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# Changing Channels

**Accenture Multi-Channel Distribution  
Insurance Consumer Survey**

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# Effective multi-channel distribution: the solution to an ever-changing customer base

One of the most fundamental challenges facing insurers today is to remain relevant to a consumer base that is changing rapidly and fundamentally.

Potential buyers of insurance are changing in a multitude of ways. Their demographics are shifting as age profiles in traditional markets change and as new customers from emerging markets are targeted. The expectations they have of their providers rise steadily as service leaders like Amazon and Apple raise the bar for everyone. The ways in which they interact with the world around them has been completely transformed by the Internet, mobile technologies, social networking and other disruptive innovations. Reliance on tools such as comparison websites and aggregators has grown,

shining a harsh light on insurers' value propositions. In the midst of all this, consumer trust in insurance companies has slumped, only one in three are satisfied with the service they receive from their insurance provider, and no more than 20 percent say they will definitely buy more insurance from their current providers.

One of the most direct results of this transformation, for the insurer, is a dramatic shift in the way consumers prefer to interact with their insurance provider—as well as the quality of interaction they expect. Numerous studies, by Accenture as well as industry analysts, confirm that, to achieve high performance in this fluid environment, insurers need to have a deep and actionable understanding of their

customers, and they need to develop an effective multi-channel distribution strategy that meets customer needs and delivers a relevant and differentiating customer experience.

To help insurers meet these two imperatives, Accenture recently commissioned a detailed research survey into the attitudes and behaviors of consumers with regard to the purchase of insurance and the channels they choose to use. The findings are unambiguous: the insurance customers of today are on the move, their channel preferences are more complex than ever, and their priorities are about much more than simply price.

## The research

3,555 consumers interviewed

Quantitative survey in six countries: UK, France, Germany, Italy, Spain and Brazil

Sample representative of the general populations by age (over 18 years), gender and income (in Brazil, representative of the urban population)

Survey carried out in early 2010

# Consumers are on the move

One of the most unsettling findings of the survey is that only one out of two consumers who are planning to purchase insurance in the next 12 months intend to buy it from their existing provider (figure 1). While only six percent have made up their mind to switch, a massive 47 percent are planning to shop around.

While loyalty is highest in Italy and France, where almost two out of three customers will buy from their current provider, in the UK and Germany this figure falls to 29 percent—in Germany this figure falls to 29 percent—in Germany 15 percent have made up their mind to switch.

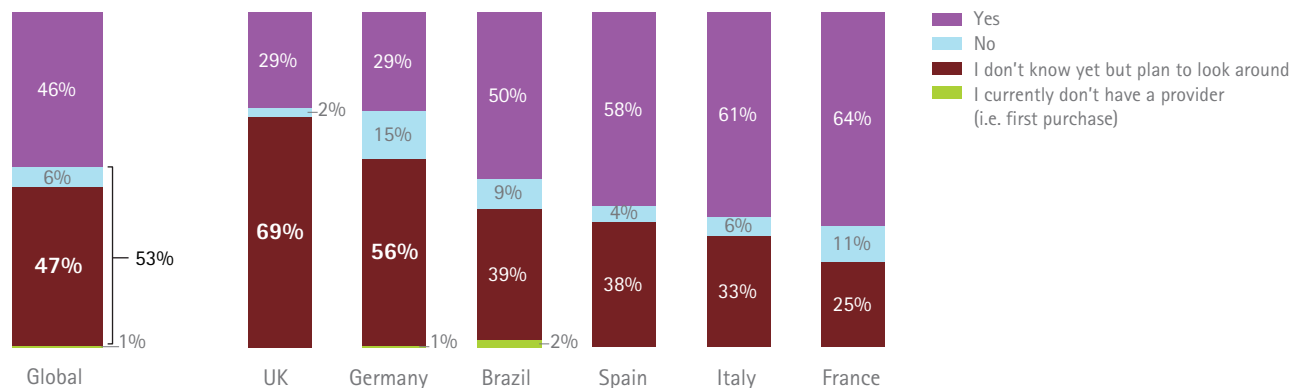
These findings are consistent with earlier studies carried out by Accenture. The Global Consumer Survey, conducted in April 2009, reported that:

- Only 34 percent of consumers are satisfied with their life insurance companies
- No more than 20 percent say they will definitely buy more from their current insurance providers
- As few as 25 percent would recommend their current providers to others
- 25 percent of insurance customers changed their mix of providers during the six to 12 months prior to the survey

Clearly, customer retention will be a major challenge for insurers in the years ahead. Yet for those that are able to offer a relevant and appealing value proposition, the potential to attract disillusioned customers has never been greater.

**Figure 1. Many consumers who are planning to purchase or renew insurance in the next 12 months are considering switching to a new provider**

**Question: Do you plan to renew or purchase your insurance products with your current provider?**



Base size = Respondents planning to purchase or renew insurance products in the next 12 months  
Source: Accenture Survey, 2010.

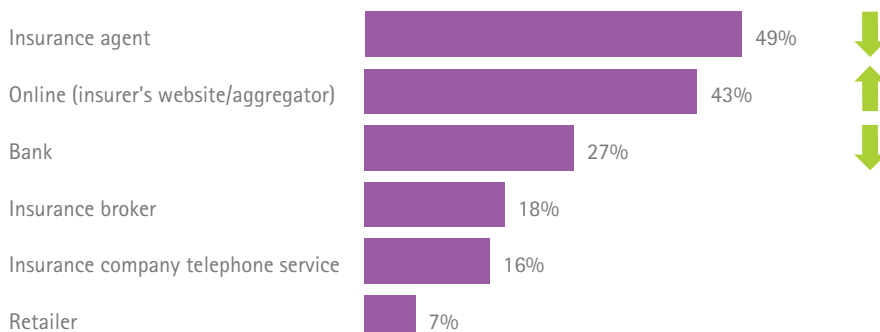
# Online is taking over

It should come as no surprise to anyone that the Internet is growing faster than any other distribution channel. Survey respondents were asked which channels, in the past 12 months, they had used for the first time ever to purchase insurance. Fifty one percent bought from a carrier's website for the first time, and 49 percent had their first experience of using an aggregator. Only 23 percent bought from an agent for the first time.

Looking ahead, 43 percent of consumers who intend to acquire an insurance product in the next 12 months plan to do it online (figure 2). Affinity with the Internet is greatest in the UK, where 70 percent plan to buy online in the year ahead (figure 3).

**Figure 2. The proportion of insurance purchases/renewals online via insurers' websites and aggregators will increase**

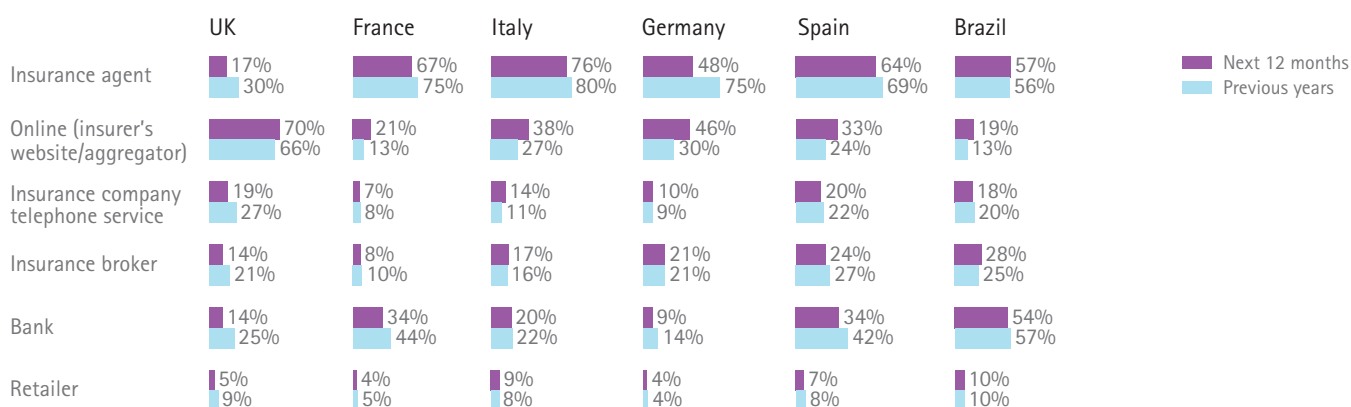
Question: How do you expect to purchase or renew insurance in the next 12 months?



Base size = Respondents planning to purchase or renew insurance product in the next 12 months  
Source: Accenture Survey, 2010.

**Figure 3. The Internet will grow faster than any other channel in all of the surveyed markets**

Question: How do you expect to purchase or renew insurance in the next 12 months?



Base size = Respondents planning to purchase or renew insurance product in the next 12 months  
Source: Accenture Survey, 2010.

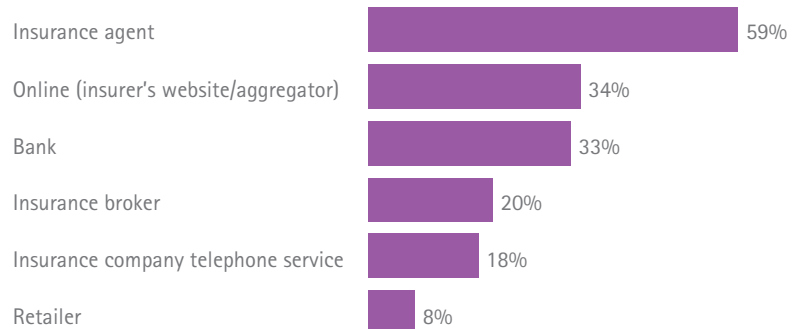
# The agent is still king ... for now

The figures for the Internet are exceeded only by those relating to insurance agents—still the dominant distribution channel. The number of consumers who own at least one insurance policy bought from an agent is almost double that of the next most prolific channel: 59 percent, compared to 34 percent for insurers' websites and aggregators combined (figure 4). And of all those who intend to purchase a policy in the next 12 months, no fewer than 49 percent plan to buy from an agent.

However these figures, while large, are declining as the Internet eats ravenously into the agent's market share. This trend is strongest in the UK and Germany, and only in Brazil is the agent holding his own.

**Figure 4. Consumers most commonly purchase insurance products from insurance agents, followed by insurance websites and banks**

Question: Do you currently have at least one insurance product purchased through one of the following channels?



Base size = total sample  
Source: Accenture Survey, 2010.

## Banks are also important

Bancassurance is comfortably placed as the third most prolific distribution channel after agents and the Internet/aggregators. One third of all consumers own at least one policy bought from their bank, and 27 percent of those planning to buy insurance in the next 12 months will do likewise. Banks will assert themselves most strongly in Spain and Brazil, where they can expect to sell more policies in the next year than will be bought online.

Banks occupy a cherished position in the minds of consumers, especially in comparison to insurance companies. Their frequency of interaction is much higher (38 percent of customers are contacted at least monthly by their bank, which contrasts sharply with 15 percent for insurers or their agents and

11 percent for brokers); they are widely regarded as the preferred one-stop shop for financial services (60 percent); and they have little competition as the preferred financial advisor (48 percent compared to 16 percent for insurers).

However bancassurance, like the agent channel, is losing ground to the Internet. And banks seem to be slow to capitalize on their favored position among consumers and to reinforce their status as a vendor of insurance. Fifty-one percent of respondents said they had no intention of changing their reliance on their bank as an insurance provider over the next three years, while 23 percent could not say whether they will buy more or fewer policies from their bank.

# It's not all about price

With buying behavior in such an unprecedented state of flux, it is vital that insurers understand what is driving customer decision-making. It would be tempting to assume that price is the dominant factor, given the rapid rise of aggregators in several key markets, and the availability and popularity of sophisticated comparison websites. But the reality is more complex. Price is ranked by consumers as the number one criterion for selecting an insurer in only one of the surveyed markets: the UK (figure 5). Across the board it ranks no higher than fourth, with 62 percent. The attributes which consumers value more highly are:

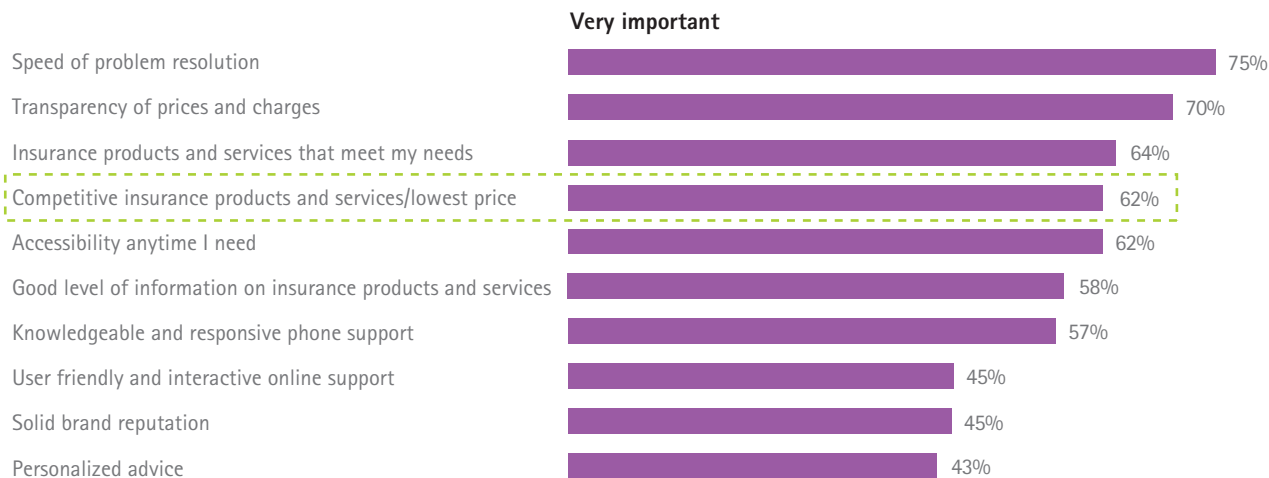
- Speed of problem resolution—75 percent
- Transparency of prices and charges—70 percent
- Insurance products and services that meet my needs—64 percent

There are considerable differences, from country to country, regarding the attributes that will cause dissatisfied consumers to select a new insurance provider. Offering a competitive or the lowest price varies in importance from the UK, where it is joint first alongside transparent pricing and quick problem resolution, to Spain and Brazil where it ranks no higher than eighth.

Further complicating the picture is the fact that more than one out of three consumers would be willing to pay more for their insurance if, in return, they were offered personalized financial advice or assistance. Taken together, these findings highlight the importance for insurers of understanding the dynamics of their various customer segments.

**Figure 5. The most important criteria in choosing a provider are speed of problem resolution & pricing transparency**

Question: How important are the following criteria in your choice of a provider for an insurance product or service?



Base size = total sample  
Source: Accenture Survey, 2010.

# Threats and opportunities

The results of this and similar surveys will make depressing reading for insurers that lack the insight and the agility to transform their products and services, their distribution strategy and their positioning in the market to suit their customers' evolving needs. For those that can adapt, and know exactly how they need to adapt, the opportunities for differentiation and profitable growth are vast.

The first thing that carriers need to do to take advantage of the new market fluidity is to improve their use of data and analytics. This will enable them to truly understand their customers, and to achieve a level of segmentation that is indispensable for moving from a product-centric to a solution-centric business model. Put plainly, it will allow them to synchronize the right customers with the right products and services, at the right price, using the right channels.

The next priority is to shore up insurance agents by empowering them with the latest technological advances and, wherever possible, merging their capabilities with those of the online channel. The range of possibilities is extensive, from online sales support and training, to predictive modeling that helps match them with those customer segments that are likely to respond best to their particular sales pitch, to social networking tools that connect them to the young emerging market.

With regard to the Internet, this is a channel insurers cannot afford to underestimate. The keys to success in this arena are a clear vision of the way ahead, an honest appraisal of existing as opposed to required capabilities, and the flexibility to acquire these capabilities timeously and efficiently.

Perhaps the most important fact to emerge from the Accenture study is not the rise or decline of any particular channel, but rather the growing complexity of distribution in insurance.

Consumers are not simply replacing one channel with another, but are diversifying—using more channels than ever for all of their various needs. The challenge facing insurers is to develop an effective multi-channel strategy: one that capitalizes on the strengths of each respective channel, that is seamlessly integrated to ensure a consistent experience no matter which channels are used, and that reduces the cost of interacting with customers while enhancing the relevance of the experience.

To find out more about the findings of the Accenture Multi-Channel Distribution Insurance Consumer Survey, or how to achieve high performance through an effective multi-channel distribution strategy, contact Edwin van der Ouderaa at [edwin.vanderouderaa@accenture.com](mailto:edwin.vanderouderaa@accenture.com).



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