



# **Asteron Life SME Insurance Index 2018**

## **Issue 2 - Online Behaviour**



# Introduction

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## Welcome to our second issue of the 2018 Asteron Life SME Insurance Index for New Zealand.

Brokers and advisers have built strong relationships with their clients through high touch service and personalised approaches. This has been highly effective, but is this model under threat in an increasingly digitised world?

As SMEs look to improve cost and time efficiencies because of escalating business pressures, the digital environment is playing a larger role than ever in how SMEs research and interact with their B2B suppliers. Xero, an online accounting software company, is a recent example of how digital efficiency is becoming the new normal for small business owners.

This edition of the report aims to help brokers and advisers to understand the evolving digital landscape, so they can future proof their business and capitalise on opportunities to make the most of the new standard.

Within the pages of this report, we'll explore key ways to harness the power of online behaviour to:

- drive key efficiencies within your business so you can spend more time on high value personal relationships
- deliver convenience to clients in line with their expectations, while still providing the expertise and trust that SMEs value in brokers and advisers
- increase awareness and engagement with your brand and become the sought-out expert in your field.

By understanding the expectations your clients have around the digital presence of their suppliers, brokers and advisers can begin to deliver a customer experience that is aligned with current and future expectations.

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# The findings

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This second report of the Asteron Life SME Insurance Index 2018 focusses on SMEs' online expectations and behaviours:

- Overall online usage for business tasks
- Benefits and drawbacks of using online
- Willingness to deal with insurance online

These topics will be explored in detail in this report.

Later, we will publish our final report for this year:

- **Women decision makers of SMEs:** in the research, we noticed different attitudes and behaviours with women decision makers coming through the results. So, we decided to focus on these findings and look closer to understand this segment for the broker and advisers' benefit.



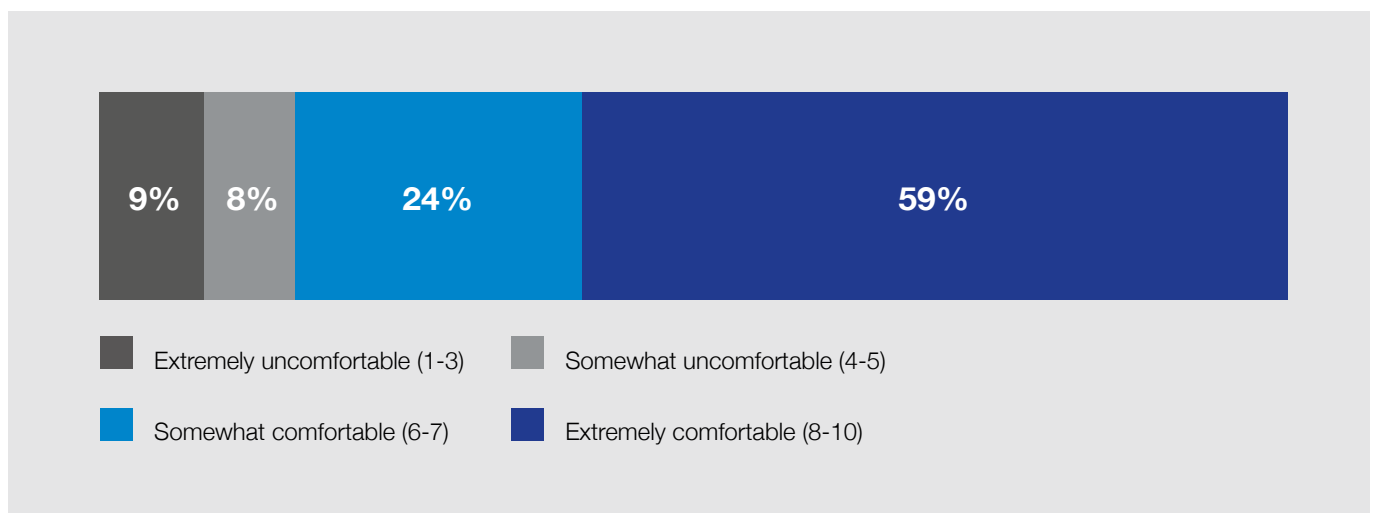


# OVERALL ONLINE USAGE BY NEW ZEALAND SMES WHO HAVE LIFE INSURANCE

The impact of digitisation has been one of the defining social trends of the last decade. While we are all aware of the significant use of online channels in our personal lives, to what extent are New Zealand SMEs who have life insurance using online channels to run their business, and does this change by different types of businesses and business owners?

This year we asked SMEs how comfortable they are using the internet to undertake administrative tasks for their business. The results were very clear, with 3 out of 5 claiming to be extremely comfortable and further quarter being somewhat comfortable (see Figure 1).

Figure 1: Comfort levels online

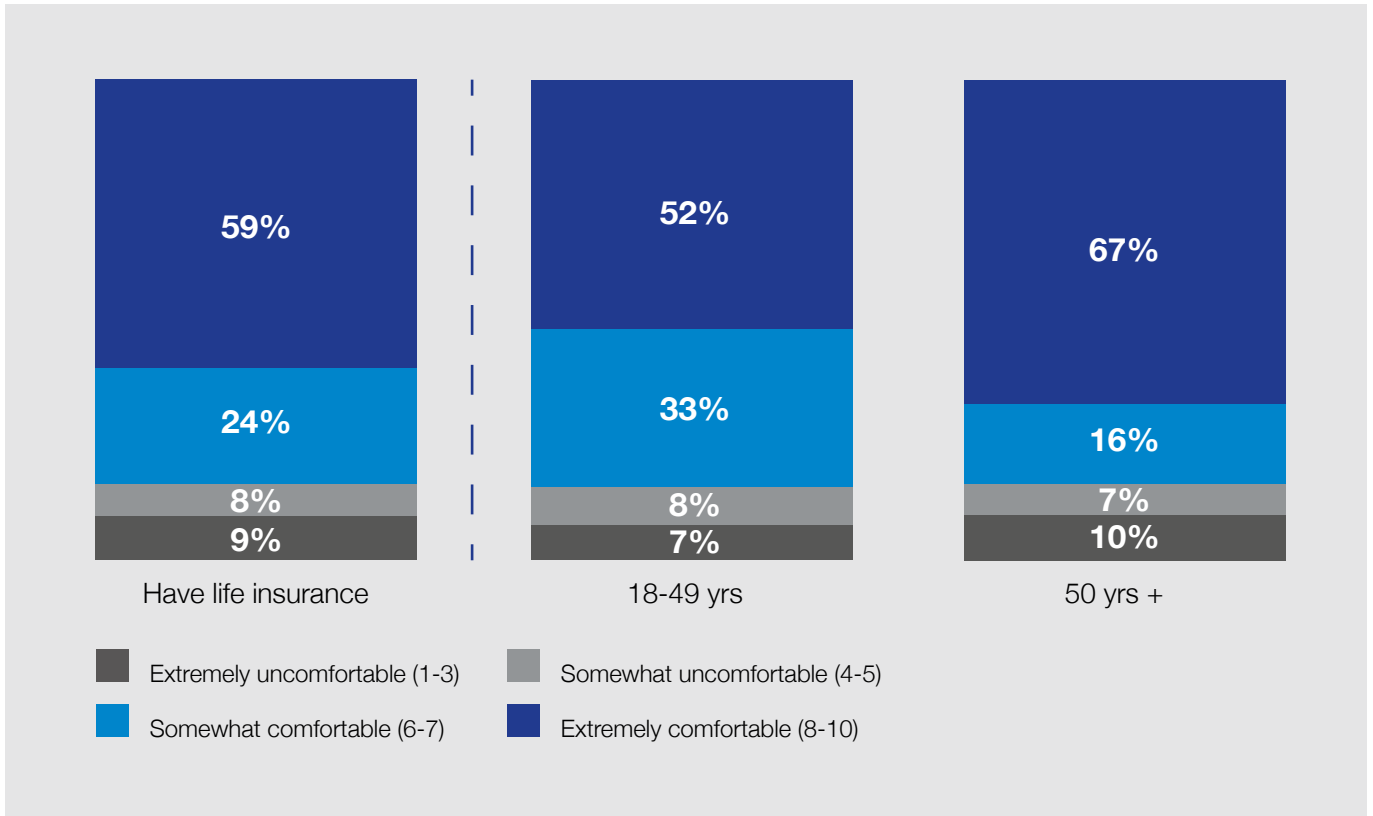


We delved into the research even further to understand more about the audiences and their level of comfort, to see if this changed with age, business size or insurance purchasing behaviour.

Accepted wisdom would tell us that younger audiences are the more enthusiastic adopters of the digital era and that older age groups are slower to embrace online channels.

While this may have been true in the past, our results suggest that this trend has been reversed. In fact, we found that SMEs over 50 who have life insurance are even more confident, with almost 2 in 3 claiming to be extremely comfortable online, compared to just over half of those under 50 (see Figure 2).

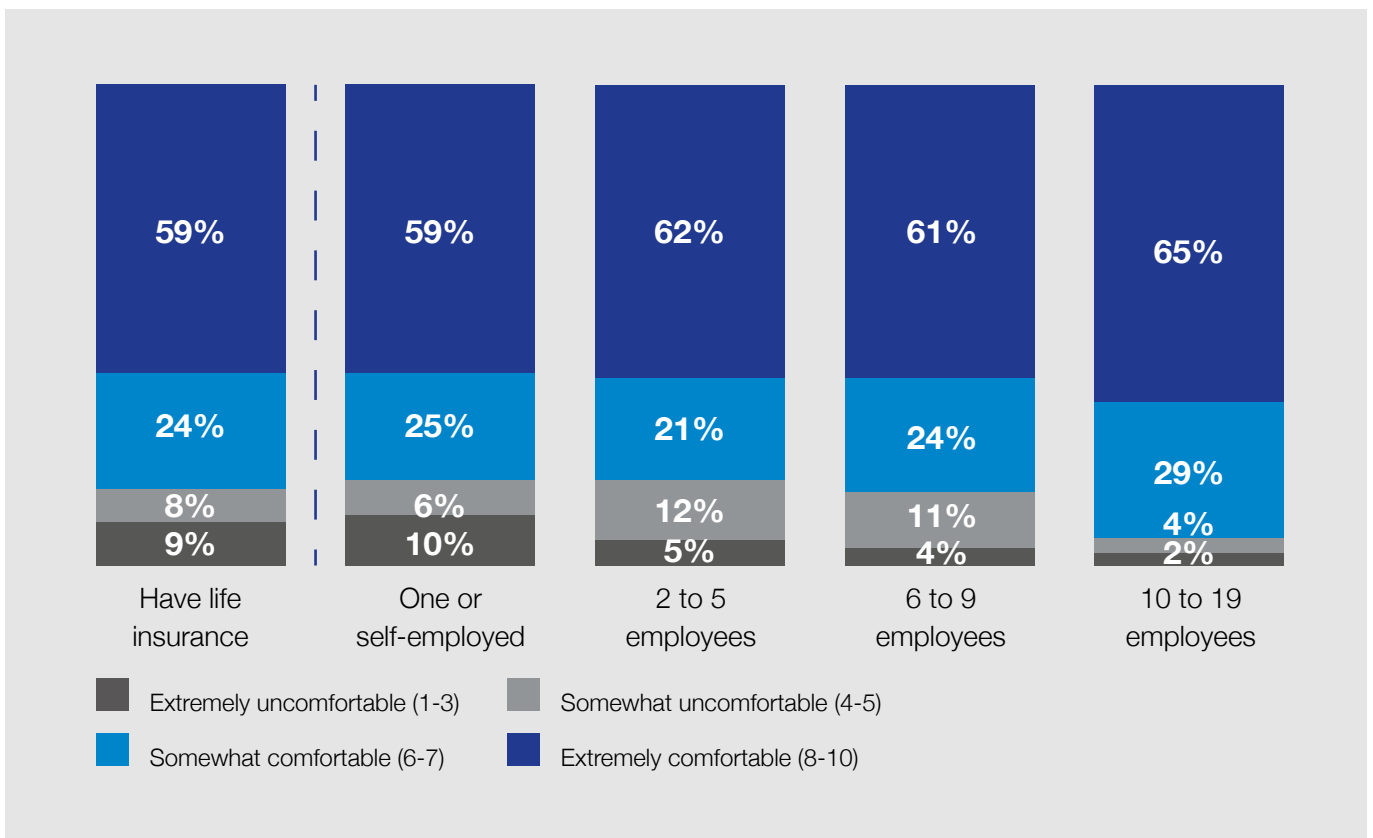
Figure 2: Comfort levels profile by age



Business size appears to make some difference when it comes to comfort levels online. SMEs with 10 to 19 employees are more likely to claim to be extremely

comfortable online, but overall there is no significant difference, suggesting that online channels are being embraced by businesses across the spectrum (see Figure 3).

Figure 3: Comfort levels profile by business size

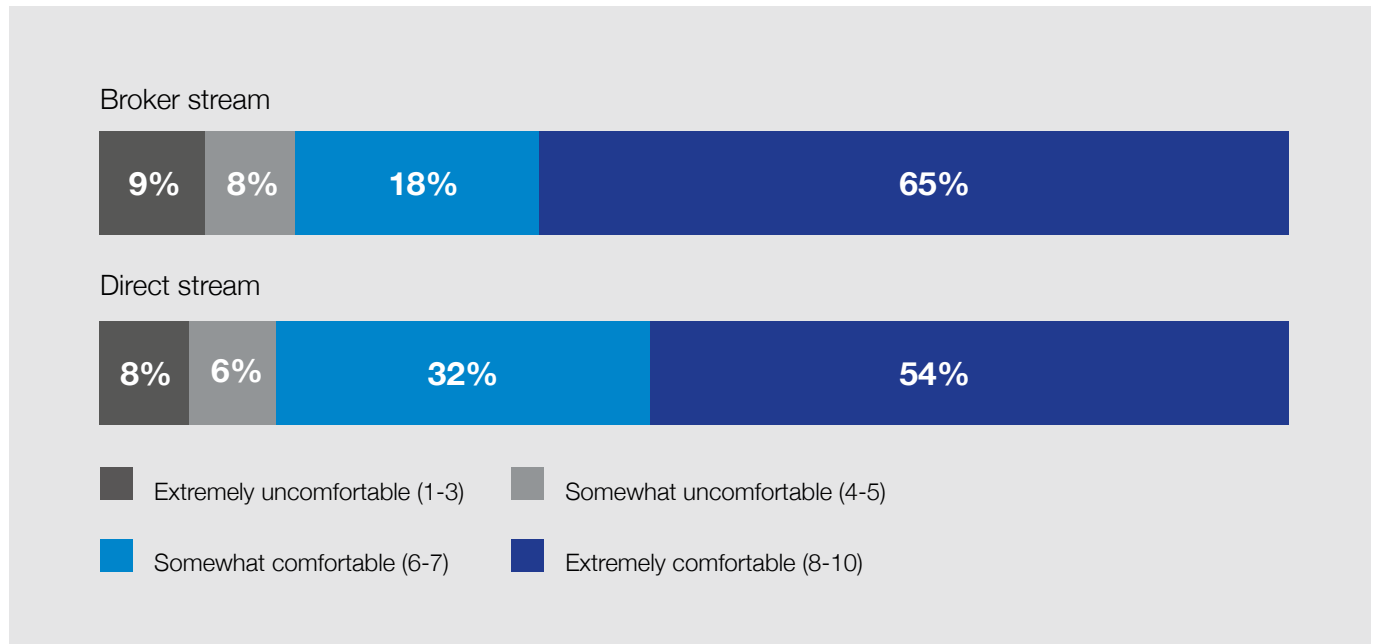




Interestingly, we see notable differences when we compare businesses who purchase life insurance with those who didn't have a life insurance policy. According to our findings, almost 2 in 3 SMEs with life insurance who use a broker claim to feel extremely comfortable undertaking business

tasks online (see Figure 4). This insight is key for brokers and advisers to understand how their business caters for the digital age, and to ensure they meet customer expectations in the online environment.

Figure 4: Comfort levels online by insurance purchase channels



### In a nutshell

- Online usage for business tasks (such as banking, communication, administration and payroll) is now mainstream with over 4 in 5 SMEs with life insurance claiming to be somewhat or extremely comfortable online.
- Age and business size makes some difference – however all ages and business sizes embrace online options. Contrary to accepted wisdom, SMEs over 50 who have life insurance appear to be most comfortable in the online space.

### Things for brokers and advisers to consider

- Understand your clients' digital expectations. Digitally managing administrative aspects of their business is now the norm for all types of businesses and ages.
- There is the potential for brokers and advisers to add value and build a customer value proposition for tasks SMEs aren't comfortable doing online.
- By increasing your options to interact with clients online, brokers and advisers can meet the needs and preferences of a large group of SMEs.
- This report will explore online behaviour more deeply to provide insights so brokers and advisers can determine where best to invest.



# BENEFITS AND DRAWBACKS OF ONLINE

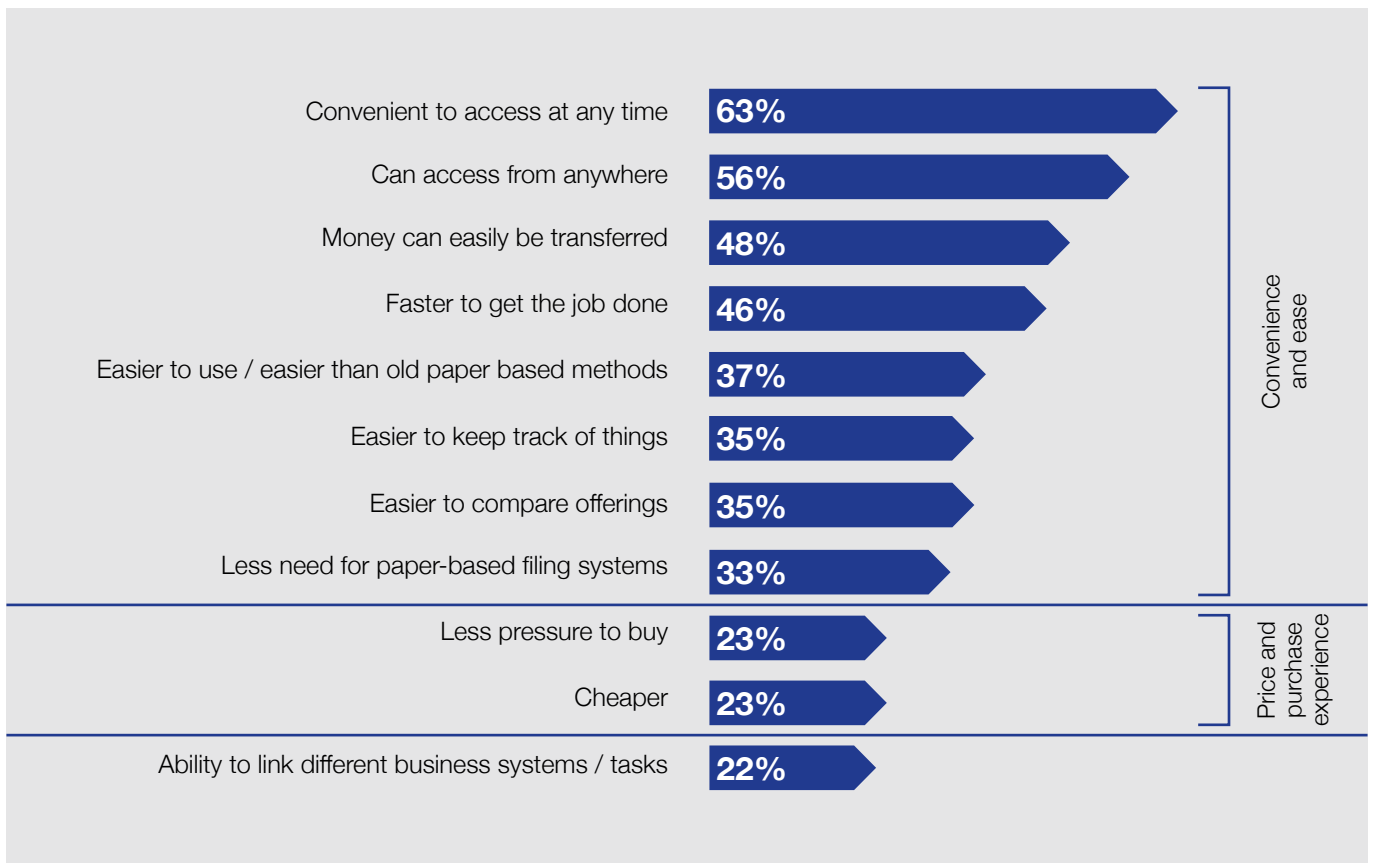
Given that online usage has become so widespread, it is important to understand what it is that SMEs like and dislike about interacting in the online space.

When presented with a list of potential benefits of using online channels, our respondents made it very clear that ease and convenience are the overwhelming reasons to use the internet. For example, 63% like the fact that they

can access information and research online at any time, and a further 56% appreciate that they can access it from anywhere. Ability to transfer money and speed are other important benefits.

Cost and having less pressure to buy is one of the lowest ranked benefits, with only 23% selecting them as a reason to use online (see Figure 5).

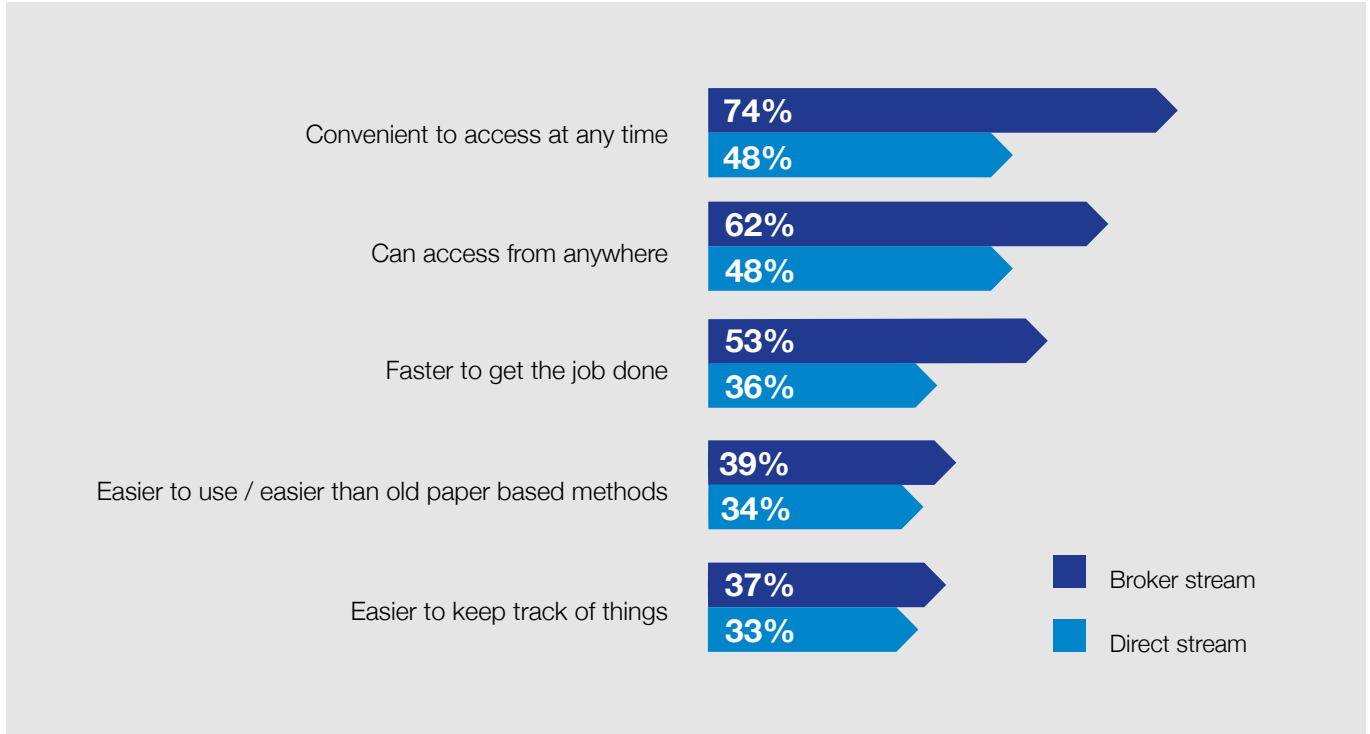
Figure 5: Perceived benefits of online



Among SMEs with life insurance who use a broker, convenience appears to be an even more important benefit compared to those who buy their insurance direct (see Figure 6).

This suggests a significant opportunity for brokers and advisors to think about how they can utilise online channels to make their experience more convenient for clients.

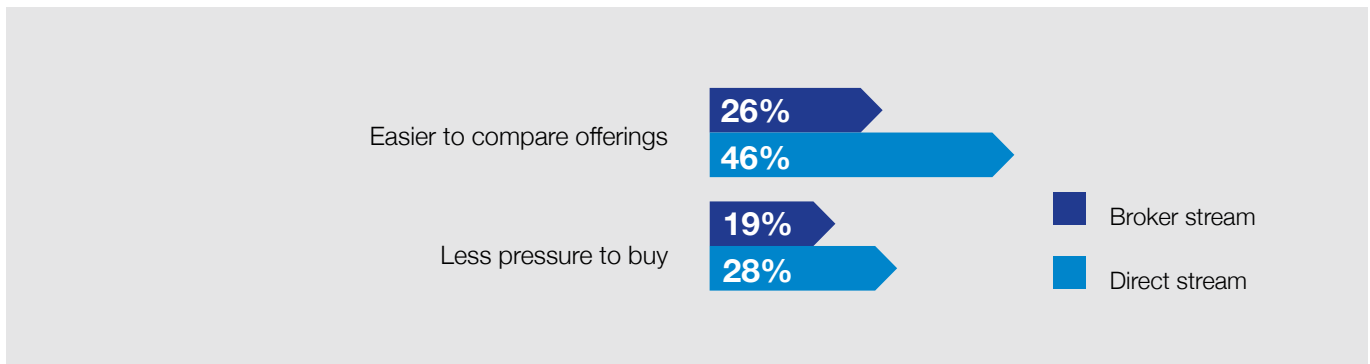
Figure 6: Perceived benefits of online by purchase channel



In contrast, those SMEs with life insurance who buy insurance directly are significantly more likely to like online ability to compare different offerings and lack of pressure to buy, suggesting that their use of online may be linked to a

desire to get the best deal and do things themselves (see Figure 7). This also suggests that they are shopping around and aren't driven to buy immediately.

Figure 7: Perceived benefits of online by purchase channel



The main drawbacks of online for SMEs with life insurance stem from lack of personal contact and security concerns over business information being leaked. 40% of SMEs feel that online is impersonal, while 38% are concerned about the risk of their business information being leaked.

Significantly for brokers and advisers, one third consider the lack of advice of online to be a drawback (see Figure 8). This suggests that there is a strong role and opportunity for brokers to leverage personal understanding, advice and trust that SME customers value.

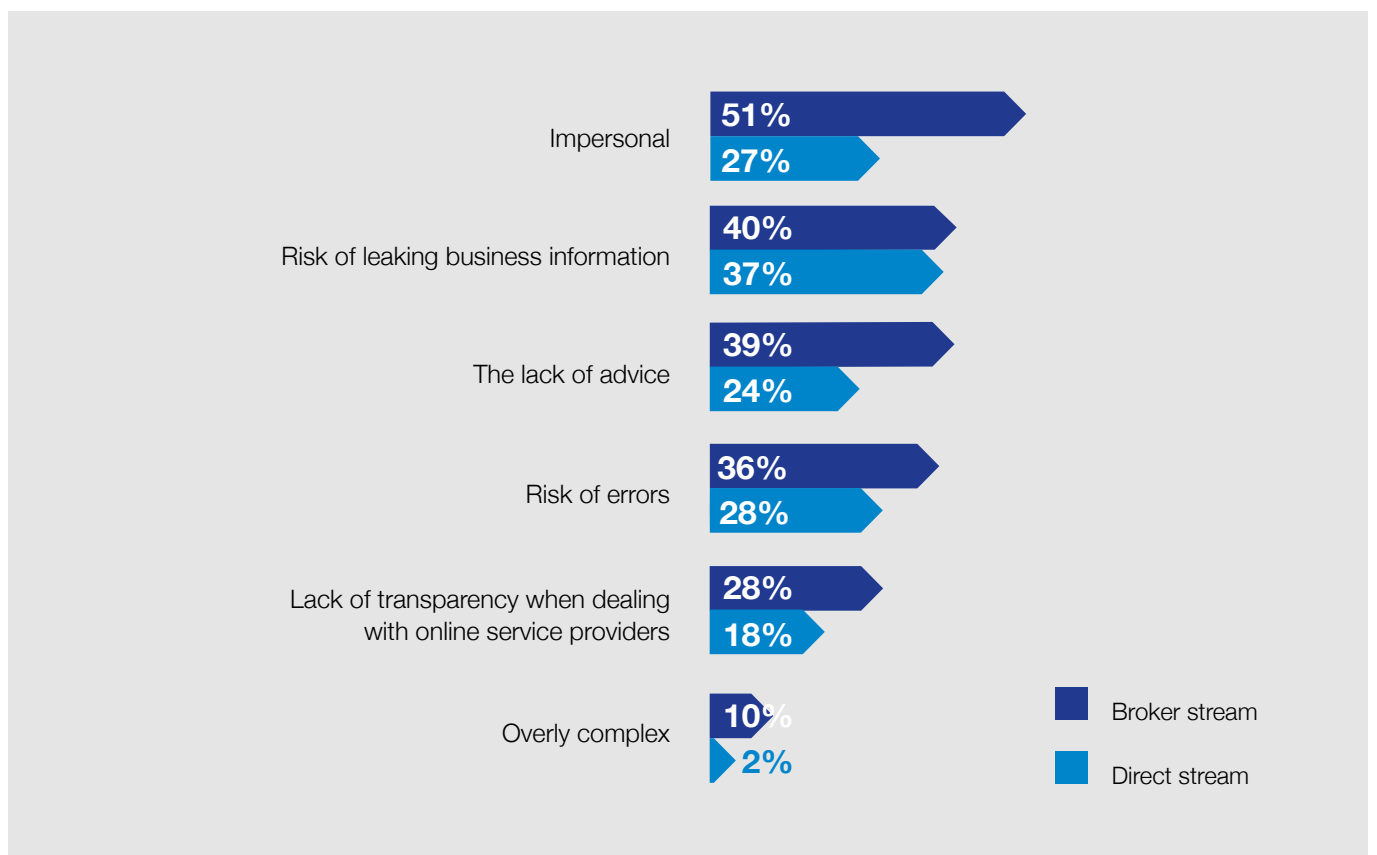
Figure 8: Perceived drawbacks of online



The impersonal nature and lack of control over online processes becomes even more prominent when we look at the drawbacks cited by SMEs with life insurance who purchase insurance via a broker. They are even more

concerned about online being impersonal, a risk to security of their business information, able to access good advice, transparent and simple processes (see Figure 9).

Figure 9: Perceived drawbacks of online by purchase channel





## In a nutshell

- Convenience and ease are the main benefits of SMEs using online channels.
- The main concerns about using online are the being impersonal and risk of leaking business information.

## Things for brokers and advisers to consider

- Convenience is the primary benefit of online for SMEs:
  - What can brokers and advisers do to leverage online channels to make their interaction experience as convenient as possible and thereby meet the changing needs and expectations of their client base?
  - There is an opportunity if brokers and advisers can successfully combine the convenience of online, self-service for administration tasks, with ease of access to personal advice (i.e. Live Chat).
- Lack of personal contact and risk of leaking business information are seen as the major drawbacks of online.
  - Personal advice and relationships are key benefits of using a broker and adviser. This finding demonstrates that their role is highly relevant in the digital world.
  - Brokers and advisers should continue to build a strong value proposition to clearly demonstrate the value they bring in.
  - Of course, this also means that delivering on excellent advice and strong relationships should be a priority for brokers and advisers to leverage this advantage.

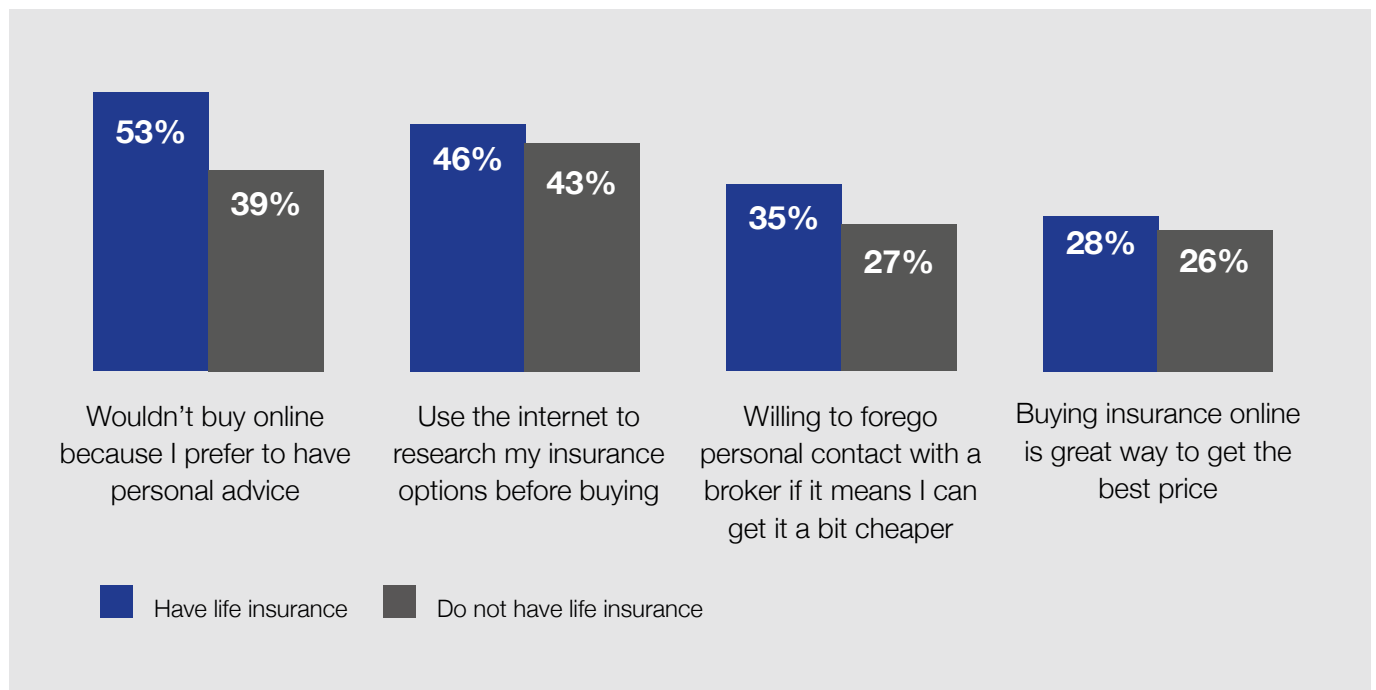
# WILLINGNESS TO DEAL WITH INSURANCE ONLINE

As we have seen, when it comes to general business administration tasks, New Zealand SMEs with life insurance are very positive about online channels. But how does this translate to managing their insurance needs?

Our findings suggest that SMEs with life insurance are not likely to purchase insurance online because of

their preference for personal advice. However, they are comfortable looking online to for insurance, with 46% saying that they use the internet to research their insurance options. A third of SMEs with life insurance are also willing to forego the benefit of personal contact for a cheaper price online (see Figure 10).

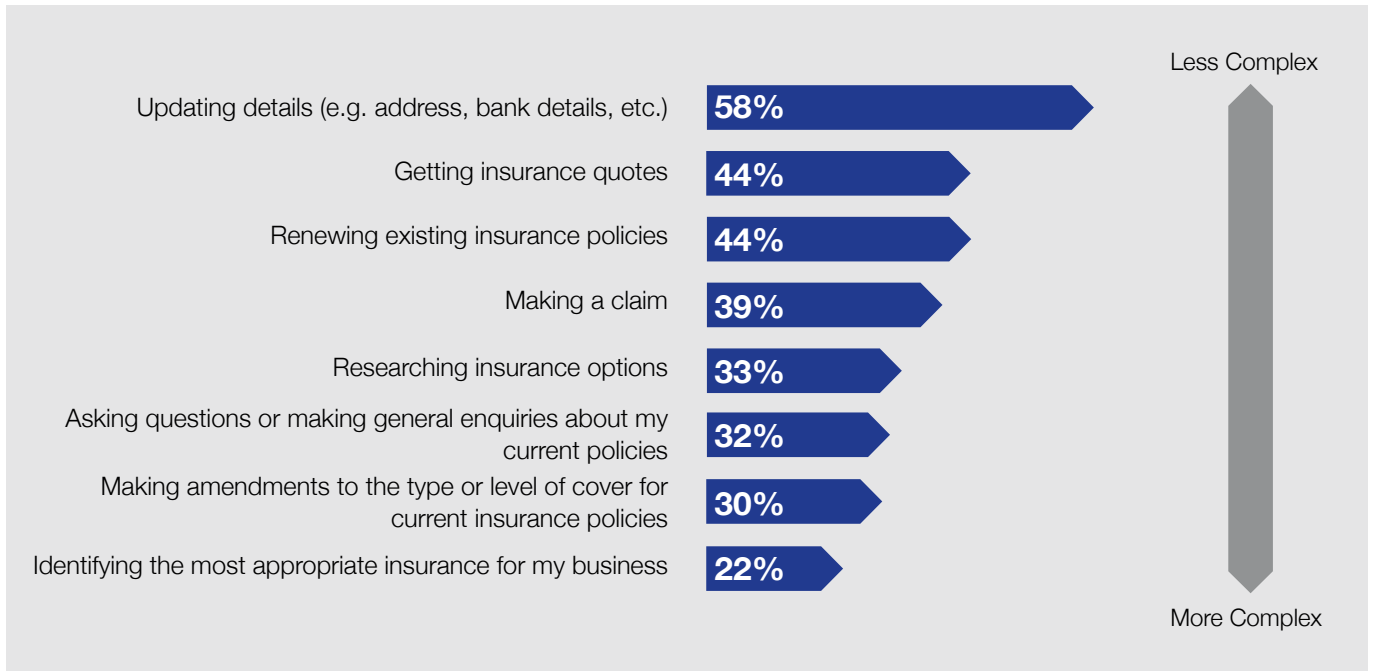
Figure 10: Attitudes to online



To gain a deeper understanding of SMEs' with life insurance's comfort online, we asked respondents to rate how comfortable they are doing a range of insurance tasks online. Their responses sit along a clear spectrum: the simpler the task, the more likely that SMEs are comfortable

conducting this task online. For example, 58% claim to be comfortable updating details like addresses or bank details online, while only 22% are comfortable identifying the most appropriate insurance for their business (see Figure 11).

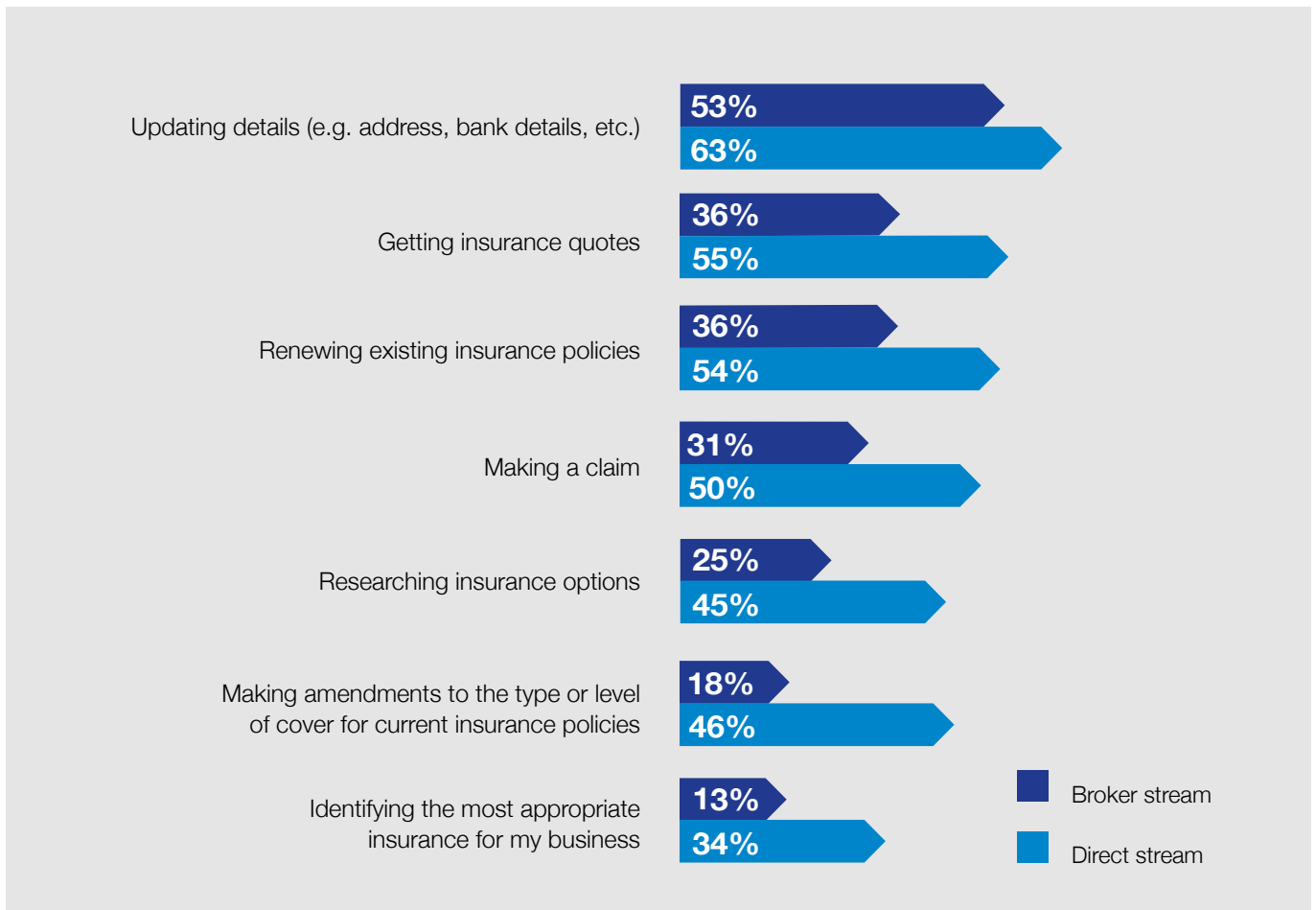
Figure 11: Very comfortable with online tasks



Notably, we see some key differences in comfort levels between those who purchase insurance via a broker and those who purchase directly. Direct buyers are significantly

more likely to be comfortable researching and making insurance decisions online (see Figure 12).

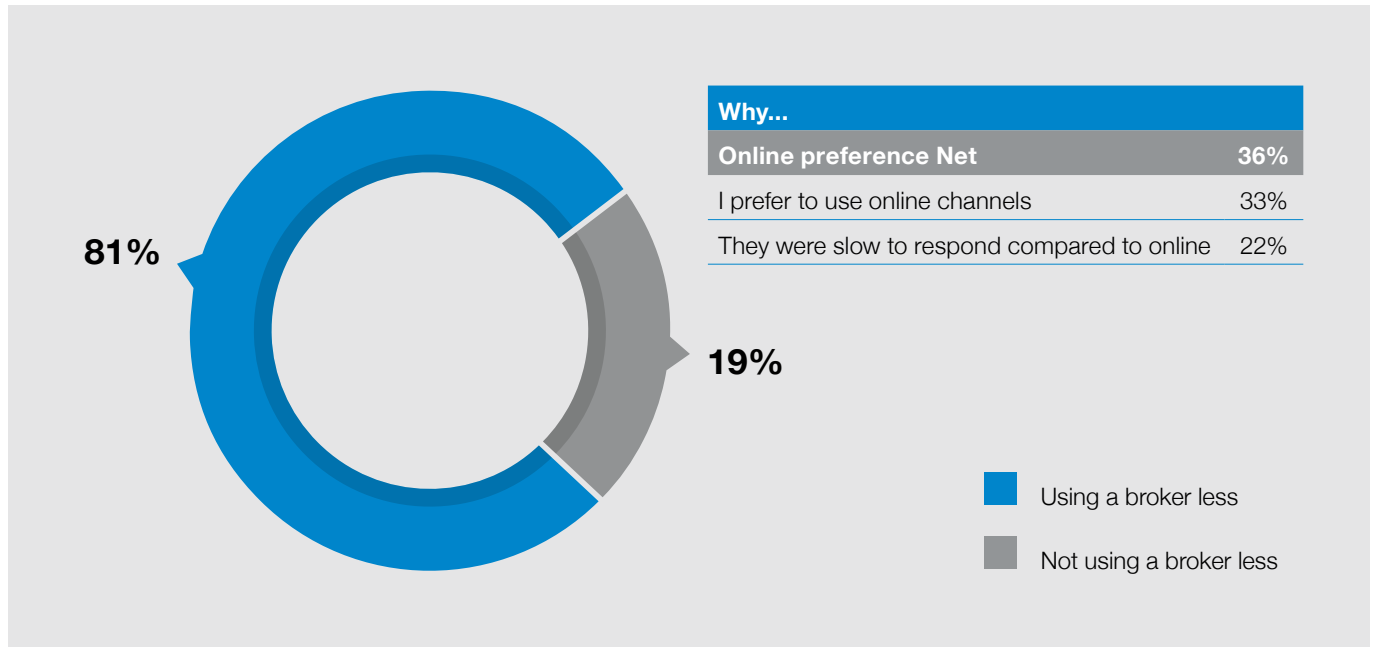
Figure 12: Very comfortable with online tasks by purchase channel



There is some evidence that, for a small number of SMEs with life insurance who are direct buyers, their willingness to use online has been a factor in their shift away from brokers. Specifically, of those who claim to be using a broker less than they used to, around 1 in 3 say that this is because

they prefer online channels (see Figure 13). This suggests that there is a substantial opportunity for brokers and advisers to provide their clients with the convenience and ease of online because it is increasingly an area that meets clients' expectations and needs.

Figure 13: Using a broker less and why



### In a nutshell

- New Zealand SMEs with life insurance increasingly use the internet to research their insurance options.
- They are most comfortable undertaking simple administrative insurance tasks online, and least comfortable with more complex tasks such as identifying the right insurance for their needs.
- Direct buyers are comfortable researching online, and some claim that a preference for online is a reason to use brokers less.

### Things for brokers and advisers to consider

- Research still indicates that SMEs with life insurance are looking for guidance from brokers and advisers to help them navigate the complexities of insurance. SMEs value brokers and advisers who take the time to understand their business and tailor insurance options for their needs.
- SMEs with life insurance are happy to do online research for different insurance options. And with many more online insurance competitors, it is hard to compete with ease and convenience. But this research indicates that SMEs still look for assurance from the advice of an insurance professional.

Therefore it is key to:

- Define and build your own unique value proposition.
- Understand customer drivers, so you can determine where is best to invest online (for example, search engine marketing or digitising administrative tasks).
- Understand that SMEs value the power of advice and personal relationships.





# The research

**This report is based on research involving more than 900 business owners and decision makers from around New Zealand. The research was independently\* conducted in two stages:**

## Stage One – Quantitative Survey

A survey of 901 business owners and insurance decision makers was conducted, covering a range of business types, locations and sizes. The survey was conducted during November 2017 and the data was weighted by region and organisational size to current Statistics New Zealand data. The survey covered:

- general business sentiment
- attitudes towards insurance
- insurance purchase process
- purchase channel (broker/adviser or direct)
- attitudes towards insurance brokers and advisers
- expectations and impact of price changes
- demographics

Respondents were screened to ensure that they were responsible for making insurance decisions for their businesses. Quotas around region and business size ensured that representative samples were obtained.

Businesses were divided into two groups, following Statistics New Zealand standards:

### Micro

Businesses which employ 0 (self-employed)-5 employees

### Small

Businesses which employ 6-19 employees

## Stage Two – In-Depth Qualitative

Eight interviews were conducted with SME respondents representing a mix of business sizes, types, attitudes to insurance, insurance purchasing channels and demographics. These sessions were held at respondents' workplaces during February 2018.

\* This research was conducted by BrandMatters. See [www.brandmatters.com.au](http://www.brandmatters.com.au)

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