



## Master Thesis

How do external and internal factors influence the Business Model of Insurance firms and their performance in the Insurance Industry?

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After a couple of years working in the field of insurance and after finishing my Bachelor in Business Administration, I felt that something was missing and wanted to develop myself in a more academic way.

The part-time MScBA program of the RSM Erasmus University felt like it would be a good choice (and it was a good choice). The curriculum in which practice and theory is uniquely combined gave me the ability to increase my knowledge but also to learn more about myself.

I would like to thank the support of my coach, Frans Van Den Bosch, who gave good guidance and provided me with with useful direction. Additionally, I would like to thank Rick Hollen for his support in this process.

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## Executive Summary

In today's world, we accept that the Banking Industry is being constantly reformed and is reinventing itself continuously, mainly driven by strong newer regulations and the requirement to renew their Business Model to increase performance. The crisis of 2008 revealed the weaknesses and exposure of Banking and Insurance industry and led to the unbundling of these Industries. Unlike the Banking Industry, the Insurance Industry does not seem to be constantly reinventing itself. Upon further investigation of the Insurance Industry, preliminary results underlined the assumption that that the Industry is replicating its Business Model and is strongly focussing on exploiting current business models and that these organisations are adapting to their environment.

On basis of the aforementioned, it was decided to research how Insurance organisations are influenced by external and internal factors and what impact this has on their Business Model. In addition, when looking at the research context, limited research can be found about Business Model Innovation in the Insurance Industry. A further literature review gave insight into possible external factors and internal factors of the business models within the Insurance Industry and led to the research question: *How do external and internal factors influence the Business Model of Insurance firms and their performance in the Insurance Industry.*

The literature review led to a conceptual framework as visualised in Figure 1, in which these external factors and internal levers affect Business Model and performance of organisation in the Insurance Industry.

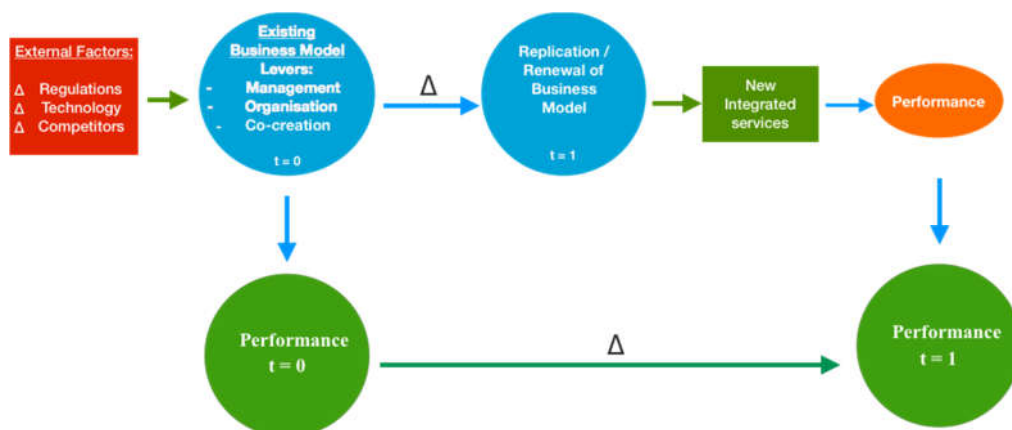


Figure 1: Conceptual framework

The afore mentioned literature review and frame work led to the below three propositions:

- **Proposition 1:** A change in the three levers Co-creation with clients, organisation and management as internal factors, positively influence Business Model Innovation resulting in adapted or new products and services.
- **Proposition 2:** Changes of the external factors regulations, technology and competitors positively influence the levers within the Business Model and thereby Business Model innovation resulting in adapted or new products and services.
- **Proposition 3:** Business Model Innovation resulting in adapted or new products and services positively influence the performance.

Via a case study research on two globally active Insurers (Allianz and Tokio Marine Group), respectively holding place 4 and 25 in Forbes Global list 2000 (24 May 2017), the external factors were analysed together with the effects on the Business Model. The changes to levers of the Business Model were further analysed to see whether they had led to renewal, which would lead to new integrated services, and subsequently the performance of these Insurers was measured.

The findings indicate that within the two subject organisations, external market factors (Competitors and Technologies) changed the levers of the Business Model and thereby Business Model innovation, resulting in a new integrated service of Total Assist within TMG and Allsecur within Allianz, which positively influenced the performance of the organisations.

Despite the fact that the subject research was carried out in a relatively short period and with limited data, it provided new insight within the concept of Business Model Innovation at Firm level within the Insurance Industry.

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## 1 Introduction

September 15<sup>th</sup> 2008, is the day that will remain in our memory as the day that Lehman Brothers announced it would file for Chapter 11 bankruptcy protection. What began as a subprime mortgage crisis in 2007 evolved, and later became a worldwide crisis. At first, it was a banking crisis, but it soon developed into a credit crisis and eventually threatened the very existence of the European Monetary Union. The crisis was similar in some ways to the crash in 1929. As described by Hayek (1935) and Rothbar (1963), the Federal Reserve (FED) was responsible for the 1929 crisis due to quantitative easing in the 1920s and their belief that the market could solve itself with self-regulation. Although strong new governmental regulations were put in place in the 1940s by former US president Franklin Roosevelt, these faded rapidly in the 80-90s. Lesson learnt, one would conclude, nevertheless famous FED chairman, Alan Greenspan (1987 to 2006), widely advocated that the free market economy is a perfect self-regulatory power. Only in October 2008, at a congressional testimony, did Greenspan confirm an error on regulation and said “...to have put too much faith in the self-correcting power of free markets” [Andrews, 2008], is it maybe different this time? Since the last crisis, the Banking Industry is continuously forced by regulators and markets to change. Solvency II, Basel 3, stress tests, are all common regularly heard terms; but also dominant news headline key words such as ‘re-organisation to the future’, ‘redundancies’ and ‘changed focus of clients and markets’.

On basis of the aforementioned, one might conclude that the Banking Industry is now finally trying to re-invent their Strategy and Business Model (Pratz, Castro, Hewlett, Chikova and Freddi, 2015) and some indications are indeed apparent: the restructuring organisation, increasing investments in technology and co-creation with their client. It is interesting to see how the Insurance Industry are changing in the same way as the Banking Industry and its firms. The Banking and Insurance Industries are closely aligned<sup>1</sup> and ever since the 1990s have become more and more consolidated. This alignment was mainly caused by deregulation and by a focus on synergies (Rose, Sylvia and Hudgins, 2013), which led to a wave of M&A’s in these industries. The crisis of 2008 revealed the weaknesses and exposures of both industries. This led to a restructuring of the Banking Industry and one

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<sup>1</sup> The alignment is visible if we look into the Dutch Market. I.e. ING, ABN Amro, SNS, Fortis etc. all had a Banking and Insurance division, additionally the way the legislation was regulated considered the industry as one.



of the results of this was the unbundling of the Banking & Insurance Industry whereby often the Insurance activities were sold or privatised. This was mainly due to the fact that capital usage could be more wisely spent and because of the pressure of having a 'clean' balance sheet or in some cases forced by governments as a minimal requirement for a bailout (NRC Next, 2012). Many believed that the Insurance Industry would be next for a shake-up (De Horde, 2016) (Haegens, 2016). Like the Banking Industry, they would need to re-invent their Business Model. Unfortunately, the Insurance Industry does not seem to have had the same shake-up as the Banking Industry. This can be concluded since no new and/or innovative disruptive parties entered the market and no large re-organisations or redundancies were carried out. Some might even advocate that the Insurance Industry has not changed since Lloyds opened their coffee house in 1688.

Moving to the present day, in an article of the Financial Times, the CEO of Allianz was quoted: *"He sees M&A as one way to hit 5 per cent annual earnings growth target and has said that wants to expand in the property & casualty insurance sector"* (Ralph, 2017). Based on this quote, one might conclude that the Business Model innovation at Allianz, the management practise most clearly associated with high growth (Mitchell & Cole, 2003), is mainly based on replication of their Business Model instead of renewal (Volberda, Van den Bosch & Heij, 2013). Competitive advantage is limited in its life cycle and can be transformed to a commodity and *"result in the Walmartization of everything"* (Prahalad & Ramaswamy, 2004:7). An organisation can opt for two ways, replication or renewal (Volberda et al., 2013). In the subject article of the Financial Times, the consultancy firm Lazard was quoted as saying that *"with continued pressure on capital and return, more back-book transactions are likely to take place over the next few year"* and *"Japanese insurers will keep buying as their domestic market matures"* (Ralph, 2017). This underlines the previous assumption that the Industry is replicating their Business Model and is strongly focussing on exploiting current Business Models and that these organisations are adapting to their environment (Volberda et al., 2013).

However, there is some awareness in the Industry that it should re-invent itself more, as Thomas Buberl<sup>2</sup> was quoted: *“Tomorrow I will have new competitors such as Google, Microsoft, and Facebook coming into my garden”* (Andrew, 2008). In the same week of the publication, the Japanese Insurer Fukoku Mutual Life Insurance announced that it is making 34 employees redundant and replacing them with an artificial intelligence system that can calculate claim settlements for policyholders (McCurry, 2017). In more detail, Fukoku aligned with IBM and will jointly invest in this ‘machine’. Although this might be seen as re-inventing, the question is to what extent this can be considered as a Business Model replication. It is therefore interesting to research further, how Insurance firms are influenced by external factors and what impact does this have on their Business Model and performance.

## 1.1 Research problem and research question

In this paragraph, the link from the introduction to the actual research problem will be further explained and from where the research question is set-up.

As mentioned in the introduction, it is interesting to research how Insurance firms are influenced by external factors and what kind of affects it has on their Business Model and performance. One might ask if all Business Models applied in the Insurance Industry are similar in each geographical region or environment, and to which extent is the Insurance Industry actually re-inventing its Business Model? Linking this to the research, in the literature, there is plenty of research carried out at Firm Level, e.g. how value is created (Porter, 1985) and if a company should enter a specific market at all (Liebermann & Montgomery, 1988). In addition, empirical research has been carried out in various industries, e.g. Internet, airline Industry and social media, as to how an organisation should adapt to external changes and how organisations should adapt (e.g. Casadesus-Masanell & Tarzijan, 2012).

Interestingly enough, when looking at the research context, the Insurance Industry, little can be found. Taylor, Celuch and Stephen (2002) researched if the Insurance Industry is

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<sup>2</sup> Mr. Buberl is Axa’s chief executive

ready for the Development of an Agent technology e-Consumption Model and discusses which strategy decisions to take. Various academics, discussed the Insurance Industry (Gnatzy and Moser, 2012), but the academic articles were focussed on the Health Insurance and mainly limited to the US or emerging markets (Armad and Martin, 2016) and in addition, the Insurance Industry was never the head topic. In general, limited academic research is carried out on the Business Models in the Insurance Industry as will be further touched upon in the literature review in Chapter 2. Based on the above-mentioned and the preliminary research carried out into the subject topic, the main research question is set-up as stipulated in Box 1.

*Box 1: Research Question*

*How do external and internal factors influence the Business Model of Insurance firms and their performance in the Insurance Industry?*

The main research question contains important elements that will be further investigated. The elements identified are summarised in Table 1, will be the focus of this research, and will support in creating the sub-research questions.

*Table 1: Key elements in research questions*

Elements
External factors
Internal factors
Business Model
Insurance firms
Performance

In order to answer and to support the main research question, a number of sub-research questions were set-up. These sub-research questions will be answered throughout this thesis, will provide insight into the research, and will answer the main research question at the end.

**Sub research questions:**

- a. How do the external factors, such as competitors; regulations and technology influence Business Models in organisations in the Insurance Industry?
- b. How do the internal factors, such as: influence Business Models in organisations in the Insurance Industry?
- c. How do the changes of Business Models relate to the performance of organisations in the Insurance Industry?
- d. How do the changes of Business Models link to the introduction of new integrated services and the performance of organisations?
- e. How do the external and internal factors, which cause changes to Business Models of organisations in the Insurance Industry, result to the introduction of new integrated services of the organisations?

**1.2 Research gap**

In the previous sections, the research gap in the literature is already touched upon and will be further elaborated in this paragraph. As mentioned before, there is very limited academic research carried out on the Business Models in the Insurance Industry and will be further elaborated in the literature review in chapter 2, especially focussing on the external and internal factors, which cause changes to Business Models of organisations in the Insurance Industry and subsequently, linking these changes of Business Models to the introduction of new integrated services and the performance of organisations. In the further analyses carried out in the EUR university digital library, Google scholar and Web of Science, a number of research terms, such as: Business Model Innovation Insurance Industry and change Business Model Insurance Industry were used to carry out this investigation, however without any successful outcome. The details of these investigations will be further discussed in the literature review in chapter 2.

On basis of the afore-mentioned and the previous described motivation to carry out this research into the changing Business Models in the insurance Industry, Table 2 presents a summary of the research gap in the literature on the subject.

Table 2: *Research gaps in the literature*


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 Findings in the literature study on strategy management:
 

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Under researched Insurance industry

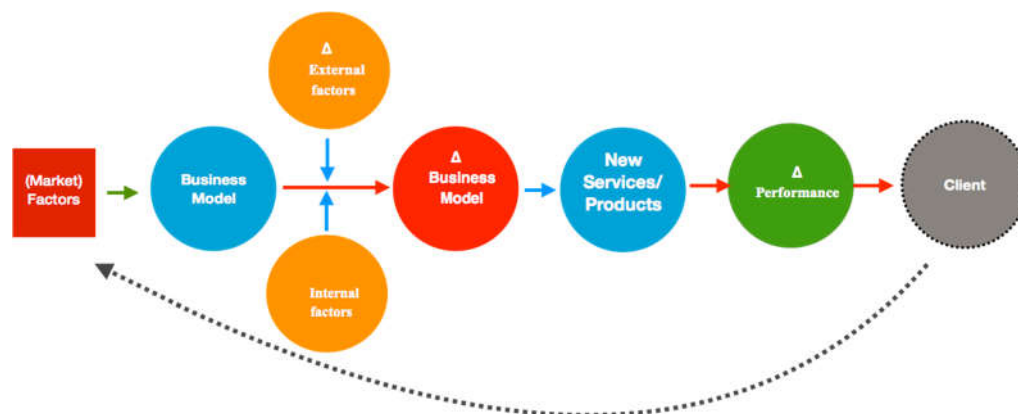
Limited to no studies on Business Models in the Insurance Industry and their performance

 Limited studies on levers of Business Model change in the Insurance Industry
 

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### 1.3 Research framework

The aim of this research is to reduce the gap in the literature, and therefore this research will focus on how external changes in the Insurance Industry affect the performance of existing Business Models and how organisations can influence this by Business Model renewal or Innovation in order to become competitive and subsequently influence performance in a positive way. In Figure 2, the research framework is sketched and in which it is suggested that the process is a continuous one.

Figure 2: *Research framework*

## 1.4 Research method

The research method will be briefly touched upon in this paragraph. In chapter 3, the methodology used will be presented in a more detailed overview. This research is focussed on theory development, in particular the process dimension and therefore will be based on a qualitative case-studies approach, which will present a research strategy (Yin, 2009), to investigate the business processes of Business Model innovation at organisations in the Insurance market. The case-study type of research as strategy is preferred as *“a case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”* (Yin, 2009: 18). With the main research question as drafted, *“case studies are the preferred method when “how” or “why” questions are being posed”* (Yin, 2009:2).

The qualitative case studies approach will allow us to gather data sources, which will provide in depth information (Yin, 2009). It will focus on providing key factors to which will change organisations' Business Model. Key sources used to research the business environment, the business processes and the level of Business Model innovation are: public information (e.g. news articles), reports issued by the organisations about financial and strategic information (e.g. annual reports and publications) of the organisation and other published information sources ( e.g. market analysis)

## 1.5 Thesis outline

In the following chapter, chapter 2, the literature is reviewed and discussed on basis of a range of various perspectives. Additionally, this chapter will discuss the conceptual framework, proposition and research questions. In chapter 3, the Insurance Industry en leading firms are further described. Chapter 4 will cover the methods of methodology applied for this research. In chapter 5, the results of the case studies findings will be discussed and conclusions drawn up, furthermore a cross-case analysis will be carried out in chapter 6. In the last chapter, chapter 7, the conclusion, the contribution, implications and limitations of this research are further discussed.

## 2 Review of the literature

### 2.1 Introduction

As mentioned previously in chapter 1, in-depth analyses were carried out in the literature. A number of research terms were used to carry out this investigation. When applying the search phrase in Google Scholar: 'Business Model Innovation in the Insurance Industry', 574,000 results were found. When limiting this search term to publications since 2017, 2,940 were found. Upon searching Google Scholar with the search term: 'Change Business Model Insurance Industry', 721,000 results were found and when the search was limited to publication since 2017, 2,700 results were found. Nevertheless, it is unfortunate that upon further investigation of the search term: 'Business Model Innovation in the Insurance Industry', the literature is limited to life Insurance in the US or Health Insurances studies in certain countries and although the Insurance Industry is discussed in these articles, such as in the article of Armada and Martin (2016), the focus is mainly on healthcare instead of the Insurance Industry as a whole. Table 3 presents a summary of general topics and their results.

Table 3: *Results of Google scholar*

Search term:	Since 2017	2017 and before
Business Model Innovation	N: 23,600	N: + 3,000,000
Business Model Innovation Insurance Industry	N: 2,940	N: 574,000
Change Business Model Insurance Industry	N: 2,700	N: 721,000

To complementary these results, three journals (Strategic Management Journal, Academic Management Studies and Journal of Management) were further used to verify above results. The result shows similar finding that no results could be found into the research field of this thesis.

The overall conclusion is that the subject research topic and description is under-researched, due to the limited availability of literature in this field, the research will focus on theory development, and in particular the process dimension. In next paragraphs of this chapter, existing literature regarding the research subject will be reviewed from different perspectives:

- Definitions and types of Business Models;
- Business Model Innovation and levers of Business Model change; and
- Environments, i.e. external factors, and their effect on performance of Business Models.

## 2.2 Definitions and types of Business Models

Before analysing Business Models and types, one must look into the definition of Business Models. Most probably, the two most cited Scholars in the field of Business Models' definition are Raphael Amit with Christopher Zott with their article: *Business Model Design: An activity perspective* (2009) and David Teece in the article: *Business Models, Business Strategy and Innovation* (2010), who supplement each other. However, the scholars are still not all in one line with regard to the definition and advocate that there is still a lack of a uniform understanding (Volberda, Van den Bosch & Heij, 2014) and (Dasilva & Trkman, 2014).

Starting with Teece, Teece defined a Business Model as follows: *"The essence of a business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit."* (Teece, 2009:172) Amit & Zott extended this definition and define a Business Model as *"a system of independent activities"*, so-called *"activity-system perspective"*, which goes beyond the focus of the organisation firm and her boundaries (Zott and Amit, 2009: 216). In the explanation of Business Models, Amit and Zott (2009:219), further elaborate that the 'activity system perspective' consists of two parameters; namely: ① design elements; consisting of content, structure and governance, and ② design themes; consisting of novelty, lock-in, complementarities and efficiency (Zott & Amit, 2010:216). This description of sources of the *"activity system's value creation"* is leading in the renewal process of a Business Model.



A more direct approach is to define by the following questions: who are your customers, what does the customer value, how and when is the service/product transactional and how do we profit? These are simplified ways to view Business Models (Coles & Mitchell, 2003) and (Magretta, 2002). In the research of Business Models, one dominant explanation is via the strategic resource-based view (Dasilva & Trkman, 2014), and Chesbrough (2007a) advocates this explanation in combination with transaction cost economics perspective. McIvor (2009) however, stressed that both the resource-based view and the transaction cost economics perspective need to be combined in order to be successful. A Business Model should be defined and interpreted as a bundle of resources and the way they are used in the transaction with customers (Dasilva & Trkman, 2014).

A supplementary view on the afore-mentioned is the so-called Open Business Model, (*Open Business Models are considered a Business Models using external parties or sources for the implementation of innovation within the organisation*), which is an idea that has travelled from invention to commercialisation through various companies in which organisations divide the innovative work (Chesbrough, 2007b: 22). Table 4 provides a summary of the definitions of Business Models by key academics in the field Business Models.

Table 4: *Definitions of business models*

Author	Definitions
Amit & Zott (2009)	A business model is “a system of independent activities”, a so-called “activity-system perspective”, which goes beyond the focus of the organisation firm and her boundaries. “The activity system enables the firm, in concert with its partners, to create value and also to appropriate a share of that value”. Page 216 and 219.
Teece (2010)	“The essence of a business model is in de-fining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit.” Page 172.
Coles & Mitchell (2003)	“A business model comprises the combined elements of “who”, “what”, “when”, “why”, “where”, “how” and “how much” involved in providing customers and end users with products and services.” Page 16.
Magretta (2002)	“A good business model answers: Who is the customer? And what does the customer value? It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?” Page 2.

Chesbrough & Rosenbloom (2002)	<i>"A successful business model creates a heuristic logic that connects technical potential with the realisation of economic value." Page 529.</i>
Volberda et al (2013) <sup>3</sup>	A Business Model consists of different components and describes the relationship between these components. The components describe the relationships with external parties, such as clients. Also, a Business Model analyses how value creation takes place and how the organisation captures the value. Additionally, a Business Model clarifies how the components and their relationships in between contribute to a competitive strategy. In addition, the influence of levers are part of this definition, <i>"to accomplish Business Model Innovation, organisations make use of four leverages: other management practices; other organisation forms; co-creation with clients and improvement of current techniques and/or new technologies."</i> (page 25)

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## 2.3 Business Model Innovation and levers of change

In Table 4, the definitions refer to and/or describe how to create and capture value and how to achieve a competitive advantage and are components of the definitions. Additionally, the definitions describe the relation between the afore-mentioned components of the Business Model. When analysing changing Business Models, there are two dominantly different views in types of Business Model innovation found in literature. Firstly, the view advocated by Giesen et al. (2007), identifies three different types of Business Model innovations that are linked: (a) Industry model; (b) revenue model; (c) enterprise model. When operating this view, it will lead to three interlinks economic, operating and strategic levels (Morris, Schindehutte and Allen, 2005). Secondly, the view that is the most commonly applied view focusses on replication of an existing Business Model and the renewal to a new Business Model as the types of Business Model Innovations (Volberda, Van den Bosch and Heij, 2013). *"Business Model innovation is necessary as competitive advantage is only limited in its life-cycle and can take place in two ways, replication and renewal"*<sup>4</sup> (Volberda et al., 2013:18). Business Model renewal is described as follows: *"Business Model renewal is essentially the radical disruption. This is not just about product renewal consequently to disruptive technologies. Renewal may also involve penetrating not previous served niche markets, redefining customer segments and customer needs, new ways of delivering and distributing or combination of same"*<sup>4</sup> (Volberda et al., 2013:39). Business Model replication is described as follows: *"Business Model replication is an improvement of a current strategy or replication of an existing Business Model. Replication of a Business*

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<sup>3</sup> Freely translated from Dutch

<sup>4</sup> The quote has been translated from the Dutch language into the English language

*Model can take different kind of shapes, e.g. the Business Model can be fitted to another country, so-called geographical replication.” (Volberda et al., 2013: 39, 40).*

The view of Giesen (2007) is an operational approach, which tries to identify innovation of the form operational, strategical and economical levels, whilst analysing the explanation by Volberda, Van den Bosch & Heij (2013), the renewal/replication approach is clearly identifying the leveraging effects of this change. The view by Volberda et al. (2013) describes four factors that act as a lever on Business Model Innovation. Table 5 mentions the subject leverages advocated by Volberda et al. (2013). When looking back to the previous citation in Chapter 1 regarding the article in the Financial Times (Ralph, 2017), which quoted the CEO of Allianz that M&A is seen a Business Model for growth and also the investment of Fukoku in an artificial intelligence system (McCurry, 2017), the article is in line with the findings of Volberda et al. (2013).

Table 5: *Levers of Business Model Innovation*

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Technology
Organisation forms
Management
Co-creation with clients

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Source: Volberda et al. (2013)

A reason for Business Model Innovation is in order to answer constantly changing environments and to keep a competitive advantage. (Baden-Fuller and Morgan, 2010). Business Model Innovation can take place by the replication of an existing Business Model and/or the renewal to a new Business Model (Volberda, Van den Bosch & Heij 2014). In research carried out by Volberda, Van den Bosch & Heij (2014:1506), it was advocated that *“environmental dynamism weakens the relationship between business model replication and firm performances”*, and will result *“in a lack of fit between the business model and the environment”* which will eventually decrease its performance. In the same research, these scholars concluded that for Business Model renewal the opposite is the case, namely that environmental change only minimally influences the

performance effect of Business Model renewal, which is explained by the scholars that environmental change has an environmental dynamism has a *“nonlinear moderating effect on the performance effect of Business Model renewal”* (Volberda, Van den Bosch & Heij, 2014: 1506).

As mentioned in previous sections, Business Model Innovation is often triggered by a changing environment or *“competitive advantage”* (Baden-Fuller and Morgan, 2010:156). For this research, it is important to identify the drivers of these changes within the Insurance Industry. The drivers of change can be both internal as well as external. Literature focusses mainly on external drivers as being the key importance of drivers of change and mostly focusses on the way that new technologies (i.e. internet/online applications) are influencing renewal of Business Models (Zott & Amit, 2001). Legislatorial influences were found to be environmental changes that have an effect on the innovation of Business Models (McGrath, 2010). Other drivers, internal, are new ideas and technologies to be commercialised, that allow organisations to change their Business Model in order to create an *“economic value creation”* (Chesbrough & Rosenbloom, 2002:532) and (Massa & Tucci, 2014:424). *“Organisations’ competitive advantage”* is limited in its life cycle, can be transformed to a commodity, *“Walmartization of everything”* (Prahalad & Ramaswamy, 2004:7) and is therefore required for Business Model Innovation in these stages of market evolution where it is transferred to a commodity (Johnson, 2010).

The research will combine the focus on Firm or Enterprise level in the Insurance Industry and will apply the view advocated by Volberda et al. (2013) of Business Model Innovation, which include levers of change of Business Model. The subject research will limit itself to three of the leverages, namely: co-creation with clients, organisation forms and management as internal factors on Business Model Innovation.

It is the view advocated by Volberda et al. (2013: 104) that *“if various levers are active they strengthen each other and consequently strengthen Business Model innovation”* and it is expected that organisations in the Insurance industry, will show aforementioned, namely that when the levers are changed within the Business Model,

Volberda et al. (2013: 25), this results in Business Model innovation within the Insurers, and will result in *“new architecture, business models and relationships with the environment, to create new competitive advantages”* (2013:25), and more particularly in the Insurance industry will result in adapted or new products and services.

Box 2: Proposition 1

*The three levers: Co-creation with clients, organisation and management as internal factors, positively influence Business Model Innovation within Insurance Industry organisations resulting in adapted or new products and services.*

## 2.4 Environment factors on performance of Business Models

### Environments

If an organisation operates in various geographical environments, the organisation will be confronted with local innovation. Important will be how these organisations can use these local innovations to cross use to other markets (Immelt, Govindarajna and Trimble, 2009). Additionally, success in developing countries is a condition for continued vitality in the developed countries, but on the negative side, this would possibly cause difficulty in transaction of a resource (Cuervo-Cazurra, Maloney & Manrakhan, 2007).

The focus of this research will be on the effects of different environments on the performance of Business Model Innovation. By environment, its referred to the external factors that influences organisations, that is often referred as the PEST-analysis, which identifies the external environmental factors from a Political, Economical, Sociocultural and Technological perspective (Clulow, 2005) and the factors described by Porter (1980) in the five forces analyses, which provides insight into the potential threats of third parties entering the market and bargaining power of third parties. Table 6 shows the findings of external factors in the literature.

Table 6: *Overview of external factors*


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External factors
Political
Economical
Sociocultural
Technological
Industry Rivalry
Bargaining power of Suppliers
Bargaining power of Buyers
Threat of New Entrants
Threat of substitutes

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Source: Clulow (2005) and Porter (1980)

For this research, there are a wide number of factors to choose from, but very basically for this research, the PEST-analyses in combination with Porter's (1980) strategic analysis will be used as these simplistic versions of identification of environmental/market factors would cover in general all-important possible effects. From these factors, it was chosen to focus on three external factors on Business Model Innovation, namely: regulations, technology and competitors.

In the subject research, it will be interested to further research the external factors influencing the Business Model innovation in the Insurance industry, as Volberda et al. (2013:85) advocated: *'Environmental dynamics and competitive pressure affect the relationship between innovation, replication and business performance'*. Based on three selected external factors, Clulow (2005:983) and Porter (1980:214-217), namely: regulations, technology and competitors, the research will focus if *"Environmental dynamics and competitive pressure"* changes or active the levers as advocated by Volberda et al. (2013: 104) *"if various levers are active they strengthen each other and consequently strengthen Business Model innovation"*, and will result in *"new architecture, business models and relationships with the environment, to create new competitive advantages"* (2013:25), and more particularly in the Insurance industry will result in adapted or new products and services, which is is drafted in Box 3.

## Box 3: Proposition 2

*Changes of the external factors: regulations, technology and competitors positively influence the levers within the Business Model and thereby Business Model innovation resulting in adapted or new products and services in the Insurance Industry.*

## Performance

In Business Model definitions, a clear part of the definition lies in “*converting payments into profit*” (Teece, 2010: 172) and “*pursuing growth through replication or renewal defines to what extent they need to innovate*” (Szulanski & Jensen, 2008:1733). This is of importance as the organisation’s Business Models affect the organisation’s possibilities for “*value creation and value capture*” (Zott & Amit, 2008:2). In this research, the aim is to clarify the performance and the moderating effect of different environments. In literature, the development of the “*Balanced Scorecard*” by Kaplan & Norton (1992: 71) is most commonly used by managers to analyse and determine the company’s performance. The scorecard is divided into four perspectives and gives insight into the Financial, Customer, internal business processes and internal learning / growth (Kaplan & Norton, 1992). However, Dixon, Nanni and Vollmann, (1990) argue the limitation of performance which are controlled by financial measures, the performance evaluation is weakened.

As drafted in the conceptual framework, the research will focus if Business Model innovation will result in adapted or new products and services positively influence the performance within Insurance Industry organisations. The company performance will be further evaluated on Industry specific parameters (Dixon, Nanni and Vollmann, 1990), such as growth of premium of an insurer and growth of new products. It will be interesting to see the link to strategy and economic transactions (Dasilva & Trkman, 2014), but mainly because the Business Model as a source of value can support the explanation why some organisations perform better than others (Zott & Amit, 2007), which is one of the pillars of this research. On basis of Volberda, Van den Bosch & Heij (2014), it is expected that if Insurers carry out Business Model Innovation, being

renewal, replication and/or a mix of both (ambidexterity), and as Volberda et al. (2013:85) advocated: *‘Environmental dynamics and competitive pressure affect the relationship between innovation, replication and business performance’* and will result in *“new architecture, business models and relationships with the environment, to create new competitive advantages”* Volberda et al. (2013:25), and is expected to positively effect on firm performance in the Insurance industry as drafted in Box 4.

Box 4: Proposition 3

*Business Model Innovation resulting in adapted or new products and services positively influence the performance within Insurance Industry organisations.*

## 2.5 Conceptual framework and propositions

For this research, we will focus on the impact of external factors and internal factors (levers) on Business Models within the Insurance Industry and what kind of effect the change of the Business Model will have on adapting/ new product and services and subsequently on the performance of organisations in the Industry.

Based on the literature, the research will identify if organisations in the Insurance Industry will encounter Business Model Innovation. It is expected that organisations that carry out Business Model Innovation, being renewal, replication and/or a mix of both (ambidexterity). Volberda, Van den Bosch & Heij (2014:1503), pointed out: *“...that both types of business model innovation have a positive effect on firm performance..”* in comparison to organisations that will not change their Business Model in the Insurance Industry. The overall framework of all previous factors converted from the research framework to the conceptual framework is visualised in Figure 3.



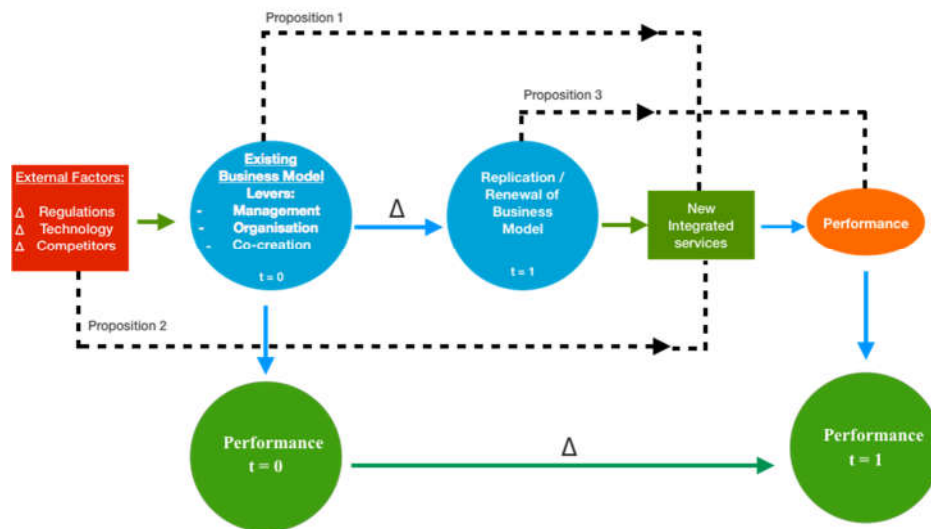


Figure 3: Conceptual framework and propositions

## 2.6 Conclusion

For this research, the research will focus on the impact of external and internal factors (levers) on Business Models within the Insurance Industry and what kind of effect the change of the Business Model will have on the performance of organisations in the Industry. In the previous paragraphs, the various findings of the literature are translated into propositions of this conceptual framework. Below a recap of the propositions set-up on basis of the literature review:

- **Proposition 1:** The three levers: Co-creation with clients, organisation and management as internal factors, positively influence Business Model Innovation within Insurance Industry organisations resulting in adapted or new products and services.
- **Proposition 2:** Changes of the external factors: regulations, technology and competitors positively influence the levers within the Business Model and thereby Business Model innovation resulting in adapted or new products and services in the Insurance Industry.
- **Proposition 3:** Business Model Innovation resulting in adapted or new products and services positively influence the performance within Insurance Industry organisations.

## 3 Insurance Industry

### 3.1 Introduction

This chapter will go in more depth about the Insurance Industry and provide background information of the research context of this research: Insurance Industry. The chapter will provide insight in the history, size and impact of the Industry and their basis standard business.

### 3.2 The Industry

There is very limited academic research carried out on the Business Models in the Insurance Industry and the analyses carried out concluded that the subject research topic and description is under-researched, due to the limited availability of literature in this field. According to these findings, the Insurance industry adjusted to their environment, often also referred as fit (Volberda et al., 2013:22).

The Insurance Industry is of great importance for organisations and private households to transfer risks of any kind. Basically, an insurance policy provides protection to an unsecure event and the potential financial loss.

Vaughan (1997) mentions that the first proof of insurance dates back to the Chinese and Babylonian traders in 2,000-3,000 BC. The modern Insurances orientated from several parts of Europe, traces have been found of insurances issued in Genoa, Italy in the 14<sup>th</sup> century, and the English introduced Insurance more widely after the great fire of 1666. The latter in combination of an England as a trading country with her overseas controlled areas, Lloyd's of London was founded by Edward Lloyds at his coffee house in 1686 (Lloyd's of London website). Since the establishment of Lloyd's, the Insurance market rapidly increased helped by the Industrial revolution and increase of standard of living (Lloyd's of London website).

Nowadays, the global Insurance Industry was calculated by EY (Global Insurance trends analysis 2016, published by EY) at USD 4.5 trillion Gross Written Premium in 2015. Looking more deeply in the activities of Insurers, the basic principle of each Insurer is based on receiving a premium for a risk, plus potential gains of the investment of the premium, minus incurred losses on the policy, minus underwriting expenses, such as loss adjusting expenses etc., which brings to the following overview: Profit = earned premium + investment income – incurred loss – underwriting expenses. (Lloyd's Agency Department website, Module 3: Claims & Recovery). In the current Insurance Industry, the basic model still applies but has become far more complex, which will be shown in the next chapter in which the first case study is discussed.

### Company comparison

The two organisations, selected for the case study, TMG and Allianz, operate from different continents and are respectively located in Tokyo and Munich. Table 7 shows the specific key information of the two organisations.

Table 7: Comparison of Allianz and TMG for the year 2015

Subject	Allianz	TMG
Region HQ	Europe	Asia
Revenue*	€ 122,415 Million	€ 42,516 Million
Gross Written Premium (GWP) **	€ 116,171 Million	€ 37,037 Million
Market share ***	2.89 %	0.92%
Employees	140,000.	36,902
Countries active	70	38
Ownership	Stock exchange	Stock exchange

\* the revenue of TMG was converted from JPY 5,232,602 million to EURO

\*\* the GWP of TMG was converted from JPY 4,558,623 million to EURO

\*\*\* the market share was based on GWP of € 4,015 Bn converted from USD 4,5 T

Sources: Annual reports of TMG and Allianz of 2015

It can be concluded that, in line with the previously mentioned Forbes' list in which Allianz holds 3<sup>rd</sup> place and TMG 25<sup>th</sup> place in the year 2015, Allianz is substantially larger compared to TMG. Both organisations are listed on stock exchanges and will experience similar kinds of pressure from shareholders to increase ROE.

From the figures in Table 7, it can be noted that TMG has a revenue of EUR 1.15 Million per employee on average whilst Allianz 'only' has a revenue of EUR 0.87 Million per employee on average. Also when comparing the market share per employee, it seems that TMG is more efficient,  $2.49 \times 10^{-5}$  against  $2.05 \times 10^{-5}$ . Comparing nett results cannot be achieved, whilst the two organisation have a set-up of reporting and include other than Insurance Industry organisations as well, e.g. Allianz includes banking and investment figures which cannot be individually identified.

## 4 Methodology

### 4.1 Introduction

This chapter describes the methodology used for this research and the criteria for of the industry firms and cases. Firstly, this chapter will give some detailed background on the methodology applied, i.e. type of research. Secondly, the chapter will look into the selection of criteria the organisations and the cases selected.

### 4.2 Type of research

For this research, the choice was made to carry out case studies, which is “particularly suitable for developing new theory” (Voss, Tsikriktsis and Fröhlich, 2002) The type of case study research will be based on qualitative case study approach, which will present a research strategy. The approach will allow to gather data sources and will provide in depth information (Yin, 2009) and *“allows the questions of why, what ad how to be answered with a relatively full understanding of the nature and complexity of the complete phenomenon”* (Voss et al., 2002: 197) Additionally, desk research will be carried out within the Insurance Industry to gain more knowledge about the market and to gather more information about the organisations active in the Insurance Industry.

### 4.3 Selection criteria of the research context

The Insurance Industry is of great interest due to an under-researched field of literature, whilst Insurance is of great day-to-day importance for organisations to transfer risks and can severely impact organisations financially. In order to achieve a representative view of the Insurance Industry, the sample of the research is aimed at International organisations operating in the Insurance Industry with sufficient data availability and the focus will be to include top-tier insurers, i.e. the top 25 large Insurers. The reason for selecting International insurers is to eliminate local effects, which might influence the research.

In the investigations carried out into the Insurance Industry, it was found that the total size of the global Insurance Industry was calculated by EY (Global Insurance trends analysis 2016, published by EY) at USD 4.5 trillion Gross Written Premium in 2015. In order to select the top-tier insurers to be analysed, the list of Forbes<sup>5</sup>, which contains the top 25 insurers, was used to orientate and to verify whether information could be derived about Business Model innovation at insurers. From the top 25 list, a number of companies was selected on size and geographical presence and subsequently further investigated if these companies could be part of the research. The companies selected are mentioned in Table 8. These companies were preliminary chosen because of the availability of information. For example, the no. 1 and 2 positions in the list are Chinese Insurers and these parties do not publish much information nor is there much information to be found in the International press or in other articles. In addition, if anything is found there is the language issue.

Table 8: *Pre-selection of Insurers*

Insurer	Ranking in list
Allianz	3
Axa Group	4
ING group	5
Zurich	7
Tokio Marine	25

Source: *Forbes global list 2000*

Besides these five insurers, other Insurers were also selected, namely Aegon and Delta Lloyd. These two additional Insurers were selected due to the fact that it was thought that information about these parties could be more easily available. After the first orientation, it was found that the companies Allianz and Tokio Marine had both introduced new integrated services, which could be researched in detail, mainly due to their openness of reporting and due to other data sources available in comparison with the other pre-selected insurers. In addition, the headquarters of these two companies are situated on two different continents and the researcher worked previously within

<sup>5</sup> <https://www.forbes.com/global2000/list/>, issued on 24 May 2017, visited 10 June 2017.

the organisation of Tokio Marine; it is expected that this might be of great support to clarify the organisation in a better way and to get access to data.

It is unfortunate that some measures, which are required for the research, are irrelevant due to the delay in the accounting period and therefore Industry context is important to be taken into account (Harris and Mongiello, 2001). Summarising the afore-mentioned, the way to measure the effect of Business Model Innovation on performance may be looked at in various ways, see Table 9. In view of the accessibility of information available, the performance will be focussed on various factors, such as market share, organisation value based on stock exchange information and/or performance indicators reported of the organisation.

Table 9: *Performance indicators focus of research*

Indicators
Market share
Industry specific parameters
Competitive position
Stock value /listing
Indicators of organisations in reporting

#### 4.4 Selection of the cases, unit of analysis

The two selected organisations, Allianz and Tokio Marine, are a top three insurer (Allianz) and a medium-sized Insurer (Tokio Marine). Both organisations introduced new integrated services to their clients, namely: 'Total Assist' in 2009 and 'Allsecur' in 2008 respectively. These two new integrated services are considered to be the unit of analyses, see Figure 3 of the conceptual Framework for this research. The focus of the research will be on past introduction of new integrated services and products and by looking back ten years it is expected that such will provide sufficient circumstances and data to carry the research.

Based on the conceptual framework, as presented in Figure 2, at first the external market factors are analysed and whether these changed. Subsequently the research will

focus if these changes lead to a change of the levers in the Business Model as visualised in Figure 4.



Figure 4: First step of analyses.

As a second step, the changes to the levers are analysed if these took place based on the external factors and what type of change is visible over time to the Business Model. Interesting to conclude is whether renewal, replication or both took place. This change of Business Model has led to the introduction of a new integrated service. This second part of the research is visualised in Figure 5.

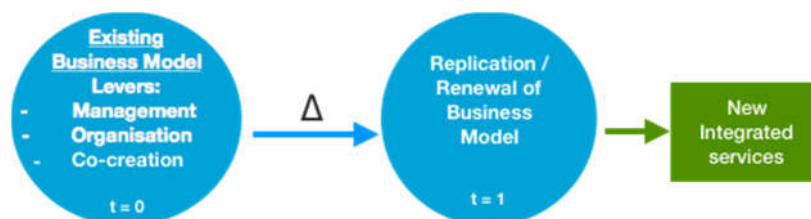


Figure 5: Second step of analyses.

Thirdly, the introduction of the new integrated service will be further analysed how this affected the performance of the organisation over time, as visualised in Figure 6.



Figure 6: Third step of analyses.



Nevertheless, from a practical point of view, analyses are carried out from the position of the introduction of new integrated services and researched by looking back at what key leverages within the Business Model were related to this introduction and to finally the external factors. To identify various external factors, analyses are firstly carried out on previous factors that influenced the Business Model of Insurers in the past. This is done by analysing the information issued by the parties in the Insurance market themselves and analysis carried out by third parties about these Insurers.

## 4.5 Data sources

As previously mentioned, this research will use qualitative case studies to provide insight into the business processes of Business Model innovation of organisations in the Insurance market by focussing on factors to which drivers will change organisations' Business Model. The data is drawn from four main sources used to research the business environment, the business processes and the level of Business Model innovation. The key sources used are public information, reports issued by the organisations about financial and strategic information of the organisation and other published information sources, which are presented in Table 10. The research will be focussed on the period 2005 to 2016.

Table 10: *Data sources used for the research of the case studies*

Source:	Examples:
News items	News websites: e.g. <a href="http://www.Amweb.nl">www.Amweb.nl</a> ; <a href="http://www.autoverzekeringvergelijking.nl">www.autoverzekeringvergelijking.nl</a>
Strategical reports issued by the organisations	Annual reports of TMG period 2006-2016 Annual reports of Allianz period 2005-2016
Other published information source	Publications of the organisations, e.g. articles in Financial Times, Guardian and NRC.

## 4.6 Validity & reliability

In order to ensure the quality of a case study, four essential conditions are to be taken into account: internal validity, external validity, constructive validity, reliability (Yin, 2009) and triangulation (Bryman and Bell, 2011).

### Validity

Internal validity is described by Yin (2009:33): *“establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships”* and provides a clarification to which the reasoning within the research was carried out in a correct way. The internal validity is of importance as this research is theory testing and looks into the relationship between external factors and internally. By applying the same pattern of research and types of research (i.e. scales), the internal validity is safeguarded.

External validity is *“establishing the domain to which a study's findings can be generalized”* (Yin, 2009: 33) and is ensured by the selection criteria of the cases in the case study. The propositions and conceptual framework contribute to allow ‘generalisation’. Nevertheless, one might consider that the external validity is limited because the research was carried out only in the Insurance Industry and other industries are not included in this research.

Construct validity is *“establishing correct operational measures for the concepts being studied”* (Yin, 2009, page 33) and identifies measures on an operational level for the concepts being researched and is supported by application of triangulation. In order to comply, different sources are used in the research to measure the concepts in different ways.

### Reliability

Reliability differs from validity in that it does not relate to what should be measured, but instead on how it is measured. Yin (2009) explains that reliability is *“demonstrating that the operations of a study-such as the data collection procedures can be repeated. With the same results”* (page 33).

For the case study, replicability of the same results is essential. In order to safeguard reliability, all steps in the research have been explained in detail and information of all sources used are provided. The data of the research is gathered and analysed by a variety of sources, e.g. publications; news websites and annual reports. By searching into various sources for both organisations, it was tried to research as complementary as possible to safeguard triangulation.

## 5 Case studies

### 5.1 Introduction

This chapter will contain the analysis and findings of the two case studies carried out. In the next chapter, chapter 5, the case findings will be compared by carrying out a cross-case analysis. In the first case study, an analysis is made of the Tokio Marine Group; the second case study will be carried out on Allianz SE, as described previously.

### 5.2 Case study 1: Tokio Marine Group

#### 5.2.1 Background of the organisation

Tokio Marine Group (further referred as TMG) is an international insurance holding company with headquarters based in Tokyo, Japan. The corporate website ([www.tokiomarinehd.com](http://www.tokiomarinehd.com)) mentions that TMG is one of the larger global Insurance companies and which employs 36,902 people in 38 countries and regions. The group is positioned at place no. 20 in the world, when compared to market capitalisation amongst Insurers ([www.relbanks.com/top-insurance-companies/market-cap](http://www.relbanks.com/top-insurance-companies/market-cap)) and placed 25 on the list of Forbes ([www.forbes.com/global2000/list](http://www.forbes.com/global2000/list), issued on 24 May 2017). There are various other kinds of rankings; unfortunately, these lists are 'contaminated' with organisations that have other activities besides Insurance, such as Berkshire Hathaway Inc. If these kinds of companies were excluded from those rankings, TMG would be placed higher as an Insurance company. According to various press releases issued by TMG, they consider two Japanese Insurers, namely MS&AD Insurance group and Sompo Japan Nippon Koa Holdings, as their direct competitors. MS&AD Insurance group and Sompo Japan Nippon Koa Holdings are respectively nos. 30 and 44 in the list where TMG holds place 25<sup>14</sup>. MS&AD Insurance group is of a similar size when compared to TMG and Sompo Japan Nippon Koa Holdings is the smallest organisation of the three.

Within the organisation of TMG, there are four main lines of Business: Domestic Life Insurance; Domestic non-life Insurance; International Insurance and Financial & General each with a different focus in products. In general, all lines of Business have the same basic Business Model components, namely: delivering value to the customers by providing a risk transfer;

customers willing to pay a premium for the transfer of risks and TMG proposition to profit from underwriting these risks. Each business line has a unique portfolio of products with a specific, tailored proposition for their targeted customer segment. The value proposition of the group of companies focusses on delivering a unique blend of price versus service.

### 5.2.2 Domestic non-life Insurance

This research will focus on the Business line: Domestic non-life Insurance, as it is the Business line, which is most affected by competition and upon first investigations seems to be the most dominant Business line within the organisation. The value proposition of the Domestic non-life Insurance is *“investing in the customer relationship by earning trust”* and *“focussing on recurring revenues”* (Annual report of 2011 issued by TMG, page 2). One of the ways that TMG creates trust is by buying shares ([www.4-traders.com](http://www.4-traders.com)) in their larger client portfolio such as Toyota (1.6%), Honda (2.1%), Nissan (0.7%), Suzuki (3, 7%) and so on. However, TMG is also active in providing Insurance to individuals by providing home Insurance or automobile Insurance. In the next section, analyses are carried out on the changes that occurred within the TMG organisation on basis of external factors.

### 5.2.3 Zooming into TMG

The changes to market factors is researched in this paragraph and how TMG responded to these factors. The research is carried out according to the information issued by TMG and other sources available. In this way, it will be interesting to analyse the external factors to which TMG responded and how these factors affected their Business Model and subsequently their performance.

Table 11: *Summary of findings of new products and services of in the annual reports of TMG (2006-2016)*

Topic's	Quotes from Annual reports	Year of 1st appearance
Introduction of Total Assist	In August 2005, Tokio Marine & Nichido launched a new product called “Total Assist” in automobile insurance, our main line of business. Total Assist is designed on an innovative idea of blending “assistance” into conventional insurance products to provide policyholders with our fine-tuned support and various services that meet individual needs at any point from “preventing an accident” to “at the time of an accident” and “after the accident.” Source: Annual report of 2006, page 3.	2006

An operational process reform 'New Wind'	In the fiscal year ended March 31, 2006, Tokio Marine & Nichido carried out a company-wide effort on its "New Wind" project, an operational process reform with a focus on "effective utilization of the agent system" and "cashless payment of premiums." Source: Annual report of 2006, page 3	2006
Introduction of a home security package including Insurance coverage	Tokio Marine & Nichido Fire Insurance Co., Ltd. forged an agreement with Secom Co., Ltd., the most widely recognized brand name in home security in Japan, and began to exclusively sell at its main agents the Secom Home Security Tokio Marine Package, a home security system jointly developed specifically for the Tokio Marine Group. Annual report of 2009, page 5 and 16	2009

*Sources: Annual reports of TMG, years: 2006 and 2009*

Table 11 shows the strategies, introductions of new products or services and changes to the internal processes, which were found in the annual reports issued by TMG. From these points addressed in the annual reports, Total Assist was chosen to be analysed in further detail. The fact that, from an information point of view, much could be found about Total Assist and its introduction as a new product (Annual report of 2006, page 3) in the main Business line of TMG, namely automobile Insurance and which could have a major impact into the Business Model of this main Business line is the reason that Total Assist was selected to be further analysed. Additionally, this is one of the particular fields of expertise in which the researcher has developed a technical background in the past years.

#### 5.2.4 Development of a new integrated service: Total Assist

In August 2005, TMG launched a new product called "Total Assist" into one of their main product lines, namely automobile Insurance. The product is designed to include additional products on top of the Insurance coverage. These additional services include assistance products to help the customers at the time of an accident or after an accident but also gives support to prevent accidents. This was at that time, quite a unique proposition in which traditional Insurance was blended with assistance services. In the next years, TMG expanded the range of optional products to be included in the package, such as the 'Selecting Assistance for Transporting Your Car'. This specific product provides compensation for the costs incurred when a car needs to be transported by a tow truck and compensating for the costs for a rental car. The customer could easily select which additional products they would require and what kind of compensation they would need.

In 2010, TMG further expanded their Total Assist to other lines of business and introduced the same kind of product logic for Fire-Insurance (Fire-insurance included all kind of related house related insurances) . In addition to the automobile Insurance, customers were now able to purchase home related Insurance packages, which included various Insurances in combination with products which protected customers from accidents and everyday problems. The products included services such as support if the customer lost their keys or if a water leakage occurred in their home; in addition, it offered measures to prevent the recurrence of a fire or burglary. Furthermore, TMG also revamped their Total Assist products in 2010, and re-branded them into their already existing product called: Super Insurance. This product had originally been launched in 2002 and was unique in that it offered package Insurances to customers and now included the Total Assist products and services as well. TMG described the rebranding as being the only Insurance that protects customers with an integrated life and non-life product approach. TMG further developed their IT platform especially for this product and simplified the selecting of products even on tablets/mobile phones.

In 2013, TMG expanded their product range further by offering the ‘Super Insurance’ not only to private individuals, but extended the range to small businesses by the introduction of ‘Super Business Insurance’. This product provided coverage for the risks that small and medium-sized businesses normally deal with by combining fire, liability, and other coverage normally purchased separately. In 2015, TMG expanded their services yet again by providing additional coverage for earthquake and other types of natural catastrophes, allowing a maximum of 100% coverage of damage caused by earthquake, volcanic eruption or tsunami. In the next paragraph, analyses into TMG reasons to introduce the Total Assist and further develop the product into the integrated Super Insurance are researched.

### 5.2.5 Case study findings Total Assist

In this section, the research will focus on the reasons why TMG introduced Total Assist and eventually developed the product into Super Insurance. The key question in this analysis is what the motivations were and what the market changes behind these were. Firstly, analyses were carried out about the internal and external factors which could have led to the introduction of the new product Total Assist and which eventually changed the Business Model within TMG.

The conceptual framework shows internal and external factors, which potentially could influence the change of the Business Model of the organisation and lead to the introduction of new services or products. In the following sections, the external factors are analysed and subsequently the effects of the levers within the Business Model are looked at. Finally, the potential changes to the Business Model are further viewed from a performance potential.

### Evidence for external factors

In this section, analyses about whether the external influence could lead to a change of the leverages of the Business Model are researched. The factors of the external factors, which will be analysed, are technology, competitors and regulations.

Evidence of the external factors found are shown in Table 12 and which contribute to a change in the three leverages within the Business Model. The majority of the evidence found is in the field of technology.

In the annual reports, as mentioned in Table 12, the evidence is as follows:

- Reference no. E2 (Annual report of 2008:25): The use of loss prevention can be considered as a new technology tool, which supports customers in preventing accidents and deploying input into relevant output.
- Reference no. E3 (Annual report of 2013:39): The technological advantages of going to a paperless system can only be led by a technological advantage of a system using external market capabilities.
- Reference no. E4 (Annual report of 2015:8): *'...using tablet devices and employing a format that displays the necessity of coverage as "yes" or "no" choices serve to visualize intangible insurance to raise customer interest in insurance...'* By absorbing such external technologies into TMG and changing the platform that customers use makes it easier for the customers to select products.



Table 12: Case 1: *Evidence of external factors on Business Model change*

Quotes	Source; page	Ref.no	Type of influence
In the insurance industry, we expect companies to compete more vigorously in terms of their products and services while increasing the efficiency of their operations, resulting in an increasingly harsh competitive environment.	Annual report 2006;5	E1	Competitors
Since offering this on sale, we have received words of appreciation for this never-seen-before idea from many of our customers, and sales have been growing at a speed unseen in automobile insurance since the insurance market was liberalized.	Annual report 2006;11	E6	Regulations
This new concept of automobile insurance has earned the support of a great number of customers, with its innovative combination of high-quality assistance services such as support in emergencies like an automobile accident or breakdown (Road Assist), supply of information on loss prevention (Loss Prevention Assist), various kinds of support when hospitalized after an accident (Assistance You Can Choose When Hospitalized), and medical consultation in everyday life (Medical Assist).	Annual report 2008;25	E2	Technology
..... supported by a new IT infrastructure. ....we are continuing to establish new sales platforms that utilize our unique systems and products such as TNet and "Super Insurance"	Annual report 2011;13	E5	Technology
..... introducing a new paperless system to complete contracts using tablet PCs, etc., and developing and providing smartphone applications.	Annual report 2013;39	E3	Technology
Moreover, using tablet devices and employing a format that displays the necessity of coverage as "yes" or "no" choices serve to visualize intangible insurance to raise customer interest in insurance, which they often find difficult or hard to understand. This gives customers a sense that insurance is more transparent and important.	Annual report 2015;8	E4	Technology

Sources: annual reports of TMG, years 2006, 2008, 2011, 2013 and 2015.

Secondly, Table 12 shows evidence for competitors as an influence on their Business Model. In the annual reports, quote no. E1, it is mentioned that the competition in the market in which TMG operates, especially the domestic market, will become more vigorous. The research did not show any other comments made by TMG about competitiveness in the market and only reports TMG's performance, strategies and actions.

Thirdly, reference no. E6 refers to the influence of regulations with the comment: '*...since the insurance market was liberalized...*' The introduction of the new product Total Assist and the change of the Business Model was mentioned only once in the research in the data sources.

Additional research<sup>6</sup> revealed that the regulations to allow combining life Insurance and non-life Insurance activities were not allowed in Japan until 1996; this restriction was removed and

<sup>6</sup> Japan's New Insurance Business Law, The Impact of Regulation in Japan and Other Asian Insurance Markets, volume 22, no.3 in 1996.

allowed Insurers to grow into other market sectors as well. However, the subject regulation did not affect the introduction of the product Total Assist and it took until 2011 to combine the products Life and non-life within the Total Assist product. On basis of the aforementioned it can be concluded that the influence of Regulations did not affect any change on the levers of the Business Model, nor did it have any effect on the introduction and further development of the product Total Assist and therefore the change of the Business Model, whilst there is evidence that technology and competitors did influence the levers.

### Evidence for internal factors of co-creation

In this section, the introduction and further development of Total Assist is researched and analysed whether the external factors led to a change of the leverage co-creation within the Business Model. In Table 13, a summary is provided of the findings found in the data sources.

Table 13: Case 1: *Evidence found of co-creation with customers in annual report*

Quotes	Source; Page	Ref. No.
In August 2005 Tokio Marine & Nichido developed a new automobile insurance product "Total Assist" that takes on board the idea of amalgamating "Assistance" with the pre-existing "Insurance," in response to customer requests for various services in addition to existing coverage that cover the total flow from the payment of claims through all the aspects of "accident prevention," "when involved in an accident," and in case of "post-accident care."	Annual report 2006; 11	A1
Super Insurance, launched in 2002, was created under the customer-oriented concept of combining various types of insurance that had previously been sold separately into a single product package. Customers and their families face various risks, including traffic accidents, fire, injury and illness, and death. Super Insurance considers these risks in their entirety, as customers and agents work together to assemble all-in-one life and non-life insurance while determining coverage and premiums.	Annual report 2015; 8	A2

Source: Annual reports of 2006 and 2015

The two dominant references found in the annual reports issued by TMG are presented in Table 13. These statements were repeated in a similar way in the period from 2006 to 2015. In the reports, a continuous referral is made to the customers and their feedback received e.g. in reference no. A1 it is mentioned: *'...in response to customer request...'*, on basis of which TMG introduced and additionally adjusted the product to meet the needs of the customers' demand. TMG, who mentioned Total Assist as a new innovative product, used co-creation with customers in which customers were used as a platform where they shared their ideas and feedback, e.g. in reference no. A2 it is mentioned: *'...as customers and agents work together....'* On basis of the afore-mentioned, it is the feedback from customers that made

TMG decide to initiate the introduction of Total Assist and further evolve the Total Assist to eventually integrate it with another product named Super Insurance. TMG mentioned that it is due to the demand of customers that they introduced a similar product for small and medium businesses and used the same innovation platform to include other than Automobile Insurance related products.

Table 14 shows the findings from the analyses of the annual reports; about how TMG co-created with other parties other than their customers. Whilst this is outside the scope of the conceptual framework, it was considered important to include these findings as well

Table 14: Case 1: *Evidence found of type of innovation in annual reports*

Quotes	Source; Page	Ref. No.
In January 2006, Millea Mondial Co., Ltd. commenced operations as a joint venture between Millea Holdings and Mondial Assistance Group, the largest assistance company in the world. This joint venture will provide customers with a high quality of assistance services to fulfil their various requirements by combining Mondial Assistance Group's expertise and the Millea Group's strengths in product development and marketing in the field of insurance business.	Annual report 2006; 4	B3
Nihon Kousei Kyousaikai, co., Ltd. Became a Subsidiary of Millea Holdings and changed Its name. On January 2, 2008, Millea Holdings invested in Nihon Kousei Kyousaikai, an insurer specializing in fire insurance for rental housing, making it a subsidiary and changing its name to Millea Nihon Kosei SS Insurance Co., Ltd.	Annual report 2008; 4	B1
Establishment of E. design Insurance Co., Ltd. Tokio Marine Holdings established E. design Insurance Preparatory Co., Ltd. through a business and capital tie-up with NTT Finance Corporation, a subsidiary of Nippon Telegraph and Telephone Corporation, in January 2009.	Annual report 2009; 4	B2
Launch of Secom Home Security Tokio Marine Package: Tokio Marine & Nichido Fire Insurance Co., Ltd. forged an agreement with Secom Co., Ltd., the most widely recognized brand name in home security in Japan, and began to exclusively sell at its main agents the Secom Home Security Tokio Marine Package, a home security system jointly developed specifically for the Tokio Marine Group.	Annual report 2009; 5	B4

Source: annual reports of 2006, 2008 and 2009.

In the period 2006-2016, TMG reported that they acquired or went into an alliance with a number of parties. Reference no. B1 mentions the acquisition of the insurer Nihon Kousei Kyousaikai, co., Ltd. TMG made an alliance with NTT Finance Corporation to establish E. design Insurance Co., Ltd. as mentioned in reference no. B2. They also went into an alliance with Secom Co., Ltd., reference no B4, to be able to launch the Secom Home Security Tokio Marine Package to their customers. Additionally, TMG also commenced a joint venture with Mondial Assistance Group to provide additional services to their customers in the field of assistance during and after accidents as mentioned in reference no. B3. On basis of the aforementioned, TMG seems to have a dual approach on the innovation platform; whilst

within the Insurance Industry they proceed with a closed Innovative approach by acquiring parties acting in the same market but for parties acting outside the Insurance Industry, TMG seems to have a more open innovation approach.

### Evidence for internal factors of organisational forms

In this section, the introduction and further development of Total Assist is researched in order to analyse whether the external factors led to a change of the leverage organisational forms within the Business Model. In table 15, a summary is provided of the findings found in the data sources.

Table 15: Case 1: *Evidence found of organisation forms as internal factors*

Quotes	Source; page	Ref. No.
In January 2006, Millea Mondial Co., Ltd. commenced operations as a joint venture between Millea Holdings and Mondial Assistance Group, the largest assistance company in the world. This joint venture will provide customers with a high quality of assistance services to fulfil their various requirements by combining Mondial Assistance Group's expertise and the Millea Group's strengths in product development and marketing in the field of insurance business.	Annual report 2006; 4	C7
We have incorporated in the "Total Assist" 6 additional services including "Assistance You Can Choose When Hospitalized," on top of the traditional coverage of automobile insurance.	Annual report 2008; 25	C1
Nihon Kousei Kyousaikai, co., Ltd. Became a Subsidiary of Millea Holdings and changed Its name. On January 2, 2008, Millea Holdings invested in Nihon Kousei Kyousaikai, an insurer specializing in fire insurance for rental housing, making it a subsidiary and changing its name to Millea Nihon Kosei SS Insurance Co., Ltd.	Annual report 2008; 4	C5
Establishment of E. design Insurance Co., Ltd. Tokio Marine Holdings established E. design Insurance Preparatory Co., Ltd. through a business and capital tie-up with NTT Finance Corporation, a subsidiary of Nippon Telegraph and Telephone Corporation, in January 2009.	Annual report 2009; 4	C6
Launch of Secom Home Security Tokio Marine Package: Tokio Marine & Nichido Fire Insurance Co., Ltd. forged an agreement with Secom Co., Ltd., the most widely recognized brand name in home security in Japan, and began to exclusively sell at its main agents the Secom Home Security Tokio Marine Package, a home security system jointly developed specifically for the Tokio Marine Group.	Annual report 2009; 5	C8
..... we have unified our line-up of automobile insurance for individuals under the name Total Assist Automobile Insurance. In line with these efforts, we developed "3+3" which combines our "3 basic types of compensation" that are the absolute minimum needed by individual customers with "3 basic riders" that consolidate attractive types of compensation for which there are high customer needs	Annual report 2010; 6	C2
This insurance was incorporated into Super Insurance in July 2011. Efforts are being made to further promote its sale through the initiative to integrate life and non-life insurance.	Annual report 2011; 6	C3
In October of last year, Tokio Marine & Nichido revamped its "Super Insurance" product implementing a concept to provide customers with consulting services that are simple and easy to understand and supported by a new IT infrastructure.	Annual report 2011; 13	C9
The company is promoting an integrated life and non-life sales approach, particularly at non-life agencies. It will work to cultivate more policyholders by further raising its proposal capabilities and the convenience of contracting policies with integrated life and non-life consulting and sales of products such as Super Insurance, which uses tablet devices.	Annual report 2014; 47	C4

Source: Annual reports of 2006, 2008, 2009, 2010, 2011 and 2014

The foundation of the introduction of the new product Total Assist, which was revamped later to Total Assist Super Insurance, was based on the innovative approach to open the organisation for customers to co-create and to co-create with outside Industry parties. To implement Total Assist, TMG needed to revise and change their Business Model to re-allocate their resources in order to launch the product and to create the value to the customer and exchange this into profit according to the annual reports. Table 11 shows evidence supporting the re-allocation by shifting and changing structures of the organisation by reference no. C2: *'... we have unified our line-up of automobile insurance...'* and reference no. C4: *...'It will work to cultivate more policyholders by further raising its proposal capabilities...'*

The continuous improvement of the product and developing new products required the organisation to continuously change their form of the organisation. In Table 11, evidence of the influence of organisational forms are shown. The annual reports mention the integration of products in reference no. C9 *'... revamped its "Super Insurance" product implementing a concept to provide customers with consulting services...'* and in reference no. C3 *'This insurance was incorporated into Super Insurance in July 2011.'* which has as effect changing the structure of the organisational form.

Analysing the alliances with outside parties and the acquisition of an Insurer, these affected the organisational structure as follows:

- Reference no. C7, the joint venture with Millea Mondial Co., Ltd. On basis of the structure of the organisation, it was at first isolated but rather quickly integrated within the organisation/ business line responsible for the delivery of the product Total Assist.
- Reference no. C5, upon the acquisition of Nihon Kousei Kyousaikai, co., Ltd. in 2008, it remained as a separate entity within the holding. In 2011, the entity was integrated into Tokio Marine & Nichido organisation responsible for the product Total Assist.
- Reference no. C6, the establishment of E. Design Insurance Co., Ltd after the alliance with NTTC. This alliance is kept as a separate entity within the business line Domestic non-life Insurance and delivers services and products to other organisation within this Business line. E.design is specialised in delivering additional services in the Insurance Industry, such as automotive repair, gasoline delivery etc.

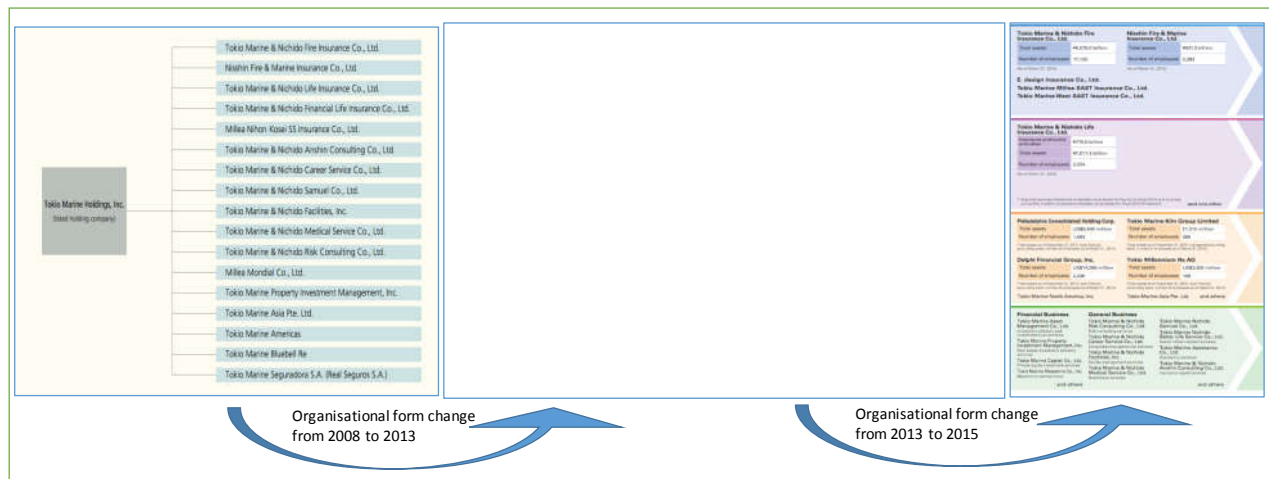


Figure 7: overview of the organisation structure changes within TMG from 2008 to 2015

Figure 7 mentions how TMG changed the structure of the organisation continuously from 2008 to 2015 with integrating alliances and acquisitions into current companies or Business lines. In the organisational change from 2008 to 2013, TMG decreased their units reporting directly to the holding company from 17 to 12, while the overseas where still separate units, the domestic units where integrated. In the organisational changes to the organisational structure from 2013 to 2015, the organisation form was changed into four main business lines focussing on products; these units included the overseas units as well. Unfortunately, there are no comments made about the organisational changes or any other proof was found in other publications about these changes. The organisational changes allowed TMG to directly control and benefit from the new products, services, and cross-learn the tools required within the organisation. Nevertheless, does the integration decrease the flexibility of the organisation to respond to innovation outside the company/Industry possibilities and decrease their market capabilities, making it a less ambidextrous organisation? Whilst most Japanese organisations work in a hypertext<sup>7</sup> type of organisation, using so-called red teams, to continuously question their Business Model, the organisational structure of TMG shows that TMG does not use this type of organisation to increase their adaptability.

<sup>7</sup> article: 'Blijvend strategisch vernieuwen, het herschikken van de multi-unit onderneming' issued in Bedrijfskunde, no. 72, 2000, issue no.2, page 27

## Evidence for internal factors of management

In this section, the introduction and further development of Total Assist is researched in order to analyse whether the external factors led to a change of the leverage management within the Business Model. In Table 16, a summary is provided of the findings found in the data sources.

Table 16: Case 1: *Evidence found of management as internal factors*

Quotes	Source; page	Ref. No.
Achieve further growth by increasing sales of new policies with features such as Super Insurance and by strengthening the sales base.	Annual report 2011; 5	D2
Enhancing sales of Super Insurance in major distribution channels and executing growth strategy	Annual report 2011; 12	D3
1. Increase new policies by leveraging our comparative advantage in products		
2. Improve renewal ratio by shifting to Super Insurance		
3. Expand coverage through consulting activities		
• Establish new sales networks using Super Insurance and TNet, etc.		
I am gratified that Super Insurance became an outstanding product as a result of the accumulation of a series of improvements made using the shared wisdom of many employees and agents, and through the efforts of the many employees and agents who took over the project [interview with Tsuyoshi Nagano, President and CEO of TMG].	Sustainability report 2013; 25	D1
The company is promoting an integrated life and non-life sales approach, particularly at non-life agencies. It will work to cultivate more policyholders by further raising its proposal capabilities and the convenience of contracting policies with integrated life and non-life consulting and sales of products such as Super Insurance, which uses tablet devices.	Annual report 2014; 47	D4

Sources: Annual reports, period 2011, 2012 and 2014; Sustainability report of 2013.

In Table 16, reference no. D1, ‘...using the shared wisdom of many employees and agents, and through the efforts of the many employees ....’ reference no D3: ‘...by leveraging our comparative advantage in products ....’ in addition, reference no. D2: ‘...by strengthening the sales base.’ all are evidence of the change of management as leverage into the Business Model, which was found in the annual reports issued by TMG. The management innovation found in the aforementioned findings contributes to the change how employees, departments and organisation-wide recognises client signals, or optimises key business processes within the organisation.

## Performance indicators

In this section, the effects of changed leverages to the Business Model, which led to the introduction of the new integrated service, will be analysed to conclude whether these changes and introduction led to a change in performance of the organisation. Table 17 shows a summary of the findings found in the data sources.

Table 17: Case 1: Evidences of performance indicators

Quotes	Source; Page	Ref. No.
Total Assist's innovative services have been well received by many customers since its launch, and it has contributed to an increase in net premiums written by Tokio Marine & Nichido.	Annual report 2006; 3	F1
In the insurance industry, we expect companies to compete more vigorously in terms of their products and services while increasing the efficiency of their operations, resulting in an increasingly harsh competitive environment.	Annual report 2006; 5	F14
Since offering this on sale, we have received words of appreciation for this never-seen-before idea from many of our customers, and sales have been growing at a speed unseen in automobile insurance since the insurance market was liberalized.	Annual report 2006; 11	F2
The sales of the main automobile insurance product of Tokio Marine & Nichido, "Total Assist," which combines the services of insurance and assistance, remained robust. This served as a driving force for our business results.	Annual report 2007; 11	F3
In the property and casualty insurance sector of the insurance industry, premiums decreased primarily because of lower sales volume of automobiles and fewer housing starts.	Annual report 2008; 16	F4
The present market environment of the domestic non-life insurance industry is characterized by a contraction of the market, demonstrated by the decline in the number of vehicles owned, and conversely, changes in the competitive environment as a result of the formation of two other major domestic non-life insurance groups through consolidation.	Annual report 2010; 17	F5
In fiscal 2009, Super Insurance registered 26% (about 59.3 billion yen) growth on a premium income basis. By renewing our products and systems.	Annual report 2010; 18	F6
"Super Insurance" fiscal year 2010 sales grew solidly, with new policies up by 2.5 times the previous year level, to 360,000, and written premiums up by 1.5 times, to 90 billion yen. "Super Insurance" has strong customer appeal, and as of June 2011, in-force policies had reached 1 million households.	Annual report 2011; 13	F7
In fiscal 2011, Tokio Marine & Nichido Life secured an increase in revenue and profits by strengthening initiatives for combining life and non-life sales networks through the sale of Super Insurance products as well as by commencing sales of new products.	Annual report 2012; 5	F8
in the second half of fiscal year 2011, gross premiums increased 6.4% year on year. ....and aim to further improve operational efficiency and achieve industry-leading premium growth.	Annual report 2012; 13	F9
Expected Revenue increase: 14.5 billion YEN, expected new policies 980,000	Annual report 2012; 21	F13
In fiscal 2012, the number of new policies was 347 thousand; new policies and policy renewals totalled approximately 1.48 million policies. Premiums written increased by 24.4-billion-yen year on year to 136.9 billion yen (managerial accounting basis).	Annual report 2013; 40	F10
In fiscal 2013, the number of new policies was 286 thousand; new policies and policy renewals totalled approx. 1.68 million policies. Premiums written increased by 18.9-billion-yen year on year to 155.8 billion yen (managerial accounting basis).	Annual report 2014; 39	F11
In fiscal 2014, the number of new policies was 230 thousand and premiums written totalled 201.1 billion yen (managerial accounting basis), and the number of policies is steadily growing.	Annual report 2015; 9	F12

Source: Annual reports of 2006, 2007, 2008, 2010-2015.



In Table 17, findings of the research into the annual reports is shown and which provides the indicator of the successfulness of the introduction and further development of the product Total Assist. Reference no. F1 mentions: *'...have been well received by many customers since its launch...'* reference no. F2 mentions: *'...we have received words of appreciation for this never-seen-before idea from many of our customers...'* and reference no F3 mentions: *'...Total Assist," which combines the services of insurance and assistance, remained robust....'* show evidence that customers were satisfied with the introduction of the product and that sales volumes were robust in the years 2006-2008.

In the period 2008-2010, a period in which the worldwide economy was effected by crises around the globe, the overall results of TMG decreased. Indicators in the annual reports mentioned that premiums decreased reference no. F4 mentions: *'...premiums decreased primarily because of lower sales volume of automobiles and fewer housing starts...'* and that the Insurance Industry is characterised by a contraction of the market, demonstrated by the decline of vehicles owned, reference no F5 mentions: *'...is characterized by a contraction of the market, demonstrated by the decline in the number of vehicles owned...'*.

Nevertheless, the research showed that although sales growth slowed down for the product Total Assist, the products still grew continuously ever since the introduction. Reference no. F6 mentions: *'...Super Insurance registered 26% growth on a premium income basis ...'*, which was the growth rate in 2009 and reference no F16 mentions: *'In fiscal 2014, the number of new policies was 230 thousand...'* which shows year after year growth and new successes to the product Total Assist and the spin-off of new products based on Total Assist. On basis of the references F6 to F13, the data was further analysed and combined into a graph and table format for the period 2006 to 2016.

Table 18 : Quantified results of growth for Total Assist.

Year	New Policies (x 1,000)	Total Policies (x 1,000)	Growth of policies	Total Premium (Billion Yen)	Growth of Premium
2009	32	140	26%	59.3	no data
2010	22	360	57%	90.5	53%
2011	19	550	53%	134.5	49%
2012	347	1.48	69%	136.9	1%
2013	286	1.68	14%	155.8	14%
2014	230	1.8	7%	201.1	29%
2015	no data	no data	4%	no data	n/a
2016	no data	1,95	4%	no data	n/a

Table 18, Figures 8, and 9 show the quantification of the performance of the product Total Assist and the actual sales of policies of Total Assist. TMG started publishing actual figures in 2009 about the performance of the subject product, however without costs figures such as implementation costs or overhead costs, the actual ROE could not be determined. Nevertheless, table 14 shows a yearly growth of policies, which up until 2013 had double digits. In total TMG sold almost two million policies to their customers.

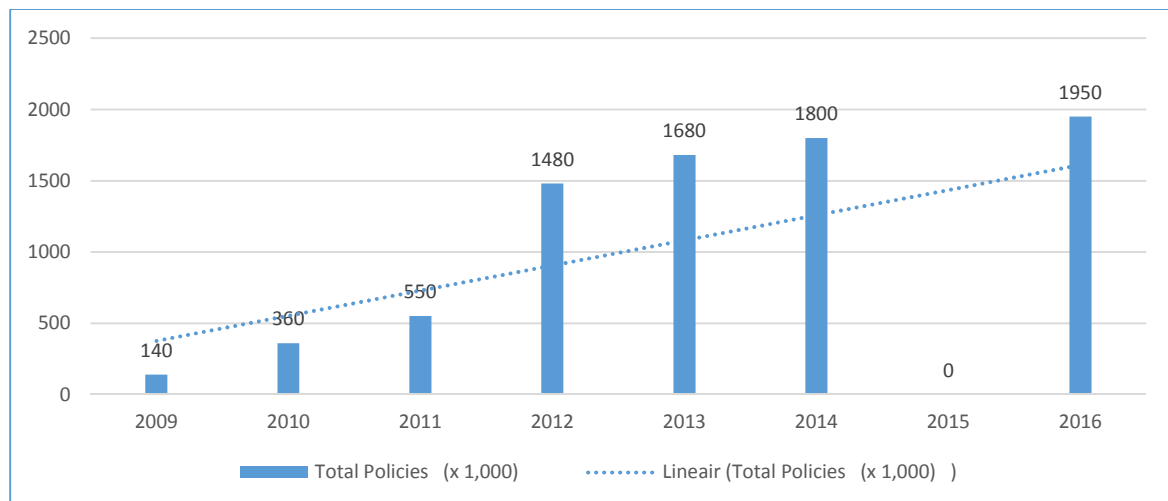


Figure 8: Overview of growth in policies over the period 2009-2016 for Total Assist

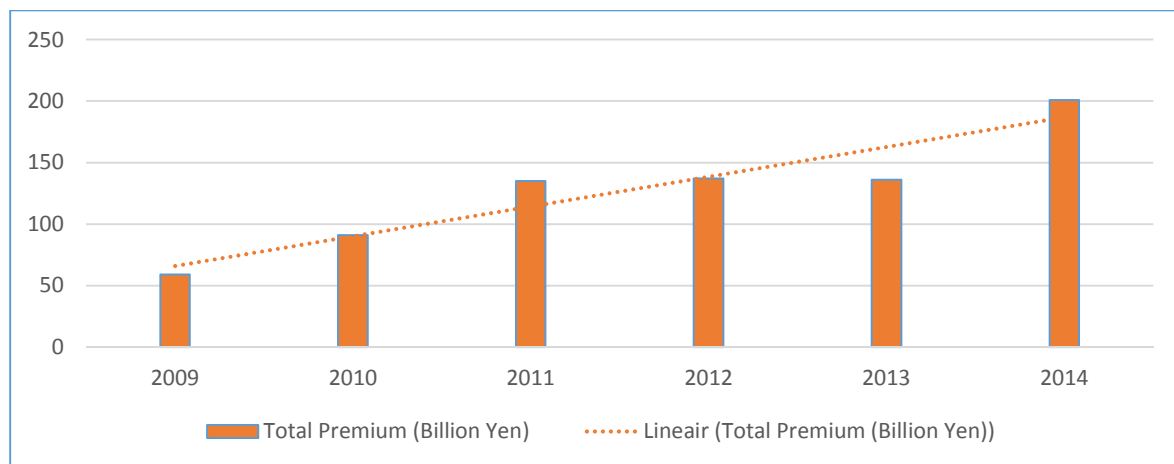


Figure 9: Overview of growth in premium over the period 2009-2014 (2015 and 2016 data was not available) for Total Assist.

### 5.2.6 Conclusions case study 1: Total Assist

In this paragraph, the findings of the case study carried out on the new integrated services Total Assist of TMG is concluded and summarised. The impact of the change of external factors on the levers of the Business Model will be discussed and visualised.

#### Influence of external factors technology

The results presented in the findings section of this chapter reveal that the external factor of technology changed. Technical possibilities of integrating platforms for products (reference no. E4), sales platforms (reference no. E5) and new ways of interaction with customers (reference no. E6) led to changes of levers: management and organisation within the Business Model. The change of the lever organisation form within the Business Model was proved by the fact that TMG re-allocated their resources in order to combine and integrate products and change the structure of the organisation continuously by integrating alliances and acquisitions into the current structure lines. The change of the leverage of management led to changed business processes, as employees with a proper set of skills needed to be allocated to the product in order to make it a success. It is the change of the organisation and the change of management that led to the customers' future desires being recognised and created co-creation with customers. The aforementioned results are in a visualised framework in Figure 10.

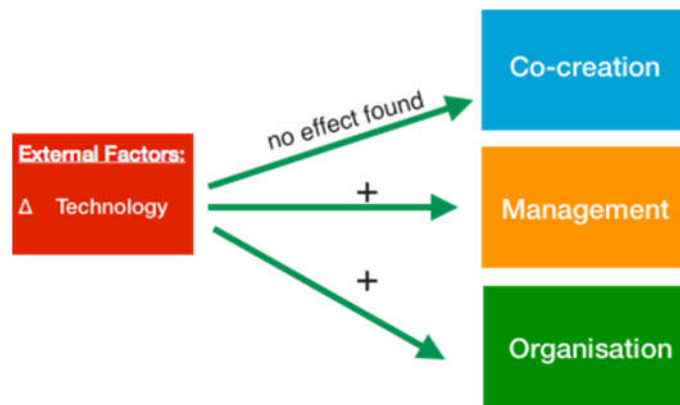


Figure 10: External factors of technology on the Business Model levers

### Influence of external factors regulations

The results presented in the findings section of this chapter revealed that the external factor of Regulations did not change in a way that led to a change of any of the three levers: management, co-creation or organisation within the Business Model, as visualised in the framework in Figure 11.

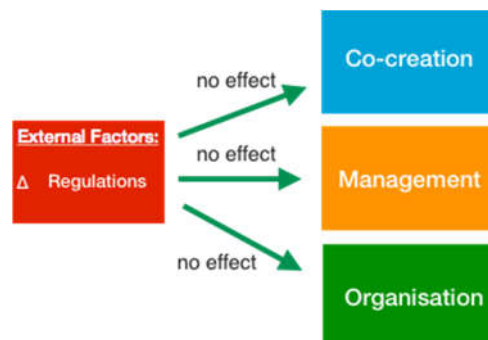


Figure 11: External factors of regulations on the Business Model levers

### Influence of external factors competitors.

The results presented in the findings section of this chapter revealed that the external factor of competitors changed as external influence. In the findings, it was reported that within the Insurance Industry “companies will compete more vigourously” (reference no. E1). Additionally, TMG mentioned that it is focussed on becoming a top 10 Insurer within the global Insurance Industry and it will reach this by developing new propositions and gaining market share by

take-overs. It is the drive to create competitive advantage over their competitors, which leads to organisation goals of increasing sales.

These external factors of competitors led to changes of the levers: co-creation; management and organisation, within the Business Model of TMG. The change of the leverage co-creation within the Business Model was proved by the fact that TMG focussed on sales platforms as previously mentioned (reference no. E5) and by acquiring or going into an alliance with third parties in order to achieve a competitive advantage (reference no. B1).

The external factors of Competitors led to the change of the leverage of organisation. The evidence found in the analyses mentioned that the structure of TMG changed when third parties were acquired or went into an alliance (reference no. C5), however evidence was also found of re-allocation of resources (reference no. C3), such as employees and IT development. The change of the leverage management as influence of the external factors of competitors was found in the analyses, however only because of the changes of the two other leverages: co-creation and organisation.

The lever management was changed consequently by a change of the leverage in co-creation, e.g. changing the business processes to support the co-creation activity of sales (reference no. D1). It is the set-up of the organisation to be able to recognise customers' future desires and to further share and develop these within the organisation. The aforementioned results are in the visualised framework in figure 12.

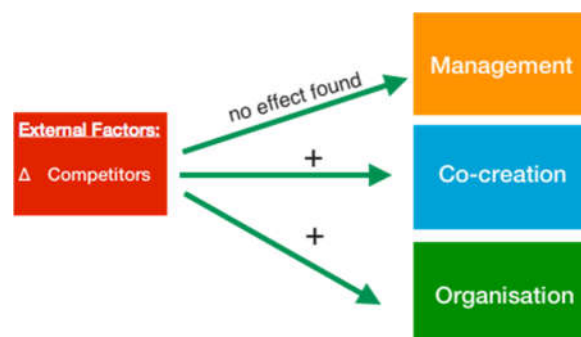


Figure 12: External factors of competitors on the Business Model levers

## Performance indicators

The results presented in the findings section of this chapter show evidence of the fact that customers were satisfied with the introduction of the product and that sales volumes were robust in the years 2006-2008. The findings also showed that although sales growth slowed down for the product Total Assist in the period 2008-2010, it still grew continuously since the introduction. The results as visualised in graph form (figures 8 and 9) and in table format (table 14) shows the quantification of the performance of the product.

The visualisation shows a yearly growth of policies, which up until 2013 had double digits. In total, TMG sold almost two million policies to their customers. Although the performance is published without costs figures, it is deemed that, on basis of the findings, the introduction of the new integrated service led to a positive influence in performance as shown in Figure 13.

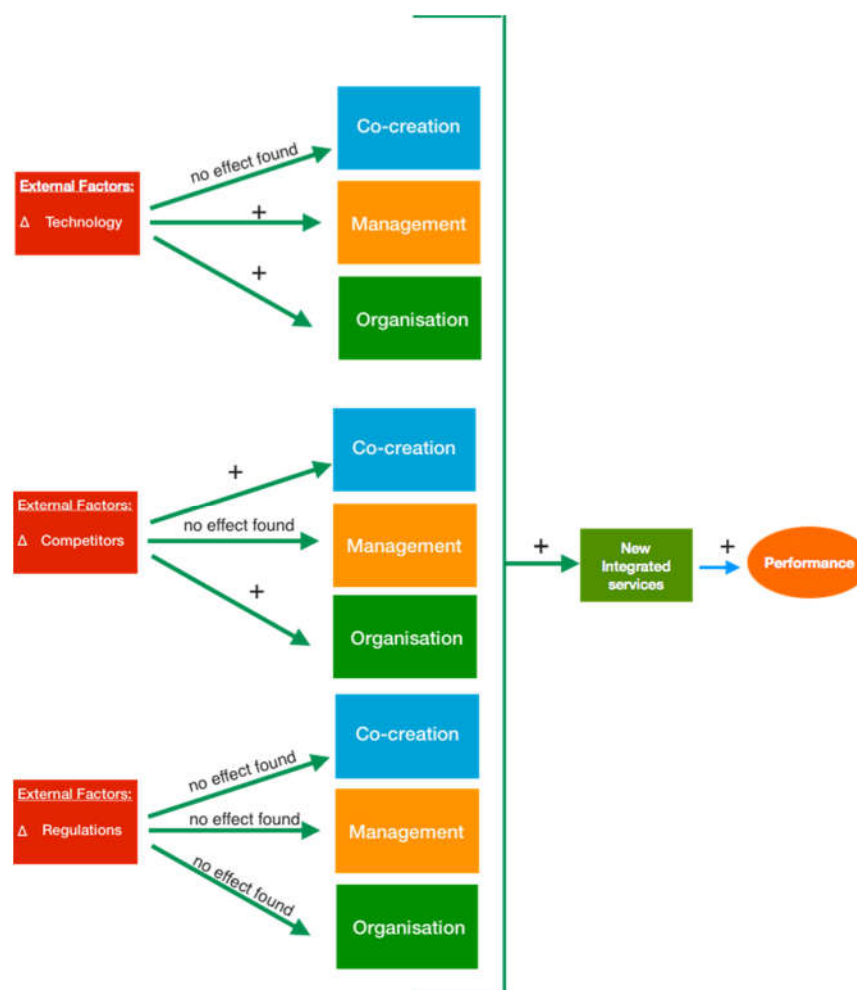


Figure 13: The influence of levers and new integrated services on performance.

## Summary

The results presented in the findings section of this chapter concluded that the change of the external factors: Competitors and Technologies changed the levers of the Business Model resulting in a new integrated service of Total Assist within TMG (indicated as 'A' in Table 19) and positively influenced the performance of the organisation TMG (Indicated as 'B' in Table 19), which is summarised in Table 19 and visualised in Figure 13.

Table 19: Results of the case-study findings of Total Assist within TMG

External influence	Total Assist of TMG			Introduction of new integrated services or products
	Change on levers within Business Model			
	Organisation	Management	Co-creation	
Competitors	+	0	+	A
Regulations	n/a	n/a	n/a	
Technology	+	+	0	
<hr/>				
Performance			B	

+ = a change was found to lever due to change in external factors

A = the change led a positive influence on the introduction of new integrated services or products

B = the change led a positive influence on the performance

0 = no change to lever as found whilst external factors changed

n/a = no changes to external factors found

Source: Analyses of annual reports

## 5.3 Case study 2: Allianz SE

### 5.3.1 Background of the organisation

Allianz SE is the holding company of the Allianz Group (further referred to as Allianz). Allianz is an international Insurance company with headquarters based in Munich, Germany. Allianz SE operates in the field of reinsurance, providing reinsurance protection for Allianz Group companies, whilst the Allianz Group offers a wide range of Insurance and fund products to customers. The website ([www.allianz.com](http://www.allianz.com)) mentions that Allianz is one of the largest Insurance group globally and employs over 140,000 people in more than 70 countries and regions. The group is positioned at no. 4 of the world when compared to market capitalisation amongst Insurers ([www.allianz.com](http://www.allianz.com)). Their direct competitors are two European Insurers, namely Axa in France and Chubb Ltd. in Switzerland, respectively nos. 7 and 8 in the previously mentioned list.

Within the organisation of Allianz, there are four main lines of business: Property-Casualty; Life-Health; Banking and Asset management, which deliver Insurance and fund products to over 86 million customers in more than 70 countries and regions. On basis of the explanation of the annual reports of Allianz (period 2005-2016), it is concluded that the Property-Casualty and Life-Health lines of business, which contribute over 70% to the total operating income, have the same basic and main Business Model components (Annual report of Allianz, 2005-2016), namely: delivering value to customers by providing a risk transfer to those customers willing to pay a premium for the transfer of risks and Allianz proposition to profit from underwriting these risks, whilst the two other lines of business: Banking and Asset management, are non-Insurance related businesses. Focusing on the two Insurance types of Business lines, Property-Casualty and Life-Health, each Business line has a unique portfolio of products with a specific, tailored proposition to their targeted customer segment.

### 5.3.2 Property-casualty

This research will focus on the Business line property-casualty, as this line of business is the main business line of the organisation and has noticed challenges due to a saturated market. The value proposition of this Business line is providing an extensive product selection in all



Insurance business lines except life-type Insurances, designed to protect the over 86 million customers against any risks. In the next section, the data sources such as annual reports and publications of third parties, as mentioned in Table 20, are analysed and a summary of the findings in the subject reports will be discussed and which are due to the changes in the Insurance market.

Table 20: *Overview data sources used*

Source
AM Web.nl
Allsecur.nl
Allianzdirect.nl
Allianz.de
Annual Reports, period 2005-2016
Press releases by Allianz
Autoverzekeringvergelijking.nl

### 5.3.3 Zooming into Allianz

In this paragraph, the changes to market factors is researched and discussed how Allianz responded to these factors. The research is carried out according to the information issued by Allianz themselves and third parties. In this way, it will be interesting to analyse the internal and external Influences to which Allianz responded and how these influences affected their Business Model and subsequently their performance and competitiveness.

In the annual reports, a number of strategies and introductions of new products and services were described. Table 21 shows the two major topics found during our orientation.

Table 21: *Summary of findings of new products and services of Allianz between 2005-2016*

Topic
Mondial Assistance (2009- Annual report)
Allsecur (2008- Annual reports)

Source: annual reports of 2005-2016

From these two points, the introduction of the new product Allsecur was chosen to be analysed in further detail. Amongst other things, motivation was, from a practical point of view, simply because the information was readily available and secondly, Allianz indicated that there was a great need for transparency in the market, which they tried to provide with Allsecur. In addition, Allianz gave as reason that the launch was a reaction to a decline in automobile customers, which is underwritten via brokers. Allsecur would become a 'direct writer' (A direct writer, is an insurer which offers insurance to the end customer without any broker or intermediary), meaning without any brokers or other intermediaries in-between with its introduction and would be a new approach of Allianz to the market.

#### 5.3.4 Development of a new integrated service: Allsecur

In 2007, Allianz announced (Press release 3 Sept. '07: [www.allianz.com](http://www.allianz.com)) the launch of a new product called "Allsecur" in the Netherlands to be operational in the first quarter of 2008. This new product was based on the best practice model of a successful product called Genialloyd, Allianz Italy's direct writing operation. Direct writing to private individuals was new to Allianz in the Netherlands, however within Europe, Allianz had already introduced similar kinds of operations namely in Italy (Genialloyd), Germany (Allianz 24), Spain (Fenix Directo) and in Central and Eastern Europe (Allianz Direct New Europe). On 1<sup>st</sup> April 2008, Allsecur started their online platform where customers could get a quote directly for an automobile Insurance and directly insure this risk. Allsecur described this as follows ([www.allianzdirect.com](http://www.allianzdirect.com), visit website 30 May 2017): *"Our business is about providing excellent products to customers who seek value for money, combined with the ease and convenience of organizing their insurance cover online or via the telephone"*. Allsecur was the second direct insurer entering this new market in the Netherlands.

In the next years Allsecur gradually broadened their product portfolio with additional products in the automobile Insurance Industry such as personal accident Insurance (Dutch: OVI, which stands for Ongevallen Inzittenden verzekering or SVI, which stands for Schadeverzekering inzittenden) and in 2014 Allsecur started offering additional preventive products such as the 'MyJINI', which is a device tracking how safely the customer has driven and which could also earn a discount on the premium. In 2016, Allsecur started offering road service on demand by providing their customers fixed rates for assistance in case of vehicle failure.

In other continental European markets, Allianz rebranded their similar direct writing (a direct writer, is an insurer which offers insurance to the end customer without any broker or intermediary) operations into Allsecur as well and offered direct Insurance to customers under one brand name Allsecur throughout Europe. In addition to automobile related Insurance products, Allsecur Germany and France started offering other Insurance products as well to their customers via the Allsecur brand, such as health Insurance and home Insurance. Allsecur in the Netherlands does not offer these kinds of products or services.

In the next paragraph, analyses are made into the reasons why Allianz introduced Allsecur and the further development of this product.

### 5.3.5 Case study findings analyses Allsecur

In this section, the research will focus on the reasons why Allianz introduced Allsecur; the key questions in these analyses are what the motivations were and what the market changes behind them were. Analyses were firstly made about the internal and external influences, which could have led to the introduction of the new product Allsecur and eventually changing the Business Model within Allianz over time.

The conceptual framework shows internal and external influences which potentially influence the change of the Business Model of the organisation and leads to the introduction of new services or products. In the following sections, the external influences are analysed and subsequently the effects of the levers within the Business Model are looked at. Finally, the potential changes to the Business Model are further viewed from a performance potential.

#### Evidence for external influences of technology

In this paragraph, analyses whether the external factors led to a change of the leverage technology within the change of the Business Model.

Table 22: Case 2: *Evidence of external influences of technology*

Quotes	Source	Ref. no.
Proven technologies are shared internationally, reducing costs and increasing operational synergies.	<a href="https://www.allianzdirect.com/en/about_us/about_us/about_us.html/">https://www.allianzdirect.com/en/about_us/about_us/about_us.html/</a> , website visit 30 May 2017	K1
Our business success reflects the increasing global trend towards e-business, but also supports the fact that the telephone remains one of the easiest and most convenient communication tools.	<a href="https://www.allianzdirect.com/en/about_us/about_us/about_us.html/">https://www.allianzdirect.com/en/about_us/about_us/about_us.html/</a> , website visit 30 May 2017	K2
Nowadays, switching is very easy and literally only one mouse-click away.	<a href="https://www.allianzdirect.com/en/news/western_europe/netherlands/news_2010-05-03/">https://www.allianzdirect.com/en/news/western_europe/netherlands/news_2010-05-03/</a> issued 3 May 2010 and website visit 30 May 2017	K3

Sources: various pages on the website [www.allianzdirect.com](http://www.allianzdirect.com)

In Table 22, reference no. K3 mentions: ‘...one mouse-click away...’ and reference no. K1 makes a reference to proven technologies being shared with as consequence the internal costs are reduced. In addition, reference no. K2 suggest that Allianz is focussing on e-business and other digital technology, however still keeps the basic telephone as an option as well. These reference shows that the external influences of technology contribute to a change to the Business Model. On basis of the aforementioned, technology has a positive influence as leverage to the innovation within Allianz and leads to renewal of the Business Model of Allianz and their product.

### Evidence for external influences of competitors

In this paragraph, the introduction and further development of Allianz is researched to analyse whether the external factors led to a change of the leverage Competitors within the change of the Business Model.

Table 23: Case 2: *Evidences of external influences of competitors*

Quotes	Source	Ref no.
Allsecur Netherlands started to shake the market for direct insurance in the Netherlands in 2008.	<a href="https://www.allianzdirect.com/en/companies/western_europe/netherlands/netherlands.html/">https://www.allianzdirect.com/en/companies/western_europe/netherlands/netherlands.html/</a> , website visit 30 May 2017	L1
Just as other new initiatives on the financial market, Allsecur was established with a new philosophy in an apparently saturated market. Such a concept seems to be far from ideal in a very competitive market, but not so in this case. The market definitely changed and the consumer is more than ever “in control” in today’s digital era.	<a href="https://www.allianzdirect.com/en/news/western_europe/netherlands/news_2010-05-03/">https://www.allianzdirect.com/en/news/western_europe/netherlands/news_2010-05-03/</a> , issued 3 May 2010 and website visit 30 May 2017	L3
Allsecur began seven years ago to offset the losses in the auto portfolio of Allianz. Three ideas were the basis of the company: Consumers are ‘done’ with financial services, the Internet is changing the relationship between consumers and insurance and car insurance is an emotional product. (Van den Neste at a conference of software vendor CCS, Commercial Director of Allsecur)	<a href="http://www.amweb.nl/schade/nieuws/2014/5/doe-geen-aannames-over-de-klant-je-zit-er-toch-naast-1019234">http://www.amweb.nl/schade/nieuws/2014/5/doe-geen-aannames-over-de-klant-je-zit-er-toch-naast-1019234</a> , issued 27 May 2014 and website visit 30 May 2017	L4
Allsecur, Internet insurer of Allianz Nederland, has taken over Orion Direct. The internet company in Etten-Leur sells car, motor and bicycle insurance over the internet.	<a href="http://www.amweb.nl/schade/nieuws/2009/4/allsecur-neemt-orion-direct-over-2-10131010">http://www.amweb.nl/schade/nieuws/2009/4/allsecur-neemt-orion-direct-over-2-10131010</a> , issued 17 April 2009 and website visit 30 May 2017	L5
Allianz hopes, with the introduction of Internet insurer Allsecur, to ensure its market position in car insurance, says marketing manager Johan Van den Neste. “Two years ago, Allianz noted that there was a shift in production towards the Internet. We concluded that if we did not intervene, we could lose our market position as second auto insurer in the Netherlands,” says Van den Neste.	<a href="http://www.amweb.nl/archief/nieuws/2008/4/allsecur-moet-auto-positie-allianz-waarborgen-10137555">http://www.amweb.nl/archief/nieuws/2008/4/allsecur-moet-auto-positie-allianz-waarborgen-10137555</a>	L6
The Dutch insurance market is characterized by intense competition. Here we expect continuing pressure on the motor tariffs.	annual report 2008; 121	L7

Sources: various pages on the website [www.allianzdirect.com](http://www.allianzdirect.com), [www.amweb.nl](http://www.amweb.nl) and the annual report of 2008

Table 23 shows the findings for the influence of competitor as leverage to the Business Model of Allianz. Reference no. L1 mentions: ‘...*started to shake the market...*’ and reference no. L3 mentions: ‘...*in an apparently saturated market...*’ all confirm that with the introduction of Allsecur a new market was entered and had a unique competitive advantage.

Reference no. L5 mentions the take-over of Orion Direct, which operated in the same market. Although this take-over was announced as an acquisition, in fact the organisation was already partially owned by Allianz. It is believed that Allianz wanted to combine the strength of Allsecur with the resources of Orion Direct to increase efficiency and decrease costs. In accordance with reference no. L4, which mentions that Allsecur was initiated to offset the losses in the auto portfolio of Allianz and reference no. L7 confirms the intense competition on the Dutch market, Allianz was required to act to the market circumstances and to ensure their market position as confirmed in reference no L6, which mentions: ‘...*We concluded that if we did not intervene, we could lose our market position as second auto insurer in the Netherlands*’.

## Evidence for external factors of regulations

During the research carried out into the various sources used for this research, no information was found which could conclude that regulations changed and therefore in line with this finding no change of one of the leverages within the Business Model was found. On basis of the aforementioned, it can be concluded that the factors of regulations did not affect any change on the levers of the Business Model, nor did it have any effect on the introduction and further development of the product Allsecur and therefore the change of the Business Model.

## Evidence for internal factors of co-creation

In this paragraph, the introduction of Allsecur is researched in order to analyse whether the internal factors led to a change of the leverage co-creation within the change of the Business Model within Allianz. Table 24 shows the findings of the analyses carried out, according to various data sources.

Table 24: Case 2: *Evidences found of co-creation*

Quotes	Source	Reference no.
It is this combination of local customer intimacy with global strength and know-how that is the secret to our success.	<a href="https://www.allianzdirect.com/en/about_us/about_us/about_us.html/">https://www.allianzdirect.com/en/about_us/about_us/about_us.html/</a> , website visit 30 May 2017	G1
Satisfying our customers continues to be the goal of all of our staff, and it is this commitment that makes Direct an integral part of Allianz's future success.	<a href="https://www.allianzdirect.com/en/about_us/about_us/about_us.html/">https://www.allianzdirect.com/en/about_us/about_us/about_us.html/</a> , website visit 30 May 2017	G2
Each Allianz Direct company is managed locally where our people are best placed to respond to local customers and market conditions.	<a href="https://www.allianzdirect.com/en/about_us/about_us/about_us.html/">https://www.allianzdirect.com/en/about_us/about_us/about_us.html/</a> , website visit 30 May 2017	G3
Allianz's global Direct business is growing annually at a double-digit rate, proving that we are truly responding to customers' needs.	<a href="https://www.allianzdirect.com/en/about_us/about_us/about_us.html/">https://www.allianzdirect.com/en/about_us/about_us/about_us.html/</a> , website visit 30 May 2017	G4
Just as other new initiatives on the financial market, Allsecur was established with a new philosophy in an apparently saturated market. Such a concept seems to be far from ideal in a very competitive market, but not so in this case. The market definitely changed and the consumer is more than ever "in control" in today's digital era.	<a href="https://www.allianzdirect.com/en/news/western_europe/netherlands/news_2010-05-03/">https://www.allianzdirect.com/en/news/western_europe/netherlands/news_2010-05-03/</a> website visit 30 May 2017	G5
The office staff determines the quality. We continuously measure customer contacts and request improvements. For example, customers like when they have picked up their new car that they get a text that the insurance is taken care of.	<a href="http://www.amweb.nl/schade/nieuws/2014/5/doe-geen-aannames-over-de-klant-je-zit-er-toch-naast-1019234">http://www.amweb.nl/schade/nieuws/2014/5/doe-geen-aannames-over-de-klant-je-zit-er-toch-naast-1019234</a> , issued 27 may 2014 and website visit 30 May 2017.	G6
In 2014, Allsecur started a strategic partnership with Traffic Radio. With this collaboration, they aim to serve the customer in a better way.	<a href="http://www.amweb.nl/schade/nieuws/2014/1/samenwerking-allsecur-en-traffic-radio-10110373">http://www.amweb.nl/schade/nieuws/2014/1/samenwerking-allsecur-en-traffic-radio-10110373</a> , issued 20 January 2014 and website visit 30 May 2017	G7
Allsecur starts with road assistance on demand by using the services of their sister Allianz Global Assistance.	<a href="https://blog.allsecur.nl/pechhulp/nieuw-pechhulp-on-demand/">https://blog.allsecur.nl/pechhulp/nieuw-pechhulp-on-demand/</a> , issued 22 Sept. 2016, visit website 7 June 2017	G8

Allsecur introduces MyJINI in collaboration with BNV Mobility, which is a connector in your automobile, which registers the customers driving style and could earn customer credits or a discount on their premium.	<a href="http://www.amweb.nl/schade/nieuws/2015/11/consumenten-hebben-moeite-met-verzekeraars-die-rijgedrag-volgen-1014081">http://www.amweb.nl/schade/nieuws/2015/11/consumenten-hebben-moeite-met-verzekeraars-die-rijgedrag-volgen-1014081</a> , issued 27 Nov 2015, visit website 7 June 2017	G9
In 2008, we started Allsecur because we saw a great need among consumers for a transparent car insurance with good service.	<a href="https://www.allsecur.nl/autoverzekeringe-n/over-allsecur.html">https://www.allsecur.nl/autoverzekeringe-n/over-allsecur.html</a> , website visit 30 May 2017	G10

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Sources: various pages on the website [www.allianzdirect.com](http://www.allianzdirect.com), [www.amweb.nl](http://www.amweb.nl) and [www.allsecur.nl](http://www.allsecur.nl)

Table 24 shows the finding about co-creation as a leverage for changing the Business Model. Reference no. G5 mentioned; *'...the consumer is more than ever "in control" in today's digital era...'* and reference no. G1 mentions: *'...It is this combination of local customer intimacy with global strength and know-how that is the secret to our success...'* Both references show evidence that Allianz responds to customer requests and has their customer dominant in their Business Model. Reference nos. G2 and G4 confirm the aforementioned with findings such as *'...Satisfying our customers continues to be the goal of all of our staff...'* and *'...we are truly responding to customers' needs...'* Reference nos. G3 and G6 are more clear as proof that Allianz is co-creating with customers with references respectively: *'...Each Allianz Direct company is managed locally where our people are best placed to respond to local customers and market conditions...'* and *'...continuously measure customer contacts and request improvements...'* Finally, reference G10 mentions: *'...we started Allsecur because we saw a great need among consumers for a transparent car insurance with good service.'*

Reference no. G7 mentions: *'...Allsecur started a strategic partnership with Traffic Radio ...'* reference no. G8 mentions: *'...Allsecur starts with road assistance on demand by using the services of their sister Allianz Global Assistance...'* and reference no. G9 mentions *'...the collaboration with BNV Mobility for the introduction of MyJINI...'*. In addition to co-creation with customers, references nos. G7, G8 and G9 reveal that Allianz also co-creates with outside parties in the Insurance Industry.

### Evidence for internal factors of organisational forms

In this paragraph, the introduction of Allsecur is researched in order to analyse whether the internal factors led to a change of the leverage organisation within the change of the Business Model within Allianz. Table 25 shows the findings of the analyses carried out according to various data sources.

Table 25: Case 2: *Evidence found of organisation forms as internal influence*

Quotes	Source	Ref. no.
With the growing importance of direct sales in retail insurance, Allianz SE has decided to set up another direct entity.	<a href="https://www.allianz.com/en/press/news/business/insurance/news_2007-09-03.html/">https://www.allianz.com/en/press/news/business/insurance/news_2007-09-03.html/</a> , Issued 3 Sept 2007, website visit 30 May 2017	H1
In April 2009, Allsecur took over Orion Direct. The internet organisation sold car, motor and other automobile related insurances.	<a href="http://www.amweb.nl/schade/nieuws/2009/4/allsecur-neemt-orion-direct-over-2-10131010">http://www.amweb.nl/schade/nieuws/2009/4/allsecur-neemt-orion-direct-over-2-10131010</a> , Issued: 17 April 2009 / Website visit 30 May 2017	H2
On 9 October 2013, Allianz Nederland Groep N.V. transferred its shares in Allsecur B.V. to Allianz Benelux N.V., with offices in Brussels. On 15 January 2014, Allsecur B.V. was legally merged with Allianz Benelux N.V. where Allianz Benelux N.V. was the acquiring party and Allsecur B.V. was the entity, which ceased to exist.	Annual report, 2013, page 12	H3

Sources: various pages on the website [www.allianz.com](http://www.allianz.com), [www.amweb.nl](http://www.amweb.nl) and the annual report of 2013

The implementation of Allsecur as a new product was carried out by setting up a new entity within the Allianz organisation, reference no. H1 refers to this organisational change and mentions the following: *‘With the growing importance of direct sales in retail insurance, Allianz SE has decided to set up another direct entity’*. This organisational change requires Allsecur to revise and change their Business Model to re-allocate their resources in order to launch Allsecur.

Allsecur acquired one party within the Insurance Industry, namely Orion Direct in 2009. Reference no. H2 mentions: *‘Allsecur took over Orion Direct. The internet organisation sold car, motor and other automobile related insurances.’* This operation was integrated within Allsecur without changing the structure of the organisation. After our further investigation<sup>8</sup> into this acquisition, it seems that Allianz was already (partly) owner/investor in this organisation.

The research additionally revealed that the Allianz Netherlands organisation transferred the shares of Allsecur to the Allianz Benelux organisation in 2013. Research did not reveal the reason behind this transfer, however in 2014, the Allianz organisation in the Netherlands was merged with the Allianz Belgium and Luxembourg into Allianz Benelux organisation and

<sup>8</sup> <http://www.amweb.nl/schade/nieuws/2009/4/allsecur-neemt-orion-direct-over-2-10131010>, issued 17 April 2009, visited website 7 June 2017



therefore seems a strategic decision to increase efficiency within the organisation and decrease costs structures, as mentioned in the annual report of 2014: *'This new organizational structure has enabled us to diversify risk in our balance sheet, with a positive effect on our capital position.'*

### Evidence for internal factors of management

In this paragraph, the introduction and further development of Allsecur is researched in order to analyse whether the internal factors led to a change of the leverage management within the change of the Business Model within Allianz.

Table 26: Case 2: Evidence found of management as internal influence

Findings	Source	Ref. no.
Allianz Group headquarters support the companies through best practice exchange, knowledge transfer and skill building, leveraging our worldwide reach.	<a href="https://www.allianzdirect.com/en/about_us/about_us/about_us.html/">https://www.allianzdirect.com/en/about_us/about_us/about_us.html/</a> , website visit 30 May 2017	J1
Allsecur has extended the terms of her passenger insurance with a multi-purpose insurance. As a consequence, the insured and possibly resident members of the family are also insured when they become involved in a traffic accident as a passenger (s) of another car. Allsecur claims to be the first insurer to be linking the passenger insurance to the insured and his family instead of the car.	<a href="http://www.amweb.nl/archief/nieuws/2010/3/allsecur-introduceert-een-meerijdekking-2-10125794">http://www.amweb.nl/archief/nieuws/2010/3/allsecur-introduceert-een-meerijdekking-2-10125794</a> , Issued: 25 March 2010/ Website visit 30 May 2017	J2

Sources: various pages on the website [www.allianzdirect.com](http://www.allianzdirect.com) and [www.amweb.nl](http://www.amweb.nl).

Table 26 shows evidences of the influence of change of management as leverage into the Business Model. Reference no. J1 mentions: *'Allianz Group headquarters support the companies through best practice exchange, knowledge transfers and skill building, leveraging our worldwide reach'* and reference no. J2 mentions: *'Allsecur has extended the terms of her passenger insurance with a multi-purpose insurance ...'*. These two references prove the fact that business processes are in a state of constant change, as employees with proper skills need to be assigned to the appropriate service provided. According to reference no. J2, which mentions: *'Allsecur claims to be the first insurer to be linking the passenger insurance to the insured and his family instead of the car'*, the constant improvement of business processes

leads to the introduction of additional services to customers and therefore develops for this matter a unique competitive advantage.

### Performance indicators

In this paragraph, the effects of the introduction and further development of Allsecur is researched by analysing the effects of the performance and competitiveness of the product to the contribution of Allianz.

Table 27: Case 2: *Evidence of performance indicators*

Quotes	Source	Ref. no.
With a share of 18.7% of the total number of requests for offers, Allsecur, Allianz's internet label, has been voted the most popular car insurer on Verzekeringssite.nl. Becoming a winner of the Insurance Website Award 2009.	<a href="http://www.amweb.nl/archief/nieuws/2009/9/allsecur-wint-verzekeringssite-award-2-10128855">http://www.amweb.nl/archief/nieuws/2009/9/allsecur-wint-verzekeringssite-award-2-10128855</a> , issued 8 Sept. 2009 and visited website 30 May 2017	M1
Allsecur was given an 8.0 and received for the sixth time, the Service Award in the category Motor. "The staff found friendly and knowledgeable and very much appreciated. The promises are fulfilled; The price is a very important factor. "Customers were mainly talking about the free winter check.	<a href="http://www.amweb.nl/branchenieuws/2017/1/consumente-nprijzen-voor-allsecur-en-ditzo-10191367">http://www.amweb.nl/branchenieuws/2017/1/consumente-nprijzen-voor-allsecur-en-ditzo-10191367</a> , issued 25 Jan. 2017 visited website 30 May 2017	M2
The sale of car insurance has grown strongly with Allsecur; online Allianz label is now 2 <sup>nd</sup> after Achmea the largest provider of car insurance policies online and by phone. ... According to research, in November 35% of all car insurance policies on the internet are closed, against 36% through intermediaries. In 2005, the Internet accounted for a market share of 13%. "In the overall market for new closures Allsecur, the fastest growing car insurance, has conquered second place in 3.5 years, accounting for 6.7% of the new market." In the meantime, 125,000 people have been insured at Allsecur.	<a href="http://www.amweb.nl/archief/nieuws/2012/1/allsecur-nu-tweede-in-markt-voor-online-autoverzekeringen-10117746">http://www.amweb.nl/archief/nieuws/2012/1/allsecur-nu-tweede-in-markt-voor-online-autoverzekeringen-10117746</a> , issued 12 January 2011 visited website 30 May 2017	M3
Market share in 2009, which is 10.7% market share for Allianz, being placed no.2 behind Achmea with 12.8%.	<a href="http://www.autoverzekeringvergelijking.com/autoverzekering/marktaandelen-autoverzekeraars-2010.htm">http://www.autoverzekeringvergelijking.com/autoverzekering/marktaandelen-autoverzekeraars-2010.htm</a> , visited website 30 May 2017	M4
Allsecur, one of the largest providers of car insurance over the internet, has achieved a positive result last year (red.2010).	<a href="http://www.amweb.nl/archief/nieuws/2011/8/allsecur-resultaat-2010-in-de-plus-10119392">http://www.amweb.nl/archief/nieuws/2011/8/allsecur-resultaat-2010-in-de-plus-10119392</a> , visited website 30 May 2017	M5
Our direct writer Allsecur grows faster than we had expected. The portfolio is maturing quickly. At the end of 2011, we had 325,000 policies on the books, of which 125,000 were motor policies.	Annual report 2011//15	M6
The customer base of Allsecur increased again and resulted in 26% growth when compared with 2011.	Annual report 2012//11	M7
Our direct writer Allsecur showed strong growth in 2010. Premiums written and the portfolio doubled in comparison with 2009.	annual report 2010 //12	M8

Sources: various pages on the website [www.autoverzekeringvergelijking.com](http://www.autoverzekeringvergelijking.com), [www.amweb.nl](http://www.amweb.nl) and the annual report of 2010-2011-2012.

Table 27 shows the findings of the research into the data sources, which provides indicators of the successfulness of the introduction and further development of the product Allsecur. With regard to the performance from the view of the customers' perspective, Allsecur won various awards (e.g. 5 years on a row the Best Service Award from review site Opiness, an average of 8.2 as a grade from Independer and a 5 out of 5 star from Moneyview), as mentioned in reference no. M1: *'...has been voted the most popular car insurer on Verzekeringssite.nl....'* and reference no. M2 mentions: *'...received for the sixth time, the Service Award...'* and *'...The staff found friendly and knowledgeable and very much appreciated...'*, which indicates that the performance on a customer level is recognised as above market average.

Financially, Allsecur mentions that the premiums and new customers keep increasing year after year, reference no. M6 mentions: *'...Our direct writer Allsecur grows faster than we had expected...'* and reference no. M8 mentions: *'...Our direct writer Allsecur showed strong growth in 2010. Premiums written and the portfolio doubled in comparison with 2009.'* Subsequently reference no. M7 mentions: *'The customer base of Allsecur increased again and resulted in 26% growth when compared with 2011.'* These findings indicate that Allsecur is growing at a high pace. Nevertheless, one remark found mentions that Allsecur has only reached positive figures since 2010 as mentioned in reference no. M5. Despite that, Allsecur is transparent to their customers about their products and services, the financial performance however is not openly shared and is consolidated in the Allianz organisation.

### 5.3.6 Conclusions case study 2: Allsecur

In this paragraph, the findings of the case study carried out on the new integrated services Allsecur of Allianz is concluded and summarised. The change of external factors on the lever of the Business Model will be discussed and visualised.

#### Influence of external factors technology.

The results presented in the findings section of this chapter revealed that the external factor of technology changed within the market in which Allianz operates. Technical possibilities of user-friendly online environments (reference no. K3), improvement of operational efficiency

(reference K1) and e-business as unique selling point (reference K2) led to changes of levers within the Business Model.

The change of the lever **co-creation** within the Business Model as a consequence of the change of the external factors of technology was found by the fact that Allianz mentioned that in order to truly respond to customers' needs (reference no. G4) they measure customer contacts (reference no. G6) and the customers' request for improvement. These changes to their Business Model are due to changes of their technical capabilities (reference no K2 and K3).

The change of the lever **management** within the Business Model because of the change of the external factors of technology was recognised e.g. by reference no. J2 mentioning that products were changed or extended to increase the product quality. This change is due to change of business processes within the organisation of Allianz and could only occur by combining technologies and reducing costs, as mentioned in reference no. K1.

The findings show that business processes are in a constant change, as employees with proper skills need to be assigned to the appropriate service provided. The constant improvement of business processes led to the introduction of additional services to customers and therefore developed a unique competitive advantage. On basis of these findings, it can be concluded that the change of the lever **management** and **co-creation** within the Business Model is because of the change of the external factors of technology. The afore-mentioned findings resulted in a visualised framework in Figure 14.

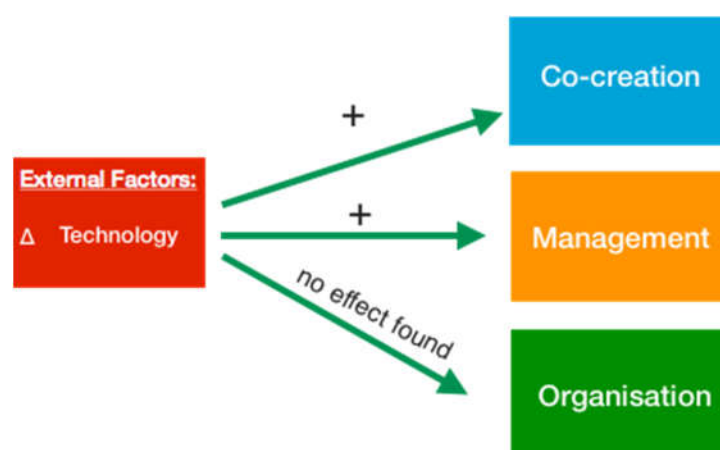


Figure 14: External factors of technology on the Business Model levers

In the findings, it was found that in this subject case the external factors Regulations did not affect the introduction of the product Allsecur nor did it have any effect on the introduction and further development of the product and therefore the change of the Business Model. It can be concluded that it did not change in a way that led to a change of any of the three levers: management, co-creation or organisation within the Business Model of Allianz, as visualised in the framework in Figure 15.

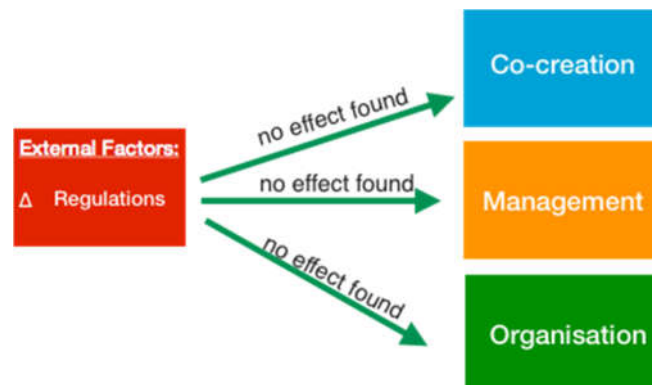


Figure 15: External factors of Regulations on the Business Model levers

#### Influence of external factors competitors.

With regard to the results presented in the findings section of this chapter, it was discovered that the external factor of competitors changed as external influence. Within the findings, it was reported, “Allsecur started to offset the losses in the auto portfolio of Allianz” (reference no. L4) and “with the introduction of Allsecur, Allianz hopes to ensure its market position” (reference no. L6), these findings influenced the levers within the Business Model of Allianz as L4 confirms that Allsecur was initiated due to a decrease in sales, which led to an organisational change within the Business Model, by setting up a unique proposition. Subsequently this lever change of organisation led to a sub-change of management and co-creation within the Business Model, as mentioned in reference no. G5, Allsecur was established with “a new philosophy” and “the consumer is more than ever in control in today’s digital era”.

In the findings, additional proof was presented of changes within the lever of management within the Business Model, such as changes of business processes, however these were all

related to the change of the lever organisation and found to be sequential. This organisational change required Allsecur to revise and change their Business Model to re-allocate their resources in order to launch Allsecur. On basis of aforementioned, it can be concluded that the external factor of competitors changed as external factors and influenced leverage organisation (to introduce Allsecur was to ensure a market position in the near future). This leads to the adjusted framework in Figure 16.

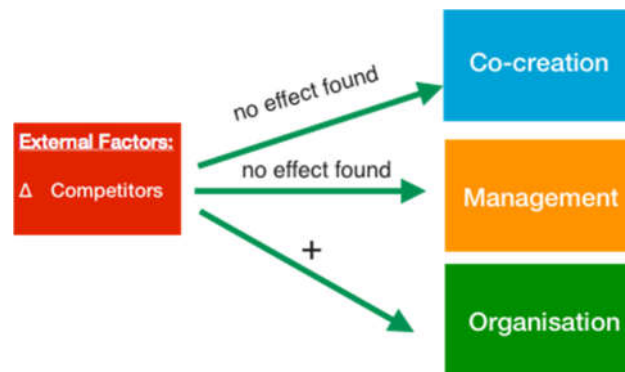


Figure 16: External factors of Competitors on the Business Model levers

### Performance indicators

The findings presented in the findings section, show evidence of the fact that the performance from the customers' perspective was successful, proven by the various awards won by Allianz for their product Allsecur. Financially, the findings indicate that Allsecur is growing at a high pace. Nevertheless, Allsecur achieved positive figures only since 2010. Despite that Allsecur is transparent to their customers about their products and services, the financial performance is however not openly shared and is consolidated into the Allianz organisation. On basis of the market position and the fact that positive figures have been established since 2010, it is deemed that on basis of the findings, the introduction of the new service/product led to a positive influence on the performance as shown in Figure 17.

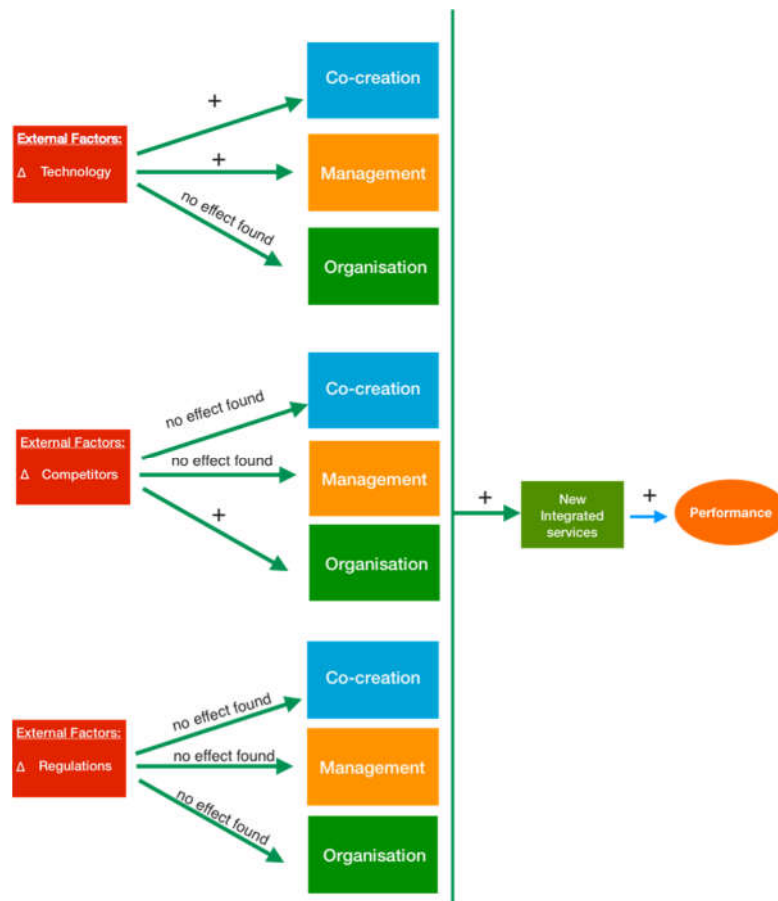



Figure 17: The influence of levers and new integrated services on performance.

## Summary

The results presented in the findings section of this chapter concluded that the change of the external factors: competitors and technologies changed the levers of the Business Model resulting in a new integrated service of Allsecur within Allianz (indicated as 'A' in Table 28) and influenced the performance of the organisation (indicated as 'B' in Table 28), which is summarised in Table 28.

Table 28: *Results of the case-study findings of Allsecur within Allianz*

External influence	Change on levers within Business Model			Introduction of new integrated services or products
	Organisation	Management	Co-creation	
Competitors	+	0	0	A
Regulations	n/a	n/a	n/a	
Technology	0	+	0	
				
Performance	B			

+ = a change was found to lever due to change in external factors

A = the change led a positive influence on the introduction of new integrated services or products

B = the change led a positive influence on the performance

0 = no change to lever as found whilst external factors changed

n/a = no changes to external factors found

Source: Analyses of annual reports and websites.



## 6 Cross case analyses

In this chapter, the findings of the two cases will be compared with each other and discussed further. Firstly, organisation-wise the companies will be compared after which the findings, similarities and differences will be discussed regarding the outcome of the cases.

### 6.1 Comparison of the findings of cases

In this section, the findings of the cases will be discussed and further analysed.

#### Case-study comparison

In this section, the two organisations will be compared based on the outcome of the case studies carried out. Table 29 shows the findings of the case studies and the difference found in indicated in the last column.

Table 29: Comparison of case-study findings

Comparison of Business Model Changes												
External influence	Total Assist of TMG			Allsecur of Allianz			Comparison				Intro.of new integrated services and product:	
	Change on levers within Business Model			Change on levers within Business Model								
	Organisation	Management	Co-creation	Organisation	Management	Co-creation	Organisation	Management	Co-creation	Total Assist of TMG	Allsecur of Allianz	
Competitors	+	0	+	+	0	0	same	same	different	}	A	A
Regulations	n/a	n/a	n/a	n/a	n/a	n/a	same	same	same			
Technology	+	+	0	0	+	0	different	same	same			
Performance	B			B								

+ = a change was found to lever due to change in external factors

A = the change led a positive influence on the introduction of new integrated services or products

B = the change led a positive influence on the performance

0 = no change to lever as found whilst external factors changed

n/a = no changes to external factors found

Sources: analyses of the two case studies

The external factor of regulations affecting the Insurance Industry was found in both case studies but did not change and additionally did not influence any change to the levers of the Business Models of the two organisations analysed.

The external factors of **technology** changed and subsequently did change the levers organisation and management of the Business Model within TMG. Within Allianz, the change of **technology** only changed the lever management of the Business Model.

The external factors of **competitors** changed and subsequently did change the levers organisation and co-creation of the Business Model within TMG, whilst within Allianz; the change of the external factors of **competitors** only changed the lever organisation of the Business Model.

The results presented in the findings section of this chapter concluded that the change of the external factors changed the levers of the Business Model resulting in a new integrated service within the Insurers (indicated as 'A' in Table 29) and influenced the performance of the organisations (indicated as 'B' in Table 29).

## 6.2 Cross-case findings

The cross-case analysis findings in this section is built upon the comparison in previous paragraphs and presented in table 29. The comparison will be carried out from the external factor point of view as primary and from the lever point of view as secondary. In addition to the aforementioned way of discussing the findings and comparison, this chapter describes several basic patterns found within the comparison. Lastly, this section will conclude with a summary of the findings relevant to the cross-case analysis.

### External factors of competitors to the levers of the Business Model

The findings show that both organisations are influenced by the change of this external influence. However, the findings show that the changes to the Business Model's levers are not similar.

Within TMG, the change of the influence of competitors led to changes of the levers organisation and co-creation within the Business Model. The case study shows that TMG acquired and/or went into alliance with third parties. This was motivated by TMG to acquire market share and to insource knowledge on business innovations, which was not present within the Insurance Industry. This strategy to insource knowledge of third parties gave TMG more flexibility to respond to customers' demands and co-create new integrated services with customers.

In comparison with the Allianz organisation, the change of the influence of competitors led to a change of the lever organisation within the Business Model. The organisation faced losses in their market and needed to renew their Business Model. By changing their internal organisation and positioning a new brand to the market in which the proposition was changed, Allianz introduced the new integrated service of Allsecur to the market. The findings do show that because of the change of the lever organisation, in time the lever management and co-creation was changed as well.

Both organisations changed their Business Model based on the external factors of Competitors, but in a different way. The reasoning for the different reactions of both organisations can be found in their product portfolio before the external factors had changed the levers. TMG is an organisation, which has a long history of providing products and services to consumers and businesses, whilst the Allianz organisation was an organisation of which the majority of the portfolio was focussed on the business-to-business channels via intermediaries (brokers) or directly underwriting to large corporate companies. The findings show that the reaction time of the organisations differs as well; after the introduction of Total Assist, TMG further developed their new integrated services with new features in collaboration with their customers. The ability of TMG to constantly renew their Business Model can be traced back to its cultural and geographical location. Since the second world war, Japanese organisations and corporate cultures have been recognised for their innovative product development in comparison with other geographical areas and have a constant drive of improving processes and products, often referred as the 'kaizen' way.

### External factors of regulations

In both cases, the external factor of regulations did not affect any change to the levers of their Business Models. The research was limited by geographical areas in which the organisations are operating, for Allianz the European market is their dominant market and for the introduction of the new integrated service in the Netherlands, no significant change of regulations was found and thus affected the Business Model. Within the Netherlands, Insurers, like Allianz, are controlled by strict governmental regulations and European rulings; these are monitored by organisation such as AFM<sup>9</sup> and DNB<sup>10</sup>.

The governmental body that sets and controls regulations is managed by the Japanese FSA<sup>11</sup>. As International Insurance is based on English Law, MIA<sup>12</sup>, and this included Japanese Insurance as well, the Japanese FSA took over similar regulations and ruling from the FSA organisation in the United Kingdom, which is, up to the issue of this research, part of the European Union. Thus, although TMG is geographically located in a different part of the world, the rules and regulations are in part similar to the rules and regulations of Allianz.

### External factors of technology

The change of technology as influence to the levers of the Business Models was found in both case studies and the findings show that the changes to the Business Models' levers are not similar in both organisations.

The organisation Allianz, introduced Allsecur as an online provider with a different and unique way of working compared to other products and services within Allianz. Although customers could still contact Allsecur by phone, Allsecur was focussing on online traffic as much as possible. The changes of external factors of technology directly influenced the levers of co-creation and management within Allianz. The proposition of Allsecur lies in the fact that by operational efficiency by optimal technological advantage, operational costs would be lower in comparison to other products and services of Allianz by which they could service customers with competitive premiums. By technological support, Allsecur could more easily determine customers' needs and demands and could easily respond to their request by new substitution

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<sup>9</sup> Autoriteit Financiële Markten

<sup>10</sup> De Nederlandsche Bank

<sup>11</sup> Financial Services Authority

<sup>12</sup> Marine Insurance Act of 1908, revised in 2016.

products or services. One initiative that Allsecur recently introduced was the on-demand road assistance with fixed prices and the ability to turn the service on or off in an app. The lever management changed within the Business Model because of the change of the external factors of technology. In the case study, it was found that the constant change of technical solutions gave Allsecur possibilities to recognise if products were needed to be changed or extended to increase the product quality. This could only occur by combining technologies and reducing costs and thus business processes.

Within the organisation of TMG, the results of the case-study show that the change of technology influenced the levers organisation and management of the Business Model within TMG. The combination of joining forces of different products and skills within the TMG and by combining new technological solutions in the market provided TMG with a unique new integrated service, which gave them a competitive advantage over other parties in the Insurance Industry. It is the change of the organisation and the change of management that led to customers' future desires being recognised and created co-creation with customers.

The findings show that both organisations changed due to external factors of technology. Nevertheless, the levers of both organisations changed in a different way. The background of these changes is that Allianz positioned their new integrated service as a stand-alone organisation within Allianz, whilst TMG's new integrated services were incorporated through the organisation as a matrix. Therefore, TMG could more easily integrate and adapt new technologies by using existing organisational structures and could cross-use them throughout the entire organisation. Within Allianz, the technological solutions in the market suitable for integration within Allsecur changed the allocation of resources. The case-studies findings also show that changes to the services of Allianz were carried out at a slower pace in comparison with TMG where a constant change occurred.

### External factors of technology

Both organisations showed that the changes to the levers of the Business Model resulted in an improvement of performance of the organisation. Within Allianz, performance improvement was found in customer satisfaction by winning awards and increase of sold policies, nevertheless the nett results were only positive after 2010. Whilst the performance

in client satisfaction of TMG was also recognised by customers and noted in the case study, from a financial point of view TMG increased performance rapidly after the launch with double digits' growth figures and by achieving 2 million policies sold by 2016. Both organisations are successful performance-wise, however Allianz focussed more in a quality branded service with the focus on customer satisfaction in combination with high sales volume, whilst TMG focussed on a high volume of sales and continuous improvement and changes to their services.

### 6.3 Conclusion

On basis of the afore mentioned findings of the case studies and the comparison of the findings in the cross-case analyses, the suggested propositions can be further illustrated.

#### Proposition 1:

*The three levers: Co-creation with clients, organisation and management as internal factors, positively influence Business Model Innovation within Insurance Industry organisations resulting in adapted or new products and services.*

The finding of the case studies shows that in both organisations the levers positively influence renewal and replication of the Business Model, with as result the introduction of new integrated services as shown in Table 29.

#### Proposition 2:

*Changes of the external factors: regulations, technology and competitors positively influence the levers within the Business Model and thereby Business Model innovation resulting in adapted or new products and services in the Insurance Industry.*

The finding of the case studies shows that in both organisations the changes of the external factors competitors and technology indirectly influence renewal of the Business Model, with as result the introduction of new integrated services. The findings also show that for both organisations the change of the external factors of Regulations was not found and therefore in these cases did not influence Business Model Innovation within the Insurance Industry as shown in Table 29.

Proposition 3:

*Business Model Innovation resulting in adapted or new products and services positively influence the performance within Insurance Industry organisations.*

Both organisations introduced, through Business model innovation, new integrated services to their customers, both introductions led to an improvement of their performance, both financially and in customer satisfaction as shown in Table 29.

## 7 Discussion and conclusion

In the final chapter of this research, the main research question and sub-research questions will be answered and the contribution, managerial implications, limitations and future research will be discussed.

### 7.1 Conclusion

This research focusses on the levers of the Business Model in the Insurance Industry and how these change when external influences changes, as mentioned in paragraph 1.1 in which the research problem and definition is presented.

Based on the findings found during the research it can be concluded that for the subject research context the external influences of competitors and technology positively influence the levers of Business Models within the Insurance Industry. No relation was found between the external factors of regulations and the change of the Business Model levers, this can be explained that regulations does not effect the Insurance organisations in such a way that the organisations Business Model levers changes. Nevertheless, further research is required to the Insurance industry by analysing Insurers of other regions and other types of organisations, such as size or products. Additionally, the data sources were sufficient for research, but would be advised to have more in depth information from participating organisations.

The change of levers of the Business Models within the Insurance Industry because of the external influences competitors and technology resulted into Business Model renewal and subsequently to the introduction of new integrated services within the Insurance Industry. The research showed that the introduction of new integrated services within the Insurance Industry, as a result of changed levers within the Business model which was influenced by external factors: technology and competitors, positively influenced the performance of the organisation in the Insurance Industry as explained in the previous chapter and visualised in Table 29.



## 7.2 Contribution

The aim of this research is to contribute to the research of Business Model Innovation by linking Business Model Innovation to the Insurance Industry and what effects external influences have on the levers within the Business Model and subsequently on introduction of new integrated services. This contribution is to to limit/ minimize the found gaps in the literature on Business model Innovation within the Insurance industry, as mentioned in paragraph 1.2.

With the combination of researching Business Model Innovation within the Insurance Industry, the research provided more information on the relations of effects of external factors to Business Models within the Industry and confirmed the view advocated by Volberda et al. (2013: 104) that *“if various levers are active they strengthen each other and consequently strengthen Business Model innovation”* in the Insurance industry. The research reconfirms the effects of the external factors: competitors and technology changes levers of Business Models and positively influence introduction of new services and/or products as Volberda et al. (2013:85) advocated: *‘Environmental dynamics and competitive pressure affect the relationship between innovation, replication and business performance’* and and will result in *“new architecture, business models and relationships with the environment, to create new competitive advantages”* Volberda et al. (2013:25).

## 7.3 Managerial implications

In this research, literature was largely reconfirmed and showed relationships between external factors, the levers of Business Models and the performance of Insurers and reconfirms that Business Model Innovation leads to greater performance in the long term. The findings show that organisations are required to innovate their Business Model constantly in the Insurance Industry to create competitive advantage and to keep or increase performance of the organisation. Based on the aforementioned and the findings of this research, it is advisable to management in the Insurance Industry to manage the organisation in a way to be able to recognise change of external factors, which in this research was limited to: Technology; Regulations and Competitors, that

can influence the Business Model. Top Management should consider to be more ambidextrous, i.e. instead of creating fit to the market, focus on replication of current Business Models but at the same time renew Business Models as advocated by Volberda et al. (2013:91) *“focussing on one lever is no guarantee for success in a (hyper) competitive market.”*

## 7.4 Limitations and future research

The research carried out took place at two different organisations, Allianz and TMG, in two different regions, Europe and Asia. Although the outcome provides a contribution to the literature in the field of Business Model innovation within the Insurance industry, it is recommended to extend the research to other geographical regions in the Insurance Industry as well and other organisations within the Industry in order to confirm and determine if the same findings will apply as well.

In addition to the afore-mentioned, the research can be extended by analysing other external factors which might influence the levers of the Business Model, as advocated by Volberda et al. (2013:85) *“Environmental dynamics and competitive pressure affect the relationship between innovation, replication and business performance”*, there are a number of dynamics which might influence the levers, which is based on Clulow (2005:983) and Porter (1980:214-217).

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