

Carrier Revenue Growth through New Products & Business Model Innovation (BMI)

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Banking, Financial Services, Insurance, and Healthcare



- New Product Ideas
- Rapid Product Configuration & Sales Launch
- Customer Engagement & Product Effectiveness

Introduction

*As carriers face ever-increasing challenges in achieving continued revenue growth while also being inundated with provocative solutions and advice, it can be equally difficult to remain grounded in the big picture discipline necessary to ensure **sustained** revenue growth. This point of view (POV) will position Business Model Innovation (BMI) as the simplest toolkit available to help ensure revenue growth is not only achieved (from whatever moves / solutions are being considered), but is also sustained over time. Three revenue-generation areas will be explored – (1) new product ideas, (2) rapid product configuration & sales launch, and (3) customer engagement & product effectiveness tracking – and each will be placed in the context of the carrier business model, highlighting the unique benefits of this balanced view for achieving **ongoing** revenue growth.*



New Product Ideas

Although revenue growth can be achieved by focusing on one or more of the following key levers – new customers, new markets, new products, and/or increasing customer wallet share – this POV will focus primarily on new products as the most pressing need facing carriers. With that, the very first component is ***the idea for the new product itself***. Where can it come from? How can a carrier ensure new ideas on a regular basis? The latter question is at the core of making this type of revenue growth sustainable, never mind a foundational capability given today's rapidly evolving customer expectations and behavior. In the past, new product ideas were often the result of direct agent or customer feedback related to an existing product. And not surprisingly, new product rollouts were often simple reconfigurations of existing products. More recently, carriers have sought to deploy breakthrough products (e.g. personalized premium, teen driver, etc.) that challenged prior practices at least somewhat. Today, new entrants are trying to disrupt the stalwart industry even further: MetroMile and its by-the-mile auto insurance; Friendsurance and its peer-to-peer insurance solution; SocialIntel.com and its social behavior analysis driving underwriting decisions, etc. Bottom line, carriers need innovative new product offerings that are more than simple reconfigurations, or else risk being disrupted by those carriers that do, and by new entrants who are neither tied down by nor care little about legacy business practices.

Assuming the need for a funnel of new product ideas is clear, a carrier can employ various tactics to achieve this desired outcome: from the most basic / inexpensive suggestion box to the most sophisticated / expensive big data analytics solutions. Somewhere in the middle is an incredibly powerful and relatively inexpensive solution: innovation campaign platforms. At their core, these platforms tap into crowdsourcing for new product ideas, which can include contributors from a small group (i.e. carrier department or functional group) to much larger groups (i.e. entire enterprise + partners + vendors + customers). Although fairly simple and easy to deploy, these platforms do require discipline around utilizing fixed campaign periods, transparent evaluation process & criteria, and typically include some type of gamification or incentive to encourage participation by the target group. With something this relatively simple at hand, it is tempting to jump right in and get going on the path of product innovation... Take a look at the “Crowdsource New Product Ideas” activity overlaid on a fairly standard carrier business model (Figure 1 next page)* (NOTE: this type of business model can be called a “Bundled” pattern – both relationships and product innovation handled by a single business model):

* Using Alexander Osterwalder's Business Model Canvas

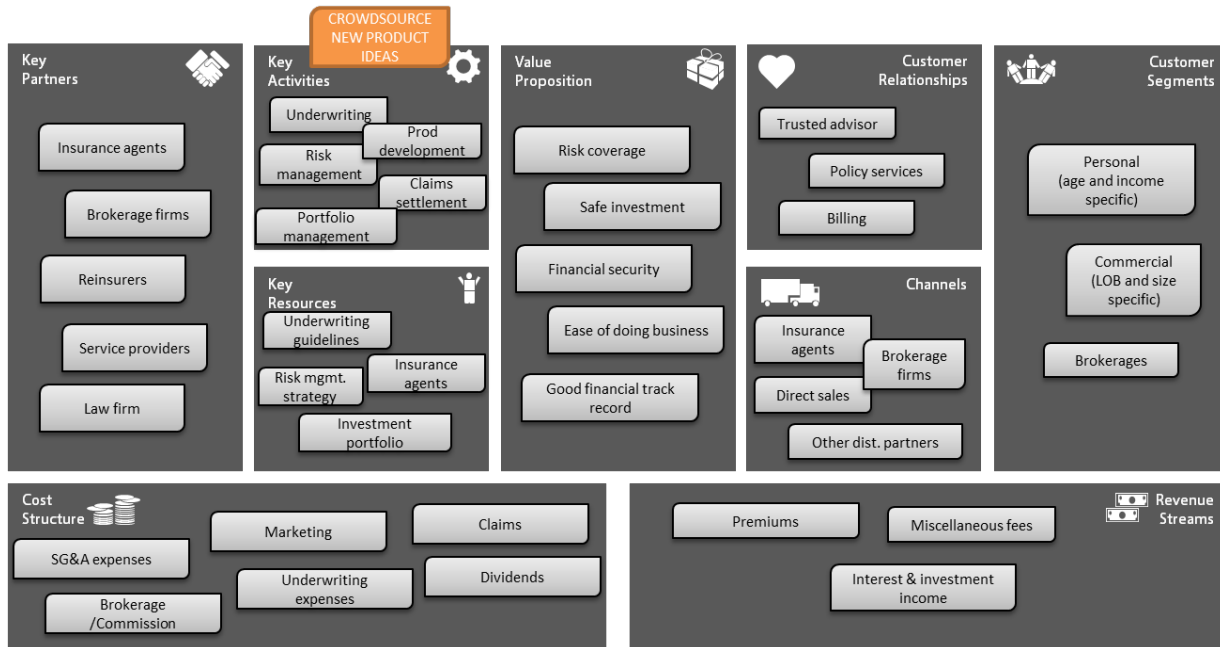


Figure 1, new activity overlaid on carrier “bundled” business model pattern

Sadly, this is often the extent to which new capability analysis is actually performed, at least from a holistic business model perspective. More often than not, most carriers will explore how to fit a new idea **into** their existing business model rather than perform an unbiased review of what the ideal business model **should be** (NOTE: this shortcoming is not the exclusive domain of insurance carriers, *see Kodak and the digital camera or Prodigy and the internet browser*). The unfortunate result is a failure to realize expected benefits, which can often sour the mood for future innovations – essentially creating a vortex of lackluster revenue growth, no real product innovation, and even a stagnating employee base. That said, extreme effort is not required to break this negative pattern. Simply taking a step back and objectively reviewing the implications across the business model building blocks will quickly identify what measures are needed to not only realize target benefits, but likely also what is required to make a new idea or capability sustainable over time (Figure 2 to the right). Below is a quick series of questions that would empower a carrier to get a much better sense of what is truly required to support an innovation campaign capability that crowdsources new product ideas (Figure 3 next page).

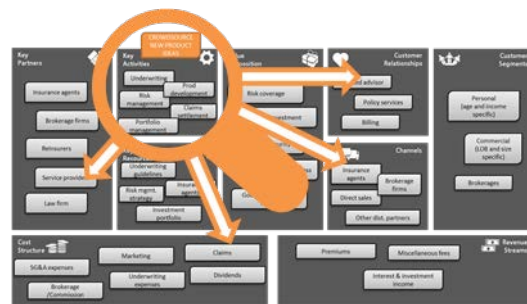


Figure 2, implication analysis

BMI-Inspired Questions



Figure 3, Business Model Innovation (BMI)-inspired questions for the “crowdsource new product ideas” Key Activity

Answering these questions creates a very different view of the carrier business model moving forward (Figure 4 below):

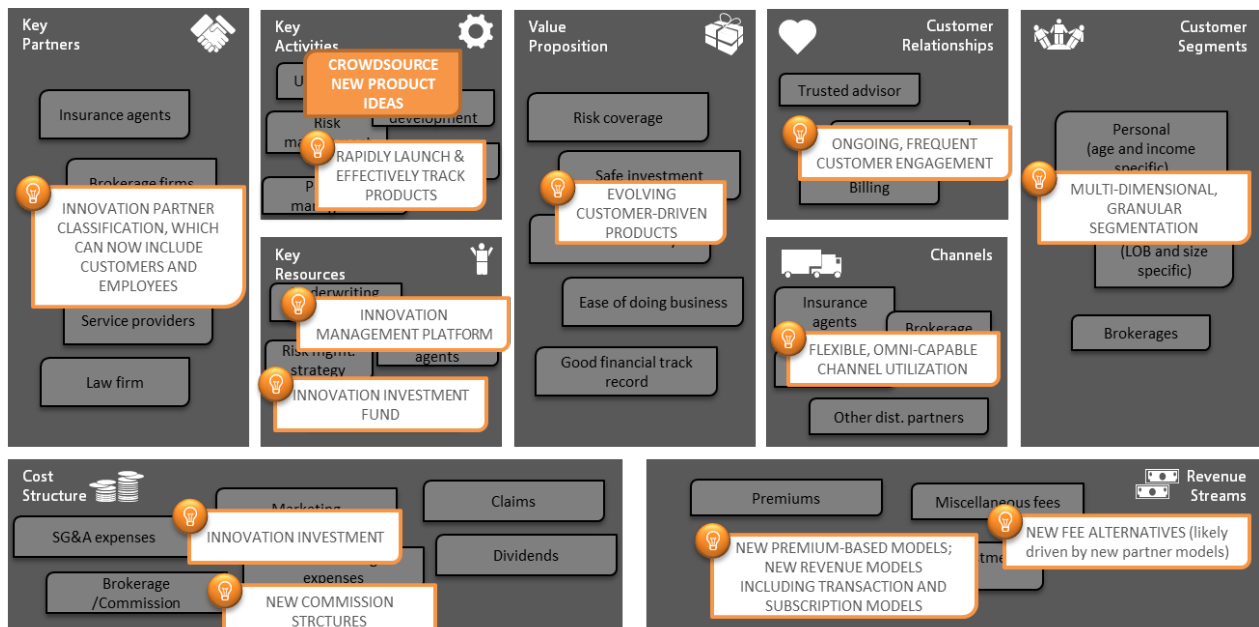


Figure 4, overlay of more holistic business model implications for the “crowdsource new product ideas” Key Activity

Rapid Product Configuration & Sales Launch

As highlighted in the updated business model above (Figure 4 prior page), getting new products to market quickly is a required and complementary activity for the new product idea funnel created by crowdsourcing. However, as most carriers will attest, actually launching new products can be a very lengthy process – less than 30% of carriers consistently beat 6 months, while 40% or more of carriers require 12 months or longer. Market forces are putting pressure on carriers to increase new product rollouts both in terms of frequency and speed. The cross-industry push for increased personalization has a direct impact on overall customer expectations when it comes to new products... any products. Accepting this reality, insurance distribution force agents are now using new product rollout performance in their evaluation criteria for choosing carriers with which to work. While these (and other) market forces are ramping up the external pressure on carriers, many internal barriers can seem daunting or even insurmountable. Near the top of that list of barriers are massive legacy systems with deeply buried business rules that often require a team of expert IT resources to update. So given a market that demands “more & faster”, while internal barriers encourage “less & slower”, a BMI mindset can help identify a possible solution moving forward. Below (Figure 5) are BMI-inspired questions associated with rapid product configuration & sales launch:

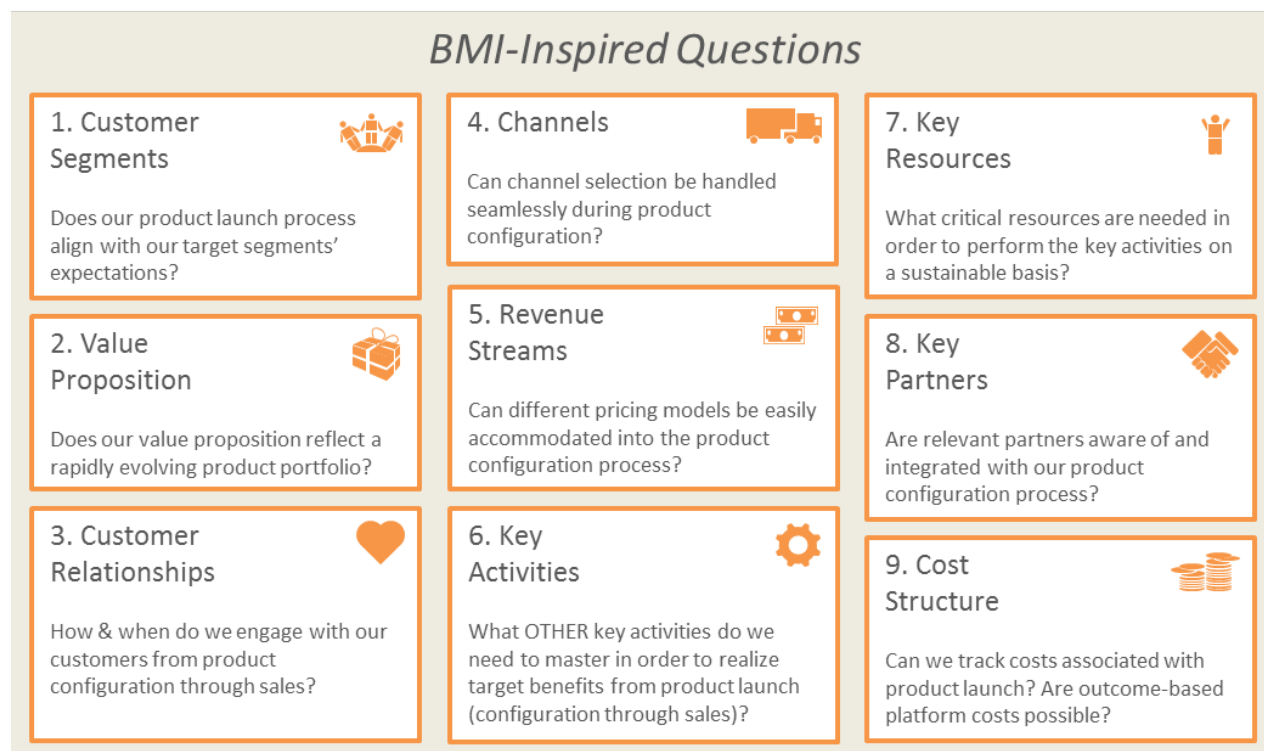


Figure 5, BMI-inspired questions for the “rapid product configuration & sales launch” Key Activity

The answers to these questions reveal additional insights about carrier business model implications moving forward (Figure 6 below) (NOTE: as expected, there are some duplicate business model implications with the *New Product Ideas* area discussed previously):

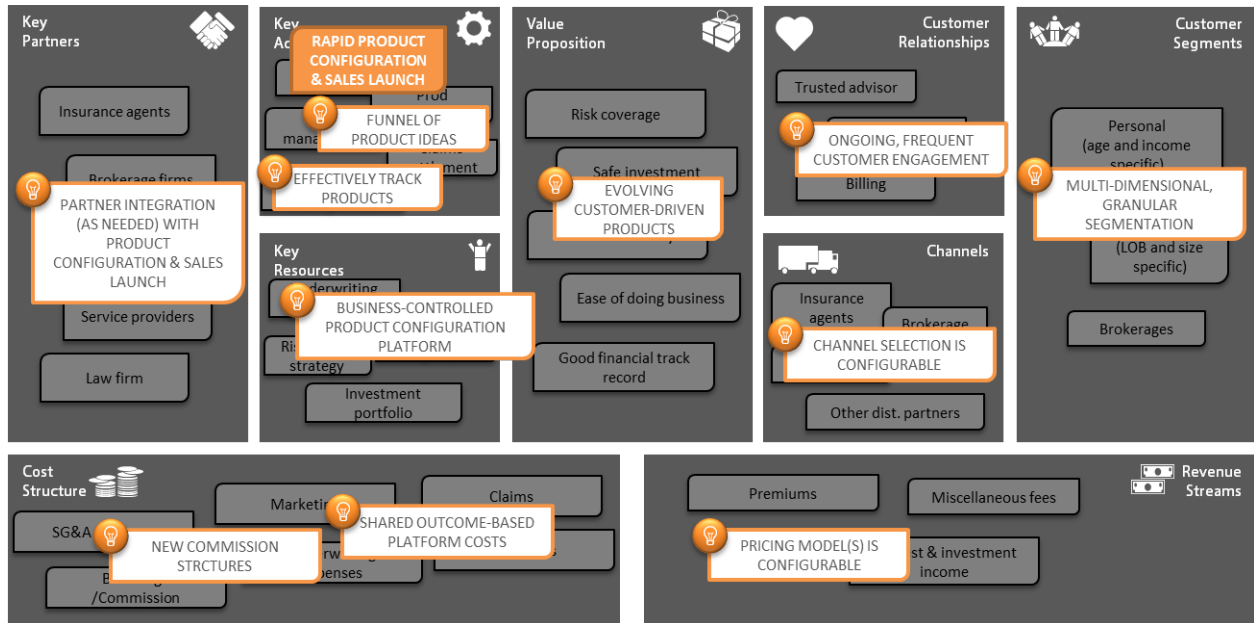


Figure 6, overlay of more holistic business model implications for the “rapid product configuration & sales launch” Key Activity

Customer Engagement & Product Effectiveness Tracking

Assuming a regular funnel of new product ideas results in viable products for market launch, and that these leading offerings are then rapidly configured / launched, what remains to ensure ONGOING revenue growth from these efforts? One critical component will be effective customer engagement and product effectiveness tracking once that product hits the market. Despite the best attempts at solid up-front analysis and prototyping, there are no guarantees that everything will go exactly as expected when a new product is launched. In fact, it is wiser to assume the opposite. So, the best way to prepare for that contingency is to ensure a strong customer engagement and product effectiveness tracking ability is in place from day 1 of launch. Although somewhat obvious, the stronger this ability, the faster any necessary adjustments (reconfigurations or “pivots”) can be made. Less obvious is the inherent long-term value from this discipline as a great source of inspiration for future product innovations.

Both customer engagement and product effectiveness tracking are typically supported by CRM solutions, which has been a very successful stand-alone offering for quite some time (e.g. Microsoft Dynamics, Salesforce, etc.). However, deploying a CRM solution without considering the entire business model will inevitably leave substantial revenue benefits on the table – the

more product ideas that can be quickly launched, the greater the inherent value derived from the CRM solution. Using the same approach as before (but for simplicity's sake, not listing all the business model-inspired questions), an updated business model view can be created (Figure 7 below):

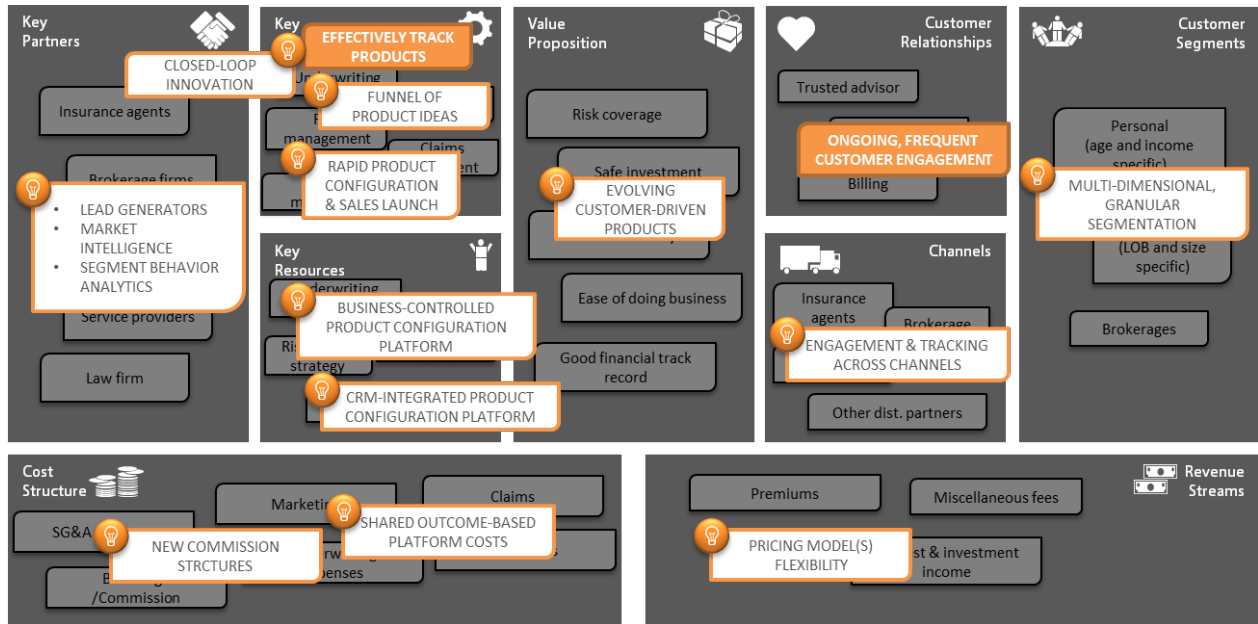


Figure 7, business model implications for “customer engagement” and “product effectiveness tracking”

Combining all the previous business model implications across all revenue-generating areas into one picture reveals a fairly drastic augment to the standard carrier business model (Figure 8 below):

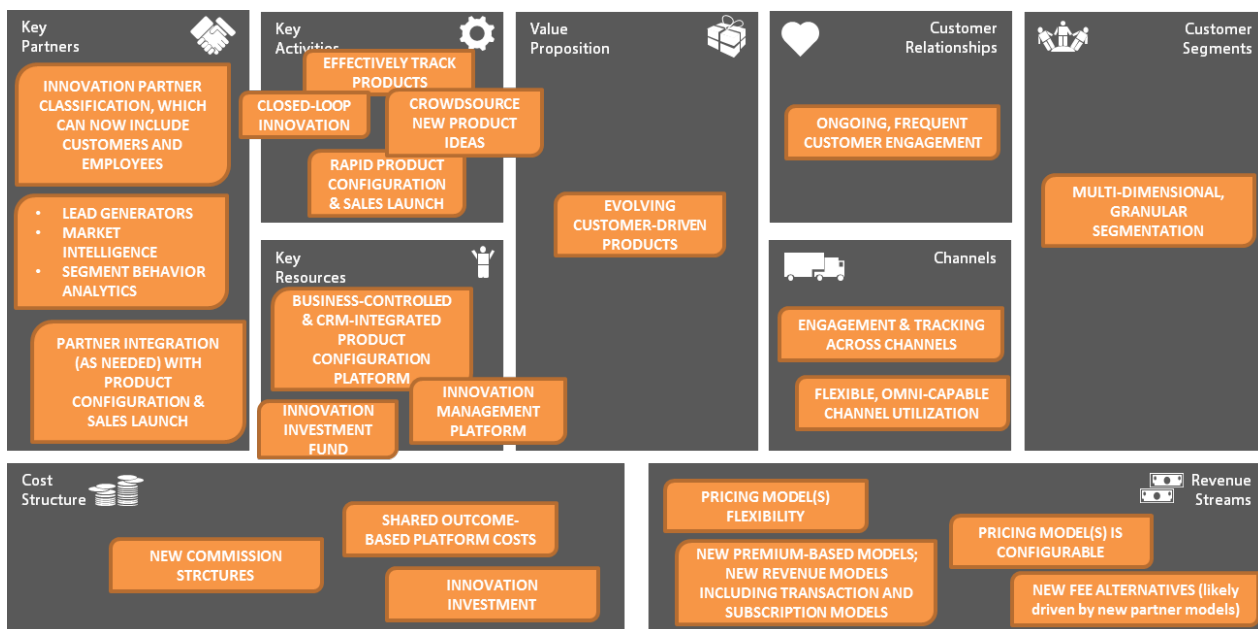


Figure 8, consolidated business model implications

With the sheer volume of business model additions even from this over-simplified exercise, a given carrier may not be able to sustain its growth if it follows the “Bundled” business model. In fact, said carrier likely should pursue an “Unbundled” business model pattern wherein one business model remains focused on its core legacy competence (e.g. customer relationship) and another business model (likely by floating a subsidiary) focuses on product innovation and other activities of the business such as:

- Development of new products based on changing customer requirements / market scenarios
- Ongoing review of product portfolio
- Leveraging core competency areas from parent when needed
- Potentially supporting back-office operations where minimal customer contact is required (e.g. claims processing)

The beauty of this approach is that it manages to preserve the existing carrier culture, while empowering a new unit with the flexibility to do whatever is necessary to ensure continuous and rapid product innovation.

Conclusion

The pursuit of new revenue will inevitably drive carriers to push for new product launches. This POV has illustrated the importance of three inter-connected areas (new product ideas → product configuration & launch → product tracking & customer engagement) that together will help carriers accomplish **sustainable revenue growth** from their new product ambitions, and that when approached holistically will always yield greater benefits than if tackled alone. Furthermore, the power of using Business Model Innovation (BMI) as the foundation for that holistic analysis is a relatively simple technique for plugging a historically overlooked perspective. And lastly, for an industry within which substantial revenue will still be generated from existing product offerings, it is likely that multiple business models will need to be supported to help ensure future success.

About the Author



Sigvard Bore is the Head of Management Consulting & Industry Solutions for Banking, Financial Services, Insurance, and Healthcare at Pactera. He has more than 22 years of experience helping industry clients with Innovation and Strategy Formulation (Business Model Innovation, Blue Ocean Strategy®, operational, digital and IT), Organizational Design, Value-Driven Decision Making, Process Optimization, Workforce Mobilization, and Portfolio Management (projects & applications). He can be reached at sigvard.bore@pactera.com