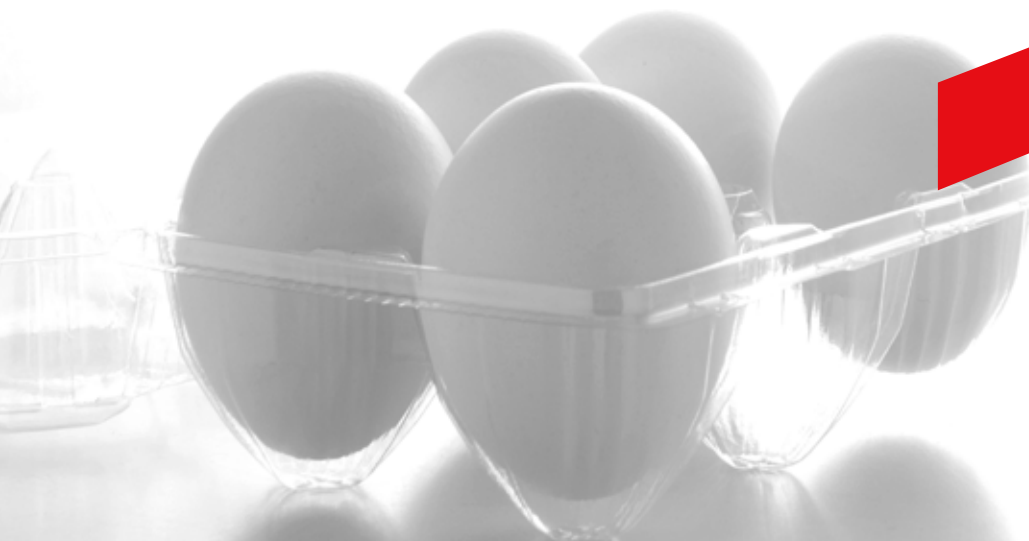


Capturing the insurance customer of tomorrow

Three key questions to guide success



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More and more, it's about digital

Most insurers can confirm: customers want more, and more of what they want is digital. To sustain their relevance, carriers need nothing less than a holistic digital business strategy that encompasses the entire enterprise. But what are the priorities? We believe there are three key questions, the answers to which will help them become successful digital insurers.

Keeping pace as customer expectations transform

Today's insurance customer is different from his predecessors. He is more empowered and more social. He has higher expectations of his providers. And the way he buys is significantly different.

Largely because of these changes, loyalty has declined and the likelihood of switching is rising. Accenture's recent Global Consumer Pulse Survey* found that only 29 percent of insurance customers are satisfied with their current providers, and as few as 16 percent are sure to buy more from them.¹ This has created a huge "switching economy" in which, we calculate, up to \$400 billion in personal-lines life and P&C premiums are at play.²

The big question is: who will be the winners in the switching economy, and who the losers? As digital technologies continue to evolve, the companies that are most successful at exploiting them are likely to have the advantage. Unfortunately for insurers, it's those in other industries that have shown the greatest eagerness and capability to convert innovation into customer insight, mass personalization, hyperscale, interconnectedness, operational efficiency and agility—all the things that define an efficient, customer-centric provider. And a number of these outsiders have already thrown their hat into the insurance ring.

Carriers face a stark choice: embrace digital and customer-centricity, move out of distribution to focus on a manufacturing role, or stay as they are. The last of these is the least likely to succeed.

Meeting the challenges of becoming a digital insurer

For those insurers that choose to adapt to meet the needs of a changing customer and a changing competitive landscape, and that intend to take advantage of new transformative technologies, formidable challenges await. We believe there are three critical questions that need to be answered.

QUESTION 1

As we transition away from being a product-centric insurer, how far—and how fast—should we proceed toward customer-centricity?

Industry leaders will go as far and as fast as their customers demand... and market conditions require.

The steady commoditization of insurance products is eroding not only insurers' margins but also their differentiation. Twenty-one percent of the insurance respondents in our consumer survey believe most carriers are the same in terms of their products and services, 7 percent up on the previous year's finding. This perception helps explain why price is the main reason for customers switching providers (46 percent included it in their top three), followed by value for money (38 percent).¹

While many insurers have improved their customer-centricity, only a minority—we call them the Digital Transformers—have succeeded in putting the customer at the center of their business. Our Digital Innovation Survey found that 82 percent of Digital Transformers have invested in digital channels and technologies to advance customer-centricity and provide tailored customer experiences across all products and channels. Only 56 percent of the Digital Followers have done so.³

Most carriers know they need to improve their understanding and segmentation of customers, enhance their ability to tailor their propositions and experiences to the various segments, and strengthen their multi-channel capabilities. Yet even this may not be enough. To give customers what they truly value, many will have to partner with other companies—probably outside of insurance—to form ecosystems that offer a broad and innovative range of products and services.

It's also essential that they rebuild customer trust—only 27 percent of consumers have a high estimation of their insurance providers' trustworthiness.¹ To achieve this, carriers need to find ways of providing additional value to customers and communicating more regularly—and relevantly—with them. And they need to improve the consistency of their interactions, making every touchpoint a trust point.

ALLIANZ

Allianz's free mobile app, *Ma sécurité*, provides users with information on the risks they face in their current location and allows them to plan to keep their families and property safe. With this service, Allianz is positioning itself as a trusted and concerned source of assistance.

QUESTION 2

What does it take to be a Digital Transformer?

It takes a holistic approach to transformation that includes looking beyond insurance and outside of the enterprise.

To say that digital is having a profound effect on distribution and customer engagement is an understatement. Nearly one-quarter (23 percent) of customers would consider buying insurance from online service providers.² Almost half (47 percent) want more online interactions with their insurers, and only 15 percent are satisfied with their providers' digital experience.¹

Insurers know this. Eighty-three percent believe digital technologies will transform the way they interact with their customers. Fifty-nine percent expect to be challenged by online service providers such as Google and Amazon, and 57 percent say the same about aggregators.³

Digital Transformers focus their digital investments on the "sweet spots" where customer value and business value intersect. We believe there are three characteristics that distinguish them from the Digital Followers:

- **They view digital as a catalyst for transformation.** Digital Transformers realize it's not enough to do the same things better; they aim to find new sources of customer value, often innovating beyond insurance. And they see digital as a critical means to that ambitious end. There will be no argument from their customers—49 percent of P&C customers have already bought insurance online, and 52 percent would like more access to online channels at all stages of the insurance cycle.¹
- **They establish holistic digital business strategies.** Seventy-three percent of Digital Transformers have a digital strategy that spans the insurance value chain, compared to only 42 percent of Digital Followers.³ They explore all forms of digital technology—from analytics and cloud to mobility and social media—to help them emulate the customer-centricity of the successful online giants.
- **They create digital value propositions—often as parts of a larger ecosystem.** Many Digital Transformers are using digital to strengthen their relationships with their distribution partners, employees and even players in other industries to deliver collaborative and seamless experiences across channels.

QUESTION 3

What role can we play in a larger service ecosystem?

By focusing on the ultimate objective—maximizing value for the customer—decisions about your role and your partners will become a lot easier.

In any collaboration, the more one party brings to the group the stronger its position is likely to be within the group—and the stronger the group is likely to be. Insurers that take the initiative in creating ecosystems to offer customers a broader and more valued range of products and services are better placed to secure a leading role for themselves. But this won't necessarily result in the most compelling ecosystem, and therefore the best outcomes for the insurer and its customers. It may be preferable to play a supporting role within a stronger ecosystem. For example, the carrier may benefit more from being added to a popular multi-service mobile app than expecting consumers to download and use its own insurance-dominated app.

One thing that's beyond dispute, however, is that the more sophisticated the insurer's digital capabilities, the stronger its position will be within the ecosystem. Three things will reinforce its role:

- **Improving distribution capabilities.** Seventy-two percent of insurers are planning to form new distribution partnerships in the near future, or have already done so.³ In addressing their digital capabilities they are responding to customers' clearly evolving preferences. Forty-nine percent of consumers worldwide who bought a P&C policy in the past six months did so online—the figure in emerging markets is 57 percent. And 41 percent of those used their mobile devices—69 percent in emerging markets.¹
- **Going beyond insurance.** Carriers can broaden their product and service offerings to include adjacent non-insurance products—and tie it all together with digital to create customized offerings and seamless omni-channel marketing, sales and service experiences. Sixty-one percent of insurers are exploring the possibility of offering non-insurance products and services via ecosystems.³
- **Introducing new skills.** Consumers report that a skilled workforce aware of their needs is, today, the top driver of satisfaction with an insurance provider. However, as the simpler customer service needs are increasingly being met digitally, the bar is rising for the frontline to be able to address more complex customer needs. Building digital capabilities can be challenging, especially for industry players with little experience and complex legacy infrastructures. It makes sense, then, that 43 percent of insurers plan to acquire innovators/start-ups to build new digital capabilities, or have already done so.³

STATE FARM

State Farm has launched a smart-home risk management and insurance offering, in partnership with a number of security firms, that utilizes in-home sensors and the Internet of Things.

AXA

AXA is partnering in Europe with BlaBlaCar, enabling the long-distance ride-sharing platform to offer its millions of members innovative free cover. This is in addition to the conventional auto insurance carried by its drivers.

Succeeding in the digital age

To compete effectively in the switching economy—and to keep their own customers loyal and engaged—insurers need to be more assertive and more innovative than simply striving to make the most of their current business and operating models. That means developing a digital business strategy that spans the enterprise, transforms the value chain and enables a transition to authentic customer-centricity.

Digital can go a long way to improving insurers' existing processes, products and services, and bolstering their short-term performance. But that on its own will not ensure sustained success. More importantly, digital can help create new sources of value for the customer, the carrier and its business partners. As such, it is insurers' best prospect for long-term growth and profitability.

About the research

* Accenture's Global Consumer Pulse Survey (2014) interviewed more than 23,000 respondents, including 6,521 P&C and 6,507 life insurance customers in 33 countries. The findings quoted in this report combine the P&C and life responses – for data specific to your line of business, please contact your Accenture representative.

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@AccentureStrat

Contact the authors

Jean-Francois Gasc

Managing Director
Accenture Insurance EALA lead
jean-francois.e.gasc@accenture.com

Erik Sandquist

Managing Director
Accenture Insurance North America lead
erik.j.sandquist@accenture.com

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