

# Next-generation front-office transformation services for insurers



Property and casualty (P&C) and life insurers around the globe face the same problems—growing maintenance costs and increasing business demands that challenge their systems and IT infrastructures. For example, from a front-office perspective, a common complaint is that older systems hamper speed to market for new insurance products and cannot support emerging distribution channels. These systems also fail to provide a much-needed uniform customer experience across all channels and a 360-degree single customer view.

Fundamental changes in technology and consumer behaviors are causing insurers to redefine the ways they serve customers and differentiate themselves from competitors. This shift in the business and IT landscape is leading to a front-office transformation to reshape the way people connect, transact and engage with insurers in the digital era—and how they derive mutual value.

Insurers face the following challenges with long-established systems:

- Fragmented channels and customer experiences**  
 Customers see insurance companies and the experiences they provide across different channels as holistic entities, not as a collection of experiences across individual channels. Yet many companies aren't prepared to deliver a consistent experience, because they work in channel silos that only look at a cross-section of customer interactions, not at the wider reality of how customers interact with their brand as a whole.
- Heterogeneous customer views and agent desktops**  
 Many companies have multiple views of customer data with no true single 360-degree customer view. Others deal with redundant desktop applications and burdensome manual correspondence processing. Further, customer data is often improperly stored in silos and poorly communicated.

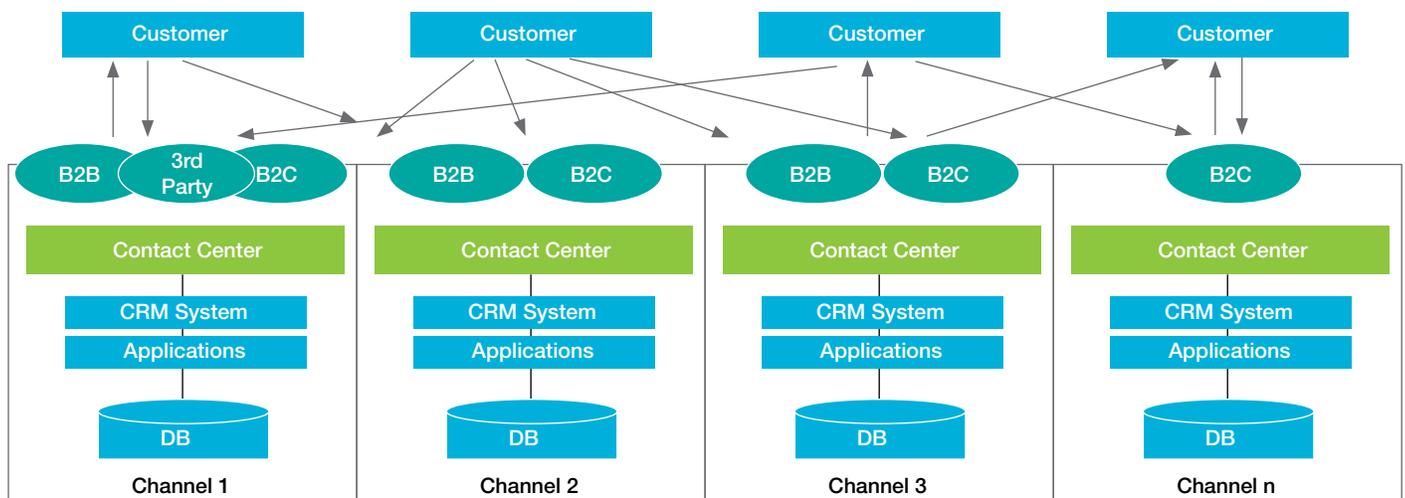


Figure 1: Fragmented customer experience across different channels due to the siloed nature of the existing architecture supporting different channels.

- Traditional business processes that lack analytics**  
 Back-end web services are siloed and lack enterprise integration. Rules are generally hard-coded in each system and not externalized, making them costly to maintain, because service requests are policy-centric rather than customer-centric. Customer information is not used for analytic activity to increase customer share of wallet.

is around the intersection of mobile, social, analytics and cloud to help drive value for insurers in terms of interaction with their customers.

### Next-generation front-office transformation

Front office is defined as any revenue-generating process within an insurer’s organization where an insurer directly touches its customers. Next-generation front-office innovation

Rethinking the way customers connect with insurance companies in the digital era is the cornerstone of the next-generation front-office transformation. Insurers today have an abundance of customer data available from an increasing number of sources, but many insurers struggle to turn this information into actionable insights. An effective next-generation front-office transformation strategy, however, can help drive top-line growth, avoid unnecessary costs and increase customer satisfaction.

### Key Shifts

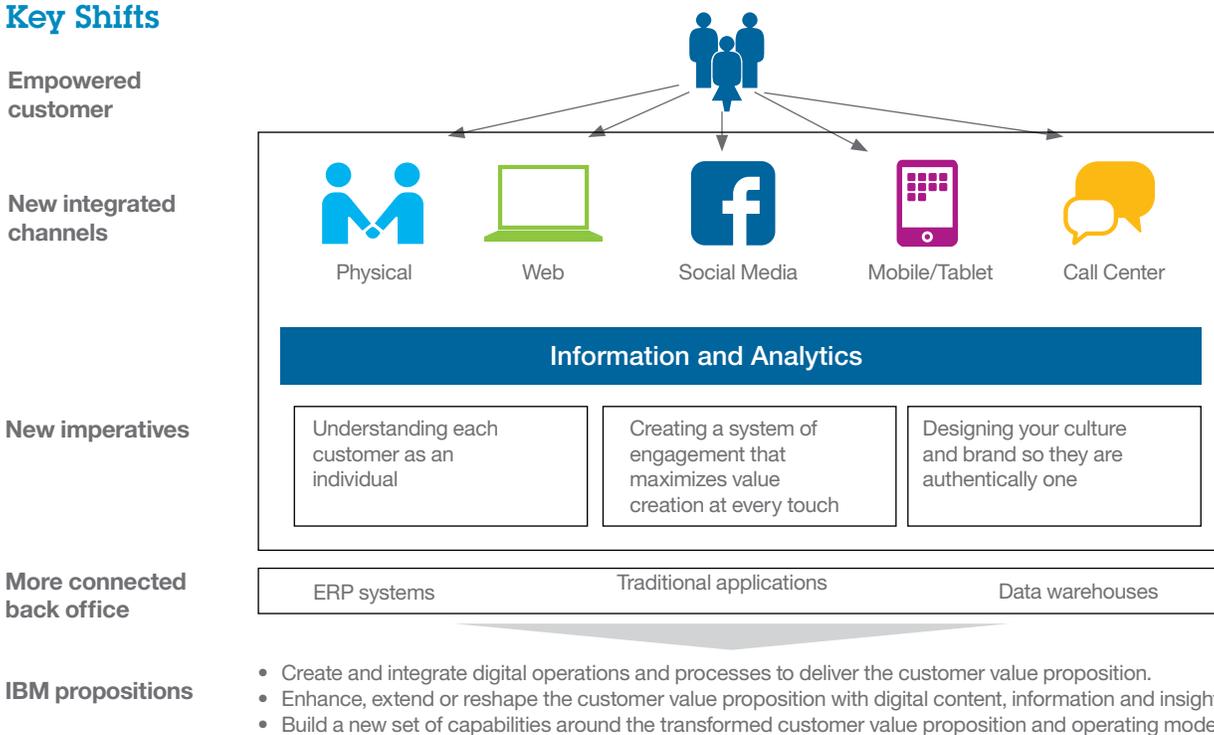


Figure 2: Next-generation front-office transformation imperatives.

**The changing next-generation front-office scenario: insurer’s digital challenge**

The inflection point created by social media represents a permanent change in the nature of customer relationships with insurers. Approximately 90 percent of all real-time information being created today is unstructured data. Insurers that successfully harness this new source of insight will be in a strong position to increase revenues, reinvent customer relationships and build new brand value.

Customers are sharing their experiences widely online, giving them more control and influence over brands. This shift in the balance of power from organizations to their customers requires new marketing approaches, tools and skills in order to stay competitive.

**Three mandates for insurers are taking shape in the digital era:**



**Mandate #1: Obtain customer insight**

This is the capability to understand each customer as an individual—on a massive scale.

**Mandate #2: Increase customer engagement**

Having understood the each customer as an individual, how to ensure that customer is more engaged with the Insurance Company? What are his likes and dislikes? If he likes games, can Insurer explore the possibility of engaging him more through gamification on their portal?

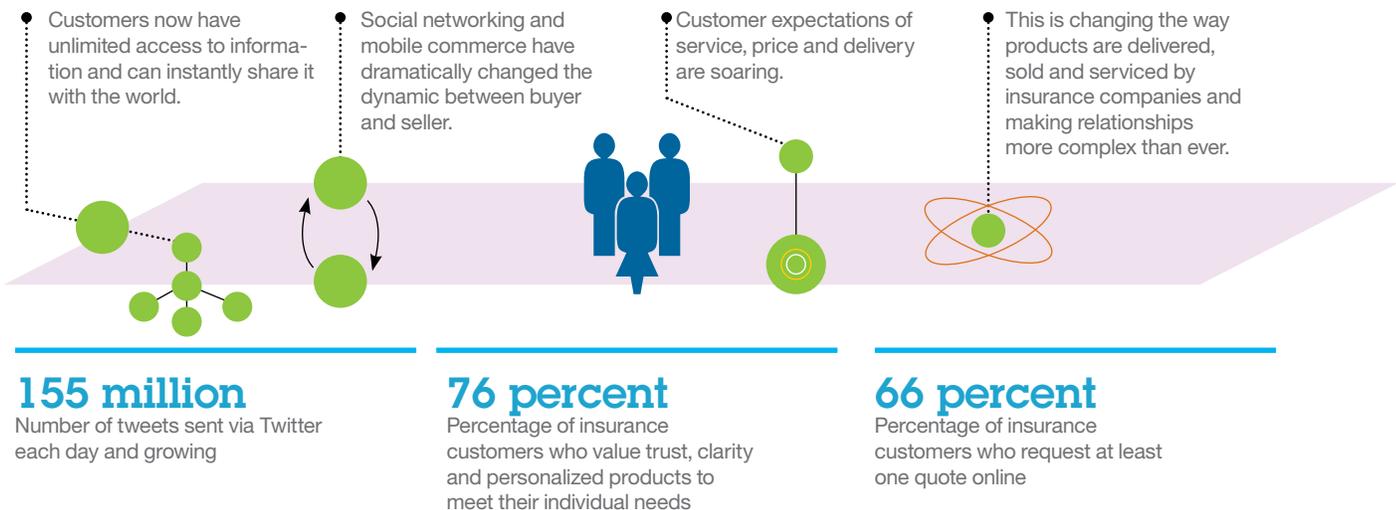


Figure 3: Next-generation front-office scenario.

**Mandate #3: Increase employee engagement**

How to enable employees to openly collaborate with each other, discuss the business challenges they are facing and encourage them to come out with solutions in a collaborative mode?

**Suggested way forward to attain next-generation front-office transformation capabilities**

1. Insurers should attain the capability to create a system of engagement that maximizes value at each touchpoint of a customer with an insurer. Insurers could try to design tailored experiences that connect the company, the channels and like-minded customers. They need to create and automate a system of engagement to deliver this personal interaction on a large scale. Insurers need to use advanced analytics to guide the development of tomorrow’s portfolio.

Insurers need to instrument all key touch points to gather the right data about each customer. They need to connect social media data, transaction data and other information to paint a more vivid picture of each customer. An effective way to “gain control” on customer data is to migrate to a 360-degree customer profile by integrating a customer’s public social media data with an insurer’s enterprise data.

On top of this 360-degree customer data, insurers need to develop the capability to generate advanced analytics to complete the personas (sub-classification of customer profiles) of the customers, based on their likes and dislikes. This helps generate new product development ideas that meet the customer persona-specific requirements and helps explore ways to better engage those customers on the insurer’s portal through gamification and so on as per their likes and dislikes. Insurers need to build such next-generation front-office capabilities on a massive scale to succeed in the digital era.

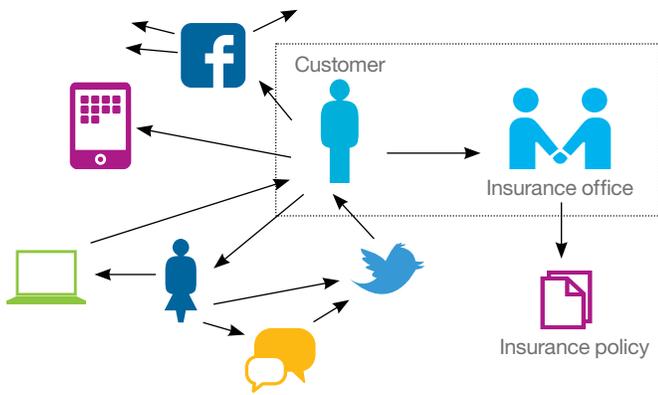


Figure 4: Sample touchpoints of a customer before he purchases a policy.



Source: IBM 2012 CEO Study.

Figure 5: Outperforming insurers are twice as good at deriving value from data—the key to engaging customers as individuals.

Insurers previously designed their products to meet the needs of broad customer categories, such as people aged 25-35 years and 36-45 years. In the digital age, that trend is changing. Now insurers must understand and respond to each customer as an individual and try to create a personalized product to meet that person's specific requirements. Insurers can only do this if they can manage vast amounts of unstructured data, make sense of it with analytics and generate insights that are predictive, not just historical.

To connect with individual customers at every touchpoint effectively, they need a system of engagement that maximizes value with each interaction. And they need each touch to marry their organization's culture with the brand to create

authentic experiences that consistently deliver the brand promise. The way to achieve this unprecedented next-generation front-office transformation is through technology.

2. Insurers should develop multi-channel integration capability.

In the next generation, customers are likely to interact with the Insurance companies through a number of different channels such as web, social media, mobile, call center and so on and they expect a similar uniform, consistent experience across all channels. Usually when multi-channel integration is not adopted by insurers, the quote produced online often would be different from what was provided through the agents, since both of these channels might be using different rating engines.

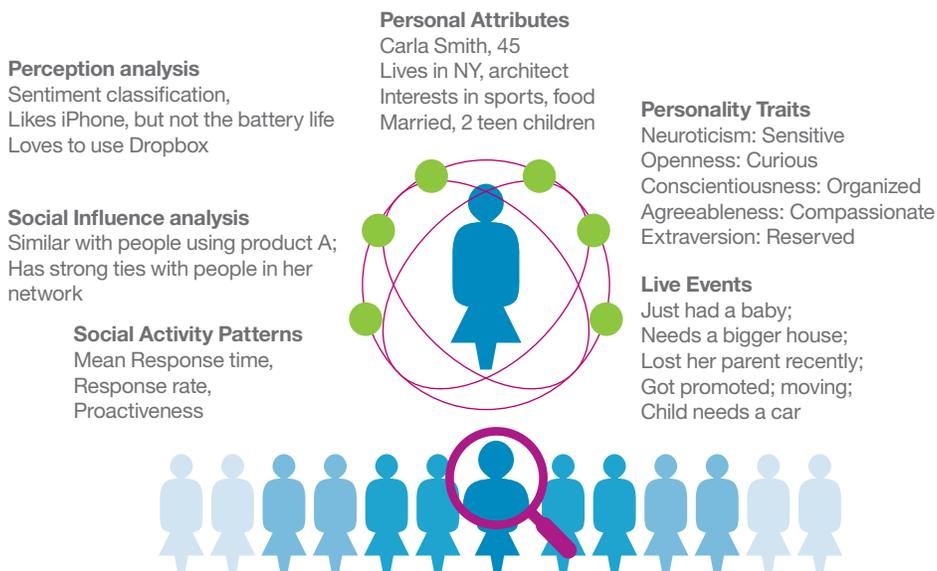


Figure 6: Sample of information gathered from each touch point of a customer to create a 360-degree customer profile.

Increasingly, customers want the freedom to interact with their Insurance companies through multiple channels and the channel of their choice at different times. For example, they might first obtain a quote for their automobile or home on their mobile device and save it. After some time, customers may like to interact with their insurance company through a social media channel, retrieve the same quote saved by them through the mobile channel and take it forward. The customers expect the Insurance company to display the same quote that they had obtained earlier through their mobile device and saved, without asking them to once again enter all the data when they interact from different channels. Customers also expect the same and consistent information to be provided to them on bills payable, policy coverage, claim status and so on, irrespective of the channel through which they are interacting with the Insurance company. Having content stored and managed in a centralized content management system that is accessible across all channels will be a fundamental requirement for multichannel integration. An insurer's ultimate objective is to make sure that its customers will obtain similar customer experiences across all of its distribution channels.

To attain multichannel integration capability, insurers need to integrate their back-end systems, including core platforms and data, by leveraging a service oriented architecture (SOA) so that they no longer function in silos and can provide uniform, consistent and reliable information from a single source of truth to all the channels. The underlying technology should be flexible enough to support channel-specific variations based on customer's preferences for each channel. Multi-channel integration will help insurers enhance their brand perception by giving the same uniform customer experience across all channels, improve customer loyalty and retention rates, and thus improve the bottom line of the insurer.

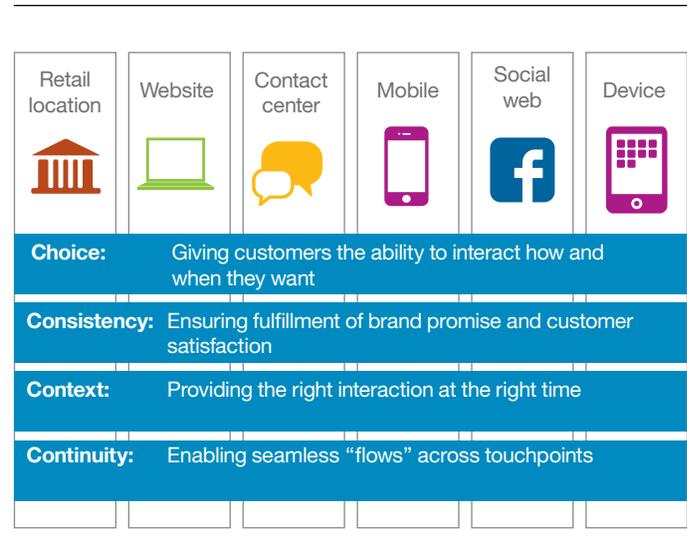
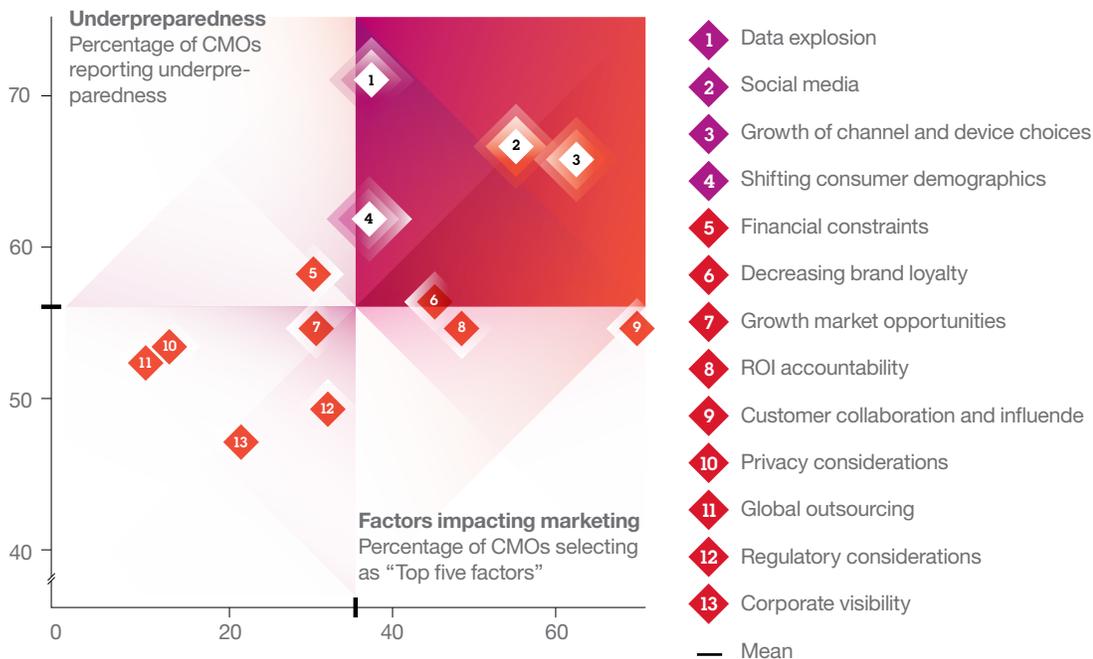


Figure 7: Multichannel service integrates all channels into a seamless customer experience.

### Insurers' capability to manage the change to meet the digital era expectations

Most insurance companies' CXO-level executives recognize a critical and permanent shift occurring in the way they engage with their customers in the digital era. However, they question whether their marketing organizations are prepared to manage the change involving four key challenges:

- Data explosion
- Social media
- Growth of channel and device choices
- Shifting consumer demographics



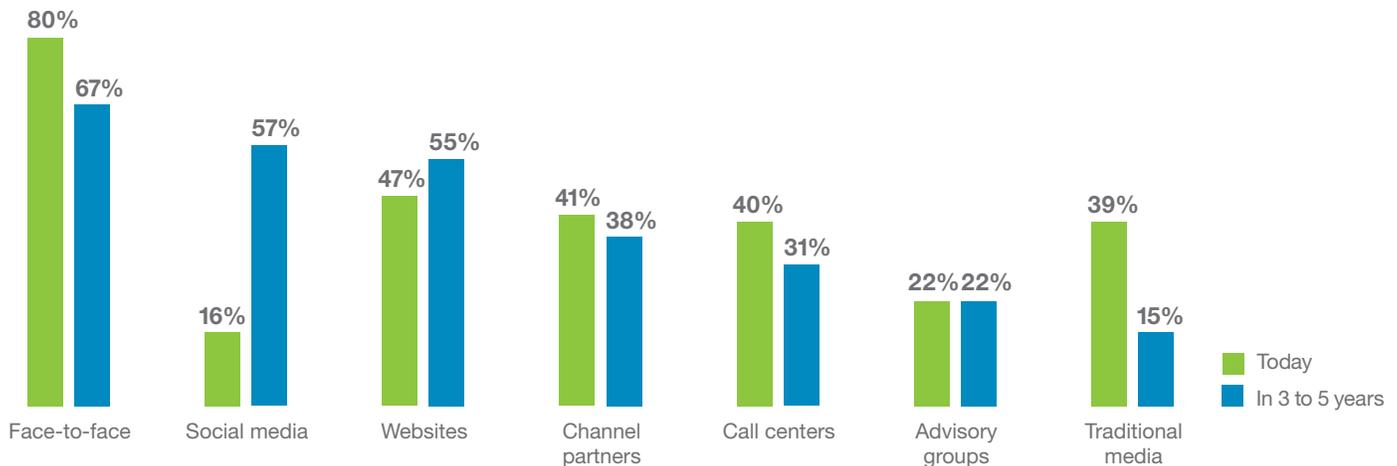
Source: IBM 2012 CMO Study.

Figure 8: The 2012 IBM CMO study found that a large majority of insurers feel unprepared to manage the impact of these challenges.

The 2012 IBM CMO study found that a large majority of insurers feel unprepared to manage the impact of these challenges.

According to chief executive officers (CEOs), face-to-face interaction through their sales forces and other institutional representatives is by far the most dominant method of engaging with customers today. But the future landscape looks drastically different. Currently, social media use is relatively low when compared with face-to-face interaction in the insurance industry but is expected to greatly displace traditional media over the next three to five years.

CEOs are challenged by what to do with social media, how to use it, how to manage their organizations, putting together frameworks, how to drive revenues from it and how to incorporate feedback in a meaningful way. There is a big gap that CEOs recognize needs to be filled. Social media usage is expected to grow from 16 percent today to 57 percent in the next three to five years. This is a massive challenge and opportunity for CEOs.



Source: IBM 2012 CEO Study.

Figure 9: To connect individually, insurance CEOs plan a step-change from traditional to social media while continuing face-to-face engagements.

## How can IBM help?

To help insurers pursue deeper customer insight as part of a next-generation front-office transformation, IBM has identified four stages of organizational capabilities necessary to enable four associated customer strategies:

**Stage 1:** IBM helps insurers apply a customer strategy to gain insight from the information explosion and develop a deeper understanding of the customer.

**Stage 2:** IBM helps insurers develop the capability to share information internally across the value chain. Insurers in this stage embrace a customer strategy that enables information sharing to create a consistent customer experience over multiple channels.

**Stage 3:** IBM helps insurers attain the capability to move from reaction to prediction.

**Stage 4:** IBM helps insurers execute a strategy that enables information on demand and an analytics-driven approach called multichannel next-best action. These strategies will help insurers develop the next-generation front-office capabilities needed to quickly adapt business models that enable faster value creation.

## Conclusion

IBM intends to work with its insurance clients on their most critical and difficult challenges, integrating IBM worldwide research capabilities in analytics, social business, mobile business, smarter commerce and cloud to drive higher value for clients and create and deliver innovative solutions.

IBM is working with most forward-thinking insurance clients to understand their challenges and opportunities in the next-generation front-office space and determine how IBM can help them differentiate themselves in terms of their customers. IBM wants to empower its clients to attract new and retain existing customers, enable greater employee productivity and collaboration, improve the employee-to-customer interaction and acquire a competitive advantage in the marketplace.

## For more information

To learn more about the IBM customer experience lab initiative (IBM CX Lab) for front-office digitization, contact your IBM representative, or visit this website:

<http://www.research.ibm.com/articles/customer-experience-lab.shtml>

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