Are insurers losing touch in the digital age?

'Omnichannel' has become a buzzword among industries looking to provide a seamless customer experience across on- and offline channels. Insurers have been slow to adapt but, as the developed world goes digital, the insurance industry will have to radically review its business and operational models to find new touch points for human intervention with its customers.

The changing face of the digital insurer

As businesses connect with financial services and supplier bases via the tip of their fingers, insurers should engage in an integrated omnichannel model that allows commercial and personal customers to dictate their relationship with a provider through a seamless digital experience

Managing risk
The first notification of a claim may come from connected technology and not by a person.
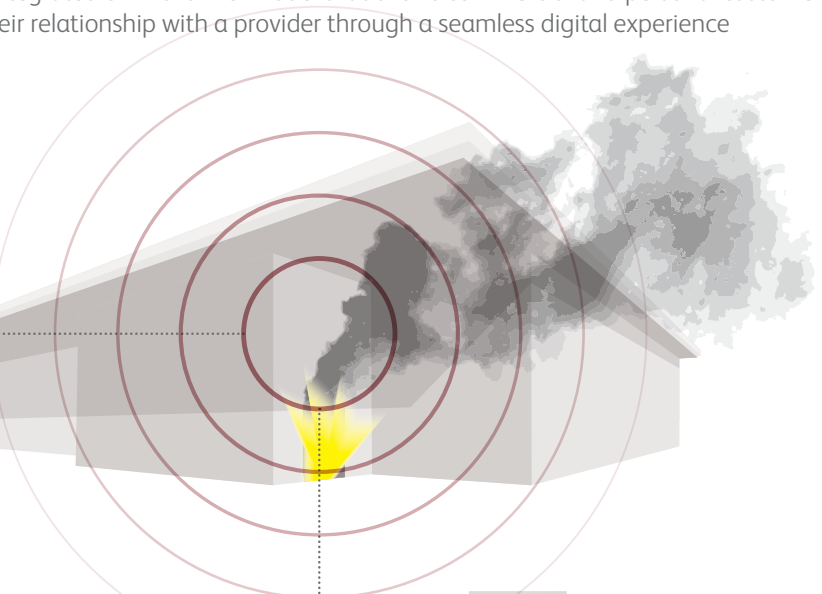
Omnichannel insurance touchpoints
In this scenario, customers can directly engage with their provider through one channel, but may conduct part of a transaction via another. By building on the security of face-to-face personal service, insurance providers can harness the advantages of mobile technology, empower their customers and secure competitive advantage.

Digital services
Alerted by in-app mail, the customer calls the provider, expecting the agent to know that they were alerted electronically by the insurer earlier. This omnichannel environment records all transactions and transfers customer data seamlessly between channels.

Insurer engagement
Once the claim is made, the customer may choose whichever channels of communication are best suited to the situation: call back, email, in-app messaging or SMS. The omnichannel system understands the context of the customer's needs.

Customer loyalty
Even with tremendous demand for online services, offline channels like on-site meetings or face-to-face interactions remain vital when dealing with more complex and higher-value commercial products and investment advice.

Omnichannel functionality
New digital technologies allow insurers to connect with their customers on their smartphones, whilst knowing more about them through access to pools of their data.
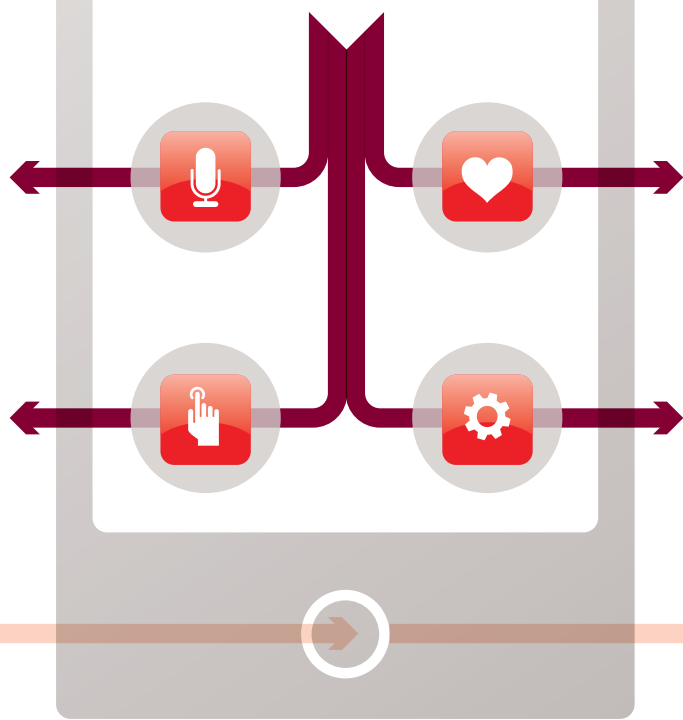
Source: BearingPoint Institute

Omnichannel insurance: are insurers losing touch in the digital age?

Insurers have been slow to rewire their businesses for the digital era; as they do, they must use technology to reinforce customer interaction and the human-to-human relationship

In 2014, the global audience of smartphone users was estimated at 1.75 billion[1]. The connectivity, immediacy and unique functionality that these small, portable devices offer are radically reshaping the relationship that consumers have with service and product providers, from retailers to banks. Customers are empowered to be much more demanding than they used to be.

The mobile phone, even more than the tablet, means customers want to be able to access the right information or make a transaction at the right time in the right context. This appetite for fluid, simple and engaging experiences through the most appropriate interface creates huge opportunities for businesses to deepen brand loyalty and build valuable relationships with their customers.

Retailers understand this. Many have spent the past few years rethinking the way they attract, engage and promote to customers. Many bricks-and-mortar businesses have invested to compete with pure digital rivals.

Meanwhile, pure digital players are also in search of enriching the customer experience. As this Bearingpoint Institute Report went to press, reports were circulating that Amazon plans to open physical stores, with the company apparently looking to buy up some of the leases of RadioShack's shops[2] after the US consumer electronics chain filed for chapter 11 bankruptcy in February 2015.

IN 30 SECONDS

- Technology has shifted the power balance from insurer to the customer, forcing insurers to rethink their business models from the outside in – not just their digital business

- The priority of digital should not be sales; it must be to enhance customer loyalty and retention, with sales and profit at the long end

- The value of insurance must move away from risk mitigation and compensation to protection and reassurance

1.75 bn

Global audience of smartphone users in 2014[1]

Insurers too often miss the point of investments in digital initiatives, seeing them as creating another channel through which customers can transact

Banks are also coming round to this way of thinking. In December 2014, Barclays in the UK launched a video banking service that allows its high-net-worth clients access to an adviser 24 hours a day, seven days a week.[3] The service runs off tablets, smartphones or PCs, and will be rolled out to all customers in due course.

The Barclays approach acknowledges that customers sometimes desire face-to-face interaction. This type of contact is distinct from a typical transaction at a high street branch, which would not be appropriate for an internet banking problem that needs immediate assistance.

Insurers, meanwhile, are behind the times. Whilst they have been investing in digital operations for years, this has mainly focused around the online experience, best suited to a PC. Mobile apps have been built in some cases – largely for users to search for quotes – but examples of success are rare.

Investing in digital initiatives is still too often seen as creating another channel through which customers can transact. This misses the point that smartphones are at the confluence of the offline and the online world: they are disrupting, not just digital operations, but the whole business operating model, which must be realigned to suit customer expectations.

Emotion is key to the insurance customer relationship

Fewer than 14% of more than 10,000 US online consumers have engaged with a mobile insurance product, according to Forrester[4]. Clearly, the experience is not user-friendly and/or customers are not aware of available mobile functionality. There is huge untapped potential for insurers to leverage mobile technology and functionality to enable customers to check their policies, track claims and pay bills in a way that is smooth and easy to use.

Many insurance products are becoming commoditised so insurers should also seize the digital opportunity to increase the touchpoints they have to interact with their customers, showing understanding and empathy towards customer needs in order to deepen relationships.

Insurance is a low frequency business, generally considered a necessary evil, bought in the hope of not having to use it. Therefore, the time lapse between purchase and use of a policy could be years. However, people do care about what their insurer is trying to protect, such as their home, health, car and family. Digital insurance teams must have these underlying goals in mind when thinking about the insurer's role in their customers' protection.

Being able to offer the customer travel insurance as they step into an airport, or to advise them on local repair services at the scene of a car accident or breakdown, helps to build the customer–insurer relationship.

Mobile – combined with analytics, the internet of things (smart thermostats, car telematics) and wearable technology – can deliver exciting opportunities through functionality such as geolocation, rich interaction (including live video), positioning (GPS, accelerometer, triangulation) and biometric sensors (heart rate, temperature, voice stress, sweat). Insurers can create more touchpoints for relevant and positive customer interaction.

Toward an omnichannel insurance experience

'Omnichannel' has become a buzzword for many industries looking to restructure their business operations to engage customers in ways they find convenient. Where previously the customer was guided on a transactional journey that suited big business, now technology has handed the power to the customer.

US customer experience consultant Micah Solomon explained recently[5]: 'In an omnichannel customer experience the customer can order a dress on the phone, pick it up in person and send it back if it doesn't fit – with her purchase history, credit card information and personal preference data following her successfully from channel to channel... (along with inventory and general ledger for the sake of the merchant) along the way.'

Whilst this smooth customer experience 'feels natural' to the customer, Solomon describes it as 'revolutionary in how extremely it contrasts to the hassles of channel-related abuses suffered over the years by shoppers'.

Previously, the customer was guided on a transactional journey that suited big business; now technology has handed the power to the customer

13%

For insurers, success in the omnichannel world requires an understanding of the customer, which means empowering them, not guiding them

The omnichannel concept involves huge operational complexity, however, as well as a total rethink of legacy distribution models.

'There is the example of a shopper who sees a promo ad on a mobile app, compares the deal online (or with friends), talks to a service agent about features and then drops by the local store to purchase it,' Craig Harris, insurance IT expert, wrote recently in *Canadian Underwriter*[6]. 'For some, that fluid process is a tall order that renders the structure of distribution "silos" virtually obsolete.'

For insurers, success in the omnichannel world requires an understanding of the customer, which means empowering them, not guiding them. Generali in Poland has enabled customers to scan a 2D barcode on a car registration document to generate an insurance quote and obtain an accurate accident history and valuation when buying a second-hand car[7].

Omnichannel also means keeping customers loyal by tapping into a smartphone's power to offer a distinctly personal experience. This includes apps that can track fitness levels, daily calorie consumption and nutrition as well as flag health problems in advance.

In fact, health insurers are leagues ahead in moving business models beyond risk mitigation and compensation to protection and reassurance. One of the ways they are doing this is through collaborations. For example, one of our clients in the health insurance sector has teamed up with a start-up to produce shoe insoles that measure foot temperature to prevent 'diabetic foot' – a pathology leading to 40,000 amputations a year in Germany alone. Detecting a sudden drop in temperature can trigger pre-emptive actions and help reduce the chance of such severe complications.

Meanwhile, safe-driving mobile apps that track braking, acceleration and distance travelled reward good driving behaviour by offering discounts in exchange for customer data, although this strategy's level of success depends on individual attitudes towards privacy[8].

These examples show how digital technologies are enabling a closer, more valuable and dynamic relationship that extends beyond the insurer's traditional static channels that once managed the customer journey. Can insurers rebuild their operations from the outside in, to accommodate this new way of doing business?

'In an omnichannel customer experience the customer can order a dress on the phone, pick it up in person and send it back if it doesn't fit.'[5]

MICAH SOLOMON, US CUSTOMER EXPERIENCE CONSULTANT

Moving on from the 1980s

Creating a true omnichannel model poses a number of challenges for traditional insurers:

- Identifying a new generation of staff with a more flexible mindset
- Engaging with the customer more often
- Rethinking the remuneration model

Many insurers are not ready for these challenges from the perspectives of infrastructure, organisation or people.

From speaking to our clients in the sector, it is interesting to note that IT infrastructure seems to be the biggest obstacle for some companies to enter the omnichannel world. The reason is simply the considerable scale of the required investments.

Insurers will need to totally reengineer their business models and transform their processes in a far more radical way than with previous shifts in strategy. Mark Breading at Strategy Meets Action, said[9]: 'Insurers today are highly interested in improving the customer experience.

'Whereas the objective in the past was to improve transaction efficiency and reduce channel costs, today the concern is on understanding how channel interactions impact customer perceptions. Efficiency and cost will always be important, but the driver for investment in the omnichannel world is the customer experience and its implications for retention and profit.'

One of the biggest barriers to creating a genuinely joined-up customer experience across all channels is the conflict with regulatory requirements, particularly the imperative to separate insurance units between health, life and non-life into different legal entities (at least in Germany, Switzerland and the UK). This separation trickles down to the design of IT systems and data. For legal reasons, insurers need to separate units but, to manage customers efficiently, this gap should appear as small as possible. This poses a very difficult challenge to insurance IT departments. For customers wanting a relationship across multiple channels, the resulting inertia can be confusing and off-putting.

For legal reasons, insurers need to separate units but, for relationship reasons, they will want this gap to be as small as possible

Telematics, the 'internet of things' and wearable technology create opportunities for insurers to communicate more frequently with customers and gather more insights

Digital reinforces, not replaces, human-to-human

Today's customers call for a truly omnichannel approach. Whilst in the short term it might be a differentiator for insurers to master omnichannel, in the mid- to long term it will become a prerequisite for all players in the insurance market.

Technology is also creating the opportunity for insurers to build new and deeper relationships with clients, engaging with them on a prevent-not-cure basis.

Telematics, the 'internet of things' and wearable technology create opportunities for insurers to communicate more frequently with customers and gather more data about their risk profiles[10]. It also changes customer expectations about when and how they believe they should be able to communicate with their insurers. Always-on connectivity will not eliminate the need for face-to-face support or human-to-human interaction, however. Instead, it should be used by insurers to create new opportunities to engage directly with customers.

There are two situations where efficient and fast human interaction is crucial: during the sales process for complicated and non-commoditised products, and at the claims stage. It is easy to successfully sell a simple private liability insurance for EUR 40 over the internet with almost no human interaction: 10–15% of customers will make the decision to purchase based on price. For more complex situations, such as 'I am buying a house, so which kind of insurance do I need?' or 'I suffer from a chronic disease, so what does that mean for my health insurance?', personal advice may be preferred during the process, even if the first step of information-gathering is through a digital channel. In such situations, the coherence of the omnichannel model is a clear differentiator.

The same holds for claims handling: the quality of this process is crucial to the industry's reputation and remains an issue in many markets, so it is important that the omnichannel approach is extended to claims.

We therefore believe that there is a healthy future for tied agents and brokers. Higher-value business will always be sold by a human.

'Efficiency and cost will always be important, but the driver for investment in the omnichannel world is the customer experience.'

MARK BREADING, PARTNER AND CHIEF RESEARCH OFFICER, STRATEGY MEETS ACTION

For this omnichannel customer relationship to work properly, insurance company staff will have to work in a very different way. Staff will be asked to be 'channel agnostic' and champions of the customer: a huge move away from being advocates of single distribution channels.

Many firms will have to employ 'digital natives' in their teams in order to accelerate the change in mindsets with the goal of providing the customer with an experience that excites them. Commission and incentive structures must also be changed, to empower the sales channels to embrace the new omnichannel approach.

▶ KEY TAKE-AWAYS

- Today's customers call for a truly omnichannel approach; insurance companies need to fulfil this requirement
- Insurers should map and analyse their customer experience in the increasingly connected mobile age to find new touchpoints for human intervention
- Insurers should not try to steer customers, but give them the possibility to handle each need using a channel convenient to them, moving from a multichannel to an omnichannel approach
- This means building systems to allow customers to move seamlessly between channels together with their data, preferences and key relationships
- Customer engagement departments should be reconfigured to be 'omnichannel and digital native'
- Remuneration might need to be reconfigured to provide incentives for distribution channels to co-operate as customers want to move between them
- Insurers need to keep an eye on profit and must not neglect the sales power of traditional channels (such as agents and brokers)
- It is easier to sell higher value, more profitable products if human-to-human interaction plays a key role in the process

Many firms will have to bring 'digital natives' into their teams in order to accelerate the change in mindsets and offer customers an experience that excites them

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