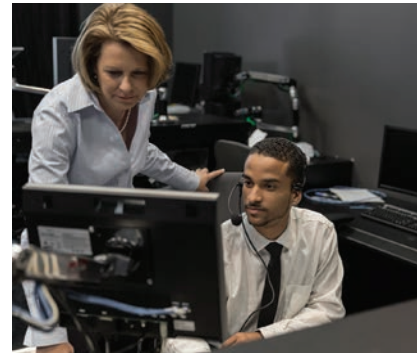


*Many life and pensions businesses are scrambling to keep pace with the increasing impact of digital in their marketplace. But the ways in which they're responding are too slow. Could there be a faster, cheaper and more flexible way to grasp the digital potential?*

# ***Insurance 2020:*** Forcing the pace – The fast way to becoming a digital front-runner



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## ***Insurance 2020: Future of insurance***

*Insurance 2020: Forcing the pace – The fast way to becoming a digital front-runner is the latest viewpoint in PwC's Insurance 2020 series, which explores the megatrends that are reshaping the competitive environment for insurers and the markets in which they operate.<sup>1</sup>*

Our clients are using Insurance 2020 to help them judge the implications of these trends for their particular organisations and determine the strategies needed to respond. The central message from Insurance 2020 is that whatever organisations are doing in the short term – be this dealing with market instability or just going about day-to-day business – they need to be looking at how to keep pace with the sweeping Social, Technological, Economic, Environmental and Political (STEEP) developments ahead.

## ***About our survey***

9281 consumers were surveyed in May 2014 about what kind of life insurance they hold, their attitudes to buying life insurance digitally and what, if anything, would encourage them to buy life insurance this way. The participants form a representative sample of ages, genders and income groups in Brazil, Canada, Central and Eastern Europe, China/Hong Kong, France, Germany, India, Mexico, Netherlands, Singapore, South Africa, Spain, Switzerland, Sweden, the UK and US.

<sup>1</sup> [www.pwc.com/insurance/future-of-insurance](http://www.pwc.com/insurance/future-of-insurance) and [www.pwc.com/projectblue](http://www.pwc.com/projectblue).

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# Foreword

***We're pleased to introduce Insurance 2020: Forcing the pace – The fast way to becoming a digital front-runner.***

Life and pensions is a market in transformation. Digital developments are one of the main drivers of change, reshaping customer expectations, making products, services and prices easier to compare, and opening up the market to a new breed of data-rich entrants and startups. In a market where the depth of customer-centricity is the key differentiator, digital also opens up sharper ways to engage customers, understand their needs and provide customised solutions. In short, effective digital capabilities are now a competitive imperative.

But the challenges of overhauling slow and unwieldy systems and processes are making it difficult for established life and pensions businesses to keep pace with this rapidly evolving marketplace. By the time the necessary changes are made to what are often large and complicated IT infrastructures, the market may have already moved on. In turn, overreliance on agency channels to generate business means that many life and pensions businesses could be missing out on the opportunities created by digital development to strengthen their presence in underserved segments of the market.

As we outline in this paper, we believe that life and pensions businesses need faster, more flexible and more cost-efficient ways to meet changing market demands and reach out to new customers. One option might be to develop startups that run alongside existing capabilities. These 'greenfield' operations could be up and running quickly and then tested, adapted and expanded to meet rapidly evolving demands. Other possibilities include acquiring or partnering with companies that already have the necessary capabilities.<sup>2</sup>

These approaches could allow much greater flexibility and room for innovation on the one side, while reducing costs, design and execution risks on the other. The main determinant of successful change is no longer planning and design, but how to interpret changing expectations, move quickly to market, gain feedback and swiftly adapt.

Augmenting industrialised legacy processes with a quick-to-market solution will enable life and pensions businesses to compete on equal terms with the mobile companies, internet providers and other new entrants looking to make inroads into the market. In parallel, they can integrate new operations with existing business platforms and make sure that overall capabilities are steadily updated.

## ***What we explore in this paper***

In the first section of this paper, we look at how digital is reshaping the competitive landscape for life and pensions businesses. In the second section, we look at why keeping pace with accelerating change is proving so difficult and the risks this creates. In the third section, we look at how to develop the adaptable mindset, and the faster decision-making and operational flexibility needed to move out in front of the market. Our perspectives draw on input from PwC experts around the world and a specially commissioned survey of more than 9,000 consumers from both developed and developing life insurance markets.

We hope that you find the paper challenging and useful. If you have any queries or would like to discuss any of the issues in more detail, please speak to your usual PwC contact or one of the authors listed on page 18.

**David Law**  
Global Leader, Insurance  
PwC UK

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<sup>2</sup> 'Insurance 2020: A Quiet Revolution - The Future of Global Insurance M&A', PwC, September 2013, looks in more detail at the role of acquisition in enhancing competitive capabilities ([www.pwc.com/insurance/quiet-revolution](http://www.pwc.com/insurance/quiet-revolution)).

# The route to digital

## Where is it all heading?

In the past, digital business meant e-commerce. But the landscape has changed; the rapid rise of social media, smart devices, big data and cloud computing has opened up new avenues of potential.



social media



smart devices, sensor technology, wearable tech



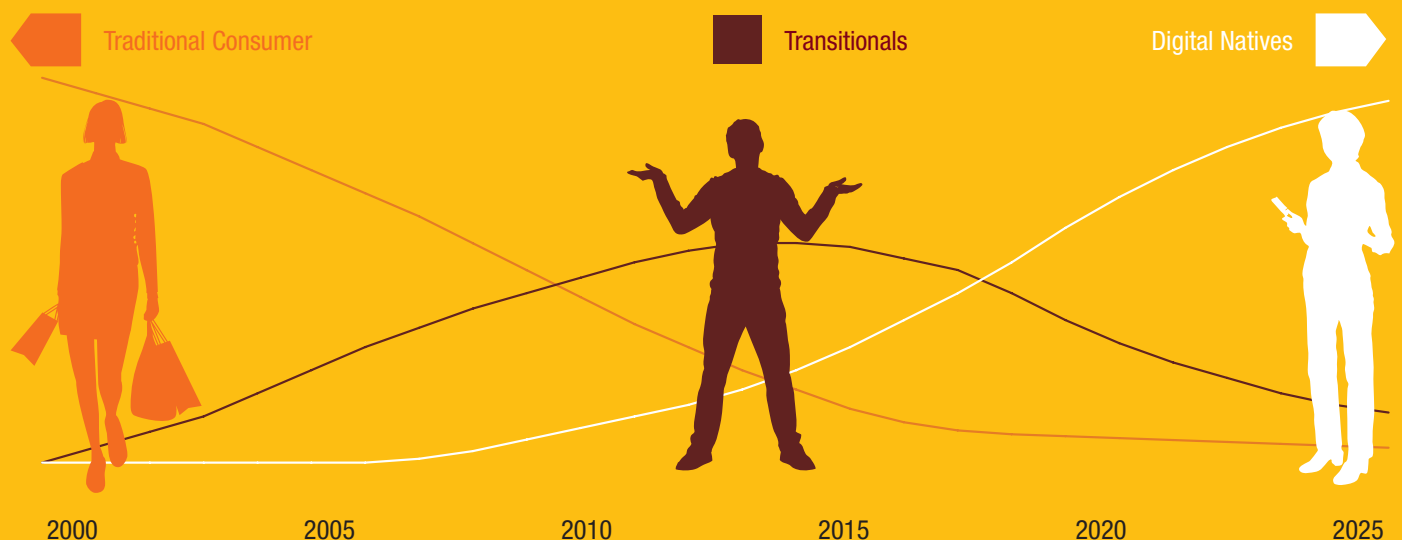
big data and analytics



cloud computing

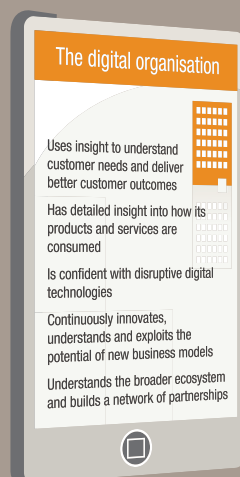
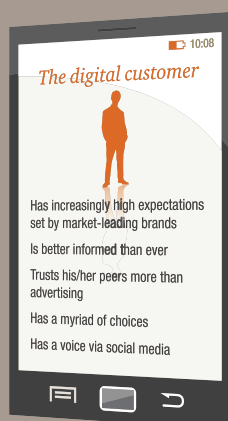
Customers are changing too through demographic change, increased expectations and empowerment. Technology and social media are making customers better informed, more connected and more vocal.

## By 2017 a new breed of customer will dominate – we call them Digital Natives

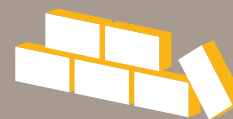


## What does this mean for business?

As a result, businesses have changed to deal with:



More transparency



Reduced barriers to interacting with customers globally



Using new business models



Different threats and risks to privacy and security



An economy based on outcomes, not products and services



The rise of the trust economy

# Adding value through digital

Three waves of change are taking place:

1

Businesses have the right mix of digital channels to improve customers' e-commerce experience and successfully integrate their physical and digital operations

retail channel

e-commerce

YOU

2

Businesses exploit information gained from how customers want to use their products and services to develop new propositions which help customers improve their lifestyle and increase their loyalty

3

Customers' digital identity will become complex. The more they interact with business's products and services, the more insights they will gain about themselves. That then offers an opportunity for a 'digital identity manager' to work on their behalf to get the best deals.

NIKE+

passwords

Google+

loyalty cards

PayPal

Twitter

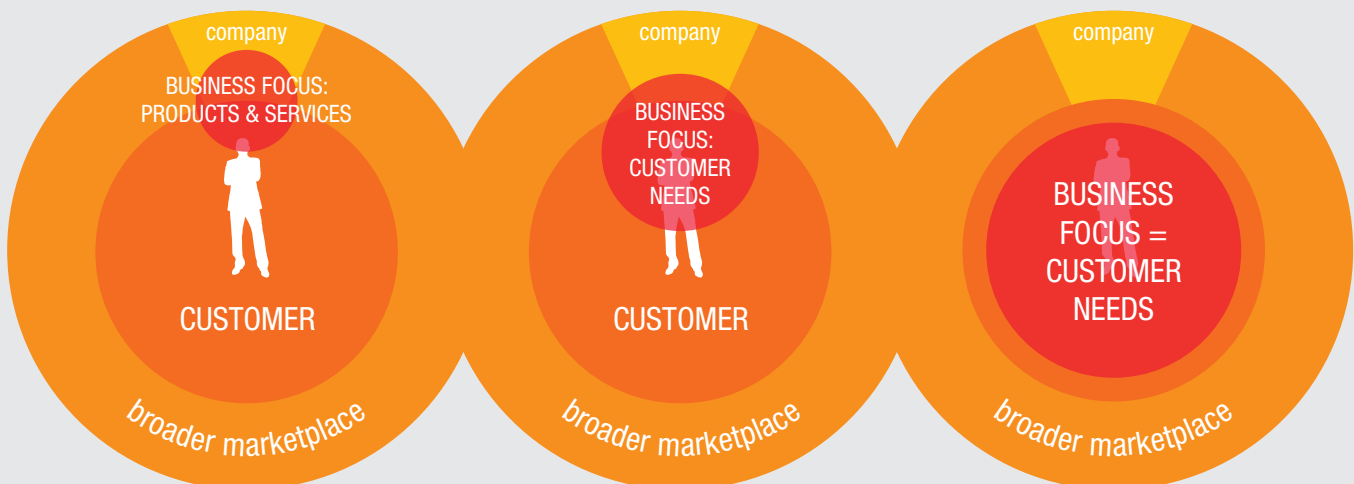
payment information

Facebook

DIGITAL IDENTITY

## ...which means businesses need to become more customer-centric

Digital is a catalyst and accelerator of 'total-customer centricity':



### 1 Product-centric

Companies focus purely on their products/services...

### 2 Customer-centric

Focus on the benefits of their products/services and improve user journeys...

### 3 Total customer-centric

Focus on customer outcomes and needs to tailor their products/services to meet them. This will invoke a merging of industry boundaries.





# Reshaping the marketplace

*Far from just being another channel, the impact of digital is transforming what customers expect and creating new opportunities in underserved markets. Indeed, rather than a digital strategy, the key objective should be a business strategy for the digital age.*

As people live longer and have more wealth to protect, life and pensions could – and in many ways should – have a prosperous future.

Is this potential being realised? What we see in both developed and emerging markets are high levels of underinsurance.<sup>3</sup> In many cases, agents concentrate on relatively well-off and middle-aged customers as they offer the easiest win rates and highest commissions. Others, including younger and less wealthy people, are far less likely to be targeted.

The difficulties of reaching a broader market are compounded by the fact that many young people don't see life insurance or pensions as relevant to them. The same goes for many lower income consumers, who believe that life and pensions policies are either unaffordable or not designed for them. More than a third of the participants in our global survey have no life insurance at present. Rates of take-up dip markedly among people on low incomes and consumers aged under 35, especially within the US, UK and other developed markets. This disengagement is compounded by the erosion of trust in traditional financial institutions – nearly 60% of the insurance CEOs taking part in PwC's latest Global CEO Survey see lack of trust in the business as a threat to growth.<sup>4</sup>

Moreover, as customers come to expect retirement and life cover solutions that better reflect their individual circumstances and aspirations, life and pensions businesses are seeking to move from a product-focused to a customer-centric approach. But this demands a level of customer engagement and understanding that many businesses lack because they don't have the data or experience. Looking at financial services as a whole, PwC's latest Digital IQ survey shows that while nearly 70% of companies are using analytics in strategy, product development and marketing, more than half believe that moving from data to insight is proving to be a major challenge.<sup>5</sup>

Further challenges centre on the long lead times between initial interaction and signing-off policies as insurers profile their customers, advise on options and seek medical checks. Abandon rates have always been high, but are likely to increase if this approach continues at a time when people have come to expect what they want, when they want it, and where they want to receive it.

<sup>3</sup> In emerging markets, life premiums per capita are just \$62, compared to \$2,132 in advanced markets (Swiss Re Sigma World Insurance in 2012\*). Even in the US, research shows that 70% of households with children under 18 would be at risk if the primary breadwinner dies (LIMRA 'Facts about life', September 2010).

<sup>4</sup> 74 insurance CEOs polled as part of 17th Annual Global CEO Survey – Fit for the future: Capitalising on global trends, PwC, 2014 ([www.pwc.com/ceosurvey](http://www.pwc.com/ceosurvey)).

<sup>5</sup> 319 financial services organisations including 88 insurers were interviewed for PwC's Sixth Annual Digital IQ Survey ([www.pwc.com/us/digitaliq](http://www.pwc.com/us/digitaliq)).

### **The age of the customer**

The impact of digital is transforming all forms of commerce. Customers are coming to expect the ease, intuition and anytime/anywhere interaction of digital retail. In the age of the customer, the customer has the power to dictate how and when they want to do business with you – and if you aren't available, someone else will be. As PwC's latest Global Total Retail Survey underlines, customers expect this experience across all channels, rather than just digital alone.<sup>6</sup> In turn, big data analytics, social media monitoring and other new forms of insight are enabling businesses to anticipate and respond proactively to changing customer demands, and shape services and communications around their preferences.

These developments are taking hold at a time when the role and impact of innovation within business strategies are being transformed. A 2013 PwC study of business leaders' attitudes to innovation highlighted the extent to which CEOs are looking for transformational breakthroughs in their business models and the solutions they provide for customers, rather than just incremental innovations in areas such as product development.<sup>7</sup> As the shake-ups in sectors ranging from travel to retail attest, digital developments are the key driver of market changing breakthroughs.

### **Transformational impact on life and pensions sector**

Given the distinctive nature of the life and pensions sector, much of the digital impact and the resulting commercial potential are quite specific, but no less far-reaching.

The key development is the opportunity to get closer to customers and create genuinely customer-centric products, services and lifetime solutions. Digital interaction allows insurers to build up a rich profile of customer needs and attitudes without relying on agents to cultivate relationships. They can then use this to customise solutions and shape experiences to individual demands.

By enabling businesses to reach out to younger and other largely untapped sections of the population in new and engaging ways, digital is also going to greatly expand the 'addressable' market. It's notable that people aged under 34 in our global survey are much more likely to use social media to find out about life insurance options and quotes than their older counterparts. This suggests that social media could become an increasingly important way to reach this relatively untapped younger market. Use of social media to research life insurance is also particularly common in the fast growing Indian and China/Hong Kong markets. Of the 11% of life insurance customers in our survey who bought life insurance using a PC, laptop, smartphone or tablet ('digitally'), the two most important reasons were ease of access (63%) and 24/7 availability (60%). More than half (53%) also said that the price encouraged them to buy their policy digitally. The initial digital engagement can be augmented by the

kind of interactive and personalised advice and guidance being pioneered in areas such as money management and tax returns. If customers want further advice or validation they could be guided through to telephone or agency support. When participants in our global survey were asked what would persuade them to buy life insurance digitally, the three most important factors were access to telephone support/advice if needed (32%), access to online professional advice (30%) or an online advice tool (26%).

And, considering that China now has a larger mobile and internet-connected population than the US, this is clearly a huge global opportunity. More than 50% of participants from China/Hong Kong in our survey could be persuaded to buy life insurance digitally if there were access to online professional advice.

Not only would effective digital capabilities allow more customers to be brought into the net than is currently being achieved through traditional distribution routes such as agents or bancassurance, but the costs would be lower. This would open up more cost-effective options for less wealthy customers. Price is by far the most important factor in choosing a life insurance provider among the participants in our global survey. At a time of intensifying price competition and low investment returns, more efficient ways to engage and serve customers would also enable companies to bolster margins and returns.

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<sup>6</sup> Achieving total retail: Consumer expectations driving the next retail business model, PwC, 24 February 2014, ([www.pwc.com/totalretail](http://www.pwc.com/totalretail)).

<sup>7</sup> 'Breakthrough innovation and growth', PwC, 12 September 2013 ([www.pwc.com/innovationsurvey](http://www.pwc.com/innovationsurvey)).



### ***What we mean by digital***

Digital is the term we use to describe the ground-breaking array of 'SMAC' developments in customer expectation, behaviour and interaction, which are rapidly reshaping the rules of business:



**Social** – Social media is becoming a key if not 'the' key way customers pick up and share information, develop brand perception and make purchasing decisions. There is a huge commercial opportunity for businesses that can pick up on signals ('instant insight') and turn these into sales leads. Social media will also be crucial in tracking the response to innovations.



**Mobile, wearables and sensors** – mobile strengthens engagement and understanding by increasing the frequency of interaction, data mining and information exchange. Telematic and wearable sensors allow insurers to monitor a policyholder's health, build this into real-time risk and pricing evaluations, and alert the policyholder to potential problems so they can seek prompt or even preventive treatment.



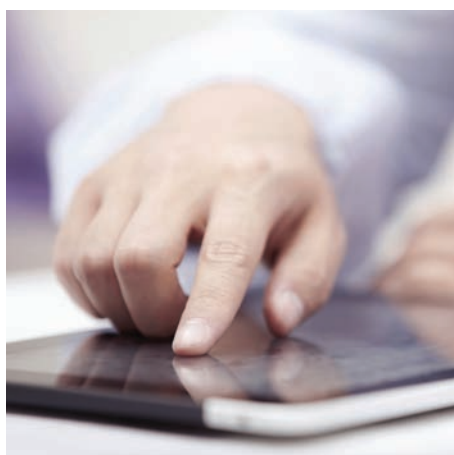
**Analytics** – augmenting conventional data with unstructured big data can help to sharpen risk and customer profiling. The advantages include being able to tailor products to personal needs and shape the experience around personal preferences.



**Cloud** – increases processing power and lowers barriers to market entry. Unlike previous eras when startups involved high fixed costs, businesses can get up and running at very little expense and then vary spend according to demand.



Rather than a digital strategy, the key objective should be a business strategy for the digital age.



### **A new product set**

The first generation of products sold over digital channels have tended to be relatively simple off-the-shelf options. Some life companies may be reluctant to devote too much investment to what they see as low margin business. But it isn't just low-income policyholders who want simplicity. Tech-savvy millennials and Generation X-ers are using the internet and social media to compare and buy products, with direct-to-consumer life policies likely to be a key growth area. The availability of straightforward products could also help to attract more customers from fast growth emerging markets, many of whom may be unfamiliar with life insurance.

The next generation of digital products are more sophisticated and this trend is likely to continue. We've already seen the emergence of fast fulfilment and easy-to-manage products such as target date funds, which automatically adjust the asset mix to the policyholder's selected retirement age. Advances in processing capacity, customer profiling and risk analytics are now opening the way for fully customised policies that are just as quick to deliver and cheap to manage as today's low cost off-the-shelf products.

### **New solutions**

Rather than just digitising what life and pensions businesses are already doing, digital opens up new markets and new solutions. This includes creating more innovative and personalised health, wealth and retirement solutions. Establishing the business as a trusted health and life advisor would help to cement long-term engagement.


In turn, the real-time insights into policyholder health and behaviour could eliminate the need for lengthy medical checks in some forms of cover and hence accelerate contract completion and allow more policies to be instantaneously transacted online. This may be easier for term life than whole life cover. But it would be possible to encourage people to move from online across to telephone and agency channels, which could help to bring the sale to a close and generate leads for cross-selling. Further opportunities would come from consumers owning their health data and making this available to the insurer.

### **Richer advice**

Intermediaries may be reluctant to embrace what they may perceive as a way of cutting them out of the loop, which would certainly be the case if digital is solely seen as a low-cost distribution channel. But intermediaries could benefit from the higher quality leads and more informed meetings. They could also have a customised solution that would accelerate closing deals at the first meeting, which would greatly reduce abandon rates. The challenge is being able to provide advice and service over and above what customers can get online, which is likely to require better training, customer insight and product knowledge.

## Marking out the winners

So what life and pensions businesses are coming through strongest? While the technologies and customer expectations will continue to evolve, we believe there are ten fundamental attributes that will mark out the companies best able to take advantage of the digital potential:

	<b>1. Contextualised</b> Matching the experience with customer preferences	Digital interaction and insight enables the insurer to know all about each customer's buying preferences before they engage with the business. The company can then match the buying experience to the profile of the customer. Nearly half of the participants in our survey believe that greater accessibility and more tailoring to customer needs would improve their customer experience.
	<b>2. Optimised</b> Continually testing and enhancing interaction	The latest digital evaluation techniques allow customer interactions to be individually tested for suitability and satisfaction. Each element of the interaction can then be instantly reconfigured to increase the effectiveness of capturing leads, closing sales and managing contacts.
	<b>3. Engaged</b> Creating a compelling reason to buy	Digital offers opportunities to strengthen customer understanding and engagement. The key challenge is how to create the initial engagement and a compelling reason to buy. Options include 'gaming' inspired interactive financial planning to help customers understand their personal expenditure patterns to work out how to fund retirement solutions. There are also opportunities to develop complementary sources of engagement and value, such as health advice and the promotion of wellbeing.
	<b>4. Targeted</b> Turning new sources of insight into customised solutions	Ability to use existing and new unstructured data to gauge the financial and broader health and wellbeing aspirations of potential clients and translate the analysis into customised solutions that adapt over the lifetime.  Expertise in predicting customer behaviour is critical. Key differentiators will be the ability to recognise what features customers value and are willing to pay for, presenting them at the right time in their life, and dynamically pricing according to demand.  The competitive benchmarks should be internet and technology companies that are seeking to move into the sector, rather than just traditional peers.
	<b>5. Guided</b> Helping customers to decide what's right for them	Digital can not only be used to help inform customer decisions, it can also help to guide them through a structured decision-making process. Models for this type of personalised online guidance already exist with tax and money management.
	<b>6. Synchronised</b> Creating a seamless multichannel experience	Digital is not a channel in itself, but a sharper way of communicating, interacting and responding internally and externally. Key capabilities include the ability to bring together online and social media dialogue with face-to-face interactions with sales teams to create synchronised multichannel engagement. Being able to encourage people to move from online and 'live chats' across to your telephone and agency channels could be especially important in bringing the sale to a close, and generating leads for cross-selling.  This integrated experience is also what customers will expect through the life of the policy. Businesses that get it right will be able to maximise cross-selling opportunities and adapt to changing life stages.
	<b>7. All-embracing</b> Reshaping the mindset and operations of the business	Digital influences every aspect of the commercial operation, from product design to marketing and sales, through to the servicing of the policy and claims. People at all levels of the organisation need to be comfortable with big data decision-making and be able to respond quickly to social media and other digital signals.
	<b>8. Nimble</b> Leading rather than following	Rather than waiting for perfection at launch, it's better to get innovations into the market, monitor feedback, adapt and refine – the best place to test an idea is when it's in the marketplace. This requires something of a cultural shift, which accepts that the business may not get everything right and the important thing is to learn and rapidly move on – it's better to fail quickly and cheaply before finding the right answer. Rather than the quality of initial design, the ability to interpret and respond to customer feedback becomes the core differentiating capability of a digital insurer.
	<b>9. Efficient</b> Delivering more for less	Digital will put pressure on prices by making products easier to compare and opening up existing businesses to increased competition. But it also offers opportunities to price more keenly by controlling risks more effectively and delivering products and services more efficiently. It will also be possible to serve underinsured segments in more economical ways.
	<b>10. Sensitive</b> Clear about what you're doing with data and why	Sensitivity over privacy is crucial. Policyholders are generally willing to share data as long as they see a clear benefit in doing so – the sensors used to monitor health are a case in point. Transparency and responsibility over how the information is gathered, used and protected is critical.

# What's holding your business back?

*The traditional approaches to business development, change management systems and process upgrades are too slow to work in the digital age, which is opening the door to faster moving competitors.*

The impact of digital on life and pensions is becoming increasingly evident. But deciding on how to make the most of digital opportunities can be complex and overwhelming. In comparison to other sectors – including non-life insurance – life and pensions businesses have been slow to capitalise on the commercial potential of the digital age.

So where are life and pensions businesses now and where do they need to be? Where different countries sit along the digital journey will vary. Some are only just developing capabilities to sell life insurance online, along with some basic checking and updating of information. At the other end of the spectrum, the 'SMAC'<sup>8</sup> capabilities are already embedded across a number of sectors.

The common challenge is the escalating pace of change as developments that would have taken years to impact on the market now become consumer expectations in a matter of months. The digital world is also expanding customers' ability to discover and compare products and services – they'll quickly switch if they see they can get something better for less. Therefore, wherever the market is now, it's vital to be out in front – even fast following could leave a business marginalised.

What could be slowing down adaptability and development in the life and pensions sector? The first issue is the readiness to embrace change. Product development cycles and the decision-making and approval that underpin them can often be quite prolonged. There is also a preference for incremental over radical innovation.

The traditional approach to systems' development and change management can also be too slow. The pursuit of business and technology modernisation has led life and pensions businesses to invest in hugely expensive transformation programmes. These programmes are aimed at a fixed target, with lengthy planning, design and build phases. But in the digital age, the targets are constantly moving and the time to respond is very limited to remain competitive. Around half of the financial services respondents in our latest Digital IQ survey report that strategic IT initiatives have overrun over the past year.<sup>9</sup>

<sup>8</sup> Please refer to the description of 'digital' on page 11.

<sup>9</sup> 319 financial services organisations including 88 insurers were interviewed for PwC's Sixth Annual Digital IQ Survey ([www.pwc.com/us/digitaliq](http://www.pwc.com/us/digitaliq)).



### Lowering barriers to entry

So what are the risks? The slow response is leaving the door open to new entrants, both from other financial service sectors and data-rich and tech-enabled incomers from the telecoms and internet sectors.

In the past, established insurers have been protected by high operational barriers to entry. These have included the need to manage a geographically dispersed sales force and maintain an extensive infrastructure to support sales, administration and wider business management.

In the digital age these high fixed costs are considerably reduced. A face-to-face sales force is no longer necessarily the main route to market

and in many markets is increasingly becoming an uneconomic way to sell. A combination of cloud computing and a new generation of packaged application software mean that new entrants can get the critical systems infrastructure in place quickly and cheaply.

But, some barriers remain, notably the need for medical underwriting and regulatory approval. But the opportunity for new entrants is very real and we believe it will become a new market reality – 50% of insurance CEOs taking part in our latest Global CEO Survey see new market entrants as a threat to growth, far more than any other financial services sector.<sup>10</sup>

### Privacy

Data confidentiality is a further consideration. This goes beyond legal requirements as legislation may fail to keep pace with the rapid developments we're seeing in the marketplace. Moreover, the ground rules are still developing and are being influenced by the different perspectives of particular generations and cultures. What is clear is that transparency over how the information is gathered, used and protected is absolutely critical. Policyholders are generally willing to share data as long as they trust the company to use it responsibly.

### Your fiercest competitor

As customer expectations change and the barriers to entry come down, the organisation's 'fiercest competitors' are no longer going to be just traditional rivals – in fact they may be incomers from other sectors. What happened to the music and publishing industry in the face of the onslaught of digital distribution shows how quickly established distribution models can be swept aside. The box below matches some of the key competitive attributes of an effective digital insurer with the characteristics of some potential new entrants.

#### Competitive differentiators

#### Potential new entrant

Competitive differentiators	Potential new entrant
1 Brands that customers trust and might pay a premium for	• Mobile phone operator
2 Proven retail digital distribution footprint	• Major high street retail brand • Internet retailer • Major bank
3 Greater expertise in understanding and acting upon customer needs and values	• Major high street retail brand • Mobile phone operator • Internet search engine
4 Understanding of how to better price customer segments	• Major high street retail brand • Technology and internet company • Non-life personal lines insurer
5 Trusted source of guidance for customers making decisions	• Customer advocacy website • Internet search engine • Social networks
6 Ability to rapidly price risk and provide capital	• Reinsurer • Investment bank
7 Ability to deliver change quickly	• Technology and internet company
8 Insights into health and wellbeing	• Healthcare provider

<sup>10</sup> 74 insurance CEOs polled as part of 17th Annual Global CEO Survey Fit for the future: Capitalising on global trends, PwC, 2014 ([www.pwc.com/ceosurvey](http://www.pwc.com/ceosurvey)).



# Quick on the uptake

## Competing in the digital age

*In a market facing rapid and relentless change, it's time to approach systems and wider business development and operational overhaul in a different way, in which the focus on planning and design gives way to speed, agility and the quality of testing and adaptation.*

The first big question is whether IT is up to speed? Over the past 20 years, IT operations have become increasingly industrialised. Significant investments in product and system rationalisation have driven the transformation agenda. But the sheer scale of the changes means that the projects have been slow, risky and expensive. Running costs have generally come down but the rationalised businesses have remained operationally inflexible. These businesses can be too unwieldy to respond to digital developments and opportunities with the necessary speed.

So how can life and pensions businesses move quicker? Agility is crucial in keeping pace with digital. But experience demonstrates that it simply isn't possible to quickly re-engineer a high-cost complex business into a low-cost agile one. It's also too expensive.

One option might be to consider starting from scratch. New 'greenfield' operations could be quickly set up to capitalise on unfolding market opportunities. While establishment costs for greenfield operations have in the past been quite high, rapid developments in technology mean they can now be delivered quite cheaply.

Another option could be to acquire the analytical and engagement skills that are so important in this new landscape. This might involve buying or joint venturing with startup and boutique operations.

These operations would resemble the startups and new entrants that life and pensions businesses are increasingly competing against. In parallel, the rest of the business would be free to focus on activities to maximise the value of the existing book.

While establishment costs for greenfield operations have in the past been quite high, rapid developments in technology mean they can now be delivered quite cheaply.



media interaction and big data decision-making. In turn, long and sweeping business planning cycles would give way to a faster changing and data-led iterative approach to meeting customer demand. Organisationally, there would be a shift away from developing and selling products through the separate siloes of design, marketing and distribution (looking inside-out) to discerning the needs and expectations of customers and working back to create the right solutions (looking outside-in).

### **Information advantage**

The competitive threat posed by the technology, mobile and internet giants is their ability to reach customers across the market, and then use this to capture, process and interpret data on a vast scale and at huge speed. It is this combination of scale, access to data and high-speed precision analytics that life and pensions businesses will need to match.

It will be possible to augment structured data with unstructured big data. Some life insurance companies now use more than 50 data sources to create a truly insightful '360-degree' profile of their customers. This kind of analysis allows them to create products and customer experiences around their needs and preferences.

A key challenge is how to deal with such a proliferation of data, the bulk of which is irrelevant 'noise'. Most organisations are looking at how to increase their capacity to mine and analyse, but this can leave them drowning in data and make it difficult to extract genuine insights. A more effective approach would be to identify the key questions that should be addressed to gain 'information advantage'. How can we sharpen our customer segmentation and how can we improve the experience for that particular segment, for example?

### **Less design, more adaptability**

Speed-to-market could also be greatly enhanced by cutting down on the traditionally lengthy plan and design phase. It's virtually impossible to look ahead to what may be required in a few years' time, so much of the planning and design phase is largely redundant anyway.

What the agile greenfield approach allows the business to do is get to market quickly, learn from customers and refine, scale or abort as the market dictates. Design becomes an iterative activity, running in parallel with production. Speed-to-market and compressed development becomes more important than consensus and sign-off.

Nobody knows what the winning strategies will be. It will therefore be necessary to place a number of bets, learn and mobilise quickly to stay ahead of the game.

### **Complementary capability**

The greenfield or joint venture business is most effective when it complements mainstream operations. For example, it can provide a retention, cross-selling and upselling capability, running alongside their existing business.

As a defensive strategy, these operations could be used to target customers looking to exit the business with products that might better fit their needs. A more aggressive play would target customers introduced to the group through other channels where the economics of a particular product might better suit a digital sales channel.

Digital works best when it's part of a truly multichannel experience. What we've seen in non-life suggests that by following customers' initial online engagement – often through a comparison site – customers can be encouraged to contact a telephone agent. This migration increases the likelihood that the sale will be completed and opens up opportunities for cross-selling. Similarly, customers introduced through digital channels may eventually move over to traditional advisors, which would open up a whole new set of services and product choices.

### **Changing the mindset**

Ultimately, the ability to respond in an agile, adaptable and customer-centric way depends on the attitudes and capabilities of the workforce. This includes being comfortable with social

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# *Conclusion*

## Taking full advantage of all that digital can offer

From sharper customer insight to successful engagement and delivery, profitable growth demands the best that digital can offer. To compete, life and pensions businesses need to harness digital capabilities and innovations in months not years, which in turn demands new ways of thinking about business strategy and project delivery.

The businesses that come out on top will be constantly on the move, with the insight to hone-in on opportunities and the agility to mobilise quickly to capitalise on them. While bringing systems up to speed is crucial, the transformational overhauls we've seen in the past will give way to a more rapid, flexible and closely targeted approach to developing new capabilities. Scale and size is still an advantage, but in the digital age it's necessary to be fast as well.

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