

Keeping up with the customer: enabling a 21st Century digital operating model

The operational implications of a shift from product centricity to customer centricity



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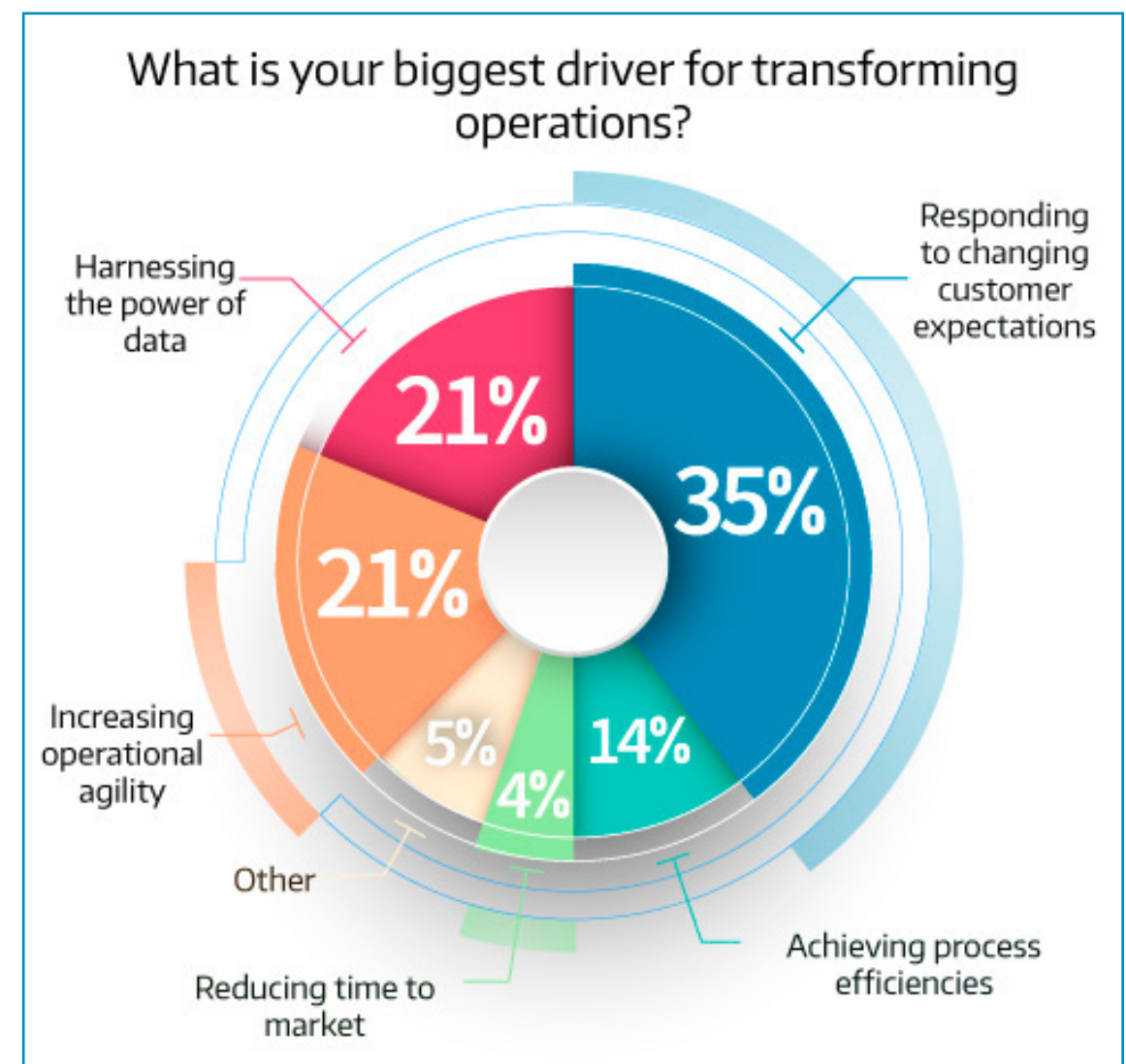
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Introduction

Working in partnership with Sapiens this Spring, TIN ran a survey of digital leaders to identify the biggest drivers for transforming insurance operations in the current business environment – and some of the key challenges. This report explores and analyses the results of that survey, but also references the discussions at a recent virtual round table on ‘enabling a digital insurance operating model’ which was co-hosted with Sapiens and led by Jeremy Burgess of TIN and Kelly Ward, Sales, Marketing & Distribution Director at AXA Partners and Amanda Rees, Customer Propositions Manager at Sapiens. The session was attended by a broad cross section of the sector, with general insurance, the Lloyd’s and London markets, life, health and protection insurance all represented.

The headline coming out of the survey analysis is that responding to evolving customer expectations is now the biggest driver for transforming operations: 35 percent of respondents chose ‘responding to changing customer expectations’ when asked what their biggest driver for change was, with ‘improving or achieving process efficiencies’ coming in second at 21 percent. That’s an inversion of what you would have expected 24 or even 12 months ago and is indicative of the importance insurers now place on delivering a customer experience that matches expectations set by other sectors: increasingly digital customer experience is being perceived as a key differentiator. The second big





takeaway from the survey was that the two biggest operational challenges when thinking about improving the customer experience were not directly technology related: data quality and accessibility came out on top, with changing mindsets and culture coming out as a high second, pushing the old favourite of 'overcoming technology legacy' back to third place. The fact that mindset and culture change are perceived to be such significant obstacles reflects the nature of the challenge the survey suggests the sector is the in the midst of tackling: the operational implications of a shift from product centricity to customer centricity.

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There was unanimous agreement around the virtual roundtable that enhancing CX is now the main driver for transformation, and that keeping pace with escalating customer

expectations is the key challenge. For many, meeting this challenge involves a rethinking of the operating model in order to align people and processes around the technology that enables a 21st Century digital experience. These new digital operating models need to be agile enough to respond to meet existing customer expectations around service through the channel of their choice, at the time of their choice - but also new and emerging expectations. Post Covid, they also have to accommodate new ways of working and a hybrid of office work and WFH.

However, when redefining the operating model it is essential to do so in the overall context of strategic direction of the business. For AXA this starts with really understanding your customer and what they want. It's critical to understand that customer expectations are changing rapidly, driven by escalating standards of service in other sectors and other areas of life, and that patience in the kind of poor service traditionally associated with insurance is wearing thin – a process temporarily abated by tolerance for the extenuating circumstances of COVID, but now accelerating again as other sectors show that they can deliver the kind of “anytime, anywhere” service that modern digital and mobile technology now delivers on a daily basis in other areas of their life.

Kelly elaborated on the challenge facing insurers: its not just about both HOW customer expectations are changing AND how quickly, it is also about how disparate these expectations are across different customer segments, and that increasingly these different expectations occur in increasingly ever-smaller demographic segments:

“How long does it take to change a generation? So I think historically some of us might have thought that it takes 20 years before there’s a generational shift. We all know about generation X, Y and Z. But I can tell you that my daughter, who’s 26, has got a very different view from what a 16 year old would have, and also a very different view to what someone in their mid 30s would have. So, I think my first observation is the speed at which the generations are moving. It’s a level now which we as insurance and service providers are not quite keeping up with”

Another participant added an interesting perspective here: during COVID the elder generations have been forced to adopt digital to a much wider degree than previously, and have taken to it very quickly, and have very rapidly established some service expectations that insurers are struggling to meet.

Translating this into the implications for operating models and the customer experience they should be aligned around, Kelly insisted that it shouldn’t be about striving for omni or multi-channel service delivery because “everyone else has it”, but rather that insurers should endeavor to “interact with customers their way, however they wish”.





A key element to this is ensuring that the data an insurer has about the customer is available to the insurer at every interaction point, and that the customer isn't asked to tell them what they already know or have already been told earlier in the process:

I would say it's quite simply around "why aren't you using what you know about me already and I've let you know...and also, why is it that if I interact with you at a different time, in a different way, you have amnesia and you start again?"

I think we all know that feeling. For another participant it was even more fundamental:

... you have to unpick the phrase "target operating model" and go back to a fundamental strategic discussion about "what you are as an organisation" - what you do and why you do it - before you can start thinking about designing the operating model to support it. This is often a lot harder than it sounds in complex organisations that want to operate across disparate business lines in different locations and integrate different cultures.

Amanda Rees from Sapiens made the point that a transformation of the operating model shouldn't just be about transforming your capabilities or how you're underwriting your product or servicing your clients: it's much more fundamental and goes to all levels and all departments of the organisation. Amanda went on to point out that it is also about individual processes and customer interactions – so you have to look at it holistically as well as paying attention to individual processes in specific departments:

And I actually believe that when you're looking at digital replacement or digital transformation projects ...whether you're looking at operations and processes or your legacy systems and what you need to do to modernize those legacy systems, whether it's what I call a rip and replace opportunity or what I term as open heart surgery ...you have to look at it across the broad spectrum of everything that you do. It's very easy to focus and drill down on just one specific area, but it's very, very difficult to join everything up.

Another participant advocated looking through 2 lenses – the customer lens and the organisational lens – in order to come up with a target operating model that addresses the priorities of both. As Kelly indicated, looking through the customer lens involves rethinking customer journeys to tailor them to customer preferences (rather than our own) and take the friction out, and improving communication between key “moments” in the journey. Looking through the organisational lens means focusing on process and making sure that the operating model, the people, and critically the capabilities as well as the technology is in place to deliver the best processes for the customer experience. Amanda articulated this succinctly:

You're not looking at whether it's a technology change or a people change. You're looking at the process. And that really helps to drive forward what that operating model needs to look like and what changes that you need to make within the operating model, because by looking at the process level, you're actually identifying what you have - where you're maybe overengineered or underweight - and reengineering it from a process perspective. And then you can start to streamline what that target operating model looks like for that specific type of process.

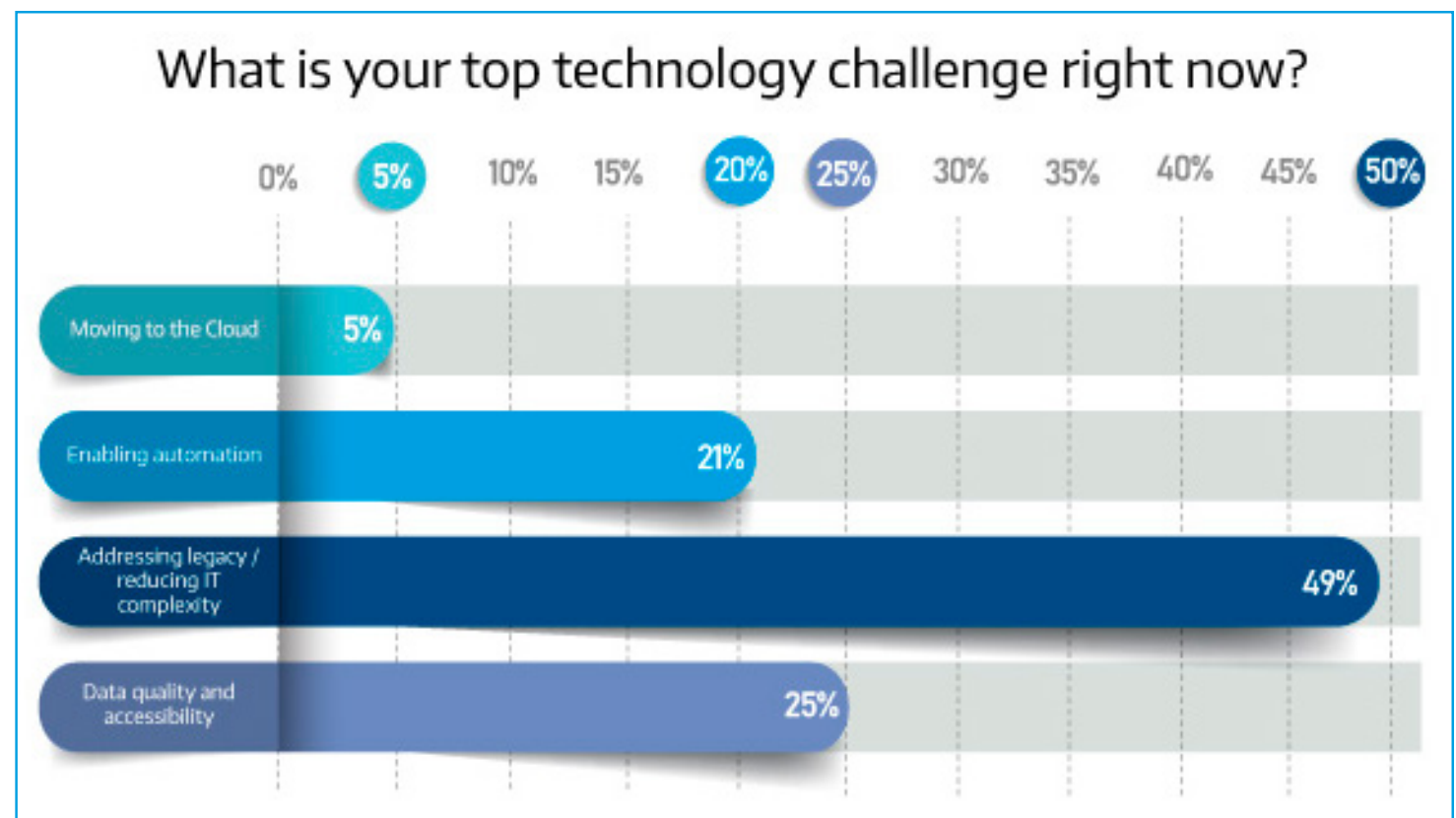


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As the survey highlighted the main technology obstacle facing most organisations on their path to successful transformation to a digital operating model is still addressing legacy and reducing IT complexity, with nearly half of respondents selecting that as their primary challenge. For many the issue is joining up systems to deliver omni channel, but that involves a number of sizeable challenges around the limitations of their core systems, the quality and availability of data, and the capabilities of their people. Tellingly, when asked specifically about the challenges in improving customer engagement and CX, data quality and accessibility outweigh legacy challenges: for many the current focus on improving the digital customer experience is laying bare shortcomings in the way that data is recorded, shared and leveraged across the organisation – and fixing that is at the heart of many transformations.



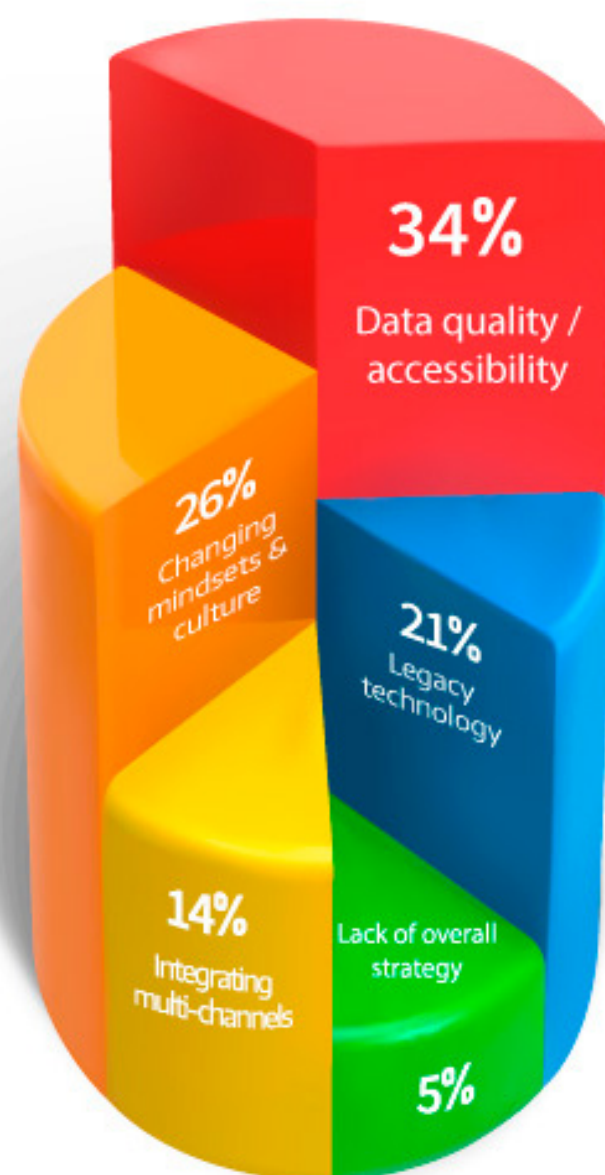
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Data lies at the heart of the problem, and at the heart of the solution. When asked to rank the operational challenges standing in the way of improving customer engagement and the customer experience, the top answer (with 34%) was data quality and accessibility. Insurance, already heavily data driven, is now awash with data, both structured and unstructured and both internal and external. The challenge is corralling that data to make it accessible to evolve analytical capabilities and actionable insights in the context of a multi/omni channel digital customer experience. In line with their legacy operations and technology, many insurers' data has traditionally been siloed and not shared across departments. It resides in disparate legacy systems and is stored in different formats. It is also notoriously unreliable and inaccurate, having been manually inputted, in some cases multiple times. These existing data quality and accessibility issues need to be overcome before new external and/or unstructured data sources can be integrated, and before the opportunities represented by analytics and digital can be realised. To achieve a market leading seamless omni-channel experience and to anticipate and service customer needs, insurers need real time access to accurate, actionable data for both machine and human – it is the backbone on which a digital customer experience is built.

It seems the sector is heading towards a situation where meeting customer expectations means having the technical, operational and organisational agility to

When thinking about improving customer engagement and the customer experience, what is the largest operational challenge?



serve each customer as an individual in the way they want to be served, at that time every time. In other words, whilst the technology might be making solving

the problem easier, at the same time the problem is making itself more complex – partly driven by better applications of the same technology in other sectors.

Following the disruption caused by COVID (and in response the tactical adoption of digitally enabled processes and communications), many leading organisations are now taking a step back and thinking strategically about a future, digitally enabled operating model that enables new, post-lockdown working practices and is agile and flexible enough to offer the same 'change-agility' at the front end – to meet ever evolving and escalating customer expectations, and deliver the kind of digital experience that, post-COVID, is becoming very quickly prevalent across sectors. This is more than just bringing in new technology. It's about a fundamental rethink of the operating model, starting with the purpose of the organisation, the customers it wants to serve and the products and services it wants to offer them. It's about then designing an ecosystem of people, processes, technology - and crucially data – that can support that truly customer centric operating model. But the speed of change today, and increasingly the precedents and service expectations set by digital experiences in other sectors, mean that agility and flexibility need to be built into the operating model alongside customer centricity, in order that organisations have the ability to respond to further changes in customer expectations at a pace that matches the speed with which those expectations are evolving.



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