

The Value of Making Mistakes

By Chris Burand

In the December 24, 2001 *Fortune* magazine, Michael Schrage wrote a very interesting article titled “*Make no mistake?*” He wrote about how customers are more satisfied by companies that fix mistakes than by companies that make no mistakes at all. His example was that of a hotel. The hotel discovered that its guests enjoyed everything going well, but that when something went wrong, they were even happier to see the hotel make things right, quickly and efficiently. He wrote, “Guests who had experienced a problem that was quickly and politely resolved rated the hotel service higher than guests who had had no problems at all. What’s more, more guests with happy resolution of their hassle said they were likely to recommend the hotel than did the trouble free guests.”

The hotel is now trying to identify what kinds of problems they can inflict upon their guests (provided they can fix the problem immediately). This is an incredibly enlightening discovery! Mr. Schrage explained the situation extremely well. Customers do not want hassles. They want everything perfect but they realize they do not live in a perfect world. Therefore, customers give high marks to companies that handle mistakes in a prompt, courteous manner. In many situations people expect problems so a company’s ability to handle those problems is often even more omnipotent than total quality. In other situations, total quality prevails. For example, people prefer their new cars never breakdown because getting them repaired is a major inconvenience. Therefore, original quality is key because the expectation is that new cars should not break.

I am not suggesting to purposely sell customers the wrong coverage only to pay losses out of our own pocket when a claim occurs (though many agencies occasionally do this). This is one area though where insurance agents have an advantage over most all other businesses—not because insurance companies make so many mistakes issuing policies—but because customers often do not pay attention to their insurance until a claim occurs and then, the claim can serve as a proxy for a mistake. Are customers who never have a claim, never have a billing problem, and therefore never get to enjoy an agency’s great service likely to rate the agency as high as customers who have a claim and receive first class service? If you service your own claims, this is a great opportunity to shine and make a long-lasting, positive impression on your customers.

This option though is not available to all agencies because many agencies do little with claims. They turn over all claims to their companies. In many cases, customers contact the carriers directly. This makes a lot of financial sense but it means agents must find alternative ways to impress their customers. Fortunately, most insurance customers do not expect much from their insurance agent (in this area), so the opportunities to exceed expectations are ample. Here are some ideas that firms, other than agencies, have already implemented.

1. One accounting firm offers a service for helping homeowners recover from losses, rebuild, collect claims, and get emergency housing and clothes. They do this on their own initiative. They do not depend on the insurance company to take action. Do you lead or follow the insurance companies when taking care of your

customers?

2. Another firm sends flowers to their personal lines clients that have auto accidents resulting in injury. What do you do for your clients whom experience a loss?
3. Other firms have arranged contingency plans with professionals such as grief counselors, public relations firms, and disaster recovery experts to help their commercial clients when they have employee deaths, public relation issues, and other disasters.

These types of perks are cheap and some are free. Yet almost no agencies do anything like this. We know customers want to feel special, we know they want to be cared for when claims arise, and we know they are likely to refer more people after expertly fixing a problem than if nothing happens. What are you waiting for?

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October 2002