

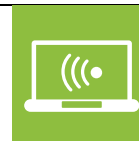
# insurance day

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## The new breed

Evolution is continuous, but sometimes we only register the world has changed when there is a big bump. Our guest columnist, Thomas D Meyer, has scouted the major bumps in the road ahead for insurers' relationships with customers. He suggests how the industry should respond if it is to keep up with the evolving landscape.

As Meyer says, innovation has largely been seen as a product or service development issue. Process innovation is making inroads too, but it tends to be driven by technologists rather than the business. We need a focus on business innovation that tracks both the changing expectations of customers and the developing ambitions of potential competitors. This means acknowledging the influence of markets we would have previously ignored.

The new breed of customer is emerging and growing more powerful – but so too is the new breed of insurer. As an industry, we are adept at reinventing and realigning ourselves to a changing world.

We may beat ourselves up for being slow off the mark sometimes, but in reality insurance has always been pretty nimble in responding to new types of risk. We need to support the same hunger for innovation beyond insurance's core competence.

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# Meet Customer 3.0

This new breed of customer has dramatically heightened expectations and industries other than financial services are setting the standard for how those expectations are to be met



Thomas D Meyer, insurance industry lead, Europe, Africa and Latin America  
Accenture

My colleague Mark Halverson paints a vivid portrait of a new kind of financial services customer. This Customer 3.0 is connected virtually all of the time, increasingly using a smart mobile device. He or she is highly informed, using the internet both to research and purchase products and 65% want to be able to customise whatever product or service they are buying. Customer 3.0 trusts “the crowd”, is rushed for time (so transactions should be efficient) and is price-sensitive.

This new breed of customer has dramatically heightened expectations and industries other than financial services are setting the standard for how those expectations are to be met. It is not enough to measure Customer 3.0's existing levels of satisfaction – high satisfaction levels in the past do not guarantee loyalty in the future. Customer 3.0 is ever ready to consider changing providers the moment his or her expectations are not met.

### Competitors from beyond

So insurance will have to live up to the standards set by other industries in delivering an experience that gives value to customers. Soberingly, an Accenture survey of banking customers in 2012 showed fully 75% of respondents expected the main source of innovative customer banking propositions to come from competitors in other industries. The same is likely to be true of insurance.

The other sobering consideration is Customer 3.0 is increasingly turning to his or her virtual communities for advice relating to financial matters. Insurers need to come up with a way to ensure they remain a leading source of trusted information about risk mitigation for consumers.

Smart phone: Customer 3.0 is connected virtually all of the time, increasingly using a smart mobile device

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The important word here is “experience.” Customer 3.0 is looking for a service provider that delivers what he or she needs. This is not a specific product or service, but an experience that supports a particular lifestyle. It is, for once, a genuine sea change and it means insurers need to rethink what they do.

### A process for innovation

If the insurance value chain is under threat as customers raise their expectations, what is to be done? Insurers will have to rethink what they actually do, calling for a robust innovation process (not to mention robust nerves).

As is so often the case, the nature of the change required is broadly determined by the threat. As we have seen, the threat is twofold: Customer 3.0's heightened expectations for an “experience” that meets his or her needs; and the competition from non-insurers.

These non-insurers could be companies like Google, Amazon, Apple or established big retailers and fashion brands. These companies have close relationships with customers and lots of information about them and the skills to use it (you should just see how well Burberry treats my wife in any of its

stores worldwide). In other words, these companies are well positioned to understand the nature of the desired experience and to integrate insurance products into it.

### Owning the relationship

Here is the important point to understand: these companies do not make their money from creating the various elements (ie, products) that underpin the experience. They are ringmasters that own the customer relationship and will soon start to charge commission-based fees.

The danger for insurers is not that they will disappear, rather that they will be reduced to pure manufacturers of product – a difficult business to be in, with margins under pressure and growing regulatory scrutiny.

Two possible solutions to this suggest themselves:

- Play to complexity. The use of an aggregator to act as the portal for a range of products and services works very well for simple products and services, but less so for complex products. Insurance is about coping with the unknown and it is endlessly complex – customers need expert help and insurers should position themselves to give it. Such an approach would

also keep the insurer from being supplanted by “the crowd”; or

- Become customer-centric. Adopt the new model and weave your insurance products and services into something much bigger: an experience. One great example from the insurance world is USAA, which has morphed from providing insurance to the US military to a full financial services firm and more. Because it knows its clients so well, it has become a vendor of engagement rings and bunches of flowers. Not so crazy: it is hard to buy either in Afghanistan or other military outposts, so what makes better sense than turning to a trusted supplier to source the best products for you?

### Rethinking the business

Once you understand, it is so obvious – just like any good innovation should be. But it is dependent on the ability to rethink the business model, not the product, and that is why the present focus on product and service innovation in insurance is so worrying. We need more long-term thinking in the industry.

The answers are there: do you have the innovation process in place to find them? ■