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Channeling Growth

Accenture 2010 Global Survey on
Multi-Channel Insurance Distribution

• Consulting • Technology • Outsourcing



The path to profitable growth: giving customers a consistently exceptional experience

After several years of disappointing top-line growth, insurers have a lot of ground to make up. As demand recovers, profitable growth heads most carriers' business agendas. But if little has happened on the sales front since the global economy slumped in 2008, the market itself has continued to evolve. Insurers realize that, to achieve profitable growth, they need to enhance their operations to meet the changing needs of their ever more demanding customers.

To gain a better understanding of consumers' attitudes to insurance, and how they prefer to interact with insurers, Accenture recently commissioned a survey of more than 3,500 respondents in six countries. Some of the highlights are listed on page 5, but the key findings were that:

- Customer loyalty is low, with many planning to shop around before they buy more insurance
- Customers have become more demanding, and have more information at their fingertips to evaluate the products and services on offer
- Customers are changing the channels they prefer to use, and are using a greater variety of channels for different purposes
- Emerging technologies are having a profound effect on consumer channel preferences, as well as on the effectiveness of both new and traditional channels

The most obvious impact of these rapid and far-reaching shifts is that distribution models are under strain. They not only need to be overhauled to meet current demands, but should be imbued with the flexibility to accommodate future requirements—whatever they might be.

To find out how insurers are reconciling their pressing growth objectives with—in many cases—their outdated distribution capabilities, Accenture conducted a global survey of 125 carriers. The respondents, all C-level decision makers, confirmed that effective multi-channel distribution is a key enabler of profitable growth and a critical priority for the majority for them.

Growth through market share

In the face of continued soft demand in mature markets, insurers believe organic growth will be achieved through increased customer acquisition (50 percent) and retention (28 percent) rather than cross- and up-selling (22 percent). To capture market share, however, they need to differentiate themselves in ways that matter to consumers—yet only 37 percent believe they perform at a higher level than their competitors in most areas.

Another finding that highlights the gap between the current status of most insurers' distribution models and where they need to be, is the shift in customers' channel preferences when it comes to buying. Insurance companies represented in the survey derive 66 percent of their premium revenue from their tied and non-tied agent channels, and only 4 percent from the Internet (their website, a mobile device or an online aggregator). In Accenture's consumer survey, an almost identical number (67 percent) of respondents who expect to purchase or renew insurance in the next 12 months said they intend to use a broker or agent. However, 43 percent¹ intend to buy online.

Another crucial gap which insurers are determined to address is the inadequate integration of their various channels. As Figure 1 shows, there are few areas of the business where information is being

shared effectively in real time. Improvements ranging from 50 to 200 percent are envisaged over the next three years, with 87 percent of insurance executives stating that an integrated multi-channel strategy is either important or critical to any organization aiming to achieve high performance.

Similarly, 89 percent believe the ability to tailor their customers' experiences is important or critical. While Figure 2 shows that the variance between existing capabilities and where the industry is likely to be in three years' time is not massive, it also shows a clear and consistent trend toward customization.

¹ Multiple mentions were permitted so the total exceeds 100 percent.

Figure 1. Most insurers are not able to provide a consistent customer experience across all channels and media

To what degree is each of the following channels / communication media seamlessly integrated with the others in your company? What will be the situation in 3 years time?

Percentage fully integrated, with all information shared in real time

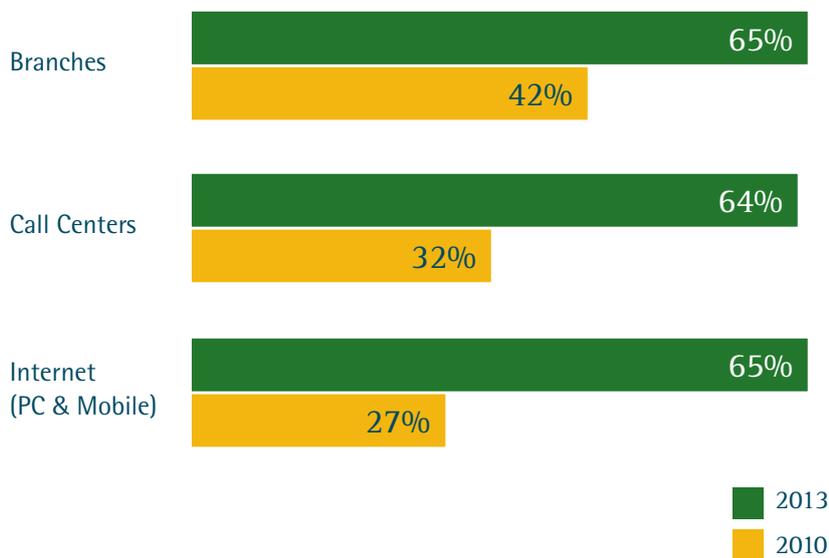
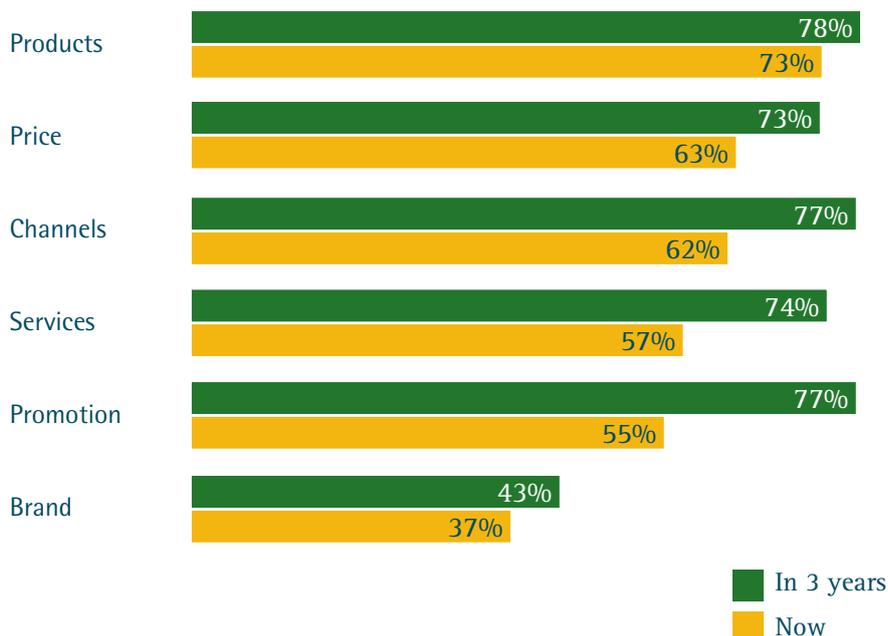


Figure 2. Insurers recognize the importance of customer segmentation and providing a customized experience

Do you have a differentiated marketing strategy by customer segment for these elements? Will you in 3 years' time?

Percentage that have a customized approach



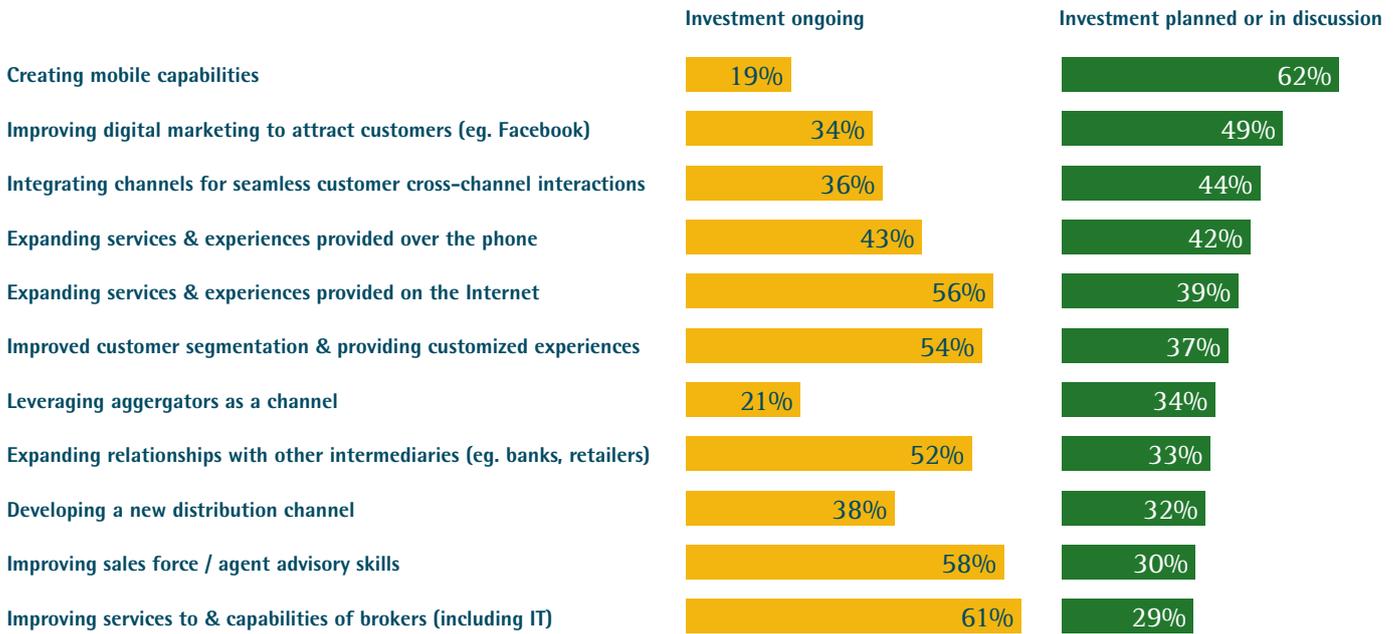
What do consumers say?

- 53% of consumers who are planning to buy or renew insurance in the next 12 months are considering switching to a new provider
- 43% of those planning to buy insurance will do it online
- The agent remains the preferred channel—although declining—with 49% of buyers saying they will do so from an agent
- 33% of consumers have bought at least one policy from a bank, with 27% planning to buy from a bank in the next 12 months
- Price is not the main criterion when it comes to choosing an insurance provider—the top three are speed of problem resolution, transparency of prices, and availability of suitable products
- 35% of consumers say they are willing to pay more for insurance in return for personal advice

Source: Accenture Consumer Multi-Channel Distribution Survey, 2010

Figure 3. New investment will focus on mobile, digital marketing and channel integration

What investment are you making or are you considering making in the next 3 years in order to make your multi-channel strategy a success?



Driving investment

Changes in consumer attitudes, needs and preferences are a major factor influencing insurers' determination to improve their distribution capabilities (85 percent). But they are not the only ones. Even more important (at 86 percent) is the emergence of new technologies that are making it easier than ever to acquire information, that are changing the ways in which consumers choose to interact with their world, and that enable companies to conduct their business more effectively and efficiently.

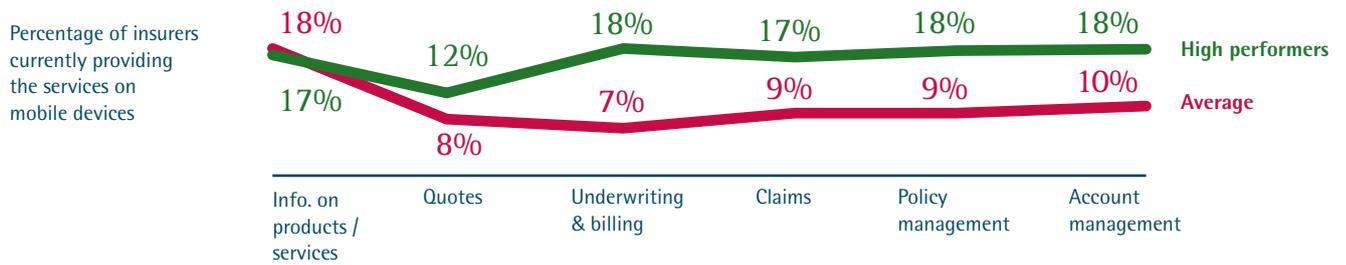
Changes in regulations, and the growing importance of offering advice together with insurance products, are ranked the third and fourth most influential drivers of investment to enhance the distribution model (both at 81 percent). The other factors that scored more than 60 percent are customers' appetite for low costs (77 percent), the lack of differentiation between insurers (72 percent), the rising cost of customer acquisition (68 percent), and the low level of channel integration (63 percent).

There is no question that insurers are serious about their intention to develop an integrated multi-channel distribution capability. Respondents reported that their organizations plan to invest an average of \$84 million over the next three years, both internally and externally, to develop and implement an effective, differentiating distribution strategy.

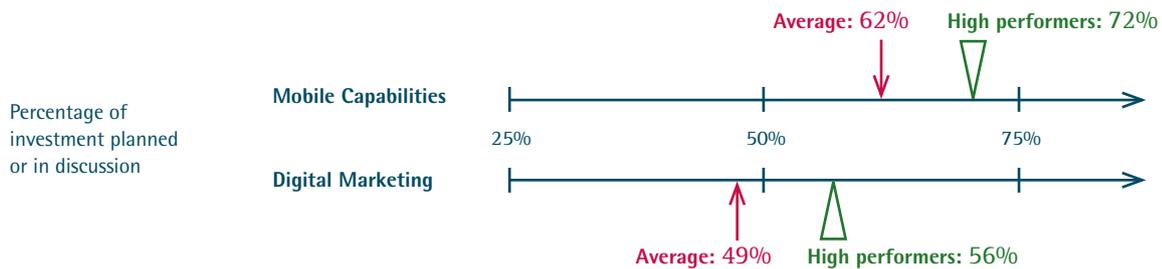
Significantly, the figure is a lot higher for high performance insurers. The respondents from the top 20 percent of insurance firms represented in the research sample—the companies that achieved the highest growth rate over the past three years—stated that they expected to invest no less than \$126 million over the next three years to improve their multi-channel distribution capabilities, meet their customers' needs, and provide them with exceptional, customized experiences.

Figure 4. High performers have made more progress in mastering mobile technologies and digital marketing

Services currently available on mobile devices



Future investments



The digital and mobile divide

The list of priorities is daunting—Figure 3 shows where insurers are investing their money at present, and the areas that are likely to be targeted in the near future.

In some areas the turnaround will be dramatic. Improving advisor skills and empowering brokers, currently the two highest priorities, are likely to suffer the greatest relative cutbacks. Conversely the mobile channel and digital marketing currently enjoy the least attention, but are ranked the top two priorities for future investment.

Once again, it is instructive to compare the investment strategies of the high performance insurers in the study with those of the sample as a whole (Figure 4). As the top graph shows, high performers have made significantly greater progress in providing almost the entire spectrum of insurance services via customers’ mobile devices. What is more, as the bottom graph shows, they intend to drive home their advantage by continuing to outspend their competitors in the areas of mobile capabilities and digital marketing. If anything, the digital and mobile divide seems likely to widen over the next few years.





The way forward

Creating an effective distribution model will not be easy. The biggest challenge by far, according to the survey respondents (Figure 5), will be to align the organization's IT infrastructure with the new distribution strategy. Channel integration is the other issue that ranks among the most daunting obstacles.

Change management and sourcing the appropriate skills are also among the top-listed challenges, confirming that people are key to any solution.

The need for detailed, usable data is highlighted by the fact that the customization of products, services and channels is ranked joint fourth among the most important challenges. Without good data collection, analysis and management, segmentation is ineffectual and customization impossible.

Unsurprisingly, cost is a major factor. But the objective of reducing the cost of transactions and interactions will prove elusive unless all channels are managed optimally. This includes continual process improvement, tireless innovation, and ongoing analysis and enhancement of channel performance.

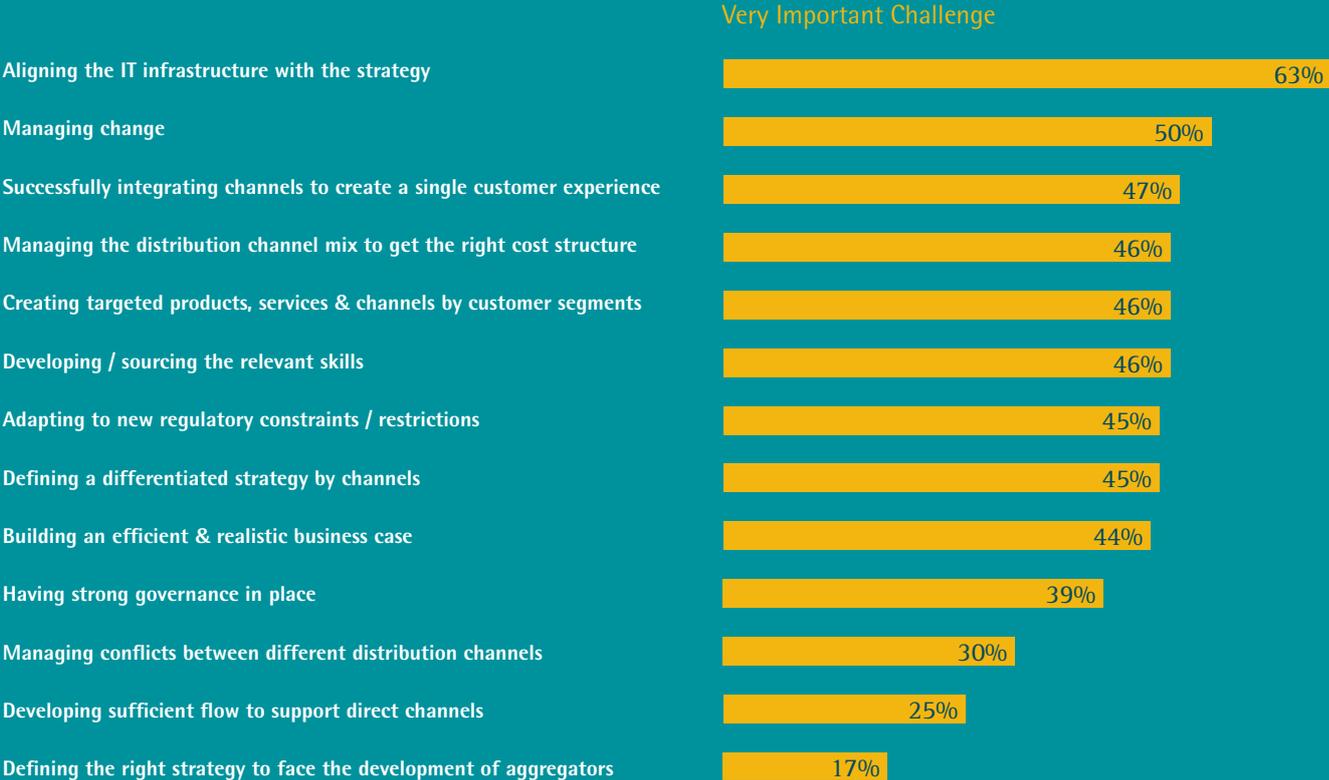
In many respects, insurers recognize that either they lack the specialist skills to overcome

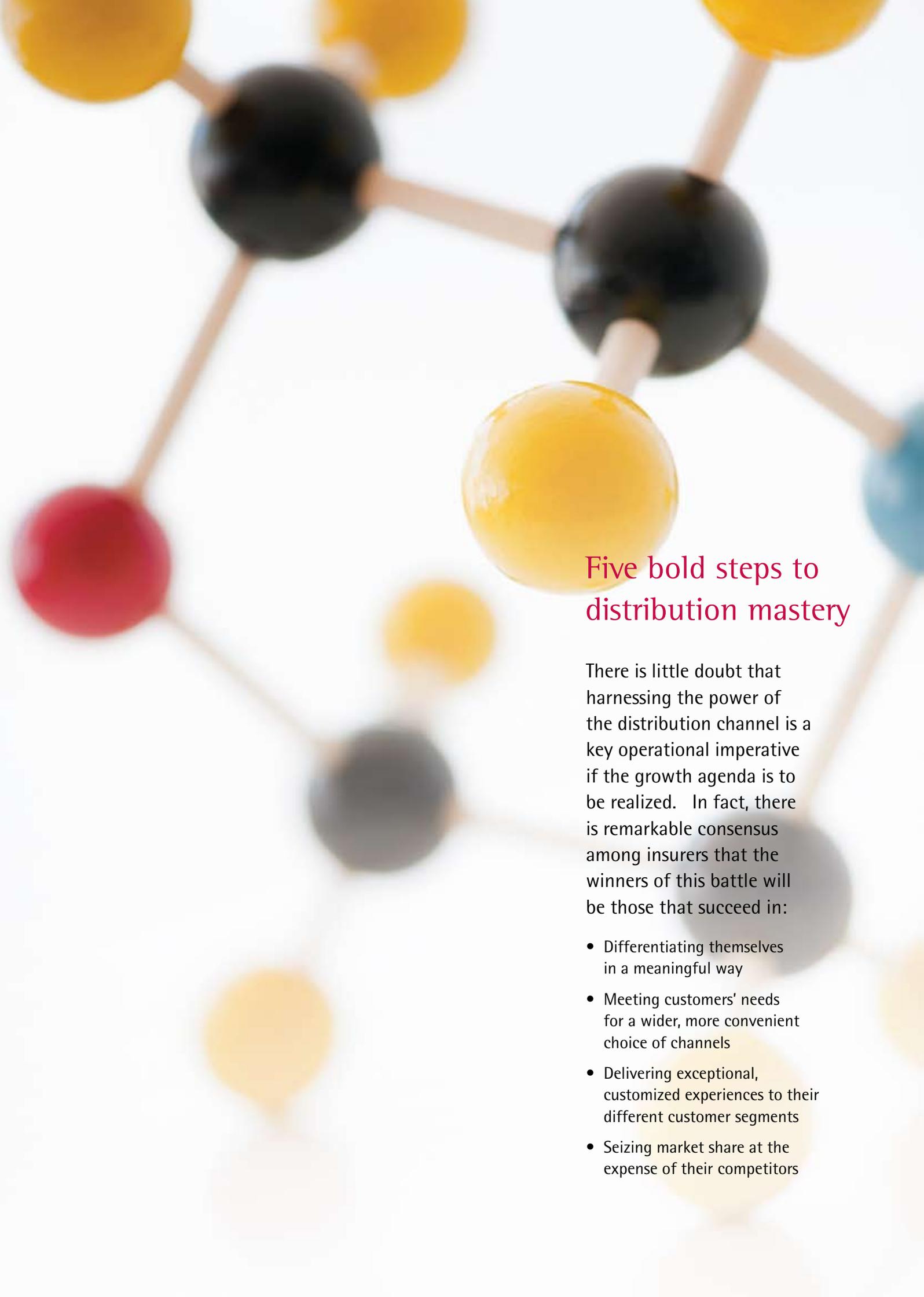
all of these challenges on their own, or it would be more cost efficient to share the load with a partner. Approximately one third of respondents said their firm had outsourced elements such as digital marketing, development of interactive media, marketing and segmentation analytics, and monitoring of their image across social networking sites. However, they expect this figure to rise well above 50 percent over the next three years.



Figure 5. Aligning IT infrastructure with strategy

How important will each of these challenges be for your company to develop and implement a successful multi-channel strategy in the next 3 years?





Five bold steps to distribution mastery

There is little doubt that harnessing the power of the distribution channel is a key operational imperative if the growth agenda is to be realized. In fact, there is remarkable consensus among insurers that the winners of this battle will be those that succeed in:

- Differentiating themselves in a meaningful way
- Meeting customers' needs for a wider, more convenient choice of channels
- Delivering exceptional, customized experiences to their different customer segments
- Seizing market share at the expense of their competitors

While the attributes of the winning companies are evident, the new playbook for growth requires bold moves to reinvent distribution and ignite the growth engines. Accenture believes there are five key actions that insurers must take to create sustainable advantage in distribution:

1. Embrace Multiplicity

More often than not, the call to reinvent distribution is misconstrued as purely a vote for the direct channel. The reality is that insurers must embrace a multitude of complementary channels. This is not to say they need to provide end-to-end solutions through all channels, but rather that they need to address customer needs across the entire lifecycle by offering the channels that are preferred for each type of interaction. They may sell through the agent channel in a high-touch, high-advisory fashion, and after the sale provide customer self service through mobile capabilities. By achieving this kind of symbiotic relationship between channels, insurers will be better equipped to attract and retain customers.

2. Deploy Mobility

The paradigm for human and computer interaction is rapidly changing, with new advances measured in months rather than years. The advent of the multi-touch display combined with the overwhelming prevalence of mobile devices opens an entirely new world of platforms with which insurers can reach their customers. The types of transactions that are possible on mobile devices have grown in sophistication. What was once a device for status updating is now capable of real-time illustrations, policy construction,

and self service. It is imperative that the insurance company looks at mobility as a new way to reach consumers without provisioning devices, and as a new way to enable the sales force of the future.

3. Integrate Digital Marketing

Customer information is the lifeblood of service. Retail has lived and died by this maxim for years. As insurance products continue to fight for shelf space, much as retail products do, carriers need to do whatever is necessary to capture insights into customer behavior, needs, wants and segments. To achieve this, they must take advantage of digital marketing technologies that allow them to rapidly build a deeper understanding of their customers through their online habits and patterns. They must use this information to better match products and service to the customer. In addition, insurers need to broaden their reach through social networks to both attract consumers to their services and gain valuable input on how they can better serve the marketplace. Ultimately, carriers need to be able to offer mass personalization by using highly refined digital marketing analysis, which allows them to match product to channel to customer. The agent population needs to be managed in a similar way.

4. Retool the Underlying Infrastructure

As new capabilities like mobility and digital marketing are added, so the underlying operational infrastructure becomes even more critical. Companies need to be able to support the complexity of the multiple channels, multiple products and multiple servicing locations with an operationally elegant and simplified IT platform. This means that core capabilities like product definition, rating, pricing and so on must be as flexible as possible – ideally

maintainable outside any coding changes – while providing high scalability and performance across multiple potential computing platforms. In addition, the infrastructure of the future must be able to capitalize on things like cloud to consume resources on demand without having to support them internally. In order to maintain the lowest possible IT unit cost while providing the maximum impetus to growth, companies need to look at the core IT platforms “below the water line”.

5. Rethink the Operating Model

In the pursuit of growth, anything that stands in the way of giving customers what they want should be identified and carefully considered for elimination. Legacy product-centric organizations should be dispensed with to facilitate a truly solution-centric approach to products, services, prices, and channels. Insurers need to constantly improve processes and provide consistently superior customer experiences. They need to learn from these experiences to maximize the outcomes that customers expect. And all aspects of management should be reviewed to ensure an unwavering focus on the customer.

Insurers that master the challenges of multi-channel distribution will, in all likelihood, be the ones that set the growth benchmarks of the industry for years to come.

To find out more about the Accenture Multi-Channel Distribution surveys, or how Accenture can help you achieve high performance in distribution, visit www.accenture.com/insurance.

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