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Breathing new life into multi-channel support, analytics and customer segmentation

Technology trends in the life insurance industry: Part 1

High performance. Delivered.

In Brief

Technology trends that enable life insurers to become high performers:

• Support for multi-channel access

• Dealing with customer data effectively and supporting advanced analytics

• Improving profitability through better customer segmentation

For part 2 of our 'Technology trends in the life insurance industry' series entitled 'Breathing new life into platform rationalization, compliance demands and supporting global expansion', go to www.accenture.com/insights/life.

The role of advanced software in driving high performance in the life insurance industry

The life insurance industry has experienced an extended period of declining premium prices and stagnant revenues, and the global financial crisis continues to put increased pressure on growth and profitability. These challenges are expected to intensify in the coming years due to slow GDP growth, low long-term interest rates, intensifying competition from intermediaries, and an increase in regulation. In this economic environment, insurers' software platforms and technology infrastructures are critical areas of focus for reducing costs and improving service effectiveness.

The right software choice is more important than ever. Processing has become increasingly complex, time sensitive and data dependent. Consequently, new and emerging technologies that enable greater information sharing and collaboration have shattered the barriers which were intrinsic to traditional processing, making it more critical than ever for customers, vendors and professionals to work in concert to process insurance in a seamless and efficient manner.

Based on Accenture's research and experience, the following are among the most important life insurance industry trends that can be addressed with software strategies and solutions in a way that advances a company's pace toward growth and profitability in a more predictable fashion.

Support for multi-channel access

Insurers today seek to reach their customers across a variety of interactive digital channels that give the customer access to information across devices and platforms, anytime and anywhere.

This multi-channel approach is increasingly an imperative for insurers as customers grow accustomed to the digital experience. If an insurer is still set up in a way where the application and underwriting process takes an extended period of time, that insurer will be at a severe competitive disadvantage. Many companies still rely on modes of customer interaction that are slow, unsatisfying and needlessly expensive. They need to increase the pace at which they "go digital," especially as people who came of age in the computer era begin purchasing policies. In an Accenture survey, more than 40 percent of customers buying insurance in 2010 said that they would choose to do so online.[1]

Equally important is the additional capability that digital channels give insurers to tailor the experience to different customer types and to people's preferred modes of interaction. Customers who can interact with their insurance provider when, where and with the device they prefer are more likely to be satisfied with their service and thus more likely to remain loyal.

The availability of multiple channels also means that customers can switch modes of interaction according to need and circumstance, such as on the Web, over a smart phone or when using an agent. Communications channels can be designed for both "push" and "pull." That is, insurers want not only to make communications to customers easier over multiple channels, but also to enable the capturing of information and data across access channels to increase the company's knowledge of individual customers and segments.

However, the quest to tap into and sell through the right channels has traditionally come at a cost to insurers. The costliness of this approach may have been due to an incomplete knowledge of where

84% of consumers expect insurers to provide multi-channel access

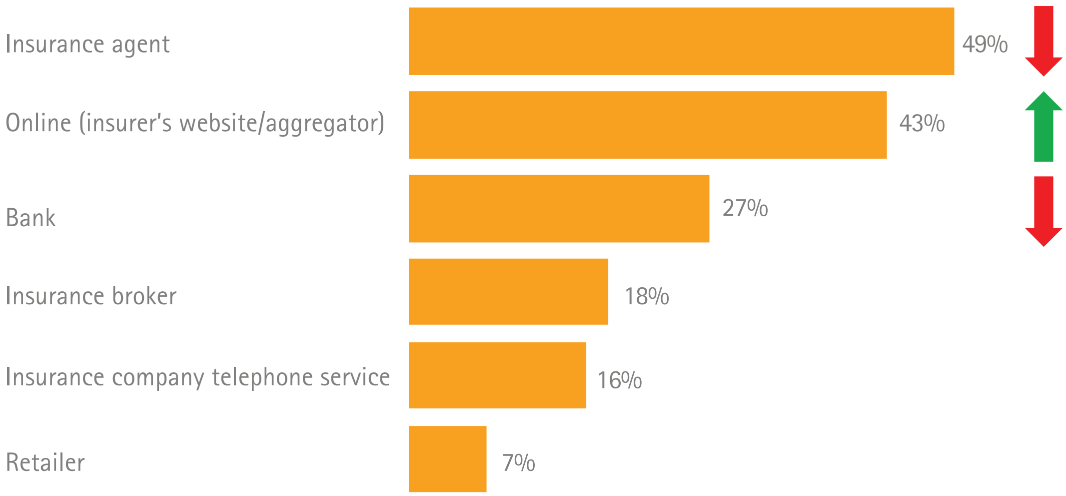
Accenture Consumer-Driven Innovation Insurance Survey, May 2011

[1]Accenture: Changing Channels–Multichannel Insurance Distribution Consumer Survey, 2010

Figure 1. Accenture research shows that the Internet will grow faster than any other channel in all of the surveyed markets

The proportion of insurance purchases/renewals online via insurers' websites and aggregators will increase.

Question: How do you expect to purchase or renew insurance in the next 12 months?



Base size = Respondents planning to purchase or renew insurance product in the next 12 months

Source: Accenture–Changing Channels–Multichannel Insurance Distribution Consumer Survey, 2010

target customers are, and how to reach them. The key to accessing the right channels is having the data from which an insurer can draw insights as to who its customers are, where they are, and what they want. This can be done through analytics and customer segmentation.

Making communications and service interactions available across multiple channels offers a kind of reinforcing mechanism—insurers can choose the right channels for the right customers to get the best return on investment. They have an opportunity to deliver a user experience by which consistent messaging, branding, methods and visuals can be used and reinforced across all channels.

An understanding of channel strategy is important to achieve consistency of tone and messaging across the channels. Certainly it is important to generate a common, consistent set of messages, but the tone of the communication must be appropriate for the channel being used. For example, communicating over a mobile phone is different from communicating through a call center.

The urgency behind the digital move comes from the need to make the life insurance agent more relevant and important to the customer. People are going to lots of different places to seek advice about big life changes and may rarely think about asking their agent for guidance. Insurers who can leverage newer interaction channels, such as social media, have the chance to stay relevant. Social media is a significant communications phenomenon. Facebook now has over five million monthly users sharing 25 billion pieces of information.

This multi-channel business strategy is easier said than done from a technology infrastructure and software perspective. The software needs to have the ability to let an insurer define a single, common product that is separate from any particular access channel, but that also supports all access channels. Key to this capability is proper configuration—creating rules with enough flexibility to be able to specify different behaviors for different channels.

Insurers must be able to leverage their software to configure products that are independent of the channel—both for communication and information gathering. The product that the insurer is selling needs to be decoupled from the channel it's selling it through.

Dealing with customer data effectively and supporting advanced analytics

The insights that predictive analytics can yield are important to addressing changing customer behavior. The value of robust data is unlocked when companies develop the capabilities to analyze what they gather and integrate this insight into their business processes. Developing capabilities that range from accessing and reporting on data to predictive modeling, forecasting and sophisticated statistical analysis, is necessary to drive transformative change fueled by analytics. However, it is important to note that the value insurers get from the insights they gain depends entirely on the quality of their data. Legacy platforms cannot offer good quality data, and so a consolidated approach that standardizes and simplifies the IT infrastructure needs to be sought.

Companies across all industries and geographies are investing in business intelligence. The global business intelligence software market is estimated to grow by eight percent annually until 2014. Additionally, according to research house IDC[2], in 2009 alone the digital universe grew by 62 percent to nearly 800,000 petabytes. This means that by 2020 the digital universe will be 44 times as big as it was in 2009. Insurers will need to hone their analytical abilities to handle this exponential increase.

An insurer's underlying software must provide a single common file—the software component that maintains all customer records. Indeed, such a file can contain the interaction record of any party involved in a policy or a claim: an internal person—an underwriter, a supervisor or clerk—or an external party such as a policy-holder, the insured, a mortgage holder or a third party. A single consolidated file of all parties involved will enable the insurer to tailor an experience to a critical customer segment.

The common definition of the customer is also important for delivering analytics capabilities. If one is to harness the raw power of today's analytics technologies, a company needs the capability to share across channels a common definition of the customer and a common store of the customer. It's on that foundation that an insurer can mine customer information and look for trends. Such a capability is enabled with software that supports a centralized customer file—helping a company see how it interacts with each customer across all of its different lines of business.

Such insights can also enable greater growth and profitability through more effective up-selling and cross-selling—helping a company to understand the life circumstances and personal insurance needs of individuals and segments: knowing where they live, income level, family relationships, and other important information. This helps companies target customers with very specialized products. It also helps companies to provide, in general, a customer experience tailored to the customer's specific needs as much as possible.

Improving profitability through better customer segmentation

In the future, growth in the insurance industry will be built on a deeper understanding of customers and their needs. Insurers are looking to achieve a logical categorization of their customer base. By segmenting their customers, insurers will be able to reach predictive conclusions about their behavior. It's proper segmentation, such as segmenting by behavior, needs, preferences or value to the business, that enables a company to understand different kinds of customers and their preferences. A customer's experience can then be tailored to those preferences—an experience which, more and more, will be driven by digital capabilities.

[2] IDC: The Digital Universe Decade – Are You Ready? May 2010

In Accenture's recent Consumer-Driven Innovation Survey[3], 75% of consumers were found to perceive insurance companies as not being clearly differentiated. Without the deep understanding made possible by segmentation, insurers run the risk of pursuing paths that may seem "innovative" but might not be appropriate for a particular segment. As companies consider capabilities such as mobile, tablets, collaboration, social media and video interactions through a call center, the only possible answer to such ideas would be "maybe"—until insurers understand how such innovations are likely to improve the experience of a particular customer segment and therefore increase profitability.

Improving capabilities in this area requires a multi-pronged approach that involves strategy as well as software and technology. Companies need to engage in a customer experience and strategy program that can help them develop a roadmap for improving the experience for key segments.

Most important is the identification of the customers and segments that are the most profitable and the determination of the root causes of that profitability. Who are the most loyal, where is the highest density of multi-product relationships, etc.—and why? Then companies can look to identify other high potentials in other segments and tailor messages to them.

Conclusion: The quest for high performance in the life insurance industry

Accenture's research has identified capabilities such as multiple access channel strategy, better customer segmentation and analytics as keys to achieving profitability in the life insurance industry.

By leveraging multiple channel business strategies, insurers can configure products independent of channel. Decoupling a product from the channel they're selling it through can improve both their communication to customers as well as information gathering capabilities.

Enabling richer insights into customers and segments allows insurers to reach predictive conclusions about the behavior of their customers, and so better understand how to approach them. Equally, by utilizing the advanced analytics technologies available today, insurers are able to mine customer data and search for trends. This insight into who their customers are will enable executives to make more informed decisions and strengthen customer relationships.

These leading software capabilities are an essential part of any insurer's growth and profitability strategies, and companies that travel the right path will be closer to achieving high performance.

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[3] Accenture Consumer-Driven Innovation Insurance Survey, May 2011

References

Accenture: Changing Channels – Multichannel Insurance Distribution Consumer Survey, 2010

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About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 244,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$25.5 billion for the fiscal year ended Aug. 31, 2011. Its home page is www.accenture.com.

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