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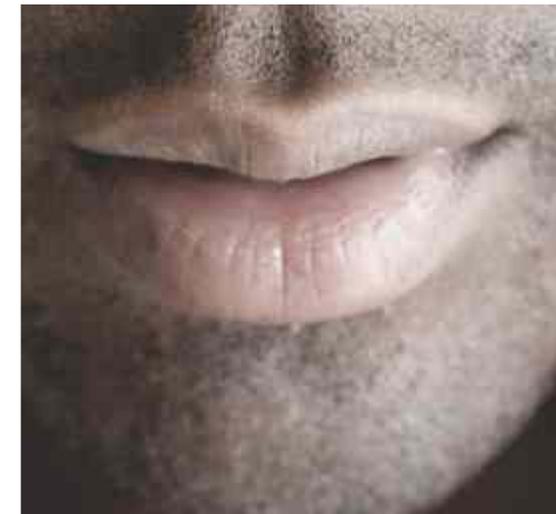
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ALIGNING BEHIND YOUR CUSTOMER AGENDA – BECOMING A CONNECTED ENTERPRISE

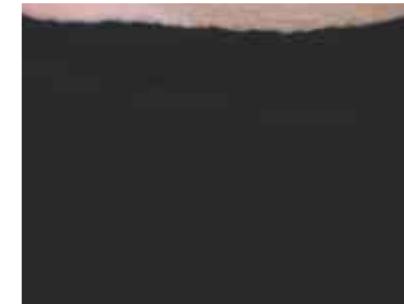


The key to customer-centricity lies in the ability to design and deliver compelling, seamless customer experiences. It requires alignment within the entire organization — across the front, middle and back office. We call that a connected enterprise. This article looks at the fundamental capabilities essential for short-term personal lines insurers to become customer-centric, agile and digitally transformed connected enterprises.

As a short-term 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?

Organisations 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 organisation can deliver value to that customer while capturing value itself.

No single short-term 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, short-term 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).



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.

Why? KPMG commissioned Forrester Consulting to conduct a global study to gain a better understanding of success factors in delivering against a company's customer agenda. The study covered many types of industries, including short-term insurance. 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.

Making customer centricity work

To succeed in winning the loyalty of 21st century customers, Short-term 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 short-term insurance industry as a whole is significantly lagging other industries in applying and extracting the value of this theory.



Prioritizing interconnection for short-term personal lines insurance

of short-term personal lines insurance companies cite an interconnected and aligned organization as a top or high priority



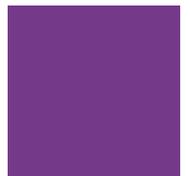
Short-term personal lines insurance

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



Across all industries

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



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. The focus must be on interconnecting the efforts of the front, middle, and back office to align with the connected enterprise 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 organisation.

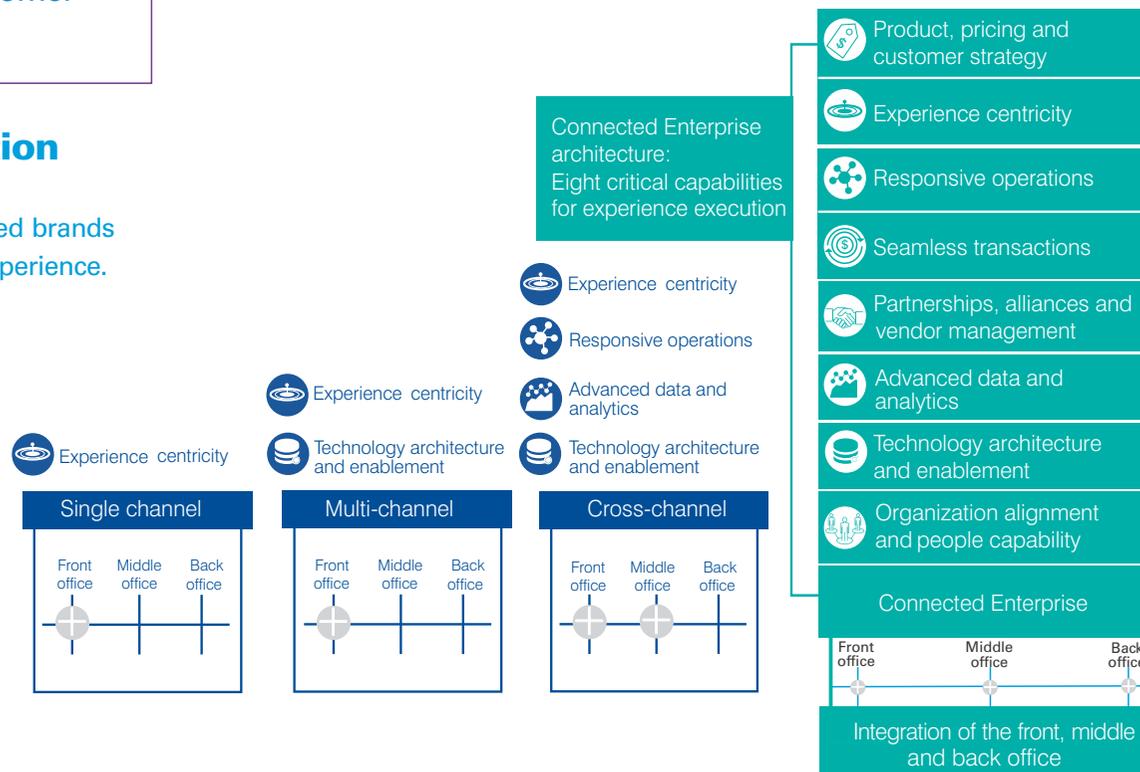
What's more, although insurers place a higher priority on creating an interconnected and aligned organisation than the average of all global industries surveyed (80 percent of short-term insurance respondents versus a study average of 77 percent), more than three-quarters of respondents say such efforts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

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.

Figure 1: The Connected Enterprise evolution

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

For mature organisations, it is much more than a channel harmonisation 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.



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 insurers (those investing in all eight capabilities) are more likely to achieve interconnected and aligned success compared with their less mature peers (figure 2). When compared across all industries, we see mature companies are more likely to achieve a strong or acceptable ROI than their short-term insurance counterparts (48 percent versus 29 percent). These results demonstrate that short-term 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 organisations 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 insurers report providing experiences that exceed customer expectations, compared with just 60 percent of less mature firms.

Figure 2: The race for growth is on

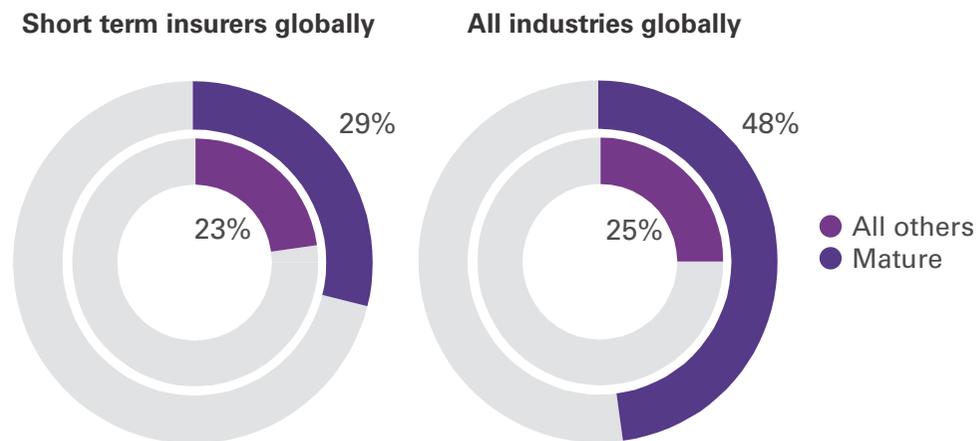
Mature insurers across the globe that invest in the eight connected enterprise capabilities are more likely to see enterprise inter-connection and alignment. Ability to achieve greater overall success across customer experience, execution on business objectives, and return on investment:

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.

Customer experience can be the difference between gaining a loyal customer and losing a dissatisfied one.

Three-quarters or more of respondents across all the industries surveyed, 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). Short-term 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 short-term insurance counterparts (48 percent versus 29 percent).

Few short-term 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, short-term insurers may not be maximizing and deriving synergies of their investments across the enterprise.

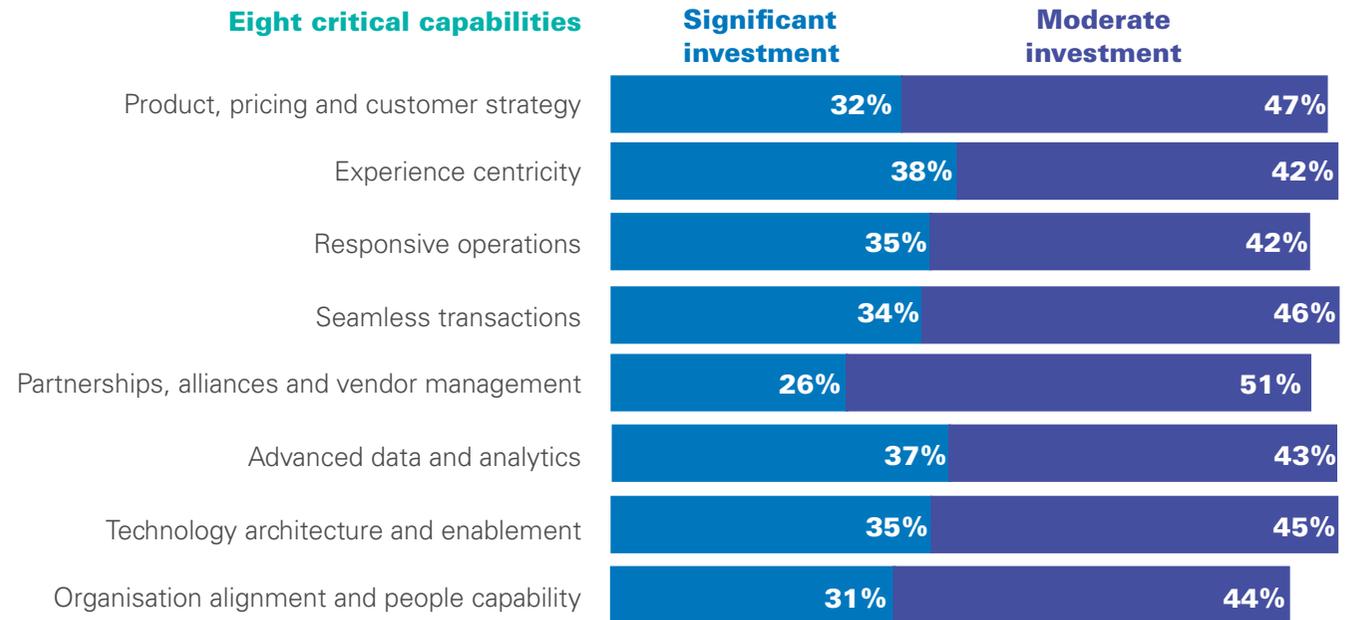


Base: 56 global professionals at short-term insurance organisations investing in all eight interconnected and aligned capabilities and 194 not investing in all eight capabilities.

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International

Figure 3: Investment in a connected enterprise

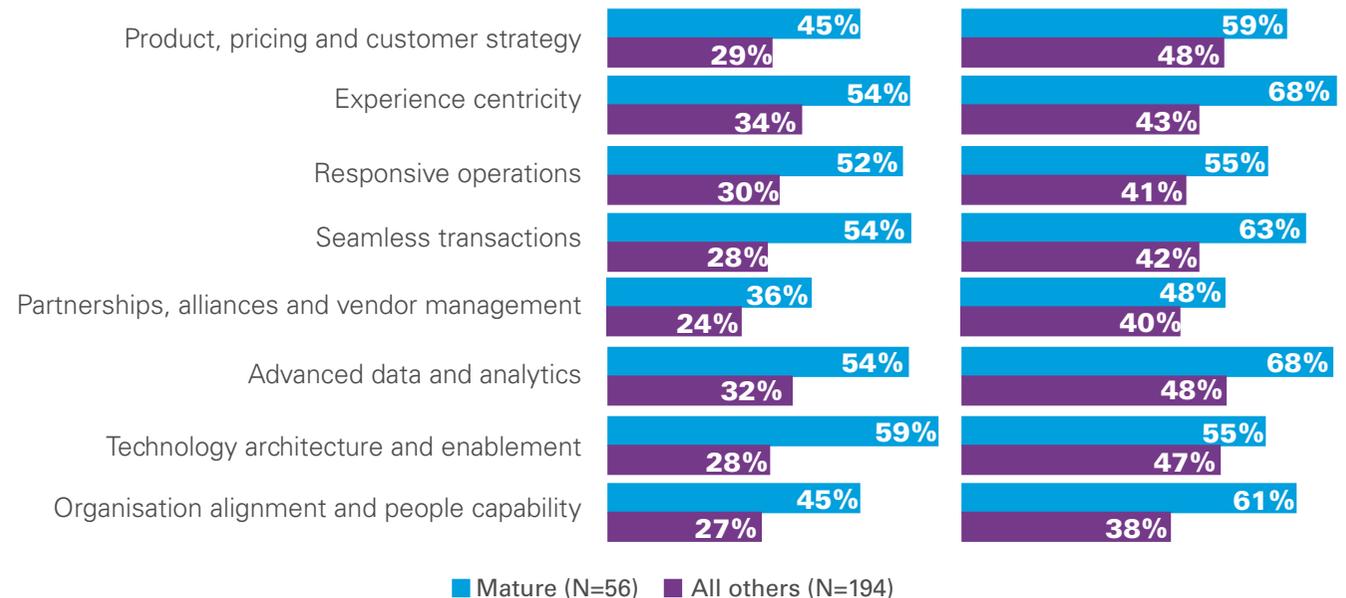
Investment in the eight capabilities spans the entire organization, from customer-facing interactions through to back-office operations.



Base: 250 professionals involved with interconnected and aligned strategy decisions at short-term insurance organisations
 Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International

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 interconnect and aligned strategy decisions at short-term personal lines insurance organisations
 Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG August 2016

The 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 organisation'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 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):

Figure 5: Top five obstacles to success



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

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 short-term insurers surveyed indicated 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 the insurers.

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 organisation if the connected enterprise strategy is to succeed. By viewing customers holistically, and not as standalone product policyholders, insurers will be able to increase penetration at the customer and household level.

People and process misalignment

Resource competency challenges in defining, designing, and managing a customer-centric organisation further compounds the limitations that insurers face, with 26 percent indicating they face this hurdle. Nearly 28 percent of short-term 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.

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. 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 and channels. Not surprisingly, 25 percent of respondents cited their top concern is that customer data is housed in multiple databases. Some 24 percent of the 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 organisation.

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 respondents. Some 23 percent cited concerns about complying with regulatory requirements.

Connected enterprise is playing a critical role in differentiating the great insurers from the good insurers. Given system issues, competency and commitment shortages, and the demands to streamline processes and make maximum use of data, 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:

- **Prioritise 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 prioritise 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.
- **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.

To deliver on ever-increasing consumer expectations for a true “customer first” experience and to achieve business and financial goals, organisations must take a holistic approach, addressing each of the eight critical capabilities. But investing in these capabilities is only part of the equation - organisations must also 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 organisation 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.

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

KPMG Connected Enterprise capabilities	What good looks like for customers	What good looks like for organisations
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 optimise 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	Personalised 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
Organisation 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