



# Aligning behind your customer agenda

**Becoming a *connected enterprise*  
in non-life insurance**

KPMG Connected Enterprise

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# What kind of customer do you target?

1. The **“I’ll get it done myself”** customer, who shops by price, has simple needs, is technologically adept and happy with preconfigured options that enable self-service?
2. The **“I want help from a human I can trust”** customer, who struggles with setting a deductible, doesn’t know how much coverage to choose, and doesn’t trust a machine can provide customized advice?
3. The **“I am hiring you to do it for me”** customer, who is willing to pay top price for tailored responses, personalized service, and peace of mind?
4. Or maybe all of the above?

**The key to customer-centricity lies in the ability to design and deliver compelling, seamless customer experiences. It requires alignment within the entire organization — across the front, middle and back office. We call that a connected enterprise.**

**This report looks at the fundamental capabilities essential for property and casualty (P&C) or non-life personal lines insurers to become a customer-centric, agile and digitally transformed connected enterprise.**



Just as fast-food chains operate a different capability footprint and deploy different processes than three-star Michelin restaurants, non-life insurers should develop and deploy differentiated processes and capabilities, based on specific customer considerations — extending from what the customer needs or values to how the business can deliver that value to the customer while capturing value itself. ”

— **Deno W Fischer**  
Financial Services  
Customer Advisory Leader  
KPMG in the US



# Moving toward a connected enterprise

As a non-life personal lines insurer, can you say with confidence that you know your customer? Do you know your customer's motivations, preferences, and needs? Does your customer agenda inform your business strategy? And do all relevant parts of your organization that affect customer experience, directly or indirectly, understand and act in accordance with your identified customer agenda?



Organizations become successful outperformers when they establish a customer agenda and take specific steps to align their capabilities behind it. The customer agenda is based on a deep understanding of who the customer is and what the customer needs and values, along with how the organization can deliver value to that customer while capturing value itself.

No single non-life insurance proposition can adequately satisfy all market needs. Just as fast-food chains operate a different capability footprint and deploy different processes than three-star Michelin restaurants, non-life insurers must develop and deploy differentiated processes and capabilities based on their identified customer agenda (which is the foundation of their strategies and business models). Some customers may want to buy all their insurance from one company because it offers the insurance equivalent of fast-food, for example, or, alternatively, three-star Michelin service. Others may seek a fast-food equivalent from one insurer, or from one of its business units, and a more service-oriented product from another business unit or from another company altogether.

Any business — generically speaking — may have an online channel, or an analytics function, or a call center, or campaign management, or partnerships and alliances. However, the extent, maturity, and prominence of these capabilities should be fine-tuned and ‘connected’ as a function of the customer agenda, the business model and strategy deployed by that business or business unit.

Why? KPMG commissioned Forrester Consulting to conduct a study to gain a better understanding of success factors in delivering against a company’s customer agenda. Our research shows that when companies move away from the limitations of operating in functional silos and toward what KPMG defines as a connected enterprise — an organization that is connected and aligned across businesses, functions, and channels — they outperform their competitors.

## Prioritizing interconnection for non-life personal lines insurance



80% of non-life personal lines insurance companies cite an interconnected and aligned organization as a top or high priority

## Making customer centricity work

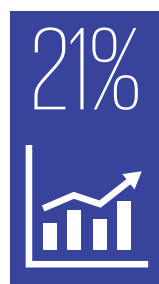
To succeed in winning the loyalty of 21<sup>st</sup> century customers, non-life personal lines insurers need an enterprise-wide approach that connects the capabilities of the front, middle and back offices — so they can appropriately focus on the customer agenda. A connected enterprise approach enables insurance companies to see and serve their customers as people with a wide variety of insurance needs and preferences, and not just as policyholders according to how their business units define them — as, for example, homeowners, vehicle owners, business owners, or insured lives.

While the theory of aligning a business capabilities to its customer agenda and business model is not new and rarely disputed, our research has found that the non-life personal lines insurance industry as a whole is lagging other industries significantly in applying and extracting the value of this theory.

What’s more, although non-life personal lines insurers place a higher priority on creating an interconnected and aligned organization than the average of all global industries surveyed (80 percent of non-life personal lines insurance respondents versus a study average of 77 percent), more than three-quarters of respondents say such efforts haven’t generated the returns they need (see figure 2, page 7).

Insurance companies that seek to deliver on their customer agendas need to connect and align specific business capabilities to do so. KPMG’s connected enterprise approach highlights the capabilities on which insurers need to focus. It also identifies steps companies can take to create the desired connectedness across these capabilities and thereby generate sustainable value by aligning with the customer agenda.

## Non-life personal lines insurance



21% or fewer are getting a strong or acceptable return on any single interconnected and aligned ROI metric

## Across all industries



28% or fewer are getting a strong or acceptable return on any single interconnected and aligned ROI metric



# KPMG Connected Enterprise: Our market- leading perspective

**KPMG's Connected Enterprise** approach begins with identifying the customer and the customer agenda. From there, the focus is on interconnecting the efforts of the front, middle, and back office to align with that agenda — so insurers can better understand and deliver against their customers' ever-changing and heightened expectations (figure 1). This customer-centric approach helps companies address misaligned, incompatible or competing agendas; identify projects or efforts that may no longer be relevant to the current strategy; and create a common understanding and buy-in to the customer agenda across the organization.

In practice, insurers often falter in their efforts to interconnect and align internal operations with the customer agenda. They may consider improvements in a variety of areas — from customer service, infrastructure, and partnerships to their strategies for pricing, locations, channels, data, analytics, or acquisitions. But in the pursuit of “customer centricity,” they may simply not know how best to target their efforts, or even what those efforts should be.

KPMG's research shows that outperformers focus specifically on eight fundamental and integrated capabilities. Our connected enterprise approach is built on an architecture of these eight capabilities, which together can help insurers unlock new value for customers, employees, partners and shareholders.



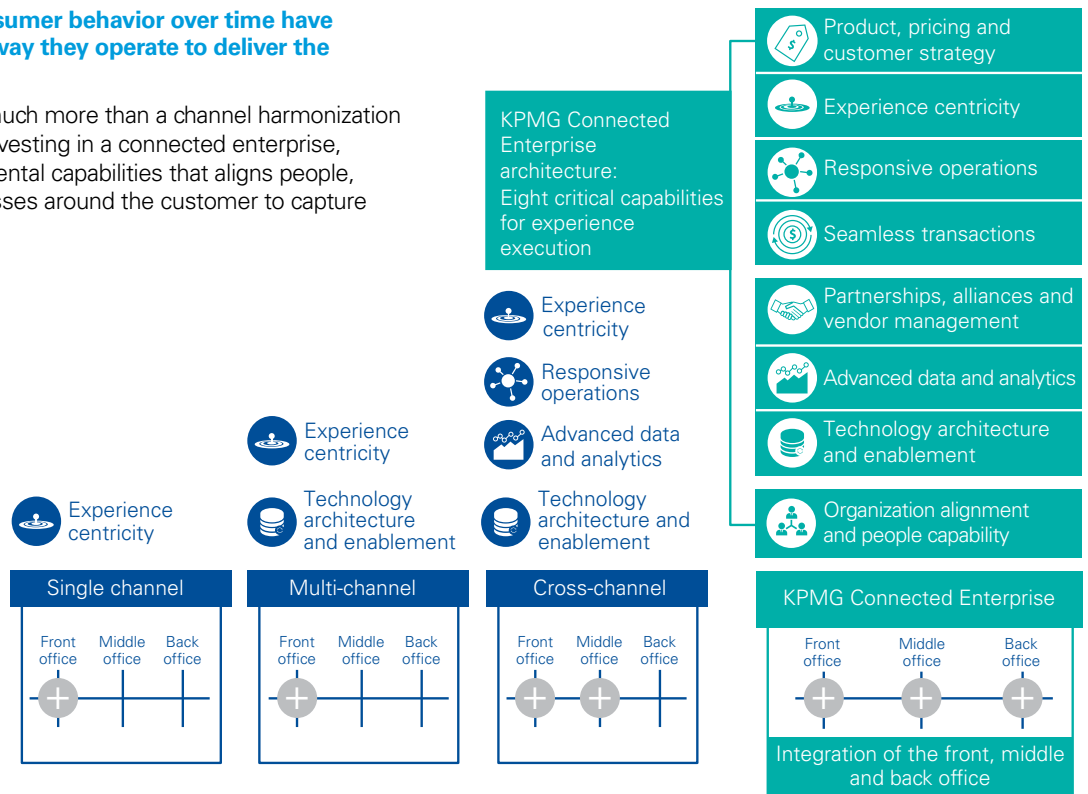
Companies that invest in the eight capabilities are achieving demonstrable success. Indeed, using a measure of interconnection/alignment that factors in three business outcomes — customer experience, business objectives and self-reported ROI — our research shows that mature non-life personal lines insurers (those investing in all eight capabilities) are more likely to achieve interconnected and aligned success compared with their less mature peers by a margin of six percentage points (figure 2). When compared across all industries, we see mature companies are more likely to achieve a strong or acceptable ROI than their non-life personal lines insurance counterparts (48 percent versus 29 percent). These results demonstrate that non-life personal lines insurers have substantial opportunities to achieve greater value from their investments.

Most companies have already begun the journey in some way — so the goal is not necessarily to start anew. However, it is important to integrate existing investments in a meaningful way. Our research shows the benefits are worth the investment. Mature organizations outperform less mature firms by margins ranging from +1 to +22 percentage points across objectives aligned to all eight capabilities. Furthermore, 73 percent of mature non-life personal lines insurers report providing experiences that exceed customer expectations, compared with just 60 percent of less mature firms. Customer experience can be the difference between gaining a loyal customer and losing a dissatisfied one.

## Figure 1: The KPMG Connected Enterprise evolution

**Evolving technology and consumer behavior over time have forced brands to change the way they operate to deliver the desired customer experience.**

For mature organizations, it is much more than a channel harmonization and integration effort. They're investing in a connected enterprise, an architecture of eight fundamental capabilities that aligns people, operations, systems and processes around the customer to capture business value.

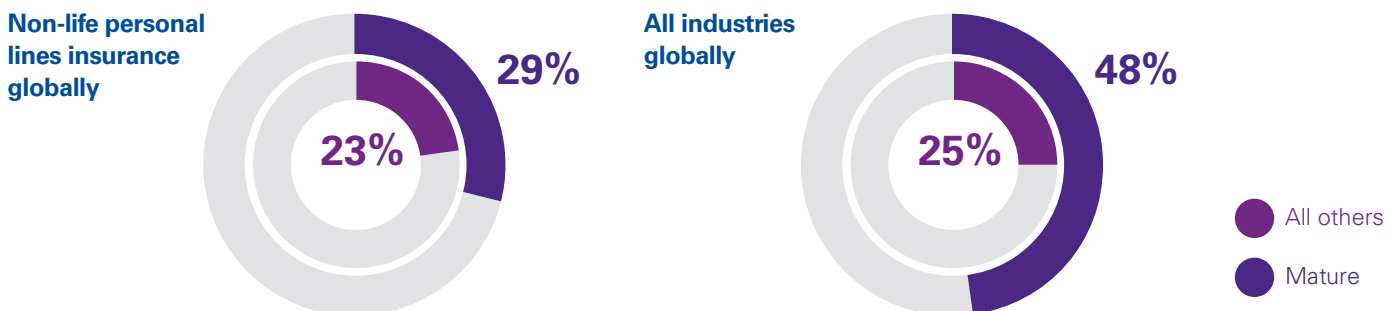


Source: KPMG International, 2016

## Figure 2: The race for growth is on

**Mature non-life personal lines insurers across the globe that invest in eight connected enterprise capabilities are more likely to see enterprise interconnection and alignment.**

Ability to achieve greater overall success across customer experience, execution on business objectives, and return on investment:



Base: 56 global professionals at non-life personal lines insurance organizations investing in all eight interconnected and aligned capabilities and 194 not investing in all eight capabilities  
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, July 2016



# Insurers need to break from the pack to compete for growth



Understanding your customer is useful, but if you can't execute at scale across the enterprise, across the portfolios, services or products, then you'll never convert that insight into business value.



— **Duncan Avis**

Global Connected Enterprise Lead  
KPMG in the US

**The Forrester study** reveals that over the next 12 months insurance companies intend to lay the groundwork for a connected enterprise with efforts extending across each of these integrated capabilities.

Three-quarters or more of respondents reported they would be making a moderate or significant investment in any single connected enterprise capability over the next 12 months. Budgets, however, will be relatively conservative, with the vast majority (83 percent) devoting just 15 percent or less (see figure 3). Non-life personal lines insurance, trails other industries measured in the study in near-term investment, with just 17 percent investing 16 percent or more of sales within the next year — lagging other industries by margins of -7 to -14 percentage points. When compared across all industries, mature companies are more likely to achieve a strong or acceptable ROI than their non-life personal lines insurance counterparts (48 percent versus 29 percent).

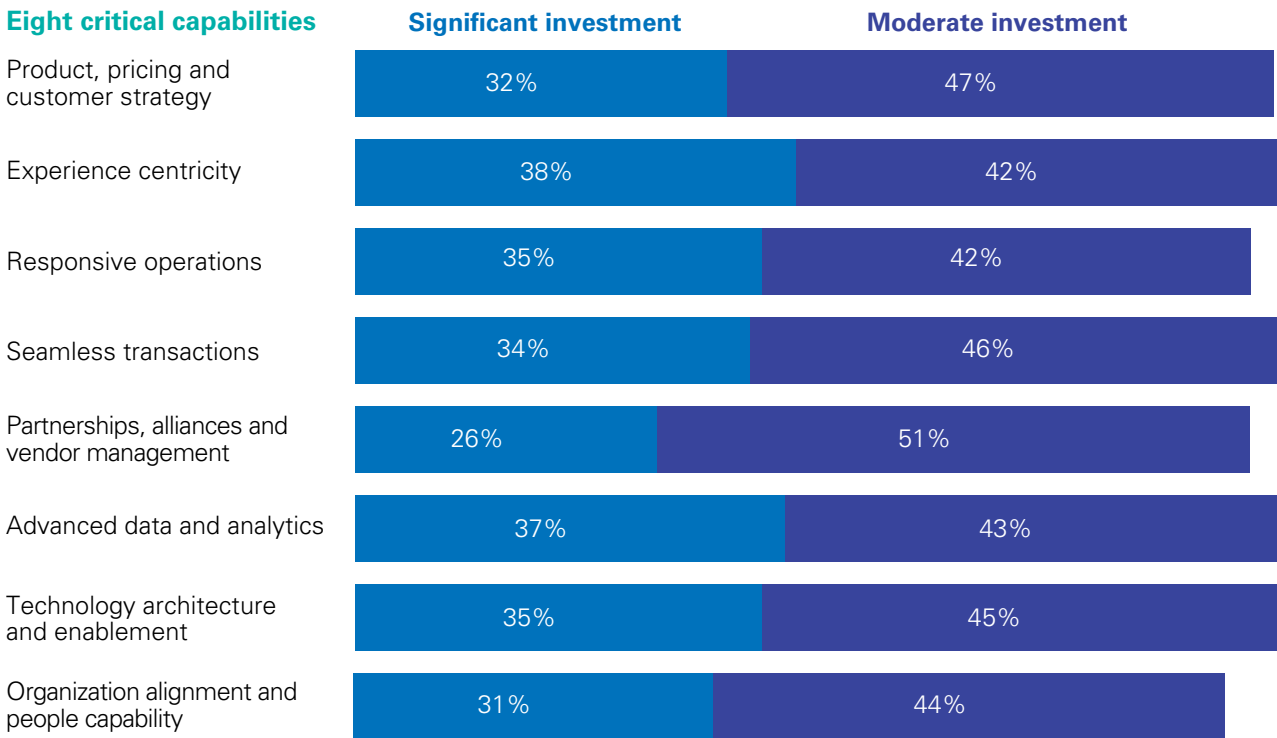
Few non-life personal lines insurers (22 percent) are investing in all eight connected enterprise capabilities (figure 4). They seem to be unsure about the distinctions between multichannel and connected enterprise, and, as a result, non-life personal lines insurers may not be maximizing and deriving synergies of their investments across the enterprise.





### Figure 3: Investment in a connected enterprise

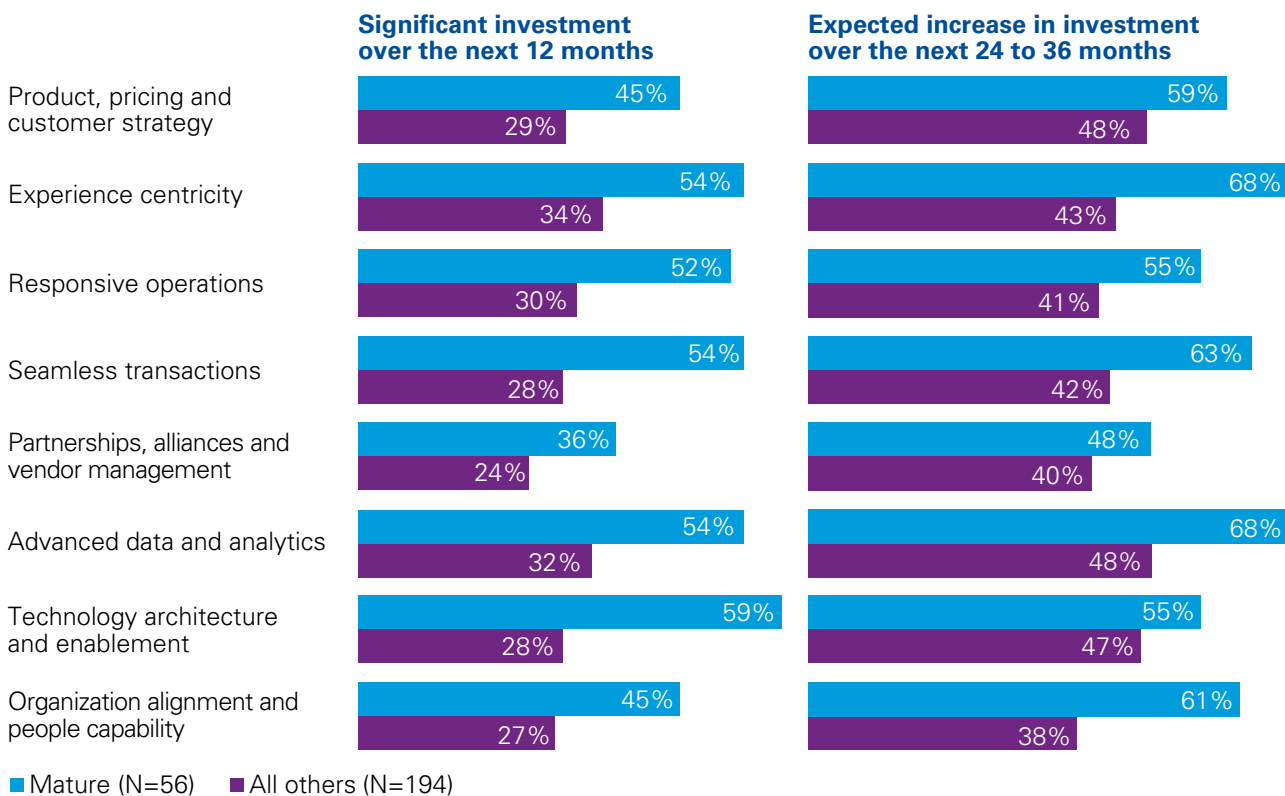
Investment in the eight capabilities spans the entire organization, from customer-facing interactions through to back-office operations.



Base: 250 professionals involved with interconnected and aligned strategy decisions at non-life personal lines insurance organizations  
 Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International, August 2016

### Figure 4: Multi-year horizon investments

Significant investments in connected enterprise capabilities over the next 12 months, with continued investments



Base: 250 professionals involved with interconnected and aligned strategy decisions at non-life personal lines insurance organizations  
 Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, August 2016



# Building a connected enterprise



Success in the insurance industry of the future will not come from simply tweaking the status quo. Insurers will need to change virtually every part of their business if they hope to thrive, not just survive.



— **Laura Hay**  
Global Head of Insurance  
KPMG in the US

**Five major challenges:** To actually align the front, middle and back office around the established customer agenda can be an enormous challenge without a properly structured and orchestrated approach. The journey starts with understanding the organization's best customers and then building the business around those customers, specifically by aligning core operations, policy administration, claims management, financial management and other back-office and support functions to create the best experience for those customers.



Our research points to the need for non-life personal lines insurers to move from a channel focus to an interconnection and strategic alignment focus, but they face considerable obstacles in doing so. Five challenges stand out — and they stand in the way of creating a truly connected enterprise (figure 5):

## 1 Strategy misalignment

Having executive and board-level support backing the connected enterprise strategy isn't just nice to have, it's essential. Despite the strategic importance of an interconnected initiative that is aligned to business and customer strategies, 25 percent of non-life personal lines insurers surveyed indicate that their firms lack a companywide strategy for customer engagement. More troubling was the number of firms lacking an executive sponsor to back their connected enterprise and aligned initiative, an issue cited by 23 percent of non-life personal lines insurers.

## 2 Business silos

Federated and siloed business units without an integrated customer strategy will contribute to inconsistencies in products and pricing across the enterprise. Lack of near real time visibility and insights at the customer and product level also creates challenges across physical and digital channels. Business units must be interconnected and aligned across the organization if the connected enterprise strategy is to succeed. By viewing customers holistically, and not as standalone product policyholders, non-life personal lines insurers will be able to increase penetration at the customer and household level.

## 3 People and process misalignment

Resource competency challenges in defining, designing, and managing a customer-centric organization further compounds the limitations that non-life personal lines insurers face, with 26 percent indicating they

face this hurdle. Nearly 28 percent of non-life personal lines insurers cited the lack of cross-functional teams to drive the connected enterprise strategy as one of their top five challenges. They said the lack of alignment, transparency, and effective communications also extends to their partner ecosystem.

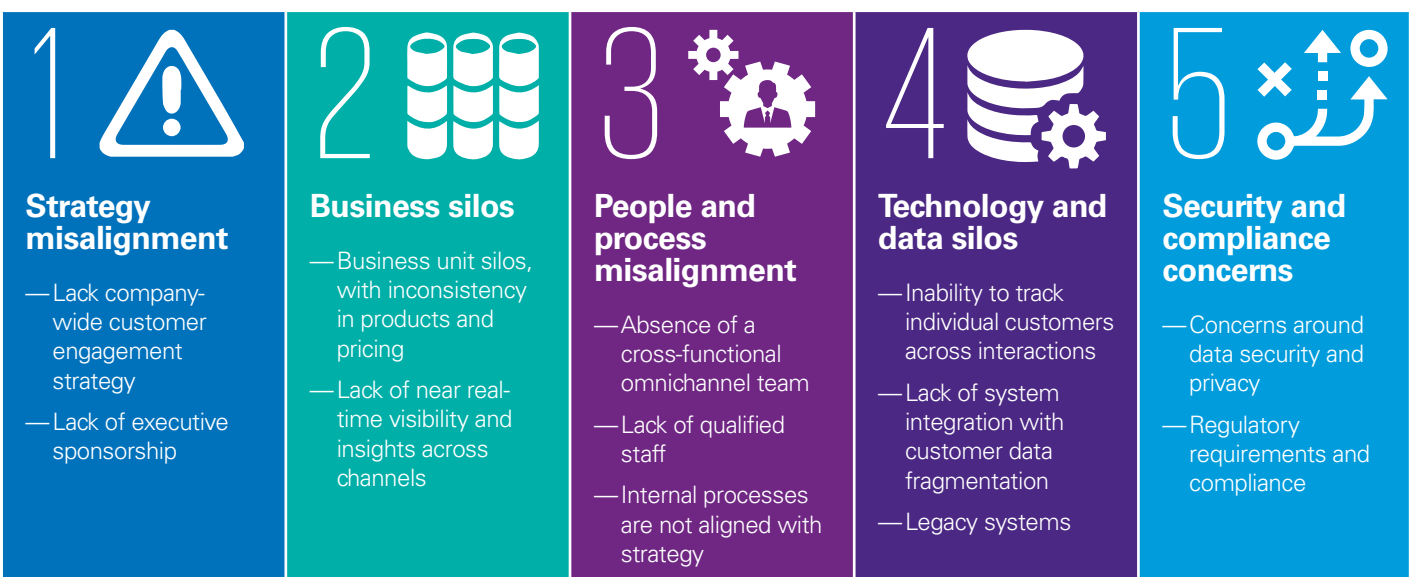
## 4 Technology and data silos

Business and technology initiatives at insurance companies have been plagued for years by the issues of multiple — and aged — core systems. For many non-life personal lines insurers, it's been far easier to stand up a new core system than systematically think through how to integrate an acquisition or launch a new insurance line. As a result, carriers often have to support duplicate systems housing customer and process information. Fragmented and redundant systems make it nearly impossible to achieve the data integration needed to get a 360-degree view of the customer or effectively provide a seamless experience across businesses, functions and channels. Not surprisingly, the top concern among non-life personal lines insurers is that customer data is housed in multiple databases, cited by 25 percent of respondents. Some 24 percent of non-life personal lines insurers cite three other related concerns: legacy systems; the lack of system integration across channels; and difficulty in sharing and leveraging analytic insights across the organization.

## 5 Security and compliance concerns

Few things worry insurance firms more than regulation and compliance, especially when it comes to ensuring the security and privacy of their customers' personal data. Of all the concerns expressed when it came to making good on their connected enterprise strategy, security and privacy led the list, cited by 28 percent of non-life personal lines insurers. Some 23 percent cited concerns about complying with regulatory requirements.

**Figure 5: Top five obstacles to success**



Base: 250 professionals involved with omnichannel strategy decisions at non-life personal lines insurance organizations  
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International, August 2016



# Getting to SUCCESS

**Connected enterprise is playing a critical role** in differentiating the great insurers from the good insurers. Given endemic system issues, competency and commitment shortages, and the demands to streamline processes and liberate data from stovepipes, true change will be difficult. However, falling behind will create challenges that could be insurmountable. It's time for insurers to get serious about winning, serving and retaining their customers.



## To succeed insurance companies must:

- **Prioritize investments based on connected enterprise capability maturity.** To avoid the risk of disjointed initiatives and wasted investment, insurers should conduct an objective assessment of their maturity level for each of the eight connected enterprise capabilities — identifying where they are doing well, any gaps between current and desired state, and where they need to focus to fill those gaps. They should prioritize initiatives and investments based on this assessment and develop a road map to deliver a compellingly differentiated experience across the customer journey.
- **Tackle the limitations of legacy systems with technology architecture strategies.** It's time for insurers to stop kicking the can down the road and take steps to create the high-performance technology architectures they need to meet customer and business expectations. Agile development strategies, micro-services and as-a-service models go a long way in weaning insurers off legacy environments that are impeding their success.
- **Implement connected enterprise metrics that measure short- and long-term results.** Delivering a connected enterprise strategy is an evolutionary approach, not an overnight transformation. Even for sophisticated multichannel practitioners, many long-used operational metrics will only scratch the surface of what a profitable interconnected and aligned strategy can deliver. Along with measuring overall sales and profit performance, professionals responsible for the strategy must implement key performance indicators that measure the customer view — metrics like share of wallet, channel transitions and customer lifetime value.
- **Educate decision makers to gain buy-in for required connected enterprise investments.** To capture funding, professionals must advocate for the role that interconnected and aligned capabilities can play in delivering expected ROI and meeting business objectives. Sharing this knowledge across the enterprise serves many purposes: It allows management to avoid questions that might stymie needed funding approval processes; improves the odds of successfully winning those investment budgets by keeping all parties focused on the key objectives; and takes at least some of the competition out of choosing among non-synergistic competing initiatives.
- **Build up the connected enterprise talent pool.** The market for employees with experience in executing connected enterprise strategies is heating up. Insurers will have to hire more creatively and faster than ever before or risk losing the battle for the right employees. It's easier — and less expensive — to hire mindsets over skillsets: teaching employees new skills is much easier than changing their attitudes.



# Investing for the future



Most companies have been on some point of this journey. Success is about making it work today and for tomorrow. It's about integrating the business today to align with the customer, to deliver for the customer, and to deliver profitable returns for the shareholders.



— **Julio Hernandez**

Global & US Customer Advisory  
Practice Lead  
KPMG in the US

**To deliver on ever-increasing** consumer expectations for a true “customer first” experience and to achieve business and financial goals, organizations must take a holistic approach, addressing each of the eight critical capabilities. But investing in these capabilities is only part of the equation. Organizations also must have a clear understanding of where and how they’re investing to understand the true value of a connected enterprise.



The path forward is first to understand where your organization is today through a broad-ranging maturity assessment (Figure 6) that covers all eight capability areas of your enterprise architecture, from the front to the middle and back office. This effort can help identify relative competencies and leading practice. It can also help to inform the business case and road map for investing in relevant capability areas across the enterprise value chain, with a keen focus on unlocking ultimate business value.

Insurers can drive profitable growth by making transformation and business decisions based on what their customers value most. A value-centric mindset, capability, methodology and comprehensive measurement system are required to get the economics of customer experience right and capture desired financial outcomes. KPMG's connected enterprise can help insurance companies achieve these goals.

**Figure 6: So, what does good look like for your customers... and you?**

<b>KPMG Connected Enterprise capabilities</b>	<b>What good looks like for customers</b>	<b>What good looks like for organizations</b>
 Product, pricing and customer strategy	Connection to the brand, relevance of product and experience	Products/services, pricing and promotions are optimized, leveraging real-time data
 Experience centricity	Experience the brand promise across all touchpoints	Experience decisions made to help optimize the economic value of priority customers
 Responsive operations	Receive products and services when, where and how it is convenient	Leverage innovation-driven demand, distribution, and servicing across the firm
 Seamless transactions	Seamless product/service transactions across channel(s)	Performance and experience driven transactional activities across the firm
 Partnerships, alliances and vendor management	Reap the benefit of partnerships without compromising perception	Identify and leverage synergies with third parties to overcome enterprise barriers
 Advanced data and analytics	Personalized interactions with brand-oriented customer data	Leverage real-time customer data to customize and enhance the experience
 Technology architecture and enablement	Frictionless use of technology across the journey and experience	Culture of innovation and agility driving speedy, quality tech implementation
 Organization alignment and people capability	Seamless and consistent experience across all brand interactions	Culture of an outside-in and inside-out experience centricity

Source: KPMG International, 2016

# About KPMG Customer Advisory

KPMG's Customer Advisory practice works to provide a spectrum of connected enterprise transformation services across all stages of enterprise transformation, including diagnostic assessment, strategy, design, prototype, road map, deployment and monitoring. A number of service offerings — aligned to the eight capabilities — are embedded in the architecture that underpins the connected enterprise framework.

Our customer advisory professionals offer a new perspective on where to start, how to prioritize and how to navigate the journey. Our teams have the insights, skills, experience and resources to help clients deliver on the promise of a customer-centric business as well as increased customer satisfaction and profitability. KPMG methodologies span strategy through execution, leveraging the power of our entire global network.

In an environment of accelerating marketplace change, we help organizations gain and maintain competitive advantage.

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