

The Digital Multiplier

Five steps to digital success
in the insurance sector

By Jean-Francois Gasc
and Bertrand Fournier

High performance. Delivered.



A global opportunity

With global average investments in digital technologies of around US\$45 million per company in the last three years,¹ the insurance industry is lagging other industries, both in its level of digitalization and in its ability to realize financial returns on its digital investments.

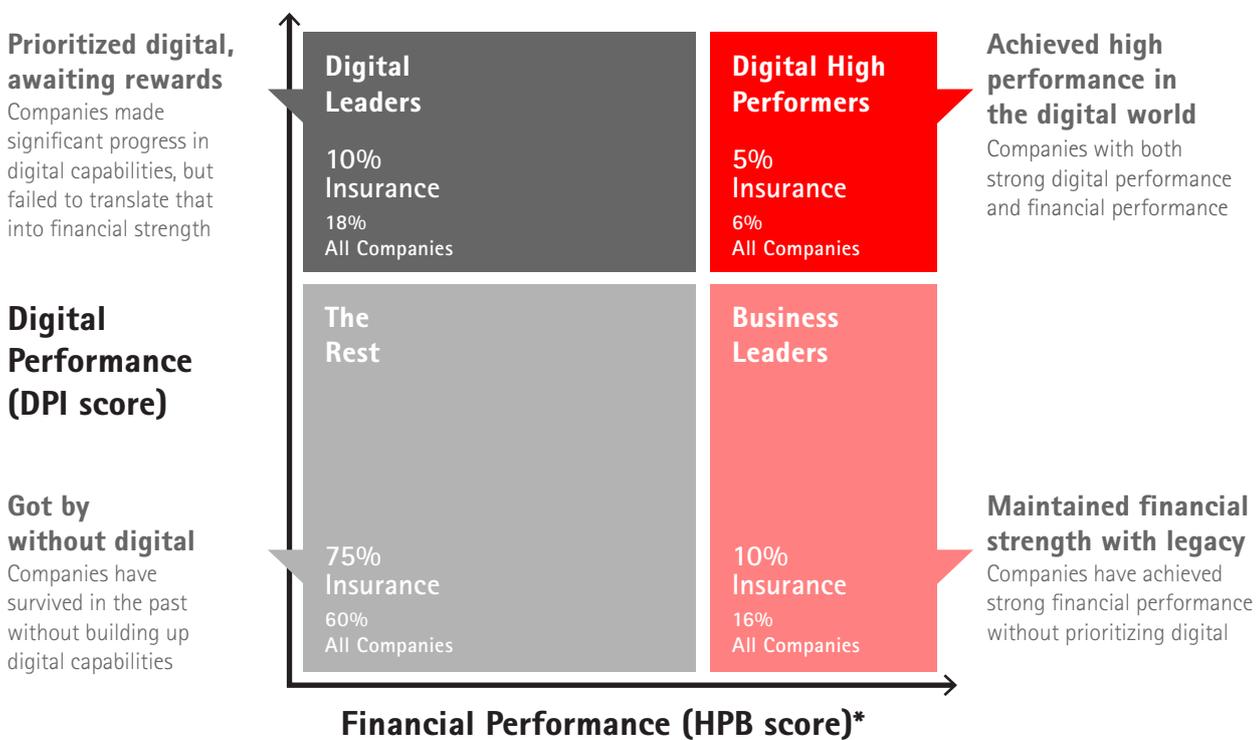
Accenture cross-industry research undertaken to help companies better understand the interplay between digital and financial performance found that only five percent of insurance companies were able to couple strong digital and financial performance. We identified a significant gap between those insurance companies with strong digital and financial performance and those that were digitally savvy but had failed to achieve the anticipated financial rewards.

The size of the prize is considerable: insurance companies that embrace digital transformation could increase their underwriting profits by 100 percent.² But to reap these rewards, insurers must focus on converting digital capabilities into financial benefits—for example, by adapting their strong local distribution models, to compete more successfully on the global stage. With digital technologies at the heart of insurance's future growth potential, as well as being a preferred means of doing business, insurance leaders must make sure their digital investments multiply value creation.

Enhancing digital performance

Using the Digital Performance Index (see Figure 1), we assessed how companies use digital technologies and channels to plan, make, sell and manage their business activities. We found that by failing to embrace four fundamental success factors, insurance companies are missing out on significant returns.

Figure 1. Digital and financial performance for four categories of companies



*Note: See About the research

Equate digital with driving value

Most executives are making large-scale commitments to the digital technologies that are transforming their industries, such as the cloud, mobile, big data, robotics, and the Internet of Things.

The insurance industry is no exception. But only 10 percent of insurance companies have made sufficient investments in digital to be categorized as digital leaders, about half of the global cross-industry average. A large proportion of our insurance sample, 75 percent, are failing to build digital capabilities and reap financial rewards from their investments—significantly more than the 60 percent cross-industry average.

A lack of focus on value generation presents a major risk for insurers. Using our Digital Performance Index, we found significant differences between digital leaders, who have made visible progress on most digital dimensions, and digital high performers when it comes to generating real value. Clearly, digital leaders have not yet seen the gains that are being realized by the digital high performers who excel at revenue growth and return on equity. High performers are showing a dramatic 64 percent improvement on digital leaders in terms of revenue growth, and an impressive 48 percent difference on profitability (return on equity).

64%
Revenue
growth
difference

48%
Return
on equity
difference

Apply a digital multiplier

Using our analysis and Digital Performance Index, Accenture set out to understand which insurers could multiply value creation by allocating their digital investments more effectively to achieve the best possible returns. Recent successful examples of applying a digital multiplier include the Data Innovation Lab at AXA Group, or the Generali Mobile Hub. Ping An, too, has shown how to successfully apply digital investments to increase gains from the current business and help build a sustainable future. Indeed, only Ping An and Progressive appear in the digital high performers quadrant combining digital savvy and tangible financial performance (Figure 1).

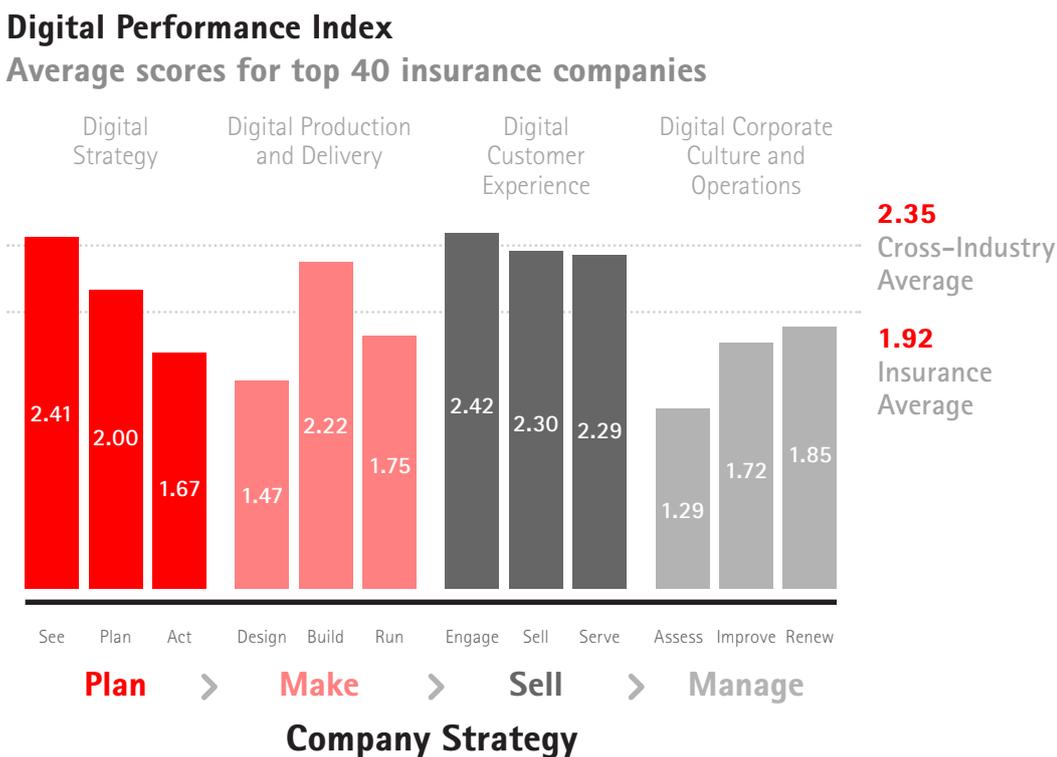
Although being a digital insurer in a single, large market is the simplest, fastest way to gain the most value from digital investments, many insurers are struggling to prove themselves digital high performers. The reason is largely due to the fact that the distribution of insurance is still being conducted at a local level, making it more complex to leverage digital investments or achieve scale across geographies. In fact, most insurers allocate their digital investments locally. They focus on adapting their geographical management structures and local factors (such as legal or compliance issues, distribution models, or approaches to customer needs), rather than adopting a global approach to their investments around key digital capabilities (such as analytics and algorithms, the Internet of Things, artificial intelligence, digital platforms, and mobile apps). Major players in other industries, including the utilities and banking industries, who face similar local constraints have done a better job of globalizing their investments and scarce digital skills.

Balance investments across all digital dimensions

Comparing insurance with other industries along the dimensions of our Digital Performance Index, we found that few companies score well across all four areas (Figure 2). Insurers see digital as a key component of their growth strategies, and, in many cases, have devised a partial plan on how to integrate digital activities into their businesses (see About the research, page 10). But this often translates into a large number of disparate initiatives, instead of a structured plan of action to capture value from the digital market.

As Figure 2 shows, the average score across the plan, make, sell and manage areas is 1.92 for insurance, whereas for all industries the average is 2.35—a 20 percent gap which illustrates just how far insurance is falling behind.

Figure 2. Digital Performance Index—average scores for top 40 insurance companies



Adopt geo-specific portfolio management

No insurer can ignore the importance of local capabilities. Factors such as local language or systems mean that a global approach, with shared digital capabilities, is not always necessary or an effective use of limited investments. But many major players in other industries have done a better job of optimizing digital capabilities like analytics and digital platforms.

Currently, many insurers duplicate their efforts across local markets. They invest in areas which do not make financial sense, but because they are “branded” digital, they end up being ring-fenced. Finally, insurers are often not adequately organized to evaluate what works best where.

Many insurers adopt the old maxim “If it ain't broke, don't fix it,” but introducing new, well focused and executed digital investments realize the best time to value.

Running a cross-market platform approach, that suits individual insurers' geographic needs, avoids duplication and brings scale to investments. Targeting the right areas for investment and sharing leading practices can double the value generation opportunity for the average insurance company.³

Five steps to digital success in the insurance sector

Winning insurers will transform decentralized digital models by identifying digital capabilities that can be rolled out globally. They must systematically seek out a “multiplier and time-to-value” effect and will need to prioritize the following five steps:

- 1. Measure digital progress:** Establish clear group-level digital-maturity and digital-value-creation measurements to understand and systematically assess value creation and time-to-value for digital investments. Too often, proposed investments are being identified as “digital” to avoid established investment screening methods. As our own Digital Performance Index shows, having a shared framework of digital-value-creation key performance indicators helps to clarify current status and identify obstacles to growth.
- 2. Focus on the digital multiplier:** Understand which capabilities are structurally local, or specific to one line of business or product, versus those that will apply across most dimensions of the business. Align scarce investments with the global or regional strategy to achieve a multiplier effect across many geographies and drive a shorter time to value.
- 3. Balance investments and execution efforts:** Leading players from other industries, and in particular digital disrupters, demonstrate the multiplier effect of balancing digital investments across all four areas of digital performance—plan, make, sell and manage—both at group and local level.

4. Be geo-savvy: Differentiate with smart geographic and financial portfolio management. Allocate local investments to specific opportunities and regions with shorter time to value. Avoid over-investing in countries or business lines where the competition is less intense or the digital maturity far lower.

5. Rapidly share successes: Strive to further achieve the multiplier effect by sharing leading practices at speed in business areas where centrally developed or high performance digital capabilities cannot be applied.

As winning insurers show, digital high performance is less about tactical, short-term investments and more about having the right capabilities, enabled by digital, to reduce local dependencies, streamline the core business, and move them from risk to reward.

About the research

Accenture created the Digital Performance Index, based on a study of 343 leading global companies across eight industries. The Digital Performance Index quantitatively assesses the level of digital investment and progress across four business functions:

Digital strategy (Plan): Looks into how digital trends are reflected in strategic plans and implementation. It assesses whether companies see digital as a key trend for their business and industry, whether they plan strategies and budgets for digitization, and whether they act to enhance digital within and outside the organization. Key action points: see, plan, act.

Digital production and delivery (Make): Assesses the use of digital technology in innovation, production and delivery. It looks at whether companies integrate digital into the design and manufacture of their products and services, and how digital streamlines activities across the supply network. Key action points: design, build, run.

Digital customer experience (Sell): Evaluates customer experience management across digital channels. It looks at how digital is used to engage customers, to sell through multiple channels, and to serve customers after the transaction has been completed. Key action points: engage, sell, serve.

Digital corporate culture and operations (Manage): Examines presence of digital technology and mind-set in corporate culture and internal operations. It evaluates how companies assess their own digital culture and infrastructure, how they improve their operating efficiency, and how they renew their resources with the aid of digital. Key action points: assess, improve, renew.

Four categories of performer were identified:

Digital high performers

Companies which have achieved both strong digital performance and financial performance.

Digital leaders

Companies which have made significant progress in digital capabilities, but have failed to translate these into financial strength.

Business leaders

Companies which have achieved strong financial performance without prioritizing digital.

The rest

Companies which have survived to date without building up digital capabilities.

Our research analysis measures financial performance using the High Performance Business (HPB) framework that comprises five components: profitability, growth, positioning for the future, longevity, and consistency. For each metric, companies' scores and grades are based on their position within their industry peer set, along a normal distribution.

Join the conversation

 @AccentureStrat

 www.linkedin.com/company/accenture-strategy/

Contact the authors

Jean-Francois Gasc

EALA Insurance Strategy lead

jean-francois.e.gasc@accenture.com

Bertrand Fournier

Insurance Strategy Senior Manager

bertrand.fournier@accenture.com

Contributor

Andre Schlieker

Global Accenture research Insurance lead

andre.schlieker@accenture.com

Notes

1. Accenture analysis
2. Double the profits: how high-performance insurers can create business value from digital transformation, Accenture 2014
3. Double the profits: how high-performance insurers can create business value from digital transformation, Accenture 2014

Copyright © 2016 Accenture
All rights reserved.

Accenture, its logo, and
High Performance Delivered
are trademarks of Accenture.

This document makes descriptive reference to trademarks that may be owned by others. The use of such trademarks herein is not an assertion of ownership of such trademarks by Accenture and is not intended to represent or imply the existence of an association between Accenture and the lawful owners of such trademarks.

About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world's largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 384,000 serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

About Accenture Strategy

Accenture Strategy operates at the intersection of business and technology. We bring together our capabilities in business, technology, operations and function strategy to help our clients envision and execute industry-specific strategies that support enterprise wide transformation. Our focus on issues related to digital disruption, competitiveness, global operating models, talent and leadership help drive both efficiencies and growth. For more information, follow @AccentureStrat or visit www.accenture.com/strategy.

About Accenture Research

Accenture Research is a global team of industry and digital analysts who create data-driven insights to identify disruptors, opportunities and risks for Accenture and its clients. Using innovative business research techniques such as economic value modeling, analytics, crowdsourcing, expert networks, surveys, data visualization and research with academic and business partners they create hundreds of points of views published by Accenture every year.