Guest editorial

Creating customer value in insurance markets – research perspectives and managerial relevance

The insurance industry is of major importance to the world economy due to the amount of collected premiums, the size of its investments, mainly in illiquid and long-term assets, and, above all, the covering of a wide range of risks. In particular, the aspect of risk coverage illustrates the societal function of insurance by carrying huge risks such as threats related to cybercrime or natural disasters.

Therefore, the insurance sector plays a crucial economic and social role for individuals, corporates as well as entire sectors and even countries. Despite its impact on people's well-being, the insurance industry as a whole has not received ample attention in academic research. More precisely, while certain topics such as risk management and actuarial sciences are being studied thoroughly, academic research only marginally theorized a marketing and/or customer perspective of the insurance industry. As Ennew *et al.* (2010) stated, the field of insurance marketing lacks a clear understanding of customer behavior and customer needs. This general dearth of insurance marketing research comes as a surprise, especially because Lang (1947) already highlighted this gap in insurance research as early as 1947. In addition, Bickelhaupt (1967) provided a thorough overview of trends in insurance marketing and delineated new avenues of research for this evolving domain. Succeeding studies addressed some aspects of the calls raised by these authors as well as other research questions but mainly adopted a cross-industry or services perspective (see Robson, 2011). Thus, marketing research with an explicit focus on insurance markets remains rather scarce. The looming change of the insurance sector driven by technological and business model innovation as well as competitive and environmental forces even exacerbates the problem of a non-substantial insurance marketing research domain. Accordingly, the need of future research is highly timely.

In the following, we delineate three crucial dimensions that are among the main change drivers for the insurance industry and therefore compose the wider framework of research on insurance markets and, in particular, of this special issue.

Insurance industry dynamics and shortcomings

Even though the insurance industry as a whole did not suffer losses to the same extent as the banking sector following the financial crisis in 2007, since a number of years insurers face a challenging business environment, characterized by low or stagnant premium growth, interest rates close to 0 percent, and, due to these developments, intensified intra-industry competition (Bieck and Tjioe, 2015; Staib *et al.*, 2017). Coinciding with these environmental determinants that drag on profitability, outdated legacy systems, a low innovation rate as well as a general customer mistrust toward insurance companies further exacerbate the situation. In order to meet these challenges and return to more promising waters, insurers need to update their product portfolios to meet customer needs, provide distribution channels that accompany the customers all the way along their customer journey from pre-search to post-purchase phase and reinvent their marketing techniques to spur growth, particularly in underinsured market segments (Deloitte, 2017; Jaramillo, 2015). Despite the fact that industry experts have stated these implications, the industry remains largely in its steady state. Accordingly, an outdated IT infrastructure may not provide the necessary digital readiness for new products and distribution channels. In addition, the prevailing conservatism in the

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insurance industry hinders innovative forces to create new value propositions (PwC, 2017). Finally, on a global scale, only 43 percent of insurance customers trust their provider leading to higher customer churn rates (Bieck and Tjioe, 2015).

In conclusion, the tasks for insurers to modernize their operating systems, stimulate their rate of innovation and regain their customers' trust have not yet been concluded. Research on insurance markets can provide crucial insights and implications for insurers to cope with the aforementioned challenging conditions and to adapt their business models and value propositions accordingly. However, the impact of the delineated industry dynamics on an insurer's business has to be analyzed from an integrated point of view including technological determinants and the customer perspective, which we outline in the following.

Customer value in a digitized world

The general trend from seller to buyer markets also prevails in the insurance industry. This development implies that customers not only act as mere consumers of products and services, rather they play an active role in the value creation (Kucuk, 2009). They discuss the product attributes or service provision with the provider, highlight aspects that need improvement and communicate new ideas based on their changing needs. Also in the insurance industry, value is increasingly created through co-creation. However, a customer – insurer co-creation set up is still rather the exception than the norm. As outlined previously, customers in general exhibit low levels of customer trust, and may therefore hesitate to disclose sensible data that exceed basic requirements for standard contracts. Relatedly, insurance products and services are still associated with negative events and come as a "necessary evil" to many customers. In general, these customer perceptions of insurance markets lead to lower involvement compared to consumer goods and other services.

In order to activate the valuable resources that customers can provide, insurers need to adopt a customer-oriented logic. That is, insurance companies should not only engage in functional product diversification, but also ensure an emotional differentiation from the competition to strengthen customer identification with the firm as well as customer loyalty. Insurance products and services should thus support customers' quest for identity and reflect current life style trends.

Moreover, insurance customers increasingly use digital forms of interactions in their everyday lives. They seamlessly switch back and forth between online and offline communication. In this regard, insurers face the challenge of providing customer access points that satisfy customers' erratic switches of communication channels for the whole duration of the customer – firm relationship. In other words, it is key to elaborate an integrated customer journey that accompanies the customers from their initial awareness of a particular provider to their need for post-purchase services allowing a constant change of interaction channels without creating redundancies by asking for customer information more than once. Accordingly, to co-create customer value, insurance companies need to understand their customers' changing needs in a digital environment. At the same time, insurers face increased competition from all sorts of technology-oriented start-up companies, also called InsurTechs, which guarantee unique customer experiences. The possible effects of these new players on insurance markets shall be outlined in the following.

Digital transformation in insurance markets

While other industries have already seen radical disruption through digital transformation – e.g. amazon, which originally started as an online bookstore, is continuously entering individuals' private homes with smart devices such as Echo; UBER's business model fundamentally changed mobility and transportation services through its platform and without owning a single car – a similar development is emerging in the insurance industry. In addition, customers learn from other more digitized industries about new technological innovations and expect similar offerings from more traditional markets, such as insurance. They are used to buy products, book flights, do payments and search for information online ubiquitously via different devices. In contrast, the insurance sector as a whole has long been rather lethargic if it becomes to digital innovations, thereby creating a fruitful ground for technology-oriented start-ups, called InsurTechs. Due to high regulatory and capital hurdles, these companies usually target only one specific part of the whole value chain such as claims handling, smart analytics for policy estimations or distribution systems. As InsurTech companies do not carry the burden of old legacy systems, they provide fast and efficient communication with the customers and ensure a high frequency of touchpoints. This first wave of InsurTech start-ups has not caused a real disruption of the insurance industry, rather we can observe a coexistence with incumbents and an increasing number of cooperative initiatives between insurers and start-ups. However, new solutions such as peer-to-peer concepts announce a more fundamental change of the insurance industry. Peer-to-peer concepts allow risk transfer and indemnification without a trusted third party, i.e. an insurer, between two parties. Even more disruptive potential may stem from block-chain technology, which allows a decentralized storage of vast amounts of information and ensures very high data protection standards due to seamless traceability of information. This elevated transparency may attract new companies engaging in risk assessment and risk transfer.

However, peer-to-peer and block-chain technology, as important they may become for insurers, constitute only one area of potential disruption. Further advancements may stem from other technologies such as big data and advanced analytics, robot advisory, artificial intelligence and quantum computing.

In conclusion, the digital transformation of insurance markets will induce fundamental changes for insurers. As customers are already familiar with new technologies, insurance companies have to transform their business models in order to meet the changing customer needs. This encompasses an insurer's value creation process as well as inner-organizational structures. However, many insurers have not implemented such a holistic transformation approach. Rather, insurers have invested in incubators, start-ups or have launched affiliated companies to promote digital solutions, while at the same time leaving the core business untouched. These past endeavors of insurance companies have led to a coexistence of two corporate structures within one company that develop at a different pace and pursue a different vision. In order to meet the aforementioned challenges an integrated business model reinvention is crucial to succeed in future insurance markets.

Academic research on insurance markets can offer valuable insights and implications how insurers can persist in the market given the outlined challenges. For insurers it is of outmost importance to know the possible effects of new technologies on their business, the acceptance and behaviors of their customers in a digitized insurance environment, the arising opportunities to create customer value and retain customers given their changing needs, the possible approaches to transform their business models, etc. Accordingly, the list of challenges is extensive.

This special issue contributes to the research field of insurance markets by addressing some timely research questions regarding customer value, customer loyalty, segmentation, artificial intelligence, analytics and forecasting, etc. As this introduction has shown, the industry is in a state of transition and many additional topics need to be studied in greater detail. Thus, this special issue also serves as a clear stimulus for further research on insurance markets.

The papers of this special issue

The first paper "When customers are willing to disclose information in the insurance industry: a multi-group analysis comparing ten countries" investigates the antecedents of customer information disclosure. By analyzing a data set of almost 4,000 insurance customers from ten countries, Steiner and Maas find three factors of customer value (customer value provided by the company, the agent and the product) that have a direct as well as an indirect effect on information disclosure.

The second paper "The role of satisfaction and loyalty for insurers" studies the crucial antecedents of satisfaction and loyalty for the insurance industry. In this paper, Ruefenacht employs a structural equation model for a data set of 11,736 insurance customers. The author finds that anticipated regret and product category knowledge significantly affect satisfaction. In addition, the paper delineates a positive effect of trust and co-production on satisfaction and attitudinal loyalty. Finally, a suggested positive effect of satisfaction on attitudinal loyalty could have been found and confirmed.

The third contribution to this special issue, "Multichannel segmentation in the after-sales stage in the insurance industry," focuses on multichannel segmentation of health insurance customers in the post-purchase phase. Based on transactional data and sociodemographic variables, Dalla Pozza *et al.* discover generational differences in channel usage.

Technological innovations are strengthening consumer empowerment and are thus continuously affecting the interaction between consumers and companies. The fourth article "Consumer empowerment in insurance: effects on performance risk perceptions in decision making" examines the effect of consumer empowerment on perceived performance risk in insurance decision making. The authors Buehler and Maas draw on self-efficacy theory to conceptualize consumer empowerment as a higher order construct consisting of perceived self-efficacy and perceived controllability. They find a significant effect of both empowerment constructs and delineate the mediating role of decision delegation preference as well as the moderating influence of purchase decision involvement on perceived performance risk.

Another perspective of the customer – insurer relationship is presented in the fifth article, "What policyholder and contract features determine the evolution of non-life insurance customer relationships? – A case study analysis." Wagner and Staudt analyze a large-scale longitudinal data set that comprises information on private customers of household/liability and car insurance. The results from descriptive and econometric analyses shed light on the dimensions of a customer – insurer relationship, namely, customer acquisition, development and retention, thereby generating valuable theoretical and managerial insights. With this study, the authors delineate purchase and loyalty patterns and contribute to the understanding of an insurer's customer base.

Further delving into the topic of customer development, the contribution of Mau *et al.* "Forecasting the next likely purchase events of insurance customers: a case study on the value of data-rich multichannel environments" delineates new ways of CRM data usage. In particular, the authors present an approach to utilize enriched CRM data to forecast switching, retention as well as repurchase behavior. In addition, the authors shed light on the research shopper phenomenon, which has been explicitly taken into consideration in the course of their research. The study thus offers promising insights on predicting customer behavior based on data enrichment and analytics.

The last paper of this special issue, "Using artificial intelligence to create value in insurance," studies how insurance chatbots can deliver value for customers. In this contribution, Saarijärvi *et al.* present a conceptual framework that encompasses the dimensions artificial intelligence, service logic and reverse use of customer data to characterize the impact of chatbots on customer value creation. The resulting categorization is timely as this study is among the earliest to investigate the value-creating potential of chatbots in insurance.

We hope that both researcher and managers find this special issue interesting and inspiring for future research and practical applications.

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