

How digital CRM  
creates more  
value for your  
customers and  
your insurance  
company



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# Introduction

In an era of disruption and digital transformation as well as frequently changing customer preferences in the financial services industry, many organizations struggle to find better ways to increase customer loyalty and improve the customer experience while increasing profitability and revenue. Tailoring products and services to meet the needs of their customers and delivering tangible value through personalized products and services is an ongoing challenge. Customer-centricity is an indispensable prerequisite for becoming the trusted partner for your customers and for achieving competitive advantage.

Digital Customer Relationship Management (DCRM) helps insurances gain insights into their customers' needs and requirements, meaning they can continuously improve their products and services at every opportunity, providing real added value through individual, needs-based products and services.

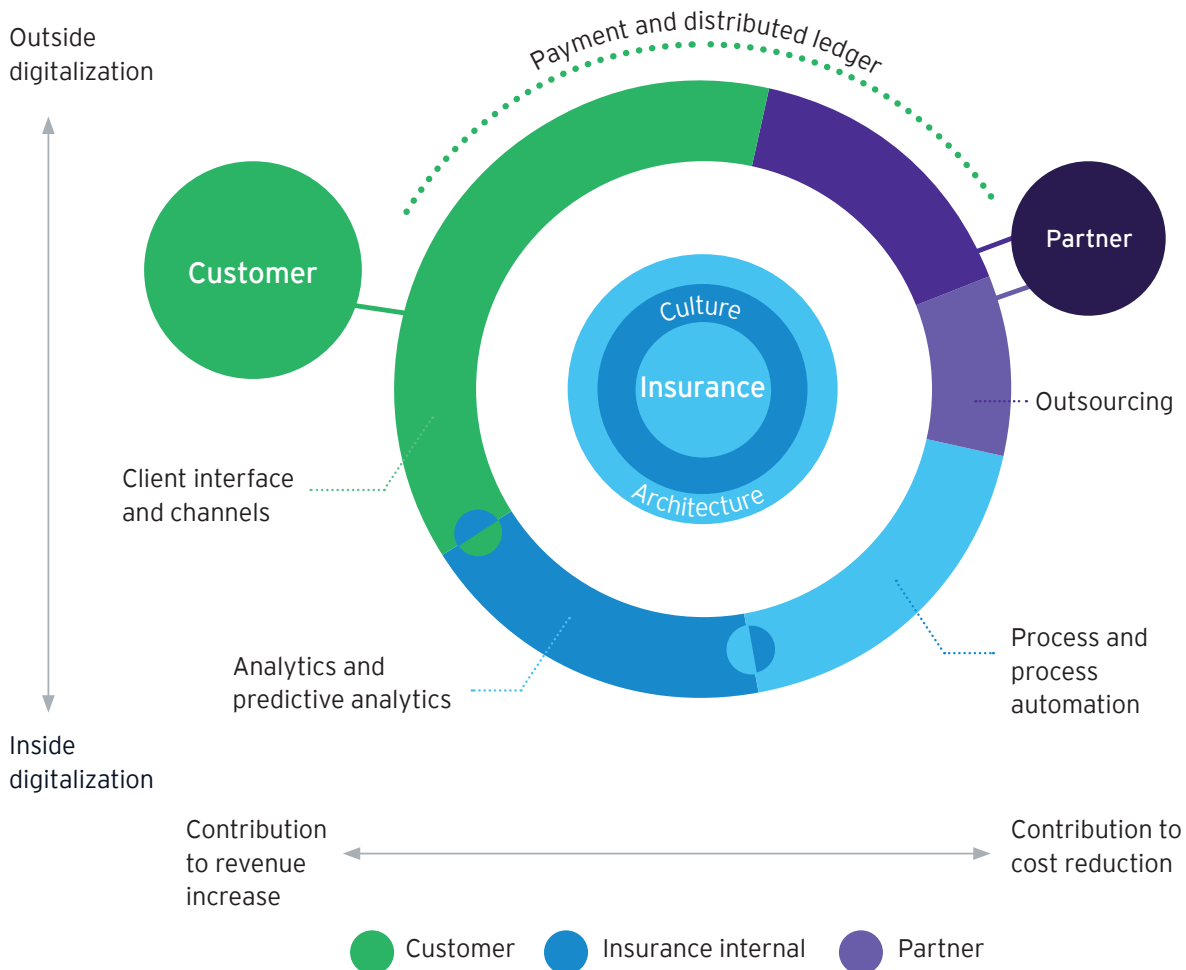
DCRM helps organizations increase customer satisfaction and improve the client experience, boost sales and profitability, avoid churn and customer disloyalty, and to achieve a comprehensive 360° view of their customers.

# 1

## DCRM

Digital transformation in the insurance industry is advancing at a rapid pace. It is driven by customers' expectations of service delivery, the impact of new technologies on existing business models, and low barriers to market entry for competitors. Customers obtain services via digital sales channels and in real time, share knowledge and experiences via social networks, and make initial contact with the provider after extensive research into the market offering.

The trends and drivers of digitalization are diverse (see Fig. 1). Payment and distributed ledger, processes and process automation, analytics and predictive analytics, client interfaces and channels, culture, architecture and XaaS influence the internal and external developments of financial institutions. Driven by new technologies and reduced efforts to participate in the business fields of the financial industry, FinTechs and changing consumer behavior are disrupting the insurance industry.



**Figure 1:** Digital transformation in the insurance industry

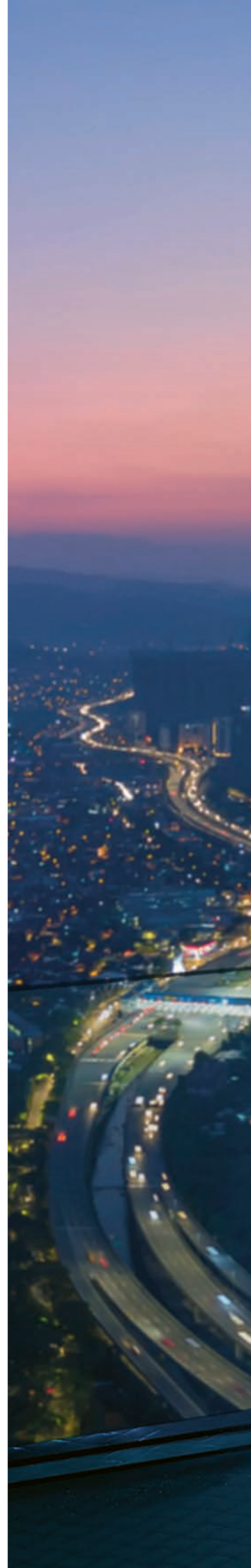


# Recent EY studies

provide further trends, insights and figures on digital transformation in the financial industry:

- ▶ The COVID-19 pandemic has accelerated financial institutions (FI) digital agendas. The EY Future Consumer Index indicates that because of lockdowns and stay-at-home orders, the switch to digital may become permanent for customers, with almost 40% of respondents expecting to conduct more online banking over the next 24 months. Financial institutions are tasked with rethinking their digital transformation journeys to capture new growth opportunities and unlock greater value for customers, both now and in the future<sup>1</sup>.
- ▶ 75% of global consumers already use a money transfer and payments FinTech service. 68% of consumers would consider a non-financial services company for financial services<sup>2</sup>.
- ▶ Small and medium enterprises (SMEs) have unique needs, many of which are not addressed by traditional banking propositions. As a consequence, SMEs are increasingly turning to challenger banks, FinTechs or non-financial institutions to service their financial needs. 56% of SMEs use a banking and payments FinTech service, but only 12% receive digital services from their financial institutions. 72% expect tailored services based on their needs<sup>3</sup>.
- ▶ Machine learning (ML) models are being used for a wider array of macrolevel and microlevel prediction tasks in the financial services industry: customer analytics applications, call center analytics, data extraction from unstructured documents, compliance use cases such as anti-money laundering (AML), know your customer (KYC), compliance testing automation, cybersecurity and defense against cyberattacks. At the same time, the complexity of ML models is greater than ever before<sup>4</sup>.
- ▶ Banks continue to embrace digital modernization and transformation efforts aimed at pace and scale. The use of AI and machine learning (ML) to carry out audits, monitor financial crime or aid compliance activities is undoubtedly growing. CROs polled in the survey expect their senior management team to focus on implementing process automation (88%) and using analytics to improve customer insights (64%) over the next few years<sup>5</sup>.
- ▶ Criminals are becoming increasingly sophisticated in their use of technology to identify loopholes and exploit the current financial systems by leveraging the existing emerging technologies. Financial institutions (FIs) are therefore significantly increasing their IT and operational investments, a circumstance that is expected to leapfrog to managing emerging risks associated with the advent of advanced technologies. Global IT spending by FIs for antimoney laundering and know your customer increased by 17.5% in 2021<sup>6</sup>.

1. EY study "Why real-time customer journey curation is the future of banking", 2020, [https://www.ey.com/en\\_gl/banking-capital-markets/why-real-time-customer-journey-curation-is-the-future-of-banking](https://www.ey.com/en_gl/banking-capital-markets/why-real-time-customer-journey-curation-is-the-future-of-banking)  
 2. EY study "Global FinTech Adoption Index 2019": [https://www.ey.com/en\\_gl/ey-global-fintech-adoption-index](https://www.ey.com/en_gl/ey-global-fintech-adoption-index)  
 3. EY study "Banking Transformation. Digital Lending Transformation for SMEs", 2021  
 4. EY study "Five key trends illuminating AI's impact for financial services", [https://www.ey.com/en\\_gl/innovation-financial-services/five-key-trends-illuminating-ai-s-impact-for-financial-services](https://www.ey.com/en_gl/innovation-financial-services/five-key-trends-illuminating-ai-s-impact-for-financial-services)  
 5. EY study "Resilient banking: capturing opportunities and managing risks over the long term. 11th annual EY/IIF global bank risk management survey", 2021, [https://www.ey.com/en\\_gl/banking-capital-markets-risk-regulatory-transformation/why-digital-resilience-must-be-a-top-priority-for-banks](https://www.ey.com/en_gl/banking-capital-markets-risk-regulatory-transformation/why-digital-resilience-must-be-a-top-priority-for-banks)  
 6. EY study "IT and Operational spending and impact analysis on KYC/AML: A Global Perspective" by EY Knowledge, April 2022



These findings show that the trend toward digitalization will continue and will even accelerate. In our experience at EY ifb, insurances still have much catching up to do. This is particularly true for regulatory and risk policy requirements that expect the consistent application of new and innovative digital processes.

Furthermore, digitalization offers opportunities for insurances: Instead of interpreting the market entry of FinTechs, changing customer expectations, and technological developments as challenges for their own business model, the market situation provides opportunities for financial institutions to reduce costs and to offer new customer-oriented and commission-based services to their clients. Many customer relationship management processes are still predominantly managed manually and the time, efficiency and resource benefits of digital customer relationship management with automated interfaces between back office and sales are leveraged far too infrequently.

With DCRM, EY ifb helps insurances take advantage of these opportunities by implementing new services profitably and by carrying out targeted standardization, integrating new technologies, and creating networks to orchestrate service delivery.



# 3

## DCRM as a reaction to changing client interfaces and channels

An insurance company has a variety of options available regarding its interaction with the end customer. The end customer expects digitalization to provide a combination of self-service interaction options via online portals or mobile applications and individual support for their concerns. An end customer's user experience and perception of a financial institution is influenced by the combination of traditional customer interfaces (e.g., the agent or call center) as well as the appearance, user-friendliness, and functionalities provided by digital customer interfaces. The end customer demands a consistent user experience across all customer channels and an independent service offering.

In order to make digital customer channels available to the end customer as well as to ensure a consistent customer experience, the DCRM processes must be considered in their entirety and the internal company structures must be aligned with them. To further improve and create a uniform customer experience, the customer interface requires an analysis of the insurance employees' options for action in order to create concepts for the simplified visualization and instrumentalization of customer data. These measures enable insurers to optimize individual customer care with the call center and to provide further support via digital communication channels.

► Operational CRM focuses on simplifying customer interaction by combining sales, marketing, and service processes. It provides client-relevant and product-relevant information from the front office and includes tools to improve customer acquisition and retention.



► Collaborative CRM helps companies synchronize and integrate information and communication between front, mid, and back offices. It is essential to unify the efforts of different business functions within an institution and thus to achieve common goals.



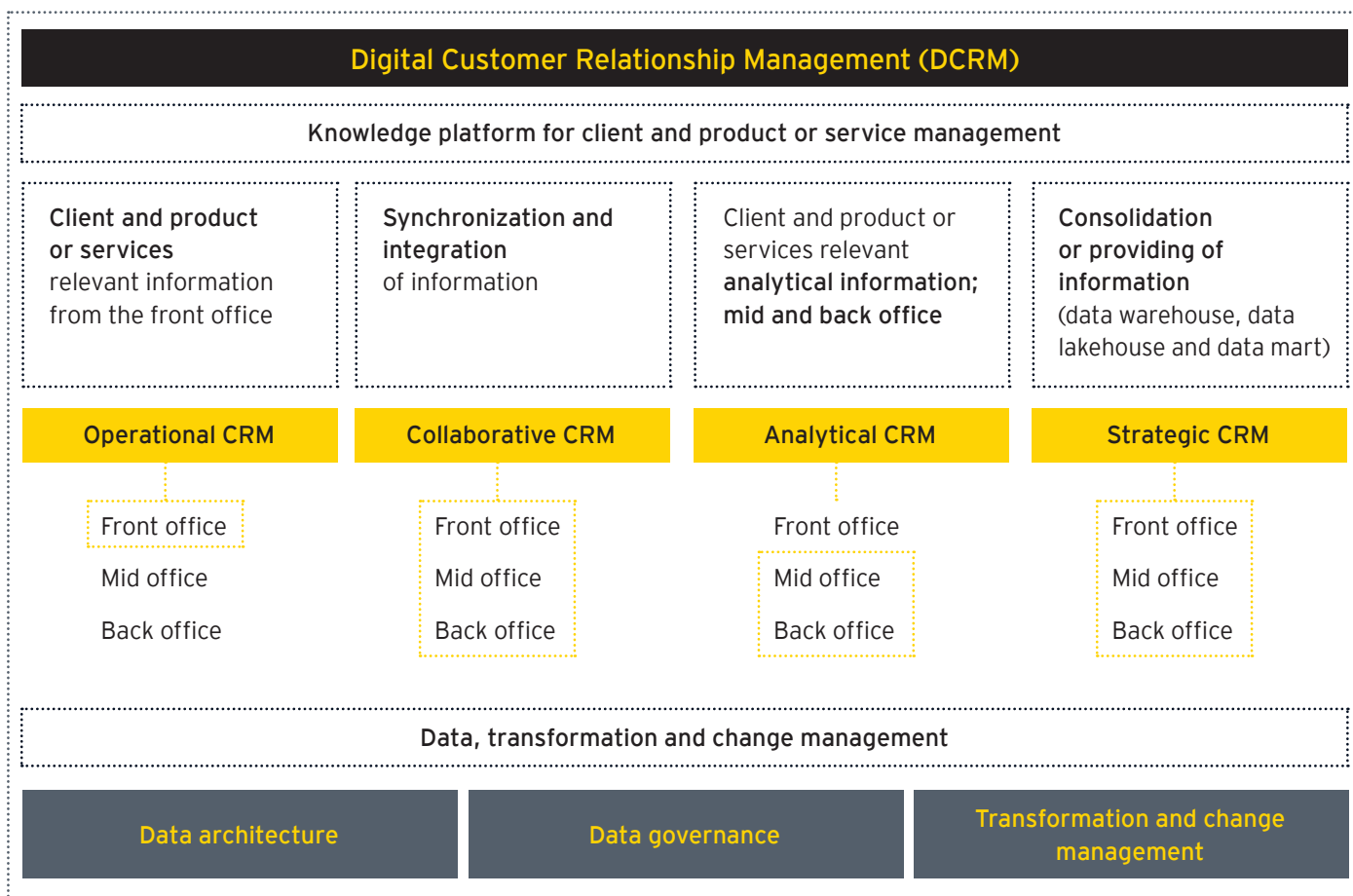
► Analytical CRM refers to the systematic, electronic analysis and evaluation of data concerning customers, products, and services. This data is typically collected from the mid office and the back office. In a modern analytical CRM, highly sophisticated AI or ML algorithms are used to identify the next best offers, cross-selling and up-selling potential, potential customer churn and much more.



► Strategic CRM focuses on developing a customer-centric view by consolidating and providing all relevant customer and product information from various data sources (e.g., data warehouses, data lakehouses, and data marts).



When we talk about DCRM at EY ifb, we mean providing a knowledge platform for information about the customer and product or service management (see Fig. 2). We distinguish among several CRM dimensions:



**Figure 2:** Digital CRM as the aggregation of operational, collaborative, analytical and strategic CRM

In addition to the various dimensions of customer relationship management, DCRM also focuses on data architecture, data governance, and transformation and change management.

Due to the combination of historical applications and individual solutions, the software and data architecture of insurance companies exhibit a complexity that poses challenges when implementing the digital transformation or regulatory measures. To prepare the existing system architecture for DCRM, it is important to evaluate the data architecture for necessary adjustments or to supplement it with service offerings from partners.

Data governance focuses on delivering high-quality data across the organization and implementing data controls to achieve business objectives. This includes availability, usability, consistency, integrity, and security of data.

Transformation and change management are important aspects in the context of DCRM. To achieve a "buy-in of all stakeholders" in a DCRM project,

it is important to accompany the change management process within the company. Advanced analytics, machine learning methods, and automation give rise to new processes and new offerings. For example, when a customer makes an inbound call or visits a broker, a salesperson may have given him/her/their a best guess cross-selling offer. With DCRM, sales managers and brokers automatically receive individual and customized offers for a list of customers to actively contact. These customers are the ones with the highest affinity for specific cross-selling or up-selling offers.

The sales team and the brokers will only implement these changes if they can understand how the new process works, why the individual offers are the best fit for the customers, how much more efficiency is achieved compared to the old process, and how much more sales and profit it brings to the company. Transparency about the newly achieved results and processes is essential for the implementation of the institution's new paradigm.

# 4

## What EY ifb can do for you

EY ifb can assist insurers in significantly enhancing their customers' experience through their DCRM offering. Digital transformation offers a new and accelerated way of working with greater potential to shape and maintain long-term customer relationships.

Most insurers grapple with better ways to increase customer satisfaction and improve the customer experience while at the same time growing their businesses. Adapting products and services to their customers' needs and offering tangible added value through personalized products and services presents an ongoing challenge.

Today, a competitive advantage is gained by building trust. In an era in which customers' preferences and experiences change frequently, insurers are tasked with creating customer-centric business models enabling them to become trusted businesses to which customers remain loyal to.

EY ifb can help you answer these questions and drive sales and profitability through their DCRM model. Insurers possess an enormous amount of data on their customers (e.g., master data, product usage, credit

▶ **Win:** Segmentation of the market, evaluation of microgeographic information, winning new customers.

▶ **Develop:** Identify demand and customer lifetime value (CLV). Calculate customer-specific product affinities, next-best offers, and cross-selling or up-selling potential with individual product and service offerings.

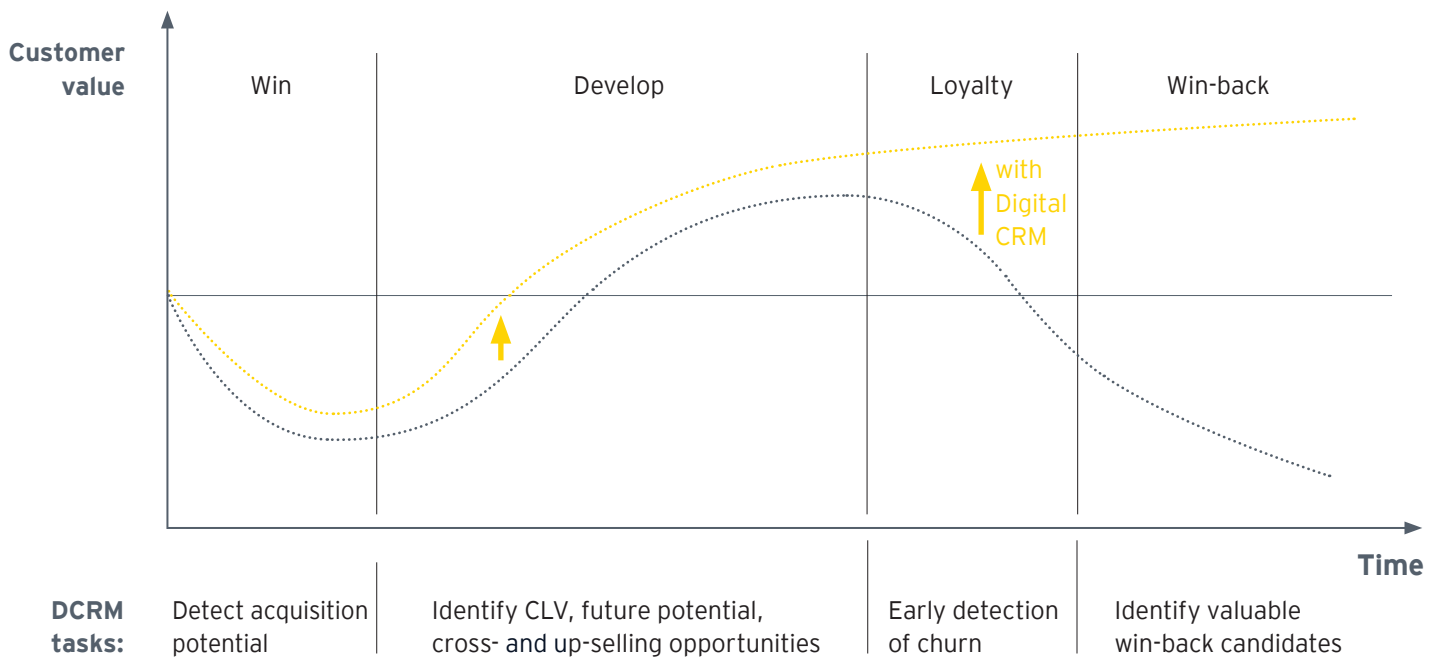
exposures, transactions, and much more). With DCRM, we help our clients make better use of their data and identify individualized offers based on the customers' personal situations across their life cycles (see Fig. 3).

▶ **Loyalty:** Identification of potential churners, analyzing customer feedback and identifying potential reasons for churn. Identifying valuable customers willing to churn.

▶ **Win-back:** Analyzing the transition from inactivity to resumed activity, predicting the probability of reactivation, and identifying offers aimed at reactivating valuable customers.

**In order to succeed, institutions must first address the following questions:**

- ▶ How can we increase customer satisfaction and improve the client experience?
- ▶ How do we increase our sales and profitability?
- ▶ How do we avoid churn and avoid increasing customer disloyalty?
- ▶ How do we achieve a comprehensive 360° view of our customers?
- ▶ How can we continuously adapt our product and service offerings to the needs of our customers and offer real added value through individual needs-based products and services?



**Figure 3:** Increasing customer value in the customer life cycle through DCRM



# 5

## Meaningful insights to help you stay ahead of the curve

Intelligent data analysis and data management allows us to gain insight into the needs and requirements of your customers, meaning that you can continuously improve your products and services at every opportunity, which in turn generates greater value on a continuous basis. Due to the digitalization of business processes and the intensification of information technology, the volume of data held by companies is constantly growing. The networked storage of business management and system data allows for the evaluation of data focused on the past, present and future, which in turn facilitates well-founded business decisions.

In order to perform data analyses focused on the future, we identify relevant data sources and develop algorithms together with our clients to derive recommendations for action or to uncover customer needs based on behavioral patterns, dependencies and relationships.

We start Digital CRM projects by identifying a use case (e.g., Next Best Offer) and then use data analytics and machine learning (ML) algorithms to build affinity models aimed at identifying precisely those customers who are especially likely to purchase a product or service. Our proprietary Data Analytics Platform (DAP) allows for the very efficient and quick data preparation, development, training and evaluation of highly sophisticated ML algorithms as well as for the automated identification of the most appropriate model, the prediction of affinities and the definition of customers with high potential for targeting. The DAP is suitable for insurer of all sizes and can be easily connected to a client's data architecture with APIs or used as a standalone analysis tool. We have developed an API to connect the DAP to operational CRM systems like Salesforce, Microsoft Dynamics, BSI and others. Alternatively, EY ifb can also use an insurer's available analytics software platform.

We are also able to process and analyze unstructured data in the operational CRM system and other systems, such as notes from customer meetings, digitalized letters, customer emails, information from social networks and the like. This information will be condensed, and the key topics identified can be used in different ways:

1. Building a sentiment score per customer, which can be used in the predictive modelling. Especially churn models can be more precise with this additional information.
2. Recognizing new or changing needs from customer interaction. For example, if a customer communicates to have moved from an apartment to a house, he or she has different needs than before (e.g., homeowners insurance).
3. To give context to an agent or broker if they provide a next best offer to a client. The agent will see contextual information about the customer, e.g., topics discussed in the last meeting, challenges or trigger events. If connected to a reporting platform, "Hypercards" can be displayed in Emails or other office applications, to give the agent quick and comprehensive contextual information about the customer, e.g., actual products, length of customer relationship, revenue per year.

The results (e.g., affinities for a product) will be used in a targeting campaign featuring a target and a control group to measure the Return on Marketing Invest (ROMI) and to calculate the detailed business case. In a typical Digital CRM project, we achieve a ROMI of at least 25% per campaign.

Targeting campaigns based on data analytics create "win-win-situations" for customers and institutions: Feedback from customers proves that the targeting is relevant and is not "annoying" - unlike conventional, untargeted letters or email advertising. The insurer can also use its resources much more efficiently and generate more product sales and profit. A 2019 study<sup>7</sup> showed that a campaign using data analytics achieves the following results compared to a campaign with expert selection (without data analytics): The number of consulting appointments increased by 45%, while the number of complaints decreased and the sales of insurance products increased by 56%.

In a recent Digital CRM project for a Swiss company, we achieved an average ROMI of 26%. The institution could realize significant additional revenues in the target group compared to the control group. Customer lifetime value and client potential increased significantly and were reported regularly to the management team. Additionally, we accompanied the change management process within the institution. In different workshops, we explained the new processes and how the affinities are calculated to the sales team, and we could prove that Digital CRM delivers a huge benefit for the institute and for the customers.

7. <https://www.linkedin.com/pulse/finanzinstitute-kundenansprache-mit-data-analytics-tobias-schl%C3%BCter/> (in German)

# Contacts

If you want to learn more about our DCRM offer, please get in touch with us.



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# About EY ifb

EY ifb has more than 30 years' experience of customer relationship management.

Our predefined products and services for DCRM are rooted in data science, data management and data models.

These resources make it easy to launch a new project, while our infrastructure and models provide the basis for developing prototypes for clients. We can also deliver pilot projects that will be the foundation for a business case, measuring their success against control groups.

The deep knowledge of the financial services industry means that years of experience in this area make us a successful collaborator for businesses hoping to improve their customer relationships over the long-term through needs-based communication, services, and products.

## EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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