

IBM Institute for Business Value

Powerful interaction points – the country by country view

Viewing insurance consumers through a geographic lens



IBM Institute for Business Value

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By *Christian Bieck*

Consumers all over the world use a multitude of interaction points – formerly known as “channels” – to interact with insurers. But insurance research and buying practices are highly dependent on local culture, regulation and general consumer practices. While there are threads of similarity country to country, insurers will have to adopt interaction strategies that reflect these local idiosyncrasies if they want to succeed.

The world may in fact be growing flatter with borders becoming even more porous, but insurance remains a local business with country particular attributes, according to findings of each of our recent IBV studies on the topic. This is especially true in retail insurance where consumer attitudes, values and behaviors strongly shape the market. For commercial insurance, especially of small and medium-sized businesses, these findings are also true. Insurance it seems, remains a people business where people purchase financial security and expect certainty of compensation as committed.

In our report “Powerful interaction points: Saying goodbye to the channel”, published in December 2010, we focused on the broad global picture of how consumers interact with their insurers to research and buy insurance and how insurers might build an effective interaction strategy.¹ When we presented these findings to those charged with building customer interaction strategies – often the Chief Marketing Officer – they asked to learn more about the specifics of their individual countries, providing further evidence that insurance is a local business.

In this report, we will briefly review the relevant data and highlight the consumer behaviors that are specific to each of the surveyed markets. While the underlying psychology of consumer interaction behavior is the same across the globe, the country specifics are dependent on a variety of factors, such as:

- culturally defined consumer attitudes and values
- regulations, both current and historical
- local market structures beyond the insurance industry

Behavior related to procuring insurance is shaped not only by the local insurance market, but also more broadly by other local markets unrelated to insurance. For example, how often consumers interact with agents and other personal interaction points depends on their overall shopping behavior; the use of online interaction is affected by privacy legislation and channel practices and social media adoption of adjacent industries such as banking and in the marketplace in general.

This report is intended as a compendium and reading the paper in its entirety is not necessary. We invite readers to scan the country sections to learn about the markets most important to them. The meaning of specific terms (e.g. agent or broker) varies by country. To address this, and to refresh specific terms that were introduced in the original study, these terms are written in italics and a glossary can be found in the appendix.

Recap of original study “Powerful interaction points”

In August 2010, the IBM Institute for Business Value and the I.VW Institute of Insurance Economics of the University of St. Gallen, Switzerland, gathered the responses of 21,740 consumers from 20 countries to questions regarding interaction patterns between the respondents and their insurers for purchasing insurance coverage. Sample size was generally 800 respondents per country. For some of the larger markets, we collected additional demographic characteristics like region/state and ethnicity and we doubled the sample size to 1,600 respondents. The survey was conducted online, with quotas guaranteeing a representative cross-section of the total population.

Here are the most important findings of “Powerful interaction points”:

- After major efforts to contain costs, insurers are refocusing their efforts on revenue growth. Ninety percent of insurance CEOs responded that “getting close to the customer” is their top strategic growth priority.
 - The industry is increasingly out of close touch with the regular consumer. Overall, just 38 percent of consumers responded “Yes” when asked if they trusted the insurance industry. This is consistent with responses gathered for the IBM Institute for Business Value Insurance studies of the past four years. And with little trust, loyalty is jeopardized.
 - Consumer interaction patterns have shifted. When looking to buy insurance, consumers have begun to “shop around”, using two or more interaction points simultaneously to gather information and perhaps quotes. Almost 20 percent of consumers use five or more interaction points, and this trend is growing. It is important that insurers provide consumers with a choice when searching, and that messaging is consistent across all interaction points.
 - Despite the growth of online interaction – direct insurer websites, aggregators, social media – the large majority of consumers still prefer to buy insurance from a person. This should continue as insurance is a product based on trust. We found that personal interactions involving agents and brokers have a much higher lock-in rate than anonymous interactions via websites and aggregators.
 - Interaction behavior is not predicted well by traditional segmentation criteria based on demographics. The study proposes a segmentation scheme based on consumer attitudes – a psychographic segmentation – which can be complete with available customer data, allowing good analysis of the actual and targeted customer base. This type of analysis should serve as the foundation of a comprehensive multi-channel strategy.
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The country view

Table of contents

Australia	04
Austria	06
Begium	08
Brazil	10
China	12
Czech Republic	14
France	16
Germany	18
India	20
Japan	22
South Korea	24
Malaysia	26
Mexico	28
The Netherlands	30
Poland	32
Singapore	34
Spain	36
Sweden	38
United Kingdom	40
United States of America	42

The country view

Australia

Overview

The Australian market is strongly affected by the country's geography. As a large continent with only slightly more than 22 million inhabitants, it is sparsely populated with 75 percent of Australians living in one of its five largest cities. Australia is one of the few countries where insurer branch offices are still widely used as part of tied agent interaction.

Key findings

Australian consumer interaction shows largely *urban* characteristics

In *urban* or *metropolitan* populations, peer groups are an important source of information. For researching, online interactions are used more often than direct interaction with an insurance professional.

In Australia, this effect shows in strong direct website search and purchase. Aggregators are a relatively new phenomenon and so do not have much traction for insurance purchasing.

The telephone is still an important selling point

Australian consumers seem to like buying insurance via telephone (16.5 percent vs. 7.1 percent globally and 8 percent in mature markets). This *channel* provides an intermediate form of interaction that has the flexibility of anonymous interaction while retaining a "personal touch" and the ability to ask questions.

Australians read insurance ads

Traditional media have almost twice the usage in Australia as elsewhere (25.2 percent). Despite the low population density, the sharing of insurance information via social media has not yet caught on here with only 6.4 percent using it compared to 13.2 percent globally.

Implications

Australia is one of the few countries where investing in call center infrastructure and solutions could be an appropriate priority. The telephone allows fairly personal interaction at a distance – whether that distance is by choice or circumstance doesn’t matter. Given that messaging and branding should be consistent across all interaction points, high quality call center interaction is important. Real-time analytics that match agents to callers (where caller information is available) could help increase the personal touch and interaction quality.

Given the consumer need for personal interaction at a distance, Australian insurers could benefit from embracing social media. Australians do use social media in general,² so the low interaction numbers in our survey are likely due to the fact that Australians don’t see insurers in that space. It takes more than just opening a blog and creating a Facebook page to become a social business – engagement there has to be active and believable.

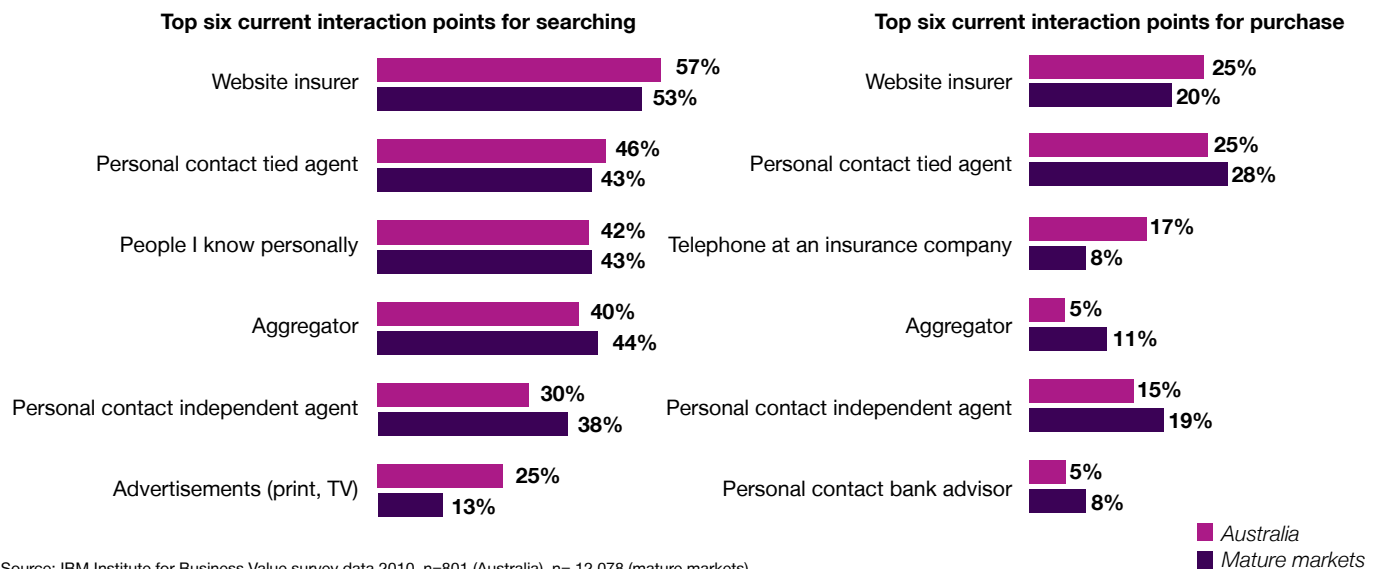


Figure 1: Australian consumers show the characteristics of a strongly urban population.

The country view

Austria

Overview

Austria is one of the two German speaking countries in the study, with a fairly mature insurance market. It is one of the richest countries in the world, ranking at number 12 globally,³ with a below (European) average insurance penetration 2010 of 5.9 percent (rank 21).⁴ While Austria's Internet penetration rate is the lowest among the German speaking countries in Europe, its rate of growth is the highest.⁵

Key findings

Austrian consumers are fairly conservative in insurance interaction

While in the mature markets, roughly 55 percent of our respondents bought their insurance from a person such as an agent, broker or bank, this number reached 82 percent for Austria, leaving the Internet, with its several options, at 11 percent total purchase. Age is not a large factor in this – even young Austrians are at 77 percent, far more person-oriented than the international average.

There is an age shift toward dependent interaction points

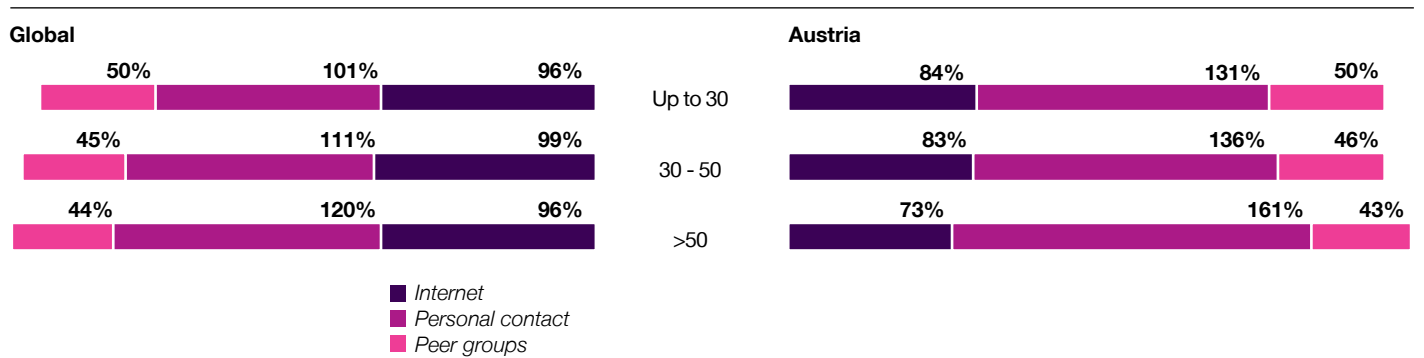
Young people prefer *tied agents* over *independent financial advisors (IFA)* and the direct insurer website over aggregators. This preference of the younger generation for openly biased interaction points is common across the world, but quite strong in Austria – purchase via *IFA* is roughly double the agent purchase in the oldest segment, with the opposite ratio in the young segment.

Internet interaction in Austria is catching up

Globally (as in Western Europe), there is no age differential in Internet searching, whereas there is in Austria – the age group under 30 has an 11 percentage point higher usage of Internet-based interaction points than the over 50 year olds (see Figure 2).

Implications

It appears that personal interaction *channels* won't be replaced by anonymous interaction points any time soon. The key for Austrian insurers will be to keep their *agent* and *broker* networks going while at the same time making sure they reach the growing population of Internet users. In this environment, treating Internet offerings as a niche is tempting. Since Austrian consumers, like their counterparts around the world, talk to each other about insurance, this possible inconsistency in messaging can backfire quickly. As we showed in a previous study,⁶ Austrian insurers do have innovative ideas, so a careful balance of personal with digital should be possible.



Source: IBM Institute for Business Value survey data 2010, n=823 (Austria), n= 21,740 (global).

Figure 2: In Austria age matters for insurance Internet usage.

The country view

Belgium

Overview

When analyzing Belgian consumer behavior, we must consider that “the Belgian consumer” does not exist. The two major parts of the country, Flanders and Wallonia (60 and 40 percent of the population respectively), show distinct differences in consumer attitudes, values and interaction behaviors. Country-wide, insurance *penetration* of 8.8 percent is above the European average, with the *life* insurance market a little over double the size of the property and casualty (*P&C*) insurance market.⁷

Key findings

Belgium shows significant differences in the *psychographic* spread

As noted in previous IBV consumer studies, insurance attitudes and values vary most by cultural context, not by demographics.⁸ In Flanders, there are five percent more *loyal quality-seekers* (34 percent to 29 percent) and *support-seeking skeptics* (33 percent to 28 percent) than in Wallonia; for the other four psychographic types, the intra-country difference is fairly even across the segments. French-speaking Wallonia actually shows high similarity to neighboring France in its segmentation spread, with three segments being identical and only the *support-seeking skeptics* having a difference of more than three percentage points. By contrast, Dutch-speaking Flanders is more similar to Wallonia than to the Netherlands.

Belgium is a broker market

Independent agents are the number one interaction point for both searching and purchasing insurance, although again the numbers vary quiet a bit from Flanders to Wallonia, as Figure 3 shows.

Internet is strong for search, but not for purchase

While the Web is fairly strong for searching in Belgium, insurer websites are behind in buying compared to the other Western European countries in our survey. Part of the reason for this might be the fragmented market, with insurance companies changing owners quite frequently over the past few years.

Implications

Wallonia has the highest rate of the segment *support-seeking skeptics* globally. Part of the reason for this might be the difficulty insurers have in building a consistent cross-brand interaction strategy. Belgium is one country, with one set of regulatory requirements for insurance, yet that obscures the fact that a one-size fits all strategy across Belgium will face similar difficulties, for example, to selling across the Nordics.

Consistency in messaging is even more difficult when there is a strong *broker* affiliation. For insurers, the key will be to show the *independent agents* the mutual benefit of sharing customer information: when increasing integration allows faster service response times and higher customer satisfaction, all parties will benefit.

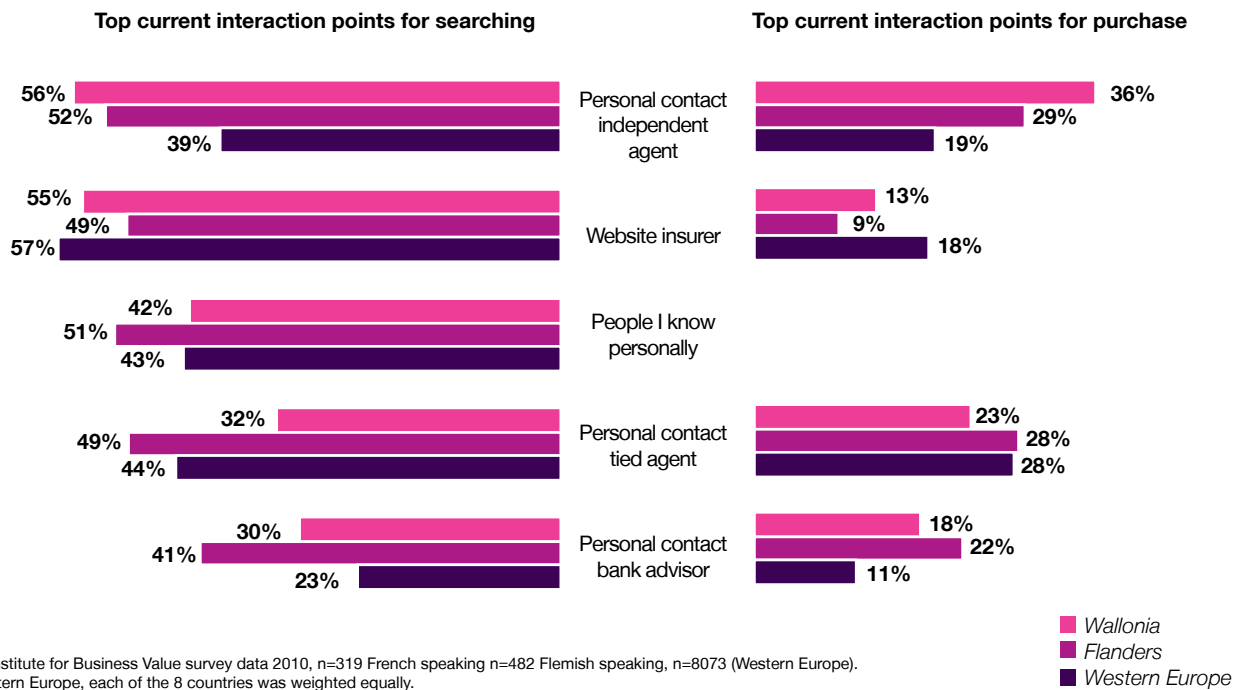


Figure 3: Consumers in the two parts of Belgium show distinctive interaction behaviors.

The country view

Brazil

Overview

Brazil is the world's sixth largest economy (by nominal GDP) and one of the fastest growing, with 7.6 percent real GDP growth in 2010. The insurance industry is growing faster than the economy (10.3 percent real growth in 2010 after 6.8 percent in 2009), but *penetration* is still relatively low at 3.1 percent.⁹ Brazil is a fairly typical growth market in its consumer behavior. In previous studies we established that Brazilian consumers are more highly *empowered* than the global norm – meaning that they are willing and able to take charge of their financial services relationships¹⁰ – and that price matters much less than most other value factors.¹¹

Key findings

Brazilian consumers are highly empowered

Brazil is one of four countries where less than 40 percent say they look for best price rather than best value (39 percent), and the spread of psychographic types is consistent with high *empowerment* and low price-sensitivity. Figure 4 shows the spread of types across the three American countries included in our original study¹² and Spain. Both Brazil and Mexico have relatively many *demanding support-seekers* (a high *empowerment* type) and few *price-oriented minimalists*. The U.S., in contrast, shows a spread consistent with lower *empowerment*.

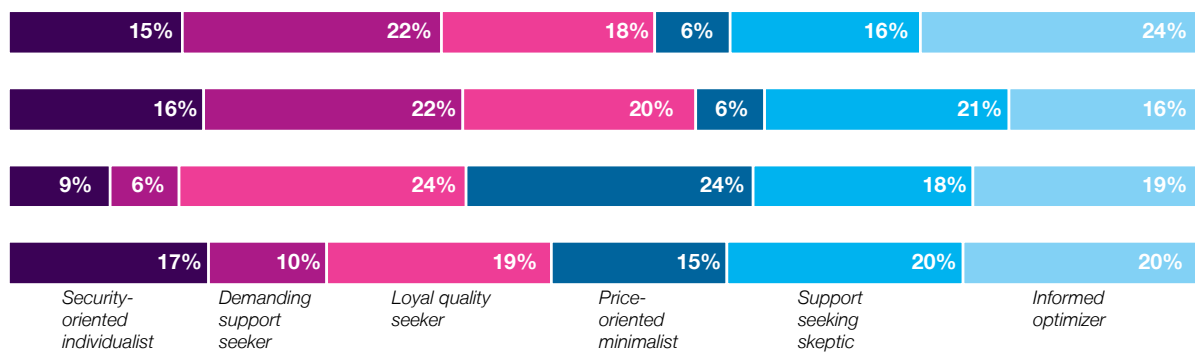
Banks are an important interaction point

In our survey, no country has higher numbers for the banking advisor as insurance interaction point than Brazil. For search, top interactions are still agent and website at 52.1 percent and 51.5 percent respectively, which is slightly above the global average. For bank advisor as a search interaction, Brazil is almost twice the average, at 39.8 percent (compared to 22.4 percent globally). This is even stronger in purchase: bank advisor is the second most frequent purchasing point, behind agents, at 23.5 percent (9.9 percent globally). This reflects the strong market share of banks in both *life* and *general* insurance, which was reported at 55 percent in 2009 possibly the result of a large market share among lower income customers.¹³ If we only look at respondents with above average income, 36.4 percent of those solicit information from the bank advisor but only 14.7 percent use the bank advisor for purchase.

Implications

In “Growing trust, transparency and technology”, we noted that “it seems safe to say that [Brazilian] insurers would be well advised to shed many old-world ideas about insurance.”¹⁴ This hasn’t changed; Brazilian consumers are very clear about what they want and need, as the two toughest consumer segments, *demanding support-seekers* and *informed optimizers*, make up almost half the population.

Most importantly, insurers need to focus on insurance as a means of increasing their customers’ financial security, not as a commodity. With a large part of the population still uninsured, the insurance industry in Brazil has a unique opportunity to raise their trust level through good business practices and utilizing mature customer relationships in the rural bank branches.



Source: IBM Institute for Business Value survey data 2010, n= 1,601 (Brazil), n=810 (Mexico), n=1,600 (U.S.A.), n=830 (Spain).

Figure 4: Brazilian and Mexican consumers are highly empowered.

The country view

China

Overview

The People's Republic of China is arguably the most interesting market in our survey from a growth perspective. Even though premiums doubled from 2007 to 2010, insurance *penetration* is still at slightly under 4 percent.¹⁵ This is less than half the *penetration* in the OECD (8.16 percent).¹⁶

With a population of more than a 1.3 billion people, efficient distribution of insurance is the major growth factor for insurers. Around half a billion Chinese have Internet access, making online interaction an attractive distribution option.

Key findings

Chinese consumers shop for insurance online, but still buy from people

Almost 10 percent more consumers than the global average search for insurance online (62.1 percent insurer websites, 32.3 percent through aggregators), yet when it comes to purchasing, Chinese consumers still prefer to buy from people: here the personal interaction points total 63.6 percent (compared to 61.4 percent globally).

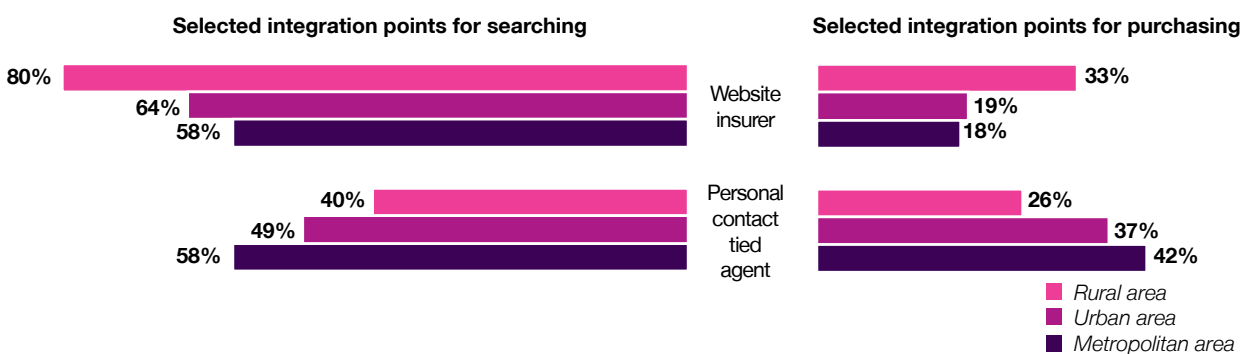
Rural and urban behaviors are reversed compared to the global trend

While these principles apply for China overall, there are wide differences depending on location. Normally, consumers in *urban* and *metropolitan* areas have a higher preference for Internet interactions, *rural* consumers for personal interactions. This is true even in low density populations like the U.S. or Australia. China is exactly opposite – in rural China, Insurance purchase via direct Internet is almost twice as high as in the large cities (see Figure 5).

Implications

Since it is unlikely that *rural* Chinese are more technology savvy than those living in the city, the “inverted” interaction point usage is probably a function of availability – the *agent* and *broker* networks are not as well developed in the countryside. Once they are, we will likely see personal interaction points in purchasing gain an even larger share of total purchases. This means that building the agent networks – or other personal means of purchase – should be a high priority for local insurers. Fast movers will be at an advantage here.

On the other hand, China is a huge market, and distributing insurance to all corners of the country is a challenge. When Internet penetration in China (currently 38.4 percent)¹⁷ grows, having the *rural* population already accustomed to gathering their insurance information through the online *channel* will help ease the distribution strain on the growing agent network. Again, keeping the messaging and brand consistent across regular Internet, social media and the personal interaction points is crucial.



Source: IBM Institute for Business Value survey data 2010, n= 1,602.

Figure 5. China has an inverted interaction behavior in cities and the countryside.

The country view

Czech Republic

Overview

The Czech Republic is the youngest of the countries in our survey. Its insurance market structure is influenced by its economic past as part of Comecon, but most of the economy has since been privatized. The Czech Republic has been a member of the European Union since 2004, with a GDP of about 80 percent of European average¹⁸ and a very high Human Development Index.¹⁹

Key findings

Peer groups are by far the most important information channel

A quarter of the countries we surveyed have peer groups – friends, family, colleagues – as the most important interaction point for collecting information about insurance. But while other influencers are generally not far behind, for consumers in the Czech Republic it is not even close: as we can see in Figure 6, almost 60 percent discuss insurance with their friends first, then check an almost equal variety of other sources. Social media is also used more for information gathering than the international average (16.0 vs. 13.2 percent) and Czech consumers expect to use it even more in future (21.5 percent).

Tied agents have a slight lead on brokers

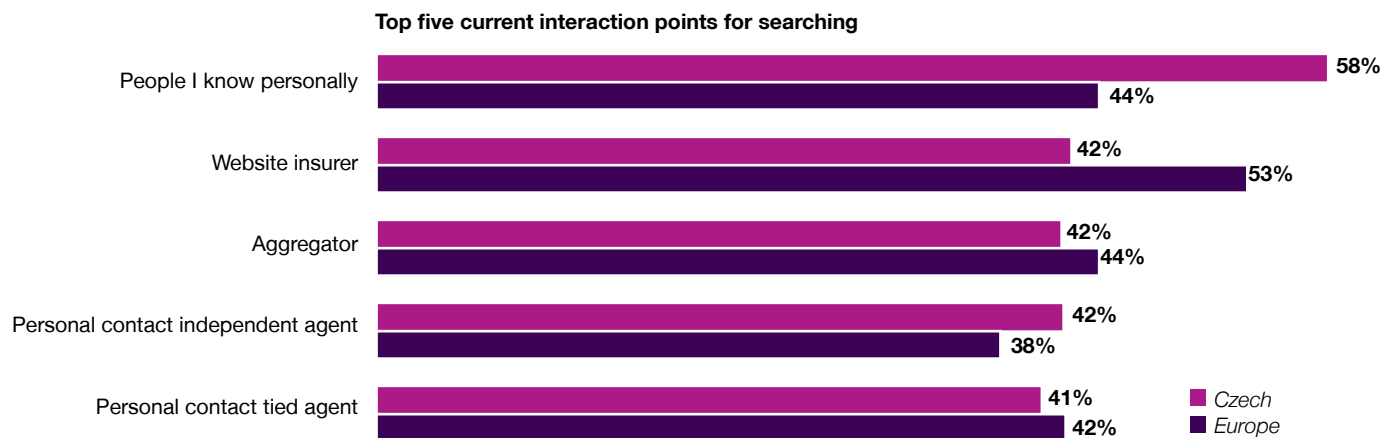
Tied and *independent agents* are almost head-to-head when people search, but *tied agents* are preferred for purchasing (33.3 percent vs. 26.7 percent).

In non-life, brokers lose business to the Internet, but not tied agents

For *tied agents* it also makes little difference whether the purchase is a *life* product (34.5 percent) or not (31.3 percent), whereas *independent agents* show a difference of nine percentage points from *life* to *non-life* (30.0 percent to 21.1 percent). Direct online purchase has exactly the same difference in the opposite direction (12.4 percent to 21.7 percent).

Implications

Peer groups – friends, family and colleagues – have always been an important source of information about insurance, but in the past insurers thought they could control it. While this control was an illusion, it mattered far less because private discussion about insurance mostly stayed private. In the era of social media, that is no longer the case. Czech insurers have to be aware of the viral nature of this peer group information and participate without intruding. They will also have to include agents and *brokers* in the discussion to keep the messaging across all interactions consistent.



Source: IBM Institute for Business Value survey data 2010, n= 820 (Czech), n=9,693 (Europe).

Figure 6. Czech consumers prefer to gather insurance information from their friends.

The country view

France

Overview

The French insurance market has some interesting peculiarities. Measured by household wealth, France is the richest country in Europe, with household debts being only 10 percent of assets.²⁰ About 40 percent of the overall insurance business in France is written by mutual insurance companies, with the share in P&C being more than 50 percent.²¹ Insurance *penetration* is the third highest in Europe at 10.5 percent,²² but French consumers don't view the *life* sector as “insurance”, instead they group it with banks as the “savings industries”.²³ Much of French insurance is comprehensive, and for French consumers, security in general, and insurance in particular, are an important part of life – and so is interaction with insurers.

Key findings

Tied agents are the most important interaction point

Tied agents are about one and one-half times as prominent in France as in the rest of Europe. The French numbers for agent searching (61 percent) and purchasing (46 percent) are unusually high for a mature market. Since *independent agents* are used less than elsewhere, personal interaction in aggregate is fairly similar (see Figure 7).

Bank interaction reflects consumer views about *life* insurance

For *life* insurance, French consumers purchase from banks rather than agents nearly twice as often as their European peers. For searching, surprisingly, it does not make a difference for *tied agents* whether it is *life* or other insurance, the numbers are almost identical. (Bank searching is still higher for *life*.)

Young French are more social

Respondents under 35 not only use social media much more for searching (16 percent vs. 7 percent for those over 45), they also talk to their offline peer groups more about insurance (45 percent vs. 33 percent).

Implications

Facebook has close to 25 million users in France – offering a huge potential to listen to what consumers are saying both about their lives and about insurance. Future French consumers seem more likely to listen to an informal approach both online and offline, so initiating dialog with them will be key to maintaining the important role of insurance in French society. With trust in the insurance industry in France below the median of our surveyed countries at only 42 percent, this may not be easy. Our past research suggests that it is the strong role of agents in France that keeps insurance *penetration* high – the French insurance consumer seems to trust the person, not the organization.

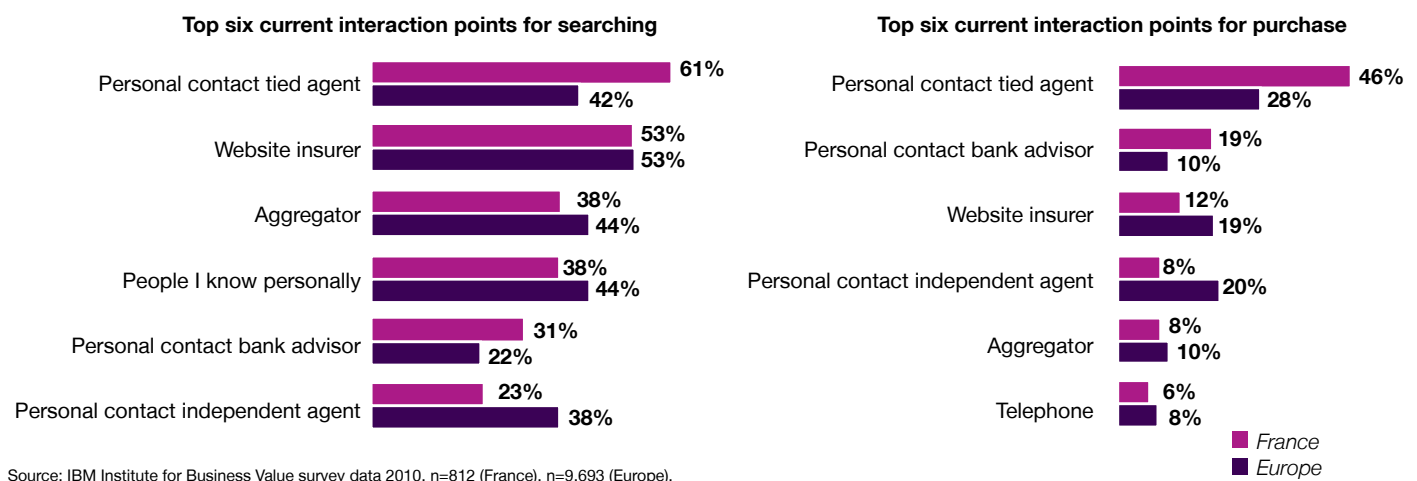


Figure 7: French consumers prefer insurance interaction through tied agents.

The country view

Germany

Overview

Germany has the largest economy in Europe and the fourth largest globally.²⁵ In public perception, German consumers are seen as highly price sensitive – so much so that the advertising slogan “Geiz ist geil” (“austerity is cool”) has become synonymous with the German purchasing mentality. While it is true that the German average propensity to save is higher than the European average,²⁶ data from this study and past studies does not confirm this imagined high price consciousness. When asked whether they rated price or value more highly when buying insurance, German consumers are not out of the ordinary. 51.7 percent rate price higher in Germany, compared to 50.4 percent globally and 56.5 percent in Europe. Similarly, the two more price conscious *psychographic segments*, *price-oriented minimalists* and *informed optimizers*, are slightly less numerous than in the European average (22 percent and 15 percent compared to 23 percent and 17 percent).

Key findings

German consumers use aggregators – and personal interaction

Germany is one of only two countries where aggregators are not only the most important source of search interaction but where this advantage over the “traditional” direct insurer website also translates into higher purchasing interaction numbers. (The other country where this is the case is Japan.) Overall though, German consumers still favor personal interaction points (60.8 percent) as do global and European consumers (61.4 percent and 57.4 percent respectively).

Car insurance is the source of success for aggregators

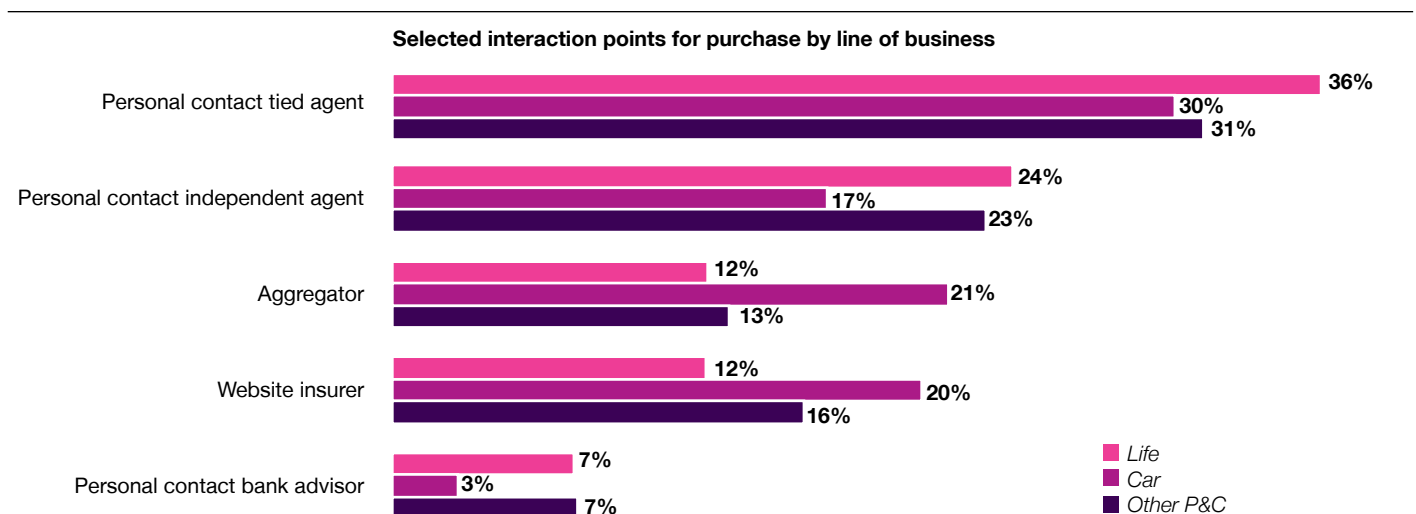
Interaction point usage is not largely different for *life* and *P&C* lines. While at first glance Germany seems to be an exception to this rule (with an average difference of 5 percent), most of the difference can be attributed to car insurance, as Figure 8 shows. Car insurance also accounts for a large part of the success of aggregators – it seems to be the coverage type with the highest degree of commoditization.

Price consciousness is strongly related to customer profitability

In Germany, customers with low profitability potential are three times as likely to be *price-oriented minimalists* as those with high potential. (Globally they are twice as likely).

Implications

The discussion in the media in Germany about the price-conscious German consumer and the contrast with our data both point to the conclusion that German insurers are driving the market toward a commoditization that is neither necessary nor profitable. While German consumers extensively use online interaction points for searching, personal interaction remains the most important overall point for purchasing. German insurers should make sure that cost control does not too deeply impact personal relationships.



Source: IBM Institute for Business Value survey data 2010, n=1,603.

Figure 8: Car insurance accounts for most of the difference between life and non-life in Germany.

The country view

India

Overview

Until recently, the Indian insurance market was highly regulated. In 1999, “The Insurance Regulatory and Development Authority Act” removed the state monopoly on both *life* and *general insurance* and private insurance was introduced. Premium price restrictions were not withdrawn fully until 2007.²⁷ With a population of 1.2 billion, an underdeveloped market and a host of new entrants unaccustomed to rigorous risk-based underwriting and pricing, a period of intense competition, mostly steered by price undercutting, ensued.²⁸

Key findings

Price is less important than the market data suggests

Indian consumers with enough technical sophistication to take part in our surveys are among the mostly highly *empowered consumers*; they are willing and able to take charge of the relationship with their financial services providers. The segmentation spread in this study supports this view: India has a low percentage of *price-oriented minimalists* (7 percent), and a fairly high percentage of *informed optimizers* (22 percent) who know what they want and take the time to research for the best individual option which may or may not be the cheapest.

Even if Internet-savvy, consumers don't use the Internet for insurance

As a highly interactive culture, our Indian sample relies heavily on personal interaction points for both search and purchasing insurance. Peer groups, tied agents, brokers and bank advisors (in that order) are the preferred Indian interaction points. Even though our sample is Internet-savvy, online interaction is fairly unimportant – only 26 percent say they search and 8 percent purchase on insurer websites.

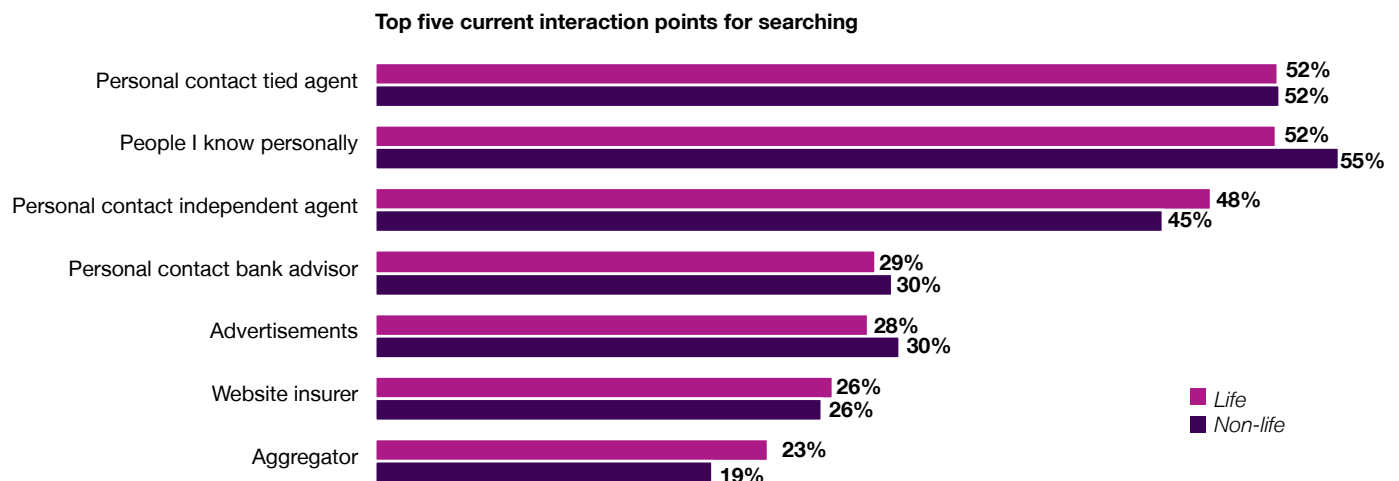
Interaction patterns are homogenous

Another striking observation is the homogeneity of interaction patterns by line of business. Figure 9 shows the top search interaction points, split by *life* and *non-life*. Even for banks, which typically favor selling *life* insurance, the difference is merely one percentage point. For Indian consumers, insurance is insurance.

Implications

The low Internet interaction even among our highly Internet-savvy sample is partly due to the lack of opportunity; Internet penetration remains low in India (10.2 percent) and insurers have not yet heavily invested in these areas. On the other hand, when asked “Where could you imagine purchasing insurance in the future?”, consumers still placed websites in fourth place behind the personal interaction points (although at higher percentages).

Indian insurers are aware of this issue and striving to build up Internet interaction capacities. Here it will be key to not repeat the mistakes made in more mature markets; online interaction needs to be seamlessly integrated into the overall interaction strategy, retaining consistent branding, messaging and servicing. If the decision is made to differentiate by price or product, the reasons should be made transparent and the differences between online and offline products made clear – India’s *empowered consumers* will find out anyway.



Source: IBM Institute for Business Value survey data 2010, n=1,601.

Figure 9. Indian interaction patterns are homogenous across lines of business.

The country view

Japan

Overview

The insurance market in Japan is the second largest in the world, behind the U.S., at 557 billion US\$ in 2010 – almost 80 percent of which is in *life* insurance.³² As a mature market, *penetration* is high, but not unusually so (10.1 percent). Japanese insurance distribution has some (historically rooted) specialties. *Life* insurance is often sold by employed women, the “*seiho ladies*” – a practice introduced after World War II to increase employment.

Key findings

Japanese consumers have a trust issue with insurers

In our study, Japan has by far the lowest trust rate (15 percent). While this number might be due to some special events in 2010, the trust rate has been consistently below 30 percent for Japan in all IBV insurance studies. (The global average consistently hovered around 40 percent).

Tied agents are strong, but might face decline

While *tied agents* are the number one interaction point for purchasing (30.9 percent), there is a significant spread when we look by age group. Consumers under 30 use agents about a third less than those older than 50 – a loss which is spread to every other purchasing interaction point. Globally, young people tend to use the “unbiased” interaction points aggregators and *brokers* less (see Figure 10).

Bancassurance hardly matters

Less than 10 percent of respondents used banks to search, and only 2.3 percent to purchase insurance. Even when we asked “What can you imagine using?”, bank advisors were far behind (10.8 percent potential search).

Implications

Raising consumer trust is obviously not a simple project, it has to be done in small steps. Consumers must feel they get from insurance what they were promised at the point of sale; the simplicity and transparency in dealing with the customer must be improved; a trust culture inside the insurance industry, as well as toward the customer, must be built, as we showed in “Trust, transparency and technology.”³³ While one or two insurers could lead by example, this has to be an industry-wide effort to combat the industry-wide trust issue.

Concerning the changing behavior of younger consumers in Japan, that issue is not all that different from what other industries are facing – young Japanese seem to shop in a different way, relying on fast, social connections to make peer-group supported purchasing decisions. That means Japan is one of the countries where insurers could hugely benefit from investing cleverly in social media participation. The most important thing here is to listen first, promote transparency and offer advice. Young Japanese should not get the feeling that social media are just another intrusive sales vehicle for insurers – that would hurt trust even more.

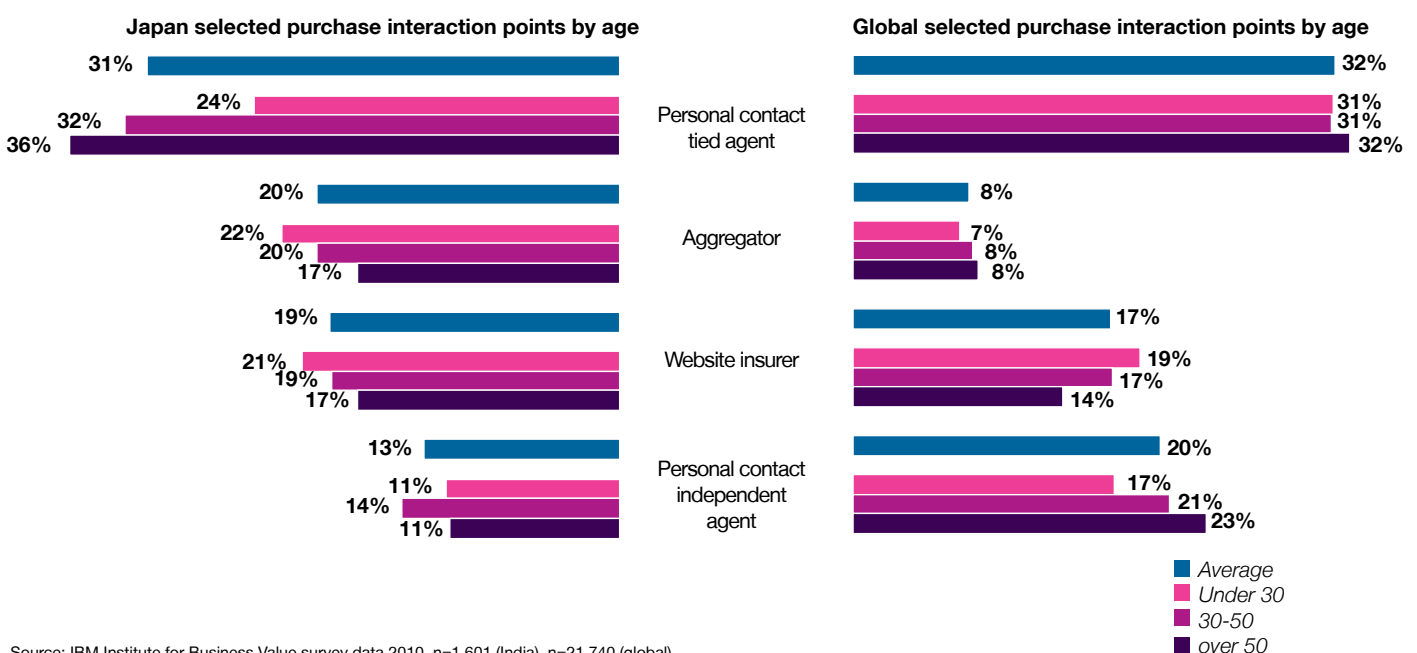


Figure 10: Young Japanese consumer could bring strong change to insurance interaction.

The country view

South Korea

Overview

The insurance market of the Republic of Korea is hard to characterize. As one of the “Four Asian Tigers”, Korea can today be considered a fully developed economy and insurance *penetration* is very high at 11.2 percent.³⁴ Korea’s Internet *penetration* is the highest in Asia, at 82.7 percent and is also well above the average for the European Union (71.5 percent).³⁵ Insurance distribution retains some growth market characteristics with roughly half of private insurance being sold through employed agents or “sideline agents” who sell only within their family, friends or other peer groups.³⁶ For our study, these agents are still treated as tied agents, since they sell for one insurance company exclusively.

Key findings

Korean consumers have an unusual psychographic distribution

In developed markets, *loyal quality-seekers* and *price-sensitive analyzers* add up to roughly a third of the population, with the former being the larger of the two groups. In Korea, both segments total to only 12 percent of the population and the largest group at 33 percent is the *support-seeking skeptics*. These skeptics treat insurance as a necessary evil, seeking advice while otherwise preferring to have as little to do with it as possible.

Interaction behavior closely mirrors growth market characteristics

In all interaction points except *independent agents*, Koreans behave more like consumers in growth markets than like consumers in mature markets (see Figure 11).

Koreans plan to stick to their tied agents

Of our respondents, 40 percent purchased from *tied agents* which is not an unusually high number. When asked what interaction points consumers could imagine using in the future, *tied agents* still came in first at 57 percent – 8 percentage points more than the growth market average and 15 percentage points more than the global average. These observations do not change even when we distinguish Korean consumers by age group.

Implications

Korean consumers seem to be fairly set in the way they interact with insurers, mostly advisor-assisted but from a wary distance. If the distribution model works this way, there is no real reason to change it, but considering how developments in new technologies generate excitement in the younger consumer – Koreans are world-class in e-sports and some of their more successful players have rock star status – insurers should keep a watchful eye on changing consumer behavior. This vigilance extends to watching, listening and monitoring social media conversations and consumer behavior in other industries.

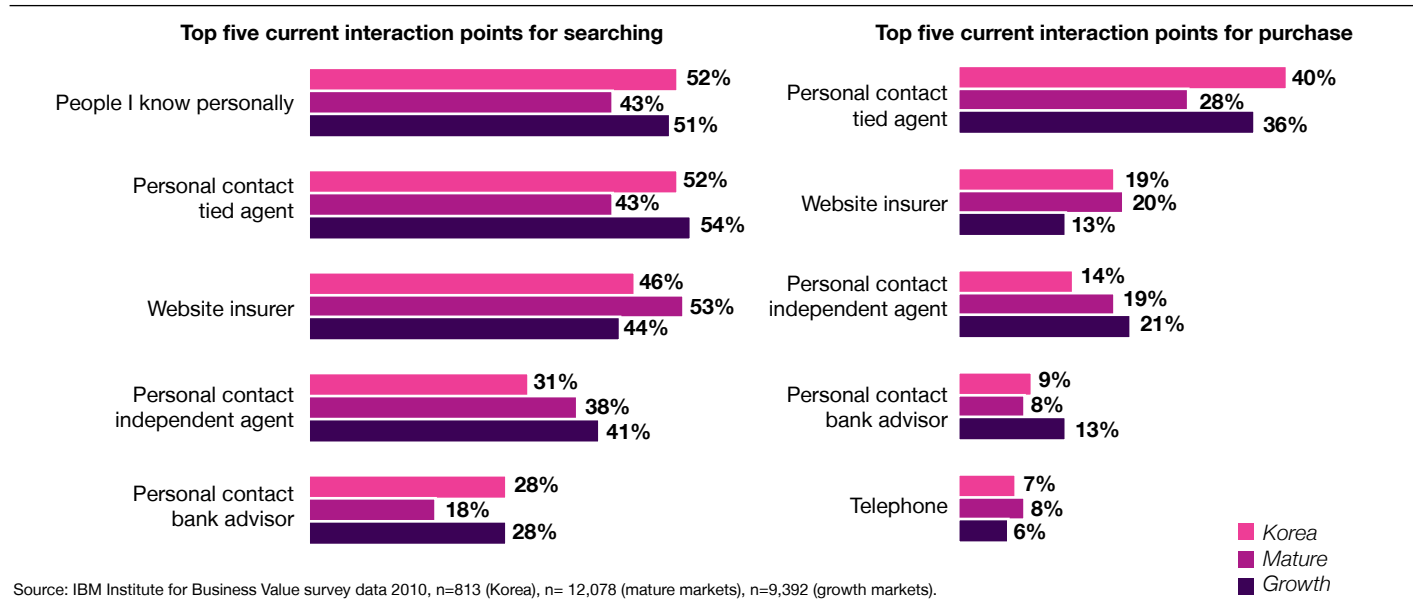


Figure 11: Korean consumers follow growth market interaction patterns.

The country view

Malaysia

Overview

As Malaysia is a multi-ethnic and multi-cultural country, we conducted the survey in both the Bahasa Malaysia and English languages. It is an upper middle-income country with a solid insurance sector with a *penetration* of 4.8 percent. This percentage is slightly below the Asian average, but second highest in the ASEAN countries, to which Malaysia belongs.³⁷ Internet penetration is well in the European range at 61.7 percent.³⁸

Key findings

Malaysia is firmly a *tied agent* market

Malaysia has the highest percentage of *tied agent* insurance shoppers of the surveyed countries (63.1 percent search, 50 percent purchase). Only peer groups rival agent as preferred search interaction (63.3 percent), every other interaction point is far less important (see Figure 12).

Social media is interesting

Malaysian consumers actively use Internet forums and social media for searching more than Asian consumers (21.5 percent to 15 percent) or global consumers in general (13.2 percent). For future searches (“What could you imagine using?”), social media ranked third in our Malaysian sample at 36.1 percent. This is driven mainly by the younger generations, but even 23 percent of consumers 55 and above could imagine using social media.

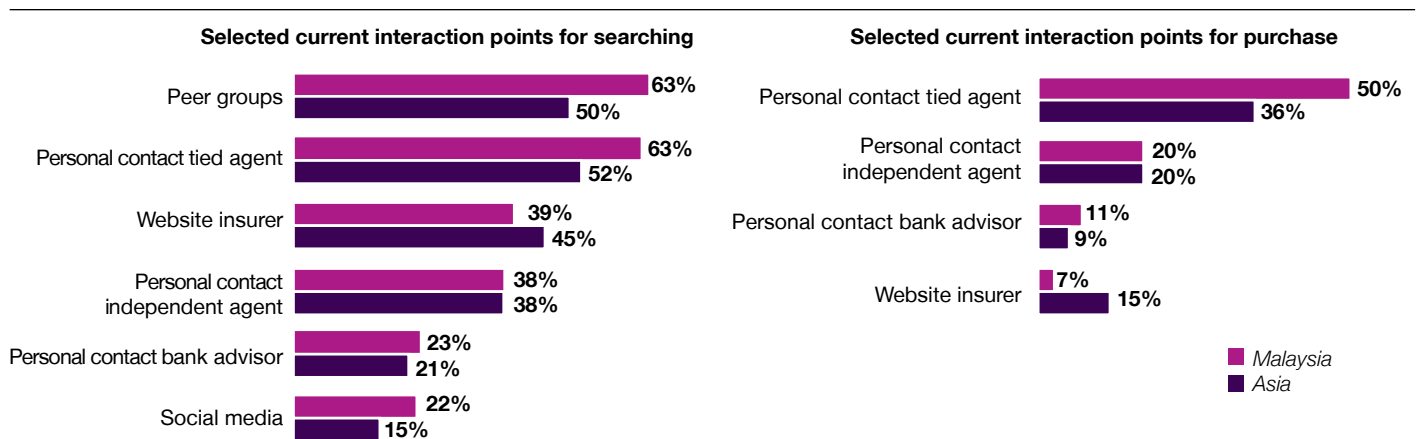
Trust and loyalty remain high

For trust in the industry (53.4 percent) and loyalty (66.1 percent of respondents did not switch providers in the past five years), Malaysia leads our survey countries. Trust is a third higher than the global average.

Implications

There is a positive correlation between trust and loyalty (0.5 for growth markets, 0.4 for mature markets), so it will be important for Malaysian insurers to maintain the lead they have in the trust department. This is very likely a consequence of the fairly high personal orientation of insurance interaction – Malaysian consumer talk to each other and to their agents; when this relationship is a good and trusted one, loyalty follows.

Social media is an extension of this personal relationship allowing people to discuss insurance with affinity groups in an easy and informal manner. Insurers should take advantage of this by becoming social businesses, but with care to do it the right way by being non-intrusive and collaborative and including agents and other sales people to leverage the already existing trusted relationships.



Source: IBM Institute for Business Value survey data 2010, n=814 (Malaysia), n=7,232 (Asia).

Figure 12: Malaysia is firmly a tied agent market.

The country view

Mexico

Overview

Mexico is the first Latin-American member of the OECD and with the 14th largest nominal GDP in the world is considered an upper-middle income country. At the same time, insurance *penetration* is still fairly low at 1.9 percent, which is why we generally compare Mexico to growth markets in this study. For Mexican consumers, empowerment – the ability and willingness to take charge of the relationship with an insurance provider – has been the highest of all countries we surveyed.³⁹

Key findings

Mexican consumers are highly empowered

As with other highly *empowered consumer* sets, price-sensitivity is fairly low – only 6 percent of Mexican consumers are part of the segment *price-oriented minimalists*, compared to 18 percent globally and 9 percent on average in emerging markets. The largest Mexican segment is the *demanding support-seeker*. The members of this segment look for advice, have individual needs and are willing to go to several places looking for something that suits them well – and if the advice is not good, they will switch.

Personal interaction is still top in importance

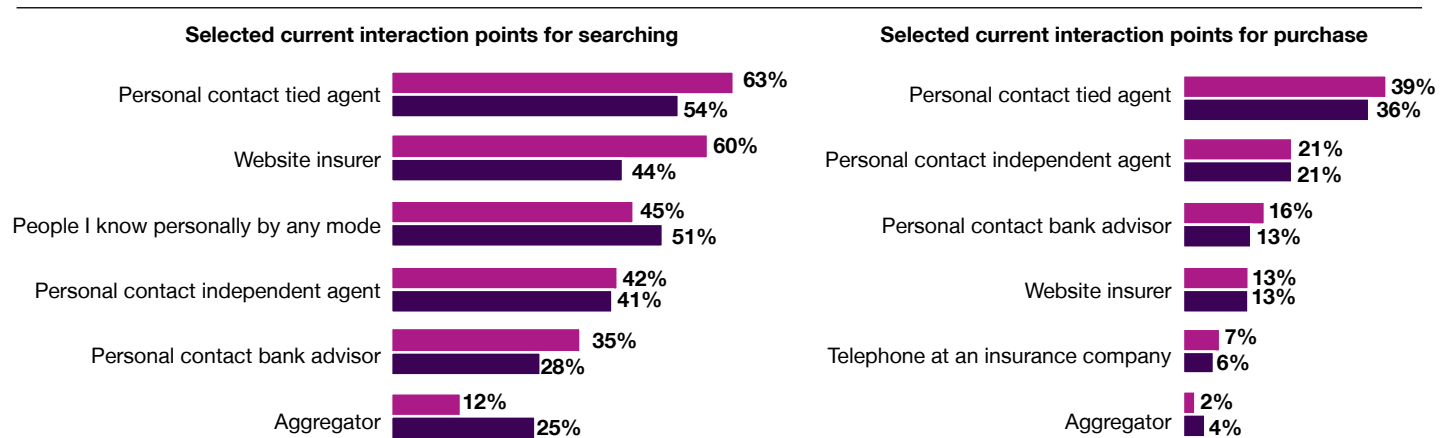
Personal interaction is still very important in Mexico overall, even compared to other emerging markets. All personal interaction points we examined equal or exceed the emerging markets average – both for search and for purchase (see Figure 13).

Young consumers show an equalization of interaction points

While the importance of peer groups (friends, colleagues, family) is the same across all age groups, there is a notable “equalization” for the interaction points consumers use both for search and for purchase. Young people in Mexico use the low frequency interaction points like social media, telephone and ads more and almost all high frequency points less. The only one of the high frequency points they use more is the direct insurer website – as is to be expected in an *empowered* customer set because the Web allows access quickly and at all times.

Implications

The Mexican data shows the need for insurers to support all interaction points equally and consistently. Even though personal interaction will stay the most important, young Mexicans are and will be using all available interaction points. For insurers, this means a back-end infrastructure that can easily support any new development in interaction, consistency in branding and messaging and products that can easily be transferred from one to the other. This openness is especially important when you consider the high *consumer empowerment* in Mexico.



Source: IBM Institute for Business Value survey data 2010, n=810 (Mexico), n=9,392 (growth markets).

Figure 13: Mexican consumers prefer personal interaction.

■ Mexico
 ■ Growth markets

The country view

The Netherlands

Overview

The Netherlands is one of the countries that we surveyed in each of our insurance studies since 2007. While consumer trust tended to be higher than on global or European average, industry trust took a hit in 2008 when there were questions about the correct pricing of insurance contracts. Legislative measures increasing transparency seem to have restored some of that lost trust. The biggest change for the industry is still to come in January 2013 when *independent agents* will no longer be paid by commission and instead will have to either charge a fee or work in a subscription model. We will be examining the consequences of this legislation in a follow-up study.

Key findings

Dutch search online, purchase offline

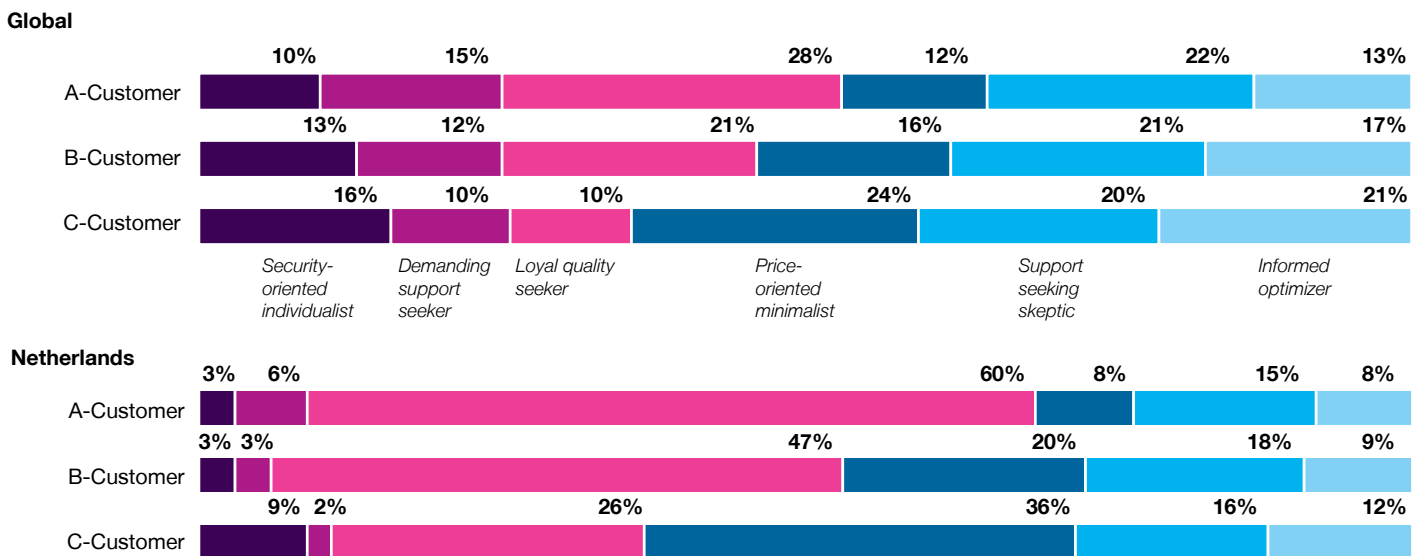
The direct insurer website is the strongest single interaction point both for searching (70.4 percent) and for purchasing (26.2 percent). In total though, personal interaction points still top Web interaction for purchasing by a margin of 12 percentage points (44.3 to 32.4 percent).

Many Dutch are still “traditional” insurance customers

Consumers are largely *loyal quality-seekers* (41 percent) who value advice and tend to trust the industry (and their advisor) more with the highest percentage of all surveyed countries. *Price-oriented minimalists* are the second largest segment at 24 percent. This split becomes more pronounced when we take customer profitability into account (see Figure 14). While even low profit customers (C-Customers) have a fairly high percentage of *loyal quality-seekers*, in the high profit bracket they make up nearly two-thirds of consumers.

Implications

Both our previous studies and the segmentation data from this study reveal the Dutch consumer to be fairly loyal and convenience-oriented, but at the same time the data also shows some adverse trends. Web interaction tends to be more volatile, since without a personal relationship it is far easier to switch providers on short notice. By becoming social businesses, Dutch insurers could make an industry-wide effort to regain trust through transparency and also exploit the tendency of consumers to use online media. Here, the recommendation is similar to those stated for other countries; listen and engage, don't intrude and don't just gather data to reject claims. Social media can be a great tool to gather pointers to customer life events and then provide services like automated reminders – something convenience-oriented consumers greatly appreciate.



Source: IBM Institute for Business Value survey data 2010, n=21,740 (global), n=820 (NL).

Figure 14: Dutch consumers are fairly traditional insurance customers.

The country view

Poland

Overview

Similar to the other Eastern European country in the study, the Czech Republic, the Polish insurance market is influenced by its economic past. It is highly concentrated, with the ten largest insurers exceeding 80 percent market share, of which the former state insurer has slightly more than 30 percent.⁴⁰ Still, again like the Czech Republic, Poland can economically and politically be fully considered a part of Europe, with high growth rates and an extensive privatization of former state owned enterprises.

Key findings

Interaction in Poland is quite different from Europe on average

The interaction behaviors of Polish consumers show stronger differences to Europe overall than shown by the Czech interaction behaviors, as we can see in Figure 15. In insurance search, the importance of peer groups is less pronounced for Poland (53 percent) than for the Czech Republic (58 percent) but more important than the European average (44 percent).

Web interaction is not used much

Poland has the second lowest search score for direct Internet of all countries (lowest is India), but aggregators do not pick up the difference – this might have something to do with the quality of websites in Poland. On the question “How satisfied are you with the interaction point?”, 86 percent in Europe have a generally positive view of direct insurer websites, compared to only 69 percent in Poland. Even of those who refer to direct Web as their main mode of searching, only 65 percent trust the information they find (Europe is 86 percent) and 23 percent wouldn’t recommend it to others to use for searching (Europe is 14 percent).

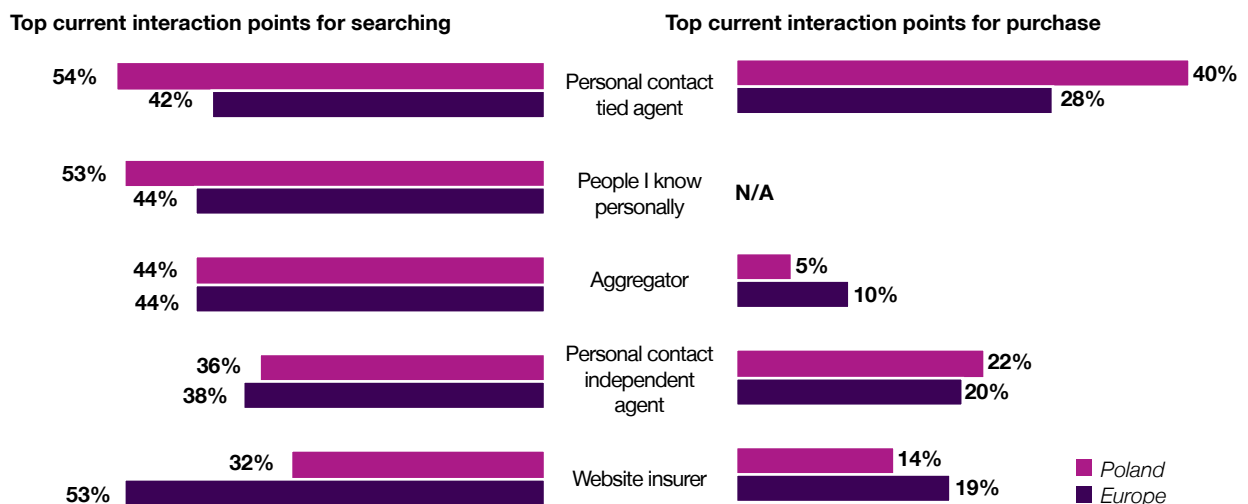
Trust is low, price sensitivity is high

The relatively low use of online interactions is particularly surprising because *price-oriented minimalists* were the largest segment of Polish respondents (27 percent), a segment which tends to use the Internet to a greater degree. Also, the percentage of *loyal quality-seekers* is very low (8 percent). This correlates with the fact that Polish consumers had the second lowest trust rate in the industry of all countries in the survey (32 percent).

Implications

The above findings are a reflection of the fairly recent reshaping of the Polish insurance market in the post-communist era, where traditional European interaction structures haven't had a chance to emerge yet. Generally, Polish consumers do use the Internet (including social media), so insurers should listen to the criticisms their customers have about their websites and correct them.

On the other hand, the trust rate is quite a bit lower than the (already low) global average. Polish insurers might need a trust program similar to the one outlined for Japan -- making sure consumers feel they get from insurance what they were promised at the point of sale, improving the simplicity and transparency in dealing with the customer, and also making sure a trust culture works throughout the insurance industry as well as toward the customer.



Source: IBM Institute for Business Value survey data 2010, n=800 (Poland), n=9,693 (Europe).

Figure 15: Insurance interaction in Poland differs from the rest of Europe.

The country view

Singapore

Overview

While the city-state of Singapore is the smallest country in our study, it has a highly developed economy. Singapore's insurance *density* is on par with Europe and insurance *penetration* is relatively low at 6.1 percent (Asia is 6.2 percent) because of its high GDP per capita (the third highest in the world).^{4†}

Key findings

In Singapore, insurance is extremely personal

Despite Singapore's high maturity level, consumer behaviors are quite different from mature markets overall. Singapore consumers are highly personal when searching, preferring to interact with friends and family first, "official insurance" experts second, and only after that going to the various online interaction points to get information and a quote (see Figure 16). Personal searching translates to very personal purchase: only 19 percent of all purchases in our survey were not made through one of the *tied agents*, *independent agents* or bank advisors.

Age matters more

In contrast to other mature markets with highly personal interaction, like Austria, our data shows a stronger age trend in Singapore. Young Singaporeans (up to age 35) use the interaction points at a rate very similar to the Asian average shown in Figure 16, with two exceptions: peer groups are used the same across all age groups in Singapore, and the young people use social media almost twice as much as the Asian average (27 percent).

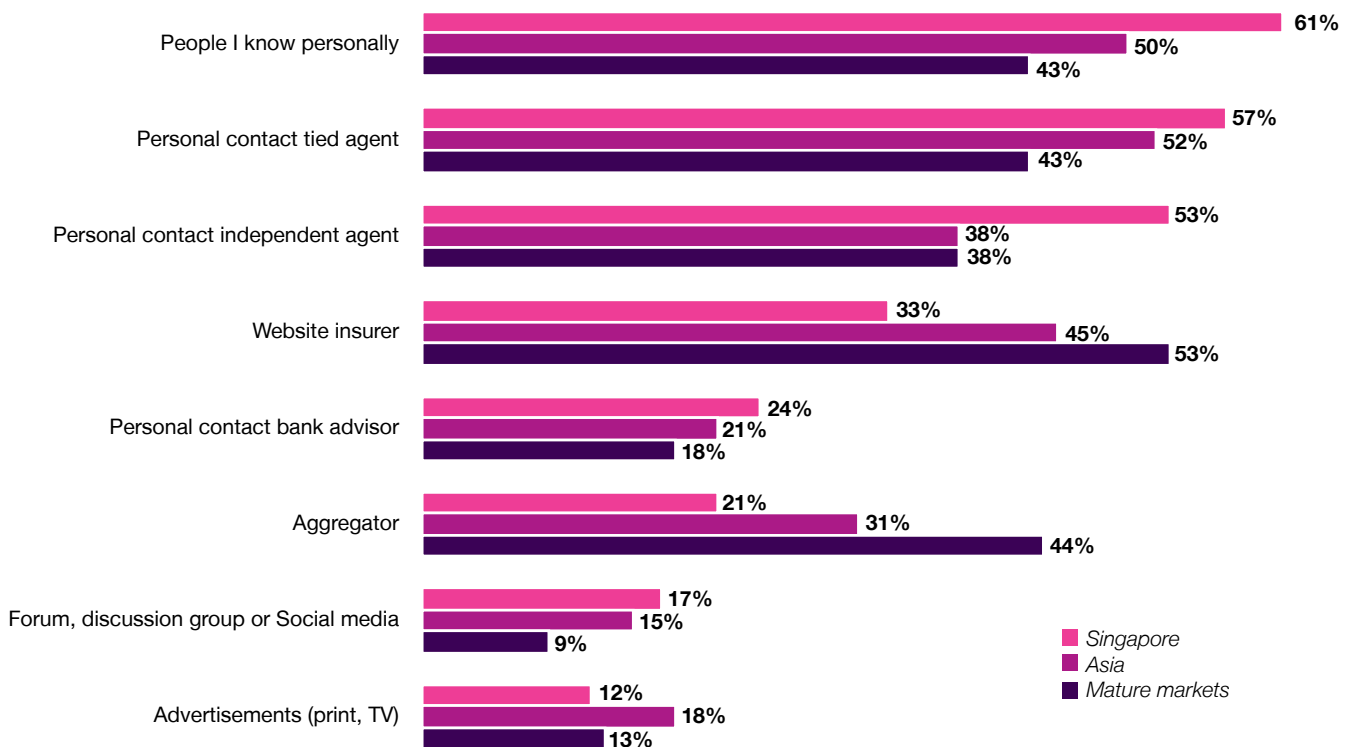
Singapore consumers like social media

Social media is used almost twice as much in Singapore as in other mature markets. Looking forward, we expect this trend to continue. On the question "What interaction points can you imagine using in the future?", almost 30 percent of Singapore consumers named social media as one of their choices, compared to just 15 percent overall in mature markets. When asked about future usage, all age groups said they were likely to use social media to about the same degree. Even of those older than 55, 28 percent said they can imagine using social media to gather insurance information.

Implications

For insurers, this mix of strong personal relationships and technology affinity can be challenging if technology is seen primarily as a means of cost reduction. A good first step might be to enable intermediaries, both *tied* and *independent*, to join in the social conversation. Intermediaries are already well accepted, and represent the personal side of an insurer. Providers can enhance this with non-intrusive services like reminders and use the data sharing nature of social business to understand consumers better, building tailored product offerings and generating a more pleasant user experience.

Top 8 current interaction points for searching



Source: IBM Institute for Business Value survey data 2010, n=801 (Singapore), n=7,232 (Asia), n=12,078 (mature).

Figure 16: In Singapore, insurance is extremely personal.

The country view

Spain

Overview

The Spanish insurance sector is characterized by a large number of insurers – 279 active as of December 2011 – with very few dominant and many smaller providers.⁴² Insurance *penetration* is currently 5.4, and considering the difficulties facing the Spanish economy as a whole, growth potential is considered lower than other European countries. The rate of Spanish youth unemployment is roughly 50 percent, the highest in Europe, which means that for this analysis we did not look at age segmentations as our results could not be generalized.

Key findings

Consumers interact with banks for life insurance, by telephone for non-life

Tied agents (52 percent for search and 30.7 percent for purchase) and *independent agents* (47 percent for search and 19.3 percent for purchase) are still the most important personal interaction points overall. Spanish consumers, like French consumers, tend to use bancassurance much more in the *life* space, more than twice as much for purchase (11.9 percent *life* vs. 5.4 percent *non-life*).

As in most other countries, the *life/non-life* distinction is minimal, with one exception, at 17.4 percent, the telephone is the second most important purchasing interaction for *non-life*.

Gender differences are not as expected

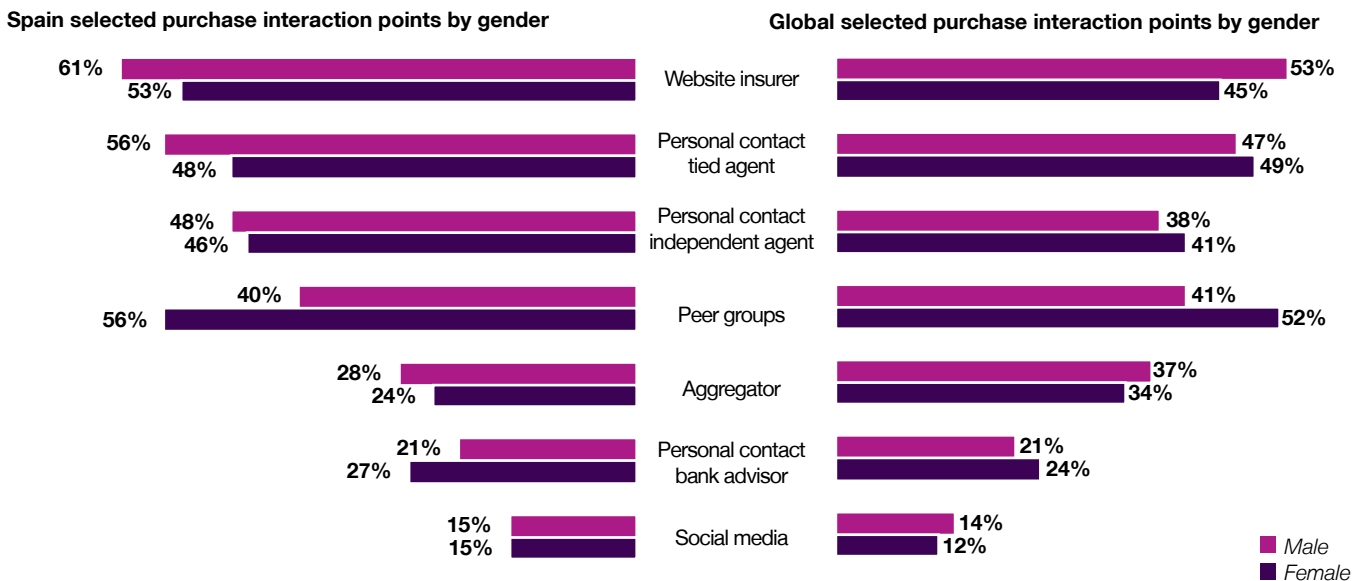
In our global survey, the gender distinctions in interaction point usage followed stereotypes: men tend to favor the more technological interactions (website, aggregator, social media), while women favor all the rest. In Spain, this isn't true, as Figure 17 shows. Women favor peer groups strongly, banks a bit, and men favor everything else. (Note that both women and men we surveyed make the purchasing decisions in their respective households).

Psychographics are evenly distributed across the population

Spain has the most even spread of *psychographic* segments of all countries – no segment is larger than 20 percent or smaller than 10 percent.

Implications

The even spread of *psychographic* segments fits well into the overall market structure – the broad diversity of insurers mirrors the diversity of customers they serve. Considering this even spread, prescriptive recommendations make little sense. Spanish insurers – even more than others elsewhere – have to carefully define the customer segments they want to address, collect data about their interaction behaviors, their attitudes and what they value, and then tailor their strategy accordingly. The warning that one size doesn’t fit all is especially valid in Spain.



Source: IBM Institute for Business Value survey data 2010, Spain n=830, global n=21,740.

Figure 17: Gender differences in Spain are other than expected.

The country view

Sweden

Overview

This is the first time we have included Sweden in an IBV Insurance study. It is a highly mature market with an insurance *penetration* of 8.4 percent, with three quarters of the insurance business in *life* insurance, in large part due to the structure of the pensions system which has large insurance components. Sweden has the highest Internet penetration in the European Union at 92.9 percent.³⁹

Key findings

Swedish consumers are the most multi-modal

When shopping for insurance, today's consumers use more than one interaction point at the same time – on average three. (Global 3.1, Europe and mature markets 2.95.) Swedish consumers, on the other hand, use almost four interaction points simultaneously (3.7).

Internet trumps personal relationship

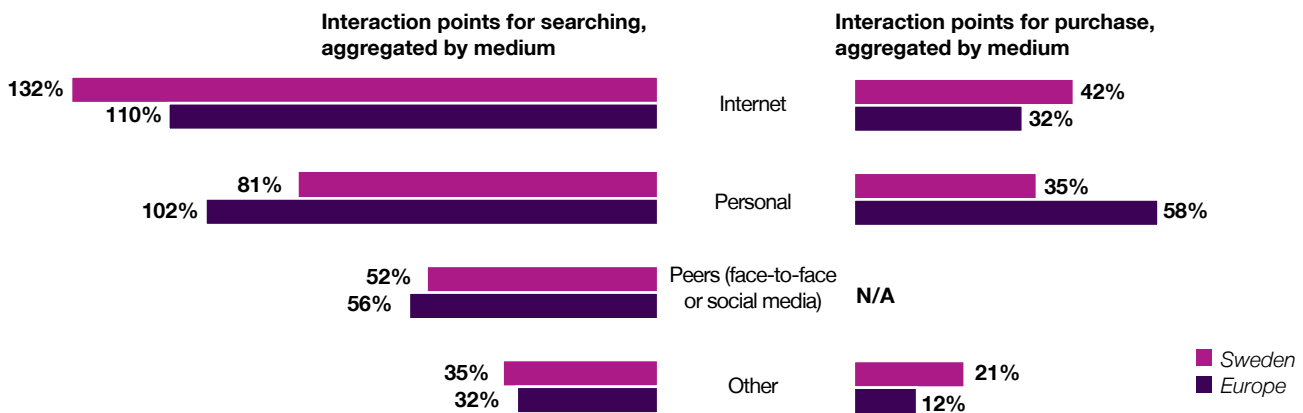
Sweden is one of only two countries in the study where the Internet interaction points were more important than the personal ones. Figure 18 shows an (aggregated) comparison of Sweden to Europe for search and purchase. In both cases, direct Web leads overall (71.8 percent search, 28.1 percent purchase), with tied agents being the most popular personal interaction point (45.3 percent search, 21.8 percent purchase). Telephone purchases are at 17.5 percent.

It is not all about price

While Sweden does have the second highest percentage of price sensitive *psychographic* types in the study (30 percent *price-oriented minimalists*, 23 percent *informed optimizers*), they also have a fairly large segment of *loyal quality-seekers*, the “traditional” insurance customers. If we just look at A-Customers (those with potential high profit), that percentage jumps to 41 percent – much higher than the global average of 28 percent.

Implications

It seems somewhat surprising that Sweden, a Nordic culture generally characterized by emphasis on consensus,⁴³ is one of the few countries in which personal interaction is used less than online interaction. On the other hand, these interaction patterns might be what the future in a disperse-populated modern insurance market could look like: a strong reliance on Internet for search with a fairly balanced purchasing behavior, possibly with some gains in peer group information gathering through social media. It will be important for Swedish insurers to keep, or gain the flexibility to add any new, currently unknown, future interaction points into the mix. For that flexibility they will need both a good front and back-office infrastructure, and an open multi-modal strategy that integrates not just technology but also usage policy and messaging for any interaction point they might want to use.



Note: Other (Search) = Journals, Ads, Mail and Apps. Other (Purchase) = Telephone, Retailers, Mail, Apps, n=800, n=9693

Figure 18: Swedish consumers prefer the Internet over personal insurance interaction.

The country view

United Kingdom

Overview

Consumers in the U.K. are different from the rest of our sample. While other countries are merely perceived as price conscious, in the case of the U.K. market, our data actually supports this perception. The market is highly mature, with the highest insurance *penetration* in Europe (12.4 percent – third in the world behind Taiwan and South Africa). Over the last few years, professional personal interaction is firmly in the hands of brokers and Independent Financial Advisors (*IFA*), with commissioned tied agents all but disappearing. This interaction landscape is likely to change in the near future as commissions for *brokers* and *IFAs* will be banned in January 2013.³⁹

Key findings

UK consumers actually are price sensitive

The price sensitive *psychographic types*, *price-oriented minimalists* and *informed optimizers*, make up slightly more than two thirds of the total respondent sample (67.1 percent), which is 14 percentage points higher than the next country, Sweden. Almost 74 percent of U.K. respondents state that they look for “best price” rather than “best value” when shopping for insurance, and 61 percent say they regularly scan the market and are prepared to switch when another insurer offers more for the same money – one of only two countries where this is the case.

The higher the price sensitivity, the more Internet matters

Internet interaction points have a much higher importance for U.K. consumers than elsewhere. For searching, online interaction points are used 2.5 times as often as the personal ones (*agent, IFA/broker* and *bank*), at 156.8 percent vs. 60.9 percent for searching and for purchasing almost twice as much at 52.2 percent vs. 29.2 percent. Looking one level deeper, the U.K consumers follow the pattern that “openly biased” interaction points have a better lock-in. While 70.4 percent use an aggregator as one of the means to search for insurance, only 20.3 percent bought their specific coverage there, compared to 59.4 percent who used a direct insurer website for searching and 31.9 percent for purchasing.

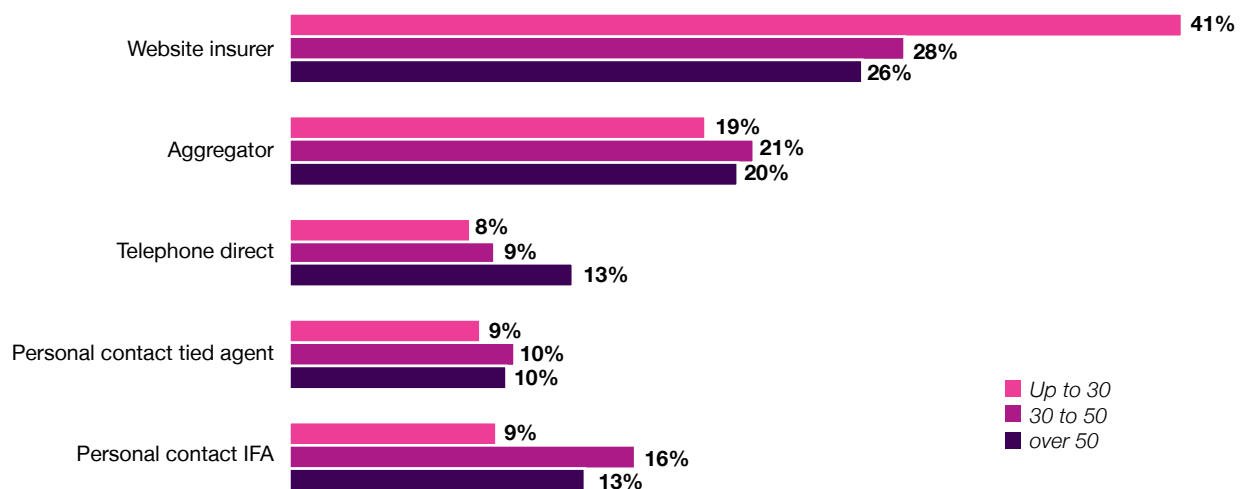
Interaction is different for life and non-life

The U.K. is also an insurance market where the line of business – *life* versus *general insurance* – matters more for interaction point usage. For example, when searching for *general insurance*, respondents use online interaction points 33 percentage points more than when searching for *life*, whereas personal interaction points are used 23 percentage points less. This strong difference might be a function of price sensitivity, as we find a significant correlation between *life/P&C* interaction difference and the price sensitive *psychographic types* ($r=0.57$).

Implications

From our data, we are left to speculate whether price sensitivity is the cause or the effect; whether it shaped the market or the market shaped this behavior. What we can say is that the differences between the U.K. market and the rest of the world are likely to grow stronger over time. The young generation tends to use the direct Web more everywhere, but the increase we can see in Figure 19 is by far the largest of all countries in our sample.

For insurers, there are two basic approaches; compete on cost and price and commoditize the product, or differentiate on quality. Generally, providers seem to prefer the former, and the data seems to agree. Interestingly though, when we interviewed a focus group of consumers in London for a previous study, almost the whole group complained about the lack of quality in UK insurance, both in claims and in service. We can only speculate whether a value-oriented strategy with higher than average prices would work, but since only few insurers can be cost leaders, it might be worth contemplating. From an interaction standpoint, this would mean re-personalizing relationships, maybe using new approaches with “Internet agents”. The ban on commissions will mean that costs cannot be easily hidden in the premiums anymore, so insurers (and *independent agents*) will have to focus on the actual value they provide to the consumer and to each other, namely real advice and service.



Source: IBM Institute for Business Value survey data 2010, n=1,600

Figure 19: Young British consumers show a strong trend towards direct Internet interaction.

The country view

United States

Overview

Similar to German consumers, U.S. consumers have the reputation of being extremely price sensitive, especially since the economic downturn in 2008.⁴⁴ But as in previous studies on consumer attitudes towards insurance,⁴⁵ our data does not support this contention. While the price sensitive *psychographic types*, *price-oriented minimalists* and *informed optimizers*, are above average (43.2 percent compared to 35.1 percent globally), U.S. consumers are 20 percentage points below the most price-oriented country (the U.K.) and rank fifth of the 20 countries we surveyed.

Key findings

American consumers are more person-oriented than other mature economies

American consumers are actually fairly person-oriented in insurance matters. For searching, the personal sales interaction points (agent, broker, bank in any combination) were used by 108.6 percent of respondents (global average here is 109.6 percent, average of mature economies 102.1 percent), compared to only 98.2 percent who used any of the online interaction points for searching (97.4 percent globally, 110.3 percent mature markets). While a few years ago, Internet interaction saw rapid growth in the U.S., studies from outside IBM have shown that these anonymous interaction types seem to have reached their peak level and are not growing any more.⁴⁶

Tied interaction has higher lock-in than independent

When looking at actual individual interaction point usage, the U.S. highlights one of the points we made in the main study, i.e. that interaction points tied to a single insurer are more successful at locking in the sale. While *independent agents* lead *tied agents* in searching (50.6 percent vs. 47.5 percent), they fall to second place behind *tied agents* as sales interaction point (27.3 percent vs. 31.4 percent). Aggregators show an even stronger drop. For searching they are almost even with direct websites (38.2 percent vs. 41.2 percent) but far behind in sales (6.7 percent vs. 18.9 percent).

Interaction differences across lines of business are small

As in almost all other countries, the differences are small when comparing interaction in *life* and *P&C* (see Figure 20.) Only two stand out: *Independent agents* are much stronger in *life*, but surprisingly the difference doesn't go to aggregators, but rather to direct insurer websites for *P&C*.

Implications

It is our contention that the fragmented nature of the U.S. market with 50 different regulators add to the misperception of a highly price-oriented, non-personal insurance consumer. Just moving over a state line requires customers to get new insurance for motor vehicles and property which in a mobile society can adversely affect retention rates. A proposed federal charter would allow consumers to remain loyal to the sales and service people they have come to trust.

It is interesting that despite the growing trend toward social business in the U.S., social media is not a major interaction possibility for insurance (at 8.7 percent, the U.S. is below the mature market average of 9.5 percent). If insurers could tap into this potential, and provide consumers simple, non-bureaucratic support when relocating, it may help them overcome the aforementioned fragmentation. Social media provides many clues about life changes, but as mentioned in the implications for other countries, insurers should see this as a way to build relationships and trust and not as an intrusive sales opportunity. This use of social media could be a good investment, as the cost of conducting social business is fairly low.



Source: IBM Institute for Business Value survey data 2010, n=1,603

Figure 20: Interaction differences across lines of business are small in the U.S.

Conclusion

In a previous study, “Balancing the scales”, we concluded that a one-size-fits-all approach for insurance across regions does not work, because insurance is a local business and likely to stay that way for the foreseeable future.⁴⁷ Part of the reason for these differences lies in market structures, but the major portion is due to differences in customer behavior. The consumer characteristics described in the twenty preceding chapters enhances this view; while there are some similarities between countries, the differences between even geographical neighbors are significant enough to make a variation of interaction strategies necessary – one size will not fit all.

Three key findings and their implications that recur in many countries are worth highlighting:

- Ultimately, insurance interaction is personal. People prefer to buy from people, and insurers should accommodate that preference. They shouldn’t necessarily extend only agent sales channels, but also make the online interaction points personal and bring the information that is available about a customer or prospect to all relevant touch points quickly and seamlessly. People that feel valued are more likely to renew and to act as advocates.
- Social media can be a valuable interaction tool, if done right. Just opening a page, and waiting for somebody to come will not work. Community management has to be active, responsive, and non-intrusive. People don’t join social networks to be pitched to, but to share and receive information. A community has to grow – investment cost is low, but this is not a business case that will lead to quick wins. Insurance might need a culture change before social media can work on a broad scale, but as we see some promising examples, it is clear that providers are capable of being social businesses.

- While changes in interaction are originating with the younger generation – the Digital Natives – these changes are smaller than some may think. Some trends are clear though; young people are getting used to making their own comparisons. They prefer tied agents over brokers and direct websites over aggregators – in both cases openly biased information over reputedly independent information. For insurers, this means transparency – what is behind the information – is becoming more important. For the independent intermediaries, on the other hand, this means that relying on their independence is no longer enough, they have to differentiate themselves more with actual and transparent value-add to consumers. This differentiation is especially important in the many countries that are introducing no-commission laws. When advice suddenly comes with a clear price instead of one hidden in the commission and higher premiums, consumer will be reluctant to pay if it is not clear there is value.

Whatever consumers prefer, whether across a country or within a specific target customer set, insurance executives should not rely on intuition. The needed consumer information is available to them, whether stored in backend databases or in the minds of their sales force. Insurers should mine that knowledge, refine it into useful data, analyze it and then draw actionable conclusions. They should take the time and effort to view insurance consumers through a demographic lens.

About the Author

Christian Bieck is the global insurance leader for the IBM Institute for Business Value. Christian is an economist by training and he has worked in various roles in the insurance industry in Europe before joining IBM as a process consultant and researcher. Christian is a frequent speaker on thought leadership and innovation at insurance events and workshops. He has authored various papers on insurance trends and implications, both for the IBM Institute for Business Value and for international insurance industry publications. He can be reached at christian.bieck@de.ibm.com.

Glossary

Note: Where possible, we avoided the terms themselves in the questionnaire and replaced or augmented them with the actual meaning.

Broker:

See “independent agent.”

Channel:

We used this term to mean both how respondents interact with their insurer (e.g. phone, Web, personal contact) and through whom they interact (e.g. agent, bank, retailer); interaction can be indirect or one-sided for the purpose of this survey (e.g. advertisements). In the report we generally replaced the term “channel” with “interaction point.”

Empowerment:

The degree to which a customer takes charge of the relationship with his or her service provider. We introduced the concept of empowerment in a previous study as a two-dimensional construct.⁴⁸ Empowerment ability is determined by extrinsic factors like infrastructure and the availability of technology; empowerment willingness is intrinsic and includes factors like trust and convenience-orientation.

General insurance:

See non-life and P&C.

IFA:

Independent financial advisor, see “independent agent.”

Independent agent:

Salesperson who sells for several insurers. Note that the legally correct term will be dependent on local regulation. In the UK, a broker sells only general insurance, an IFA sells life and related products.

Insurance density:

Insurance premiums per capita. Insurance density in 2010 was highest in Switzerland (US\$ 6,633) and the Netherlands (US\$ 5,845), with the global average at US\$ 627.⁴⁹

Insurance penetration:

Insurance spending as a percentage of GDP. In 2010, insurance penetration was 8.67 in the industrialized countries, 6.86 in the world overall.⁵⁰

Interaction point:

See “channel.”

Life:

Life insurance including term life, endowment, annuities and (private) pensions where covered by a life insurer.

Metropolitan:

Respondents living in large cities and associated surrounding belt. Generally includes less than 10 cities per country, with inhabitants ranging from more than 500,000 (the Netherlands) to more than 5 million (China and India).

Non-life:

Non-life insurance corresponds to the U.K. term “general insurance, personal lines”, it does not include health insurance. It is roughly equivalent to P&C (property and casualty).

Psychographic segments: A segmentation scheme using consumer attitudes and values as segmentation criteria. In this paper, we reference the segments derived in “Powerful interaction points.”⁵¹

- Security-oriented individualist (13 percent) – know what they want and prefer to self-organize
- Demanding support-seeker (12 percent) – high-maintenance customers, picky but not price-conscious
- Loyal quality-seeker (19 percent) – the “traditional” agent customer, loyal and not inclined to experiment
- Price-oriented minimalist (18 percent) – the prototypical Internet customer who buys simple and standardized products
- Support-seeking skeptic (21 percent) – needs advice but does not trust industry at all – hard to sell to
- Informed optimizer (17 percent) – other highly price conscious type, but with stronger value orientation.

Percentages refer to total global responses.

P&C:

Property and casualty insurance. Roughly equivalent to non-life minus health insurance.

Rural:

Respondents living in villages or towns. The number of inhabitants for towns is dependent on country size – up to 100,000 for most countries in Europe, up to 300,000 for the largest countries like the U.S. or China.

Tied agent:

Salesperson who sells for only one insurer. This includes agents, branches and other forms of employed sellers. It does not include bank advisors.

Urban:

Respondent living in towns or cities, larger than rural and smaller than metropolitan (varies per country).

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