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Growing Customer Loyalty in the light of Digitalization

A study on the Swedish P&C Insurance Industry

Master's thesis in Management and Economics of Innovation

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Abstract

Problem: After a long period of enjoying uncontested customer access, traditional insurers are now facing the threat of new technology driven start-ups that have started to appear in the Swedish insurance industry and that is distorting the competitive landscape. With many market actors believing that digitalization will ultimately change the value creation chain of insurance by enabling new interaction channels, new business processes and new products, it is becoming increasingly important for insurers to facilitate customer loyalty.

Purpose: The purpose of this study is to understand the managerial view of what challenges and opportunities digitalization poses on the Swedish insurance companies' ability to consolidate customer loyalty. Given the results, this study endeavors to propose solutions to Swedish insurers on how to approach the identified challenges.

Theoretical framework: The theoretical framework first describes the importance of customer loyalty and its implications. This is followed by a description of how to measure customer loyalty, with a focus on various Key Performance Index (KPI). Finally, the theoretical framework describes the use of the eight factors, or "8c's", that have an impact on customer loyalty, namely: customization, contact interactivity, cultivation, care, choice, convenience, character and community.

Method of data collection: This study is primarily based on ten in-depth, semi-structured interviews with managers from various insurers active on the Swedish market working in customer relations or digitalization. For this purpose, an interview guide was drafted, outlining the main talking points. All interviews were conducted over the phone, save for one face-to-face interview. The primary data was triangulated and contrasted by secondary data collected from various white papers authored by internationally leading management consultant firms.

Findings: The findings have been divided into two categories. First, the primary findings from the interviews conducted with managers in Swedish insurance companies. Second, the secondary data collected from consulting white papers that describe the international insurance market and the customer perspective. Both categories present the respective sources' take on how customer loyalty is defined and how they measure it. Given their response, the information received was then analyzed and presented according to each of the 8c's.

Conclusion: The results have unveiled a wide spectrum of challenges associated with growing customer loyalty; from the mismatch between the insurers' definition of customer loyalty and how they measure it, to the current rewarding of disloyalty. An additional significant finding is the urgent need to facilitate trust in the customer-firm relationships in order to increase the customers' willingness to share their personal data with the insurers.

Key words: Digitalization, InsurTech, Swedish Insurance Industry, Property and casualty, Insurance, Customer Loyalty

Concepts and definitions

Digitalization	“the integration of the analogue and digital worlds with new technologies that enhance customer interaction, data availability and business processes.” (Eling and Lehmann, 2017, p. 5)
Property and Casualty (P&C) Insurance	Property and casualty insurance cover and protect the personal items that individuals own – for example a home or a car - and also provide liability coverage to individuals found legally responsible for accidents causing injuries or damages towards other individuals and/or property (Allstate, 2017). In Sweden P&C is usually referred to as ‘SAK-försäkring’
Customer Loyalty	“Loyalty is a positive belief, generated over the course of multiple interactions, in the value that a company and its products or services provide, which leads to continued interactions and purchase over time”(Oracle Corporation, p.5, 2005).
InsurTech	“InsurTech refers to the use of technology innovations and digitalized processes to generate new business opportunities, increase quality, savings and efficiency at various value-added steps in the insurance industry model” (Puertas et al., 2017, p. 14).
Policy	“A written contract ratifying the legality of an insurance agreement” (National Association of Insurance Commissioners, 2018).
Policy premium	“Money charged for the insurance coverage reflecting expectation of loss.” (National Association of Insurance Commissioners, 2018)
Claim	“A request made by the insured for insurer remittance of payment due to loss incurred and covered under the policy agreement” (National Association of Insurance Commissioners, 2018).
Comprehensive car insurance	“Comprehensive insurance is a coverage that helps pay to replace or repair your vehicle if it's stolen or damaged in an incident that's not a collision. Comprehensive typically covers damage from fire, vandalism or falling objects (like a tree or hail).” (Allstate, 2017).

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1. Introduction

This chapter attempts to contextualize the climate in the insurance industry by presenting the background and the research problem. Moreover, this section will present the purpose of this study, the research question, the delimitations and scope, as well as the thesis structure.

1.1. Background

The digital age has impelled strategic dilemmas across all industries and sectors in society (Kulatilaka and Venkatraman, 2001; Swaminathan, 2016). To this day, data amounts are growing and the technologies from Information and Communication Technology impact and transform all areas of the economy (Albach et al., 2015). Digitalization refers to the impact of digital technologies on business models, activities and processes (Gartner, 2018). Companies' current market positions are under threat and are facing transformation processes steered by an unpredictable future and an ever-changing present. Meanwhile, the digitalization process has the potential to generate new value-adding opportunities and create new revenue streams (Andersson *et al.*, 2018).

Since the financial crisis in 2008-2009, the financial industry has seen stricter regulations, a drop in consumer trust and several technological advancements (Puertas et al., 2016). To this end, retail banking has seen some huge disruptions throughout the 2010s (McKinsey & Company, 2015). As opposed to banking and bank-related sectors, the insurance industry has been lagging in their digital transformation journey. However, more recently, similar forms of disruption have begun to surface also among the insurance companies (Nicoletti, 2016). The traditional incumbents are now facing new competition by pioneering technology innovations (Scardovi, 2017).

With an altered industry, climate imposed by digitalization, and the fact that insurers operate in a mature market, competition can be intense (Levitt, 1965; Porter, 1980). In addition, there is an added threat of losing customers to other companies offering equivalent products as consumers will invariably have the fortune of being able to pick and choose between several alternatives (Levitt, 1965; Porter, 1998). For this reason, focus should be directed at creating, managing and maintaining a portfolio of profitable customers by harvesting stable customer-form relationships (Matis and Ilies, 2014). Moreover, firms engage in customer relationships since it can provide consumer insights that in turn that can enhance the firm's ability to develop attractive offerings (Hunt, Arnett and Madhavaram, 2006) differentiate products (Bharadwaj, Varadarajan and Fahy, 1993), reach larger profit margins and grow customer loyalty (Keller, 1998). Effectively management of customer-firm interactions means that the company intentionally works to develop, establish and discontinue customer relationships on a mutual basis so that competitiveness can be generated (Henning-Thurau and Hansen, 2000). In other words, relationship management pose a win-win situation for customer and firm (Kumar and Reinartz, 2012). Even so, if the relationship depreciates, so will the value of company. Therefore, it is of great importance for firms to have processes for relationship development with the emphasis to increase the value proposition for their current customer base and also to attract and acquire new customers (Gordon, 2013).

1.2. Research problem: Growing Customer Loyalty in the Swedish Insurance Industry

The insurance industry generally serves as an important part of national economies, where insurances enable individuals and companies to obtain financial protection against various types of risks at a reasonable cost. In Sweden, there are 355 registered insurance companies (Svensk Försäkring, 2017). The

industry in Sweden employed around 21,000 people in 2017, invested 4606 BSEK in the global economy and generated a premium income of 346 BSEK. The main sub fields in Sweden are Property and Casualty (P&C) insurance, Life insurance and Pension insurance. The Swedish P&C insurance market is highly saturated, with 96% of all households in Sweden covered by a home insurance, amounting to a total of 5.5 million home and house insurances. Moreover, the motor third-party liability insurance is mandatory for all registered vehicles, covering 5.9 million vehicles, while the comprehensive car insurance covered about 6.8 million vehicles in 2016. The market is effectively an oligopoly, where the four largest actors, Länsförsäkringar, IF, Folksam and Trygg-Hansa, together hold 80% of the P&C market (Svensk Försäkring, 2017). The P&C market can be divided into further sub-fields with the most occurring insurances are in traffic and motor with 37% of the 2017 P&C gross premium, followed by household and homeowner with 21% and business and real property with 18%. The total P&C gross premium amounted to 80 BSEK in 2017 (Svensk Försäkring, 2017).

Up until recently, traditional insurers had enjoyed virtually uncontested customer access. However, following the digitalization process, new technology-driven start-ups have started to appear in the Swedish Insurance industry and disrupted the competitive terrain. For example, the way insurances are delivered and how insurance products are composed is being altered by digital tools and technologies (Puertas *et al.*, 2017). There is an assumption among market actors that digitalization will ultimately change the value creation in the insurance industry, since the latter facilitates new ways to interact with customers, new business processes, new products and new risks (Catlin *et al.*, 2015). When it comes to embracing digitalization and responding to attacks from non-traditional competitors, incumbent insurers face the constraints of slow-moving legacy IT-systems, central support functions, heavy regulations and cultural resistance (Scardovi, 2017). Moreover, the intensified competition and new IT-development generated by the digitalization has created a climate where competing on price- or quality leadership is not enough to stay competitive. That is to say, firms need to strengthen their customer relationships (Kuusik, 2007). The nature of customer relationships and creating business value (profit) is embedded in the concept of customer loyalty. Customer loyalty is beneficial in the way that it lowers customer's sensitivity to price, thereby reducing spending on attracting new customers and improving the firm's profitability. The longer companies manage to sustain good customer relations, the larger profit the customer will generate for the company (Tsai, Tsai and Chang, 2010). This exposes an impending urgency for the insurer managers, namely to nurture the customer-firm relationship and foster customer loyalty (van Doorn *et al.*, 2010; Ramaseshan, Rabbanee and Tan Hsin Hui, 2013).

1.3. Purpose and Research Question

As elaborated in the literature review in chapter 2 of this study, the extant literature on the insurance industry in particular regard to the relationship between the new, digitalization-imposed, climate and the challenges created to build customer loyalty is obscure at best and lacking at worst. Therefore, the purpose of this study is to provide empirical evidence on the managerial view of what challenges and opportunities digitalization poses on the insurers' ability to gain and maintain customer loyalty. In particular, this study seeks to answer the following research question:

RQ 1: What are the managerial perceptions of challenges and opportunities to grow customer-firm relationships in the light of digitalization?

1.4. Delimitations and Scope

The scope is limited to the P&C insurance industry in Sweden, comprising of P&C related products and services. Further limitations are placed on business-to-consumers (B2C). The delimitations and scope were shaped in collaboration with supervisor from Differ Strategy Consulting AB and external supervisor from Stockholm School of Economics (SSE). The aim for Differ Strategy Consulting AB was to gain an understanding of the challenges insurers face in fostering customer loyalty.

1.5. Structure of the Thesis

This thesis is structured in the following way: Chapter 2 presents a literature review that highlighted the two most commonly discussed themes in the extant academic literature on customer loyalty. The first was “proactive retention” and the second was “digitalization”. These themes emphasized the importance of having customers stay loyal to their insurers. Chapter 3 contains the theoretical framework that elaborates on the concept of customer loyalty, how it is defined, what Key Performance Index (KPI) are used to measure it and a dissection of the various loyalty concepts through the “8c” framework. Chapter 4 presents the Industry paper and the interview findings. Chapter 5 discusses what the perceived challenges and opportunities are to foster customer loyalty in the age of digitalization. The findings are subsequently contrasted to the white papers devised by the consulting firms in addition to the theoretical framework set up for this study. Lastly, chapter 6 serves as the concluding analysis of the perceived challenges and opportunities for the Swedish P&C insurers to foster customer loyalty. The chapter concludes by presenting some academic recommendations, generalizability of results and recommendations for future research.

2. Literature Review: Customer Loyalty as a Key Concern

A literature review contains a combined objective and thorough summary along with a critical analysis of relevant existing literature relating to a specific topic (Hart, 1998). This literature review is based on a content analysis, conducted to discern patterns across available literature (Guest, MacQueen and Namey, 2012)

2.1. Search Strategy

The review was conducted by the authors with support from the external supervisor. A narrative review was selected with a purpose to critique, summarize and draw conclusions from a body of literature consisting of relevant studies addressing the research area. The review type's primary purpose is to provide a wide-ranging background, discern current knowledge and from its conclusion, frame an area of contribution for new research. A narrative review can help identifying gaps and/or inconsistencies in the existing literature (Cronin, Frances and Coughlan, 2007). The advantage of a narrative review is that it induces an understanding of the complexities surrounding the research area (Jones, 2004). Using the summaries, one can garner an understanding and establish a central interpretive overview (Kirkevold, 1997).

Although this study is a narrative review, it follows the guidelines presented by the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) statement for processing the reviewed articles (Liberati et al., 2009; Moher et al., 2009). Using the PRISMA guidelines will help structure the narrative review in a more rigorous way. The guidelines involve a four-phase flow diagram (*Identification, Screening, Eligibility* and *Included*) with the intent to maximize the quality of the inclusion criteria while at the same time also ensuring consistency and rigor in the data selection (Onwuegbuzie and Frels, 2016). The premise for this review was conducting a search in the Web of Science (WOS) database. An additional, identical, search was carried out in the SCOPUS database in order to fully exhaust all available literature in the area. This study sought to identify all modern English-language studies relevant to the field of digitalization and customer loyalty in an insurance company context.

The following inclusion criteria were selected throughout the identification process:

- Journals from the business management, economics, social studies, natural sciences, environmental studies or related disciplines;
- Published during the 2000s (i.e. between 2000-2018);
- Full-length research article (i.e. no reviews, meeting abstracts or proceeding papers etc.).

The inclusion criteria for the screening process were:

- No duplicates;
- Published in an indexed journal containing a "DOI-number";
- Published in the English language;
- Articles had to have received at least one citation if published January 2000 – January 2016. Articles published February 2016 - February 2018 (i.e. within the past two years from the point in time the review was conducted) were exempted from this rule as they were deemed too recent to have achieved a citation.

The inclusion criteria for eligibility were that the articles would in some way concern the following topic:

- Article mentioned “customer loyalty” or “customer satisfaction” and “insurance” in its abstract;
- Subject matter concerned loyalty and insurance companies in a business context, or equivalent.

Thus, entries mentioning more than one of the search terms (such as “customer loyalty”, “CRM” and “insurance”) in a way that did not connect the terms in a relevant context were excluded. Additionally, articles that mentioned “customer loyalty”, “CRM” and “insurance” peripherally, or in passing, were deemed irrelevant in this context and were excluded.

The journal articles were found using a pre-defined search string in WOS and SCOPUS. The subsequent procedure was that the articles were initially identified in each respective database (WOS and/or SCOPUS). The identification stage involved selecting qualitative studies written in scientific fields such as business management, social studies, economics, environmental studies, natural sciences or similarly relevant disciplines. The reason for including these scientific fields was that they discuss issues of relevance in regards to the impact customer loyalty has had on leading insurance companies from a business perspective. Due technological advancement, only articles published in the 2000s have been reviewed in order to ensure that the research is still relevant to the academic discourse. Moreover, only full-length research articles were included in order to safeguard comparability, which has excluded reviews, meeting abstracts, proceeding papers etc.

The following screening stage ensured that articles written in any language other than English were excluded along with potential duplicates. Moreover, this stage postulated that all included articles were published prior to February 2016 (i.e. two years prior to the date of the literature search) had to have had received at least one citation. This was to certify that the included articles had achieved at least some circulation in the academic community. Articles published more recent to this date were exempted from this criterion due to the lower likelihood of them yet having received a citation. In addition, only indexed articles (i.e. containing a “DOI-number”) were included. This was to ensure adequate article quality as well as full traceability.

Lastly, the eligibility stage stipulated that all included articles mentioned “insurance” AND “customer loyalty” or “customer satisfaction” in its abstract and that the subject matter of the article concerned CRM as well as insurance companies in a business context, or equivalent.

These steps were achieved by reading the abstract and keywords for each respective article. In the case of included studies, the full-length articles were reviewed. The main messages of each included article were subsequently summarized, along with each respective number of citations in WOS (or SCOPUS, if unavailable in WOS) below in Table .

The search strategy used the search string represented in Figure 1.

<p>TOPIC: ((customer* or consumer*) NEAR/3 (loyal* or behaviour or behavior))</p> <p>AND</p> <p>TOPIC: (insurance OR financ*) NEAR/3 (industr* or sector* or corporation* OR compan*)</p>

Figure 1 - Search strings

The search terms were selected in consultation with a senior librarian at an academic institution, specializing at creating pertinent academic search strings. This certified, in an objective manner, an

extensive inclusion of the number of relevant search terms. The search limits were set to include articles published in journals focused on disciplines including business, management, economics, environmental studies and/or engineering etc. No additional limits were set in regard to study design and/or time period in order to fully expend the possible search results. The search was conducted on February 22, 2018 and included a search period of all journal articles released in the 2000s.

The data extraction included all retrieved articles from the selected databases by importing them into EndNote X6. The results were subsequently controlled for potential double entries. Studies failing to meet the inclusion criteria (along with studies marked as irrelevant), were removed. The final sets of articles were then organized into an Excel table with full bibliographic references for each article. The data variables were:

- Type of journal;
- Number of citations;
- Country of publication;
- Country of author origin;
- Type of funding body (if any).

Admittedly, the exclusion of population control comes with a risk of bias in individual studies. This study has mitigated such occurrences through the use of a clear set of eligibility criteria at the outset of the study. Moreover, a “publication bias” indicates that results depend more on the tested hypothesis and less on the quality of research. This may result in undesired type-1 errors, or “false positives”, as the researcher may feel more motivated to publish results supporting a stated hypothesis than results that disprove it (Scargle, 2000). This is a salient problem among studies with small effect sizes. Still, this study has moderated this risk by the use of larger-scale studies that have provided for better representation of the area (Ioannidis, 2005).

2.2. Search Results

The literature review included 13 articles, out of 196 articles initially identified. The procedure for selecting the articles has been presented in Figure 2.

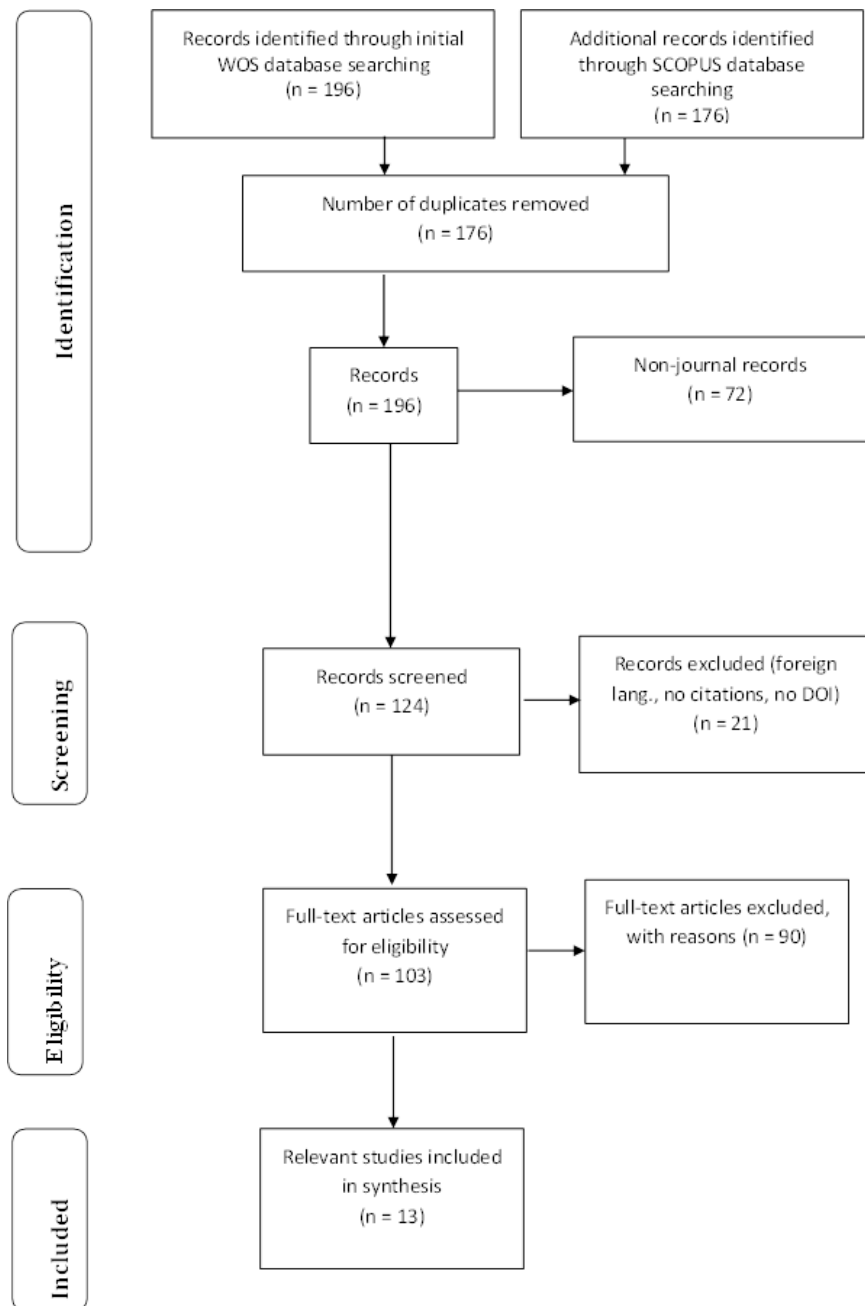


Figure 2 - Flowchart depicting the narrative literature review. Adapted from the systematic literature review by Moher et al., (2009, p. 3)

The initial search in WOS returned 196 results. At the same time, the search in SCOPUS returned 176 articles (i.e. a total of 372 articles). All returned articles were published within the time-span ranging from 2000 to 2018. However, all the articles retrieved from SCOPUS were duplicates and were therefore excluded from the study, pushing the total number of articles back to 196.

Narrowed down to only journal articles, 124 results qualified for the screening stage. Of these, six non-English language articles were removed. 10 articles published during the period covering January 2000 –

January 2016 were removed for not having procured a single citation. Five additional articles were removed for not having a DOI-number, thus leaving 103 entries qualifying for the eligibility stage.

At this point, the 103 abstracts were checked for words including “insurance” AND “loyalty” OR “satisfaction”. This resulted in 49 entries eliminated, with 54 remaining. Of these, an additional 41 were removed for lack of relevant context (i.e. did not touch upon the subject matter in a relevant matter).

The main findings of each of the 13 retrieved articles are summarized in Table 1. The first column identifies the article. The second column provides a brief summation. The third column lists the number of citations each article has received in WOS. The fourth column discloses which need the article emphasized the most. The fifth and final column designates an overarching theme to each of the articles.

Article	Synopsis	No. of Citations (according to WOS)	Main Needs/Problems Discussed	Main Recurring Theme(s)
Maydeu-Olivares and Lado, (2003)	Discusses how the addition of innovation degree, innovation performance and customer loyalty improve predictions of economic performance.	44	Relationship between customer loyalty and economic performance of the firm.	Proactive retention Competitive advantage Innovation
Brockett et al., (2008)	Looks at the customer side point of view, the study focusses on how characteristics of customer behavior can predict likelihood to cancel policies.	11	Relationship between customer behavior and policy cancellation (OR value chain operation).	Proactive retention. Consumer decision making process. Customer behavior tracking.
Guillen, Nielsen and Pérez-Marín (2008)	Discusses the process of customer loyalty- and risk monitoring and how using the process can help detect policy cancellation.	10	Relationship between customer behavior and policy cancellation (OR value chain operation).	Proactive retention Customer-centricity Customer behavior tracking
Nasco and Hale (2009)	Discusses why insurers should pay attention to more mature consumers. Investigates the service decision process of mature customers.	4	Relationship between customer behavior and policy purchase (OR value chain operation).	Customer value Proactive retention Consumer decision making process

Article	Synopsis	No. of Citations (according to WOS)	Main Needs/Problems Discussed	Main Recurring Theme(s)
Lin, Tseng, Hung and Yen (2009)	Investigates how customer value impact the CRM performance and the relationship among customer value, which are customer loyalty, customer satisfaction, customer behavior, and CRM.	12	The relationship between customer behavior and customer loyalty.	Customer-centricity Customer value Customer satisfaction
Yang, Tu and Yang (2009)	Probes the notion that customer dissatisfaction should be seen as an opportunity for encouraging innovation of new ideas rather than as a problem, as it may lead to the company developing new products.	11	The relationship between consumer dissatisfaction and innovativeness.	Customer satisfaction Innovation
Kantsperger and Kunz (2010)	Argues that benevolence is crucial for creating customer loyalty, customer trust and building customer relationships.	41	The relationship between customer attitudes and customer loyalty.	CRM Proactive retention Factors affecting customer loyalty Trust
Matute-Vallejo, Bravo and Pina (2011)	Contends that both CSR and price fairness contribute to growing customer loyalty.	36	The relationship between customer attitudes and customer loyalty.	Factors affecting customer loyalty Competitive advantage
Pérez, del Mar García de los Salmones and Rodríguez del Bosque (2013)	Investigates how the identification of and satisfaction with the company take part of the customer loyalty formation process	43	The relationship between customer attitudes and customer loyalty.	Customer satisfaction Factors affecting customer loyalty
Mende, Thompson and Coenen (2015)	Elaborates on how competitive advantage is perceived by customers and plays an important role in word-of-mouth intentions, especially when it comes to less-satisfied customers.	1	The relationship between customer attitudes and customer loyalty behavior.	Competitive advantage CRM
Ansari and Riasi (2016)	Found that customer satisfaction and customer's perceived value are predictors of customer loyalty	2	The relationship between customer attitudes and satisfaction on customer loyalty.	Factors affecting customer loyalty CRM

				Trust
Article	Synopsis	No. of Citations (according to WOS)	Main Needs/Problems Discussed	Main Recurring Theme(s)
Cambra-Fierro, Melero-Polo and Javier Sese (2016)	Argues that complaint handling can impact customer satisfaction and customer engagement.	1	The relationship between customer engagement and claims handling (OR value chain operation)	Proactive retention Customer value Customer satisfaction
Malliari & Sirkeci (2017)	Posits that customer attitudinal- and behavioral loyalty is dependent on customer satisfaction related to direct mail.	0	The relationship between digital tools (OR customer engagement) and customer loyalty.	Proactive retention

Table 1 - Synopsis and themes of retrieved articles

As seen in Table 1, the most cited article was Maydeu-Olivares and Lado, (2003) with 44 citations. The least cited work was Malliari & Sirkeci (2017), with no citations. The following recurring themes were discerned 1) “Proactive retention”, which, to one degree or another, entailed discussing the need of taking pre-emptive action in order to ensure that the customers stay within the company. 2) “Competitive advantage”, which discusses the concept of having an edge over one’s competitors on the market. 3) “Innovation”, discusses the concept/importance of new innovations brought on by digitalization. 4) “Consumer decision-making process”, discusses how consumers are involved (or not) in various decision-making processes. 5) “Customer behavior tracking”, discusses ways of monitoring changes in customers’ behavior in a way that can affect the insurance company. 6) “Customer-centricity”, discusses ways in which a service can be centered on a certain type of customer. 7) “Customer value”, discusses ways in which a good or a service generates a value to a customer. 8) “CRM”, discusses the ways in which a CRM system can be used and/or optimized. 9) “Customer satisfaction”, discusses factors that lead to, or affect the overall level of satisfaction among customers. 10) “Factors affecting customer loyalty”, discusses specific internal and/or external factors that in one way or another has a direct effect on customer loyalty. 11) “Trust”, discusses how the bond of trust between the insurer and the client is used to secure customer loyalty.

11 different themes recurred throughout the 13 studies. The most discussed theme was “Proactive retention” (discussed by 7 out of the 12 articles). This was followed by four articles respectively discussing the following themes. “CRM”, “Customer satisfaction” and “Factors affecting customer loyalty”. Three articles respectively discussed the following themes: “Competitive advantage” and “Customer value”. Finally, two articles respectively discussed the following themes: “Innovation”, “Customer decision-making process”, “Customer behavior tracking”, “Customer-centricity” and “Trust”. As evidenced by the results in Table 1 the most common theme discussed was “Proactive retention”, indicating that much of the extant research seeks to garner an understanding of concrete actions in order to ensure that the customers stay loyal to the insurer. As such, one can conclude that this is an area that is currently garnering a lot of traction in the academic debate. Nevertheless, a topic that the included articles neglect to address, are the managerial perceptions, in particular regard to the digitalization process, and how these are believed to affect customer loyalty within the insurance industry. For this reason, future research contributions in this space would be most welcome.

2.3. Limitations of Literature Review

The aim of this analysis was to investigate the most recurrent themes in the contemporary debate on insurance companies and customer loyalty by studying publications on the subject, with the intent of identifying the most pressing topics currently discussed. Thus, this study attempted to qualitatively assess all relevant journal articles. Hence, the articles investigated were not ranked in any way except by mentioning the number of publications found in each respective journal. This was only done in order to determine if there has been a distinguishable pattern in the publications. Consequently, the PRISMA flowchart depicted in Figure 2 omits the final, optional, phase of meta-analysis synthesis (Liberati *et al.*, 2009; Moher *et al.*, 2009).

3. Research Design

This chapter aims to describe the method adopted to conduct this study. This is a qualitative study that used a deductive-inductive, so called iterative approach. A reflective process where theory and was revisited in loops to gain insights and foster meaning (Srivastava and Hopwood, 2009).

3.1. Theoretical Framework

This section consists of three parts. Firstly, an introduction to the concept of customer loyalty; what it is, how it is defined and why it is important. Secondly, an overview of how customer loyalty can be measured and what common metrics the industry uses. Lastly, a dissection of the various loyalty concepts through the “8c” framework.

3.1.1. Customer Loyalty

Several scholars explain that customer loyalty is a key factor for the success of firms (Oliver, 1999; Krumay and Brandtweiner, 2010). There is a chain of benefits connected to customer loyalty, firms can gain profit and growth (Khan, 2013), whereas customers can gain an enhanced perception of service quality, experience and satisfaction (Lovelock, 1996; Chen and Ching, 2007). If the customer-firm relationship is strong, firms can increase revenues by having less price sensitive customers that; have repurchase intentions, share recommendations to other people (word-of-mouth), provide companies with sincere feedback and reduce the risk of customer switching behavior (Krumay and Brandtweiner, 2010). In other words, a strong relationship enhances consumer's commitment to do business with a company. Oracle Corporation (p.5, 2005) defines loyalty as “Loyalty is a positive belief, generated over the course of multiple interactions, in the value that a company and its products or services provide, which leads to continued interactions and purchase over time”.

Placing emphasis on the economic perspective of loyalty, Johnson et al. (2006) discovered that customer's intention to stay loyal evolves over time. The longer companies are able to sustain good customer relations, the larger profit the customer will generate for the company (Tsai, Tsai and Chang, 2010). Further, retaining a customer longer is less costly than to acquire a new one (Jones, 2010). Acquisition of new customers cost 5 to 10 times more than retaining old customers (Khan, 2013). Moreover, (Heskett *et al.*, 2008) explain how a customer base can be divided into 20 percent being very profitable, 20 percent costing money to retain, and 60 percent are self-sufficient while returning marginal revenue.

Similarly, as stated by the management guru Peter Drucker, “you can't manage what you can't measure.” (Singleton, Mclean and Altman, 1988, p. 326). Aksoy (2013) explained that for a firm to improve its customer loyalty, it must understand what makes a loyal customer. This, in turn, means having a clear definition of what customer loyalty is, because only then the right data can be collected, analyzed and actioned (Aksoy, 2013).

Research results from adjacent fields to financial services showed that high levels of Internet service quality impacts customer satisfaction, which in turn leads to enhanced customer loyalty and lower intention for customers to churn (Amin, 2015). There are three key elements that influence the ability of an institution to gain customer trust, reliability, transparency and engagement. Further, the quality of these elements serves as the foundation to customer loyalty. All three elements must deliver to satisfy the customer needs. The elements must be relevant, create value and support to the needs of the customers (Jones, 2010). Jones (2010) continues by advising financial institutions to go beyond being a financial partner to, instead, being a ‘lifestyle partner’. For example, they can increase the range of services and in that way increase the

number of positive 'touch points' (points of contact with customers) they have with their consumers. In short, it is time for financial organizations to support their customers lifestyle needs and wishes outside of the only selling financial products and services (Jones, 2010).

3.1.2. Measuring Customer Loyalty

CRM has been a focus for many firms to achieve higher profitability, in order to evaluate the quality of the initiatives to retain consumers and also increase their purchasing. KPIs can be used for firms to themselves on how much benefits they can gain from a customer (Borle and Siddhart, 2008). Commonly used key performance indicators (KPI) to track and analyze customer loyalty are customer retention (Mittal, V. and Kamakura, 2001), Share-of-wallet (Cooil, Keiningham and Aksoy, 2007), Customer Effort Score (CES) and Net Promoter Score (NPS) (Reichheld, 2006).

Retention and Churn

The measurement for the length of a customer-firm relationship is called retention (Mittal, V. and Kamakura, 2001). The latter is explained as a major challenge for insurers (Matis and Ilies, 2014). Several studies explain that a customer retention increase of 5 percent can lead to a 25-125 percent increase in profits (Kuusik, 2007; Cheng et al., 2011; Tu, et al., 2011). Brockett et al., (2008) found that the longer a customer stays with a company, the less likely they are to churn, to cancel their policy with the firm. Retention becomes of higher importance when a firm sells multiple insurance to the same customer (Brockett et al, 2008). Acquisition and retention of customers is costly in financial services (Jones, 2010). Therefore, it is central for financial service companies to figure out how to retain profitable customers, convert unprofitable customers to profitable and reduce time wasted on the costliest customers (Jones, 2010).

Share-of-wallet

Retention is closely related to share of wallet. Share of wallet includes cross-selling (sell a different product to an existing customer), up-selling (selling an additional products/services to generate more revenue) and conveys how large portion of the total insurance expenditure that the customer has with a firm (Reichheld, 2006). Cooil, Keiningham and Aksoy (2007) imply that increasing a customer's share-of-wallet is the primary path from retention to company profitability. Profitability increases concurrently with the customer's spending. Since customer satisfaction directly relates to customers repurchase intention, it is beneficial to enhance customer satisfaction level. Further, managers must understand the customer's share of wallet allocation before they start making efforts to improve satisfaction levels (Roberts-Lombard and Du Plessis, 2011).

Customer Effort Score (CES)

Customer Effort Score can be applied at a micro level. The KPI can be very relevant if the organization wish to transform operating models and processes towards a more customer focus. However, it might be of less relevance if a company already has well-functioning effortless customer interactions (Accenture, 2014).

Net promoter score (NPS)

NPS refers to customer's willingness to recommend the firm to family, colleagues or friends, so called word-of-mouth (Reichheld, 2006). NPS is measured by customers responding, on a scale from 0-10, where 0 is "not likely at all" and 10 being "extremely likely" to recommend the firm to a friend or colleague. The

respondents are clustered into three groups associated with predicted behavior. A nine or ten rating is a “promotor”, serving as the largest source of word-of-mouth referrals. A seven or eight indicates a “passively satisfied” customer. These mid-range groups have a considerably lower referral and repurchase rates than the promotors. The final group rating, zero to six, are “detractors”, i.e. the least likely referral or repurchase intentions. The final group serves for more than 80% of the negative referrals. The measure NPS is calculated by withdrawing the percentage of detractors from the percentage of promotors. Research has found a correlation between NPS and a company’s increase in growth rate (Reichheld, 2006).

3.1.3. The 8c’s

Srinivasan, Anderson and Ponnnavolu (2002) found eight factors, or “8c’s”, that impacted customer loyalty. The 8c’s are: customization, contact interactivity, cultivation, care, choice, convenience, character and community.

Customization refers to the insurer’s ability to tailor products, services and interactions to the individual customer. That is, its ability to identify a customer, their preferences and needs, as well as subsequent services or product updates. Personalization enhances the likelihood for customer purchase since the offer is tailored to the customer’s preferences. Furthermore, it can reduce frustration when navigating through customer channels or interacting with the company (Srinivasan, Anderson and Ponnnavolu, 2002).

Contact interactivity is the engagement dynamics between the insurer and the customer through their connected channels. Research has shown that interactivity has a significant relation to electronic commerce (digital channels) (Srinivasan, et al., 2002).. Therefore, it is important that digital customer channels are easy to navigate, that they provide sufficient relevant information and have instant response times. The availability and effectiveness of the digital channel must provide suitable customer support (Srinivasan, et al., 2002). Hoffman and Novak (1996) found that the process of navigating, facilitated by interactivity, increases the customer’s experienced freedom of choice and level of control. This study defines contact interactivity in terms of the channels an insurer offers and the type of services accessible to customers in those channels.

Cultivation refers to the ability of an insurer to provide the right customer information and provide incentives that result in more frequent and extensive purchases over time. Cultivation represents to what extent the insurers administer the learning and understanding of their customers and their future needs (Srinivasan, et al., 2002). This study defines cultivation as the efforts of an insurer to stimulate ‘cross-selling’, which means selling other products to a customer who has already purchased a product at the insurer.

Care denotes the services an insurer devotes to nurturing the customer relationship pre-, during- and post purchase or rendered service (Srinivasan, et al., 2002). Examples of customer care activities are notifications on payment deadlines and renewal of policies, bonuses for staying ‘true’ in retention and damage rate, information about new products, promotions etc. (Matis and Ilies, 2014). This study defines care as the extent to which the insurers provide customers with service during the life-span of their relationship.

Choice refers to the range and variety of products and services. Furthermore, it also refers to the additional offers in various categories presented to the customers, such as offers from partners that offer additional selections (Srinivasan, et al., 2002).

Convenience signifies to what extent a customer perceives the digital channel to be logical, simple, user friendly and capable of providing the desired help. All interaction done through the digital channels will represent the insurer. Therefore, it is important that the insurers hold short response times, facilitate easy and quick completion of desired help and minimize the customer's effort (Srinivasan, et al., 2002). Srinivasan et al. (2002) contends that this is the only one of the 8c's that does not significantly help the increase of customer loyalty.

Character refers to the design of the interface of the digital channel that can help insurers build a positive reputation in the customer's minds. Representing the overall image and perception a customer has for an insurer, also the customers "top of mind" (Srinivasan, et al., 2002).

Community describes how well the insurers can uphold a 'virtual community', which in turn can best be explained as a digital social entity consisting of potential and existing customers. This community is organized by the insurer to facilitate interactions in-between customers (Srinivasan, et al., 2002). Studies has shown that communities can have a positive impact on loyalty, since it can facilitate word-of-mouth, enable customers to share product information and compare experiences of the firm's services (Hagel and Armstrong, 1997). The virtual community has become one of the most important aspects in our society as customers can now easily acquire information regarding whichever product they are interested in by listing to other people's experiences of that product, which may in turn simplify the customer's decision-making process (Balasubramanian and Mahajan, 2001).

3.2. Data Collection

Both primary and secondary data was used for this study. The primary data was gathered through a set of interviews with 10 managers at 7 different insurance providers and 3 different insurance intermediaries offering P&C insurances. The secondary data was collected from strategy consulting firm-authored white paper reports released from 2014. The consultancy firms consisted of McKinsey, Bain & Company, Boston Consulting Group, PwC, EY, Capgemini, PA Consulting and Accenture.

3.2.1. Interview Data

Qualitative, semi-structured interviews were held with 10 managers from 10 different insurance providers or intermediaries offering P&C insurances. This study used semi-structured interviews since it offered a pre-built structure, while also offering some degree of flexibility (Bryman and Bell, 2015). A flexible interview construction permits the interviewer to deep-dive into interesting and relevant topics that may surface during an interview, while also offering the ability to ask follow-up questions as necessary. A qualitative interview approach can thus generate insights and build a profound understanding of the studied area (Shah and Corley, 2006).

An interview guide was used for all 10 interviews. The interview guide was devised based on the 8c's and sought to probe for questions relating the aim of the study and the postulated research questions. An initial pilot interview was conducted by one of the authors with an academic researcher in order to ensure comprehensibility and adequate pacing of the interviews.

All interviews were conducted by phone, save for one, who requested a face-to-face interview. The length of the interviews ranged between 46 and 62 minutes. The smartphone app Call Recorder version 5.40 was used to record all phone interviews and the app Voice Recorder version 2.0.13 was used to record the in-person interview. All interviews were subsequently transcribed verbatim by the authors.

3.2.2. Sample of the Primary Data

The study participants were selected using purposive sampling, which is a type of non-probability sampling design (Easterby-Smith et al., 2012). The inclusion criteria for eligibility of the interview subjects were that the individuals held managerial positions relating to digitalization and/or development of customer relationships at a P&C insurance provider or intermediary. Purposive sampling was deemed appropriate as the respondents needed for this study had to be experts in the desired field and sanctioned to speak on the behalf of the insurance company in question. Given the respondents' functions at each company, they had firsthand insight into the insurer's digital transformation processes and its effect on customer loyalty. 15 expert subjects were initially contacted via e-mail, outlining the premise and purpose of this study, with a subsequent request for them to participate in an interview. 10 agreed and are listed in the Table 2 below.

Firm Segment	Interviewee Title
Large incumbent	Manager of Digital Sales and Service
Large incumbent	Manager of Customer and Channels
Large incumbent	Manager of Customer Experiences
Large incumbent	CRM Manager
Small incumbent	CRM Manager
Small incumbent	Nordic Director of P&C
Small incumbent	Manager of Digitalization
InsurTech	Business Manager – Global Sales
InsurTech	CEO and founder
InsurTech	CEO and founder

Table 2 - Insurance company segments and interviewee titles

With the intent of guaranteeing the anonymity of the interviewees, yet making a distinction in-between the respondents, the persons interviewed were divided into the three segments illustrated in Table 2. The segments are defined as follows: 'Large incumbents' refers to the traditional insurers that are a part of the four actors holding 80% of the market. 'Small incumbents' account for <20% of the remaining market, while 'InsurTechs' account for <1% of the market. Specifically, 'InsurTechs' refers to actors who use new technological innovations and digitalized processes with the intent to generate new business opportunities while also increasing efficiency, boosting savings and/or bringing new value to the insurance value chain (Puertas et al., 2017).

3.2.3. Secondary Data

The secondary data consisted of information gathered from whitepapers authored by various management consultant firms. They were gathered for the purpose of providing context and contrast to the primary interview data. The secondary data provides the customers' view on the discussed topics as well as providing an image of the situation in the global insurance industry.

3.2.4. Ethical Issues

To address ethical issues and ensure that no harm would come to any of the participants, informed consent was secured from all interviewees (Easterby-Smith *et al.*, 2013). As such, they were treated with an extensive introduction of the study, after which they would give their expressed and recorded, consent to

participate. The interviewees were offered full anonymity and received information about the purpose, method and potential outcome of the study. Moreover, the respondents were informed in advance that they could terminate their participation at any time during the interview without consequence (although no one elected to do so).

3.2.5. Validity/Research Quality

The qualitative approach has been criticized by scholars for being subjective, hard to replicate, difficult to generalize and lacking transparency (Bryman and Bell, 2015). The criticism is grounded in how the researcher inevitably is biased of what he/she finds important, which in turn problematizes replication of the study. Another implication of this study is the snapshot in time it researches. As mentioned, digitalization imposes change on firms, and with time the speed of change enhances, therefore what is found relevant today might not be of importance tomorrow (Easterby-Smith et al., 2013).

External validity refers to the generalizability of transferring conclusions to another context (Easterby-Smith et al., 2013). This thesis has thoroughly described how it was conducted and has provided information about the industry, the problem, sample selection etc. in order to ensure that the reader has all information to decide whether the conclusions are applicable in a similar context. The result can be generalized on its extant contexts, namely the Swedish P&C insurance industry, but can possibly be extended to also encompass the Nordic market, while also serving as an indicator of the current challenges of growing customer loyalty in today's digital environment.

Internal validity refers to the credibility of the research design, the fit between research questions, method of data collection and conclusion (Easterby-Smith et al., 2013). To strengthen the internal validity in this thesis secondary and primary data have been used. Further, two pilot interviews were conducted on an academic expert and external expert to ensure relevance to the primary data gathering. The empirical findings have used a 'tell-show' structure, which enables the reader to determine whether the findings are accurate or not. This method enhances transparency of the conclusions, which in turn gives the reader the opportunity to scrutinize the results, so that they may review the internal validity of the stated results (Easterby-Smith et al., 2013).

Reliability refers to consistency of the findings (Easterby-Smith et al., 2013). Both authors of this thesis conducted the analysis individually, and then contrasted the results. That which was deemed irrelevant for the research questions was removed. The final topics of analysis were derived through consensus by the authors. An external expert has subsequently validated the analysis.

Objectivity refers to the degree of bias from the authors, whether the findings are objective and represent the results from the study rather than the point of view from the researchers (Easterby-Smith et al., 2013). By guaranteeing confidentiality to the interview respondents, the risk of bias has been reduced in regards to the interviewees' responses. In addition, all interviews were recorded and transcribed to further reduce influence from author bias. The interview guide can be found in Appendix 1 – Interview guide.

4. Empirical Findings

This chapter consists of two main parts, firstly, the primary findings from conducted interviews with managers in Swedish insurance companies. Secondly, the secondary data from consulting white papers which describe the international insurance market. The consulting white papers are used to benchmark, contrast and contextualize the primary findings from the interviews.

4.1. Interview Findings

In this part, the findings from the interviews have been presented according to the structure found in chapter 3 - research design. This section introduces the managerial perspective on Swedish insurers' definition of loyalty, KPIs as well as the 8c's.

4.1.1. Measuring Customer Loyalty

This section illustrates the interviewees' answers to how insurers define customer loyalty (illustrated in Table 3), what customer insights are gathered, what challenges there are to acquire new customers, reasons for customers to churn, what KPIs are deemed the most important and what makes a profitable customer.

Firm-Segment	Definition of customer loyalty	Used KPIs
Large incumbent	A customer that is aware that he or she is a customer, and aware why they wish to stay with us, so, it is a customer that makes an active choice to stay with us.	CSI Churn
Large incumbent	Customer loyalty is about staying, for a long time.	CSI
Large incumbent	When the customer chooses to buy more from us, both by signing a new deal and by expanding their current portfolio, and when the customers are willing to recommend us to others.	NPS Effortless
Large incumbent	I like to turn it around; a loyal company grows loyal customer. As a company you must be "real". We only have one purpose, that is to serve our customer and make long-term investments in them.	NPS
Small incumbent	When a customer freely and willingly chooses to stay with us, because the customer thinks we are better than our competitors.	CSI Retention
Small incumbent	A customer that actively chooses us as a supplier, prefers to stay with us and speaks well about us.	Response times NPS
Small incumbent	Customer loyalty has a double meaning. That the customers stay for a long time with their insurer. And that there is some sort of width to the customer's product portfolio.	#policies/customer Retention Duration
InsurTech	When a customer speaks positively about an experience they have had with their insurer. Just being a latent customer, is laziness.	Churn Acquisition cost

InsurTech	How long a customer stays and keeps paying their policy premium, so it is duration.	Duration Retention Churn
InsurTech	Customers that sign up for direct debit transactions, in this way, payments come about automatically. Not whether the customer is satisfied with their policy, only if the customer pays their premium.	Churn Retention

Table 3 - Customer loyalty definitions and KPIs

Acquiring new customers and churn

When it comes to reaching out to new customers an InsurTech provides customers with a referral program which enables sending out recommendations family and friends. Further, two large incumbents explained that they do not focus on acquiring new customers, rather, on selling more to their current customer base. One large incumbent highlighted the crucial ‘moment of sales’ and that a sale transaction should only occur once, afterwards the customer should stay with the insurer for the rest of their life. An InsurTech stated,

It is hard to have people understand our concept, we don’t have time to make one-hour phone calls to every Swedish person in the country to have them understand how it works. So, it is the pedagogic that are our biggest challenge. I am convinced that if everyone understood the concept, we would have half a million new customers by tomorrow.

A large incumbent expressed,

The biggest challenge is that we are in a ‘low interest’ industry, which makes our product relevant only during few occasions in the customer’s life. The challenge is to capture that timing, when our customers are susceptible for our services.

Another large incumbent explained that they try to acquire new customers by initially offer a free version of an insurance to a customer where a new need has arisen. The incumbent tried to cultivate that newly established policy by sending out relevant information related to the new need and motivate the customer to sign up for the ‘pay version’ of the insurance that will offer a more comprehensive protection. Furthermore, a large incumbent explained that comparison sites online have made it very accessible and easy to compare insurance companies, prices and policies. In these instances, price becomes the most crucial factor when customers purchase their new policy. Another large incumbent stated that churn does not correlate to digital services, rather how a customer is treated in a claims process, since that is a moment when the customer interacts with their insurer. Further elaborated that

it is a difficult question to answer why customers churn since it happens so rarely. However, I believe it happens during moments in life, when you move in with a partner, start a family, buy a new car etc.

Moreover, a small incumbent elaborated on high churn rates, that it occurs in the most transaction intensive product segments, the interviewee experienced auto insurance to be the product segment with the highest churn rates. Additionally, stated that the product categories with the lowest churn rate are those that take a lot of effort to change [i.e. sign up on a new policy]. In addition, provided an example of

personal insurance, if having signed a policy for sickness and casualty for a child the effort to change insurer is very high. The child would need to go through a health inspection at the doctors, there is a high likelihood that the insurers end up in a twist if something were to happen etc. Both large and small incumbent as well as InsurTechs explained that auto insurance is the most churn intensive since they are easy to compare, easy to sign and customers frequently buy/sell cars [in comparison to houses/apartments]. That the incentive to get a better offer increases with auto insurance since the cost to insure a car constitutes a large part of the cost to own a car is highlighted by a small incumbent. Moreover, an InsurTech described

There are two reasons for churn, one, the customer is dissatisfied with their customer experience during a claims process. Two, the need of their policy naturally ceases, for example, the customer sells their car and are no longer in need for an insurance.

A large incumbent stated that auto insurance has a high churn rate since it does not have an emotional connection to the customer and that it is convenient to sign up for a new policy. Another InsurTech also explained

There are two reasons for customers to churn, either the customer has had a poor customer experience when interacting with their insurer, or, the customer is a “price bargain hunter” and systematically looks for better deals at comparison sites.

A small incumbent stated that when the customer opens the invoice letter for their policy, that is when they sit down and start comparing new policy offers. An InsurTech expressed that they wish the customers with high risk habits to churn, since the policy premium is adapted after risk behavior, those customers will not afford to pay their premium anymore, and therefore, naturally churn. Further, elaborates that the customers with low risk behavior will be rewarded with low premiums and hopefully never churn.

A large incumbent stated that

I believe that customers churn since their premium has been increasing year after year, the customers start to look around for better offers, if they find one, they leave. Or due to dissatisfied outcome of an indemnification, that they didn't get the amount they expected or were denied a payment.

Another large incumbent and an InsurTech expressed that price, experience, and indemnification are the most common reasons for churn. A small and large incumbent explained that churn can also relate to quantity discounts, meaning that customers gain better offers if they gather all their insurances in at one supplier.

Key Performance Index

The following Table 4 presents the KPIs that were mentioned after asking the interviewees which their most important KPIs are.

	Large incumbent	Small Incumbent	InsurTech
<i>Customer Satisfaction Index</i>	II	II	
<i>NPS</i>	II	I	
<i>Churn</i>	I		III
<i># of policies/customer</i>		I	
<i>Response time</i>		I	
<i>Duration</i>		I	I
<i># of policy renewals</i>			
<i>Retention</i>		II	II
<i>Acquisition cost</i>			I
<i>Effortless score</i>	I		

Table 4 - KPIs used to measure customer loyalty

4.1.2. Customization

One large incumbent suggests that there is a general expectation from the customers that products and services are tailored to their specific needs. In addition, one small incumbent highlighted the importance of fulfilling customers' expectancy of services tailored for their personal demand as well as 24-hour availability, whenever the customer needs it. One large incumbent added that a pervading trend for society in general is that people have shifted focus from the family to the individual. Additionally, explained that this was reflected in customer's purchasing patterns across all industries as well as in how customers expect to be treated by companies. Which in turn, creates a challenge for insurance companies, to customize their offerings without making the internal processes too complex and costly according to a large incumbent. The ability to customize, was argued by a large incumbent to depend on insurer's ability to gather relevant customer data.

Customer data

It is claimed by both large incumbents, small incumbents and InsurTechs that access to customer data is crucial, and highly interesting for insurers. A large incumbent mentioned that greater access to customer data allows for better proactive solutions, smarter product development, more personalized offerings as well as lower premiums, amongst other benefits.

However, several companies from all three segments emphasized the unwillingness and hesitations from many customers to share their private data with companies as a great challenge. One large incumbent also mentioned that,

the history of the insurance industry has created a larger barrier for information sharing between customers and insurers, larger than in a lot of other industries. A lot of customers have the perception that insurers are not interested in helping the customer, but rather are looking for reasons not to pay out claims, resulting in the customers being very restrictive in what they dare or want to share with the insurer.

One large as well as a small incumbent also mentioned that with the new GDPR law, the customers will gain a lot more power over their data, giving them an edge towards insurers when negotiating premiums, that could likely hurt all insurers.

Individualized risk pooling

One demand that is rising among insurance customers is the individualization of risk itself according to both large incumbent and InsurTechs. They also state that people who consider themselves as low-risk customers no longer wish to carry the burden and cost of those who live more recklessly. One large incumbent fears that this development threatens the whole tenet of the insurance industry, which is that the risk should be divided collectively among all people. This fear is shared by another large incumbent, who also adds that there is a threat that this development would lead to large portions of society not being able to qualify into the “low risk pools”, and thus, end up with very expensive premium which they cannot afford to pay. In the long-term perspective this could lead to parts of society being uninsured and left without protection. However, the large incumbent added that there is a possibility that the individualized risk premiums could have a proactive effect which reduces people's risk taking, resulting in fewer claims payments. This in turn, could potentially cause enough cost savings for the insurers to allow affordable insurances even for the higher risk pools according to a large incumbent and an InsurTech. A large incumbent explained the tradeoff between individualized and collective risk. Collective risk reduces people's diligence, which in turn increases premiums. Individual risks enhance people's diligence, which in turn decreases premiums, another side-effect is promotion of proactive risk behavior. This matter can for example in the case of auto insurance, pose safer roads and lessened accidents stated both a large incumbent and two InsurTechs.

An InsurTech further emphasized customer's demand for individualized risk premium and that people are tired of continuously paying for expensive insurances, rarely having any accidents and still not being rewarded because they have to carry the cost of others. Another InsurTech claimed that customers think it is ok to share the risk with their peers, but not with those most prone to damages.

A small insurer pointed out that assessing risk based on individual risk-propensity, in auto insurance, especially favor younger customers. Since, it removes the discrimination of assuming that all young people between 18-27 are more reckless, thus having to pay higher premiums, in comparison to those who are older mentioned a small incumbent. Another small incumbent claimed that,

We try with tracking driving behavior and gamification and this and that, but in the end the customer is only interested in paying as little as possible

Policy content and price

Further, an InsurTech mentioned the existing demand for customization in other areas such as only paying for what you need, when you need it. This matter was exemplified by drawing a parallel to the airline industry, where people nowadays can choose whether to exclude or include a wide range of options [extra luggage, food, seat reservation] at every point of use, thus reducing the cost. The InsurTech stated,

Customers no longer want to be segmented according to the old, boring and personal factors like age, but instead their behavior and risk propensity.

Moreover, all large incumbents explained that in their ‘comprehensive’ insurance¹ offerings they include ‘extras’² of various kinds. For example, provide discounts on products at construction retailers or on home alarm systems for customers holding a home insurance or by including digital veterinarian care for customers holding a dog insurance. Further, a small incumbent offers their customers to download a software that measures consumer’s health and from that data provide tips for efforts that can increase healthiness by making small everyday efforts. An InsurTech highlighted that they provide an automatic driving journal if using the car at work, the ability to administer over 100 cars if owning a car park and automated carpooling administration. Another InsurTech mentioned that they offer convenient private car lending [when lending out the car, enabling the friend to conveniently swish the cost imposed to the owner] and ability to monitor kids driving habits [when allowing one’s children to drive the car one can see their location on an app]. An InsurTech and a small incumbent elaborated on how amassing common risk and creating one type of ‘comprehensive’ insurance for the many, plus, add ‘extras’ will of course result in inevitable premium increase. Furthermore, one InsurTech expressed that they attempted to strip the policy content after the needs of their niched target customers, and in that way be able to reduce the premium. The InsurTech offers customers to ‘add cover as they go’. For example, when a customer travels abroad they can add cover in that location lasting throughout the time away or add insurance to precious belongings that might not be included in the original policy.

4.1.3. Contact interactivity

Channels and information

Several InsurTechs claimed that their customers are almost only interested in digital interactions with their insurer. One of the latter claimed that nobody [customers] want to be bothered anymore by annoying sales calls by phone. Another claimed,

People expect companies to have an app nowadays, they no longer want to speak to someone on the phone and are not interested in personal service, all they want is to have their problems solved.

Further exemplified with, if you as an insurer present the right information on your webpage, people are satisfied and have no interest in calling. However, it can still be wise to offer contact by phone if that is the way the customer prefers to communicate according to an InsurTech. The InsurTech also mentioned that when it comes to notifications, messages or in-person communication, there is no difference for the customer between talking to an insurance salesperson or getting an offer as a message on ‘my pages’ or in an app. The only difference is the internal lower overhead costs associated with online sales instead of paying the salary for sales personnel.

An InsurTech and a large incumbent explained that the demand for better digital channels partly arises from customers’ habit of being very well treated through these channels by other industries. The large incumbent added that increased transparency is a crucial part pushing the demand for digital communication. Transparency is further discussed under heading 4.1.8 *Character*

¹ a comprehensive policy ensures financial cover to the most common risk exposure

² ‘extras’ refers to complimentary benefits included in the insurance policy

One large incumbent expressed doubts regarding the hype of apps and that all companies provide their customers with apps. Claiming that apps are not customizable enough, that there is a general lack of interest from customers to have an app for their insurance due to the few touchpoints and that in 10 years the hype of apps will have past and something better will have been developed. Further, they explained that for several insurance types, there is a great need to be able to call the customer, as they simply do not possess enough knowledge to know what protection they might need. The insurance industry in general has not been able to create a good enough sense of security amongst customers to handle everything digitally, a small incumbent added.

Two large incumbents argued that it is important to offer multiple channels for communication, both new digital ones, but also the traditional analogue channels such as calling or physical meetings. One expressed that,

It is important to be in the channels where the customers are.

Further, pointed out that personal service and contact builds trust and loyalty between the customer and insurer. Further, elaborated on the importance of letting the customer choose which channel to be contacted in, as well as being able to, through Omni-channels, easily switch between different channels at any time, a statement which was supported by one of the small incumbents.

Two small incumbents explained that while the demand for digital is increasing, the demand for personal service by phone is decreasing and that customers consider it to be a too expensive communication channel that they no longer are interested to pay for. However, at the same time both incumbents claimed to have no intentions of removing these call centers and will continue to offer these channels in the future. One of the small incumbents mentioned the possibility of calls being offered as a premium service in the future, as the addition of a personal touch in the communication is still appreciated by some customers.

4.1.4. Cultivation

An InsurTech claimed that digitalization has not posed any threats on cross or up sales, only opportunities. A small incumbent emphasized how digitalization has enabled easier access to larger amounts of data and facilitated new ways of cross-selling. With access to this data, insurers can in real-time track and identify when a new need occurs amongst their customers according to an InsurTech. Another InsurTech added that for example, when a customer shops for a new car, the insurer can instantly send them a push-notification with an offer of policy content and price, the customer can then directly choose to sign the offer using bank-ID. Another example is if the insurer notice that a customer is traveling in a country which their current policy is not covering, a push notification can be sent to inform the customer of the matter and include an offering on a policy that does. Both large and small incumbents expressed how they use real-time tracking of data to sell car insurances. Such as, if a customer has been searching for price offers, the can call up the customer within minutes to clarify the content of a policy and attempt to sign it right then and there.

One large incumbent claimed that the best channels for up-selling are in person or over the phone. Another large incumbent added that as the communication with customers runs through digital channels, the insurance companies lose the possibility to go through the customer's insurance portfolio. Thus, the chance to find unidentified needs or unnecessary policies and add/remove related policies together with the customer. Furthermore, they added that they simply have too many different policy offers and services, making it too complex to go through it all with the customer digitally, again emphasizing the need for calls.

A small incumbent stated that while there is of course a possibility to do cross- and up-selling digitally, it is only a fraction as effective as by calling a customer and talking to them personally. Another small incumbent similarly aired their concern on the decreased extent of personal communication, however, also acknowledged the major cost savings that digitalization has contributed with.

Another way to cultivate the customer-firm relationship and try to enhance customer engagement is by providing rewards with the intent to change a person's behavior, also called nudging. For example, one large incumbent plans to give their customers a digital bot that will coach [by nudging] to a healthier lifestyle. Moreover, by rewarding customers with 'digital medals' and ability to share driving scores on social media, an InsurTech tries to promote better driving behavior. Moreover, one InsurTech explained that their customers engage in their app daily since customer wish to monitor what driving scores they gather. On the same topic, all large incumbents explained that insurance is a low engagement product and customers are not interested to have more interactions (touchpoints) with their insurer.

4.1.5. Care

A small incumbent explained that their local presence is a key factor to customer care. Due to their local reach they know the names of the handymen that will come and repair damages at a customer's house. Additionally, that the customers are not directed to a random call center somewhere, on the contrary, they are able to speak with their local advisor, which fallouts as V.I.P- (very important person) treatment, stating that

A customer is not just any customer, they are a recognized customer.

A small incumbent explained that their connections to insurance-related firms are the key to customer care, since that complements them with expertise and nurtures the customer-firm relationship. For example, by having established cooperation with boat retailers and stores [being present in related context] they can more easily sell/service boat insurances.

Moreover, a large incumbent sends risk alerts to inform customers that e.g. a storm is approaching the area where the customer's summer house is located and provide tips on proactive risk management. Another large incumbent sends informative e-mails to remind customers to e.g. change to/from winter tires when that season approaches. Many of the large incumbents explained that they offer discounts for the customers if the customers have many policies gathered. A large incumbent elaborated that the more insurances a customer have, the better discounts they enjoy. Thus, a small incumbent argued that it is foolish to offer quantity discounts on policies since it can result in insurers taking on risks that are too large in relation to what premium the customers pay. Further, explained that they rather undertake the low risk policies of customers and let other insurers undertake customer's high-risk policies. Furthermore, a large incumbent expressed that quantity-discounts is a poor version of a loyalty program, since it weakens competitiveness on providing customers with single policies. Furthermore, two InsurTechs illustrate care by giving customers freedom, by having the contract period removed [usually of 1 year].

One small incumbent explained that after a customer has been with their insurer for a few years, they illustrate unwillingness to change provider. In these instances, one might categorize the customer as loyal, however, it could also be a latent and lazy customer. The latent customers, unwilling to engage in their insurance portfolio, can easily have their premiums increased by their insurer year after year. The Small incumbent further stated,

Loyalty might not be something that you as an insurance provider reward, on the contrary, it can be something that you abuse.

An InsurTech stated,

The best kept illusion in the insurance industry is that the more loyal a customer is to their insurer, the more beneficial premium they pay. However, that is not the case, insurers try to press their loyal customers for money, instead of the other way around.

Further, elaborated that this kind of traditional system is unfair, and a fairer system needs to be developed if customers are to stay loyal in the long run. Instead, an initial insurance policy should be assigned with a 'normal' price that later is discounted if customers engage in low-risk behavior. The InsurTech explains that today, customers go in at a low premium that later is indexed regardless of the customers' behavior. The InsurTech also stated that,

The traditional way does not add up, insurers try to reduce churn, however, does not reward loyal customers.

Moreover, another InsurTech explained that new digital tools and technologies will be able to tremendously lower accident costs for the insurers. For example, if looking at home insurance, 70% of the premium is assigned to water leakage. If humidity sensors are installed (a low-cost technology that is easy to install) then water damages can be managed proactively, and in that sense, will decrease. The InsurTech denoted the unfairness with how large incumbents treat their customers, in the sense that large incumbents encourage their customer to take on proactive risk actions, however, does not care for premiums to be reduced.

Another small incumbent expressed that their yearly premium development [increase or decrease] is based on, how "free from accidents" the customer has been during the year, and how long they have stayed with the company. Meaning that, the less the insurer has paid for claims, the longer they have stayed with their insurer, the better premium the customer gets. Moreover, an InsurTech explained how they reward proactive and beneficial low-risk habits with lower premiums while customers with high-risk behavior accumulate premiums so large they often no longer can afford to stay with the InsurTech. They are able to do so by applying digital tools called 'telematics' that gather customer data which can rate high- or low-risk behavior. Further, that their customer pool is low risk and loyal since they did not become customers by 'alluring' discounted offers, rather, they became customers to be able to pay for their own risk and not pitch in for people of disadvantageous high-risk habits. The InsurTech also stated,

The fairest insurance system is the one when the lowest premium is assigned to the low-risk customers with safer habits.

4.1.6. Choice

A large incumbent expressed that instead of selling insurances, they sell a smart, connected home. This, in turn, can proactively help the customer to never need to use their insurance. For example, to install humidity sensors in customer's basements that trigger an alarm if moist is detected, which can help repair

a water leak before it has made any damage. Another large incumbent imposed that they face the challenge of getting customers to understand the comprehensiveness of their policies. Additionally, stated that many times customers buy an insurance based on price and miss out on valuable extra services included in a policy that cost slightly more. For example, the incumbent's policy includes services enabling the customer to order pick up of their car when it needs to go to the workshop. One large incumbent explained that they offer family support to anyone holding a child policy, i.e. provide information of what and where help and assistance can be found for a child with disabilities. Moreover, a large incumbent clarified that they have already had offerings that InsurTechs bring to the market today and they have tried many innovative things. For example, a GPS-app that starts to speak with a child voice when driving in areas where children are staying, like schools and kindergartens. The intention with the innovation was to make people drive with more care and reduce their speed. Furthermore, one of the large incumbents is co-owner of a startup company that makes wrist bracelets for older people, if something happens to the elderly person, an alarm is triggered to their family, friends or care takers.

4.1.7. Convenience

One InsurTech explained that the tangible value of their offering is an extremely convenient customer experience that is enabled by technology, which they strive to reach by making all interactions/services and products [onboarding, claims reporting, policy content, etc.] as simple and clear as possible. One large incumbent stated that convenience drive loyalty, if something is too complex the customer will become frustrated and start looking for options elsewhere. Another large incumbent explained that their effort to provide convenience is, firstly, to give out more information and improve access to products and services. Secondly, to increase touchpoints with their customers, not just during claims, hence, by being a part of their customer's everyday lives. On the same topic, an InsurTech claimed that people are not interested in engaging with their insurer and therefore efforts to increase touchpoints are wasted, mentioning that focus should rather lie on delivering quality and convenience in the interactions deemed necessary.

Furthermore, an InsurTech argued that the incumbents outsource administrative work to the customers, i.e. to fill out claims/onboarding forms. Moreover, that today's technology can make these processes a lot simpler for the customers and sees several opportunities for simplifications within the industry. Another InsurTech explained that it is not the technology they use that makes their offering convenient, it is how they package their products and services.

Simplification

Both InsurTechs and large incumbents argued that simplicity is of high importance for their customers. An InsurTech mentioned their approach to simplifying their offering by only offering one type of home insurance, aimed towards one specific segment. Meanwhile, another InsurTech explained that they simplified it by solemnly selling full coverage auto insurance with no options. Another InsurTech also elaborated on how they have simplified customer interactions by an in-app chat function that can provide quick answers regarding what the policy covers. I.e. the customer is out traveling and cares to ask if their policy covers them in various circumstances and locations. A Large incumbent explained that they have enabled home and car inspections by video conversations. Explaining that this can reduce customer's efforts to go to a car workshop or appoint time for a claim inspector. One large incumbent pointed out the importance of simplicity by reducing the amount of time that customers spend on buying and maintaining their insurance. Additionally, a small incumbent described that by eliminating a wide variety of choices for the customer during the onboarding, explained as

We try to simplify the products and the communication so that the customer can feel safe. Because, if you need to make nineteen different choices within a policy I believe the customers will feel nervous and insecure whether or not they filled out the selections right.

Moreover, an InsurTech expressed that their efforts to a more convenient onboarding is eliminating filling out forms and replacing that function with a chatbot. Further, an InsurTech explained that one effort to make cross-selling more convenient is sending push-notifications i.e. the InsurTech registers that their customer has bought a new car and sends a push-notification with a policy offer on cover and price. However, simplicity can emanate a risk that the number of claims increase by customers abusing their insurance, further stating that “it’s a big risk for us but the customers will think it is great” stated another InsurTech. They further mentioned another example to make cross-selling more convenient, which is to enable the customer to upload pictures of belongings that exceed threshold value, get an instant offer on price and sign up for a complimentary policy. The InsurTech explained that this provide the customer with assurance that their belongings are covered. As stated in *chapter 5. Care*, one InsurTech explained that they have attempted to simplify insurance payments by copying Netflix and Spotify, meaning that transactions are made monthly [usually yearly] by a pre-registered credit card [usually direct debit]. Another InsurTech mentioned their attempt to make claims reporting more convenient by eliminating filling out claim forms and instead having the customer report their claims in a chat or by recording a voice message. The voice message then gets transcribed and analyzed automatically. Moreover, one InsurTech posed that customers no longer want coverage in the form of payments. Rather, they prefer someone to help them fix their problem. Exemplifying it with if a customer’s basement is flooded, they want a firm to come and repair it for them, instead of receiving a payment. Furthermore, one small incumbent boasts about how they managed to hit a Guinness world record by indemnifying a damage in 1,6 seconds. Meaning that from the moment the customer hit ‘send’ on the digital form, to the moment the customer received a notification that the money had been transferred to the customer’s bank account. The small incumbent stated that *‘that calls for a good customer experience’*. Meanwhile, a large incumbent explained that they had to delay their automated claims handling since customers became suspicious of the result and questioned if it had been processed right.

Moreover, one small incumbent highlights the downside of the constant strive for simplicity, by stating that the simpler insurers make it for the customer when purchasing insurances, by for example removing questions, the less accurate their premium setting become, which poses a large threat to insurers.

4.1.8. Character

Transparency and trust

As stated by a large incumbent

What we are selling is air, we have no physical product. Insurance is something everyone need, thus, no one wants to think about. All insurers live to sell safety.

Moreover, a small incumbent and an InsurTech believed that the foundation for customers to purchase a product is that they feel safe and trust their insurance provider. Further, the latter explained that there is a myth within the industry that insurers hide policy information in the fine print. Another large incumbent described that the insurance industry originates from making it as difficult as possible for the customer to

understand their policies. An InsurTech emphasized that when the consumers need their insurance, after paying their premium year after year, the customer is discouraged by the incumbent insurer. For example, that the insurance provider expresses disbelief in what the consumer is stating about the claim. A large incumbent explained that nowadays they are moving towards making their policies as transparent and easily understandable as possible. A small incumbent expressed that enhanced transparency is problematic in the sense that it strengthens the customer's power position by simplifying comparison between insurance offerings. Therefore, many insurers hesitate to be a part of comparison websites. Further, a large incumbent explained that transparency is important to mediate since it illustrates that customer data is gathered for a good purpose and can help the insurer cover needs that the customer have, thus, has not reflected upon.

One large incumbent explained that there are studies illustrating that customers are more prone to share their information with a robot than a person. An InsurTech, who used customer data to customize the insurance premium, stated that they would never use data against their customer in a claims process. Rather, a claim is regulated as an ordinary indemnification. That is, the customer always has access to the same data as the InsurTech. A large incumbent explained that possess such a large amount of data that many actors would 'cut off their right hand' to gain access to that information. Moreover, explained that they have a long journey ahead to boost competitiveness from that source of data, for example to be able to meet the customer in real time. Further, since the large incumbent has a strong brand to protect, they are extremely cautious to use all customer data in a safe way to retain customer's trust.

Nonetheless, a small incumbent explained that they always come out on top in surveys measuring who their customers trust the most. Additionally, they believe that their high trust levels are due to their local presence and exemplified the statement by saying that they are so local that they know the names of many of their customers.

Overall image

A small incumbent emphasized that they build on their brand image by offering apps that indicate a sense of care for their customers. Even so, the apps are connected to proactive risk behavior which is good for the insurer since it helps lessen claims payments. However, the small insurer has not made any large efforts to this kind of brand building, since they are small and therefore easily become a follower. An InsurTech believed that customers choose insurer based on a brand that 'speaks their language', not for 'insurance jingles that nobody understands'. Therefore, their offering and customer segment is particularly niched. A small incumbent expressed that their major challenge is that their brand is less known. They have gained market share by being present in the contexts relevant to their niched policies [e.g. having representatives in the local motor club] and depart from being a large office house that is a part of the financial sector [which they argued that their competitors are].

Surplus distribution

There are both large and small incumbents that are free from profit-making incentives. A few of those insurers has the surplus reinvested in the customer. Some investments, such as that of a large incumbent, are made to conduct research on how to suppress damage costs, for example grading helmets during skiing season. Others are invested in local initiatives, such as those of a small and a large incumbent. Some give back surplus to their customers. An incumbent places surplus in customer's future deductible accounts. Inversely, an InsurTech provides their customer to choose a charity where their surplus capital is spent.

4.1.9. Communities

A large incumbent explained that there are customers who write and make comments in any channel and forum within their reach. Such a behavior imposes a large risk, especially if a customer had a negative experience with the company. A negative message is louder and spreads quickly. A small incumbent elaborated that every other post, in a social media forum, could be a 'hate post' and therefore many insurers have closed their open comment function. A large incumbent had held internal discussion of how to manage their Facebook page since it had been filled with many complaints. However, the large insurer decided to keep the comment function open, argued as a necessary action since it correlates to adapting to the societal development. Furthermore, the large insurer reason that their role when allowing their customers to interact in a community, is to reflect on how they respond to comments, and to keep good manners while doing so. Moreover, one small and large incumbent elaborate that there is a need to have customers that have had good experiences with their insurer and therefore speaks well about their insurer. This is due to the fact that consumer's purchase process starts with online research and asking family, friends and familiars for recommendations. Further, the small incumbent explains that their customer base is very loyal, which can be distinguished in the many self-made brand "ambassadors" amongst their customer group. The ambassadors speak well about the company in blogs, magazines, forums and Facebook pages. However, if a consumer speaks ill of their insurer's brand, their ambassadors are there to defend them

Furthermore, an InsurTech explained that if you serve customers with a community, they have the opportunity themselves to co-develop products. One large incumbent explained that communities can help customers motivate each other to proactive behavior and also enable the insurers to coach their customers. Another InsurTech exemplified that they have engaged customers on social media by allowing them to share individual "driving scores" provided by their InsurTech to illustrate how good of a driver they are.

4.2. Secondary data

The secondary data presented in this chapter provides the customers' view on the discussed topics as well as providing an image of the situation in the global insurance industry. The data is used to contrast and contextualize the primary data. All data presented are the opinions and findings of the respective consultant firms behind the various whitepapers.

4.2.1. Defining and Measuring Customer Loyalty

Without the right metrics, it can be hard for insurers to develop suitable customer relationship strategies (EY, 2014). Accenture and EY argue that relevant KPIs can help insurers identify root causes that pose a negative outcome on customer experience, advocacy or loyalty. They also contend that the KPIs should be gathered from both existing and prospect customers and provide an image of customer's ratings of the company, its products, services and interactions. Furthermore, they should expedite benchmarking with competitors, other sectors and internal progress, and finally, they should comprise real-time and historical data (Accenture, 2014; EY, 2014).

4.2.2. Customization

Development in data and analytics have facilitated further enhancement of customization, i.e. gathering externally-sourced- and real time data, analyze it and take instant and pertinent actions based on the

preferences of a customer profile (Capgemini, 2017). Due to this development, insurers can understand a consumer's buying preference even before the customer has engaged with them (PwC, 2017). Today's customers demand highly customized products and services, tailored according to their individual needs and adapted to their shifting situations (Capgemini, 2017; PwC, 2017). Customers expect their products and services to be transparent, simple and flexible (Bain & Company, 2017a). Even experiences provided by the insurers should be customized and uniquely adapted to the customer's preference and personality (Accenture, 2014). It is essential for insurers to deliver convenience, agility and personalization in the interactions the customer price the highest. Fulfilling the new demands without the digital advantages would be arduous (Capgemini, 2017).

Capgemini stated that risk factors constantly fluctuate and therefore static risk assessment is only partly useful. If customer information is gathered in real time, insurers can proactively mitigate risk; which can help reduce claims costs and support more individualized pricing on premiums (Capgemini, 2017). As such, the digital transformation has triggered an evolution of the insurance products (PA Consulting, 2017). This can be illustrated by the fact that there are now connected sensors that enable insurers to collect data, enabling them to secure information on their customers and assess risk in a more proactive way (Boston Consulting Group, 2017). For example, there exists telematics that can in part coach their insurers to better car driving habits and in part tailor the insurance company's policy according to the risk their customers subject themselves to (PA Consulting, 2017).

Personalized offerings are a major challenge for insurers according to Bain & Company. In a survey with 172,000 respondents, customers who only use digital channels provided low scores to insurer's ability to customize according to their needs and ability to resolve their issues (Bain & Company, 2017c). Another challenge insurers face is how to maintain the straightforwardness brought by a comprehensive full-coverage policy, yet still, offer policies at the right time and place, customized to the customer's individual needs (PA Consulting, 2017). The more personalized a policy is, the more attractive it is in the eyes of the consumers (Capgemini, 2017). The more customers are monitored, the more data is collected and the more customized a product or services can become (PA Consulting, 2017).

4.2.3. Contact interactivity

According to Accenture the insurer should be at least as digital as their customer is. Insurers should always recognize their customer regardless of channel, listen to and remember what they say, support them 24/7, engage with them as much as they find appropriate in their preferred channels, tone and situation. They also state that all channels should offer convenient Interaction that is easy and enjoyable. Customers should feel empowered and in control. Products and services should be relevant, transparent and with convenient pricing. Customized solutions should serve as a reflection of the customer inputs. Further, customers should be recognized, and their loyalty rewarded (Accenture, 2014). The fact that 80% of insurance customers have used a digital channel through their shopping journey serves as an illustrative example that digital tools have unlocked new opportunities for insurance companies (McKinsey & Company, 2016).

Today's consumers pursue a natural Omni-channel behavior, i.e. researching products online, spreading word-of-mouth recommendations to friends, colleagues and through social media according to EY. There is a demand for a wide range of channel options, such as chat, email, text messages, phone and in-person (EY, 2017). Accordingly, insurers face the challenge to facilitate seamless movement between and across channels for their customers (Accenture, 2017b), i.e. moving from writing to a chatbot to chatting with service personnel (EY, 2017). Moreover, transactions must be seamless and accessible anytime, anywhere

(Accenture, 2017a). The firms that fail to deliver the Omni-channel experience will not be able to keep their customers, nevertheless, they will move to the competitors that can (Mckinsey & Company, 2017).

PA Consulting states that analyzing customer demographics- and behavioral data can help insurers tailor communication in multi-channel platforms based on customer's preferences. Further, mentioning that this type of analysis can enable insurance providers to predict which channel, what message and in which point in time that will generate the most positive response from consumers. Managing the latter in a suitable way can help insurers increase retention (PA Consulting, 2017).

The previously mentioned survey of 172,000 respondents in 20 countries revealed that over 50% of the customers are active in digital channels, meaning that they search for products, conduct transactions and interact with providers digitally (Bain & Company, 2017b). A survey by PwC (2017) showed that 26% of customers had bought their policies online, 70% expressed willingness to download and use an app from their insurer. digital medium should not be a channel in itself, but rather serve as an extension of communication, interaction, while also providing both internal and external responses (PwC, 2016). Simply adding digital to an analog business model is insufficient (Mckinsey & Company, 2017). Further, personal meetings should not be disregarded (PA Consulting, 2017; PwC, 2017). A Bain & Company research indicated that insurers are making progress digitally. However, digital-only customers provide their insurance provider with lower loyalty scores than those supporting both (Bain & Company, 2017). The key is to facilitate meetings with customers both digitally and physically, concurrently with offering relevant prices, products and services (PA Consulting, 2017). Successful management of the latter can generate leads that in turn can create cross-selling opportunities (PwC, 2017).

4.2.4. Cultivation

According to PwC, the challenge for P&C providers is to comply with the changing expectations set outside the insurance sector, at the same time, attract and retain customers. They also state that the impact of digital on the customer side is shaping their expectations, and on the supply side it enables P&C insurers to engage more closely with their customers and provide them with smarter solutions. The right management of customer engagement can enable a move from commoditized price-based competition to differentiation through building customer relationships (PwC, 2017). Once a relationship is established, digital can help to further harvest it by providing what customers value (PwC, 2017). Further, helping customers become more proactive can boost their engagement. For example, by telematics devices in car insurance that can gather customer data on driving behavior, set premiums accordingly and provide information that can help the customers become more proactive, i.e. traffic risk information (PA Consulting, 2017).

4.2.5. Care

When customers start to prioritize value rather than price, they will further expect policies customized to their needs and correspondingly only pay for their needs (PwC, 2017). PwC also stated that if insurers wish to differentiate themselves they can focus on efforts i.e. quicker response times, easy to use apps etc. As customers are difficult to impress and hard to engage, interaction can occur less than once a year (Bain & Company, 2017). Customers want more frequent, personalized and meaningful communication (EY, 2014). To be noted, the latter does not automatically mean more communication (EY, 2014). Some customers only wish to interact during a claim or policy renewal (PwC, 2017).

4.2.6. Choice

PA consulting states that a digitalized insurer does not suffer from the same storage and/or resource constraints as a non-digitalized insurer may be able to offer more goods and/or services. They also state that it may be easier to connect and enter partnerships with other actors online, which may render a wider assortment to the customers down the line so that they may use fewer outlets to conduct all of their businesses. They also argued that the advantage for the insurer is that, if successful, they can achieve dominance in their field and ultimately acquire a 'top of mind'-presence in the eyes of the customers. To contextualize, insurers around the world have in recent years been expanding their assortment of available products far beyond their traditional niche (or "ecosystem") in order to create a sense of 'one-stop shopping', which in turn leads to customer loyalty (PA Consulting, 2017). This type of "ecosystem solution" can boost revenues, cut costs and reinvent customer relationships (Bain & Company, 2017).

4.2.7. Convenience

Digital technologies have, for example, facilitated convenience in the shape of shortened claims report and process times according to EY. For example, looking at the previously mentioned telematics in vehicles, such a technology can offer a completely automated claims process (EY, 2017). Bain argued that customers around the world have similar preferences when it comes to services. A survey indicated that they look for convenience, safety, prevention and rewards for good behavior (Bain & Company, 2017).

EY stated that digital technologies have, for example, facilitated convenience in the shape of shortened claims report and process times. For example, looking at the previously mentioned telematics in vehicles, such a technology can offer a completely automated claims process (EY, 2017). Moreover, they mention that as a website in many cases represents the customer's initial contact with the retailer, it is essential that it is perceived to be of high quality. Further, if customers perceive the website to be cumbersome and inadequate, they may choose not to return.

4.2.8. Character

PA consulting argues that alongside shifting customer needs and wants, the "digitation of trust" has been growing. The latter represents a paradoxical mix of personalization and convenience (PA Consulting, 2017). A global survey by PwC (2016) suggest that customers are willing to share data, withstanding that they trust that the company will use it responsibly. Around 40% of customers express confidence and say that they trust their insurer (Capgemini, 2017). Further, a complicating factor for insurers is that a recent global survey has shown that consumers trust their insurers less than their banks, supermarkets and online shopping (EY, 2017).

4.2.9. Community

As previously stated, customers have a natural Omni-channel behavior where they research products online, recommend services to friends and familiars on social media (EY, 2017). In today's Omni-channel climate, BCG claims that insurers must integrate their activities in the new available channels, such as social media, apps and 24/7 customer service (Boston Consulting Group, 2017). In a survey by PwC (2016), 80% of UK respondents had used social media as a part of their insurance policy research.

5. Discussion

This chapter discusses the primary data from the interview findings and the secondary data from the consulting white paper findings. The definition and measuring of customer loyalty is discussed, followed by a discussion of the findings, all structured according to the 8c's.

5.1. Defining and measuring Customer Loyalty

A comparison between the interviewees' definition of customer loyalty and the most important KPIs to measure customer loyalty reveals a mismatch between the insurers' definition of a loyal customer, and how they measure it. As stated by the management thinker, Peter Drucker, *"you can't manage what you don't measure."* Meaning that you cannot know if you are successful if success is not defined and tracked. The use of the wrong KPIs constitutes a great threat to a company's ability to grow customer loyalty, as they can neither track in which direction the loyalty is developing, nor the result of their efforts to cultivate loyalty. For example, from the respondents' statements we can see that while some insurers claim that customer loyalty is about growing the width of customers' portfolio, no insurer use share-of-wallet as a standard KPI, which would perfectly fit this definition. This kind of mismatch between definition and use of KPIs potentially causes insurers to miss out on great amounts of important information.

Among the definitions given by the interviewees (listed in table 3), there is a division between half of the insurers drawing towards the definition of active customers, and the other half drawing towards the direction of basic policy renewal rate, regardless of the reason for it. As elaborated further under the section 5.5 *Care* to simply use policy renewal rate as the measurement for customer loyalty, conveys the inherent challenge of 'fake loyalty'. Meaning that, a share of the customers that renew their policy every year, do so out of 'laziness' or passivity, and not as an active choice because they are satisfied with their insurance provider. This 'laziness' should not be considered loyalty, but when measured with KPIs like retention and churn, it appears as such in the statistics.

5.1.1. Why customers churn

Reasons expressed for customers to churn were: unsatisfying customer experience, there is no longer a need for an insurance, price sensitive customers, price discrepancy in-between insurers prices, simple access to comparison sites, quantity policy discounts. All interviewees explained insurance being a 'low interest' product, which is the cause for the industry to be lagging in their digitalization journey, and also as an explanation to the challenge of building customer loyalty. Further, one large Incumbent described that it is the 'few moments' (also called 'moments of truth') when the customer is susceptible for the insurer's services that are crucial to deliver a good customer experience. Another large incumbent highlighted that the 'moments of truth' occur during life changing moments. One small incumbent explained that churn occurs in the most transaction intensive product segments. Another small incumbent described that product segments that take a lot of effort for the customer to change have the lowest churn rates.

A contradiction was distinguished in why customers churn. The industry excuses their challenges to grow customer loyalty and reasons for churn on insurance being a 'low interest' product. However, it is also explained that the most transaction heavy product segments devise the highest churn rates. Does this mean that the insurers fail to deliver in the most crucial moments where interactions take place? Does it

mean that price is what customers value the highest? Does it mean that the insurance business model is shaped to allure customers with low price in the moment of acquisition, thus not, across time? It is also explained that the lowest churn rates lie in the product segments that take the highest effort for customers to change. Does this mean that customers are not with their insurer because they are loyal, but rather because they are locked in?

5.2. Customization

Access to customer data

All interview respondents and several WPs expressed that access to customer data is key to create customized offerings (Large incumbents; Small incumbents; InsurTech; Capgemini, 2017; PWC, 2017; Bain, 2017). The ability an insurer has to gather, analyze and respond to customer data will determine its ability to customize offerings (Large incumbents; PA Consulting, 2017). Subsequently, the question arise as to how insurers can access customer data. As stated by a small incumbent and InsurTech, there is a challenge in that the more customer effort to provide data i.e. filling out forms during onboarding or claims processes, the less simple a process become, the less prone customers are to share data. When customer data is gathered in a more automated way, e.g. through telematics, the insurer can make data gathering processes simpler and free from customer effort. Further, as explained by a large incumbent and small incumbent customer data can also be gathered from public records, however, laws (e.g. GDPR³) and regulations can additionally pose a challenge to access and store such data.

Synthesized, both analogue and automated ways to gather data was mentioned by all respondents. Analogue requires more customer effort, while automated requires no customer effort. Both analogue and automated data gathering requires consumer trust. When it comes to how to win customer's trust, as stated by an InsurTech respondent, if an insurer illustrates that gathered customer data is used in a beneficial way, then the barrier for customers' willingness to share, can be reduced. The topic of trust is further elaborated on under section 4.5 *Character*. Moreover, by taking a larger perspective and looking at customization as a chain of activities, transparency builds trust. Trust facilitates willingness for customers to share data, and if insurers manage to analyze and respond to the data, customers can get customization in the shape Srinivasan et al., (2002) describes it; tailored products, services and interactions to the individual customer.

Collective versus Individualized risk pooling

White papers, large incumbent and InsurTech clarified that the demand for insurances are moving from the historical collective risk pooling towards individualized risk pooling, a subject where the segments expressed diverging opinions. One large incumbent experienced it as a threat to the original notion of insurance, that everyone can feel protected in case of an accident, since the risks are shared between all the customers. Arguing that individualization would, by extension, contribute to gaps in society where some groups would not be able to afford an insurance subscription anymore. Moreover, a large incumbent, claimed that customers accept to share risk with others, except those highly prone to accidents, which can be placed as a kind of middle ground between individualized and collective risk. Contrasting the challenge

³ The European Union's data protection regulation, General Data Protection Regulation (GDPR), which places stricter demands on handling personal data.

stated of the first large incumbent, all respondents from InsurTech enthusiastically highlighted the opportunities for insurers to only cherry pick the low-risk customers by attractive premiums matching low-risk behavior. At the same time, two of the cherry pickers explained that they avoided high-risk customers by offering them unaffordable premiums, which, ultimately reduce risk and cost for the insurer. The contrasting opinions is very clear on this topic where as InsurTech sees opportunities with customization, large incumbent is afraid of being left with only the costly high-risk customers. As stated by an InsurTech, that customers no longer want to be segmented according to old factors like age, rather behavior and risk propensity. Being able to individualize risk pools, comes with the opportunity to administer the policy content and premium.

Policy content versus premium

Looking at the policy content, all large incumbents expressed that they sell more 'comprehensive' insurances, which they argue creates simplicity and safety for the customers. One InsurTech explained that amassing common risks in the above-mentioned manner may increase the policy premium. They also added that slimming the policy content to the individual's needs can help reduce the premium. Moreover, beyond policy coverage, insurers include 'extras' of various kinds. 'Extras' can be both insurance related and non-insurance related (e.g. discounts in a tile retailer might be argued to not be related to a person with a motorcycle insurance). All InsurTechs and two small incumbents argued that adding non-related 'extras' will only pulley up the premium price, in that regard, they focus on scaling off the unnecessary 'extras' to slim the premiums.

We argue that this amassing of common risk and adding 'extras' is a form of paying for other people, paying for something that benefits some people but not everyone. We also argue that amassing needs in this manner defies the concept of customization. In contrast, if stripping the policy content, for example by reducing the unnecessary 'extras', unwanted services, and superfluous risk coverage, the price can be reduced. However, this in turn comes with the risk of the policy not covering an accident, should it occur. This poses as a challenge for insurers, to decide which side of the spectrum they want to aim for. An opportunity is identified by looking at the InsurTech that enables customers to "add cover as they go" is what WPs label as 'insurance on demand', illustrates a way to step away from the original way to offer 'comprehensive' insurances and move towards customized policy cover.

We have discerned a binary spectrum. On the one end, a comprehensive policy content with 'extras'. On the other end, a premium price and strained (thus, customized) policy content. This undoubtedly raises certain questions. For instance, who decides the extent to which a policy may be stripped while still ensuring that the customers' needs are covered? How can benefits add value to the policy without compromising the customer's experienced value for the premium paid for their insurance?

On the topic of customization, an opportunity for insurers could be to take some inspiration from the airline industry. It is a good example of where the actors have managed to customize every ticket sold to a wide extent, allowing each customer to customize several variables of the flight to best suit their current needs. For example, if a customer would like the option of personally meeting with a representative from the insurer, this could be offered as a premium option to an added cost.

Themes distinguished under customization, their opportunities and challenges are summarized in Table 5 below.

Theme	Opportunities	Challenges
Access to customer data	<ul style="list-style-type: none"> Tailored offerings according to customer needs and preferences (Large incumbent; Small incumbent; InsurTech; PA, 2017) Real time relevance (Large incumbent; InsurTech; Capgemini, 2017) 	<ul style="list-style-type: none"> Customer's willingness to share data: Historical reputation creates barriers to data sharing (Large incumbent) (<i>Explained under 8. Character</i>) Access to public records: Laws and regulations (Large incumbent)
Risk pooling individualized versus collective risk	<ul style="list-style-type: none"> Reduced claims payments (Large incumbent; InsurTech) Reduced policy price (InsurTech) Quit age discriminating in auto insurance (InsurTech) 	<ul style="list-style-type: none"> Increased claims payments due to reduced diligence (InsurTech) Increased policy prices (InsurTech) Equality in insurance access in society (Large incumbent)
Policy content versus price	<ul style="list-style-type: none"> Customize according to the customer's specific needs can reduce policy price (InsurTech) Simplicity for the customer (Large incumbent) Insurance on demand (InsurTech) 	<ul style="list-style-type: none"> Simplicity and straightforwardness that comes in today's 'Whole insurance' (Large incumbent) The more that is included the higher the price (Large incumbent; InsurTech). The less that is included, the higher the risk (Large incumbent; InsurTech) Complex internal processes (Large incumbent)

Table 5 - Customization: Themes, opportunities and challenges

5.3. Contact interactivity

The channels insurers offered their customers differed. The InsurTech segment expressed how all interactions with a customer can be done in an app and how all other channels are excessive, pushing for digital only. Whereas, one large incumbent believed that apps are an unnecessary hype. Another large incumbent argued the importance to be in all the channels where the customers are, to offer Omni-channels. One large incumbent and one small incumbent elaborated on the importance of physical service and how that can build trust and add additional value. Two small incumbents also expressed customer service and sales by phone as a very important channel. However, all segments agreed that offering service by phone is still necessary.

5.3.1. Digital only

InsurTech strengthened the need for digital and that customers no longer are interested in meetings or calls in-person. Argued, that if information is located in the right place, the customers can find the answer they are looking for by themselves. A small incumbent expressed personal service by phone as an unnecessary cost that customers no longer wish to pay for. However, they will still facilitate such a service

for their customers. Furthermore, there were disagreements on the need to offer an app. InsurTech, expressed that customers expect an app that covers all necessary interactions a customer has with their insurer. Whereas, large incumbents expressed that an app was superfluous, and a smartphone scalable interface on the website would be sufficient. An additional opportunity to offer digital channels is the ability to facilitate time- and placeless accessibility. Moreover, what was highlighted as important when going digital was to ensure that customer's needs could be taken care of in the digital environment since the customer he or herself might not know what they need. The challenges of digital only was illustrated in the grand scale customer survey with 172,000 respondents, how digital only interactions pose a threat on CSI rates. Followed by, large incumbent and small incumbent expressing that digital interaction can make it challenging to harness trust. Another experienced challenge was that digital interaction did not provide the same sense of security for the customers, which could be a reason for the trust challenge.

5.3.2. Omni-channel

WPs argue that customers pursue a natural Omni-channel behavior and therefore it is important as an insurer to orchestrate these seamlessly (EY, 2017; Accenture, 2017; Capgemini, 2017; Bain, 2017) Omni-channel coordination was claimed to provide freedom and flexibility for the customers, however due to its complex nature to coordinate it poses a challenge for insurers. The challenge lies in making it simple, convenient and accessible in the customer interface without imposing too much complexity on the back-end processes. Well composed Omni-channel can reduce the challenge mentioned in 'digital only', to ensure that customer needs are taken care of. For example, when a customer is on the website looking for car insurance, a signal can be sent to the insurer, who can call back the customer and help him or her to sign a policy, clarify and doubts and impose a sense of security. There is an opportunity that by facilitating seamless Omni-channels, insurers reduce the barriers for customers to engage in the insurance value chain. Resulting in increased accessibility to buy an insurance, report a claim or pay the premium. Another challenge is simplicity in the Omni-channel interaction; making it convenient for the customer to access the services desired and receive help as necessary. An additional challenge, when policies can be purchased one click away, the less the information that is given, the less accuracy in premium calculations. Imposing a contradiction between simplicity and convenience.

From the above statements, if insurers are to enhance loyalty through contact interactivity in the way Srinivasan et al., (2002) describes it, to facilitate digital channels that are easy to navigate, provide sufficient information and have instant response times. We argue that it all comes down to relevance in time, place and message. That is to say, that insurers are able to live up to the customer's digital preference, while also assisting in transitioning their customer's habits from analogue channels to digital channels. How digital a customer group is, depend heavily on which customer segment is being dealt with. Therefore, the selected means of interaction should depart from the customers' preference, rather than the urge to digitalize just for the sake of it (PwC, 2014; PA Consulting, 2017). Table 6 summarize the themes, opportunities and challenges acknowledged in contact interactivity.

Theme	Opportunities	Challenges
Digital only	<ul style="list-style-type: none"> Customers use self-service and therefore lower OH-costs (Small incumbent; InsurTech) Time- and placeless accessibility to the value chain (Small incumbent; Capgemini, 2017) 	<ul style="list-style-type: none"> Facilitating the customer needs to be taken care of digitally (Small incumbent) Lower CSI-rates (Bain, 2017) Personal service enhances trust building, digital only

		<p>therefore serves as a challenge to trust building (Large incumbent; Small incumbent)</p> <ul style="list-style-type: none"> • Project that digital is a secure way to communicate with the insurer (Small incumbent)
Omni-channel coordination	<ul style="list-style-type: none"> • Time- and placeless accessibility to the value chain (Small incumbent; Capgemini, 2017) • Freedom and flexibility for the customer to choose where interaction is to take place (Small incumbent) • Reduce barriers for customers to engage in the insurance value chain (purchasing process, onboarding process, claims reporting, payments etc.) (InsurTech; Bain & Company, 2017) 	<ul style="list-style-type: none"> • Complex to coordinate Omni-channels (Small incumbent, Accenture, 2017; EY, 2017)

Table 6 - Contact interactivity themes, opportunities and challenges

5.4. Cultivation

All segments agree that the ability to grow the customer firm relationship is enhanced if having access to customer data. Customer data can provide real time relevance and responsiveness to provide the right offering when new needs occur and when the customer has been actively searching to cover a need.

Similarly, to 4.2. *Customization*, customers' willingness to share data is stated as an enabler for creating relevant offers when new needs occur. As exemplified under 4.3.2 *Omni-channel*, the situation with the notification that the customer has searched for a policy on the web, and then call the customer to clarify the offer, digitalization can enable offerings to be extremely relevant to the customers in relation to need, time and place.

The view on how digitalization brings opportunities or challenges when it comes to cross and up sales have throughout been positive. However, if offering only digital channels, cross-sales can be challenging, as expressed by large incumbent and small incumbent, that they have no intention to give up on cross-selling by phone since they experience it to be the most effective way to cross-sell. As explained by one large incumbent, if they call a customer they try to identify unfulfilled needs that the customer has and, in that way, increase the customer's policy portfolio. One small incumbent expressed the benefits and opportunities with digital only, being the cost savings that can be made on personnel.

Customer engagement is argued by all segments to be a challenge since insurances are a low engagement product and that customers have no interest to engage further. However, through nudging both large incumbent and InsurTech have enabled additional customer engagement (facilitated by IoT-technology) and also promote proactive behavior. InsurTech reward proactivity by lower premiums, further discussed under 4.5. *Care*. Moreover, whitepapers explained how enhanced customer engagement can help insurers

to go from price- to value-based competition. Consequently, by engagement a stronger relationship can be built.

From the interview answers we argue that insurances do not have to be a low engagement product as long as the engagement activities are relevant. For example, insurers' efforts to reward proactive risk behavior and grade habits seem to boost customer engagement. Further, relevance seems to be the key if the firm is to contact the customer and cross or up sell. The themes, opportunities and challenges of cultivation are summarized in Table 7.

Themes	Opportunities	Challenges
Access to customer data	<ul style="list-style-type: none"> • Relevance and responsiveness to customers (Small incumbent; InsurTech) 	<ul style="list-style-type: none"> • Customers willingness to share data (Large incumbent; Small incumbent; InsurTech) • Access to public records: Laws and regulations (Large incumbent)
Digital only	<ul style="list-style-type: none"> • Cost savings (Small incumbent) 	<ul style="list-style-type: none"> • Find unidentified needs when not speaking to the customers (Large incumbent) • Complexity for customers to understand policies, if not being to explain the content by phone (Large incumbent)
Customer engagement	<ul style="list-style-type: none"> • Nudging (Large incumbent, InsurTech) • Reward proactive behavior (Large incumbent, InsurTech) • Differentiate (PWC, 2014) 	<ul style="list-style-type: none"> • Historically insurance sell low engagement products (Large incumbent; Small incumbent; InsurTech)

Table 7 - Cultivation themes, opportunities and challenges

5.5. Care

Various efforts have been expressed among the segments to boost customer care. One large incumbent and one small incumbent expressed that local availability is key to customer care, it enables them to grow trust by acknowledging the individual. One small incumbent explained how their local services illustrate V.I.P customer service.

Moreover, both large and small incumbent send out risk alerts, which can be beneficial if engaging customers in proactive risk behavior. There lie great opportunities in nudging customers to act in a proactive way resulting in the payout for damages can be reduced. Moreover, throughout large incumbent insurers offer quantity discounts to illustrate care. A small incumbent argued the latter is foolish since it can result in insurers taking on risks that are too large in relation to what premium the customers pay. The small incumbent respondent explained that they rather undertake low risk policies of customers and let

other insurers undertake customer's high-risk policies. Furthermore, one large incumbent respondent expressed that quantity-discounts is a poor version of a loyalty program, since it weakens competitiveness on providing customers with a single policy, which in turns enhances the barriers to enter for new customers.

A contradiction is that insurers try to retain their customers, however does not reward retention, arguing that some insurers abuse loyal customers. This contradicting behavior from insurers poses a large challenge for their ability to retain customers. Several insurers stated that new customers get better premium prices than those who stay and that the longer the customer stays the higher the premium is indexed. Contra wise, one small incumbent explained that their premium prices becomes more favorable the longer the customer stays and how they, through digital tools and technology, are able to reward low-risk behavior and reprimand high-risk behavior, an opportunity that could solve the current challenge.

Looking at high-risk takers, we have distinguished that there are two types in the high-risk segment. Firstly, *the reckless*, i.e. those who intentionally have bad habits and choose not to change their behavior and act in a less risky manner. Secondly, *the misfortunate*, accidents can happen to anyone when disaster strikes, it can just be a matter of bad luck. What was notable in the interviews was that large incumbents and small incumbents did not treat these segments differently. We ask ourselves; *is that really fair?* To this end, we discovered that one small incumbent and all InsurTechs were more selective in which customers they served. Conversely, two small incumbents and all large incumbents tried to serve the many. The themes, opportunities and challenges of care are summarized in Table 8.

Theme	Opportunities	Challenges
Local availability	<ul style="list-style-type: none"> Grow trust by customer recognition (Large incumbent; Small incumbent) 	<ul style="list-style-type: none"> Customer's premium price (InsurTech)
Risk alerts	<ul style="list-style-type: none"> Customers engage in proactive risk efforts and payouts for damages (Large incumbent) 	<ul style="list-style-type: none"> No challenge mentioned
Quantity discounts	<ul style="list-style-type: none"> Customers gains a lower price when insurances are aggregated (Large incumbent, Small incumbent) 	<ul style="list-style-type: none"> More difficult for insurers to sell single policies (Large incumbent) Taking on risks that are too high (Small incumbent)
Fake loyalty	<ul style="list-style-type: none"> Insurers can increase the premiums 	<ul style="list-style-type: none"> Customer are unknowingly abused (Small incumbent, InsurTech)
Rewarding disloyalty	<ul style="list-style-type: none"> Short-term higher numbers in the customer base. 	<ul style="list-style-type: none"> New customers get better rewards that loyal customers (Small incumbent).

Table 8 - Care themes, opportunities and challenges

5.6. Choice

Digitalization has enabled an expansion in the selection of products and services and has provided insurers with many opportunities to complement their standard offerings. Services such as, digital veterinarian care, software measuring the consumer's health, carpooling administration etc., illustrate complementary services offered beyond insurance cover. However, as a large incumbent highlighted, there is a big challenge associated with all the extra services and offers brought forth by the insurers. The insurer argued that because of the low interest nature of insurance policies, customers tend to only care about the price and assume that all policies include the same coverage and services. Consequently, the great challenge for the insurers is to get the customers to understand the scope of the policies and motivate them into paying a higher premium in order to gain the benefits of the additional technology and services.

As expressed by a large incumbent, there is also a general change in customer preferences, which could provide insurers with an opportunity to stand out among their competitors. Many customers nowadays just want their problems solved in a convenient way. Instead of receiving money in their account, they want their damages repaired. InsurTech claimed that their customers no longer ask for monetary compensation, they just want their problem solved, such as having a repairman sent to fix a water leak and any related damages, rather than just paying out insurance money. Being able to seize this opportunity by offering well-crafted solutions through cooperation with various service companies, and thereby creating an ecosystem, instead of the standard approach of just compensating the claim can serve as an opportunity for customers to increase their loyalty.

When it comes to new technologies, all segments offer, to various extents, smart sensors. Smart sensors are most commonplace in telematics and is thus also available to people and houses. The insurers have vast opportunities to gain competitive advantages by adopting these solutions quickly and effectively. As a large incumbent clearly expressed that, these technological solutions provide many benefits such as increased proactive risk behavior, more customizable and fair policy premiums as well as reduced damage costs for the insurers. Two respondents in the InsurTech solely base their products on new technologies. The telematics technology enables the tracking of customer behavior and adapts premiums according to risk propensity. This has attracted low-risk customers, who feel the standard premium setting of incumbents is unfair. What is interesting in this regard is what would happen if the low-risk customers became aware that they no longer needed to pay for the high-risk customers. The low-risk segment would most likely move to an InsurTech, where they are rewarded for good behavior by lower premiums. Then, the question is what will happen to the high-risk segments? Will the large incumbents, currently holding 80% of the market, be left with a portfolio of high-risk customers? Or consider another possibility, what if the large incumbents also started to reward proactive risk behavior, would the reckless behavior among these customers decrease? In other words, if people could no longer afford to be reckless, would lead to an overall reduced risk propensity? When looking to, for instance, vehicle insurances would such a development by extension lead to safer roads? The topics, opportunities and challenges are summarized in Table 9.

Theme	Opportunities	Challenges
Services	<ul style="list-style-type: none">• Discounts on products at partner firms (Large incumbent, Small incumbent)	<ul style="list-style-type: none">• Get customers to understand the comprehensiveness of a policy, not just look at the price. (Large incumbent)

	<ul style="list-style-type: none"> • Complementary services (Large incumbent, Small incumbent, InsurTech) • Going from product to service provide, solving the customers' problems instead of paying for it. (Large incumbent) 	<ul style="list-style-type: none"> • Premium price • Keep the premium price in level with the customer's experienced value
New technologies, especially IoT	<ul style="list-style-type: none"> • Proactive risk behavior (Large incumbent) • Customized policy premiums • Reduced damage costs (Large incumbent) 	<ul style="list-style-type: none"> • Get customers to understand the comprehensiveness of a policy, not just look at the price. (Large incumbent)

Table 9 – Choice themes, opportunities and challenges

5.7. Convenience

All segments expressed, to various extents, that their customers yearned for simplicity, and that they all struggle in meeting the demand of simplifying their processes in different ways, from the onboarding process to the claims handling. Despite conveying the importance of simplicity to varying degrees, it is a running theme throughout all segments, which underscores the fact that it poses central challenge toward convenience. This simplification is indeed needed, and is supported by whitepaper research, which mentions that over 30% of the people leaving a website without making a transaction, do so because they could not find the information they were looking for (Bain & Company, 2017).

The opinions between the segments seem to diverge on what convenience means. A small incumbent described how a claim had been handled in less than two seconds as a perfect example to illustrate convenience effort. On the same topic, an InsurTech respondent accused large incumbents to 'outsource' administrative work to their customers and questioned why more processes in the value chain were not automated further. Conversely, another InsurTech respondent had removed the physical claims form and replaced it with a voice recording, which was then processed through their AI powered robot and then handled through an automatized procedure. These cases illustrate examples of opportunities in automation with the intent to create convenience for the customer. The question is which of the above the customer value the most? I.e. Option A, where convenience is defined as speed, or Option B, where the whole process is organized to be convenient? It should be noted that a large incumbent claimed that customers do not care about speed, rather the opposite. That is, if a claim is processed too quickly, the customer tends to disbelieve that the case has been assessed in a fair, objective and correct manner.

On the flipside, all these measures to simplify processes and meeting the customers' expectations are coupled with other challenges. As highlighted by an InsurTech respondent, the increased automation and simplicity also comes with increased risk of fraud. As customers notice how easy and convenient the insurers' system handles the claims, their prowess to exploit it will likely also increase, posing a big risk for insurers to mitigate somehow. Table 10 summarizes the topic, opportunities and challenges of convenience.

Theme	Opportunities	Challenges
Convenience/simplicity	<ul style="list-style-type: none"> • Less forms means less frustrations from customers, likely to increase satisfaction. (InsurTech) • Moving from product to service (InsurTech) 	<ul style="list-style-type: none"> • Defining convenience (Large incumbent, Small incumbent, InsurTech) • Increased risk of insurance fraud (InsurTech)

Table 10 – Convenience theme, opportunities and challenges

5.8. Character

Although mainly emphasized by large incumbents, small incumbents and InsurTechs also agree the onerous situation imposed on the insurance industry by and large, is caused by the enduring public frustration toward information asymmetry and the perceived greed of the insurers. This shared perception amongst insurers shows that facilitating trust and transparency are two major challenges in building insurer character.

As initially brought forth by a large incumbent, the insurance industry, on a whole, suffers from an old assumption and prejudice, that insurance companies are greedy and always tries to find reasons not to pay compensation whenever the customers file a damage claim. This prejudice still seems to linger, which is damaging for customers' trust toward insurers. This effectively creates a barrier against information sharing between customers and insurers. Trust levels in insurance were expressed to be among the lowest when comparing to adjacent industries (Capgemini 2017; EY, 2017). The importance for the insurers to foster trust becomes ostensibly apparent when considering the fact that respondents from all segments stressed the importance of access to customer data, and especially so in combination with the PwC (2014) survey that indicated that customers' willingness to share personal information is directly dependent on their trust for the insurer. Another fact adding to the importance of trust for insurers is that their product is a credence good, where the quality of the product can never be tested in advance.

This ultimately helps insurers grow trust, partly offsetting the previously discussed challenge of a general lack of trust. Moreover, the concept of surplus redistribution (paying out dividends) appears to be an appreciated approach among customers of insurers in all segments, providing an amazing opportunity as it increases transparency, which in turn is one of the key elements to build customer trust (Jones, 2010). However, the approach varies between the segments, where a large incumbent gives the surplus back directly to their customers, a small incumbent reinvests it in socially beneficial research and local initiatives and an InsurTech give the surplus to a charity of the customers' opinion.

On the topic of transparency, the companies' opinions seem to diverge. For example, while all companies emphasized the importance of increased transparency during the interviews, only one out of the four large incumbents had chosen to have a presence on price aggregators. In contrast, all of the small incumbents and all of the InsurTechs had a presence there. This would expose a contradiction in the large incumbents' communicated message and their actions. A possible explanation to the seemingly paradoxical behavior was proffered by an InsurTech respondent who claimed that transparency in this manner only serves to strengthen the customer's bargaining position by making it easier to compare offerings. Table 11 summarizes the topics opportunities and challenges of character.

Theme	Opportunities	Challenges
Trust	<ul style="list-style-type: none"> Local connections and communication (Large incumbent, Small incumbent) Various surplus distribution approaches (Large incumbent, Small incumbent, InsurTech) 	<ul style="list-style-type: none"> Old assumption that insurers try to scam customers (Large incumbent; Capgemini, 2017; EY, 2017). Data sharing
Transparency	<ul style="list-style-type: none"> Could facilitate customer willingness to share data if proven that data is used for a good purpose. (Large incumbent) 	<ul style="list-style-type: none"> Strengthens customers power position by making it easier to compare. (InsurTech)

Table 11 – Character themes, opportunities and challenges

5.9. Communities

To a great extent, respondents from all three segments share the same overall opinion regarding the challenges with communities. Managing the fallout from bad publicity from comments and poor reviews on communities where disgruntled customers may share their negative experiences with their peers is a problem that all of the insurers are faced with. At the same time, all of them need the communities in order to service their customers in an optimal manner, which makes it essential for all insurers to tend to their communities.

Granted, it is natural for people to vent their disappointment if they feel wrongly treated or if they are dissatisfied. Hence, using the company's social media page to express their dissatisfaction would appear to be one of the easiest approaches at hand. This method also grants the customer the satisfaction of feeling they have exacted some kind of revenge on the company. This, in turn, poses a big challenge for companies across all industries, not merely insurers. Another challenge expressed by insurers, especially from small incumbents (mainly due to their limited resources) is cumbersome, resource-demanding and time-consuming process of moderating the content on their social media pages.

However, we also see that despite all segments emphasizing the risks, they all choose to remain present on various social media platforms. Due to the societal development, where almost everyone is active on social media on a daily basis, it presents too good of an opportunity for exposure and customer interactivity for a company forfeit an online presence. On this note, a small incumbent expressed, that with satisfied customers, a company can get many 'ambassadors' that promotes your company in various communities, in turn defending you against the negative comments and providing free marketing.

There are also many other opportunities that can be exploited from using communities when used favorably. This more innovative approach was emphasized mainly from InsurTechs, whereas the other segments were more focused on reputation and customer service. Opportunities such as letting communities help co-develop your products, as well as making insurance more interesting through gamification, such as sharing your safety performance score online and competing with your friends, are

examples of how you can gain market shares by thinking outside of the box. Table 12 summarizes the themes, opportunities and challenges of communities.

Theme	Opportunities	Challenges
Reputation building	<ul style="list-style-type: none"> • Being where to customers are, keeping up with societal development. (Large incumbent) • Better exposure (Large incumbent) • Word-of-mouth recommendations (Small incumbent) 	<ul style="list-style-type: none"> • Quick spreading bad publicity/hatred. (Small incumbent +Large incumbent) • Hard to moderate. (Small incumbent)
Other effects of communities	<ul style="list-style-type: none"> • Customers can help to co-develop products. (InsurTech) • Customers can recommend or advice others on proactive behavior. (Large incumbent) • Making insurance more fun through gamification (InsurTech) 	

Table 12 – Communities themes, opportunities and challenges

6. Conclusion & Recommendations

This chapter presents the concluding challenges and opportunities that the insurance industry is facing imposed by digitalization, complemented with managerial recommendations and a reflection on the generalizability of the conclusions drawn. This chapter concludes with recommendations for future research.

6.1. Challenges and opportunities

The purpose of this study was to provide empirical evidence of the managerial views of the challenges and opportunities the digitalization process has brought forth on the insurers ability to consolidate customer loyalty. This thesis has sought to answer the following research question:

What are the managerial perceptions of challenges and opportunities of fostering customer-firm relationships in light of the digitalization process?

In order to answer the research question, this study was designed to gather data that considers the input from managers in large and small Swedish P&C insurance companies, as well as new highly digitalized InsurTech actors.

Measuring customer loyalty: You can't measure what you don't define, you can't act on what you don't measure

What insurers are asking:
How can we sell more to prospect and current customers?

Recommended question for managers to ask:
What KPIs do we need to develop in order to monitor customer sales opportunities?

There is a lack of congruity between how the insurers define customer loyalty and how they measure it. Neither of the companies separates the actively renewing customers from the passive non-loyal ones. Not separating the two will provide KPIs misrepresenting loyalty. This means that insurers cannot differentiate between customers actively choosing to renew their policies and those passively renewing them. When it comes to selling more and repeated purchases, very few insurers mention share-of-wallet as an important KPI to track cross- and up-selling opportunities and to evaluate potential expansions of customer portfolios. The metrics can help the companies to sell more to existing customers and help identify the needs of new customers. By not using share-of-wallet as a standard KPI, insurers risk missing out on untapped sales opportunities. On the other hand, insurers who include this measurement could potentially increase their sales at a very low cost.

Access to customer data: Transparency is the key to customization

What insurers are asking:

How do we make our customers share their data?

Recommended question for managers to ask:

What instances and interactions will reduce customer's impression of our level of transparency?

With customers constantly increasing demand for customization, access to customer data has never been more important. Customer data is not only a facilitator of customization, but also more precise premium setting. Therefore, data gathering, and analysis should be a priority for all insurers. By, for example, not having a presence on price aggregators and other comparison sites, one may cast doubts on one's firm's transparency, which is a key ingredient toward building trust. Thus, the insurers focus should lie in lowering the barriers for the customers' willingness to share information.

How and where to interact with customers: Customer centric technology development

What insurers are asking:

How do we interact with customers and through what channel?

Recommended question for managers to ask:

What do we need to facilitate effortlessness, speed, relevance and safety throughout the customer journey? What is most valued by the customer?

There is a wide discrepancy in the industry on how, where and when to interact with customers. Either the strategy is to be in any channel that the customer is or, on the contrary, to provide only medium where interaction can take place. Regardless of strategy on where to meet the customer, the insurers should ask what customers value the most, speedy response times or a vast online presence.

Customer engagement: Touchpoint relevance in the customer interactions

What insurers are asking:

How do we engage our customers?

Recommended question for managers to ask:

What digital tools and technologies can help to get customers engage in proactive risk taking?

Many insurers emphasize the difficulty to increase the number of touchpoints, which is a result of the 'low interest' nature of insurances. However, it is also noticeable that the interaction heavy segments are the ones with highest churn rates. This points to the fact that an increased number of touchpoints is not necessarily better. Rather, the focus should be directed at creating value in the relevant touchpoints that benefit the customer. That is, one should not engage merely for the sake of it. Rather, ensure the engagement is relevant to the customer so that the interactions are not forced on either side.

The retention challenge: Stop rewarding disloyalty

What insurers are asking:

How can we make the customers stay?

Recommended question for managers to ask:

What can we do to reward long-term customers and stop rewarding yearly price bargain hunters?

There is a consensus that insurers rarely make a profit on a customer during the first two years, emphasizing the need for loyal, long-term customers to make a profit. Meanwhile, customers are frequently allured to change insurance provider through offers of unsustainably cheap starting premiums. This approach to attracting new customers is used by the clear majority of insurers and constitutes a great threat to customer loyalty across the whole industry. These offers create a setting, where customers frequently changing insurance provider receives lower premiums than those who stay loyal over time.

From price to value: The differentiation challenge

What insurers are asking:

How can we differentiate?

Recommended question for managers to ask:

How can we be part of/build an ecosystem that creates new customer value?

Many insurers struggle with conveying the content of their policies to the customers. While incumbents have difficulties in getting the customers to understand the additional value that their policies contain, InsurTechs struggle with making customers understand how their new, innovative technological solutions work and how it can benefit the customer. The issue of customers not understanding the products reduces insurers' ability to differentiate, which creates a market where pricing is the main competitive point.

Digitalization stands as the enabler for the shifting market climate in insurance and as a pace enhancer for the need to change. The presented conclusions serve as a snapshot in present time. This, however, can be completely altered within a matter of months due to the pace of change imposed by digitalization. Nevertheless, with InsurTechs and other disrupting forces emerging, and new offerings enabled by innovative technology and customer-centric solutions, the need for traditional insurers to facilitate customer loyalty has never been greater.

The conclusions of this study are generalizable to the Swedish Insurance Industry, and by and large also to the Nordic Insurance Industry as well. To a certain extent the results can also be used for benchmarking purposes to other 'low interest' product categories, such as electricity.

Future research

There are plenty of consulting white papers that examine what customers value to harness loyalty. However, there is a lack of academic research in the area, which is suitable for future research. In particular, more conceptual work could be conducted to investigate the effects of digitalization in the insurance industry. For instance, the 8Cs framework, used in this study, emphasizes that convenience is the least relevant component to harness loyalty. However, this study emphasize that cultivation is the least important in the regards of that it is unclear how it benefits the customer. In addition, the most relevant element appears to be character. Since that is the most important factor for growing trust, which in turn enables data sharing. It would be interesting to understand how the 8Cs framework could be reinterpreted in the light of digitalization.

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I. Appendix

Appendix 1 - Interview Guide

INTERVIEW QUESTIONS FOR INSURERS

INTERVIEW GUIDE

Introduction (to be mentioned at the start of the interview)

- Thank you for your participation
- Right now, we are investigating the challenges and possibilities digitalization impose on growing customer loyalty.
- Participation is voluntary
- We provide anonymity for your name and company name.
- There are no “right” or “wrong” answers, we want to understand your view and thoughts.
- Based on your knowledge about insurance takers and digital customer relationships, we want to understand what affect digitalization pose on your customer relationships.
- Focus lies on P&C insurance, disregard from what involves pension insurances.

To be able to analyze the interview we will need to record it. During the recording it is ok to pause and go off record whenever you wish.

Do you have any questions before we start?

I. INTRODUCTORY QUESTIONS (Approx. 3 min)

1. In your own words, would you briefly tell me:

- Title
- Work description
- How long have you worked here
- Your definition of customer loyalty

II. CONTENT (Approx. 60 min)

Topic	Questions
<p>2. Customization</p> <p>This area addresses the ability for customers to receive customized solutions based on their needs.</p>	<ul style="list-style-type: none"> What opportunities/challenges do you see with digitalization and how it can customize solutions to the customers. E.g. to develop products, channels to interact and information to customers etc.
<p>3. Contact Interactivity</p> <p>Contact Interactivity addresses the availability and efficiency of the customer service on the company's website and to what extent customers can access communication without having to exercise effort.</p>	<ul style="list-style-type: none"> What digital channels do you offer your customers today? (I.e. My pages, app, customer service on Facebook) What services can you offer in the digital channels? (I.e. handle claims, policy information, payments, renew insurances, sales, cancellations.) What opportunities/challenges do you see that digitalization contribute to enhance customer service in the digital channels. Can you give examples? What processes in the insurance value chain have you automated? What risks do you see with this?
<p>4. Cultivation</p> <p>This address to what extent insurers may acquire a deepened understanding of customers' future needs. By offering goods/services in a proactive way the company can facilitate opportunities for future "upselling/cross-selling".</p>	<ul style="list-style-type: none"> How do you believe digitalization can enable/threaten cross and up sales? How do you believe it affects the customer?
<p>5. Care</p> <p>This area concerns the insurers effort to customer care before and after a policy purchase or received service. Care may concern anything from minor transaction to building long-term relationship.</p>	<ul style="list-style-type: none"> What opportunities/challenges have arisen in customer care through using digital channels before, during and post the sales process? E.g. Campaigning, sales, customer information (product portfolio, policy serving, billing, service requests, complaints, claims handling) How do you handle those challenges? (e.g. give example of a recent action to improve customer care)

<p>6. Choice</p> <p>This area concerns the ability to offer relevant product compositions and additional options in all types of categories.</p>	<ul style="list-style-type: none"> • How would you say that digitalization has created opportunities to new product compositions? How do you think this has affected the customers? • What other than insurances do you offer your customers? (e.g. platform of connecting with pharmacies and applications such as KRY for health insurance) [<i>This question aims to determine how platform oriented they are.</i>] • What is your experience of why customers buy products from your company and not your competitors?
<p>7. Convenience</p> <p>This area address whether the customer perceives the digital climate as easily navigated and user-friendly (i.e. if it is simple to perform a transaction etc.).</p>	<ul style="list-style-type: none"> • What challenges do you experience the digital channels to impose on creating 'simplicity' for the customers? What are the challenges for customers to interact with their insurers today? • What role will your company play in your customer's life in the future?
<p>8. Character</p> <p>This area addresses the customer perception of the brand name, interface etc.</p>	<ul style="list-style-type: none"> • Do you believe digitalization has affected your customer's opinion on your brand? How has digitalization affected customers relation to your company? • 15. If looking at the customer side of digitalization, how do you apprehend customer's general attitude towards enhanced digital solutions?
<p>9. Community</p> <p>This involves to what extent insurers facilitate a "virtual community" to their customers (i.e. virtual rooms, gatherings, chat rooms etc.) created by the company.</p>	<ul style="list-style-type: none"> • What are the biggest challenges with open communities where the customers can interact with each other?
<p>10. Measuring Customer Loyalty</p>	<ul style="list-style-type: none"> • How do you gain customer insights? • Have you mapped customer journeys? touch points, pain points?

	<ul style="list-style-type: none"> • What KPIs do you use to measure customer loyalty, and which are the most ones. • How do you reward loyal customers? • How do you categorize your current customer base? (E.g. profitability, revenue potential etc.) • Who are your most profitable customers? What makes them profitable? • Within what product group is it the most challenging to retain customers? • What are the biggest challenges to acquire new customers? (e.g. a customer not being able to get a similar price at any other insurer due to being loyal for so long and gathering loyalty scores. Customer lock-in) • What is your understanding of the most common reasons for churn? • Have you cooperated with an InsurTech company? Do you plan to? Why/why not? If yes, how was your experience to do so?
11. Other	<ul style="list-style-type: none"> • Are there any specific digital tools you plan to implement in the near future? • How will GDPR affect your ability to grow customer loyalty? • Final Question: What is your perception of digital transformation in the insurance industry compared to banking or telecom?

III. CONCLUSION (Approx. 2 min)

- Is there anything else that I have overlooked that you would like to tell me about?

Thank you for your participation!

Total time: Approximately 60-75 minutes