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Digital insurance brokers—old wine in new bottles? How digital brokers create value

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Abstract This article analyzes digital brokers in the countries of the DACH region, Germany, Austria, and Switzerland, from a business model perspective. We argue that the potential to create new value for insurance customers has not yet been fully realized. Our analysis has identified two strategic action areas. The first concerns the exploitation of the wealth of customer data available. Those digital brokers who will succeed in generating new content and services using data analytics have the potential to take customer centricity and individuality to new bounds. The second centers around introducing aspects of community, such as connecting peers and enabling them to interact. The critical success factors are volume, a high degree of automation as well as leveraging the infrastructure and data to delivering new, value-adding content and services that go beyond traditional intermediation.

Digitale Versicherungsbroker – Alter Wein in neuen Schläuchen? Wie sie Mehrwert schaffen

Zusammenfassung Dieser Beitrag untersucht das Geschäftsmodell digitaler Broker in der Region Deutschland, Österreich, Schweiz (DACH). Die Analyse zeigt, dass bisher das traditionelle Vermittlermodel digitalisiert wurde. Entsprechend trifft die Redewendung des alten Weins in neuen Schläuchen zu. Um das grosse Potential auszuschöpfen, stehen zwei strategische Stossrichtungen im Zentrum. Erstens haben digitale Broker Zugang zu umfassenden Kundendaten, die eine Analyse des gesamten Risikoprofils erlauben. Die Transformation dieser Daten in neue, wertschöpfende Inhalte und Dienstleistungen hat das Potential, Kundenzentrierung und Individualität in der Versicherungsberatung neu zu definieren. Zweitens haben digitale Broker mit

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ihrer Plattform die Möglichkeit, Kunden zu vernetzen und Interaktion zu ermöglichen. Die kritischen Erfolgsfaktoren des Geschäftsmodells bilden das Erreichen einer kritischen Masse sowie die Fähigkeit, individualisierte, wertschöpfende Inhalte und Dienstleistungen anzubieten, die über die traditionelle Vermittlung hinausgehen und hoch automatisiert erstellt werden.

1 Introduction

How we deal with insurance will be revolutionized in the same way iTunes has revolutionized how we deal with music. That is the vision of Asuro, a German digital broker[1]. The fact that a number of digital brokers have been successful in attracting a considerable volume of capital (such as Clark, Knip, Getsafe, and Wefox, among others) indicates that the digital broker business model seems to appeal to investors.

In this article, we focus on the business model. After exploring the value proposition and customers' expectations of their digital brokers, we discuss how the value proposition is produced, employing a value chain logic, and how digital brokers make a profit. Based on a thorough understanding of the underlying business model, we go on to investigate how digital brokers create value.

The main aim of our research is to contribute to a better understanding of the business model of digital brokers in Germany, Switzerland, Austria, also known as the DACH region. The paper does not intend to provide a comprehensive analysis of current market players; rather, selected digital brokers were studied to characterize the business model attributes and to discuss potential variations and future opportunities.

The paper is organized as follows: Sect. 2 briefly introduces the insurtech market, which is revolutionizing insurance using technology innovations, while Sect. 3 presents a summary of current literature on digitization and intermediaries in the insurance industry. In that chapter, we also analyze the business model of digital brokers. How digital brokers create value is discussed in Sect. 4 applying the concept developed by Amit and Zott (2001) regarding value creation in e-business. The paper concludes in Sect. 5 that the business model of digital brokers largely builds on the traditional brick-and-mortar business model and is therefore, to some extent, old wine in new, digital bottles while, on the other hand, it has the potential to cross new frontiers.

2 Literature on digitization and intermediaries in the insurance industry

Digitization has triggered significant changes in the insurance business (Bühler et al. 2016, p. 15). There is no generally accepted definition of the term "insurtech" (Pain and Anchen 2017) although, typically, the term refers to the subset of technology

[1] www.asuro.de.

startups that focus on "process enhancements in underwriting, claims administration, back-office systems, customer-facing interactions and other insurance activities" (Banham 2017). Essentially, insurtech describes the industry that uses technology to cause disruptive change or at least try to cause disruptive change in the insurance sector. A study by Swiss Re Institute (Pain and Anchen 2017) found that most insurtech activity is currently seen in the US, in particular in the non-life sector, personal lines. Technology is affecting the entire insurance value chain with most insurtech activity currently affecting the way insurance is distributed (p. 7). Braun and Schreiber (2017) provided a summary of the current insurtech landscape and analyzed the disruptive potential of different business models such as comparison sites, digital brokers, or peer-to-peer insurance. They found that traditional brokers attest digital brokers a high potential for disruption (p. 115). In stark contrast, insurers and reinsurers estimate that the disruptive potential of digital brokers is significantly lower (p. 115).

In the risk and insurance literature, intermediary research centers around the economic function of insurance brokers as match makers (Cummins and Doherty 2006), the value brokers create in their intermediary function (Maas 2010), and the determinants of the quality of their services (Beloucif et al. 2004; Eckhardt and Räthke-Döppner 2010). Intermediary remuneration has attracted considerable attention. Various studies have analyzed the impact of different remuneration schemes, mainly commission versus fee-based compensation, on quality and performance (Focht and Richter 2013). Questions of liability are discussed in the legal literature (Briner 2017).

With our analysis of the business model of digital brokers, we wanted to add to the literature on how insurance intermediaries create value. Taking a business model perspective, we considered digital brokers as players in the insurance ecosystem, therefore taking a broad perspective in our efforts to understand the new business model and its potential future developments.

3 The business model of digital brokers

For the purpose of analyzing how a company operates, the business model concept is increasingly used in business research and practice (Bieger and Reinhold 2011). Much research attention has been given recently to the study of business model innovation (Chesbrough 2010; Gassmann et al. 2014; Morris 2013; Osterwalder and Pigneur 2010) and, in particular, to companies doing business electronically (Amit and Zott 2001; Osterwalder and Pigneur 2002; Wirtz et al. 2010). Some researchers developed taxonomies (Timmers 1998; Wirtz et al. 2010) of business models or business model patterns (Gassmann et al. 2014). Using the business model concept as a construct to analyze digital brokers allowed us to analyze *how* digital brokers operate and how they create value. Moreover, the business model concept not only focuses on the firm itself but also takes a systemic approach by taking partners, suppliers, and customers into account. As digital brokers are the intermediaries in a three-way relationship between insurers, brokers, and the insured, a systemic approach provides findings that are more inclusive.

Varying definitions of what a business model constitutes have emerged over time, depending on the discipline (Bieger and Reinhold 2011) and the purpose of the research project (Zott et al. 2011). Zott et al. (2011) criticized the contrasting meanings and applications of the term business model in different research streams. The choice of business model concept needs to be argued in a transparent manner. We decided to use the St. Gallen Business Model Navigator (BMN) developed by Gassmann et al. (2014) as the basis for analyzing the digital broker business model because of the focus of our research, which is on understanding the logic of value creation, not on classifying digital brokers. We chose this integrative, rather high-level concept as a means of studying the general logic rather than the business model of specific market players (which have been included, but mainly as examples of the current market). The BMN was found to meet this requirement. Moreover, the BMN had recently been used as the theoretical foundation for the study of insurtech business models conducted by Braun and Schreiber (2017). Our research expands on their contribution.

The BMN builds on four dimensions: who, what, how, and value (Gassmann et al. 2014, 2017). Key to the success of a business model is a clear understanding of *who* the target customers are. The *what* refers to what customers value, hence, the value proposition in terms of products and services offered. The *how* refers to the value chain, hence, how the firm produces its products and services, what resources it uses, and who its partners are. Central to value creation is also how resources, processes, and activities as a whole are managed to serve target customers effectively and create revenue. The aspect of generating revenue is referred to as the *value* dimension, which answers the question how the firm creates value for itself and its stakeholders within its ecosystem or, in essence, how the company makes money.

The focus of our analysis and discussion is on the retail segment. The commercial segment was not included, as this segment has traditionally been dominated by brokers. By brokers we refer to registered, independent insurance brokers requiring customers to sign a mandate agreement. This distinguishes digital brokers from agents, comparison sites, or other aggregators.

Digital brokers operating in Germany, Austria, and Switzerland were analyzed (see Table 1). Knip, a previously Swiss-based digital broker that merged with Komparu (Netherlands) in 2017 was included in the analysis because Knip has attracted significant attention in the media and in the investor community. The only digital broker we identified operating in Austria is Wefox, a broker firm originally from Switzerland.

Who: The digital brokers we analyzed target retail customers. Most retail customers in the European DACH region do not have experience working with an independent insurance broker (Maas et al. 2016), but typically use the service for the first time. For most retail customers, agents are still the primary partner, especially regarding purchase and after-purchase interaction (Maas et al. 2016). Compared to agents, digital services such as comparison websites or customer portals of insurers are used to a lesser degree for information or evaluation purposes (Maas et al. 2016).

Table 1 Selected digital insurance brokers based in Germany and Switzerland

Broker Website	Description
www.asuro.de	Offers digital folder, comparison, and broker services to private customers. Is a member of the Hoesch & Partner Group. Asuro combines traditional insurance broking with digitization
www.clark.de	Offers digital folder, comparison, and broker services to private customers. Cooperates with various German banks. Is venture capital-financed
www.Getsafe.de / www.helloGetsafe.com/de-de	Pioneered the digital broker model in Germany, is currently transitioning to become an insurance company working with Munich Re. Is venture capital-financed
www.knip.ch; www.knip.de	Pioneered the digital broker model for the smartphone generation in Switzerland and Germany. Merged with Dutch aggregator Komparu.com in 2017
www.ted-versicherung.de	Offers digital folder, comparison, and broker services to private customers
www.optimatis.ch	Offers digital folder, comparison, and broker services to private customers. Affiliated with market leading aggregator Comparis.ch
www.wefox.ch; www.wefox.de; www.wefox.at	Founded as Financefox. Offers digital folder, comparison, and broker services to private customers. Leverages its platform and software to insurance brokers, operates in three countries. Is venture capital-financed. Wefox founded its own, licensed (Liechtenstein, FMA) insurance company, "One"

With the app or website being the first point of contact for customers, digital insurance brokers appeal to technologically knowledgeable customers. Their business model is attractive for customers "organizing their life per mouse click as a time-saving matter of fact" (TED 2018), also referred to as the "smartphone generation," although this group is not age-dependent (Anderl 2016). Some of the digital brokers that were analyzed specialize in a specific segment. Knip, which initially targeted students, realized that its value proposition was more appealing to the internet-savvy, well-educated, middle-aged, urban customer (Just 2016). Getsafe seems to address young professionals at the beginning of their career (Getsafe 2018).

Digital brokers differ in how they access new customers. Clark, Getsafe, and Knip, for example, advertise on TV (Anderl 2016, pp. 32–33; Iseli 2015; VC-Magazin 2015). Clark, for example, receives a budget for TV adds as part of the investment by the media company ProSieben Sat.1 (VC-Magazin 2015). Wefox and Asuro license their software to traditional brokers and broker networks (Asuro 2018b; Wefox 2018). We can assume that Optimatis.ch and Knip.ch benefit from leads generated by the comparison website to which they are affiliated (Comparis.ch, Komparu.nl). Clark and Getsafe have experimented with incentives for customer referrals (Anderl 2016, p. 33). Clark also cooperates with direct banks such as PSD Bank Hannover, whose customers are offered free access to its brokerage services (PSD Bank Hannover 2018).

What: Insurers sell the promise that they will compensate their customers in case a defined event occurs. The description of insurance products requires complex language (Cummins and Doherty 2006). Moreover, insurance customers need to

compare insurers and their different terms, conditions, and prices. Against this background, it is not surprising that a majority of retail customers use or plan to use a consultant or intermediary and are highly dependent on them in their decision-making (Bühler et al. 2016). Digital brokers address this need. The overarching value proposition to customers is to save money and make the process of insurance administration and purchase more convenient.

The services of the digital brokers analyzed for the purpose of our study are very similar at first glance: They all offer a digital insurance folder, need and gap analysis, product comparison, expert advice, and support in case of a claim (Fig. 1). Convenience is achieved by providing a digital overview. An app or website serves as a one-stop solution for all insurance matters and helps customers cope with the task of managing their insurance documentation (Räth 2014). Digital brokers act as consultants in that they help their customers identify insurance needs and find the most appropriate solution. Clark, for example, claims to help customers save up to 50% of their insurance costs annually (Clark 2018b).

Digital brokers typically advertise the independent nature of their advice on insurance-related matters, offering insurer-independent expertise. Knip, for instance, emphasizes that it is unbiased in its advice (Just 2016). The difference between independent brokers and bound agents is that brokers are mandated to work exclusively for the benefit of their customers. They refer to their regulatory status and financial transparency to signal their independence. In addition, digital brokers explain that they are registered insurance brokers and therefore no different from their physical counterparts. To various degrees, financial transparency is provided concerning the founders (usually insurance and/or technology experts), investors (venture capital), and the commission paid by insurers and the income scheme of their experts (fix versus variable). Clark attaches great importance to being financially transparent with regard to how it is being paid, providing an overview of commissions paid by insurers for each product (Hiendlmeier 2015). Clark, Knip, and Getsafe point out that their advisors receive a fixed income that is not linked to the premium volume (Böhne 2015a, 2015b; Riede 2015). Customers of Optimatis, finally, can request an overview of all commissions paid (Optimatis 2018a).

Fig. 1 outlines the major products and services the digital brokers that were analyzed offer to differing degrees. A gap analysis informs customers of their insurance needs and identifies the gaps in the existing insurance portfolio. The scope of the offered gap analysis cannot be judged from the information provided by the brokers. Clark, for example, compares products against an average, which they call the "average German" ("*Durchschnittsdeutscher*") (Anderl 2016, p. 19). TED notes on its website that a gap analysis will point to most common insurance needs and gaps (TED 2018). As a result, digital brokers assist their customers in recognizing their needs. Furthermore, a digital broker compares insurer products to find the best match for a customer. Information is collected from the insurance market and aggregated for the needs of the customer. Those cooperating or affiliated with a comparison site (such as Optimatis or Knip) can source the service from their powerful partners. A further typical feature of the digital broker business model is the combination of digitization and traditional advice in the phase of evaluating, optimizing offers, and

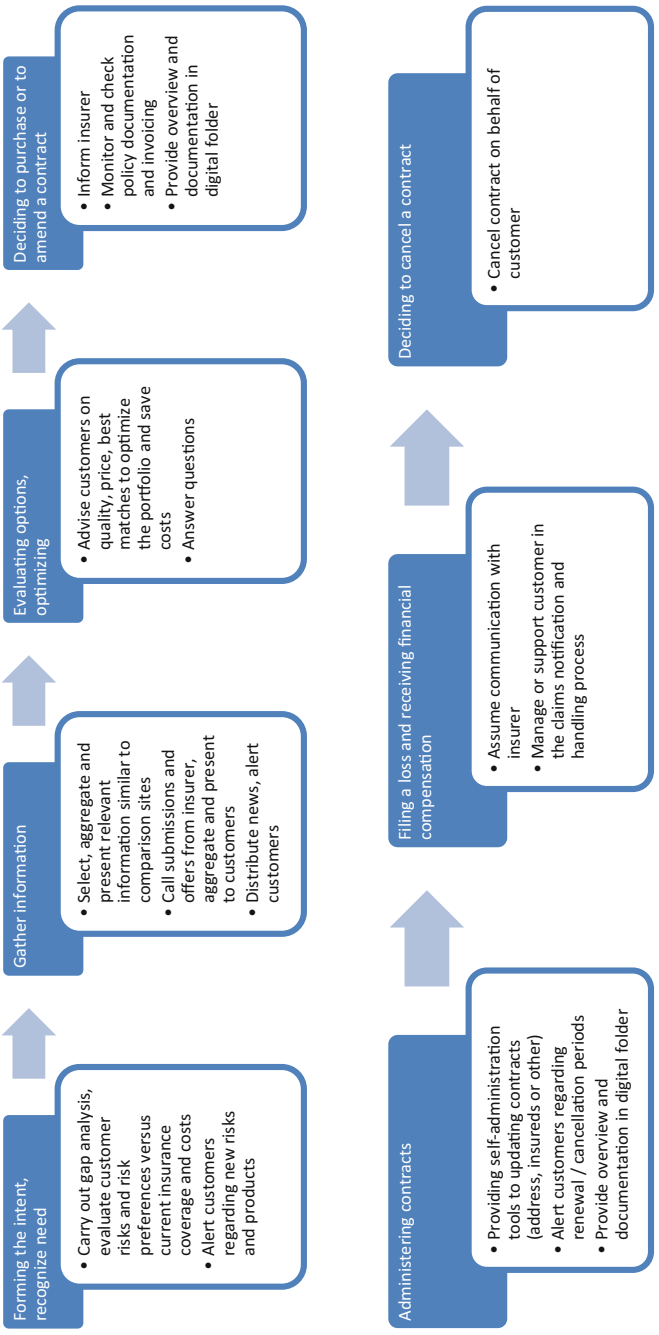

Fig. 1 Products and services of digital brokers

advising customers. Optimatis, for example, attracts customers from the comparison site who are looking for expert advice with the offer of "Comparis 360" (Comparis 2018).

Customers have access to expert insurance brokers. Two models and combinations of them currently seem to dominate the digital broker market. Those digital brokers who emphasize that they hire insurance experts (e. g. Getsafe c.f. Böhne 2015b) and those who cooperate with traditional brokers to source expertise (e. g. Asuro 2018b; Grasel 2017; Optimatis 2018b). Once customers decide to purchase an insurance product or to switch to another provider, digital brokers acts as intermediaries and handle most of the administrative paperwork. Similarly, customers have a single point of contact for any administrative work such as updating their address or marital status (for example Asuro 2018a). While support concerning loss notification or loss payment is provided by all digital brokers that were analyzed, the scope of their services seems to vary significantly. Optimatis handles the communication to support customers but loss-handling is primarily a matter between the insured party and the insurance company (Optimatis 2018a). Similarly, TED handles the communication with the insurance company (TED 2018). Asuro goes much further by promising that "handling claims is foolproof" (Asuro 2018a). This digital broker takes over the entire claims-handling process on behalf of the customer. Clark, on the other hand, is more vague, promising to be the partner in case of a claim (Clark 2018a). If a customer decides to terminate a contract, to change insurers, all digital brokers we examined handle the administrative work involved.

At its core, the value proposition and services provided do not differ from that of traditional, brick-and-mortar brokers that act as consultants and market makers. Similar to traditional brokers, digital brokers differ in the scope of the services they provide. The major difference to brick-and-mortar brokers is the digital distribution of the service, hence, in the how. How digital brokers produce the service is explored in the following.

How: The point of interaction between customer and digital broker is the website and/or the app. The business model is characterized by a combination of digital, instant services and traditional human advice. The range of digitization goes from full automation to answers from a human consultant provided via the platform. On the platform, customers receive an overview over their current insurance contracts. Typically, digital brokers provide an individualized digital insurance folder with information such as the type of insurance, premium, and contract period. Some features for self-administration, such as the ability to update one's address details, are provided. In addition, digital brokers provide automated notification features such as informing customers of upcoming cancelation periods. To differing degrees, digital brokers enable users to compare products and prices. Knip, for example, automatically issues a recommendation if saving potential exceeds 15% (Anderl 2016). In sum, digital brokers collect and select relevant content and distribute and present this content to their customers (c.f. Wirtz et al. 2010).

Table 2 Degree of digitization

Level	Services
Fully automated, content provided by the system (instant and around the clock)	Digital insurance folder
	Existence check of the most common insurance types (biometric risks, illness, legal issues, fire, accident, theft)
	Chatbot to answer defined customer questions
	Comparison engine similar to aggregators
	Notification of upcoming cancelation periods
	Recommendations regarding saving potential
Instant, content provided by human consultant	Chat to answer customer questions
Content provided with some delay, supported by a human, response provided via digital communication channel	On-boarding (consultant verifies customer data, resolves questions with insurers)
	Gap analysis for complex risks
	Answering questions raised via electronic channels such as email
Human consultant interacts with customer in real-time and in person	Individual expert advice via chat, video, phone, or in person

Unlike traditional brokers, digital brokers are available around the clock and able to provide instant answers to selected questions. Answers to most frequently asked questions are given, for example, by chatbots. Customers can also do a gap analysis online. The degree of digitized services depends on the products and services that digital brokers have been able to automate successfully. For example, Knip, TED, and Aidorando advertise an automated gap analysis service. The level of detail such a gap analysis encompasses could, however, not be determined. The same applies to the extent to which such a gap analysis is automated or generated by a human consultant. The scope may range from checking whether the most common insurance types such as a personal liability exist to matching a customer's comprehensive risk profile against existing policies and respective coverage conditions, exclusions, limits, and deductibles. We assumed that the existing gap analysis features cover the major risks such as biometric risks, illness, legal issues, fire, accident, and theft. Table 2 below outlines the degree of digitization and the services offered.

The way digital brokers produce the value proposition is the least transparent of their activities to outsiders. We assume that digital brokers must have the core resources and capabilities summarized in Table 3 to produce the above-described customer-facing services. An app and web design that appeals to retail customers and state-of-the art technology in combination with insurance expertise stand at the center of how digital brokers fulfill their promises to customers. Moreover, as profitability depends on reaching a critical mass (as will be discussed further below), digital brokers need to be able to attract a large number of customers and support them with individualized services. Hence, profitability is inherently linked to data analysis capabilities and the degree of automation. As will be explored further in Sect. 4, the capability to derive information from the abundant data is key to providing customers with value-adding content. Intuitively, digital brokers are in

Table 3 Key resources and capabilities of a digital insurance broker

Resources	Capabilities
– State-of-the art infrastructure and software – Web and app design – Broker license – Technology experts – Insurance experts – Certified insurance brokers (either employed or through a partner network) – Products and financial capacity provided by risk carriers, re-/insurers to source insurance products – Channels to access potential customers (i. e., cooperation with bank, aggregator, broker) – Data security technology and certification	– Ability to combine technological, insurance, and processing expertise – Partnering with re-/insurers – Partnering with traditional brokers – Expertise in analyzing big data (i. e., comparing customers, providers and products; generating value-adding information) – Communication skills to foster a reputation of expertise, innovation, independence, transparency, and safety

an advantageous position versus traditional brokers due to their higher degree of digitization and digital skills.

Furthermore, with insurance brokers acting as intermediaries, digital brokers need the capability to build relationships and the processing capability to collect and share data and revenue with partners (insurers, reinsurers, and brokers). Data security is a hygiene factor; its existence is a very important signal to customers. Correspondingly, banking type of data security (e. g. Knip 2018), certification from bodies such as TÜV (e. g. Getsafe c.f. Anderl 2016, p. 32), or servers physically located in Germany, and SSL protection (Clark 2018a) are aspects digital brokers use to communicate quality of service.

Value: The revenue model mirrors that of traditional brokers. As a commission, digital brokers receive a percentage of the premium, based on new and renewed insurance contracts. The commission is included in the premium and paid by the insurance companies. The claim to customers is that the services of digital brokers are free of charge because the costs are already included in the premium.

The implications of fee-based versus commission-based compensation systems have been the subject of scholarly attention (Focht and Richter 2013) and are also discussed controversially in the insurtech market and by insurance practitioners (Schneider 2016). The discussion centers on the quality of advice when agent or broker compensation is linked to premium volume. Clark (Riede 2015; Versicherungsbote 2015) criticizes that the current commission-based incentive structure undermines broker independence and customer orientation. The German insurance association argues, on the other hand, that commissions protect the long-term interest of customers (GDV Gesamtverband der Deutschen Versicherungswirtschaft e. V. 2016). In Germany, insurance brokers are not allowed to bypass the commission scheme by returning commissions to customers; such a rule does not exist in Switzerland, however.

In order to persuade customers that compensation is detached from premium on the level of the individual advisor, some digital brokers have gone new ways. Clark, Getsafe and Knip, for example, emphasize in their communication that their

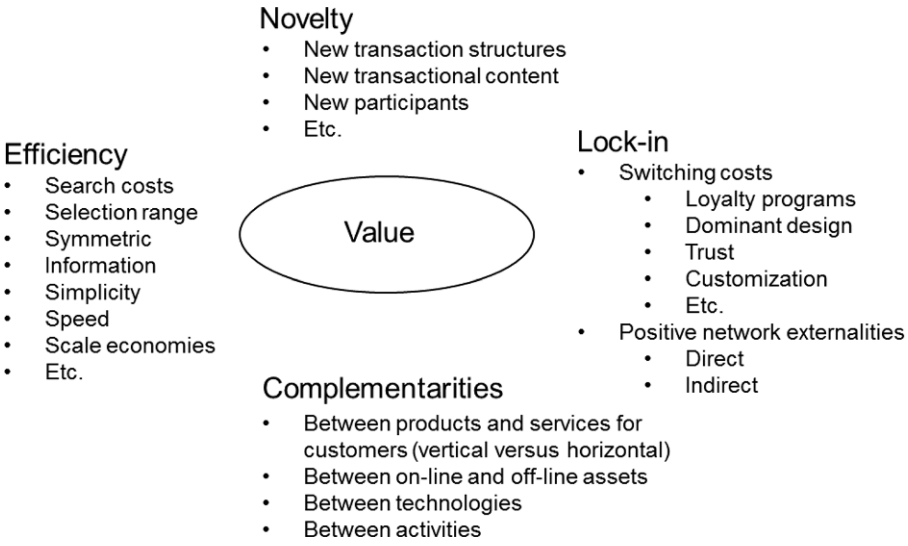

Fig. 2 Sources of value creation in e-business (Amit and Zott 2001)

advisors receive a fixed salary and that rewards are linked to the feedback and satisfaction of customers and not to premium volume (Böhne 2015a, 2015b; Riede 2015). Furthermore, Clark and Getsafe communicated that they donate surpluses to charity (Getsafe 2018; Versicherungsbote 2015). Similarly, Getsafe donates any surplus left after the deduction of a fixed commission and payment of all claims to specified charities. Donating surpluses to charity was introduced by insurance start-up Lemonade in the US with the intention to foster a community feeling, to reduce mistrust of insurance companies, as well as to reduce fraud (Financial Times 2016).

Another stream of income is generated by licensing arrangements. Those digital brokers (e. g., Wefox, Clark, or Aidorando) who license their software to brokers, insurers, or banks can be assumed to receive a licensing fee or a share in the stream of commission. Arrangements differ: Clark offers its software on a white-label basis (Riede 2015). Such a cooperation not only leverages the application of the software and spreads development expenses but also provides access to new customers.

The main costs digital brokers incur are expenses for the development and design of their app, platform and software, staffing costs, infrastructure, capital costs, and other expenses such as rent, advertising, or communication. Profitability in the retail segment, Getsafe founder Wiens has argued, rests with the volume, as margins are low (Jauernig 2014). The approximate, per capita annual average insurance premium in 2016 was EUR 2387 in Germany, EUR 2034 in Austria, and EUR 6606 in Switzerland (GDV Gesamtverband der Deutschen Versicherungswirtschaft e. V. 2018). Assuming an average commission of 5–15%, the potential average commission volume per capita amounts to EUR 119–358 (Germany), EUR 102–305 (Austria), and EUR 330–991 (Switzerland), respectively. Considering the commissions and expenses that need to be covered, the key intuition behind profitability seems to be automation and advanced data analytics combined with reaching a critical mass.

4 Sources of value creation

Now that the digital broker business model has been outlined, the question of its value creation drivers is addressed in this section. By value, we mean the total value created for all stakeholders, namely to customers and partners such as insurers and other brokers. Based on integrating the literature focusing on value chain analysis, Schumpeterian innovation, a resource-based view of the firm, strategic network theory, and transaction cost economics Amit and Zott (Amit and Zott 2001, 2012; Zott and Amit 2010) developed design themes that they argued drive value creation in e-business. They found that design themes center around novelty, lock-in, complementarities, and efficiency (Fig. 2). In the following, we explore how the digital broker business model creates value based on these four elements.

4.1 Efficiency

Digital brokers are market-maker experts and their claim is the ambition to help their customers save time and premiums. Therefore, creating value through efficiency is key to their business model. In light of the complexity of insurance products, digital brokers reduce information asymmetry between the insured and the insurance company. Automatic comparison features instantly aggregate information on insurance products, quality, and service provided. Insurance customers are given the means to compare and decide quickly based on the information provided. In addition, customers are supported in their search and decision-making by a personal consultant if needed, which further lowers information asymmetries and also helps to optimize coverage and costs. For example, the personal consultant provides advice in respect to the necessity of specific features such as additional coverage or conditions such as deductibles and limits. Moreover, by acting as a single point of contact, digital brokers help customers save time through simplicity. To update his or her address details, for example, a customer only needs to contact one broker rather than all his or her insurance contacts. Creating value through efficiency is, therefore, one of the key characteristics of the digital broker business model.

Zott and Amit (2001) identified scale economies as a potential source of value creation. Although not yet seen in the DACH region, digital brokers could aggregate customer demands for specified coverages and bargain for reduced premiums through bulk purchasing similar to a facilities policy. The appeal of a digital broker would grow with the number of customers due to increasing bargaining power and segmentation.

From the perspective of an insurance or reinsurance company or a bank, a digital broker reduces transaction costs if successfully taking over selected consulting and administrative tasks.

4.2 Complementarities

The key complementarity that digital brokers currently offer is the combining of online services and personal advice related to insurance matters. Access to the latter is provided during and after sales decisions via chat, video, or phone. Some

digital brokers (e. g. Optimatis or Asuro) also offer customers personal meetings with a broker for specialized advice such as old age provision.

Wefox founded its own insurer "One" with an insurance license from Liechtenstein and Munich Re as its reinsurer (Bergfeld 2018; Schlenk 2017). In addition to its broker services, Wefox also sells its own insurance products. However, further complementarities are conceivable that are not generally observable in the DACH market today. For example, offering a bundle of products and services would create value through vertical complementarity. Feelix[2] or Braingroup[3], for example, are Finance apps that offer one-stop financial planning covering banking (i. e., credit, mortgage, investment, saving, or tax services) and insurance-related matters. In addition, horizontal complementarity could create further value. Other than vertical complementarity, horizontal complementarities arise from offering customers additional, related products such as after-sales services. Preventative services such as health checks or security services such as burglary prevention are related types of service that digital brokers or partner companies could offer.

Digital brokers could also create value by complementarity between customers. Digital brokers could provide the platform to form interest or peer groups to exchange information on risk- and protection-related questions as well as on shared interests such as sports activities, vintage cars, starting a business, flat-sharing, the family, or travel. Such information would reduce search costs and thereby increase efficiency on the part of the customer when looking for insurance coverage for specific activities. By facilitating communication among its customers, digital brokers would, furthermore, add a community aspect to their service. Obviously, this is a novel approach since the customers of brokers, insurers, or banks typically do not know each other.

Digital brokers could also create value by leveraging the platform for customer convenience. The digital folders all market players offer could be used to store any contract. By allowing customers to upload other contracts, such as their credit card agreements or their lease, the platform would increase the rate of interaction and a lock-in effect would result.

4.3 Lock-in

Lock-in prevents customers and strategic partners from moving to competitors. The question arises as to what inhibits customers from switching to another digital broker or from simply terminating the broker mandate once their portfolio has been optimized. The service is free, so customers have no financial disadvantage. From the perspective of the customer, switching only involves administrative efforts related to the cancelation and renewed onboarding process.

Research suggests that brand name and trust both contribute to lock-in (Amit and Zott 2001). Most insurtech companies do not have a brand name that can compete with those of established insurers. As a result, those digital brokers with an affiliation with an established brand such as comparis.ch (Optimatis) or komparu.nl

[2] www.myfeelix.de.

[3] www.braingroup.ch.

(Knip) have an advantage. Moreover, trust in the security of the data provided is important to retain customers on an electronic platform and increase their willingness to share their data. Digital brokers typically signal data security by referring to compliance with established standards (e. g., TÜV certification or SSL encryption). In addition, digital brokers need to earn the trust of customers in their insurance expertise. Expertise is signaled, among other things, by referring to their status as registered brokers. Moreover, as the website or the app has largely replaced personal interaction, digital brokers need to gain the users' trust through the quality of their digital appearance, interaction, and service. Increasing the rate of interaction helps. Digital brokers are, literally, "in the pocket" of their clients, which allows them 10 times more engagement than a physical broker, Knip founder Dennis Just has argued (Just 2016). Transparency is a key feature to maintain customer trust; transparency about ownership, incentive structure, and independence.

Lock-in can also be fostered through community feeling, according to Amit and Zott (2001). Recommendations and feedback from other users help to create lock-in, as well. Hence, it is not surprising that digital brokers post customer feedback on their websites. As has been argued earlier, customers of digital brokers do not know each other. Hence, creating virtual communities to bond customers together would be a new endeavor. Peer-group interaction could add personal and social appeal to today's platform. Obviously, value increases with the size of a community. Besides allowing interaction between customers, customers could also provide recommendations and feedback on insurer products and their service. In this way, customers could become interconnected, feel more attached to the platform, and gain an information advantage through their membership in the community. At the same time, customer feedback would also help brokers when advising customers, thereby increasing efficiency further.

Payback programs might be another way to foster retention. Getsafe states that it pays back or donates surpluses (Getsafe 2018), similar to peer-to-peer-insurers such as Lemonade[4] or Friendsurance[5]. Besides fostering a community feeling, such payback or charity programs aim to signal to their stakeholders that the digital broker does not profit from selling customers too much insurance.

4.4 Novelty

Typically, innovation is created by launching new products or services, expanding to new markets, or distributing products with new methods and marketing. Digital brokers have introduced a number of such innovations.

The retail insurance broker market per se is a novelty; it was non-existent prior to digitization because the margins for broker services were too low. Even though direct and incumbent insurers have offered online services such as automated gap analysis, self-service features, or digital folders, the novelty created by digital brokers was to provide a digital, single point of access independent of the product provider. Hence, digital brokers provide a new transaction structure for customers.

[4] www.lemonade.com.

[5] www.friendsurance.de.

Against the background that digital brokers collect a considerable amount of customer-centric data—personal data, insurance policies, risk and service preferences—digital brokers are in an exceptional position to create new content. Two questions need to be answered: What information would create benefit to customers, and how can this information be generated automatically? To answer the first question, it needs to be understood and anticipated what customers need. The second answer requires big data capability. Those digital brokers with access to big data and the ability to combine insurance and technology are in an advantageous position because they can create novel value through new content. Against the background of the narrow margin earned per customer, only automated services are suitable. In this context, scale matters. This seems to be different to insurance broking prior to digitization for which, as suggested by research findings, information quality was not related to the size of the intermediary (Eckhardt and Räthke-Döppner 2010). The data that brokers own is, of course, also of interest to insurers. Wefox, for example, provides insurers anonymized access to its database (Grasel 2017).

As discussed in the context of complementarity, a novelty digital brokers could create is to link customers by offering them the opportunity to form interest or peer groups. Because insurance or broker customers currently do not know each other, they cannot benefit from each other's experiences. Connecting customers and allowing them to interact with each other would be a great novelty in the insurance industry. Such interaction would not only foster the community feeling but also help exchange decision-relevant information such as recommendations. Studies in emerging markets have shown that peers have a significant impact on insurance demand (Eling et al. 2014; Sorensen 2006).

Looking well into the future, the combination of big data and single-point-of-contact opens up new possibilities: In particular, offers could be personalized to suit the exact needs of the individual customer in terms of coverage, quality, and price. Getsafe seems to be exploring this option already. The innovation this player is offering is not the product itself but the transition from helping customers find the best match in terms of insurer product to offering customers an all-in-one product covering individual insurance needs (Getsafe 2018). Considering the current business model, digital brokers are very dependent on insurance companies as the suppliers of coverage. This is aggravated by the situation that insurance companies protect their own agent channels and have limited interest to optimize the interface with digital brokers. Moreover, insurers are often limited in their infrastructure capability due to legacy systems. Against that background, the scope of innovation of digital brokers is significantly related to the capability and willingness of insurance companies. Against that background, it is not surprising that Getsafe chooses to become a multiline insurance company, with capital and expertise provided by Munich Re (Bergfeld 2017; Wolff 2017). Its ambition is to provide a customer-centric all-in-one product rather than continuing to act as intermediary between the customer and various insurance providers. What started as a complementarity service of a digital broker could become a new business model, a combination of peer-to-peer and direct insurance.

5 Conclusion

The retail customers in the DACH region that are targeted by the studied digital brokers primarily used aggregators, direct insurer channels, and bound insurance agents in the past to compare, purchase, and manage their insurance portfolio. They are typically using the service of an insurance broker for the first time. The appeal of digital brokers is their ability to fill a gap insurers and traditional brokers have not been able to close: better and more convenient service (Trautinger 2018) at low costs. The analysis of the business model on the four levels of who, what, how, and value shows that the business model of digital brokers in the DACH region is—today—very similar to that of traditional brick-and-mortar brokers. The main difference is the digital delivery of the service and the digital communication. The focus rested mainly on delivering more convenience. The degree of digitization varies among current market players. We consider the current economic model to be critical for two reasons. First, the model is commission-based and is thus burdened with issues concerning the incentive structure. Second, commission volumes in the retail market are low, which means that profitability is linked inherently to the degree of automation and to reaching a critical mass of customers.

The value the current business models create centers around efficiency and complementarity. Within the selling proposition of saving customers time and money, efficiency is a characteristic dimension of value creation. Besides efficiency, digital brokers create value by the way their services complement each other, enabling interaction between customers, insurers, and other stakeholders. On- and offline services are combined. Overall, we found that the current business model of digital brokers is a digital version of the traditional broker model and can, therefore, indeed be called old wine in new bottles.

However, we also uncovered promising potential for creating currently unknown value. Our findings point to two strategic hotspots. The first concerns the exploitation of the abundant customer data to generate new information that adds value to comparing, purchasing, and managing the transfer of risk. Digital brokers have a competitive advantage over insurers in that they have a complete customer profile spanning across risk categories. They have the potential, therefore, to take customer centricity and individuality to new levels. Against the background of limited margins per customer, only automated content and services appear to be in scope. The second potential concerns the scaling of the platform to generate new, value-adding content and services. Customers of digital brokers could gain from introducing aspects of community. They could, for example, join a facility to allow for bulk purchasing, they could interact and compare themselves with peers, or they could exchange information such as feedback and recommendations on products and providers. Providing new content and services would help to lock customers in. We found, however, that the innovation potential of digital brokers is significantly related—if not even limited—to the capability and willingness of insurance companies as the key suppliers.

In summary, we conclude that digital brokers in the DACH region have, to varying degrees, digitized the traditional intermediation model and are currently experimenting with new economic models and value propositions. The full potential has not

yet been exploited. The critical success factors we have identified are critical mass, a high degree of automation, and leveraging the infrastructure and data to delivering new, value-adding *content and services* that exceed traditional intermediation.

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