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Moving from a product to customer focus while downsizing

by John Harding

Since the mid-1980s, more financial products are offered by a broader range of financial institutions to a narrower customer base. There's been downward pressure on the resources available to our customers. High expectations during the '80s for product performance have clearly dimmed, followed by disillusionment of both our customers and some of our distribution channels.

Our customers have responded by taking a much harder look at the financial products they buy and from whom they buy them. Companies have responded by adopting a new customer focus — a change from product focus to market focus.

What do our customers really want from us, and how do we deliver to meet their expectations? Those are the new questions we are learning to ask.

We've been a product-driven industry for so long that the change in mindset is slow. Most marketing approaches I see start with the premise that we'll sell to those whose perceived financial needs can be gerrymandered to fit the products we manufacture. We have focused on product first, need second, and customer third. I suggest those priorities are backwards.

Look for niches to fill

Instead of searching for customers who might buy what we produce, we have to look very carefully at specific market segments and identify the types of needs we can fill through relevant distribution channels. We must use the appropriate skills we have to offer and put them behind the products we create.

The product focus and new strategy makes this kind of market response

enjoyable. The tougher parts include the downsizing, joint ventures, and mergers that can cause more downsizing.

When looking at an ROI (Return on Investment) or whatever your measure is, most try to reduce the investment element or the denominator. In fact, the only way you can be functional long-term is to increase the numerator. We have to identify our key competitive competencies, build on them, and focus our efforts on a specific future direction.

Let's use a hypothetical market niche — lawyers in private practice. Suppose we devote our entire company's efforts to servicing that marketplace.

Strategy and organization

The primary function of marketing will become one that creates our corporate image as the best insurance company for lawyers dealing with financially related issues. Lawyers begin to realize our company understands their financial and business problems better than any other company around. They begin to recognize that our distribution system is one that can serve them.

Agents are recruited and trained to deal with the marketplace of lawyers in private practice.

Product development

Market research becomes a critical tool. All product development and delivery decisions are made in the context of serving that market.

Policy terms could begin to focus on the characteristics of that market segment. Strong consideration would be given to providing structured settlement products and expert witnesses within the layers of expertise that would be available to and through the company.

This focus does not mean the company sells only to lawyers. What it means is you don't spend a lot of resources chasing other markets. Every decision you make is focused on what it means to the marketplace you choose to serve. A lot of corporate expenses today in any company come from chasing the fringe areas that are peripheral to a corporate focus.

Sifting out the unneeded functions

The process of downsizing and culling unnecessary functions can be done much better in the natural context of your company's focus, where you're trying to take it, and what you can leave behind. My company has shifted to a market focus, and in the conceptual transition, we're probably two-thirds there.

We've reduced staff by 40% in the past five years. At the same time, we've increased the relevant functionality.

The hard questions are better answered in the context of the clearly understood corporate focus. This doesn't mean that downsizing won't be hard and the human dislocations won't cause pain. But decisions can be made more readily in that context, and the people displaced can better accept the decision, because they have more understanding and a better answer to the question, "Why me?"

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