

Insurers get practical about the customer

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A photograph of a man in a striped sweater and jeans teaching a young child in a helmet and striped shirt to ride a small bicycle on a paved path in a park. The background shows a grassy field and a building.

Insurers already know that — to win in today's competitive environment — they must become much more customer centric. Yet many still struggle to turn their customer ambitions into reality.

Talk to any insurance CEO about customer experience and stress levels start to rise. Insurance CEOs are well aware that their organization's very survival depends on their ability to reorient their business around the customer. And, according to KPMG's recent survey of CEOs, more than two-thirds also feel personally responsible for representing their customers' best interests.¹

The problem is that few seem to feel they have made the necessary progress towards becoming truly customer centric. A great deal of money, time and effort has been invested into various transformation initiatives and technologies that promised to fundamentally change the customer experience. But at the end of the day, most insurers have achieved only incremental improvements in their customer propositions and relationships.

In part, this lack of progress stems from a general reluctance on the part of traditional insurers to make fundamental changes in their business models. But it is also due to the sheer complexity of the task. Indeed, becoming customer centric requires much more than just good customer service and smart products and services; it also requires a new vision, insights, cultures and partnerships that put the customer at the core of the business. It requires insurers to ask 'what role do we play in our customers lives and is it enough?' For most insurance organizations, this will mean radical change throughout the business and ecosystem.

As a result, many insurers are struggling to bridge the gap between their customer ambitions and their organizational reality. Insurance CEOs seem very keen to get closer to their customers (more than half say that's the primary objective of their current investments).² But this, in

¹ *Disrupt and Grow: 2017 Global CEO Outlook*, KPMG International, June 2017, kpmg.com.ceooutlook.

² Ibid.

More than two-thirds of insurance CEOs feel personally responsible for representing their customers best interests.

turn, requires them to have the right insights about their customers and — more importantly — the capability to do something valuable with those insights once they've been captured. For most traditional insurers, that will mean finding a way to succeed despite their legacy technology environments and disaggregated customer data silos. Customer analytics is a very powerful way of harnessing this insight, yet only 8 percent of insurers say they are using analytics to identify customer preferences.

At the same time, insurers are also grappling with a number of emerging trends that are changing their underlying competitive environment and redefining the customer relationship (see callout box). Not surprisingly, many are struggling to plot their transformation journey when they aren't quite sure of the destination.

Key areas of focus

KPMG member firms' experience working with leading insurers suggests there are a number of areas where they are already creating competitive advantage.

Leadership

KPMG professionals' experience suggests that the shift towards customer centricity starts with the board and executive team. They will need to be the ones that set the change agenda, articulate the vision and create the customer proposition (73 percent say they can articulate their customer value proposition with confidence today).³

Economic model

To achieve the right commercial outcomes, firms will need to start by

understanding the customer economic model — knowing what levers they can pull to achieve various outcomes, from improving the customer experience and engagement through to increasing the number of customer touch points and resolving retention issues.

Digital focus

Given the profound impact of digital on today's customer and business environment, leading insurers are elevating the shift to digital channels as a first priority. Indeed, any new transformation initiative should be assessed to understand how its objectives improve the shift to digital and the development of seamless omnichannel experiences.

Interestingly, research from KPMG Nunwood suggests that some insurance brands may be moving ahead quickly. In fact, the top ranked brand in the US (for the second year running) is USAA — a financial services firm focused on serving US military personnel — whose profound focus on the customer is ingrained in its digital-first approach to enhancing its processes.⁴

Customer journey

Leading insurers recognize that customer expectations are rapidly evolving so maintaining a vigilant focus on improving each customer journey is definitely an attribute of the best performing companies. Because of their organizational complexity, the large insurers are having to balance the need for speedy improvements to the customer experiences that exist today with the need to fundamentally rethink future products and services.

Four key trends are emerging as fundamental to the insurance customer relationship

- **The shift from products to services.** Insurers are increasingly focused on wrapping their products in related services and solutions in order to enhance the customer relationship and create new cross-selling opportunities.
- **The shift from protection to prevention.** Many insurers are looking to create additional value for customers and new opportunities for growth by helping them better mitigate their risks and reduce the potential for losses.
- **The shift from reactive to proactive.** In an effort to provide better support to their customers in difficult times, some insurers are using data to proactively identify customers who may be in distressful situations like floods or fires to let them know that they will be there to support them.
- **The development of bespoke products.** Recognizing that customers are looking for tailored products and services, many insurers are creating more bespoke product offerings that could allow them to differentiate themselves in a highly commoditized market.

³ Employee satisfaction, customer satisfaction, and financial performance: An empirical examination, School of Hospitality Business Management, Washington State University, Pullman, WA 99164-4742, United States.

⁴ Customer experience best practice: USAA recognized as the USAs leading customer experience brand for another consecutive year, Blog Post, KPMG Nunwood Excellence Centre, 2017.

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Measurement will be key. Indeed, to fully assess the customer journey and the impact of improvements, insurers will need to measure not only the traditional customer experience indicators, but also other — possibly more emotional — indicators (such as anger, trust and enjoyment) to help drive continuous improvement.

Customer insight and knowledge management

Improving the customer experience also requires deep insights on customer trends, demands, demographics and individual experiences. And it will require insurers to develop and enhance a number of key organizational capabilities in order to support their change agenda.

If insurers want to build trusted relationships with their customers, they need to start by knowing more about those customers. Insurers need to equip their people with the sorts of insights that allow them to have meaningful customer conversations and develop personalized and memorable experiences. Better yet, they need to provide them with the right

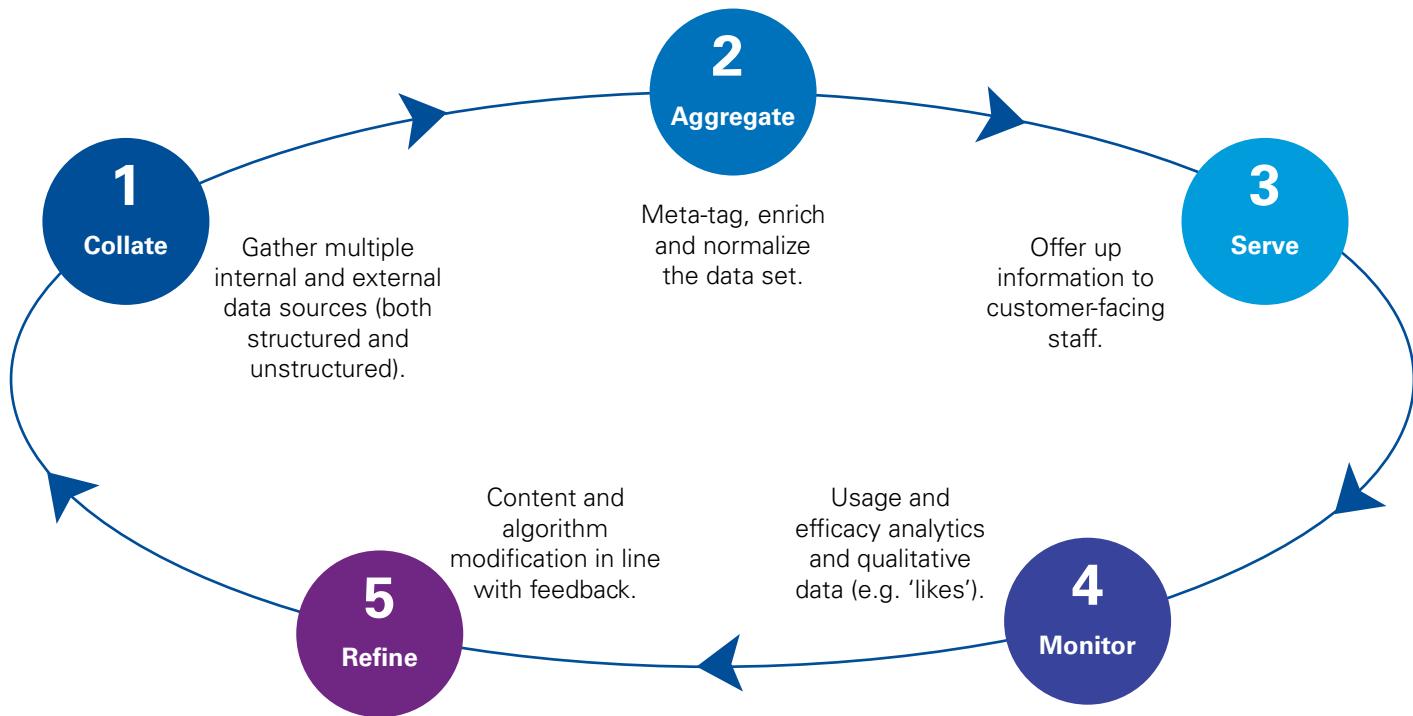
information to anticipate and then solve their customers' problems, preferably as first-point resolutions.

In part, this comes down to data and technology. New customer relationship management systems, new sources of data and new visualization techniques will certainly play a big role. But having great organizational knowledge will also require front-line employees and data professionals to develop new data-driven capabilities, new ways of working and new skills (such as empathy).

Employee engagement

It's been almost a decade since researchers at Washington State University proved that engaged employees are key to creating engaged customers.⁵ Experience shows that engaged employees focus on the organization's core business. They understand and get excited about their role. They take ownership of the customer proposition and vision. Simply put, employee engagement generates innovation, creative problem solving and great experiences.

At a high level, we see a five-stage continuous approach to good knowledge management



⁵ *Employee satisfaction, customer satisfaction, and financial performance: An empirical examination*, School of Hospitality Business Management, Washington State University, Pullman, WA 99164-4742, United States, June 2009.

Some insurers could get much better at using their own products and services to improve the employee proposition and drive employee engagement. Really working to understand the employee journey and thinking about employees just like they think about customers is a mindset shift that can have great results. Leveraging internal capabilities like insights and tools to communicate and interact with employees can also enhance the employee experience.

Team structures

Rather than structuring their organizations and teams around traditional vertical and horizontal functions, some insurers are now reorienting their organizational structure around the customer. This means creating dynamic teams of empowered employees that focus on points in the customer journey and experience rather than specific transactions or processes.

To support these new structures, insurance organizations will need to rethink the way they build capacity and capability, develop talent, manage processes and incentivize performance. For example, insurers may want to think about how they develop and encourage 'empathy' as an employee skill.

Partnerships and intermediary relationships

In many cases, insurers are struggling to get closer to the customer because

someone in their ecosystem already owns the customer relationship. Leading insurers recognize that they will need to work closely with their B2B relationships and intermediaries in order to capture, analyze and leverage the available customer data and information.

This will require more than just new interfaces and contracts. In fact, much like the customer relationship, insurers will also need to transform their traditional B2B relationships to create more collaborative partnerships where the levers of value are understood by all parties and carefully measured to assess success.

Turning the super tanker

While KPMG member firms' experience working with organizations across the globe suggests that a handful of insurers are already making significant progress towards building a unique and valuable customer experience, our interviews with consumers last year suggest that most insurers continue to disappoint.

In a sector that is considered one of the most likely to become radically disrupted in the next couple of years, insurers will need to move quickly to change their business models and build their capabilities, or risk the demise of their business. ■

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Gary Reader was appointed KPMG's Global Head of Clients and Markets on 1 October 2017. He previously served as Global Head of Insurance from 2014–2017. His career with KPMG has spanned over 28 years, 25 of which have been focused on the insurance sector. Gary's personal delivery experience lies in the area of financial management services, and having set up the financial management practice in the UK, he has led a number of financial transformation projects for member firms' insurance clients around the world.

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Louise has over 15 years' experience leading and advising on large-scale transformational change in the financial services and health sectors in the UK and Australia. At KPMG in the UK, Louise provides strategic insight to financial services clients on how to best implement their business strategies through their transformation programs and change portfolios. Her areas of expertise include innovation, cost optimization and growth strategy execution.

Case study: Refocusing around the customer

When a leading global insurer decided they wanted to be top ranked for customer service by 2020, they quickly recognized that they needed to put the customer at the center of their strategy. To start, they spent time defining the future state for their customer operations functions, including a core set of customer journeys, new customer-facing technologies and core capabilities.

Working with KPMG professionals, the organization is designing a new customer strategy and approach, reprioritizing their innovation investments and redesigning their knowledge management to create and deliver frictionless customer journeys. The program has already achieved measurable success and is being viewed as the first of its kind in the insurance sector.