

Digital Transformation In The Age Of The Customer: A Spotlight On Insurance

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Executive Summary

The past five years have marked the beginning of the age of the customer, in which technology and economic forces have put customers in control of their interactions with businesses. These businesses, hoping to understand and serve customers in an increasingly disrupted global and digital economy, are almost universally undergoing digital transformation, which involves realigning and investing in new technology and business models with a specific focus on the customer experience.

In May 2015, Accenture Interactive commissioned Forrester Consulting to evaluate digital transformation among enterprises. To explore this trend, Forrester tested hypotheses that firms are confused about what constitutes digital transformation (and who should drive it), and that many firms don't have the required skills to transform into digitally mature organizations.

Only 9% of insurance organizations feel that they have mastered digital to a point of differentiation from their competitors.

In conducting in-depth surveys with 396 business decision-makers (including 108 senior insurance leaders, on whose responses this industry-specific report is based), Forrester found that although companies are actively working to transform their organization, processes, and technology in pursuit of a more effective digital business and a more satisfying customer experience, they still have a lot of room for continued development of their capabilities.

KEY FINDINGS

Forrester's study yielded three key findings:

› **The customer experience is at the heart of digital transformation.** With customers in the driver's seat of their interactions with brands, insurers must create positive and relevant customer experiences across channels and touchpoints. Although most firms are confident that the experiences they provide surpass those of their competitors and at least meet the expectations of their customers, this is not supported by the findings of other recent business and consumer surveys. As a result, digital development and customer experience improvement are two key priorities for insurers.

› **Insurers are on the path to digital transformation but have a ways to go.** Insurance carriers are making strides across the three dimensions of digital transformation — organization, operational process, and technology — but are still struggling with traditional silos and a lack of integration and alignment. Many are stuck offering an average digital experience with limited understanding of what to do next, who should lead, and how to measure success. Their focus is more on customer transactions and exploring new digital capabilities than on using digital to build customer-centric relationships and develop game-changing innovation.

› **Reliance on third-party providers confirms the lack of internal capabilities and highlights the need for insurers to shift toward open business models.** To preserve internal resources, reduce time-to-market, and overcome gaps in capabilities, many carriers turn to third-party solution providers for help with their digital transformation. But this is taking them only so far. Many need to acknowledge that, on their own, they cannot provide the more relevant experiences customers are increasingly demanding. Only by forming or joining ecosystems that offer a broader range of more appealing products and "living services" will they be able to play a more active and engaging role in their customers' lives.

"Digital experience is a top priority for the company in terms of resource allocation. . . . It affects prospect and customer experiences, and we want to improve both."

— Director at a US-based insurance enterprise

The Customer Experience Is At The Heart Of Digital Transformation

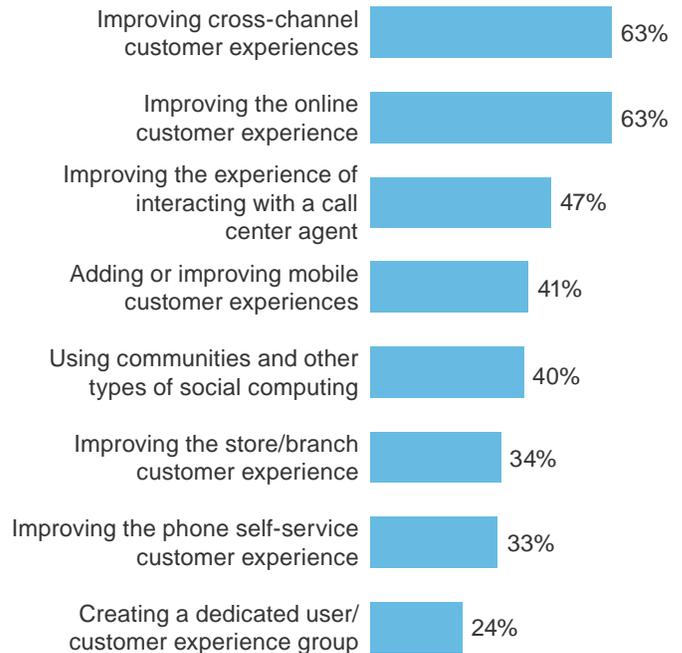
In the age of the customer, consumers are in control of their interactions with businesses. Inundated by endless sources of information, customers expect ready access to content that is personally relevant in the context of what they are doing, at any time, anywhere, and in the format and on the device of their choosing. Attracting, winning, and retaining customers in this environment requires a concerted effort from across the business: The organizational structure, company culture, business technology, and partner ecosystem must all be integrated across the value chain and aligned in service of customers, in the spirit of delivering to them exactly what they want. Independent and redundant customer views, processes, databases, administration, and IT functions must be eliminated. For this reason, digital and customer experience strategies are inexorably linked. Almost every change that organizations make to aid in their digital transformation is also in pursuit of a better customer experience, whether directly or indirectly. Our study found that:

- › **Key drivers of digital transformation are customer satisfaction and profitable growth.** When we asked insurers to rank their top drivers for digital transformation, the drivers that came out on top were improved customer satisfaction (63%), increased profitability (53%), improved ease of doing business (44%), and quicker time-to-market (37%). Insurers are in no doubt that the customer experience and digital transformation are key to their future financial performance.
- › **Improving the customer experience and growing revenues are top strategic priorities.** The previous finding is well-aligned with insurers' business objectives. When we asked them about their broad strategic priorities for the next year, "improving the experience of customers" was the choice with the most No. 1 rankings (24%), followed by growing revenues (19%). Reducing costs ranked third, with 17% of No. 1 rankings. Strategic thinking, leadership, and business/operational expertise topped the list when we asked respondents what skillsets they would consider most important for a senior executive responsible for all aspects of digital business. Technology, although the backbone of digital initiatives, is lower on the list, indicating that digital transformation is a customer-driven business transformation initiative rather than a strictly technical challenge.

- › **Online and cross-channel customer experiences are getting the most attention in the next year.** It isn't only the case that the customer experience is the heart of digital; digital is also the heart of the customer experience. Customers interact with their insurers through a wide range of channels — often more than one channel in the same customer journey. Digital channels are growing the fastest and are therefore getting the most attention. When we asked respondents how they plan to improve the experience of their customers, the top responses were improving the customer experience online (63%) and across multiple channels (63%). Next was enhancing call center interactions (47%), followed by mobile (41%) and social media (40%) (see Figure 1).

FIGURE 1
Digital Channels Are Key For The Customer Experience

“What actions is your organization taking to improve the experience of its customers in the coming year?”



Base: 87 director-level or higher digital experience decision-makers at insurance enterprises with 1,000+ employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

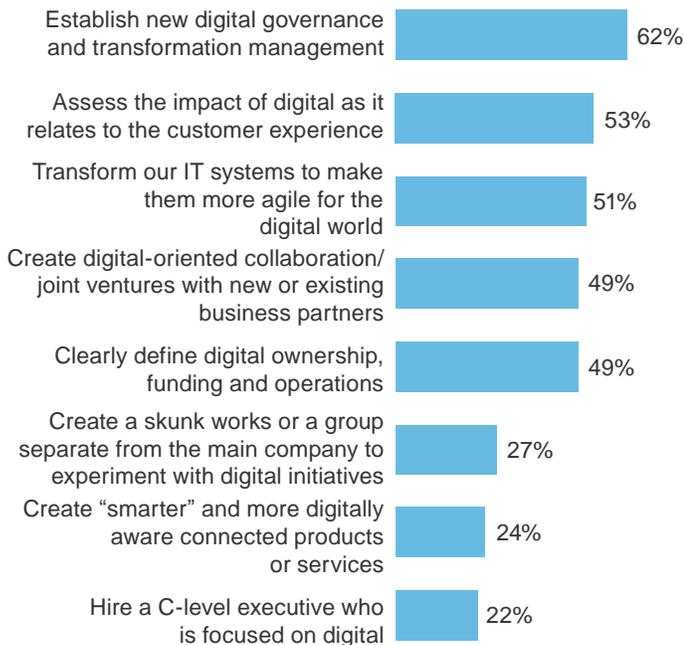
Insurers Have A Ways To Go On Their Path To Digital Transformation

Given the constantly evolving nature of technology, digital transformation cannot be a large, one-time investment and initiative. Rather, to digitally transform means to put organizational, operational, and technological foundations in place that foster constant evolution and cross-functional collaboration. Our study found that most businesses are actively working to develop their digital capabilities but are far from achieving digital mastery. We found that:

- › **Carriers are focused on assessing the digital experience and putting digital governance in place.** Forrester states that digital transformation can be a “complex and risky undertaking” that “requires senior sponsorship, clear direction, appropriate resourcing, cross-functional engagement throughout [the] organization, robust governance, and much more.”¹

FIGURE 2
The Customer Experience Is A Top Digital Initiative

“What actions is your organization taking to address the impact of digital disruption on your business in the coming year?”



Base: 45 director-level or higher digital experience decision-makers at insurance enterprises with 1,000+ employees
Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

Insurers are in various stages of addressing these facets of their digital strategy but are still significantly impeded by their silos from becoming integrated, efficient, and customer-centric.² In the coming year, 62% plan to establish new digital governance and transformation management; 53% plan to assess the impact of digital as it relates to the customer experience; 51% plan to transform their IT systems to make them more agile; and 49% plan to create digital-oriented collaboration or joint ventures with business partners (see Figure 2).

- › **Confusion over who should own digital leaves insurers unable to execute their digital strategies.**

There is no clear consensus on who should own and drive the digital vision and strategy. Currently, ownership is divided among the CEO (48%), the CIO (27%), the chief digital officer (8%), and other senior leaders (17%) — and when asked who *should* own digital, the responses are just as muddled (see Figure 3). Forrester believes that transformation is top-down and that there

FIGURE 3
Digital Vision And Strategy Are Most Frequently Led By A CEO Or CIO

“Who in your organization sets/should set the digital vision and strategy?”



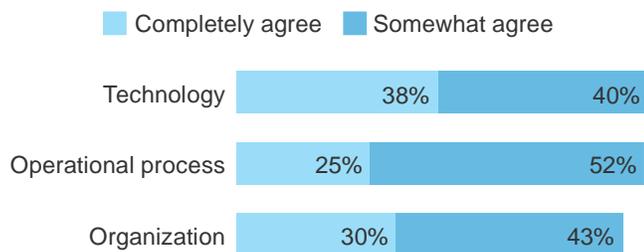
Base: 108 director-level or higher digital experience decision-makers at insurance enterprises with 1,000+ employees. Top five responses shown.
Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

needs to be a credible customer-focused executive to lead the charge in establishing a strategy to embed digital capabilities across the enterprise.³ For digital transformation to be successful, leaders from across the business must work collaboratively toward realizing a shared vision. IT's primary focus is no longer on putting out internal fires, and marketing is no longer focused on siloed outbound marketing approaches. Instead, these and other functions are looking to knit together their data, systems, and processes in order to get an increasingly relevant and targeted view of customers to better influence and serve them.

- › **Insurers do not have a complete understanding of digital.** Not surprisingly, respondents listed their “organization” as the dimension of their business least ready to execute digital strategy when compared with technology and operational processes (see Figure 4). Across all three of these dimensions, insurers are on the path to execution, with the majority at least “somewhat agreeing” that their company is ready to execute their digital strategies. However, insurers have room to continue to transform, as a minority of respondents “completely agree” that they have the technology (38%), operational processes (25%), and organization (30%) in place to execute their digital strategies effectively.

FIGURE 4
Organizational Readiness Lags Behind Technology And Operational Process

“Across the following dimensions, to what extent do you agree that your company is ready to execute its digital strategy?”



Base: 108 director-level or higher digital experience decision-makers at insurance enterprises with 1,000+ employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

- › **Insurers feel that they are meeting expectations for the digital experience but not exceeding them.** For most carriers, the sprint to implement rapidly evolving digital technologies is a matter of keeping up with the Joneses. Seventy-five percent of insurers surveyed feel that their digital customer experiences meet their customers' expectations, but only 9% feel that they're exceeding expectations — indicating that very few are confident that they have mastered digital to a point of differentiation from their competitors. Another 16% acknowledge they are not meeting expectations, but most of these respondents believe their digital customer experience is “good enough.” These findings suggest the sentiment that digital strategies are good enough for *now*, as there are a number of strategies that businesses are actively implementing and consider critical to their digital businesses — including implementing key technologies, fostering a culture of innovation, and reorganizing to better deliver digital (see Figure 5). The key question is whether insurers have the cross-enterprise capabilities to enhance the customer experience sufficiently and quickly enough to meet customer expectations and remain competitive. Many will need to consider bundling their offerings with a network of service providers who can complement their offerings (with such ancillary services as appraisal services, restoration services, private fire fighters, etc.) and who are better positioned to help achieve the customer-centricity, credibility, and next-generation business model that are priorities for future success.

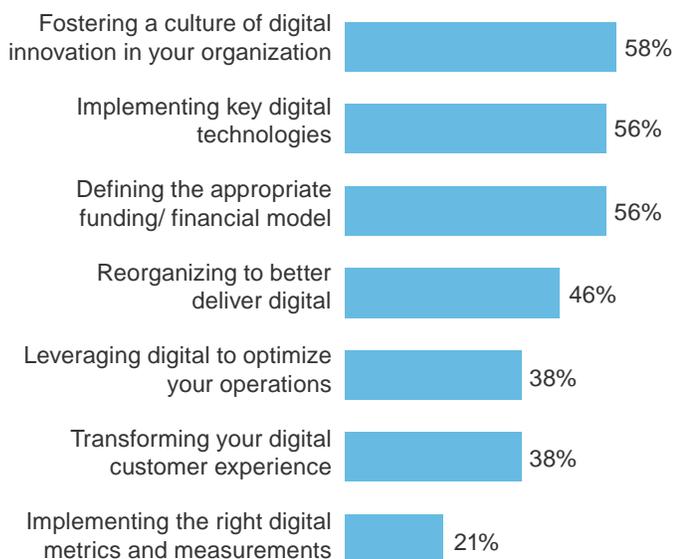
- › **Measurement is lacking.** Companies often worry about implementation of new processes and technologies well before putting in useful metrics with which to evaluate them. B2B marketers are particularly guilty of this.⁴ This is at least partially due to the fact that increasing numbers of cross-channel touchpoints make the process of getting useful metrics even more difficult.⁵ Our study reinforced the observed trend that metrics are a low priority to insurers, as “implementing the right digital metrics and measurement” came up as the least critical consideration to enabling a digital business among both personal and commercial-line carriers (see Figure 5). It could be argued that their excessive confidence in the customer experiences they provide is due to the lack of adequate measurement.

As one CFO for a UK-based firm put it: “You can obtain all sorts of information, but how much of it relates to how

much customers come to you or stick with you when they have an alternative choice? Digital is just one of the touchpoints that customers have in a typical journey. Metrics are a nightmare.” In order to drive continued investment in digital transformation, digital decision-makers must measure and prove the value of their strategies. In the modern digital landscape, this means deviating from channel-siloed metrics to measure more-complex cross-channel metrics over a series of interactions such as customer satisfaction, Net Promoter

FIGURE 5
Measurement Is A Relatively Low Priority

“Which of the following considerations are most critical to enabling your digital business?”



Base: 108 director-level or higher digital experience decision-makers at insurance enterprises with 1,000+ employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

Score (NPS), and customer lifetime value (CLV).⁶

Third-Party Solution Providers Plug The Gaps And Drive Transformation

In recognition of the scarcity of skills in many insurance companies, the intrinsic difficulty of transforming to enable next-generation business models, and the goal of improving the customer experience (and with profitable growth on the line), most carriers leverage the resources and expertise of third-party solution providers and partners for at least some components of their digital strategy. As digital transformation pervades all areas of the business, however, decision-makers increasingly look for their vendors to serve as ongoing strategic partners rather than simple implementers of point solutions. Our study found that:

- › **Eighty-eight percent of insurers use a third-party solution provider for at least one component of their digital transformation.** The respondents that we surveyed use third-party solution providers for at least three distinct components of their digital transformation, on average (see Figure 6). The processes that are most frequently outsourced to vendors are web/user experience design (38%); implementation of front-end (36%) and back-end (31%) applications; digital strategy (35%); managed services (30%); performance analytics and reporting (29%); and digital marketing support (27%). The mix of outsourced services varies by company type as well. Commercial-line carriers are more likely to use partners for analytics and measurement, whereas those focusing on personal lines rely on partners more for strategy, requirements definition, and project management.
- › **Firms engage third parties for their expertise and resources.** We asked respondents why they contract third-party solution providers for help with their digital transformation and found that vendors offer a range of benefits in support of companies that choose to engage them (see Figure 7). Insurers leverage partners for their expertise and resources (both 40%), to reduce the burden on the insurer’s internal resources (41%), reduce costs (38%), and reduce risk (37%). It stands to reason that the top driver of organizations engaging third-party vendors is the same for digital transformation overall: to provide a better customer experience (44%).

› **Existing vendor relationships are not structured optimally.** Very few (3%) of the insurers that we surveyed were “dissatisfied” outright with their third-party digital vendors, but only 28% reported being “very satisfied,” leaving room for improvement. Interviewees commonly cited communication and post-project support as areas where vendors were lacking, though their experiences varied among the vendors that they were using. These types of issues may be symptomatic of the fixed-contract structure of many vendor relationships. Our study found that 51% of companies have vendors as full-service partners, whereas the rest outsource work in a lesser capacity. Strategic advisors are the next most common (45%), followed by contractors responsible for point implementations (37%). For something as strategic and iterative as digital transformation, organizations should

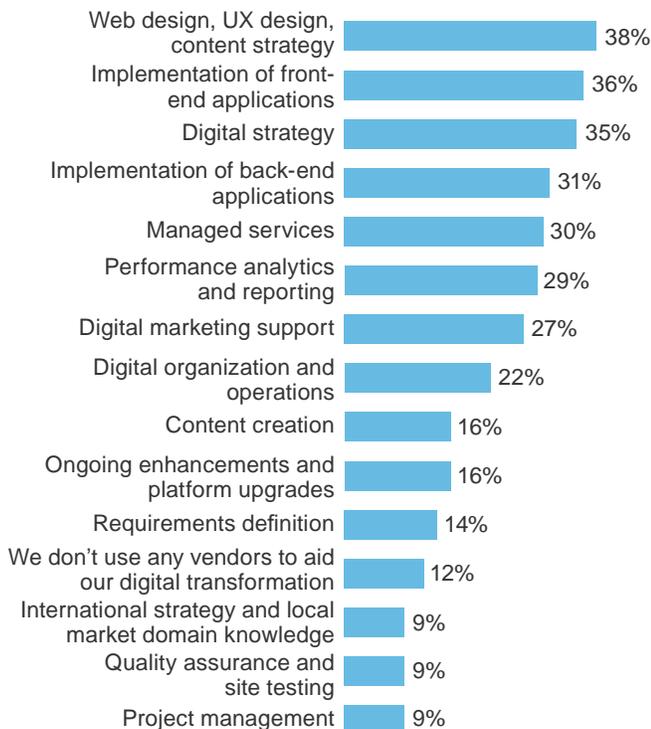
consider challenging their partners to engage in an end-to-end partnership in which the vendor assumes some responsibility for the success of the initiatives.

“When you work in a partnership, they take time to get to know the business; they aren’t trying to sell you hours. Vendors must invest in that knowledge.”

— Solutions leader at a UK-based firm

FIGURE 6
Companies Use Third-Party Solution Providers For A Range Of Functions

“Please indicate if your organization works with third-party vendors for any of the following components of your digital transformation.”

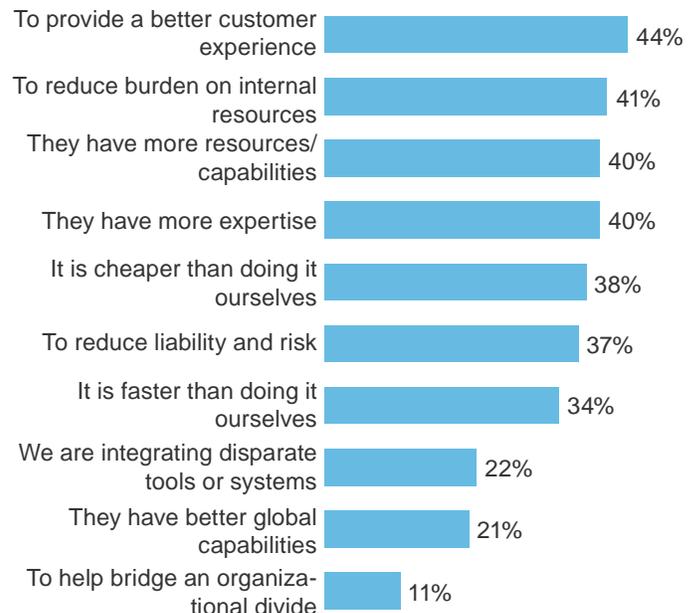


Base: 108 director-level or higher digital experience decision-makers at insurance enterprises with 1,000+ employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

FIGURE 7
Companies Trust Third-Party Solution Providers To Help Drive Customer Experience

“Why does your organization engage third-party vendors to support its digital transformation?”



Base: 95 director-level or higher digital experience decision-makers at insurance enterprises with 1,000+ employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

Key Recommendations

Digital transformation is a complex process that fills many insurance leaders with uncertainty. It is critical that leaders fight through that uncertainty to take iterative steps to implement the culture, processes, and technology that will enable their business to compete in the modern marketplace. As a decision-maker seeking to drive the digital transformation of your business, you should:

- › **Advocate digital transformation and the customer experience at an executive level.** Digital transformation is not solely the implementation of digital tools and channels; it is the enterprisewide reorganization of the firm and its people, processes, technology, data, offerings, and services for the digital era. It is the elimination of the silos that foster high unit costs, slow time-to-market, low scalability, and weak sales and service — and that are the enemies of seamless customer-centricity, enhanced customer experiences, and profitable growth. As a result, it can only succeed as a companywide initiative, which requires strong collaboration and evangelism from company leaders. No one person alone can drive all of the changes that are required for an organization to operate as a customer-experience machine. Our study found that the company culture and organization lag behind process and technology when it comes to digital readiness; this has to be fixed in order for insurers to mature effectively. Therefore, don't downplay the cultural change and educational aspects of transformation; instead, make them a highlight of your plan.
- › **Execute change within the context of an end vision.** A clear vision of the end state is absolutely critical to make sure that everyone in your organization is moving in the same direction. Even if that vision is a moving target, leaders need to always have goals in mind to ensure that they are not making changes in isolation. Standardizing on a core set of technologies that the business can build around is a great way to accelerate change and keep the organization connected.
- › **Be willing to take risks and learn from mistakes.** As digital touchpoints continue to evolve and proliferate, companies will need to take risks and develop Agile processes in order to keep up. In a digitally mature company, not every change should require traditional approvals and a detailed business case; if new functionality is in the spirit of digital transformation and the customer experience, give it a try, solicit feedback, and then iterate on it. Insurers may even establish digital innovation teams that are given free rein to explore new ways of disrupting the industry and delighting the customer.⁷ This Agile approach helps to ease capital expenditures, and third-party solution providers may be willing to help phase investments as you implement new capabilities over time.
- › **Create or join ecosystems with partners whose capabilities complement your own.** Even digitally mature insurers will have new gaps in capabilities as the technology continues to evolve. Added to this is the fact that most carriers, on their own, will struggle to shift from a passive to an active and valued role in their customers' lives. They tend to think in terms of their current product portfolio, and have yet to embrace the opportunity to develop more personal relationships with customers by offering living services — fluid bundles of offerings that address a broader and higher-level range of needs and wants, that constantly employ digital technology to learn about the customer's preferences and intents, and that adapt in real time. Insurers can increase agility and test new offerings by bundling their services with partners that enjoy greater credibility among their customers, interact more frequently, and are more adept at providing engaging customer experiences. Reviewing the organizational model with an ecosystem perspective could point to a more pragmatic approach that delivers the required results with less transformational pain and risk.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 396 organizations (108 in the insurance industry) from across the US, Canada, the UK, Germany, France, China, India, Japan, Australia, Brazil, and Mexico to evaluate their digital and customer experience strategies. Further, Forrester conducted five phone interviews with respondents of the same profile to gather additional in-depth insights. Survey participants included director-level or higher decision-makers with responsibility for customer experience strategy and/or digital initiatives. Respondents were offered a small incentive as a thank you for time spent on the survey. The study began in May 2015 and was completed in June 2015.

Project Director: Mark Brozek, Market Impact Consultant

Appendix B: Supplemental Material

RELATED FORRESTER RESEARCH

"Brief: Audit Your Digital Transformation Efforts To Ensure Successful Delivery," Forrester Research, Inc., March 26, 2015

"Use Customer-Centric Metrics To Benchmark Your Digital Success," Forrester Research, Inc., February 5, 2015

"Digital Business Transformation: Lessons From The Pros," Forrester Research, Inc., December 11, 2014

["Customer Desires Vs. Retailer Capabilities: Minding The Omni-Channel Commerce Gap,"](#) Forrester Consulting, January 2014

["Building The B2B Omni-Channel Commerce Platform Of The Future,"](#) Forrester Consulting, November 2014

RELATED ACCENTURE MATERIAL

["Digital Transformation: Re-imagine from the Outside-in,"](#) Accenture Interactive, 2014

["Seizing the Opportunities of Digital Transformation,"](#) Accenture Digital Innovation Survey, 2014

["The Insurance Customer of Tomorrow: Three Questions to Guide Success,"](#) Accenture, 2015

["Beyond Insurance: Embracing Innovation to Monetize Disruption,"](#) Accenture, 2015

Appendix C: Endnotes

¹ Source: “Brief: Audit Your Digital Transformation Efforts To Ensure Successful Delivery,” Forrester Research, Inc., March 26, 2015.

² Source: “Brief: Budgets And Spending For The Insurance Industry,” Forrester Research, Inc., April 2015.

³ Source: “The Chief Digital Officer: Fad Or Future?” Forrester Research, Inc., October 31, 2013.

⁴ Source: “Compare Your B2B Content Marketing Maturity,” Forrester Research, Inc., July 16, 2014.

⁵ Source: “Use Customer-Centric Metrics To Benchmark Your Digital Success,” Forrester Research, Inc., February 5, 2015.

⁶ “Net Promoter Score” is an index that measures the willingness of customers to recommend a company's products or services to others. Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld. “Customer lifetime value” is a prediction of the net profit attributed to the entire future relationship with a customer.

⁷ Source: “Disruptors Belong In Your Digital Ecosystem,” Forrester Research, Inc., September 2015.