Driven by increasing demand for digital services among private and corporate customers, Skandia began its digitalisation journey three years ago. Along with responding to customer demands, the aim of the strategic initiative was leveraging automation to improve the efficiency of underlying workflows.

The financial guidance and advice services, which constitute the life insurer’s core business, were among the first to go through the transformation. Joakim Pettersson, the digital strategy and innovation lead at Skandia, believes that digitalisation is “the only way to scale financial advisory services”.

Other than improving the business model, customer satisfaction was high on the list of priorities at the Swedish incumbent. Skandia had a vision of providing the same quality of financial advice experience regardless of the customer’s channel of choice. “Some customers prefer receiving financial advice from a person, some enjoy the convenience of online services, while some would prefer a combination of the two,” says Joakim.

The holistic nature of the advisory services is another distinctive feature of Skandia’s digitalisation strategy. “It is crucial to be able to consider the entire balance sheet of a customer, not only a few parts of it,” says Joakim, “And to do that consistently is even more complex. Omnichannel is a buzzword, but that is what Skandia aims for when it comes to the advisory.”

**Challenge: Infrastructure, Flexibility and Granularity**

Similarly to many large financial institutions in Europe, Skandia had issues with legacy IT infrastructure, consisting of outdated systems and applications, which were harder to integrate with modern solutions. The insurer had to run several projects to update the underlying systems and create a reliable foundation for integrating advanced new technology.

Once Skandia began searching for vendors to help them fulfil their vision, they kept coming across platform offerings. “We did not need a wealth management platform where you get a lot of things bundled: such as a CRM, portfolio system, etc.”, shares Joakim. “We already had many of them in place. What we were after was a sophisticated calculation engine, or a scenario generator, that could help us in evaluating many different financial events in our customers’ lives.”

This meant that the calculation engine must be able to process a lot more than only economic scenarios. It had to reflect the intricacy of tax rules, business logic specific to the various customer journeys and, of course, compliance aspects and more.

Skandia found a good match in OutRank, providing all the required capabilities while allowing them to customise the experience that Skandia envisioned.
As a result, Skandia was up and running with their pension planning solution powered by OutRank in approximately four months. "It was a swift, easy, and flexible journey to integrate OutRank, but updating our infrastructure was a necessary first step of this project," Joakim recalled.

Skandia has a dedicated team working on their digital transformation, and Joakim believes it has been essential for the successful progress towards the company’s vision. "It takes some time before you understand the functionality and the different types of calculations. It is crucial to have the same people working with it overtime to ensure that the entire solution works in the right way." Joakim concludes.

Skandia: Outlooks for Digital Wealth

1. **What do you think retail insurance-based savings and investments, as well as the pension industry, will look like 5 to 10 years into the future?**

Wealth management today serves the wealthiest people primarily, and the reason for that, of course, is that it is expensive to provide financial advice created by a human.

We see that more and more banks, insurance companies, and fintechs digitalise their advisory services to cater to more customers. The financial advisory will soon be for everyone and not only the wealthy.

Since the regulators enabled people to transfer funds cheaply, we can show each customer the value that we provide in their case, not only in terms of returns on investments but also in considering the costs. The key to success in the current, transparent and price-pressured environment is the ability to explain the value you provide to your customers. This is also a vital part of the pricing process.

2. **Many advisory professionals are reluctant to introduce digital tools because they are concerned about their customers' reaction. Do you share this concern?**

We have witnessed some reluctance in using digital tools, but its common reason is that the staff have not worked with sophisticated digital tools before. This fuels the belief that digital tools would take over their jobs. However, as soon as they see the benefits of using these tools and understand their logic, they come to like their new way of doing the work. They see particular value in visualising the consequences of different financial choices in an easy and fast manner for the customer.

Besides, there is a significant challenge to ensure that the customer who prefers the fully-digital financial journey understands all aspects of the guidance or advice, which is why Skandia provides the customer with a hybrid experience, i.e. on-demand access to a human financial advisor when questions arise.

We believe that the advisors retain a critical role in explaining the consequences of different financial choices. Still, the technology will always be better at evaluating all available options mathematically and then determining the best solution given the information provided by the customer.

3. **Do you believe digital financial advice capabilities will threaten the industry or empower it?**

I think that digital advice capabilities will empower the industry, but that requires you to ensure consistency across channels so that all solutions and features that you have run on the same technology. It won’t be very clear for the customers if you have different calculation methods behind each customer facing option. To be able to pull this off, you will need a sophisticated solution.
Results and vision for the future

In June 2020, Skandia went live with its hybrid pension planning journey. They are currently on track with their projected targets of increasing customer engagement with their updated services. Importantly, this is only the beginning of their journey towards becoming a digitally empowered financial advisor to their customers, capable of meeting them in the channel of their choice.

“I believe that providing the customers with tools, capable of visualising the impact of various life events, such as taking out a mortgage, starting to work part-time, saving for pensions, establishing a financial buffer, etc., is increasingly important,” Joakim says. “Explaining all the aspects of insurance that a customer should understand is a significant challenge. Digital capabilities can help solve this challenge by creating more intuitive, visual and pedagogical insurance experiences.”

“We use Kidbrooke’s OutRank and are very pleased with the market-leading functionalities and flexibility provided by the solution. Working with Kidbrooke is and has been a true partnership.”

Joakim Pettersson, the Digital Strategy and Innovation lead at Skandia

As almost every player on the market prioritises their digital capabilities, Skandia’s case emphasises the importance of being open-minded to innovation and partnerships with other players in the ecosystem. Kidbrooke and Skandia has worked proactively with each other for quite some time now, constantly sharing ideas about innovative solutions, enabling the insurer to develop new features at an unprecedented speed.