



STRATEGY MEETS ACTION

THE INSURANCE CUSTOMER JOURNEY IN THE DIGITAL AGE

SMA White Paper

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This white paper is based on SMA's experience, research, and insights.

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NEW REALITIES OF CUSTOMER ENGAGEMENT

According to recent SMA research, 85% of insurers report that customer experience and engagement is a top strategic initiative, ranking it as #1 – a significant shift from #4 and #5 in past years.

While the leaders in our industry have been investing in customer experience and engagement for many years, it has never been more important to get it right – and quickly! This might sound like yet another alarm, but the truth is the alarm has already gone off, and those who have been hitting the snooze button need to find a way to act fast and make up for lost time. Moving fast and getting it right requires gaining a better understanding of customers, including insights gleaned from customer's journeys.

The Customer is in Control

Customer expectations have changed significantly in a relatively short period of time, and there is no going back. The forecasted move to real-time interaction is indeed here, and it changes the customer experience completely. This is the long and short of it: the customer is undeniably in control. That customer can (and does) change insurers – often with the help of online comparison tools and digital agents. There is far less of the loyalty that our industry depended on for success in the past. Even those customers that remain with the same insurer make greater demands for speed, transparency, and convenience.

According to recent SMA research, 85% of insurers report that customer experience and engagement is a top strategic initiative, ranking it as #1 – a significant shift from #4 and #5 in past years. This is good news for the industry, as it points to determination and focus. All indications are that insurers intend to sustain these efforts over time. But the question is whether they can transform rapidly enough to stay ahead of the pack – and these days the pack includes not just traditional competitors but new entrants as well.

In today's environment, the expectations of the customer are being set outside our industry by companies like Amazon and Apple. Informed, real-time, accurate, pleasant exchanges have become the norm. Interactions frequently take place in a mobile environment. Instant response and the exchange of accurate information is not only expected, it is delivered.

The Customer Journey

In today's digital environment, many insurers are motivated to become digital enterprises with omni-channel operations. SMA research shows that the expectations of policyholders and agents are leading drivers for insurers' strategies and investments. This shift in investment drivers began in 2015 and marked a significant change from prior years in which drivers such as expense reduction, business optimization, and growth were internally focused. Now, insurers must strive to meet customer and agent demands for anytime, anywhere, any device interaction.

Building a successful foundation for this changing customer and agent behavior means full recognition of the fact that while the individual transaction experience is important, it must be completed in the right context. Of paramount importance is an understanding of who the customer really is. This includes understanding recent interaction activities and the history behind them, handling each interaction via the right resources, and delivering the appropriate responses in person or electronically.

And, it means responding in a timely manner (in many cases real-time) with a response that is informed by insight. The objective is to provide the ultimate 360-degree experience. This includes a focus on relationships, lifecycle, and even life stages (the time dimension).

UNDERSTANDING CUSTOMER JOURNEYS IN INSURANCE

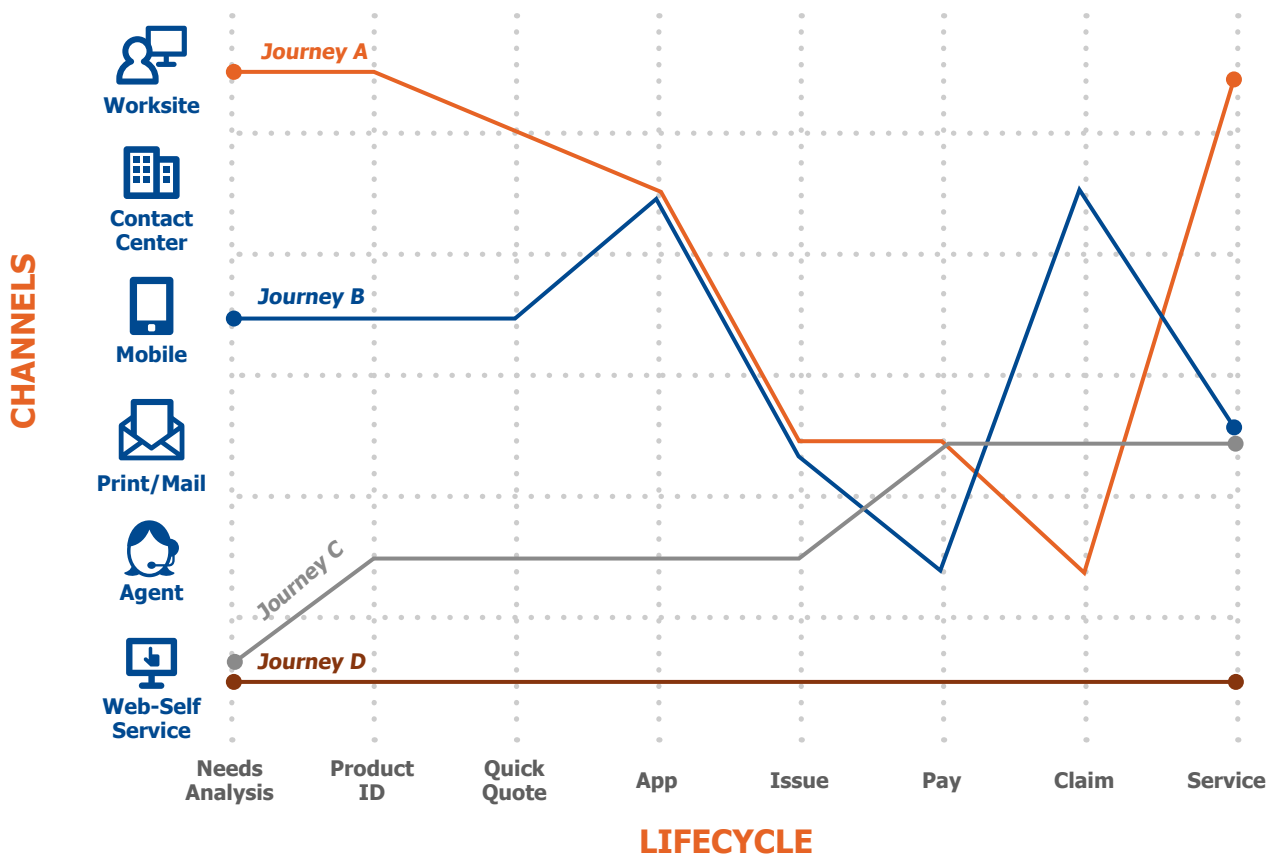
Fundamental to the delivery of an optimal customer experience in insurance is a full and complete understanding of who the customer is and an appreciation of that customer’s journey. This means understanding the history and the dynamic wants and needs of the specific customer as well as their relationship to other parties and businesses. Hence, customer relationship management (CRM) data and tools must not only be complete and accurate, they must also be easy to use and available when needed. The resulting awareness and understanding of life events, business stages, and changes in the environment gives the insurer the insight necessary to personalize and tailor each interaction – be it face-to-face, via voice, or electronic. Rich CRM capabilities equip the insurer to understand preferences, appreciate the context and situation, and tailor an effective response.

Complex Customer Journeys

The customer journey in insurance is often complex – involving complicated relationships and wants and needs that frequently change over time. The journey for each individual insured person or business is unique – often involving multifaceted relationships, multiple locations, challenging needs, and a variety of insurance product lines. Yet, it is this deeper understanding of the journey that improves the experience for the policyholder.

There are two dimensions to the customer journey that are especially important: the lifecycle of an insurance contract and the insured’s journey through different life or business stages. The journey for the ownership of one product is represented by the customer’s movement through the insurance value chain and the related interactions. This is represented in Figure 1 which shows four different patterns of interactions as policyholders use different channels to communicate at different stages.

Figure 1. Customer Journey Examples for the Life of an Insurance Contract



Although every policyholder's journey will be different, there are often common patterns that help insurers prioritize the technology and resources required for different types of interactions. In addition, it is often possible to predict the customer's next interaction and proactively prepare to respond.

Equipped with a deeper appreciation of the customer journey, insurers can improve the experience for policyholders. Armed with understanding, the insurer or agent is able to recommend and provide appropriate coverage options, effectively handle questions and concerns, offer advice, and mitigate losses.

While the first type of journey is more internally oriented – around the insurance value chain – the second category of journey is externally focused. Understanding the life stage of the individual or business is just as important. For individuals, these life stages are both age and event related. Different insurance and financial services needs emerge based on age as a person reaches drivers age, achieves the age of majority, reaches middle age, nears retirement age, or becomes elderly. Other journey stages are based on events such as marriage, the birth of a child, the purchase of a house, and so on.

Businesses journey through different stages as well. At startup, a company may go through several stages requiring different levels of funding, insurance, and risk management advice. During early growth stages, the company is likely to be adding employees and product/service offerings and may venture into new geographic areas. All of these trigger insurance needs. Eventually, companies become mature and may expand internationally. And some will decline or fail. Understanding these stages will help commercial insurance companies create the right offerings, better anticipate customers' needs, and improve service.

The important thing to recognize is that every insured is expecting an understanding of their particular journey. That understanding should include any and all relationships with the insurer and the history of those relationships, as well as factors relevant to the insurance transaction or transactions being managed. It is this thorough understanding that contributes to successful and rewarding relationships that extend over many years.

Informed and Efficient Interactions

Equipped with a deeper appreciation of the customer journey, insurers can improve the experience for policyholders. Armed with understanding, the insurer or agent is able to recommend and provide appropriate coverage options, effectively handle questions and concerns, offer advice, and mitigate losses.

A full understanding of the customer journey positions the insurer or agent to function as an informed advisor – able to be responsive to the customer's need or desire for assistance as needed, able even to allay losses. The interaction might be face-to-face, or it might be electronic. In either case, it is informed and efficient. The policyholder receives excellent service and appreciates the value of the interaction.

Seamless Interactions

One important reason for mapping and analyzing journeys is to assist in making interactions more seamless. Many insurers have strategies for omni-channel operations, aimed at easing the pain and inefficiencies of switching between channels. The omni-channel objective is to go beyond multi-channel by enabling real-time transfers of conversations, information, and documents to support interactions. This is a monumental challenge for most companies, as it involves new types of integrations between systems, ready access to databases, and real-time analytics.

The payoff for omni-channel is improved customer acquisition, satisfied customers, increased retention, and even reduced claims – all vital drivers of growth and profitability. This means that even though the effort to achieve omni-channel operations is difficult, it is well worth it. One of the fundamental reasons to map customer journeys and exploit that knowledge is to help guide plans and investments as companies move toward omni-channel. That move to omni is a journey in itself for insurers, and it is not possible to upgrade everything at once. Understanding the journey patterns and the channel preferences of customers at different stages helps to prioritize investments and allocate resources appropriately.

INSURER PLANS AND OPPORTUNITIES FOR CUSTOMER JOURNEYS

While the journey will be unique for each individual or business, there is real value in customer journey mapping exercises. Insurers will benefit by operationalizing the insights. Findings can be used to improve systems, change processes, and enhance training.

In today's world, most insurers fully understand the need to be proactive rather than simply reactive. While the understanding is there, the job of making it possible is a formidable mission for many. But it is one that must be addressed and the sooner, the better. To stay competitive, insurers will need to step up to this task. This proactive role is necessary, not only to form a more meaningful and valuable relationship with the customer but also to prevent and control losses.

It must be made much easier for an insured to connect with the right person to make inquiries and accomplish their mission – whether the need is for insurance for a car, new home, life, or business; coverage for rare artwork, family heirlooms, or musical instruments; trip insurance; or personal or business liability coverage. It should be painless to connect with the right person to get complete information. It should not be the responsibility of the policyholder to navigate the complicated web that exists today inside many insurance companies.

While the journey will be unique for each individual or business, there is real value in customer journey mapping exercises. Insurers will benefit by operationalizing the insights. Findings can be used to improve systems, change processes, and enhance training. This mapping not only assists in laying out interaction response patterns, but the insights often prove to be valuable in setting new strategies.

Improving the Journey Path

There are several examples of actions that insurers can take to improve the journey and the overall experience of their customers. At the heart of all of them is being responsive (if not proactive) in one interactive mode or another, with the insight to make the interchange a meaningful, helpful, and rewarding experience for the customer.

Experiences and Examples

The following examples illustrate how an in-depth knowledge of customer journeys can be operationalized to provide value for the customer as well as the insurer.

Personal Auto Sales: When consumers shop for their auto insurance policies, it is common that they do research and get quotes via the Internet, then switch to a call center or agent to complete the transaction. Understanding these channel-switching patterns and making the experience quick and easy for customers is key to converting inquiries into sales. If a customer doesn't get a call back from an agent for days or has to re-enter all the information they have already provided via the web, they are likely to get frustrated and seek another carrier.

Homeowner's Claims: When a policyholder has damage or a theft related to their home, the resulting claims process typically has many interactions over a period of time. A good understanding of how different claims usually play out, along with knowledge about the preferences of individual customers will aid in producing a more successful outcome. Anticipating the next step, being proactive, and enabling omni-channel operations during the claims process all will help to speed up the process and improve customer satisfaction while managing claim payouts.

Life/Annuity Redemption: Policyholders who request a loan from their life insurance policy or a redemption of their annuity do so for a reason. The approach today is usually just to process the transaction. A better approach is to understand the customer's journey, anticipating when and why they might need or want additional funds based on their life stage and life circumstances. This will allow an advisor to work proactively with the policyholder to determine the best approach for the customer, considering alternate sources of income, tax implications, and the effect on the overall portfolio.

Business Insurance Stages: Businesses go through life stages just like individuals do. Understanding these stages and how they affect risks and financing needs is crucial to serving the business customer. This is especially true for new businesses – and this seems to be an age of startups and new business ventures. Tracking the progress and evolution of the business will allow an insurer to make the right offer at the right time, ensuring that coverage is adequate as the business expands and new risks are identified as the business changes.

SMA CALL TO ACTION

Never before has our industry been offered such robust opportunities while facing so many enormous challenges. The customer is in control. The customers' choices will directly correlate to the ability of their partners to provide protection in a newly defined, highly responsive, personalized, and helpful manner. Insurers must act now to find new ways to be agile and adaptive – to be able to do business in a mode that is dictated by the customer.

First and foremost, personalize the experience. Make the experience unique for each user. Know who the users are and understand their individual attributes as well as their current and historical relationship with your organization. Use predictive insights to determine why a policyholder or prospect is reaching out to improve the value of the interaction and the experience itself. Don't allow the customer to fall into dynamic IVR (interactive voice response) limbo. Once you have learned who they are and why they are reaching out, efficiently get the response to them with as much personalization as possible, bearing in mind that less is more, and attention spans today are very short.

Provide new options for real-time collaboration, based on the preferences of the customer. Equip front line employees or agents with robust dashboards. Give them the insight to create more context for the interaction. Furnish them with the knowledge to create a more informed and rewarding experience.

Provide new options for real-time collaboration, based on the preferences of the customer. Some prefer voice interaction. Others are more comfortable with chat or another electronic mode. Equip front line employees or agents with robust dashboards. Give them the insight to create more context for the interaction. Furnish them with the knowledge to create a more informed and rewarding experience.

Utilize skills-based routing for real-time connection to an individual matching the profile and needs of the caller. Use advanced technologies such as speech analytics to alter and accelerate the interaction pathway, thereby improving the experience of the customer.

There is good news and bad news for insurers as they prepare to chart and direct the customer journey. The bad news is that the challenge for many insurers may seem overwhelming – particularly those saddled with inflexible systems. The good news is that there are solution providers that can help.

There are new, more flexible, integrated systems available in the marketplace today. Some have very robust capabilities. There are cloud offerings available in various sizes and shapes, with the ability to host the data or provide more operational flexibility. Now is the time to look at the possibilities and determine what approach will best fit your needs. The objective must be to achieve the

capability to help each individual customer manage his or her particular journey. This is one area that will not wait. The customers of tomorrow are here today, and it is our job to help them navigate the world of protection and benefit.

ABOUT STRATEGY MEETS ACTION

Strategy Meets Action (SMA) is dedicated to helping the business of insurance modernize, optimize, and innovate for competitive advantage. Exclusively serving the insurance industry, SMA blends unbiased research findings with expertise and experience to deliver business and technology insights, research, and advice to insurers and IT solution providers. By leveraging best practices from both the management consulting and research advisory disciplines, we take a unique approach – offering an unrivaled set of services, including retainers, research, consulting, events, and innovation offerings.

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