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TECHNOLOGY FOCUS

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Know what you mean

Big data is a big subject. But getting value from this latest trend in technology means zeroing in on where big data can make a difference in the business.

All else being equal, the more data an organisation has, the smarter it is and the more effectively it performs. However, data that isn't accessible or commensurable is just noise. To make data usable, we need context. In short, we need to know what it means before we can learn from it.

This is why, in the era of big data, data standards are even more important than they have always been. In order to get the types of insights surveyed by our guest columnist Anthony Duffy, you need a management model that ensures meaningful results. That is just one of the vital roles of standards.

Is big data one of those techno-waves that is safe to ride out? I don't think so. Business is an arms race and failure to match the analytic savvy of competitors would be unwise.

There will always be a need for curve-ball creativity in our industry, but the more we base our activities on sound knowledge, the less risky innovation will be.

And, as Duffy points out, it is not just your competitors who are using big data to get smarter. Big data can give consumers greater power too. ■

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Big data: Fad or future?

Is big data just a buzzword – or does it offer real opportunities for the industry?

Anthony Duffy,
retail financial business specialist
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Big data has three central elements: data analytics, the process by which data is collected, cleaned, analysed and modelled so as to derive useful information; the networks and IT hardware that underpin the process; and the storage systems in which collected data is be deposited. It is at the front end of this chain – data analytics – where real insight can be gained, offering a new understanding by which business issues can be revisited and addressed in a fresh way.

The ocean of data
It is no small challenge to take full advantage of the vast amount of data now being produced, particularly via the accelerating use of computers and mobile phones. Much of this data – and perhaps the most valuable – is unstructured, stemming from sources such as video, social media, search histories and blogs. These are easy for humans to understand in isolation, but much harder for computers to analyse *en masse*. One of the main challenges for the analytics community is to find ways to identify and extract the value from this deepening ocean of data.

But it can be done. Analysis of big data is already being used to rebuild customer relationships, drive growth and manage costs. Companies such as Amazon and Google have built their operations by pioneering the collection and use of data. Retailers are now using data feeds to "mood map" how their company and its products are seen by the public. Targeted customer programmes have proliferated, with Tesco showing via its Clubcard programme how loyalty can generate growth. T-Mobile USA reportedly halved customer defections in one quarter by using big data to understand customer motivations.

Types of opportunity
The insurance industry is rightly keen to exploit this new world too.

At Fujitsu, we believe opportunities lie in three areas:
- Creating new opportunities to segment the customer base, thereby improving ways to offer products which balance price and risk;
- Reducing claims costs, by providing insurance companies with insights which help them focus enquiry resource in areas of interest; and
- Strengthening and accelerating decision-making throughout the organisation – from developing propositions for selected customer segments and speedier and targeted claims management.

Big data for personal lines
Different opportunities exist in separate lines of business. Within personal lines, big data can be particularly helpful in:
- Determining pricing. Some insurers already offer reduced car insurance premiums for drivers prepared to install a telematics device. Some American insurers reportedly evaluate customer foreign travel patterns, as those who go abroad have been found to be, on average, healthier;
- Improving fraud detection, through the capture and analysis of unstructured claims data;
- Link analysis works by identifying claims that at first sight appear unrelated – for example, a garage undertaking an unduly large number of car repairs;
- Further opportunities might also lie in reducing the number of false positives and in addressing claim frequency and size;
- Enhancing processing and translating this into better customer service. Where big data techniques suggest, for example, no suspicion of fraud, claims can be fast-tracked; and
- Subrogation, where potential cases can be identified, scored and categorised earlier in the claim cycle.

Commercial lines drivers
Within commercial lines of business, data analytics offers the opportunity to improve understanding of the performance of the business.

The need for straight-through processing and the identification and evaluation of potential litigation claims are just as strong in commercial lines as personal. However, other opportunities also exist, not least enhanced predictive modelling and monitoring of actual experience against predicted results.

Take it from here
Not everything arising from the data revolution will benefit the industry. In particular, revenue is likely to come under greater pressure, particularly in personal lines. As more data becomes available to consumers – via an enhanced, targeted service offered by aggregators for instance – price transparency will increase. It will become easier for consumers to find the products they want at lower prices, perhaps resulting in lower margins.

Big data is more than just technology hype. But its promise can only be fulfilled if strategy is implemented efficiently and effectively. Insurance organisations should start small, evaluating the application of data analysis to their particular operations and only then expanding its use. The value of big data is maximised when focused on very specific business issues – be it those that help deepen the customer relationship or those which help the organisation manage its risk and cost profiles. ■

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