

## Trust, transparency and technology

*European customers' perspectives on insurance and innovation*

*Insurance value propositions usually focus on a product-oriented view. But what do buyers of insurance really value in insurance? By surveying 2,400 customers across six European countries, we found that THE insurance customer and THE customer value do not exist anymore, if they ever did. Insurers who take into account the varied attitudes, values and resulting actions found in today's markets will have an edge in reaching tomorrow's customers – and retaining them, despite ever fiercer competition. To achieve this, insurers will need to master trust, transparency and technology.*

In the insurance industry, “customer value” is often used as a synonym for “customer equity,” taken to mean the value a person or group brings to the company. Despite all talk about customer centricity, the true sense of customer value – the benefits of a product, service or relationship as perceived by the customer – and its importance to the industry are seldom realized.

In the study “Insurance 2020: Innovating Beyond Old Models,” we described the customer of the future as active, well informed, and willing to reward insurance market players who develop new product designs and models of operation.<sup>1</sup> But how do we know? Where are the indicators that point in this direction?

We asked the customers themselves. Concentrating on six European markets, we surveyed a broad sample of insurance customers on their attitudes, experiences, values and resulting actions toward and with insurance. The results show three success factors that are crucial for the relationship between customer and insurance company: trust, transparency and technology.

Our data clearly shows: the customer does not exist. Customer segmentation based on purely socio-economic criteria only shows part of the picture and a single European marketing strategy is likely to fail. To be successful in the long term, insurers will have to really listen to their markets and take a good look at customers' attitudes and values.

### How customers differ

Customers “think” insurance differently and want to be treated in different ways. Insurers have been trying to cope with this diversity by using specific marketing campaigns to target select customer segments, based mainly on socio-economic parameters like age or income. Our analysis of customer attitudes and values shows: whether someone hunts for the cheapest offer, or looks for convenience and service, or is open to usage-based insurance (UBI) offerings does not depend on demographics, but on his or her specific patterns of attitudes and value perceptions. The overall spread of these patterns is determined by cultural and national differences.

Customers can be grouped into five different segments or types of customers, depending on their general attitudes and value drivers: support-seeking individualists, product optimizers, uninterested minimalists, price-sensitive analyzers or relationship-oriented traditionalists (see Figure 1). Some need an advisor whom they can trust, like the individualists and traditionalists; others primarily look for excellent products (optimizers) or hunt for good prices (analyzers).

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FIGURE 1.  
**The five customer types.**

Cluster	Support-seeking individualists	Product optimizers	Uninterested minimalists	Price-sensitive analyzers	Relationship-oriented traditionalists
<b>Percentage of total</b>	20.3%	26.7%	8.2%	17.6%	27.1%
<b>Key theme</b>	"I want competent help for my personal needs"	"I want a great product"	"I want to be left alone"	"I want the best bargain"	"I want somebody I can trust"
<b>What do they seek from and see in insurance?</b>	<ul style="list-style-type: none"> <li>• Rely on external expertise to find out what they need</li> <li>• Trust in people, not in the institution</li> <li>• Want transparent, uncomplicated, personalized products and services and are willing to shop around for them</li> </ul>	<ul style="list-style-type: none"> <li>• Want to have their special needs met</li> <li>• Are willing to pay both in price and privacy to receive convenience and quality</li> <li>• Need a strong institution behind the product</li> </ul>	<ul style="list-style-type: none"> <li>• Require as little contact as possible</li> <li>• Need insurance to be low-priced, quick and transparent</li> </ul>	<ul style="list-style-type: none"> <li>• Know what they need</li> <li>• Seek information, not advice</li> <li>• Shop for the best value for their money</li> <li>• Are willing to buy standardized products</li> </ul>	<ul style="list-style-type: none"> <li>• Rely on external expertise to find out what they need</li> <li>• Want transparent and uncomplicated services</li> <li>• Want to know they are covered well, preferably from one source</li> <li>• Value solidarity</li> </ul>
<b>Success factors</b>	Trust Transparency	Trust Technology	Transparency Technology	Transparency Technology	Trust Transparency

Source: IBM Institute for Business Value and I.VW University of St. Gallen 2007 Insurance Study.

These customer types do not just represent the wide range of different value perceptions in the market, they also give a clear indication of the required corresponding success factors for the value propositions insurers should supply. The meaning and use of each single success factor – trust, transparency and technology – differ by customer type.

### Looking forward: The next steps

Despite globalization, the customers of the future remain nationally diverse and multi-dimensional. On one hand, single strategies for insurers are not likely to work; on the other, this will provide opportunities for many market players to operate profitably. We can show some traits that should be developed today to succeed in tomorrow's customer-centric environment:

- Flexibility: No matter what customer type or mix an insurer intends to target, the underlying ability to tailor products,

processes and organization to that clientele's specific needs is essential. Start early; increasing flexibility is a long process.

- Personalization: Customers need to feel that they matter, so insurers should create meaningful touch points to generate positive experience.
- Experimentation: In all industries, successful companies are those that are willing and able to think "out of the box." The very definition of experimentation is "to do something to see what happens."
- Community: The general animosity that people feel toward the insurance industry needs to be actively reduced. To this end, the spectrum of people with common attitudes needs to be explored and each leveraged appropriately.

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### Reference

- <sup>1</sup> Bisker, Jamie and Christian Bieck. "Insurance 2020: Innovating beyond old models." IBM Institute for Business Value. May 2006.