

Introduction

This case study focuses on how one of this country's major service organisations, The Equitable Life Assurance Society, has harnessed modern technology in order to focus better on providing an excellent service to clients.

The Equitable Life Assurance Society is the oldest mutual life assurance provider in the world. Founded in 1762, its values and principles remain as important today as they were in the days when its founders invented the principles of modern life assurance. Today the Society is a highly successful and innovative provider of both life assurance, pensions and other financial service products in the UK and through its international branches in Germany, Republic of Ireland, Guernsey and Dubai.

Success in business is based on competitive advantage i.e. the ways in which an organisation is able to provide a better range of benefits to consumers than those offered by rivals. The success of the Society stems from the following factors:

1. Being a mutual, the Society is owned by its policyholders (rather than by shareholders) and this gives it a clear focus towards its customers.
2. Its target market is high net worth individuals, thereby bringing in policies with higher than average premiums.
3. Policies are sold through the company's own sales representatives and no commission is paid to third parties for the introduction of new business. This allows The Equitable to keep tight control over the distribution of its products in terms of focusing on its target market and on the quality of advice given to customers.
4. The Equitable prides itself on its innovative approach to a whole range of its business activities from product design to the use of Information Technology.

The Society today

In Business Studies, the term milestone refers to the measurable progress which an organisation can point to as an indicator of ongoing success on the route to achieving long term goals.

During 1997, the Society reached a number of milestones in its continued successful development. These included:

- Total premium income in the year exceeded £3bn for the first time in its history. Indeed, at £3.45bn, it was almost 22% higher than in 1996. Within this figure, premiums from international business increased by 48% to £167m.
- New annual premium income at £494m was again a record for the Society, as was its single premium income at £1.95bn.
- The market value of assets stood at £24bn at the end of 1997.
- The expense ratio (i.e. the ratio of expenses of management to total premium income) fell for the ninth consecutive year, to 4.1%, which is expected to be the lowest in the industry.

This continued growth is, however, carefully controlled, as it must always be seen to be providing enhanced benefits for the customers. These benefits take the form of bonuses on their with-profits policies and reduced charges on many of the contracts. The success of The Equitable is also monitored and measured to ensure that it stays ahead of competition.

Embracing innovation

The most significant change that has affected service organisations in advanced industrial economies in the last quarter of the twentieth century has been the widespread utilisation of information and communications technology. The most successful organisations have been those that effectively researched, analysed and then embraced these changes.

In 1991, The Equitable was regarded as a successful provider of life assurance and pensions products. It was seen as a company that offered good quality products and had a reputation for sound customer service. However, the Society recognised that it needed to keep moving to stay ahead of its competitors. In

the late 1980s and early 1990s, a series of changes were planned involving the introduction of new technology designed to change radically the customer service operation.

One example of this resulted from a visit in 1990 by a team of senior managers from The Equitable to see an image processing system in operation. That system allowed incoming paper documents to be scanned onto an image terminal and viewed electronically by any number of client servicing assistants at once. The original paper document was then stored for a limited period of time before being destroyed.

The benefits of reduced paper storage and speed of service were so apparent that a decision was made to implement this system at The Equitable and so create a paperless office.

The 'old style client servicing operation'

In order to understand the magnitude of the changes implemented, we must first outline the background to what is now termed the 'old style client servicing operation'. Modern business practice focuses on the customer and identifying and meeting the customer's individual needs. Intelligent organisations have had to restructure the way in which they are organised to ensure the correct customer focus.

Until the early 1990s, The Equitable's client servicing operation was structured in a traditional manner. Each major product was supported by its own department, e.g. life assurance, personal pensions and unit trusts. Clients who had a query regarding their policy would initially contact their local branch office who would then forward the enquiry to the head office in Aylesbury.

Within the Aylesbury head office, each area dealing with a particular product was then divided into departments dealing with a specific function, e.g. new business, renewal premiums, medical evidence, general servicing and claims payments. Processing across the organisational boundaries was common place as a customer often had queries about two different types of policy or two or more functions of an individual policy. In these circumstances, the letter would be photocopied and passed to the different departments. Alternatively, the letter would be answered in part by one area then passed to colleagues in another department. This meant that the customer either received more than one letter in answer to their query, or after a considerable delay, a combined response.

All departments at this time relied heavily on paper records and retrieval of the records often caused lengthy delays as necessary documents were being used by another department or because papers were misfiled. Paper processing also meant that only one member of staff could work with a document at a time and this often led to problems in tracing documents if a customer telephoned to discuss their case. This approach meant that it was difficult to react quickly to a customer's needs and it left the Society open to the consequences of any disaster, such as a fire or flood, when paper records could be destroyed.

Vision

The term customer service can be used to describe a personal relationship between the customer and a company, and more particularly between the customer and the people who represent the company to customers, e.g. the person you speak to when taking out a policy or making a claim. As a mutual organisation, The Equitable has always been focused on the importance of its customers and around 70% of its business comes from existing clients who take out further policies or recommend the company to others. In 1992, the new vision was given more impact by the introduction of the phrase 'Growing more contented customers'. This is a phrase that staff and customers alike can relate to.

At that time, The Equitable was transforming its culture to create a flexible and dynamic, customer focused operation. However, the changes in technology and the working environment by themselves, would not result in the necessary change. Also important were projects to encourage staff to adapt to the new culture and to re-design the remuneration system to recognise the value of the skills and attitudes now required.

New technology was, however, vital to the success of the new operation. Various projects included:

- development, testing and implementation of a new client and policy administration system, replacing all of the systems that existed previously and transferring all of the existing data
- testing and implementing the image processing system and conversion of many of the existing paper records

- implementation of new network and telephone systems
- re-organisation of the old departments into a single multi-skilled client servicing operation coupled with training to help staff to learn all routine processes across the range of products.

Implementation

Once an organisation has developed a new strategy, it needs to put it into practice. In business, this process is known as implementation. The result of the changes was that in the 12 months from mid 1992 to mid 1993, over four weekends, The Equitable took groups of staff through a radical change process. Their working environment and organisation altered completely from 'old style' to 'new style' between close of business on Friday to reopening on Monday.

Customer servicing is now provided by a number of multi-skilled teams, each taking its share of all incoming written work across the entire range of individual products and processes. The work is randomly allocated by the system across all teams. A paper in area handles all incoming paper, references it and scans the documents on to the image system for handling in the paperless servicing unit.

Once the client's request has been dealt with, the resulting paper output is handled by a separate dispatch area called paper out processing. This means that there is no need to handle clients' papers in the servicing area. A dedicated telephone call centre deals with all incoming telephone enquiries and transactions. It currently deals with about one third of all client servicing work, although this proportion is already growing as telephoning becomes the preferred method of service.

The benefits

The Client Servicing Centre now:

Responds to....

around 14,000 servicing requests each week

Processes....

over 1,500 new business proposals each week

And....

between 2,000 and 3,000 cheques per week

Looks after....

in excess of half a million policyholders with over one million policies

Receives....

in excess of 6,000 telephone calls per week

Scans....

over 2 million pieces of paper onto image during a year

Issues....

around 2.8 million output documents

Handles....

in excess of £1.9 billion of incoming money and deals with in the order of £0.75 billion worth of payments each year.

However, the operation and the technology are constantly evaluated and improved where necessary. The major benefits to The Equitable arising from both the new technology and the new operation can be summarised as:

- Reduction in costs - following the implementation of the new technology, the increased productivity led to a 30% reduction in staff (largely through natural wastage although there were some voluntary redundancies). In addition, business volumes have increased substantially and this extra work has been absorbed by the client servicing teams. Paper storage has been reduced with space only needed to retain historical documents.
- Service improvements -the Equitable has dramatically improved its servicing times. For example, all new business and money receipts are processed on the day of receipt. The average response time to client enquiries has been shortened from ten to three working days. The telephone desk receives in excess of

6,000 calls from customers each week. Rapid access to client details and correspondence allows staff to resolve over 90% of enquiries during the course of the telephone conversation.

- Work control - the work position can be viewed at the touch of a button and documents can be viewed quickly and easily to respond to client telephone enquiries. All of the tedious work involved with the recording and collation of work control data is now done by the systems.
- Job satisfaction - although the staff have gone through significant upheaval, the removal of departmental barriers gives them greater variety of work which results in more opportunities for learning and development. The new approach focuses on the customer and not the task, and has removed the time consuming, less interesting tasks which previously got in the way of providing excellent customer service.

The future

In acknowledging the successes of the past, The Equitable recognises the need to stay ahead. The Society prides itself on its innovative use of new technology whilst remaining firm in its commitment to invest only to bring benefits to its customers. The future of technology at The Equitable is assured as it recognises the need to enhance those systems already in place and build for the future. Current developments include the use of the Internet as an alternative medium for clients to access their records and the recent implementation of satellite communications to open up new markets in countries with under-developed telecommunications systems.

Conclusion

Major cultural and technological changes take many years to complete and evaluate. At The Equitable there are already significant, tangible benefits resulting from the major changes that have been implemented. There is also a firm commitment to continue introducing change and improve procedures further as the Society continues to strive for the competitive edge.