

**Has customer satisfaction been  
affected by the offshoring trend of  
call centres in the  
British insurance industry?**

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# Research Proposal

*Can British insurance companies improve customer loyalty through call centre service.*

The dissertation will focus on the British insurance industry which is the largest insurance industry in Europe and second largest in the world (ABI, 2008). It is a highly competitive market with multiple companies and financial groups operating within it. So far the insurance companies in the UK have been competing over customers by price and in order to keep themselves competitive they have needed to find ways to save costs. To increase their efficiency, the insurance companies have offshored their call centres among other operations to lower cost countries during the past eight years. However, the popularity of this trend has started to decline since some of the companies have reported to be bringing some of their call centre operations back to the UK.

The problem today with competing over price to the companies is the rising costs of salaries and claims just to mention. This does not enable the companies to use much flexibility when it comes to insurance premiums which means that there is not much difference to prices when comparing the companies. The objective of the dissertation is to study that since the price competition is becoming more difficult should the companies start focusing more on their level of service and how to hold on to their current customers. The insurance companies have had a high degree on customer turnover and the dissatisfaction for the offshore call centres has been widely reported in the media. Therefore the call centres will be used as the example how these companies could gain more loyalty and also satisfaction among their existing customers. I believe that focusing more on the effectiveness of the call centres, meaning having them in the UK will lead to their efficiency rather than the other way around. The possible loyalty schemes the companies have currently is something that needs to be researched more. Overall, understanding the needs of their current customers, the companies can focus on selling them more rather than focus chasing new customers.

The timeline to be investigated for the subject will be 2000-2008, but it might still be more narrowed down from the beginning depending on the data available. As for the literature review for this dissertation, the data to be used will be collected by secondary research. Due to the fact that the insurance companies' call centre offshoring trend and the customers' reactions has gained a lot of

visibility in the media, it should not be difficult to find enough data to be used on that area. Newspaper articles will possibly become the main source of information to this dissertation as well as current researches done about the industry.

There are few relevant researches that can be used for the literature review. The Association of the British Insurers, ABI, has conducted a survey on the customers' feelings about customer service and overall about the companies. This Customer Impact Survey is published in 2008. Another one is the World Insurance Report made by Capgemini and a non-profit organisation called European Financial Management & Marketing Association. Their report has been carried out in seven major insurance countries; the UK, Italy, Germany, Spain, France, the Netherlands and the US. There is an opportunity to use both 2007 and 2008 published World Insurance Reports, but so far the 2007 seems more relevant. Another study about the call centre offshoring is from a consulting company CM Insight, but the relevance of this to the dissertation is still unsure since it focuses on many industries rather than just on the insurance industry.

Thinking of books for the literature review, some customer relationship management books for the theory on loyalty and customer behaviour books on to find out the customers' reactions to price and service might be used. The dissertation will be written more from the companies' perspective, rather than from the eye of the customers. As for outsourcing theory, there is a book which uses the insurance industry as an example and especially the British companies. The way to use this book as assistance is yet unclear, because the point of view in the dissertation will be more negatively on offshoring the call centres, not negative generally on outsourcing.

The approach chosen at the moment is the structured approach, for which a possible research question has been identified which again helps to narrow the relevant data. Currently it is assumed that the dissertation will be more a problem-centred type of dissertation rather than problem-solving. This however will evolve during next few months. Although the project is work-based, for a Finnish Insurance company called Pohjola Insurance Ltd, the title and approach for it are a result of investigation of the industry's current situation. One of the rationales to the chosen subject is the importance and size of the industry. Limitations to this study is the time within the dissertation needs to be completed.

# Acknowledgement

I would like to thank Jouko Lehtonen from Pohjola Insurance Ltd for helping me to find an interesting topic for my dissertation, and providing me aid and material to complete the dissertation.

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## List of Terms

<b>ABI</b>	Association of British Insurers
<b>FSA</b>	Financial Services Authority
<b>NU</b>	Norwich Union
<b>UK</b>	United Kingdom
<b>WIR</b>	World Insurance Report
<b>WOM</b>	'Word of mouth'

# 1. Introduction

For marketing management and consumer research, customer satisfaction is a significant theory (Evans, Moutinho and Van Raaij, 1996). Kotler *et al.* (2005) state that customer satisfaction is essential due to the fact that a company receives its sales from both new and repeating customers. They also mention that because keeping existing customers is typically more reasonable economically, holding on to them is vital. Customers might be satisfied and therefore likely to repurchase and have loyalty to the company if the link between price and quality is suitable and the surrounding factors, such as personal factors, are positive (Lovelock and Wirtz, 2007). The main theories used for this study are the customer satisfaction framework with quality, 'word of mouth' and loyalty which will all be discussed in chapter 2.

There have been three aims identified for this study about customer satisfaction. The main aim of the study is to research that has the offshoring of the call centres affected customer satisfaction in the UK insurance industry. The second aim to study is that if the satisfaction has been affected, has it changed the customers' buying behaviour, and thus has the offshoring been beneficial for the companies. The last aim is about studying the lack of loyalty in the market and the connection to it to the negative WOM. The scope of the study is to investigate customer satisfaction focusing on the relationship between the insurance company and the customer, since there are also other parties which the insurer deals with such as the brokers. The research has been conducted fully in secondary research, mainly because of time and economical reasons. The methodology is discussed in chapter 3.

The research question, customer satisfaction in the British insurance industry, has been formed after investigating the industry's current situation. It could be found that in the competitive insurance market during the past five years the companies have exercised a high degree of offshoring. This trend again has been widely reported in the newspapers by customer 'word of mouth'. The insurance companies have offshored their back office and call centre operations to lower cost countries like India and South Africa. By offshoring, the insurance companies have been seeking to upgrade their efficiency and to diminish expenditures (Patel and Aran, 2005).



To choose the British insurance industry as the study subject can be explained with three reasons. First reason is the importance of it; the UK industry is currently the second largest insurance industry in the world (ABI, 2008d). Second is the media attention the offshoring trend has received. This has been mainly negative telling about the diminishing customer satisfaction because the offshore call centres are said to be providing lower quality on service.

The third reason to conduct the study in the UK insurance industry is because according to the World Insurance Report 2007, the insurers are struggling with gaining customer loyalty while having to compete with pricing in the market. The connection between customer satisfaction and loyalty is worth studying in the competitive market because loyalty is based on relationship which again protects from competition (Lämsä and Uusitalo, 2002). As for profitability, Lovelock and Wirtz (2007) state that loyal customers can provide a steady flow of income for many years. The analysis of the situation can be found from chapter 4.

All and all, there has been a widespread of 'word of mouth and well published customer dissatisfaction, the companies have mainly pointed out that their customers are satisfied with their operations. These mixed signals indicate that since the trend is rather recent, the results of it to customer satisfaction has not really research to make the companies see eye to eye with their customers. Further limitations of the study will be discussed in chapter 6.

## 2. Literature review

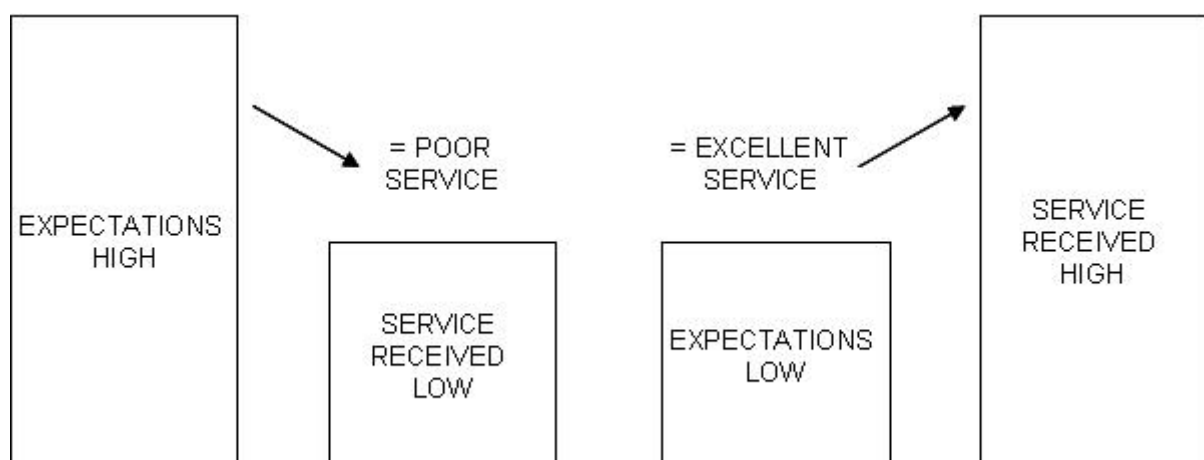
### 2.1 Theory

#### 2.1.1 Customer satisfaction

Since this study focuses on the British insurance industry and especially in the insurance companies' call centres, customer service is the main element behind the satisfaction. Customer service is about perceptions because it is frequently a subjective and an intangible experience (Cook, 2008). Lämsä and Uusitalo (2002) say that the expectations the customer has about the service are beliefs which are developed before the service situation. They also mention that these expectations work as a comparison for the customer to evaluate the received service during and after the occasion. If the customer has no previous experience with the company, the expectations might have been formed by 'word of mouth' communication (Lovelock and Wirtz, 2007).

In order to have a satisfied customer, the company must meet the expectation level the customer has (Evans, Moutinho and Van Raaij, 1996). However, in Cook's (2008) opinion a company should be able to produce excellent service in order to attract new and to hold on to current customers. The figure 1 below presents how excellent and poor service is produced.

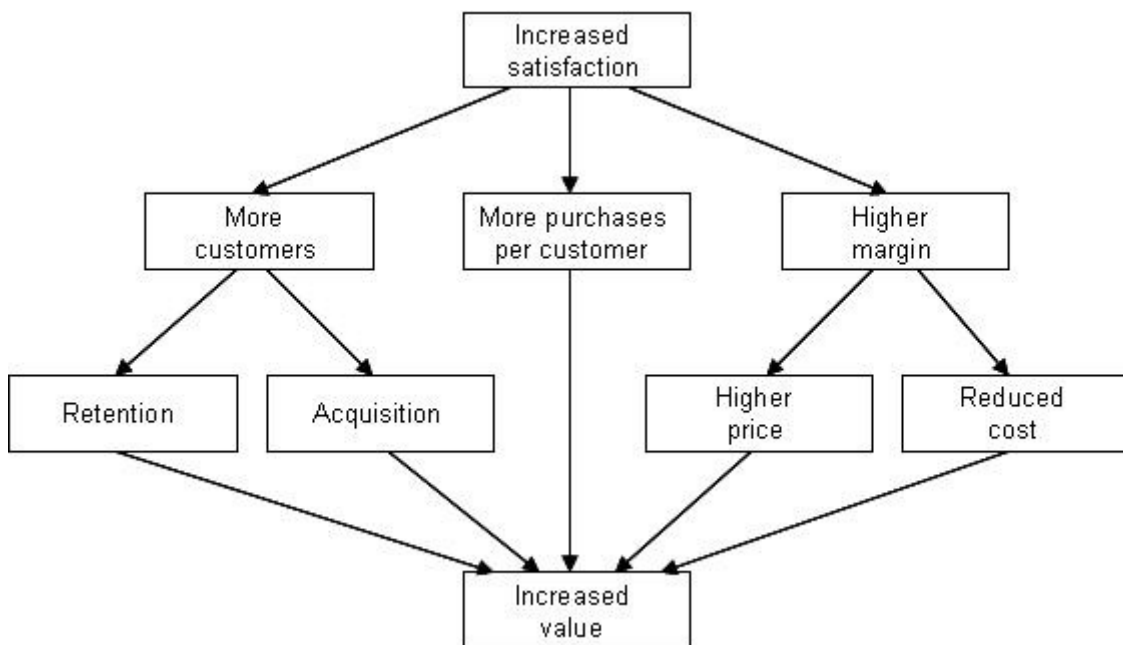
**Figure 1: Exceeding expectations**



*(Cook, S., 2008, p.17)*

According to East, Wright and Vanhuele (2008) improved satisfaction leads to increased value by possibly bringing the company bonuses either by an increase in the purchases per customer, overall more customers or a higher margin as seen in figure 2 below.

**Figure 2: Routes to increased value**

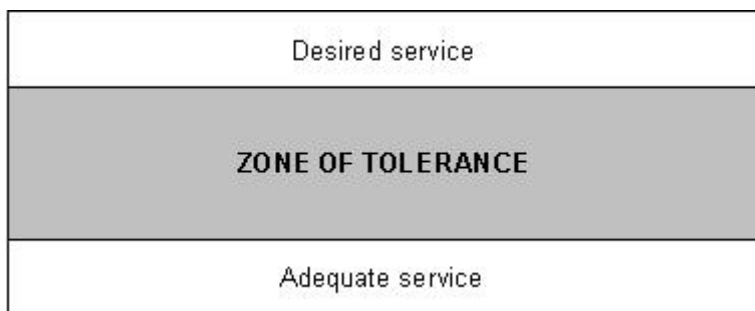


*(East, R., Wright, M. and Vanhuele, M., 2008, p.170)*

If a company is unable to meet the expectations, the customer will be dissatisfied and will probably not purchase from that company again (Evans, Moutinho and Van Raaij, 1996). According to Lämsä and Uusitalo (2002) if a customer has a positive image about the company, it diminishes the negative impact of a bad service experience. However, they also state that if it continues that the customer's expectations are not met, the customer's image about the company is likely to weaken and change into a negative one. The impact of the negative image is the opposite than a positive one; even a smallest failure by the company to meet the customer's expectations cause dissatisfaction in the customer (Lämsä and Uusitalo, 2002).

Customers accept variations in the received service because it is part of service's nature as a heterogenic and variable experience (Lämsä and Uusitalo, 2002). Zeithaml and Bitner, 1996 (in Lämsä and Uusitalo, 2002) and Parasuraman, Berry and Zeithaml, 1993 (in Lovelock and Wirtz, 2007) have all identified the variation area for customers called 'zone of tolerance' which can be seen from the figure 3 below.

**Figure 3: Zone of tolerance**

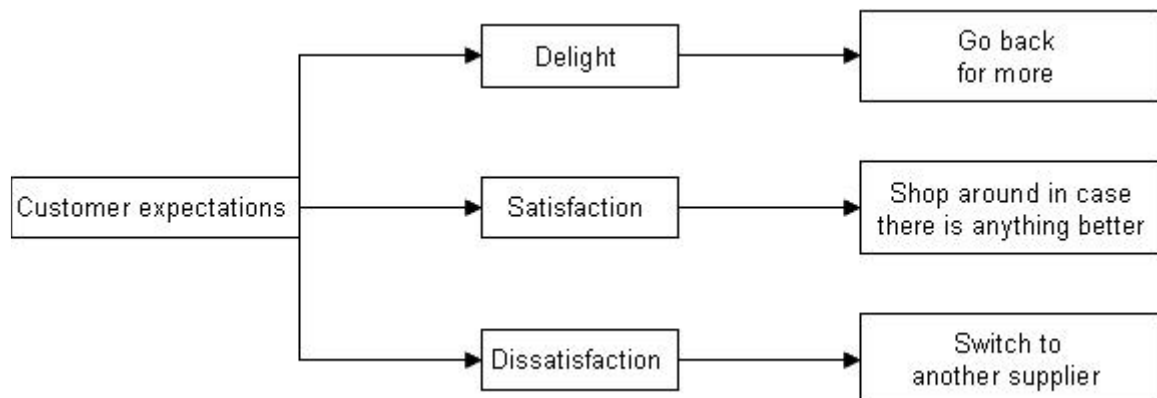


*(Zeithaml and Bitner, 1996 in Lämsä, A-M. and Uusitalo, O., 2002, p.53)*

In this idea, there are three elements in which the customer's expectations can be divided; desired service level, 'zone of tolerance' and adequate service level (Lovelock and Wirtz, 2007). Together these three elements form an acceptable service area (Lämsä and Uusitalo, 2002). The desired service level indicates the service the customer wishes to have, and without this element the customer would not likely be using the service (Lämsä and Uusitalo, 2002). The adequate service level again is the lowest the customer will allow the service to be without dissatisfaction (Lovelock and Wirtz, 2007). These elements vary according to the provider, heard 'word of mouth' and the customer's past experience (Lovelock and Wirtz, 2007). According to Lämsä and Uusitalo, the adequate level varies more and easier than the desired level. They also mention that the 'zone of tolerance' grows or shrinks due to the fact that the customer's expectations are not definite but varying constantly. If the company is unable to meet the adequate level, the customer will be disappointed and dissatisfied, and again if the company exceeds the desired service the customer will be positively delighted (Lovelock and Wirtz, 2007). The service which positions within the acceptable service area is considered normal (Lämsä and Uusitalo, 2002).

Many have studied the influence of dissatisfaction to further customer behaviour [for example Oliver, 1980; Oliver and Swan, 1989; Feinberg *et al.*, 1990; Fornell, 1992 (in Evans, Moutinho and Van Raaij, 1996)] whom most agree that dissatisfaction has a diminishing impact on repurchase but that many customers are still unwilling to switch companies. However, in the insurance industry customers do change providers if they are dissatisfied, and again satisfaction does not guarantee them staying (Cappemini, 2007). The reason for this is the competitive environment which can be explained with Lowe's (2005) idea that there are other providers trying to offer the customer improved value for the premium. The same idea can be seen from the figure 4 below about his theory on customer expectations and satisfaction, where there are three possible alternatives how the customers expectations are met; delight, satisfaction or dissatisfaction. Lowe (2005) states that the three alternatives either lead to more purchases, shopping around or switching depending on how the company is able to meet the expectations.

**Figure 4: Customer expectation and satisfaction**



(Lowe, R., 2005, p.11)

### 2.1.2 Service quality

Customers do not only measure their satisfaction according to the expectations, but also quality. Lovelock and Wirtz (2007, pp.46-47) believe about customers that: "If their expectations are met or exceeded, customers believe they have received high-quality service." According to Grönroos, 2000 (in Lovelock and Wirtz, 2007, p.420) and Lämsä and Uusitalo (2002) the customer's perceptions of the service quality is formed by the evaluation of the expectations and the actual experience of the service. Grönroos, 2000 (in Lovelock and Wirtz, 2007, p.420) thinks service quality in two parts

because of the intangible nature of it; functional quality which is the process to deliver the service and technical quality which is the actual outcome of the service. Lowe (2005) says customers identify satisfiers and dissatisfiers when expecting satisfaction. The author mentions that dissatisfiers arise when the service quality level drops below the expected.

Customers' considerations about quality have adjusted due to the changes in the expectations over time and thus quality can be divided into two elements; consistency and level (Lowe, 2005). Consistency for customer satisfaction refers according to Lowe (2005) to the same quality, good or bad that customers expect. He mentions that for services consistency is more difficult than for products, because of the people and their different beliefs, attitudes and values which are involved in the service experience. With the level dimension of quality for services, Lowe refers to the different perceptions customers have formed by personal preferences due to the intangibility of service.

Parasuraman, Zeithaml and Berry, 1988 (in Evans, Moutinho and Van Raaij, 1996, p.260) on the other hand have identified that there are five evaluation criteria by which the customer analyses the quality of the received service; tangibles, reliability, responsiveness, assurance and empathy. According to them tangibles refers to the company's physical elements, reliability to the dependability of the company, responsiveness to the company's helpfulness, assurance to the company's knowledge and empathy to the employees' ability to care for customers (in Lovelock and Wirtz, 2007; in East, Wright and Vanhuele, 2008). These five evaluation criteria have been formed by the results from the SERVQUAL tool which can be used in a form of a questionnaire to measure the customers' perceptions about the company's service quality (Lovelock, and Wirtz, 2007).

SERVQUAL has also been criticised and even the developers Parasuraman, Zeithaml and Berry have accepted that the model needs reforming (East, Wright and Vanhuele, 2008). The problem is said to be the predictability of the results; expectations have usually very low variance scale and thus it needs modification for different types of service (East, Wright and Vanhuele, 2008). As an example, Mels, Boshoff and Nel, 1997 (in Lovelock and Wirtz, 2007, p.420) believe SERVQUAL scores measure only two aspects for life insurance companies, which actually are Grönroos's functional and technical quality, compared to the five original aspects.

### 2.1.3 'Word of mouth'

East, Wright and Vanhuele (2008) state that 'word of mouth' is often related to satisfied and dissatisfied customers giving guidance to those who are seeking information. They also believe that improved customer satisfaction might have an influence to a company's profits through augmented 'word of mouth' communication resulting as additional customers. 'Word of mouth' means social communication which is said to have an influential part in consumer behaviour (Evans, Moutinho and Van Raaij, 1996). To separate WOM from a rumour, it is considered to be based on confirmed facts (East, Wright and Vanhuele, 2008).

WOM in mature markets described by East, Wright and Vanhuele (2008) to be more of a factor to customers to switch than for to adopt for the first time. According to Hirschman, 1970 (in East, Wright and Vanhuele, 2008, p.168) there are two options for a customer to response to a company's failure delivering quality to the customer; exit and voice. As exit is described by him to be simply changing the supplier, voice is mentioned to be for example negative 'word of mouth' action.

Evans, Moutinho and Van Raaij (1996) also believe that if a customer is dissatisfied it is likely for that customer to complain by negative 'word of mouth' communication. Negative WOM might be damaging to the company by harming the product or built brand (Evans, Moutinho and Van Raaij, 1996). Many studies also show that the negative WOM is more common than positive (East, Wright and Vanhuele, 2008). As said by Kotler *et al.* (2005, p.286) dissatisfied customer complains to eleven people about the poor experience as a satisfied customer says only to three people about their positive experience. Therefore they believe that negative 'word of mouth' spreads wider and quicker than positive.

However, Anderson, 1998 (in East, Wright and Vanhuele, 2008, p.252) argues: "The widespread belief in a high degree of word of mouth by dissatisfied customers may be unwarranted. In fact, in a sizable proportion of cases, the difference between these two is probably not significant." Controversially to the general beliefs East, Wright and Vanhuele (2008) think themselves that satisfaction and dissatisfaction are important factors of WOM but only a little of WOM is mostly driven by them.

### 2.1.4 Loyalty and relationship

Lovelock and Wirtz (2007, p.371) state about loyalty that: "The foundation of true loyalty lies in customer satisfaction, for which service quality is a key input." The connection between customer satisfaction and loyalty can be divided into three zones; defection, indifference and affection (Lovelock and Wirtz, 2007, p.371). Defection is when customer is dissatisfied and likely to switch provider if the cost of switching is low and there are other alternatives, indifference when a customer is satisfied but will switch if finds a superior substitute, and affection when customer is highly satisfied and does not even search for a substitute possibly due to loyalty (Lovelock and Wirtz, 2007). 'Word of mouth' is one of the signs of loyalty, where a customer recommends the service to friends and family (Lämsä and Uusitalo, 2002).

A customer relationship is formed when a customer uses the same company's services regularly (Lämsä and Uusitalo, 2002). Customer loyalty can also be described similarly: it is a customer's willingness to associate regularly with the same company (Lämsä and Uusitalo, 2002, p.70). Christopher *et al.*, 2002 (in Kelly, 2005, p.281) have created a 'loyalty ladder' to describe the customer's relationship with the company with seven steps which are starting from the lowest step going towards the top: target, prospect, buyer, customer, client, advocate and partner. Target means those customers which the company has identified as their target market, and prospects are those from the target group which react positively to the company's interaction attempts (Kelly, 2005). Buyer is someone from the prospects who makes the decision to purchase from the company, and customer a buyer who purchases more than once (Kelly, 2005). Clients are those customers who become loyal and purchase even more from the company, advocates are satisfied clients who promote the company by positive 'word of mouth', and partners are those who work together with the company to share risk (Kelly, 2005).

All and all, measuring loyalty and the quantity of loyal customers is difficult (Lämsä and Uusitalo, 2002). Therefore Lämsä and Uusitalo (2002) suggest that loyalty should be looked from two different perspectives; loyalty as behaviour or loyalty as an emotional commitment. According to them the both perspectives are a sign of loyalty; behaviour means buying and using a service regularly and emotional commitment means that the customer is a fond of the service. The problems of these



perspectives are that behaviour can lead to superficial loyalty and emotional commitment again the customer not buying the service although it is pleasant (Lämsä and Uusitalo, 2002).

Long-term relationships are appealing for companies because they protect from competition as well as bring financial benefits for the company (Lämsä and Uusitalo, 2002). The financial benefits can be according to Reichheld, no date (in Lämsä and Uusitalo, 2002, p.66) the profits from augmented sale figures, the profits from decreased expenditures, the 'word of mouth' made by customers or the possibility to increase prices. Kelly (2005) says that if the relationship is to be profitable, the customers should be kept moving up the loyalty ladder. However, Kotler *et al.* (2005, p.407) argues that: "Loyal customers are few and very hard to find in most markets. Most customers are promiscuous and polygamous in their relationship with brands." They also state that efforts to create brand loyalty will last only until the end of the promotion in most markers. In addition, too often a habit is considered as loyalty (Lämsä and Uusitalo, 2002).

### **2.1.5 Bargaining power**

Improved customer satisfaction might increase a company's bargaining power as said by Anderson, Fornell and Mazvancheryl, 2004 (in East, Wright and Vanhuele, 2008). Again, enhanced power could support margin and sales (East, Wright and Vanhuele, 2008) which makes bargaining power an important factor of the customer satisfaction study. Bargaining power of customers is part of the five forces framework developed by Michael Porter in 1980. The idea of the framework according to Porter, 1980 (in Johnson and Scholes, 2002, p.112) is to recognise the sources of competition in an industry. Understanding the bargaining power of customers helps a company to identify its strategic freedom (Johnson and Scholes, 2002).

Knowing how bargaining power works is important since it determines how the companies act in order to achieve efficiency. In the British insurance industry the bargaining power of customers is moderate (Datamonitor, 2008). There are causes which keep the power low and also high making it in the end as moderate. The fact that is keeping the bargaining power low is the number of consumers in the British market; on the appendix page 42 can be seen the percentage of households buying insurance in table 4 and on page 43 in table 6 can be seen the demographics of Britain. Another factor that I

think is keeping the power low is that the product offerings of the companies are not highly differentiated from each other due to the laws and regulations within the financial sector. In addition, the complexity of the insurance products decreases the consumers' knowledge on the products which also diminish their bargaining power.

However, the accessibility to web pages like comparethemarket.com and confused.com increase the bargaining power of the customers due to the more visible pricing and more straightforward ability to compare the prices (Cappgemini, 2007). Although there are only few insurance groups which dominate the British market, there are still many companies for the customers to choose from which add more power towards the customers because they have the ability to choose. In addition, the general insurances have a lower barrier than the long-term insurances for the customers to switch providers since as said the policy does not renew automatically giving the customers more bargaining power.

### **2.1.6 Outsourcing**

Customer satisfaction in the British insurance industry has been lately been connected with the companies wide trend of outsourcing and offshoring. Thus it is important to investigate; for example Hughes, 2006 (in Anon, 2006a) from Consumer Intelligence research company is supporting the allegation that: ““offshore equals poor customer service””.

In my own words, the term outsourcing means that a company purchases products or services for its daily operations from another company rather than keep producing them itself. Outsourcing is a strategic decision, which has been formed after a company has identified its core business in which it will concentrate by using another company's core business knowledge on the outsourced operations (Lynch, 2006, p.198). The drivers behind outsourcing, besides the company's decision to focus on its core competencies, are for example to reduce cost, gain more flexibility and improve the service level (Patel and Aran, 2005).

When talking about outsourcing in the insurance industry, the term offshoring is often related to it; according to Patel and Aran (2005) insurance is a key target industry to offshore because it is very a global cost base industry and it has a high relative share if remote serviceable processes. Patel and

Aran (2005), and Pyndt and Pedersen (2006) all state that the term offshoring means when a company performs some of its in-house operations in a foreign country and the term offshore outsourcing stands for using another company for the operations in the foreign location as seen from the figure 5 below. The news relating to offshoring to the insurance industry do not go into depth with their definitions of the terms they are using, which is a limitation to the study.

**Figure 5: Definition of outsourcing**

		Internalised (activities performed in-house)	Externalised (external suppliers)
		<b>Outsourcing</b>	
At home		Company performs the activities at home	Suppliers in home country
Foreign countries	<b>Offshoring</b>	Own subsidiary in foreign country	Suppliers in foreign country <b>Offshore Outsourcing</b>

*(Pyndt, J. and Pedersen T., 2006 p.11)*

The general benefit from offshoring is that it is a positive sum game, where the offshoring company reduces costs and the foreign country gains employment, resulting to benefits for both (Pyndt and Pedersen, 2006). According to Dunning, 1998 (in Pyndt and Pedersen, 2006, p.19) there are four archetypical drivers for a company to offshore. In my opinion two of these can be applied for the insurance industry. One of the drivers which are relevant is when a company which wants to improve its efficiency locates itself in another market which offers a cost advantage by unit labour cost for example. The other is when a company decides to follow competition to foreign markets as a strategic decision.

For Patel and Aran (2005) customers are one of the three groups with employees and government which determines when a company's offshoring strategy is a risk. Offshoring has a possibility to harm brand positioning and a company's reputation, and therefore influencing sales and profitability if a customer disagrees with the company's decision and notices decrease in the quality and service the company delivers (Patel and Aran, 2005).

## 2.2 British insurance industry

Reed (2007) points out: "Customer satisfaction is closely linked to the length and profitability of the relationship individuals have with a business." Improving customer satisfaction is highly important to the UK insurance companies due to the high degree of negative 'word of mouth' in the newspapers lately about their offshore call centres. It does not help that many studies have shown that customer service levels have decreased because of the offshoring (Anon, 2007). This chapter focuses on the industry and how it operates.

The British insurance industry is the largest insurance industry in Europe as in 2007 it produced 33.3% of European insurance market's revenue (Datamonitor, 2008, p.11). In 2007 the UK industry also became the second largest insurance industry in the world after the United States (ABI, 2008d, p.3). The British insurance industry is formed from three parts which are the insurance companies, Lloyd's of London and another group of insurers meaning for example protection-and-indemnity clubs (Anon, 2007). Lloyd's of London does not operate as an insurance company itself; the insuring happens via its members in the facilities which Lloyd's offers (Lloyd's of London, 2008).

The UK insurance market was worth £241.1 billion in 2007 and is estimated to grow to £304.2 billion by 2012 (Datamonitor, 2008, p.9). Within the market, there are all together 1,017 general and long-term insurance companies which are authorised by the FSA (ABI, 2008d, p.6). According to the FSA (2006), its task is to be as an independent organisation is to control the financial market in the UK. Most of the companies in the market are from a larger insurance or finance group; the top 10 general insurance groups account for 71% and the top 10 long-term insurance groups account for 80% of the commerce in their market (ABI, 2008d, p.6). Main channels for customers to purchase insurances are direct selling, tied agencies or brokers.

Despite the fact that there are only few big players, the market is highly competitive (see appendix page 40 for table 1 of the top twenty general, and page 41 for table 2 of the long-term insurance companies' total net written premiums). There is a high degree of foreign companies operating in the British insurance market; four of ten top life insurance companies and three from the top seven non-life insurance companies are under foreign ownership (Anon, 2007).

### **2.2.1 Insurance**

There is no clear definition for insurance (Rejda, 2008). In my opinion, insurance is a policy for a risk which the insurance company wants to insure for an individual or a company in exchange for a premium for a certain period of time. For a risk to be insurable, there are six requirements; there must be a large number of units exposed, the loss must occur accidentally and unintentionally, the loss must be determinable and measurable, the loss should not be catastrophic, the chance of loss must be calculable and the premium must be economically feasible (Rejda, 2008, p.21).

In the UK insurance market there are two groups of insurances; general and long-term insurances (ABI, no date). General insurances are also spoken as non-life insurances and the long-term insurances as life insurances. General insurances include for example car, accident, health, and home and property insurances. In the UK, the policies for the general insurances do not automatically renew after being valid for one year, meaning the customer must agree to the renewal to the insurance company (Anon, 2007). In 2007, the total net written general insurance premiums were £32.9bn (ABI, 2008d, p.6). Long-term insurances mean for example pensions and life insurances. The difference to general insurances is the duration of the policies; they are valid for several years or sometimes even the whole lifetime of the insured person (Anon, 2007). In 2007, the total net written long-term insurance premiums were £185.4bn (ABI, 2008d, p.9).

So far, cost has been a major force to purchase; 51 percent have had price influence their purchase decisions first compared to the 6 percent who mention service over price in the UK (Capgemini analysis, 2006, in Capgemini, 2007, p.9). Although the life insurances have a larger proportion from the total net written premium, it is the non-life insurances which the British policyholders have more in average number of policies per customer as seen in the table 3 on the appendix page 42.

### **2.2.2 Definition of insurance call centre**

Today, the insurance companies' call centres are called contact centres due to the fact that the employees in the call centres usually also handle the customer emails and other back office operations. Call centres in an insurance company run the in-bound calls, meaning those which the customers call to the company and also out-bound calls which the company calls to the customers. These calls can either involve service or sales, or in some companies the call centres handle both (Customer Contact Council, 2008). Cook (2008) says the main benefits for a customer to be using a company's contact centre are simplicity of contact, speed of service and convenience.

### **2.2.3 Case study: Aviva**

When researching this subject, Aviva and its subsidiary Norwich Union cannot be bypassed. The company has been the frontrunner of offshoring call centre and back office operations ever since 2003 (Foxwell, 2007). Aviva has about 7,800 employees working offshore, although it also says 75 to 80 percent of its workers are still on UK ground (Anon, 2006a). One third of the 7,800 offshore employees are working in a call centre and the rest is handling back office operations (Anon, 2006a).

Snowball, 2003 (in Anon, 2003), the director of Norwich Union said: "We operate in an extremely competitive market and have to continually look at ways to achieve greater efficiency and effectiveness." Norwich Union is the subsidiary of Aviva, the market leader in the general insurance market with a net written premium of £5,855m in 2007 (ABI, 2008c). Norwich Union begins selling its insurances in the UK under the name Aviva in two years time (Norwich Union, 2008).

Aviva has had its share of bad press during the year about the decision to offshore, and it has always tried to explain that the quality is as good as in UK call centres. It did not help the situation, when the company announced having to make a so called U-turn; it brought 150 jobs back to the UK handling household claims (Foxwell, 2007). Although the number of jobs brought back seems small, Foxwell (2007) indicated more by saying: "The decision is an extraordinary admission of failure for one of the largest outsourcers in the financial services sector, which has been a cheerleader for the practice."

## **2.3 Conclusion for literature review**

The purpose of this chapter was to explain the connections between customer satisfaction, 'word of mouth', relationship and loyalty based on the theory found from recent literature. The chapter also described the key elements behind outsourcing, since that is the main issue which raises questions about dissatisfaction in the British insurance industry at the moment. The last chapter was the actual description of the industry itself to highlight the importance.

The general thought about customer satisfaction is that to ensure a customer to be satisfied, the company must meet the expectations the customer has. Understanding the basic theories of customer satisfaction is important especially in the UK insurance industry. There has been a lot of negative 'word of mouth' in the press since the offshoring trend started and indications of dissatisfaction. The reasoning for this study is that it is crucial for companies to study that has in this competitive market their decision to offshore affected the customer satisfaction or does the market revolve too much around prices. Currently there is no proper study about the influences of offshore call centres to customer dissatisfaction that could easily be found.

## **3. Methodology**

The research for this study was fully conducted in secondary research. The main reasons for choosing that type of research were the time and financial limitations of this study, and the large size of the market. The information was collected in the form of multiple-choice secondary data which means that there has been used many sources to combine the produced data in this study (Saunders, Lewis and Thornhill, 2007). The main sources of data were books, journal databases, surveys, articles and statistics about customer satisfaction, offshore call centres and the British insurance industry. The data used for the study was mainly qualitative by nature but part of it was also quantitative.

The timeline chosen to research for the study is from year 2002 onwards, reaching to the end of 2008. The reason for this is that many articles highlight that the offshoring trend has started and increased during that period (for example Machell, 2004; Foxwell, 2007).

## 4. Analysis

### 4.1 Customer satisfaction on offshore call centres

Understanding the theory of customer satisfaction is crucial for a company, since it affects the later buying behaviour of the customer for that particular company. Insurance is a tough field of business, where the sold product is not actually material but more of a sense of safety the customers buy to cover risks. When the risk happens, customers turn to the company and the after-sales service they provide is part of that safety. This chapter focuses on the customer satisfaction that has been discussed in the media ever since the trend started.

The basic idea behind customer satisfaction is that the company should meet the customer's expectations during the service occasion. As for expectations in the insurance industry, Gibson (2008) says that they have grown alongside the changes the industry has made during the past ten years. Therefore customers have now high expectations, which would mean that the customers are harder to satisfy. If the WOM is to be trusted, there is a high degree of dissatisfaction published in the media lately. Despite the negative publicity, the results for overall customer satisfaction according to ABI's (2008a) survey is that 51 percent of the participated customers were either extremely or very satisfied with their company's provided service and only 8 percent were dissatisfied.

However, the general thought is that customers are dissatisfied with offshored call centres. This could be explained by Levitt's, no date (in Cook, 2008, p.17) statement that: "The customer is aware only of failure, of dissatisfaction, not of success and satisfaction." Web, no date (in Winterman, 2007) had a similar thought in mind when he accused the customers having negative expectations about the call centres prior to the call and therefore having already decided that the service was going to be poor.

This argument was backed up by this statement:

When we listened back to calls people had complained about often they were fine. Some people wanted the member of staff to fail because they were in India. I don't know why that should be, but when customers start voting with their feet you have to respond. You cannot fight against what the customer wants. (Web, no date, in Winterman, 2007)



This pessimistic mind-set could have also been caused by the negative image the customers have for the company, which again causes, just like Lämssä and Uusitalo (2002) had said, dissatisfaction when the high expectations the customer has for insurance companies are not met. The negative image again might be caused by the offshoring; according to Caulkin, no date (in Twitchin, 2008) the customers are discontent because the offshore decision shows the companies' attitude towards the customers which is to handle them with the lowest cost and mass-production. Hughes, no date (in Anon, 2006a) also declares that customers are aware when their service have been offshored and are not content about it.

Despite being accused earlier of being xenophobic, the customers are now receiving some support for their negative feedback. According to Hathway, no date (in Winterman, 2007) the early attitudes of offshore call centres was about the fact that the UK workers were left unemployed, but later the complaints changed more to be concerned about the poor quality of service. Now we need to study that why a call centre research and analysis firm, 2004 (in Burgess, 2007) claimed that nearly third of the calls to an offshore call centre were dissatisfying.

#### **4.1.1 Service quality level**

One answer to the claim could be the quality of service of the call centres, as it is one aspect by which the customers measure their satisfaction. When researching the subject, there can be found many sources and experts saying that the quality of the offshore call centres is indeed lower compared to the call centres in the UK. There are the ones drawing more general opinions about assumption like Hood (2006) claiming that: "It is a well known fact that customer-facing operations perform far better on home ground than when conducted offshore." Then there are those, who base their claims on facts like Leedham and Haden (2006, p.11) stating that with offshore operations the quality of the service decreases in astonishing 75 percent of cases.

Even the insurance companies have made surveys themselves; The Observer, 2007 (in Twitchin, 2008) stated that Aviva's research revealed that 56 percent of all consumers consider to be receiving lower quality service from offshore call centres. After this, the company had an advertising campaign showing only a British call centre employees (Twitchin, 2008). Why would the company use this as a

marketing tool if they do not believe in that their offshore call centres are such a success that the companies have been stating in the media (for example Machell, 2004; Anon, 2006a).

The media attention and the highlighted customer dissatisfaction have in my opinion been focusing more on the functional quality of the offshore call centres. If the quality is as bad as said, what is it that makes it poor then? After researching at least three explanations commonly used to describe the lower quality were found. One of the problems is that the offshore call centre employees have been accused of not understanding the British culture, and thus the customer have been facing language problems with the workers (King, 2007). Hood (2006) is clearly on the supportive side of keeping the operations in the UK when he proclaims about the onshore employees: "They know the market, understand their clients' needs and expectations, and can ultimately deliver a far superior service." The issues have been tried to solve by training English grammar as well as the phrases that only appear in the British language formed by cultural aspects (Anon, 2006b). Machell (2004) also puts weight on a comprehensive selection process as a solution to making the quality on offshore call centres as good as in the UK.

Still despite all the efforts, a survey by Blue Prism and Sheffield Hallam University, no date (in Anon, 2006a) showed that 60 percent of customers have had problems with offshore call centres about the employees understanding the customer's concerns, accent and culture. McLuhan (2004) has an opinion about the issue: "The culture gap which, it is alleged, leads to a lack of empathy between agent and caller, can be a problem — but it is not unique to India." Empathy is also what Hughes, no date (in Anon, 2006a) says the offshore employees are lacking, and in my opinion that is something which is not easy to teach someone. This shows that the SERVQUAL questionnaire could be useful for the insurance call centres after all the criticism against it.

Another issue which might be causing poorer quality is the high turnover of the contact centre employees. The turnover rate in the UK is about 30 percent, which has been thought as a problem (Machell, 2004), and early on the possibility of improving the rate made the offshoring alternative very attractive. However, the rate now in India even worse; according to Amicus, no date (in Hood, 2006) the turnover has gone up to 70 percent there. The explanation for the high turnover might be found from the fierce competition of qualified employees between the call centre companies. What ever the

answer is, it is becoming a problem. Reed (2007) explains the connection of customer satisfaction and turnover: "Employee satisfaction has a direct correlation to levels of customer satisfaction. Studies have repeatedly shown these links and nobody disputes the model." Customer satisfaction is again connected to the profitability of a company, because it determines whether the customer is going to buy again from the company or become loyal.

There is still a third problem which is said to be causing poorer quality for which the call centre managers are accused for because of their lack of working experience. According to Forsyth, no date (in Winterman, 2007) the criticism was about the point of focus which was too much on the efficiency of the workers rather than the quality of the calls. This is not necessarily a total waste of resources; Whitaker, no date (in Anon, 2006b) observes that the most complains NU receives from customers are not concerning the language problems, which take about 1 percent from the complaints, but the time used to get through to the call centre. However, the problem of queuing exists also in the UK (Winterman, 2007).

The UK insurance industry has tried to make improvements to the quality; in 2008, ABI published their second Customer Impact Survey which is to develop the life insurance and pension industry (ABI, 2008a). The participation rate for this survey is high, and about 85 percent of the companies in the life and pension market are involved (Womack, 2007). One of the rules to participate is that each company must publish their individual results after ABI has put out the overall report, but few of the companies were refusing to do so with the first report in 2007 (Womack, 2007). These uncooperative companies include some from the top of the market, which indicates they might have something they do not want to reveal in the results (Womack, 2007). This kind of refusal does diminish the improvement efforts down, and shows that they are not taken seriously in all companies.

#### **4.1.2 Relationship and loyalty**

In the UK insurance market, there is a high turnover of customers with general insurances as according to the WIR 2007 from the non-life policyholders 63 percent had changed their insurance provider during the past five years from the study (Capgemini, 2007, p.16). However, the average durations of insurance policies, which can be seen in table 5 on the appendix page 43, indicates that

the turnover does take more than a year as for example the car insurance average length is 3.4 years per contract. This high turnover could explain why the industry is said to be lacking loyalty. Datamonitor (2008) does declare that in the UK insurance market customers are disloyal and looking for the cheapest premiums.

It still needs to be analysed that why the turnover is so high. One reason could be the fact that the market is highly concentrated around price, as for the general insurances the barrier to switch is low, the customer has an opportunity to shop around. Another explanation could be that it has been researched that compared to the other insurance industries, the UK industry has a smaller proportion of relationship-focused customers (Cappgemini, 2007), indicating again the high importance of price to the customers. This all leads again to loyalty and customer relationship; as it is said that a deep customer relationship cannot only be based on financial benefits, although they are important in the beginning of the relationship (Lämsä and Uusitalo, 2002). If looking at the 'loyalty ladder' it can be noticed that mainly the insurance customers reach only the steps of buyer or customer, and not forward. The situation in the market also backs the statement of Kotler *et al.* (2005) up that finding loyal customers is nearly impossible.

#### **4.1.3 'Word of mouth' about insurance companies**

WOM is mentioned to be connected to satisfaction when customers are giving advice to each other. As for the insurance companies and their WOM, it can be noticed that there is much more visibility for the negative WOM than for the positive one when it comes to the offshore call centres. This could indicate the fact that the customers are dissatisfied although the companies might be saying otherwise. After all the criticism about the amount of negative and positive WOM being about the same after all, it seems that in the UK insurance industry the division still goes along with the general opinion that negative happens more often. The smaller amount of positive WOM could be reasoned by the fact that the industry is struggling with gaining loyalty, and WOM is considered as a sign of loyalty. Despite all the negative WOM, in ABI's (2008) survey it is also studied that 53 percent of the customers were either extremely or very likely to recommend the company to others. It is odd that these customers are not brought up in the media.

As said, negative WOM is thought to have a damaging effect on the company for example by harming its brand. In the British insurance industry, it is hard to see the results of the media's negative WOM when the offshoring companies remain high on the list with net premiums. If customers are dissatisfied as thought, what is it that keeps the offshoring companies still in the top? One solution could be the idea that in a mature market such as the UK insurance, the negative WOM could be valued more among the existing customers leading them to switch rather than among the new customers seeking for insurances. This can also be backed up by the fact mentioned earlier that price is the main reason to purchase in the UK insurance industry. Meaning, the new customers are seeking for the best premiums they can find at the moment and not so much the company's level of service, and therefore the negative WOM is not affecting the companies overall performance.

There is problem that the customers are using the media as their tool of WOM, as well as the media is taking an advantage of the situation by augmenting it. Again, if the customers are dissatisfied, why are they not complaining directly to the companies? Machell (2004) says that NU had only received few complaints about the service since the offshoring has started. In addition, McMillian, no date (in Anon, 2006a) said that the feedback NU receives from customers is positive about the service. If this is the case of what the companies are receiving from customers, then which one should they believe; the customers or the media?

#### **4.1.4 Price versus service**

Price as mentioned has been a major influencer for customer purchasing decisions in the UK insurance industry. While customers are expecting the prices to be even lower they also do expect to receive the same quality of service (Machell, 2004). The UK insurance companies are trying to keep up with the price competition and have searched the answer from offshoring to cut expenditures, and at the same trying to meet the customers' expectations with the pricing as well as service. However, the augmenting, usually clearly negative, 'word of mouth' about the quality of the offshore call centre service does not match with the customers' needs Machell (2004) has identified. Griffiths, no date (in Anon, 2006a) does not blame the companies, but the customers for the diminished quality: "We complain that we want service, but really we view insurance at this level as a commodity and compare price. Poor service is our trade-off for lower prices."

What is interesting is that Havard, no date (in Anon, 2006a) declares that, according to CM Insight's survey, nearly 60 percent of consumers would be ready to pay more to be able to call the company which has just British employees. If Insley (2006) and the investigation made about car insurances is to believe, it is not always the companies which have offshored that offer the cheapest premiums although offshoring does help to keep the company's expenditures low. If this is the case, why should the customers pay more if a totally UK based company can offer the cheapest premiums? One company even admits that the offshoring decision is not about being able to have the cheapest premiums in the market, but about having competitive premiums (Insley, 2006).

## **4.2 Onshore versus offshore**

The British insurance companies started to follow the trend of offshoring approximately five years ago by offshoring call centres and back office operations. This subject has been a media favourite, and clearly the overall opinion is that the companies should stay onshore. Burgess, no date (in Anon, 2006a) even argues that the offshoring questions the fact that why should customers purchase British insurances anymore, and why they should not just buy them directly from India. Although the media attention should not be generalised as an attitude against all offshoring, and McFarling, no date (in King, 2007) says that since the people in the UK does not usually want the back-office type of work they can be done well offshore.

A while ago the fact that a few of the companies announced bringing some of the offshored operations back to the UK gave the media new motives to keep the trend in the headlines. The reasons for the U-turns of companies were also discussed in the media, as this seemed to be backing up the attitude to stay onshore for better satisfaction. For example, Hathway, no date (in Winterman, 2007) says the turn has happened because poorer quality of service is driving the customers away. Even NU itself admitted that the offshoring was not such a success since the customers were dissatisfied for the certain part of the call centre service (Foxwell, 2007). However, despite some of the U-turns, none of the insurance companies are quitting the offshoring totally because they are also trying to answer to the customers' bargaining power on wanting lower premiums. This section is from the companies' aspect.

#### 4.2.1 A new way to compete

Price has been a crucial part in the customers' purchasing decision in the insurance industry and therefore it has been vital for the companies to be able to offer a competitive premium. This has been one of the major drivers for the companies to head offshore and the market has been many times been mentioned as being highly competitive. However, as noticed that these offshoring companies are not always the ones offering the cheapest premiums and comparing the prices has become easier for customers as a result of price comparison web pages. When taking these all into account, with the fact that media's attitude has been mainly against offshoring, it has been easy for companies with only onshore operations to start a new way to compete in the market; service.

One of these companies which can be found from multiple sources mentioned as an example (for example Cook, 2008 and Winterman, 2007) targets older people and therefore have decided to stay onshore. However, some companies use the fact of having only UK based call centres as an efficient marketing tool. It has been a successful approach even with an aggressive campaign as stating their onshore call centre having a "UK-based human voice" (Twitchin, 2008). These provocative advertising campaigns has brought the companies more profit but there is also connection made to more superior service than the competitors with offshore call centres (Twitchin, 2008).

There is one problem in using this kind of marketing, which is that the customers would be having an even higher standard for their expectations. Therefore they would be easily dissatisfied if the quality of the British service would not be what they expected. It is said, that using only UK call centres does not secure customers to be satisfied, and thus the type of differentiation is unsure for the companies to be using (Winterman, 2007). This is a controversial issue; if comparing the companies in the appendix tables 1 and 2 there is not much difference as both types of companies, onshore and offshore users, can be found from the top of the lists indicating that either way to compete is equally successful.

### 4.2.2 Savings versus costs

There are many estimates done about outsourcing and offshoring, and how much these can save money for the company and finally the economy. Some of the most positive numbers indicate that it could save as much as 40 to 50 percent by offshoring (McLuhan, 2004; Patel and Aran, 2005, p.22). Generally, the estimations revolve around 20 percent, and for the insurance industry according to Patel and Aran (2005, p.23) the savings are about 10 to 15 percent. Being a positive sum game, McKinsey Global Institute, no date (in McLuhan, 2004) has calculated that for example the US economy has received a net return of 12 percent for every \$1 that had been offshored. Behind this positive hypothesis, there are also predictions that many of the offshore operations fail in saving as much capital as the company had planned. For instance, an analyst group Gartner, no date (in Anon, 2006a) argued that 80 percent of offshore ventures will fall short from the expenditure reduction goals due to unexpected hidden costs. In addition, Amicus, no date (in Hood, 2006) stated that the employee expenditures have gone up in India by 15 percent a year.

The problem with the possible cost savings is that, in the British insurance industry, is saving expenditures worth sacrificing customer satisfaction for? As said, if dissatisfied, exit is one of the options which the customer can do. Rosenberg and Czepiel, 1983 (in Evans, Moutinho and Van Raaij, 1996, p.261) have estimated that gaining a new customer costs six times more than holding a current one, and according to Cook (2008) many companies ignore the prospects of their current customers which they could offer to the company's growth. Therefore the companies should really calculate which one is more valuable for them, customer relationship and the revenue from it brings, or the possible cost savings made by offshoring. Merchant Consulting, no date (in Scott, 2007) draws that one out of five British consumers have switched companies because of poor experience with a call centre, which has meant an approximate figure of \$4.5 billion in losses for the companies yearly. Of course this issue leads again to the fact that in the British insurance industry a satisfied customer is still willing to shop around and not possibly staying loyal to the company. Therefore, the next question is that is there any sense of trying to improve customer satisfaction if it does not lead to any more income.



The actual cost efficiency of the call centres has as well been questioned when talking about the possible savings. As in the satisfaction rates, here are also two kinds of figures, positives and negatives. A consultancy firm ContactBabel, 2004 (in Scott, 2007) had measured that the UK call centre employees could answer calls per hour 25 percent more and solve the customers' problems on the first call 17 percent more than the Indian colleague. On the contrary, the research of Leedham and Haden (2006, p.8) showed that 70 percent of the companies in the survey said their offshore call centre's call handling times were superior or equivalent when compared to an onshore call centre. The problem of efficiency does not only affect the costs of the call centre, but also the efficiency affecting again the level of quality. Although Leedham and Haden (2006) thought the improving efficiency was good for the offshoring trend, they were also afraid that the efforts were taking too much attention away from quality. The frustration of being understood when calling to the offshore call centre seems to be one of the major problems causing the dissatisfaction among customers.

### **4.3 The usage of call centres**

As companies are not putting their offshore call centre operations aside totally, they have had to find alternative solutions to deal with more demanding customer. It has been reported that companies are offering private numbers to those who have difficulties with offshore call centres, and these numbers will be directly calling an onshore call centre (Foxwell and Fluendy, 2007). Other companies without these private numbers have also found a way to please the more challenging customers, as they will transfer the call to an onshore call centre on request (Foxwell and Fluendy, 2007). This of course leads again to the cost versus savings discussion, and the fact that is this solution of double work in the end more economical than having the call centre totally onshore.

One of the issues when looking at customer satisfaction in this study is the actual usage of the call centres. According to a Capgemini analysis, 2006 (in Capgemini, 2007, p.21) the UK insurance customers have mainly only one contact per year with their insurer; 68 percent had one, astonishing 24 percent none and only 8 percent had more than two contacts per year. This could indicate that the companies have only small knowledge on their customers and do not know their expectations. Thus, the companies are also unaware of the service quality level which should be reached leaving the customers dissatisfied with the service even after their first contact.

## 5. Conclusion

This study was conducted to research that has the offshoring trend of call centres affected customer satisfaction in the British insurance industry. The main theories used in addition to satisfaction were loyalty, 'word of mouth' and outsourcing. There are few reasons to choose the UK insurance industry as the study subject; the importance of the industry as well as the recent media attention the offshoring trend's customer satisfaction has received. The companies started the offshoring trend in around 2002 and until 2008 the trend has shown no slowing down despite the small U-turns some companies have done.

Researching the field of study showed that most media articles was against offshore call centres, and the WOM collected to them from customers and consultants was mainly pessimistic. It can be concluded that according to most of the studies and the negative WOM, customers are becoming more dissatisfied with the offshore call centres. There can be mentioned two reasons behind the negative attitudes. First is that the quality of the service the offshore call centres are providing is said to be poorer compared to the UK centres, and as mentioned quality is one aspect by which customers measure their satisfaction. Second is that the companies' decisions to offshore is seen as neglecting the customers in a change for a possibility to save expenses. This can be causing the extraordinary situation in the market, where customers have high expectations despite all the negative WOM and when the company fails to deliver good service, customers become even more dissatisfied.

However, the market is highly competitive, and the most important driver behind the customers' buying decision is gaining the cheapest premium. This has been one of the main reasons for companies to head offshore with their call centres and other back office operations as trying to save in expenditures. Despite the negative WOM in the media, it seems that the offshoring has not affected the customers' buying behaviour since the offshoring companies are as successful as the ones which have decided to stay onshore. The negative WOM seems to have a larger role since the industry is lacking loyalty, and thus the positive WOM is much smaller and the satisfied customers are not seen as much as the dissatisfied.

## 6. Limitations

As the study made with secondary research, there are certain limitations to the study to be noticed. One main limitation to the study was the time available to conduct it, which affected the processing and analysing of the data. Second was that there was no budget for the study, which limited the available resources and could have affected the results.

If there has been made a survey about the research question, it could not be found for this study which was a limitation. This study interpreted information and findings which were found around the subject and the conclusions are drawn by me. The information and findings used were mainly surveys and articles about overall UK consumer satisfaction over offshore call centres and also general customer satisfaction of the British insurance industry since they were accessible.

Since it is not known if the insurance companies own the call centres which they have offshored or if they use a subsidiary, in this dissertation the term offshoring refers to both offshored outsourcing as well as offshoring. This was one of the major limitations to the study. In addition, the media has been focusing on the offshoring of call centres, although they can be called also contact centres nowadays because of for example the customer email handling. This study used also the term call centre; since it was unknown does the offshore contact centres cause dissatisfaction with their other operations other than call handling.

## 7. Recommendations

This subject of this study could be further researched more in depth by multiple primary researches. For example, a further study about the actual quality of the insurance call centres could be conducted since there is a lack of the availability and an easy access if there is one already made. In addition, there has been raised an issue of the safety of the personal data with the call centres. This anxiety could be further research in a way that how it is affects customer satisfaction, and is it possibly a bigger issue than quality. The general customer satisfaction level in the industry has been researched, but the fact that how much the call centre operations affect the overall results seems to be neglected.

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## 9. Appendix

**Table 1: Total net premiums for general insurance**

Ranking		Company	Premium (£m)	
2007	-2006		2007	-2006
1	-1	Aviva plc	5 855	5 914
2	-2	RBS Insurance	4 544	4 438
3	-3	AXA Insurance	2 969	2 707
4	-4	RSA	2 604	2 531
5	-5	Zurich UKGI	2 172	2 240
6	-6	BUPA	1 546	1 433
7	-7	Allianz Insurance	1 404	1 260
8	-8	HBOS	800	871
9	-9	NFU Mutual	800	735
10	-10	Fortis Insurance	723	660
11	-12	Lloyds TSB Insurance	609	590
12	-14	Brit Insurance	459	433
13	-11	Barclays Insurance	436	623
14	-13	CIS General Insurance	396	442
15	-15	QBE Insurance Group	386	427
16	-16	Groupama Insurance Company	380	399
17	-17	LV=	336	343
18	-18	American International Group	324	311
19	-26	QUINN-direct	292	200
20	-23	Standard Life Healthcare	291	249

<b>Total Net Written Premium (£m):</b>	<b>£32 859</b>	<b>£31 127</b>
<b>Share of Largest 5 Companies:</b>	<b>55,34 %</b>	<b>55,92 %</b>
<b>Share of Largest 10 Companies:</b>	<b>71,43 %</b>	<b>71,47 %</b>
<b>Share of Largest 20 Companies:</b>	<b>83,35 %</b>	<b>84,45 %</b>

### Notes

*AXA includes AXA Insurance, AXA Assistance UK Ltd, AXA Corporate Solutions, AXA PPP Healthcare, and AXA Air Insurance Limited*

*HBOS includes Esure Insurance, First Alternative, St Andrews*

*NFU Mutual includes Avon Insurance*

*RBS Group includes Churchill, Direct Line, NIG, Privilege, UK Insurance*

(ABI, 2008b)



**Table 2: Total net premiums for long-term insurance**

Ranking		Company	Premium (£m)	
2007	-2006		2007	2006
1	-3	HBOS Financial Services	11941	8182
2	-1	Standard Life	11339	11136
3	-8	AIG	10717	6562
4	-2	AVIVA plc	9759	8182
5	-4	Legal & General	8416	7361
6	-7	Aegon	7859	6728
7	-6	Lloyds TSB Group	7254	6982
8	-10	AXA	6907	6237
9	-5	Prudential	5969	7305
10	-17	Swiss Reinsurance Company	5002	881
11	-12	Old Mutual Group	3862	3565
12	-11	Friends Provident	2310	3629
13	-15	HSBC	2231	1256
14	-14	Resolution plc	2171	2222
15	-9	Canada Life	1809	6335
16	-16	Royal London Mutual Insurance Society	1619	1092
17	-21	Cardif Pinnacle	1083	525
18	-18	Suffolk Life	777	759
19	-20	RBS Group	715	638
20	-19	Munich Re	669	667
<b>Total Market</b>			<b>£108</b>	<b>£101</b>
<b>Share of top 5 companies</b>			<b>48,95 %</b>	<b>43,30 %</b>
<b>Share of top 10 companies</b>			<b>79,55 %</b>	<b>75,81 %</b>
<b>Share of top 20 companies</b>			<b>95,28 %</b>	<b>93,12 %</b>

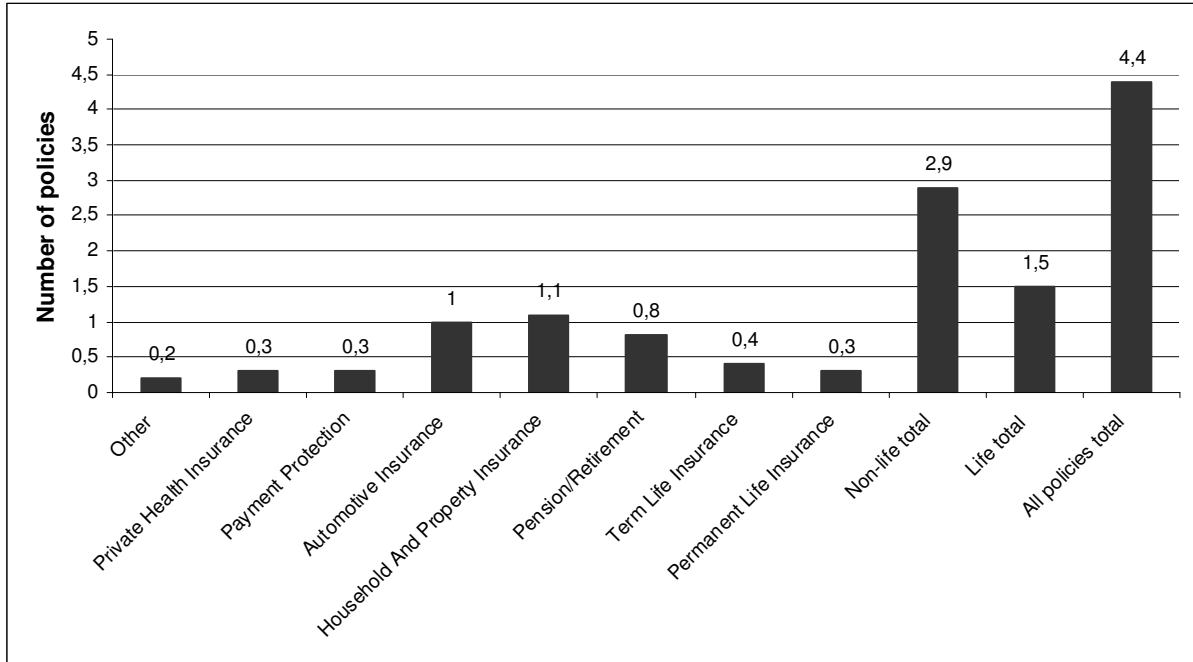
Notes

All offices are asked to use the same data source i.e. forms 40-41 supplied to the FSA under the Interim Prudential Sourcebook for Insurers

Aegon includes Guardian and Aegon Scottish Equitable AXA includes AXA and Winterthur  
 HBOS Financial Services includes Clerical Medical, Halifax Life, St Andrews and St James' Place Capital  
 HSBC includes HSBC and Marks and Spencers  
 Legal & General includes Legal & General and from 2007 Nationwide Life  
 Lloyds TSB Group includes Lloyds TSB Life and Scottish Widows  
 Old Mutual Group includes Selestia and Skandia  
 RBS Group includes Direct Line, Royal Scottish Assurance & National Westminster Life  
 Resolution plc includes Alba Life, Britannic, Century Life, Phoenix Life Group and Scottish Mutual  
 Royal London Mutual Insurance Society includes Bright Grey, Royal London and Scottish Life  
 Swiss Reinsurance Company includes Swiss Re and from 2007 Windsor Life

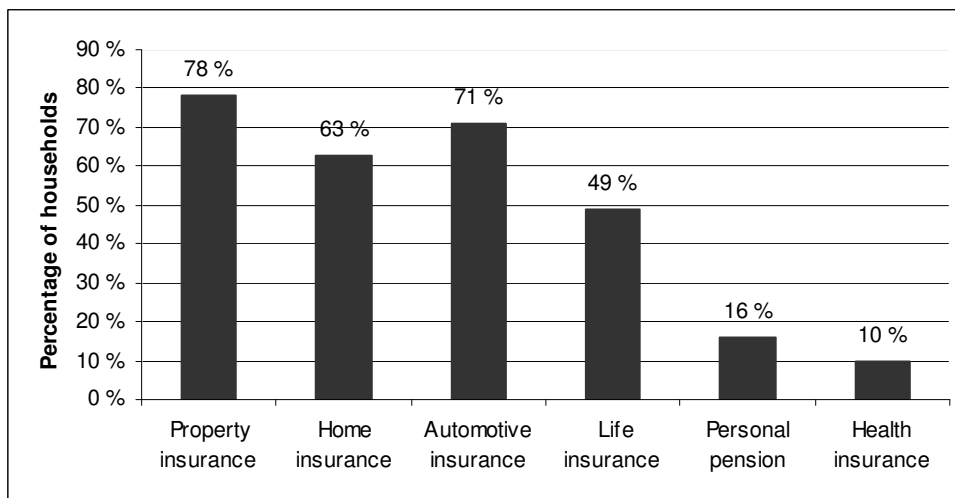
(ABI, 2008c)

**Table 3: Average number of policies per customer**



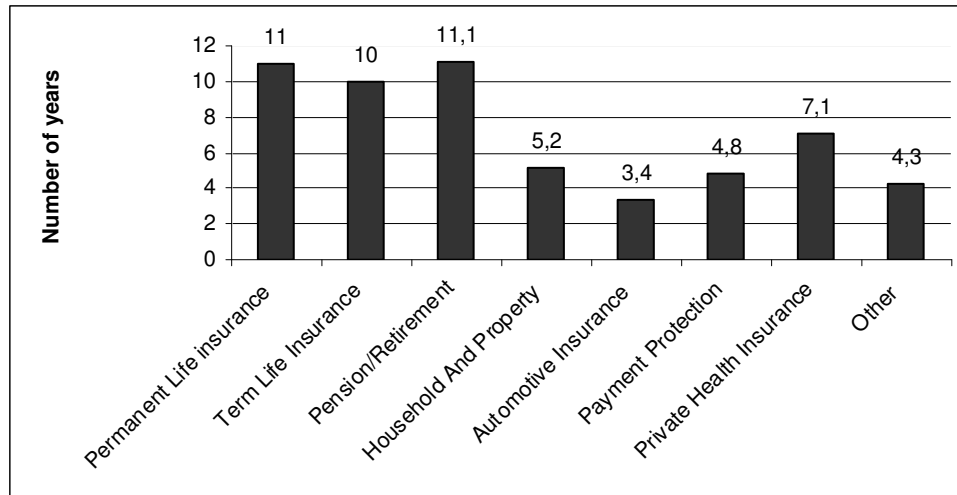
(Capgemini, 2008)

**Table 4: Households buying insurance**



(Know-Insurance, no date; ABI, 2008d)

**Table 5: Average contract longevity**



*(Capgemini, 2007)*

**Table 6: Demographics of Britain 2008**

Population	60,943,912
Age Structure	15-64 years: 67.1% 65 years and over: 16%
Median Age	39.9 years
Population Growth Rate	0.276%

*(British Towns and Villages Network, no date)*