

The insurance industry is in a state of disruption

The cloud as a solution

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The insurance industry is undergoing major change due to new digital technologies. In this article, we discuss three disruptive forces: connectivity, big data and changing consumer behavior. We shine a light on what these changes mean, and, more importantly, how to derive value from them. We believe cloud computing is a major enabler in dealing with these disruptive forces, and that Salesforce is best positioned to provide a personalized client experience and allow the industry to build a client-centric approach. Deloitte is a global strategic Salesforce partner with extensive expertise in digital and client transformation within the insurance industry. We believe that we are well-positioned to support the insurance industry with these changes.



Three disruptive forces
are impacting insurance
companies all over the world



Three disruptive forces are impacting insurance companies all over the world. These forces revisit the go-to-market and the client journey to provide a more personalized and digital experience.

1. Connectivity: recent statistics indicate that the average person in Europe owns three connected devices.¹ Furthermore, Cisco estimates that this average figure will grow to five internet devices by 2017.² With all those devices, clients want to access the right information and support on any device, anytime, and anywhere.

2. Big data: the Internet of Things revolves around machine-to-machine communication. It's built on networks of data gathering sensors. It is mobile, virtual and means instantaneous connections. One example specific to the insurance industry is that of telematics-based services. Telematics technology enables telematics-based insurance, such as telematics-based motor insurance. Via the Internet of Things, a huge amount of data is available. By collecting and mining the data, the insurance industry will be able to provide more personal offers at the right time, set better pricing, and increase personalized and proactive client service.

3. Changing consumer behavior: consumers' attitudes and needs are changing. The rise of digital has not only changed what people demand but also disrupted how they want it to be supplied. Furthermore, as clients better understand insurance dynamics through independent online research and social collaboration between them, self-service (DIY) will become more popular and consumers may seek to buy directly from online channels.

How to deal with these disruptive forces and derive value from these changes

Connecting all of these new technologies and getting the right information out of all the large data volumes presents a huge challenge. Cloud computing is well-positioned to facilitate tackling this complex challenge.

The main characteristics of cloud computing explain why investing in the cloud is a strong choice. First of all, its multi-tenancy means you can provide a personalized experience and build a client-centric approach without having to worry about continuous IT availability and maintenance upgrades. Since the cloud is maintained centrally, you can focus on creating business value. Secondly, you can work with a scalable approach, which allows you to spread the risk of this complex digital transformation. Thirdly, the data is not stored on local devices but instead in the cloud, allowing you to access the right information anywhere, anytime. Finally, you pay as you go, meaning you remain in control of the investment costs, which are more OPEX in nature and less CAPEX.

A good illustration of the impact of these characteristics is the music industry. This industry was among the first to deal with digital disruption and the impact of the cloud model. The first big transformation moved distribution from the physical CD to the cloud, e.g., iTunes. Today, the transformation goes even further. In the recent past, users would buy music online and store it on a physical device; today, they no longer own the music but instead pay a subscription fee and consume the biggest music libraries in the world by streaming. A similar transformation is now occurring in the insurance sector.

The cloud is a strong enabler to provide the processes and functionalities needed by a company to respond to this client revolution. It provides the platform to support hyper-connectivity disruption with clients, partners, and other business stakeholders. Finally, the cloud enables data to be captured and distributed, allowing you to create data intelligence to accelerate your journey to becoming a client-centric organization.

Challenges

Even though many actors agree that cloud solutions remain the best approach to dealing with these disruptive trends, we should consider two main challenges.

One important challenge, which is independent from the cloud solution, remains the integration between many different channels and sources. Although cloud solutions usually work with open APIs to make integration as easy as possible, it remains one of the key challenges and should be considered from the beginning of a transformation.

Secondly, because the data is not stored on local devices, you have to deal with the perception of risks related to compliance and security. While dealing with these challenges, it is important to keep in mind the value drivers and business benefits the cloud will generate. Finding a good balance between risks and benefits will be important for your success.

The main characteristics of cloud computing explain why investing in the cloud is a strong choice

1 Statista (2014). "Number of connected devices per person in selected countries 2014." Consulted 10 August 2015. <http://www.statista.com/statistics/333861/connected-devices-per-person-in-selected-countries/>

2 Business Insider (2015): "By 2017, We'll Each Have 5 Internet Devices (And More Predictions From Cisco)." Consulted 10 August 2015. <http://www.businessinsider.com/cisco-predicts-mobile-2013-5?IR=T>

Salesforce—the customer success platform as a service

Salesforce is best known for its customer relationship management (CRM) offering, comprising Sales Cloud, Service Cloud, and Marketing Cloud, but it also offers a development platform (Force.com) and Analytics (Wave). Their offering is fully mobile, social, and cloud based (Software as a Service).

Most analysts rate Salesforce as the absolute leader among the enterprise application software that can support sales, service and marketing transformation.³ Salesforce aims to support agile client and digital transformations and to drive industry innovation in the front-office space. Their applications are easy to use and customize, embed social collaboration amongst clients, partners and company teams, and drive process optimization via automated workflow, embedded analytics, and easy legacy systems integration.

Today, the global CRM software market is valued at US\$27 billion and outgrowing all other technology enterprise software markets. It is expected to hit the US\$37 billion mark by 2017.⁴ In 2014, 47 percent of the total CRM software revenue was generated from SaaS applications in which Salesforce has 18.4 percent market share and has seen annual growth of 30 percent for the past four consecutive years. This makes Salesforce the sixth fastest growing company in the Fortune 500's fastest-growing companies. This demonstrates that client and digital transformation through the use of cloud applications are currently high on the agenda of many business executives and technology leaders.

Deloitte as a global strategic Salesforce partner

Deloitte Digital's vision is simple: empower our clients to reimagine how they connect and engage with their customers. As a long-term Salesforce global strategic partner, Deloitte Digital has built a dedicated team of more than 2,800 consultants in more than 28 countries, fully dedicated to IT, including 100+ in Benelux.

In order to maximize client and digital transformation based on Salesforce, Deloitte has created over 25 industry-specific accelerators worldwide. These accelerators provide a very strong foundation for a client and digital transformation (and, in some cases, very advanced solutions). They allow our clients to be more cost effective, realize a faster go-to-market, and invest in the real competitive capabilities for their industry.

Our focus has led to strong success, including in the financial and insurance industry. Our experience has led to the creation of an insurance-specific accelerator: *FastConnect*.⁵ This is a pre-configured solution on Salesforce, built by Deloitte Digital, with specific processes and capabilities designed to match insurance industry requirements.

Our accelerators create an immediate impact:

- Instant benefit achieved through pre-configurations, pre-integrations, and developments
- Use our pre-configured point of view to speed-up the process of assessing business requirements
- Faster deployment and realization of ROI
- Saving of minimum 200 man-days in implementation effort
- Reduction of transformation risk, as it is a proven solution

³ Gartner (March 2015). "Magic Quadrant for Enterprise Application Platform as a Service, Worldwide," article G00271188

⁴ Gartner (July 2015). "Hype Cycle for CRM Sales," 2015, G00277788

⁵ Key features of *FastConnect* in a 3min movie: <http://youtu.be/za3TN8RwMzo>

Conclusion

The insurance industry is undergoing some major changes, and it's only getting started. The industry must acknowledge these disruptions and use them to its advantage by creating the added value clients expect. A way to cope with these changes is by using cloud solutions like Salesforce. Over recent years, Deloitte has demonstrated its ability to successfully deliver client and digital transformation based on Salesforce for many insurance companies. Alongside our past experience, our vision, and our industry accelerators, Deloitte Digital has the ambition to be a valuable and trusted partner for the insurance industry.

