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Fit for growth

How insurers can profit from ecosystems, platforms and connected services.

Contents

Table of figures 2

A Introduction 3

B The market – ecosystems, platforms and connected services are setting the scene 4

C Market positioning – models for playing in ecosystems 7

D Create your ecosystem strategy – write your own rules and learn how PwC can support you 12

E Summary and outlook 14

Our experts 15

Table of figures

Fig. 1 Top five companies across the globe by market capitalisation 4

Fig. 2 Benefits of ecosystems 6

Fig. 3 Different ecosystem typologies 7

Fig. 4 Building the ecosystem is a strategically important and complex task 13

A Introduction

This paper discusses the developments, challenges and opportunities for the insurance industry brought by new business models that are having a tremendous impact on existing insurance products and services. When viewing traditional insurance products in light of changing customer expectations and behaviour, innovative technologies and competitors, opportunities emerge for insurers that are enabled and driven by ecosystems, platforms and connected services. These opportunities and the relevant market positioning techniques will be explained and underpinned by use cases.

Non-financial players are increasingly rewriting the rules of the market, driving higher customer expectations across all industries, including financial services. Companies that have pursued a platform business model, such as Amazon, AirBnB and Uber, have created ecosystems in the mobility, travel, health, shopping and lifestyle sectors. At the same time, they are among the most valuable companies worldwide based on market capitalisation. The success of these business models puts the insurance sector and its long-established incumbents under pressure as platform players blur the lines between traditional industry sectors. Established insurers need to reimagine their business beyond their industry borders.

Insurers who are able to distinguish themselves from their direct competitors and provide seamless access to their products and services will thrive in the “ecosystem world”. Establishing, maintaining or integrating into existing ecosystems is crucial for insurers in order to adapt to changing customer expectations and to remain relevant to their customers. In doing so, they must provide customers with an even more holistic service. This means transforming insurance products and services for customers into solutions by making them even more true to life. The role of insurers will continue to change as the focus shifts from compensating damage claims to preventing these events. Within this framework, traditional insurers have to decide how they will deal with other market players like InsurTechs or non-insurers, ie, to cooperate or compete with them or simply to ignore them.

This paper outlines three different ecosystem typologies: contributor, orchestrator and a hybrid model. For each participation model, success factors and barriers will be considered and an insurer’s potential suitability for putting such a strategy into practice given a desired digital agenda will also be evaluated. Furthermore, this paper highlights selected best practice methods that follow the ecosystem models presented and the corresponding market positioning behind it.

Finally, a company must evaluate which model best fits their digital agenda, business strategy and corporate vision. Moreover, building and/or contributing to ecosystems is a strategically important and complex task. This paper introduces a proven PwC four-step approach for establishing an ecosystem. This approach delivers customer-centric solutions for driving ecosystem sustainability through efficiency boosts and a short time-to-market period. Accordingly, as a first step, the concept must be developed, which implies defining and upholding the digital agenda, including reflecting the targeted offering; secondly, a detailed market screening must be carried out in order to determine how other market players should be dealt with; thirdly, partnerships must be established; and lastly, companies must determine how to maintain these strategic partnerships once created.

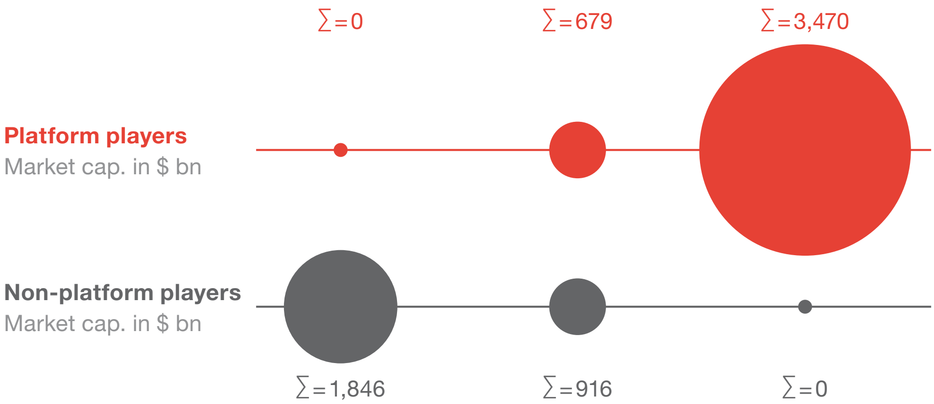
B The market – ecosystems, platforms and connected services are setting the scene

As with other financial service sectors, the accelerated pace of digitisation is posing a challenge for the insurance industry. Customer expectations are continuously evolving and adoption of and reliance on mobile technology solutions is driving the transition from close relationships and nearby branches to individualised and easy-to-access digital services. In essence, consumers want products and services that meet their personal needs at a competitive price. At the same time, customers are unaware of which company is providing these products and services. Society is moving towards a digital world in which consumers are engaging with cross-sector ecosystems more than ever before. Despite the potential opportunities, this is also problematic for financial service providers. Disruptors from outside the insurance business are encroaching on their home turf, mostly pushing financial services towards a support product for their ecosystem.

Non-financial service players are rewriting the rules of the market

The most cited examples of ecosystems that are expected to usher in this borderless world are mobility, health, travel and (shopping) marketplaces. Unsurprisingly, digital forerunners are now spearheading global value creation. In the last decade alone, platform and ecosystem players have taken the fast lane to the top-five leader board of worldwide companies as measured by market capitalisation:

Fig. 1 Top five companies across the globe by market capitalisation



2008	2013	2018
1: Exxon Mobil	1: Apple	1: Apple
2: Petrochina	2: Exxon Mobil	2: Alphabet
3: General Electrics	3: Google	3: Microsoft
4: Gazprom	4: Berkshire Hathaway	4: Amazon
5: China Mobile	5: Petrochina	5: Tencent

Source: PwC Top 20 Companies Report 2008, 2013 and 2018.

However, you do not have to look far to find successful ecosystem players. Smaller yet highly successful companies like the German CHECK24 are leading the way in bringing ecosystems to life. Their retail platform directly offers their clients financing solutions for bigger purchases or suggests adding travel insurance tailored to the travel dates and destination when booking a hotel online. However, CHECK24 does not manufacture, ship or issue any of the aforementioned products themselves. From the client's perspective, CHECK24 acts as an ecosystem orchestrator for multiple related or complementary products and services. This produces a holistic customer experience. From an ecosystem contributor's perspective, CHECK24 acts as a facilitator and assists the contributor in connecting with clients.

Insurers need to reimagine their business beyond the borders of their industry

The fact that client expectations are evolving cross-industry is by no means breaking news. However, insurers have not been able to keep up with the pace of change. For decades, the traditional insurance business model has been considered a trouble-free sweet spot. The sale of an insurance contract resulted in a long-term relationship with little client interaction and need for maintenance, with opaque pricing structures, terms and conditions often deterring clients from actually filing claims for minor incidents. In this way, insurance companies managed to establish themselves as risk and data aggregators. Nevertheless, insurance companies – just like banks – tend to stick to their traditional business models and concepts, offering isolated products to their prospects and clients.

Today, insurers have to acknowledge that the increasing reliance on technology is not only reshaping the client's expectations, but is also blurring the lines between industries. The rise of ecosystems has not gone unnoticed and insurers cannot ignore the role they play for their target clients. Formerly defined borders between industries and services are vanishing and insurers find themselves in a position where differentiating themselves in the eyes of their clients has never been more challenging. Incumbents need to find a new way of thinking about their business model and framework conditions in order to remain relevant to their clients.

For insurers to excel in this environment and effectively leverage interconnected networks, they need to rethink their business model. This means that incumbents have to move away from a product-focused strategy towards a client-centric perspective that looks beyond existing product and revenue categories. In order to grow in an ecosystem-driven marketplace, insurers have to evaluate partnership opportunities, assess network risks and identify value drivers.

New business models encourage new competitors

Whenever an industry is undergoing significant change or where existing players have not leveraged market opportunities to their full potential, new competitors are waiting in the wings. Large corporations in many industries are either building new ecosystems or enhancing or joining existing ecosystems. The clock is ticking for traditional insurers, InsurTechs and industry incumbents to build, establish and maintain the ecosystems of the future.

Point-of-sale insurance, for example, has become common practice for airlines and car and electronic goods retailers. It is a promising and lean sales channel for insurers who have mostly limited themselves to inflexible products despite the popularity of integrated client experiences. This blind spot has been readily exploited by other non-insurance competitors. Aspiring platform companies, such as booking.com or billiger-mietwagen.de, have managed to eliminate insurers in the context of travel cancellation policies. They simply started offering two product categories – one that is fully refundable usually up to 24 hours before travel without any justification needed at a premium price, and a cheaper option without fully refundable cancellation.

Despite the popularity of point-of-sale distribution, insurers have seldom been able to scale sales in this channel. Although point-of-sale insurance can be seen as a precedent for modern ecosystem players, it has mostly been considered a support rather than a core business and therefore received little to no attention in strategy development. Technological advances have fostered ecosystem thinking, and the business potential of platform and ecosystem play is growing at an unstoppable pace. Insurers need a clear digital strategy, vision and commitment to establish themselves in this environment and to unlock their full potential.

Platforms and ecosystems are shaping the future of business

As has become evident from examining the most successful companies in the world today, producing a top-notch standalone product no longer appears to be the cure-all solution. The Googles and Amazons of today are not working as isolated microorganisms, but rather in digital, client-centric ecosystems. This new way of doing business builds on platforms and networks, mostly cross-industry or cross-sector, thus enabling operations beyond previously defined borders.

A platform, on the one hand, is the technical infrastructure necessary for participants (clients or producers, B2B or B2C) to connect with each other. The various participants interact via the platform to create and share value. Platforms offer open infrastructures, eg, APIs (application programming interfaces), that enable prompt on- and off-boarding of participants and encourage data sharing. The most common examples of such platforms are probably Uber, AirBnB and Spotify, who work to bundle supply from a large number of producers (here: Uber drivers, flats and musicians) into one single point of access for the consumer. Although a platform can facilitate an ecosystem by itself, an ecosystem may also build on a set of platforms.

An ecosystem, on the other hand, is an integrated network with a set of interconnected services that allows participants to address a broad variety of client needs in the context of a single user experience. In this sense, an ecosystem approach goes beyond pure platform play – mostly cross-industry or cross-sector – selling results and customer experience rather than isolated products or services. Taking a result-focused point of view requires incumbents to put the consumer at the heart of their thinking and operations, which, simultaneously, encourages collaborative product and service development. Ecosystems offer a wide range of opportunities to insurance companies, and these need to be assessed and considered in the digital strategy process.

Depending on the positioning insurers adopt within a connected ecosystem, they can reap multiple benefits:

Fig. 2 Benefits of ecosystems

Reduce attrition
Single interface purchases reduce client attrition from prospect to closure by eliminating borders between the point of sale and the insurer's website, office or the like.

Leverage network effects
Enter new client segments, establish new products and jointly benefit from increasing sales with your partners from associated industries.

Become relevant
Help your clients transform from reactive to proactive – integrate third-party products and become a part of their daily lives.

Avoid future claims and costs
Help clients to monitor, predict and jointly mitigate risks through individual preventive actions against damages or physical harm, thus precluding the need for future claims.

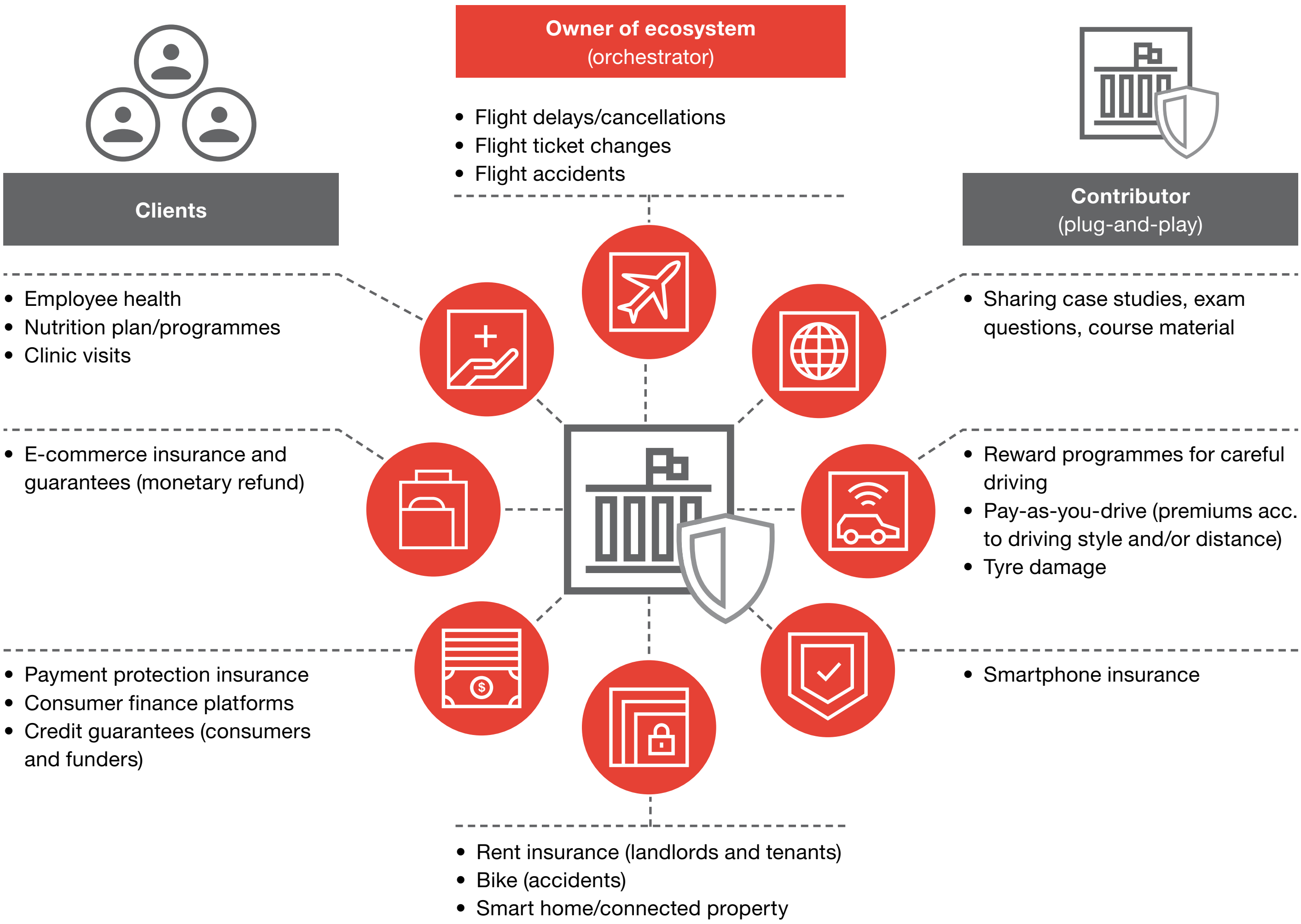
Increase loyalty
Increase contract flexibility using individual risk calculations and pricings based on evaluation of continuously gathered data (e.g. bonuses for careful driving).

C Market positioning – models for playing in ecosystems

How can insurers excel in this challenging environment and reinvent client acquisition and relationship models?

Depending on the position incumbents target, competition in an ecosystem world is not limited to their own industry. Aside from innovative and agile insurance technology companies (InsurTechs), players from outside the insurance market are entering the field when it comes to building and orchestrating an ecosystem. Insurers need to revisit their overall business strategy in order to define a clear digital roadmap and ecosystem vision. However, the fuel for a low-cost player might not drive the engine of a differentiated insurer. It is therefore important for incumbents to decide which path they want to take – contributing to an existing ecosystem or building and orchestrating their own.

Fig. 3 Different ecosystem typologies



Plug-and-play: Contribute to others' platform ecosystems

Similar to but more refined than point-of-sale distribution in other sectors, a plug-and-play strategy relies on leveraging existing ecosystems. Insurers can use API technology to embed their products and services into other platforms and customer experiences. In this way, the insurer assumes a contributor role, supplementing an existing ecosystem with their products.

Plug-and-play strategies offer cost-efficient and high-speed access to new and large volumes of clients and revenue pools. With the necessary back-office and claims processing capabilities, insurers can quickly scale their business – even with small-ticket policies – and, in some cases, even increase their own and their partners' sales by jointly eliminating product ambiguity and risk on the client side. In addition, the plug-and-play strategy avoids expensive branch and marketing costs while maintaining full flexibility and control over sales channels. Low on- and off-boarding costs allow incumbents to quickly leverage and expand into other ecosystems or withdraw from existing areas of business. Finally, insurers can leverage this flexibility to access non-home markets in order to test and offer different product features or pricings.

The effectiveness of pure plug-and-play strategies strongly depends on the ecosystem partner or partners, because the insurer is decoupled from the client. As a result, a clear downside of this strategy is the loss of direct customer interfaces. Furthermore, when the platform the insurer connects with is acting as an aggregator, client focus is at risk from overbalancing of price instead of the focus being on brand or actual features. However, insurers can take preventive and mitigating actions by means of thorough partner analysis and selection methods.

Zhong An: a model contributor

Company profile

Zhong An is a fully digitalised Chinese insurance company with 3,000 employees worldwide. More than half of its employees are IT developers or engineers who build customer-centric and automated digital services. Originally founded as a joint venture by Alibaba, Tencent and Ping An Insurance Group, Zhong An defines itself as a technology company rather than an insurance company and has grown to become one of China's major online companies. Initially, Zhong An offered services only to Alibaba customers for covering the delivery costs of faulty products, which is an essential issue for Chinese online shoppers who are afraid of buying faulty products. This produces a win-win situation, as the reluctance to buy Chinese products due to inferior quality is eliminated, leading to an increase in retail sales as well as sales of Zhong An's insurance products. At that time, around 80% of Zhong An's customers came from e-commerce and online service providers like Alibaba, Tencent and Baidu.

Business model

Zhong An's business model is based on a supply chain that is highly focused within the insurance industry. According to Zhong An, they are running five ecosystems: Lifestyle Consumption, Consumer Finance, Health, Auto and Travel. Zhong An's insurance products are sold online through these ecosystems. Although their business model is online-only, a large volume of policies are sold every year (more than 10 billion policies from 2015 to 2017) and they are able to handle large numbers of requests simultaneously. This is due to the fact that the majority of automated operations use modern technologies like cloud, AI or blockchain. As online-only business models generate plenty of user data, Zhong An uses its D&A technologies and applies sophisticated data analysis. In doing so, Zhong An improves the customer centricity of its products. In light of this, defining Zhong An as a technology company rather than an insurance company seems appropriate. Zhong An's ecosystems cover almost all market segments and it partners with important brands in each segment. Among the most famous partners are Air China and Ctrip (travel industry), XiaoMi and DJI (consumer electronics), Citic Bank and WeBank (banking) as well as Taobao, WeChat, Baidu and Changan.

Competitive advantage

Zhong An's ecosystem strategy is based on placing its insurance products within the digital product platforms or retail websites of its partner companies. This model yields two significant advantages: first, Zhong An leverages the customer base of its partner company. Second, the process of consuming a product of one of Zhong An's partner companies and of Zhong An itself is seamless, fully digital, quick and easy. Zhong An is able to put such a process in place for its customers thanks to its unique employee structure. It consists mainly of IT developers, while only a minor proportion of staff are insurance brokers.

Financials

	2014	2015	2016	2017
Revenue	$122.2m	$367.6m	$492.2m	$800.7m
Change in revenue compared to previous year	–	~200.6%	~34%	~62.7%
Change in profits before tax compared to previous year	–	~59.7%	~–79.3%	~–7.7%
# of employees	184	665	1,574	2,541

By implementing its services in numerous different industries and thanks to its simple and efficient purchasing processes, Zhong An improved its gross written premiums (GWP) by more than 80% within one year (accounting for $370 million). In the same year, specifically on 11 November, which is Chinese Singles' Day, one of the biggest shopping occasions in China, Zhong An sold 240,000 insurance policies in one second. This number is tremendous and only achievable due to Zhong An's resilient IT infrastructure, making it a role model within the insurance industry.

Build-and-run: orchestrate your own platform ecosystem

When it comes to building ecosystems, insurers find themselves in competition with players from outside their industry. The market is riddled with players striving to command the customer interface space and to be in direct control of client interaction. In contrast to plug-and-play, orchestrators write the rules of their ecosystem and user experience. The orchestrator is the owner of the client interaction and value proposition and is in control of the platform. In an orchestrator role, insurers are in charge of incentivising clients to enter into their ecosystem and, more importantly, to stay engaged. They have to assess and update the set of aggregated services and products in order to be attractive to the client and ecosystem contributors.

Build-and-run strategies put the insurer at the heart of an ecosystem, allowing them to function as a hub for a certain aspect of their customers' lives. In this way, incumbents are in command of the client interface, improving retention and loyalty – assuming that an orchestrator role allows insurers to establish themselves as a connected hub and to embrace data collection far beyond the borders of traditional insurance business. New data analysis tools and artificial intelligence solutions, in combination with the data customers willingly share, opens new horizons for product development, underwriting, claims management and personalisation. In doing so, insurers can become truly client-centric and relevant. In addition, the orchestrator has full control over partner selection and can focus on engaging the partners that are best suited to their integrated service offering. These integrated offerings are a unique selling point, and offering the complete package allows insurers to move from competition in terms of price towards competition in terms of value creation.

However, ecosystem builders have to bear in mind that the establishment of an ecosystem comes with initial set-up and maintenance costs that are higher than in a purely plug-and-play model. Existing structures and legacy IT systems can complicate platform play and actually hinder the successful establishment of an ecosystem. In this respect, insurers can learn from agile and innovative InsurTech companies who operate using modern systems while following the test-and-feedback culture required to excel in a customer-centric environment. However, incumbents can overcome this challenge by setting up their ecosystem infrastructure away from their existing business and by connecting, exchanging or re-engineering in a selective manner.

Ping An: a model orchestrator

Company profile

Founded in 1988 as an insurance company, Ping An started to market financial service products in the mid-1990s and developed into a significant internet financing company. Thanks to heavy investments in technologies like biometrics, cloud, big data and artificial intelligence, Ping An today is a remarkable key player when it comes to ecosystems and is one of China's most remarkable companies. Ping An has grown into a company that is relevant to its customer on a day-to-day basis by offering numerous financial services like asset or wealth management and investments, and health care. By doing so, Ping An has evolved into a personal finance service provider.

Business model

Ping An was able to achieve this level of customer relevance by orchestrating and maintaining platforms in various industries that are relevant to customers. These platforms – accessible via apps and websites – contain a variety of complementary services. These complementary services offer a holistic customer product portfolio, boosting the sales of all companies involved. Besides its initial core product insurance, today Ping An generates high revenue with products from other industries such as health care, automobiles, real estate and banking. Ping An's key ecosystems – covering financial, health care and auto services as well as real estate financing – are designed to deliver a holistic customer service and cover all phases of the customer's life cycle. The overall aim is to provide services for every possible situation. All the services offered are delivered by Ping An's ecosystem partners while delivery is supported by Ping An's AI and big-data technology solutions.

Competitive advantage

Besides delivering holistic customer services, Ping An also delivers value by simplifying processes. Ping An's customer accounts combine several topics of customers' daily life into a single app. Besides investment, expenses, deposits and loans as well as insurance management, the customer can also manage care trading activities, fine payment, real estate valuations, and health records. By orchestrating ecosystems in several sectors and simplifying processes that touch upon various fields, Ping An rapidly expanded its customer base and drastically increased customer relevance thanks to its "all from one source" approach.

Financials

	2014	2015	2016	2017
Revenue	$72,272.5m	$97,694.1m	$106,299.3m	$129,393.7m
Change in revenue compared to previous year	~27.5%	~31.5%	~8.8%	~21.7%
Change in profits before tax compared to previous year	~34%	~47.1%	~–3.1%	~31.5%
# of employees	235,999	275,011	318,588	342,550

Ping An was listed among the Fortune Global 500 in 2018, with reported revenues of around $145 billion globally. Ping An has 180 million users of health-care services provided through Ping An's health ecosystem in around 260 cities, 32 million daily users of the auto ecosystem that connects customers with around 30,000 care stores, 100,000 garages and around 35,000 used-car dealers, and 21 million users of the real estate ecosystem.

Hybrid – the way of transformation
Of course, there are also ecosystem players who do not identify with one or the other typology of ecosystem player or who are currently in the midst of their transformation process. Incumbents transforming with the goal of a build-and-run strategy may start orchestrating ecosystems for some of their products like car insurance and, at the same time, follow a plug-and-play strategy for small ticket products like travel insurance. Nevertheless, they maintain traditional operations for complex products or areas where clients typically value human interaction, such as life insurance.

Although the hybrid approach is neither fish nor fowl, it might be a valid option for incumbents for testing which way to go or for driving their transformation process. Temporary hybrid strategies allow incumbents to stretch development costs, search for partners and organise change processes over a longer period of time or even follow a phased approach to lift operations into the new ecosystem.

Allianz – a hybrid on the verge of transformation

Company profile
Allianz SE is one of the world's leading insurance and financial service providers. The Group offers comprehensive services in property and casualty insurance as well as life and health insurance. The portfolio ranges from general life liability and car insurance to travel and credit insurance to assistance services. The company is also the world's fourth-largest asset manager and provides clients with numerous asset management products and services. As of 2017, Allianz ranked 22nd in the Forbes Global 2000 of the world's largest companies. As it stands, Allianz market capitalisation amounts to approx. $100 billion.

Business model
Last December, Handelsblatt cited Amazon, Google and the Chinese insurance company Ping An as Allianz's largest future competitors. Against this background, Allianz has initiated a paradigm shift. With Allianz X – Allianz's digital business unit – the insurer is investing in evolving the digital business model. On the one hand, Allianz takes the role of orchestrator by establishing and maintaining several ecosystems (Data Intelligence and Cybersecurity, Wealth Management and Retirement, Connected Health, Connected Property and Mobility) and by providing interfaces for portfolio companies. On the other hand, Allianz assumes the role of contributor by connecting its own digital products to ecosystems outside the Allianz Group. Combining these two typologies, Allianz applies the hybrid strategy.

Competitive advantage
As the customer interface has evolved, Allianz offers its products not only via brokers and agencies, but also increasingly via digital platforms. Although customers inform themselves about the products using online comparison portals, they still want interpersonal contact. Allianz is therefore pursuing a two-pronged approach. With its solid financial situation, strong customer base and international brand recognition, Allianz has several competitive advantages over its newly established competitors from outside the industry.

Financials

	2014	2015	2016	2017
Revenue	€96,802m	€104,231m	€104,615m	€108,649m
Change in revenue compared to previous year	–2.20%	7.70%	0.40%	3.90%
Change in profits before tax compared to previous year	~–8.9%	~14.6%	~4.0%	~–1.4%
# of employees	147,400	142,500	140,300	140,600

Getting involved in ecosystems with convenient services for clients and partners is an intelligent and indispensable approach for keeping pace with the changing external environment and customer expectations. The ecosystem models described above have differing, but equally convincing, advantages. There is no one-size-fits-all approach. While establishing or engaging in ecosystems, insurers have to thoroughly assess different criteria alongside their digital agenda and follow a multi-step approach.

D Create your ecosystem strategy – write your own rules and learn how PwC can support you

1. Defining and enhancing the digital agenda

In order to establish, maintain and enhance a sustainable ecosystem, following a customer-centric approach is key. This enables offerings that add value for the client, therefore making an impact on them as a firm. The first step is to develop a digital agenda based on the strategy behind it, followed by market screening of potential partners, the establishment of preferred partnerships and lastly, the continuous enhancement of the business relationship.

In order to move forward with the digital agenda in the first place, gaining insights into client behaviour and expectations is paramount. This enables the ecosystem company to start thinking about client-relevant products, thus producing initial ideas for offerings that add value for clients and corresponding use cases. These digital agendas differ from one ecosystem player to another, as they have to be elaborated on an individual basis. It is critical that the company puts itself in the shoes of their clients and ascertains their needs and expectations with them.

2. Screening partners

Being aware of potential client solutions means screening the market to identify potential partners who are already offering these solutions or who could be a great match. In doing so, the market should be scanned and evaluated based on previous defined criteria that reflect the digital agenda and the strategy behind it. If an appropriate partner cannot be found for the desired offering, alternatives such as in-house development can be considered. If a potential partner that is contributing to the strategy and satisfying a concrete demand and client need is identified, a letter of intent will be signed by both parties to set the legal ground for building the relationship.

3. Establishing partnerships

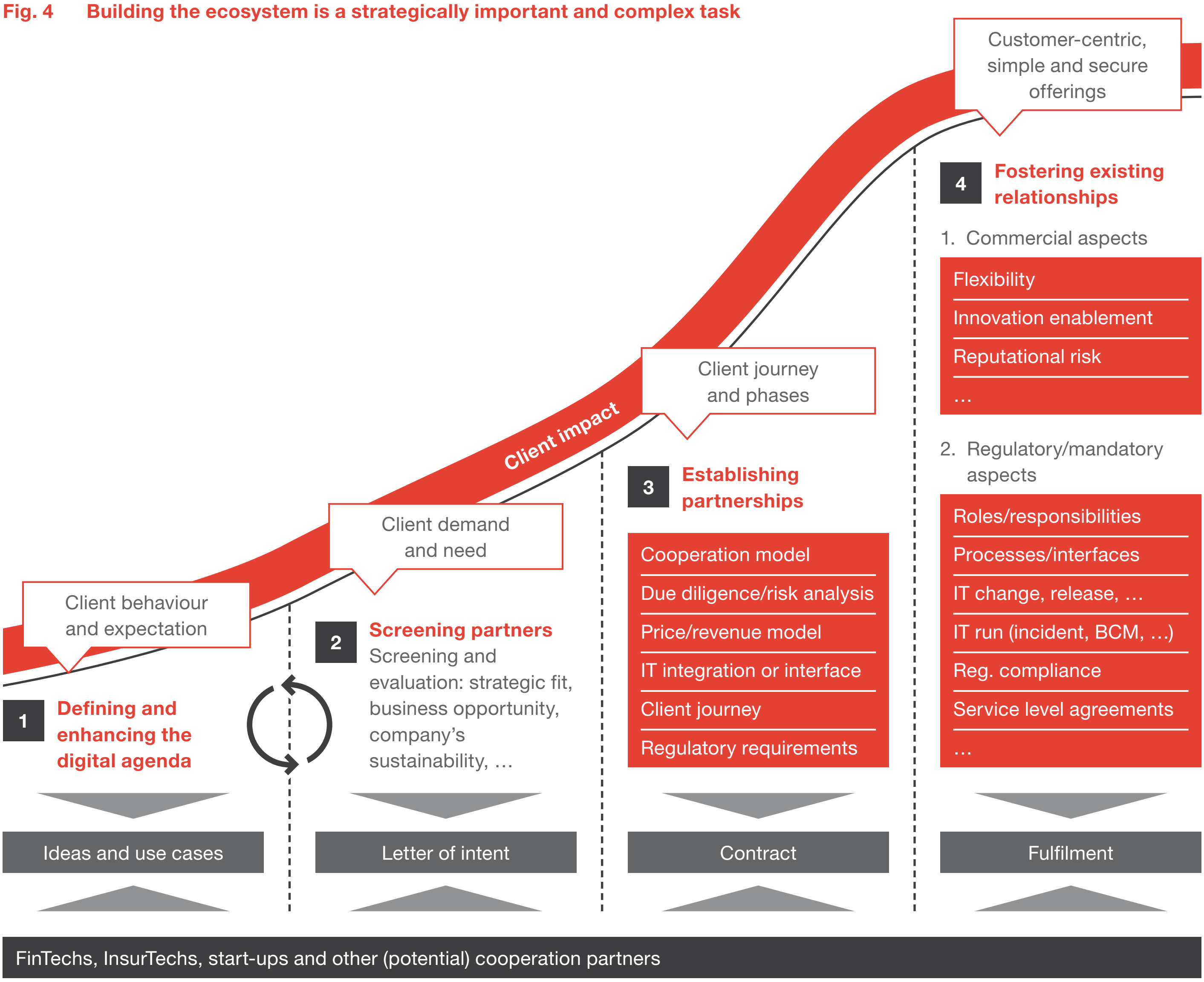
During the early stages of partnership establishment, the key pillars for the business relationship are defined. The entire customer journey will be conceived and structured into phases for digging deeper and conceptualising the future offering. Furthermore, different cooperation models – such as outsourcing, sales cooperation and joint ventures – have to be considered.

Based on the chosen cooperation model, other aspects need to be examined and agreed upon, such as business and contractual matters, eg, revenue models, the need for due diligence or a risk analysis, and the interface management between the partners by ensuring compliance.

4. Fostering existing relationships

Once the business relationship has been established, it must be maintained and enhanced. Some aspects are mandatory as they are regulatory requirements. However, there are some aspects that are more commercial and should be further developed to ensure that the offering is still up-to-date and enables excellent market positioning of the company. For commercial reasons, innovative power and flexibility should be maintained and strengthened continuously by steadily working on the reputation of the company. Of course, the regulatory must-haves such as the definition of roles and responsibilities, data security and privacy compliance as well as risk management have to be put into practice and interfaces have to be managed accordingly.

Fig. 4 Building the ecosystem is a strategically important and complex task



The bottom line is to focus on the client right from the start and allow room for flexibility in the business relationship in order to be able to react to unexpected (market) changes, thus creating a sustainable ecosystem.

During this process, each ecosystem player has to define its customised strategy, build corresponding platforms and offerings around it and ensure that each offering is embedded in existing ecosystem offerings.

E Summary and outlook

While some decades ago, establishing an ecosystem of services would have been a Herculean task, today's world is actually encouraging interconnection and collaboration. Insurers are fortunate to have a unique selling proposition: with a large customer base, insights into data and established brand recognition, insurers have enormous success factors at their disposal when establishing and maintaining ecosystems. Moreover, insurance companies have built up holistic regulatory expertise, giving them a competitive advantage over their latest tech-related competitors from outside the industry. Their solid financial situation enables them to invest large sums in evolving their digital agenda by engaging in ecosystems. Inevitably, their services and products are relevant and related to a majority of basic customer needs, eg, financing and insurance services for cars, construction financing and household insurance for real estate. Besides these competitive advantages and success factors, the right mindset and vision are also key to developing or engaging in an ecosystem. Focusing on your strengths while implementing the overall strategic agenda is essential.

It remains unclear which incumbent will win the "digital race" and, thus, maintain or improve on its current position in the market. The upcoming years will mark a turning point.

Which insurer will be leading the digital change in the industry? Which insurer will transform its traditional business model into a mainly platform-based business model? Which typology of ecosystem do incumbents mostly follow? These are just some of the many questions that need to be answered in the near future.

Moreover, it remains to be seen how established insurance companies will initiate this change. In this respect, InsurTechs play an important role. Cooperation between established insurers and new market entrants from outside the industry is only one of several unrecognised synergies. This is mainly but not solely due to the fact that customers increasingly demand single-source products. Also, in light of increasing competition between established insurers and companies from outside the insurance industry, it is inevitable that the two will come to cooperate with one another. Collaborating with InsurTechs enables incumbents to develop new products and distribution channels more quickly while at the same time entering new markets and discovering new business opportunities.

One way or another, insurers must initiate change now and seriously reconsider their business model. Only those who manage to digitise their business model will remain successful in the future.

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At PwC, we continuously strive to analyse and engage in innovation in order to be able to deliver the best possible service and value to our clients. Our European Customer & Operations practice, in particular, regularly cooperates with InsurTech and FinTech partners to investigate current trends in the financial service market (see, for example, our whitepaper "Outsourcing 3.0: Licensed FinTechs Driving Growth and Efficiency for Banks" in collaboration with FinLeap) and conducts market surveys on outsourcing, cooperation and banking ecosystems (see, for example, our 2018 PwC outsourcing survey – only available in German). In addition, we are driving the development of platform banking in cooperation with Mambu and Backbase in order to lead financial services into the digital future.

About PwC
Our clients face diverse challenges, strive to put new ideas into practice and seek expert advice. They turn to us for comprehensive support and practical solutions that deliver maximum value. Whether for a global player, a family business or a public institution, we leverage all of our assets: experience, industry knowledge, high standards of quality, commitment to innovation and the resources of our expert network in 158 countries. Building a trusting and cooperative relationship with our clients is particularly important to us – the better we know and understand our clients' needs, the more effectively we can support them.

PwC. More than 11,000 dedicated people at 21 locations. €2.2 billion in turnover. The leading auditing and consulting firm in Germany.