The New Wave: Reporting vs. Analytics

A White Paper from VIP Software

October 2015

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NEW WAVE - 5 KEY FACTORS

Insurers today have more data to use than ever before, with a variety unparalleled in their history. By using data from internal and external sources, insurers are able to better understand their businesses and the competition to make more informed decisions. Yet the availability of more data raises more questions on how the data can be used most effectively. Five important factors influence whether insurers move ahead or remain status quo in the way they view and utilize their data, and whether they have the ability to respond to market demands rapidly.

1 RIGHT INFORMATION TO THE RIGHT PEOPLE AT THE RIGHT TIME

Isn't that a critical goal of the organization? Decision makers want to be able to make informed decisions wherever they are; with the information needing to be based on performance metrics from key areas of the business. With the significant breakthroughs in technology that have occurred over the last decade, it's no longer an option to compete by simply collecting and reporting on data, without also understanding and analyzing it. The new smarter insurer doesn't just want to track and report information; they want to model it, anticipate how proposed changes will play out, and predict and prevent losses. They don't want to just anticipate business changes as they happen; they like to experiment with models that can determine the best changes to make and how to implement them. It's not enough to provide managers with reports; progressive insurers understand the new wave is to distribute analytical tools and information to decision makers at every level, so they can act on evidence and make better decisions every day.

Business analytics brings information together from anywhere and everywhere in the organization, and filters and analyzes that information, often times with sophisticated algorithms not found in basic reporting systems. The results are: a deeper understanding of the business and its connections to the marketplace; key performance indicators to drive business decisions; dramatic improvements in the performance of the most critical business processes; and insights and innovations that can change the basis of competition.

2 HOW IS THIS DONE?

Smart insurers make it happen by discovering invisible connections and patterns -- true keys to performance; by developing new metrics that weren't thought of before; and by managing processes and operations more effectively. The power of consolidated information from one source that brings a whole new perspective to the way an organization is managed at all levels is the new generation of delivering informational value. Gone are the days when tactical reporting was sufficient.

Of course, the need for tactical reporting to manage day-to-day processes is still necessary. The new norm is merely merging information into a more competitive analytical approach to compete with progressive organizations that have adopted new technologies to create that competitive edge. Not only is it the new norm, but it's mandated by the need to cultivate and maintain customers and meet their expectations.

The new frontier of merging information with the science management of systematic creation, gathering and interpretation of data from a variety of sources is leading insurers to better decisions and more informed actions. Today's information management technology at last enables dissimilar databases to "talk" with one another contributing their data to a common repository, or data warehouse. With these analytical tools in place, modeling tools such as statistical regression and time series methods as well as statistically-based "machine learning" techniques can be applied.

3 "WHY NOW?"

The answer to this question is: because the technology is available; because your competitors are most likely exploring the possibilities of competitive analytics; and because it may be risky to fall behind in recognizing and capitalizing on new technologies while the marketplace moves forward with them. In a study of more than 400 insurers (MIT Sloan Management Review), analytical competitors were five times more likely to be on the top-performing charts than their competition. The improvements in performance were readily seen on balance sheets in revenues, profits and market shares. However, this doesn't mean all insurers will automatically recognize these improvements. It's critical for organizations to effectively implement the new technologies and interpret what they're seeing through analytical reporting and dashboards.

Organizations that understand how to use analytical techniques to prepare for future needs based on current and historical data, and understand that predictive modeling can be used in making increasingly effective and individualized decisions about relationships with customers, have the advantage. Insurers seem to achieve the best results in critical areas of the analytical process by using models to analyze customers' past performances in order to assess how likely a customer is to exhibit a specific behavior or respond to a specific offer, and to predict the resulting outcomes.

The percentage of companies using competitive analytics is trending upwards, according to a recent study by MIT Sloan Management Review, as shown in Figure 1. With 67% of organizations surveyed using analytics for decision making, the trend shows companies are realizing they may fall behind if they don't implement some or all of the new wave of technologies.
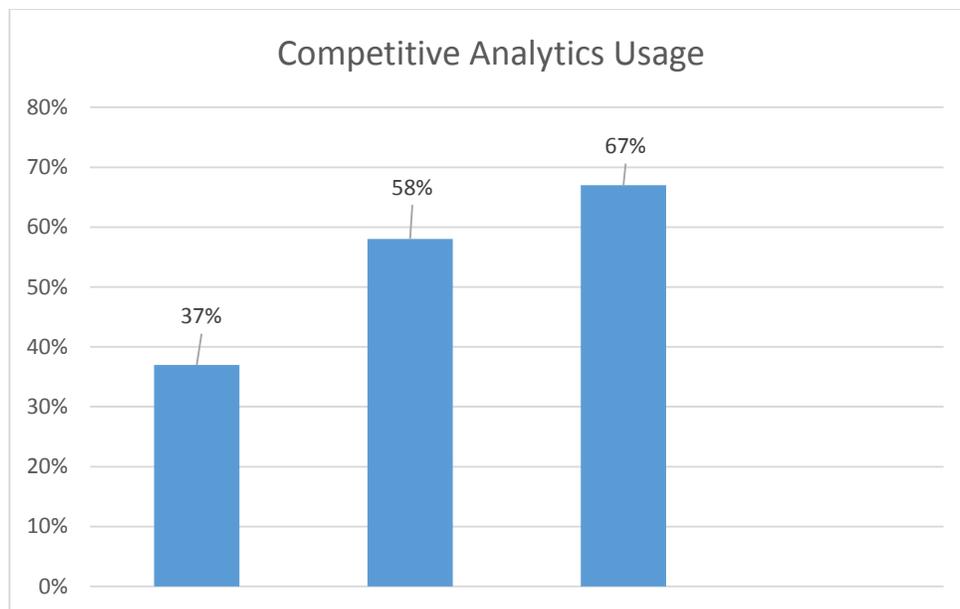

Figure 1. MIT Sloan Management Review.

4 HOW MUCH DATA DO YOU NEED?

Most organizations today do not lack sufficient amounts of data, yet many still have a lack of means to integrate their data and utilize the information from a centralized repository. Carriers need to consider the quality of their data, e.g. how well does the data measure and represent critical performance indicators of the business they want to analyze? Without good data, there will not be good analytics for decision makers to use. Carriers can become overwhelmed by multiple versions of data and they lack an overall technology architecture flexible enough to organize and manage information in an agile enterprise platform. Because business analytics initiatives will be focused on specific competitive strategies, these can be implemented in the order of most critical to least critical, based on which best provide the competitive edge the insurer needs. Of course, it's not about how much data; but it's about access to the right data and 'clean' data.

Centralizing data is no easy task and unless it's done right, the analytics and reporting will yield results that are not reliable enough to use to direct departments and certainly not to base decisions for entire organizations.

To ensure the data is cleansed and ready to incorporate into the process, it's important to prepare it for consolidation. The question arises as to whether to cleanse the data in its current place or to cleanse it once you move it. The best approach is determined by numerous factors:

- Amount and number of sources of the same data.
- Condition of current data: is it accurate and is it consistent from each source?
- Intended use cases, i.e. data used for financial reporting must be as accurate as possible, whereas data for size of the audience you'd like to receive your marketing newsletter doesn't need to be as precise.
- Time and resource availability of those who will understand and utilize their respective data.
- Is the approach repeatable going forward?

5 HOW LONG WILL THIS TAKE?

It will prove worth the effort to leap forward into the new wave of analytics and managing the competition. The best approaches to data warehouse implementations and analytical reporting are those that don't try to 'boil the ocean' all at once. Proper selection and planning are the keys. Begin with the key areas of the business where you will realize the most significant impact, i.e. sales and marketing, policy or claims.

One size fits all is not the answer. Proper planning with key resources is the first step. A review of your data, where it's located, how accurate it is, and an agile, realistic implementation plan are the foundation. There will be a selection process you will need to prepare for, most likely through proper investigation of what it will take to modernize your architecture with a data warehouse and reporting tools that make sense for your organization.

VIP Software is a leader in the new wave of analytics, in providing both a simple yet powerful data warehouse as well as a team of experts to lead you through the process from end to end. Our team has years of experience in implementing the right set up and tools to guide you through the analysis, selection and implementation process with your most important goals and expectations in mind. Significant ROI will be realized by engaging our team: we reduce your time commitment required, your cost of managing a data warehouse and the internal resources necessary to train your departments.

Our strategy when partnering with insurers is to begin with the areas of greatest impact through an agile implementation that will result in your organization being up and running with a data warehouse and analytical reporting in minimal time. While you begin to reap the benefits of reporting that meet today's demands, our team will guide you through the phases that follow, until you have a full, robust, single repository with a set of analytical tools for all levels of the organization. Why not become one of the leaders in the new wave of analytical insurers that know exactly who their customers are and what it takes to excel in your marketplace.

Some key areas of expertise we offer:

» Cloud-based data warehousing built on premier industry standards.

» Robust reporting tools.

» Innovative dashboards.

» Data imports, exports and integrations.

» Predictive analytics for the insurance industry.

» Agile, step-by-step implementation methodology.

» Experienced professionals with in-depth knowledge of property and casualty insurance.

Summary

There's no doubt insurers will continue to use their current comprehensive reporting in all departments to manage day-to-day operations. However, it's just not enough in today's competitive marketplace. Insurers must have the ability to match their competition through predictive modeling and analytical reporting if they are to seek a competitive edge. Advantages of a data warehouse providing one single repository of true data and the ability to model, analyze and use a more analytical set of reports at all levels is imperative for insurers to understand their customers' demands and risks, and to realize an increase in the bottom line.

Figure 2 shows analytical innovators represent a small percentage of carriers, yet they are the leaders when it comes to making a difference in the way they manage their businesses.
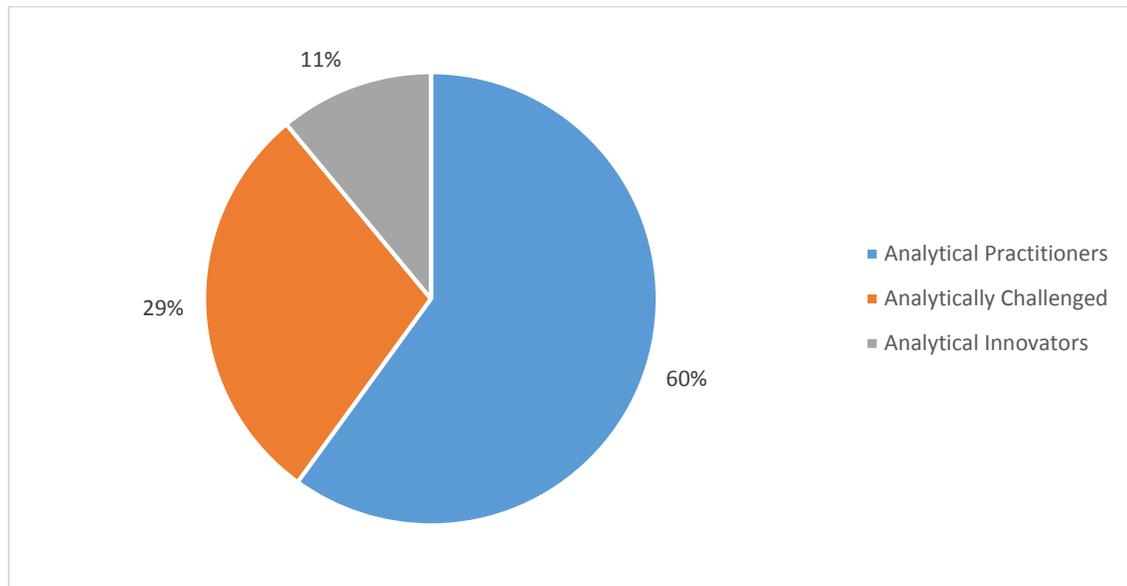

Figure 2. MIT Sloan Management Review.

Analytical practitioners utilize day-to-day reporting and make tactical decisions, but are not really innovating; while analytically-challenged organizations are struggling to use data beyond basic reporting, and marketing and sales applications. Analytical innovators are leading their competition in their mindset, actions and outcomes. They view data as their core asset, they challenge the status quo, and they are open to new technologies to manage their businesses; and it shows in their results.

Which one are you? Join the data revolution and ensure the future of your business is in line with the new wave of competitive analytics to lead the way in understanding your customers, market trends and where your organization will fit in the future.

About VIP Software

VIP Software assists property and casualty insurers in planning effective implementations and advising on prioritization of key critical areas based on insurers' unique business models. We specialize in data warehouse architecture, analytical reporting, reports, dashboards and models. Our team is comprised of specialists in property and casualty insurance, so we understand your business. We don't just offer the technology -- we match the technology to your critical business needs through an in-depth study, working in collaboration with your key experts. We are not one size fits all, but rather we work with you to develop a thoughtful, company-directed road map to assist you in taking advantage of the new wave of competitive analytics.

Learn more at vipsoftware.com.