

Influence of distribution channels and culture on the future of the health insurance sector in the era of digital transformation and sharing economy.

A comparative analysis between Switzerland and China.

Master Thesis

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I Declaration of Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the qualification of any other degree or diploma of a University or other institution of higher learning, except where due acknowledgement is made in the references.

Dietikon, 1st December 2017

A handwritten signature in purple ink, reading "Gema Aranda". The signature is stylized with a large, sweeping loop at the beginning and a long, horizontal stroke extending to the right.

Gema Aranda Pulido

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III Extended abstract

Purpose. This research aims to analyse the strategic efficiency of the current distribution channels in the health insurance sector and to evaluate how culture impacts the future of the health insurance sector in the digital transformation and sharing economy era. In addition, this research studies the implications of the relationship among health insurers, intermediaries, and consumers to determine this impact on the distribution channels.

Research Literature. The theoretical framework is based on a relationship marketing theory, in the context of distribution channels, to explain the relationship among the parties involved combined with a cultural model to explain the cultural implications in each country. Furthermore, the conceptual framework involves direct and indirect distribution channels with either a multiple channel or omni-channel approach, their relational engagement with new or existing customers, and the influence of digital transformation and peer-to-peer business models in China and Switzerland.

Methodology/Approach/ Research strategy. The study will follow a cross-sectional, mono method qualitative research with an inductive approach using a narrative inquiry. In addition, the chosen method for this research project is a non-probabilistic method, known as snowball sampling. The sampling is divided into three different categories: Consumer, Expert, and Company, and there is a total of 32 semi-structured interviews for the two countries. The research strategy is based on a review of the literature and theoretical framework from academic journals and databases, followed by an analysis of the 32 semi-structured interviews, and concluded with a final evaluation and comparison between the theories studied and the findings from the conducted interviews.

Findings. The health insurance sector has changed in the last few years to adopt new trends and challenges triggered by a constant development of other sectors. This sector is very diverse in its own context, as in China it is still quite new and in Switzerland it is strongly regulated; yet both countries are highly innovative and still have potential to grow. Firstly, health insurers have started to increase the use of digital marketing channels in the two countries to better utilize their resources through a more equitable combination of direct and indirect channels. In addition, the relationship between health insurers and their customers is no longer strictly classified as B2B, B2C, B2H or H2H, and it is losing its significance throughout the years. Secondly, health insurers are using multiple channels based on customers' needs to achieve a better engagement with their target customers, although in Switzerland a company has already implemented an omni-channel approach. Thirdly, the appearance of peer-to-peer business models has barely any impact on the health insurance sector as it cannot be implemented in any of the countries. Thus, there is a negative social impact on this model caused by a lack of incentives from individuals that are not willing to pay a higher price to

receive the same benefit. Lastly, culture's influence on each country has been measured through three different cultural dimensions along with what are considered to be main aspects of a partner channels relationship, in order to analyse whether there is an impact on their behaviour.

Research Limitations and Challenges. There are several research limitations based on the selected method for this study. Firstly, the semi-structured questions have been constructed as simplistically as possible to avoid bias in the interpretations. Similarly, the deconstruction of the answers and selection of the different categories from the findings were done in a transparent way to avoid wrong conclusions. In addition, the relevancy of different subtopics as well as the categorization of the different key points extracted from the interviews during the data analysis was a challenge. Moreover, for the secondary data collection, the researcher has used external sources, such as academic articles or databases. Hence, due to a limitation of time and resources, the researcher could not use further resources to more strongly support the findings. Nevertheless, the researcher was consistent in each step of the data collection and analysis to avoid bias and foster a trustworthy contribution to the research.

Implications. On the theoretical level, the researcher could find theories and models that could be applied to the insurance sector. Yet, there were barely any studies in the health insurance sector combined with digital transformation and peer-to-peer business models in the two countries selected. In addition, intermediaries are an important part in the sector and the relationship between them and the health insurer could influence the selected distribution channels. On a practical level, the study analyses two countries, China and Switzerland, which also involves cross-cultural implications. Besides, the health insurance sector in Switzerland is highly regulated with limited freedom to innovate while in China the market is still quite immature. Furthermore, there is a social implication caused by the P2P business model. This model tries to involve the community and ensure transparency on the market. However, it cannot be currently implemented in the health insurance sector due to a lack of incentives from the users in the same network to cooperate and pay a higher premium to obtain the same benefits as with a traditional insurance model.

Added value. This research provides some insights to better understand the sector and help with its development in the future. It also brings an added value to all the components involved in the study through the analysis of all the relevant subtopics, which have an impact on an international level.

IV Acknowledgements

This research is the result of one year of hard work and devotion to a topic in the health insurance sector I am interested about. The many hundreds of hours spent on studying, researching and travelling around in the research countries to complete the thesis did not only result in the conclusion of this thesis, but also in a personal growth due to all the experiences and achievements along the way.

I am truly grateful to my supervisor, Prof. Dr. Lynn Lim, who gave me the opportunity to supervise me and whose expertise, understanding, guidance and constant support made it possible for me to work on this topic. It was a pleasure working with her.

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I am hugely indebted to my partner, Ralph for offering me his support any time, always believed in me from the beginning and encouraging me in all the moments when I needed. Moreover, I would like to thank my parents for their support along the years and my friend Magda who always supported me and encourage me to continue.

Finally, I would like to express my gratitude to all the participants of my interviews in the two countries and the people that helped me through this path. Specially, for finding time in their busy schedule to be able to achieve my goal.

1 Introduction

Since 1950, the trademark of the Salvation Army “Sharing is caring” has been conceptualised as the term “sharing economy” evolves in many industries and sectors. (The salvation army, 1950). Some other authors describe the use and share of products and services among community members (Puschmann and Alt, 2016; Liao, Fang-Chih and Pui-Lai To, 2013). Traditional sharing has been done for many years by lending or swapping unused products among family, friends or acquaintances. Since the first introduction of social networks with the “Classmates” webpage in 1995, people could locate old colleagues from high school, internet, and social platforms (Classmates, 1995-2017). Besides, these tools have rapidly transformed not just the way people interact among each other, but as well how businesses provide products and services. To what extent such tools continue to influence the development of business communication and sharing remain to be evaluated.

The use of social media has increased to the degree that more and more people use it with different aims, such as to talk about their lives, to share photos or opinions about daily life issues, to connect with friends or potential employers or to show off about new acquisitions in their lives (Peterson, Balasubramanian and Bronnenberg, 1997; Das, 2015). Hence, there is no doubt that businesses need to use these platforms as well if they want to effectively reach their customers. However, the health insurance sector is quite regulated and has limited freedom to innovate. Therefore, it is still struggling with the use of digital marketing channels by simply focusing more on traditional ways engaging customers (Ernst & Young, 2016, pp. 7;11; KPMG, 2016).

In addition, within the health insurance sector, companies still do not realise that they need real valuable data to be able to offer the right products to the right customer. This real data could be obtained when they directly engage with costumers through digital distribution channels, as traditional marketing channels, such as magazines, print advertising, or telephone do not allow consumers to share their thoughts or opinions directly to the them. Due to this reason, Das (2015) concludes, that traditional channels have been decreasing for the past few years. Thus, whether traditional channels are truly diminishing needs to be assessed in detail.

This brief introduction leads to my chosen master thesis research topic of examining how do distribution channels and culture influence the future of the health insurance sector in the era of digital transformation and sharing economy. A comparative analysis of China and Switzerland.

1.1 Definition of terms

1.1.1 Health insurance

The term health insurance is defined by the Federal office of public health (FOPH, 2017) by a compulsory type of insurance provided to every person living in the country with the aim of having access to medical care and all treatments needed. In this industry, there are three different roles: the “insured” who is the person receiving the health insurance, the provider of medical services, such as hospital or clinic and the insurance, which acts as an intermediary between the covered person and the third party. In addition, depending on the country there could be already a general basic insurance provided by the government plus an extra private insurance. The aim of the research is to compare China and Switzerland. Thus, in the following sections there will be an extended analysis of the main characteristics and differences of the health care system in China and in Switzerland.

1.1.1.1 Health insurance in China

Bernardi and Greenwood (2014, pp. 356-372) describe in their journal, China strives to provide a basic coverage to all citizens and ensures that the basic needs are covered. Thus, the government created four main initiatives, which are divided depending on the different objectives; New rural cooperative medical care system, Urban medical insurance initiative for residents and employees, Healthy China 2020 and World Bank Health VIII project.

Firstly, rural areas in China have always been a main challenge, especially concerning the healthcare topic. Since 1980s, China’s government involvement in the health care system was reduced, which negatively affected people with extremely low income, particularly those located in rural areas. To solve this issue, the new rural cooperative medical care system was introduced in 2003 to compensate those who were not able to afford healthcare fees and help them financially to improve the health on rural areas. However, according to Wang, Wang, FitzGerald, Si, Jiang and Ye (2016) this reform was tested on one of the rural areas; Anhui province to see its benefits. Although it had a positive outcome, the initiative was still showing that wealthier people could benefit much more from it. In addition, there was still not enough funding overall for emergency costs, such as surgeries or the coverage medical services from the township health centres, which differs from the county centres. Thus, there is still a need for improvements on the system to solve this issue (Bernardi and Greenwood, 2014, pp.361-363; Wagstaff, Lindelow, Jun, Ling, and Juncheng, 2009, pp. 1-4).

Apart from the rural areas, the government also tried to improve the situation for urban residents and urban employees through two initiatives; The Urban Employee Basic Medical Insurance (UEBMI) and the Urban Resident Basic Medical Insurance (URBMI). These were created with the aim of

improving the health service access not just for urban employees, but as well urban residents, especially for unemployed, elderly people, and children (Chen, Liu and Xu, 2014; Chen, Chen, Zhang, Yuan and Ye, 2011; Xu and Short, 2011).

Secondly, Healthy China 2020 was organized by the Chinese government to achieve the goal of “promoting public health and making health care accessible and affordable for all Chinese citizens by year 2020” (Hu, Liu & Willett, 2011, p. 552). This initiative also targets chronic diseases, such as diabetes, heart disease and hypertension, as well as being specialised on raising consciousness about obesity and eating habits. It is an effective way to prevent the appearance of new cases, yet, the health system still needs a change to raise more awareness about these diseases to see a significant improvement of people’s health (Hu, Liu & Willett, 2011, p. 552).

Lastly, the World Bank Health VIII health project was created in 2008 to improve the health care system in the rural areas in China. Among other challenges, the focus is on the decrease of healthcare fees as well as increase in the quality services and infrastructure, especially in townships and villages. The project is mainly addressed to rural areas, where there is a bigger concern, as already seen in the previous chapters. Hence, the main goal of this project was to have a more equal health care system throughout China and to reduce the poverty gap (Wagstaff and Yu, 2007). Nevertheless, as it was also discovered by the other initiatives, the project had as well some negative implications. According to Wagstaff and Yu (2007), the study in the Gansu province has shown, that the overall project improved quality of healthcare in townships, but it did not bring a much positive impact to the villages, where there is much less population. Thus, it enhanced the situation in townships, but there are still some challenges to tackle.

The low quality of treatments and facilities in China in comparison to western standards and the challenges in the above-mentioned reasons in each initiative, caused the government still struggles to establish a basic coverage insurance for all its citizens. Thus, China started to expand itself internationally into other countries to improve its situation and remain globally competitive. China’s entry in the World Trade Organization in 2001 was a good starting point for potential businesses and especially for the health insurance sector (Nayak and Mishra, 2014). Also, private health insurances discovered the big potential in China and decided to start their businesses to offer a better quality in the healthcare sector and extra services to complement the government health insurance plans, even though it was still not affordable for all citizens (Ernst & Young, 2016). One of the examples was the firm Cigna who tried to expand their services in the Chinese market. However, the market in China is quite complicated and international insurers need to establish strategic alliances with the local companies to be able to succeed and compete with the local health insurances. In conclusion, thanks to the growing and continuously expanding population, globally developments in the health

care systems have arisen due to the advance technology in the health care industry. However, the health insurance market in China is still immature and there is a big potential of development. Besides, there is almost no differentiation of products in the sector and that makes it more difficult for a company to increase their market share (McKinsey, 2012).

1.1.1.2 Health insurance in Switzerland

In Switzerland, there is no government health insurance coverage per se, but it is compulsory for all citizens to have a private basic health insurance, which is considered a “social health insurance” when compared to any other countries (Paris, Devaux and Wei, 2010, p.8). This market in Switzerland is strongly regulated by the government and several organizations. Thus, insurances are not allowed to deny the right of having a basic coverage to anyone. Besides, Paris, Devaux and Wei highlighted on their paper (2010, p. 16) that the swiss government gives also subsidies to ensure the “basic health coverage for low income or disadvantage groups”. Also, citizens have the right to choose among different insurers and have the option to switch to a different one once a year.

To ensure a transparent environment for the swiss insurance industry, there are three organizations controlling the market. Firstly, The Swiss Insurance Association (SIA) is an organization representing the insurance industry in Switzerland. Their aim is to provide quality and reliability in the market as well as encourage competition among the companies based on the Swiss code of Best practice. Also, in this organization there are different insurance fields and health insurance is among them (Swiss Insurance Association, 2017). Secondly, the Swiss Financial Market Supervisory Authority (FINMA) is “the supervisory body for supplementary health insurance” and it strives to achieve a right tariff control to avoid excess on the health insurance rates (SIA, 2016, p.16). Lastly, The Federal Office of Public Health (FOPH) is responsible for public health and national health policies in Switzerland (SIA, 2016, p.16; FOPH, 2017).

The coverage for a “social health insurance” in general is based on a monthly premium, a deductible fee and the out-of-pocket limit. The first amount is basically a monthly fee (premium) which gives you the access to the preventive care and treatment costs a person may need. This fee tends to increase on a yearly basis based on an increase of medical services. Apart from the premium, there is a minimum non-refundable amount (deductible fee) covered by the insured before the insurance starts to pay the remaining of the treatment costs. If the customer prefers to pay a lower premium, the deductible gets higher as a compensation. The amount of the deductible fee goes from 300 to 2’500 Swiss Francs depending on the type of insurance plan. After this amount has been reached, the costs are shared between the insurance and the customer until the out-of-pocket limit fee is reached, which is 700 Swiss Francs for everybody (being half the price for children) (FOPH, 2017).

Thereafter, the insurance will be obliged to cover 100% of the costs until the end of year. Apart from this compulsory health insurance, there is an option as well to get access to “an extra insurance”, which provides additional services and benefits not covered by the basic health insurance. These include dental insurance or other outpatient treatments like fitness or eyeglasses (Helsana, 2017). In conclusion, health insurance in Switzerland is quite advanced and innovative. As already stated in the innovation report (2016), medical companies in Switzerland boost technology to be competitive and strong in the market. Thus, it reinforces the medical health system in Switzerland (Basel area swiss, 2016).

1.1.2 Digital transformation

Digital transformation is changing the way companies interact, operate and compete. It involves the change of processes within a company and it aims to look for more efficient and effective ways to add value not just to customers but to the society as well (Reddy and Reinartz, 2017). Thus, firms are addressing more and more its products to their customers through digital marketing channels, especially by using smartphones. Digital media’s consumption in the mobile sector has been increasing for the last few years, due to several aspects, such as easier and faster access to websites and platforms, personalized advertisement based on previous bought options, the use of online resources as a learning support for students, and the ability of sharing content from every part of world (Soukup, 2015).

1.1.2.1 Digital transformation in China

According to the China Internet Network Information Center report (CNNIC, 2017), the number of mobile internet users has steadily increased in China since 2007 due to the appearance of new companies using online platforms to reduce costs and increase efficiency as well as the intensification on the “interconnectivity era”. (CNNIC, 2017, p. 41). Also, smartphones are the most used device for internet access due to its versatility and easy access for consumers. The table below shows the incremental growth since 2007.

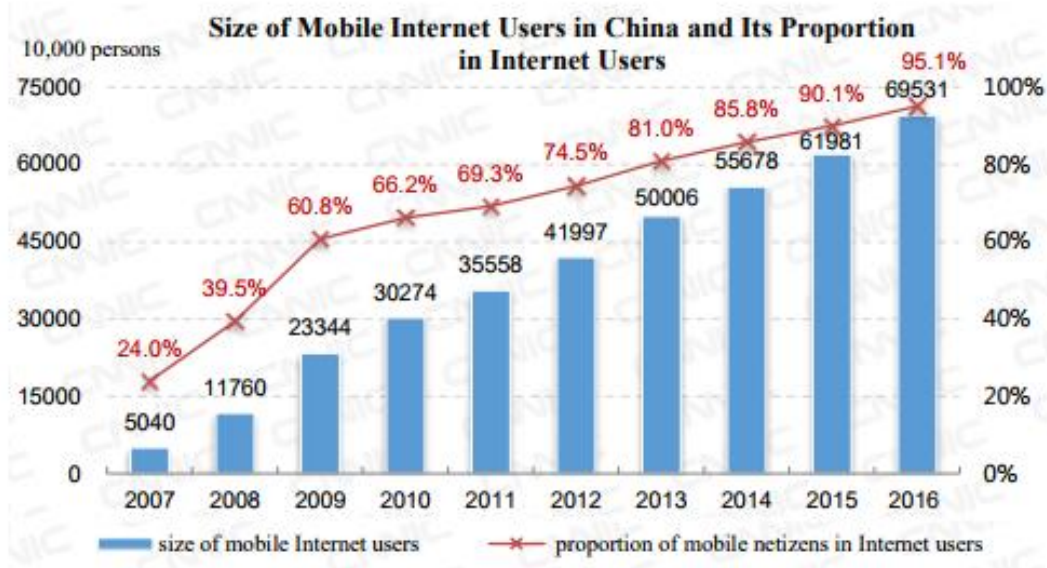


Figure 1: Size of Mobile Internet Users. Source: CNNIC

According to the Ernst & Young (2016) report, technology is disrupting businesses and among them is the health care industry. Thus, digitalization is forcing the health care companies to incorporate all necessary changes and update processes to be able to meet customers' needs. As it is shown on the below images, health care firms are using more and more digital distribution channels to better address their services. Hence, firms such as "Ping An health" company and "Chunyu doctor" gives its customers the opportunity to get 24 hours consultation through digital channels in a comfortable and convenient way.

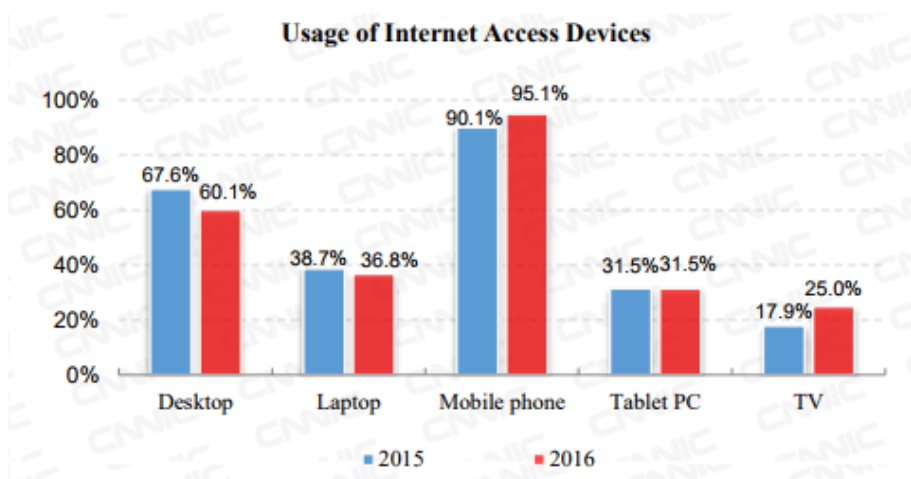


Figure 2: Usage of Internet access devices. Source: CNNIC

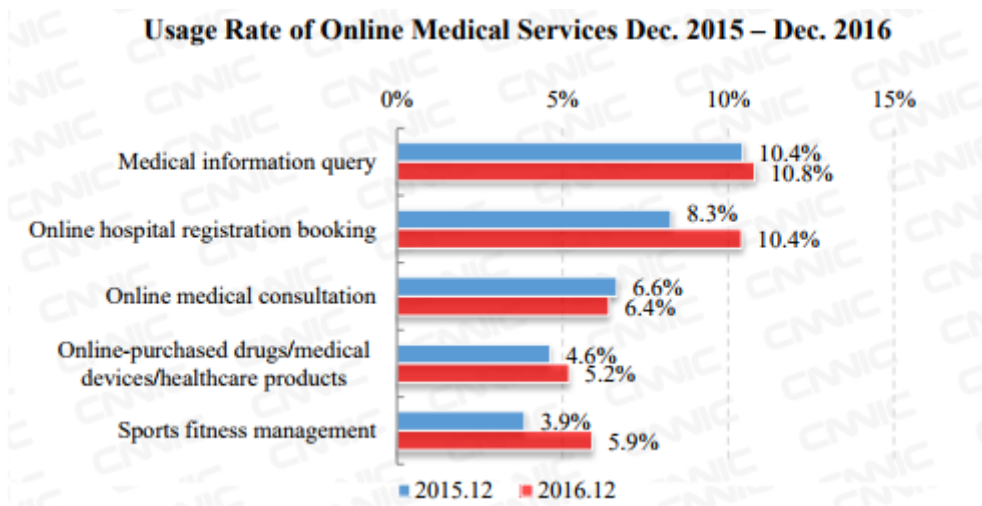


Figure 3: Usage rate of Online medical services. Source: CNNIC

In addition to the previous initiatives in the healthcare sector, health insurances establish determined partnerships with the government or other companies to remain competitive in the market due to evolution of these trends and to reduce costs. That is the case of “Ningbo Cloud Hospital”, which will offer online consultations called “Telemedicine”. Apart from the previous benefits explained before of offering online services, this would help insurance companies to make a better management of each client’s risk and therefore to offer more affordable and customized packages to their customers (Ernst and Young, 2016, pp. 7;11). Thus, China has already started with advanced digitalization process in some sectors but there is still a big potential for health insurance companies.

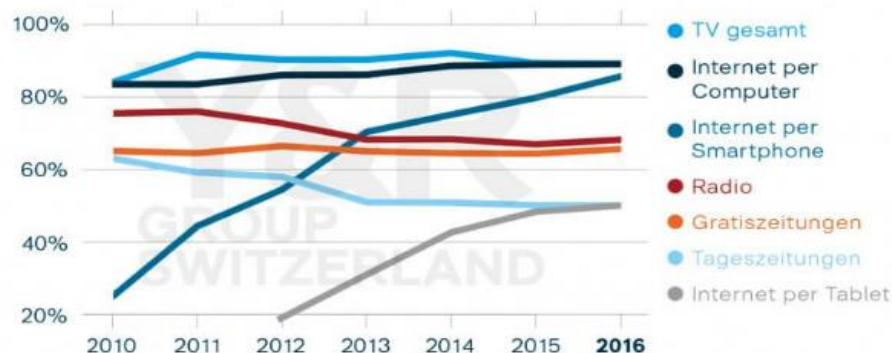
1.1.2.2 Digital transformation in Switzerland

Switzerland has been since 2011 one of the most innovative countries according to Dutta, Lanvin and Wunsch-Vincent in the Global Innovation index report (2017) mostly thanks to knowledge creation and top-notch performing technology infrastructure among others. However, some aspects, such as strong regulations on mobile broadband, high cost of labour or data protection laws could hold back the digital progress in the country (Tucci, Gautschi and Viscusi, 2016, pp. 1-8). Thus, Switzerland should use its strengths as advantages to embrace the digital transformation. However, data protection is still an issue in Switzerland and consumers are concerned about the situation of their data collected in hospitals or clinics. Therefore, firms in the healthcare sector are taking measures to respect their customers’ data and when partnering with other businesses (KPMG, 2017).

In the previous section about digitalization in China the graphics were displaying the progressively increase in the mobile internet users since 2007. Likewise, the graph below from the Media use index is also showing that in Switzerland the trend is moving upwards. The users in Switzerland are using more and more Internet through smartphones rather than computers, due to its easier access, convenience and cost efficiency (KPMG, 2017). Therefore, the trend follows not just young generations, but also older ones with an age range between 16 and 69 years old (Y&R, 2016). Hence, firms should start to increase the use of digital marketing channels without age limits by applying a different strategy to each of the target groups.

ENTWICKLUNG DER FALLWEISEN MEDIENNUTZUNG

Die Internetnutzung per Tablet hat die Nutzung von Tageszeitungen eingeholt. Trotzdem fließen in der Schweiz immer noch 42% der Werbegelder in Printmedien und nur 11% in Onlinekanäle.



Basis: Kernzielgruppe; Nutzung mind. fallweise
Quelle Media Spendings; Media Focus, 2015

Figure 4: Development of Network usage. The usage of the Internet through a Table has increased with respect of Newspapers. However, mostly of the resources are still allocated to advertisement through newspapers instead of digital channels. Source: Y&R Group

In the healthcare industry, Switzerland has an incentive of investing in robotics to use it for precise surgeries in hospitals or rehabilitation with the aim of decreasing the labour costs and improve the methods. Hence, Switzerland is still not part of the early movers in this industry including the health insurance sector which could lead to a much less stronger position in the competitive market (KPMG, 2016). For instance, there are several American start-ups pioneers on combining a health insurance with technology, such as “Oscar” or “Simplyinsured”, which combine affordable and suitable plans tailored to each customer by just using their online platforms (Hioscar, 2017; Simplyinsured, 2017). Nevertheless, Switzerland is following the example of the American market and one of the first Swiss start-ups online insurance company is “Anivo”, whose aim is to find the best health, car, or legal protection insurance customized to own personal needs through online platforms (Anivo, 2017).

In conclusion, the basic compulsory insurance has some strong regulations and it is difficult for firms to find innovative ways to be more efficient and find a better fit for the customers; yet, there are still some possible scenarios, where these companies could change the traditional view of the insurance industry and make it more challenging.

1.1.3 Sharing economy

As it has been mentioned in the first part of the introduction, sharing economy is the term to refer peer-to-peer business models with the aim of increasing the transparency and trust in the industry through the involvement of the community with a key player, the intermediary. This intercessor connects the consumer with other organism, whose resources are needed for a limited period.

Besides, as Bardhi and Eckhardt (2015) remark, in most cases the owner of the resources can obtain easy profits by sharing them, when they are not currently at use. Due to its current success in some sectors and the growth potential of the idea, a lot of companies have started disrupting businesses by applying this model to its business strategies to make it sustainable (Pwc, 2015, pp. 4-30).

However, firms should also be aware, that the threat does not just come from direct competitors but as well from indirect ones, which diversify their business when an opportunity like this arises (Mc Grath, 2013).

In addition, firms not only profit for it, but consumers do as well. As Pwc (2015, pp.4-5) stated on its report, consumers agreed on how easy, cheaper and convenient is engaging with these businesses. Especially, trust is considered the key word for the sharing economy, as it brings closer not just the community, but also the existent gap between firms and customers. *Thus, can the health insurance sector benefit from this new business opportunity in China and in Switzerland and implement it?*

There are already some examples in other countries of successful firms in the insurance sector and therefore some start-ups are trying to launch business in Switzerland based on peer-to-peer business models. For instance, one of the cases is “Versicherix”. Their initiative is based on a business model involving not just a community, but a group of friends with similar characteristics where the customer is the focus of attention. Their idea creates insurance premiums and coverage for deductibles based on the group fund. Hence, the first principle of transparency is met, and it is a clear example of how this business idea could create a sustainable and innovative competitive advantage based on mutual trust within a community (Versicherix, 2017). Likewise, one of the start-ups in China, “Tongjubao” is also trying to implement this business model by focusing on social risk with technology for the insurance sector, and whose main goal is to reduce costs and increase transparency on the insurance industry (Tongjubao, 2017).

Based on the previous examples, both business models could be theoretically successful in the sector in the two countries. However, the cultural background and the context are different for both countries and it needs to be analysed in detail. In addition, this business model would be suitable for Switzerland due to the high level of innovation in the country as well as the strong concept of respect and trust among relationships reflected on the big diversity of languages and traditions. Similarly, it could also benefit China, as their culture tends to be very familiar with strong community ties and the need of belonging to a group prevails above oneself (Keller and Kronstedt, 2005). Hence, there are relevant factors supporting the idea, but it is still unclear whether this business model could be successful in the health insurance sector. The question is: **What is the impact of these start-ups and whether this business model could be implemented in any of the countries in the health insurance sector.**

1.2 Problem Analysis

This section will focus on the research rationale, the scope and limitations of the study and the main objectives to achieve.

1.2.1 Research Rationale

As already discussed on the previous chapters, the health insurance models in China and Switzerland are quite different. In China, there is a basic insurance provided by the government with an option to have an additional one from any company selling health insurances, whereas in Switzerland there are a big variety of businesses, that offer the compulsory basic health insurance coverage with an option for a complementary one. Although these two have their own challenges, both countries have proved two things throughout the years: innovation and the ability to grow and remain competitive.

Furthermore, most of the international companies are adapting their business into a process digitalization, finding new ways of getting closer to consumers and bringing new models based on “peer-to-peer” insurances. Besides, due to an increase in start-ups using peer-to-peer business models, the market position of health insurances with low market share may be at risk. Thus, it will be worth to analyse and study how these current trends affect the health insurance sector, their impact and how insurances can improve their situation (Eggbeer and Bowers, 2014).

Moreover, before the process digitalization in the companies, the use of intermediaries was often employed due to their expertise in the sector. However, health insurances are starting to increase the use of direct channels, especially digital marketing channels to better reach customers and better address their needs. Thus, there could be a change in the relationship between intermediaries

and health insurances if the use of indirect distribution channels dramatically decreases. Also, intermediaries understand perfectly the sector, know their customers, and have an extensible knowledge in insurance products. Therefore, if new start-ups bring new and innovative ideas in this sector influenced by digital transformation and peer-to-peer business models, the position of the traditional health insurers could be at risk. Then, it is not clear whether health insurers will use indirect distribution channels less often than before or rather make a combination of both by incorporating into their businesses the concepts of multichannel or omni-channels. Lastly, this research has cross-cultural implications, as digital transformation and peer-to-peer business are influencing most of the businesses globally independent on the sector or the industry they are specialized. Therefore, their habits, communication skills and traditions are influenced by cultural aspects, which vary depending on the country or region of the study. In conclusion, the literature review does not provide an explanation about the real impact of this change in the health insurance sector. Therefore, there is a need of research in this area.

1.2.2 Research objectives

Based on the above-mentioned research rationale, the study will focus on the following objectives and main question for this research:

1. To analyse the strategic efficiency of the current distribution channels in the health insurance sector.
2. To evaluate how culture impact on the future of health insurance sector in the digital transformation and sharing economy era.

Based on the previous mentioned objectives and research rationale, the research question is:

How do distribution channels and culture influence the future of the health insurance sector in the era of digital transformation and sharing economy? A comparative analysis of China and Switzerland.

To be able to answer the Research Question and the above-mentioned objectives. It is necessary to make the following sub-questions:

RQ1a. How does the health insurance sector differ in the last 10 years in relational engagement with their new or existing customers?

RQ1b. Insurers are starting to use multiple channels or omni-channels to better reach customers. In your opinion, how can the sector be affected by these current trends of distribution channels?

RQ1c. How do distribution channels impact the strength of the relationship between health insurers and intermediaries in the health insurance sector?

These three sub-questions will answer the first objective and analyse which are the changes in the health insurance sector in the last few years, whether health insurers use a multiple channel, omni-channel or a single channel approach, how big is the influence of the relationship between intermediaries and health insurances, and why businesses start to focus more on what the customer really needs. These questions will also be addressed to experts, managers of health insurances and consumers to know whether they think the companies' approach in the sector is the appropriate one.

RQ2a. In your view, which are the preferred digital media channels for the customers in the health insurance sector?

RQ2b. Modern start-ups are using peer-to-peer business models in the insurance sector. In your opinion, how can this approach affect the health insurance sector?

RQ2c. Using an example from China, there are numerous partnerships between hospitals, government and insurance companies to rapidly incorporate digital channels into their daily process for analysing consumer needs. From your point of view, what are the main aspects to look for in a successful partnership in this digitization environment?

RQ2d. Do you think that in the distribution channel should be a clear hierarchy among the partner channels with established rules and procedures to follow?

These four sub-questions will cover the second objective by asking health insurance businesses, experts and consumers whether they prefer to use digital channels over traditional ones, which of the distribution channels are the most used and preferred by customers, an analysis of the main reasons of using digital channels, the impact of the peer-to-peer businesses in the health insurance sector, key aspects for partnerships among health insurers and other organizations, and how culture can influence in the way partner channels behave with each other. In conclusion, it would be evaluated whether the peer-to-peer business models and digital transformation could have a positive or negative impact in the health insurance sector in China or in Switzerland.

1.2.3 Scope and limitations of the study

This study research focuses on **how distribution channels and culture influence the future of the health insurance sector in the era of digital transformation and sharing economy**. The researcher will ask managers, experts on the field and consumers. The term used in the study "consumers",

refers to insurances' clients, which are all citizens with a health insurance plan. This project will be based on several assumptions that will help to the transparency of the project.

Firstly, as introduced in the definition section about health insurances in Switzerland, the "social health insurance" is obligatory for all citizens and companies have limited freedom to change it due to the large amount of regulations in Switzerland. Thus, it is out of the scope. However, this project will consider the additional services they offer; known as "Zusatzversicherung" and the proposed models may be applicable either to them or in general to the sector. Secondly, it will be assumed, that all consumers and experts in the health insurance sector will participate in the interviews and answer the questions honestly, providing meaningful insights about the research topic.

Furthermore, the researcher possesses the ability to understand and analyse the articulations as they were intended. The interviews will be approached in different languages and that may cause a misinterpretation from both sides. Thus, as the chosen method for this project is a qualitative research, the researcher will keep in mind this limitation when conducting and analysing the interviews to avoid wrong results. The fourth assumption is directly connected to the position of the employees in the health insurance sector. The employees' positions in the company has not been considered, as it was not feasible to consider all likely scenarios. Thus, the findings will be applicable in a general way independent on the role position in the company. Concerning consumers, the interviews will be addressed to any citizen, who currently have a basic or private insurance, since the researcher will not know beforehand whether the person has or not a private health insurance "Zusatzversicherung". Therefore, the selection has been randomly done to avoid biased results. Lastly, the recommendations of this research may not be applicable or effective to all businesses operating globally. Nevertheless, this study can provide some insights to any company in the health insurance sector, give a hint about possible strategic directions in the future, or make health insurers aware of the main challenges they may face in the digital transformation and sharing economy era.

2 Theoretical Framework

This part will briefly introduce some literature reviews about the main topics of the research question and sub-questions to substantiate the understanding of the study.

2.1 Relationship in the channel distribution

Distribution channels are part of the 4 Ps in marketing mix, as it was already introduced by N. Borden (Borden, 1984, pp. 8-9) and afterwards by Goi (2011, p.95). They have been described by Rylander, Strutton and Pelton (1997, pp. 59-60) as a relationship between firms and consumers based on an exchange of products and services. Concretely, it is the way that companies will choose to sell their products or services to the customer. Later, Kotler, Armstrong & Cunningham (2011, p. 343) have defined the number of levels of these intermediaries depending on the layers until it arrives to the end-consumer.

Before products or services are launched to the market through different distribution channels, firms need to focus first on how is the relation with their consumers. In some cases, companies not just apply one type of distribution channel, but several at the same time. However, the most relevant ones for this research are: B2B - Business to business, B2C - Business to consumer, or as recently discovered B2H - Business to humans and H2H - Human to human.

According to Swani, Milne and Brown (2013, pp. 275-276), the main difference between B2B and B2C is that in B2B businesses try to address their products or services to other businesses based on what is important for the end consumers, as products/services tend to be more technical and practical. The relationship between both parties is more formal with a focus in the long term and therefore emotions are less involved. On the contrary, B2C firms address their products and services directly to the consumers by focusing more on the benefits and advantages of the product itself. Hence, the connection between consumers and companies is utterly important, as the creation of touchpoints is done by the emotional connection between firms and consumers.

An expansion of the B2C and B2B relationship has been recently developed: B2H. As del Rowe (2017, p. 01) has highlighted in the article, thanks to digital transformation employees need to approach consumers in a more humanized point of view by customizing and individualizing their products/services. The interaction through digital channels, such as social media platforms, have become more relevant, easier to access, and the consumers' expectations of getting a tailored product to their needs have increased. Thus, companies need to share this vision with their employers to ensure commitment throughout the whole company and create touchpoints with

customers, since they acquire products or services from companies, who truly understand their needs by establishing a long-term relationship with them.

The last relationship discovered as a result of getting a deeper level of connection with the customers is H2H: Human to human. Melnic (2016, p.52) defends that firms sell their products and services and do not fully engage with consumers due to a lack of emotion or miscommunication between both parts. Hence, this channel represents a need of interaction on a more human level by seeing clients as individuals rather than just a target group of people with similar characteristics.

2.2 Distribution Channels

Once firms have a clear relationship with their customers, it is utterly important to use the right distribution channel to ensure, that goods and services arrive at the intended target customer through the right path, before both parts make the transaction (Hughes, 2006, pp. 114-115). There are two principal distribution channels depending on the type of products a company is selling, and whether there are intermediaries between firms and end consumers.

In addition, health insurance companies can either select the most suitable distribution channel or use simultaneously several ones, which will be explained on the following section. The option of using multiple channels has always existed and has been interpreted as costly and complex (Corstjens and Doyle, 1979). However, thanks to the rapid emerge of digital globalization and sharing economy in the business environment, the tendency of using more than just one channel has steadily incremented and brought again attention to the topic (Webb, 2000). Thus, companies may use either of the two options in the market: multiple channels or omni-channels to attract different target customers, adapt better their products to customers and ensure an effective communication between consumers and companies (Webb, 2000; Ailawadi and Farris, 2017). Then the question is, what is the main difference between those? Both channels are quite similar and the use of multiple channels at the same time is involved. However, the difference lies depending on how firms aim to create a shopping experience for their customers.

According to Picot-Coupey, Huré and Piveteau (2016) there has been a transition in the last few years from using a single channel to multiple channels and from there to omni-channels. An omni-channel approach involves a major change within the organization, since there should be an interconnection among all the existing channels to allow customers to be able to easily switch and choose the most convenient one to make a decision, finalize the purchase and make a seamless experience for customers. Also, the use of several distribution channels at the same time can cause a channel conflict within the organization and disintermediate own channel partners as firms aim to reach consumers from different market segments simultaneously through direct and indirect

channels (Webb, 2000; Fang-Fang and Xing, 2001). Thus, it would be worth to analyse whether the health insurance sector in Switzerland and China use multiple channels, omni-channels, or only a single channel approach and whether there would be a transition among the three categories. For instance, as Pozza and Texier (2014) highlight on their article about the French insurance industry, the use of multiple channels improves customer's satisfaction as it better addresses their products by using the most suitable channels, yet it requires a big complexity and there is a need of synergy among all of them. However, based on the advance technology in the market and the increase use of media platforms especially through mobile phones, the need to start using either multiple channels or omni-channels become urgent if companies want to maintain a competitive position in the market. Thus, the following sections will show in further detail multiple channel or omni-channel approach followed by the most frequent distribution channels used in the health insurance sector.

2.2.1 Multiple channels or Omni-channels influenced by Intermediaries

Digitalization and peer-to-peer business models are forcing firms to reshape their concept of business models to be able to remain competitive in the market. Also, these trends are favouring the use of determined distribution channels to reach consumers. Consequently, it is worth to examine how digital transformation and peer-to-peer business models are influencing distribution channels within a company. As it was already discussed by Mehr (1969, pp.1-2), the chosen distribution channels in a company have a big influence on how the relationship between the insured and insurer is going to be. Also, the environment and the technological advances in the economy affect both parties. The relationship between both parties is going to determine the appropriate distribution channels for the company and therefore it should be part of the strategy whether these are direct or indirect (Mallen, 1996).

Traditional channels have been predominant in the industry until the arrival of the Internet in the business environment, which produced a major change for international companies through an optimization of processes and a reduction of costs (Peterson, Balasubramanian and Bronnenberg, 1997). Griffith (1995) has also described the importance of distribution channels and the need of adapting them if companies sell their products and services internationally. Likewise, as predicted by DePrince (1999, p. 45), mostly of the businesses and especially the healthcare sector had foreseen the urgency of starting the digitalization of processes and methods if companies wanted to survive and compete not just locally but as well globally. Indirect channels through agents, banks or brokers in the health insurance sector are costly and not efficient for a long-term business success, especially since the focus is not to meet consumers' needs but to increment sales in the company.

Nevertheless, health insurers should evaluate whether it is worth to maintain this relationship and

keep in mind the power of intermediaries in a distribution channel, since disagreements coming both sides can cause a negative impact on the consumers' behaviour (Siguaw, Gassenheimer and Hunter, 2014). Thus, it would be worth to analyse whether the health insurance sector can survive by reducing or even erasing these indirect channels (Landberg, 1997)

Thanks to Laing (1994) and all the subsequent above-mentioned theories, it can be stated that due to digitalization, firms have evolved and use more direct distribution channels to have a better understanding of what the customer needs and not to depend on intermediaries to remain competitive in the market. Eggbeer and Bowers (2014) defends on his research, that the healthcare industry needs to be aware of the opportunity gaps in the market, since there are some existent risks these days and any company can disrupt their current business model even without previous knowledge of the industry, which could also happen in the health insurance sector. Their aim needs to be the customer as the products or services need to be adapted to their needs. Hence, based on the previous statements, why should companies keep using indirect distribution channels through intermediaries, even though they could engage directly with customers in a cheaper and more efficient way? Do the sector and the type of products have an influence on the selected distribution channels? Does the relationship between health insurances and intermediaries determine the preference between direct or indirect distribution channel? What are the main factors influencing the decision? There are some factors and theories which could explain the use of determined distribution channels.

The literature review revealed patterns of how companies are adapting new trends by establishing innovative distribution channels in the whole industry to be able to reach most of the targeted customers. Thus, the use of a single way of distribution channel may not be the best option in a competitive market. As explained above, the concepts of using multiple channels and omni-channels were introduced to explain the change from using a single channel to several ones. Hence, this decision can affect the type of channel and strategy a health insurance is using as well as how it can be controlled and managed. Several authors such as, Laing (1994); Altuntas, Rauch and Wende (2016) already pointed out that insurances in general (and in this case, it can be applicable to health insurance as well) offers heterogeneous products or services which are quite complex to sell, since these have a long-life cycle for the customers. If companies could mix and use multiple channels, they could create a specific strategy to each target group and the company would not have the need to make unnecessary trade-offs even though the cost would be higher. Nevertheless, the use of several distribution channels at the same time has its drawbacks as well and could lead to a confusion with negative effects for the intermediaries. Some authors speak about a possible cannibalization, when there is not a proper integration and coordination among all the existing

distribution channels (Pfeil, Posselt and Maschke, 2008; Sharma and Gassenheimer, 2009).

Therefore, the insurer should establish clear agreements and boundaries with all members of the channel of distribution to avoid potential issues (Coelho, Easingwood and Coelho, 2003). Moreover, insurers could take advantage of digitalization and efficiently use direct or indirect channels depending on the type of information a customer need. For instance, insurers could leverage online direct channels to acquire information about the relevant health insurance packages and its benefits. Then, through an agent they would ensure a personalized analysis of the personal situation of each potential client to guarantee its satisfaction. It is also important that insurers analyse which type of customers use digital marketing channels and select the most suitable ways to achieve an engagement (Dumm and Hoyt, 2003; Klumpes and Schuermann, 2011).

In addition to multiple channels, insurance could also have the option of applying an omni-channel approach. Besides, insurers could use touchpoints to address offers or exclusive and personalised packages to each customer based on the current needs. It is important to have an interconnection between every department to ensure that customers can either ask for additional assistance through an intermediary, or select another suitable channel at any time (Carl and Enzweler, 2015). Thus, whether health insurances will apply an omni-channel approach in their strategy direction remains still unclear.

2.2.2 Direct distribution channels

This channel is the fastest and most effective one to ensure customer service satisfaction, as the connection between the manufacturer/producer of the goods and consumers is direct (Chen and Chang, 2010, p.63). Thus, there are no intermediaries involved in the process. Nevertheless, direct distribution channels sometimes involve regulations and restrictions by the government and it can affect to the strategy of the company (Klumpes and Schuermann, 2011). There are abundant examples in this category but the most significant for the health insurance sector are the digital marketing channels or telemarketing.

Digital marketing channels. According to Kumar (2015, pp.61-62), online selling has grown over the past few years and has been one of the most cost-effective distribution channel with a big potential to continue growing. Nowadays, customers are busier and prefer researching online at their convenience. Therefore, it is more convenient for consumers to access the internet with just the use of a mobile phone or any other device from anywhere. In addition, this channel is less costly for companies to use as an information source for publishing either any updates or new products and services.

Moreover, in the health insurance sector the use of a website, mobile marketing, or search engine optimization (SEO) would probably be the most used possibilities within the digital marketing channel. Taiminen and Karjaluo (2015, pp. 635-636) highlight in their research paper the importance of digital marketing distribution channels in business and they classify it into two categories depending on whether the communication between company and end consumer goes in one direction or two-way. In the health insurance sector, the most common cases will be done through “one-way communication” (Taiminen and Karjaluo, 2015, p. 635), as the information of a health insurance can be either displayed online through a website, sent as advertisement through emails or seek by potential customers through other resources, such as a SEO. On the contrary, an example of “two-ways communication” would be through social media platforms” (Taiminen and Karjaluo, 2015, p. 635). Besides, consumers are using more and more the internet to search for information before contacting a company, since health insurance plans are long-term investments and affect the whole family. In some cases, customers do not feel comfortable by just relying on the internet, as it requires further assistance from experts (Pozza and Texier, 2014). Thus, it would be interesting to analyse whether health insurers are interested in selling health insurance planes through digital marketing channels and whether it could be possible for this sector to create a compatible business model. Especially in China, where the rapid penetration of mobile devices is forcing businesses to consider mobile marketing as a main distribution channel in most of the industries.

Telemarketing. This method is based on a two-way communication between the employee and the consumer and has been often utilized by health insurers and healthcare companies, as lead generation strategy. Especially, to generate interest and not just as a sales channel, since it gives the possibility to speak directly to the customer and get to know their needs and recommendations (Srivastava, Fontenot, Stroup and Keaty, 2009). However, it is not as effective as online sales since consumers may think this method is too aggressive and make an invasion of their privacy by receiving unwanted calls any time (Ayres and Funk, 2003). With the arrival of the digitalization and online services in businesses, customers do prefer to still use this channel after researching first online. Thus, it may still worth to maintain this channel for information purposes but not for sales (Stone, 2009).

Telephone. This method has been mostly used over the past few years by health insurance companies to reach consumers and it gives the possibility to speak directly to the customer without any intermediary in between. Through this channel health insurers can create sales based on the data from potential consumers obtained through lead generation channels, such as telemarketing channels. However, it may not be as effective as other distribution channels, since consumers may

think it is unsuitable to receive phone calls from unknown people at any time. Besides, contacting existing clients may not be the best option when clients have some problems or want to clarify some aspects privately, as they often end up with a responsible call centre that cannot offer as much help as other experts in the field (Dumm and Hoyt, 2003).

2.2.3 Indirect distribution channels

In this type of distribution channel, the company is not in direct contact to consumers, but through one or more intermediaries, such as agents or brokers. Thanks to these intermediaries there is a better control over goods supply and faster feedback from wholesalers or retailers. Moreover, health insurance companies can often have indirect contacts with consumers through agents and external cooperation, such as banks or workplaces.

Through an agent or broker. This method is selected by health insurances when they rely on externals to offer further help to clients with additional information or resolve any possible issues they may encounter (as normally their location is close to customers). Moreover, although agents and brokers are costly and work in receipt of commissions from insurers, they also possess extensive knowledge and expertise in order to help potential clients to get a good deal for insurance coverages on behalf of businesses. However, brokers have several plans from different competitive insurances, whereas agents just the one they represent. This distribution channel has decreased due to the rapidly growth of internet involving digital marketing channels (Trigo-Gamarra and Growitsch, 2010) and the lack of transparency in their transactions, since one of the main motivators for brokers is to get the highest possible commission. Thus, this channel lacks efficiency, as the main incentive for brokers may be either to recommend insurances to convenient clients or to sell the insurance plans with the highest rate, rather than the most suitable one. (Garnick, Swartz and Kathleen, 1998; Kumar, 2015, p.61). Finally, the positive or negative relationship between agents or brokers with clients may determine a company's competition with other insurers globally or locally (Karaca-Mandic, Feldman and Graven, 2013).

Through an external cooperation with banks. These are also known as "bancassurance", which is the involvement of banks in the insurance sector by selling its products or services through a strategic alliance between health insurers and them (Brophy, 2013, 319-321). Insurance businesses will provide information and trainings to the bank employees, since they will become the point of sale for the insurances. This strategy has grown over the past few years and it opens an opportunity market in the existing distribution channel for both businesses and customers, since banks normally have a long-term relationship with their customers and the connection between them has already been created. Thus, not only can the insurance sector profit from this advantage, but also banks

through additional revenue in this mutual co-operation (Kluge, 1995). However, both institutions have different regulatory institutions and there may be a minimal risk for the business in case of potential issues arising and the reputation for both entities may be at risk in the future (Kassem, 2015).

As Hoesly (1996) points out, Swiss banks, such as UBS have started to use this type of channel to offer life insurance products as an attempt to increase their market share even though in the beginning these alliances did not seem so beneficial on the long term (UBS, 2017). The strategy can be applied vice versa, and insurances can also sell bank services. Therefore, it is still unclear whether health insurances in Switzerland would follow the example as an appropriate channel for their services, even though the traditional insurance business model in Switzerland is shifting to a more advanced model. However, this distribution channel has still potential to be developed and insurances could benefit from the banks' expertise through collaborations, since the banking sector is globally quite competitive in the market and offers big advantages, such as long-term relationships and networking with international business partners and clients, tax benefits and cost savings through economies of scale. Hence, it could be an attractive channel for the health insurance sector (Teunissen, 2008).

Similarly, Liang and Ching (2015, pp.280-291) explain in their research paper, that in China this channel has rapidly grown, and regulations has been eased to facilitate the expansion not just locally but also globally. At the time that the market gets less regulated and controlled, it gets easier to access foreign markets with bigger opportunities to establish relationships with international firms. In addition, thanks to a successful business for large banks in China, they can easily access to a broad range of customers and reduce therefore their advertising efforts. Chinese culture based their relationship on loyal and trust. Therefore, if customers are satisfied with their banks, the chance to also acquire an insurance is quite likely. In conclusion, the literature review shows a potential of growth in the health insurance sector, yet it is still not clear its success, since companies that have used these services involve life-insurance products. Nevertheless, even though the financial regulations from the government for foreign investments are still quite tough, the insurance businesses have the advantage of creating joint ventures to establish strategic alliances with international companies.

Through workplaces. Health is one of the most important aspects in life (when not the most) and individuals have a daily routine to accomplish every day. Hence, if employees do not feel protected by a good health insurance in case a health complication may arise, the implication to the company can end up into negative consequences. Through this channel, it is possible to arrange insurance

services to company's employees to ensure a better quality of life and benefit from advantages, such as convenience and cost-benefit advantage for both the employer and employee. Concretely, insurance businesses have an agreement with the workplace and therefore prices can be much lower than in the market (Gerard, Zwetsloot, Van Scheppingen, Heinrich and den Besten, 2010, pp.144-150).

In China, the use of this distribution channel is part of a business 'strategy to retain employees on a company for a long-term and ensure stability, as the Ernst & Young report highlights (Ernst & Young, 2016). As it can be seen on the below graph, most of the citizens in China get their private insurance plans through their workplaces mostly influenced by the Chinese relationship oriented culture and the easy access to a full coverage.

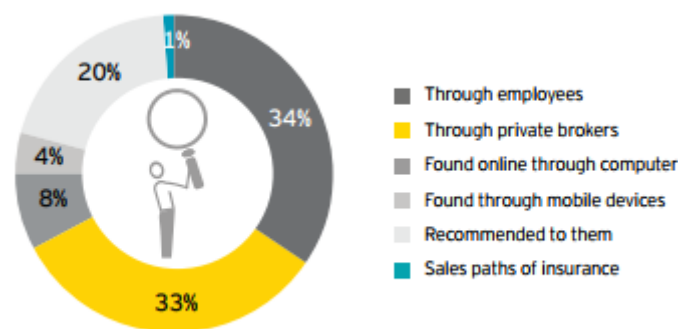


Figure 5: Selecting private health insurance plans in China. Source: E&Y, 2016

On the contrary, in Switzerland to offer health insurance additional services to employees is not as frequently used as in China. One of the main reasons is their business model, since there is a compulsory social health insurance and an option to get additional services. Thus, employers could just offer to pay the additional services. However, it is possible that firms could collaborate with an insurance as a private matter and offer their employees some discounts or extra packages as a reward, but it would not be used as a main distribution channel, but as complimentary.

Word of mouth. The focus of this distribution channel is on building a strong relationship between the brand and the end consumer. This is a powerful tool to achieve new potential consumers, since the recommendation comes from the satisfaction of existing customers within the company. According to Pruden and Vavra (2015), this distribution channel is quite effective, but businesses believe is difficult to measure and therefore is much less taken into consideration for firms. However, it is shown in their study that it is feasible to control it by applying the right tools. Also, the literature review barely shows the use of this distribution channel in the health insurance sector although it could be a useful tool especially for the Chinese and Swiss culture. In China, closer

relationships have a big influence and are important to establish long-term relationships, whereas in Switzerland the involvement power that some communities and societies have over citizens could influence them to change more often their insurance based on current priorities. Hence, it seems that using any of the above-mentioned direct, indirect distribution channels, or a combination of both could create a positive added value to the health insurance sector. However, health insurances should be aware of possible reactions from intermediaries that could cause a lack of commitment and trust due to an increment of direct channels with a repercussion on its end customers.

2.2.4 Commitment-trust theory

The commitment-trust theory strives to achieve a better understanding in the management behind the distribution channels, the organization among all involved members in the channel; insurers, intermediaries and customers, and how products and services are rightly distributed and addressed to the different range of customers. This theory has derived from the social exchange theory by Cook and Emerson (1978) where it explains how the interactions among different members in a relationship are determined through an evaluation of cost-benefit. As Yu and Chen (2014, p.456) mentioned in their research, there are three significant key aspects to ensure a healthy and successful relationship between intermediaries and insurers to ensure customer's fulfilment: "trust, satisfaction and commitment". Without trust, there is no understanding between both parties and the reliability is lost, which negatively affects the commitment and achievement to the shared goal. Consequently, if there is no trust and commitment, not just customers' satisfaction is negatively impacted, but as well every employee of the distribution channel gets affected. Thus, the whole channel weakens causing a lack of happiness to the end consumers. This gets back to the commitment-trust theory proposed by Morgan and Hunt (1994), where it was stressed the importance of maintaining and cooperating with business partners irrespective of the type of firm or industry to understand each other and benefit from the alliance in the international competitive market. In addition to this, Palmatier, Houston, Dant and Grewal (2013, p.14) added on their research the concept of "commitment velocity" to explain how relationships are not stationary, but transform over time and can develop a different status from the original one, as the environment and the situation by itself may change. Nevertheless, as Zhang, Netzer and Ansari (2014) also suggest, the constant change of the relationship may have an impact on pricing depending on how close the alliances are. Therefore, the cooperation among all partner channels and especially with intermediaries needs to be maintained to achieve a valuable long-term relationship.

Furthermore, companies need to take decisions involving strategies, such as how will be the information communicated to the consumers. There might be also a risk of misunderstandings due

to unaligned goals, interests or asymmetric information (Li, 2003). International companies are constantly dealing with cross-cultural differences and this might intensify the issues. Therefore, strategic alliances between intermediaries and firms may be a key factor to deal with a challenging situations and achieve a common success for both businesses, as it is explained by Tsu-Wei and Yung-Ming Shiu (2014) where the mutual benefits of a cooperation between life insurers and intermediaries are underlined, such as an increase of resources, positive effect on the performance, operational cost reductions and other extra options to improve the agents' knowledge about the products. To sum up, if there is no commitment between both parties or there is an existing lack of communication in the relationship, the agreement will not be any longer effective and the above-mentioned issues could cause inefficiencies in the distribution channel and therefore lead to dissatisfaction of the end consumer. This theory underlines the value of the exchange and main drivers of the relationship among the partner channels. In addition, it is also worth to analyse in a real context how members interact within the channel and the connections to their behaviours (Cook and Whitmeyer, 1992; Palmatier, 2008).

2.3 Culture - Hofstede - The 6-D model of national culture

Globalization and technological transformation have increased the amount of geographically distributed teams in the workplace (Han and Beyerlein, 2016, pp. 352-353). Thus, culture is embedded in a company's daily business and needs to be considered to understand values, norms, symbols, assumptions, beliefs, habits and decision-making mechanisms in a firm.

Culture is not only about speaking or understanding different languages, but also about "Culture or civilization, taken in its wide ethnographic sense, is that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society" (Tylor, 1871, p.1). Those values and beliefs affect consumers and how they make a decision. It is sometimes difficult to distinguish to what extent culture affects those decisions, as its boundaries are not clear (Schiffman et al., 2008, p. 356). Another definition of culture is provided by Hofstede (1984, p.260) as "the collective programming of the mind which distinguishes the members of one human group from another".

According to Hofstede (2001), there are six dimensions which are influenced by culture in a business environment. These are: power distance, individualism, masculinity, uncertainty avoidance, long term orientation and indulgence. Hence, it is necessary to make an analysis and compare China and Switzerland from a cultural perspective. Based on the following figure, each element will be explained in further details.

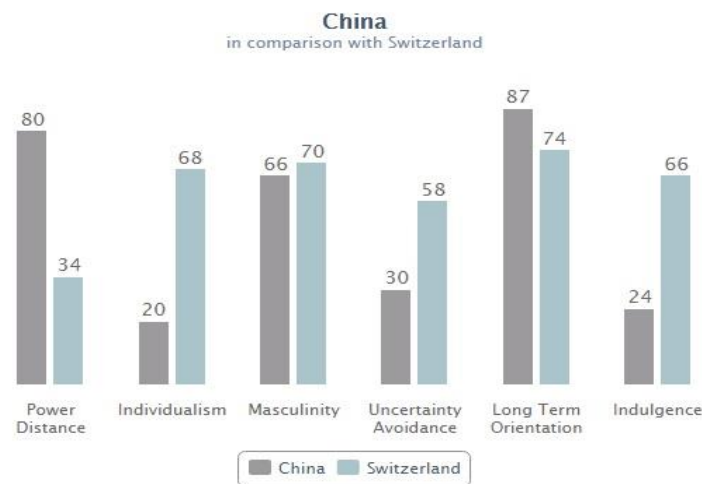


Figure 6: Hofstede - China Vs Switzerland. Source: Hofstede

The first dimension: **“Power distance”** measures the power’s distribution in the society, hierarchy in a society and its equal distribution (Hofstede, 2001). According to Graf, Koeszegi and Pesendorfer (2012, pp. 245-246) hierarchy structure is represented in both high and low power distance. However, individuals interpret and accept it in different ways depending on the context and cross-cultural exchanges. In this case, China has a higher level of power distance which means people in China generally accept inequalities amongst individuals. In contrast, Swiss people believe in equal treatment and respect giving less importance to a role position within the company.

The second dimension: **“Individualism”** is defined by Hofstede (2001), as the interdependence among individuals in a society. Likewise, Pinillos and Reyes (2011, pp. 25-26) emphasised in their journal, that being a collectivist or individualistic culture depends on whether individuals look after just themselves or not. As shown in the graphic, Switzerland is a highly individualistic culture, whereas China is highly collectivist. This means, that the Chinese like to feel that they belong in a group or society and give special importance to relationships independently on how close they are, whereas Swiss people give preferential treatment to family or close friends (Keller and Kronstedt, 2005).

“Masculinity”: This dimension shows that individuals are driven by achievement, success or caring for others (Hofstede, 2001). Swaidan (2012, p. 205) also points out the importance of gender roles on this dimension and depending on the main characteristics of each category, a society could be higher in masculinity or femininity. In this case, both countries show a high score in masculinity, and therefore, share the same concept, although China has a slightly lower score. For instance, some key aspects for masculinity are admiration for the strong, competitiveness and achievements. On the contrary, feminine attributes include humbleness and being people-oriented.

“Uncertainty avoidance”: MacNab (2007, p. 8) explains that this dimension deals with a level of ambiguity of the future and whether it is possible to control or not. The importance of following rules and procedures influences this dimension. In this case, China scores a low uncertainty avoidance meaning that each day is accepted without hesitation. The Chinese dislike rules and are tolerant of people with different cultures. However, individuals in Switzerland like structure, to follow the rules, and everything is under control (Hofstede, 2001).

“Long term orientation”: According to Hofstede (2001), this dimension explains to which extent the society is driven by values or traditions. Both countries have a high score in this dimension. This shows a pragmatic culture where everything depends on the time and context. In addition, Hwang, Chung and Jin (2013, pp. 722-725) highlight the connection between long-term orientation and the Confucianism influence in the Asiatic culture. Confucianism is explained by Park, Rehg and Lee (2005, p. 388) as the establishment of a proper and ethical role in the hierarchy of social relations and the sacrifice of individuals for long-term advantages for group members. This could explain why the score in the Chinese culture is higher than in the Swiss, although the difference is not significant.

“Indulgence”: Hofstede, Hofstede and Minkov (2010, p.281) defined it as “a tendency to allow for free gratification of basic and natural human desires related to enjoying life and having fun”. In this case, Switzerland has quite a high score compared to China. A high score shows control of one’s personal life, showing affection, and feeling positive emotions, whereas the Chinese are more reserved and show less feelings openly (Kubátová, 2012, pp. 21-22).

These six dimensions show the main differences between the two countries in the research; China and Switzerland. However, not all of them are relevant for this case study. Therefore, the researcher has chosen three out of the six dimensions for the analysis; **Power distance**, **Individualism** and **Uncertainty avoidance**. The first two dimensions show a significant difference between China and Switzerland. Yet, in the last dimension, the difference is not so substantial. However, in a distribution channel it is important to know whether rules and agreements are strictly followed or could be just more as a mere guidance. This shows how relevant is this dimension for the study research. In conclusion, this research examines the distribution channels involving cross-cultural implications of different countries in a business environment. Therefore, a cultural analysis provides an insight of how these can be better understood. Nevertheless, this model has a limitation, since it is based on a generalization of the culture from both countries without considering each individual person in the society and therefore not all the assumptions can be applied to everybody (Hofstede et al., 2010, pp. 253-254).

2.4 Culture and Distribution channels in the health insurance sector

Partner channels in a health insurance sector do not behave the same way in every country, as culture plays an important role and influence the communication. Besides, in both countries the team members are quite international, and they may come from diverse parts of the world. All the involved parties within a distribution channel have diverse backgrounds, experiences or habits and are therefore connected through a business relationship. Thus, the way they express themselves and communicate to each other can influence any decision they make. China and Switzerland are different countries and culture influence relationships within a distribution channel to create specific networks which will behave according to a context.

The Hofstede's 6 dimensions model of cultural dimensions (2001) will be used as a point of reference for the cultural theoretical framework of this study research to compare it with the commitment-trust theory by Morgan and Hunt (1994) explained on the last section in the health insurance sector. However, not all dimensions are relevant for this research and the focus is on the **Power distance**, **Individualism** and **Uncertainty avoidance** dimensions. Firstly, the **Power distance** dimension analyses how important is having a strategically position in the hierarchy or a significant role position within sector. High power distance in China means, hierarchy and authority are accepted, everybody has a determined role or place within the organization, and the power is distributed unequally. Thus, the relationship among the partner channels will be established based on their position within the channel and those with a higher position will have the right to take decisions concerning the group without expecting any type of confrontation coming from those with lower position who may think otherwise. The agreement among the members is not determined by either trust or commitment, since the members of the group will follow orders anyway. On the contrary, in Switzerland prevails low power distance meaning, that equality among the members is much more important rather than a position within a company. Therefore, the trust among the partner channels and whether they can rely on each other would be a key factor to maintain successful relationships. Secondly, **Individualism** emphasize how important are individuals when they feel part as a group of people and whether it prevails a personal satisfaction above what is best for the group. Thus, on this dimension is not just important how people behave against a determined situation or a decision, but as well the level of commitment and respect within the group, as Yu and Chen (2014, p.456) pointed out. Concretely, Chinese have a low Individualism and will give more importance on a group's opinion within a group, whereas Swiss have a high individualism, feel happier working alone and will focus more on individual's behaviour. Hence, the degree of commitment and satisfaction will have much more weight within the partner channels in China than in Switzerland, where the value of oneself receives more importance. Lastly, there is a

third dimension **Uncertainty avoidance** which studies the importance of having clear rules and established procedures within a company. In China, there is a low uncertainty avoidance, whereas in Switzerland is high. Swiss people prefer structure and rules among the partner channels in order to avoid ambiguity situations with potential issues, whereas in china they rely more on relationships and communication rather than rules. Thus, in China the level of trust and reliability becomes more crucial to have successful and sustainable relationships than in Switzerland where established procedures and clear rules should be a priority to follow. Moreover, it is crucial not to forget how significant is the level of commitment and reliability among the parties to be able to work together on a sustainable manner, due to a constant and natural transformation of the relationships in the following years (Palmatier, Houston, Dant and Grewal, 2013, p.14). Those relationships with higher trust and commitment will have a more transparent, a fair connection and will embrace a high level of understanding independent on the cultural background of each member.

2.5 Conceptual Framework

The conceptual framework is based on a deductive critical review developed from the models and theories found during the literature review and critically challenged with the input obtained in the interviews to be able to make a comparison.

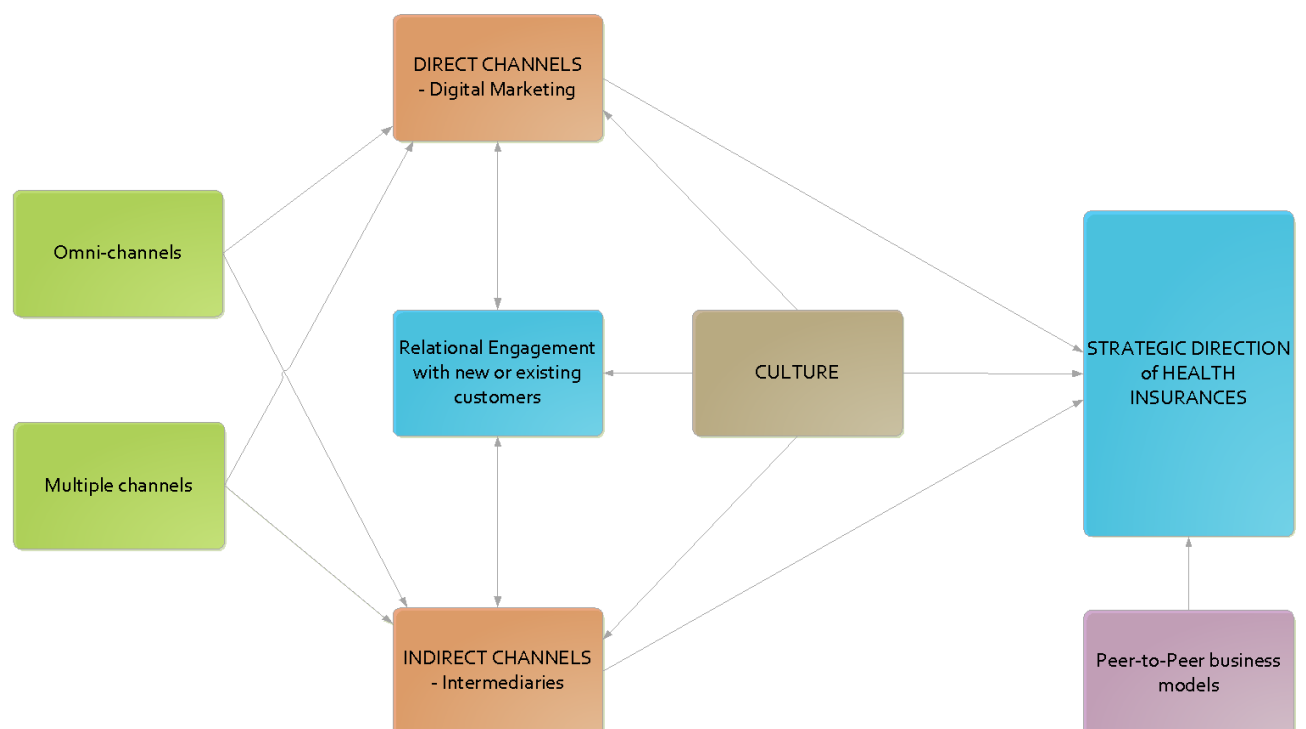


Figure 7: Conceptual Framework. Source: Own creation

On one side, the health insurance sector maintains a relational engagement with its new or existing customers through either direct or indirect channels in both directions, since there is a mutual influence. There are different types of direct and indirect channels, as explained in the previous section 2.2 about distribution channels. However, one of the key factors in the study is the impact of digital transformation not just in the health insurance sector but as well on intermediaries. The direct channels will be represented through digital marketing channels and the indirect channels through intermediaries. At the same time, it seems that engaging with customers through a single distribution channel could be not enough for the health insurances to remain competitive in the market. Therefore, they are starting to use either a multiple channel or omni-channel approach to better reach their customers, which also affects both direct and indirect channels.

On the other side, culture has an impact on the communication among partner channels and the type of distribution channel selected by the company to reach their customers. Therefore, the strategic direction of health insurances is influenced by culture and the type of distribution channels health insurances use. In addition, the impact of culture and the selection of the distribution channels can be either negative or positive depending on how the market progresses in the sector and the competitiveness within the country. Finally, peer-to-peer business models could have an impact in the health insurance sector depending on their success in this market.

In conclusion, the framework shows the relations among all the studied components and theories shown in the literature review section and how these may trigger a change in the strategic direction of health insurances in the future.

3 Research Methodology

The aim of this section is to describe the research methodology used in the empirical part of this paper. In this part, the objectives and limitations of this research and how those lead to the research question will be explained. Afterwards, the methodology part will explain the applied methods, followed by the research design. Next, the deductive approach is presented, data collection and data analysis will be explained, and verification and generalisation will be considered. Finally, the researcher's role and ethical issues are addressed as well as the limitations of this research.

3.1 Methodology

This chapter will explain the research design used for the study, data collection, and data analysis. Validity and reliability of the research design will be explained to ensure its quality as well as the researcher's role and ethical considerations of the qualitative research.

3.1.1 Research Strategy

The study will follow a cross-sectional, mono method qualitative research with an inductive approach using a narrative inquiry. The methodology's inductive approach is defined by a further analysis in detail from concrete theories and models to a generalization coming from the literature review in the theoretical framework, which are tested against the obtained data collected on the interviews. (Bryman & Burgess, 1994; Pope, Ziebland and Mays, 2000; Walliman, 2016). Besides, a narrative inquiry is conceptualised in this study as an investigation of the diverse concepts included in the theory through the conducted interviews (Thomas, 2012). By comparing the original data with the performed interviews from multiple sample groups such as experts, managers and consumers in either the health insurance sector or related fields of this research such as digital transformation, the researcher will generate new findings and explanations to the research questions formulated in the research gap. The study will provide meaningful conclusions to this research based mainly on the gathered semi-structured questions during the interviews defined in the introduction section (Braun and Clarke, 2013, pp. 19-21, 31-33; Yin, 2014, pp. 9-10). The interview questions are not always following the same structure, since the researcher found some relevancy in determined aspects of the interview based on the interviewees' background in order to get a deeper understanding of the concepts asked to the participants.

The research can be divided into three phases. In the first phase, a literature review is necessary through an accumulation of qualitative secondary data research based on the literature review of academic databases, academic journals and search engines. The second phase will involve semi-structured interviews in China and Switzerland which will be slightly changed depending on the

context of each of them. These will be addressed to managers in the health insurance sector as well as experts on the researched areas of the study and consumers from both countries China and Switzerland. Concretely, consumers of health insurances are all citizens living in either China or Switzerland, since having a basic health insurance is compulsory in any of the countries. However, whether the participants have a complementary insurance or not will not be determined beforehand and will add additional insights to the research. All interviewees will be randomly selected to accomplish the validity and reliability principles. In the third and last phase the findings of the conducted interviews will be analysed and categorised based on patterns and key words to conclude with an explanation to the research question and sub questions. The second and third phase will be further explained in the next sections.

3.1.2 Sampling: Snowball sampling

This is the chosen method for the research project, as sampling is considered a good method to limit the amount of gathered data based on a sample who will represent the population (Braun and Clarke, 2013). Also, Patton (2015) points out that in sampling the selected unit of analysis is the key of the study, which on this research is the health insurance sector. Nevertheless, according to Reynolds, Simintiras and Diamantopoulos (2003, pp. 81-83) there is an important aspect for cross-cultural studies to keep in mind which are the sample groups. It has been suggested the use of homogeneous groups to avoid any conclusions influenced by other external factors, which could cause biased results. Hence, the researcher should consider an aleatory similar group of people for both countries to avoid any impact from external factors, such as age, occupation, education or income level. Within sampling, there are different types of probabilistic and non-probabilistic sampling techniques based on either random selection, or own judgement of the researcher, however the researcher has chosen the snowball sampling method.

As stated by Cohen and Arieli (2011, p.424-426) snowball sampling method is a non-probabilistic method appropriate, when populations are very diverse and may present some cultural barriers, such as language or hard access to the population's opinion (Goodman, 2011,348-349). Patton (2015, p. 243-245) also suggested, that this method could be very useful, when interviewees know other applicants or where to find better information about the asked topic. Therefore, it seems a suitable method for this case, as China and Switzerland have different context with diverse socio-cultural and political environments. Particularly, China has embedded on its culture the term "Guanxi" which defines very well how powerful and important are relationships in China. This term refers to a network of social interconnections that supports to one another based on respect, trust

and mutual accountability for a long-term (Gong, He and Hsu, 2013, pp. 367-368). Thus, in a business setting it is crucial having good alliances to ensure a positive and sustainable synergy.

As explained by Abdul-Quader, Heckathorn, Sabin and Saidel (2006, pp.1-2), although snowball sampling can reach a bigger number of individuals since it includes a big broad of ways to get access to people such as social media networks, it may also generate biased results using just one specific distribution channel due to a non-aleatory selection of interviewees which may cause a contradiction of the validity and reliability principles explained in more detail in the following sections. Hence, the researcher will keep in mind these limitations to ensure transparency in the results by using different distribution channels and have a big variety of candidates to conduct interviews. Concretely, the researcher has chosen aleatory a group of consumers from either China or Switzerland, group of employees from the health insurance sector and experts on the digital transformation and sharing economy topics with backgrounds in the health insurance sector. Also, to follow the validity and reliability principles the first contact with the applicants has been made through different channels either by referrals, word of mouth, social media platforms or through e-mails. Since the main aspect of the research is internationalization and that implies diverse languages, most of the interviews have been conducted in either English, German or Spanish and translated into English. However, two of the interviews from the pilot study have been recorded in Chinese while simultaneously translated by a translator into English to simplify the transcription and avoid biased interpretations. Below it can be seen a simplified version of a table with the sample population divided into three different categories: consumer, expert and company referring to any employee in any company. The full detailed table can be found in the appendix.

Interview	Type	Position	Country	Company profile
1	Consumer	Student	China	NA
2	Consumer	Pensioner	China	NA
3	Company	CEO Insurance company	China	Insurance
4	Consumer	Employee at Telecommunications company	China	Telecommunications
5	Company	Employee for a health insurance company	China	Health insurance
6	Consumer	Employee in a finance department	China	Bank
7	Company	Employee for a health insurance company	China	Health insurance
8	Consumer	Teacher at FHNW	Switzerland	Education
9	Expert	Intermediary for a health insurance company	Switzerland	Health insurance
10	Expert	Teacher at FHNW	Switzerland	Education
11	Consumer	IT employee	Switzerland	Automation company
12	Company	Head of Omni-channel management	Switzerland	Health insurance
13	Consumer	Researcher and employee	Switzerland	Healthcare
14	Consumer	Employee in a finance department	China	Bank
15	Consumer	Consumer	China	NA
16	Consumer	Student	Switzerland	NA
17	Consumer	Consumer	Switzerland	Education
18	Consumer	Employee in an insurance company	Switzerland	Health insurance
19	Consumer	Consumer	China	NA
20	Consumer	Consumer	China	NA
21	Expert	Manager digital transformation	Switzerland	Big four - Auditory
22	Consumer	Consumer	Switzerland	Construction
23	Expert	Partner	Switzerland	Big four - Auditory
24	Company	Founder	Switzerland	Online insurance broker
25	Company	Board secretary	China	Health insurance
26	Company	Director of the Market and Client management department	Switzerland	Health insurance
27	Company	1. Head of distribution channels - 2. Responsible for digital transformation	Switzerland	Health insurance
28	Expert	Partner	China	Big four - Auditory
29	Company	General Manager of a healthcare department insurance company	China	Health insurance
30	Expert	Chief Actuary	China	Insurance
31	Company	Director of Communications department	Switzerland	Health insurance
32	Expert	Financial Auditor of Health insurances	Switzerland	Health insurance

Figure 8: Simplified table for Interviews. Source: own creation

3.1.3 Data collection

The data collection phase has consisted of conducted semi-structured interviews, personally done by the researcher, to employees in health insurance sector, experts on the researched areas on this study, such as digital transformation and peer-to-peer business models and consumers with either private or basic health insurance in China and Switzerland to obtain valuable outputs about each category from the three different points of view (Merriam, 2009, p. 52). During the interview process, more than 250 people were asked through different distribution channels to participate in the research, yet a big amount of them did not reply or refused to do it. Therefore, the study concluded with a total of 32 interviews for both countries (15 interviews for China and 17 for Switzerland). Moreover, the expected output from the interviews will ideally give significant insights and relevant aspects to answer the sub-questions and the research question.

Furthermore, not all semi-structured interviews follow the same pattern, since the researcher considered to adapt some of them to the area of knowledge of each interviewer and add additional questions to get a deeper insight about a certain topic. Concretely, during the conducted pilot study in China the focus of the research was different, and the main purpose was to be aware of potential improvements in procedures and preparations for the following interviews in Switzerland (Yin, 2014, 96-98). Thus, the questions changed after that and differ from the current ones. Moreover, some of the conducted interviews after the pilot study in China had to be simplified, since the language was a barrier for some consumers, who did not understand the terminology used during the interview. Nevertheless, some of the questions had the same direction of the current focus and could be used for conclusions and discussions. Yet, the researcher will highlight them to make it clear and comply with the construct validity principle explained in detail in the chapter 3.1.6. Moreover, each question is categorized according to the relevant topics of the literature review to ensure a more transparent evaluation and efficient analysis of the findings. In addition, the interviews have been recorded (video or audio) whenever possible. However, in the Interviews number 2 and 3 during the pilot study the recording was not possible since the context did not allow it and a transcript was taken right after the interview.

3.1.4 Data analysis

After gathering the data collected from the semi-structured interviews, the transcription of each interview was done to help with the codification and categorization of the interviews. Thereafter, the interviews were organized based on topics studied in the research or key words, which were connected to those categories to identify possible patterns and combine the findings with the literature review to create multiple combinations for the conclusions (Yin, 2014, p.134). By conducting those combinations, the internal validity principle was achieved. Besides, the researcher conducted personally each of the interviews and identified the patterns of word repetitions, key words or patterns in an excel sheet containing all information to match the replies with the interviews in each country. This excel sheet provided hints and first insights of the direction for the conclusions which can be seen in the section 7.2. Finally, the researcher could summarize the data to be able to evaluate and analyse **how do distribution channels and culture influence the future of the health insurance sector in the era of digital transformation and sharing economy.**

3.1.5 Validity and Reliability

According to Yin (2014), there are some steps to follow to test the quality of a case research design, which are divided by validity and reliability. Validity measures the trustworthiness of the results and the approximation to the reality, whereas reliability focus on “minimizing the errors and biases in a study” (Yin, 2014, pp. 45-49). The focus will be on three types of validity and one type of reliability.

Construct validity refers to the use of multiple sources of evidence during the data collection process to ensure that there is a correlation by providing enough evidence to support the data (Yin, 2014, pp. 46-47). This research will use a data triangulation involving different sources of information to ensure this principle through interviews. Specifically, the different sources used to improve the quality of the research are semi-structured interviews, academic journals and books (Flick, 2007, pp. 54-55)

Internal validity refers to which extent the findings can be manipulated and interpreted correctly (Flick, 2007, p.15). Concretely, in this research the internal validity principle was already ensured once designing the interview questions to avoid misinterpretations from participants in compare to what the researcher may understand from the questions. Therefore, it will be tested by using the pattern matching analysis, where patterns from the findings are compared with the predicted ones from the literature review to make unbiased conclusions (Yin, 2014, pp. 143).

External validity is, according to Merriam (2009, p.6), the degree of generalization of the findings. In other words, if the findings from this research can be applied to other people or settings and represent a wider population. This study research involves all citizens with a health insurance living in either China or Switzerland and it is not feasible to collect data from all citizens. Thus, the researcher has used a non-probability sampling method, known as snowball sampling method to select a subset of the population that represent it (Braun and Clarke, 2013).

Reliability is explained by Flick (2007, p. 16) and Bryman (2012, p. 169) and tries to reduce errors and bias to test whether the findings on this qualitative study would be the same by following all same steps again. The measured concept in this study should also remain stable and consistent in the future. It aims at transparency not just in the interpretation of the findings but as well in the interviews. The questions must be as well clear to avoid misinterpretations from the participants. In addition, by creating an excel table with all possible outcomes and answers from all participants, all gathered evidence and case research design protocols will be saved to achieve this principle and ensure a transparent conclusion from the obtained evidence.

3.1.6 Pilot study

Yin (2014) states that a pilot study is a small formative preparation for the study research, which test all aspects of the research and allows adapting them before the major study is initiated. In this study research, the pilot study conducted seven interviews in China and one in Switzerland. The objective of this pilot study was to test the formulation and understanding of the questions as well as the way to approach and ask the interviewees. It is important to note, that thanks to the realization of the study, some questions were simplified and changed for the rest of the interviews in China and Switzerland. The reasons were not just because the focus of the research had changed but as well to ensure the reliability and validity of the results.

An initial overview of the findings based on these seven interviews conducted in China already suggested that companies in the health insurance sector are starting to cooperate with start-ups and businesses, which are already using a peer-to-peer business model. Brandenburger and Nalebuff (1996, pp. 3-6) were the first authors explaining the term “co-opetition”, which reflects a win-win situation in business. This term refers to a combination of cooperation and competition with competitors, which gives a good competitive position for both parties. Likewise, this term was also supported by Porter (2008) in the study of competitiveness among nations. Furthermore, some health insurance firms are starting to use social media platforms to reach out to consumers and to get a closer insight of their habits and preferences. Not only millennials (the younger generation) are the target group for this platform, but also older generations, which also feel comfortable and convenient with technology. For instance, companies and consumers in China use WeChat for a lot of different purposes, starting from a basic communication with friends to being able to use it as a payment platform for shops (online or physical) as well as monthly payments (e.g. electricity bills). Therefore, the insurance industry is slowly incorporating those above-mentioned trends into their daily business processes to maintain or even increase market share and address their products and services through the appropriate channels.

3.1.7 The role of the Researcher

The role of the researcher is to gather valuable data to find answers and explanations to the research questions. Thus, there is an involvement in the whole study from the beginning, especially in the literature review section with an explanation of general concepts of the study research until the interviews and the findings. The researcher can finally apply the reviewed models and theories and can conclude with a result. Therefore, according to Greenbank (2003) the data interpretation might be a big challenge in the whole research process, as it may be influenced by a personal background, expectations, experiences and cultural context from the researcher. Thus, it is

important that the researcher is aware of it to avoid bias or make wrong assumptions, as the researcher should have a neutral position in the interviews. Otherwise, there is a chance to precipitately classify and evaluate the participants or their answers, which could mislead the researcher to incorrect conclusions. Finally, as already explained in the construct validity section, the use of wide collection of data sources may help to reduce the risk of biased results and help therefore the researcher to apply all principles correctly.

3.1.8 Ethical Issues

According to Bryman and Bell (2007), a study research must have a list of ethical principles to keep in mind. The most relevant ones are: protection of the privacy of the participants, anonymity, full consent of the agreement, and avoidance of deception or exaggeration of the goals of the research. Moreover, everything must be communicated to the participants with honesty and transparency to avoid misunderstandings (Bryman & Bell, 2007, p.140).

Likewise, as Yin stated (2014), the researcher must ensure full confidentiality to the employees and guarantee that their identity is anonymised. Thus, experts and employees' job positions as well as their names will be anonymised based on these ethical assumptions. Yet, in order to show the importance of each participant's role, the researcher will assign a determined tittle representing each of them to categorise their significance and position in the market. Likewise, consumers may have different demographic characteristics and will therefore not be disclosed. Moreover, Yin (2014), Miles, Huberman and Saldana (2014) explain that to maintain full discretion, the researcher should obtain full consent from the participants before starting the interviews. If employees do not feel comfortable or in a safe environment, the results may be biased as they will not be willing to share their true thoughts about the questions. In conclusion, the information provided in the research will be anonymous and participant's identity will be protected to avoid biased results (Miles et al., 2014).

3.2 Limitations to the research methodology and challenges

There are several research limitations based on the selected method for this study. Firstly, the semi-structured questions have been constructed as simplistically as possible to avoid misinterpretations. Especially, the existent cultural barriers were one of the biggest challenges, as the cultural background from the researcher was different than the ones from the two countries studied in the research. Similarly, the deconstruction of the answers and selection of the different categories from the findings were done in a transparent way to comply with the validity and reliability principles (Bryman, 2012). In addition, the relevancy of different subtopics as well as the categorization of the different key points extracted from the interviews during the data analysis was a challenge. Moreover, for the secondary data collection, the researcher has used external sources, such as academic articles or databases since the data coming from those is reliable and consistent for this research. Hence, due to a limitation of time and resources, the researcher could not use further resources to more strongly support the findings. Nevertheless, the researcher will be consistent and ensure transparency in each step of the data collection and analysis to avoid bias and foster a trustworthy contribution to the research.

4 Findings

4.1 Major changes in the health insurance sector

The health insurance sector has had major changes in both Switzerland and China for very diverse reasons, as observed in the table below.

	Health insurance changes		
	CHINA	SWITZERLAND	
Future uncertain	2	0	2
Expensive	2	8	10
Increase of distribution channels	3	12	15
Aggressivity	1	3	4
Growth	4	1	5
Mobile consumption	2	3	5
Customer focus	0	3	3
Transparency	0	2	2
TOTAL			46

Figure 9: Health insurance changes in the last 10 years. Source: Own creation

More than 60% of the interviewees have said, that “increase of distribution channels”, “expensive” and “mobile consumption” are the biggest changes they have noticed in the last ten years. However, it is worth to note that most of these participants were from Switzerland and not from China, since the number of participants in China that have answered this question did not give a specific answer about it in comparison to the participants in Switzerland.

Changes in China

The consumer participants from China have noticed an increase of distribution channels and more specifically in digital channels (Interviews 2; 4, Line 9; 14). For instance, a participant mentions that the view of health insurances has definitively changed in comparison to those ten years ago (Interview 2, Line 32-33). This interviewee also suggests that there is a noticeable increase in the distribution channels since health insurers in earlier times were simply interested in making a profit and gaining more customers. This approach evolved into something more positive by offering customers easier access to information or by contacting them through a wider variety of distribution channels. Likewise, the increased use of more channels “provides the possibility to spread the knowledge which help customers to choose the best product and protect their life” (Interview 14, Lines 13-14). Moreover, growth has been as well one of the major changes in China, as pointed out by some participants (Interviews 3, 20, 28 and 29).

A general manager of a healthcare department of an insurance company pointed out that “the Chinese market it is still a little bit immature”. Therefore, it is still in process of growing and evolving, which will be reflected in subsequent years (Interview 29, Line 5). Similarly, a CEO from one of the

biggest international insurances gives the perspective that China opened itself up internationally in the health insurance sector in order to obtain more opportunities and to expand itself (Interview 3, Lines 4-5). Another reason of this growth is provided by a partner of one of the big four, when he specifies that “china’s private health insurance market is booming with double digit growth driven by government’s push and favourable consumer need. The Chinese government is focused on promoting private healthcare alternatives to support the national health system due to also an increase in the demand of middle class households who want more coverage for the health” (Interview 28, Lines 6-10). Therefore, there is an expectation of the market evolution in the following years. Apart from this aspect, mobile consumption has also appeared as one of the major changes in China, as described by this participant and a chief actuary of a health insurance company (Interviews 28, Lines 4-5; and 30, Lines 5-6).

Future as an uncertain aspect, expensive and insurers aggressive demeanour have been considered a change as well. The term “Future” is defined by the participants in the health insurance sector as a long-term investment (Interviews 1, Line 3-5; 15, Lines 4-6), whereas the term “expensive” is explained by the participants as the large amount of money that a person needs to pay to receive a private insurance (Interviews 5, Line 4; 25, Line 6). In addition, the last participant also mentioned that the health insurers had a much more aggressive approach (Interview 25, Line 7). Lastly, “customer focus” and “transparency” are not terms that have been mentioned for China’s changes in comparison to Switzerland, however they are worth to remark.

Changes in Switzerland

In Switzerland, there is an outstanding difference in the increase of distribution channels with respect to other changes in the health insurance sector (Interviews 10, 12, 13, 16, 21, 22, 23, 24, 26, 27, 31, 32). Concretely, a head of Omni-channel management from a health insurance company remarked that the variety of distribution channels increased, particularly digital channels (Interview 12, Lines 22-29; 58-59). Some consumers also noticed these changes through a recent launch of apps in mobile devices from their respective health insurances (Interviews 16, Lines 10; 22, Line 20). Experts of the health insurance sector have declared as well, that “there are clearly new ways of engaging with customers” (Interview 23, Lines 15-16) and that there are currently different channels to engage with customers, such as information portals, social platforms, apps or sponsoring (Interview 32, Lines 8-12). Furthermore, the term “expensive” has been heard often during the interviews when referring to the constant increase of premiums.

This term comes not only from consumers (as it would be expected) but also from the employees of health insurances companies and its experts (Interviews 9, 10, 11, 16, 17, 23, 31, 32). For instance,

one of the experts in the field defined the services in Switzerland as “highly costly” (Interview 10, Line 4). Similarly, one of the consumers find, that the sector has become more expensive (Interview 17, line 13). Also, a responsible for the communications department in a health insurance company even cited, that “the main problem that we have on this sector is the cost increase every year in the past 15/16 years” (Interview 31, Line 4).

Furthermore, other changes such as “aggressivity” (Interviews 9, 11, 16), “mobile consumption” through recently launched apps for smartphones (Interviews 18, 21, 22) and “customer focus” (Interviews 26,27,31) were also listed during the interviews. For example, it is worth to remark, that there has been a “shift from process oriented to a customer oriented thinking. More outside-in thinking than just inside-out” (Interview 27, Lines 48-49).

Lastly, the term “growth” (Interview 12, Lines 58-59) and “transparency” (Interviews 24; 27, Line 41) are not as significant as the above-mentioned ones but still important to indicate, particularly, keeping in mind that “the launch of Comparis around 1996 and their basic health insurance comparison functionality brought lots of transparency to the market” (Interview 24, Lines 4-5).

4.2 Current distribution channels versus Preferred distribution channels

Current distribution channels

Distribution channels have experienced a change in the health insurance sector influenced by digital transformation and sharing economy. Thus, companies need to adapt to reach each target customer through the appropriate channels. Therefore, it is important to know whether health insurers follow the customers’ needs and how do the customers feel about the current distribution channels. The table below shows the following results:

	Current distribution channels		
	CHINA	SWITZERLAND	TOTAL
Telephone - Direct	7	11	18
Intermediaries - Indirect	7	4	11
Digital marketing channels - Direct	10	12	22
Friends/relatives - Indirect	3	0	3
Standard mail - Direct	0	6	6
TOTAL			60

Figure 10: Current distribution channels. Source: own creation

Chinese and Swiss participants feel that direct channels (telephone or digital marketing channels) are the most used in their country although indirect channels (such as intermediaries) are also often used in the health insurance sector.

In China, most of the participants (Interviews 1, 2, 6, 7, 19, 20, 30) mentioned that they are contacted through telephone or through digital marketing channels (Interviews 3, 4, 6, 7, 14, 20, 25,

28, 29, 30) such as e-mails, website, Wechat or other social platforms (Taobao, JD.com). Therefore, it seems that companies are trying to contact customers more often through direct channels (Interview 7, Lines 10-12). However, some consumers do feel that the interactions through social platforms, such as Wechat to be quite personal and even sometimes annoying (Interview 2, Lines 27-29; Interview 20, Lines 21-23). Companies are aware of the current limitations of Wechat (or in general social platforms) and realise that it is not the best way to reach new customers (Interview 7, Lines 34-36). In addition, digital channels are one of the most used option nowadays since participants can access their website at their convenience and may even contact agents if they need extra information (Interviews 6, Line 8; 7, Lines 10-11; 14, Lines 21-22; 20, Line 22). Also, “newer channels of distribution like Telemarketing, internet and mobile solutions similar to operating models in Europe and some of the Asian markets will play an important role in the health insurance distribution in China” (Interview 28, Lines 59-61). Digital channels have increased in the last few years, since “the use of apps and mobile is bigger in China than in any other part in the world” (Interview 29, Lines 74-75). Thus, it seems that telephone and digital channels are very popular nowadays in the sector and are slowly increasing.

Nevertheless, indirect channels (especially agents or brokers) are also quite often used in this market (Interviews 2, 4, 7, 14, 28, 29, 30) when consumers need to ask about their personal needs (Interview 14, Lines 21-22). “In China WeChat is very popular for a huge range of uses, including processing of insurance claims, sales modes, payment modes, etc. But for health insurance I think traditional channels (telephone, agents) are still stronger for sales and service” (Interview 30, Lines 31-33). Agents are more often used than brokers, since “when you work with a broker you are in a mercy with the broker and agents are tight directly to the company and brokers is more relationship and difficult to control” (Interview 29, Lines 74-77). Furthermore, other distribution channels such as word of mouth (through friends and relatives) are also used in China, since these are people who they trust, and their opinion is important (Interviews 2, 4, 5). Lastly, standard mail is not popular in China in comparison to Switzerland and no participant mentioned it.

In Switzerland, most of the participants (Interviews 8, 10, 11, 12, 13, 17, 21, 23, 24, 26, 27) have mentioned that they are contacted through telephone or digital marketing channels (Interviews 8, 9, 10, 12, 17, 21, 23, 24, 26, 27, 31, 32) such as e-mails, website or other social platforms, similar to the Chinese market. Particularly, some of the participants agree on starting to receive information more often through digital channels and notice the evolution on the digital channels. For instance, an intermediary of a health insurance company mentioned that his insurance “send e-mail to inform you about every detail and information may be helpful for you or even just the invoice...email is growing a lot and it could be considered the most used nowadays” (Interview 9, Lines 112- 116).

Also, apps are growing in the Swiss market “Second would be email communication and far beyond but growing would be apps” (Interview 10, Line 78). Besides “we still notice that the majority of request is coming by email or phone” (Interview 12, Line 342) and “If we are talking about online, it would be Website or client portal the first and apps still not so strong, but they are increasing a lot” (Interview 26, Lines 151-152). Hence, since digital channels are growing, some companies are already thinking about possible strategies in the future, such as “currently thinking about having a special segment where the clients are only communicating over the online channel with us and therefore will pay less monthly premiums” (Interview 12, Lines 348-350).

Although telephone is still one of the most used distribution channels in the Swiss market, there are still consumers who find inappropriate and irritating to receive calls from health insurances (Interviews 11, Line 60; 17, Lines 64-65). However, telephone as a distribution channel is still quite strong in the market especially for some generations who prefer a personal contact or call: “There are around one third of the clients on the customer portal which means that we still have a minority on the portal, while the support on the phone remains important. Even when the requests over the client portal are increasing. This is also because our customer base has an average age of around 40 to 45 years and prefers to call. But the number of App downloads shows that there is a need where it is important to stay up to date” (Interview 12, Lines 332-337). In addition, “Websites and portals are used to send first requests to the insurance company. Also, mobile apps are used to scan bills and get health information and so on. But the traditional phone is still very strong and the preferred channel currently” (Interview 21, Lines 148,150).

Moreover, intermediaries are also quite often used and for some companies are still really important (Interviews 12, 23, 26, 31), since they feel there is still a need of having personal contact in the sector (Interview 23, Line 92). “So the first chosen distribution channel is still the brokers and free agents and that is 90% of our products and the second one it can be internet or website or other websites where you can compare the product (comparis.ch) but it is not so used intensively” (Interview 31, Lines 106-109). Lastly, word of mouth (through friends and relatives) is not so often used in the Swiss market, whereas standard mail is still used (Interviews 13, 16, 17, 18, 22, 27), although some of the consumers prefer to receive emails instead of letters (Interviews 22, Lines 100-101; 13, Line 37; 18, Lines 37-38, 43). In general, “There is for sure potential to digitalize specific channels, but we don’t think the certain channels will disappear” (Interview 12, Lines 401-402), since Swiss people “still prefer to have personal interaction and I do not think that changes” (Interview 23, Lines 92-93).

Preferred distribution channels

All the information above shows which distribution channels are health insurances currently using in the Chinese and Swiss market, however it is not always in line with how customers prefer to be contacted.

	Preferred distribution channels		
	CHINA	SWITZERLAND	
Telephone - Direct	1	8	9
Intermediaries - Indirect	6	5	11
Digital marketing channels - Direct	9	10	19
Friends/relatives - Indirect	1	0	1
Post - Direct	1	3	4
TOTAL			44

Figure 11: Preferred distribution channels. Source: own creation

In China, the table shows that most of the participants (Interviews 1, 4, 5, 6, 14, 15, 19, 20, 30) prefer to be contacted through digital marketing channels, such as email, website or Wechat. Particularly, some of them prefer to get information by themselves and afterwards contact health insurances (Interviews 4, Lines 25-26; 6, Lines 7-8; 20; Line 22). However, some of them expressed their dislike about receiving direct information from health insurances through telephone or Wechat, as they think it is too direct and too personal (Interviews 4, Lines 26-27; 6, Lines 25-26; 20, Lines 21-22). Intermediaries are quite popular among Chinese participants (Interviews 4, 14, 25, 28, 29, 30), as they feel they can address all their private concerns and needs to somebody who understands the sector (Interview 14, Line 22). Besides, one of the participants mentioned, that receiving information from people they do not know “....it is not trustworthy, so I prefer that they contact me through people I know” (Interview 2, Lines 57-58) and other of the participants chose the standard mail as preferred distribution channels, since “standard mail looks more serious” (Interview 19, Line 10). Lastly, some participants were asked about Bancassurance due to their expertise or knowledge on the topic. A consumer mentioned, that this model is working in China because “nowadays banks have clients since a long time and that is why Chinese we believe and have a good relationship with them so if we trust the banks and we are happy with their service then they also try to offer” (Interview 2, Lines 19-21). “Also, Bancassurance is already well established. Companies are increasingly offering different and more interesting health and wellness options. ICBC-AXA does this model in china and it is only semi-successful. In Asia AIA has big bank channels as well as UK Pru” (Interview 29, Lines 78-80). However, “although Banks in China have huge customer bases, a good reputation with their customers and the general public and they are an attractive distribution partner...bank internal incentive models have been very premium-volume based, and

health products tend to have relatively small premium per contract. So, convincing the banks that expending effort on health sales makes sense is a challenge” (Interview 30, Lines 17-21).

In Switzerland, the table shows that participants still prefer to receive information through either digital marketing channels (Interviews 8, 9, 11, 12, 13, 16, 17, 18, 22, 26) or telephone (Interviews 10, 12, 13, 16, 21, 23, 26, 27) followed closely by intermediaries (Interviews 8, 10, 23, 26, 31). Thus, the most used distribution channels are aligned with the preference of Swiss citizens. As already mentioned in the section before, digital marketing channels are rising and some of the participants noticed an increase of emails from health insurers which is in accordance with their preferences (Interviews 12, Line 342; 13, Lines 36-37). Telephone as distribution channel is still one of the preferred ones from the sector (Interviews 21, lines 149-150; 26, Line 154; 27, Line 311) and some of the participants still would like to receive phone calls from health insurers, since they still feel the need to talk to somebody about their personal situation (Interviews 10, Line 81; 23, 149-150). Similarly, the head of omni-channel management expressed, that their customer (with an average age over 40 years) still have preference for telephone (Interview 12, Lines 334-336). However, this channel is still categorised as aggressive and irritant (Interviews 16, Lines 64-66; 17, Lines 64-65)

Moreover, intermediaries are still significant for the market. In many cases, consumers require additional information or advice from experts based on their personal situation (Interviews 8, Lines 59-60; 10, Line 81, 23, Lines 92-93). One of the health insurers still has 90% of their products is sold through either brokers or agents (Interview 31, Line 107). Lastly, some of the participants who still receive standard mails prefer emails instead, as emails are more convenient (Interviews 16, Line 64; 17, Lines 62-63; 18, Line 43; 22, Lines 100-101). Nevertheless, some participants do not feel bothered by standard mail (Interviews 11, 17, 27) and insurers still receive documentation from customers, such as claims through standard mails (Interview 27, Line 315). Lastly, some participants were asked about Bancassurance due to their expertise or knowledge in the topic and they pointed out that the model would not work in Switzerland, since “it was a big trend in the beginning of the 19s where some big companies such as Zurich or Axa insurance companies where practising this concept, but it has lost the trend within 5 and 6 years and it was not success” (Interview 31, Lines 69-71) but based on his opinion there is not a trend following Bancassurance in the health insurance sector (Interview 31, Lines 76-77). Also, a responsible for digital transformation added, that “the client would be irritated if he would be asked about changing health insurance while doing bank transactions. Where this could work is with people moving to Switzerland but there is not the bank the first touchpoint” (Interview 27, Lines 387-389). Thus, it seems that this model would not be successful on this market.

4.3 Intermediaries impact

Another topic during the interviews was the impact and strength on the relationship between health insurances and intermediaries and whether intermediaries are needed or not in the health insurance sector. As it can be seen on the image below, mostly of the participants have said, that there is a clear impact on the relationship between intermediaries and health insurers and that intermediaries are needed in the health insurance sector in the two countries.

	Intermediaries		
	CHINA	SWITZERLAND	
Impact	4	11	15
No impact	2	4	6
The are needed	5	11	16
They are not needed	1	3	4
TOTAL			41

Figure 12: Intermediaries impact. Source: own creation

In China, most of the participants agree that there is an impact on the relationship (Interviews 19, 20,25,28) and they are needed (Interviews 5, 19, 28,25,29). As an example, a partner of one of the big four expressed that “insurance intermediaries will remain an important distribution channel” (Interview 28, Line 50) by mentioning, that intermediaries are nowadays adapting to the new digital transformation era by implementing new services online. Yet, not all participants think that there is an impact, as one of the consumer explains “I think most of the time, the high-end customers need a professional insurance agency to make professional planning, and provide the corresponding private service. So should be no effect” (Interview 5, Lines 33-34). Therefore, intermediaries are needed in the sector. On the contrary, just one of the consumers communicated that there is an impact but will affect negatively to consumers and therefore clients will use much more direct channels (concretely online services) and less intermediaries (Interview 20, Lines 16-17). Also, a board secretary of a health insurance company has the same view and think that “mobile platform will largely impact traditional agency channel in 3-5 years” (Interview 25, Lines 19-20) as a suggestion for a new business opportunity. Lastly, a general manager of a health insurance company ensures that there is no change when he says “I do not think they would use less brokers but more as complimentary channel (Interview 29, Lines 59-60).

In Switzerland, most of the participants (10,11,13,16,17,18, 21, 22, 26,27, 32) have expressed that there is an impact on the relationship. For instance, a director of the market, client and management department and two responsible managers for the digital transformation and distribution channel departments for a health insurance company explain that intermediaries are implementing online services in their business and are still quite often contacted, when clients need extra advice (Interviews 26, Lines 131-139; 27, Lines 237-238). In addition to that, “In former times the client did

not had another choice than using a broker. But this changed. The business model of the brokers is under pressure. Not because we offer digital but rather because the client is choosing digital channel” (Interview 27, Lines 257-259), which supports the point of how big the impact on intermediaries is. However, not all participants agree with the impact (Interviews 9, 12, 23, 31), as expressed by themselves, that “our sellers are mainly brokers, and agents and it is the main channel of distribution. I think internet channels will arrive and will be competitor to this intermediary and more contracts through internet will increase but it will take time to increase because people wants to speak with one person and to be sure to have good products and to be insured and by internet is difficult to know everything (Interview 31, Lines 89-93) and “Intermediaries are really important because they manage the relationship between health insurers, them and clients” (Interview 9, Lines 94-95). They may think that there is no impact and nothing will change, but they still belong to the majority group, which thinks that intermediaries are needed in the sector (Interviews 9, 10, 12, 13, 18, 21, 22, 23, 26, 27,31).

On the contrary, it seems that some consumers agree on the impact, yet they think are not needed (Interviews 11, 16, 17). Their main concern is not to know whether the advice from an intermediary may be honest and not just influenced by a commission they receive for the sale (Interviews 16, Lines 48-50; 17, Lines 47-50). Lastly, it is worth to remark that none of the participants has said that intermediaries have no impact are not needed.

4.4 Peer-to-peer business models

Another of the influenced trends reviewed in this study is whether peer-to-peer business models may affect to the strategy direction of the health insurance sector. Below there is a graphic showing the results for both countries.

	Works P2P?		
	CHINA	SWITZERLAND	
Yes	2	3	5
No	7	11	18
I am not sure/ I do not know	1	0	1
TOTAL			24

Figure 13: P2P. Source: own creation

In China, it can be observed that most of the participants (Interviews 1,2,4,14,25,28,29) feel that peer-to-peer business models cannot be applied to the health insurance sector for several reasons. First, the peer-to-peer business models is often used in finance companies and not in the health insurance sector (Interview 14, Line 25). Also, “The peer to peer insurance works better for small claim policies like car insurance, than for large claim policies like health insurance. The company has greater risks from health insurance because of exorbitant healthcare costs as compared to claims

from car insurance. As of now, no company has come up with health insurance products based on the peer to peer insurance model in the Chinese health insurance market” implying that it could better work in non-life health insurances (Interview 28, Lines 93-97). Secondly, “p2p by using insure-tech (like block chain, big data etc.) starts to play certain role in China health market but most of these platforms are not officially recognized by the regulator. I mean, some p2p are in form of mutual but do not received regulator's license. This is a new thing and the regulator is monitoring the trend. So far, no real p2p insurance platform received the regulator's license in China” (Interview 25, Lines 32-36). Lastly, “...I think it is very difficult on these days in china because people want to buy it from a company or solid organization. There are companies already which are trying to do it but I am not sure they will be successful. My point is that even if some companies are trying I think the attitude of Chinese when they are buying health insurance they want to go to the big companies so for them is more reliable and that is why Ping An is so successful” (Interview 29, Lines 85-89). Thus, to be reliable is important for Chinese. However, two of the participants expressed that the model could be positive for the community but at the same time would involve higher costs. (Interviews 19, Line 23; 20, Line 29). Besides, a chief actuary from an insurance company did not have a clear opinion about the model and was not sure how could this really affect the market (Interview 30, Lines 40-41).

Following the same direction, **in Switzerland**, most of the participants (9, 10, 11, 12, 18, 21, 23, 24, 26, 27, 32) declared that the model would not work in the insurance company and gave their reasons. Firstly, the head of the omni-channel management said: “with P2P I’m more sceptical because of the complexity of health insurance. **We have a few cases which are responsible for 30-40% of the costs and it is difficult to balance the risk correctly**” (Interview 12, Lines 430-432). Also, “there is a group with different people and exactly the 10 people who are sick are the ones who make increase the premiums and **people who are healthy do not want to pay more**” (Interview 26, Lines 181-182) and “**Therefore, the social thought does not work because who wants to finance the sick people? Because nobody wants to pay more to finance the sick people.** In conclusion, I think that is exactly the problem and the costs are high because of the sick people and then the model would not work” (Interviewee 26, Lines 185-188).

In addition to that, a responsible for digital transformation expressed as well, that the model would not work due to regulatory constraints in the market and limitations for the health insurance sector (Interview 27, Lines 334-339). Also, he points out “There has to be one illness with high treatment costs and the model collapses. Therefore, it is not working and will not be approved by the regulator” (Interview 27, Lines 338-339). For instance, “a German company was the “first P2P insurer, they are heavily under pressure and looking for funding is a challenge” (Interview 24, Lines

34-35). An expert from digital transformation said “I can’t see how a new player could be successful in that just because of economies of scale and acceptance in the market. I could however see that an existing organization or company in the non-health industry so let’s say a Migros or Coop or amazon could move into that business and add it as an alternative way especially on the private health insurance (not the mandatory) and I could see that something like that could emerge from an existing player like them who has the money and the innovation strengths to bring something like that” (Interview 10, Lines 87-93).

Finally, the rest of the participants (Interviews 13, 16, 17) asserted that they like the model and are not sure about it could work, since it seems interested and fair for individuals, but it might be challenging if there are potential issues. For example, there might be some potential problems with the money paid within the group and the model could not work (Interview 17, Lines 79-82). Thus, it would be a fair model if the group would know what insurances do exactly with the money (Interview 13, Lines 45-47).

4.5 Partnerships among partner channels

Nowadays, partnerships among companies is quite popular since both sides can benefit from each other. Thus, it is worth to see the main aspects that companies look for when they want to create a strategic alliance with other businesses. It is worth to highlight that there were many different terms to analyze. Thus, the researcher has considered to group together those with a correlation between each other.

	Cooperation		
	CHINA	SWITZERLAND	
LT partnerships	2	0	2
prevention and Health care	1	1	2
Excellence/Quality/ improvements	4	6	10
Data Protection/Privacy	4	3	7
Trust/Reliability/Communication	0	4	4
Customer orientation	1	7	8
Broad coverage	2	2	4
Benefit/cost sharing	2	8	10
TOTAL			47

Figure 14: Cooperation. Source: Own creation

In China, the two most popular aspects considered important when companies want to establish a partnership with other organisms are quality (Interviews 14, 28, 29, 30) and data protection/privacy (Interviews 15, 25, 28, 30). The term “quality” refers to be able to provide the best services for customers (Interview 29, Line 100) or the ability to improve the conditions thanks to the alliance of both sides (Interview 28, Lines 118-119). Besides, data quality or data protection has been mentioned quite often as well. Concretely, “data is crucial but more and more difficult to get and use

data legally because of strict legislation on privacy and data protection. so, cooperation with public sectors (in China, most hospitals are public) is an ideal way” (Interview 25, Lines 42-44). Likewise, a partner from one of the big four also mentioned that “the government has lifted restrictions on foreign investments in health providers. This will give opportunities for government led partnerships on data, claims management and electronic medical records with the insurance companies” (Interview 28, Lines 106-108). In addition to it, “...Chinese are not too concerned about privacy although the government has passed various privacy laws, and in particular keeps information within China’s borders not outside” (Interview 30, Lines 46-50). Broad coverage is as well one of the relevant aspects to the topic. It means to have a good geographically and quality coverage, so that health insurers can establish more partnerships and more people can get access to the hospitals (Interviews 20, Lines 36-37; 29, Line 100).

Moreover, having a partnership implies having some benefits or cost sharing. Otherwise, firms would not have incentives to do it (Interview 29, Lines 95-97). Thus, both should have a “win-win situation” (Interview 15, Line 24). Also, when there is a business agreement both sides expect to have long-term partnerships and collaboration with other organisations, especially international companies that would like to enter on this sector need a partnership (Interviews 2, Line 14; 3, Lines 6-7). Lastly, having customer orientation is also important, because in the end firms need to focus on customer satisfaction to be successful (Interview 28, Line 104) as well as focus on the prevention through a cooperation with health experts to educate customers and employees (Interview 7, Lines 65-68).

In Switzerland, the most popular aspects for a partnership among businesses are benefit and cost sharing (Interviews 9, 16, 18, 23, 24, 26, 27, 31) and customer orientation (Interviews 9, 10, 12, 16, 17, 18, 27). The term used “benefit and cost sharing” refers to companies that “want to share the risk and offer the best services” (Interviews 9, Line 154; 16, Line 105). Besides, benefit often refers to money but “it does not have to be money but can be better information” or another added value (Interview 18, Line 70). However, money is still one of the key points companies look for in a relationship, since “high prices then involves premiums are also high” (Interview 31, Lines 142-143, which can be reflected on the customer. In general, it has to be a “win-win for every participant” (Interview 24, Line 40) and “beneficial for the client” (Interview 26, Line 219). This connects to the other aspect which is customer orientation. In the end, partnerships should be established based on customers’ preferences “as each has a different one” (Interviews 12, Lines 506-507, 16, Lines 106-108). “Therefore, personalized groups are ok, and they could make happier customers and increase customer satisfaction” (Interview 16, Lines 108-110). In addition to it, “a partnership with should have the same criteria and standards that client expects. So, the cooperation need to be according

the target customer” and their needs (Interview 18, Lines 64-65). It is worth to mention that these two dimensions were not so significant in the Chinese market. Quality is also quite relevant for a partnership. The terms “quality”, “excellence” or “improvement” imply any kind of definition for improvement or development to increase the quality of the service provided (Interviews 9, Line 159; 10, Lines 111-113; 17, Lines 98-100; 23, Line 120; 31, Lines 146-149). In general, “The criteria is the quality for the client” (Interview 27, Line 382).

Furthermore, trust has been mentioned as well during the interviews, since partners “should work together and trust each other” (Interviews 11, Lines 90-91; 13, Line 59). Also, one of the consumers adds that “Trust and reliability of course need to be and it is some of the basics because in the end will come down to money again so if the partner is not reliable you lose money” (Interview 18, Lines 71-72). Therefore, trust in these relationships are important because in the end it can affect to the consumers (Interview 22, Lines 147-148). Trust is also related to data and is one of the concerns in a partnership among companies. As one of the participants mention, data “add to business insights and analytics to enrich customer experiences” (Interview 10, Lines 113-114). Because with data it is easier to know the “distribution or risk factors or behaviours in a population or certain area and you can modify the cost of insurance” (Interview 13, Lines 55-56). However, “the data needs to be trusted and not anyone should manage the data” (Interviews 11, Line 90, 13, Lines 58-59). Also, broad coverage should be also kept in mind not just “for the treatments and the methods but also to have a wide coverage geographically” (Interview 26, Lines 216-217; 13, Line 58). Lastly, prevention in health care should also be the focus on a partnership to motivate customers to “live healthier” (Interview 21, Line 198) and have healthier habits to visit less often the doctor.

4.6 Multiple channels Vs. Omni-channels impact

The use of multiple channels or omni-channels has grown in the last few years. However, it was not clear whether this trend was going to be implemented as well in the health insurance sector and how big would the impact be to the sector and the customers. The table below shows the result of the two countries from the conducted interviews. As observed, it reflects a clear positive impact with some minor exceptions coming from the two countries.

	Multiple channels and Omni-channels		
	CHINA	SWITZERLAND	
Positive	7	13	20
Negative	1	2	3
TOTAL			23

Figure 15: Multiple channels and Omni-channels. Source: own creation

In China, most of the interviews (5, 14, 20, 25, 28,29, 30) felt that if companies use multiple channels or omni-channels is with the aim of reaching more customers by combining the strategy of using

both direct (online channels especially) and indirect (agents or brokers) and engage with them with more frequency. Besides, thanks to the increase on digital channels the combination of direct and indirect channel is done more frequently than before in order to reduce costs, since brokers are much costlier for a company than online services (Interviews 25, Lines 12-14; 28, Lines 17-25). For instance, a general manager of a healthcare department from an insurance company saw many advantages by using multiple channels, as the health insurers and the customers can obtain more benefits when companies address their products or services to their customers through the right channels. Also, he cited “So more complex products go to different channels” (Interview 29, Line 49-50), to ensure a right distribution depending on the type of product. Likewise, a chief actuary from an insurance firm also mentioned that multiple channels is a good strategy to reach more customers (Interview 30, Lines 10-12). However, one of the participants felt overwhelmed when health insurances address their products through different channels (Interview 15, Line 9).

In Switzerland, most of the participants (Interviews 9, 10, 11,12,13, 16, 18, 21, 23, 24, 26, 27, 32) believed that multiple channels or omni-channels are positive and there are a few cases worth to highlight. The interviewee 12 (a manager of omni-channels of a health insurance company) gave a valuable contribution about her perspective of using an omni-channel approach within the health insurance sector, as her company is the only one which has it, since they have invested over the last few years the largest percentage on digital channels (around a 30 % of their operation). She also mentioned, that having omni-channels involves the whole company and especially all the employees, as it is crucial they all share the same mindset to reach the common goal. The approach taken aims at achieving much more through a closer cooperation among all partner channels (employees, agents or brokers) instead of just focusing on how many sales can each of them make separately. The, she quoted that “There we included the recoverability as performance target that the client advisor realizes that he can earn more if he refers the client to Swisslife, which can sell him a whole package, instead of just selling a single product like KVG. This is a mindset which we are trying to reduce as we have already in the organization the view more focused on just single channel. But a true omni channel management is not possible if you have this single channel focus and everybody only sees his channel” (Interview 12, Lines 204-209).

Apart from this insight, a partner from one of the big four already predicted the need for health insurances of using more than one single channel if they want to differentiate themselves, since the clients are the ones who decide which health insurances fit the most to their needs (Interview 23, Lines 51-53). Besides, a director of the market and client management department brought up that “It is for sure positive to use different multiple channels or omni-channels, clients are used to certain way to communicate with companies such as banks or online shopping and they should not have to

change their behaviour with insurance companies” (Interview 26, Lines 96-98). In addition to this, two of the responsible managers for the digital transformation and distribution channel departments for a health insurance company pointed out the idea of differentiation against the competitors and bring an “added value” (Interview 27, Line 164). They emphasized the importance to the customer focus in the sector by adding **“When we speak about “customer centric/focused” it is not because the health insurances suddenly though we need to focus on the customer, but it is because we are more and more forced to think about how the client differentiate when choosing the health insurance and how can be become more attractive”** (Interview 27, Lines 166-170).

Nevertheless, not all participants see just advantages as the expert on digital transformation, whose view was concerned about a possible cannibalization of distribution channels, if health insurers sacrifice one or several channels to increase other ones (Interview 10, Lines 18-22). Lastly, two consumers thought that it could be overwhelming if health insurers try to contact them through different distribution channels (Interviews 17, line 30; 22, Line 40).

4.7 Hierarchy Vs. Procedures

China and Switzerland are two countries with different habits and traditions influenced by their culture. This affects their daily life and how they behave not just with their private relationships but as well business relationships. Thus, one of the interview questions was whether hierarchy and procedures among partner channels could improve their relationship and avoid potential issues. The results can be seen on the table below.

	Hierarchy - Y/N - Procedures Y/N			
	CHINA	SWITZERLAND		
Hierarchy yes	4	5	9	
Hierarchy no	3	6	9	18
Procedures yes	3	14	17	
Procedures no	4	0	4	21
TOTAL				39

Figure 16: Hierarchy and Procedures. Source: own creation

In China, more than a half of the participants (Interviews 15,20,29,30) felt comfortable when there is a clear hierarchy established within the company and when the rules and roles are clear for everybody, since the relationships are much better (Interview 20, Line 40). Also, with hierarchy nobody could feel at disadvantage as the roles are clear (Interview 30, Lines 55-56). Yet, the minority (Interviews 14, 25, 28) feels that hierarchy would not be the best solution. “In the past, there was a clear hierarchy among the partner channels, cause some resource comes from the government. But with the progress of globalization, partners in the business are more equal, each party has their own profession and responsibility” (Interview 14, Lines 37-39).

Moreover, most of the participants (Interviews 14, 25, 28, 29) disagreed on established rules and procedures. For instance, a board secretary from a health insurance mentioned said “From the aspect of insurer, no need to setting hierarchy rules and procedures by design. Insurer’s resources will be allocated to those channels who have most production. Only pre-condition is that they must follow the regulator’s rules” which implies that health insurer should just follow government’s rules (Interview 25, Lines 48-50). In addition to that, “Chinese would prefer not to be so clear and established rules and procedures because you have to learn how to work something in between (communication) clear and cloudy and hierarchy” (Interview 29, Lines 108-110). Nevertheless, other participants (Interviews 15, 20, 30) agreed on having clear procedures and roles, as it will ensure a good service for customers (Interview 20, Lines 40-41). Lastly, relationships are important in the Chinese culture and some of the interviewees expressed their concerns if they receive telephone calls or messages through Wechat from people that do not belong to their private or business network (Interview 2, Lines 54-57).

In Switzerland, more than a half of the participants (Interviews 10, 12, 22, 27, 31) also agreed that there is a need for hierarchy, yet all participants have answered that there should be established rules and procedures among the partner channels. On one side, an expert on digital transformation settles for hierarchy, yet he defends the reason why on his opinion is still not working is because in the theory it works and “...the practical question yes but it does not work and there are two reasons for that: 1) providers are urgently in the need of leads and because they need a lead sometimes they will take the lead even though they had it before or from somewhere else just because they are so dependent on the brokers and lead generation firms. 2) I do not think the IT and internal processes are sophisticated enough that lead capture and processing and general orchestration really sufficient enough that they have full view to what is really happening. In the best-case scenario yes, they would be rules in place, various compensation levels, priority settings that would define how leads from which channels of distribution partners have priority or what the value is the health insurance firm will pay for it. So more or less yes but it is difficult to implement, and it would involve a lot of changes (also change management)” (Interview 10, Lines 120-129). The head of the Omni-channel management of a health insurance also defends that hierarchy is needed and gives her opinion as follows: “We require a hierarchy. Especially in the partner channel there is a risk that the quality is not good enough because there are many persons who needs to be managed” (Interview 12, Lines 546-548), “but hierarchy of these channels would be demanded by customers so what the people think is better for them to ... and I think hierarchy among the partner channels will be determined by customers and rules will come with it” (Interview 31, Lines 160-164). On the contrary, more than the half of the participants (Interviews 11, 16, 17, 18, 23, 26) defend that hierarchy is not needed and

everybody within the company should be treated as equal. Besides, two consumers mentioned, that transparency is more important than a clear hierarchy, so that both sides can bring their strengths and benefit from the partnership. (Interview 11, Lines 101-102; Interview 18, Lines 78-83). However, hierarchy could be important “if a company has a strategy wisdom and they want to prioritise this channel to the other and it influences” (Interview 23, Lines 128-129).

Concerning procedures and rules, the result becomes quite significant, as nobody disagreed on having clear and established rules and procedures (Interviews 9, 10, 11, 12, 13, 16, 17, 18, 21, 22, 23, 26, 27, 31). It is clear that “Of course, it needs to be clear procedures and processes on these channels because else is not going to work because you need to have a flow in the process” (Interview 18, Lines 76-77). “Furthermore, there are already now processes which have to be adhered to, to ensure that the brokers are compensated. To do something by handshake does not work when money is involved. There you need processes inevitably” (Interview 27, Lines 419-422). However, health insurances should be aware that “...there are some operations and procedures that need to be set up in order to follow the rules for everyone to avoid mistakes (Interview 13, Lines 63-64). The preference for rules and procedures in Switzerland is quite clear in comparison to China. Lastly, the tendency of the work style in Switzerland for health insurances follows an individualist perspective, as expressed by the head of the Omni-channels department for a health insurance, “Currently, our partners are strongly focused on sales and there it is our target to have a better collaboration” (Interview 12, Lines 272-273).

5 Conclusions

How do distribution channels and culture influence the future of the health insurance sector in the era of digital transformation and sharing economy? A comparative analysis of China and Switzerland

The health insurance sector has been influenced in the last few years by new trends and challenges already adapted in other sectors in the market. This research analyses two different countries China and Switzerland. Although China is still an immature market and Switzerland is strongly regulated, both countries are highly innovative and have big potential to grow. Firstly, health insurers have started to increase the use of digital marketing channels in the two countries as a result of a constant demand from consumers, whose expectations have been higher due to the adaptation of methods and processes from digitalization in other sectors. Hence, health insurers decided to better utilize their resources through a more equitable combination of direct and indirect channels; although, indirect channels, such as intermediaries, are still the most frequently used in the sector due to their extensive knowledge and experience. In addition to this, the relationship between health insurers and their customers is no longer strictly classified as B2B, B2C, B2H or H2H and it is losing its significance along the years. Therefore, companies are focusing much more on increasing the variety of distribution channels to better engage with them. Secondly, thanks to this combination, health insurers are using multiple channels based on customers' needs to achieve a better engagement with their target customers. More specifically, in Switzerland, the use of Omni-channels in the health insurance sector is not as widespread as in other sectors, yet there is a slow incorporation involving management changes within the company to increase the customer satisfaction. On the contrary, the Chinese market is still quite immature and needs time to incorporate those changes. Thirdly, the appearance of new business models, such as peer-to-peer business model has barely any impact on the health insurance sector as it cannot be implemented in any of the countries. Although this model tries to involve the community to ensure a higher transparency on the market, it involves high costs and the regulatory requirements are quite restricting for both countries. Thus, there is a negative social impact on this model caused by a lack of incentives from individuals that are not willing to pay a higher price to receive the same benefit. Lastly, culture's influence on each country has been measured through three different cultural dimensions combined with what is considered the main aspects in an insurer- intermediary relationship and whether there is an impact on the behaviour of the different partner channels. Based on the obtained findings, China is a collectivist culture with established relationships based on hierarchical roles without the need for rules and procedures. However, Switzerland is an individualist culture without a strong hierarchical influence and a strong need for rules and procedures to follow.

Hence, communication and trust are key elements in Chinese culture when solving issues, whereas in Swiss culture communication and trust will be important when taking decisions, since hierarchy is not as significant, and anybody can express their opinions independent on the role position.

5.1 Integration of thoughts: Literature, Empirical Findings, Opinions and Implications

Based on the literature review and research findings, the following conclusions are:

RQ1a. How does the health insurance sector differ in the last 10 years in relational engagement with their new or existing customers?

The sector has suffered constant changes in the last 10 years in the health insurance sector, which are influenced by new trends affecting either the industry in general or specifically other sectors, such as digital transformation and peer-to-peer business models.

Changes in China

In comparison to the interviews' findings, the results have shown six significant changes. The first major change is the increase of distribution channels especially in digital channels, since health insurers are trying new ways of engagement with consumers through the appropriate channels to help them choose the right product. Connected to the distribution channels, the literature review had already foreseen a rapid increase in mobile consumption imposed by the digitalization of business processes and methods in the sector (CNNIC, 2017, p. 41, E&Y, 2016). Thus, some of the biggest insurance companies have already started to launch apps to interact and further engage with customers as well as be able to offer more information to existing customers about their health care habits.

Growth has been another major aspect of change in the health insurance sector promoted by the Chinese government, as already addressed on the literature review (Bernardi and Greenwood, 2014; Wagstaff, Lindelow, Jun, Ling, and Juncheng, 2009) with the aim of improving the coverage and the quality of healthcare in the market. Nevertheless, it is still a bit immature and it is still learning how to adapt to new changes to improve China's quality of life. In addition to growth, the term 'future' as an uncertain aspect is determined by the Chinese participants view of health insurance as a long-term investment of one's life for health or for saving, which is followed by the term 'expensive' since having health insurance is costly for Chinese citizens.

Changes in Switzerland

Switzerland has been a highly innovative country for a few years and continues to remain in the first position by following and adapting to new trends in the market (Global innovation index report, 2017). However, the health insurance sector is highly regulated and limited to rapidly improve and

adapt to changes when compared with other sectors. The literature review has shown an increase in mobile consumption (KPMG, 2017), as noticed by the participants from the interviews as well. Alongside the increase in mobile consumption, one of the major changes in the market has been the rapid increase of direct distribution channels (especially digital channels) to engage often with customers and attract new clients. As in China, the number of launched apps from health insurances has increased to give consumers the opportunity to communicate more often and directly with health insurers to obtain more information about their products and services. Furthermore, another important aspect mentioned during the interviews has been the constant increase in premiums from health insurers driven by a rise of the use of medical services and treatments from citizens, who are using medical services more often than expected. Therefore, health insurers are trying to find new ways to be efficient by cooperating with the community and the health care system through constant controls of patients' tests and prescriptions.

Moreover, some other changes mentioned during the interviews within the sector are indirect yet connected to the above-mentioned reasons, such as customer-focus and the shift from process oriented to a customer oriented thinking. Lastly, aggressivity has also been mentioned by some participants during the interviews, which suggest health insurers to have a strong focus on finding the appropriate channels for each target customer instead of putting massive efforts into advertisement and risking new or potential clients.

RQ1b. Insurers are starting to use multiple channels or omni-channels to better reach customers. **In your opinion, how can the sector be affected by these current trends of distribution channels?**

One single distribution channel may no longer be the best option for the health insurance sector if companies want to still address their products through the appropriate channels (Laing, 1994). The health insurance sector has complex products involving a long-term investment decision and health insurers should be able to adapt their processes to the current trends (Laing, 1994; Altuntas, Rauch and Wende, 2016). In addition, the limited freedom in this sector to differentiate the products makes more difficult the competition (McKinsey, 2012). Hence, the two countries showed a positive impact in the use of either multiple channels or omni-channels to better reach their customers.

In China, the use of multiple channels involves a combination of direct and indirect channels, as health insurance products are quite complex to understand, and companies may need the assistance of either agents or brokers as experts on their field to better address their customers' needs. The use of indirect channels (especially intermediaries) are costlier for the health insurers compared to digital channels. Thus, a combination brings positive value to the company. However, health insurers should establish a clear strategy to ensure that the engagement with each customer is through the

appropriate distribution channel and not through several ones, which could cause confusion for the customer. As the health insurance market in China is still quite new, there is not yet a company using an omni-channel approach. However, it may be a potential business opportunity since the growth potential in the sector is still quite substantial.

In Switzerland, the use of multiple channels is also considered something positive; however, some consumers express their concerns about how overwhelming it could be if companies contact them through different distribution channels. One of the biggest health insurers in Switzerland is the first company applying omni-channels in their processes by involving not just a change of processes or methods, but also incorporating a change of mindset in the entire company. Through closer relationships and cooperation with all involved partner channels (employees, agents, brokers or partners), the company can achieve a higher success and makes the whole customer experience much better by increasing customer satisfaction (Carl and Enzweler, 2015).

There are two clear incentives to using more than one single distribution channel. Firstly, customers expect to act and behave the same way as they are in other sectors, such as the bank or retail sector. Therefore, the health insurance sector should offer the same options as these sectors to meet customers' expectations. Secondly, companies have not always focused their strategies on the consumer, although their products were adapted to their needs. Due to a limitation on the market and strong regulations in the sector, products offered from each health insurance are quite comparable. Hence, the only possibility to stand out within the sector and achieve a competitive advantage is to offer a variety of distribution channels to remain attractive for existing and potential customers in order to reach a long-term relationship with them through loyalty. Nevertheless, health insurers should also be aware of having clear strategies aligned with their main objectives by selecting and splitting their resources based on actual needs and trends in the market to avoid a potential cannibalization of distribution channels, as already foreseen by (Pfeil, Posselt and Maschke (2008) and Sharma and Gassenheimer (2009).

RQ1c. How do distribution channels impact the strength of relationship between health insurers and intermediaries in the health insurance sector?

In earlier times, health insurers largely relied on intermediaries to sell their products. Nowadays, with the rapid implementation of the Internet and online channels, companies in the health insurance sector are trying to combine more direct (represented by digital channels) and indirect (intermediaries: agents and brokers) distribution channels to cover as much market share as possible. Thus, there is a question of how intermediaries are affected by this challenging situation.

In China, most of the participants mentioned that due to an increase in digital channels there is an impact on intermediaries and therefore an impact in the use of indirect channels. However, the impact does not have to be negative and it is in fact quite positive. Intermediaries in China are an added value to the companies and indirect channels are the most used to sell products. The Chinese value their relationships and, in their culture, give special importance to relationships. Thus, if they feel comfortable and rely on agents or brokers for their insurance plans, they like to continue with it for a long time, unless they would feel unsatisfied. It is then clear why having direct channels would not negatively affect intermediaries, but instead would be used as a complimentary channel to offer additional information.

In Switzerland, the results were quite similar as in China and almost all participants felt that there is a clear impact on intermediaries due to the increase in the use of direct channels (specifically, digital channels). Intermediaries are also needed in the sector in case customers may need advice for their personal needs. As already mentioned before, products in the health insurance are quite complex and involve long-term decisions with high investments. Therefore, a lack of understanding of the system from potential clients, or even some cultural barriers due to a difficulty of speaking the language in the country, may overwhelm customers if they do not have an advisor who can suggest the best plan for them. However, as already predicted by Garnick, Swartz and Kathleen (1998), there are still some major concerns from consumers. Some of them doubt the judgement of the broker when advising a special plan, as the consumer implies that the suggestion may be influenced by a higher commission coming from a specific insurance, instead of based on what the customer really needs. Some experts in the field also suggest that intermediaries may be under pressure if they do not embrace the digital transformation into their businesses, since the customers are the ones who decide how they would like to be contacted. Thus, if they do not find ways of interacting more closely with customers, their position may be at risk in the long-term. In conclusion, there could be a repercussion for intermediaries if they do not adapt to the trends and customer preferences. Nevertheless, intermediaries are needed in the sector and are still one of the most used distribution channels today and therefore will likely not disappear.

RQ2a. In your view, which are the preferred digital media channels for the customers in the health insurance sector?

As already predicted by Kumar (2015, pp.61-62), digital marketing channels are growing in the health insurance sector as companies are embracing the new trend and engaging with customers more often through direct distribution channels (especially through digital channels) in both countries. There is no doubt that customers have an expectation of using digital channels in the health insurance sector based on their experience in other industries. Moreover, indirect channels

(intermediaries) are costly and companies can be more efficient when there is a combination of direct and indirect channels.

In China, most of the participants notice that companies contact them more often through digital marketing channels (such as website, email or Wechat) due to certain reasons. Firstly, customers feel more comfortable researching information about health insurances online on their own as well as finding answers to questions they may have about the company or the products offered. Secondly, mobile consumption in China has increased significantly over the past few years (CNNIC, 2017, p. 41) and the “use of apps and mobile is bigger in China than in any other part in the world” (Interview 29, Lines 74-75). Thus, it is much more convenient for customers to receive information through emails, rather than receiving calls at inappropriate times. However, some participants feel that social platforms and the Wechat application may be unsuitable to address business matters. Thus, companies are aware of this and try to avoid using it unless they have had contact with the person beforehand.

Telephone and Intermediaries are also quite often used in China, although participants feel much more comfortable contacting agents than receiving telephone calls. Telephone calls are quite abrupt and sometimes inconvenient, whereas intermediaries are experts in the field with extensive knowledge and the consumer can decide whether they would need extra advice based on their personal needs from an agent or broker. Furthermore, intermediaries in China have an added value as they can maintain a long-term relationship with their customers through networking. Customers trust their opinion, as the Chinese value having closer personal connections rather than a person who is just interested in selling products. Lastly, since the Chinese give special importance to and cherish relationships, they also prefer asking either their friends or relatives about health insurances rather than receiving random information from employees who are not part of their circle of trust. It is also common that companies in China offer their employees the chance of obtaining a private health insurance, as a chance of having a better quality of life. Then, not only can the employee benefit from this offer, but so can the company, as the company cares about employees’ good health and the prices are much more affordable (Gerard, Zwetsloot, Van Scheppingen, Heinrich and den Besten, 2010, pp.144-150). In conclusion, health insurers should listen to their customers and address their products based on the customer’s preference. It seems that consumers generally agree on being contacted through digital channels or intermediaries. However, most of them dislike receiving calls through the telephone and it remains one of the most used tactics in the sector.

In Switzerland, digital marketing channels are also increasing, and consumers have noticed. Firstly, health insurers send information to consumers more often through emails, although they are still maintaining standard mail as a way of reaching some target customers, who are used to traditional

channels. Secondly, more and more health insurers are deciding to launch apps to cover the part of the market that does not want to be reached out through traditional channels, such as telephone or intermediaries. However, this is still quite new, and it needs more time in the market to develop. Although the telephone as a distribution channel may be bold and aggressive for some consumers, it is still quite significant in the market. More specifically, one of the health insurers mentioned that their customer base (with an average age over 40 years) still prefer to be reached through telephone or intermediaries, as they need a contact person to talk to in case they may need further advice specific to their personal situation.

Similarly to China, intermediaries are not so popular in the Swiss market, yet companies still rely on a high percentage of their sales from them due to their knowledge, experience on the health insurance sector, their established network, and their loyal customers. In conclusion, the health insurance sector is not as advance as other sectors in Switzerland, yet it is following the market trends and incorporating new developments and ways of communication with customers, such as integrating apps. It seems that health insurers still prefer to heavily rely on traditional channels, such as telephone and intermediaries, since most of their customer base still have a clear preference for these channels. Therefore, it is clear that health insurers try to adapt their distribution channels based on customers' preference. A mix between digital channels and traditional channels (telephone, intermediaries) is optimal for the sector with a higher percentage of traditional ones; however, this may change in the future when customers feel more confident to rely solely on digital marketing channels.

Bancassurance in China and Switzerland

One of the indirect channels used by insurances for a long time has been through banks, known as Bancassurance (Brophy, 2013, 319-321). This alliance with banks seemed highly beneficial for insurances due the mutual benefit from both sides: the network and loyalty banks have with their customers benefit the insurance and the banks have extra revenue from this collaboration (Kluge, 1995). However, it seems that this model cannot work for health insurances **in Switzerland** for three reasons. Firstly, this trend was already initiated in the 90's by some big insurance companies and was not a success. Secondly, customers would be irritated to receive constant information about health insurances when doing bank transactions. Lastly, experts in the sector do not see that the market follows this trend. On the contrary, it seems that **in China** the model could work for two reasons. Firstly, the cultural background is compatible with the model, as the Chinese want to establish lifelong relationships based on mutual trust. Thus, if they rely on banks and are satisfied, they will also trust their opinion about health insurances. Secondly, banks have a good reputation in China and are already established networks with a huge customer bases. This could benefit health

insurers that are starting their businesses, since the sector is still quite immature in the country. However, it seems that the incentives from banks to cooperate with health insurances are low and challenging. Hence, this trend would likely not be a successful business for Switzerland or China.

RQ2b. Modern start-ups are using peer-to-peer business models in the insurance sector. **In your opinion, how can this approach affect the health insurance sector?**

Sharing economy has affected some sectors and a big number of companies have already implemented their concept into their business models (Pwc, 2015, pp. 4-30). However, the insurance sector and especially the health insurance sector have been resisting it. The main idea behind peer-to-peer business models relies on a higher level of transparency and the involvement of the community in the health insurance sector. The results for both countries have been quite clear and therefore imply that the model cannot work within the health insurance sector.

In China, consumers believe that the peer-to-peer business model is an interesting and attractive idea but there are some reasons why it cannot work in the market. Firstly, the model involves high costs and risks. In fact, the peer-to-peer business model is already being used in the finance sector and it works well due to a limitation on the risks that companies need to insure. In the health insurance sector, it is quite complex to be able to determine health risks and the health insurance costs are quite high in comparison to the claims from non-health insurances. Therefore, this model could have a chance within the non-life insurance business. Secondly, the government in China has stronger regulatory supervisions and requirements for these businesses and to sustain them is really challenging. Currently, there is no company in the health insurance sector which has implemented this business model in the market. Lastly, citizens in China rely on solid organizations with established networks to buy health insurance plans, as it involves a large financial and long-term investment. Thus, start-ups entering this market would have difficulty in finding not only customers, but also partners to work with.

Similarly, **Switzerland** addresses the cost involvement of this model in the health insurance sector and further adds something extra. Some of the major concerns are connected to the challenging situation of balancing the risk of sick and healthy customers within an established network, as a few cases of customers who make more use of services provided by the system (around 30 to 40%) cause a constant rise of the premiums each year. Thus, the aim of getting a social impact to help and involve the community to support this model cannot be achieved because **“who wants to finance the sick people?”** (Interviewee 26, MT, lines 186-186). Hence, it can be stated, that healthy people who barely make use of medical services would not like to contribute to a group where the costs involved are high. In this case, the current balance of the system based on covering the costs of sick

people from the profit from healthy people cannot work if this model is used. Hence, there is a negative social impact on this model caused by a lack of incentives from individuals that are not willing to pay a higher price to receive the same benefit, as in the traditional business model for the health insurance sector.

Furthermore, regulations in the health insurance sector are quite constrained and restricted and it will be challenging for companies to apply this model in Switzerland. There are currently P2P business models in other countries trying to make this model work in a less regulated market, yet these companies are finding that obtaining funds is a big challenge. Nevertheless, as Mc Grath (2013) already said, companies within the health insurance sector should be aware of businesses coming from outside of the industry and not just from direct competitors. These companies, such as Migros, Coop, or Landi have the aim of diversifying their businesses and are further financially capable to take the chance of implementing this model into another sector different than the current one, due to their good reputation in the market and their potential for innovation.

RQ2c. Using an example from China, there are numerous partnerships between hospitals, government and insurance companies to rapidly incorporate digital channels into their daily process for analysing consumer needs. **From your point of view, what are the main aspects to look for in a successful partnership in this digitization environment?**

In China, there are different aspects to look at. Firstly, Chinese people are concerned about quality, in terms of excellence and innovation, when companies look for a partnership. Secondly, data protection should be an important aspect, since data is protected by the government and it should remain private and confidential to avoid businesses from gaining extra profit. If health insurers collaborate with these sources they would be able to analyse this valuable data to achieve a more personalized and attractive product for customers.

Moreover, partnership has embedded in its meaning the word “benefit” or “cost sharing”, since there could not be an agreement between two parties without incentives or a vision of the future, as already defined by Cook and Emerson (1978) and Tsu-Wei and Yung-Ming (2014). Although the word “trust” has not been specifically mentioned during the interviews, some participants have highlighted the importance of established long-term relationships. Thus, trust is inherent in the definition of partnership and could be considered a closer approach to the commitment-trust theory, as established by Morgan and Hunt (1994), where both sides should be able to cooperate and maintain their relationship and by Brandenburger and Nalebuff (1996) and Porter (2008) with their term “co-opetition”. Health insurers also establish partnerships with other healthcare experts to educate customers and increase awareness of sickness prevention and health habits. Therefore, if

customers have a healthier life then they would be less likely to the doctor and the costs of the services could be reduced. Lastly, the aim of any business should also be customer orientation to ensure their satisfaction. Otherwise, if customers do not feel happy they would look for another similar business with better conditions.

In Switzerland, the important aspects to look for in a partnership are different than those in China. Firstly, a relationship shares risks, costs, and benefits because they are looking for efficiency and a win-win situation for all the involved parties through an evaluation of cost-benefit (Cook and Emerson, 1978). This relationship needs to also have an added value to the customer because if the quality is not the same as expected, the customer satisfaction could trigger that the companies would lose market share and risk the partnership. Therefore, the collaborating companies should focus on customer orientation and be aligned according to the target customers of each company. Furthermore, in a partnership both parties “should work together and trust each other” (Interviews 11, Lines 90-91), as Yu and Chen already mentioned (2014, p.456), because in the end if one of the partners does not rely on the other the agreement will fail, and they could risk their position and image on the market.

Furthermore, the health insurance sector in Switzerland is highly regulated and data protection is one of the concerns of the citizens that is connected to the term of “trust” among the involved parties. When two businesses have a partnership, they share data and no one else should be allowed to access it. It would risk not only the trust between both parties but also the trust that the customer has with the companies. This data can also help health insurers to better analyse customers’ preferences and better evaluate the risk, which could involve fewer costs. Lastly, looking for partnerships to make customers aware of having healthier habits and improve quality of life is not so relevant in any of the markets, which could imply that this type of collaboration is still in development.

RQ2d. Do you think that in the distribution channel should be a clear hierarchy among the partner channels with established rules and procedures to follow?

The cultural model used on the theoretical framework to compare the findings is based on the 6-D model of national culture from Hofstede. The model has 6 dimensions, but the focus is on three of them: power distance, individualism and uncertainty avoidance (Hofstede, 2001). The literature highlights the difference between hierarchy and procedures, but it does not clearly indicate individualism or collectivism. However, based on empirical data, the response behaviour shows a tendency of individualism or collectivism still in existence. The following results are discussed below.

In China, there is high power distance, low individualism (or high collectivism) and low uncertainty avoidance. In the theoretical framework, high power distance means that hierarchy and authority is accepted in the culture and each person and everybody has a role in the company (Hofstede, 2001; Graf, Koeszegi and Pesendorfer, 2012, pp. 245-246). Thus, the power is distributed asymmetrically. Also, low individualism gives more importance to belonging to a group of people and gives preference to group satisfaction over what is better for each individual person (Hofstede, 2001; Pinillos and Reyes, 2011, pp. 25-26). Low uncertainty of avoidance means that the Chinese prefer to rely more on their relationships and communication, rather than the establishment of rules and procedures (Hofstede, 2001; MacNab, 2007, p. 8). Hence, a comparison between this framework and the findings show that the results of the interviews are as expected from the model with some small limitations. Therefore, Chinese people feel the need to belong to a group and to have a clear hierarchy. Yet, the difference between people who agree with hierarchy and people who do not is relatively small, since they believe that globalization has made business relationships more equal.

The term “Guanxi” is quite important in the Chinese culture and it bases the way the Chinese establish relationships, as already mentioned in the literature review (Gong, He and Hsu, 2013, pp. 367-368). Thus, when health insurers try to engage with their customers through Wechat or telephone they do not feel comfortable if they do not know already the person or if it is not a friend or relative. Therefore, their response behaviour shows a tendency of collectivism based on the importance they give to relationships. With respect to rules and procedures, the Chinese do not feel comfortable when the partner channels base everything on them, as they prefer to create and maintain their relationships through mutual agreement and communication. However, in order to accomplish the goals and ensure customer’s satisfaction with minimum procedures, the hierarchical organization of the company needs to be clear for everybody. In conclusion, there should be minimal rules, but still room to be able to rely on communication among the partner channels.

In Switzerland, the culture based on the theoretical framework is characterised as low power distance, high individualism and a higher (not quite significant in comparison to China) uncertainty avoidance. On this case, low power distance refers to an equal distribution of power within the company, so that everybody is treated equally independent of their role position within the company (Hofstede, 2001; Graf, Koeszegi and Pesendorfer, 2012, pp. 245-246). High individualism means that Swiss people prioritize their individual selves over the entire group (Hofstede, 2001; Pinillos and Reyes, 2011, pp. 25-26). Lastly, high uncertainty avoidance refers to having clear rules and procedures within a company (Hofstede, 2001; MacNab, 2007, p. 8). Hence, a comparison between this theoretical framework and the findings from the conducted interviews show that the

results are as expected from this model with some limitations in the hierarchy power distance dimension.

Swiss people do not generally believe in hierarchy and think that everybody should be treated as an equal, independent on the role they hold within the company. However, the results show just a small difference from participants who believe in hierarchy within distribution channels. The Swiss believe that there are more important aspects than hierarchy, such as transparency, but if companies want to prioritize a specific channel above another based on a determined strategy, then the hierarchy should be clear to avoid potential issues. As mentioned above, some participants expressed their concerns about hierarchy and explained that a good hierarchy system involves a change management where the internal processes need to be well coordinated with a common goal while the employees need a lead to ensure the achievement of the objectives. Hierarchy among the partner channels should also be determined by the customers' demands to ensure their satisfaction. Hence, there are still some doubts on how the development and importance of hierarchy will be in the long-term; however, there is a tendency of not giving importance to hierarchy unless the context and situation require it to ensure the customers satisfaction.

Concerning individualism, the priority still focuses on achieving more sales individually rather than collaborating with the externals or partners, who may better help customers due to extensive knowledge in the field and sector, to achieve a higher percentage in sales for the company. Thus, the tendency of individualism in this market is still reinforced and employed. Lastly, 100% of the interviewees feel that it is much more important to establish clear rules and procedures within the company to achieve a desired result and avoid potential issues.

5.2 Theoretical implications

Digital transformation and peer-to-peer business models are already forcing businesses in other sectors to innovate and implement new processes and methods. Thus, due to these trends, health insurers have started to use more direct channels as means of having contact with their customers, since differentiation of products or services in this sector is becoming tougher. Hence, how big will be the impact in the current distribution channel remains unclear. In addition, intermediaries have an enormous influence in the health insurance sector and the increase of direct distribution channels may risk their position in the market. Besides, the relationship between health insurers and intermediaries may be a key aspect for health insurers to determine the chosen distribution channels within the company.

There is already literature review available from distribution channels in the health insurance sector. Nevertheless, this literature review has shown that there is not any detailed or profound content

about distribution channels in the health insurance sector in the digital transformation and sharing economy era or how these can either positively or negatively impact the relationship with intermediaries. Hence, this paper reflects a need of research on the topic and can add valuable insights to the previous studies. Concretely, it aims to analyse the influence of these trends to the current distribution channels within the health insurance sector in both countries China and Switzerland, the implications on the intermediaries, and to what extent the processes may be affected or adapted for the digital transformation to remain competitive in the market.

5.3 Practical implications

There are several practical implications obtained from the findings. Firstly, this qualitative study research has some cross-cultural implications, since it is a comparison between two countries, China and Switzerland, with a high level of internationalization. Their traditions and cultural backgrounds are quite different which influence on how they communicate. Especially, how decisions or agreements are taken among the partner channels. Based on the three studied dimensions (power distance, individualism and uncertainty avoidance) from the cultural model of Hofstede used in the theoretical framework (2001), the comparison shows their different behaviours in several contexts and the implications. As discussed in the findings, clear hierarchy, or well-established rules and procedures can lead to different outputs in each country and it influences the relationship among all partners involved in a distribution channel.

Secondly, the health insurance sector in both countries still needs to progress and grow. On one hand, the health insurance sector in Switzerland is strongly regulated with little freedom for companies to be innovative and different from their competitors. Therefore, digital transformation and peer-to-peer business force the health insurers to change and remain competitive in a challenging environment by being able to meet their consumer needs. On the other hand, China has started the private health insurance business not too long ago compared to Switzerland (approximately 10-12 years). Thus, the private health insurance sector is still an immature market with a large potential to improve.

Furthermore, intermediaries are quite relevant for the health insurance sector due their understanding about the complexity of health insurance products and knowledge in the sector. An incremental use of direct channels has forthright consequences to intermediaries in the long term, since consumers feel more and more comfortable to contact directly health insurers instead of through agents or brokers. This research raises awareness about how to embrace the new trends in the market and bring an added value to customers. In addition, health insurers should have a closer strategic alliance with intermediaries and cooperate to each other to achieve a win-win situation.

Lastly, there is a social implication based on the peer-to-peer business model. The main objective of this model is to involve the community based on a more transparent model, where a network formed by different individuals can share the costs. However, it cannot be implemented in the health insurance sector and there are two main reasons. Firstly, this model involves high costs and risks, since the premiums from health insurances are constantly increasing and the risks to evaluate customers is becoming tougher along the years. Secondly, the main idea lies on having networks with a combination of health and sick people to share the costs and achieve a balance. However, healthy people who barely make use of the medical services would not like to be involved in the same network as sick people and pay a higher price for the same services as obtained in the normal insurance model. On the other side, a network with just healthy people would not allow to have inside sick people to increment the costs. Hence, there is a negative social impact on this model caused by a lack of incentives from individuals which are not willing to pay a higher price to receive the same benefit, as in the traditional business model for the health insurance sector.

Based on the above-mentioned implications, this research strives to provide valuable insights in better understanding the potential milestones and challenges which may be beneficial not only for the health insurance sector, but also for all partners participating in it.

6 Opportunities for future Research

Customer-orientation

The digitalization journey that businesses are undertaking is forcing them to establish the centre of attention to the customer instead of products. Desik, Samarendra, Soma and Sundari (2016) already foreseen, that new challenges and risks are coming. Therefore, insurances need to be prepared to be able to meet consumers' needs. In a way, a customer centred strategy forces companies as well to rethink their current goals and processes including their distribution channel. Thus, the use of either multichannel or omni-channels could help with the strategy, as the customer is on charge of the decision making and decides how to obtain information from the health insurers depending on their preferences and expectations. This approach has proved been resourceful for the health care industry as it was shown on the example provided by Xiao, Savage and Zhuang (2014) since health is a major priority for people. Based on the findings, health insurers have been similarly incorporating a customer-orientation in their processes and organisational structures due to a lack of differentiation possibilities in a sector where all the offered products and services are quite similar among the companies. Through a closer approach to customers by incrementing the variety of the distribution channels, companies can better meet customer's needs. Hence, this could be a chance for a future research to analyse the process of the health insurers while adapting it and whether every health insurer share the same point of view.

Lead generation firms

Lead generation firms are companies which connect prospective consumers to products or services to increase sales. It is one of the newest and most popular concept for health insurance companies and it is increasing in this market. During the interviews some of the participants (Interview 10, Line 25; 24, Lines 16-17) mentioned, that lead generation firms are increasing in order to reach more consumers, especially in the digital marketing channels. This approach is very efficient for the providers to increase their market share. Besides, health insurers need to use a combination of multiple channels to be able to engage with diverse consumers. Otherwise, the tactic may become too expensive and inefficient, if the company does not have the resources. This would bring an added value to a future research in order to see the real impact of lead generation firms in the health insurance sector and the efficiency of using them as one of the most used distribution channels.

Omni-channel approach and Performance

Omni-channel approach makes a unique experience for a customer when acquiring products or services. It is already well- established in other sectors, such as retail, but in the health insurance sector it is just at the beginning. This approach involves cooperation from the whole company and the establishment of different customer touchpoints. Therefore, it is more difficult to implement it, since the customer is the one who decides where and when to make the purchase. As one of the participants during the interviews already said, it needs a change of mindset from employees and good coordination among departments (Interview 12, Lines 204-209; Carl and Enzweler, 2015). Hence, since just one example could be found in this market with this approach, it would be worth to see the evolution of the other health insurers and how this really impact on the customer' satisfaction. In addition, it could be also interesting to combine it with performance and see how the use of different channels (or even just digital marketing channels) can impact on their market share and how can health insurances integrate touchpoints with customers in a more efficient way to increase performance within the company.