MIND THE GAP
BRIDGING THE DIVIDE BETWEEN YOUR DIGITAL STRATEGY & OPERATING MODEL

DIGITAL INSURER NETWORK VIRTUAL MEETING // 23 NOVEMBER 2017

EXECUTIVE SUMMARY
INTRODUCTION

The Accenture Digital Insurer Network (DIN) brought together insurance representatives and Accenture subject matter experts from across Europe for a virtual meeting on how insurers can optimize their operating models to cater for an age of rapid, relentless digital disruption.

This was a major theme to emerge from the Network’s in-person meeting in Dublin earlier this year.

Daniele Presutti, Accenture’s Insurance Lead for Europe and the chair of the DIN, kicked off the meeting by welcoming participants dialing in from around Europe.

Presutti said that most insurers understand the potential inherent in technologies such as artificial intelligence (AI), robotic process automation (RPA) and intelligent automation. They are also aware of how new competitors could leverage these technologies to enter the market with disruptive offerings that could redefine the insurance value chain.

However, the challenge that most insurance carriers face is adopting these technologies at scale and embedding them into their organizations so that they can make step changes in how they operate day-to-day. To do so, they need to overcome the obstacles that legacy thinking, systems and operating models pose for digital transformation.
SESSION 1:
THE IMPACT, ON CUSTOMER AND BUSINESS VALUE, OF HAVING THE RIGHT LEADERSHIP, OPERATING MODELS AND CAPABILITIES FOR DIGITAL AND BUSINESS TRANSFORMATION JOURNEYS

Presented by Narry Singh, Global Head of Growth and Strategy at Accenture Digital

Silicon Valley veteran, Narry Singh, presented a case study of how a home improvement retailer is using digital technology to transform its business. He said that organizations need to make sense of what digital transformation means when buzzwords such as ‘agility’ and ‘innovation’ have become so overused.

Even the phrase ‘digital transformation’ is so overworked that no one is sure what it means anymore. Accenture’s goal is to demystify the jargon and put into plain English what companies can and should do to prepare their businesses for the digital age. It has come up with a simple slogan that encapsulates today’s digital challenge and opportunity: “New. Applied. Now.”

This concept reflects the importance of using pioneering technologies such as AI, virtual reality and predictive analytics to ensure the business is built on ‘brilliant basics’ and that it is also ready to ‘cut new ground’. The new technologies are meaningless without the investment, appetite and ambition to apply them today.

There are three chapters to consider in a digital transformation journey:

> Developing a digital ambition and strategy—this should be a strategy for a digital era, not a strategy for the digital channel or a digital business unit.
> Launch and learn—identifying some ‘brilliant basics’ to do well and some opportunities for innovation, then prioritizing and piloting them.
> Rolling out and rolling in—scaling innovation and making it part of the organization’s culture.

Singh said that many insurers are talking about the ‘cutting new ground’ side of the equation and the threat of digital disruption, yet few are adequately addressing the ‘brilliant basics’. Mastering the ‘brilliant basics’ is not enough to win in the market, but failing to do so could be enough to lose.
GETTING THE ‘BRILLIANT BASICS’ RIGHT

Insurance often ranks poorly, compared to other industries, in terms of the customer experience. For example, many insurers fail to properly answer queries on social media or email; some don’t respond at all. Others offer a poor online self-service experience, don’t have a view of the customer spanning multiple channels, or have slow, complex claims processes.

An Accenture client in the home improvement retail sector offers an example of a large business that has launched initiatives to get the ‘brilliant basics’ right, as well as cut new ground through innovative projects.

The company, which has an annual turnover of more than £11 billion, asked Accenture 18 months ago to help it create a digital strategy.

Like many other retailers, the company faced growing competition from disruptors such as Amazon. Store traffic was falling and it was struggling to convert customers from digital channels. Many of its 90,000 employees were not proficient in digital technologies. The CEO wanted to relook the company’s operating model, value proposition and approach to risk and innovation for the digital age.

RETAIL CASE STUDY - A FOCUS ON TWO KEY OPPORTUNITIES

No basket continuity and no order summary

Website takes 9 sec to load, checkout requires 5 clicks

Only spending 4% of the marketing budget on digital marketing

8% of searches return zero results

Mobile app only downloaded 150k times with only 9% DAUs

Poor mobile or cross-platform support

Why is buying a light bulb so complicated? Who cares about the difference between a lumen and a watt?

Why is it so difficult to find good tradesmen?

How can we better support people during their overall home improvement journey?

How do I know what my new renovation will look like (e.g. augmented show-tailing)?

36% of bathroom projects are postponed or cancelled – why?
Accenture supported the retailer’s vision to become the leading home improvement company through new and unique customer experiences by helping it to develop a digital strategy. This focused on around half a dozen ‘brilliant basic’ opportunities as well as a further seven opportunities to ‘cut new ground’—collectively representing £3.5 billion in potential value.

Accenture found that a slow and unresponsive website, poor search functionality and a five-click check-out process for web shopping all marred the customer experience. Improving these basics would be essential to meet the customer’s basic expectations in a world where Uber and Airbnb set the customer experience benchmark.

“Mastering the ‘brilliant basics’ is not enough to win in the market, but failing to do so could be enough to lose”.

REDEFINING THE CUSTOMER EXPERIENCE

There are also opportunities to ‘cut new ground’ and redefine the customer experience in the DIY and home improvement sector. For example, Accenture proposed an app that could be the Shazam of home improvement. Just as Shazam uses its algorithms to identify music for a listener, the app will use AI and visual search to help shoppers find parts and components such as screws and lightbulbs without needing to know specs and part numbers.

The vision is to build a home improvement platform where people can not only shop for home improvement products, but also find advisory videos, connect with builders and other tradespeople, plan home improvement projects, and more besides. This strategy means that the company is no longer just a retailer, but also a media company and a platform provider.

TREATING INNOVATION AS A PORTFOLIO

Singh said that companies embarking on this sort of digital journey must recognize that not every bet on a disruptive product or feature will pay off. Organizations should think of their ‘cutting new ground’ opportunities as a portfolio that allows them to spread risk and take prudent bets on new ideas that could redefine their core business.
Accenture’s Roy Jubraj asked Singh how companies should address the challenges of overcoming legacy as they embark on digital transformation. Singh said that digital experimentation has never been cheaper, faster or easier. Today, it is possible to prototype and release a minimum viable product in under 90 days because the costs have fallen from millions to tens of thousands. The real challenge lies in scaling such offerings for mainstream adoption.

Frank Cooler at Intrasurance asked how insurers can overcome consumers’ perception that insurance is a grudge purchase. Singh said that insurers should think beyond the policy purchase or claims transaction and look at moving into adjacent businesses. For example, some life carriers have added health and wellness components to their offering.
Accenture’s Global Operating Model Survey for 2017 shows that insurers believe they are agile, but also that they recognize they need to become even more agile. Most (71 percent) traditional insurers realize they will need to manage more than one digital operating model in parallel.

Seventy-four percent of traditional insurers said they need to gain in agility, compared to 62 percent of digital disruptors who said their current operating model is agile enough. In other words, digital disruptors take agility for granted.

They also make significant use of automation compared to traditional insurance carriers.

To remain relevant as digital disruptors reshape the market, insurers thus need to focus on their competitive agility, which Lane defined as the ability to sustain high performance over time and to rapidly sense and successfully respond to change. Traditional carriers need to master slow and fast operating modes if they are to become truly agile, said Lane.

**Accenture Research shows that agility impacts financial performance**

‘Truly Agile’ insurers are more than 4 times as likely as ‘At Risk’ insurers to achieve top-quartile financial performance.

![Probability of top-quartile financial performance](image-url)
On the one hand, they need to have operating models that continually assess the business and its environment and that respond rapidly to change. On the other, they need a stable core that allows them to control the day-to-day business and keep it on an even keel. Innovation and openness to change need to become part of the organization’s culture, processes and systems.

Lane gave the example of a large insurance company that worked with Accenture to transform its operating model by introducing Agile DevOps. The program took six years to complete, starting with planning a foundation, followed by industrialization, optimization and automation of an Agile approach to delivery.

When the insurer started this project, it took an average of 18 to 24 months to deliver a project or a product, and the quality of the output would often be poor. Accenture and the carrier focused on bringing more discipline to processes, with the aim of ensuring predictable, continuous delivery. Automated tools and best practices have helped to drive down costs and improve quality.

Specific outcomes included:

- 50 percent faster turnaround for builds, deploys and releases.
- $10 million cost-savings over previous build and release models.
- More transparent and predictable IT costs.
- 35 percent fewer post-production release bugs.
One of the major lessons learnt from this project was that culture change and continuous learning need to become day-to-day activities, said Lane. It’s also important, even in an Agile environment, to have an architecture to guide development. This need not be set for years into the future, but it should run six months ahead of the features and functionality the team plans to deploy.

“Traditional carriers need to master slow and fast operating modes if they are to become truly agile.”

### LEAN AGILE DEVOPS TRANSFORMATION

**Lessons learned**

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<th>CATEGORY</th>
<th>Issue Description</th>
<th>Result</th>
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<td><strong>PRODUCT MANAGEMENT</strong></td>
<td>Initial focus on development &amp; architecture streams, not business engagement in the agile model</td>
<td>Poor product due to incomplete user stories, technical debt</td>
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<td><strong>CONTINUOUS FUNDING STREAMS</strong></td>
<td>Project-based funding caused value-stream development to stop when the project was over</td>
<td>Incomplete user experience &amp; code base</td>
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<td><strong>ARCHITECTURE RUNWAY</strong></td>
<td>Architecture built simultaneously with development</td>
<td>Technical debt, refactoring sprints, disjointed architecture patterns</td>
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<td><strong>DEVOPS IMPLEMENTATION</strong></td>
<td>DevOps architecture &amp; infrastructure unavailable to sprint dev. &amp; platform architecture teams</td>
<td>More time to build &amp; deploy code</td>
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<td><strong>TEST AUTOMATION</strong></td>
<td>Automated test suite beyond unit tests not initially developed for the application suite</td>
<td>Quality issues, long integration sprints, technical debt</td>
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<td><strong>AGILE COACHING</strong></td>
<td>Only one agile coach on a program of 1000+ resources</td>
<td>Inadequately skilled resources, practices not followed, lower velocity, poor user stories</td>
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<td><strong>DEFINED MINIMUM VIABLE PRODUCT</strong></td>
<td>Poor definition of minimum viable product for go-live</td>
<td>Scope creep added continually to backlog, inability to lock in delivery date</td>
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<tr>
<td><strong>AGILE GOVERNANCE</strong></td>
<td>External stakeholders unaccustomed to agile reporting</td>
<td>Inconsistent agile metrics, difficulty in evaluating agile projects, unnecessary escalations</td>
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SESSION 3:
HOW TO BALANCE OPTIMIZATION OF YOUR CORE BUSINESS AND INNOVATION IN ‘THE NEW’

Presented by Roy Jubraj, Innovation Lead for Financial Services at Accenture

“A scalable technology architecture is the key to successfully balancing a portfolio of legacy and new products and processes”.

Insurers recognize that their core business is under threat from new competitors and technologies, which create pressure to accelerate their digital transformation programs, said Roy Jubraj. Yet most are finding it challenging to transform the core of their business in a way that unlocks value and provides a foundation for the new.

Many that have made significant investments in new technologies have received only nominal value in return. While some insurers are rolling out technologies such as RPA and big data, their legacy systems and processes are obstacles to achieving the vast returns they hope for. The question they are asking is how they can innovate in a sustainable and scalable manner.
A MULTI-PHASE APPROACH TO TRANSFORMATION

Many are now taking a step back to look at their entire proposition to the customer, not just their processes. They need an approach that allows them to respond to the challenges of today, while working in parallel on new products and business models, such as moving into adjacent industries.

Accenture advocates a multi-step transformation that spans:

• Transforming the core, reducing costs to fuel growth.
• Growing the core business.
• Scaling the new—responding to headwinds in the legacy business by leveraging advantages in new models.
• Pivoting wisely—migrating to new business models at the right time, with the right strategy and talent.

A scalable technology architecture is the key to successfully balancing a portfolio of legacy and new products and processes. Accenture’s Digital Insurance Solution Centre (DISC) has developed a component-based architecture that stretches from the front-end to the back-office, enabling insurers to transform core processes while rapidly launching new products and integrations.

THE TRANSFORMATION CHALLENGE - A MULTI-PHASED APPROACH TO VALUE CREATION
EXECUTIVE SUMMARY

A PLATFORM FOR INNOVATION AND EXPERIMENTATION

Bringing together solutions from tier-1 software partners as well as startups, DISC forms an end-to-end, cloud-based architecture that is ready for the next generation of digital insurance innovations. The architecture, which is in production at several insurers, enables carriers to unlock value with quick wins, such as migrating applications from heavy data centers to the cloud.

It also gives them the ability to rapidly experiment with insurtech integrations and new data sources. Offerings from several startups are already integrated into DISC, including front-end, customer-journey, analytics and claims-handling solutions. Accenture aims in the near future to bring insurance capabilities to the Forge, an open API marketplace for banking and retail.

Insurers will have access to a suite of available APIs across banking, the Internet of Things and additional services as well as value-added services from startups and insurtechs. This will help them reduce the complexity of building new connected experiences and deliver more personalized, frequent interactions to their customers using digital interfaces.

WHAT TO EXPECT IN 2018

FINTECH INNOVATION LAB PROGRAM AND PLANNING FOR THE NEXT DIGITAL INSURER NETWORK MEETING

Presented by Roy Jubraj, Innovation Lead for Financial Services at Accenture

Accenture is collaborating with digital innovators and startups through initiatives such as the Fintech Innovation Lab Program. During 2018, Accenture plans to unlock synergies between the Fintech Program and the Digital Insurer Network, creating win-win opportunities for insurtechs and traditional insurers to work together.

This initiative is a three-month accelerator program, bringing together insurance partners and fintech startups. By working with the insurers, startups get opportunities to mature their offerings, receive mentoring from industry experts and build relationships with key partners. Insurers, meanwhile, will get exposure to the latest innovations brewing in the startup ecosystem and identify opportunities to embrace disruption.
It is envisaged that DIN members could benefit from the program by regular updates on the insurtech sector and also by participating in certain of the structured activities such as hackathons, speed dating and pitch days, allowing them to see use cases that could act as catalysts for innovation in their own businesses.

**IT WAS ANNOUNCED THAT IN 2018 THE NEXT DIGITAL INSURER NETWORK IN-PERSON MEETING WILL BE AT THE PARIS INNOVATION CENTER.**

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**FINTECH INNOVATION LAB 2018**

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**308 Startup Application & Scoring**

**Interviews & Cohort Finalisation**

**15 Selected for Interview Day**

**47 Robust insurtech applications from startups across Europe**

**15 Selected for interview day**

**25 Insurtechs selected for partner scoring**

**The programme**
- Structured activities between startups & partners
- Partners use the programme as a catalyst for innovation in their own companies
- Partners mentor the startups
- Partners look for partnership opportunities
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 425,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives.