2015 MasterCard Foundation Symposium on Financial Inclusion
Friday, November 20, 2015
9:15 a.m. - Claire Burns Keynote Address

JASON REINDORP (EMCEE): So now it is time for our opening keynote. Claire Burns is Senior Vice President and, please take note of this title, Chief Customer Officer for MetLife. In this role, Claire is responsible for MetLife's customer strategy. She's been a key figure leading the company shift from a product to a customer orientation. As you probably saw in her bio, Claire has worked for some big names in the industry—AIG, Lincoln Financial Group, Prudential Retirement. Wherever Claire goes, dramatic increases in customer satisfaction, loyalty, and retention, not to mention enhanced earnings and growth, follow. So here to tell us a little bit about MetLife's rather dramatic story is Claire Burns. (*Applause)*.

CLAIRE BURNS: Good morning. I usually start by telling a joke, but I have to say the last couple of days, spending time in the company of all of you, has completely humbled me about the work that you're doing. To see so many people doing so much amazing work for a group of clients that need help most in the world is just amazing. So, I just feel honored to be here, and hope that there's some lessons from the for-profit insurance world that might be relevant to all of you.

I was asked to start by talking about when I took on the role at MetLife what I found, and then where we went from there. So first, I'll talk to what I found, then to what we sought to do, how we went about doing it, and then ultimately the results that we achieved. And what I found coming to MetLife from AIG was enormous complexity. So I'm being asked to lead a customer transformation in a company with 110 million customers that's operating in 50+ countries, and those countries range from what we call healthy, wealthy, and educated markets like the United States and Japan, to emerging economies of India, Nepal and Bangladesh. We were also, when I looked at our product line, I think saying over a thousand products probably was just a tiny fraction of the products that we offer. As I'll tell you a little bit later, I'm not sure that's a good thing. We have 65,000 employees and 95,000 sales agents around the world and an extremely complex business model where we deliver insurance products through agents that are tied to us, agents that are independent, and through group businesses. So half our business is group, half our business is geared towards individuals, and we're all over the place in terms of medical, life insurance, property and casualty. So it's quite complex.

The other piece that I found was, when I started talking to employees around the world, there was no consistent definition of the customer. So a third of our employees felt that the customer was the agent, the sales agent that they were going to give a product to, to go out in the street and sell. A third of them felt that our customer was the group customer, this big employer through whom we were delivering plans to their employees.

And a third of the employees felt that the customer was each other, that there are these internal customers that they were serving and that is problematic for a number of reasons. Yes, you want to treat one another well in the workplace, but if you're treating your fellow employees as internal customers, it means you're losing sight of the end customer. And all those functions that only serve internal people are really costs that we have to pass on to the customer. So it has to be highly relevant to what the end customer, the ultimate customer, is getting. And for us, no one mentioned the end customer, which was what was most appalling to me. So this was a huge effort we needed to undertake to shift our mindset from this no definition of the customer to something that was going to be meaningful for everyone.

Our products were what I call an alphabet soup. These are just the products from Japan, and there's many, many more in the world. But they have names like "intra-sensitive whole life," or "variable annuity with a guaranteed minimum withdrawal benefit." The names of our products mean nothing to consumers and we have so many of them that this creates a lot of complexity.

At one point early in the journey, our US life insurance head came up to me and showed me a chart with 14 term life products. He said, "and a 40-year-old male, non-smoker, can get 14 different price points," and he was all excited about this. I said, "Seriously? That guy has to figure out which of these 40 price points is most important to him, or more meaningful? I mean, you're just creating all this complexity. We should have one or maybe two. They don't need 14 different products."

And when we started to talk to customers and learn about what they actually wanted and needed from insurance, we found that universally they felt that insurance was too complicated, that we spoke in legalese. We didn't speak in terms that they understood, that buying insurance was a chore, and that they were afraid to call us and ask questions because they thought no one would help them, or that if they gave us any information, their rates might change or go up. There was zero trust and the product confusion was a big part of the picture.

We also had this myth that insurance is sold and not bought, that people, human beings aren't going to want to buy insurance. They don't understand it, they don't see the need for it. And I started to look into this and say, you know, why do people feel that it has to be sold and not bought? I didn't get it. So one of my first acts in my role as Chief Customer Officer was to become a customer of MetLife. So I went to see an agent, I went through the process. I'm going to take you through the process to buy a life insurance policy so you can get what it feels like.

So first step, you have to find an agent. Second, meet with the agent. Third, discuss your needs with the agent. In my case, my need was to become a MetLife customer, and I said I wanted to buy a $500,000 term life product, and the guy kept trying to sell me something different. Choose the product, we finally nailed it down to what I wanted. Complete an application, which at that point, was a 14-page application that the agent filled out on my behalf. Have a telephone interview to go through my detailed family medical history, which the telephone interview took about 15 minutes, schedule a medical exam, actually have the medical exam, order the medical records, take the medical exam, and in my case they came to my office and did the whole thing where they take your blood and they take other bodily fluids, and then wanted to give me an EKG in my office. And I have one of those offices with the glass walls that has these little stickers down the middle. And the woman, the nurse, was quite short so she couldn't see over the stickers, and she wanted to do this on my desk, wanted me to take off my clothes. And I said, "You know, this isn't going to work." So just giving you the full flavor of the customer experience. We went into the ladies room. I did the medical exam.

Then you await underwriting, and for six weeks, there was nothing. There was just black box that was going on in the background. And then I received a call from the agent, and then paid for and received my policy. But this whole process took, like, eight weeks, and does that feel like it was designed with the customer in mind? Does that feel like any part of it was designed with the customer in mind? No, it wasn't. In fact, it was designed 147 years ago because we're following exactly the same process that we did in the very beginning, and the life insurance policy, you can't see it here, but it doesn't even look that different than it did 147 years ago. So this is where we started, right? This is terrible, and we wanted to not be terrible.

The other thing we sought to do was to try to create some simplicity. And I don't know if any of you have heard of a restaurant chain in the U.S. called Chipotle. What they've done is they sell Mexican food, but they have probably hundreds of thousands of possible combinations of food. But they wanted to simplify rational choice for their customers by giving them just a few basic choices. So you start: do you want a burrito, a bowl, a taco or a salad? What kind of protein do you want? That's your second choice—chicken, steak, carnitas, or vegetarian. What goes inside? Do you want rice, beans, corn, whatever? They give you all these choices. And then what kind of salsa do you want? So they've taken a hundred thousand combinations and put it into four easy choices.

We challenged ourselves: could we make our insurance products as simple as the Chipotle menu? Could we create rational choices that made it easier for customers to navigate? We did this in our U.S. retirement business which is part of that healthy, wealthy, educated. So these products are not going to be the same choices that you would make in your world. But we started with: what's your goal if you're going into retirement? Are you trying to accumulate or save money for retirement? Are you trying to protect what you have? Or are you trying to generate income? And what's your time horizon? Is it immediate, short-term, or long-term? And then we asked, what's your risk appetite? Are you really risky or not so much? You want to be cautious? And then finally, what role do you want to play? Do you want to do this yourself or do you want an advisor?

Now when we first started this, we thought this is way too complicated. We cannot make it this simple. But you know what? When you posed yourself with a challenge, sometimes you can. And I think that you can take this kind of framework for any of our products and say "Can we make it this simple?" and in many cases you can.

The other thing we sought to do was to make insurance easier, easier to buy, easier to understand. We actually challenged ourselves to make it as simple as buying a loaf of bread. And I'll get to more on that a little bit later. But the ultimate mantra that we talked about was making insurance bought, not sold, and starting to design our products for human beings because we'd never done that before. We designed it with actuaries in back rooms creating products on spreadsheets that needed to compete with other products on spreadsheets, and it was never relating to what the core need was that we were trying to address. It was always relating to how we were going to compete with another company's products. So this idea that human beings at their core were who we were trying to target was very powerful. It shouldn't have had to be, but it was.

So why did we do this? And we had this hypothesis going in that this could be really powerful economically for the company. We weren't at a burning platform state; we weren't about to go under or anything. But we do have most of our customers in two very mature markets, the US and Japan, that are both highly penetrated for insurance. So as customers were starting to leave, we started to feel pressure on our earnings. So we wanted to make sure that we were both keeping the customers we had and able to attract the customer of the future. And we also had all these powerful economic arguments, and here's one that comes from Bain which is, and you can find this online, the Bain chart, but loyal customers buy more, stay longer, and refer friends.

And what this chart shows is that average companies have a certain growth trajectory in revenue, and that's the lower line. But the companies that are loyalty leaders in their category, the companies that stand out, are able to deliver a lot more revenue, and the reason is that people buy the products and they want to buy them again and again. And I'll use an example that all of you will be familiar with. How many people own an Apple product? Keep your hand up if you own more than one, because there's an 85% likelihood that your household will buy one more Apple product within 12 months if you've already bought one, and that you will continue to buy them again and again. Apple's growth margin is way above everyone else's. You are paying a lot more for that product, but you're doing it because it's so intuitively designed and so easy to use, and you don't have to clutter your head with all kinds of complicated stuff. And so that's how this plays out. If you deliver an experience that is really unique and different, it will pay off through revenue and earnings and just that loyalty over the long term.

We also learned, and this is really hard to read and I'm sorry about that. This is for those of you who have to focus on shareholder value. What this depicts is the stock performance of companies that were at the top of this Forester Customer Experience Index, so the top ten companies versus the bottom ten companies, versus the S&P 500 which is in the middle. And what you'll see is the companies that are best in customer experience outperform the S&P 500 by three to one, and outperform the laggards by six to one because their experiences are so strong that it generates just huge value both for the customer and for the organization. So these are the kinds of charts that you'll want to use if you need to convince your board to take on this kind of effort, because it clearly does ultimately pay off. So that was our hypothesis going in. We were trying to really earn the benefits that these charts were promising us.

Our approach was to build a customer-centric business model and what that means is we needed to retool everything that we did so that it was considerate of the customer. Along the way, we had two big bodies of work. We had 110 million customers, and we needed to continue to run the business for them, and optimize their experiences, while at the same time thinking about the future of our business. So we had to run the business agenda and then change the business agenda so that every new experience that we created was going to be really well designed, really powerful, and designed according to a human need. This framework that we used, it looks very simple, and actually it looks really ugly too, but it says the same five pillars, roughly, that Gerhard talks about. But his are much more eloquently put. But we did this four years ago.

We started by saying we're going to listen to customers and act on their unique insights. Listen to customers. That seems so basic, but we had no sources for tracking voice of the customer input. We weren't actively listening to our customers. We were responding to customer complaints because we had to, because it was a regulatory requirement, but we weren't actively soliciting input from customers. So we set up formal mechanisms to do so, and we started measuring Net Promoter Score. For us, measuring Net Promoter Score, the first time we did it, we were at the absolute bottom of the league tables. If there were ten insurance companies in the US, we were number 10. If there were 12 in Japan, we were number 12. There were 9 in Nepal, and were number 9. This was really powerful because whenever you start to take on a journey like customer centricity, you suddenly have the whole organization saying, "Why do we need to do that? We're already there." And when you can point to these league tables that said we're at the bottom, it's really powerful. It was also really depressing.

So we started by listening to customers, then we started to fix what's broken to improve sentiment, and reduce expense. And I'll get to the reduced expense part a little bit later. But ultimately, there were all these pain points and friction in our system that were causing customers to leave, and we needed to fix those, and we needed to fix them in a systematic way. We needed to fix them in a way where the company employees would buy in and realize they needed to prioritize this. So that was a really tricky part, getting everyone to see what those pain points were, to distill all the information and focus on the top three or four things each quarter or each year that were going to move the needle.

Third big body of work was creating differentiated experiences for customers, which is really defining and designing experiences for our new customers, and then for those that wanted to expand their relationships. This is where we got to do the fun stuff like design. This was where we got to that making buying insurance as easy as buying a loaf of bread. Ultimately we sold a one year convertible term life product in Walmart, on the shelves of Walmart, that did make it, literally, as easy as buying a loaf of bread.

The fourth pillar was loyalty economics which was really building the business case and constantly reinforcing it with the business. So we had dashboards that were public and showed the impact we were having, and then we also had it in scorecards for our executives.

Then the fifth was, it looks so simple, shifting the mindset of leaders and associates, which is changing the culture, which was a huge undertaking. When we first started, we had one of our leaders who had his next door neighbor whose wife passed away, and his wife had two life insurance policies, one with MetLife and one with Prudential. When he called Prudential, he got a payment right away, and when he called MetLife, the person on the phone sighed and said, "What's your policy number." So this neighbor called the guy who ran our U.S. business and said, "You know what? You guys, you've got a real problem. I didn't even get my paperwork from MetLife before I got my payment from Prudential, and your people don't know how to talk to people." So we had to shift the mindset from transactions and policy numbers to human beings and empathy and caring, and that was another big undertaking in terms of what we did.

I want to go next to how we've done on this, and they asked me to talk about the metrics and how you can measure this and how you can demonstrate the value of these efforts back to the company. We had a couple of important metrics, and I'm sorry these are so small. One of the most important sort of controllable areas in an insurance company for earnings is expenses, is costs. So we had a hypothesis that if you deliver better experiences for customers, they will cost less. And we started to do what we call radical simplification in our communications to policyholders. We had this dental explanation of benefits form that we would send out every year to 39 million customers, and we would get 20 million calls because the form was so confusing. It was this computer generated form and none of the numbers reconciled and it was completely unclear to anyone what they were supposed to do with this information. We redesigned it to make it simple to say, you went to the dentist, this is what they charged you, this is what we paid, this is what you owe. Simple, right? It reduced our calls by 75% which was a huge savings.

We started to focus on "first call resolution" instead of "average handle time" which was a huge benefit because we used to sometimes, and this is really terrible, but hang up on people if their handle time was going too long, and we shifted it so that we rewarded people based on first call resolution. Guess what? They stayed on the phone and answered the call. And that was not only a huge savings but a huge benefit in terms of the customer experience.

We moved all those financial prospectuses that you have to give for regulatory reasons to e-delivery and let people get them electronically instead of in their mail. I don't know if anyone's ever read one. Most of us put them in the recycle bin. And then speed, we just kept focusing on speed. Speed and simplification. So that term life insurance form that I had to fill out in the beginning that was 14 pages, we reduced to one page which was ... that was the challenge we continually put before folks is: how can you take this really ugly, complicated thing and make it simple? We even got our lawyers to take our safe harbor statement and reduce it from a full page of tiny print to one paragraph. So it's been an amazing journey and we've actually seen about a 20% overall reduction in costs, which is huge. But that's what the guideline is, they say, if you start to do this and you do it really well, you can reduce your costs by 20%.

We also decreased churn which seems like an obvious thing to do, is when you think a customer is going to leave try to save them. But we hadn't been actively doing that everywhere. So we started taking best practices we were seeing in some markets and helping disseminate them around the world. These were lapse rescue programs, maturity receptor programs, reinstatement programs, and then just cross-sell and upsell programs. But formalizing these, we started to get $300-500 million a year in retained premium that we hadn't had before.

We enhanced revenue and earnings and we did this through these customer-led product offers that we designed. In Asia we've been the most successful in this. We've designed products around three core human needs—health, education and prosperity. And our three products are called GoldenCare, which is a retiree health product; EduCare, which is an education savings product; and Beautiful, which is a health product for women. These propositions that don't just include our core product, but include all kinds of value-added services, have been much more successful than anything we've ever done and it's been really powerful. So our sales revenue has grown about 12% across our markets the last three years, the compound annual growth, which compares to about 3% for the industry. So it's been dramatically higher. And we've also been able to correlate our Net Promoter Score with our retention results so we can demonstrate the financial impact of improvements in NPS.

Finally, we had isolated three moments of truth in our journey for customers, and we started measuring transactional NPS and rigorously improving our experience with these moments of truth, and those moments of truth are the decision journey around buying—so the new buyer process; our call center, because I told you that wasn't very good before; and our claims process. For each of these, we saw huge improvements in Net Promoter Score. I think the lowest improvement we saw was about 25% improvement in our new buyer scores with the simplified applications. But in call center service, we've gone up like 85%, in claims 125% in our Net Promoter Score. So these are big movements in making those experiences more accessible.

Then we also had this goal, as I mentioned at the outset, of humanizing insurance and making it about people. When you think about life insurance and when it was invented, it was invented during the industrial revolution and it was created because they used to pass the hat at funerals and collect money from the community for the breadwinner if the primary breadwinner in the household died. And Lloyds of London said, you know what, why don't we try to do that in advance and create a product that actually serves a social good and helps people save that up front. So, life insurance was grounded in a core human need that we've kind of lost track of over the years, and we at MetLife have certainly lost track of what we call our founder's mentality which is, what was it about our founders back in the day 147 years ago that made them passionate about this product and the benefit that it can bring to people?

And so we wanted to try to capture that and we did something here that's just really simple, but powerful in terms of connecting it back to people. We did this last year for Life Insurance Awareness Month. We had a campaign on social media called, "Life insurance is about who you live for." We went to Central Park, which is a nice asset to have in our backyard, and we asked people to tell us who they lived for because ultimately, when you think about life insurance, it's not a financial product, it's a gift of love to those who matter most to you. So this is what we saw, the video.

VIDEO: *My name is Heath, and I live for three people in this world. I live for my beautiful wife, Misty. I live for my boy Kelly, and my new son Griffin.*

I live for my family. I've got my brother Chad, my youngest brother in the Navy, Matt.

I live for my family, my four sons who are amazing, and my little granddaughter.

I live for my dad.

Our mom, we're twins.

I'm living for my dear husband and my two adorable children, Abu and Aberjee.

We live for each other.

My name is Ben and this is my wife, Siannas, and we live for our son, Huey who's also a dog. (Wife) A bulldog.

I live for my family too.

I live for my three kids, Abigail, Brandi Lyn and Kimball.

My name is Fernando and I live for my son, Jacob.

And I live for my mother, Gina.

I live for my boyfriend, Fernando.

I live for my daughter, Jalea Johnson.

I live for my mom. She's a really hard-working woman.

This is our son, Roy, and we all live for each other.

CLAIRE BURNS: So we thought that was very sweet and we're also ... (*Applause*). We're also very lucky to find that street musician who could be the soundtrack for our stories. But it wasn't just a feel-good thing, it wasn't just a feel-good moment. It was actually really powerful because we had seven million people post these pictures of who they live for, and we had 28.9 million earned media impressions because the New York Times picked this up and then people started going back to the Facebook site and posting their pictures. They did pictures of themselves. And it's such an easy thing to do, and when you think about what we're trying to do from a marketing perspective, we want customers to tell their stories. We don't want to tell stories about customers. So this was hugely powerful for us.

So that concludes the data I wanted to share with you. But what I wanted to say is this is really, really complicated, and I tried here to make it look really, really easy. But it's absolutely not. We had so many challenges along the way. I have so many lessons learned. So any of you who are trying to start out on this journey, who want help or want to bounce ideas or questions, I'm going to be available today, but also if you want to reach me in the future. Happy to share any learnings that we've had. So thank you. (*Applause*).