



An Insurance Customer-Facing Value Chain: A Modest Suggestion

QuickNote Report
October 2014

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Date: October 2014

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Report type: QuickNote

Report Code: QN14-003

Essence

Every business, regardless of industry, only has two processes: getting customers and keeping customers. Every other process a company uses must support one or both of these two processes. Insurers, and the technology vendors that (want to) support insurers, should accept that reality by managing the insurance value chain entirely as a set of customer-facing activities. The insurance customer-facing value chain consists of two interdependent systems: systems of engagement (SoE) and systems of record (SoR).

Stuck in a tar pit of silos

Silos, silos, seemingly everywhere and always. Many years ago, an executive from a Fortune 500 company told his colleagues that “just because we are a multi-SBU, multi-division, multi-department-organized company is not our customer’s fault.” Insurance companies know that this is true (we hope) but they don’t act on this knowledge. As folks say in Texas, most insurers are “all hat, no cattle” when it comes to actually providing world-class (or really, even decent-class) customer service.

To help insurers meet, if not exceed, customer needs and expectations, we modestly offer an insurance customer-facing value chain in this QuickNote. We suggest that insurers use this customer-facing value chain or something similar to get and keep customers.

There are no front, middle, or back-offices

Insurers, and the technology firms that support them, unfortunately use the terms “front office” and “back office.” We have occasionally come across the truly horrible term: “middle office.” One of the problems with this mindset of compartmentalized “office activities” is that it provides people working in the “back office or middle office” with a too-ready, and totally erroneous, excuse that they are not responsible for taking care of

the people. Taking care of customers, they say, is the responsibility of the “front office.” But the reality is that everyone is responsible for taking care of the customer.

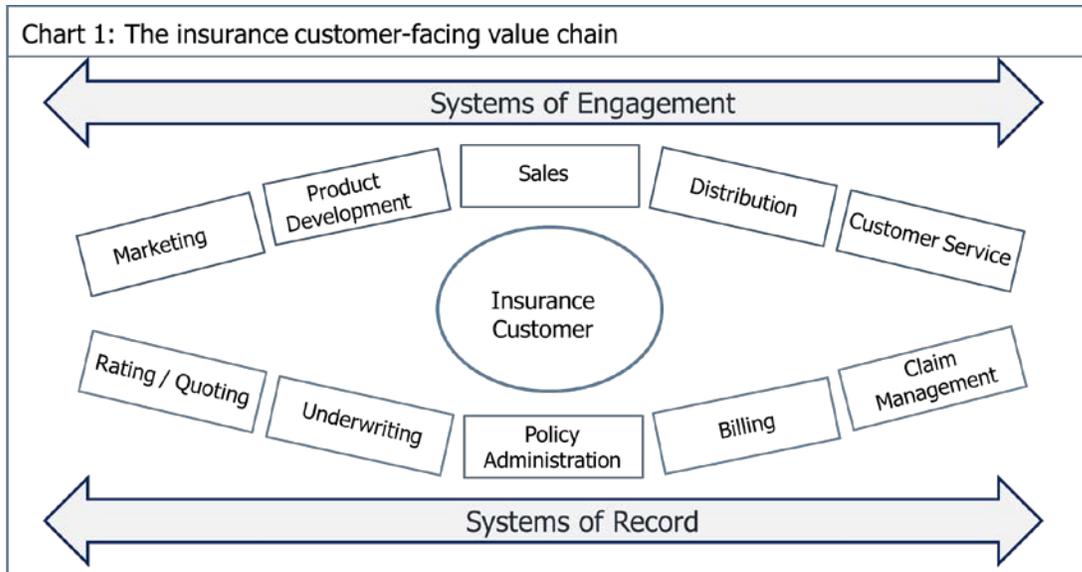
Sorry, folks. Thanks for playing but there are no front, middle, or back-offices. There are only processes which exist to get and keep customers, or support either of these customer-supporting processes.

An insurance customer-facing value chain: a modest suggestion

We modestly suggest that insurers, and the technology firms which support insurers, consider the insurance customer-facing value chain in Chart 1. Our proposal divides the insurance customer-facing value chain, for the sake of management of resources and measurement purposes, into two “sub” value chains: Systems of Record (SoR) and Systems of Engagement (SoE).

The SoR activities are what most insurers and technology firms consider as “middle or back office” activities. The SoE activities are what most insurers and technology firms consider “front office” activities.

We don’t have the intent for this QuickNote to delve into each SoR and SoE activity. However, we purposely separate “sales” from “distribution.” Before the mobile, social digital marketplace came into existence, this separation might not have made sense. We strongly believe the separation of the two functions makes sense in our current digital marketplace. Insurers have to consider the various ways in which customers want to purchase insurance (i.e. sales) and access the insurance product (i.e. distribution).



Source: Market Insight Group, Ltd.

SoR = SoE = SoR = SoE = ...

As we mentioned above, we separate the two types of systems which comprise the insurance customer-facing value chain for management and measurement purposes. But the two customer-facing systems are all part of the one insurance customer-facing value chain.

There are a myriad of issues for insurers using our proposed insurance customer-facing value chain but three of them are:

- Insurers must fuse SoE and SoR activities closely together with information continually gathered from the customer interaction.
- Insurers should not fall into the tar pit of silos yet again by creating a new department responsible for social customer service or social customer care: customer service is customer service regardless of the paths or platforms customers use to interact with insurers.
- Technology vendors that are so bold to state they support the entire insurance lifecycle, or want to create a long-term agenda building solutions which address a so-called “full insurance lifecycle” need to honestly assess which activities they truly currently or plan to support.

Methodology

- Continual briefings, research and analysis of insurance technology vendor's offerings and plans

Let's Talk

Want to discuss the issues in this QuickNote? Please contact Barry Rabkin of Market Insight Group, Ltd. at 508 435-3136 (in the Boston, Massachusetts area) or e-mail barry.rabkin@marketinsightgroup.com. Click over to www.marketinsightgroup.com to learn more about our company, our research, and how to subscribe to our research agenda, purchase single copy reports, or engage us in custom work.