Insurance through the Looking Glass

Customer-centric business in an increasingly digital world

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FREEFORM DYNAMICS

Executive Briefing Guide

In association with

VisionWare
a Master Data Management company

Introduction

An ongoing agenda item over the past 25 years in the insurance business has been to create a single view of the customer. The rationale for doing this has always been well understood – effective relationship management, the enablement of cross-selling and up-selling, better customer service and retention, operational efficiency when working across multiple departments, products and channels, and so on.

Technology and market trends, together with changes in the regulatory landscape, are elevating the status of customer centricity from 'aspirational ideal' to 'business critical imperative'.

But while the value is clear, creating a more customer centric business environment has historically been hard to achieve against the backdrop of fragmented systems, processes and data. Progress has therefore been patchy, and most organisations have learned to live with a disjointed approach to one degree or another.

Trends in technology and communications, however, particularly in relation to the web, social media, and mobile networks and devices, have been conspiring to add a degree of urgency to the situation. Digital interaction with the brands we buy from is now part of all of our daily lives as consumers. This is changing both our behaviour and our expectations. When it comes to the customer experience, the watchwords today are flexibility, responsiveness, personalisation and convenience.

In the remainder of this paper, we will examine how technology and market trends, together with changes in the regulatory landscape, are elevating the status of customer centricity from 'aspirational ideal' to 'business critical imperative'. We'll go on to look at how the latest ideas and capabilities in information management can help to turn the challenges into opportunities. It's about unlocking both the strategic and operational value of your organisation's data to enhance customer engagement, and ultimately to drive higher revenues while reducing costs and overheads.
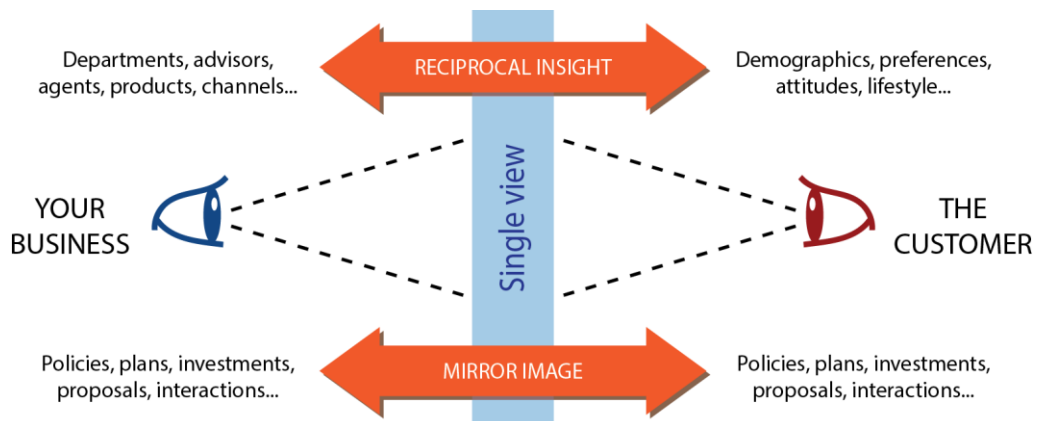
Through the looking glass

The notion of the 'single view' now has to work both ways.

In order to move forward successfully, it's necessary to adjust your thinking in some important areas.

When it comes to the use of information to drive top line performance, for example, the traditional emphasis has been on intelligence to help you sell more effectively. Today, however, it's as much about providing empowered web-savvy customers with the information they need to help them buy. In line with this, the notion of the 'single view' now has to work both ways. In effect, each party needs to see a unified picture of the other as they peer through the metaphorical looking glass (Figure 1).

Figure 1

Customers want a unified view of you, as much as you want to create a single view of them

Whether customers interact with you online, via a mobile device, a broker, an agent or a call centre operative, this mutual unified view of all policies, plans, claims, interactions and other dealings provides important context for both parties to evaluate options and make decisions. Get this right, and the benefits mentioned at the outset will be realised more fully. As importantly, though, given the way in which the competitive and regulatory landscapes are evolving, if you fall short significantly, the penalties are likely to be greater than simply a missed opportunity to drive incremental value.

Evolving threats and risks

Established competition

From a competitive perspective, insurers have lost a degree of power already as a result of comparison websites. In a world where customers often prioritise price and the quality of free gifts higher than product differentiators, falling into line behind the aggregators in a passive manner clearly represents business risk.

There is then the problem of 'friendly' competition from the channel when it comes to control of the customer. Have you noticed how good many brokers and other partners have become at customer relationship management (CRM) recently? They know their clients and can exploit digital interaction with insurers to shop around behind the scenes. You can use incentives and product differentiators to influence this behaviour, but maintaining your own relationship with the customer requires a significant amount of effort, creativity and above all, proactivity.

Highly successful companies recognise the power of creating 'digital intimacy' with customers.

New entrants into the market

Beyond these familiar challenges, competitors from outside the industry potentially represent a more sinister threat. This is because they are often entering the market already knowing much more about your customers than you do. Retailers using loyalty programmes, sophisticated analytics and other techniques to profile customers and build relationships are obvious examples here, as are manufacturers and other players who cross-sell from other lines of business.

But who knows the most about us and our lifestyles, interests, relationships and habits? We are talking here about the big digital players, e.g. those running search and advertising businesses, online retail operations, and social networks. These highly successful companies recognise the power of creating 'digital intimacy' with customers. If you build up in-depth knowledge of someone, provide them with highly convenient and habit-forming ways to interact, cultivating trust along the way, you are in a good position to sell them pretty much anything, including insurance.

The trend is away from 'caveat emptor' towards an obligation on providers to sell responsibly.

Regulatory trends

Beyond the competition, you also have to contend with the way in which regulation is evolving. The trend is away from 'caveat emptor' towards an obligation on providers to sell responsibly based on the customer's needs and circumstances. Together with regulatory requirements around 'Know Your Customer' (KYC), this adds to the list of reasons for creating a comprehensive and joined up view of your customers and your dealings with them, based on both internal and external inputs.

Acting on this imperative requires integrating and exploiting data more effectively.

Exploiting your information assets

The attention given to 'extreme computing' solutions for BI and analytics risks overshadowing the need for the effective use of data at an operational level.

In order to appreciate some of the latest ideas that can be brought to bear on evolving customer related requirements, it's worth taking a minute to review some of the fundamentals underpinning the effective use of information in general.
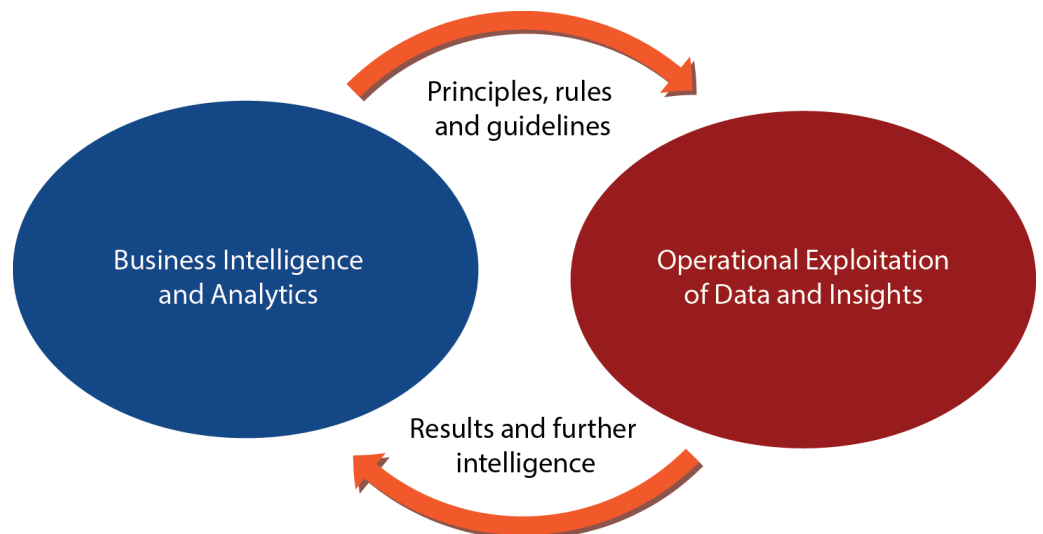
The high level view

One of the liveliest discussions in IT at the moment is around big data. The idea of this is to build on traditional Business Intelligence (BI) and take analytics to the next level. Using the latest technology, it is possible to crunch even larger volumes of data from an even greater range of sources to create business insights. However, the attention given to 'extreme computing' solutions for BI and analytics risks overshadowing the need for the effective use of data at an operational level.

The truth is that the two aspects of data exploitation are equally important. Large-scale analysis and modelling activity allows you to understand what's going on in your business and in the broader market. This is great to support the strategy and planning process, but the insights, principles and business rules generated can also be used to help optimise and even automate the way you execute operationally. New operational data is then fed back into the BI and analytics process to create a continuous improvement and optimisation cycle (Figure 2).

Figure 2

Creating a continuous improvement and optimisation cycle

The role of data integration

Data integration is a key pre-requisite for meeting both BI/analytics and operational needs.

Turning to practicalities, data integration is a key pre-requisite for meeting both BI/analytics and operational needs. With customer, product and other data held in multiple systems in multiple ways, you must be able to resolve competing coding schemes and record structures, different storage formats and access mechanisms, and other inconsistencies, including varying levels of data quality and completeness.

In the context of BI/analytics, this can be achieved through a staging process. Data is first extracted from each source system, cleaned up to remove errors and fill in gaps, transformed to some kind of standard format, then ultimately loaded into a data warehouse where you can start to do something useful with it. This is often a

laborious and time-consuming process, but it's still the mechanism that underpins most organisations' analytics and reporting activity.

The operational challenge

The staged approach to processing information is inadequate to deal with the needs of the operational environment.

The problem is that the staged approach to processing information is inadequate to deal with the needs of the operational environment. The business imperative to deal with customers in a more holistic manner means a greater variety of data has to be pulled together on demand.

If an agent is constructing a quote, for example, they ideally need immediate access to all relevant information. This might include current, expired and cancelled policies, previously unsuccessful quotes, rejected applications, and claims history – not just for the individual, but for the household and/or business they are part of.

Reference may also need to be made to external information, whether demographic, geographic, financial or relevant indicators of status, attitudes, preferences, and so on. Some even argue that the customer's online profile and social media activity will increasingly need to be tapped into.

It's no good just throwing more and more information at agents and partners; you need to help them make sense of it and act on it in context.

But it's no good just throwing more and more information at agents and partners; you need to help them make sense of it and act on it in context. Sticking with our sales example, this means embedding the relevant principles, business rules and guidelines into operational processes and systems to help front line staff identify the best products and cross-sell opportunities, and offer relevant incentives.

Going digital

When we turn our attention to digital interaction, a similar approach is required, but this time to present information and recommendations directly to the customer in a web or mobile context. In this case, it's important to use rules-based, data-driven automation to drive the buying process as far as possible, e.g. to the point of agreement or agreement in principle. The last thing you want in the digital environment is an unnecessary break in the flow that gives the customer an opportunity to reconsider their decision or check out the competition.

Cross channel, cross function coordination

Of course if the customer's interaction through any mechanism is interrupted, they will expect to resume the dialogue from where they left off regardless of how they resume. If they started on their mobile device, they should be able to continue on the Web or via a call centre agent, and indeed switch back and forth between these without the need to re-enter data, re-select options or recap on the 'story so far'. Ways therefore need to be found to present the unified view of the customer consistently across every channel of communication.

Organisational disjoints undermine the customer relationship and lead to a tangible negative impact on sales, retention and profitability.

Such consistency is also necessary across the various departments and functions. Indeed a common source of dissatisfaction among customers is every part of the business beginning a new interaction as if they had never heard of them before, especially when something as simple as pulling up a list of their active policies and plans seems so hard. Organisational disjoints undermine the customer relationship and lead to a tangible negative impact on sales, retention and profitability.

The right mix of data integration capability will not only help you deal with such challenges, but also drive business value on a much broader basis. Let's take a look.

The data integration opportunity
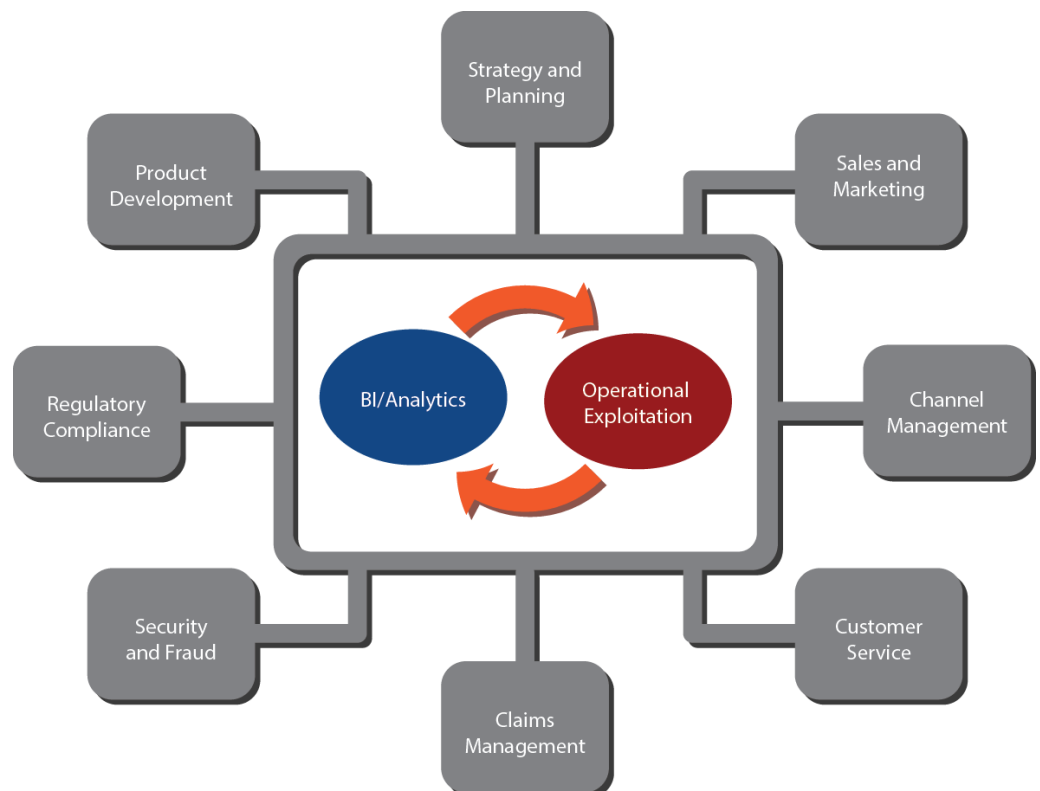
The CRM approach doesn't tackle integration in a reusable or sustainable manner.

When considering customer centricity, it's natural to think of customer relationship management (CRM) systems, which can import data and create a limited unified view within that specific environment. The problem is that the CRM approach alone doesn't tackle the integration challenge in a reusable and sustainable manner.

The real requirement is for a solution that helps to improve data consistency and provides a unified view of information independently of any given application. This takes us into the area of what many refer to as Master Data Management (MDM), which complements CRM investments and delivers capability such as:

- Mapping of data items and relationships between systems, dealing with differences in coding schemes and record structures along the way, e.g. different ways of storing and referencing customer and product information.

- Synchronisation of equivalent data between systems, resolving conflicts, correcting errors and filling gaps with reference to 'master' sources and/or external information such as consumer reference data.

- An ability to embed visualisation of key data, e.g. customer records, into any application, and see all related information at a glance, with an ability to drill through into source systems from this unified view in a secure manner.

The application-independent nature of MDM enables more effective exploitation of information across the breadth of your business.

The sales-related examples discussed earlier illustrate what can be achieved. However, the application-independent nature of MDM enables more effective exploitation of information across the breadth of your business by keeping all systems in sync and surfacing a unified view wherever it's required (Figure 3).

Figure 3

Scope of customer data integration impact

Benefits stem from enabling an accurate and joined up view of related information held in previously disconnected silos.
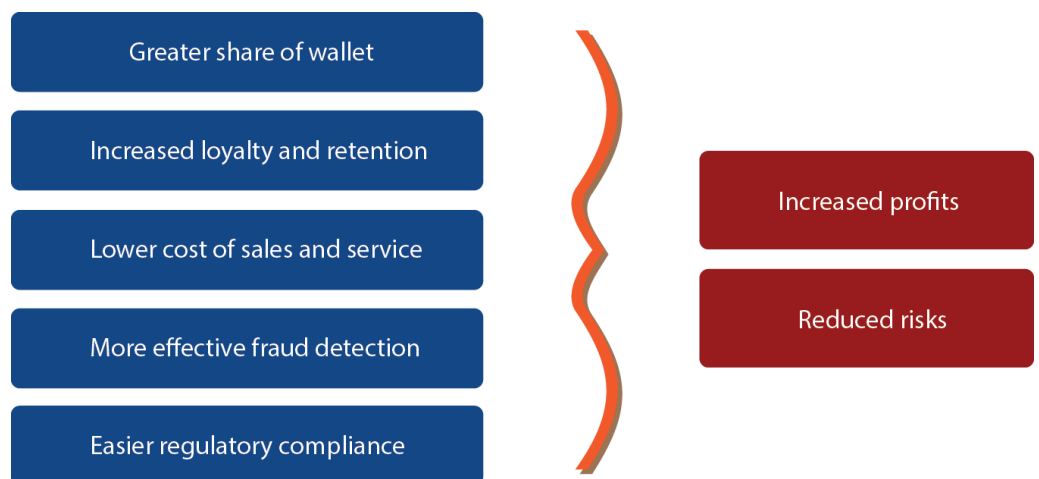
It is beyond the scope of this paper to go into detail on MDM technology and the full breadth of its applicability. Table 1, however, provides a flavour of the kind of value that can be generated in key areas. Benefits stem from enabling an accurate and joined up view of related information held in previously disconnected information silos.

Area	Value from enhanced data integration
Strategy and planning	Better insight into what drives your business, and how affinities and points of leverage can be used to improve performance.
Sales and marketing	Improved acquisition and retention rates, increased cross-selling and up-selling, and more effective use of incentives.
Channel management	More profitable and productive alignment of customers, products and opportunities with partners, and easier conflict avoidance.
Customer services	Streamlined operations and significantly improved customer experience, both reducing costs and avoiding churn.
Claims handling	More efficient routine case management, minimising overheads and freeing up resources to reduce exception-related backlogs.
Security and fraud	Greater ability to corroborate information and identify suspect activity among both claimants and suppliers.
Regulatory compliance	More efficient discovery, and greater ability to demonstrate proper due diligence in relation to KYC type requirements.
Product development	Rapid identification of competitive threats and opportunities, and faster time to market with objectively targeted solutions.

Table 1
Breadth of value that can potentially be generated through more effective data integration

This is by no means a complete list of potential benefits, but even from this it is clear that enhancing your data integration capability will lead to a range of tangible business outcomes (Figure 4).

Figure 4
Tangible business outcomes arising from enhanced data integration capability

Putting it into practice

The chances are you will have already invested over the years in initiatives to create a single view of the customer and/or to deal with other data integration requirements. Against this background, acknowledging that problems persist despite past efforts can be unpopular from a political perspective. This will be especially true if you have recently been through a high profile CRM implementation with high expectations.

But it's important to be honest about current capability and whether your business really is in a good position to deal with evolving requirements and exploit emerging opportunities. If you can relate to any of the following statements that we often hear in one form or another during our research, there clearly is still work to be done:

"It's not that we don't get useful information, but by the time it has been collated, processed and quality checked, it's often too late to act on it".

"There's no shortage of data, but it's often in different formats, uses different coding structures, and provides inconsistent views of the business".

"Data exists that would allow those on the front line to do their jobs more effectively, but it's just not accessible where and when it is needed".

"Front line staff waste a lot of time tracking down information and figuring out how best to use it in relation to the customer or task at hand".

"Our efforts to automate activity and drive our digital agenda are too often hampered by the quality, consistency and accessibility of our data".

But it's important to go about improvement initiatives in the right way as too many projects fail to deliver because they are too ambitious, don't have enough air cover, and/or are driven by technology fashion rather than real business need. With this in mind, some of the keys to success with MDM are:

- Think big, but keep the initial scope manageable, e.g. focus in the first instance on creating a unified view of the customer to support specific functions. The idea is to achieve quick wins while laying the foundations for future activity.

- Make sure you do your homework on the latest technologies and techniques. Even if you are already familiar with MDM, you may not be aware of what can be achieved with the latest generation of solutions in this space.

- Know your data. It's important to form an accurate inventory of the data that exists in your initial area of focus. As you get into detailed mapping and requirements definition, you can then be sure that nothing will be missed.

- Involve the right people. MDM projects might be dependent on clever technology, but they are primarily business initiatives. It's therefore critical that business people familiar with key processes and data are part of the team.

- Secure the right level of executive sponsorship. Apart from ensuring the proper commitment of resources, senior management involvement is likely to be necessary to work through the politics of data ownership and control.

All that remains is for us to wish you success on your own MDM journey, and in creating that elusive single view of the customer. We hope this paper has helped.

About Freeform Dynamics

Freeform Dynamics is an IT industry analyst firm. Through our research and insights, we aim to help busy IT and business professionals get up to speed on the latest technology developments, and make better-informed investment decisions.

For more information, and access to our library of free research, please visit www.freeformdynamics.com.

About VisionWare

VisionWare is a Master Data Management (MDM) Company. Our technology helps organisations in the insurance sector to derive meaningful business outcomes from their information assets by breaking down the data silos that exist across the enterprise to gain a single and complete view of the customer.

We allow organisations to take control of their data and leverage it to answer the key questions that drive strategic decision making such as:

- How many unique customers do we have?

- What is our average policy count per customer?

- Where do our biggest cross selling opportunities exist?

- What are our customer's communication preferences?

- Which customer's will be most challenging to retain?

A single and complete view of the customer is not only the cornerstone of the strategic decision making process but it is also an essential step to ensuring customer facing business processes are no longer held to ransom by incomplete and potentially inaccurate data.

Our Vue 360 solution suite allows businesses to master, verify, visualise and govern data assets - in real time - across their full lifecycle. Allowing your organisation to benefit from the competitive advantage associated with being a truly data driven business.

Founded in 1993, VisionWare is headquartered in Glasgow, Scotland and has offices in Newton MA.

To learn more about VisionWare, please visit our website at www.visionware.co.uk.

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