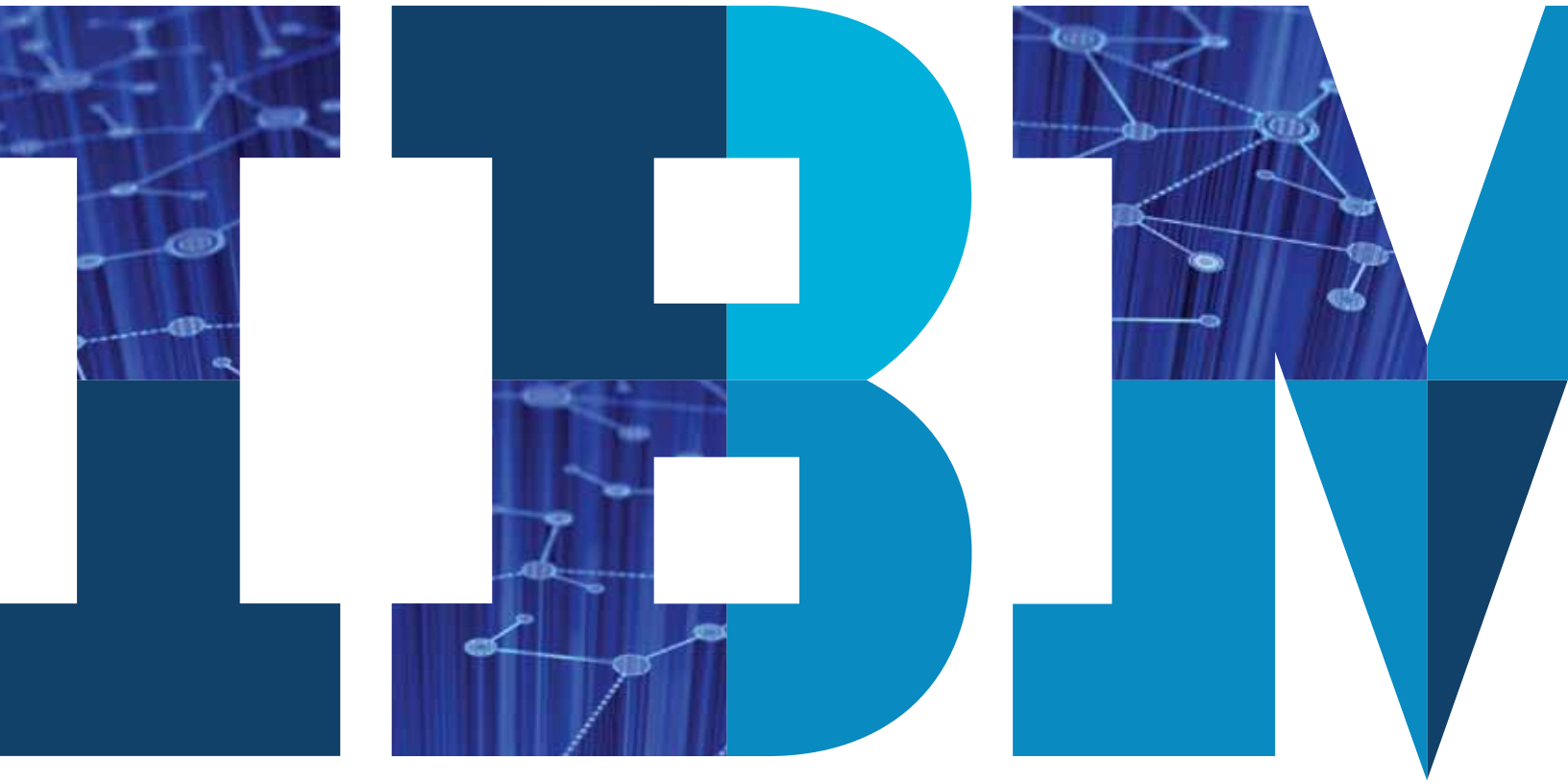
IBM Global Business Services
White Paper

Leveraging social media analytics

Insurers can dramatically outperform their competitors



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The opportunity

Most of the insurance industry CEOs and CMOs are wondering how to take advantage of the unprecedented streams of information generated by customers through various social media channels to outperform their competitors.

This is a big data challenge – Data in the form of unstructured text, huge volumes of data with varying velocity of information, which require a different innovative cost effective means of processing. This will enable them to discover new insights, new patterns and new sources of information to design optimized processes and react in a smaller window of time to grab the market share.

Changing insurance customer behavior

A typical example is in the over 50s age-group customers for insurers. Traditionally this group used to have significant discretionary expenditure for insurance and used to provide stable foundation for insurers by being loyal to the insurers for a long time. The stable annual business provided by this group used to serve as the foundation for other products offered by insurers such as auto, home and life policies. This group used to interact with the insurers through other channels (other than social media) such as adviser channels.

However, that stability may be about to change. The rapid growth of social-media interaction and smartphone adoption in the over 50s has been so pronounced, this has become the fastest growing sector of an already high growth marketplace.

The younger market has already adopted mobile social media and smartphones in a big way. Hence traditional new insurance business marketing methods need to shift more aggressively to online. But how do insurers make certain this marketing investment is productive and low risk?

For insurers pursuing new client acquisition, social media marketing is already a mandate to grow clients across the board – not just the youth market. Social networking without a "social commerce" strategy and infrastructure will do serious damage to an insurers business and may have an expensive outcome. As the industry learned how to successfully launch websites in the past, today insurers have to learn how to manage business virtually and measure the outcomes.

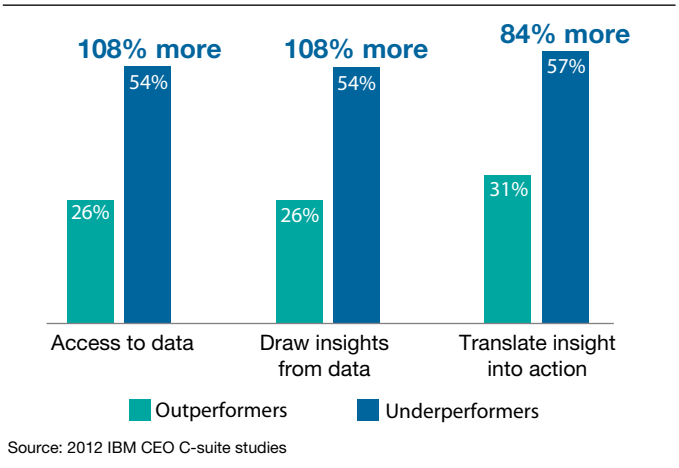


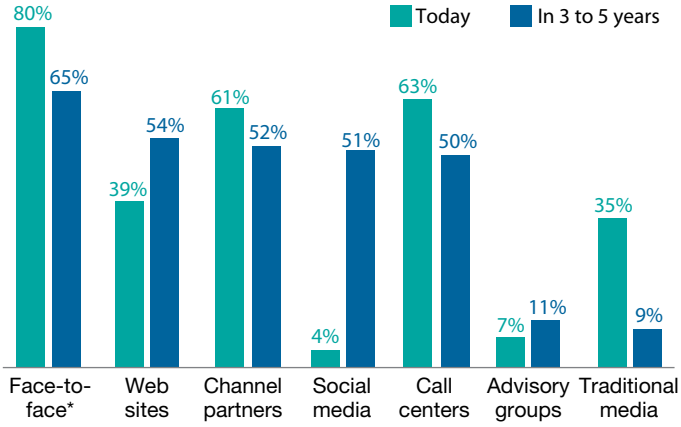
Figure 1: Outperformers are twice as good at deriving value from data and strongly differentiate their organizations in three key areas

Deriving value from content and social analytics

Traditionally most of the insurers have reporting and analytic capabilities on structured data bases (for example, transactional data with demographic data) to monitor and know what happened; why did something happen? Social media analytics goes much beyond simply correlating transactional data with demographic data.

Social media analytics is really about marrying traditional sources of customer information like transactions and demographics that used to be stored in silos with insights from all the new sources and touch points including call center interactions, Twitter, Facebook, wikis and other social media.

Social analytics provides insights to insurers to learn about new patterns, gain a deeper understanding of customers' preferences, and understand who the key influencers are and their interests to better understand risk, motion and sentiment. These new insights can be ingrained into either existing products to make them more attractive, or they can come out with a new set of products that previously could not be offered because they could not get those insights from the information stored in silos.



Source: 2012 IBM CEO C-suite studies

Figure 2: Mechanisms to engage customers

Social analytics sample use cases for insurers

The following are some of the sample use cases of social media analytics in the insurance industry:

Churn analysis use case – To reduce the churn of customers. This use case targets customers with an average of five or more calls dropped and then clubs that information from social network analysis to see if those customers with high probability of churn also have some negative interaction through the call center so that they can really target those customers who are likely to churn.

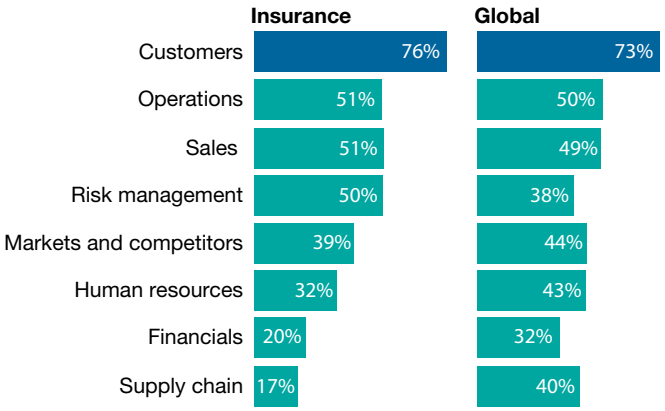
Fraud detection use case -Social network analysis has proven effective in identifying organized fraud activities by modeling relationships between entities in claims. Entities may be defined as locations, service providers, telephone numbers and vehicle identification numbers – to name a few. Tools can be tuned to display link frequencies that exceed a programmed threshold. Large volumes of seemingly unrelated claims can be checked and then patterns and problems identified. For example, social network analysis might show a high-activity account with links from many accounts or a low-activity account with strong links to a master account. It might reveal multiple claims in a short period of time from related parties, such as members of a single family, or the classic ring associated with staged accident scams.[1]

Reputational risk identification – Leveraging social analytics capabilities to recognize reputational risk events.

Digital marketing analytics – Social media monitoring tools can be used to monitor competitor issues to attack their vulnerabilities.

Micro segmentation and Next Best Action – Prioritization models to determine if Next Best method yield greater effectiveness.

Insurance CEOs identify customer insights as the most critical investment area



Source: 2012 IBM CEO C-suite studies

Figure 3: Drawing insight from information – Areas of improvement

Maturity of insurers' analytics process

To see if insurers are capable of adopting these social media analytics use cases, it is necessary to measure their current state of analytics maturity.

Broadly, insurers' analytic processes maturity can be categorized under one of the following categories:

Descriptive capability - Traditional reporting capability on structured data bases to monitor and know what happened.

Diagnostic capability - Traditional reporting capability on structured data bases to know why something happened.

Predictive capability – Analysis of both structured and unstructured social media content (text, video, image, voice and so on), using sophisticated quantitative methods and techniques such as statistics, descriptive, predictive, data mining, simulation, optimization to produce insights that traditional business intelligence techniques like querying and reporting are unlikely to discover.

Prescriptive capability – Capability to generate real time insights, pattern based strategies with situational context.

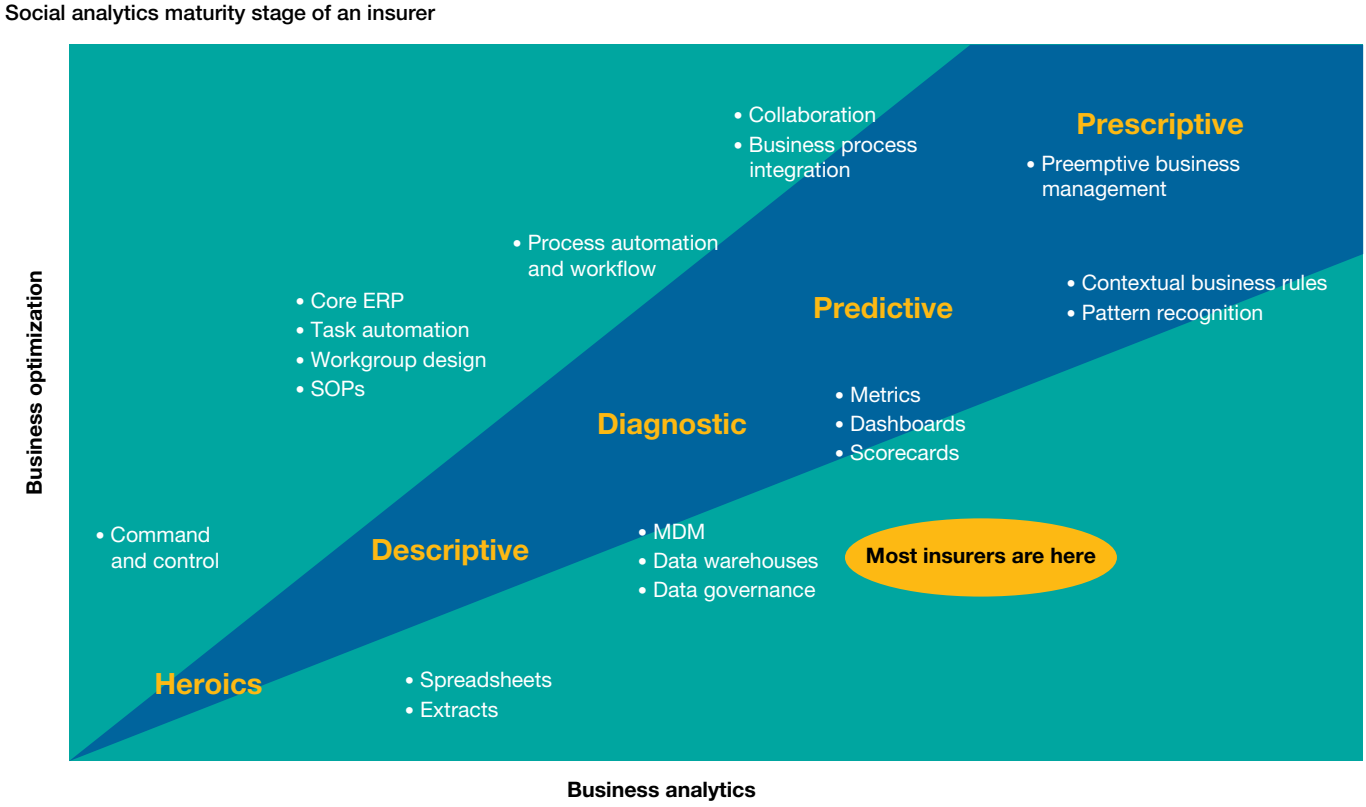


Figure 4: How the business manages information and learns from it

How can insurers mature their existing analytics capability from Diagnostic to Predictive?

- Build a business and IT partnership with shared incentives.
- Partner with line of business to identify analytic opportunities and new use cases to transform decision making and business performance.
- Identify new technologies, vendors, and ecosystem partners.
- Develop a plan to evolve current data management architectures, technologies and processes to support new data volume, variety and velocity requirements.
- Identify and develop new staff roles, responsibilities, processes and skills needed to support an advanced and content analytic strategy.

Assessing your existing social media analytics capability and defining the future road map

IBM's Global Insurance Center of Competence (COC) with their vast knowledge in this space can help insurers in conducting a social business value assessment. This assessment evaluates the current state of social and digital analytics capabilities of insurers and identifies improvement opportunities, generates a quantified business case for action and creates a roadmap for execution in support of greater customer acquisition, retention, satisfaction and customer value analysis. This is usually a 7 to 8 weeks consulting assignment involving three distinctive phases, namely discovery, analyze and recommend phases.

Discovery phase – This phase involves reviewing client's social media (SM) objectives in the marketing, sales and service functions. Selecting business information areas that offer a high potential to be enhanced by social media analysis and targeted web 2.0 deployment. Validate preliminary assumptions.

Analyze phase – This phase involves performing social media analysis using IBM SMM Tools to assess consumer and/or user generated content on the web. Assessing, reviewing and validating new social media consumer's insights against brand perception, and/or products, competitors etc., business goals/ objectives.

Recommend phase – This phase involves collaborating with client team to develop a social analytics action plan and developing a roadmap that includes immediate actionable social media projects and a list of strategic initiatives to address technology, data, and resource capabilities.

Providing you with a roadmap and benefits statement

IBM provides the following deliverables as part of this assessment

- A detailed Social Analytics Maturity Assessment Report based on current state and planned vision from people, process and technology dimensions.
- A Social Media Analytics Proof of Concept along with a) Unstructured Analysis: Share of Voice Analysis, Affinity/ Relationship, Key Social Media Influencers Diagram, Sentiment Analysis and b) Structured Analysis: Pilot model to use predictive in social context.
- A Social Media Analytics Roadmap Brief along with a Social Analytics Benefits statement with expected ROI.

For more information

To learn more about IBM's insurance analytics capabilities from IBM Global Business Services, please contact your IBM representative, or visit the following website:

ibm.com/software/analytics/insurance

About the author

Y. Shyam Kumar is IBM's Global Insurance Front office Innovation leader. Shyam is a qualified CPCU and FLMI and comes with 20 years of deep insurance industry and consulting experience across the globe.

Source

1 Combating Insurance Claims Fraud
http://support.sas.com/resources/papers proceedings12/105573_0212.pdf

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