

# Why insurers need to harness the power of purpose

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**In over-saturated markets, the question of the purpose of companies is enjoying a renaissance. As a differentiation factor, it influences purchasing decisions and increases customer loyalty. As a belief, it is a driver of business model innovation.**

For a long time, a trusted brand was a key element for consumers with regard to purchasing decisions: Pepsi vs. Coca Cola, Tempo vs. Kleenex, Migros vs. Coop. Customer loyalty remained stable for decades. [Digitisation now means that traditionally strong brands are facing new challenges.](#)

## Brand premium enables price premium

iPhones can be bought online. In terms of hardware, these telephones differ only marginally from Huawei or Samsung devices. Nevertheless, in 2018 Apple was again able to launch its latest device generation on the market at higher prices - without actually having implemented any major product improvements.

The prices customers are happy to pay can be explained by Apple's brand premium and their user experience. The brand premium is based on a belief that has been conveyed at every interaction point along the Apple customer journey since the late 90s. [It goes back to a fiery speech made by Steve Jobs in 1997.](#) Following his return as CEO, Steve Jobs gave a speech to his staff and reaffirmed:

*"What we are about isn't making boxes for people to get their jobs done - although we do that well. Apple is about something more than that. Apple at its core, its core value is that we believe that people with passion can change the world for the better."*

## Two opposing paths for insurers

This belief is tangible in Apple's customer journey. Apple wants to make it possible for customers to change the world. And Apple can still generate this feeling and successfully monetise it. Can this recipe for success be transferred to service providers and in particular insurers?

[If an insurer does not want to give up its classic earnings base](#), there are two opposing

strategies available to it: Either the company battles for command of the customer interface and works using a clear brand promise, or the provider focuses on the mass market, decouples its products from its traditional brand, deliberately delegates contact with customers to third parties and ensures added value only through volume.

### **Die Mobiliar - the people's insurer**

A provider that takes the path of having an unmistakable brand as its core business is "[Die Mobiliar](#)". The Swiss property insurer has a large branch network, with the individual branches having a great deal of autonomy and therefore being able to operate in close proximity to customers. Its claims management is handled by [Mobi24](#), the insurer's assistance service, which offers help around the clock in the case of an emergency.

The company is formed as a cooperative. Policyholders are involved in the cooperative's institutions with a co-determination right. In addition, the company distributes some of its profits back to premium payers, in order to additionally strengthen its image as the "most personal insurer in Switzerland". [The Die Mobiliar brand is tangible throughout the customer journey](#). This leads to recognition, customer loyalty and trust, even though the competition offers comparable products more cheaply.

### **iptiQ - value adding with volume**

A different path is followed by [iptiQ](#). The company is a subsidiary of Swiss Re. The Swiss reinsurer wants to counteract declining earnings by using the subsidiary iptiQ, which focuses on offering life and health insurance as a white label product. Swiss Re outsources the marketing to third parties, so it deliberately and voluntarily withdraws from direct customer contact.

iptiQ thereby focuses on core insurance business activities. The underlying idea is to offer the company's own products at an attractive price by fully automating the business process. This requires versatile interfaces, so that the products of third-party providers can easily be integrated into the company's own portfolio. This strategy stands and falls with a powerful network of partners that have a close relationship with the customers.

### **Purpose as a basis for business innovation in Insurance**

By looking at the iptiQ and Die Mobiliar cases, it can be clearly seen [how different the possible responses to digitisation in the insurance industry can be](#). Even in digitised markets, it is possible to have premium prices and achieve strong customer loyalty. A clear brand promise that can be tangibly felt is still a key factor in the buying decision of customers, also in Insurance. In particular millennials expect there to be a sense of meaning associated with the purchase of branded products.

The purpose of a company, translated into a clear brand promise, can also serve as the basis for innovation regarding the business model. Those who reclaim their essence can also reinvent themselves and emancipate themselves from legacy business.

Links to other articles in the Future of Insurance series:

- [Reshaping Customer Experience in Insurance](#) - Digitisation makes insurance customers the key point of focus for offers.
- [What insurers must tackle in the next five years to stay ahead](#) - The pressure among insurers to digitise their services leading to changes in the industry.
- [Top three insurance customer needs in 2019](#) - Only if insurers are familiar with the needs of their customers can they withstand the digital tsunami.
- [What is the significance of Ecosystems for insurers?](#) - Insurance companies will only succeed if they are part of the right ecosystem and offer the right products in this context.
- [Ecosystems: Surviving the digital asteroid](#) - Companies need a high level of technical expertise to survive in a world that is increasingly dominated by digital businesses.