

How to Render the “Who’s the Customer” Debate Irrelevant

It’s hard to imagine any business thriving without a complete and committed dedication to their customers, but this is exactly the case for many life insurance companies. The life insurance industry is one of the few where a debate exists regarding who the actual customer is. Insurance agents insist that they should be considered the customer of the insurance company while claiming the consumer for themselves. Although quite a few insurance companies agree with this perspective, the conclusion is far from unanimous. Some companies attempt to bridge both perspectives and serve two masters. This article is going to argue that neither group truly serves their designated customers — regardless of who they’ve committed to — but that by focusing on the core values of an organization will render this entire question irrelevant.

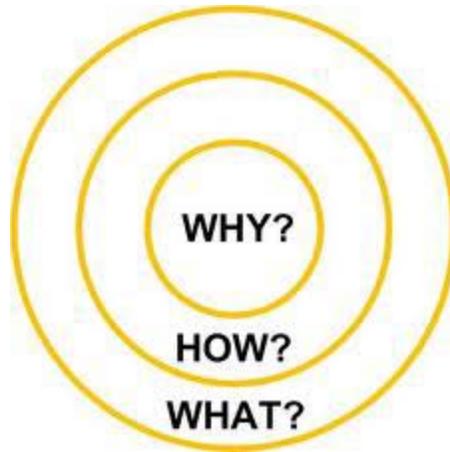
Let’s start with life insurance agents and their solid commitment to the consumer. Although there are exceptions, the primary focus of most successful agencies is sales. Their agency meetings, their training, their measurement of success, their strategies, and their promotions and incentives are all centered on increasing sales. For a profession that professes to be customer focused, the needs of the consumer are buried deep beneath the need to generate revenue.

In a similar manner, whether an insurance carrier claims the consumer or the agent (or both) to be their primary customer, one only has to read the management discussion and analysis that is filed with their statutory statements and it’s clear that a company’s financial results, investment portfolio, and compliance with regulatory requirements consumes the majority of their time. In fact, it’s very difficult to determine what market a company is focused on and what type of distribution they use despite all the detailed information provided in the statutory filings.

Contrast this with Amazon, a company that is so customer-centric that their CEO Jeff Bezos often positions an empty chair in all of his meetings to represent “the most important person in the room” – the customer. In fact, in a recent Forbes magazine article by Avi Dan, he indicates that companies who are customer-centric out perform their peers with “more than double the rate of revenue growth and 15% lower expenses” <http://www.forbes.com/sites/avidan/2012/05/24/for-metlife-customer-centricity-means-retention-is-the-new-acquisition/> .

One could argue that given the complexities of our business, insurance companies serve a variety of important customers including their own employees, state regulators, and the communities they serve. But how many “most important people” can be in the room at one time? How many empty chairs need to be represented?

Simon Sinek did a presentation at the TED conference titled “How Great Leaders Inspire Action” http://www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action.html that puts this issue into context. Sinek refers to a concept he calls “The Golden Circle”



In Sinek's own words, "everybody knows "what" they do 100%. Some know "how" they do it. But very few people or organizations know WHY they do it. And I don't mean to make a profit, that's the result. It's the "why", why do you do it, why do you get out of bed in the morning, and why should people care."

In other words, the typical business' value proposition starts at the outside of the circle and works inward. For example, the LIC's "what" is to provide practical business solutions to small and medium sized companies serving the modest and middle income markets. The "how" is by offering conferences, workshops, committees, and custom research. The "why" is in order to entice companies to join our association.

Here's another example: we are a life insurance company that offers life and annuity products. We have been around for 100 years and have solid financial ratings. You should buy/sell our products."

Sound familiar?

According to Sinek, truly remarkable companies all share one single element in common: they start at the inside of the circle with "why" and work their way toward the outside. Or in his own words, "Inspired organizations and people all think, act, and communicate from the inside out. People don't buy what you do, they buy why you do it."

Sinek offers Apple to illustrate the difference between these two approaches. If Apple were a typical company, their value proposition might sound something like this: "we are a technology company. We build sleek, well designed products that are easy to use. Buy our products". But Apple being Apple, builds their value proposition around their beliefs in why the company exists rather than around what they do. "We believe in thinking differently and challenging the status quo in everything we do. We create beautifully designed, easy to use technology that is intended to make life easier. We also happen to make great computers – do you want to buy one?"

A better example of how Apple's success rests upon what they believe was conveyed during a conference call with analysts on January 21, 2009 when Steve Jobs first took a medical leave of absence. In response to the question of how Apple would survive the absence of its visionary founder, interim CEO Tim Cook responded with a litany of all of the things Apple believed in:

- We believe that we are on the face of this earth to make great products.

- We believe in the simple, not the complex.
- We believe in saying no to thousands of products so that we can focus on a few that are truly important and meaningful to us.
- We believe in the deep collaboration and cross-pollination of our groups.

In other words, rather than expound strategy or tactics, Tim Cook reassured the skeptical analysts with the knowledge that each and every employee at Apple was focused on the same core beliefs, and those convictions drove the company rather than the uniform vision of any one person.

Once you start examining companies through the filter of “why, how, what”, it’s fairly easy to spot the remarkable companies we all admire and the beliefs that drive them. For example, Southwest Airlines always insisted they are in the freedom business – they also just happened to be an airline company. Harley Davidson is another good example. They invented the lifestyle brand and offered a means for people to establish and communicate their identity – they also just happened to make motorcycles.

This revelation has profound implications for smaller companies. Although it takes an exceptionally talented leader to drive a unified vision throughout a large multi-national corporation, this task is much easier for companies with fewer employees in centralized locations and relatively simple product lines.

What do you believe in?

A good example of the power of this approach can be found in Settlers Life, the final expense subsidiary of NGL Insurance Group. Settlers Life has less than \$400 million in assets, less than 75 employees, and operates in 29 states, but their President Michael Lowe is crystal clear about what the company believes in: Settlers Life exists to pay claims. <http://www.settlerslife.com/solu/claims.html>. The company has been proudly promoting the amount of claims they have been paying over many years and have built their brand around this focus. Settler’s rationale for this approach is as simple as it is brilliant: “If you are focused on creating payable claims, then you are pricing correctly, selling correctly, and paying correctly. Your actuaries are happy, your marketing team is happy, the agents are happy, the policyholder/beneficiaries are happy, the accountants are happy, et al”.

It’s important to examine what a difference this distinction makes in establishing the identity of the company. Settlers Life has turned the typical life company value proposition upside down. Or to run it through the filter of Simon Sinek, Settlers Life is starting from the why rather than the what. Instead of being a life insurance company first, Settlers Life is a claims paying company. They issue contracts that obligate them to pay money to people’s most beloved survivors. They also happen to be a life insurance company.

It should be clear by now that for companies who build their business around why rather than what, the question “who is the customer” is moot. To quote Simon Sinek again, “people don’t buy what you do, they buy why you do it”. Thus for Settlers Life, their customers are anyone who happens to believe in what they believe. They seek to attract agents who believe that paying claims is the most important part of their job. They market to policyholders who share this same belief. They hire employees who understand that this is fundamental to everything they do. They interact with their communities for the purpose of paying claims. All constituents of the company are unified around a common belief rather than divided by a hierarchy of preferential importance.

I don't know if Simon Sinek is correct that every remarkable company approaches their business from the perspective of why rather than what, but it certainly is an inspiring and revealing approach and it does appear to be a consistent theme among those companies that we most admire. Considering that this approach not only makes the consistent controversy over who is the ultimate customer of an insurance company virtually disappear, it also eliminates the need for the empty chair in Jeff Bezo's meetings. At Settlers Life, there is no one missing from their corporate meetings since the customer – however they are defined – are ably and effectively represented by everyone in the company who also embody and communicates the same shared beliefs.