

Summary

There have been many articles written about companies “going Digital”. However, the definition of digital is often vague or has different meanings depending on the interpretation of what it means to be a digital enterprise. For many executives, it is about a technology solution set, but for others such as the Life and Annuity distribution channel, digital is a new way of engaging with customers. Companies who pursue digital channels are looking for more modern ways of changing their business model. For all executives in the organization, both technology and business, it is important to be unified on what digital means, the objectives of a digital strategy, and the impact to the existing business model.

This report is a 5-part series looking at the life and annuity digital enterprise from different perspectives: the definition of Digital, the Consumer Perspective, the Agent Perspective, the Digital Ecosystem, and what we call The Digital Touch.

Part 2: Consumer Perspective

This report provides a perspective of the digital enterprise from the consumer point of view. There is no business and technical domain that is so driven by the expectations of the consumer. Companies are not driving the pace of change, rather the change is being driven by the customer. Customers expect relevant content customized to what they are doing, anytime, anywhere and in the format and on the device of their choosing. It’s their journey that dictates a company’s digital strategy.

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Consumer Expectations

Consumer expectations surrounding capabilities in digital business have exploded from the time of the initial foray of retail e-commerce into the digital business world. When Synchrony Bank ran its *third* annual digital consumer study (2015) to ascertain the impact of digital business on consumer purchase behavior it revealed that digitalization was based largely around on-line shopping and was causing a major shift in the retail environment. The more things change the more they stay the same! Consumer retail is still a major driver for consumer expectations in every digital interaction.

Corporations originated the implementation of the digital movement as a matter of operational efficiency, but the force behind digital was rapidly taken over by consumers. After some initial discomfort and adjustment to the fast-paced digital rate of change, consumers became adept at understanding technology. They began embracing technology and demanding more capabilities; their expectations started becoming a major driver in digital business. Digital developers began to receive feedback and began to anticipate consumer requirements and preferences. It is widely recognized that consumers expect that the capabilities presented in one industry are transferable to all other industries; there is little or no consumer recognition of any differences in industry value chains or legal constrictions. Consumers do not want to hear any excuses as to why your business does not have the capabilities.

Additionally, consumers have become accustomed to having the digital assets of third-party organizations available providing product comparisons and they expect there to be one for every product or service. Furthermore, they expect those assets to contain not only price comparisons, but also comparisons on convenience factors and other data relevant to their decision-making process.

Cultural Implications

Social media is the *dominant digital communication channel* where people share information, experiences and personal opinions on businesses, products, people, and political events on the local, national, and international level. As consumers, they share information on brands they have researched, evaluated, and purchased. Research has shown that consumers become customers at a greater rate (15-20% higher) when they hear about a service or product from a friend as evidenced by the referral bonuses on many products and services. Perceptions and reputations of businesses, organizations, and governments are now made or broken by social media. It is a powerful tool.

It is estimated that over 70% of adults in the U.S. are now using a social media platform and many of them are using multiple platforms. In her September 2019 web article, "Social Media's growing impact on our lives" author Summer Allen talks about the possibility of **social displacement**: the concern of social media eating away at face-to-face time. She relates though, that in his research Jeffrey Hall, director of the Relationships and Technology Labs at University of Kansas, shows that there is little evidence of a direct displacement by social media; it is an unfounded concern. His hypothesis as to why? Because we tend to interact with close loved ones through *many digital modalities in addition to face-to-face time*, such text, emails, and phone calls. We have already moved away from "in-person" face-to face time as the main



mode of interaction, except when it is performed through digital apps. Just look at the opportunities for “face-to-face time” provided by digital applications such as Facetime, Zoom, and Skype, many of which began in the corporate world but have rapidly moved into people’s personal lives.

The pandemic and the sheltering place requirements have advanced the need and desire for digital businesses and communications capabilities in a way that no other event could.

Generational Differences

Consider the 4 generational groups as defined by their ages in 2020: Millennials (24-39), GenX (40-55), Baby Boomers (56-74), and the Silent Generation (75-92). According to an article by Emily Vogels in September 2019, although Millennials had often led older generations in the use and adoption of technology, and in 2019 that was still largely the case, there has been *significant growth* in tech adoption since 2012 for the older generations, especially Gen Xers and Baby Boomers who have become heavy adopters.

Although there is a significant increase in tech adoption overall, ***adoption does seem to vary by generation based on the specific technology.*** According to a recent study (Jan-Feb 2019) by Pew Research, Millennials lead the adoption of **smart phones**, and the vast majority of Millennials use social media in bigger shares than other generations. But the percentage of their generation using social media has remained *largely the same since 2012!* **The shares of all the older generations has increased** at least 10 percentage points during this same time.

Tablets are an entirely different story. All generations except the Silent Generation (“Silents”) are at about 50-53% adoption; Silents are at 38%. Tablet use by older generations might be driven in part by a desire to communicate with grandchildren using the specialty products/tablets designed for that. While Boomers are catching up in technology adoption, Silents still lag considerably with unique barriers such as a fear of technology and physical challenges to manipulating some devices.

Lastly, there is also a difference in the **generations’ perceptions of the societal impact of the Internet.** As might be expected, the 73% of the younger group (Millennials) thought the impact was positive, while only 63% of the Silents agreed that it was positive. Most curious was a serious decline in the belief of the Gen Xers that the Internet has a positive societal effect, dropping by 11% from 80% in 2014 to 69% in 2018. In fact, all generations declined to in their belief of a positive effect from the Internet. What a difference a year can make! The 2020 survey response rating the Internet societal influence as positive would probably be at an all-time high since most family’s education, entertainment, and communication activities would have been severely restricted in without the Internet, creating a new appreciation for the positive potential.



Personalized Experiences

Cookies anyone? Big data?

Udi Ziv, CEO at Earnix wrote in a recent (2019) Web article “Personalization in the New Digital Age” that the “digital disrupters” (Amazon, Netflix, Uber and Google) have set a new standard with which all companies must compete. Customers no longer just want a “good customer experience”, they expect companies to predict what they would like to do next preempting their next move and personalizing their service accordingly. Enter the concept of *customer-centric digital transformation*.

Customer-centric personalization in the digitally transformed world is not just about customer engagement but also about the personalized products that would be offered based on the customer’s individual, specific risk factors. Previously the data for those factors was not available at the individual customer level leading the industry to develop cost and profitability models based on “group similarities”. With **big data** however, customer analytics can focus on what is unique about each customer and provide products that are directly suited to that customer.

Customer engagement is heightened with specific product offerings but impact of the tracking and understanding the implication of each past customer interaction or purchased product cannot be overstated or forgotten.

Deeper understanding of each specific customer makes it easier to predict a customer’s wants and to provide better customized solutions, all of which drive customer engagement. Amazon is definite proof that this business model works.

All of this is accomplished much more easily and quickly in a greenfield environment. So what do the insurers with the multitude of legacy systems (locked in data and processing) and the newly available massive amounts of data do to make use of the analytic capabilities? Using the more recent modernization practices leaving large legacy systems intact and extracting and storing data elsewhere, they integrate that stored data with Artificial Intelligence (AI) technologies to deliver the desired, personalized products.

Multi-Channel Technologies

As noted in the discussion on generations, the amount of technology in any number of channels is rapidly evolving. If it can be imagined, it can be manufactured. The possibilities are endless. Channels to date have really focused on digitalizing specific interactions at the beginning and the end of the customer journey such as product research, product quotes, policy issues, policy delivery, etc. A large achievement was the integration of channels, achieved through interactions that may begin in one channel and transfer to another (voice to online and vice versa) and are supplemented by other technologies such as online chat and online document management including digital signature. As pleasing as this is, customers are



still unhappy with the middle of their journey where actions and processes are not supported by digitized data and relationships and interactions still feel like they fall into a big black hole.

The notable exception is in a greenfield where the entire process for life insurance, issuance thru maintenance and final claim is supported digitally, but many of the more complex products are not yet included in this environment.

Concluding Thoughts

As noted earlier, creating a digital business in *Insurance* is not about continuing the status quo using technology as an enabler. Digitalization is the integration of digital assets, digitized data, and the integration of the Internet of things. A digital business is not focused on operational efficiencies; it is about creating new assets and or business models, although operational efficiencies are still an imperative first step for many organizations. Addressing the portions of current processes that “irritate customers the most” is one of the keys to success and digitalization may help address this in unexpected ways, even creating operational efficiency as a side benefit.

In life insurance for example, one of the largest drawbacks of the application process for both the insurer and the customer is the medical exam, where current health statistics are required to appropriately assess risk. For customers it is irksome at best (most likely perceived as invasive) both in terms of customer scheduling inconvenience and having third parties invading their homes and their privacy.

What if there was a healthcare digital asset (a tool available to consumers to be used in the privacy of their own home) that insurers could use that provided all the required physical information with identity verified by DNA? Imagine the application; possibly the fourth generation of apps like Strava, FitBit, health monitoring devices/apps that are in use today. Also consider the mountains of data contained in Electronic Health Records (EHR's) that, with permission, can be used for underwriting purposes.

In the upcoming report, “*Part 3: The Agent Perspective*” we will discuss how the role of the agent changes dramatically in the digital age. Agents, and distribution in general, use the term “insurance is bought, not sold”. Implied in that comment is that face-to-face interaction is mandatory in the sales process. In the digital world, we see that dynamic changing to a hybrid digital and agent model.

As the “generations age” Millennials eventually become the Silents. Think of the capabilities Millennials were brought up on and what their expectations will be. Think beyond your current industry and embrace the idea of digital assets that can be used cross industry. We are only limited by our imagination.

As a baby boomer might say, “Move over George Jetson, here we come”.

About the Authors



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About Mantissa



Mantissa Group provides business and technology strategic consulting services. Mantissa supports the Chief Information Officer executive and their leadership teams, with a focus on CIO engagement as a business leader. Mantissa has practical experiences supporting leaders with **technology strategy, executive coaching, leadership development**, and relevant **research** for technology organizations.