



Spreading the word

The effect of word-of-mouth networks on insurance customer choices

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Changing more than a name

How do you choose your insurer?

- Renewing saves time and effort
- Price matters...
- ...But so does branding, reputation, and service quality!
- Word-of-mouth recommendations

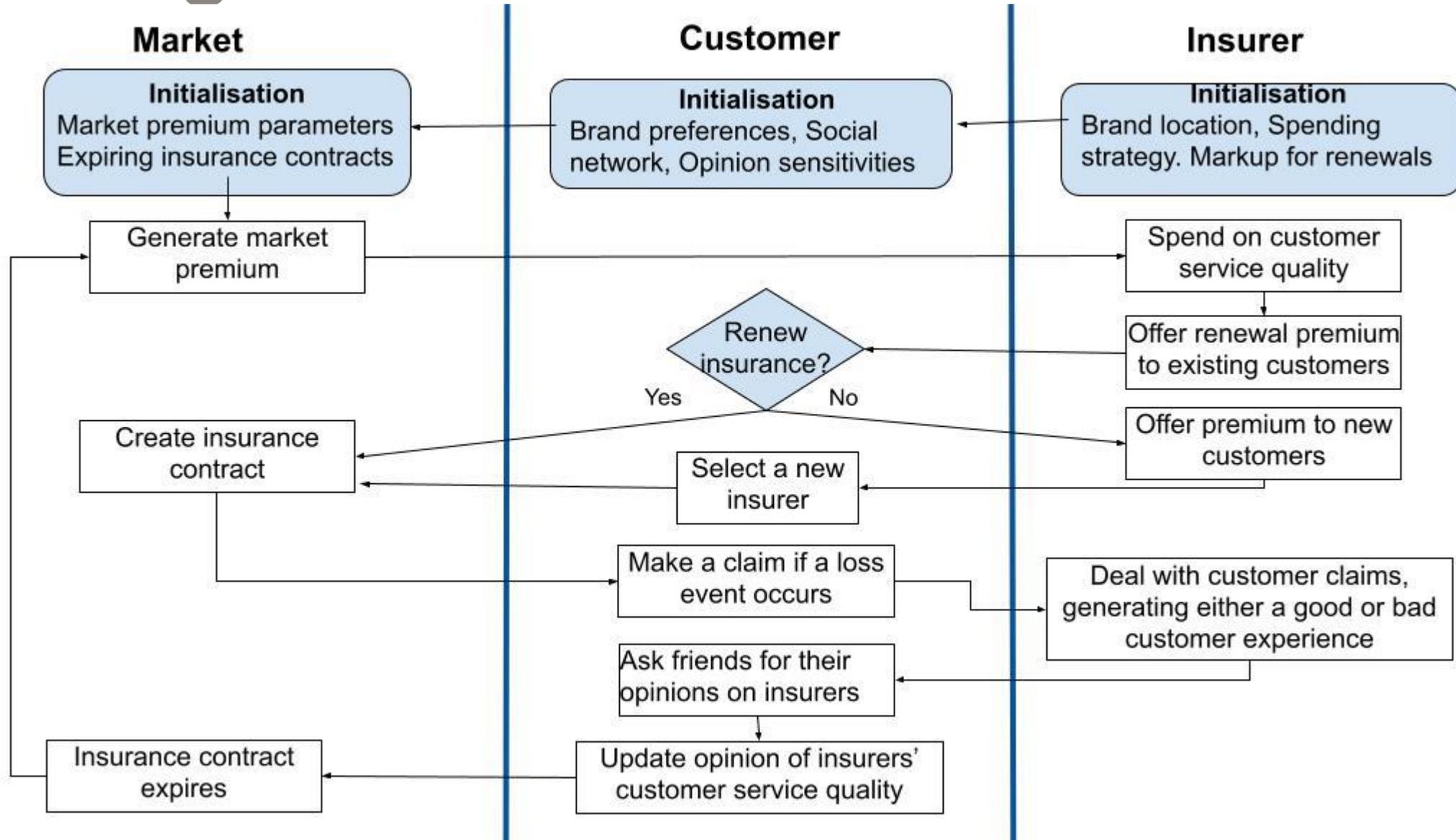
Loyal customers cost less and mean more profit for insurers. Attracting and retaining customers is key!

What are we investigating?

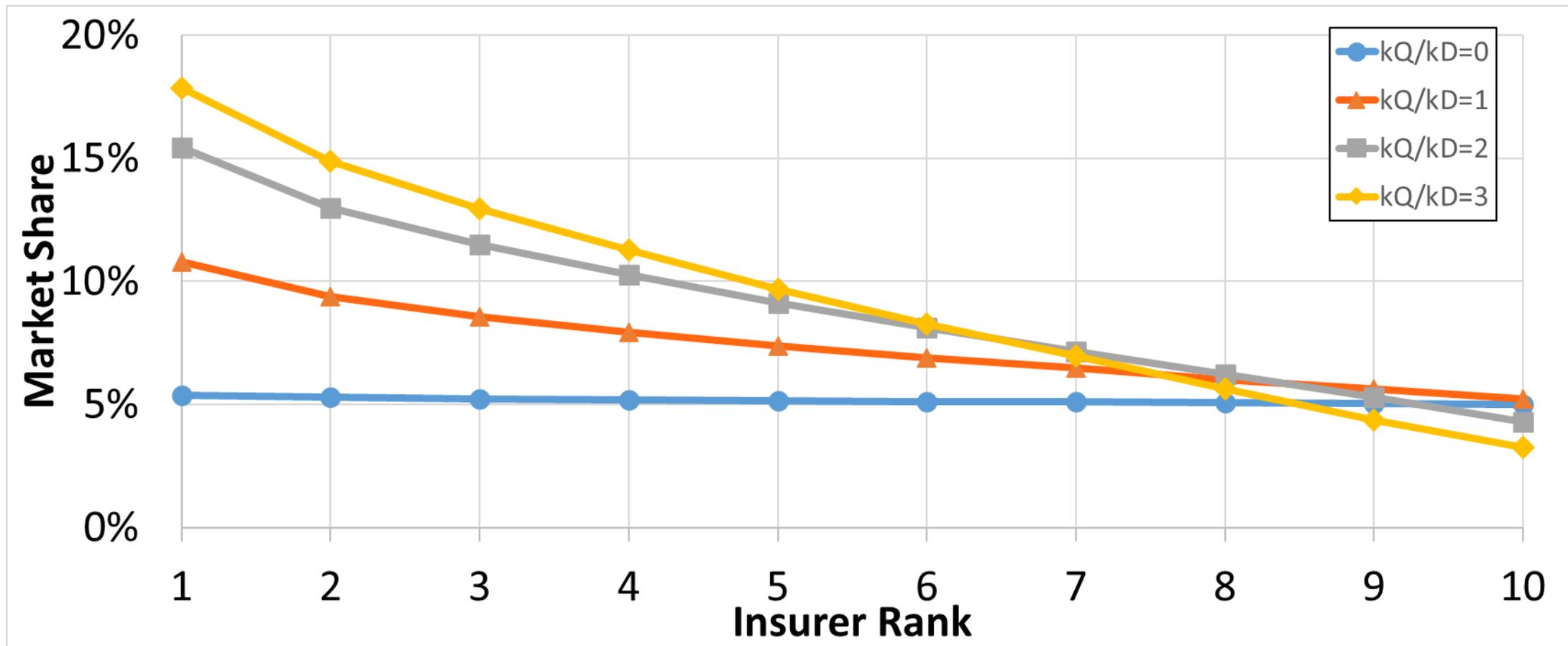
- What is the impact of a word-of-mouth network?
- Are there systemic effects or biases?
- What are the implications of a proposed regulation change that new customers must be charged the same as renewals?

To investigate systemic interactions, we use an agent-based simulation model, and model social network explicitly

An Agent-Based Word-of-Mouth Model

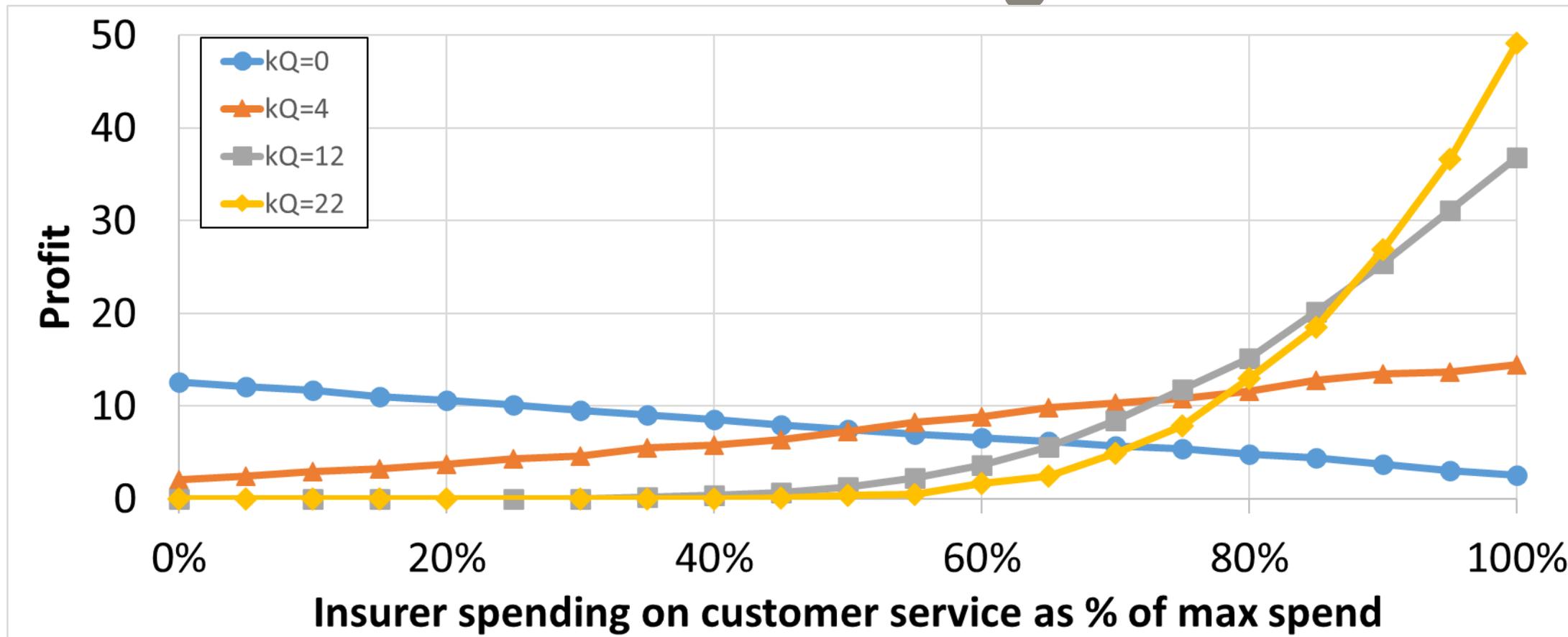


Result 1: Market Share Concentration



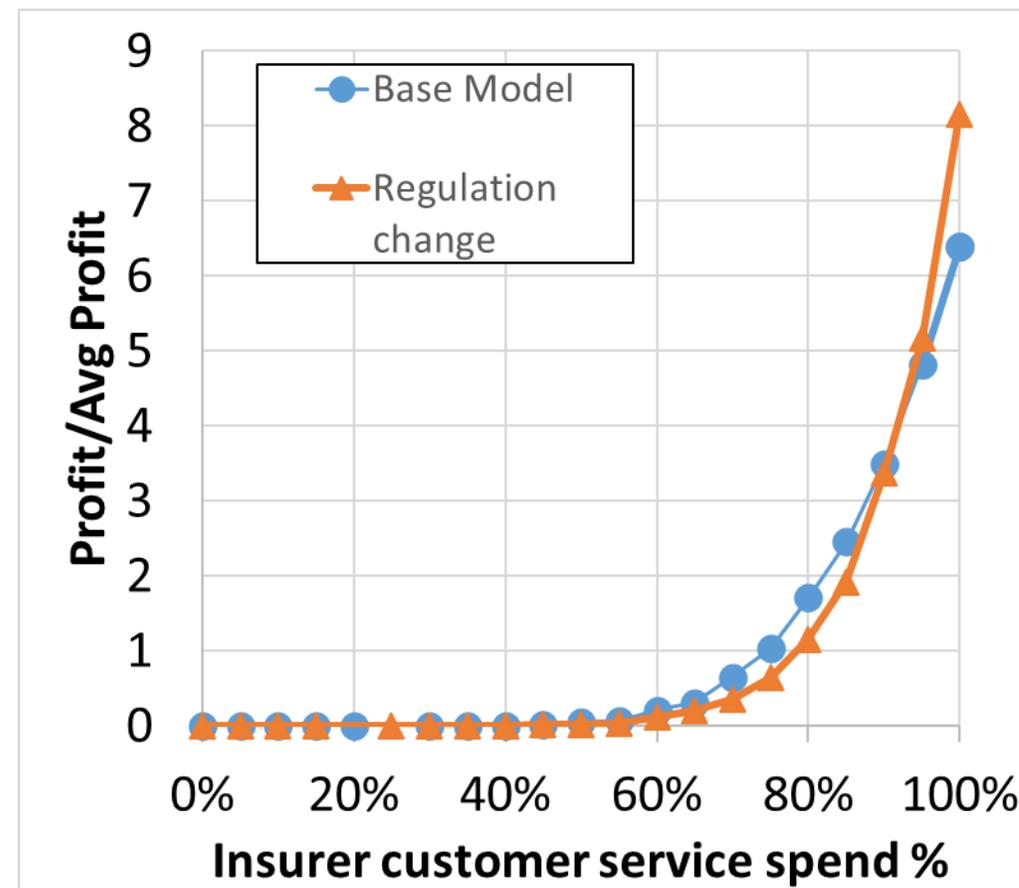
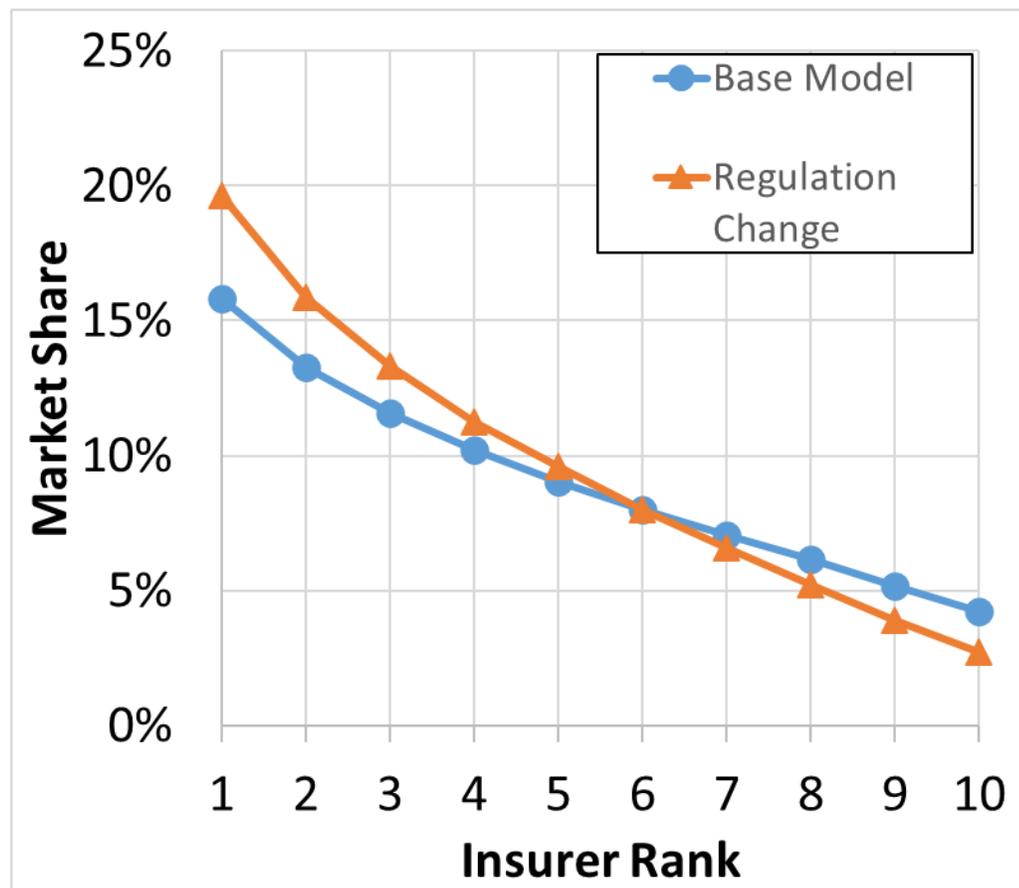
Word-of-mouth network causes herding behaviour as reputation persists

Result 2: Profit in a Heterogeneous Market



Reputation matters even with weak preference for good service quality

Result 3: Renewal Price Regulation Change



Regulation change may lead to lower competition but better service quality



Conclusion

Agent-based simulation with social network to investigate systemic effects of word-of-mouth on customer loyalty and purchasing decisions

- Early opinions persist -> bias, herding, skewed market concentration
- Small word-of-mouth influence causes bias -> reputation matters!
- Regulation change -> greater skew, higher impact of service quality