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Navigating *dilemmas* in customer service

How insurance companies can solve critical challenges in their customer service



Customer service – from cost factor to strategic asset

In this viewpoint, we look at the decision dilemmas that leaders in the insurance industry face regarding their customer service operations. Also, we explore how an integrated approach can turn these challenges into strategic advantages, turning customer service from a cost centre into a valuable business asset.

In the insurance industry in general, customer service is often perceived as an unwanted necessity by both customers and companies. Customers typically only reach out to customer service when they encounter problems, while companies often see customer service as a cost centre – a necessary expense to manage issues rather than an opportunity for growth. However, the reality is that customers will always face situations where they require assistance – and these are often the moments when insurance companies can create tangible customer value. When customer service is executed effectively, it does more than just resolve issues – it creates substantial opportunities for the company. Effective customer service can drive customer loyalty, generate positive word-of-mouth and even contribute to sales growth.

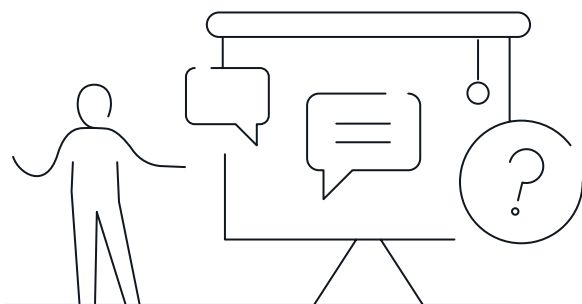
A large insurance company, known for its maturity in designing and delivering customer experience (CX), recently found itself caught in a perfect storm: in an effort to enhance efficiency, the company reorganised its very large customer service department just before an unexpectedly intense sales season. This resulted in an overwhelming increase in customer requests. The outcome was severe: a backlog of 250 written inquiries per employee and, on some days, only three out of ten calls were answered.

In the aftermath, it became clear that there was significant ambiguity about the appropriate level of customer experience to deliver and at what cost. Both factors are crucial, but they had been addressed in isolation, leading to a fragmented approach.

This scenario is not uncommon. Companies often prioritise customer experience when times are good and shift focus to cost-cutting during more challenging periods. This creates a perceived dilemma: should we focus on customer experience or efficiency? Achieving both seems impossible, as they are often seen as mutually exclusive – delivering a high-quality customer experience is seen as inherently expensive.

In our work with leading companies in the insurance industry, we often come across top managers who are facing similar, seemingly unsolvable, customer service dilemmas such as:

- **Dilemma 1:** Do we prioritise either customer experience or focus on cost efficiency?
- **Dilemma 2:** Do we enforce either self-service or rely on personal interaction?
- **Dilemma 3:** Do we either sell or take care of customers?
- **Dilemma 4:** Do we either act fast or primarily low-risk?



We believe that the solution lies in asking the question differently. Let us ask for both/and instead of either/or. This opens a whole new range of options.

On the following pages, we explore each of these four dilemmas in more detail. Drawing from real-world experiences and practical solutions, our aim is to demonstrate how leaders in the insurance industry can achieve a balanced and excellent approach to customer service, even in the face of these complex challenges.



Dilemma 1

Customer experience vs cost efficiency

The dilemma many insurance companies face

As highlighted in our initial case, the insurance industry often faces a challenging dilemma: the delicate balance between delivering an exceptional customer experience (CX) and maintaining cost efficiency.

This balancing act can seem especially daunting when decision-makers are faced with the typical question:

“What should we prioritise – either customer experience or cost efficiency?”

In our example, the logic was simple: improving performance for customers typically requires more full-time equivalents (FTEs). However, because the business impact of CX and personnel costs differ, management often chooses to minimise the number of FTEs. Over time, this approach led to cost efficiency being prioritised at the expense of customer experience, resulting in an avoidable decline in customer satisfaction.

Asking a different question

Typically, when we ask an either/or question, we are hooked on the idea that we have to choose between two opposing things or situations. A little “trick” is to ask the question just a bit differently, as it will help us to broaden our vision and see new and different possibilities.

So, what if we reframed our question not to be either CX or cost efficiency but instead:

“How can we enhance both the CX and our efficiency and cost game?”

This shift in perspective allows us to see the two elements as interconnected rather than isolated. Customer experience creates tangible value for customers, which, in turn, can drive broader business goals. By understanding how CX contributes to customer loyalty and linking it to internal processes, we can identify opportunities to improve both customer satisfaction and operational efficiency. The goal is to find those sweet spots where efficiency enhancements actually boost the customer experience.



Dilemma 1

What good looks like

Recognising the complex relationship between CX and efficiency can uncover areas where both goals can be aligned.

Here are some practical thoughts on how we can achieve this balance and get a better result than if we choose one or the other:

- **Expectation management:** understanding and managing customer expectations can streamline case handling and prevent frustration. This ensures resources are allocated efficiently without sacrificing customer satisfaction.
- **Reducing “failure demand”:** addressing problems promptly and preventing recurring issues can reduce the volume of follow-up inquiries, thereby boosting both CX and efficiency.
- **Self-steering agents:** empowering customer service agents to determine the appropriate amount of time to spend on each case can optimise both efficiency and the quality of customer interactions. Simultaneously, measuring agents on case efficiency and case-based CX can drive this behaviour.
- **Adopting AI tools:** leveraging AI to enhance self-service options and accelerate problem-solving for agents can significantly reduce response times and improve the overall customer experience.



Dilemma 2

Self-service vs personal interaction

The dilemma many insurance companies face

In today's digital age, insurance companies are increasingly leveraging technology to offer self-service options to their customers. The rationale is simple: digital solutions can provide immediate answers and significantly reduce costs by outsourcing interactions to the customers themselves. However, insurance matters are often delicate and personal, requiring human empathy and understanding.

As a result, many leaders in the insurance industry must deal with a difficult question:

"Should we handle touchpoints either through self-service or with personal interaction?"

The implications of this dilemma are significant. On the one hand, a predominantly self-service model aims to process as many cases as possible with minimal human intervention, emphasising efficiency. On the other hand, a model prioritising personal interaction aims to deliver a customised, empathetic customer experience, though at a higher cost.

The challenge lies in balancing these approaches to create an effective customer service strategy.

Asking a different question

Instead of choosing between self-service and personal interaction, consider this:

"How can we be both as efficient as with self-service options and serve our customers with a humanised customer experience they will love?"

Reframing the question in this way opens new opportunities for innovation and strategic alignment. It encourages us to view the entire customer journey, identifying where self-service adds genuine value and where personal touch is essential.

This perspective treats customer service as an interconnected journey, optimised holistically.



Dilemma 2

What good looks like

Consider a service organisation that recently implemented an advanced AI self-service tool. Initially, challenges arose because some cases could not be resolved through self-service. By examining the entire customer journey, they identified appropriate touchpoints for self-service and reserved personal interactions for complex, high-value cases.

Successful customer service organisations do not choose between self-service and personal interaction. Instead, they consider the broader context:

- **Clear positioning:** clearly defining your ambition and market position regarding the way you handle customer requests ensures alignment with customer expectations and strengthens your service strategy. Ask yourself: do we want to focus on efficient 24/7 responses or highly personalised service?
- **Segmentation:** understanding your customers and tailoring your approach based on what they value most enhances service delivery across different segments. This will increase customer satisfaction across segments and ensure personnel resources are used where they are most appreciated.
- **Seamless self-service customer journey:** when implementing self-service touchpoints, it is important to take an end-to-end view of the customer journey. Then, and only then, will self-service deliver value to the customer and the business. As an example: do not expect customers to adopt a self-service touchpoint when they are not familiarised with prior touchpoints and onboarded properly.
- **Team engagement:** engaging the customer service team in self-service transitions can help to maintain their sense of purpose and contribution, preventing redundancy and aligning with organisational goals. The customer service team can then focus on the personal touchpoints that matter and deliver a good personal experience where it counts.



Dilemma 3

Sales vs service

The dilemma many insurance companies face

Another dilemma insurance companies often face is whether customer service should remain a cost centre focused solely on resolving issues or evolve into a profit centre that drives sales. While leveraging customer service for sales is tempting due to existing client interactions, an aggressive sales approach can harm the customer experience. Conversely, focusing only on service may miss revenue opportunities.

This dilemma is particularly relevant today, as the industry faces increasing competition and the need to differentiate through exceptional customer experiences. Striking the right balance between service and sales is crucial, but it often feels like walking a tightrope:

“Should customer service either be purely about solving problems, or should it focus on upselling and cross-selling?”

Asking a different question

Instead of framing the issue as an either/or scenario, consider a different perspective, e.g.:

“How can we set up customer service to excel in both roles, ensuring smooth operations and fostering lifelong customer relationships?”

This question encourages us to think about customer service’s role in the broader business model. By aligning its goals with overall business objectives, companies can create a cohesive strategy that effectively integrates sales and service, enhancing both operations and relationships.



Dilemma 3

What good looks like

Customer service can be a crucial part of both solving problems for customers and driving sales.

To achieve this, we need a balanced approach:

- **Self-image of customer service:** an important first step is to clearly define the overarching ambition of the customer service organisation. What role does it play in the company's success? How can it contribute to or support sales efforts? Understanding how customer service creates value beyond resolving issues in the company helps to create a clear self-image and align the team's efforts with broader business objectives.
- **Process and customer journey integration:** customer service and sales need to have a clear understanding of how they work together to deliver a seamless customer journey. This involves mapping out touchpoints where service can naturally lead to sales opportunities without compromising the customer experience.
- **Tools and metrics:** implementing the right tools is crucial. For example, a robust CRM system can track opportunities created and converted by customer service. Metrics should be designed to measure both service efficiency and sales contributions.
- **Organisation and governance:** effective integration requires strong leadership and a governance structure that incentivises both service excellence and sales success. This might include joint goals for customer service and sales teams, ensuring they work collaboratively rather than in silos.



Dilemma 4

Fast vs low-risk

The dilemma many insurance companies face

In the fast-paced world of insurance, customer expectations are higher than ever. Clients need swift responses, especially in urgent situations like processing claims after an accident. However, the complexity of insurance policies demands thoroughness to ensure accuracy, prevent errors and maintain compliance with regulations.

This creates a crucial dilemma for insurance companies:

“Should we either prioritise speed to meet immediate customer expectations, or should we prioritise risk minimisation?”

The chosen approach directly affects customer retention and satisfaction. It also impacts the overall credibility and reliability of the insurance provider in a competitive market. Balancing these opposing needs is a challenging task, often leading to a tug-of-war in the organisation: should we act fast to satisfy the customer right now or be thorough to avoid potential issues down the line?

Asking a different question

Instead of framing the issue as either fast or thorough, a more productive approach would be to ask:

“How can we have both a fast response time and a thorough claim processing at the right time?”

This shifts the focus from choosing one over the other to finding a harmonious balance that meets both needs – whenever they are required.



Dilemma 4

What good looks like

Achieving this balance requires a holistic approach that integrates technology, clear communication and strategic decision-making:

- **Expectation management and clear communication:** trust is built through transparent communication. When customers are informed about the expected timeline and the complexity of their claims, they are more likely to understand when a thorough approach and, thus, longer time is required. Clear guidelines and proactive updates can manage expectations and reduce frustration.
- **AI and technology integration:** leveraging AI tools can significantly enhance both speed and accuracy. AI can be used for the initial evaluation of claims, quickly differentiating between simple and complex cases. This allows human agents to focus their attention where it is most needed, ensuring detailed and accurate processing for more complicated claims.
- **Risk assessment and prioritisation:** not all claims are created equal. By developing a system to assess the risk and importance of each claim, companies can prioritise their resources effectively. High-priority claims can be fast-tracked, while more time-consuming cases can be handled with the thoroughness they require.

The test of a first-
rate intelligence
is the ability to
hold two opposed
ideas in mind at
the same time
and still retain
the ability to
function.

F. Scott Fitzgerald





An integrated system to overcome dilemmas

Customer service is a complex system because it is entirely based on a factor that is hard to predict: human behaviour. Good performance usually means serving customers well and hitting targets like customer experience and retention, all while using the resources and capabilities defined by a specific operating model. The described dilemmas arise when we oversimplify our thinking and decision-making in the customer service system. For instance, reducing “customer experience” to just “lead time for written requests” can lead to either/or decisions like focusing solely on speed or quality – but not both. This is particularly common in large organisations where different departments often operate in silos.

To navigate these challenges effectively, leaders must embrace the following three key principles:

1 Find comfort in discomfort

Navigating the tricky waters of customer service in the insurance industry demands a certain finesse – comfort with discomfort. As leaders, it is crucial to recognise that the tension from conflicting demands is not indicative of failure. On the contrary, it is the foundation for growth and innovation. Imagine fostering a culture where dilemmas are viewed not as obstacles but as essential to the decision-making process.

This shift in perspective can transform how your team approaches challenges.

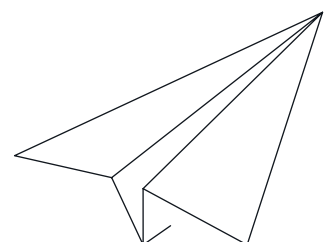
How to implement it: consider establishing regular reflection meetings for your leadership and teams. These platforms can serve as a space to unpack decision-making processes and the inherent dilemmas faced. By doing this, discomfort becomes normalised and is seen as a powerful, constructive force, driving continuous improvement and innovation.

2 Embrace dynamic decision-making

The dynamic realm of insurance is notoriously fast-paced, and being rigid is not an option. Leaders must embrace a fluid approach to decision-making, one that allows for seamless adaptation between opposing demands while keeping the overarching organisational goals in clear sight.

This dynamic adaptability ensures that no single aspect is ever left neglected, thereby maintaining a balance that significantly enhances the overall customer experience.

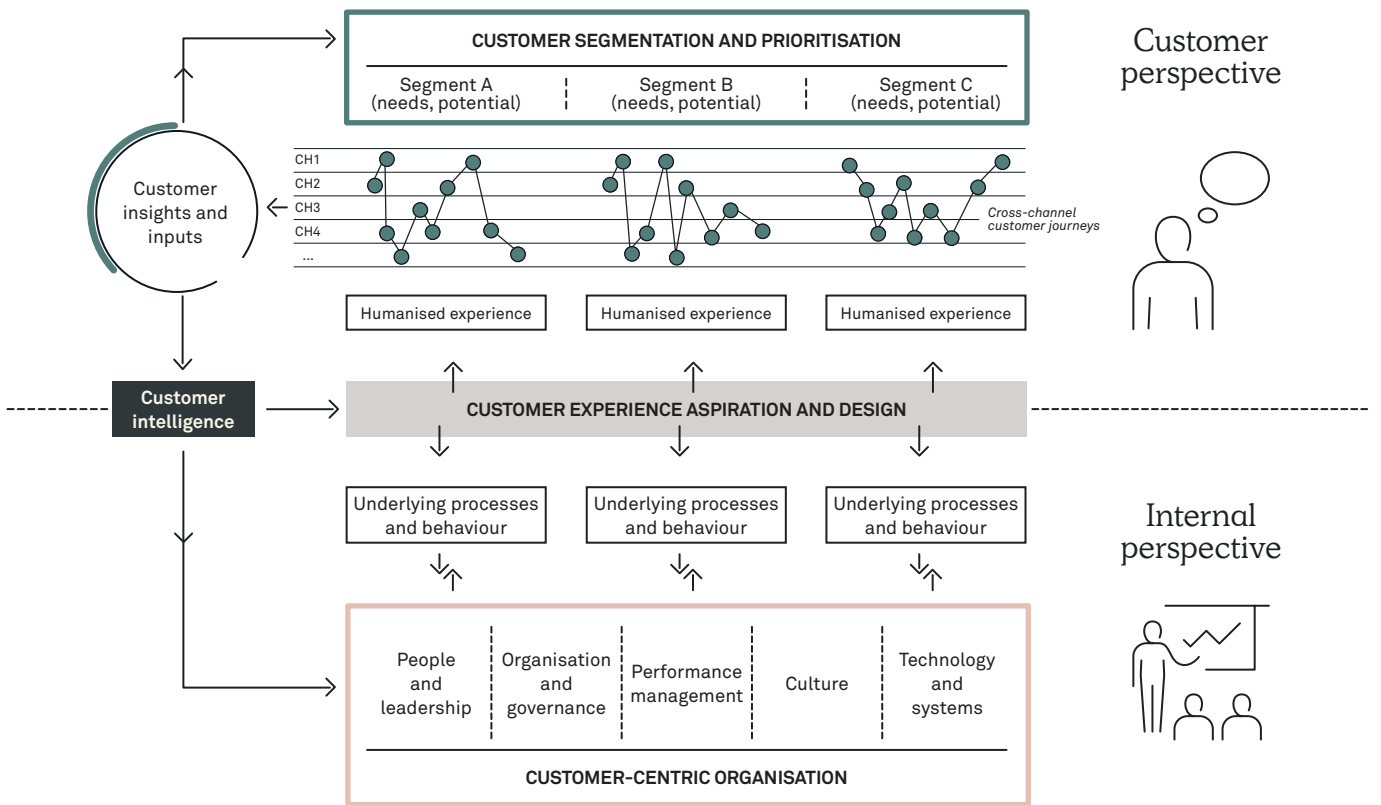
How to implement it: encourage a mindset of flexible prioritisation in your teams. Providing training on agile methodologies can be a game-changer, enabling your staff to pivot swiftly while staying aligned with your broader business objectives.



3 Build a holistic understanding

A fragmented approach to customer service just will not cut it. Leaders need to cultivate a holistic understanding of customer service that ties together all facets of customer interaction. This means moving beyond siloed KPIs and looking at the bigger picture – how every decision impacts customer satisfaction and retention.

By adopting a comprehensive customer service framework, decision-makers can ensure their strategies are both cohesive and customer-centric.



Source: Integrated customer experience framework (Implement Consulting Group, 2024)



How to implement it: develop and implement a robust customer experience framework that aligns operational decisions with customer expectations and business goals. This framework should be inherently flexible, capable of adapting to the ever-changing needs of your customers and the dynamic market landscape.

Let's solve dilemmas – together!

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