

Driving Adoption to Maximize the ROI from your Digital Investments

Abstract

Life insurance and pension providers are aware that they are playing catch-up in terms of providing consistent, positive, and efficient customer experiences. Modern consumers are rapidly embracing digital engagement in other areas of their personal lives, such as retail, travel planning, and healthcare. They also see the value of pension/financial planning to enable their current needs and future aspirations. However, many providers lack the requisite capabilities to capitalize on these opportunities.

In an attempt to close this gap, providers are starting to invest in their digital propositions, but with mixed results. The expectation is that digital will improve experiences and customer engagement, thereby contributing to revenue growth while also reducing the costs of service. Yet, achieving measurable results from digital investments continues to prove elusive.

To change the equation, life insurance and pension providers require a combination of analysis/insights, business model re-engineering, and meaningful performance measurement, leveraging a modern digital ecosystem to drive adoption. In this whitepaper, we discuss strategies to accomplish this.

Existing Challenges to Adoption

There are multiple challenges – both external (e.g., changing demographics, shifting consumer expectations) and internal (e.g., culture, systems complexity, limited resources) – that life insurance and pensions companies face in their efforts to achieve significant digital adoption from their stakeholders. These challenges include the following issues:

- **Market dynamics and limited check-ins:** A recent McKinsey study titled Transforming Life insurance with Design Thinking¹ highlighted that the retail and social media sectors witness far higher customer engagement than the life and pension sector. Retail and social media enjoy 400+ check-ins per year per customer, compared with only two for life insurance and pensions.

Research indicates that consumers don't find life insurance and pensions experiences as engaging/value-adding as shopping online or sharing pictures on social media. They believe that there is little reason to regularly interact with their financial accounts and products. Further, providers themselves have also shied away from encouraging regular customer communication, as they perceive this would increase the volume of enquiries and potential complaints.

- **Traditional business models and channel strategies:** Business models are evolving slowly, in contrast to rapidly shifting customer expectations. Providers are eager to build sleek front-end portals, but typically, these new front-ends have a limited capacity to transform the back-office proposition and holistically deliver the experiences that customers expect. This could cause slow delivery of service and error-prone responses.

Further, communication between providers and their customers is still largely telephonic or paper-based. Even if customers want to engage digitally, several organizations are yet to build the requisite capabilities.

- **Lack of incentivization:** There are limited incentives for consumers to switch from traditional channels and engage with providers digitally. Usually, there is no explicit product benefit such as price or feature enhancements in place. Sectors such as retail and banking are thought and proposition leaders in this area, offering value to customers through enhanced rates, unique products, or real-time complaint resolution online.

- **Limited insights into customers:** A lack of clear insight into customers and their experiences is hindering digital adoption, limiting smart decision-making when redesigning the customer journey. This could negatively impact ROI. Cross-sector findings from a recent McKinsey study titled *Digital Reinvention, Unlocking the How*² suggest that some companies are either investing in the wrong places or investing too little in the right ones. The study contains a survey of 2,134 companies, which highlighted that 49% of all digital initiatives failed to deliver a positive ROI, after factoring in the cost of capital.

Attaining ROI from Your Digital Investments

The path to digital adoption is now a well-trodden one, with several out-of-sector examples of success in delivering better experiences at low costs. For life insurance and pension providers looking to increase the number of stakeholders who engage with them digitally, the following action-points are essential.

- **Build a clear customer segmentation and channel strategy:** Providers must determine which stakeholders would be most receptive to digital offers, and build a new and enhanced value proposition that encourages them to change their existing behavior. Channel strategies should be aligned to support digital adoption goals, carefully considering the role of non-digital channels in the early stages of the engagement process. Also, in- and outside-of-sector customer experiences that have created “digital behavioral habits” need to be benchmarked, to be replicated via digital transformation.

An associated sector that has done this with considerable success, which is worth reviewing and benchmarking, is banking. In 2018, Deloitte’s study titled *Accelerating Digital Transformation in Banking*³ reported that globally, banks invested US\$9.7 billion to enhance their digital capabilities in the front office alone. For many retail banks, online and mobile channels have become as important – if not more important – as branches and ATMs.

From this study, two takeaways emerge for the life and pension sector. First, a base level of digital functionality must be in place for adoption to grow significantly. Secondly, the value proposition within the new digital channel has to be enhanced to encourage customers to change behavior. Some banks also have sought to deprioritize the value proposition

in existing channels, in order to drive behavior changes. Interestingly, while this has worked to some extent, it has also impacted their brand and experience scores.

While getting customers to engage entirely digitally might be an ambitious goal, businesses should keep in mind that getting there is a gradual process. Leveraging all the different channels and integrating them to sell digital engagement is a good idea, especially in the early stages of any digital adoption strategy.

For example, life and pension providers can explain to customers who contact the company by telephone that the task they wish to undertake could be more easily and speedily fulfilled online. After the telephone call, sending a link to the customers for them to access the digital portal with pre-filled information can enable easy registration and simple task execution.

These can prove to be effective interim steps while organizations address legacy system issues and implement a business-wide CRM/data lake to deliver an omnichannel/integrated digital proposition.

- **Develop a digital-centric, data-driven culture:** Digital transformation and adoption success must start with a focus on people and culture, ensuring there is organization-wide change in how it behaves and operates. Complementing human effort with automation, putting in place agile ways of working, and linking the virtual and physical worlds are integral to building confidence in a business – and hence, driving adoption for different stakeholders.

Effective deployment of digital propositions can produce game-changing amounts of data. This must be utilized to deliver ROI from the investments made. Generating useful insights from all the data generated will require an organization to build new skillsets within the existing workforce, as well as recruiting for new roles such as data scientist. To support this, new data management policies will need to be built, procedures written, data catalogued, and a taxonomy created to ensure that there is a common understanding of what is being created and reviewed.

Big data analytics tools such as Xplenty and R programming will be required to analyze data effectively and share information with stakeholders across the business. Democratizing data is key to creating enthusiasm, engagement and ultimately the competitive advantage.

Finally, corporate boards and the C-suite must allow teams to experiment and fail-fast in a safe environment to arrive at a winning adoption strategy for a segment or proposition.

- **Rethink the customer experience to deliver more value:** Strategic intent to build a digital journey provides the ideal context to rethink the customer experience and build a more valuable proposition for both customers and your business.

TCS' qualitative research across its client base suggests that providers should focus on speed, reassurance, simplicity, and a feeling of being in control/confident when rethinking the customer journey and related interactions. Digital content and tools are key components to build and deliver consumer confidence, encouraging first-time internet users to transact online. UI elements such as calculators or in-website lifestyle and financial wellness guides are effective ways to build engagement.

To determine where to focus their investments, life insurance and pension providers should analyze their customer journeys to determine which ones are the most important to the customer, which ones most complex and rife with friction, and which are most costly to the business. TCS' qualitative analysis suggests that touchpoints such as account setup, changing personal details, retirement decision-making, and withdrawing money from accounts are moments of truth in the life or pensions client's journey, and are good places to start.

For example, digital reinvention of the paper-based retirement decisioning journey (when customers have "pots" of less than £30,000) has added value for both customers and the business for one prominent life and pension provider. Building this new proposition has paved the way for radical transformation, making the process more engaging and reducing lapse timelines from 46 days to just five. Thirty-five percent of all eligible customers now use the online proposition to make retirement decisions.

- **Personalize by leveraging the power of customer data and experiment lots:** Understanding which customers are likely to change their contact behavior is key to achieving adoption and ROI targets. Providers should review their contact information repositories and purchase additional data to enhance segmentation capabilities, and refine who is the best target audiences.

Out-of-sector companies such as Facebook and Google can help by providing data enrichment services to give businesses deeper insights into consumer behavior and attitude. This will allow providers to improve the targeted customers' awareness of digital offerings and propositions, by positioning on the sites where they already interact.

However, even with enriched data, predicting who will adopt and who won't can be a challenge. Companies such as Amazon and Airbnb test different creative executions and offers every day with cohorts of customers to determine what works best to drive up digital adoption and engagement.

This use of A/B testing techniques could be adopted and institutionalized by life and pension providers. Practically, its use could facilitate a better understanding of the level and depth of information required at moments of truth such as retirement, and the impact/click-throughs and calls to action across all digital assets.

Key Takeaways

Transforming your digital proposition, boosting adoption levels, and improving ROI on digital investments requires a combination of multiple elements.

First, there is market analysis and insight. Next, providers need a systematic reengineering of business model and culture, leveraging the power of data. Finally, the effectiveness of digital transformation should be tracked, leveraging partnerships and ecosystems.

Life insurance and pension companies that embrace these initiatives are well-poised to overcome the organizational and systems complexities that impede a differentiating customer experience, thereby driving adoption, engagement, and business growth.

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