From Research to Purchase: An Empirical Analysis of Research-Shopping Behaviour in the Insurance Sector

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Abstract

Though almost every insurer provides an integrated solution for online product research and purchase for existing and potentially new customers, there is still a significant percentage of customers turning into research-shoppers, leading to a measurable "Research-Online Purchase-Offline" (ROPO) effect. This trend is visible from the channel usage statistics, e.g. in 2012 57% of the customers worldwide used the insurers own website for product research, but only 20% for purchase purposes. The preferred purchase channel (27%) still remains the one that enables personal contact to the sales person. This situation is similar to the one observed for travel products and is mostly due to the high complexity of the offered products. In addition, these products belong to the category of experience goods, where the evaluation of the product price and characteristics is difficult and can be based only upon previous experience, e.g. after experiencing a claim.

Switching between channels during the online calculation is most frequent in the last process step between displaying the offer and final choice and sometimes involves a change of the provider. While channel switch might lead to higher profit since multichannel customers were found to spend more, the change of the insurer is a serious threat. One approach towards avoiding this situation is understanding the behavioural patterns of ROPO customers. Since online calculation is a strong indication of a short-termed insurance demand, companies could identify potential ROPO customers by continuous monitoring of online calculations and approach them within an adequate time period.

To gain insights into the critical time period since online premium calculation which has a high probability to lead towards offline policy purchase, we conducted an empirical study based on a sample of approximately 10,000 ROPO customers for the products "Household/Liability", "Motor" and "Travel". The dataset was obtained from one of the leading Swiss insurance companies for the year 2013. We apply logistic regression based on a Weibull distribution to model the duration between the calculation and purchase. Our results indicate that the shape of the duration curve depends on the (1) product category, (2) contract type, i.e. new policy or renewal, and (3) customer characteristics. Our findings are relevant to academics and practitioners alike and are important for multichannel management and better understanding of the multichannel customer journey.

Key words: non-life insurance · multichannel distribution · research-shopping · empirical analysis

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