Customers’ Preferences of Insurance Services

- How could insurance companies enhance their ability of meeting the constant changes in customers’ preferences in an increasingly competitive environment?
Acknowledgments

Before readers will begin reading our paper we would like to mention some things which made this study possible. It has been an enormous experience to work on this paper which not only opens a door to our future but also gives us an unforgettable memory of working together as partners. We feel that we had a great opportunity to work on the assignment given to us by Länsförsäkringar Västerbotten. Without them we would not have the possibility to test our theoretical knowledge in practice in a combination with receiving our bachelor degrees. We are grateful for having this opportunity and also thankful to Länsförsäkringar Västerbotten for their contribution to our study.

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Summary

Customers’ preferences change on a constant basis, and organizations adjust in order to meet these changes to remain competitive and profitable. The insurance industry in Sweden has gone through many changes over the last two decades, becoming increasingly diversified. Operators within the financial industry fight for the same customers and hence acquiring them at a young age becomes crucial. Hence, the research question studied in the following thesis is,

*How could insurance companies enhance their ability of meeting the constant changes in customers’ preferences in an increasingly competitive environment?*

The study has three sub-purposes that together make up the main purpose of this study, which is to answer our research questions. The three sub-purposes are: to gain a better understanding of young customers’ preferences about the services provided by insurance companies, to provide useful suggestions for insurance companies in light of the customers’ changing preferences, and to provide specific suggestions for LFV in becoming a more customer-oriented organization.

The study is conducted from a hermeneutic and social constructivist standpoint. We use a qualitative research strategy, and collect our data through semi-structured interviews. We conduct two focused group interviews with young customers between the ages of 18 and 27, and one interview with the management at LFV, which serves as an example for an insurance company operating within the Swedish insurance industry.

We use theories about customer and organization related change as the basis for our theoretical framework. The customer related theories include factors involved in the creation of preferences, the importance of information exchange, and customers’ views on bundle services. The organization related change deals with theories on the importance of young consumers and how to acquire them. Furthermore, we present methods used by service companies to retain customers, and attain their loyalty over time.

The data collected in the study show that price is a decisive factor in the choice of insurances. Young customers base their preferences on their life circumstances such as age and income, in this case the money they receive as students. Certain respondents showed skepticism and distrust towards the intentions of insurance companies, and they desire more information about the conditions of various insurances. Finally, customers desire flexibility in the services offered by insurance companies.

For insurance companies, these findings provide an opportunity to become more customer-oriented by providing individually adjusted services, according to the specific needs of the customer. By enhancing integrity, building trust-based relationships, offering more precise information and instilling a customer oriented mindset in the company culture, companies can enhance their ability of meeting the constant changes in customers’ preferences.
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1. Introduction

“All is flux, nothing stays still. Nothing endures but changes” - Heraclitus 530-480 B.C.

This chapter provides an overview of the history of change, with a focus on the changes in customers’ preferences and the insurance industry in Sweden. The overview leads to a currently existing knowledge gap within the area of the changes in customers’ preferences of the services provided by the insurance companies in Sweden. This knowledge gap allows us to construct our research problem and the purpose of the study which are presented below. Additionally, we provide the readers with information about limitations in our study and some relevant definitions that would aid the understanding of concepts used in this paper.

1.1 Background

Through time people and companies have found themselves in constant change. The phenomenon of constant change is not new and can be seen by looking at the historical evolution of mankind and civilization. Man has evolved from being gatherer and hunter to today’s consumer of a broad range of services and products. Organizations find themselves trying to attain competitive advantage to secure their market share. Due to this competition the market environment is changing faster than ever before. This change is strongly related to the globalization process, tremendous development in technology, shifting demographics, and restructuring of capital markets. The greater the force for change, the greater becomes the competitive pressure and the other way around. This apparently endless cycle of changes in customers’ preferences and competition creates a real challenge for organizations to stay consumer-focused over time.²

Therefore, the issue of meeting the changes in customer demands is one of the central concerns for many companies today. Change in customers’ demands inevitably requires new skills, and these skills represent an opportunity for creative and aggressive agents to recognize and deliver the quality-service that the increasingly demanding customers have come to expect. If companies can recognize these opportunities and deliver the quality-service, they will have the opportunity to ensure customer loyalty.³

To ensure customer loyalty over time is one of the most significant tasks for many companies and not least within the insurance industry. Given that the insurance industry provides protection against financial losses resulting from a variety of perils, it turns to all individuals and different types of businesses that can receive reimbursement for different damages and losses. Since the insurance services are provided for all persons

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3 Hordon Brian, (2007), Embrace change, but stay customer focused, Travel Weekly (UK), p.16, AN 26136959
and activities it is essential for an insurance company to meet the changes in their customers’ demands in order to maintain customer commitment over time.

Insurance companies are included in the financial sector. This sector consists of all types of financial activities such as banking, insurance, and trade of securities. The insurance companies’ role in this financial system is to manage and level out risks. This activity is fulfilled by bringing together a large number of insurance takers to the same group. This group comprises insurance holders with both low and high risks. On the basis of this aggregate group’s risk the premium which all in the group must pay in order to be included in risk security is calculated. Thus, insurance holders pay for the insurance company to take over the risk.4

Sweden’s insurance industry has experienced remarkable changes mainly due to the legal involvement during the mid twentieth century. This involvement had two main reasons. One of them was related to the individual insurance security and caused the regulation of several insurance areas. The second one concerned insurance takers’ security in the form of rules for insurance companies’ activities. The government under the first half of the century encouraged the existing insurance companies to fuse together in order to diminish the number of companies. Even though this solution created conditions for less competition on the insurance market it also had a negative influence on the customers. During the last two decades the insurance industry in Sweden has become more consumer-oriented. The EU agreement has also brought changes into the insurance industry. EU strived for one big market for insurance services that would be completely effective by handling customer contacts via post, telecommunication and internet.5

The pattern of changes described above led the insurance industry in Sweden to be more consumer-focused. However, changes also occurred in the preferences of customers of insurance companies. This can be attributed to the technological and market development and an increased awareness of the existing services. When having so much information through different sources of media and the possibility to compare various services, customers usually end up requiring more than a company can offer at a time.6 Thus, the big challenge of change is to learn how organizations can change faster than changing business conditions to become more competitive. That is, to change faster on the inside than the conditions are changing on the outside7. This inside change is often characterized by new internal strategies that organizations use in order to enhance their competitive advantage. Corporate restructuring is an increasingly popular means to attain and retain competitive advantage. Organizations are making structural changes as well as

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5 Ibid, p.77
adjustments to their products and services to better meet the constantly changing preferences of their customers.⁸

For insurance companies it is significant to understand the needs of young customers. This concentration on young customers’ preferences is due to the fact that understanding and adjusting services to their needs will give an insurance company the possibility to keep these young customers throughout their lives. Incorporating the changes in customers’ demands on a regular basis would allow the insurance companies to gain satisfied, loyal customers over time.

During the past decades there has been a rising interest of the insurance industry among business and economic historians. Despite this there is still a gap in the knowledge of insurance demand.⁹ A study of the insurance industry in Sweden shows that there are not so many insurance companies that have studied the changes in customers’ demands on a systematic basis.¹⁰ An inquiry of the largest insurance companies in Sweden allowed us to conclude that the majority of studies made by them are focused on customer satisfaction. These studies are often of a quantitative nature, allowing respondents to choose their level of satisfaction on various pre-decided aspects pertaining to the company and their services. Hence, through our study, we see an opportunity to contribute with information about customers’ preferences of insurance and other services provided by insurance companies. The study is primarily based on insurance companies. However, we believe that even other companies within the financial industry can benefit from it. We plan to provide suggestions for insurance companies by trying to understand the demands and preferences that young customers have in regard to the services provided by insurance companies. Therefore, we have formulated the research problem which is presented in the next part.

1.2 Research Problem

From a thorough search of the existing literature, inquiries and the information received from Länsförsäkringar Västerbotten (LFV) which is a local insurance company, we have come to the conclusion that insurance companies lack essential information about customers, namely their demands and preferences. We know that young customers are a strategic group for companies within the financial industry. Therefore, understanding young customers’ perspectives is important in order for insurance companies to be able to provide the services they demand. However, these young customers’ preferences change over time. As mentioned earlier, competition has increased immensely in today’s business world and insurance companies must compete in order to remain profitable. The idea is that understanding the needs of young customers as well as the changes in their

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needs over time, would allow insurance companies to become more customer-focused and hence remain profitable over time. With this study we would like to explore how this could be done and hence our research is aimed to answer the following question:

*How could insurance companies enhance their ability of meeting the constant changes in customers’ preferences in an increasingly competitive environment?*

In order to answer this problem question, we will study a group of young people and try to understand their preferences in the financial industry, and specifically insurance companies. These empirical findings will then be presented in light of existing theories about customers’ preferences and organizational changes for retaining competitive advantage. Lastly, we will use our conclusions from the empirical findings and analysis to provide specific suggestions for LFV, based on their current circumstances.

**1.3 Purpose**

The main purpose of this study is to understand the preferences of young customers, in this case students, and to use these findings to provide insurance companies with useful suggestions in order to retain loyal customers over time. In order to do this, we have divided our main purpose into three sub-purposes.

- Our first sub-purpose is to gain a better understanding of young customers’ preferences about the services provided by insurance companies
- Our second sub-purpose is to provide useful suggestions for insurance companies in light of the customers’ changing preferences
- Our third sub-purpose is to provide specific suggestions for LFV in becoming a more customer-oriented organization

We intend to reach the first purpose by conducting semi-structured interviews within two focus groups of young people between the ages of 18 and 27 where the preferences of these participants of the services provided by the insurance companies will be studied. We plan to accomplish the second purpose by analyzing the material received through the study with the young customers in light of customer related and organization related change theories. The last purpose will be achieved by analyzing the semi-structured interview with LFV based on the conclusions reached in the first two purposes. By understanding what young customers’ preferences are and what organizations should do, we then compare this to the services LFV provides today. We will then suggest strategies for LFV to further improve their services for young people.

**1.4 Limitations**

The research question for this study was revised through the course of our literature search, and after thorough research on change, we constituted that change is an inevitable phenomenon. Due to this, the research question presupposes that constant change is a fact. Our empirical study does not contain a temporal element of change, because our purpose is not to prove that customers’ preferences change. The change in customers’
preferences is accepted as reality and the empirical study is based on young customers’ current preferences regarding the services offered by insurance companies. Furthermore, our study is based on students who study in the county of Västerbotten, Sweden, between the ages of 18 and 27. This specific age group was chosen due to their accessibility and their strategic importance to insurance companies since this is the age when people move away from home and begin to take responsibility of their own economy. Moreover, although many established techniques exist for organizations to attain competitive advantage, for the purpose of this study we will focus only on corporate restructuring. Within corporate restructuring theory we further limit our study to organizational and portfolio restructuring because we believe these to be most relevant for organizations which focus on becoming customer-oriented.

Below we present a list of concepts that will be used in the study. Many of the terms we use can be interpreted in different ways and in order to eliminate confusion for the reader we have chosen to provide definitions for these concepts. Some of the definitions have been presented as interpretations of the authors and therefore do not refer to specific sources.

1.5 Concepts and Definitions

**Financial Institutions** – a financial institution acts as an agent that provides financial services for its clients or members. Common types of financial institutions include insurance companies, banks, building societies, credit unions, stock brokerages, asset management firms, and similar businesses.\(^{11}\)

**Insurance Companies** – Companies whose primary activity concerns issuing of insurance services and providing of reimbursements in the case of damage or accidents.

**Bundling** - practice of packaging two or more products and/or services together, and selling them at one combined price which is usually different from the sum of their individual prices.\(^{12}\)

**Competitive advantage** – strategic benefits over competitors gained through cost-cutting, diversification, efficiency, attaining customer loyalty etc. In short, everything that leads to better competitive possibilities.

**Organizational restructuring** – changes made to the structural properties of the organization usually with an aim to increase efficiency and effectiveness.

**Portfolio restructuring** – reconfiguration of the firm’s main lines of business, but also refers to smaller diversifications and changes in the products and services offered.

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\(^{11}\) Wikipedia website, searched for “financial institutions” cited [20071218], http://en.wikipedia.org/wiki/Financial_institutions

1.6 Disposition of Continued Thesis

2. THEORETICAL METHODOLOGY
This chapter discusses the choice of subject, the role of assigners and assignees, as well as the authors’ preconceptions. The study has a management perspective and a qualitative research strategy with an iterative approach.

3. THEORETICAL FRAMEWORK
This chapter introduces the reader to the background of the insurance industry in Sweden which establishes constant change as an inevitable phenomenon. Next we present theories related to customer and organization related change. Finally, a model is used to show the connections between the theories. These theories are relevant for the data collection which is discussed in the next chapter.

4. PRACTICAL METHODOLOGY
The purpose of this chapter is to explicitly describe the practical aspects concerning the collection of data which took place in the form of semi-structured interviews with LFV and two focus groups. The interviews were conducted based on the theories presented in the theoretical framework.

5. EMPIRICAL FINDINGS
This chapter contains a presentation of the data collected through the interviews conducted in order to fulfill the purpose of this study. The results are summarized according to the themes corresponding to the theoretical framework.

6. ANALYSIS
In this chapter the connections between the consumer and organization related change theories become evident. The three sub-purposes of our study are analyzed in relation to the empirical findings. Moreover, a conclusive model shows the linkages between all parts of the study.

7. CONCLUSIONS
This chapter presents the conclusions in correspondence with the three sub-purposes as well as provides suggestions for further research.

8. TRUTH CRITERIA
Finally, the readers are provided with different truth criteria allowing them to judge the credibility, transferability, replicability, and confirmability of this study.
2. Theoretical Methodology

“Method will teach you to win time”\textsuperscript{13} – American proverb

This chapter opens up with the choice of subject which is followed by LFV’s role as assignees of this project and a description of what writing on assignment entails. We also present the authors past experiences and preconceptions that might have affected the course of the study. The thesis has a management perspective and a qualitative research strategy has been used in order to conduct, interpret, and analyze the data. We use an iterative approach, revising the theories several times during the course of the study.

2.1 Choice of Subject

While studying the International Business Program we became interested in the connection between the theoretical world of university studies and the business world of reality. Therefore, we wanted our research to be a contribution to something of current interest for existing industries. We discussed different ways to find interesting and challenging subjects for our research and ended up with the topic of meeting the needs of customers of insurance companies. This subject for research was suggested by LFV at www.examensjobb.nu.

2.1.1 LFV’s Interest in Subject

At the first meeting with the representative of LFV we discussed the conditions for the assignment including its possibilities and limitations. During the discussion LFV have expressed their desire to study many different groups of potential customers and from many diverse angles. However, LFV have emphasized that the group of young people between the ages of 18 to 27 is of major interest for them when studying customers’ preferences. After the discussion it became clear that LFV are mainly interested in what services young customers expect of them and would like to know what combination of services these young customers would prefer to have. Therefore we agreed upon studying this particular group of potential customers. When it comes to the method of conducting the study, formulating the research problem, and structuring the thesis, LFV have given us free hands. Moreover they provided us with relevant information about their activities in order for us to have a better understanding of their organization.

2.1.2 Writing on Assignment

As assignees we feel that we have an opportunity to study an interesting subject while gaining a deeper knowledge about the studied area and also gaining experience from working on this type of assignment. The fact that LFV have given us freedom to structure our study and the thesis as we wish, has allowed us to think in wider terms of the subject

at hand. We find this subject relevant because many companies nowadays try to combine different products and services in bundles but not so many of them know for sure what customers want in that package. Furthermore, we as young business students have an interest in understanding young people’s preferences, why they have these preferences, and what services insurance companies provide.

2.2 The Authors’ Preconceptions

The concept of preconception describes the knowledge that the author has in the area of study before starting the writing process. There are different types of preconceptions. One of them is a general preconception, which concerns the personal experience, education, and the environment in which the author finds himself. Another one is the approach to knowledge which is based on how the author perceives reality and how it may be understood.¹⁴

The authors of this thesis have different backgrounds and come from different countries, Fatima is originally from Russia and Maira is from Pakistan. However, they have both been living and studying in Umeå for six and four years respectively. Despite the different cultural backgrounds both have some experience of using insurance services. Back in her homeland, Fatima had life and health insurances purchased by her parents. Here in Sweden, she has several insurances concerning house, life, life insurance of her child, and travel. Both are covered by a health and accident insurance via the university.

Both authors are students at the department of Business at Umeå University and are enrolled in the International Business Program. During the bachelor year Fatima studied accounting and Maira studied management. During her final year, Maira’s interest of change management arose and this may have affected the search-words used and choice of theories about organizational change in this study. Since we have been thorough in our data search, we are convinced that we have applied the most relevant theories concerning our research question.

Furthermore, based on the general knowledge of the services provided by insurance companies, and the information exchange via friends, relatives, and parents, we have certain preconceptions about the customers of insurance services. We believe that insurances are a complex service and therefore potential customers demand in-depth information and counseling from insurance-advisors as well as relatives and friends before making a purchase decision. We believe that they in the first place turn to people who already are customers of insurance companies in order to get advice. We also believe that the decision to purchase insurance is often planned rather than spontaneous.

In connection to the research question at hand, we have certain preconceptions, regarding the sample we will be studying as well as the answers that we expect to receive. We have certain beliefs regarding the specific age group that we will be studying and their life

status. By life status we mean ownership of private property, marital status, and if they have any children. We believe that younger respondents will have less information about insurance companies and the services they provide. Therefore we believe that interviews with younger respondents may not be as fruitful as those with slightly older respondents. This is because we believe that with age, as people start thinking about settling down in one place and starting a family, their priorities change. We expect people who own their own houses rather than renting and/or own cars to be more conscious about the insurances available and also have more to say about what services they would like to receive. We also believe that people with spouses and children will be more prone to answer the questions fully, whereas single people will be less interested. In short we believe that the more valuables (such as family members, property, cars, expensive furniture etc.) that a person has in his/her life will increase the interest in available insurance alternatives.

Moreover, we believe that organizations operating in today’s environment are interested in becoming more customer-oriented, and that corporate change is becoming increasingly popular. Organizations are accepting change and organizational restructuring is becoming more common. Hence, we believe that insurance companies have a positive view of change in order to remain competitive over time.

2.3 Perspective of the Thesis

This thesis is written from a management perspective. This is due to the fact that we are conducting this study on behalf of LFV and we study young customers from an insurance company’s perspective. By understanding young customers’ preferences we wish to provide relevant information to insurance companies, as well as suggestions for the usage of this information in order to remain profitable over time. Hence, the thesis is written from a management point of view and as the problem question states, we wish to explore how insurance companies could enhance their ability of meeting the constant changes in customers’ preferences.

2.4 Scientific Approach

There are mainly two central approaches to knowledge and to how information should be gathered. The scientists identify them as positivism and hermeneutics. Positivism suggests the use of methods from the natural sciences in the study of social phenomena. The role of research, with a positivistic approach, is often related to the collection of data and testing of theories in order to develop scientific laws. Hermeneutics provides a contrasting stand to positivism. It questions the usage of scientific methods in the study of human behavior, and calls for a distinction between the objects studied in the natural

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world and the study of people’s behavior. Hermeneutics argues that the social world should be studied by understanding the context in which instances occur and taking into account the natural settings and environment.

We consider that our approach to knowledge is closer to hermeneutics than to positivism since hermeneutics emphasizes the meaning of the researchers understanding of the studied phenomenon. We are studying customers’ preferences of the services provided by insurance companies by conducting semi-structured interviews with ten people divided into two focus groups. From the information received through the interviews we will make interpretations in order to provide suggestions for insurance companies and specific strategies for LFV in order to meet customers’ demands over time. This means that the interpretation can never be objective since the authors also have some preconceptions about the subject that will certainly influence the study in some way. However, we still believe that each research object should be studied thoroughly with closeness to the source. By conducting the interviews, we have got the respondents’ own words and thoughts and also had an opportunity to meet the persons face to face which helped us see the whole context and made it easier to interpret their answers. Hence, we believe that the hermeneutical approach would give a fairer picture of customers’ preferences of the services provided by insurance companies.

Social constructivists believe that reality is constructed by social actors. We believe, for the purpose of this study that all meaning is socially constructed, and therefore insurance companies are seen as processes of ongoing change and activity, and those employed there are seen as having an impact on these processes. The consumers of insurance services, as well as the people in their social surroundings play an important part in creating the reality that we aim to capture. Therefore, we believe the social constructivist view will allow us to understand the needs and demands of customers. Moreover, it will also allow us to understand the structures created inside organizations that may encourage or obstruct the implementation of strategies to cater for the needs and demands of customers in an ever-changing environment.

With regard to the study and the approaches applied it would be difficult to make bigger generalizations. Qualitative research usually produces social explanations which are generalizable to the studied situation, for the specific group of people and at the defined point in time. For this study it means that we will be able to generalize to the particular group of young students of the services provided by insurance companies, studied in this paper.

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2.5 Research Strategy

Research strategies can be broadly categorized into qualitative and quantitative. The quantitative strategy is characterized by the employment of quantitative measures in the collection and analysis of data. The approach is usually deductive with an emphasis on the testing of theories. The qualitative strategy, on the other hand, is usually associated with the usage of an inductive approach, stressing the emergence of theory through research. This strategy mostly applies discourse as a means to collect and interpret data. It is also usually associated with the constructivist view and hermeneutic approach to knowledge, and therefore social reality is seen as constantly changing and emerging through the construction of the individual social actor.\(^2\)

The purpose of the study is to gain a better understanding of young customers’ preferences about services provided by insurance companies and to provide insurance companies, particularly LFV with useful suggestions for becoming more customer-oriented. We believe that this purpose can be best fulfilled using a qualitative research strategy. The choice and implications of using a qualitative design are discussed below in more detail.

2.5.1 Qualitative Strategy

The main question researched in this study asks, “How could insurance companies enhance their ability of meeting the constant changes in customers’ preferences in an increasingly competitive environment?” Through the study we hence aim to understand young customers’ preferences and provide suggestions for insurance companies to be able to constantly stay up to date with changes in customers’ preferences. The focus is on understanding young customers and this entails an in-depth study, as Professor Amedeo Giorgi quoted, “qualitative research should yield quality knowledge...secondly; it is a knowledge that seeks lived meanings”\(^3\).

This study entails understanding people and their behavior, which stems from their beliefs of what is best for them. We believe that a quantitative strategy would not be able to capture the nuances of peoples’ decisions. We wish to accumulate unique responses from people with different backgrounds and conditions in life. We believe that these people will all have differing expectations and preferences regarding their demands from an insurance company.

When it comes to data collection, a qualitative design with constructivist view is concerned with how interview participants actively create meaning. Qualitative data, however, is not restricted to the results of specific methods of data collection. You, as the researcher can be seen as the research instrument, and hence everything you see and hear


\(^3\) Redaktör Uggla, Helena (1994), Seminarium i Örebro, "Varför kvalitativ forskning är nödvändig" Örebro läns landsting: Högskolan i Örebro, p.13
through casual conversations and observations can be used for analysis\textsuperscript{24}. The goal with qualitative research is to understand not a single phenomenon standing alone, but the context in which it occurs. This can be accomplished by “immersing ourselves in the context we want to understand and by bringing to bear on our efforts all our past experiences and knowledge”\textsuperscript{25}.

Since we want to understand young customers’ preferences, we believe it is important to understand not only what they think but also why they think the way they do. In order to gain such an understanding it is important to build a relationship with the interviewees in order to capture as much as possible about them and how this affects their choices and answers.\textsuperscript{26} Similarly, when it comes to studying insurance companies, we believe that the strategies within companies are created through a series of decisions made by different individuals and there is no way to capture all this information through quantitative data collection and analysis. A qualitative strategy, on the other hand, would allow us to use open interviews and discussions to reach an understanding of the aspects being studied. They also allow us to be open to new ideas and thoughts that may not have been part of the questions initially prepared.

Within the qualitative research strategy, we have chosen to use semi-structured interviews which mean that we can pose open-ended questions as well as additional questions when the need arises. A semi-structured interview allows us to create an informal atmosphere, where we can get to know the respondents and hence understand the context in which they form their opinions. Qualitative research is about understanding things from the perspectives of the interviewees, and we believe this can be best achieved if we have the possibility to ask open questions, additional questions, and ask for clarifications.\textsuperscript{27}

\subsection*{2.5.2 Critique of Qualitative Strategy}

Despite all the advantages, a qualitative research design has certain constraints and disadvantages. For example, a quantitative method can allow for broader generalizations and the data collection methods associated with a quantitative strategy often encompasses larger samples. Due to the qualitative design of our study we are limited in the amount of people we can interview since we are interested in the entire context in which they act. Some researchers argue that “social phenomena cannot be understood without taking account of subjective as well as objective factors”\textsuperscript{28}. A qualitative research strategy can also result in certain problems regarding consistency of assigning instances to the same

categories, and particularly in the case where several researchers are involved. This problem can, however, be alleviated to a certain degree if the researchers employ a neutral approach to the study, as we attempt to do.

2.6 Iterative Approach

The scientific approach usually associated with a qualitative study, as mentioned before, is of an inductive nature. This means that there is focus on the generation of new theory. This paper, however, will follow an iterative approach, which means it will be carrying aspects of both an inductive as well as a deductive approach. Once the phase of theoretical reflection on a set of data has been carried out, the researcher may want to collect further data in order to establish the conditions in which a theory will and will not hold.

We use an iterative approach since we searched for relevant theories for our research question and then narrowed these theories down when formulating the interview guides for the focus group interviews as well as the interview with LFV. After the data had been collected, we once again returned to the theories, filling out areas which had not been covered earlier, and removing some parts which were less relevant in relation to the collected results. The analysis part discusses which theories were strengthened through our empirical study and also some that did not fully correspond to the theories. In this way we aim to provide evidence for existing theories and also see if there are certain cases where they do not apply. Further, we keep our study open to new ideas and concepts that arise after the collection of data, and add these parts as we go along, by constantly referring back to our theoretical framework and developing it.

2.7 Secondary Sources

Information can be collected from many different sources. Secondary sources include already existing information, material in printed or electronic forms such as books, articles, and information on the internet. Below, we present the various search words and databases that we used to gather information for this study.

We gathered information in all three types of materials however mainly in research articles that are used primarily in our theoretical framework. The search for material was conducted mainly through the Umeå University’s library. The books were found through LIBRIS and ALBUM, and the articles have been found using the database search via the library. Therefore, the search engine used for the data search was EBSCO and the databases used primarily were EconLit and Business Source Premier. Both databases are peer reviewed and provide articles published in journals pertaining to all aspects of

business. We searched the databases for “change”, “continuous change”, “change in insurance services”, “customers’ preferences”, “customers and the information received”, “customers’ attitudes towards bundle services”, “customers and bundle services”, “bundle services”, “change in customers’ preferences over time” etc. When searching for theories about organizational change the key words used were “organizational change”, “organization change”, “competitive advantage”, “services financial institutions provide”, “marketing of financial services”, “web based marketing, youth”, and “corporate restructuring”. Many of these were categorized after title, and words shown in abstract. The searches gave varying numbers of hits but most of them yielded at least one or two relevant matches. Many articles found were published in the Journal of Financial Services Marketing and Organization Science.

For literature pertaining to qualitative research methods we primarily used books found at the Umeå University library using key words such as, “qualitative research”, “focus group”, “semi-structured interview”, and “qualitative research design”.

Search engines such as Google were also used in order to find relevant background data for a deeper understanding of the insurance industry in Sweden. Finally, web pages such as that of the Swedish bureau of statistics and the biggest insurance companies in Sweden were also used to access relevant information for our study.

2.7.1 Critique of Secondary Sources

The sources that have been used in this study have mostly been taken from research articles that have cited theories or discussed certain aspects of them. Since we present many different theories, we do not go into detail when discussing them. Theories like rational choice, bounded rationality and organizational change have been seen as commonly occurring in literature and have been discussed in various forms over a long period. Hence we have not searched for the original sources or literature which coined these concepts and presented them as new theories for the first time. This can lead to problems as the original authors’ view can be misrepresented.

Criteria for data that is collected include reliability and validity of the sources. This means that the data should be related to the study, be accurate, and be accessed through reliable resources. It should be presented as close as possible to its original form and not be distorted. A critique could be that we used primarily the same search engines for all of our literature, and could perhaps have varied the sources in order to find a wider range of data. However, the nature of the search engines is such that all peer reviewed articles published within various fields are supposed to be represented. Therefore we believe that our data is relevant and we have tried to include differing perspectives on issues when such divergences were established. Finally, we try to maintain a critical approach to the sources we have gathered and used in this study.

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3. Theoretical Framework

"Those who are enamored of practice without science are like a pilot who goes into a ship without rudder or compass and never has any certainty where he is going" - Leonardo da Vinci

Our theory chapter consists of three parts. The first part aims to give the reader information about the background of the insurance industry in Sweden. This part also provides a fundament to our research identifying constant change as an inevitable phenomenon. The two following parts present the theories relevant to our research question. The second part of the theoretical framework presents the theories related to the changes in customers’ preferences. Some of the basic theories such as rational choice theory, bounded choice theory, customers’ attitudes towards bundle services, etc., are used in studying the young customers’ preferences. These theories also provide the ground for the questions in the semi-structured interview with the focus groups comprised of potential customers of the services provided by the insurance companies in Sweden. The third part of the theoretical framework is composed of theories concerning organizational change with the emphasis on insurance companies and their organizational structure. General theories on organizational change are presented, and then narrowed down to specific theories concerning corporate restructuring. Finally, a conclusive model of the theoretical framework is presented at the end of this chapter.

3.1 History of the Insurance Industry

Constant change is a reality. Nowadays it is generally accepted that everything is subject to ongoing change. Under the past two decades, the world economy has undergone rapid changes in technological and market conditions which have impacted both on individuals’ preferences and organizations providing products and services. In the case of the insurance industry, the current changes are fundamental. They are characterized by the influence of new direct marketing techniques that have been enabled by new technologies, by organizational changes, and by increased globalization of the industry.

The insurance industry in Sweden first grew to maturity during the middle ages when people got the opportunity to insure themselves and receive reimbursement in the case of fire damages. Further development is explained by the expansion of asset and pension insurances. Life insurances, however, did not come to exist until much later since it was not seen as morally negotiable. This opinion changed after the late of 1800s. The increased need for insurances created the upcoming of genuine insurance agencies which established themselves locally and provided insurances mostly for tangible assets.

Insurance innovation was incremental over a long time period. It has been characterized by small-scale improvements in underwriting, administration, accounting and marketing before building up to an increase of new product development in the late nineteenth century. Around 1850 there were just six lines of accident insurance available in Britain and Europe. Insurances connected to railway, bicycle, motor car and aviation had to await the development of their respective technologies. At this time, the insurance industry in Sweden was mainly governed by English companies which moved capital from the country. This became a major concern for the government which interfered by creating rules and asserting control over the insurance industry.

As the demand for fire and life insurances expanded during the early 1900s with population growth, an increase in the real incomes of the middle class, and competition between older offices, a large numbers of new entrants emerged. The number of insurance agencies grew while the governmental control of the insurance industry was lagging behind. In Sweden, the regulation process led to the upcoming of the Insurance Inspection which would have control over the financial activities of insurance companies. These conditions were accompanied by a trend towards the concentration on core business and towards specialization. Many insurance agencies strived for getting a niche in the market that would allow small specialized insurers to survive.

During the last two decades the structure and processes of the industry have been challenged by the impact of direct marketing through the telephone and the Internet, and by a wave of mergers creating colossal transnational corporations operating on a global scale. These have often combined banking and insurance functions under one roof, so that the long predicted replacement of traditional insurance by “Bancassurance” or global institutions offering multiple financial services appeared to be under way. New technology also brought tremendous changes into the insurance industry. This resulted in driving down costs, changing the focus of competition and moving insurers from being risk carriers to providers of comprehensive information of both financial and insurance services.

Therefore, insurance companies have grown to become information centers of insurance as well as additional financial services. Consumers, on the other hand, are becoming increasingly aware of market conditions and hence more conscious of their options. Consequently, this leads customers to become more demanding and likely to change their preferences. In such circumstances with increasing competition, it is essential for companies to keep track of these changes. This takes us to the next parts of this chapter.

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40 Ibid
dealing with customer and organization related changes in regard to insurance companies and the services they offer.

3.2 Customer Related Change

This part of the chapter is subdivided into four major theoretical areas which we have found to be most significant for our research. These theoretical parts are consumers’ preferences and choice, the informed customer, what customers desire from insurance companies, and continuous change of customers’ preferences. We consider these topics highly related to our study area since the interaction between the insurance companies and their customers is a decisive moment in business success.

3.2.1 Consumers’ Preferences and Choices

Customers’ demands and preferences of different products and services are a subject of concern for many business areas. For the insurance industry it means providing a variety of products and services that customers of different ages want. However, these customers’ preferences and choices are not similar from one customer to another which is also valid for young people’s preferences studied in this paper. These differences make it hard for the insurance companies as for other businesses to meet diverse demands. Thus, the knowledge of customers’ preferences and their choices of products and services provided by the insurance companies is one of the most significant attributes for meeting customers’ demands.

There are many different approaches for studying customers’ preferences and choices. One of them is rational choice theory which assumes that customers are rational when making their choice about different products and services. Rationality in this case means that customer have well-defined preferences which do not depend on a particular description of options or on specific methods used to obtain these preferences.41 This viewpoint has been developed into another theory, bounded decision making theory, which states that preferences are usually unstable, unclear and inconsistent. This theory describes consumers as constructing and expressing their preferences with regard to the possibilities they have. This means that depending on the task consumers will use different types of information and different decision processes in constructing their preferences. Customers in that case will use a comparative approach when judging different products and services.42 However, as soon as customers face their decision situation they would still not have a clear idea of their preferences and will be confused when having multiple options. Such confusion appears to depend on the complexity of the choice situation which “is influenced both by the number of alternatives and by the

number of attributes used to describe each alternative. Schumpeter’s theory of consumer choice also assumes that customers’ preferences and tastes are generally deficient, and factors such as experience, learning, innovation, and social environment affect the formation of preferences. As it has been discussed above there is a plethora of different factors affecting the preferences and choices of both young and older people. However, the determinants of choice discussed below might be most decisive in young people’s choices.

A study made by Uhler and Cragg examined the factors of diversification of households’ portfolios. They have found that net worth, income flow, age, and family size are significant determinants of portfolio structure. We believe that these factors could be important even when making decisions about insurances. Another research made by King et al. proved that wealth and age generate significant differences in portfolio composition for every single type of asset, with wealth being the more significant factor. The authors also paid special attention to the effects of differences in permanent income and age. People with low and inconsistent income could not afford some products and services. Since our study deals with youth, and specifically students who may have low and inconsistent incomes, their preferences regarding insurance services could also be affected by age and income related factors.

Even though there are a lot of various elements that can affect customers’ preferences and choices, there is still the possibility for not making a choice at all. Many decisions involve a choice among many alternatives available in the market as in the case of choosing insurance among many insurance companies and other financial activities. To choose one service or product among many alternatives can be difficult for some people and they can end up not choosing any. Since time for decisions regarding purchases is not predetermined or predictable, consumers usually have the option to not choose. There are also some factors that might affect such decisions, which could be to await a better opportunity, better service or maybe better information. This leads us to the next part which discusses the informed customer.

### 3.2.2 The Informed Customer

Nowadays, the insurance companies play a role of the information centers where people can come, call and mail in order to get information about different products and services before making up their mind. Often the information about the services provided by one or another insurance company is available via different sources, as for instance, at offices,

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via personal calls, customized internet pages made possible by the fast development of technology, etc. However, obtaining the information about products and services involves initiative both from the customers when looking for the information required for making a choice and from the insurance companies when providing the information about their services.

In order for the customer to construct his/her preferences, information about the products and services is required. The amount of information processed can vary a great deal. Some people spend a lot of time when considering a decision of buying for example an automobile which may involve detailed consideration of much of the information available or it may just take one quick consideration of a limited set of information. Thus, the amount of information received by the customers will play a significant role in their decision. However, customers may react differently to the same amount of information based on the psychology of attention. Attention from the customers’ perspective could be both voluntary and involuntary. Voluntary attention represents the attention that is committed to information that is perceived to be relevant to current goals. Therefore, depending on the individuals’ goals they will dedicate more or less time and effort to examine information they believe will help them achieve their goals. On the other hand, attention also may be captured involuntarily by aspects of the environment that are surprising, unexpected, for example, via different ways the insurance companies try to reach their potential customers by phone calls, internet, advertisement, etc. In some cases such involuntary attention of customers might be captured and in some not. On the other hand, there are cases when customers are overloaded with information about services but still have difficulty in making decisions. In these cases the sheer volume of information provided may overwhelm the consumers and not assist them in deciding which services to buy. This means that customers’ purchase decisions not always depended on the amount of information received, but could also depend on the customer’s motivation and ability to process the information.

In the research conducted by Murray about the information needs of service customers it was concluded that search behavior of customers requiring services is partly motivated by perceived risk and the customer’s ability to require relevant information. This study also concluded that customers in general experience that purchasing services is more risky than purchasing products. This is because services are intangible and immediate in their nature. Therefore, before making a purchase decision of services customers would rely on their own experience of the services or on the experience of the people in their surroundings before going and looking for more information from other sources.

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In spite of place, persons and time that consumers involve in their decision making there is still space for information asymmetry. Imperfect information may exist about services which would make it harder to judge the characteristics of the service, to compare alike services to each other and as a result make a decision. Thus, it is essential for customers to receive “clear, comparable, fair and not misleading information about services and products that they want to buy”.

Concluding the above discussed, the information about products and services plays an essential role in the construction of customers’ preferences. Moreover, there are different ways to get and provide information which involves the initiative of both customers and providers of services and products. In our case it concerns both the insurance companies and their customers. However, not only the information about the services is of decisive nature for customers in their purchase decision. The opportunity to save some money when buying bundle services could also be one of the reasons why customers end up purchasing several services at one place. This is discussed further in the following part.

### 3.2.3 What Customers Desire from Insurance Companies

As mentioned above, information plays a vital role in the decision making process regarding purchases and the formation of customers’ preferences. With increasing options of products and services, as well as easier access to information, customers are demanding wider assortments of products and services. “Consumers rank variety of assortment right behind location and price when naming reasons why they patronize their favorite stores.” Customers look for stores or companies where their various needs can be fulfilled. Companies who understand this need strive to offer a larger assortment as well as products and services in various bundles. For this study, therefore, we are interested in customers’ attitudes towards bundle services.

The insurance companies have developed their ways of attracting customers to their services. Nowadays, the insurance companies as many other financial institutions offer bundle services to customers. When offering bundle services businesses usually combine two or more services in a bundle or a package which often has a lower price than the sum price of the services in the bundle. However, there are different bundling methods. In this paper we consider multi-product bundling which refers to the selling of different products in the same bundle. This kind of bundling contains both complementary bundling, in which individual items function as a system, for example, vehicle insurance offered together with accident insurance, and non-complementary bundling in which items are not functionally related to each other, e.g. life insurance and banking services. In this part we consider the customers’ attitudes towards bundle services.

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In many cases customers have a favorable attitude towards bundles when receiving discounts on product or service bundles. In this case the decreased price on the amount of services received is crucial. However, customers’ attitudes can change after purchasing service bundles. This might depend on the lack of complete information on other components included in the bundle. Since, when purchasing a bundle of services customers initially often focus on one component of the bundle. They evaluate the quality of this component, and then when buying proceed to examine the remaining components. As a consequence, consumers’ attitudes towards bundle services might be biased. However, when facing an opportunity to buy more items in one bundle customers usually end up purchasing such bundles with a purpose of saving. But, in several cases some of these items may be considered as optional and unnecessary for the average buyer.

As presented above, customers have different attitudes towards bundle services. Some customers might be happy about receiving many products and services in one bundle for a good price, and some might change their attitudes to the purchased bundles despite the price they paid. However, many surveys show an increasing trend in purchasing product and service bundles. This trend is explained by that customers like to get discounts, they like customer service at the places that offer them products and services and due to established relationships with sellers. Such trends are evidence to state that everything is subject to change and this takes us to the next part which is about continuous change of customers’ preferences.

3.2.4 Continuous Change of Customers’ Preferences

Consumer choices and preferences change over time. Through the time one can observe tremendous shifts in the market conditions which shaped the preferences and demands of consumers. Products and services that were trendy at one point in time are no longer the subject of satisfaction to customers. The same change is experienced by the customers of all ages and the customers of insurance companies. This trend can also be seen in differences from generation to generation. Youngsters today have different preferences from what their parents had when they were young. Furthermore, economies have changed from being product or service oriented to being consumer oriented. The consumers have undergone tremendous shifts in their preferences. “Today’s collective decision maker evolved from being the irrational consumer of the 1950s and the information processor of the 1970s up to the 1980s cognitive miser.”

Assuming that the consumer selects the approach that best meets his/her goals for the situation, consumers may choose different approaches in different situations as their

57 Estelami, Hooman, (1999), Consumer Savings in Complementary Product Bundles, Vol. 7 Issue 3, p107, AN 2640016
58 Alexandria, Va., (2001), Surveys Show Bundle’s Appeal is Rising, Multichannel News
goals, constraints of the situation and knowledge change. Research on choice over time made by Trope and Liberman has found that people tend to focus on concrete aspects of near future events and abstract aspects of distant future events. Furthermore, “a focus on concrete aspects increases the feasibility related components, whereas a focus on abstract aspects increases the desirability related components, which can lead to preference inconsistency over time.” When making a decision that has direct consequences, people think in more concrete terms and put more weight on how realistic the option is. However, when making a decision about something that is in the more distant future, they tend to think in more abstract terms and focus more on how desirable the option is. This shift in consideration of products and services tend to lead to temporally inconsistent preferences.

Consumer choices concerning the selection, consumption and disposal of products and services can often be difficult and are important to both consumers and providers of services. Many researchers have concluded that customers’ preferences are under constant change and the importance of understanding these changes is one of the major concerns for businesses. A significant reason for this is that technological change often results in a mass of new products and services. This increased amount of options contributes to consumers being more prone to change their preferences from time to time.

In summary, research in the areas of consumers’ preferences, the information provided for and received by customers, and customers’ attitudes towards bundle services show that there is continuous change in customers’ preferences over time. All businesses including insurance companies are faced with the dilemma of meeting these changes of customers’ preferences of the services and products provided by them through time. In our research young customers’ preferences of the insurance services are studied, and meeting the changes in these customers’ demands over time could mean gaining a lifelong customer relationship, which is normally referred to as customer loyalty.

3.3 Organization Related Change

The theories presented below introduce the relevant aspects concerning organization related change in a modern service firm. The theories can be divided into four main themes, i.e. increasing competition, reaching the young customers, the widening range of services offered, and finally leading to theories suggesting the need for corporate restructuring. These theories are considered relevant for our study because they highlight

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62 Ibid
the importance of organizational change for insurance companies in order to enhance their ability of meeting the constant changes in customers’ preferences.

### 3.3.1 Increasing Competition

One of the aims of our study is to provide suggestions for insurance companies in order to enhance their ability to meet the constant changes in customers’ demands. Meeting customers’ demands entails being able to offer products and services that they want. However, to retain market share and maintain customers, these products and services must be provided in a more efficient and effective manner than competitors. Hence, in order to remain profitable organizations must continually compete with other firms that provide the same or similar products and services.

In order to maintain an edge over other firms offering the same products and services, companies must therefore strive to achieve competitive advantage over its competitors. Johnson and Busbin refer to competitive advantage as “the essence of business success”, and mention that with time, the dimensions of competitive advantage have evolved from simply cost-cutting and quality to requiring a “coordinated combination of several product and market variables”. Johnson and Busbin mention some of the factors leading to this, i.e. increasing sophistication of competitors as well as consumers, increased consumer mobility, the intensity of distribution, and the flow of product and market information. They then refer to Stalk and Hout pointing out that as the economy has evolved, various techniques to obtain competitive advantage have emerged. Six dimensions of competitive advantage that emerged between 1950 and 1990 are: experience curve strategies, portfolio strategies, the strategic use of debt, de-averaging of costs, restructuring for advantage, and time-based competition.

For the purpose of this study we will concentrate only on two of these i.e. portfolio strategies and restructuring for advantage. This is because through organizational restructuring, an organization-wide customer orientation can be attained and through portfolio restructuring new services and new combinations of services can be provided. These will be discussed in more detail under section 3.3.4. The terminology used in the theories presented later is slightly different but refers to the same two concepts.

Whichever kind of strategy an organization uses to achieve and maintain competitive advantage, an important point is that it involves change, and since the market constantly evolves, new strategies are needed on a continuous basis. In other words, organizations need to change in response to alterations in competitors’ strategies, customers’ demands and societal expectations. Today organizations are becoming more customer-focused and therefore they compete even in their strategies to reach the customers by trying to understand their preferences.

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64 Johnson, Julie, T., Busbin, James, W., (2000), *The evolution of competitive advantage: has virtual marketing replaced time-based competition*, CR 10 (2), Vol. 10 Issue 2, p153, 7p; AN 3572717

3.3.2 Reaching the Consumers

With more informed customers, changing preferences, and increased competition from financial institutions, marketing has become more important and therefore more complex than ever before. Organizations must not only maintain competitive advantage and offer the products and services demanded, but also reach out to and convince potential customers that their services are the best. Young customers are a strategic group for financial institutions and securing customers at a young age can ensure long-term profitable relationships.

Young Consumers

With an increase in the usage of the internet, web-based marketing has become extremely popular especially for targeting young customers. Hartman et al. state that “adolescents are consuming the web in ever-greater numbers, and doing so for more hours every day.” The Swedish bureau of statistics conducted a study on the age when youngsters move away from home and concluded that the average age for is 21.7 years. This group of youngsters is especially important for companies to target as they have just started their own lives, and need to subscribe to their own bank and insurance services. A study made by the Swedish insurance company, IF states that 97 percent of all Swedish people have a home insurance. However, for young, single people between the ages of 18 and 25, the percentage is only 75 percent. The study concluded that youngsters in this group are uninformed and unclear about insurance services. Many of the studied believed that they were still covered by their parents insurance. Although this can be true in some cases, the damage that such insurances cover is minimal. Since companies are interested in acquiring new customers, it is important for them to understand the needs of and direct their marketing towards these young people.

Acquiring Young Customers

Despite increasing competition, research has shown that the rate of customers who switch between financial institutions, especially banks, is relatively low. A study conducted in New Zealand stated that the estimated churn (customers switching between institutions) is around 4 percent per annum. Reasons for this are primarily customer inertia, the costs associated with switching and the difficulties associated with the physical transfer of banking arrangements. The study also states that the majority of New Zealand’s population is subscribed to a bank, which makes the source of customers for a financial

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68 Website alltombostad.se (cited 2007-12-06) URL: http://www.alltombostad.se/Hemekonomi/Artiklar_Hemekonomi/Studenter_saknar_hemforsakring/
institution the customers of other financial institutions.\textsuperscript{70} This limits the number of new customers that a financial institution can gain.

A study on the loyalty of online-bank customers, however, shows that switching and search costs have less significance pertaining to bank loyalty as compared to customer satisfaction and brand reputation.\textsuperscript{71} This article hence points out that customer satisfaction is more likely to lead to customer loyalty than just customer inertia that makes customers reluctant to switch. This indicates that if customers were dissatisfied in some way with the bank, they might actually be more likely to switch. Since banks and insurance companies have started to provide both banking and insurance services, these aspects of customer behavior are seen as relevant for both banks and insurance companies, together referred to as financial institutions.

As opposed to the majority of adults who are subscribed to some bank, children have been living in the protective nest of their parents, and hence need not subscribe to banks or insurance companies. But when they reach a certain age and move out, or get their first jobs, they must make their own bank and insurance arrangements. A study on how marketing practitioners in the UK see young people states, “What makes this age group particularly interesting is that they are on the cusp of adulthood; their ‘active decision making skills’ are more advanced and they are experimenting in many different ways, preparing themselves for the opportunities and dangers full independence entails.”\textsuperscript{72} Judging from existing research and statistics, when youngsters do subscribe to bank or insurance services, they are most likely to stick to the institution they first subscribe to, for the rest of their lives. It is therefore an opportunity for financial institutions providing both banking and insurance services to target this group of youngsters in order to gain new customers.

Since young customers are an important target group, reaching them has become increasingly important, and as mentioned in the previous theory part about preferences, the changing preferences of customers make this a challenging task for service companies. The emphasis here lies on understanding the young customers’ changing needs and demands in order to be able to use marketing techniques and forums to reach them. These marketing techniques must continuously be revised and improved to retain competitive advantage.

### 3.3.3 Widening Range of Services to Retain Customers

Acquiring young customers is important for financial institutions, but retaining these customers is equally important. According to a study of various financial institutions by


\textsuperscript{72} Grant, Ian, C. (2004), \textit{Communicating with young people through the eyes of marketing practitioners}, Journal of Marketing Management, 20, 591-606, AN 13525126
Farquhar, the focus keeps shifting between acquiring and retaining customers. As mentioned above, when the majority of people already are subscribers of bank or insurance services, new customers must be ‘stolen’ from existing service providers. This can be a costly and tedious task, and hence a focus on the retention of existing customers is seen as a more cost effective means to remain profitable over time. This can be done by for example offering a wider range of services, building relationships with the customers and providing more information to them.

Service Bundling

According to Farquhar, “traditional retailers of financial services (such as banks, insurance companies and credit institutions) are aiming to improve their overall revenue by raising individual customer profitability”. Such an increase in individual customer profitability is usually achieved through increasing the number of products that any individual customer holds. This trend can also be seen in the increasing number of products and services being provided by one and the same company. Koderisch et al. point out the increasingly important role of price bundling in the financial service sector. They mention that banks combine their core products with insurance as well as other travel and leisure related products. However, they mention that all bundling is not always as successful as Microsoft’s various products offered in the office package. From the bank or financial institutions perspective, bundling allows increased profits from existing customers. The customer, on the other hand, receives cost benefits and the ease of dealing with one supplier. This is believed to create satisfied and loyal customers by reducing complexity and increasing clarity for the customers.

Another means to retaining customers involves building long-term, trust-based relationships with them.

Customer Relationship Management

A recent focus of the literature on establishing customer relationships, again, points towards an increased awareness of the benefits of reducing ‘customer churn’. In other words, the cost of acquiring and then losing customers can be reduced if informative, trust-based relationships are established with the customers. Hence, in order to support the sale of financial services, financial retailers have adopted relationship banking. Relationship banking can be generalized to other financial institutions where customers’ decisions rely on the amount of information and trust they have in the company selling to them. It has been suggested that not all markets and certainly not all customers are appropriate for relationship building. However, in the financial service industry, trust

74 Ibid
76 Ibid
has been proved to increase risk-taking among customers, meaning that a trust-based relationship would allow competitive advantage by encouraging more assets in risk-based products which yield higher fees.\(^\text{79}\)

According to Petrof, relationship marketing has become something of a new management orthodox.\(^\text{80}\) There seems to be an evident advantage of using relationship marketing in retaining customers as well as earning more profits on existing customers.\(^\text{81}\) Relationship marketing emphasizes customer retention through developing mutually rewarding exchange relationships between organizations and their customers. Customer loyalty is another important aspect for customer retention, and loyalty is gained through satisfaction which can be enhanced through customer education as discussed below.

**Customer Education and Loyalty**

Elsingerich & Bell argue that customers themselves can play an important role in the service production process and that “through ongoing communication and mutual learning a higher degree of customization of a firm’s offerings is possible”. In turn, they argue that this leads to greater customer loyalty and hence more profitable relationships over time. The authors argue that in multi-product service firms like the banks and insurance companies today, bringing the customer into the production and delivery process can greatly enhance the building of “relationship switching costs” as well as opportunities for increased cross-selling. Their study concluded that customer education was positively related with customer participation, and participation in turn was positively related to customer loyalty.\(^\text{82}\)

What this entails for service companies today is that they need to inform and educate their customers in order to allow them to be a part of the production and delivery of the services they pay for. This can be related back to the study conducted by the Swedish insurance company IF, stating that most of their respondents felt uninformed.\(^\text{83}\)

The ultimate goal through all these techniques, such as bundling, relationship management and informing the customer is to gain loyal customers. As mentioned earlier, the pool of customers to target is not very large, and therefore it is highly important to be able to retain the ones you have. In order to retain customers over time it

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\(^{83}\) Website alltombostad.se (cited 2007-12-06) URL: http://www.alltombostad.se/Hemekonomi/_Artiklar_Hemekonomi/Studenter_saknar_hemforsakring/
is of interest for organizations to adjust in relation to the changes in customers’ preferences.

### 3.3.4 Organizational Change

Like all other organizations financial institutions must also instill organizational change in order to retain competitive advantage and remain profitable. There exists a long list of structural and practical changes that contribute to organizational change. Recent literature has been dominated by organizational change with a focus on a shift towards the so-called, modern paradigm. The modern paradigm is characterized by a shift towards a more humanized, open and less bureaucratic approach. With the modern paradigm comes also an acknowledgement for a contingency approach to studying organizations, instead of looking for a best approach. Some of the shared values of these approaches are summarized by Darwin et al as follows. They recognize that there are problems with pursuing a pure scientific approach. The significance of strategic planning and design is accepted, however it is also recognized that it has a cyclical nature. Competition is taken for granted, and the benefits of extending competition throughout the economy are seen as a merit through the use of privatization and internal markets. The importance of organizational culture is recognized, most commonly through the use of a shared vision and purpose. There is a desire for humanization in all organizations and bureaucracies, and finally, organizations are seen as open systems which interact with and adapt in response to their environment.\(^\text{84}\)

#### The Importance of Organizational Change

As mentioned earlier, the literature pertaining to organizational change is immense, with numerous authors reiterating the importance of organizational change for the long-term survival of companies. The need for change within organizations is no longer a question in today’s competitive environment. Organizations are facing competition not only from their local environment but rather on a global scene. It is therefore no longer sufficient to concentrate on merely short-term operations. March first introduced the terms referred to by many other authors, exploration and exploitation. By exploitation he means using existing products, services, strategies and knowledge to their optimum potential. By exploration, he means constantly experimenting and innovating in order to discover new, unexploited ideas and/or markets. He stresses that an organization must ‘engage in sufficient exploitation to ensure its current viability while engaging in enough exploration to ensure its future viability’.\(^\text{85}\)

In the occurrence of external turbulence, such as in the case of changing customers’ demands, it is extremely important for organizations to take notice of the dynamics of their environment in order to produce new responses to the outside world. This, according to D’Aveni and Macmillan (1990), as quoted by Van de Ven and Engelman, is

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a crucial factor determining the survival of a company. Van de Ven and Engelman reiterate in their study of firms responding to external changes that the surviving firms often focused on the external factors, allowing for internal changes to be made in order to better cope with them. The organizations that failed, on the other hand, tended to turn inward and focused merely on internal policies and improving internal systems.  

Many authors also seem to agree that the ultimate path to attain long-term sustainability lies in managing change both as an ongoing process, as well as reactions to external occurrences. Weick and Quinn call these types of changes continuous and episodic changes. The continuous change is ‘constant, evolving, and cumulative’. It is characterized by never-ending modifications in work-processes on a daily basis as a reaction to small contingencies. Episodic change, on the other hand, is driven by an external force, is more dramatic, discontinuous and intentional. Weick and Quinn suggest that the need for episodic change is marked by the organizations’ failure to ‘adapt its deep structure to a changing environment’, meaning a failure to implement change on a continuous basis. They argue that the ideal organization is one that is capable of continuous adaptation, also incorporating the bigger changes into the continual process of renewal, therefore not needing the episodic change.

In their study, Tsoukas and Chia even go to the extent to propose that organizations should be studied from an ontological viewpoint of change. They argue that change should be taken for granted and the organization be studied in the process of what it is becoming rather than in a stationary form trying to capture what it is or has already become. The literature referred to above makes it evident that organizations need to accept change as a part of daily life in order to succeed. The prevalence of theory pertaining to organizational change, hence, has reached a point where change is accepted as rudimentary for the long-term sustainability of organizations.

**Organizational and Portfolio Restructuring**

In the case of insurance companies trying to meet the changing preferences and demands of customers, we believe that the two most relevant forms of restructuring are organizational and portfolio restructuring. This is because through organizational restructuring, an organization-wide customer orientation can be attained and through portfolio restructuring new services and new combinations of services can be provided.

The shift towards the modern paradigm has been evident in the literature in the preceding decade, with much focus on lowering power-distances, removing hierarchical structures and empowering employees. A common name for all these types of changes is

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89 Ibid
restructuring or reorganization, and when it pertains to organizations as we know them, it is referred to as corporate restructuring. Heugens and Schenk define corporate restructuring as, “a major change in the composition of a firm’s assets combined with a major change in its corporate strategy”\(^90\). They then divide corporate restructuring into three distinct categories, i.e. portfolio, financial, and organizational restructuring. Portfolio restructuring is explained as a, ‘reconfiguration of the firm’s main lines of business through acquisitions and divestures. Financial restructuring, as Heugens and Schenk explain, is concerned with altering the capital and ownership structure of the firm. This can involve changes from private to public ownership or vice versa, or a tighter relationship between ownership and control to eliminate agency-issues. Finally, organizational restructuring is described as changes that are made to the structural properties of the organization usually with an aim to increase efficiency and effectiveness. \(^91\) Although financial restructuring is also of importance to organizations, for the purpose of this study, emphasis will be placed on portfolio and organizational restructuring.

Organizational restructuring, as mentioned above, involves any kind of structural change in the organization. For the purpose of this study, the most important kind of organizational restructuring pertains to a mindset restructuring, leading to a focus on understanding and better meeting the changing needs of young customers to attain and retain these customers for as long as possible. An important aspect in this kind of change is a shift in the way people think. Every task must be seen from the customers’ perspective and with a motive to build meaningful relationships with satisfied customers, which would mutually benefit the customer and the company.

As mentioned earlier, the modern paradigm accepts the significance of organizational culture. With acknowledging the significance of such a culture, much research has been done on how to instill organizational changes into the culture of the firm. Various authors have mentioned the importance of the right corporate culture in order to support changes being made within the organization. Corbett and Hmieleski point out the problems that can arise due to a mismatch in the mental pictures of employees and the expectations organizations have from their roles. They mention the problem of conflicting cognitions in the creation of new ventures. They explain that when an organization takes on a new venture, people’s knowledge structures, or mental schemas, which have allowed them to be successful in the past, must be changed.\(^92\)

Van de Ven and Engleman bring up the significance of mental models, which can be seen as emerging from culture, in the way humans cope with complex situation, for example in the time of radical change. In their article, they explain that humans apply knowledge from prior experiences to new circumstances by “combining models, rules, and strategies


\(^{91}\) Ibid

that have proven successful separately in other situations. Van de Ven and Engleman explain that mental models hence help people make sense of things and focus. However, mental models can also act as a constraint by confining our view of the things around us. On an individual level this confines people to doing and saying things that have proved successful for them in the past. On an organizational or collective level it can lead to rigidity, inertia and a focus on exploitation of resources already controlled by the organization. Less focus is then put on new, innovative, and groundbreaking advances, or what March calls exploration. Since many of the changes that come with organizational restructuring require adjustments in the way people think and act, cultural change is extremely important for the new systems to function.

Heugens and Schenk explain that portfolio restructuring usually occurs from the managerial insight that follows a divestiture or acquisition. The managers are forced to think about what the scope of their organization should be. A decision could hence be made to diversify in order to make use of excess resources, or an inverse decision of down-scoping can be made to prevent the organizations core competencies and assets to be diluted.

Steiner introduces his article with two managerial imperatives, i.e. “diversify or die, and diversify by plan”. Although Steiner’s article was written decades ago, the message is clear and still very relevant for organizations. Diversification has proved to be successful for many firms in the past, and organizations continue to use diversification as a means of attaining competitive advantage.

Our study deals with the insurance industry, and therefore it is of interest for us how firms in this sector should deal with the issue of diversification. According to the theories mentioned earlier in this chapter, insurance companies are facing competition not only from other insurance companies, but also from other financial institutions such as banks. The product-range offered by financial institutions has widened in order to retain customers over time.

3.4 Summary of Theoretical Frame

The theory chapter has shed light on various theories that are seen as relevant for our research question. The first part of the chapter introduced the reader to the current situation in the insurance industry by providing a brief historical background of the changes that have taken place over the past decades. This part was chosen as the

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foundation for establishing constant change as an inevitable phenomenon. Based on this phenomenon two main chapters concerning customer and organization related changes were broadly examined in our theoretical framework.

The customer related change theories highlighted various theories that are important for our empirical study about customers’ preferences. It has been presented that customers’ preferences can be both well-defined and inconsistent. Different factors such as experience, innovation, learning, and social environment can have impact on the choice of services and products. Some additional factors such as age and income could be of decisive nature in the choice of services by young people. Furthermore, access to information and taking initiative for receiving information about desired services is also an essential aspect in the purchase of products and services and construction of preferences. Moreover, customers’ attitudes towards bundle services are examined, implying that customers are mostly positive to bundles because they can get discounts, lower price or simply save money. However quality is a close second to price and if customers’ do not receive better quality through a bundle, they may have a negative attitude towards bundle services feeling that they are paying in excess or for something that is not with it. Lack of complete information about other components included in a bundle can also result in negative attitudes towards bundles. Some components in a bundle can also be considered as optional and unnecessary for some buyers. Additionally, some products that have been trendy at one point in time turn out to be not trendy tomorrow. As soon as goals, constraints, life situation and knowledge change customers also change their preferences. These conclusions are strongly connected to organization related change since organizations must adapt to the changes in customers’ preferences, and the theories related to this are summarized below.

The organization related change theories highlight various theories that are relevant for analyses of the empirical data. We begin with presenting the concept of competitive advantage which is relevant for organizations to understand in order to remain competitive over time and retain customers when their preferences change. Additionally, the ways of reaching and acquiring young customers by companies are emphasized since for the purpose of our study it is essential to know how insurance companies get hold of and inform customers. Furthermore, the retention of customers is very significant since customers’ preferences change over time and companies face the challenges of keeping their customers and also attracting new ones. In order to retain customers companies offer a wider range of services and try to build relationships with their customers. In order to retain customers and build relationships, it hence becomes necessary to educate and inform customers about the services provided. By doing this companies could gain customers who would be loyal to the company over a long time. In order to maintain and retain customers over time companies need to consider the possibility of continuous change through a shift in mindsets, made possible through restructuring. Two main kinds of restructuring are presented in connection to the purpose of our study. These are organizational restructuring and portfolio restructuring. Organizations should instill change into their company culture and develop strategies in order to meet the changes in customers’ preferences over time.
Summarizing the above said the customer and organization related changes are intertwined. For instance, when customer related change occurs then organizations need to adjust themselves accordingly in order to remain profitable. Similarly, when organization related change occurs customers thoughts and expectations also change. This might affect their preference construction and therefore choice of services and products. The model presented below summarizes the relevant theories in our study of customers’ preferences of services provided by insurance companies and shows the connections between these theories and the theories of organization related change. The same theories were used as the basis for the interview guides in the collection of the empirical data presented in chapter 5.

**Figure 1 Conclusive Model of Theoretical Framework**
4. Practical Methodology

“There is your way, my way and the right way” – American proverb

This chapter discusses the data collection methods used for the compilation of data in this study. The purpose of this chapter is to explicitly describe the practical aspects concerning the collection of data which took place in the form of semi-structured interviews with LFV and two focus groups. We discuss how the interview questions were compiled, how the interviews were conducted and documented and how the results will be presented.

4.1 Creation of Interview Guides

This part of the chapter deals with the process undertaken to create the interview questions used during the interviews. We have used two types of interviews with differing questions in order to compile the data used in this study. All data was collected in Umeå, through an interview with LFV and two focus group interviews with 5 people each between the ages of 18 and 27 representing potential customers of the services provided by insurance companies.

Since we conducted two types of interviews, one with an insurance company and another with the focus groups, we prepared two separate sets of questions. The two main themes, i.e. customer related and organization related change, in the theoretical framework were used as guidelines for the questions in the interviews. The first interview with LFV was based on the theoretical part pertaining to organization related change. Each subheading under organization related change was taken as a theme i.e., competition, reaching the customer, corporate restructuring, and the widening range of services to retain customers. Questions related to each of these themes were then formulated (see appendix A).

The same process was used in order to create the interview questions for the focus groups. The themes were taken from the theoretical part dealing with consumer related change, i.e. preferences, information about services, services desired from insurance companies, and continuous change in customers’ preferences. Relevant questions were then formulated according to theory and certain aspects of interest that arose during the interview with LFV (see appendix B and C)

4.2 Semi-structured Interview with LFV

The need to interview LFV had two main purposes. First we aimed to gain a better understanding of the services provided by LFV and their organizational structure. Secondly, in order for us to be able to come with suggestions for improvements of LFV’s

ability of meeting the changes in young customers’ preferences over time we needed to understand their current service provided for this particular group of customers. In order to get detailed information, we chose to conduct a semi-structured interview with three persons holding leading positions at LFV. The three people were interviewed in a group since they represent various parts of the organization i.e. management of sales and administration and we believe their combined views give us a wider understanding of LFV’s activities.

In the semi-structured interview the interviewer has a series of questions that are in general constructed in a form of interview schedule. However, the schedule allows varying the sequences of questions and asking further questions in response to significant answers. The answers to the questions posed are summarized according to the themes and presented under the Empirical Findings chapter as the combined view of the leadership at LFV. Below, we present the practical aspects of conducting this interview.

4.2.1 Practical Aspects of Interview with LFV

We contacted the CEO assistant, who also is in charge of this project, who then recommended two other people for the interview. These three people, representing the management at LFV, hence became the participants of our interview. The interview with LFV took place at their main office in central Umeå on the 7th of December 2007. The interview was conducted in Swedish due to two main reasons. First of all it was convenient for the interviewees since it is their main work language and secondly, due to the fact that some definitions of services and the way they are provided can be difficult to explain in English. In terms of time the interview lasted about one and a half hour. Recording equipment such as tape recorder and video camera were used in order to aid the later transcription of the interviews.

The tasks between the interviewers were divided in the following way. One of us had the responsibility of installing the video camera and tape recorder as well as starting them when beginning the interview. The same person had an interviewer role when following the interview schedule she asked questions. The other person had the responsibility of writing down keywords and sentences that would help us when transcribing the data. This person also acted as controller of the information received and intervened when some additional question needed to be posed. Both of us acted as listeners and observers during the interview process.

The interview started with a presentation of the interviewers, the purpose of the study, and the purpose of interviewing LFV. During the interview we mainly relied on the interview schedule. However, at several occasions we had a need to ask further questions in order to get a clearer answer or redirect the discussion to areas relevant to our study. We ended the interview by thanking the respondents and asking them for the opportunity

to contact them in the case of further questions. After transcribing the interview we contacted LFV for their approval for publishing the data.

4.2.2 Criticism of Semi-structured Interview with LFV

We felt that we had good contact with our respondents and they seemed interested in providing us with significant information about LFV’s activities. The interview was relaxed and respondents were open and gave detailed answers to most of the questions. However, there were two occasions when the respondents did not really understand the questions when first hearing them and asked if the interviewer meant one thing or another. This may be due to our modest experience as interviewers. However, the interviewer rephrased the questions by giving one or two keywords in order to make it more comprehensible. There also had been occasions when follow-up questions were asked in order to get more detailed information.

Another thing that might be negative for this study is that the respondents, in a role of assigner, have provided us with a very positive picture of their organization. However, we are aware of such a possibility and have tried to be as neutral as possible when selecting the relevant information from the interview to present in the study and when analyzing this data. We also acknowledge the fact that the interviewees’ positions in the company as well as their own experience with youth such as own children can have affected their perspectives.

4.2.3 Presentation and Analysis of Interview with LFV

The transcription of the data went well. We had good quality sound and could write down what was said by the respondents, verbatim. After transcribing the interview we summarized it according to the themes that are of interest for this research and of course by doing this we did not include everything that has been discussed at the interview. The summary has also been translated to English since this paper is written in this language. Thus, we are aware of the fact that there might be some misinterpretations and maybe some facts are not included in the summary. However, we checked everything twice and are convinced that the most essential parts have been compiled in the summary of the interview which could be made available in certain circumstances, upon request to the authors. The analysis of the data is made through interpreting what is presented in the empirical findings, through a theoretical lens, with a focus on trying to find connections and assumptions linking existing theories and our results.

The translations were made with the help of dictionaries and encyclopedias, and in cases where exact words could not be found to describe Swedish words or phrases, we opted to describe the meaning instead or just translating the text. We verified certain information gained through the interviews by reading brochures and advertising material from LFV as well as the information accessible through their webpage. This can be seen as a form of
verification that the data is correct, by checking various sources for the same data. This process is called triangulation and increases the authenticity and validity of the data.\textsuperscript{99}

In chapter seven we provide concrete suggestions for LFV by referring to the interview with them in connection with the empirical data collected through the focus groups. The suggestions provided for LFV are also strongly connected to the organization related theory part.

### 4.3 Semi-structured Interview with Focus Groups

For the purpose of studying young customers’ preferences of services provided by insurance companies, we have chosen to collect data through semi-structured interviews with focus groups. Below we provide arguments for the combination of the focus group and semi-structured interview after providing an introduction for the choice of focus groups.

A focus group combines elements of both individual interviews and participant observation in groups\textsuperscript{100}. Therefore, focus groups provide a method to collect several interviews at one point in time. First it gives the possibility to receive the individual’s opinions on the studied subject. Secondly, it also allows observation of the impact of the participants’ answers on each other’s answer when discussing the subject together. We believe that the choice of our subject which deals with changes in customers’ preferences is an area which can be affected by what other people think and say. Therefore we bring them together in focus groups to be able to capture such an aspect.

We believe that a focus group interview is a good option when researchers are unsure of distinct characteristics and perspectives that may be of importance to the research question. These characteristics and perspectives may emerge through the discussion among the people in the group. Interviews in focus groups are also a good method for the discussion of topics that people could converse about in their daily lives, but for various reasons, usually do not\textsuperscript{101}. We believe that insurances are such an issue which people discuss only if they already have acknowledged a need for such a service. When asking people straight out what their preferences are about insurances they may not know and perhaps when someone else says something, ideas might be triggered in their heads. Hence, we wish to understand the perspectives of the individuals, as well as hope for a fruitful result of the combined discussion of these individual perspectives, that may lead to new jointly constructed perspectives within the group.


By asking the respondents questions related to the themes derived from the theoretical part dealing with customer related changes, we aim to gain a better understanding of young customer’s preferences of the services provided by the insurance companies in Sweden. Since we are interested in the entire context of the situation young people are in, we did not want to limit the respondents’ answers by having stringent questions and hence opted for a semi-structured interview where we could add additional questions if something interesting came up, or probe the respondents if needed.

4.3.1 Selection of Participants

A focus group interview is usually conducted to acquire specific types of information from a clearly identified group of individuals. Therefore, people who are invited to participate in a focus group must be willing to give the required information and they also must represent the population of interest for the study. Thus, the focus group participants are selected due to some prior knowledge of their involvement in a particular situation and are asked questions related to that. For example, the groups chosen for this study consist of people between the ages of 18 and 27, who are believed to have opinions and thoughts about their expectations from an insurance company. The interaction within the group is then analyzed and focus is placed even on the joint construction of meaning.

The only definite characteristic used in order to select participants for the focus groups was age. However, only people whom the researchers had some prior knowledge about were selected. We tried to include people who are home owners, car owners, and have children as we believed these people were likely to have insurances. We also aimed to include people who live with their parents as we believed they would have differing views and varying information about insurances and insurance companies. We were unfortunately unable to include anyone who has children or owns a home, but were able to include those who live with their parents, own vehicles, and have pets. We used snowball sampling, contacting people we know to begin with and asking them to recommend others. We personally contacted all the respondents on their cell phones and explained the procedure of the interview. The ten participants were divided into two groups according to the convenience of time for them to be able to participate.

4.3.2 Practical Aspects of the Focus Group Interviews

Both focus group interviews were conducted at Umeå University on the 17th of December 2007. The first interview was conducted at 11:00 a.m. and the second one at 13:30 p.m. Both interviews lasted for approximately 90 minutes. Both groups comprised of five respondents each and both interviews were conducted in the same manner. The respondents arrived in time and both authors presented themselves as they arrived. The

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respondents were offered coffee and some snacks in order to create and informal environment where they would talk as they would during a normal coffee break. The respondents were informed of the purpose of the interview and the procedure was explained to them. Also their consent was asked before the video camera was switched on. The interview was recorded in order to be able to aid in transcription and interpretation, being able to distinguish who said what as well as take into consideration subtle gestures, nods and other aspects that contribute to the construction of meaning. The respondents were informed that they will be kept anonymous in the study and an opportunity was given to ask questions pertaining to us or the study. No one asked any questions.

The respondents were then asked to begin by filling in a questionnaire (see appendix B) with a few background questions. The purpose of these questions was to get the respondents to start thinking about the topics that would be discussed later. Then we began asking questions from the interview guide (see appendix C). Respondents were encouraged to answer one by one and then discuss their responses by asking each other questions and providing further arguments for their reasoning. Additional questions were asked when new concepts, not included in the interview guide, came up and key-words or examples were provided when respondents seemed lost or the questions appeared unclear. Both interviewers had an active role in asking questions, with one asking the questions that had been prepared and presented in the interview-guide, and the other adding examples, suggestions, or additional questions when the need arose.

The interviews provided rich and diverse information, however sometimes the respondents were not sure and needed time to think before they could answer. Sometimes respondents said that they “do not know” or “are not sure”, however most of the time, they did have something to add once others began talking. Hence, we believe that everyone was given a chance to express themselves and that the interviews represent the opinions of all individuals in the group as well as the group as a whole, not denying the existence of disagreements within the groups.

4.3.3 Criticism of Focus Group Interviews

Despite the advantages of our data-collection method, we acknowledge that it has certain shortcomings. One critique of semi-structured interviews in focus groups is that when a certain person mentions something or begins talking about a theme, the conversation can easily become directed or focused on that theme. Hence, a problem exists with being sure about if the information gathered mirrors individual behavior\(^\text{104}\). However, since we are interested in both individual answers as well as the joint construction of meaning, we believe this does not have to be a problem. If the respondents influence each others opinions in the interview, they probably would do so even in real life situations. Another problem with focus groups is that if a respondent considers certain information sensitive, he or she may opt not to disclose it because other people are present. This is because, even if the researchers have assured anonymity, the presence of others means that they

\(^{104}\text{Morgan, David, L., (1988), Focus Groups as Qualitative Research; Sage Publications, California, p 21}\)
can react to or pass on information which might not have been a problem in individual interviews. This can be problematic because it reduces the control of the researcher over the data that is collected. Additionally, the “small number of respondents that participate even in several different focus groups and the convenience nature of most focus group recruiting practices significantly limit generalization to larger a population.”

4.3.4 Presentation and Analysis of Focused Interviews

To begin with, the data was transcribed verbatim in Swedish. The next step was to sift through the information and translate the relevant parts to English. Dictionaries were used in cases where we were uncertain and when suitable translations of words could not be found, we used the Swedish words in quotation marks and explained what they mean. The data is presented in the empirical findings, divided into various themes, created by combining the responses to related questions. In order to make reading and associations more comprehensible, we have chosen to give the respondents assumed names for the purpose of this study. The names do not correspond to the real names or identities of the respondents in any way.

Tabulations have been used in the presentation of data, summarizing the responses to the background questions posed in the questionnaires handed out at the beginning of the interviews. Smaller tables have also been used after each theme, summarizing the essence of the responses to the various questions. The analysis is then based largely on these tables which provide a starting point for linking the results with the theories presented in the theoretical part of the study. Connections are made through interpretations and parallels are drawn between theory and empirical findings. In connection with each theme, the analysis leads to a presentation of the implications of the findings for insurance companies and in light of organization related theories, general suggestions are provided. This is followed by specific suggestions for LFV, based on their current circumstances.

105 Morgan, David, L., (1988), Focus Groups as Qualitative Research; Sage Publications, California, p 21
106 Stewart, David, W., & Shamdassani, Prem, N., (1990), Focus Groups: theory and practice; Sage Publications, Newbury Park, California, p 17
5. Empirical Findings

"Questioning is the door of knowledge" – Irish proverb

This chapter contains a presentation of the data collected through the various interviews conducted in order to fulfill the purpose of this study. One of our purposes was to understand young customers’ preferences regarding the services provided by insurance companies. This purpose was fulfilled through the interviews with the two focus groups and the results are presented in this chapter. The second purpose was to provide insurance companies with useful suggestions for further improvements in becoming more customer-oriented. The second part of this chapter is a presentation of data collected through an interview with LFV. This interview provides an overview of the organization today and we will use this in the analysis part of the study in close connection to the data in the focus group interviews, to provide suggestions for LFV.

5.1 Semi-structured Interviews within Focus Groups

In this part we present the data collected from the interviews with the two focus groups. Table 1 and 6 are used to present the data collected through the questionnaire handed out before the verbal interview. The part following the tabulation deals with the responses to the various questions in our semi-structured interviews and the discussions are presented under various themes that correspond to the themes in the theory chapter. We then have sub-themes in order to better capture the essence of the topic being discussed by the participants.

The data is presented in this way in order to allow the reader to build an understanding of each respondent as an individual at the same time as the group dynamics are made visible through the discussions among the respondents. We wanted to create ease in separating various themes, even if certain aspects are interlinked and similar things can be discussed under various themes. We chose to present each group separately because there were significant differences between the groups and this could more easily be shown by presenting the data separately. The division of the presentation of the data concerning the two groups also allows us to make comparisons between the groups in the analysis part of the study.

5.1.1 Focus Group 1

This part comprises all the relevant data collected during the first focus group interview. First we present a table with a summary of the data collected through the questionnaire with background questions and this is followed by a rich presentation of the discussions in the group.

107 Think exist website, searched for quotations, [cited 20071202]
http://thinkexist.com/quote/questioning_is_the_door_of/158601.html
**Table 1**  
Focus group 1: Summary of Background Questions

<table>
<thead>
<tr>
<th></th>
<th>Anna</th>
<th>Bill</th>
<th>Chris</th>
<th>Danielle</th>
<th>Eric</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td>Female</td>
<td>Male</td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td><strong>Civil Status</strong></td>
<td>Single</td>
<td>Cohabited/ Married</td>
<td>Cohabited/ Married</td>
<td>Cohabited/ Married</td>
<td>Single</td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td>Live at parents’ home</td>
<td>Rent</td>
<td>Rent</td>
<td>Rent</td>
<td>Live at parents’ home</td>
</tr>
<tr>
<td><strong>Have children</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Own a vehicle/ number</strong></td>
<td>No</td>
<td>Yes, 2</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Primary source of supporting CSN/wages</strong></td>
<td>CSN and wages</td>
<td>Wages</td>
<td>CSN</td>
<td>CSN</td>
<td>CSN</td>
</tr>
<tr>
<td><strong>App. monthly income/CSN/both</strong></td>
<td>3500 SEK</td>
<td>9000 SEK</td>
<td>7300 SEK</td>
<td>8000 SEK</td>
<td>2300 SEK</td>
</tr>
</tbody>
</table>

**Preferences**

*Which Insurances, Where, and Why*

All respondents have insurances, and four of them have home insurance. Bill and Chris who rent their own accommodation subscribed to home insurance because they received good offers for students living in corridor rooms and felt it was worth it. Chris actually switched insurance companies because he was offered a good deal for students in combination with moving into his own room. They both think it is worth it and Chris says, “It feels safe to have home insurance, in case something would happen”. Danielle has life insurance purchased by her parents, and home insurance which she bought by acquiring comparative information on a website which helped her find the cheapest alternative. Anna has a travel-insurance at Folksam because her family has insurances there. They have considered changing insurance companies, in order to get a better price. She says that, “as a student you do not have so many things and want the lowest possible price”. Eric is the only one in the group who does not have a home insurance. He has a laptop bought from Acer which he insured through the company. However, since he lives with his parents, he is probably covered by their home insurance.

*Other Services and their Pros and Cons*

None of the respondents had any services apart from insurances at an insurance company. They generally seemed to be unaware of which other service exist. Chris shared that Lånsförsäkringar has banking services but that it does not feel so well-established. The discussion about having other services ended abruptly since no one had any and respondents were instead asked about which advantages and disadvantages they think exist with having other services at an insurance company.

The group had two main points of view on this topic, one of skepticism towards insurance companies offering banking services, and the other was more positive towards
additional services. Eric and Chris seemed skeptical towards having other services at an insurance company. They believe insurance companies should not diversify too much but rather stick to their core competencies. Chris believes that by having many services at one place you really tie yourself up and switching becomes difficult. He says that, “maybe it is a good idea to have things scattered out a bit.” Further, Chris is unsure about how long insurance companies have been offering banking services, but says that it does not feel as secure as at an ordinary bank. He also feels uncertain whether insurance companies can help him with investments. Danielle adds, “It feels like they don’t have banking as a primary thing”.

Danielle and Bill initially thought there are advantages of subscribing to the same company, such as getting better benefits, discounts, and multitude rebates. However, they seem to be influenced by the skeptical remarks of Chris and Eric. Anna mentions that “if you have everything gathered at one place maybe you can go to the same person and that’s good”. Eric agreed with her.

**Services Desired at Insurance Companies**

The group seemed confused when asked about which services they would like to be offered by an insurance company. After a while Eric responded that he would like to be offered “insurances” and everybody laughed. The moderator saw the need to ask an additional question about which kinds of insurances they desire.

Eric wants an insurance to cover everything once he has signed it, would like clarity in what insurances cover, and less exceptions. Anna would also like the exceptions to be clear. Chris is afraid of finding himself in a dispute with insurance companies due to the complexity and all the small print in their contracts. He wants clarity in the contracts so that one can take bigger responsibility. Chris would also like to be allocated a personal insurance advisor who contacts him from time to time. Danielle presupposes that she will not understand the text in the contract and would like the service of being informed about how to go about things when she needs insurance. She also feels it is good to have someone to contact and that they are there to answer questions. Eric is however skeptical of personal insurance advisors who have a motive of selling and Anna agrees with him. Bill would like more clarity in regards to home, travel, and other insurances. He says that, “it’s much clearer when it comes to cars, there they have distinct levels, but with everything else it’s like a jungle”.

**Table 2**

Summary of Preferences

<table>
<thead>
<tr>
<th></th>
<th>Which insurances, where, and why</th>
<th>Other services(apart from insurances) &amp; pros &amp; cons</th>
<th>Services desired at insurance companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anna</td>
<td>Home at Folksam; Lowest price.</td>
<td>Pro: same contact person for all services.</td>
<td>Skeptical of personal advisors from company. Clearer exceptions.</td>
</tr>
<tr>
<td>Bill</td>
<td>2 car insurances &amp; home at LF; good offer for corridor room through flyer, basic security.</td>
<td>Pro: better benefits, receiving discounts.</td>
<td>More clarity in regards to all insurances apart from car because it is like a jungle.</td>
</tr>
<tr>
<td>Chris</td>
<td>Home at LF; feels safe, good</td>
<td>Informed group that LF has</td>
<td>Better customer contact, personal</td>
</tr>
</tbody>
</table>
Information about Services

Information Access and Information Desired
Danielle receives information from insurance companies in the mail. But if she would need to gather information she would use the internet, ask someone who is aware of insurances, or call. Eric agreed with Danielle. Bill states that if one has the need, due to buying something expensive or traveling abroad, then he would probably check things up in order to get the best price, and see what is covered. Chris uses the internet to begin with, and as a second step he would call, but he is apprehensive of phone queues. He adds that, “It doesn’t feel like one’s very loyal towards an insurance company, I mean if it’s cheap one takes it”. Bill agrees with Chris. Anna does not actively search for information. For information about insurances and insurance companies the respondents consult parents, siblings, friends and acquaintances. Eric, however, says that he does not consult anyone.

The moderator asked a spontaneous question regarding compensations from insurance companies. Bill had been compensated for a car theft and everything worked well. Chris however injured his knee and his home insurance did not cover it. He describes the contract as “ugly” since he had to check many boxes and they alternated the questions by asking positive and negative questions after one another. He did not receive any compensation and really felt fooled, so he switched companies.

When asked what kinds of services they desire from insurance companies and why, Eric replied, “clarity on what they cover” and Bill added, “and what they don’t cover”. Eric wanted to know how difficult it will be for him in the case of an accident. He wonders if the insurance company will be accessible for him. “Is it enough for me to make one phone call or will I have to send papers back and forth for half a year?” He would like to have information about what they offer and prices. Danielle adds that she would like to know what they have, what it costs, and also if “the price corresponds to the service”.

<table>
<thead>
<tr>
<th>Deal for student through flyer and mail in connection to moving in to student room, covers a lot.</th>
<th>Banking, Con: Not well established, tie yourself up to one company, big deal if need to switch. Not secure to have banking, skeptical towards help with investments.</th>
<th>Insurance advisor who contacts him. Clarity in contracts.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Danielle</td>
<td>Life through parents &amp; home; cheapest alternative</td>
<td>Pro: points, multitude rebate. Con: banking not primary activity, not as good as traditional banks.</td>
</tr>
<tr>
<td>Eric</td>
<td>Laptop at Acer; expensive things mean high risk and need to be insured.</td>
<td>Skeptical to add-services. Negative to companies providing add-services apart from core competence. Pro: good prices to attract customer. Agrees with Anna.</td>
</tr>
<tr>
<td>Group</td>
<td>All have insurances, price and good offers for students are important.</td>
<td>None of them have add-services, seem unaware. Participants seemed to be influenced by one another</td>
</tr>
</tbody>
</table>
Contact Preferences
When the respondents were asked how, where, and when they would like to be contacted by or be able to contact an insurance company the group uttered a unanimous dislike for telemarketers. Chris is not interested when they call him or knock at his door, but when he calls he dislikes being connected to overly stressed people at call-centers who cannot answer his questions. Eric says, “I would never buy from a telemarketer…I don’t like it…it feels as if they tell lies to sell since they are paid according to the amount they sell”. He never wants people to look him up, but wants to look them up himself. If he has to sign something he finds it convenient to go to them in the afternoon and meet someone and be able to ask questions. Anna disagrees and says that she can become curious if contacted by a telemarketer. Danielle would like an insurance company to contact her and inform about the services they offer. Then she could acquire further information via a webpage if she was interested rather than the insurance companies, “trying to sell you something right now”. Bill prefers going to the company himself, and Danielle would like to walk into an insurance office when she has a clear motive for being there. She says, “If someone contacts me and wants to sell insurances I might not have any motivation for talking about insurances”. Anna agrees with Danielle.

When asked about acquiring the insurances they hold today Bill and Chris said that LF had a flyer at university with an offer for corridor rooms. Bill says that he has cars insured at LF because they were the cheapest of the biggest companies. However, he has found a cheaper alternative now and is considering switching. Regarding the contact times offered by insurance companies Bill states that it is a problem that the offices are open during “office hours” because, “one works during those times”. He suggests being open during the weekends. Eric adds that he would like them to have telephone hours in the evenings.

Type of Contact Desired from Insurance Companies
Eric prefers personal contact with insurance companies. He says the internet is very good for information but does not want to sign any contracts over the internet. Anna prefers both personal and internet contact. Danielle agrees, “Internet is accessible at all times and personal contact is good because I can ask them questions if there’s something I don’t understand”. Bill says, “The disadvantage with internet is that it is one-way communication, you can’t ask questions as they pop up or if they regard a special case”.

### Table 3
Summary of Information about Services

<table>
<thead>
<tr>
<th>Information access and why</th>
<th>Information desired from insurance companies</th>
<th>Contact preferences</th>
<th>Type of contact desired from insurance companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anna</td>
<td>Does not actively search, maybe if something expensive is bought, can ask parents</td>
<td>No comment on the topic</td>
<td>Can be curious when contacted, would prefer to go to them</td>
</tr>
<tr>
<td>Bill</td>
<td>If something big or expensive is bought maybe one can checks things up; to get the</td>
<td>Clarity on what they cover and do not cover</td>
<td>Prefers going to the company, does not want to be phoned up. Problem with office</td>
</tr>
<tr>
<td></td>
<td>Best price, consults friends and acquaintances.</td>
<td>Hours, suggests having open during weekends.</td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>-------------------------------------------------</td>
<td>---------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Chris</td>
<td>Uses the Internet as first step, then calls but is irritated by phone queue; feels that one isn’t very loyal towards insurance companies, takes what is cheap.</td>
<td>Injured knee once and felt fooled by insurance company since the contract was ugly, so he switched. Wants clearer contracts.</td>
<td>Not interested when company contacts him. Dislike of standardized answers at call centers. Wants phone to be answered by those who can answer questions. Do not comment on this issue.</td>
</tr>
<tr>
<td>Danielle</td>
<td>Info she has is whatever is sent by companies by mail. Uses internet and asks people who are aware, parents and siblings.</td>
<td>Info about if their prices correspond what they offer.</td>
<td>Does not want to be called, wants to walk it to them herself, would like them to contact her so she knows they exist but not try to sell things.</td>
</tr>
<tr>
<td>Eric</td>
<td>Internet and asks relatives, but if insurance is needed he would probably call.</td>
<td>Clarity on what they cover, info about how difficult it will be for me if something happens, what they offer and prices.</td>
<td>Never wants company to look him up, wants them to be available &amp; have phone hours in evenings.</td>
</tr>
<tr>
<td>Group</td>
<td>Internet usage is prevalent, people in surrounding are asked, general dislike of telemarketers.</td>
<td>Clarity of contracts &amp; what is included &amp; not included, this seems to be the major type of info desired.</td>
<td>Unanimous dislike for telemarketers. Most want to contact insurance companies themselves.</td>
</tr>
</tbody>
</table>

### Preferences Regarding Bundle Services

**Perceptions about Bundles**

Regarding perceptions about bundle services, Anna stated that, “I’m not so much for bundles because they always contain something that I don’t need”, and Bill agrees with her. He says, “The probability is large that you will end up with unnecessary costs”. Eric is positive towards bundle offers because they are often cheaper. Danielle says it would be fun to be able to create one’s own bundles. Bill is skeptical and mentions an example from the television industry where buying the bundle would be cheaper initially but after half a year it would entail paying more because the offer ends.

When asked about their view regarding service bundles from an insurance company, Anna and Bill said it depends on what it includes. Chris stated that, “with the income one has now, price is extremely important”. Bill and Danielle agree. Eric and Danielle feel that home insurance is like a bundle because it covers many things, is convenient, and has a good price. Anna agrees. Eric would like independent reviews on how good various bundles are and what they cover.

When asked about other services, apart from insurance services, included in a bundle Bill mentioned that some company had a bundle offer with insurances and banking, but he was not really interested. He already has a bank and it would be a “lengthy procedure” to switch. Chris wonders if insurance companies really know anything about banking.
**Bundle Services Desired from Insurance Companies**

Bill would like to have, “Some kind of basic survival kit with supplementary insurances”, and he would like insurance companies to convey this information and offer a good price. He adds that the bundle should be basic and as one’s life circumstances change, other things could be added in. Chris agrees with Bill and adds, “Something standardized like home insurance is now but also covering your trips abroad and that your things are insured even if you’re moving”. Danielle would like to have something that covered lost baggage when traveling, and a bundle including “Everything concerning travel, accidents and home”. Eric would like many different packages to suit his needs.

Chris thinks it is difficult to trust insurance companies and this makes him doubtful regarding bundle services. He says, “It feels as if the insurance companies have a reputation to work with and it feels as if the generation before us really got fooled”. Danielle mentions that she would like to have more advice and Bill agrees. Eric says that he would like advisory services but not from representatives of the insurance companies but rather from an external advisor.

When asked to elaborate on the topic of having banking services at an insurance company Anna says, “I wouldn’t do it”. Eric would rather have his insurances at a bank because he thinks they have a better reputation than insurance companies. He thinks banks have a greater interest in satisfying customers. Danielle says because she has little information, she would like to stick to the core services offered by companies. She also says, “I would never switch anything that I already have because it’s too much hassle...if I really had to I would switch, but it wouldn’t be voluntary”. Chris agrees saying that, “It takes more time than it’s usually worth...if I earn 100 SEK by switching and it takes me two hours to fill in all the paper work, I wouldn’t do it”.

### Table 4
Summary of Preferences Regarding Bundle Services

<table>
<thead>
<tr>
<th>Perceptions about bundles</th>
<th>Bundle services desired from insurance companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anna</td>
<td>Not for bundles, always include something not needed</td>
</tr>
<tr>
<td>Bill</td>
<td>Agrees with Anna, risk for unnecessary costs, skeptical as hidden costs can appear after a certain time. Not interested in banking services at an insurance company</td>
</tr>
<tr>
<td>Chris</td>
<td>Depends on product, many good TV and internet related bundles including service for a good price, with current income price is very important. Skeptical about insurance companies knowledge of banking services</td>
</tr>
<tr>
<td>Danielle</td>
<td>Sees home insurance as a bundle and feels it is convenient and a good price</td>
</tr>
<tr>
<td>Eric</td>
<td>Positive toward bundles, as they are cheaper than buying things separately. Sees home insurance as a good bundle, ease for customer, would like independent reviews on bundles</td>
</tr>
</tbody>
</table>
and more interested in satisfying customers

| Group | Differing views about bundles, arguments for and against. Skepticism regarding banking services at insurance company | Skepticism towards bundles offered by insurance companies, trust issues are evident; negative towards banking at insurance companies is evident. |

Inclination of Having/Not Having the Same Preferences

Changes in Preferences over Time

When the respondents were asked if they ever switched banks or insurance companies Anna replied, “No, I’m happy with what I’ve got, especially the bank”. Bill says, “I’ve had the same bank for a long time, I’m going to switch insurance on the car”. Danielle also says, “I’ve had the same basically all the time”. Chris has switched insurance companies but had the same bank for a long time and says that “One of the reasons I switched was because of a dispute and also because they came with a good offer when I moved”.

When asked how they would react to changes in life circumstances Anna said, “I think one would demand different services, for example when one starts working or moves in with someone”. Bill adds, “Now, one’s more interested in prices…but in the future maybe one can consider getting larger coverage for different insurances”. Eric remains skeptical and says, “If one knew that the insurance will cover everything and there won’t be any problems, then I think one would perhaps consider paying more”. Chris states, “obviously”…if you earn a lot you would probably want better insurance. Danielle mentions changes like settling down somewhere or having children. She would then take more responsibility and check what various insurances cover.

Table 5
Summary of Inclination of Having/Not Having Same Preference

<table>
<thead>
<tr>
<th>Changes in preferences over time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anna</td>
</tr>
<tr>
<td>Bill</td>
</tr>
<tr>
<td>Chris</td>
</tr>
<tr>
<td>Danielle</td>
</tr>
<tr>
<td>Eric</td>
</tr>
<tr>
<td>Group</td>
</tr>
</tbody>
</table>

5.1.2 Focus Group 2

The following table and the data presented below it comprise all the relevant data collected during the interview with the second focus group. Table 5 summarizes the
responses to the background questions and the following text handles the data collected through the discussion questions.

Table 6
Focus Group 2: Summary of Background Questions

<table>
<thead>
<tr>
<th></th>
<th>Adrian</th>
<th>Beatrice</th>
<th>Camilla</th>
<th>Denise</th>
<th>Ed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td>21-24</td>
<td>21-24</td>
<td>21-24</td>
<td>21-24</td>
<td>21-24</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td>Male</td>
<td>Female</td>
<td>Female</td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td><strong>Civil Status</strong></td>
<td>Cohabited/Married</td>
<td>Single</td>
<td>Single</td>
<td>Single</td>
<td>Cohabited/Married</td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td>Rent</td>
<td>Rent</td>
<td>Rent</td>
<td>Rent</td>
<td>Rent</td>
</tr>
<tr>
<td><strong>Have children</strong></td>
<td>No</td>
<td>No</td>
<td>Yes, 1</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Primary source of supporting</strong></td>
<td>CSN</td>
<td>CSN</td>
<td>Wages</td>
<td>CSN</td>
<td>CSN</td>
</tr>
<tr>
<td><strong>Approx. monthly income/CSN/both</strong></td>
<td>7000 SEK</td>
<td>2500 SEK</td>
<td>5000 SEK</td>
<td>7000 SEK</td>
<td>7000 SEK</td>
</tr>
</tbody>
</table>

Preferences

Which Insurances, Where and Why
Adrian has home insurance at LF. He says that the cost of insurance is essential as well as “självrisken”, which means the amount of the cost of damage that must be paid yourself. Beatrice has home and travel insurances at LF. For her the price is a decisive factor when purchasing insurance. Camilla has home, accident, traffic, and car insurances at LF, for her dogs she has life, accident and veterinary insurances at IF, and Jusek insurance at the university. She also has “drulleförsäkring” and by this she means an insurance that covers damages caused by the insurance-holder due to clumsiness. She explains that she has insurance for her dogs in the case of accident. Denise has home insurance at LF and damage and accident insurances at Trygg Hansa. She has a good contract at LF. Considering home insurance she has got good annual bonuses and thinks, “it is worth to have insurances”. Ed has car insurance at Dinaförsäkringar, home and life insurances however he does not remember where. He has these insurances in the case of accident.

Other Services and their Pros and Cons
Adrian does not have any other services except insurances. He explains that, “the disadvantage with having all services at one insurance company is that the company would have complete insight into my economy”. Beatrice has banking services at LF. For her a disadvantage is that the insurance company does not cooperate with other banks. She also gives an example from her experience when having trouble with transferring money to a foreign bank account. However, she says that the advantage could be, “the personal contact with someone at the company whom one would have trust for”. Camilla says that she did not know that insurance companies provide other services. She states that, “it is good and convenient to have everything at one place”. But on the other hand, if
something happens to the insurance company it would cause problems and therefore she has several banks. Denise only has insurance services at an insurance company, but thinks that one could get a better price when having all services at one place. Ed agrees with Denise.

*Services Desired at Insurance Companies*

On the question about which services the respondents would like to be offered by an insurance company Adrian seemed unsure. After the moderator provided some examples, Adrian responded that, “I want the insurances that I currently have”, and would like the amount of the “självrisk” to be adjusted to the amount paid for insurance. Beatrice would like to have “a flexible insurance” so she could purchase a base home insurance and then when needed include additional services. She does not want to be offered pre-decided services in a bundle. Camilla would like easiness in contacting those who can help her. Denise does not desire any additional services as she is happy with what she has. Ed agrees with Denise and adds that he would like to have contact with the right person.

**Table 7**

<table>
<thead>
<tr>
<th>Services desired at insurance companies</th>
<th>Other services (apart from insurances) &amp; pros &amp; cons</th>
<th>Which insurances, where, and why</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adrian</td>
<td>No add-services. Con: company gets complete info about economy</td>
<td>Home at LF; cost</td>
</tr>
<tr>
<td>Beatrice</td>
<td>Banking at LF. Con: no cooperation with other banks. Pro: personal contact with one person &amp; trust.</td>
<td>Home &amp; travel at LF. Price is decisive</td>
</tr>
<tr>
<td>Camilla</td>
<td>Ease in contacting insurance companies.</td>
<td>Home, car, &amp; accident LF; life, accident &amp; vet for dogs at IF. Car is a must, dogs in case of accident</td>
</tr>
<tr>
<td>Denise</td>
<td>Has everything. Unaware, negative to have everything at one place.</td>
<td>Home at LF, damage &amp; accident at Trygg Hansa. Good annual bonus and it is worth it.</td>
</tr>
<tr>
<td>Ed</td>
<td>Agrees with Denise. Contact with the right person.</td>
<td>Car at Dinaförsäkringar, life, needed in case of accident</td>
</tr>
<tr>
<td>Group</td>
<td>Individual desires.</td>
<td>Everyone has insurances, most consider it important, price seems decisive in choice</td>
</tr>
</tbody>
</table>

**Information about Services**

*Information Access and Why*

Adrian primarily looks for information about insurance services on the internet because it is an easy way of getting informed about existing insurance companies and their services. For further information, he calls the insurance companies. He looks for information because there is the need for having insurances. When it comes to home insurance that he has at LF, he got the information from “Bostaden”. When purchasing home insurance he looked at the price but did not consider the conditions of having this particular insurance. Beatrice purchased her home insurance in connection with ads from an insurance
company. When she moved to a new apartment she received an offer from LF. When looking for insurances she first used internet, specifically Google, and then called the insurance company in order to compare prices. She looks for information in order to get good value for money.

Camilla got help from her mother when choosing home insurance. When she moved she continued with the insurances she had due to convenience. She found the other insurances on the internet. On the internet she has the opportunity to compare between different insurances at different companies rather than calling them. She states that, “calling insurance companies takes a lot of time and money”. She wants to know what is included and ensure herself that she can get as much as possible. She uses Google, and asks her parents and friends who already are insurance holders. Denise uses the internet because it is convenient. She dislikes calling insurance companies, “because they usually try to sell something that one not necessarily needs”. Furthermore, she states that people surrounding her might have some impact on her choice of insurance because she feels secure choosing insurance at the same company. She agrees with Camilla on the reasons for searching for information. Ed uses the internet and looks for prices.

Information Desired from Insurance Companies
After thinking for a while, Adrian answers that he would like to receive information about, “which insurances are offered by an insurance company and what they cost”. He would also like comparative information about different insurance companies and their services. He would like to receive, “complete information about the conditions for insurances”. Beatrice desires information about which options that insurances include and information about, “what is really included and covered in the insurances”. She would also like to have information about what is not included and the amount of cost of her own risk when purchasing insurance. Camilla and Denise agree with Beatrice and find it very hard to know where the limitations are for insurances and therefore want to receive precise information about what insurances cover and do not cover. Ed agrees with all other respondents in the group that he would like to receive “information about prices, the amount of cost paid on your own, and conditions for insurances”.

Contact Preferences
Ed is very precise in his answer. He would like to be contacted by insurance companies, “by phone, at home, at 8 p.m.”. He thinks the phone is the easiest way of reaching him. When it comes to contacting Denise, calling is not the right choice. She is convinced that the seller would try to persuade her to buy something that she does not need. Therefore it is better to send a letter because there is larger chance that she would read it through. At “Uniaden” she would like to have representatives of insurance companies because she goes there herself and has time to have a discussion.

Camilla says that if insurance companies contact her she would decline all the calls and probably throw any letters anyway. She does not want the representatives of insurance companies to stand at the shopping malls either. She would prefer clear information on their websites. She has had insurance services for a long time and has had only one case when she was displeased. When she contacted the company she was re-directed several
times before reaching someone who could help her. Beatrice would prefer persons from
insurance companies to be present at the universities one or two hours a week. She also
states that, “advertising of insurance services is very important via e-mail, post, and
internet”. She would also like to have advertisements down town. She suggests making
contact at semester-starts. Adrian would like to have contact with insurance companies at
exhibition places. Calling him might also work but otherwise they can e-mail him or send
the information by post. He would also like to meet them in person at their offices.

Type of Contact Desired from Insurance Companies
Ed would like to be contacted via phone or e-mail. Denise says that, “it depends if I am
suffering or not”. In the case of suffering she would contact the insurance company
herself. She thinks that by email one can write down a lot but at the same time if one
forgets to write down something important one must wait longer for the answer. She adds
that, “as the customer it is better to call them”. Camilla agrees that it depends if the
matter is urgent. If it is urgent, she would definitely call the insurance company to get
hold of personnel and talk to them. If it is less urgent, however, she would use the
internet. Beatrice agrees with Camilla, and in the case of investments she would like to
get personal advice from a supervisor and together agree upon contract conditions.
Adrian also agrees with them.

Table 8
Summary of Information about Services

<table>
<thead>
<tr>
<th>Information access and why</th>
<th>Information desired from insurance companies</th>
<th>Contact preferences</th>
<th>Type of contact desired from insurance companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adrian</td>
<td>Internet; need insurances.</td>
<td>Exhibition places, calling &amp; e-mailing him, meet in person at office.</td>
<td>Mail, if urgent I want to call.</td>
</tr>
<tr>
<td>Beatrice</td>
<td>Internet uses Google, &amp; phone; compare prices. Info from “Bostaden”.</td>
<td>Options included &amp; what insurances cover, amount of own risk</td>
<td>At university, ads down town, info at semesters’ starts. Phone her in evenings.</td>
</tr>
<tr>
<td>Camilla</td>
<td>Help from mother, parents, asks friends, internet; to know what is included</td>
<td>Agrees with Beatrice. Precise info about what is covered and not.</td>
<td>Will decline all calls, send letter with info. Info on web site preferred. Displeased due to redirections.</td>
</tr>
<tr>
<td>Denise</td>
<td>Internet is convenient, people around her; to get good price &amp; make comparisons, know what is included. Was uninformed of condition for own cost.</td>
<td>Agrees with Beatrice and Camilla.</td>
<td>Does not want to be called. Uniaden, no problems contacting companies.</td>
</tr>
<tr>
<td>Ed</td>
<td>Internet; agrees with Denise</td>
<td>By phone at home at 8 p.m.</td>
<td>Would like to be contacted by phone or e-mail.</td>
</tr>
<tr>
<td>Group</td>
<td>All use internet, some ask people around them. Price and conditions are</td>
<td>All want to get clear info about conditions &amp; cost.</td>
<td>Different ways preferred.</td>
</tr>
</tbody>
</table>

Respondents agree with
Preferences Regarding Bundle Services

Perception about Bundles
Ed thinks that bundles are very good because one can get various service offers from the same insurance company. Denise says that, “often it is good to have bundle offers because one can get a lower price”. At the same time one will commit oneself to one insurance company which is not so good. It would not feel stable according to the respondent. Therefore she is for product bundles but not for service bundles. She adds that it would be good to combine own bundles and not to lose anything by doing so. Camilla would like to have flexible bundles. She thinks it would be much easier to get one document which states all her insurances. Beatrice says that she wants flexible bundles and that the possibility for discounts when purchasing bundles is essential. Adrian believes that one can get beneficial prices and that one can bargain about the components in the bundle.

Bundle Services Desired from Insurance Companies
Ed would like to combine the services he already has in one bundle. Denise says that she would like to have home and accident insurances. She adds that she would like to have base insurances with the possibility to put some additional services into the same bundle. She is for flexible bundles. Camilla would like to have home, life, travel, accident, and insurances for her dogs in one bundle. She also says that there might not be a need for all people to put such insurances in a bundle but she would like to have the possibility to combine according to her own needs. She also suggests that insurance companies could provide help by facilitating family members in the case of the passing away of elder people, by helping to move funds and arrange paperwork. Beatrice would like to have, “base-home insurance and the possibility to add for example two or three services at a slightly higher price”. She also suggests offering services regarding pensions and stipendiums for students. Adrian agrees with Camilla and Beatrice about wanting flexibility in bundles.

Table 9
Summary of Preferences Regarding Bundle Services

<table>
<thead>
<tr>
<th></th>
<th>Perceptions about bundles</th>
<th>Bundle services desired from insurance companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adrian</td>
<td>Beneficial prices, bargain about bundle itself.</td>
<td>Bundle services with possibility of taking out parts when not needed.</td>
</tr>
<tr>
<td>Beatrice</td>
<td>Wants flexible bundle, banking and insurance services to be separate.</td>
<td>Base home insurance, with possibility to add services. Pensions, stipendiums.</td>
</tr>
<tr>
<td>Camilla</td>
<td>Wants flexible bundles. Would prefer bundle services at insurance companies, one paper with all insurances.</td>
<td>Home, life, travel, accident, &amp; insurances for dogs in a bundle. Possibility to combine according to own needs. Suggests facilitation with paper work etc. for family members in the case of the passing away of elder people.</td>
</tr>
<tr>
<td>Denise</td>
<td>Good with bundle offers, lower price. Not good to commit to one company. Want to combine own bundles.</td>
<td>Home &amp; accident. Base insurance with possibility to add services to the same bundle. Prefers flexible bundles.</td>
</tr>
<tr>
<td>Ed</td>
<td>Bundles are good as long as one has usage for</td>
<td>Services he already has such as home, life, &amp;</td>
</tr>
</tbody>
</table>
Table 10
Summary of Inclination of Having/Not Having the Same Preference

<table>
<thead>
<tr>
<th>Group</th>
<th>Changes in preferences over time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adrian</td>
<td>Switches banks often, when range of services is not satisfying. If life situation changes would look for more adjusted insurance for particular situation.</td>
</tr>
<tr>
<td>Beatrice</td>
<td>Did not switch banks but switched insurances within the same company for cheaper one, would like insurance to be adjusted to her life situation.</td>
</tr>
<tr>
<td>Camilla</td>
<td>No switches, what she has works well. If she would have children she would get life insurances for them. Believes insurances will be more flexible in future. Then she would switch to one and purchase a service bundle.</td>
</tr>
<tr>
<td>Denise</td>
<td>Did not switch anything, satisfied as it is. Probably will pay more for insurances when she earns more.</td>
</tr>
<tr>
<td>Ed</td>
<td>Did not switch bank, satisfied with what he has. Switched car insurance once due to better price. Believes insurances will be more individually adjusted and internet will be used more in future allowing ease in comparison and hence switching.</td>
</tr>
<tr>
<td>Group</td>
<td>Only one has switched banks, most of the respondents seem inclined to switch either insurances or insurance companies due to price and/or changes in life situation.</td>
</tr>
</tbody>
</table>

5.2 Semi-structured Interview with LFV

In this semi-structured interview that took place at LFV’s main office in Umeå on the 7th of December, three representatives of LFV participated. They were the sales manager
who is responsible for a group of 15 people working as bank, insurance, and savings advisors in Umeå and Lycksele. Another representative is responsible for the telemarketing team consisting of 12 students who work during the evenings. Finally the third representative of LFV was the CEO’s assistant.

5.2.1 Background Questions

LFV have three offices in Umeå, Skellefteå, and Lycksele. They are customer-owned, meaning that they are not a joint-stock company. LFV’s primary activity is providing insurance private persons and companies. They also provide banking services for private persons. Additionally, they have a damage department which deals with the delivery in the case of damage or injury. LFV cooperate with many companies on the damage side. They have agreements with workshops and different kinds of companies that handle the damages of insurance holders. They also work together with real estate brokers on the corporate side that is the channel that sells insurances to LFV. When it comes to the youth, they collaborate with “Bostaden and Skevo”, i.e. companies renting accommodation to students, and with universities. However, they do not have any collaboration with other insurance companies. Additionally, LFV collaborate with a bank where they offer services for wealthy people who need help with placing their money. LFV are also in the start-up phase of something called “länshem” which is a real estate brokerage that will operate as a franchise under LFV’s brand name. LFV’s interest in young people between 18 and 27 is based on the fact that their customer base becomes older, and naturally, they must get hold of the youth at an early age in order to have a long relationship with them. They also believe that it is difficult to capture the youth because insurances are uninteresting products.

5.2.2 Services and Service Bundles

LFV primarily offers insurance and banking services. They provide home and vehicle insurances as well as health and accident insurances for private persons. On the corporate side they offer life and health insurances. Besides the services mentioned LFV is a full-assortment bank like any other bank. When it comes to service bundles LFV provide a child insurance comprising health and accident insurances with the combination of savings for children. On the corporate side LFV have a lot of service bundles and the creation of bundles is mainly dependent on the type of company. On the private side LFV have a system of “the more insurances one purchases the better price one will get” and it is called “länsbonus” i.e. county bonus.

In the service bundles provided by LFV they can combine whichever products they like. However, there are some obstacles in the system when it comes to putting together services and getting these bundles to work. This has mainly due to the federation of LF AB (Länsförsäkringar Aktiebolag) consisting of 24 county departments which must agree upon service bundles before offering them to customers. The 24 county departments commonly own LF AB situated in Stockholm, where they have their bank; LFV is
bounded to collaborate in the system. Therefore, they cannot completely make their own decisions.

When it comes to housing for young people, they offer a product called “ungdomshemsförsäkringar” (i.e. youth home insurance) which is targeted towards people below 28, with a slightly lower price than for those who are older. For young people this is the only service bundle offered and it includes home and accident insurances. LFV believe that the simplicity of making one phone call or logging on to the internet and having everything fixed at once instead of calling many different places would be convenient for youth. Furthermore, they think that getting a good price would be decisive. Additionally, they believe that young people who are going through so many changes in their lives would prefer an easy way of purchasing different services at one place.

However, LFV believe that “länsbonus” is a disadvantage for youth since they do not have the same need to insure so many products or have so many products at LFV. Prices are also affected by how long one has been a customer at LFV. Therefore older customers have a certain advantage there. Another difficulty with offering bundles till the age of 27 is that when these customers turn 27 LFV must keep a check on that and then separate the services, if such a bundle were to be offered. An advantage with having bundle services at LFV would be the personal help that young people can get in the case of an emergency. The advantage for LFV would be that they assemble all the parts that customers need and in that way they will gain more loyal customers. Being able to have a longer relationship with customers by offering a simple product and acquiring customers early would give a chance to retain customers over their life time and to remain profitable.

5.2.3 Competition

LFV offers banking services which some competitors do not offer. Currently many banks offer insurance services but these banks usually are not in charge of the insurances. The fact that LFV is specialized in insurances creates simplicity in purchase of insurances and they also believe that they can help customers in a good way. Another important aspect in offering unique services is that LFV have local delivery in the case of damage or accident which some other insurance companies do not provide. Another big difference is that one is investing in oneself when purchasing services at LFV. If LFV does well, it goes back to the customers and if LFV has been doing well for a few years they consider lowering the premiums.

LFV’s primary competitors include banks, insurance companies and big banks that collaborate with insurance companies as their main competitors. They believe that people tend to be more disloyal when purchasing car insurances in comparison to home insurances, in which case people are more farsighted. With regard to car insurances, they believe price is very important and it plays a decisive role. The interest rate is also a competitive factor according to LFV. Banks can lower their interest rates just because they want to retain the customers but they do not lower it for everyone. LFV cannot
compete with that. Moreover, they believe that bank customers are not as prone to switch because they think it is complicated when it really is not so. Furthermore, LFV believe that competition will increase and that service bundles will be a competitive advantage in the future.

5.2.4 Marketing

LFV use different ways when approaching their potential customers. They have local campaigns in media and in newspapers, they advertise through flyers for example at the universities and via post. However, the most important is phone contact. They run joint TV campaigns through LF AB when marketing new services. Apart from these, LFV participate in different types of sponsoring, activities, and seminars. LFV have also started a magazine for customers called “Dina Sidor” where they provide tips about damage control, new products, and services. This magazine is also available at their offices and the idea is to make it a web-magazine that will be available for everyone on their website. LFV reach the youth primary by contacting them by phone and they are mainly “Bostaden customers”. They also have agreements with certain student unions at the university where they send information concerning their services. They are present at exhibitions at Umeå University each year i.e. “Uniaden”.

LFV get information about changes in customers’ demands through the jointly-owned marketing department at LF AB. This information concerns the future and trends and LF AB provides them with such reports every year. LFV themselves try to catch on to things in their conversations with the customers. Moreover, they also have the damage control department in the same building, where they can observe changes and trends in customers’ needs. According to LFV, youth will demand internet services and home insurances which could be adjusted to their needs at a good price. They also think that the youth will ask for travel insurance and rather simple services in a bundle. LFV believe that young people have the need for vehicle insurances and credit cards at a low price. They think that young customers would ask for more flexible bundles. When it come to information LFV think that the youth would prefer to receive the information via short messaging service i.e. SMS, and email. LFV believe that personal contact is very important. The access, flexibility, and rapidness in helping customers are other essential factors when dealing with customers. The development of their website is also of importance when providing customers with necessary information about the services at LFV.

5.2.5 Corporate Restructuring

LFV answer that when they receive information from LF AB, they try to understand if something is really a trend or not and development occurs together in the 24 county departments. However, locally established departments as LFV try to adapt themselves according to their local markets. LFV have undergone organizational restructuring in order to change from a product to a customer-oriented way of working. Employees sit in teams where they work with both banking and insurance in order to better understand the customers’ entire needs.
LFV are not so used to restructuring but do not consider their current restructuring a negative thing. Moreover, when making changes they first try to make sure that all personnel are aware of coming changes because it is important for all employees to feel like a part of the process. Before the changes began, they had a big conference where they gathered all employees and the CEO informed everyone about the restructuring. The restructuring started out through the creation of the so called “journey into the future” group consisting of representatives from all units who together with employees would carry out the restructuring process. When it comes to physical restructuring, LFV have changed their office settings. Personnel working with banking and insurances are sitting closer to each other and this provides ease in working together and helping each other out when informing customers about different services. This way of communicating also contributes to the personnel’s wider knowledge regarding each others work and all services offered by LFV.

Previously when helping bank customers they did not see the opportunity to ask them if they also were insurance takers or wanted to be. LFV understood that they have been lacking in that area of management and decided to undergo an organizational restructuring. The most concrete reason for the restructuring was that LFV currently have 113 000 customers in total but only 16 000 of these are banking customers and they have been providing banking services for ten years now. Realizing that they have so few banking customers when having so many subscribers of insurance services, they understood that they were lacking and started to wonder about the reasons.

LFV believe that there is a range of different attitudes among the employees. Some probably experience that things are working well and some might still not understand why LFV need the change. However, they add that the attitude is generally shifting towards that many are beginning to understand that the restructuring is probably good for the future. Additionally, they state that at the previous employee conference when they talked about “our own part in everything” it seemed that many understood that a lot depends on themselves. LFV usually have employee conferences once a year and sometimes twice a year. Then they also have smaller meetings among the leaders in order to cooperate and work with development issues as well as discuss and inform about of ongoing changes.
6. Analysis

"Think as a wise person but communicate on the language of people" - William Butler Yeats

This chapter consists of four parts, corresponding to the four main themes in the theoretical framework. The connections between the consumer-related theories and organization related theories shown in figure 1 are made evident through the following analyses. The data regarding each theme is first analyzed using the customer related theories, and then the same data is connected to the organization related theories. Certain conclusions are reached and discussed, but these will be summarized again in the conclusion chapter as well as the conclusive model at the end of this chapter. The model shows the links between the theoretical frameworks, the empirical data, the analysis, and the conclusions reached in this study. The authors’ preconceptions are also taken into consideration when analyzing all the empirical data.

6.1 Consumers’ Preferences & Increasing Competition

The two headings above are intertwined since a change in one cause changes in the other. The following analysis will be based on the theories pertaining to both changes in consumers’ preferences and the increase in competition for insurance companies.

6.1.1 Customer Related Analysis

In the first group it seems that the respondents have quite well defined preferences when it comes to price. The same pattern is seen in the answers of the respondents in the second group. This can be connected to rational choice theory since the respondents base their preferences on what they can afford due to their life situation and income. The cheapest alternative is highly preferred. Eric is the only one who does not have any insurance at an insurance company and skepticism towards insurances and insurance companies could be a reason. Bill and Chris who rent student rooms mention good deals for students. It appears that receiving offers in connection with moving into student rooms was timely and convenient as they both subscribed to home insurance. Both of them received this information through flyers at the university.

In regard to other services at insurance companies none of the respondents in group 1 have additional services. Group 1 seemed unaware of additional services until Chris informed about banking and expressed negative thoughts about insurance companies offering banking services. Despite the fact that none of them have additional services,

after Chris’s comments some of the respondents expressed very strong opinions considering services that are not the core competence of insurance companies. This could be related to the respondents’ inexperience and not knowing what other services insurance companies offer apart from insurances, which might affect their preference formation. However, some of the respondents seem to have positive notions about having other services such as receiving discounts, bonuses, and having contact with the same person regarding all services. Since strong opinions were expressed without any firsthand experience of having banking or other services at an insurance company, these thoughts must have come from somewhere else. In focus group 2, on the other hand, all of the respondents have some kind of insurances at insurance companies. Beatrice also has banking services at an insurance company. Three people in this group have more than two insurances each and this can be related to that most people in the group consider it important to be insured.

The differences between the two groups could be due to the effect of the social environment of the respondents or experience in different circumstances which they form their preferences after. Even though Beatrice has banking services at an insurance company, she had negative opinions about additional services and this might be related to her experience with problems of transferring money. Adrian was adamant about not having his banking services at an insurance company as he believed this would give the company too much insight into his economy and this is another example of a well-defined preference. Others in group 2 have differing opinions where personal contact with one person, trust, and convenience are seen as advantages. Camilla however, expressed worries with having all services assembled at one place if something were to happen to the company. Both groups seem to be more negative than positive towards banking services at an insurance company. In group 1 this could be due to inexperience or a general mistrust that seems to exist regarding insurance companies. In the second group it might depend on a strong mistrust from Adrian, a bad experience for Beatrice, and the rest seemed uninformed.

The members of group 1 seemed to be confused when asked about the services desired at insurance companies. Skepticism was prevalent and an air of mistrust seemed evident and hence most people desired greater clarity in regards to contracts and what is covered and not covered by insurance. Some of the respondents expressed the desire to have better customer contact and personal advisors, however even then skepticism arose regarding advisors representing the insurance company. Danielle wanted information about how to go about things when subscribing to insurance services. It seems that most of the respondents in group 1 are scared of being fooled by insurance companies due to their complex contracts including many exceptions and small print. Group 2 had more individual desires ranging from adjustments to damage costs, a base home insurance,

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112 Ibid
flexible insurances without pre-decided bundles, and ease in contacting insurance companies. The reason why the desires in group 2 are so specific could be due to their experience and knowledge regarding existing services as compared to group 1.

Summarizing the analysis of the respondents’ answers in group 1 we can conclude that members in this group have widely influenced each others’ responses. It is also noticeable that they have well-defined preferences about insurance services when it comes to price. However, their preferences are inconsistent in the way that when not knowing what additional services insurance companies offer they have some positive and at the same time much skeptical opinions towards additional services. Group 2, on the other hand seemed to value insurances more than group 1 and they have more individual needs and seem to shape their preferences according to their needs. Both groups have certain factors in common such as that they would like better, more, and personal contact from the insurance companies as well as ease in contacting the insurance companies. A distinctive feature in group 2 was that Beatrice specifically desired a flexible insurance where she could have the possibility to add different components according to her needs.

6.1.2 Organization Related Analysis

In relation to the above-mentioned consumer related changes in preferences we will now provide connections to the theories about organization related changes. It is obvious from the analysis of the empirical data regarding consumers’ preferences, that they base their decision of choosing insurances as well as insurance companies on their preferences. Therefore, it is important for insurance companies to be able to provide services according to these preferences. Apart from offering competitive prices, insurance companies need to provide more information to potential customers about the services they provide. These aspects can be related to attaining competitive advantage by being aware of what the customers demand, and offering just that.114 Offering what customers want, however, also entails reaching out to the potential customers and making them aware of the services that are being offered.

Many respondents showed apprehensions towards the intentions of insurance companies, and this mistrust can cause problems even if potential customers are aware of good offers. Hence, building meaningful, trust-based and open relationships with potential customers could be a way of making offers more attractive as well as ensuring integrity.115 Some respondents expressed their mistrust regarding the reputation of insurance companies, as they seem to believe they are out to fool them. Building a reputation must be a part of creating meaningful relationships which must entail a thorough customer-orientation. Potential customers need to be given time and attention regarding their questions and apprehensions about the company and their services. Such brand building techniques could increase customer satisfaction and hence their loyalty

114 Johnson, Julie, T., Busbin, James, W., (2000), The evolution of competitive advantage: has virtual marketing replaced time-based competition, CR 10 (2), Vol. 10 Issue 2, p153, 7p; AN 3572717
towards the insurance company. As respondent Beatrice mentioned, having banking at an insurance company was troublesome due to lack of cooperation with other banks. She was unaware of this until she found herself in a problematic situation, when she had to deal with it through taking out cash and opening a new bank account elsewhere to be able to transfer the money abroad. In situations like these, the customer-oriented company should see this not as a lack in services but an opportunity to satisfy a troubled customer. Taking responsibility for the problem and helping a customer in such a situation would make the customer more loyal and satisfied.

In time however, insurance companies will need to weigh the benefits and costs associated with collaborating with other banks and insurance companies. When certain services are provided and others not, the customers need to be informed and educated about these decisions on a regular basis. As we mentioned in the theoretical framework, customer relationships are enhanced if the customer is brought into the production and delivery of the service, i.e. feel like a part of the process.

Many of the respondents imply that insurances are complex by nature, and hence confusion and misunderstandings can easily arise. It should be in the interest of insurance companies to eliminate such misunderstandings that could lead to mistrust with people feeling fooled. Theory suggests that trust can increase risk-taking, and this is the kind of trust that needs to be built through relationships with both existing and potential customers.

6.1.3 Suggestions for LFV

LFV currently offer a bundle with home and accident insurance for young people. They do not have any additional bundles specifically for this age group, and could offer more services, according to their preferences. In order to reach the customers, however, they must be available where the customers want to meet them. LFV currently provide information for youth through university unions as well as student housing companies such as “Bostaden” and “Skevo”. According to our study, these are optimal ways of reaching young customers, especially students, and offering good prices attracts them.

Many respondents expressed mistrust towards insurance companies, and therefore it is important for LFV to build up a reputation of integrity. LFV is customer-owned, and this can be used to their advantage when marketing themselves, but also help eliminate trust issues. Hence, they should communicate this fact to potential as well as existing customers, letting them know that being a customer at LFV means investing in yourself. Offering additional services, like banking, entails being able to provide customers with

services such as transferring of money and a full assortment bank should include this service. Additionally, LFV could benefit from keeping their customers informed and educated about their products and services, conditions, and prices. This could be done through the magazine, “Dina sidor”, which they already provide, further developing their websites, and focusing on building trust-based relationships through all forms of customer contacts.

6.2 The Informed Customer & Reaching Customers

Information is an essential factor for customers to construct their preferences as well as for insurance companies to reach their customers. Therefore, the customer and organization related theories concerning information are intertwined.

6.2.1 Customer Related Analysis

In group 1 internet usage is prevalent for the collection of information regarding insurance services, and the respondents ask people in their surroundings for advice. These people include parents, siblings, and friends. In group 2 all the respondents use the internet to collect information, and some also ask people around them. In group 2, price and conditions are important factors that they want to be informed of before making a choice. This gathering of information can be related to the need for information in the construction of preferences.

In group 1 most people seem to be rather passive, searching for information only if an expensive item is bought. Some respondents also express that they go through their contracts only if something happens or the need arises. Chris uses the internet to search for information as a first step, but then would call in order to get more detailed information. He expresses a strong dislike for phone queues and also feels that people generally are not very loyal towards insurance companies. In group 2, the respondents seem more active in their search for information about what is available and is included in various insurances. All members in both groups show voluntary action regarding information collection when they see a need, because it is relevant for their goals and therefore they spend time and pay attention.

Group 1 would like to have more clarity of contracts and require clearer information about what is included. Some members want more information about prices, and Eric would like more information about how difficult it would be for him if something happens. There is still skepticism about not being compensated if something would happen, and therefore Eric seems to want more information regarding his own responsibilities in case of damage or accident. The members in group 2, however, would

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120 Tversky, Amos, (1969), Intransitivity of Preferences, Psychological Review, Vol. 79
like to have more information regarding conditions and comparative information regarding costs of insurances. Specifically, they are concerned about the amount they would have to pay themselves in case of an accident or damage. In general the two groups seem to have high information needs and this can be due to the risky nature of intangible services such as insurances.\textsuperscript{122} This is also a sign that there exists information asymmetry in the society, despite active searches for information there are still some things which the respondents require more information about.\textsuperscript{123}

In group 1 the respondents utter a unanimous dislike for telemarketers, and do not wish to purchase insurances in that manner. All respondents in this group would like to contact the insurance companies themselves. In group 2, the individuals preferred very different types of contact such as exhibition places at the university, calling, emailing, ads downtown, meeting in person, and information on websites. In general, it seems as if the respondents are interested in being contacted by insurance companies in order to construct their preferences, however, not in a way which forces them to make a spontaneous purchase decision which telemarketers often aim to do.\textsuperscript{124}

In group 1, the respondents prefer internet for information, however, most of them also want personal contact. In group 2 the members have different contact preferences in different circumstances, and seem to agree with each other on this notion. The issue of mistrust shows itself again in group 1 and many of them relate this to wanting personal contact rather than internet or phone contact. Again, Bill and Eric are afraid of being fooled or tricked into buying something they do not need, and they believe this risk is lowered through personal contact. In group 2, the respondents seem to want differing contact depending on if the situation is urgent or not. If it is urgent they would like to be able to contact the company themselves, and get help. If the situation is less urgent, they would like to have accessible information on websites and the possibility to email the insurance company. Danielle and Anna also mentioned that when being called by telemarketers, they may not be motivated to talk about insurances at that point in time and thus become irritated. It is important that the customers are motivated when making choices and therefore it is important to have relevant information at places and times when they need it.\textsuperscript{125}

The complexity of insurance services seems to be evident since all respondents uttered a need for in-depth information about insurances. They also desire counseling from insurance advisors and most respondents said that they ask for advice from their parents and friends and others who may have knowledge about the subject. Further, the purchase of insurances seems planned rather than spontaneous.

\textsuperscript{122} Murray, Keith B., (1995), \textit{A Test of Services Marketing Theory: Consumer Information Acquisition Activities}, Journal of Marketing, Vol.55, p.10, 16p, AN 9102183020


\textsuperscript{124} Tversky, Amos, (1969), \textit{Intransitivity of Preferences}, Psychological Review, Vol. 79

\textsuperscript{125} Murray, Keith B., (1995), \textit{A Test of Services Marketing Theory: Consumer Information Acquisition Activities}, Journal of Marketing, Vol.55, p.10, 16p, AN 9102183020

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6.2.2 Organization Related Analysis

As mentioned in our theory chapter, and in certain cases strengthened by empirical evidence, some youngsters seem to be uninformed about insurance services. When asked what information they desired, the respondents mentioned better contact and more information about how to go about getting insurance. This again related to their lack of knowledge regarding insurance services, and we believe that this lack of knowledge could be related to certain respondents mistrust and skepticism towards insurance services. Hence, there exists an opportunity for insurance companies to provide ongoing information, inform and educate customers not only about their offers, but what these offers entail. Details about what conditions apply, which circumstances the insurance fails to apply in, the amount of own responsibility and costs involved, as well as what the insurance taker must do in case of an accident are all areas where insurance companies could provide more information. This can allow insurance companies to develop a higher degree of customization and hence increase customer loyalty and profitability over time.

Another important issue here is the availability and accessibility of competent personnel who can answer questions. It seems that certain respondents have formed opinions about the service at insurance companies based on their contact with them, which in certain cases has involved redirections and incompetent call center staff. These experiences could have lead to the apprehensions certain respondents have about not getting help in case of an emergency. Again, this presents an opportunity for insurance companies to enhance trust through providing high levels of service at all times to both existing and potential customers.

Most of the respondents seemed to have negative attitudes towards being contacted by insurance companies through telemarketing. Certain respondents simply did not feel motivated to talk about insurances when contacted out of the blue. Some did not like the idea of being looked up by the company and wanted to make contact themselves. There seems to be a general perception that phone calls from insurance companies involve being tricked into or forced to buy something.

Insurance companies surely have competent staff as well as in-depth knowledge of the services they provide, however marketing techniques must continuously be revised and improved in order to remain competitive. In such a case, the impression given through telemarketing could be revised, focusing on informing customers and answering questions, starting a relationship-building process rather than just focusing on selling. This is important for risk-related services such as insurances and as mentioned in the

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126 Website alltombostad.se (cited 2007-12-06) URL: http://www.alltombostad.se/Hemekonomi/_Artiklar_Hemekonomi/Studenter_saknar_hemforsakring/
128 Johnson, Julie, T., Busbin, James, W., (2000), The evolution of competitive advantage: has virtual marketing replaced time-based competition, CR 10 (2), Vol. 10 Issue 2, p153, 7p; AN 3572717
theory chapter, risk-taking can increase if customers have trust for representatives of the insurance company.\textsuperscript{129}

Some respondents desired insurance companies to have representatives present at public places such as universities, advertise more and provide detailed and specific information on websites. All respondents in our focus groups showed a wide usage of internet. Hence, making the information on websites more precise and detailed as well as the sites more user-friendly can provide a cost-effective means to reach young customers. As mentioned earlier, banks and insurance companies fight for the same customers, and acquiring them at a young age is fundamental, in order to build long-lasting relationships.\textsuperscript{130} Lastly, the empirical data collected through the focus group interviews implies that people are more apprehensive and less spontaneous in the purchase of intangible items such as insurances. Hence, they require more information and counseling, a feeling of trust and would like to be well informed about conditions, options and future conditions before making a purchase decision.\textsuperscript{131}

6.2.3 Suggestions for LFV

LFV currently employ a wide range of marketing techniques such as ads in newspapers and television, flyers, sponsoring and telemarketing. However, young customers between 18 and 27, as seen in the analysis above, have certain preferences regarding how they would like to be contacted by and how they themselves would like to contact insurance companies. Firstly, it is evident that customers are uninformed about the services offered, and particularly about the conditions for various insurances. When marketing their services, LFV need to provide information about the prices and conditions for their services. This could be done on their website and through their various ads and flyers. Again, this can help eliminate the distrust that people have regarding insurance companies and their intentions. Customers also need to be made aware of their own responsibilities, such as how to contact LFV in the case of emergency and own costs, in relation to subscribing to various insurance services.

LFV have a competitive advantage in that they have their delivery in-house, which means that the issuing of compensation takes place at their office. They collaborate with various workshops within the county. They also provide the service that in case of an accident, fire, or other damage, someone is sent out to the scene to investigate the damages. They can provide this service because they are locally established. Communicating this fact to potential customers could help eliminate their anxiety concerning contact with them in case of an emergency. LFV should also focus on creating ease in reaching people with the right expertise. The respondents have uttered dislike for long telephone queues and not being able to receive answers to their questions. The current restructuring at LFV has


\textsuperscript{130} Grant, Ian, C. (2004), Communicating with young people through the eyes of marketing practitioners, Journal of Marketing Management, Vol. 20 Issue 5/6, p591-606 AN 13525126

resulted in employees sitting closer together, being able to collaborate on various customers’ problems. This is a step in the right direction, as if the one who answers the phone does not have a precise answer, he or she could ask colleagues and get back to the customer right away. If employees with varying competencies are sitting together, this would reduce the need for several redirections and hence the waiting time for the customer. The customers’ satisfaction can further be enhanced if everyone who answers the phone has knowledge of all the services provided by LFV.

Finally, LFV should enhance their telemarketing techniques by focusing on informing together with sales, so that customers do not feel pressurized. Contacting customers by phone can aid in the trust-based relationship building which is important because customers are not very loyal when it comes to insurances. Hence, having a well-established relationship with them could be a means to attain loyal customers even if competitors cut prices. The LFV representatives who call potential customers should take the time to answer their questions, inform about conditions and prices, and additional services offered by the company and allow them to take time to think before they make a decision. LFV have representatives at the University every year in connection with the annual fair, “Uniaden”. However, some additional suggestions include having representatives at university a few hours a week, having telephone hours during the evenings and having open a few hours during the weekends.

6.3 What Customers Desire & Services Offered

Since customers’ preferences change, what they desire from insurance companies also changes and insurance companies must be aware of these in order to know which services to offer in order to retain their customers. Since these two types of changes are strongly related, the analysis below will be made in light of theories related to both of these topics.

6.3.1 Customer Related Analysis

The members in group 1 had different views about bundle services. They expressed arguments both for and against bundles. It seems that skepticism regarding banking services was prevalent again. Anna and Bill were afraid of unnecessary costs and being sold something they do not need. This corresponds to theories about negative attitudes towards bundles where certain buyers consider some components unnecessary. The other three members, however, saw advantages with price and convenience. These findings strengthen the evidence in the theories suggesting reasons for customers’ positive attitudes towards bundles. In the second group all of the members were more positive towards bundle services. They mentioned beneficial prices, flexibility in bundles, good offers, and see bundles as an opportunity to combine components according to their specific needs. The two groups differ in that the first group discusses their views on

existing bundles, whereas the second group takes the opportunity to further explain their desire for flexible bundles, which was first mentioned by Beatrice. All the members in the second group liked this idea of flexible bundles and talk positively about their desire for having such a bundle and the convenience it would bring.

In regards to the bundle services desired from insurance companies, the members of group 1 mostly discuss banking services in addition to insurances in a bundle, and once again skepticism and negative attitudes surface. Bill, Chris and Danielle mention wanting a standardized, basic kit including the necessary insurances such as home, travel, and accidents. Bill would then like to be able to add components to this kit as life situations change. This can be compared to the flexible insurance mentioned in group 2. However, when it comes to banking services at an insurance company, group 1 is not very interested. Bill had earlier expressed negative thoughts about having banking at a company that specialized in something else, but changed his mind saying that he could have banking at an insurance company but not insurances at a bank. This change in opinions could be explained by an inconsistency in preferences. Danielle is specific about wanting banking at a bank and insurances at an insurance company. There are trust issues prevalent again as Eric would much rather have insurances at a bank as he believes they have a better reputation and are more interested in satisfying customers. The members seem to be influenced by each other’s thoughts, and seem to change their statements. Despite the inconsistency in answers, a hesitation exists towards having banking services at an insurance company.

In group 2, they did not discuss banking service at an insurance company as in group 1, but rather continued to focus on flexible bundles according to their specific needs, being able to pick and choose and take away components freely. They also suggest that insurance companies should have additional services such as pensions, stipendiums, and aid for family members concerning paperwork and transfer of funds in the case of a death in the family.

### 6.3.2 Organization Related Analysis

Customers want flexibility, individually adjusted services according to their specific needs. For insurance companies to provide individual services, they need to have ongoing communications and mutual learning with the customers. Relationship marketing has shown to be useful in both the retention of customers and increased profitability through these customers. Building relationships takes time, but in order to provide what young customers demand, and in the hope of building long-lasting and trust-based relationships with them, such an initiative would be necessary. In order to provide flexible bundles, the insurance companies must first take the time to understand each individual’s needs and together with them create a service that suits them specifically. Most of the respondents

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in group 2 were very interested in such a service and Camilla even said that she would
switch to one company if she could have everything she needed assembled there in a
flexible bundle. Providing demanded services in a flexible bundle would allow insurance
companies to increase individual customer profitability.\footnote{Farquhar, Jillian, D., (2003), \textit{Retaining customers in traditional retail financial services: interviewing \textit{les responsables}}, Int. Rev. Of Retail, Distribution and Customer Research 13:4, 393-404, AN 110933} The customers can benefit by
receiving cost-advantages, reducing complexity and providing the ease of dealing with
one supplier.\footnote{Koderisch, M., Wuebker, G., Baumgarten, J., Baillie, J., (2006), \textit{Bundling in banking-a powerful strategy to increase profits}, Journal of Financial Services Marketing, Vol. 11 (3) 268-276, AN 25183666} Where there is an opportunity to introduce new services, insurance
companies also have the opportunity of exploiting existing services in more effective
ways to provide individually adjusted, flexible bundles.\footnote{March, James G. (1991), \textit{Exploration and exploitation in organizational learning}, Organization Science, 2: 71-87, AN 4433770}

Many of the respondents also expressed a desire for insurance companies to provide
additional services such as pension savings options, scholarships and help to families in
arranging paperwork and transferring funds in the case of a family members’ passing
away. The desire for such services indicates the willingness to have relationships with
insurance companies, being able to express their needs and receive more than just
insurance services. Customers have come to expect more of companies, and insurance
companies must be prepared to offer more in order to retain competitive advantage.

6.3.3 Suggestions for LFV

LFV mentioned in their interview that they believe youngsters would like flexible
bundles, which is an interesting observation as it matches our results. Young people do
want flexibility in their services, being able to adjust them as their life circumstances
change. By combining the insurances that each individual customer specifically needs,
LFV can offer simplicity and good prices, as they already have a system of bonuses
called “länsbonus”. They currently offer a bundle with home and accident insurances for
customers between 18 and 27. By offering the possibility to add supplementary
insurances such as car, and travel to the same package, they could offer the customers
one document with all insurances on. Furthermore, if employees are sitting together, and
are well informed of all service, customers could have one contact person for all their
insurance errands. This would create simplicity and efficiency for the customers.

Additionally, they could provide customers with the help of transferring their services if
they move to a different county and inform about the circumstances there since they have
departments in all counties. Finally, if they wish to provide additional services, some
examples could be pension saving opportunities within this bundle, as well as
scholarships for students.
6.4 Continuous Change in Preferences & Organizations

We have established as a starting point for this study through presenting theories and empirical evidence suggesting that customers preferences’ change constantly. Hence, in order to meet these changes, to satisfy and retain customers, organizations must acknowledge an internal process of constant change. The data below is analyzed using theories about constant change both regarding customers and organizations.

6.4.1 Customer Related Analysis

In group 1, most members seem unlikely to switch banks; however, they seem more instable and unsure regarding insurance companies. Price is still a decisive factor in the case of insurances, whereas most of them seemed happy with their banks and expressed problems with hassle and time-consumption related to the switching of banks. Chris, however, has changed insurance companies, and this was due to a dispute he had with them as well as in combination of receiving a good offer when he moved into a student room. All members in group 1 seemed inclined to change what they demand at an insurance company as their life circumstances would change. Chris mentioned wanting increased coverage of insurances if he would earn more. This again corresponds to the formation of preferences on the basis of income. Danielle mentions hoping to be more responsible if she were to have children and wanting to get a life insurance for them. This can be related to theory about changes in preferences according to different situations, goals, constraints and knowledge.

In the second group, most of the respondents seem to be inclined to switch either insurances or insurance companies due to changes in price or life situations. Camilla mentions that she would change what she demands if she would have children and Denise if she would earn more. When it comes to banks, only Adrian has switched banks in the past, and says he does this often. The rest of the members in group 2 are happy with their banking services and have not switched much like the members in group 1.

In regard to future circumstances, Chris and Ed believe that services will be increasingly internet-based. Camilla believes insurances will be more flexible, and this will allow ease in switching. She would then like to switch to one company, arrange all her insurances in one bundle and receive all her contracts in one document.

6.4.2 Organization Related Analysis

Customers’ preferences change over time, and they seem to be more loyal towards banks than towards insurance companies. In order to maintain profitability over time insurance companies should take notice of the dynamics of the environment by incorporating a

customer-oriented mindset in the culture of the organization. This culture must reflect and be molded with a constant focus on the external changes.\(^{141}\)

As the literature in the theory chapter suggests, in the competitive environment that organizations face today, a focus on short-term activities is not an effective means to operate business. With a focus on long term sustainability, organizations must accept and manage change in their daily processes as well as remain vigilant and react to external changes.\(^{142}\)

Most of the respondents acknowledged that they would change their preferences and demands with changes in life situations such as income, family size, or other circumstances. For insurance companies, retaining customers that they have acquired is essential as the customer base is finite. Hence, understanding the young customers’ needs are as important as understanding the changes in these needs over their life time. Acquiring young customers is vital since it is much more difficult to steal customers once they are subscribers of a service. This is especially true in the case of banks, but can also be related to insurance companies, although price remains a decisive factor in the choice of insurances. However, it seems that if customers receive clear, comparable, fair, and not misleading information and base their decisions on such information as well as have trust-based relationships with representatives of their insurance companies, they would not want to switch.\(^{143}\)

In regard to restructuring within the organization, two forms or restructuring are relevant according to the data we have received through the interviews with the focus groups. Portfolio restructuring is relevant because the customers’ preferences entail offering a wider range of services and a higher level of individually adjusted bundles.\(^{144}\)

Organizational restructuring would entail making changes that affect all employees at an insurance company and the way they think in everyday situations when dealing with the customers. This would entail having an organization-wide customer-orientation, and that all employees are well informed of the organization’s culture and aware of this in all contact with the customer. The employees should be able to independently handle customers’ queries and issues with a high level of service at all times.

In relation to the entire analysis chapter, some of the background questions were relevant while others were not. Before the study, we believed that responses would differ between younger and older respondents, but we are unable to see any such differences. Some of the respondents were cohabited but no significant differences were noticeable between


the single and cohabited respondents. Some of the respondents however mentioned that if they were to start a family, their preferences would change; they would become more active in searching information and would like to have more insurances as well as larger coverage. However, preferences about the future are often inconsistent as they may change when the situation becomes more concrete. Therefore, nothing is stable, change is inevitable, and organizations must accept and act accordingly in order to remain profitable over time.

6.4.3 Suggestions for LFV

LFV is currently in the process of undergoing organizational restructuring with a shift towards a more customer-oriented way of working. They have already made several physical changes in their office to create an office landscape, rather than employees working in separate cubicles. Their purpose with the restructuring is to create an environment that allows seeing and meeting the complete needs of the customer. They have had several employee meetings where they have discussed the restructuring, and the general attitude seems to be favorable towards the change. This process needs to continue so that a customer-oriented mindset becomes a part of the company culture, making every meeting with the customer an opportunity to provide quality service. A constant link needs to exist between the changes in the preferences of customers, and the service offered by LFV. Taking the time to ask customers about their needs and desires during contact, as well as frequent market studies similar to the ones in this thesis should be made. A customer-oriented mindset also entails offering individual services to different customers and customer groups, and this can be enhanced by providing flexible bundles for all age groups. The leadership at LFV has already begun a process of customer-orientation. However, this process can further be enhanced if county departments are allowed flexibility in the services they offer. Being tied to LF AB has its practical and economic advantages, but can hinder LFV from being able to offer what local customers desire.

LFV is a local company, operating in Västerbotten, and should therefore be able to adjust its services according to the needs of customers here. The young customers here desire more precise information about contracts and their conditions, and they desire services such as travel and baggage insurances. Having a wider range of services would allow a higher level of customization, being able to satisfy more customers.

Building trust and making customers a part of the service production and delivery while offering flexible bundles with the opportunity to add and subtract components, would allow LFV to retain customers even when their preferences or life situations change. LFV should provide ease in changing contracts, as well as simplicity in adding and subtracting

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components as customers’ desire. This would not only satisfy the customers, but also allow LFV to sustain their business through loyal customers.

Lastly, when it comes to their banking services, LFV need to work hard on informing customers about their services and enhancing their integrity as a full assortment bank rather than an insurance company providing banking services. Marketing their bank independently could be one example. Furthermore, bank customers need to be acquired at a young age, so perhaps marketing their services to parents could be beneficial. The chances of acquiring bank customers when they already are subscribers of other banks are very slim. This is because people generally find it time-consuming and cumbersome to switch banks in relation to what they gain from the switch.

6.5 Summarizing the Study

Below we provide a conclusive model of the main parts in our study. These parts are theories, results, analyses, and conclusions. As can be seen from the model the theories used are intertwined and the analyses were based on the linkages between these theories. When analyzing our empirical findings we made conclusive statements which are presented in the model under the part called conclusions. These conclusive statements prove that there is a need for a continuous connection between the customer and organization related changes in order for insurance companies to sustain customer orientation. The interview with LFV in the data part of the model serves as an example of an insurance company. The suggestions for LFV at the bottom of the model are reached through the customer and organization related conclusions.
CHANGE AS AN INEVITABLE PHENOMENON

CUSTOMER RELATED CHANGE

Consumer Preferences & Choices
(Well-defined & inconsistent; experience, innovation, learning, social environment, age & income affect preference construction)

The Informed Customer
(Access to info, take initiative to get informed)

Customers’ Desires
(Positive attitudes to bundles, lower price, discounts, save money; negative attitudes if bad quality, optional & unnecessary components)

Continuous Change of Customers’ Preferences
(Trendy, goals, constraints, knowledge change impact on preferences)

ORGANIZATION RELATED CHANGE

Increasing Competition
(Maintain competitive over time, Retain customers)

Reaching the Consumers
(Acquire them young, inform and educate customers)

Widening Range of Services
(Offer wider range of services, adjust more to individual needs, keeping old customers & attracting new, build customer relationship, develop strategies)

Continuous organizational change
(Portfolio & organizational restructuring, adjustment to external environment)

DATA

Focus Groups

Interview with LFV

ANALYSES

CONCLUSIONS

- Price is decisive
- Form preferences based on income and life situation, in this case students with low income
- Responded well to student-offers via flyers
- Unawareness and negativity towards additional services
- Skepticism and confusions regarding contracts and intentions
- Need information to construct preferences
- Afraid to be fooled or tricked by telemarketers
- Youngsters prefer internet as first source of collecting information
- Insurance contracts are perceived as complex
- Customers want flexible bundles
- Change in preferences over time

- Companies need to provide competitive prices
- Offer services adjusted to different life situations, i.e. students, parents, home-owners etc.
- Provide information at semester-starts
- Provide info about additional services and work on trust and integrity
- Provide clarity, answers to questions, trust-based relationships
- Provide relevant, accessible, clear and comparative information
- Make adjustments to focus from just selling to informing and selling
- Make website easy to navigate, more detailed and informative
- Make customers part of service construction and deliver, build trust
- Provide individually adjusted bundles
- Instill a customer oriented culture and continuous organizational change

Suggestions for LFV

Continuous Connection Needed to Sustain Customer Orientation
7. Conclusions

“- All things come to an end” - American proverb

This chapter reintroduces the reader to the research question, which was, how could insurance companies enhance their ability of meeting the constant changes in customers’ preferences in an increasingly competitive environment? Our study had three purposes in order to answer this research questions, and below we summarize the findings reached through the analyses presented earlier. The main conclusions about young customers’ preferences are presented, and then suggestions for insurance companies are provided, followed by the specific suggestions for LFV. Additionally, we provide some proposals that we think would be relevant for further research.

7.1 Consumers’ Preferences

Through this study we have inferred that price is a decisive factor for young customers of insurance services. Moreover, customers form their preferences based on their income and life situation. The respondents in this study hence form their preferences based on their situation of being students who live off low wages, loans and scholarships. This could be a reason that some of them responded well to offers that were specific for students. We also concluded that there exists unawareness among young people about the services provided by insurance companies, as well as skepticism regarding their contracts and intentions. Additionally, some respondents were afraid of being fooled or tricked by telemarketers representing insurance companies. It seems that this mistrust is a combination of the skepticism towards the intentions of insurance companies as well as a general distrust for telemarketers.

It is evident from the study that this group of people desire more detailed information in order to construct their preferences. While the internet is preferred as a primary source for information, insurances are perceived as complex and their intangible nature make customers want the opportunity to make personal contact as well. Finally, the young customers interviewed in our study would like to have more flexibility and the possibility to freely combine different services according to their situational needs, for a good price. However, most respondents showed a tendency to change their preferences over their life-time, as their life circumstances would change.

7.2 Suggestions for Insurance Companies

Based on our data collection and analysis, we believe that insurance companies could benefit from providing services adjusted to the needs of people in different life situations e.g. students, parents, home-owners etc. When it comes to the specific age group between

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18 and 27, providing information about insurances in combination with semester starts could be beneficial as many young people move out of their parents’ houses.

Taking into account all the conclusions reached through the study, we suggest that insurance companies offer competitive prices, as this would allow them to acquire new as well as retain existing customers. Furthermore, a customer-orientation with focus on each customer as an individual is essential. This individual focus would allow insurance companies to build trust-based, long-term relationships with potential as well as existing customers and enhance their ability of providing individually adjusted services. Additionally, insurance companies need to work on building a reputation of integrity in order to eliminate skepticism and a feeling of mistrust. This again, would be possible through a trust-based relationship strategy in all contacts with the customers. Insurance companies might also need to reconsider their telemarketing strategies, since the focus is more often on selling rather than informing. Since insurance companies fight for the same customers, establishing an informative, honest, and open relationship with potential customers would allow a seed of trust to be planted with them. In the long run, trust and integrity along with good prices would allow better chances to keep loyal customers than acquiring them through hasty measures. This is due to the fact that existing theories as well as the findings in our study show that insurance-takers are likely to switch services and even companies if they receive better offers.

Along with integrity, comes the issue of providing clarity in contracts and honest information to customers about their own responsibilities and circumstances in cases of an accident. Furthermore, information about conditions for the insurance and situations in which reimbursements will apply need to be made available to the customers at an early stage. Since all the respondents mentioned using the internet extensively, providing clear and complete information about insurances in an easily accessible way on company websites is a cost-effective means to keep the customers informed. However, it is equally important that there are competent personnel available to answer questions if customers call or visit.

In order to achieve a customer-orientation with the possibility of building trust-based relationships with customers, the entire company needs to have a certain mindset. The company culture needs to be customer-oriented and this culture should be evident in all customer contact at all levels in the organization. The company should also acknowledge a process of continuous change within the organization in relation to external changes in order to remain sustainable over time. In order to retain a customer-orientation, the changes in the organization need to occur in correspondence with the constant changes in customers’ preferences. This entails creating and sustaining a stable connection between customers’ preferences and internal strategies. Hence, we suggest that insurance companies establish relationships with customers that allow them to follow their individual needs as well as the changes in these needs. Finally, making regular market studies would enhance this process.
7.3 Suggestions for LFV

LFV currently contact young customers through rental companies working with student housing and through student unions. These are optimal ways to reach young customers, especially students, and hence we recommend that they continue with this. Communicating that LFV is customer-owned could help eliminate skepticism towards the intentions of LFV as an insurance company. It is important to keep existing as well as potential customers up to date and informed. This could be done by elaborating information available through their webpage as well as through their magazine which should also be available online soon.

LFV should focus on communicating information about prices and the conditions for various insurances. Customers also need to be made aware of their own responsibilities in case of an emergency. LFV have the advantage of having their damage and delivery in-house meaning that they can send someone out to investigate the damage or loss and then reimbursements can be made. Some respondents showed apprehensions regarding what to do if something happened and how to contact their insurance companies. If LFV communicate the fact that they have their delivery service in-house, such anxieties could be calmed. LFV could also provide ease in reaching them and be available when customers need them, such as have some open hours during the weekends or phone hours in the evenings, when customers can call them. Establishing trust-based relationships with potential and existing customers would allow them to gain loyal customers in the long run. LFV should provide flexible bundles with the possibility of adding and subtracting components as consumers’ needs and preferences change. They should exploit their telemarketing skills and combine this means of contact with an informative focus rather than just a selling focus. Finally, in order to retain a customer-orientation over time, the current restructuring should be accompanied by a focus on local consumers. Every instance of contact with customers should be seen as an opportunity to begin a relationship of trust. In order to provide quality-service to individual customers, a customer-oriented mindset should be instilled in the company culture.

7.4 Suggestions for Further Research

We suggest a similar study with the people between the ages of 18 and 27 who are not students, since this might provide interesting contrasts to our study which is based only on young people who happen to be students. We believe that their sources of supporting themselves can be related to their preferences, and therefore people in the same age group but differing economic circumstances might have other preferences.

Secondly, since the insurance company we studied has 24 county departments in Sweden, we think it could be interesting both for them and for new researchers to make a comparative study in other counties. Since the various county departments strive to be locally anchored, differences among youth in various counties might provide an opportunity for increased customer-orientation and services adjusted for the local customers’ needs and preferences.
8. Truth Criteria

“Between truth and the search for truth, I opt for the second”\textsuperscript{147} - Bernard Berenson

Depending on the study and approach there exist different truth criteria relevant in estimation of how well the purpose of the study is reached\textsuperscript{148}. Marshall and Rossman emphasize that the quality of qualitative research can be determined through the evaluation of four characteristics, namely credibility, transferability, replicability, and confirmability\textsuperscript{149}.

8.1 Credibility

The credibility criterion involves establishment of the results of qualitative research which are credible or believable from the perspective of the participants in the research. Since the purpose of qualitative research is usually to describe or understand some phenomenon of interest from the participant’s eyes, the participants are the only ones who can legitimately judge the credibility of the results\textsuperscript{150}.

In our study we conducted semi-structured interviews in two focus groups and with LFV and recorded the entire interviews on video. Focus group participants were informed about their anonymity and also asked about the permission to use their answers in our research. This permission was granted. LFV on the other hand had been given the opportunity to reflect on their answers when a copy of the received data was sent to them via email. When transcribing the data we tried to write down everything that has been said by the respondents word for word. Then when translating the received data from Swedish to English we tried to be very careful and used Swedish-English dictionaries either on-line or in printed form.

8.2 Transferability

Transferability in qualitative research is related to the generalizability of the study’s inferences. The qualitative researcher can improve transferability by doing a thorough work of describing the research context and the assumptions that were central in the research. The person who wishes to transfer the results to a different context is then responsible for making the judgment of how sensible the transfer is\textsuperscript{151}.

We believe that we have provided a wide theoretical base in our study, which aids in establishing the context of the study. The participants in the focus groups can be seen as existing customers of insurance services at certain insurance companies as well as potential customer for other services and companies. Finally, the suggestions we provide are of a general nature and could be applied to other service firms which fight for the same customer base, and wish to sustain a customer-orientation. Our results can also be an indication of how customers’ preferences might affect the organizational structure of insurance companies. However, it is always up to each insurance company to decide in which way they would adjust their organizations to the external environment.

8.3 Replicability

In a qualitative study, replicability is closely connected to dependability. This means that the researchers should try to explain the procedures of the study in a thorough manner so that the same study could be repeated and gain similar results. However, since our study deals with a topic containing a temporal element, the exact same circumstances cannot be achieved again. This is due to the fact that we study students who find themselves in the situation they are in right now and it is not sure that one can achieve the same environment since it is not static. Tomorrow’s students might have completely different preferences and attitudes towards insurance services and companies which our study is an indication of. Nevertheless, the data collection process and methods have been documented and explained, so a similar study could be made using the same interview guides.

8.4 Confirmability

Confirmability refers to a study being objective in the way that an independent person would be able to confirm the findings. To achieve confirmability, the researchers must strive to eliminate bias. Since this is a qualitative study, it inevitably entails an element of interpretation. However, we believe that we have been clear about our preconceptions and experiences relevant to this study. Nonetheless, we have tried to remain neutral during the data collection by preparing ourselves and trying to avoid influencing the participants’ answers during the interviews. When transcribing and analyzing the data we also tried to stay impartial.

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APPENDIX A1
Semi-structured Interview with LFV (Swedish)

BAKGRUNDSFRÅGOR
• Kan ni vara snälla och kort presentera er själva och er befattning inom LFV?
• Kan ni kort beskriva LFVs främsta verksamhet?
• Kan ni utveckla vad det innebär att ni är ett kundägt företag?
• Vilka kundgrupper erbjuder ni tjänster till?
• Varför är ni speciellt intresserade av ungdomsgruppen mellan 18 och 27?
• Samarbetar ni med andra företag? Varför samarbetar ni med andra företag?

1. TJÄNSTER OCH TJÄNSTEPAKET
• Vilka tjänster erbjuder ni?
  • Vilka tjänster erbjuder ni specifikt för ungdomar i åldern 18 till 27?
• Vilka tjänster är sammansatta i ett paketerbjudande?
  • Har ni fler paketerbjudanden? Vilka?
• Vad innebär ett paketerbjudande för ungdomar?
• Varför har ni paketerbjudanden?
  • Varför tror ni att ungdomar ska efterfråga paketerbjudandet?
  • Vilka fördelar och nackdelar tycker ni att paketerbjudandet har för LFV och för ungdomarna?

2. KONKURRENS
• Vilka tjänster erbjuder ni som inte era konkurrenter erbjuder?
• Hur skiljer sig era tjänster från konkurrenternas?
• Hur påverkas ni av konkurrens?
  • Vilka verksamheter ser ni som era främsta konkurrenter?

3. MARKNADSFÖRING
• Hur når ni era potentiella kunder?
  • Hur når ni ungdomsgruppen?
• Hur marknadsför ni paketerbjudandet för ungdomar?
• Hur får ni information om förändringar i konsumenternas efterfrågan över tid?
  • Vilka tjänster förvänntar ni att ungdomsgruppen vill ha?
  • Vad anser ni vara viktigt i bemötandet av kunder?

4. ORGANISATIONSFÖRÄNDRINGAR
• Hur reagerar ni på externa förändringar?
  • Hur anpassar ni er verksamhet till dessa förändringar?
• Varför har ni genomfört en omstrukturering? Vad är syftet med den?
  • Vilken syn har LFV på kontinuerliga organisationsförändringar?
• Hur informerar ni anställda om målet med omstruktureringen?
  • Vilken attityd uppfattar ni att anställda på LFV har angående omstruktureringen?
APPENDIX A2
Semi-structured Interview with LFV (English)

BACKGROUND QUESTIONS
• Could you please briefly present yourselves and your respective posts within LFV?
• Could you briefly describe LFV’s primary activities?
• Could you elaborate on what it entails to be a customer-owned organization?
• Which groups of customers do you offer services to?
• Why are you specifically interested in youth between 18 and 27 years of age?
• Do you collaborate with any other companies? Why do you collaborate with other companies?

1. SERVICES AND SERVICE-PACKAGES
• Which services do you offer?
  • Which services do you offer specifically for youth between 18 and 27?
• Which services are combined in the form of a service-bundle?
  • Do you have other service-bundles? Which ones?
• What does a service-bundle entail for youth?
• Why do you offer such service-bundles?
  • Why do you believe that youth will demand bundle-services?
  • What advantages and disadvantages do you think bundle-services entail for LFV and for the youth?

2. COMPETITION
• Which service do you offer that your competitors do not?
• How do your services differ from those of competitors?
• How are you affected by competition?
  • Who do you see as your primary competitors?

3. MARKETING
• How do you reach your potential customers?
  • How do you reach the youth?
• How do you market your service-bundle for youth?
• How do you attain information about changes in customers’ demands over time?
  • Which services do you expect youth will demand?
  • What do you believe to be important when dealing with the customer?

4. CORPORATE RESTRUCTURING
• How do you react to external changes?
  • How do you adjust your activities in response to such changes?
• Why have you undergone an organizational restructuring? What was the purpose?
  • What is LFV’s view on continuous organizational change?
• How do you inform employees about the goal of the restructuring?
  • What attitude do you perceive employees at LFV to have concerning the restructuring?
APPENDIX B1
Focus Group Questionnaire (Swedish)

1. Ålder                          18 – 20    21– 24    25 - 27
2. Kön                             Man    Kvinna
3. Civilstånd                   Singel    Sambo/Gift
4. Boende form
   Egen    Hyresrätt
   Egen Bostadsrätt
   Bor hos föräldrar
   Annat boende
5. Har egna barn                Ja    Nej    Antal
6. Äger eget motorfordon     Ja    Nej    Antal
7. Vad är din primära försörjning ?   CSN    Lön
8. Ange ungefärlig månadsinkomst/CSN/både
9. Vilka försäkringar tecknar du? På vilket företag?
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
10. Vilka banktjänster har du? Hos vilken/vilka banker?
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
11. Har du bytt bank eller försäkringsbolag under de senaste fem åren? Varför/varför inte?
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
APPENDIX B2
Focus Group Questionnaire (English)

1. Age
   18 – 20  □  21– 24  □  25 - 27  □

2. Gender
   Male  □  Female  □

3. Civil status
   Single  □  Cohabite/Married  □

4. Housing
   Rent  □
   Own  □
   Living with parents  □
   Other  □

5. Have children
   Yes  □  No  □  Number  □

6. Own a vehicle
   Yes  □  No  □  Number  □

7. What is your primary source of supporting yourself?
   CSN  □  Wages  □

8. Specify approximate monthly income/CSN/both
   ________________________________
   ________________________________
   ________________________________
   ________________________________

9. Which insurances do you have, and at which companies?
   __________________________________________________________________________
   __________________________________________________________________________
   __________________________________________________________________________
   __________________________________________________________________________

10. Which banking services do you have and at which banks?
    __________________________________________________________________________
    __________________________________________________________________________
    __________________________________________________________________________
    __________________________________________________________________________

11. Have you switched bank or insurance company during the last five years?
    Why or why not?
    __________________________________________________________________________
    __________________________________________________________________________
APPENDIX C1
Fokusgrupp Diskussionsfrågor (Swedish)

1. PREFERENSER
   • Vilka försäkringar tecknar du? Var? Varför tecknar du just de försäkringarna?
   • Varför har ni valt att teckna just de försäkringar som ni nämnt?
   • Vilka andra tjänster förutom försäkringar utnyttjar ni hos ett försäkringsbolag?
   • Vilka fördelar och nackdelar tror ni finns med att ha andra tjänster hos ett och samma försäkringsbolag? Varför tror ni så?
   • Vilka tjänster skulle ni vilja bli erbjudna av ett försäkringsbolag? Varför tycker ni så?

2. INFORMATION OM TJÄNSTER OCH ERBJUDANDEN
   • Hur får ni eller samlar ni information om olika försäkringstjänster och erbjudanden? Varför samlar ni sådan information?
   • Från vem/vilka får ni information om försäkringar och försäkringsbolag?
   • Vilken information om försäkringar och andra tjänster skulle ni vilja ha från ett försäkringsbolag? Och varför?
   • Var (fysisk plats), hur (vilka media/personlig kontakt), och när (tid på dygnet) skulle ni vilja bli mottagna av ett försäkringsbolag? Varför?
   • Som försäkringstagare, hur ser ni på de öppettider, telefontider och mötesplatser som erbjuds av ett försäkringsbolag idag?
   • Vilken sorts kontakt (personlig/Internet/telefon)med försäkringsföretag föredrar ni? Varför?

3. PREFERENSER KRING SAMMANSATTA/PAKEERBJUDANDEN
   • Vad är er syn på paketerbjudanden oavsett produkt eller tjänst? Varför?
   • Vad har ni för syn på paketerbjudanden hos ett försäkringsbolag?
     • Olika typer av försäkringar och även paket som inkluderar andra tjänster?
   • Vilka tjänster skulle ni vilja ha sammansatta i ett paketerbjudande från ett försäkringsbolag? Varför just dessa?
     • Vilka olika försäkringar skall ett sådant paket innehålla?
     • Vilka andra tjänster utöver bank och försäkringar skall ett sådant paket innehålla?

4. BENÄGEN ATT HA/INTE HA SAMMA PREFERENSER ÖVER TID
   • Hur många gånger har ni bytt bank och försäkringstjänster under de senaste fem åren? Varför?
   • När det gäller tjänster hos ett försäkringsbolag, hur skulle ni reagera på förändringar i familjeförhållanden/inkomstförhållanden/levnadsförhållanden?
     • Hur tror ni att förändringar i omgivningen kan påverka era framtid val?
APPENDIX C2
Fokus Group Discussion Questions (English)

1. PREFERENCES
   • Which insurances do you have? Where? Why do you subscribe to these particular insurance services?
   • Why do you subscribe to the particular insurance services that you mentioned above?
   • What other services, apart from insurances, do you use at an insurance company?
   • Which advantages and disadvantages do you think exist with having other services at an insurance company? Why do you believe so?
   • Which services would you like to be offered by an insurance company? Why?

2. INFORMATION ABOUT SERVICES
   • How do you receive or gather information about various insurance services and offers? Why do you gather such information?
   • From whom do you get information about insurances and insurance companies?
   • What information about insurances and other services would you like to get from an insurance company? Why?
   • Where (physical place), how (which media/personal contact), and when (time of day) would you like to be received by an insurance company? Why?
   • As an insurance holder, how do you perceive the office hours, phone hours, and office locations offered by insurance companies today?
   • What kind of contact (personal/internet/phone) do you prefer with an insurance company? Why?

3. PREFERENCES REGARDING BUNDLE SERVICES
   • What do you think about bundle offers regardless of product or service? Why?
   • What do you think about bundle offers at an insurance company?
     o Different types of insurances and even bundles including other services?
   • What services would you like to have combined in a bundle offered by an insurance company? Why?
     o Which various insurances should such a bundle comprise of?
     o Which other services apart from banking and insurances should such a bundle comprise of?

4. INCLINATION TO HAVE/NOT HAVE SAME PREFERENCES OVER TIME
   • How many times have you switched bank and insurance company over the last five years? Why?
   • When it comes to services at an insurance company, how would you react to changes in family/income/life circumstances?
   • How do you think changes in your surroundings would impact your future choices?