

Factors for e- insurance sector

[Business](#), [E-Commerce](#)



Digital trends in the economy are having significant impacts on the financial industry. New technology is driving the firms in this industry to new digitally networked models where strategic transformation processes have taken place (Meerts, 2002). E-finance institutions are moving towards "extended companies" where small-networked companies can freely serve their chosen customers and communities of interest. The Internet created the possibility to reach more customers and communities of interest and transcend geographic boundaries.

Web-enabled technology has changed the mentality of conducting business in the financial markets. On the one hand, customers are pushing for faster, better and more convenient service from their financial service providers. At the same time, the Internet has lowered the barriers of entry into the industry. New online financial intermediaries (e. g., myciti. com) have made it possible to connect customers to financial services and prices that best fit their needs (Meerts, 2002). Virtual financial companies have made it possible to offer financial services mainly on the Internet without the need for traditional brick-and-mortar activities. Web-based financial firms have reduced transaction costs by eliminating the traditional expenses and conveniently delivering their products and services to customers via the Internet.

There are two reasons pushing insurance companies to expand their online activities. First, online access increases revenue and reduces costs by providing a less expensive delivery channel, expanding existing geographic network agencies and branches, eliminating paper work and decreasing the level of personal interaction that institutions provide through call centers and

<https://assignbuster.com/factors-for-e-insurance-sector/>

branch offices. Second, online access increases customer perception of the level of customer service, creating and enhancing loyalty (Manning, 2003). While taking into consideration, the fact insurance products are considered both difficult and time consuming to sell, the ability to sell insurance over any other carrier is highly desired (Keek et al., 1995).

The importance of learning the critical success factor (CSF) for the Internet adoption in the insurance industry is also increasing, as the number of insurance companies planning to implement the Internet technology is increasing. Awareness of the most CSFs will allow firms to concentrate their efforts on resources considered important to the industry and will allow them to achieve success. This study will explore the success factors of Internet-based business in the insurance industry in terms of financial and non-financial performance (Humphreys, 2007).

This study discusses organizations' technology adoption behavior (at the organizational level and not the individual level). The overall objective of this study is to identify: 1) the factors that lead to Internet adoption, and 2) CSFs of the effective web-based service in the insurance industry. These objectives will help to provide a better understanding of this industry and suggest the resources on which the industry should concentrate on to achieve better performance and create competitive advantage.

This study also focuses on the insurance industry as part of the brand financial industry. This is an information-intensive industry, where technology adoption has a significant impact not only on products and services offered, but also on the business strategies and the process of

business core redesign (Dos Santos & Peffers, 1995). In the financial services sector, IT applications are considered very important in enhancing the services and expanding them beyond geographic boundaries.

Literature Review Dobosson-Torbay et al. (2002) discuss where the main focus of online activity should be: on product innovation, customer relationships, infrastructure management or financial aspects. Based on those four different factors, they suggest online companies should focus their resources on one of the four possible targets, but not all: i. e., they should choose from among product innovation, customer relationships, infrastructure management or financial models as the target for online activity.

Another research by Mahadevan (2002) suggests that e-business activities bring three types of benefits to the organization: value benefits (perceived by both buyers and sellers as a result of reduced search and transaction costs), revenue benefits (allowing the organization to exploit new opportunities such as disintermediation, free services, etc.) and logistics benefits (finding the proper position in a supply chain). Alternatively, it is important to understand that not all firms that have websites will obtain those benefits. Having a website and declaring that they are online by simple buying a technology solution, does not mean the company is operating successfully and efficiently (Caruth and Humphreys, 2008). The most important concern is to manage the process of e-business transformation, which requires changing, adjusting and enriching previous products and services that the firm offered through physical means.

The number of insurance companies that have established websites on the Internet is increasing and the level of online activity development varies across companies. The online activity development level is related to the degree of integration of the website to the physical activity of the organization. Previous research conducted on online activity development classifies it to three or five stages of development (" Insurers look", 2006; Hedlin, 1999; Coleman, 1998).

The three levels of online activity development are: the first level displays general information about the company, focusing more on customers rather than investors. The second level is characterized by increasing awareness of different groups who want to access information in the company's website, thus websites have additional information such as electronic versions of paper-based documents, annual reports, etc. The focus of the website in this stage is on a low-cost distribution channel. The third level is not only for a distribution channel, but also includes unique features that are desired by customers and investors (Raps, 2004).

The Internet has had a significant impact on the financial industry.

Technology has changed not only the core product and service offerings of the financial industry, but also how financial institutions are perceived and interact within the industry. Currently, networking technology has made it possible for banks and insurance companies not only to expand beyond their brick-and-mortar facilities, but also to include supermarket chains and public utility outlets as venues, thereby creating an entirely new category of universal banks (Wright, 2002).

The insurance industry, as a part of the service sector, has made an attempt to adopt the most advanced technologies to expand geographically into new markets and increase the quality of services. Compared to other sectors within the service industry such as banks, brokerage houses, etc., the insurance industry lags behind the rest of the financial service sector in both application of the Internet (Panko, 2001; Lystak, 2001; "Survey Internet Sites", 2001) and meeting customers' expectations, including competitive pricing, e-signature acceptance, problem resolution and on-line bill payment (Lee, 2002).

The insurance industry uses the Internet as a tool for their agents and customers and not so much as a sales vehicle ("Web news", 2007). It was initially thought the Internet would bypass agents, but the role of the agent appears to be bigger than ever, as web sites direct customers to to obtain more information or buy policies (Hoehne, 2003). Insurance companies have adopted the Internet technology mainly to satisfy customer demands, rather than avoid or cannibalize their agents' sales (Jackson, 2003; Goch, 2002). Part of the reason involves characteristics of insurance products.

Customers often do not understand the details of their policy and before completing transactions online, they ask for assistance ("High tech", 2007; Goch, 2002). Another reason is the perception of the company's website (Goch, 2002). Insurance companies consider the Internet as a tool to develop relationships. Websites allow customers to obtain information about the services they are looking for and direct them to an agent to finalize the sale (Goch, 2002).

Currently, the online insurance industry depends on three main business models (Franzis, 2001): 1) supportive, where the website provides information about company products and helps visitors locate an agent; 2) competitive, where the insurer sells directly to the consumer, bypassing the agency, sometimes with a lower price; and 3) disintermediated, where the company sells directly to the consumer without the use of an agency.

Successful implementation of new technology in an organization depends not only on the advancement of the technology that is adopted, but also on the readiness of the organization to support the new IT application (Caruth and Humphreys, 2008). Organization readiness refers to the level of financial and technology resources that the firm can invest in adoption of new technology (Jacovou et al., 1995). Not all firms have the same technology infrastructure or are equally willing to support new technology development.

Sophisticated firms usually are not wary of adoption of new technology because they have technology resources (hardware, software, IT expertise) (Jacovou et al., 1995), are able to assimilate better IT improvements (Armstrong & Sambamurthy, 1999) and usually are the early adopters of technology (Beatty et al., 2001). This supportive and reliable technology infrastructure allows technology to be considered as technology "in use" rather than "near technology", where "near" refers to technology that the firm is aware of, but cannot yet apply in its business processes (Pennings & Harianto, 1992).

While performance appraisals clearly have administrative (Analoui and Fell, 2002) and motivational (Beer and Ruh, 1976) purposes, and we do not wish

to downplay these vital objectives, the exercise should also provide the organization with a dynamic control measure. Sadly, many firms "... seem to implement metrics without giving any thought to the consequences of these metrics on human behavior and ultimately on enterprise performance" (Hammer, 2007, p. 22). We find this markedly true with respect to performance evaluation. Indeed, the literature is replete with those bemoaning the disappointing results of such appraisals (e. g., Einstein and LeMere-LaBonte, 1989), with some even calling for their complete elimination (Bowman, 1994; Gray, 2002).

While we acknowledge the numerous issues surrounding the concept of performance appraisal (interested readers should see Khoury and Analoui, 2004 and Locke et al. , 1981), we would argue that abandoning the practice is not only impractical (Caruth and Humphreys, 2008) but more importantly, would inhibit an organization's ability to use performance evaluation as a valuable strategic performance management measure. Consequently, it is simply a business imperative the performance evaluation process include the characteristics necessary to meet the organizational needs (administrative, motivational, development, and strategic) of all stakeholders (managers, employees, and executives with strategic responsibilities).