likelihood of tighter regulation has been joined by the risk of custodial sentences for directors who fail to comply.

Providers and brokers have also had to come to terms with different trading relationships in the wake of industry-wide consolidation over the past decade. Huge brokerage firms

such as Aon and Marsh have emerged as a result of acquisition; other brokers have formed large networks in order to improve competitiveness through sharing such diverse aspects as training, compliance and branding.

In light of this shift in the balance of power, insurance providers, who have gone through a parallel period of amalgamation and consolidation, have had to refocus to develop and co-ordinate strong new central relationships in addition to established local links.

Despite the emergence of a small number of large players, there are still more than 5,000 brokers nationally. As a result, providers have invested heavily for example in customer relationship management (CRM) systems and other technology to cut costs through effective segmentation, by determining - and concentrating on - those brokers and sectors of greatest value. (The same is true, in turn, of brokers as they seek to maximise the return on sales effort with their client base.)

Relationships

Back in the 19th century John Ruskin wrote: *"What we think, or what we know, or what we believe is, in the end, of little consequence. The only consequence is what we do."* In today's commercial world



this need to respond to change might suitably be translated as: *"If you always do what you always did, you'll always get what you always got."* Standing still is not an option.

Companies recognise this of course and CRM investment is just one example of a commitment to improving the way in which many general insurance providers and brokers work together. Yet old ways of working die hard and the profound changes which the industry continues to undergo have major implications for both sellers and buyers:

- **Twenty years ago, in an era dominated by smaller companies, selling was more transactional - buying and selling product, without the need for closeness. Today however, there is a growing need to be able to sell at a more strategic level. As a result, the ability, for example, to develop highly complex insurance solutions demands a more consultative approach, one in which *relationship building* is a critical element in the ability to sell successfully.**
- **Investment in sophisticated CRM systems alone is not enough. Companies often fail to derive the benefits anticipated by placing insufficient emphasis on ensuring their staff are working effectively in line with new systems and processes. Put simply, in the insurance arena - just as in any other commercial environment - it is *people* who make the relationship work.**

The principle of relationship building in insurers is relevant to all levels of selling, from the most senior strategic and national account managers, to the field sales force and also to those telephone sales personnel in regular contact with the same brokers. Commonly however, it is of greatest value to those engaged in face to face selling, where it is key to creating differentiation and added value for vendor organisations. Here, once again, it is as important to brokers selling to their client base as it is to the provider/broker relationship.

So how do we know what makes a good relationship manager? As Ruskin shrewdly observed, the key I believe is to establish effective behaviours. There is sales effectiveness research and behavioural analysis which identify those behaviours which impact positively on business results, irrespective of country or market sector. From this empirical research into sales effectiveness can be created specific skill sets and behaviours for different forms of selling, from account strategies for major sales to negotiation to making effective presentations.

A major national insurance broker with a large commercial lines business base was forced to take expert advice because of falling sales, particularly amongst business customers, many of who were existing clients. The broker employs a large number of senior relationship managers or account handlers who sell and deliver projects and provide expert advice to client companies.

The relationship or account managers were, almost universally, pleasant, technically accomplished

and dedicated. They also believed they were doing a good job. Yet client surveys typically described them as "distant, arrogant and insensitive". When challenged, individual account managers recognised some of these failings in colleagues but none were able to see what they themselves were doing to create such a negative impression. **So why were the perceptions of the sellers' behaviour so dramatically different? Here are the reasons:**

Doing a good job is not enough - many sellers make the false assumption that if they do a good job and complete the deal, the client will be happy and a good relationship will follow. (It is arguable that this focus on "the job" has in fact increased as a result of growing economic pressures and industry downsizing.) Clients may indeed buy the expertise, but if they feel belittled, or an unequal partner, this is unlikely to form the basis of a successful long term association.

Consideration

Actively consider both the relationship and the task - if the goal is to build an extended relationship, from initial contact to completion, as much consideration must be given to the relationship itself as to the project.

Internal and external relationships are equally important - if relationship or account managers' behaviour with external clients is critical, so, equally, is their behaviour internally with colleagues. Yet even those who understand the importance of external rapport often fail to



recognise this, taking fellow employees for granted - treating them in effect as "one of the family" - by issuing instructions without explanation. For those clients dealing with several departments, this can result in a disjointed and unfocused service.

Training

Observation confirms that such mistakes made at the point of contact by relationship managers are both common and widespread. So how can training help bridge this divide?

One can establish current behaviours - via observation in the field or realistic simulation in a training environment;

One can identify the effective behaviours - develop a success model of verbal behaviours which make sense to the target relationship managers, are observable and, critically, can be applied to the current situation.

One can get relationship managers to recognise their gaps - and provide development opportunities to close their gaps - through training and reinforcement via ongoing coaching and feedback; practising those correct behaviours already in use more consciously and more often; and adopting new behaviours for the first time.

Conclusions

Looking at the case of the broker with the large base of commercial lines clients it was found that relationship or account managers fell into three main groups:

- **The poorest, who rely too heavily on their expertise and impose their ideas on the client.**
- **The average, who behave better with clients but still impose their ideas internally.**
- **The best, who use a balance of different behaviours to influence and progress both the task and the relationship, both internally and externally.**

Fraught

These sort of findings can be applied to the relationship between insurers and brokers and the relationship managers who look after broker accounts. They are particularly important at a time when insurer-broker relations are so fraught because of lack of capacity and huge increases in premiums. It is crucial that relations are not further strained or even damaged permanently because of major errors in relationship management.

Further, at a time when the industry is attempting to regain public esteem, it is possible - and indeed vital - for any negotiation between insurance companies and brokers to be to the clear advantage of both parties - the so-called "win-win" outcome. Yet the common inability to recognise the importance of relationship building in this process means that any attempt to establish mutually beneficial long term associations is doomed to fail.

From the provider perspective, poor relationship managers assume they know what brokers want, and

so fail to uncover other strategic and personal needs and underlying purchasing criteria. Instead, they present solutions too quickly and simply try to push those products with which they are most familiar and comfortable.

In mishandling their new found power in the commercial relationship with brokers, insurers' relationship managers negotiate too soon and on too few issues (principally availability of cover and price) and so similarly fail to address other important aspects of their trading relationship.

Experience shows that all companies have some relationship managers who behave well and others who are average or poor. Recognition that the role is more than just "doing the job" is essential if a development programme is to be put in place to ensure that relationship management is both understood and put into practice effectively.

Future articles will examine what effective relationship management looks like and how training can benefit both providers and brokers, by looking beyond the product to the establishment of strategic selling and negotiation skills.

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