

Impact of Distribution Channels on Insurance Consumption and Customer Portfolio Characteristics

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Abstract

Today's omni-channel-presence of insurance companies allows customers to perform research and purchase of insurance products over multiple channels with an increasing preference for online channels. As an outcome, in 2012, 57% of the customers worldwide choose the insurer's own website for product and premium research, an increase of 6% since 2010. A similar trend is also visible for policy purchase with 20% of the customers using insurer's website in 2012, a plus of 3% since 2010. In order to understand research and purchase behaviour across channels, we conduct an empirical study addressing the following questions: How customer characteristics (1) steer the channel choice and (2) lead to channel specific consumption behaviour. Our focus is on "Research-Online Purchase-Offline" (ROPO) customers as a most common pattern of channel switching behaviour.

The study is based on a data set from one of the leading Swiss insurance companies and contains approximately 350,000 observations, within a time span from 2011 to 2014, for the products "Household/Liability", "Motor" and "Travel". The customer and policy data are measured at the inception day of each policy. Additionally, customer data is enhanced with external demographical data, such as urbanization level of the domicile, in order to obtain richer insights. Based on this information we model the probability of the customer's channel choice using a logit regression model.

Our results show that young, urban and new customers, originating from Western and Northern Europe, have the highest affinity for online research and purchase of non-life insurance products. Furthermore we found that ROPO customers have a higher insurance consumption then pure online customers, even though both customer groups are presented with an identical product offer at the insurers website at the moment of product research. Based on this observation we hypothesize, that the personal contact of ROPO customers with the sales personnel leads to a more valuable customer at the point of inception. These findings are relevant to academics and practitioners alike and are important for strategic customer management and better understanding of omni-channel customer behaviour.

Key words: Non-life insurance · distribution channels · customer portfolio characteristics · research-online purchase-offline · empirical analysis

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