

Using **Advanced Analytics** to Track the Customer Journey in Insurance

Leading-Edge Solutions Help Insurers Better Understand and Enhance the Customer Experience



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This paper examines customer engagement in insurance and opportunities for the industry in abandoning manual, paper-based processes for automated ones. It outlines an innovative approach to help insurers understand how they interact with policyholders, agents, brokers, and third parties and to identify areas of inefficiency and excess cost. Insurers can use this information to modernize and transform their customer touchpoints, portals, systems, and processes – thus **enhancing customer satisfaction and their bottom line.**





Leading a Digital Transformation from the Outside In

Companies in every industry want to excel in this new, digital-centric age, and insurers are no exception. They understand the need to deliver a superior customer experience. Whether a carrier writes business through independent agents, captive agents, or brokers – or directly with the customer – there is general recognition that customer interactions must be simple, efficient, and obstacle free.

To address key challenges, insurers must understand how to:

- Streamline customer-facing processes, given the complexities of existing system landscapes
- Measure results of the customer experience to maximize alignment between customer satisfaction and operation metrics
- Keep ahead of the many new entrants into the insurance marketplace that seek to change the status quo

SERVING CUSTOMERS ON THEIR TERMS

The channels for customer engagement – and the technologies that support them – are more pervasive than ever. Leading companies in the insurance industry have executed their strategies for customer engagement by using a fully digitalized enterprise to drive exciting, innovative services through their customer-interaction channels. Many have implemented self-service policy claims and single-use mobile apps. But customer demands and the pace of change are accelerating. Customers now expect to interact with insurers on their own terms.

To survive, insurers must embrace a new era of customer engagement. They must deliver unique products and services and create customer interfaces that adapt at a moment's notice to meet each customer's individual needs. To get there, the industry must overcome a proliferation of homegrown legacy technologies that are complex to use and costly to maintain. They must completely transform the way they manage and evaluate their front-end technologies and embrace high-value customer-engagement initiatives that drive profitability.



MAXIMUM VALUE WITH MINIMUM FRICTION

The insurers leading today's digital transformation design their business from an outside-in perspective. They look at all interactions through the eyes of the customer to ensure that their processes deliver maximum value with minimum friction. They carefully examine how customers interact with their company to identify inefficiencies that increase costs and decrease satisfaction. Using customer journey analytics, they can move beyond mapping the customer lifecycle and personas to gathering and examining data that helps them quantify the cost of interactions that are inefficient or ineffective.

Digital leaders use customer journey analytics as part of a fact-based approach to running their business operations. This approach removes the limitations of small sample sizes and helps insurers more correctly interpret their data. Insurers can use such information to prioritize the processes or systems they must improve for an enhanced customer experience and to justify the cost of such improvements.

Insurance customers experience many life events – from births, marriages, home purchases, and business launches to the retirement or death of a family member. Insurers can act proactively to meet new needs related to these events only if they can integrate and interpret the wide range of highly useful information from internal and external sources that may exist within their organizations.

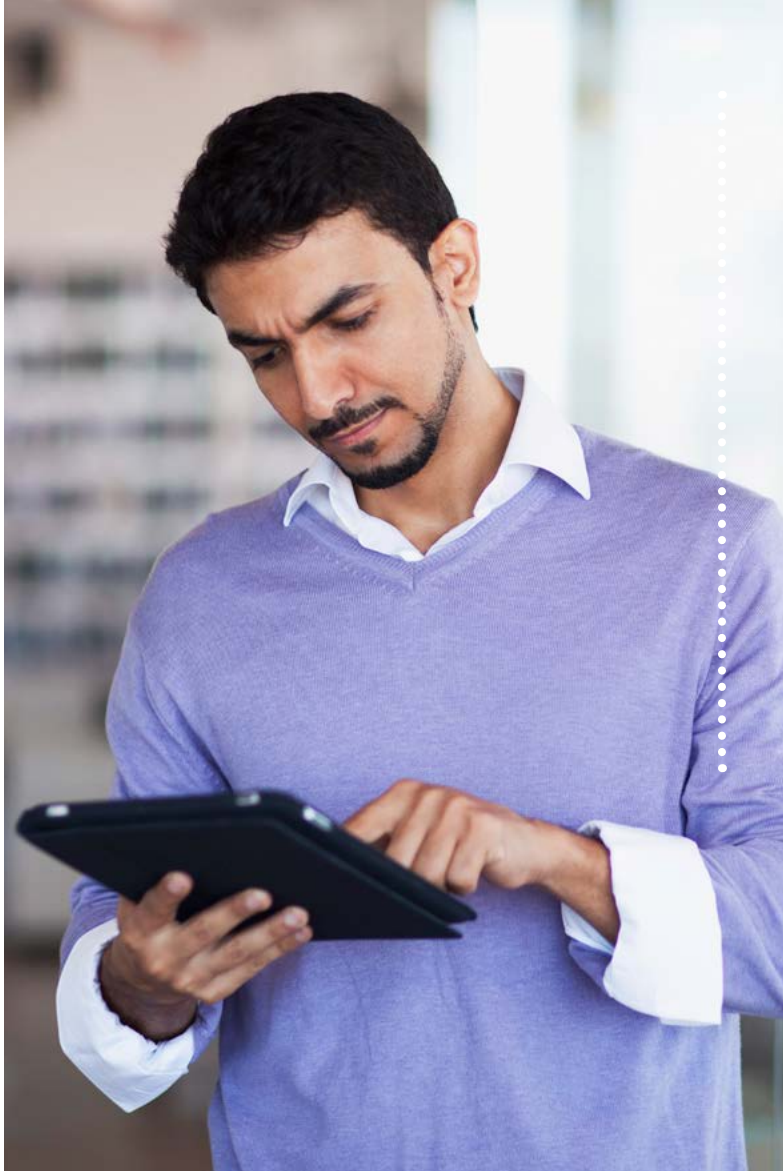
The industry has spent billions of dollars optimizing core processes around life events for insureds. But are these investments truly delivering best-in-class results – from either the business's or the customer's perspective? Do the new processes even take the customer's perspective into account? By looking at their businesses from the outside in, insurers can develop a road map for change that's driven by benefits to their customers. By taking advantage of new technologies for customer analytics, insurers can become digital leaders in the face of significant industry change.

DIGITAL AND DATA IMPLICATIONS FOR THE INSURANCE ECOSYSTEM

The era of insurers making an appearance once a year to ensure policy renewal is a thing of the past. For insurers to stay relevant, they must generate appropriate content and deliver a consistent message across all customer touchpoints. To build their brand, they must communicate more frequently and effectively with policyholders. With life racing by, they must be at their customers' fingertips when key events occur.

With the presence of product-aggregation and price-comparison tools, global insurance markets face a difficult conundrum. Do they compete on price and reduce their margins, or do they find new ways to drive customer loyalty? To answer this question, insurers must generate greater understanding throughout the customer life-cycle. With the ability to map the customer journey as needed, digitally centric carriers can move beyond the price war of highly commoditized property and casualty products.

For decades, insurers have used customer data to increase customer centricity. Located in separate islands, however, the data was too costly to transport and store, and too cumbersome and dirty to link. Yet, with most customer journeys involving multiple channels, customers continue to island-hop at rapid rates. Plowed under with burgeoning volumes of data, insurers have struggled to erect bridges between data sources swiftly enough to understand what journeys their customers desire.



55% of a customer's experiences include touching multiple channels to complete a journey."

David Edelman, Chief Marketing Officer, Aetna

Source: "Customer Journeys vs. Touchpoints? It's Not Even Close," LinkedIn, January 2014.





A Targeted Approach to Customer Engagement

To embrace this new reality, insurers must first view their enterprises through a customer's eyes. Many have been stuck in a vertical view, partitioning policy administration processes from claims and billing processes. Customers don't care about organizational silos and lines of business, or whether their policies came through agents or brokers or were acquired as a foothold in a new market. They want simple paths to access information and services across whatever touch-points they choose.

Without the ability to take a step back and see the bigger picture – especially the upstream impact on customers – an insurer's individual departments will continue to compete on operational efficiency and revenue at the expense of customer satisfaction. The customer journey benefits when business analysts, data experts, and data scientists collaborate across the enterprise.

Each organization has a unique set of customer-experience challenges and opportunities. Insurers must identify the improvement projects that are most critical to their individual business needs, bearing in mind that projects often span departmental boundaries and require executive

sponsorship to ensure that the entire organization is engaged in the transformation. Removing organizational silos requires a journey-centric approach – where change priorities are driven by the overall customer impact, rather than by channel-specific improvements.



Excellence in journeys can mean 20% improvement in customer satisfaction, 10%–15% improvement in revenues, 15%–20% lower costs to serve, 20%–30% higher employee engagement.”

David Edelman, Chief Marketing Officer, Aetna

Source: “Time For Science to Be Part of Your Customer Journey,” LinkedIn, April 2016.





Making the Most of Customer Journey Data

Efforts to map the customer journey often involve multimillion-dollar consulting initiatives that produce minimal results. This is typically because the projects create views of select customer journeys where insurers already know their communication is ineffective.

While mapping is a very important step in understanding the customer's perspective, it is just the first of many steps insurers must take to capture value from their data and enhance customer engagement. Between mapping and value capture, all customer interaction data must be collected and connected. Insurers can then monitor, measure, and improve the customer journey at scale.

CUSTOMER JOURNEY ANALYTICS AND JOURNEY SCIENCE

For years, data collected along this journey has been fragmented, nonexistent, or invisible to the human eye. As data analytics has progressed over the past 15 years, there have been significant strides in capturing this data and analyzing it. Data is now being generated from every touch-point and can be connected, sequenced, and contextualized to enable analytic approaches once thought to be impossible.

Most recently, the dynamic capture of data and real-time analysis are allowing automated and dynamic responses to interactions. The progression of an outside-in approach has given birth to customer journey analytics. Unlike traditional analytics, journey analytics spans across an insurer's business verticals. It includes vertical analytics tied to specific business functions, such as claims, customer service, or sales, that enable product and risk analysis.

While line-of-business analytics is used more widely in carriers today, this type of analytics, being myopic in approach, does not monetize the full internal or external value of a customer's journey to the carrier. Line-of-business owners make decisions based on how they are incented, which is normally based on department KPIs that may not be aligned with the enterprise or the customer. Based on the facts of what a customer is actually experiencing, customer journey analytics, by contrast, helps an organization view information in an omniscient, integrated manner across lines of business.



When customers start their journeys, they don't care how a company is organized. Myopic line-of-business analytics will tell you how many customers completed a claim, while journey analytics will illuminate the customers that struggled in other channels before completing the claim and where they struggled.

Journeys, at least through a customer's eyes, are often not what insurers intend them to be. In the past, a journey's success was measured through customer surveys and market data, which were marginally effective. Because insurers have thousands of processes, customer interactions can get lost in a sea of data, out of the view of a carrier's decision makers. This may be the result of broken or mismanaged processes, or stakeholders with good intentions but who are not armed with the best information to make pragmatic decisions. Some business opportunities are lost due to old Web links, poorly maintained interactive voice response (IVR) systems, reorganization challenges, poor communication across business units, or even training gaps, to name a few. Journey analytics can make these challenges more visible.

Progressive companies are taking a scientific approach to analyzing customer journeys by putting teams in place with various skill sets and an agile approach to problem solving. Business leaders act as journey owners, business analysts, data experts, and data scientists. This approach, known as "journey science," is bridging the gap between business and data resources.

When taking a journey-science, data-driven approach to data preparation, all touchpoints from the digital footprint created by a customer's experience are connected and categorized as journeys. The connection and categorization of key customer journeys – such as paying a bill, filing a claim, or adding coverage – become a business context that is invaluable when analyzing journeys. This context significantly reduces data preparation and validation time prior to analysis, since there is now a single, enterprise-wide source of truth for customer journeys. Getting the entire company behind a cohesive journey-science approach allows insurers to improve operational efficiency and increase revenues while enhancing the customer experience.



The customer journey benefits when business analysts, data experts, and data scientists collaborate across the enterprise.

A customer's journey can be built across many disparate data systems within an organization. Because this data within these systems is often collected at the interaction level – sometimes instantaneously and sometimes over days or weeks – carriers need help understanding how customers traverse their organizations and how customer journeys affect the carriers' bottom lines. Carriers need a clean path to accessing customer data and the ability to assemble that data into an end-to-end picture of each customer journey.

SEEING THE FOREST THROUGH THE TREES AND THE TREES IN THE FOREST

With a consolidated stack of information technologies, insurers can analyze and enhance the customer journey using a bottom-up and top-down approach (see [Figure 1](#)).

A bottom-up approach helps insurers better understand the customer journey by collecting and analyzing data from:

- Transactions in individual sales channels, such as address changes

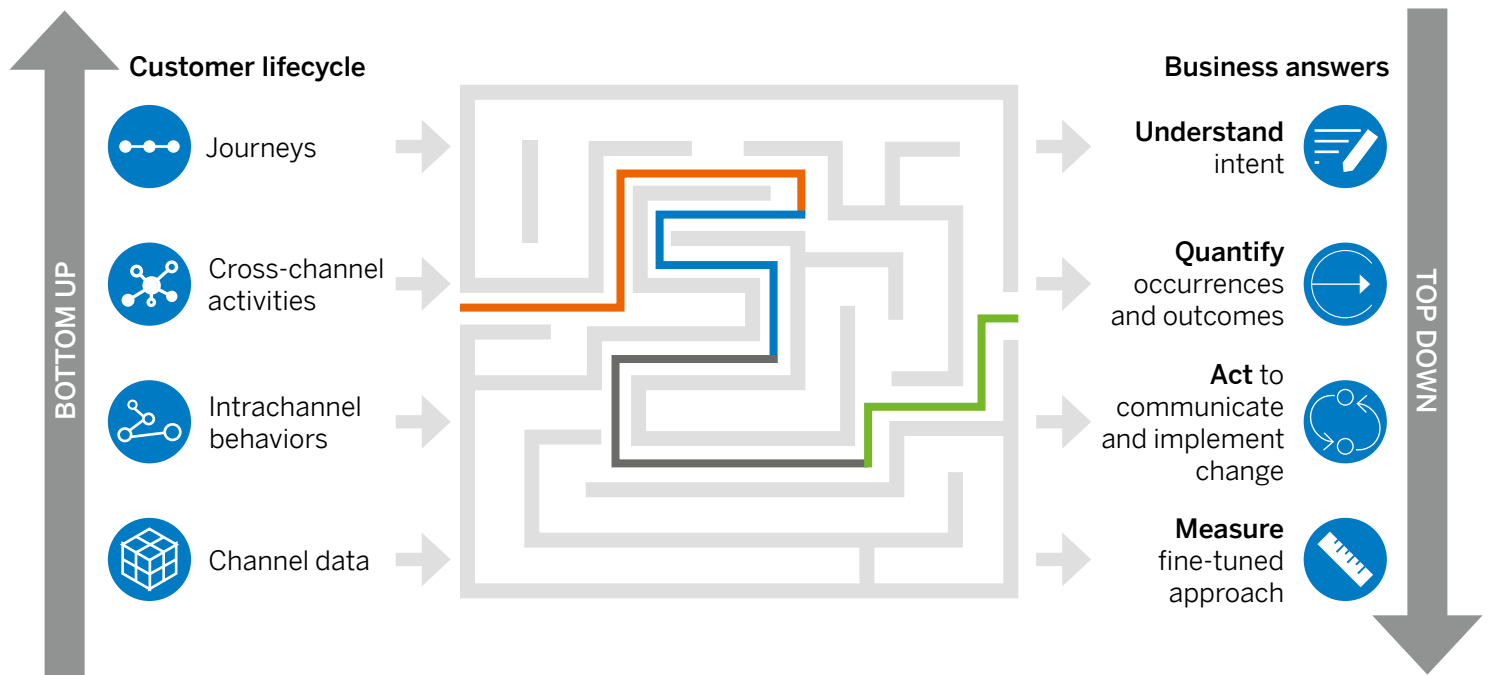
- Intrachannel behaviors, such as how customers navigate a Web page or IVR
- Cross-channel activities, such as talking with an agent, calling to pay a bill, or adding a dependent online
- Specific customer journeys that give visibility to key life events or allow insurers to proactively provide services or coverage as they are needed

With a better understanding of the customer journey and lifecycle, insurers can then develop top-down business answers by:

- Addressing customer intent in using specific sales and service channels
- Quantifying certain occurrences (such as the number of times a customer engages in a specific event or interaction) and outcomes (the results of those interactions)
- Communicating and implementing change in customer interactions that increase flexibility and customization
- Measuring a fine-tuned approach to customer-centric interactions



Figure 1: Customer Journey from the Bottom Up and Top Down



As an example, consider the customer that typically uses a call center to secure insurance for a new car rather than purchasing coverage online or through an agent. Additional information might indicate that phone contact is the customer's preferred method of interacting with the insurer. This

bottom-up understanding of the customer over an entire lifecycle might suggest that the best method for contacting this customer is by phone. Knowing that, the insurer can implement a phone-based sales and service strategy and track the results to test this conclusion.



Empowering a Value-Driven Digital Transformation

Customer journey analytics can help insurers target bottlenecks to eliminate and identify other areas for improvement. Leading insurers are using new digital technologies in high-value transformation projects with quantifiable benefits. Journey analytics can help them base project decisions on what is actually happening in their businesses. For the first time, they can dynamically and visually tease out the interplay between business factors such as customer satisfaction (CSAT) scores and cost, and between cost and revenue. They can trace the multitude of things customers do in journeys through their company and how those journeys affect the bottom line.

Through customer-journey analytics, insurers can finally determine the monetary impact a positive or negative journey has on their business by pinpointing how customers move across multiple channels and touchpoints – and ultimately complete, or fail to complete, a journey. Insurers can determine, for example, that a certain percentage

of customers took path A, which led to a negative CSAT score, versus customers that took path B for a highly positive score. They can see what event in the journey caused the departure from the more satisfying path.

While there may be a finite number of things customers can do with a company, there are millions of variations in their journeys. Tools are now available to help insurers visualize all of these variations and identify areas that require further investigation. Such intelligent journey data can be shared across the business, where decision makers can apply their analytic methods of choice. Insurance analytics teams have long been waiting for this level of visibility and flexibility.

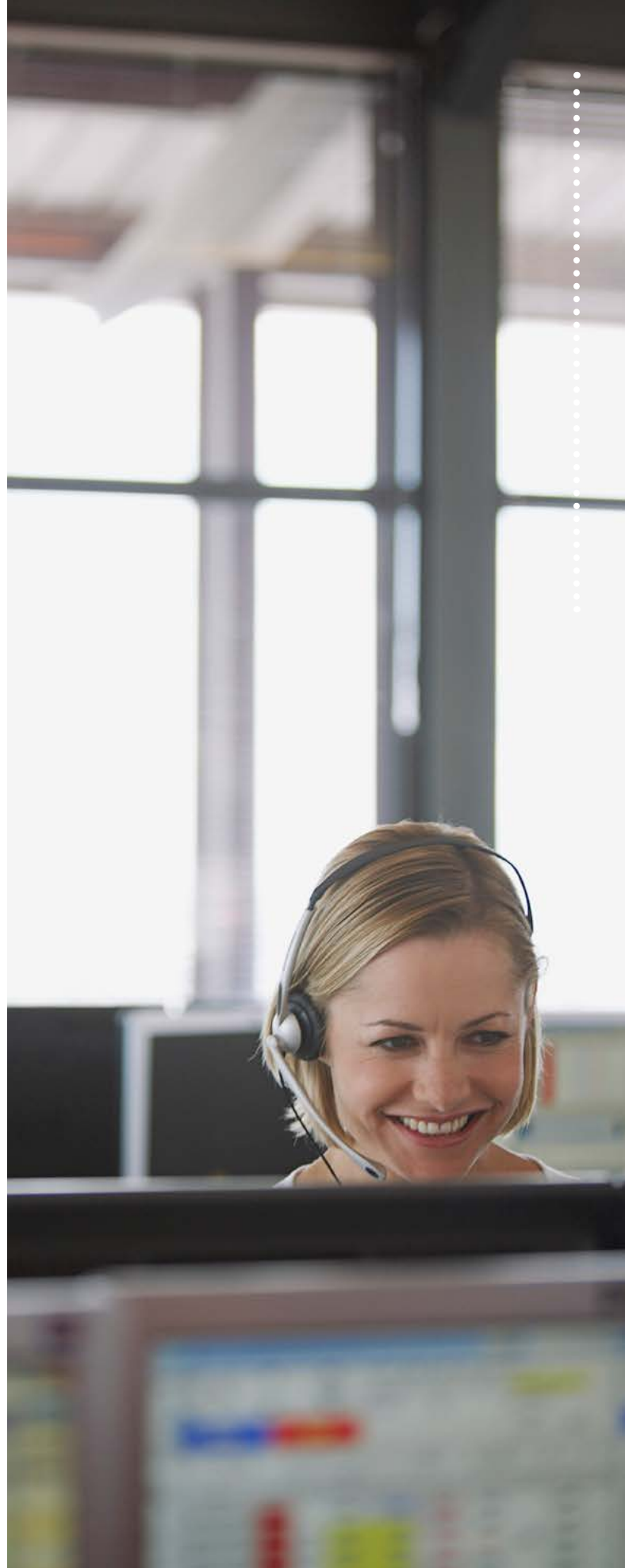
In the most fragmented organizations, the customer experience can differ so greatly across interaction points that it almost feels as if the customer is dealing with different companies. There are four key ways to address this fragmentation.

Make customer-facing channels more consistent. To gain a complete view of customers who interact with insurers across multiple channels, business divisions must authenticate customer identity consistently. They must eliminate situations where a Web page, mobile app, and call center require different methods, such as username, pin code, e-mail address, account number, or phone number.

Resolve conflicting department goals. Lines of business need similar methods of compensation and similar priorities for the customer journey to foster effective collaboration.

Synchronize drivers for profit and loss. Measurement of results at the executive level must correlate with incentives at the operational level.

Create a single technology platform. Using platforms acquired by different operating units over extended periods of time can drive a complex and fragmented customer experience across touchpoints and channels. A single, centralized platform can eliminate these issues.





Building a Comprehensive Customer-Engagement Hub

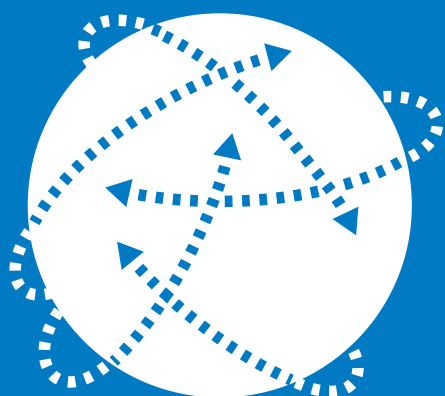
The real challenge of customer centricity is to abandon the product-driven push, understand the customer's stated and tactical needs, and uncover new needs. Insurers must also provide highly personalized solutions and remarkable experiences that are relevant to each customer's preferences and circumstances at specific points in time. This requires new front-end technologies. A customer-engagement hub can lay the foundation for a back-end data platform that helps insurers manage their front-end technologies and the transactions they support.

Insurers have used different approaches to communicate across numerous broker channels, agent channels, affinity networks, and direct channels – as well as the required touchpoints within those channels. The processes involved with these interaction points are often connected by a skeleton network of technologies. This has created front-end systems that are highly siloed and a disorganized array of portals, Web sites, and mobile apps that complicate the customer journey and are costly to manage and maintain.

IMPROVING THE CUSTOMER JOURNEY THROUGH DIGITAL TRANSFORMATION

Although insurers have spent the last decade shelling out tens of millions of dollars in transformation projects for their core systems, this has done little to simplify their front-end technologies. Most digital initiatives have involved building new Web sites, portals, and mobile apps to perform specific functions that independently improve interactions with customers.

It is now possible to implement a stack of operational technologies from a single software provider, which can greatly reduce the overall cost of integration and ongoing total cost of ownership (TCO) and drive faster payback and value realization for the organization. A digital transformation project – where new value can be derived from previously unused data – can help insurers enhance their middle and front offices more quickly and sustainably than the older and more expensive integration platforms.



Data is now being generated from every touchpoint and can be connected, sequenced, and contextualized for analytic approaches once thought impossible.

Through digital transformation, insurers can create a single view of the customer and deliver a consistent message across all sales and service channels. At every touchpoint, they can cost-effectively manage and maintain the front-end support they need to aggregate customer data and create a consistent experience.

Companies like Amazon and Zappos drive their entire business through digital channels. They have no problem maintaining numerous customer touchpoints while minimizing their cost to service. Their approach is simple: a single customer-engagement hub through which all analytics related to the customer journey passes. Such a hub makes it possible to push and distribute product and content across multiple interaction and service touchpoints, thereby enhancing the customer journey.

A customer-engagement hub serves other purposes as well. If a new type of customer needs a Web site, for example, an insurer can use the hub to support a site, mobile app, and portal that use the same content and products from other touchpoints. By using the same brand and con-

tent standards across all customer-related technologies, insurers can adapt their touchpoints at a moment's notice and aggregate customer data across the front end into a single platform. Using reintegrated components based on their current IT landscapes, insurers can implement a step-by-step transformation that creates clear value along the way.

CHURN RISK: A USE CASE FOR CUSTOMER JOURNEY ANALYTICS

You can't, and don't have to, make the transformation all at once. You can glean tremendous value from focusing on a small list of initial use cases. These might be sales and service channels with a large number of customer interactions, as they offer large cost-reduction opportunities that can justify the technology investment and fund additional customer engagement projects.

By targeting your online, mobile, and contact center channels, you can leverage opportunities for process improvements, keep customers in the more cost-effective channels, and reduce operating costs while providing a better customer experience.



Consider the example of using customer journey analytics to reduce client churn (see **Figure 2**). With existing tools, the triggers for client churn can be hard to identify. But let's say you could collect data from 5,000 customer events, identify 200 that lead to churn, and name the top 30 aggregated factors that fuel a risk of churn. You might find that 20% of your churn rate occurs when a customer goes online to change personal information, sees a pop-up ad, reads about policy choices from other providers, and then cancels the existing contract with you.

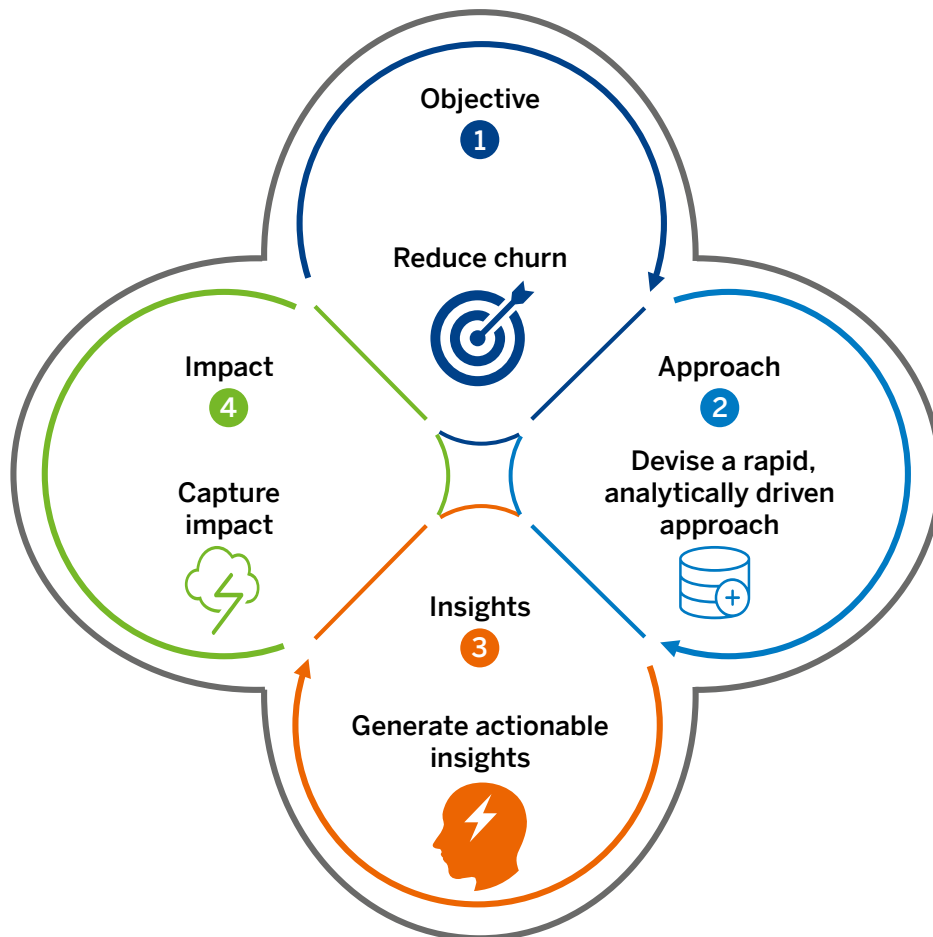
In this case, understanding the customer journey would be critical to measuring the cumulative impact of potential churn drivers and finding the best ways to address those drivers. This understanding could help you:

- Develop a set of proactive actions tailored to various transactions during the customer journey

- Create live triggers that help you proactively identify and treat at-risk customers
- Create an integrated view of the customer that includes all journeys or interactions, contract parameters, customer profiles, claim information, price changes, promotions, and campaign data
- Identify key drivers of churn risk by using predictive modeling and journey insights
- Understand the value of customer interactions in real time across your channels and touchpoints

As new contract-renewal regulations are adopted in many countries, you gain competitive advantage by proactively changing policy pricing and other structures. This can significantly improve customer retention, increase revenue, and reduce the cost of obtaining new customers.

Figure 2: A Use Case for Reducing Client Churn



CREATING A ROAD MAP

After implementing analytics tools for quick-win improvements in the customer journey, you can incorporate additional data sources into your customer-engagement hub to address other issues. By adding CSAT or net promoter score (NPS) data to your digital and contact center data, for example, you dramatically increase visibility into the customer journey and expand the types of use cases that you can analyze.

You can also give your executive team a digital boardroom view on how the customer journey is progressing to enhance commitment to journey improvements across your organization. The reductions in TCO and increases in revenue and overall customer satisfaction that result from this commitment can provide the immediate and ongoing motivation for your company to become a leader in understanding the customer journey – along with Amazon, eBay, Google, and others in this space.





How Today's Technologies Can Help

From the beginning, Run Simple has been a core principle of how SAP approaches integrated platforms and technologies across 25 distinct industries. Through partnerships with companies like ConVista Group and ClickFox, we are developing solutions to help you achieve your customer-journey vision. These partnerships bring unparalleled experience in the insurance sector that will help you run and grow your business more effectively for years to come.

Our open, leading-edge technologies provide the agility you need to address changing market requirements quickly and effectively throughout front, middle, and back offices. The solutions enable accelerated implementations for a short time to ROI, while tight integration across the solutions helps keep TCO low.

They include:

- **Accelerated customer journey analytics** – In addition to customer experience solutions developed through partnerships with ConVista and ClickFox, you can build a robust foundation of intelligence and targeted data using the SAP HANA® platform, the SAP HANA Vora® solution, SAP BusinessObjects™ Lumira software, and the SAP BusinessObjects Design Studio.
- **An accelerated customer-engagement hub** – By adding the SAP Hybris® Commerce solution to this foundation, you can create a centralized customer-engagement hub that supports the customer interaction tools you install today and tomorrow.
- **Accelerated customer marketing analytics** – Adding the SAP Hybris Marketing solution can significantly enhance your marketing capabilities.

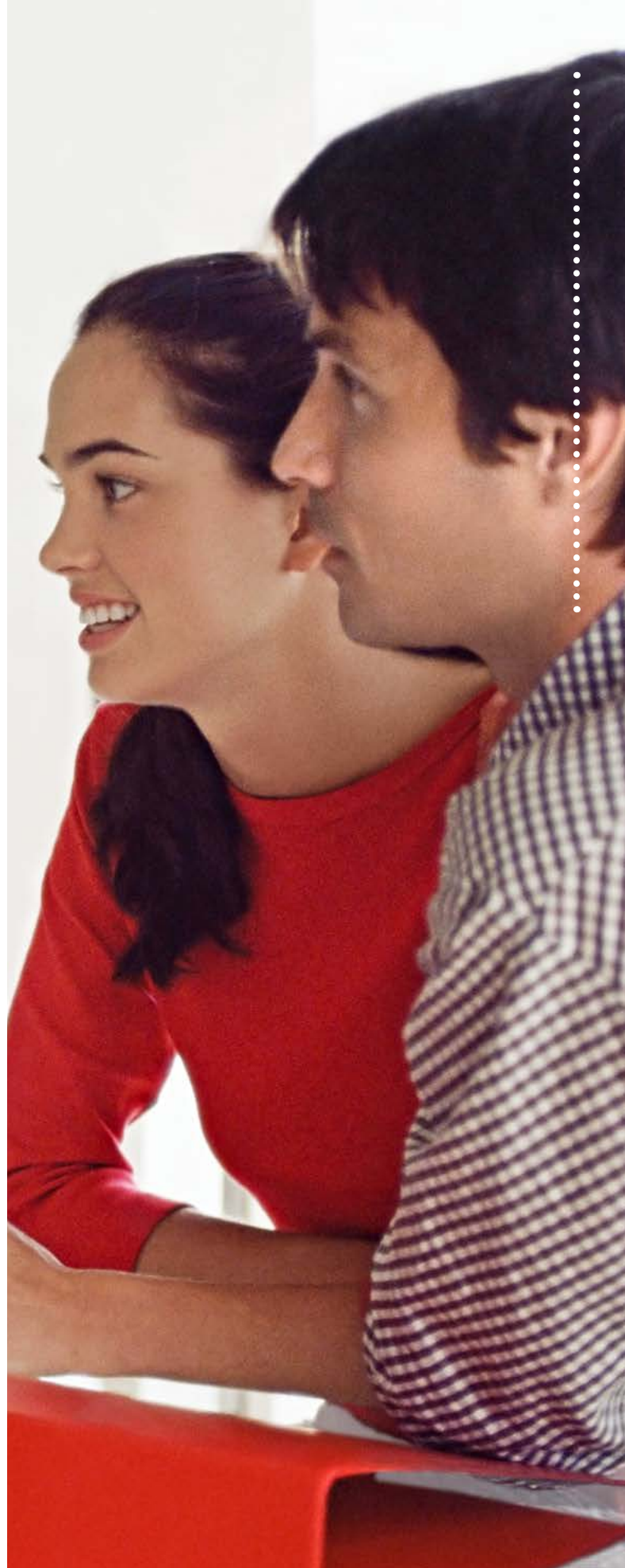
CONCLUSION

Leading insurers know they must simplify their interactions with customers and work harder to address each customer's needs. The incorporation of new digital technologies is driving the innovations insurers must use to modernize their legacy operating environments. It will give them greater flexibility in their go-to-market strategies while simplifying their distribution channels and customer interactions.

SAP is working with insurers to help them simplify and modernize their operating environments and become digital leaders in their industry. These capabilities are critical as nontraditional carriers disrupt the marketplace with new business models and technology that support their digital transformations.

LEARN MORE

To learn more about our software for customer journey analytics, visit our Web site at <http://go.sap.com/solution/industry/insurance.html>.



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