Connect Your Insurance Customer Journey with Fundamental Needs

Digital companies successfully fulfill both implicit and explicit consumer needs. Here's how insurers can do the same – and broaden their value to customers.

Executive Summary

Insurance companies often share with us their insights into the transformational technologies they plan to implement to succeed in today’s new digital era. Some focus on consolidating the hundreds of microsites they have accumulated. Others want to implement analytics. Many are interested in mobile apps for agents and policyholders.

The common thread among all these ideas is the emphasis on technology to advance the business. Quite naturally, insurers are highly interested in social, mobile, analytics and cloud-based capabilities, or what we call the SMAC Stack, as well as the Internet of Things (IoT).

Yet success in the digital marketplace requires insurers to put customers first, and technology second. It’s what online giants such as Google and Amazon do so well: understand their customers’ needs, meet them and apply the personal touch to customer relationships.

Digital companies’ ability to address the full range of consumer needs makes them a relevant and instructive example for insurers. Because while insurers have always emphasized providing security and comfort, they can now work toward understanding a more sophisticated and expansive set of needs and map their services and technologies to them. In doing so, they can broaden their mission with services that engage customers’ desire for connection, uniqueness and variety – that is, they can take better care of their customers.

This white paper illustrates how insurers can better connect the policyholder’s customer journey with fundamental needs — and thereby increase the value they deliver.

How Changing Consumption Patterns Affect Insurers

It’s no secret that consumption patterns have changed dramatically. Whether consumers are purchasing music, clothing or services, they expect more of what they want, in more places, and with greater frequency. Insurance is no exception. No wonder, then, that the majority of customers — including three out of four senior citizens¹ — go online to research their insurance and retirement services options, and surveys show soaring levels of interest in digital insurance options. Similar patterns hold true in the property and casualty (P&C) industry, where direct business models are making inroads in online sales and fulfillment.

Even greater disruption is on the horizon for insurance — and consumers are ready for it.
Primed by their positive customer experiences with digital companies, 21% of middle-market consumers are willing to buy life insurance online from a nontraditional source such as Google or Amazon. In March 2015, Google launched a U.S. version of the auto insurance shopping site that it is already operating in Britain. Meanwhile, retail giant IKEA now sells P&C insurance in Sweden to members of its loyalty program.

Why are so many consumers ready to buy a high-touch product like insurance from companies with no experience in the field? The answer is that from their powerful foundations of data, analytics and applications, digitally adept companies get to know their customers. They offer convenient, personalized services that meet the full range of customer needs.

Simply put, they take better care of consumers.

What Digital Businesses Know That You Don’t: Four Fundamentals

Like all customers, policyholders’ needs come in two forms: explicit and implicit. Explicit needs are straightforward and easy to spot, such as reliable online security and convenient office hours.

Equally powerful to their explicit counterparts, implicit needs are trickier and far less likely to be articulated. They are more emotional in nature, such as the desire for community with others and the need for variety. Despite being hidden, however, implicit needs are crucial for insurers to understand, as they influence consumer behavior.

Using digital technology, insurers can not only spot implicit needs, but they can also scale their ability to address them and thus serve more customers. Implicit needs also provide competitive differentiation for insurers, given the industry’s traditional focus on more obvious explicit needs.

In the book Digital Disruption: Unleashing the Next Wave of Innovation, author and Forrester Research analyst James McQuivey identifies four fundamental implicit needs (see Figure 1) that every carrier should understand:

- **Comfort**: The desire for security and safety, an area in which the insurance industry intrinsically offers strong value.
- **Connection**: The attraction to becoming part of a larger community.
- **Variety**: The sense of opportunity and excitement when anticipating a positive outcome or experience, preceded by some uncertainty.
- **Uniqueness**: The self-identification that reinforces our desired self-image.

Implicit Needs

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Source: Digital Disruption: Unleashing the Next Wave of Innovation, by James McQuivey, Amazon Publishing, 2013. Figure 1
Leading digital companies like Amazon and Google dominate in multiple markets because they deliver value across all four fundamental needs. For instance, in addition to maintaining a large inventory, Amazon deftly manages the trail of clicks, swipes and comments that creates a unique virtual identity for every consumer, or what we call a Code Halo™. Amazon distills meaning from the data in customers' Code Halos to create curated experiences that meet all four fundamental needs.6

For instance, the online giant offers customers a sense of comfort by sharing its tracking information with them, as well as providing secure transaction guarantees. Through the site's product reviews, customers are connected to others with similar interests, and by funneling recommendations to shoppers based on their views and purchases, Amazon addresses their need for variety and uniqueness.

Meeting Consumers on their Terms

Such positive customer experiences in the digital realm are influencing consumers' expectations of insurance carriers. Indeed, those expectations have become a powerful market force that underscores what's different about today's insurance customers: the expectation that their needs can and should be met at all times.

By using McQuivey's four quadrants to better understand their customers' journeys, insurers can intelligently use technology to determine opportunities that add value.

Fortunately for insurers, policyholders are receptive to improving the old ways of doing things. Digital insurance IDs, for example, have taken off in popularity because, while it's easy to forget to store a paper certificate in the glove box of our automobiles, we're likely to have our smartphones with us at all times. Thirty-seven states now allow smartphone ID cards as proof of insurance.7

Smart carriers can deliver even more value to policyholders by using digital IDs to meet the full range of customer needs, beyond the fundamental need of convenience. For example, by allowing us to add phone contacts and personal photos, the IDs align nicely with our desire for uniqueness, and with the addition of links to roadside assistance and emergency contacts, they meet our need for connection. Through location-based intelligence that lists nearby repair shops and even discount coupons to auto-parts chains, they address our desire for variety.

Insurers have many opportunities to step up their ability to address comfort, uniqueness, connection and variety. For example, P&C carriers with active telematics programs can use driver data to offer custom quotes, as well as a wider range of services, including specific advice on safe driving habits (uniqueness), teen driving monitoring (connection) and options for safer alternative routes (variety). (For more on this topic, read our white papers: “The New Auto Insurance Ecosystem: Telematics, Mobility and the Connected Car” and “Developing a Safe Driving Program for Teens.”)

To better round out their services, life and retirement carriers can take a page from the breadth of information that dominant financial services players like Fidelity and E-Trade offer to investors. Top firms allow customers to customize their displays, share information screens with key people, and suggest next-best actions to maximize their investing returns.

By expanding the data they offer, carriers can help customers stay more informed and determine corrective actions.

Similarly, insurance carriers can reshape their information products into well-rounded services that address all quadrants of the human-needs framework. Life and retirement carriers can broaden the scope of their customer dashboards by going beyond typical information, such as current balances and allocations, to offering comparative data on rate of return and peer group performance (connection), as well as expected shortfall in personal monthly payout targets (uniqueness). By expanding the data they offer, carriers can help customers stay more informed and determine corrective actions.

Connecting Digital Transformation with Consumer Needs

It has become the insurer's job to keep up with consumers and meet them on their terms. What implicit needs can your organization tap into and address digitally to make a lasting impression on consumers?
Broadening the value that insurers deliver means adding variety, connection and uniqueness to the comfort they already provide. It also means anchoring the discussion of technology investments to the context of the implicit needs the technology addresses. For example, social media and mobile technologies catapulted to the fore because of their ability to fulfill consumers’ need for connection.

Now, other technologies are following suit. The IoT answers insurance customers’ need for comfort by helping to predict and prevent loss. The concept of connected homes, for instance, holds promise for proactive loss control and improved underwriting data. (For more insight on this topic, read "Unlocking the ‘Smart Home.") Internet-connected home devices such as lights and appliances generate granular detail on user behavior and preferences that, if properly collected and analyzed, can help insurers get to know them better.

Gamification is another technology that is taking hold for insurers. By adding excitement and positive uncertainty to mundane transactions, gamification can address consumers’ need for variety. (To learn more gamification, read “Optimizing Gamification Design.”) Many retirement services now offer peer comparisons as a way to gamify dashboard views and enhance customer satisfaction.

Looking Ahead

Insurers’ assessment of SMAC and other technology opportunities should begin with understanding how their customers’ needs have evolved and how to use digital technology to serve them.

- **Understand your customers.** Develop customer journey maps to determine customers’ explicit needs and pain points. To identify tacit needs, study the workarounds and other daily rituals from insurance carriers or retirement services providers.
- **Identify opportunities to create value by determining gaps between your customers’ expectations and your current products and services.** Once you identify the gaps, map them onto the human needs framework. Do the opportunities span the breadth of the framework, or are they focused on one area? Do the new features align with and support your organization’s brand positioning?

Don’t be afraid to return to the drawing board if the opportunities appear too limited. Ideate and find innovative ways to meet user expectations on all four fronts.

- **Align the needs you want to address with the technological capabilities you will need to bring to the fore.** Match your organization’s technology initiatives to customers’ needs. Additional and affiliated solutions that can be tagged onto core (but commoditized) insurance offerings can help strengthen your company’s market positioning.

Think about the needs that Facebook addressed on the mass social communication side, and consider how your organization can extrapolate those same needs to the insurance industry. What would a social communication platform that gives your customers a sense of connection look like? Go ahead and build your solution, based on your unique observations and insights.

Perhaps your organization is considering digital access to roadside assistance or post-claim submission support. If so, which needs do these offerings fulfill? Which set of technologies will help address them, while also widening the scope of value-add? Perform a thorough analysis to develop ways to relate to customers in the way that truly digital organizations do.

By addressing the full range of consumer needs, insurers can connect with, engage with and serve customers in more meaningful and productive ways, resulting in long-term, mutually beneficial relationships.
Footnotes


About the Author

Chandan Gokhale is a Cognizant Senior Director of Digital Transformation and leads its InsuranceNEXT Labs. He is responsible for helping insurers leverage new digital technologies to transform their operations and business models. He has more than 15 years of experience in the IT and management consulting areas, primarily in insurance and also in banking and financial services. Prior to Cognizant, Chandan worked as a consultant specializing in intellectual property commercialization and innovation co-creation ecosystem development. He holds an M.S. in industrial and systems engineering from Wichita State University and an M. Des. (Industrial Design) from Indian Institute of Technology in Bombay. He has served as adjunct faculty at Georgia Tech’s Interdisciplinary Design Department, where he taught an advanced interactive product design course. He can be reached at Chandan.Gokhale@cognizant.com | LinkedIn: http://www.linkedin.com/pub/chandan-gokhale/0/b02/735.

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