

Moving to a user-first, omnichannel approach

As new digital players and ecosystems converge to offer basic insurance products, carriers need to evolve their digital capabilities and online user experiences to remain relevant and competitive.

This article was a collaborative effort by Stephan Binder, Ulrike Deetjen, Simon Kaesler, Jörg Mußhoff, and Felix Schollmeier



Today, about one in four motor insurance policies in Germany is sold online,¹ and other property- and personal-insurance products are increasingly being purchased through digital channels. These trends have been further strengthened since the outset of the COVID-19 pandemic, which has increased customers' comfort with digital- and remote-interaction models and tools. In an October 2019 survey of more than 3,000 individuals across Europe, 38 percent reported that their preferred sales channel for life insurance is digital. After the first few weeks of the lockdown, this share rose to 54 percent.²

Established insurers are investing heavily in digitizing their customer journeys and processes, and numerous new, purely digital insurers, or insurtechs, have entered the market. Traditional insurers are well aware of how their peers in the banking industry partially lost the customer interface to new entrants such as PayPal, TransferWise, or N26. Moreover, large technology groups also show clear interest in the insurance market, even if they refrain from taking risks onto their own balance sheets. All of these developments have raised the stakes across key dimensions of the business model.

To remain competitive, traditional insurers in Germany will need to quickly move to a user-first, omnichannel strategy. The most successful carriers in the post-coronavirus digital age are integrating this approach by prioritizing three elements: availability of online purchasing capability, ease of navigating online customer journeys, and seamless integration of sales support and advice capabilities. To implement this strategy effectively, insurers must first lay a foundation focused on the customer journey and enabled by selected technologies and organizational capabilities.³

Key elements for a user-first, omnichannel approach

To gain a picture of the digital marketing capabilities of German insurers, we analyzed 22 carriers across 20 individual capabilities along the conversion stage of the marketing funnel. Each player was scored from one (nascent) to four (distinctive).

An effective user-first, omnichannel approach includes three critical elements, listed here in order of importance: availability of online-purchasing capability, ease of navigating online customer journeys, and seamless integration of sales-support

¹ McKinsey Insurance Agent Forum, 2019, McKinsey.com.

² McKinsey online survey conducted of more than 3,000 individuals during two sessions: October 2019 and April 2020.

³ Since the stages before a prospective customer lands on an insurer's website and after a policy is purchased are also highly relevant and provide intriguing topics and questions, we will likely discuss these in a separate article to be posted at a later date.

Established insurers are investing heavily in digitizing their customer journeys and processes, and numerous new, purely digital insurers, or insurtechs, have entered the market.

and advice capabilities (Exhibit 1). Product complexity that cannot be eliminated through rigorous redesign needs to be bridged with advice capabilities, which must be seamlessly integrated into relevant touchpoints across customers' omnichannel journeys.

Our analysis reveals the large majority of carriers has at least foundational digital-marketing capabilities across the funnel, with 77 percent of players reaching an overall score between two and three. However, the industry as a whole still shows significant room for improvement: only two insurers with a traditional multichannel and intermediary-focused distribution model scored three or above. This is especially relevant when considering that customers are likely to draw comparisons not only between their experiences of online journeys with other insurance players but also from other industries (for example, shopping on Amazon or signing up for an account on Netflix).

Insurers focused on direct channels earned much more competitive scores, as their product offerings were typically fully digitized and their customer journeys easier to navigate. Interestingly, this difference in capabilities largely persisted even when traditional and direct players belonged to the same insurance group. However, most notable was that, on average, traditional players did not harness their in-person advice capabilities effectively within their omnichannel setup—a huge missed opportunity.

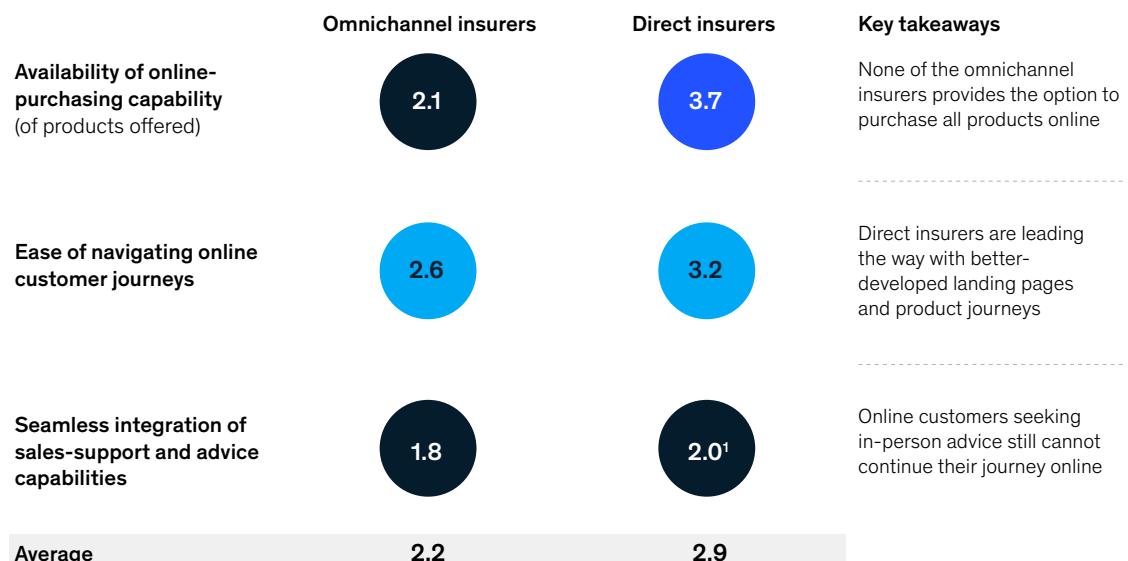
Availability of online-purchasing capability:
Traditional insurers do not provide customers with the option to purchase all products online
 In recent years, the digital maturity of the insurance industry has increased steadily and even surpassed

Exhibit 1

Direct insurers lead in customer-journey quality, while omnichannel players are not using their full capabilities online.

Omnichannel vs direct insurers, assessment of 22 German insurers across 20 individual capabilities

Capability assessment ● Foundational ● Competitive ● Distinctive



¹Not all criteria applicable to pure direct players.
 Source: Analysis based on company websites; n = 22 (12 omnichannel and 10 pure direct players)

that of the banking industry.⁴ However, while several carriers and agents have made incremental progress in their efforts to digitize their business models, the industry as a whole primarily relies on face-to-face interaction for purchasing. None of Germany's top ten multiline insurers—including the direct players—offers all its products online.⁵

At the product level, more than 90 percent of multichannel insurers provide online access to their motor and household insurance products, but only about 40 percent do so for full health coverage—and a mere 11 percent for traditional or unit-linked

life insurance. Just one of the players with life insurance products in its portfolio does not require face-to-face interaction for purchasing. None of the ten direct insurers analyzed offer a complete product portfolio across property and casualty, life, and health insurance products yet.

Although both simple and more complex insurance products generate similarly high levels of search traffic, these two product segments show large differences in their respective levels of digital enablement (Exhibit 2). The reason: complex insurance products typically require a more

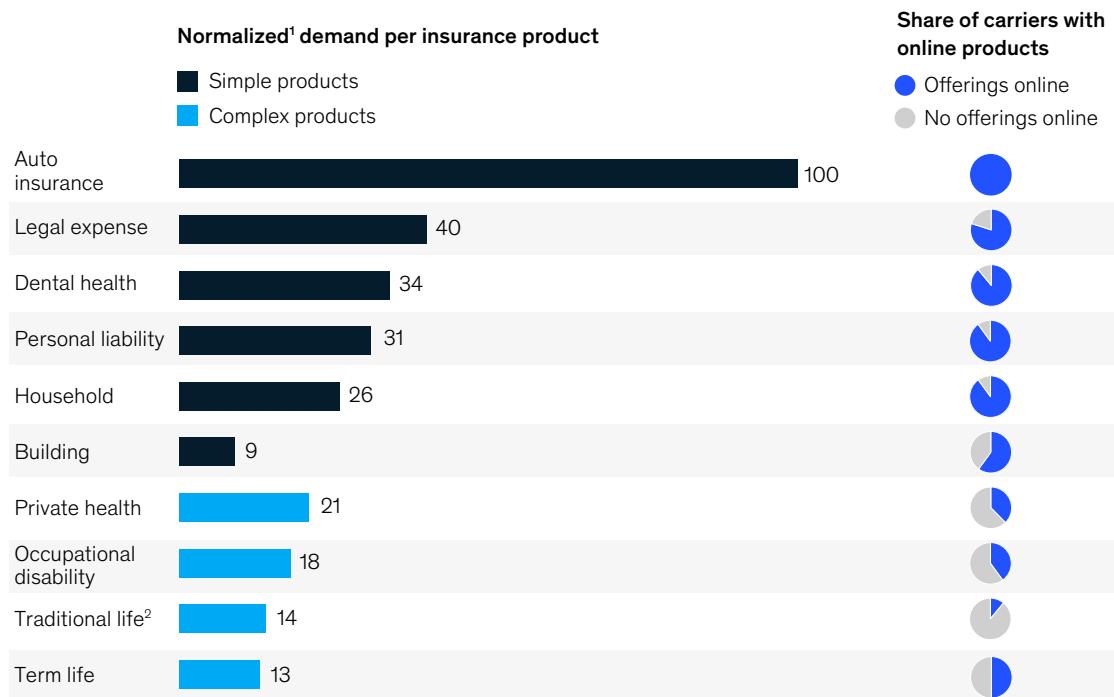
⁴ The McKinsey Digital Quotient is an online assessment that measures an industry's digital maturity across strategy, organizations, culture, and capabilities. In 2019, the insurance industry ranked third with 37 points, banking ranked fifth with 34, and the global average was 34.

⁵ Insurance products tested for online purchase option were auto, personal liability, household, building, legal expense, full health, dental health, supplementary hospital, traditional or unit-linked life, occupational disability, and term life insurance.

Exhibit 2

Despite strong demand, the share of insurers offering more complex insurance products for purchase remains low.

Possibility to purchase products online with top-10 insurance groups



Except for motor insurance, none of the top-10 insurance groups provides the possibility for customers to purchase all of their products online.

¹Normalized to the highest search volume

²Including unit-linked products.

Source: Google analysis on 2019 data (analysis from 06/2020); McKinsey outside-in analysis based on company websites, social media platforms, and apps, Sistrix and SEMRush; n = 10 (top-10 insurance groups in Germany by total contributions in 2018; group view includes direct players)

deliberate effort from insurers to bridge the information gap with customers. Products need to be simplified, transparency and product information need to be improved, and experts must often provide tailored advice to help customers navigate the plethora of options and trade-offs. Insurers largely assume that personal advice must be delivered in person for it to be effective.

However, during the COVID-19 crisis, many business models that relied heavily on direct human interaction have been surprisingly active with remote interaction. The acceleration of the telemedicine industry is one example: few other areas are more complex and were assumed to have a stronger need for direct human interaction than personalized health advice. Yet telemedicine players are flourishing and proving that doctors can diagnose patients online. In another example, the

financial services sector has successfully digitized complex products and customer journeys, such as applying for mortgages or signing up for brokerage accounts or investment advisory services.

Ease of navigating online customer journeys: Direct insurers are leading the way against traditional insurers

To better understand the ease of navigation for insurance journeys, we disaggregated the online navigation experience into three dimensions: speed of the insurer's website, quality⁶ and performance of the landing page, and quality of user experience across respective product journeys.⁷

Site-speed. There is a strong correlation between site speed and bounce and conversion rates

⁶ Criteria for assessment of landing page quality include clarity of structure, ease of navigation and accessibility of key customer journeys, attractiveness of layout, degree of personalization, and interactivity.

⁷ Criteria for assessment of product journey quality include easily accessible estimates (one to two clicks), the modular presentation of products, and the length of journey and number of data-points required.

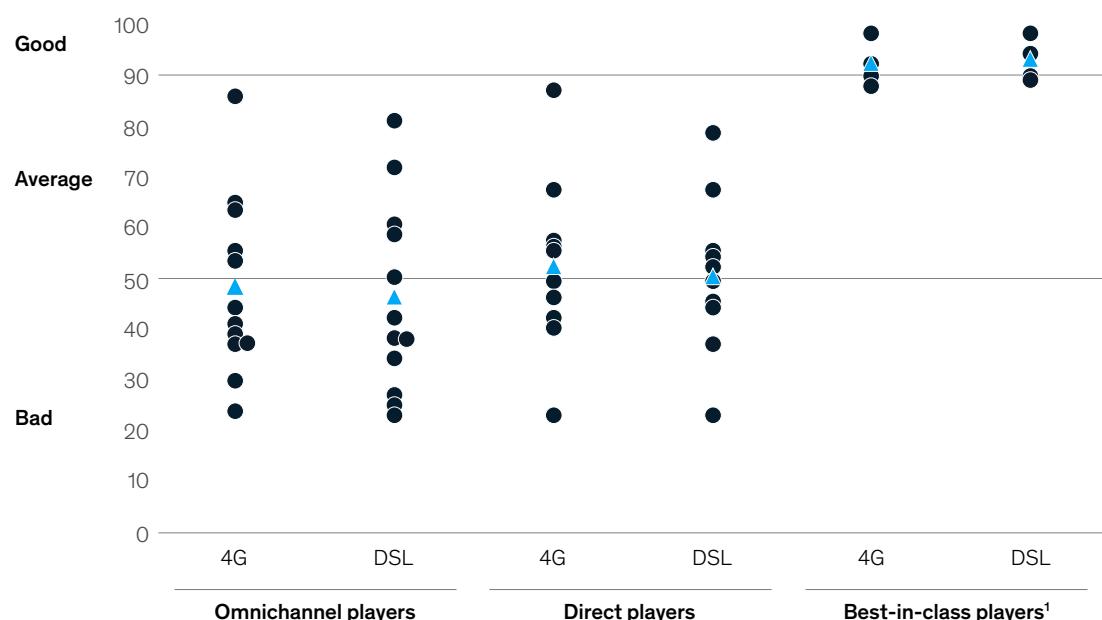
Exhibit 3

Both site speed and the quality of landing pages of German insurance websites have significant potential for improvement.

German insurers tested for site speed and quality of their landing pages, May 2020, n = 22

● Single score data point ▲ Average

Speed test with 4G and digital subscriber line (DSL), %



¹Average scores of Bol.com, Check24, Finanzcheck and Hotels.com.

(Exhibit 3). If the loading time takes longer than three seconds, 53 percent of users leave a mobile site.⁸ Even a loading time extended by just one second reduces the conversion rate on mobile devices drastically, while a delay of two seconds can increase bounce rates by almost 100 percent.⁹ Since the average loading speed of German insurers' websites on desktop PCs and mobile phones is 3.2 seconds, site speed performance is an effective improvement lever.

Landing pages. Although analysis of our sample's landing pages showed solid quality scores,¹⁰ on average, there was a rather large disparity: many landing pages are still packed with small-font text on insurance products, so they not only overload users but also fail to guide their attention to relevant subjourneys. Landing pages can be easily improved: for example, Deutsche Familienversicherung, a German insurtech and direct insurer, instantly creates a personalized experience by asking users for their age. It then immediately adjusts all prices shown on the webpage.

Product journeys. Best-in-class players such as Netflix, Revolut, and Zalando have set the benchmark for easy, intuitive onboarding and purchasing journeys. Amazon famously cut the purchasing journey to one click for preregistered users. In recent years, aggregators have started to radically rebuild and simplify insurance purchasing journeys, and new direct players have entered the market. Many traditional players have now partially caught up and offer online product journeys of a similarly high quality—but only for less-complex products, such as motor, household, and personal liability insurance.

Seamless integration of advice capabilities: Customers who switch between digital and non-digital cannot continue their journeys online

According to a recent McKinsey survey, one in two customers seeks advice offline before purchasing an insurance product.¹¹ Since the large majority of customers research online and purchase offline,

most of the insurers we analyzed now have some type of lead routing from their landing page to their offline (advice and purchasing) channels. However, this lead routing is usually a one-way street; after calling an agent, it is no longer possible to switch back to the digital channel and continue on the customer journey online. Thus, requesting in-person advice typically leads to an automatic and irreversible switch from the online to the offline channel (Exhibit 4).

Due to this lack of true channel integration, most insurers still cannot offer a “remote in-person advice” option. Our analysis identified three common impediments to the optimal utilization of existing in-person advice capabilities.

Insufficient online marketing to customers seeking in-person advice. The online channel is rightly regarded as the most cost-efficient channel to generate a sale. To understand which channel is the most economic overall by costs per sale, however, insurers also need to take into account the differing effectiveness of their individual channels in converting leads into sales. One German insurer was able to increase the efficiency of its sales conversions by a factor of six by providing customers with the option to request a callback number, look up agent offices, or simply enter their data to be contacted.

Lack of accessible in-person advice capabilities at relevant touchpoints in the online customer journey. Highly effective lead routing from online to offline channels is a crucial factor in converting the captured online traffic into business. Yet insurers' lead-routing capabilities are barely foundational: when online customers request in-person advice, their current journey is invariably interrupted—in most cases, even without a seamless transition to an offline channel. To remedy the situation, several insurers have started to integrate chatbots (sometimes human-augmented ones) or hotlines into the online journey to increase conversion rates—but without actually leveraging their intermediaries.

⁸ Anonymized Google Analytics data from a selection of websites with consent to the publication of benchmark data, n = 3,700, March 2016.

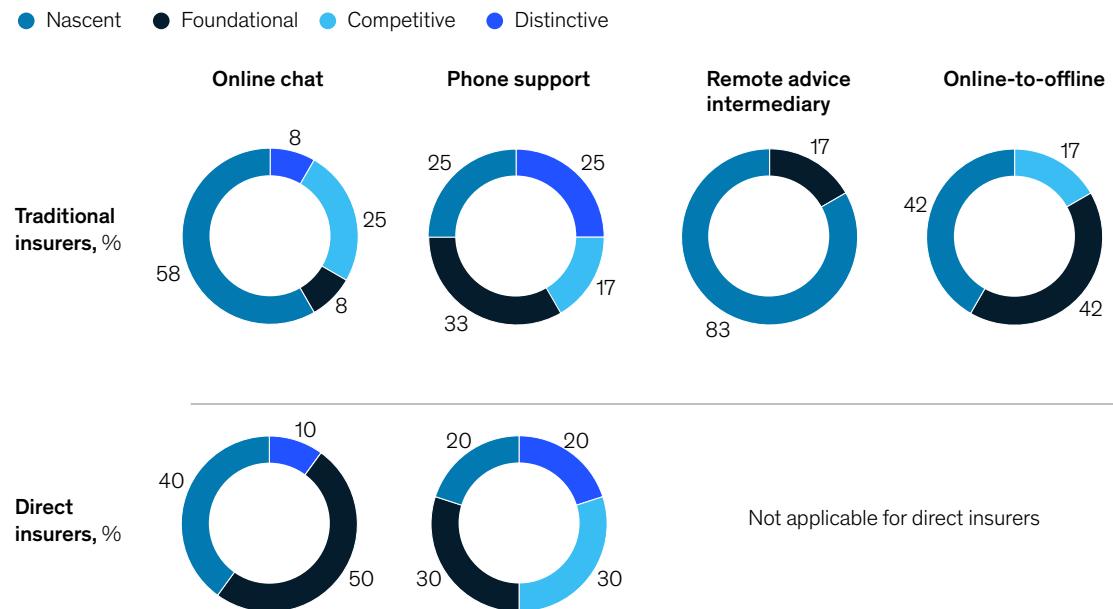
⁹ Akamai, “New findings: The state of online retail performance,” April 21, 2017, blogs.akamai.com.

¹⁰ Criteria include landing page structure, average duration per visit, pages viewed per visit, and bounce rate.

¹¹ McKinsey survey of 16,000 people in eight European countries, asked which channels they used in their purchasing journey over the past two years, 2019.

Exhibit 4

Customers switching between nondigital and digital channels cannot continue their journeys online.



So far, traditional insurers are missing out on fully harnessing their deep pool of skilled advisers, arguably one of their greatest advantages.

Lack of digital assets required for delivering remote in-person advice. The ability of German insurers to deploy their advice capabilities into digital customer journeys is often already undermined by a lack of basic digital assets. While some insurers have now incorporated the option to set up a video conference with one of their intermediaries, full digital enablement of advice capabilities remains elusive.¹²

By contrast, in a fully enabled and user-first, omnichannel setup, insurers deliver advice when and where customers request it—such as through their computers or smartphones. If done right, this will result in a positive self-selection of customers seeking in-person advice on more complex products who can then be channeled to agents, bankers, and brokers. However, merely deploying

advice capabilities, either to compensate for deficiencies in customer journeys or to sell products, is highly inefficient and unsustainable.

Developing a deliberate, coordinated implementation strategy

Implementing a user-first, omnichannel approach has far-reaching effects on an insurer's technological and organizational setup (Exhibit 5). As a consequence, there is certainly no single, standardized approach to getting started. However, we recommend an overarching implementation strategy in which the capabilities of all channels are aligned toward the common business goals of acquiring and retaining business by meeting customers where they are. Now more than ever, that location is online.

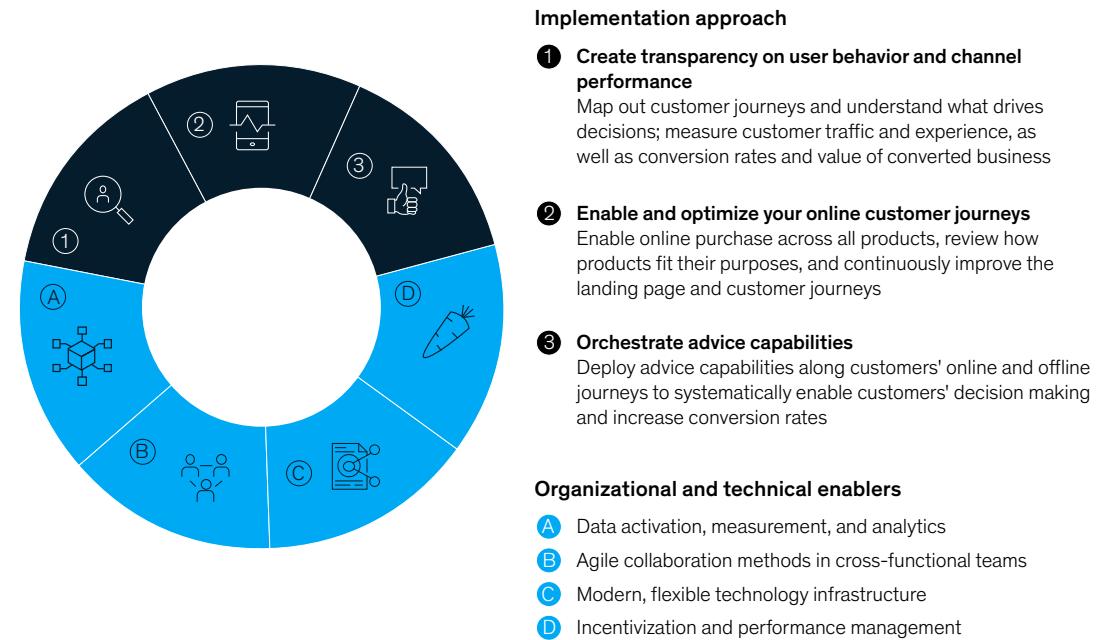
Key prerequisites of the implementation process

This strategy typically requires a three-step implementation process.

¹²Full digital enablement of advice capabilities implies the following process: customers book an appointment directly into the calendar of an intermediary; they then discuss their individual situations via a video conference using their normal web browsers, with the intermediary sharing their screen; eventually, they gain access to additional information in a secured area where they can finalize the purchase.

Exhibit 5

Moving to a user-first, omnichannel approach is a three-step process supported by four organizational and technical enablers.



1. Create transparency on user behavior and channel performance. Since today's decision journeys often span several channels, omnichannel users can switch back and forth between the same channels multiple times. To start, insurers must correctly define customer journeys and understand what drives decision making. To this end, insurers need to not only combine data across channels (as far as data privacy regulation allows) but also set up processes for measuring customer traffic, customer experience, and the value of converted business on a continuous basis.

Based on this data, insurers can correctly attribute the impact that each of their advertising campaigns has on the number of sales of a given policy and gauge the success of their individual channels in converting prospects to customers. This visibility is critical for finding out where and how the customer lead was generated.

2. Fully enable and optimize your online customer journeys. With the rising cost of lead generation,

insurers must optimize conversion rates. The online channel is an essential part of the decision journey of most customers. Insurers should thus enable and incentivize customers to continue their journeys on the insurers' websites for as long as possible and to purchase online.

To excel at converting customers online, insurers need first to ensure the technical prerequisites for online purchasing are in place. Second, they must regularly verify that products are fit for purpose, providing information on their costs, profits, and probabilities, as well as allowing for sufficient flexibility. Third, insurers need to continuously improve their landing pages and product journeys to be able to create the best possible user experience. User interfaces must be engaging, intuitive to navigate, and effective in guiding customers' attention to purchasing. Insurers should employ continuous experimentation and testing to eliminate impediments that lead to increased drop-off rates. Effective measures include providing price information as early as possible in the journey,

presenting callouts that explain requests for sensitive data, and incorporating short videos to explain more complex contexts.

3. Orchestrate advice capabilities. Digital journeys will not eliminate the need for in-person advice anytime soon. However, customers may need advice to clarify a certain question on their decision journey, and they may actually value the speed and convenience of the online channel for the remainder of their journey. Insurers should thus orchestrate and deploy advice capabilities in a targeted way along their online and offline customer journeys to systematically enable customer decision making and increase conversion rates.

To this end, insurers can take a two-step approach: first, they should make contact options for advice capabilities (for example, a call center, agency, or bank branch office) prominently available at relevant touchpoints along the online journey. At points where drop-off rates are high or a large number of customers bounce off their customer journey, carriers should display options for advice. Second, insurers should aim to identify prospective customers as early as possible on their online journeys to proactively deploy advice capabilities and follow up on promising leads.

Organizational and technical enablers

In parallel to the implementation process, four enablers need to be established.

Data activation, measurement, and analytics. To accurately map customer journeys and the factors that influence decisions (attribution), insurers need to combine their data across channels.

Typically, this requires feeding first-party data (for example, digitally initiated insurance contracts, which were closed offline by an agent) into the digital marketing system where machine-learning algorithms can be used to optimize online sales activities (data activation) to find similar customer profiles. In addition, tools and processes need to be implemented that facilitate and ensure continuous measurement of key metrics across the complete customer journey, using advanced deterministic and probabilistic techniques to match customers across devices and channels. Insurers also need to implement the right data model, digital platform, and IT architecture.

Agile collaboration methods in cross-functional teams. To provide users with a seamless, high-quality customer experience, the organization needs to break down silos across online and offline channels, as well as call centers. In this context, cross-functional teams with end-to-end responsibility have proved to be very successful. By adopting an agile methodology, these teams can significantly increase the quality of their output, reduce the number of handovers, and provide structure while keeping teams highly adaptive and flexible. The rigorous focus on customer experience might also expose new talent needs—for example, user interface and user experience designers, data scientists, and agile experts.

Modern, flexible technology infrastructure. A modern, scalable technological infrastructure is key to the integration of microservices and data pools across channels. To this end, insurers' platforms need to be sufficiently flexible so that customer journeys can be improved and adapted

To accurately map customer journeys and the factors that influence decisions, insurers need to combine their data across channels.

for each customer segment on a continuous basis. Furthermore, APIs to integrate additional internal and external modules are essential. These modules should include the required digital assets for delivering advice capabilities remotely, such as easy-to-use video-conferencing applications and online appointment-booking tools.

Incentivization and performance management. For users to experience a truly seamless journey across touchpoints requires intermediaries to change their role. To help make this happen, insurers need to measure and incentivize intermediaries not only regarding their actual closing of insurance contracts but also for contributing to contract closings in other channels. The different sets of key performance indicators for how a channel's performance is measured and how intermediaries are compensated need to be aligned. In addition, commission systems must allow for split-commission payment and for all intermediaries to access the same customer data and to collaborate through information-sharing tools.

For German insurers, evolving their current platforms and channels has never been as easy and promising as today. All pieces of the puzzle—effective digital channel technologies, high-performance computing hardware, significant acceleration in digitization, and a widely expected further shift in channel mix to digital- and remote-interaction models and tools—are ready to be leveraged and scaled.

As individual best-practice examples from insurance and adjacent industries demonstrate, effectively leveraging the potential of user centricity and an omnichannel approach along the customer journey can maximize buying propensity, significantly improve customer experience, and boost revenues.

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