Gordon Institute of Business Science
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The role of technology in transforming the South African short-term insurance broker business model

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ABSTRACT

The broker business model has been for decades the main distribution channel used by insurers to sell simple and complex insurance products. The prime value proposition for the broker business model has been the ability to build strong relationships and maintain high levels of trust with clients on behalf of the insurer. Whilst the broker's ability to directly offer one on one interactions, build long term relationships, have client empathy and language proficiency

Extant literature asserted that the customer journey has evolved due to the rising tech-savvy individuals who demand faster, cheaper and customisable products that enable them to transact from devices such as mobile phones that enable faster and efficient communication

This explorative study employed a qualitative approach to gather insights from the lived experiences of brokers. The study found that networks are continuously disrupted and highlighted the importance of continuous business model review to take advantage of the opportunities presented by technology and other external disruptions.

This research study proposed a framework that businesses can utilise in practice to assess their networks for opportunities. The proposed Actor Network Capability Analysis framework provides businesses with a practical tool to use in responding to disruptions that occur within their networks.

KEYWORDS

Broker, Business model, Technology, Insurance

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation to carry out this research.

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Paulinah Teffu

11 November 2019

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1 CHAPTER 1 INTRODUCTION TO THE RESEARCH PROBLEM

1.1 Introduction

The broker business model has been for decades the main distribution channel used by insurers to sell insurance products in the market (Focht, Richter, & Schiller, 2013; Hahl, Kacperczyk & Davis, 2016; Dominique-Ferreira, 2018). Short term insurance offerings vary from simple personal insurance to complex specialist risk products, offered to provide cover in areas such as construction, marine and aviation (Focht et al., 2013). The prime value proposition for the broker business model has been the ability to build strong networks and maintain high levels of trust and relationship with clients on behalf of the insurer (Dominique-Ferreira, 2018;). Brokers offer further value to insurers through their insurance product expertise, their ability to build pricing models and setting up underwriting criteria to be utilised to assess the risks for the specific areas of insurance based on customer profiles and needs (Focht et al., 2013).

1.2 Background and purpose of the Research Problem

Sustainability requires businesses to continuously implement strategies that enable them to gain dynamic capabilities that will yield competitive advantage over their competitors(Catlin & Lorenz, 2017). Latorre & Farinns, (2015) and Wathne, Heide, Mooi, & Kumar (2018) in their article argue that the main objective of any business, including that of insurance brokers is to maximise shareholder value by enabling processes that yield the highest possible returns for the investors through the effective management of transaction costs and maintaining positive margins. Further to this, research by Alhassan & Biekpe (2015), suggests that most short-term insurance businesses are fifty percent efficient in the way that they operate, and that only twenty percent of these businesses operate optimally, and believe that technology can be utilised to address this.

Technological disruption across industries continues to accelerate at a pace which requires constant and continuous effort from role players to transform their business models, in order to remain relevant and to positively gain from the opportunities presented (Catlin & Lorenz, 2017). Technological disruption has given rise to a more

demanding and informed customer, through the integration of digital technology and optimisation of business processes to promote collaboration, innovation, processing speed and competitive pricing models, growth and cost reduction (Shim & Shin, 2018; Eling & Lehmann, 2017; Pollari, 2016). Many studies conducted suggest that technology can unlock the optimisation and efficiencies required by all role players in the insurance industry, especially brokers in order to remain relevant to clients (Catlin & Lorenz, 2017; Alhassan & Biekpe, 2015; Eling & Lehmann, 2017; Roberts, Fogarty, & Rear, 2019). **Figure *1*** below outlines the drivers of insurance technology as adopted by many new start-ups into the insurance industry who see technology as an enabler of cost reduction and immeasurable growth prospects.

Figure 1: Insurance technology drivers (McKinsey, 2017)

The insurance industry, like many other industries, has had its fair share of technological disruptions in the last decade with advances in telematics, mobile phones, digital platforms with intermediary capabilities, drones, and artificial intelligence signalling the necessity to transform their business models (Eling & Lehmann, 2017). Significant emphasis has also been placed on brokers to find more efficient ways of measuring risks, more accurate pricing models in their service offerings and enhance their processes to be more customer centric given the technological era (Eling & Lehmann, 2017).

Digital technology insurers such as Lemonade established in New York, Friendsurance from Germany, Zhong from China and Naked from South Africa, have

successfully enabled easy access to insurance products through digital platforms (Pollari, 2016; McKinsey & Company, 2017). Lemonade managed to sell 2000 policies in the first 100 days of their existence, of which 80% of their policy buyers were first time buyers and largely millennials who appreciated transacting on their mobiles (McKinsey & Company, 2017).

Geo-Risk Information Platforms is a business that utilises digital technology that combines the satellite and aerial imagery with the most up to date risk data to enable brokers to assess, underwrite and price, complex risks more accurately (Geo-Risk Information Platforms, 2018). Historically this type of information used to take brokers a long time and effort to acquire, process, validate and map in order to price insurance risk products accurately (Geo-Risk Information Platforms, 2018). The Grip technology now enables the short-term insurance industry, including brokers, the opportunity to be more efficient and accurate in pricing their products (Geo-Risk Information Platforms, 2018).

Whilst technology has introduced interesting dynamics in the insurance industry, some scholars argue that the broker business model will not be disrupted by the new digital insurers as it is well geared and founded on the pillars of solid customer relationships, trust and expertise on risk profiling and fit for purpose product knowledge and advice (Stanley, 2019; Kendler, 2016; Dominique-Ferreira, 2018). The Mckinsey and company report, (2017) supports this and suggests that insurance technology is merely enabling the insurance value chain to be more effective and efficient, and that brokers still play a key role in maintaining customer retention and product expertise.

1.3 Research Problem

The problem is that there are two schools of thought, where one suggests that traditional brokers have been slow in taking up opportunities brought about by technology in the South African short-term insurance industry. Technology is disrupting industries and similarly the broker industry will be disrupted (Asaad, 2016). This school of thought emphasises that there are many benefits to be gained by brokers as a result of technology and that the traditional broker business model must transform in order to realise these benefits, given the looming threat of new digital

insurance start-ups (Eling & Lehmann, 2017; Stoeckli, Dremel, & Uebernickel, 2018; Roberts et al., 2019; Singh et al., 2001). The other school of thought argues that brokers have been laggards in adopting technology and this may pose a potential disintermediation threat (Lemon & Verhoef, 2016; Kendler, 2016; & Zeier, 2018). There seems to be no clear understanding of what drivers have made brokers to remain confident in their current business models (Kendler, 2016). Therefore, the need exists to dive deeper into understanding the role played by technology in transforming the broker business model.

1.4 Research Purpose and Motivation

This research is motivated by the gaps that exist in understanding the opportunities that are presented by insurance technology as an enabler for insurance brokers in the South African short-term market (Asaad, 2016). Given the eminent technological disruptions and despite the key role played by brokers in the insurance industry, more effort is required to keep up with insurance start-up brokers who utilise technology and data to offer clients fast, accessible, innovative, customisable and efficient insurance products, which the traditional insurance model has had difficulty providing (Stoeckli et al., 2018).

The objective of this exploratory study is to investigate how the brokers have transformed their business models over time, as a result of technological disruptions in the industry. The study will explore the lived experiences of brokers who have been working in the industry to understand the challenges they encountered in adopting technology, and will assess their understanding of the importance of transforming their business models, in order to take advantage of the opportunities presented by the digital era.

1.5 Industry motivation

The African insurance industry is largely not insured due to various historical circumstances related to accessibility of resources and has the youngest population in emerging regions. This presents opportunities in terms of new clients to target for insurers and brokers (PwC, 2018). The aim of this study is to contribute to the existing body of knowledge by drawing from research conducted by Strachan & Roberts-

Lombard, 2011; Dominique-Ferreira, 2018; Catlin, Hartman, Segev, & Ruxandra, 2015; Lemon & Verhoef, 2016, who argue that it is imperative that incumbents gain in-depth understanding of the new customer demographics and the changing customer behaviours as a result of technological connectedness and disruptions, as brand loyalty will no longer be sufficient in maintaining a healthy customer retention and growth trajectory. The aim of this study is to determine why it is important for brokers to transform their business models. Secondly what opportunities and challenges are being presented by technology. Lastly how are brokers responding to technological disruptions in the insurance industry.

1.6 Business motivation

The entire South African insurance broker sector selling short term, life, health and investment insurance, alone generated $109.6 billion dollars in revenues in 2016 and this represents an annual growth rate 7.3% between 2012 and 2016 (Marketline Industry Profile, 2017). The short-term insurance market generated an estimated R93 billion and R99 billion in gross written premium for 2016 and 2017 respectively. This constitutes 80% of the overall South African short term market (Financial services board, 2017).

Whilst short term insurance is small, the below stats in **Figure *2***, provide an argument that brokers play a critical and important role in the short term insurance industry as the facilitator between the insurer and the customer (Mulhall, 2016). Gross written premium (GWP) which is the amount of revenue received before tax and expenses, has been steadily increasing over a period of 6 years and recording R99 billion in 2017 for short term (ST) insurance broker business.

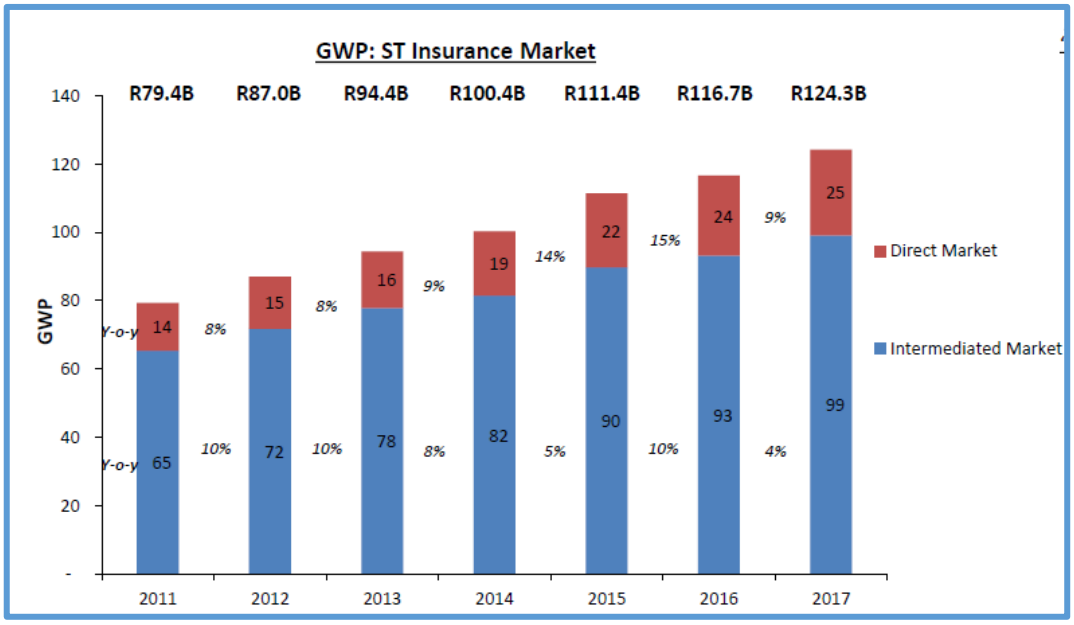

Figure 2: Direct & intermediated split (Financial services board, 2002)

Technology has created opportunities for brokers to innovate their existing value propositions and offerings to their clients (Mulhall et al., 2016; Zhang, 2016). The aim of this study is to gain an in-depth understanding of what challenges will brokers face or have faced, in their efforts to transform their business models to utilise opportunities presented by technology. **Figure *3*** below illustrates the rapid growth of insurance technology investments made in the past decade. This is evidence that technology is offering a value proposition that will, if not already, force the broker business model to transform, if they are to remain relevant.

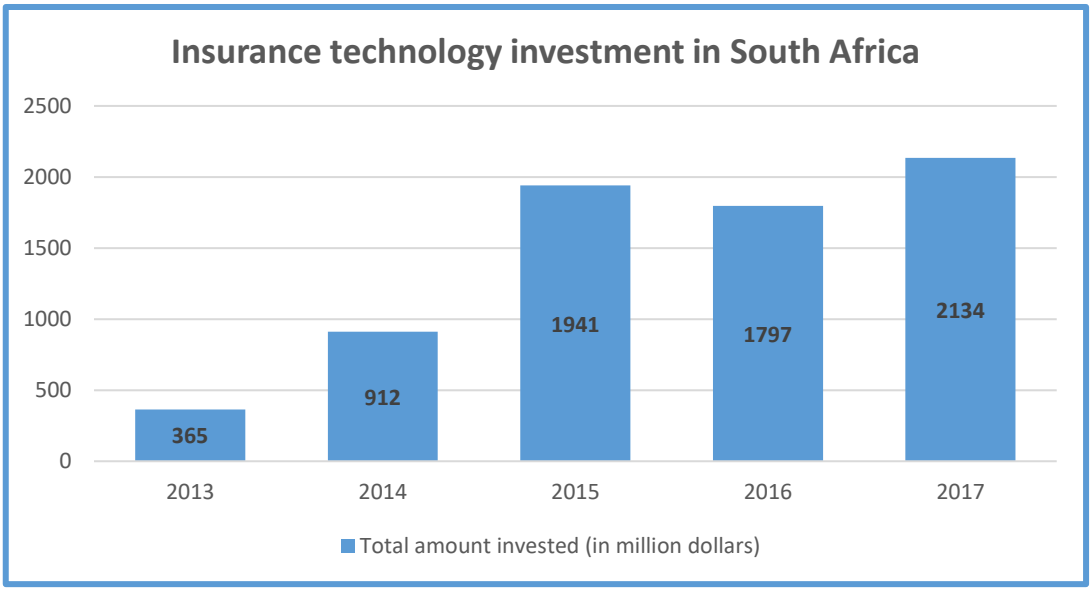

Figure 3: Insurance technology investment in South Africa (Statista, 2018)

1.7 Academic motivation

Reports, discussions and research by (Catlin & Lorenz, 2017; Zhang, 2016; Stanley, 2019; the Institute of International Finance, 2016; Marketline Industry Profile, 2017; Lemon & Verhoef, 2016; Eling & Lehmann, 2017; Kendler, 2016; Zeier & Roschmann, 2018) all explicitly suggest that the insurance industry, particularly the brokers, have been laggards in taking action to exploit opportunities presented by the wave of technological disruption. Furthermore it is important to note that studies conducted to date, are suggesting that the brokers' ability to embrace technology and transform their business models timeously, is a prerequisite for their sustainability well into the future and this is evident with the amount of new insurance technology being introduced in the market and their growing market share (Pollari, 2016; Zhang, 2016; Catlin & Lorenz, 2017; Stoeckli et al., 2018).

Research studies on technology and globalization argue that technology is disrupting industries at a more rapid pace than ever before by significantly reducing the cost of obtaining information, decreased transaction costs, and a fair playing field with regards to asymmetric information (Eling & Lehmann, 2018; Eling & Lehmann, 2017; Stoeckli et al., 2018; Vijayendran, 2016). These elements are critical for the broker business model to be successful and sustainable into the future (Eling & Lehmann, 2018; Eling & Lehmann, 2017; Stoeckli et al., 2018; Vijayendran, 2016)

This research will explore how the broker industry perceives the role played by technology within their industry. What potential barriers or challenges they face, and reasons why it is important for them to transform. The research questions will be formulated as per below and will form part of the interview guide, which will be used in soliciting lived experiences of brokers in the insurance industry.

1.8 Research Objectives

The purpose of this research study is to gain insights on the role played by technology in disrupting and transforming broker business models. The research aims to (1) Discover how the broker industry is responding to technological changes in the South African Short-term broker insurance industry. (2) Uncover what are the technological challenges faced by brokers that may be grounds for slow adoption.

(3) Identify how brokers are mitigating these technological challenges. (4) Explore why it is important for brokers to transform their business models?

1.9 Research Scope

The research scope is focused on gathering the lived experiences, perspectives and insights, from senior brokers, executive and individual brokers operating in the insurance broker industry, to understand the role of technology in transforming the broker business model. Brokers operate within a network and are responsible for bridging structural holes and information asymmetries which exist between insurers and their clients, as a result of complex insurance products. The study focused on brokers who have been operating in the insurance industry for periods between one and twenty-five years, all based in Johannesburg, South Africa. The study was undertaken at the brokerage level, with the identified research participants as the unit of observation. Fourteen semi-structured interviews were conducted with brokers from local and international organisations operating in South Africa.

1.10 Layout of the research report

1.10.1 Chapter 1: Introduction to the research problem

Chapter one introduces the research topic and its relevance to literature and business. It also illustrates the research problem and the purpose of the research.

1.10.2 Chapter 2: Literature Review

Chapter two presents an overview of the literature on Brokerages, technological disruptions and business model innovation within the insurance industry. These constructs will be reviewed utilising the lens of brokerage theory, actor network theory and lastly analysed utilising the business model innovation framework for business context application.

1.10.3 Chapter 3: Research Questions

Chapter three presents the research questions which will be the underpinning foundation of this research.

1.10.4 Chapter 4: Research Methodology

Chapter four outlines the research methodology utilised to identify participants, conduct interviews and analyse the data collected for this study.

1.10.5 Chapter 5: Results

Chapter five presents the results of the qualitative research study, following a thematic analysis process.

1.10.6 Chapter 6: Discussion of the results

Chapter six presents a discussion of the results and it outlines some of the findings of the study. It compares and contrasts the literature in chapter two in relation to the interview results in chapter five.

1.10.7 Chapter 7: Conclusions, Limitations and Recommendations

Chapter seven concludes and summarises the research study in relation to the findings. The chapter further outlines recommendations for future research, proposes conceptual framework for the study and the limitations of the study.

1.11 Chapter Summary

This chapter was an introduction to the research study and provides an overview of the layout of the report. It introduces the key concepts that the research is based on, in relation to the role of technology in transforming the broker business model. Extant literature provides a compelling argument on the role technology plays in disrupting industries (Catlin & Lorenz, 2017; Stoeckli et al., 2018). Scholars assert that technology enables greater access, more efficiency and cost reduction which are all

antecedents of efficient broker businesses (Catlin & Lorenz, 2017; Stoeckli et al., 2018). Literature further asserts that technology has created opportunities for brokers to innovate their existing value propositions and offerings to their clients (Mulhall et al., 2016; Zhang, 2016).

2 CHAPTER 2 - LITERATURE REVIEW

2.1 Introduction

This chapter outlines and reviews the extent to which literature relates to the role played by technological disruptions in transforming the broker business model. The chapter starts out with an introduction to the broker business model. Two theoretical lenses are utilised. Firstly, brokerage theory is used to review the evolution of the broker business model and its value proposition to the insurer and client. Secondly, opportunities presented by technological disruptions in the broker business model are explored, using actor network theory.

The chapter further utilises business model innovation (BMI) an analytical framework to outline the practical application of actor network theory in a business context (Foss & Saebi, 2018). Actor Network theory highlights both human and non-human actants within a network that influence each other directly and indirectly(Sai & Naroznaja, 2018). Main actors within the network, are required to respond to the impact to retain relevance (Sai & Naroznaja, 2018). The BMI framework is an analytical tool that enables businesses to clearly outline the required actions within a network to ensure successful business model transformation (Loebbecke & Picot, 2015). The chapter closes with a summary discussion on the importance of utilising technology in transforming the broker business model to ensure sustainability.

Research outcomes currently exists on all the constructs being covered by this research. Most of the research conducted in the area of broker business model transformation has been underpinned by agency theory, transaction cost theory and brokerage theory on their own (Zawawi, 2018; Skogh, 2006; Alhassan & Biekpe, 2015). These theories do not adequately explain the complex relationships between the broker business model and how it is impacted by technology as an external factor (Zawawi, 2018). It is for this reason that the brokerage theory and the actor network theory have been chosen as the underpinning theories of this study (Zawawi, 2018). As mentioned above, the brokerage theory is utilised to define the broker (Landis, Kilduff, Menges, & Kilduff, 2018). Actor network theory as the main underpinning theory is used to explore the role played by technology in transforming the broker model within a network. Together, these theories will enable a full understanding of

the relationship between the transformation of the broker business model and the role played by technology (Landis et al., 2018).

Most research studies conducted in the area of broker, technology and business model transformation are from developed markets such as India, China and the United States (Stoeckli et al., 2018; Tauscher & Laudien, 2018; Zawawi, 2018; Focht, Richter, & Schiller, 2013; Soda & Iorio, 2016; Stovel & Shaw, 2019). There are limited studies conducted specifically in the context of emerging markets such as South Africa, to determine the variables that will assist stakeholders in understanding the status quo, with regards to the role of technology in transforming broker business models.

2.2 The theory of brokerage

The theory of brokerage builds on a long and solid research work concerning social interactions and networks, scholars such as Simmel, Gould & Fernandez and Burt, have long been interested in understanding how broker network advantages are distributed in social network structures (Soda & Iorio, 2016). Their investigation on brokerage triads, the importance of being an intermediary and the associated benefits of information flow control has contributed to extant broker literature (Soda & Iorio, 2016). This research study aims to further review brokerage literature to uncover new insights in relation to how brokers are responding to technological disruption.

Brokerage is one of the main ways in which disconnected individuals can interact (Stovel & Shaw, 2019). Brokerage theory is involved with the connections and interactions between a triad of three or more people (Soda & Iorio, 2016; Landis, Kilduff, Menges, & Kilduff, 2018). These people are referred to as actors within a network (Soda & Iorio, 2016). The broker is the third actor who benefits from connecting the other disconnected people by ensuring that the flow of information and resources between them is owned and controlled by the broker (Soda & Iorio, 2016; Landis et al., 2018). Moreover, the brokerage is generally built from informal, personal and trust relationships that are developed over long periods of time (Stovel & Shaw, 2019). There is a need to understand how those building blocks have

contributed to the broker business model, and how technology has disrupted the broker industry (Stovel & Shaw, 2019).

Two schools of thought exist with regards to brokerage, the first believes that the brokerage has the ability to foster social interaction and enhance economic activity (Stovel & Shaw, 2019). The second school of thought, in contrast believes that brokerages foster exploitation, corruption, hunger for power and greed, as a result of the pursuit of personal profit (Stovel & Shaw, 2019). This negative sentiment has given rise to a search for alternative distribution channels that are driven by technology (Vijayendran., 2016; Eling & Lehmann, 2017; Roberts et al., 2019).

Two schools of thought exist with regards to brokerage, the first believes that the brokerage has the ability to foster social interaction and enhance economic and political activity (Stovel & Shaw, 2019). The second school of thought, in contrast believes that brokerages foster exploitation, corruption, hunger for power and greed, as a result of the pursuit of personal profit (Stovel & Shaw, 2019). This negative sentiment among other reasons has given rise to alternative distribution channels, many driven by technology that pledge transparency, efficiency and cost effective as their main value proposition (Vijayendran., 2016; Eling & Lehmann, 2017; Roberts et al., 2019).

2.3 The broker model

The broker business model is founded under the premise of the gap or structural holes which exists in the insurance industry between the insurer and the customer, (Liu, Sidhu, Beacom. A, & Valente, 2017). Structural holes can be described as the knowledge gap that exists between the insurer and the customer, due to the complex and specialised nature of insurance products and services (Hahl et al., 2016). The broker industry provides access to a variety of insurance products and services that are characterised by complexities of risk assessment and moral hazards. These give rise to information asymmetry for the insurer and their clients (Asaad, 2016).

Risk assessment involves the process of analysing the clients' insurance needs, based on the item to be insured, their personal demographic and geographic profile (Asaad, 2016). The correct assessment of this information is critical during the

contracting process (Asaad, 2016). Moral hazards and adverse information are consequences of the risk assessment processes that result from incomplete or misrepresented personal information, provided by clients to benefit financially (Asaad, 2016).

It is for the above reasons that the broker business model is a solid alternative distribution channel in the insurance industry(Asaad, 2016). It provides services that will connect and bridge the gaps that exists between the insurer and the customer (Asaad, 2016). The broker model enables the collection of accurate information from customers (Asaad, 2016). Brokers, also referred to as intermediaries, agents, representatives or the middleman, capitalise and draw their value proposition on information asymmetries that arise as a result of their ability to acquire information, knowledge and expertise about insurer products and their sales or product selling capabilities (Stovel & Shaw, 2019). The relationship between these three participants, being the broker, the customer and the insurer, is called a brokerage triad (Stovel & Shaw, 2019).

Definitions of brokerage assert that brokering may occur in both closed and open triads. This is when the two other actors in the triad have pre-existing ties (closed triad), or do not have pre-existing ties (open triad), respectively (Grosser, Obstfeld, Labianca, & Borgatti, 2019). Many definitions of brokerage assume that there has to be an absence of pre-existing ties in order for a network to be considered a brokerage, and as a result brokerages are generally considered open triads (Grosser et al., 2019)

A broker is a middle person that facilitates processes and transactions between two or more people irrespective of pre-existing connections. (Stovel & Shaw, 2019). Brokers are in the business of connecting actors in any system of political, social and economic activity, in an effort to facilitate access to resources (Levy, Lee, Jonsen, & Peiperl, 2019). The broker's role has two functions, (1) to bridge gaps created by information or knowledge asymmetry and (2), to facilitate the process of knowledge flow, products and opportunities (Stovel & Shaw, 2019). The broker mediates negotiations and attempts to remain neutral between the two parties involved in the transaction at all times (Levy et al., 2019). Being neutral is not always possible nor easy for the broker and is heavily reliant on the type of broker relationship between

the parties involved (Suarez Estrada, 2017). There are various types of brokers that exist, below in **Figure *4***, is a depiction of these brokerage structures followed by an explanation of what each broker relationship entails (Suarez Estrada, 2017). Each broker relationship is associated with a set information flow configuration (Stovel & Shaw, 2019)

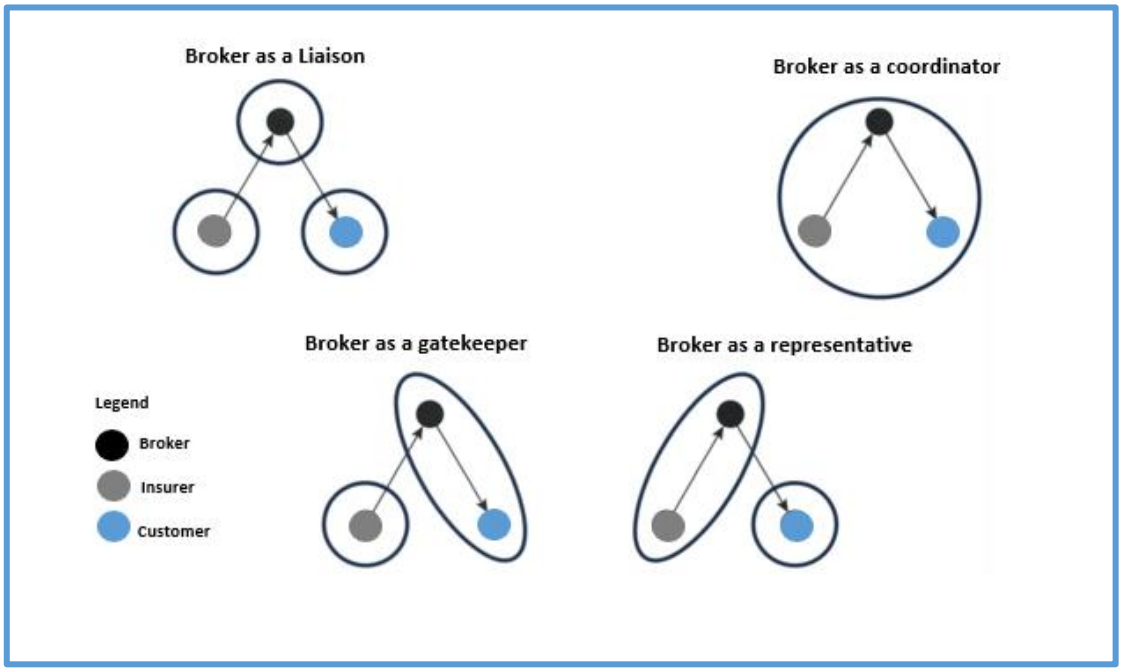

Figure 4: Brokerage Triads adapted from (Gould & Fernandez 1989)

A broker could assume a liaison role which facilitates the transfer of information to multiple parties. The insurer and the customer are not known to each other in this type of broker role (Stovel & Shaw, 2019). The broker capitalises on providing each party with information specific to them, to enable the conclusion of a transaction (Leon, Rodriguez-Rodriguez, Gomez-Gasquet, & Mulall, 2017; Stovel & Shaw, 2019). A broker could also be a coordinator by facilitating the process of information sharing with both the insurer and the customer. In broker co-ordinator role the insurer and the customer are known to each other (Leon et al., 2017; Stovel & Shaw, 2019).

A broker could also be a gatekeeper. In this broker role, the main relationship is between the broker and the customer, meaning that the insurer must go through the broker to gain access to the customer (Leon et al., 2017; Stovel & Shaw, 2019). A broker could also be a representative of the insurer (Leon et al., 2017; Stovel & Shaw, 2019). In this instance the main relationship is between the broker and the insurer

meaning, that the customer must go through the broker to gain access to the products and services offered by the insurer (Leon et al., 2017; Stovel & Shaw, 2019).

The primary economic function of a broker has been to connect the creator of insurance products, the insurer and the buyer of these products, which is the customer. (Hahl et al., 2016; Peng et al., 2017)Trust and honesty elements are key in harnessing a successful transaction between the insurer and the customer (Hahl et al., 2016). The insurer is the provider of the resources required to create products that will address the risks associated with the loss of material possessions that the customer, who is the buyer, inherently faces by ownership (Peng et al., 2017) Short-term insurance offerings vary from simple personal insurance products to specialist risk products such as aviation and marine risks (Focht et al., 2013).

Broker as a gatekeeper is the dominant model used in the short-term insurance industry (Stovel & Shaw, 2019). This typology enables the broker to have full control of the client where the insurer is merely the provider of the product and security required for claims (Stovel & Shaw, 2019. Further to this broker utilising this gatekeeper typology offer value to insurers through extensive knowledge, expertise and understanding of the insurer's products (Stovel & Shaw, 2019. They are responsible for providing engaging and dealing with the client on behalf of the insurers, while maintaining reasonable transaction costs, and clients rely on brokers to ensure that they provide information about products at a reasonable price (Peng et al., 2017).

The broker service extends to building pricing models, setting up underwriting criteria to be used to assess the risks for the specific areas of insurance (Focht et al., 2013; Peng et al., 2017). Generally under this typology the insurer cedes full responsibility of the client to the broker (Stovel & Shaw, 2019). The insurer measures the brokers' performance based on the size of the portfolio and its loss ratio (Stovel & Shaw, 2019). Loss ratio is measured on the amount of premiums received in relation to the quantum of the claims paid on a broker portfolio (Peng et al., 2017)

2.4 Regulation and Brokers

The broker fulfils a critical role of bridging the gap created by information asymmetry within the insurance industry. The brokers have an unfair advantage that enables them to sell insurance products that may not suite the needs of their clients (Ramchander, 2016). In the context of insurance in South Africa, agents who are also called financial advisors, intermediaries or insurance brokers, are now required by law to be certified before they can sell any financial products (Ramchander, 2016). The Financial Advisory and Intermediary Services (FAIS) Act of 2002, provides the regulatory framework that guides the conduct of any agent, broker, or financial advisor in South Africa (Financial Services Board, 2002). Furthermore the financial advisory and intermediary services (FAIS) is a body that ensures that persons operating within the insurance broker industry are fit and proper, through continuous personal development credits and product training (Marketline Industry profile, 2017).

2.4.1 Brokers and FAIS

The Financial Advisory and Intermediary Services Act (2002) regulates the rendering of advice and intermediary services to clients (Financial Services Board, 2002). Section 7(1) of the General Code of Conduct requires that financial service providers and any of their associates (brokers, financial advisors and intermediaries) responsible for distributing their products, provide a reasonable and appropriate explanation of the nature and material terms of each contract entered with a customer. This includes making full disclosures of any information that would reasonably enable the customer to make an informed decision about the products (Financial Services Board, 2002).

This introduces a challenge to the broker's value proposition as the entire value of the broker is formed on the basis of their knowledge of insurance products (Ramchander, 2016). Brokers have historically always ensured that they summarised quotations and marketing material to exclude specific terms and conditions containing key product information necessary for clients to make informed product choices (Ramchander, 2016).

To address the above, the FAIS regulatory body, introduced strict compliance requirements that must be adhered to by all persons operating within the insurance industry as brokers (Financial Services Board, 2002). FAIS requires that all brokers rendering services to clients to, make full disclosures to clients about the products; be qualified to render financial services; produce evidence of continuous development; operate with a valid financial services license and employ a full time compliance officer responsible for reporting any illegal or suspicious activity by clients or the broker (Financial Services Board, 2002). These FAIS requirements have resulted in many brokerages being closed down due to non-compliance (Financial Services Board, 2002).

2.4.2 Digital brokers

Brokers have long relied on traditional and non-technological methods which have been manual to provide their sought-after services to insurers and clients (Zeier Roschmann, 2018). This has resulted in new entrants to the market, who are not playing by the same rules (Bussmann 2017; Catlin & Lorenz, 2017). Bussmann (2017); Catlin & Lorenz, (2017), argue that traditional brokers must be concerned that insurance technology (Insurtech) is disrupting their industry and digital broker companies have an added advantage of differentiated business models that have agile and dynamic capabilities. These digital brokers currently operate in an environment facilitated by technology, where the laws governing the financial services industry have not been updated to cover the requirements on digital brokerage (Latorre & Farinns, 2015).

2.4.3 Insurers and brokers

Insurers still have a high reliance on brokers to collect and assess customer risk profiles correctly, in order to reduce the risk of insurance opportunism, which arises from misrepresentation of facts and demographic information by the customer which cannot be detected by current technology (Latorre & Farinns, 2015). The above is important to the insurer to reduce the risk of being over exposed because the customer may intentionally or unintentionally overstate risks which could result in the insurer paying higher amounts for claims (Focht et al., 2013; Peng et al., 2017).

2.4.4 Brokers and clients

Brokers also form strong relationship ties with clients on behalf of the insurer (Mulhall et al., 2016; Peng et al., 2017). Due to the complex nature of insurance products, clients trust and rely on brokers to provide them with a recommendation on suitable, fit for purpose insurance products, that will cover their assets adequately (Mulhall et al., 2016). Broker outputs for the customer include processing applications, keeping records of certain activities and answering questions (Peng et al., 2017).

Research conducted by scholars such as Pollari, (2016); Zhang, (2016); Catlin & Lorenz, (2017); Stoeckli et al., (2018), suggests that technology can enable greater access, more efficiency and cost reduction in brokered transactions. To explore the suggestions made by these scholars, we consider the Actor Network theory, to understand the role played by technology in transforming the broker business model.

2.5 The Broker business model and Actor Network theory (ANT)

Research suggests that brokers as gatekeepers in insurance business networks have opportunities to scale, however cannot achieve this without taking into consideration non-human actors such as technology that continuously disrupt the network (Landis et al., 2018; Stovel & Shaw, 2019). Other studies argue that there are other factors or forces such as technology and the environmental context, which may influence the success of the brokerage (Landis et al., 2018). Studies on Actor Network theory build arguments on this assertion (Stovel & Shaw, 2019).

Actor Network Theory (ANT) builds on from the 1980s and has been concerned predominantly with science and technology research (Shim & Shin, 2016). The term Actor Network theory was developed by Michel Callon, Bruno Latour and John Law around 1982 (Shim & Shin, 2016). The objective of ANT is to integrate roles played by non-human elements such as politics, socio-economic conditions and technology into traditional social networks, which include humans (Shim & Shin, 2016). ANT asserts that networks include both human elements, referred to as actors and non-human elements, referred to as actants, and each of these elements coexist within an ecosystem (Shim & Shin, 2016). For the purpose of this research, ANT provides a tool to better understand the complexities and dynamic nature of the role played

by technology within the broker business model network. (Shim & Shin, 2016). In ANT, there are four moments of translation where an actor or actants joins a network and potential disruptions occur which require specific actions to be taken, in order to adapt to the changes brought about (Sai & Naroznaja, 2018; Iyamu, 2018). The four moments are: Problematisation, Interessement, Enrolment and Mobilization

Problematisation, is a stage where a problem is defined based on requirements (Horowitz 2012). A problem does not mean that something is broken or negative, however, it may simply mean that an innovation is being introduced into the network (Sai & Naroznaja, 2018). The broker business model consists mainly of three actors, however, there are many other factors that influence the functioning of the brokerage triad (Dominique-Ferreira, 2018; Shim & Shin, 2016; Maas, 2010). Factors such as technology have become increasingly role players in determining the success criteria and value proposition of the broker business model (Dominique-Ferreira, 2018). Brokers play a key role as an alternative retail insurance distribution channel, by influencing the insurance product sales process, claims management and customer satisfaction and experience. However, in the current market they cannot enable any of the efficiencies in the absence of systematic assistance of technology (Dominique-Ferreira, 2018).

I**nteressement,** during this moment, network actors develop an understanding based on the previous moment of problematisation (Sai & Naroznaja, 2018). Recent literature as expressed by two studies on brokerage theory by Soda, Iorio, (2016) and Stovel and Shaw, (2019) suggest that the broker business model and its value proposition are solid enough for sustainability into the near future. However, research studies on technology and globalization argue that technology is disrupting industries at a more rapid pace than ever before, by significantly reducing the cost of obtaining information, decreased transaction costs, and a fair playing field with regards to asymmetric information. These are all elements that are critical for the broker business model to be successful and sustainable into the future (Eling & Lehmann, 2018; Eling & Lehmann, 2017; Stoeckli et al., 2018; Vijayendran., 2016). ANT suggests that all role players within the network must embrace the fact that a new actant is being continuously introduced (Sai & Naroznaja, 2018).

Enrolment, in this translation moment, alliance networks are formed, and network actors form groupings of common interests, to embrace opportunities presented by other actors and actants (Sai & Naroznaja, 2018). The broker industry has always had inefficiencies that were thought would reduce demand for brokers (Eling & Lehmann, 2017). However, other factors at play including those that were introduced by technology, resulted in new insurance products and requirements for customization which increased the complexity, thus increasing the need for brokers and their expertise (Vijayendran, 2016). This is why brokers are believed to still play a significant role in the facilitation of buying and selling of insurance products between the insurer and the customer (Dominique-Ferreira, 2018).

Mobilisation, is a stage where assessment is conducted to ensure that actions are in accordance with requirements of the network ecosystem (Sai & Naroznaja, 2018). Whilst technological developments have had little to no significant impact on the broker business model to date, recent technological developments have resulted in digitally distributed insurance products (Dominique-Ferreira, 2018) . The availability of insurance products on mobile applications is an indicator of the potential challenges brokers will face in the near future (Dominique-Ferreira, 2018). The broker industry has become more competitive than ever, not only because technology is impacting them directly, rather because clients are being influenced by technology, thus resulting in an indirect impact on the broker (Dominique-Ferreira, 2018).

Clients who are the third actor within the network, have become increasingly demanding in their expectations for exceptional, efficient and timeous customer service (Dominique-Ferreira, 2018). The traditional methods previously utilised by brokers to secure clients for long periods, cannot meet these customer demands because technology now enables them to compare products and services rendered by multiple providers instantaneously (Dominique-Ferreira, 2018). This implies that brokers can no longer only rely on their traditional methods founded on the basis of trust and long standing relationships (Dominique-Ferreira, 2018).

2.6 Technology as an actant within the brokerage network

Introduction

Technological disruptions have been accelerating and disrupting many industries, including the insurance broker industry (Catlin & Lorenz, 2017). Broker businesses that have been established for decades, are now forced to redefine their business models, in order to be able to provide customer-centric insurance products for their clients (Eling & Lehmann, 2018). As mentioned in the earlier section, clients have become more demanding due to the availability of information and instantaneous access to multiple products and service providers (Catlin & Lorenz, 2017; Eling & Lehmann, 2018). Insurance technology termed “Insurtech” within the industry, is disrupting the traditional way of packaging insurance products and servicing clients (Lee & Shin, 2018). These latest technological disruptions are shaping how the broker business model works, how the network interacts with each other and how products and services are presented to the market (Lee & Shin, 2018).

Lee & Shin (2017) argue that most financial services businesses were inevitably going to be impacted by the internet wave because of the associated benefits of access to information, lower transaction costs and diminished geographical walls, thus enabling a much bigger customer base (Stoeckli et al., (2018) also assert that the internet and subsequently Insurtech, provide game changing opportunities for brokers to improve their offerings and returns significantly.

2.7 Insurance technology (Insurtech)

Insurtech is a term inspired by FinTech, the abbreviation for Financial Technology, that is a combination of the words “Financial Services” and “Information Technology” (Stoeckli et al., 2018). The term Insurtech was born out of the term FinTech, and refers to the use of technology innovations such as internet, mobile computing and data analytics, to unlock efficiencies and cost savings, through the use of data , speed algorithms and automation within the insurance industry (Eling & Lehmann, 2018).

Whilst technological disruptions are a big buzz in the insurance broker industry, Stoeckli et al., (2018) argue that there is currently a lack of existing research on Insurtech, but predominantly industry reports, magazine and web articles. Lee & Shin (2018) argue that FinTech and ultimately its branch, Insurtech are emerging as drivers of the most important innovations in the history of financial services. This is evident in the rapid growth of investment into Insurtech over the past five years globally. **Figure *5*** provides a view of how much investment has gone into Insurtech in the last five years.

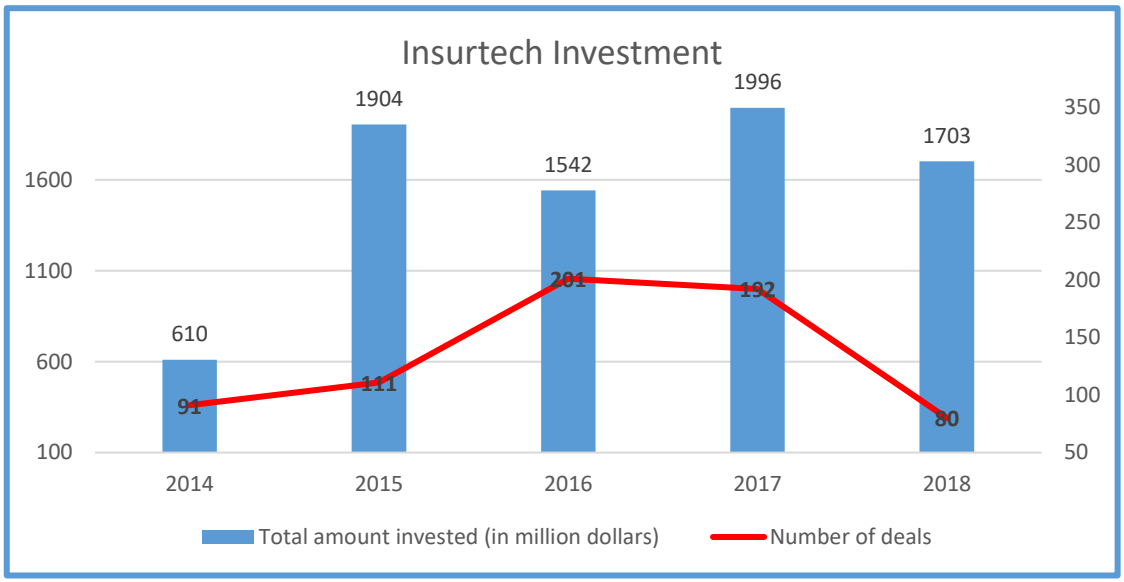

Figure 5: Insurtech Investment, (Fintech Global, 2018)

Caitlin & Lorenz (2018) and Eling & Lehmann, (2018) assert that Insurtech is going to change the way businesses are conducted in the insurance and broker world, and they note the following game changing technologies that will be at the forefront of this technological revolution: artificial intelligence (Robotics), smart phones, block-chain, big data processing, cloud computing and data analytics, as the engines of Insurtech domination.

Lemon & Verhoef, (2016); Eling & Lehmann, (2017); Kendler, (2016); & Zeier, (2018) all suggest that brokers have particularly been laggards in their adoption of technological innovations brought about by Insurtech. Caitlin & Lorenz (2018) and Eling & Lehmann, (2018) further assert that this was due to the perceived broker value proposition, which relates to trust and long-standing relationships with their clients. It is for this reason that many older generation brokers have not even

attempted to transform their business models (Catlin & Lorenz, 2017). The technological disruption is beginning to be felt as more and more brokers, especially in the developed world, embrace Insurtech as part of their value proposition (Catlin & Lorenz, 2017; Lee & Shin, 2018)

2.8 Benefits of embracing technology

Brokers in developed countries seem to be embracing the opportunities presented by Insurtech better than those in emerging markets, with a number of innovative digital insurance businesses such as the Zebra, Coverfox and Lemonade taking on the traditional broker business model (Lee & Shin, 2018). Insurtech business models seek to enable more direct and efficient relationships between brokers, insurers and their clients (Lee & Shin, 2018). The use of data analytics to calculate and price risk more accurately, is one of the many reasons why Insurtech is attractive in the industry (Lee & Shin, 2018). Insurtech also enables brokers to offer tailor made products that meet their clients' needs in a timeous and most recently instantaneous manner (Lee & Shin, 2018).

Moreover clients themselves are beginning to increase their expectations of the service they require, as well as the flexibility of being able to transact from multiple distribution channels (Eling & Lehmann, 2017). The customer journey is changing because of the rising tech-savvy millennials, who in the context of Africa account for over half of the population (Eling & Lehmann, 2017). These millennials demand faster, cheaper and customisable products and have the ability to engage with multiple service providers from anywhere in the world, and at any time of day (Lee & Shin, 2018). Technology presents new types of opportunities for the broker business in that they, no longer have to carry out the major parts of value creation (Eling & Lehmann, 2017).

Along with Eling & Lehmann, (2017), Lee & Shin, (2018) outline the following immediate value creation benefits that brokers who have embraced the technological innovations have gained, along with the reduction of operating costs:

Enhanced customer interaction – This process can be enhanced to enable multiple channels of interaction such as web portals or online apps, which enable self service as opposed to the traditional direct interaction. Clients are able to retrieve most information online, compare product offerings and prices directly and instantly on digital platforms.

Automation of business processes (Efficiency) - Simple products can be purchased online without any direct interaction. Initial claim reporting can be aided by robot apps, including automated processing of contracts and simple claim settlements.

Ability to build more accurate risk pools – Newer insurance products make use of telematics devices to build more accurate risk pools and offer cheaper prices to good risks.

Accessibility and visibility – Geographic boundaries have been diminished as a result of the internet. Online presence of the broker means that they can be found by potential clients, irrespective of where they are in the world.

Scalability – Insurtech has enabled the possibility to increase the scale of broker businesses by enabling the ability to do more with less. Systems are now able to handle and process large amounts of work, thus resulting in increased sales and revenue.

2.9 Actor Network Theory and business

Introduction

The essence of any business is to capitalise its ability to identify clients, define the value to be created for those clients and entice them to pay for that value before finally converting the payments into profit (Tauscher & Laudien, 2018). Profitability of a business can only be achieved through business models that are properly designed to ensure that the various elements of the business value chain are interlinked

correctly and can deliver on the client value promised by the business (Tauscher & Laudien, 2018).

The term business model has been used in literature for over six decades, and has been misrepresented and confused with other closely related management and technology literature terms such as strategy, revenue model, economic model and business process modelling (DaSilva & Trkman, 2014; Foss & Saebi, 2016; Gatautis, 2017) . Most researchers describe and associate the concept of business model with elements that relate to the formulation of strategy, how the business creates value for clients, which customer segments are being targeted, distribution channels to be used to deliver the value to the customer, stakeholder management and how profit can be generated (DaSilva & Trkman, 2014; Gatautis, 2017). Continuous review of the transformation of business models aid organisations in the facilitation, promotion and acceleration of new ideas that will enable the business to continue being relevant (Gatautis, 2017).

2.10 ANT and Business model innovation framework (BMI)

The objective of ANT as asserted by Shim & Shin (2016) is to ensure that all participants within the network are taken into consideration when businesses are putting together their strategies. ANT clearly states that all actors and actants within a network play a significant role for the success of the business (Tauscher & Laudien, 2018). The reality of any business results from the many interactions that occur with multiple actors and actants at play (Tauscher & Laudien, 2018). Each actor within a network has different interests and over time the interests of the actors may change (Tauscher & Laudien, 2018). ANT highlights that actors and actants within a network are continuously evolving requiring businesses such as broker to adapt (Loebbecke & Picot, 2015)

As already highlighted, the main objective of any business, including that of insurance brokers is to maximise profit by enabling processes that yield the highest possible returns (Wathne et al., 2018). According to Foss and Saebi (2016) business model innovation is dynamic in nature and provides a tool for business to evaluate its value proposition.

ANT asserts that businesses must put in place strategies that will enable them to continuously innovate and act on opportunities that are presented by role players, technological changes, competitors, regulatory changes and internal and external environments (Shim & Shin, 2016; Foss & Saebi, 2016). Businesses are continuously confronted with multiple opportunities and challenges within their networks, which require that they adapt their business models or employ multiple at the same time, in order to have a better chance of survival and being successful (Carayannis, Sindakis, & Walter, 2015).

Businesses within a network can be disrupted by their competitors by changing products or even the way they distribute those products (Loebbecke & Picot, 2015). This has been the case in the broker business network where alternative technology enabled distribution channels are entering the market and disrupting the way insurance products are distributed (Eling & Lehmann, 2017). ANT suggests that there are tools and frameworks to be utilised by businesses in their efforts to continuously review their networks for any potential opportunities or threats (Loebbecke & Picot, 2015).

ANT also suggests that by continuously reviewing the network, actors will be in a position to identify opportunities presented by other human actors and non-human actants that will allow them to employ strategies that give them a competitive advantage over competitors (Aka, 2019). Businesses such as brokerages should employ mechanisms to facilitate strategic business interactions and transformations with other actors and actants within a network (Aka, 2019).

ANT offers the theoretical socio-technical analysis and tools to aid brokers and businesses in identifying questions to ask as part of their strategic review to understand and track the development of the required business model transformation from the network (Aka, 2019). In ANT, as discussed earlier, there are four moments of translation where disruptions occur and businesses must review and decide what actions to take (Sai & Naroznaja, 2018; Iyamu, 2018). Prior to any action being taken it is crucial that the business asks pertinent questions to enable strategy formulation (Zawawi, 2018).

The four moments of ANT can be overlaid with the BMI elements to enable an effective process of identifying the actions to be taken (Aka, 2019; Iyamu, 2018). The business model innovation (BMI) framework enables businesses such as brokerages to put theory into practice by enabling strategy formulation through answering a series of questions about their network that will enable them to maintain the future value of their businesses (Gatautis, 2017). Below is an illustration of the positioning of the strategic questions utilising the four moments of translation as outlined by ANT and the elements of BMI (Aka, 2019; Gatautis, 2017).

2.10.1 Review value proposition (Problematisation)

The business must review and understand what its value proposition is to ensure correct identification of disruptions relevant to the business (Aka, 2019; Gatautis, 2017).

2.10.2 Review business processes (Interessement)

During Interessement business identifies disruptions within the network in relation to its value proposition (Zawawi, 2018). The business may respond by reviewing the value proposition to determine relevance and whether it still offers value to the intended clients and stakeholders by assessing its current business processes (Aka, 2019; Gatautis, 2017).

2.10.3 Define stakeholder map (Enrolment)

The business must review its key stakeholders and distribution channel network to identify who are key partnerships held with and if all stakeholders still on board (Aka, 2019; Gatautis, 2017). Reviewing the business stakeholder map confirms the validity the existing processes identified during interessement (Aka, 2019; Gatautis, 2017).

2.10.4 Determine how to capture value (Mobilization)

Once the problem is defined and key stakeholders identified, the business must decide which actions to take to capture the required markets for sustainability and growth (Aka, 2019; Gatautis, 2017). During mobilization the business may engage new stakeholders Aka, 2019; Gatautis, 2017)

2.10.5 Conclusion

Business model innovation framework when understood through the lens of actor network theory represents a dynamic force that provides businesses with a tool to continuously review and change to enhance their dynamic capabilities, performance and competitive advantage as they continue to be disrupted (Eling & Lehmann, 2018; Gatautis, 2017). Broker businesses are compelled to redefine their business models, in order to stay competitive against Insurtech start-ups, that are more agile and tech survey, given their digitally enabled business models (Greineder, Riasanow, Böhm, & Krcmar, 2018).

2.11 Technology and business model innovation

Established insurance brokers are forced to compete with a rising number of new market entrants, that provide customer-centric solutions for the growing millennial customer base, and for a large group of their existing traditional customer base, who demand access to customised products instantaneously and fast (Greineder et al., 2018; Friedman, Mais, Canaan, & Gokhale, 2018).

Technology is increasingly playing an important role of exposing broker businesses to astronomical opportunities, that will enable dynamic capabilities and competitive advantage against other brokers, especially new Insurtech start-ups (Greineder et al., 2018). Literature has made a compelling case for the need for businesses to change their business models, in order to create value for their clients (Greineder et al., 2018; Friedman, Mais, Canaan, & Gokhale, 2018; Gatautis, 2017; Christensen, Bartman, & Van Bever, 2016; Catlin, Hartman, Segev, & Ruxandra, 2015).

2.12 Infrastructure and Technology

Infrustructure development in emerging markets such as South Africa remains a key ingredient in facilitating faster and efficient adoption and implementation of technology (Kodongo & Ojah, 2016). Infrustructure development is still one of the major issues in the South African economy that must be addressed (Kodongo & Ojah, 2016). As a result the risks and costs associated with implementing the latest

technology are too high for most brokers in the South African broker industry (Kodongo & Ojah, 2016).

Deliberate acceptance of opportunities presented by insurance technology within the broker industry, is a business model decision that can enable future sustainability, especially for business environments that are continuously impacted by external forces and changes that are not controllable (Greineder et al., 2018).

2.13 Conceptual framework of the study

To close off this chapter, below is a conceptual framework that is proposed. It summarises the essence of the study by bringing together all the constructs discussed, and a view of how each element interacts within the brokerage network.

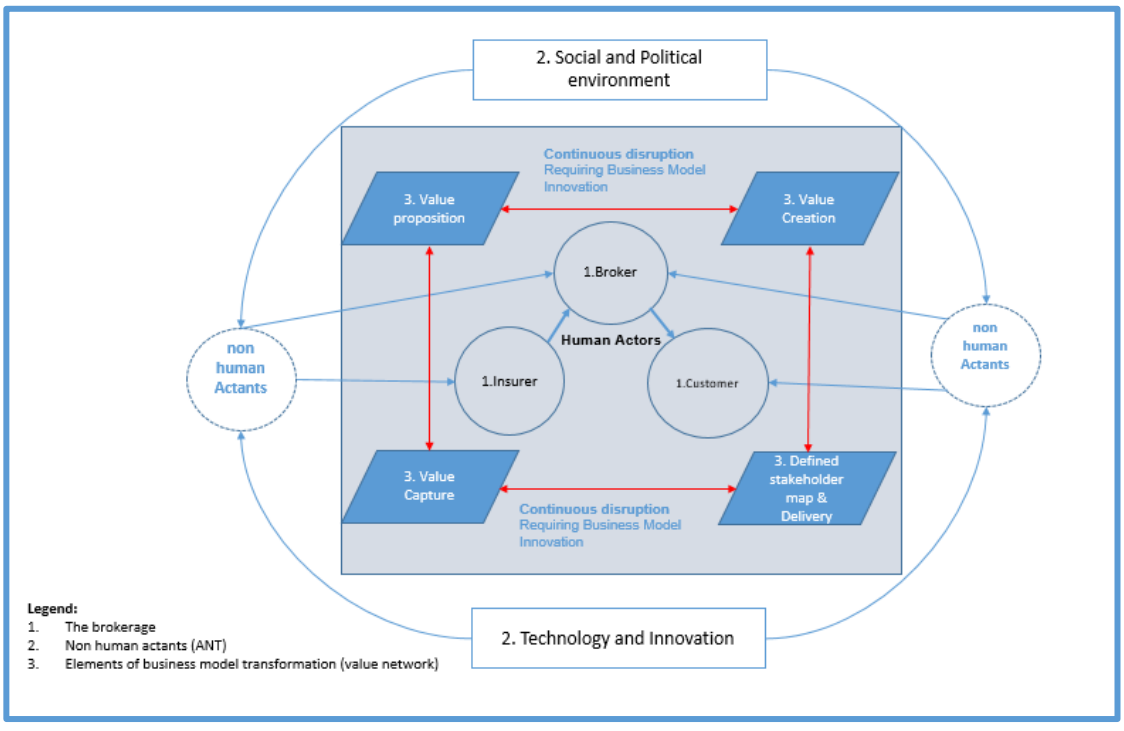

Figure 6: The Actor Network capability analysis framework

The model begins with the brokerage labelled 1 on the conceptual framework, being at the centre, outlining all applicable participants of the broker (Stovel & Shaw, 2019). Brokerage is characterised by the relationship in a triad, where a broker acts as the connector of the other two actors in a network (Soda & Iorio, 2016; Landis, et

al., 2018). The broker benefits from owning the flow of information and other non-tangible resources (Soda & Iorio, 2016; Landis et al., 2018).

The conceptual framework proceeds to outline the outer external forces labelled 2, which are not controllable by the broker within the Network. These are the socio and political environment, as well as technology and innovation. The model suggests that whilst the broker has control over two other actors, external forces can disrupt the other two actors directly, forcing them to change how they behave or respond within the network. As ANT asserts, networks include both human and non-human elements, and these disrupt or create opportunities within a network ecosystem (Shim & Shin, 2016).

The conceptual framework lastly outlines the core elements of business model innovation labelled 3, where business model innovation must continuously be at the heart of strategic business decisions, for future sustainability of businesses (Foss & Saebi, 2016).

2.14 Conclusion

This chapter has presented a review of the literature on brokerages, Insurtech and business model innovation. It unpacked the origins of brokerages and their value proposition as outlined in literature. The chapter also had a specific focus on the role played by technology as an external factor that can present new opportunities for efficiencies, cost reduction and a greater reach of clients. Lastly the chapter drew focus on business models specifically their innovation, drawing from scholars who argued that the literature is limited and primarily focuses on business model innovation, in relation to business strategy. The arguments presented in this chapter provide a good foundation and basis for the research questions for this study which will be discussed in Chapter three.

3 CHAPTER 3 - RESEARCH QUESTIONS

This study will be conducted using a qualitative research methodology. Qualitative research is best suited for analysing data that is collected through discussions expressed in the form of the lived experiences of participants (Levitt, Bamberg, Creswell, Frost, Josselson, & Suárez-Orozco, 2018). Research questions provide the fundamental base of what the research is about and provide direction on how researchers can contribute to the existing body of knowledge relating to the research topic.

The research questions enable researchers to define and scope the requirements of a successful research (Nguyen, Hoang, Thuan, Drechsler, & Antunes, (2019). Unclearly defined or formulated research questions have the potential of directing research in a direction that is not representative of what was initially planned by the researcher, and this will result in incorrect findings (Alavi, Archibald, McMaster, Lopez & Cleary, 2018). The literature review conducted in the areas of insurance technology and the broker business model, have given rise to three research questions that will form the basis of the study.

3.1 Research Question 1

How is the broker industry responding to technological changes in the South African Short-term insurance industry?

Literature asserts that Insurtech business models enable more direct and efficient relationships between brokers, insurers and their clients (Lee & Shin, 2018). The use of data analytics to enable more accurately rated risks, enables brokers to offer tailor made products that meet their clients' needs, in a timeous and instantaneous manner (Lee & Shin, 2018). The customer is also changing and more expectations of the service they require as well as the flexibility of being able to transact from multiple distribution channels (Eling & Lehmann, 2017).

The purpose of this research question is to assess the brokers understanding of their current business model, given that they operate in an environment that is constantly being disrupted by technology. What do they believe is their value proposition and

what gaps exist in their current business model, which will hinder them from being successful. Finally to outline the process to be followed to close the gaps that have been identified. The research question also seeks understand how brokers remain resilient in the wake of technological disruptions.

3.2 Research question 2

What are the challenges faced by brokers that may be grounds for slow adoption of technology and business model transformation?

Traditional brokers have an imminent threat looming as Insurtech broker companies provide platforms that offer insurance products easily and instantly to clients, and have the unfair advantage of operating in an environment that is not yet required to adhere to the laws governing the financial services industry (Bussmann 2017; Catlin & Lorenz, 2017).

The objective of this research question is to identify the extent to which brokers use technology to enhance their business processes, in order to strengthen their positioning in the insurance industry. The research further seeks to establish how the South African socio-economic context has potentially contributed towards how technology is employed in each brokerage business. How are brokers mitigating the challenges presented by technology?

3.3 Research Question 3

Why is it important that brokers transform their business models?

Literature has alluded to the fact that business models must transform for any business, including that of brokers, to remain relevant and sustainable (Shim & Shin, 2016). Business model innovation also relies on the ability for businesses to act on opportunities that are presented by both internal and external environments (Shim & Shin, 2016; Foss & Saebi, 2016). Businesses are continuously confronted by multiple opportunities and challenges within their networks, which may require that they consider multiple business models or continuous improvement on their existing business models (Carayannis et al., 2015).

The objective of this research question is to investigate the process and the considerations to be followed by brokers in their transformation efforts, in relation to continuously innovating their business models, to ensure sustainability into the future. The question also attempts to uncover whether brokers are influenced by technology in their decisions to innovate their business models.

3.4 Conclusion

This chapter has presented three research questions that forms the base of this research study. In answering each of the research questions, the research study is anticipated to not only contribute to the body of knowledge, but to also gain better understanding of the role played by technology in transforming the broker business model. The following chapter presents the methodology that was employed in conducting this qualitative research.

4 CHAPTER 4 - METHODOLOGY

4.1 Introduction

This chapter outlines the research design used in this study to answer the research questions posed in chapter three. The research was grounded by the literature presented in Chapter two. The study utilised a qualitative research method to understand the role of technology in transforming the broker business model. Data was collected through one on one semi-structured, in-depth interviews with brokers from the South African broker insurance industry. The interview data collected was analysed, coded and categorised into themes based on the literature review outlined in chapter two. Data reliability, validity, ethical considerations, and limitations of the study are presented at the end of this chapter.

4.2 Choice of methodology

Saunders & Lewis (2018) assert that an interpretivist approach is employed when the researcher wants to study a social phenomenon in the participant's natural environment. This was based on the nature of the questions which the research sought to answer (Saunders & Lewis 2018). The research questions were subjective in nature, confined within a social context and did not focus on quantifiable and measurable variables (Quinlan, Babin, Carr, Griffin, & Zikmund, 2015). There is currently limited research that has been done on the links between technology and the role it plays in the broker business, particularly in the context of South African short term insurance broker industry(Catlin et al., 2015). As such, this research is intended to gather an in-depth understanding of the subjective views of the participants who operate in brokerages in the South African short-term insurance industry.

This was done by engaging with a selection of South African short-term insurance brokers through in-depth interviews. Qualitative research is non-numeric research that is focussed on the generation and analysis of non-numeric data (Quinlan et al., 2015). According to Quinlan et al. (2015), qualitative business research, specifically addresses research objectives by employing techniques that allow the research to provide intricate interpretations of phenomena, without depending on numerical

measurement; the focus is on discovering lived experiences and new insights (Quinlan et al., 2015).

The research developed a conceptual model based on the literature review conducted showing a deductive approach (Creswell, 2014), then continued to follow an inductive approach as per (Williams, 2012). According to Saunders and Lewis (2012), combining inductive and deductive methods into the same research is not unusual and comprises initial analysis based deductively on literature, followed by further development from the researcher's experience which is inductive.

This research was outlined as a broad investigative study on the role of technology in transforming the broker business model. A qualitative study examining the contemporary phenomenon of brokerages, technology in the financial services sector and business model innovation, requires an in-depth understanding of the relationship of all these constructs and how they influence one another.

A qualitative research methodology was chosen for this study. Qualitative research was deemed best suited for analysing data that was collected through discussions expressed in the form of the lived experiences of participants (Levitt, et al., 2018). This methodology was deemed great at capturing the subjective views of participants, highlight common themes and eliminate ambiguity due to the ability to ask to follow up questions for better understanding (Levitt, et al., 2018).

The qualitative mono method enabled the researcher to gain deeper understanding and gather insights that addressed the research topic through a guided interview discussion and to gather the participant's experiences and perceptions regarding the role of technology in transforming the broker business model in the South African short term insurance industry (Creswell, 2014). The nature of this study required a qualitative interpretivist to focus on obtaining meaning from the perspectives of the individual participants in their natural environment (Saunders & Lewis, 2018).

Exploratory studies are used when the researcher intends to discover new insights and perspectives regarding the research topic industry (Creswell, 2014). The nature of the research study requires an explorative approach, as the researcher's objective is to uncover insights derived from lived experiences from the participants (Saunders

& Lewis, 2018). Current research suggests that the insurance industry, in particular the broker business, has been slow in taking action to exploit opportunities presented by technology in the insurance industry (Aarstad, 2014).

The strategy that is chosen to analyse the research questions is critical to ensuring that the objective of the research is achieved (Saunders & Lewis, 2018). Whilst the face to face interviews were aided with an interview guide to ensure that all themes of the research topic are covered, the researcher allowed the participants to have the freedom to elaborate and provide further details that added to the research that might not be explicitly covered by the interview guide (Saunders & Lewis, 2018).

Saunders et al. (2018) also suggest that when an exploratory study is being conducted, it is likely that interviews comprising open ended questions will be used (Saunders & Lewis, 2018). The research objectives and research questions required that semi-structured interviews be conducted (Saunders & Lewis, 2018. This provided the researcher an opportunity to explore further and request research participants to answer follow up questions such as why, how, when (Saunders & Lewis, 2018). This also provided the researcher with the opportunity to observe body language and tone of the research participants (Saunders & Lewis, 2018).

This research was conducted over a 12 weeks period and was a cross sectional study (Saunders & Lewis, 2018). The scope of this research was consistent with the description of a cross sectional study which is a research study conducted utilising once off interviews over a short period of time (Saunders & Lewis, 2018). Interviews may have resulted in longer than anticipated timelines, hence an estimated 90 minutes for each interview was requested when setting up the appointments with each participant (Ayres, 2012).

All interviews were recorded with the aid of an electronic recorder. Participants were afforded the option to do online interviews if they were unable to meet face to face and this was also recorded (Saunders & Lewis, 2018). All interviews were transcribed, then coded into specific themes to enable analysis (Saunders & Lewis, 2018).

4.3 Population

A population of a study is a complete set of group members (Saunders & Lewis, 2018). The main population for this study were brokers who currently operate in the South African short-term insurance industry. Brokers can be described as the agent who facilitates the interaction between the insurer and the customer (Hahl, Kacperczyk, & Davis, 2016). The South African broker industry is regulated by the financial sector conduct authority (FSCA), which is a regulatory body for the insurance industry in general. There are over 2000 brokers registered and many more operating unlawfully according to the standards, as governed by the financial advisory and intermediary services (FAIS), which ensures compliance and fit and proper financial advisors and brokers, through continuous personal development credits (Marketline Industry profile, 2017). The population for the study is the brokers that are listed on the FSCA website.

4.4 Unit of analysis

The unit of analysis can be defined as a person or a thing being studied or observed and indicates who in the research should provide the information required and at what level of aggregation (Silverman & Solomon, 1998). The use of an incorrect unit of analysis will result in data that is not useful to the research (Silverman & Solomon, 1998). For this research, the unit of analysis will be the broker business model. Based on this the sample of this study comprised of brokers who operate in the insurance industry and their portfolio of products include short term insurance products. The overall population cannot be accurately measured and therefore, the research will not generalise findings (Saunders & Lewis, 2018).

4.5 Sampling method and size

In qualitative and interpretivist research, you cannot generalise from sample however, purposive sampling was utilised to ensure that participants fit the profile of the population and are a fair representation of the sampling unit of analysis selected for this research study (Saunders & Lewis, 2018; Merriam & Tisdell, 2016). For this qualitative research, a non-probability and purposive sampling was employed (Saunders & Lewis, 2018). Purposive sampling was employed for this research

where participants were chosen to suit the purpose of the research, in order to collect meaningful primary data (Etikan, Musa, & Alkassim, 2016). Marshall (1996), asserted that purposive sampling is the most common sampling technique. Based on the exploratory nature of the research, the semi- structured interview approach and the anticipated small sample sizes, the purposive sampling method was applied. Participants were divided into two groups and will be chosen against the following criteria (Etikan et al., 2016). (1) Brokers operating or selling short term insurance products, (2) Brokers registered to sell insurance products, (3) Brokers with two or more years of experience.

Participants were selected based on their ability to provide rich subjective insights regarding the role they play in the context of this research study (Bengtsson, 2016). An estimated 30 individuals were identified to participate in the research initially, however, due to some participants not being able to avail themselves for the interviews, only 14 interviews were conducted. Initially participants were selected from the FSCA list and invited to participate in the interview. Only 10 of the 30 invited accepted the interview. Additional research participants were identified through work networks. This method was considered appropriate, as it was the most effective in terms of the time allocated to this research study (Nowell et al., 2017).

All participants were selected based on their roles within the organisation which they worked for and based on the exposure they have had in the South African short-term insurance broker industry. Broker participants were selected through convenience sampling from a list of registered brokers in the South African short-term insurance industry which is available on the financial sector conduct authority website and through professional networks. The total time spent was a duration 460 minutes across all 14 interviews. Table 1 in chapter five, outlines the participant groups that were targeted for the purpose of this research. Due to the size of the sample that were selected to be interviewed for this research, the outcome of the results was not generalised (Saunders & Lewis, 2018).

Saturation is achieved when interviews conducted or data gathered no longer produces new insights nor uncover new dimensions to the underlying theoretical themes (Dworkin, 2012). A total of 14 interviews comprising 14 participants was conducted over a 12-week period. Saturation was reached by the ninth interview, as

no new insights were introduced. The remaining interviews were conducted to ensure and confirm that saturation was in-fact reached. The researcher recorded each new code as shown below in **Figure *7*** below. This approach to data analysis requires that purposeful sampling be conducted until no new codes can be created and a point of saturation has been reached (Merriam and Tisdell, 2016)

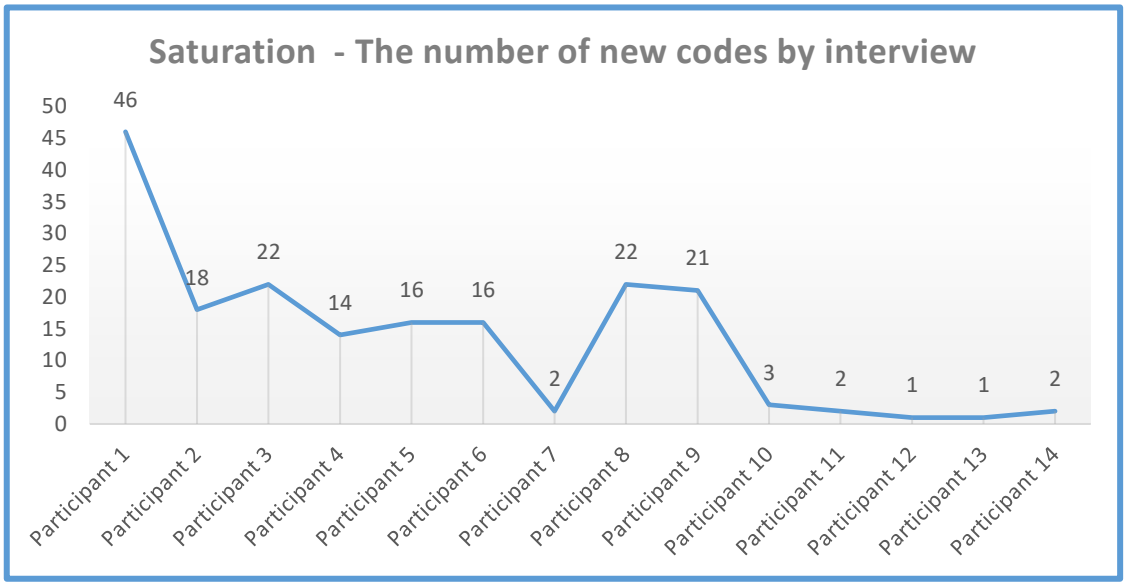

Figure 7: Number of new codes generated per interview

4.6 Measurement instrument or interview Guide

The measurement instrument is a tool that enabled the researcher to collect information from participants based on their experiences (Morse, Barrett, Mayan, Olson & Spiers, 2002). The selected instrument for this research was an interview guide. It was intended to aid the researcher in having some control over the flow of the interview. However, the interview guide consisted of open ended questions, which enabled participants to express and explain their views on the research questions with depth and from their own point of view, and more importantly, it was intended to minimize the limitations of interview bias (Turner, 2010).

The interview guide was populated with questions that were formulated by the researcher, based on secondary data literature review and from using previously compiled interview guides responding to similar research (Morse, et al., 2002). The aim of the semi-structured interviews was to extract the rich experiences from each participant as research without depth loses its worth (Morse, et al., 2002). Moreover,

semi-structured interviews enabled the emergence of themes throughout the various interviews.

The interview guide was utilised on all research participants, and in some instances, the researcher had to elaborate to ensure understanding of the questions. For an interview guide to be effective, the use of jargon may affect the collection of data, therefore confirmation and piloting are necessary (Sanders & Lewis, 2012). The interview questions were piloted with a broker who opted not to be part of the research, however, agreed to assist in that regard. The interview questions were not revised, as they were aligned with the concepts under investigation, however, they were asked in a different order for each interview, depending on the flow of the discussion.

4.7 Data gathering process

Semi-structured interviews facilitated probing answers and building on and exploring the themes of interest. Open ended, non- leading questions included in Appendix C: Interview Guide, were used for the interviews. The research focussed on the South African insurance broker industry, all based in Johannesburg. 14 personal interviews were conducted with each of the participants. Of the 14 interviews, 5 were conducted online using Zoom meetings and 7 were face to face visits at a location convenient for the participant. Being in close locality to the sample addressed the accessibility and cost issue. 30 Participants were initially identified and contacted through LinkedIn, email and telephone. Once contact was established, the interviews were confirmed through electronic mail and the interview consent letter was attached on every email invite for the convenience of the participant.

The interviewees were invited to participate in the research study, using the invitation included in Appendix A: Invitation to Participate in Study. The interviews were voice recorded with the permission of the participants, as evidenced by a signed consent form. An example of the consent form is in Appendix B: Interview Consent Form. The interviews were later transcribed for analysis. As per Quinlan (2015), qualitative research is sometimes prone to being subjective, non-representative and non-systematic, hence for the purpose of this study, trustworthiness in relation to reliability and validity, were always the foundation of each interview (Quinlan, 2015).

4.8 Analysis approach

Data analysis for this research was conducted in a step by step approach, using the thematic analysis approach to reveal common themes across all interviews conducted to highlight agreements, disagreements and consistencies among brokers regarding the research study (Braun and Clarke, 2019). The researcher analysed the data collected from interviews by using a computer qualitative data analysis software called ATLAS.ti. According to Braun and Clark (2019), the thematic analysis process involves the steps in **Figure *8*** below.

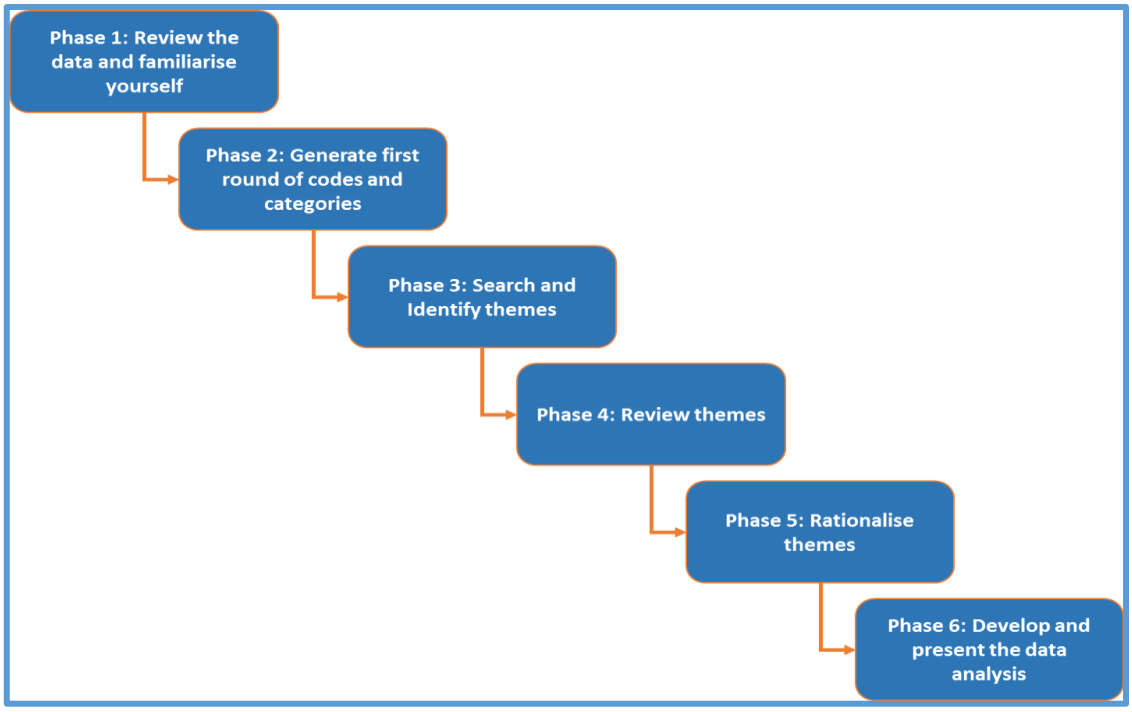

Figure 8: Thematic analysis phases (Braun and Clarke, 2019)

Once all the interviews were conducted and completed, the researcher transcribed the audio recordings collected. The researcher began phase one, while still in the process of data collection. This enabled the researcher to easily identify when the point of saturation had been reached (Nowell et al., 2017).

During the transcription process the researcher uncovered that new insights and understandings began to emerge as pointed out by Braun and Clarke, (2019) in their study of thematic analyses. Phase two was aimed at ensuring that the process of

coding is seamless, and so it began by listing all the codes in excel and shown in Appendix E (Braun and Clarke, 2019). The coding process involved the highlighting of specific text data and assigning specific words that aligned to the theoretical constructs underpinning the research (Braun and Clarke, 2019).

Once the transcription data was assigned specific codes according to a specific taxonomy that enabled identification of common codes, they were categorised (Braun and Clarke, 2019). Phase three involved identifying specific themes by reviewing the data in relation to the categories that were previously established (Braun and Clarke, 2019). The themes were then arranged into a thematic network, which was categorised and classified to identify if there were patterns and trends that could be reported on (Braun and Clarke, 2019. This method of data analysis enabled the researcher to apply an inductive, exploratory approach in answering the outlined research questions, and was able to contrast what was found during literature review. Microsoft excel and Atlas-ti were used for the thematic analysis to analyse, group the data and create thematic networks

4.9 Quality Controls – Trustworthiness and Integrity

Trustworthiness is a key ingredient that is required by researchers to ensure that their findings are worthy to be regarded as contributing to the body of knowledge (Nowell et al., 2017). Credibility, transferability, dependability and confirmability are at the centre of trustworthiness for qualitative studies (Nowell et al., 2017; Shenton, 2004). Credibility of the study and its findings is reliant on the levels of trust and believability of the study and the researcher (Nowell et al., 2017; Shenton, 2004). The researcher gave participants the opportunity to withdraw from the interview at any point (Nowell et al., 2017). This ensured that the data collected was obtained from participants who, out of their own free will, were willing to participate in the research to offer their opinions and insights freely (Nowell et al., 2017; Shenton 2004).

Reliability refers to the degree to which a study can be repeated and result in obtaining consistent results, whilst validity refers to extent to which a source closely represents a construct (Quinlan, 2015). Within the context of qualitative research, reliability and validity relate to the bias of the researcher, participant, interpreter and

response bias (Saunders & Lewis, 2012). Data quality was particularly important to the researcher because of the notion of potential bias, that could influence the quality of the data gathered (Sanders & Lewis, 2012). It was therefore important to ensure the data gathered was valid and useful for analysis (Sanders & Lewis, 2012).

The researcher was aware of key data issues that would arise prior to each interview due to interviewer bias, participant bias, and the experience and competence of the participants (Quinlan, 2015). The researcher also did not have any formal training in conducting interviews, however, paying attention to the above issues enabled the researcher to, as practically as possible, remain neutral and not biased (Quinlan, 2015). The interviews were standardised as far as possible to promote validity and reliability (Sanders & Lewis, 2012).

The interview guide was designed to ensure that confidentiality for all participants is maintained. Participants' names were not explicitly displayed nor reported on (Quinlan, 2015). The participants were all given pseudo identifiers and referred to as participants one to fourteen (Quinlan, 2015). See Table 2 in chapter 5. Company names of the respective brokers were outlined to ensure reliability and credibility of the research, however, none of the participants will be associated with any of the listed companies. See Table 3 in chapter 5.

An in-depth understanding from the perspectives of the individuals identified for the study, will provide solid triangulation of views from multiple role players (Saunders & Lewis, 2018). These are brokers who have extensive experience working in the industry (Saunders & Lewis, 2018). Some have invested in digital platforms, some are running their own brokerages, and some are executives at big multinational brokerages (Saunders & Lewis, 2018).

Triangulation is a critical strategy in research to be applied to a research study from design stage through to data gathering and analysis (Nowell et al., 2017) The researcher attempted to triangulate by engaging with two groups of brokers, newcomers and experienced brokers. Newcomer brokers were defined as those brokers that have five years or less experience operating in the broker business and experienced brokers had six years and above in industry experience and exposure. **Table *1*** below, represents the breakdown of the sample across the two groups.

The objective of this split was to enable the researcher to capture the lived experiences of the broker business from the various perspectives of brokers, from multiple generations. The researcher believed that this would provide valuable insights in terms of the data gathered.

Table 1: Research participants experience split

Group	No of participants	Description of the group
Experienced Brokers	Nine	Short-term insurance brokers who have industry experience of between six years and above
New-comer - Brokers	Five	Short-term insurance brokers who have industry experience of between two - five years

4.10 Limitations of the study

The purpose of this study is to understand the role of technology in transforming the broker business model. Lee & Shin 2018; Foss & Saebi, 2018; Catlin & Lorenz, 2017, argue that there is limited academic literature linking technology, brokerages and the practical tools that can be used in addressing some of the challenges experienced. This limitation presents an opportunity for further qualitative and quantitative studies to be conducted. This also relates to the choice of research methodology, which may have been limited and a further quantitative study on the research may be required.

The study will be limited to the short-term broker insurance industry in Gauteng and will be conducted using participants from eight brokerages, which included one multinational broker. This gave rise to sampling bias, due to the nature of this research being purposive. The researcher acknowledges that this has presented unintended consequences relating to the sample identified for the research, as participants are recommended based on the researcher's intuition in selecting them from the FSCA website and professional networks.

Researcher bias in explorative research is very subjective in nature and the researcher acknowledges the potential biases that may have influenced the outcome of the analysis of the research, especially because the researcher is employed within the industry. The researcher relied on discussions held with the research participants, as a result may prove difficult to verify independently. Most of the research participants have worked in the broker industry for many years and this may have influenced their responses to the interview questions, giving rise to participant bias. The researcher tried to interview a sample that was diverse in nature and that represented the broker business in terms of experienced and newcomer brokers. The researcher also tried to mitigate this limitation by reviewing past literature and other academic sources on the topic.

On data quality and interpretation issues, the researcher acknowledged that during the process of analysis, there may have been subjective interpretation bias, where important details may be interpreted incorrectly.

4.11 Ethical Considerations

To ensure that the research was conducted in an ethical manner, an ethical clearance letter was obtained from business school's ethics committee. Research participants were asked to sign consent forms before they could participate in the study. The researcher promised confidentiality to the participants in line with the consent form, and their right to withdraw from the interview at any time without prejudice, see Appendix A. To ensure anonymity, the names of all the organisations have been coded and are not associated with any participant that took part in the study.

5 CHAPTER 5 – RESULTS

5.1 Introduction

The main aim of this study was to investigate the role of technology in transforming the South African short-term insurance broker business model. A qualitative approach was adopted to analyse the semi-structured interviews to provide insight to answer the three research questions presented in chapter three of the study. This chapter presents the results from the analysis of 14 semi-structured, in-depth interviews, conducted with brokers operating in the short-term insurance industry in South Africa. Thematic analysis of the qualitative interviews provided meaningful insights on the topic of the research. The flow of the chapter includes the following: Overview of Sample, Presentation of Themes and Consolidated Codes, Findings and Conclusion. The results are presented and structured in accordance to the research questions for the study.

5.2 Overview of the sample

The overview of the sample consists of the profile of the participants to assess sample relevance. A total of 14 interviews with one participant in each, were conducted over an eight week timeline. Of the 14 interviews, 5 were conducted online, utilising Zoom meetings, due to time constraints and availability of participants, and 7 were face to face visits at a location convenient to the participant.

5.2.1 Profile of participants

Table 2 below, presents the profile of the participants. There was a total of fourteen participants in this study, of which majority were males, with a total of eight, and females with a total of six. The profile of the participants has the following information, the participant identifier, their gender, age, job title in their respective brokerages, years of experience and the group name. The participants were split into two groups based on their years of experience in the insurance broker industry. Of these participants the oldest was 63 years while the youngest was 25 years. The participants indicated their years of experience with the highest indicating that they had 25 years of working experience. Some participants said they had 23 years work

experience, while only one participant had 2 years work experience. As agreed with the various participants, and for the purposes of confidentiality, no names are disclosed. Participants are only identified as participants 1 to 14 on the table below.

Table 2: Profile of the participants

Participants ID	Gender	Age	Job Tittle	Years of experience	Group Name	Duration
Participant 1	Female	58	Broker Development and Product Manager	25	Experienced	75:00 min
Participant 2	Male	47	Broker	18	Experienced	42:28 min
Participant 3	Male	43	CEO	10	Experienced	49:52 min
Participant 4	Male	63	Chairman	25	Experienced	28:04 min
Participant 5	Male	37	Broker	7	Experienced	18:31 min
Participant 6	Female	34	Broker	5	Newcomer	24:51 min
Participant 7	Female	31	Broker	5	Newcomer	42:18 min
Participant 8	Female	38	Broker Manager	15	Experienced	25:11 min
Participant 9	Male	55	Financial Advisor	23	Experienced	20:31 min
Participant 10	Male	28	Financial Advisor	7	Experienced	20:57 min
Participant 11	Male	28	Financial Advisor	5	Newcomer	21:00 min
Participant 12	Female	25	Financial Advisor	2	Newcomer	13:41 min
Participant 13	Female	28	Financial Advisor	4	Newcomer	20:13 min
Participant 14	Male	55	Financial Advisor	22	Experienced	25:11 min

Majority of the participants were from Discovery, followed by those from Marara Risk solutions. **Table 3** outlines the list of the various brokerages where the participants work. To obtain heterogeneity, participants had varying levels of maturity and experience within the broker industry, and held various positions, with most of them being Financial Advisors. The sample consisted of a total of three Brokers, two Broker Managers, one a CEO and another chairman.

Table 3: Broker Companies

Brokerage number	Organisation
1	Braveheart
2	Discovery
3	ITOO underwriters
4	Liberty
5	Marara risk solutions
6	Morebo risk solutions
7	Multinational Broker

5.3 Results

The analysis was done using initial codes that were developed based on the researcher's interpretation of the transcriptions. The codes were then grouped into consolidated codes from which the themes of this study were developed.

5.4 Open coding

The data from the 14 semi-structured interviews were transcribed and assigned unique codes using ATLAS.ti8 software. This allowed the grouping and creation of networks and relationships that presented results that provided insights on the empirical data. This data could be utilised in answering the proposed research questions posed in Chapter three.

Table 4: Themes together with the consolidated codes

Theme number	Themes Description	Code Groups
RQ1 Theme 1	Broker's Value proposition	Personalised service
		Client Exclusivity
		Direct consultancy
		Intermediary
RQ1 Theme 2	The success of traditional broker business model	One-on-one Interactions
		Relationship building
		Client consideration
		Language proficiency
RQ1 Theme 3	Response to Technological Changes	Embrace technological changes
		Ignorance towards change
		Struggle with accepting change
		Mixed Responses
RQ2 Theme 4	Challenges of business model transformation	Fear of change
		Resistance to change
		Technology Adoption
		Regulation requirements
RQ3 Theme 5	Importance of business model transformation	Increased competition
		Improved communication
		Increase in connectivity
		Easier and improved processes
		Informative platforms

5.5 Consolidated codes

There was a total of 20 consolidated codes that where extracted from the analysis, from which the six themes in this study were developed. Table 4 above, presents the themes together with the consolidated codes for each theme.

5.6 Results for Research Question 1

How is the broker industry responding to technological changes in the South African Short-term insurance industry?

The purpose of this research question was to assess the brokers understanding of their current business model, given that they now operate in an environment that is constantly being disrupted by technology. What do they believe is their value proposition?

The initial three themes that emerged were the broker's value proposition, the success of traditional broker business model and the response to technological changes that emerged. These themes were strongly expressed across most of the one on one interviews conducted for the study. Based on how strongly most participants felt, these elements were deemed the underpinning traits that define the value proposition of the broker. These themes are unpacked in detail below in terms of how they relate to research question one.

5.7 Theme 1: Broker value proposition

Research Question one deals with the broker value proposition. Theme one was developed to understand the value proposition of brokers in the insurance industry. This theme has a total of five consolidated codes developed to comprehend the theme better, namely: Personalised Service, Client Exclusivity, Intermediary, Relationship Building and Direct Consultancy as depicted in figure 9 below.

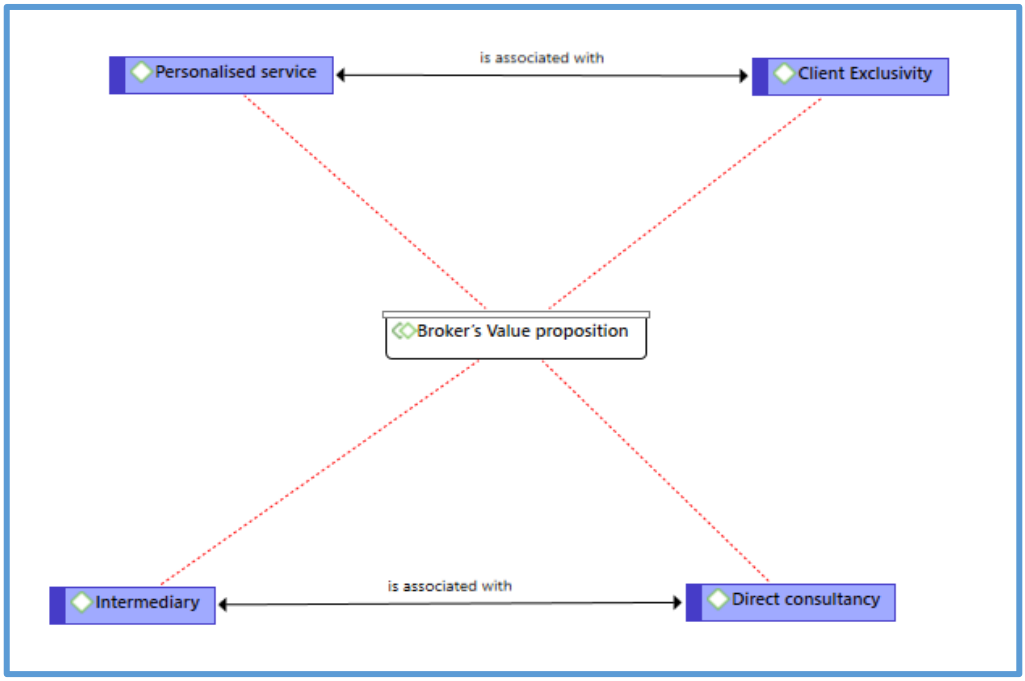

Figure 9: thematic map for Broker's Value proposition

5.8 Personalised service

One of the most important value propositions for brokers is providing clients with a personalised service. According to one of the participants, clients do not always understand what they are buying in terms of insurance, so brokers play an important role of advising and simplifying the insurance products, for clients to fully understand their risks and what they are buying. Brokers give clients personalised service, as they advise clients on products specifically suited for them.

> *"the value of the broker, you know out there it's actually to give advice and simplify, you know, the insurance jargon on because in most in most cases people don't even know what they're actually buying, you know, so they need somebody who be able to guide them through eh, that particular policy that they've actually bought" - Participant 3*
>
> *"They don't stay with one company because they don't have a relationship within that company whereby um, they would not understand the, the product properly". - Participant 5*

5.9 Client Exclusivity

Another value proposition that brokers offer is exclusivity. This was a sentiment that came across from majority of the participants. As insurers are mainly call centre based, it is difficult for them to treat clients exclusively, whereas brokers, on the other hand, can exclusively deal with each client on a personal level and therefore give clients insurance best suited for them. Brokers, through exclusivity, have the ability to gain trust from the clients. The element of trust enables the broker access to important information that will make it possible to suggest or provide the clients with a mostly suitable product.

> *"exclusivity and that one on one relationship with the client where you don't have to go through the insurer, the call centre and all the admin that comes with interacting with everybody that works for an insurer like Outsurance versus the broker dealing with one person that understands your needs"- Participant 6*

> *"Be able to build a relationship with them in order to gain trust. So therefore, we can now extract information from the client to be able to understand what these specific and unique needs. Thereafter going back to assist them and basically coming up with solutions and recommendations" - Participant 14*

5.10 Intermediary

One of the historical roles of brokers, as asserted by three of the participants, is to sell products for insurers. This means brokers were an intermediate between clients and insurers, with their main goal being sales and the commissions. According to one of the participants, brokers are a very important intermediaries, as they are instrumental in finding out the client's need, and thereby helping the insurer to sell products that are always relevant to the client's need. Their success in intermediating is heavily reliant on trust

> "Y*eah. So, um, if I go back right back to them, you had the insurer and you had a broker and the broker's role was all about sales. That's all they did. They sold, they earned commission" - Participant 1*

“So, where we are coming in as an intermediary between the clients and the insurer is to provide the trust level between the two”. – Participant 7

“They really believe that a human touch, an intervention is very, very important because it's finding out what the client needs. Where does he want to go, what does the future hold, how is he going to retire? So, all these things make a difference”. – Participant 11

5.11 Direct consultancy

Most of the participants expressed how Brokers offer unique tailor-made services for each of their clients, especially those that require an in depth understanding of the product and continuous supervision of their portfolio. Through direct consultancy brokers are able to perform a needs analysis to provide clients with guidance on the process of buying and claiming for insurance products.

“It’s more from just a knowledge point of view, something that's something else. We've just got more experience seeing from client to client. – “Participant 10”

“So the human interactions with me, it's very important for the broker business. And I think that's what clients rely on because they also don't want to cold calls into to fix something or to add something or to remove something they would like to call one person that they know looks after their stuff. And I think clients value that more than anything else” - Participant 12

“Listen, if you go direct, you pretty much going to have one channel, one avenue and there's no alternative cause you speaking to a direct consultant who is under supervision. He doesn't have the proper knowledge and guidance in order to assist the client properly” - Participant 9

One participant also asserted that the importance of direct consultancy is that it enables the client to make informed decisions at the point of sale. The participant also indicated that going through a call centre or technological platforms limits the client understanding of what they are buying, due to the complexity of insurance

products. This participant further pointed out that generally clients are left to only discover when claims are declined, or they are expected to pay certain amounts of money before the claims can be finalised.

> *"so they are gonna be specific products like short term insurance where the client will be able to go in and just get quote. Um, there will be scenarios where the client does not see, for example, how much excess he's gonna have to pay because he hasn't read the small print. So based on the premium that he's paying on a computer, he's not gonna have it 5,000 excess. So he's getting a cheaper that's, but he didn't, he doesn't realize it. So he might tumble on a mistake or two and down the line". – Participant 13*

In summary, the broker's value proposition is very clear. Brokers have a simple mandate to simplify the process of buying and selling complex insurance products to the client. They do this through personalised services where they offer clients individually customised products that are uniquely suited to them. Brokers also do it through client exclusivity, where they are able to give clients private attention. This helps them to gain trust and access to information required for proper needs analysis, and choice of products well suited for clients' needs and budget. Brokers work as an intermediary by helping the insurer to sell products and the client to obtain the best possible product deal. Direct consultancy is also one of the value propositions that simplifies the insurance buying and claiming process, as it enables direct interactions and clear understanding of the client needs.

5.12 Theme 2: The success of traditional broker business model

Theme 2 was developed to understand the factors that contributed to the success of the traditional broker business model. This theme consists of a total of four consolidated codes namely: One-on-one Interactions, Relationship Building, Client Consideration and Language Proficiency, as depicted below in **Figure *10***.

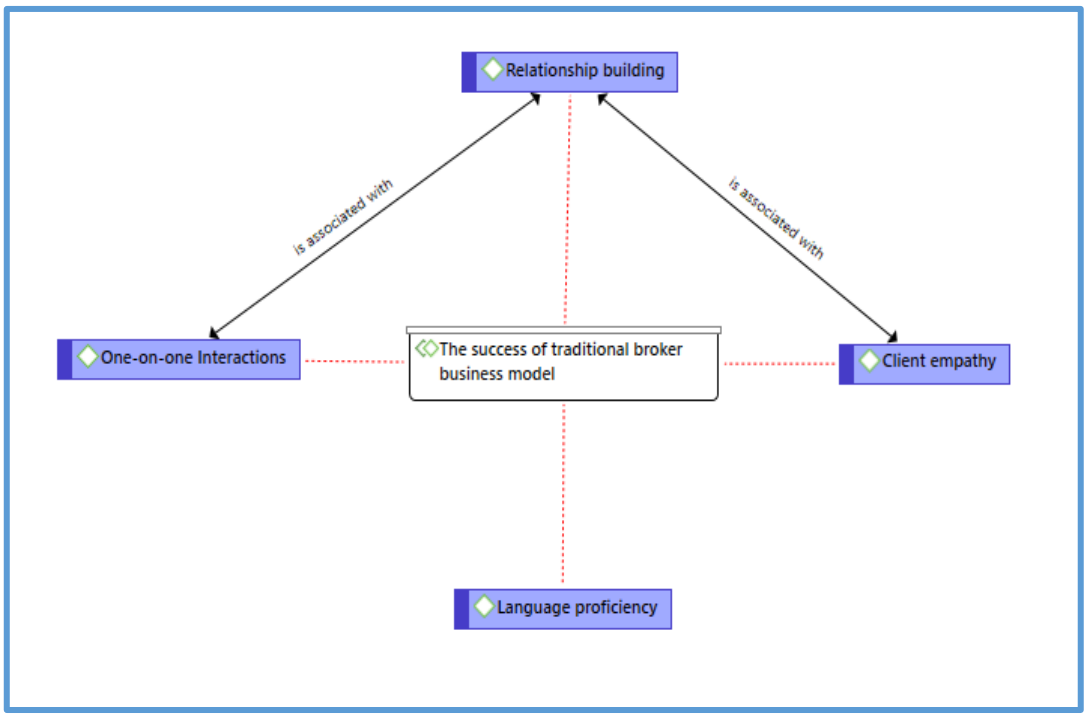

Figure 10: thematic map for the success of the traditional broker business model

5.13 One-on-one Interactions

From the participants, it was clear that the traditional broker model has had its successes. One of the main contributors to the success of the broker model was identified as one-on-one interactions between the broker and client. Most participants indicated that high net worth clients with high value items prefer one-on-one interactions due to the complexity of their risk profiles. Having someone sit and explain in depth the various insurance products available to them and most importantly, identifying those that are suitable to their needs is critical. This has made the one-one interactions a big contributor to the success of the model. Clients are attracted to the broker value proposition because it enables them to have one on one interactions. Therefore, making this approach very instrumental in ensuring the success of the traditional broker model.

> *"So where you have someone face to face, we go in depth you know, especially if you have higher value items, not only in terms of cost but we also going back in terms of building insurance, you know, something that needs a little bit of new skill and speciality" - Participant 7*

“If we look at the traditional broker model, it was one-on-one consultations. There was no or there was very little paperwork involved as well.” – Participant 9

“Being able to see the client and stay close to your business goal at the end of the day. So, the more clients you tell what you do, then they become more interested in what you do.” – Participant 14

“Generally if you were to look at OSTI claims or the face Ombudsman complaints, eh, generally most of them is because of lack of understanding and not to say that people who have bought via brokers have never had cases through with the OSTI. However, generally you'll notice that most of them would be coming from the direct market. “Participant 2

5.14 Relationship building

Relationship building was one of the major attributes that emerged as being at the centre of the value of the broker business model. The traditional broker model encourages relationship building between brokers and clients, and brokers and insurers. This has been seen to be very instrumental in cementing the value of the broker model by all participants of this study. Brokers engage with clients to understand their needs based on their risk profiles, which helps them to find products that are suitable to the client.

Brokers also build good solid relationships with insurers who are the providers of the products and enable them to tailor make products suitable to the client segment chosen by the insurer. This has also been very influential to the success of the traditional model that brokers have been using. Relationship building, creates opportunities of trust, which allows for easier and smooth transactions between the all parties leading to word of mouth recommendations, which contributes to success of the broker.

“What contributes to the success of brokers, in most cases is relationship building. People tend to believe more in you as an individual and um, uh, your values as a broker.” – Participant 5

“I think for me the biggest thing that I have, uh, been able to identify as a contributor is, uh, a sense of a strong relationship with your client. I think the more solid your relationship is and the more your client feels that they can rely on you and they trust you, the more sort of the relationship becomes”- Participant 12

“It’s all about your target market, your clientele, what is your clientele, which is, in our case we were targeting a high-end market but not neglecting their medium and the low-end market. In choosing your insurers as well, that plays a huge role because you want to be associated with reputable insurers and insurers that won't really give you problems when it comes to the claims stage, which is the most important part of insuring your assets. So for me it's your insurers that you choose for your brokerage, the systems that you put into your, you put in place for making your life easier in terms of facilitating the relationships and administering the policies for your clients.” – Participant 6

One thing that we pride ourselves in, and um, what I would say is our unique selling point is that, um, one on one relationship where you have the opportunity to see the client, sit with the client, talk to the client, answer the questions, which is what most people love. Participant 6

5.15 Client Empathy

The level of consideration and attention to detail that brokers give to their clients in terms of their needs makes the clients more inclined to working with brokers. This is an important contributor to the success of the traditional broker model. Broker’s ability to empathise with clients and provide a value add to insurers products which may otherwise not exist, makes the traditional broker model the preferred alternative channel for accessing insurance products for clients.

“Have you really looked at empathize with the client and made him understand what it really is all about? Or is he just doing it for the sake

because everybody else has got and that's the difference I think we make. Where we are bringing that empathy, that compassion." - Participant 11
"Think purely just from an advice point of view. Remember you can go through a robot, you can go through everything, but they don't advise you in what sort of, what you need or what you might have things like get" – Participant 10

"You need someone who can sympathize with you or empathize with you and say, no, it's okay. Let me just give you an example now with the clients that we deal with a person would get involved in an accident may be over the weekend, not even an accident. They will hit a wall at home or the gate at home. So what normally happens with those clients? Remember people still have emotions. So what they would normally probably call me even on a Sunday." - Participant 3

5.16 Language Proficiency

An important contributor to the traditional broker model is the fact that brokers are language proficient, which means they can assist clients in their preferred language. This competence enables relationship building and trust between clients and brokers, thus ultimately enabling better transactions.

"As much as people understand English, they don't have the benefit sometimes of being explained in their own home language. when you dealing with a broker, depending on their language proficiency, they tend to explain things in the clients own home language that gives you much more. And you are more confident that now I've been given what I want "- Participant 2

"it doesn't matter if you're speaking to a Sotho, Zulu, Xhosa, Venda, Shangaan speaking, the moment you start to sort of talk to them in their own language, they tend to be comfortable and they'll ask you more questions as compared to the yes, yes yes that they don't understand." - Participant 2

"We tell the clients that, okay look, you know, buying insurance police on a direct basis it's like, you know, going into court without a lawyer because the legal language day is quite different." - Participant 3

In summary, sentiments from multiple participants suggested that there are several factors that contribute to the success of the traditional broker model. These factors include one-on-one interactions, where clients tend to benefit more in terms of the customised service offered by brokers, instead of purchasing insurance products from a call centre, which may lead to uninformed decisions. A special feature in services offered by brokers is personal interactions with clients, which enables relationship building. This is one of the important contributors to the success of the broker model. The level of empathy that brokers give to their clients is a fundamental contributor to the success of the model as brokers can take the clients' needs and specific circumstances into consideration. This enables them to show compassion and empathy to the client, a value proposition that is key in the broker business.

5.17 Theme 3: Response to Technological Changes

Theme three was developed to understand the response of brokers to the technological changes in the broker business model. This theme consists of a total of four consolidated codes namely: Embracing Technological Changes, Ignorance towards Change, Struggle with Accepting Change and Mixed Responses, as depicted in **Figure *11*** below. These codes deal with participants perceptions on the response to technological changes by the brokers who operate in the insurance industry.

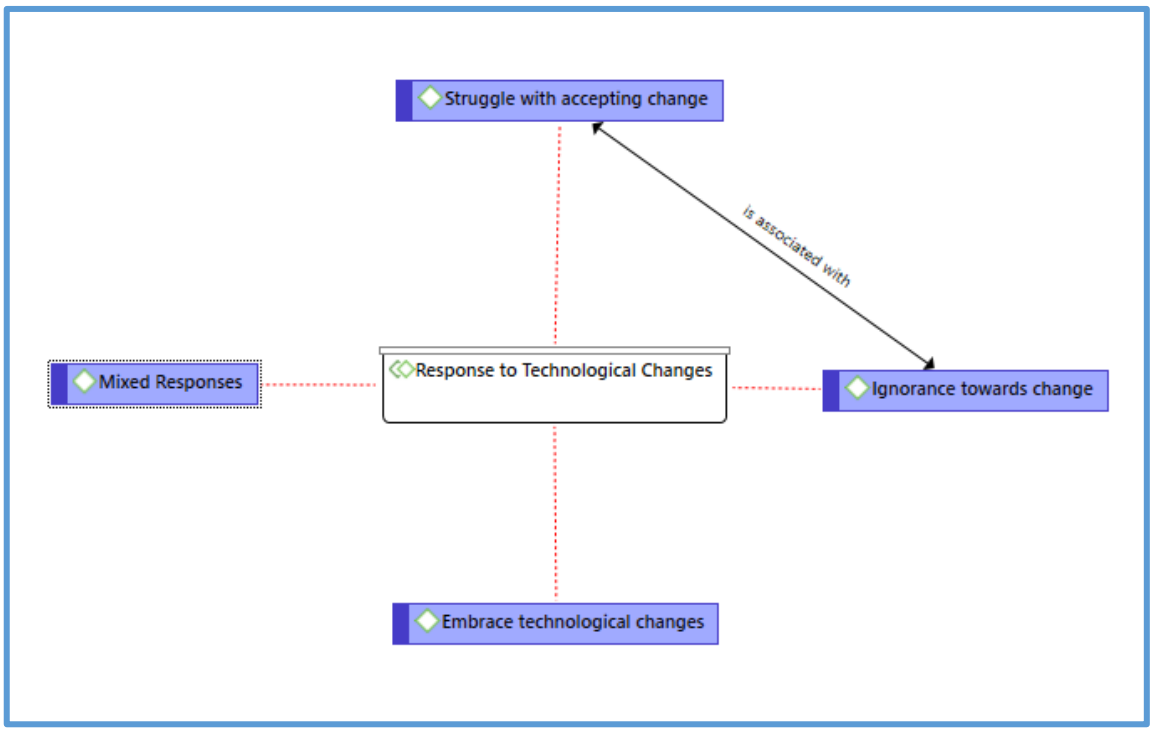

Figure 11: thematic map for Response to Technological Changes

5.18 Embracing Technological Changes

While there are many ways in which the broker industry is responding to the technological changes, most participants suggested that there are those are finding it easy to adapt. Participants asserted that most brokers were responding to technological changes due to an overwhelming number of young clients who are migrating to more technological systems leaving the brokers with no choice but to adapt.

Four participants asserted that adoption is almost intuitive, as they utilise telephones, emails and systems that enable them to service their clients with ease and timeously. Others embraced technology particularly because of their partnerships with insurers, which enables them to access insurer systems available to them for use. Whilst some brokers, especially the younger generation are embracing opportunities brought about by technology, for others it is still a hard pill to swallow, as they are used to the old conventional ways of going about their broker business.

“I think with the short-term industry it's easy in my company to adapt and work through the technology because we use technology in our favour to help us, um, do more new business and make sure more clients are covered with the company's insurance, auto insurance. Um, so it makes, we make it easier than it used to be much quicker.” - Participant 13

“People are moving more towards that technological use because everybody now, almost everybody owns a cell phone. Almost everybody has access to internet. So, we don't want to be left behind when, you know, where, where we're not moving with the times. So, it is imperative for us to be in tune with where the world is moving to” - Participant 6

“I just want to, um, really stress the point that, uh, we just need to embrace technology in order for it to help our business model really.” Participant 12

“I guess to a certain extent, yeah. In a different technology always helped you in terms of accessibility, direct marketing, emails, telephone, yeah. Participant 9

“I think it's tedious for them to do that. I don't think they see a a reason why not to I, which I agree with you, it's their way. But I think for them it's after being used to doing it for 20 years and I think to go and change the pattern as you used to for 20 years that works for you is a, what's the word? It's a challenge to do that.” Particpant 13

The arguments presented by the participants above suggest that there are differences in perception in terms of embracing technological changes in the broker industry. Some participants, particularly those with the experience of more than five years, do not view technology as the main lever in providing the broker business with dynamic capabilities that contribute to the broker’s value proposition. The newcomers believe that brokers must embrace technology as an enabler and a source of competitive advantage.

5.19 Ignorance towards change

Participants displayed some level of ignorance with regards to the technological changes taking place in relation to the broker insurance industry. Most participants argued that technological changes will happen, but do not carry too many threats to their broker business model. Most participants were oblivious to the disruptions brought about by technology. Some participants, who displayed characteristics of traditional brokers did not even consider the technological disruption on the broker model because they believed their current model is working exceptionally well and profitable.

> *"I think in this country everyone is kind of oblivious. We kind of just, when it happens, it happens. I'm not, I think the problem, as every job is under scrutiny at the moment. So, I know, and brokerage is going to be the same thing. Technology will pop it up. Yeah. And, but I guess it comes down to how you utilize it as all your older generation. You'll see. Don't really use a lot of technology." - Participant 10*

> *"Old school brokers do not necessarily believe in, you know, um, not that they don't believe in it, but I feel like, um, they're used to their old ways and because something has been working for them, um, having to shift from using a certain method to another is quite of a move for them." - Participant 12*

5.20 Struggle with accepting change

While some were ignorant of the changes required on the broker business model, others were aware of the changes that are coming with technology but were struggling to accept the eminent change. For smaller brokers the cost of changing systems was too high, hence they struggled to accept the changes. For older generation brokers, it was difficult to transition from their paper-based system to the technological broker model with most of them displaying a sense of fear.

“But we still struggled because it's so expensive to change systems to match. In fact, one of the big, um, companies, OMI, I worked for them okay. Um, they got the system called TIA and they decided to rebuild their accounting system to match the processes. Let me tell you, today, they are still struggling” – Participant 1

“Well the older brokers because at the end of the day, this paper-based thing, style of doing things is slowly fading away. And I would say this thing is going to die with the older guys basically. The newer guys that are coming to the market, they are going to obviously be focusing more on the technology side of things” – Participant 5

I think they scared. Um, maybe they just don't want to, but they're worried to tackle it and that they might get stuck and it's not like you need to embrace it and you need to like, I'm embracing this new computer today as you can see, I'm very frustrate. But so, so yes. So, we make a difference and that's why I'm still here” – Participant 11

5.21 Mixed Responses

Two participants who had been in the industry for 25 years, asserted that response to technological changes is influenced by multiple factors. Some brokers are ignorant and not interested in the changes, while others are influenced by limited infrastructure and access to technology caused by the socio-economic conditions. Participants elaborated further by attributing the inability to respond to technological change, to company size and the financial power. Six of the participants agreed that technology is an enabler for the broker business, however all strongly also believed that the broker business model is critical, especially where complex products are being sold to clients.

“I think the traditional brokers that, have not been on the forefront of change, and will probably see it as a threat. But in every threat, there is an opportunity. I think the responses are mixed. I think the big insurance brokers and big multinationals are all investing in Insurtech to see how they can use technology, digital if you like, to improve, the way they work and to,

uh, the relevance that they have in the supply chain. The biggest emphasis here in my opinion, in the broker role going forward is one of advice." – Participant 4

"Isn't it everyone is afraid of change. Yeah. You know, when change comes about, you know, there's always the saying: If it ain't broken, why fix it. But if you are enhancing something, yes. Well and good, it's going to work favorably to you. Yeah. And people don't take kindly to change because it's time consuming to adjust and then to learn the ropes and get used to it. So, it's always a negative. But you know, if it's going to be beneficial in the long term then so be it." - Participant 5

"I think it's more just being stubborn to be honest with you. Older people just don't want to learn. I think that's the biggest problem they get set in your ways. People just don't want to change. So, they're stuck in their ways. This is something very new to them. They weren't brought up with a grown up, but we were brought up with technology" – Participant 9

In summary, it is evident that the advent of the transformation of the broker model is inevitable, and therefore there is a need for the broker industry to accept it or risk being left behind. Participants had contradictions, with some brokers having easily accepted and embraced the technological changes, while others were still not sure about the benefits of disrupting the traditional broker business model with technology. It appeared that it is mostly the older generation brokers that were struggling with accepting industry changes.

5.22 Summary of responses for research question 1

The traditional broker model has been successful and some of the major contributors to the success include; one-on-one interactions, relationship building and the level of consideration that brokers give to their clients. Despite these successes, the advent of the transformation of the broker model is inevitable and therefore, the broker industry needs to accept it. Some brokers are positively responding to the transformation and have accepted the technological changes.

Brokers also believe the changes are positive for their businesses, however, others still prefer the conventional way of doing business, as they still do not see the benefits of transformation. There is also concern with brokers who are just ignorant of the transformation, and those who do not believe in the transformation. It is mostly older brokers who that are still struggling with accepting the change. Another reason for negative response from brokers is the cost of transformation, which is unaffordable for small brokers. **Figure *12*** below outlines the general sentiments as perceived by the researcher on how the broker industry is responding to technological changes within their industry.

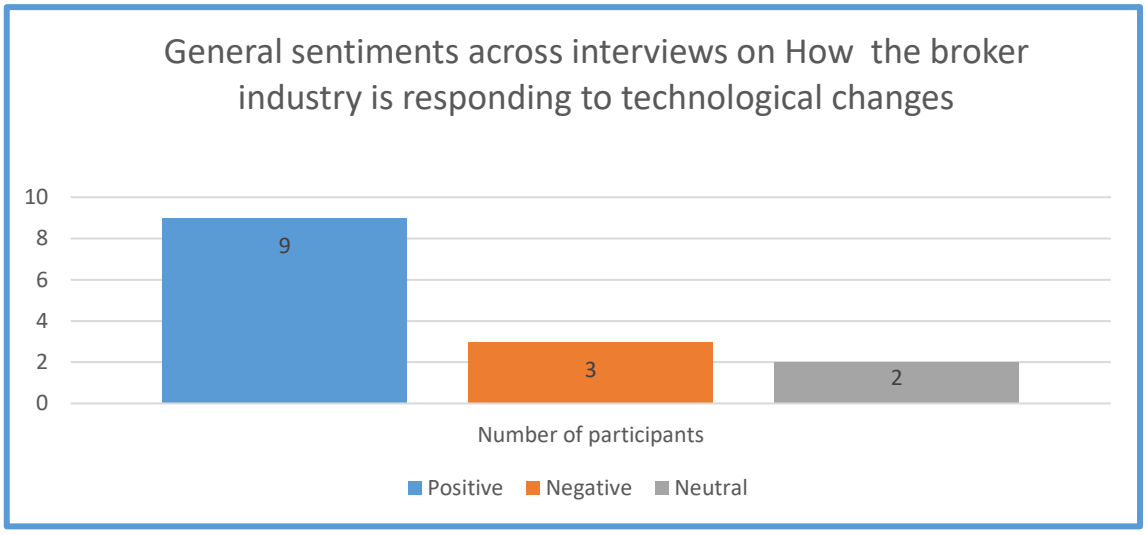

Figure 12: General sentiments and perceptions as perceived by the researcher

5.23 Results for Research Question 2

What are the challenges faced by brokers that may be grounds for slow adoption of technology and business model transformation?

The objective of this research question was to identify the extent to which brokers are using technology to enhance their positioning in the insurance industry, and how the South African socio-economic context has potentially contributed to the use of technology in the brokerage business. The research question also seeks to assess the broker's willingness to employ technology within their businesses and uncover the challenges they face in trying to do so.

The fourth theme that emerged was based on challenges of business model transformation. This theme emerged as a result of insights from participants relating to the perception of the reasons for challenges in the adoption of technology and business model transformation. The theme is unpacked in detail below in terms of how it relates to research question two.

5.24 Theme 4: Challenges of Business Model Transformation

A total of four consolidated codes were developed from the insights received. The interview data showed without a doubt that the broker business model is very traditional and do not align to the current changing business environment. The thematic map for Challenges of broker business model transformation on **Figure *13*** below, suggests that fear of change, willingness to change, regulatory requirements and technology adoption are factors which underpin these challenges as experienced by brokers in broker model transformation.

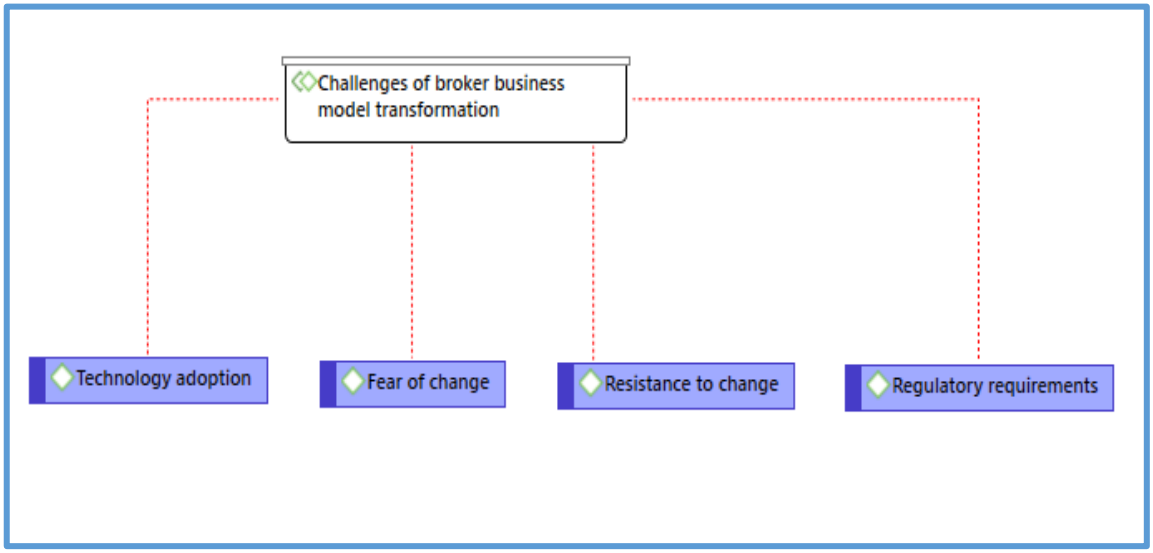

Figure 13: thematic map for Challenges of broker business model transformation

5.25 Fear of change

Three participants indicated that one of the major challenges that they faced was from the older generation who fear change and are intimidated by the new technological systems and a highly regulated financial services industry in which they operate in as brokers.

> *"Isn't it everyone is afraid of change? When change comes about, you know, there's always the saying: If it isn't broken, why fix it." - Participant 9*

> *"People just don't want to change. So, they're stuck in their ways. This is something very new to them. They weren't brought up with a grown up, but we were brought up with technology. So, they just kind of don't really use it." – Participant 10*

> *"Basically, it becomes a challenge because the older guys can't even operate a normal PC, a computer. So, you can imagine, now, you have to teach people about the, what's called an app on their phones and stuff like that." Participant 5*

5.26 Resistance to change

It was indicated by at least four participants, that there was a lack of willingness to adopt and change to the new systems and new ways of doing work. The major reason that came out of the interviews with participants was that technological changes are time consuming for the broker. In particular the older generation brokers were not willing to learn about the new technology, as they felt they are comfortable in the old traditional ways of conducting their broker businesses, especially when looking at their current profitability as well as the trust relationships that have been built over the years.

> *"People don't take kindly to, to change because it's time consuming to adjust and then to learn the ropes and get used to it." - Participant 9*

“The old financial advisers started to leave the market because they cannot keep up with the changes and they do not have the time nor the energy to do an effect that studies the way necessarily.” Participant 2

“Like as I had said, it's not easy to try to teach an old dog new tricks. We more like convention like conventional people whereby we believe in paperwork, paper based, everything was paper based mostly. This technology it's a new thing in our live, we are trying to adapt basically. Most brokers you will out that they don't even have requirements.” Participant 5

“I think it's more just being stubborn to be honest with you. Older people just don't want to learn.” - Participant 10

There were mixed views that came out of the interviews from participants relating factors impacting the broker’s willingness to transform their business models. Some participants indicated that they had seen growth in the preceding years and believed that they will achieve more in the coming years. In their view, there was no direct correlation between growth and adoption of technology. Other participants argued that technology was changing their landscape and enabling them to provide outstanding customer service.

“So, the technology plays a small role, you know, if I may put it that way in terms of growth of our business, we are not dependent on technology at this point in time. Even though we've got the website, you know, the, the emails and everything, but it's not really our, um, it's not where we derive our growth.” Participant 3

“So generally speaking, I would say that, uh, it really is about, it's, so quantifying it. Um, I've actually looked at my stats from last year to this year and there was a good, what 12% growth. Okay. So, it grows, uh, simply because of having gained momentum in, reached out to multiple people. To be quite honest, I don't think I have fully embraced it.” Participant 12

“Well, growth in my business has been, I don't know that the wording in this is like doubled and tripled in the last basically year. And how technology has

contributed to that is also with the appointments, I get my PA to set them up and for me to get it via email. It's very easy to do and to set up the clients, which is the activity that we all chase as advisors and we want to succeed with activity. You don't need any paper. You can sit there in front of a client with a laptop. I always make sure that I don't put technology between me and my client." Participant 13

"There has been growth. You know, I look at my personal business yes, there has been growth that speaks of the business. I guess to a certain extent, yeah. In a different way technology always helped you in terms of accessibility, direct marketing, emails, telephone, yeah." - Participant 9

"I would say it's getting smaller; I would say brokers are....in fact, from my experience over the last five years with two major brokers, they are struggling to keep the growth. So, we get policies on board. So, you concentrate on sales and you push sales. Okay. But retention is so hard." - Participant 1

"Because we've grown year on year. Um, we've been open for 10 years, going on to 11 years now and every year there's growth every year. It might not be on the personal lines book, but it might be on the commercial." – Participant 2

5.27 Regulatory requirements

Participants highlighted regulatory requirements as an area of uncertainty and a big challenge, particularly for the older generation brokers in the industry. Restrictions on the type of products that can be sold depending on the type of qualification held, were deemed as inhibitors to broker success and sustainability. Older generation brokers highlighted that they were at risk of being debarred due to non-compliance, resulting in potential disintermediation of broker. However, one participant indicated that regulatory requirements were necessary to professionalise the broker industry.

Yeah. I think that regulation internationally has made good sense, uh, that regulation has found itself into our market. Of course, because we're, you

know, I think as competitive and comparable to any, top insurance market in the world, but perhaps we should be adopting a more lenient approach for brokers in this country from a regulatory point of view so that we stimulate the growth of brokerages as opposed to put this particular distribution channel under more and more pressure. Participant 4

It's very difficult now to get the license. There's lots of requirements now, you know, let alone the the buzzwords such as the regulatory exams, which everybody is scared of in the market. You know, I mean there are other requirements also that I think are an impediment. But some of the polices that the FSCA is coming up with, they are good for the industry. Some of them I think they are a bit prohibitive. participant 3

"There's a whole lot of rules that changed in so far as the financial industry is concerned. So you will out some....I'm not even willing to go to school for instance you need, what they call constant learning basically in the industry. Some are not willing to go through those tests that you need to do. Like now there's regulatory examinations when you reach a certain thing in the industry, you need to do those regulatory examination and the whole lot of them they fail, and you found that those are the guys that are doing good in the industry." – Participant 5

Most participants alluded that the biggest challenge with regulation was being experienced by the older generation brokers, who are required to be registered and maintain a certain level of standards and compliance to operate in the financial services industry. All brokers must be registered and obtain authorisation to sell specific types of insurance products and are required to pass set regulatory exams and continuously prove that they have received training on products they sell. Previously brokers could just operate and not be accountable to their clients in terms of products sold.

"further problems that we encounter is that, um, some of the older brokers, uh, have problems with regulation requirements." - Participant 12

“but it's the different requirements that are coming from the financial regulator that would put him, put him out of business. So, so if you don't have the necessary qualifications, you know, you don't have the knowledge, the know-how and yeah, that has the affected the broker model.” - Participant 9

“Regulator is the biggest thing. In the past, people used to write business on the back of the cigarette pack. The regulator and the stringent compliance procedures has really changed how broking is going to be going forward. The life of or the needs of the consumers have been put first before any other's needs, eh, um, hence say as a broker it is becoming more difficult and difficult to become a broker because now we are, the client is no longer expected to tell the broker what they need. The broker is supposed to identify what the client needs, recommend and the clients can say yes or no.” Participant 2

Furthermore, brokers are now required to have insurance qualifications and attend continuous personal development programs. This is a disadvantage for the older generation brokers who have operated in the industry for longer than 15 years.

“In addition to the regulatory exams again, you start seeing in certain categories that you need to have specific qualifications where the FSCA or FSB tabled if you're doing category two or category three or four, what other qualification in additions to just a normal diploma or degree once you have that industry or that is specifically product related.” - Participant 2

“Because at the end of the day, you, you going after the work force that contributes to the tax in the country legitimately and you threatening them with signing compliance and say it's easy to actually maintain your. On the other hand you treat them like criminals whereas these guys are paying tax. You are regenerating stuff for the economy Participant. “ - 9

“You'll find many people with a mere matric not meaning that matric doesn't mean anything being brokers, some of them way brokers selling investment product and having matric have never done economics in at school. Um, and that eh, on its own, eh, I think it was a recipe for disaster.” - Participant 2

“I think sometimes the FSCA is trying to overregulate which might stiffle the growth of the industry in particular the disruption challenges or the broker because like now they've come with quite number of things, you know, things like you know, product specific training, you know they are saying if you're selling a certain insurance product you must actually.....the it's actually not going to, the onus is upon the insurance company that you are selling the product for to say that you understand that product in order to avoid comebacks.” – participant 3

5.28 Technology Adoption

Seven of the research participants believed that the adoption of technology as an enabler for their business processes was critical in their ability to operate and provide clients with efficient broker services. Technology is critical in ensuring sustainability into the future, as it facilitates the process of business model transformation, Participant 12 emphasised.

“Um, you know that you supposed to change your system every 10 years because technology changes.” – Participant 1

“times are changing people have already implemented that. So if we stay behind, I mean if you're going to catch up to me you do need to adapt much quicker. Like I said, things get processed much quicker when technology is involved.” - Participant 14

Two participants asserted that technology is a major player in the reduction of costs associated with services provided by the broker. One participant highlighted the fact that technology is continuously changing, and brokers must also update their systems to cater for the ever-changing needs of clients and insurers. Clients and Insurers have expectations that are forcing brokers to adopt technology to enable cost reduction, growth, accessibility and effective communication.

“Because they haven't got a choice. They really don't have a choice. So, so the, the large insurers in South Africa are forcing them down a particular path

and they need to do it. But it's not only that, it's the clients that are driving them as well. So the clients are much more techno savvy." - Participant 1

Technology adoption requires expensive infrustructure to be set up to ensure that brokers take full advantage of the capabilities presented (Kodongo & Ojah, 2016). The limitations brought about by under-developed infrustructure in emerging markets such as South Africa remains a critical issue that must still be addressed (Kodongo & Ojah, 2016). Infrustructure encourages economic growth and indirectly facilitates the adoption of technology (Kodongo & Ojah, 2016). Currently the risks and costs associated with implementing the latest technology are too high for most brokers in the South African broker industry due to under-developed infrustructure(Kodongo & Ojah, 2016).

"However, um, having said that, um, it could be frustrating because technology.....if you don't have the network in that particular day assuming Telkom if you are not yet on fiber. If they've stolen cable your whole day or three days could be lost as a result of that, whilst in the past you could do the things and send it via fax and the theft of cable then was much lower compared to current date." - Participant 2

"technology for the broker is just such an expensive thing and it really works perfectly. You have to build processes around it. And I'd love to know in the, in your studies at the moment in my studies I was always taught, um, when I first started I was so in the 1980s, okay. Systems came in and you built your processes around those system." - Participant 1

"The only downside is that some systems are expensive than others depending on whether as a broker you are expected to pay for your own system and depending on what type of broker you are, if you've got absorbed agreement definitely you source everything from your own system." - Participant 2

Most of the available technology platforms require business to change their processes and brokers end up having to align their processes to suit systems which impact on the broker value proposition. Participants also highlighted that most South

African insurance businesses were characterised by outdated legacy systems due to high costs associated with implementing new technology. This is another challenge faced by brokers in adopting any sort of change within their industry.

> *"So my view is it should be business driving technology, but in today's age it's too expensive specially in the broker world, specially in the insurance industry where the margins are actually quite fine." Participant 1*

> *But we still struggled because it's so expensive to change systems to match. In fact, one of the big, um, companies, OMI, I worked for them when they were in [inaudible] okay. Um, they got the system called TIAA and they decided to rebuild their accounting system to match the processes. Let me tell you, today, they are still struggling. They, they, instead of just taking the package and implementing it and changing their processes around the system, they did it the other way around." - Participant 1*

Participants agreed that technology enables accessibility. Brokers are able to conduct business with clients from anywhere in the world. Most of the brokers recognise and appreciating that technology will eventually change the way businesses operate. However, it is important to consider that in the South African context, technological knowledge was still limited.

> *"it becomes a challenge because the older guys can't even operate a normal PC, a computer. So you can imagine, now, you have to teach people about the, what's called an app on their phones and stuff like that." - Participant 3*

> *But if you look into your future, obviously things will change, but for now, um, what you can only do is just, accept the changes as, as a broker and make sure that you also learn. So if you're not a technology person, like these old brokers that are struggling, make sure that you teach yourself, you know, anytime as well.*

> *I mean, for the specific insurer that I work for nothing can be done without the computer, you know? all applications are captured on the computer, you know, nothing is paper based. So now it's enforcing my trust elements with*

my clients and making sure that they are signing something, and that's where we come into just give these these people peace of mind, you know, because what they see is just technology. You can't trust something you don't know. So it's us providing knowledge to them that, what they taking is something that's legit. Participant 7

In summary, the participants believe that broker businesses will gain capabilities if they transform their business models to embrace technological opportunities. They asserted that technology enables scale and efficiency and that brokers who do not adopt this new way of doing business will eventually be left behind. The participants further indicated that there is a fear of change, especially amongst the older generation brokers. This is because they are used to getting things done the old manual way and their traditional processes have always worked for them. This is evident in the growth that they continue to experience in their policy counts. According to most participants, whilst technology has a role to play in the broker industry, the biggest challenge threatening the broker business model is the stringent regulatory requirements and not technology itself.

5.29 Summary of responses for research question 2

To answer Research Question 2, Theme Four was developed and it yielded four consolidated codes in support of the challenges faced by the brokers in transforming the broker business model. The results show that the most outstanding challenges faced by the brokers were fear of change, unwillingness to change, regulatory requirements and technology adoption. These challenges are mostly influenced by the older generation's skills and their unwillingness to adopt and learn more about the opportunities presented by technology. Another deterrent is the demanding and costly regulation that the organisations must comply with. **Figure *14*** below outlines the general sentiments as perceived by the researcher across the interviews on the ranking of challenges of business model transformation.

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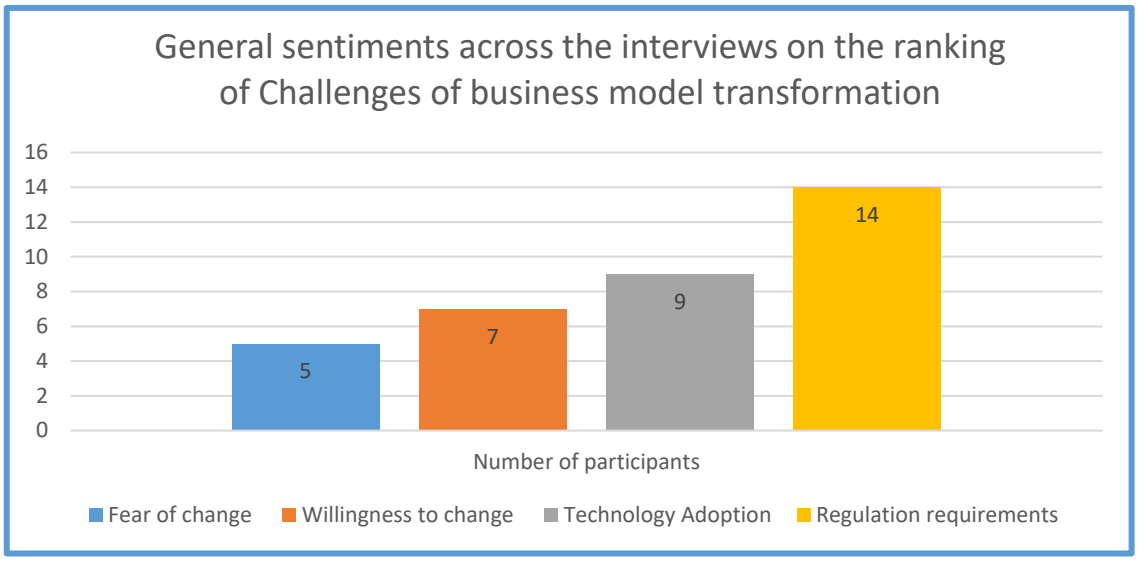


Figure 14: General sentiment as perceived by the researcher for the ranking of Challenges of business model transformation

5.30 Results for Research Question 3

Why is it important that brokers transform their business models?

The objective of this research question was to investigate the broker's understanding of the importance of business model transformation. The question further wanted to explore the broker business growth over time and unpack some of the benefits associated with innovating business models to ensure sustainability into the future. The question also attempts to uncover whether brokers have been influenced by technology in their decisions to innovate their business models and the associated benefits. Theme five emerged based on the discussion with participants on the importance of broker business model transformations. The theme is unpacked in detail below in terms of how it relates to research question three.

5.31 Theme 5: Importance of Business Model Transformation

Theme five was developed to understand from the perspective of the participants why it is important to innovate and transform the broker business model. A total of five consolidated codes were developed from the opinions of the participants namely: Improved Communication, Easier and Improved Processes, Faster and Efficient

Systems, Increased Competition and Increase in Connectivity, as depicted on **Figure *15*** below.

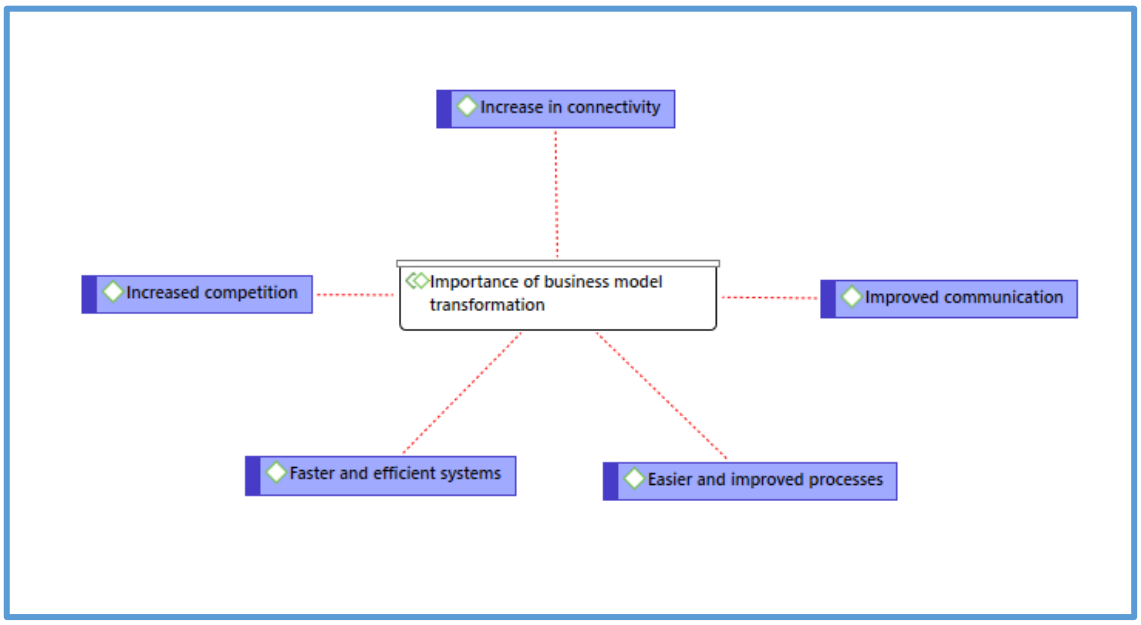


Figure 15: General sentiment as perceived by the researcher for the ranking of Challenges of business model transformation

5.32 Improved communication

According to the participants, technological disruptions in the broker industry have improved communication between clients and the brokers. Simple technology such as email, telephone and laptops have enabled transactions to be efficient and timeous and most importantly, have enabled the broker to have the means to create solid relationships with their clients. Brokers are now able to engage with their clients from anywhere and at any time.

Simple technologies such as email and electronic processing of transactions, have enabled quicker and faster communication and online deal making, some participants highlighted. Four of the research participants who were younger generation brokers asserted that communication technology has also facilitated relationship building with their clients.

“What else in terms of electronic communications and not relying on the portal system, also fabulous. How quickly you can change things or communicate. So, in terms of whether, okay. And saying put your car inside, isn't that a fantastic and it really makes your client a lot closer.” - Participant 1

“Nowadays you can take your laptop, you can have a presentation pretty much already. You just go and present to your client, everything is there, on your system. So, it makes the communication easier.” - Participant 9

“It makes, um, it gives me easy access to my clients in terms of communication, in terms of facilitating the relationship between me, the client and the insurer.” Participant 6

“There's a lot of communication and you just have a better relationship with the client.” Participant 10

5.33 Easier and improved processes

Process improvement innovation can yield many tangible and intangible benefits for brokers. The tangible benefits include reduced operating costs, improved compliance and reduced paperwork. Intangible benefits relate to an improve broker workforce and efficient customer delivery mechanisms. Research participants highlighted that utilising technology to transform their business model over time has simplified processes that historically used to take long hours to complete.

Participants further asserted that technology has reduced the amount of paperwork required for transactions to be completed. Signing off documents has become quicker and has reduced geographical boundaries, in that brokers are now able to facilitate discussions and transactions from anywhere and with anyone around the world. Participants further highlighted that simple technology such as email, enables them to obtain quicker turnaround times to complete deals.

“I can run a quotation for your client on the phone, um, without uh, having to go to a typical computer. Everything is done here on my phone and things

like that. Even your signing you can sign things on my phone both of our copies and stuff like that." - Participant 5

"Technology has made sort of process simpler. Um, it has made it simpler in terms of, uh, when contacting clients, uh, getting paperwork done, you know, timely ASAP." - Participant 9

"But generally technology is there to assist you, makes life easier. It doesn't make you laugh more difficult. So I don't think I've ever had to use any technology that's made me go backwards. It's all stuff that improves the practice and it makes life easier" - Participant 10

5.34 Faster efficient systems

Four participants agreed that business model innovation and transformation has enabled the ease of performing tasks, through quick and easy access to information. The advantage of technology is that it has platforms that make it easier to get information. Brokers do not have to go to libraries to get the information they require to perform their functions. Technological disruptions such as the internet have enabled an environment that facilitates the fast transfer of knowledge between individuals. Four participants all agreed that faster efficient systems have contributed to some of the successes they have experienced in the broker industry, given the nature of their business that requires them to compete for clients.

"I mean you can find anything you want now on Google. So, for, for information wise, it, that makes a big difference with the technology we have." – Participant 10

"There's another one sharing of information over night, sharing of claims information, being able to black Mark these guys." – Participant 1
"Through technology and online platforms and various portals available you can get the information and the quotations immediately." – Participant 2

"So you know, these sensors that you can pick up and you can phone the client and say your geyser is going to overflow. Go turn

it off. It's about the, um, what's it in cars that the technology," – Participant 1

Everything. Um, it's just, it's fast, it's efficient, it's, you know, everything. You can't lose a document. You can go back four, five years and you can actually find a schedule for January 2014." – Participant 8

5.35 Increase in Connectivity

Participants highlighted that current business models enabled better connectivity between them, insurers and their clients. They are able to perform multi-quoting functions which enable them to provide best suitable insurance products for their clients. Through innovative business models, they have been able to provide mobile apps that enable their clients to access information about products instantly. One participant asserted that processes such as claims, have become enhanced and allow for real time processing as a result of connectivity. They further highlighted that time is no longer a factor as clients can submit claims on their mobile phones at any time of the day with ease.

"Have to build a whole layer around the system or swap systems just to get a little thin tick app to, right. So these, another advantage is the fintech apps on that that's what we're building now. Okay. Can I talk about another amazing thing? But again, it's more insurance. So again, in terms of insurance, its hard cause there's not broker. Okay. Um, it's everything to do with the connectivity." - Participant 1

"It has contributed in a very positive way because when it comes to the administration of the policies, they have that liberty to access the information on the cell phones. Now if you have an Android phone, you are able to go through that route for, for example, with discovery, if you have a claim that's below 10,000 rand and it's the middle of the night, you don't, you, you're not getting hold of your broker, you will have that liberty to log your claim on your cell phone. So it has made life easier for us brokers and as well as for our clients." - Participant 6

5.36 Increased Competition

Increased competition was another construct that came out of the insights received from participants, when discussing the importance of business model transformation. Four participants highlighted issues of increased competition in the insurance industry, prompting brokers to relook at the way they package and present their services to clients. Participants alluded to the fact that the technology available currently, appeals to younger generation clients who appreciate business transactions that enable them to be rewarded. They further highlighted their awareness of the increased direct marketing that is taking place through television advertisements, which appeals to the younger generation clients. Participants also were aware that there are software applications that provide client assistance regarding their policies through mobile and online applications. One participant highlighted that competition is so fierce that most of the time clients pay loaded premiums and are not even aware of this, and the broker has the challenge of explaining it to clients.

> *"Because it's trendy and you get 400 rand back and you get money back the whole time."- Participant 1*

> *"Robocops are becoming a thing. So robo advisors are becoming more and more of a thing." - Participant 5*

> *"Because of the high competition and, what transpires from a lot of marketing from insurance companies is people now knowing what a specific insurance product should do for you. So now there's a level of education that's happening with our consumers without having an interaction or a broker. Um, so because of the marketing element, there's a transparency that now actually happens because you can't market what's not true." - Participant 7*

> *"Going to start begging, we'll lose a lot of business in terms of not getting to your client in time with someone else using up to date, digital marketing is going to get there quicker. Yeah. It will. So yes, you've got to keep up with the times and adapt with the times and make changes in your business so*

that it's in line with the kind of lifestyles that the new generation stuff, because if you gonna stick to old school." - Participant 9

"So again, large market goes to the direct world whereas if you came to a broker, we could explain to a young person that if you just took a little bit of contents cover, guess what? You don't have to pay the 50% loading of a motor only policy. Whereas direct companies don't necessarily do that. So again, it's about advice. It's about an engaging. But again, we used to engage with the oldies." Participant 1

5.37 Summary of responses for Research Question 3

Although the traditional broker model has sustained brokers and kept them in business despite the challenges that brokers face with the transformation of the old broker system, it is undeniable that the transformation will help improve their business and ultimately their success in the industry. In summary, the participants believe that even though there are challenges that come with transformation of the old broker model, the benefits outweigh these challenges. Broker business model transformation can help improve efficiencies and processes that have resulted in brokers not being attractive, especially to the younger generations.

One of the most important reasons why brokers should transform their business models that came out of the interviews, was the benefits of improved communication, efficient fast systems and connectivity between the brokers and their clients. This makes it easier for brokers to stay in contact and increases the prospect of building and increasing their books of business. The other benefit of transformation is easier ways of accessing and processing information which will help the brokers manage their clients easily and more efficiently. **Figure *16*** below outlines the general sentiments across the interviews on the Importance of broker business model transformation as perceived by the researcher.

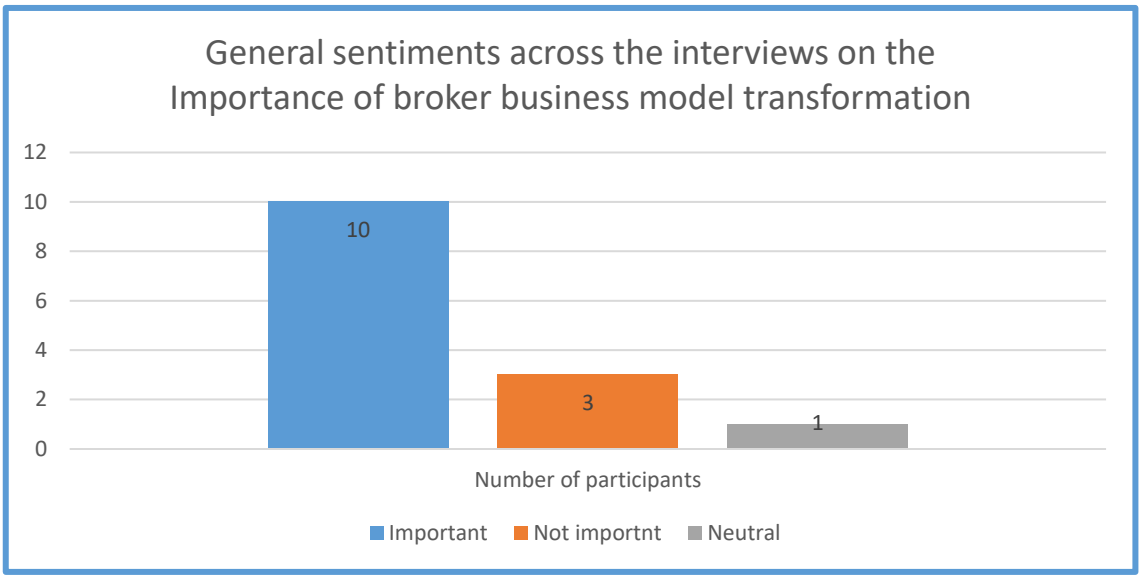


Figure 16: General sentiment as perceived by the researcher on the Importance of broker business model transformation

5.38 Chapter Summary

This chapter presented the findings of the analysis with the aim of understanding the role of technology in transforming the South African short-term insurance broker business model. There was a total of five themes that were developed to explore the overarching theme of the role of technology in transforming the broker business model, with the aim of helping to answer the research questions presented in this study. The figure includes consolidated codes from the five themes and their associations. The brokers' main mandate is to simplify the process of buying and selling insurance for the client. This is done through personalised services, client exclusivity and direct consultancy. The **Figure *17*** below shows all the themes and their associated elements that relate to the role of technology in transforming the broker business model. The elements were identified by participants of the research study as key ingredients in the sustainability of the broker business model.

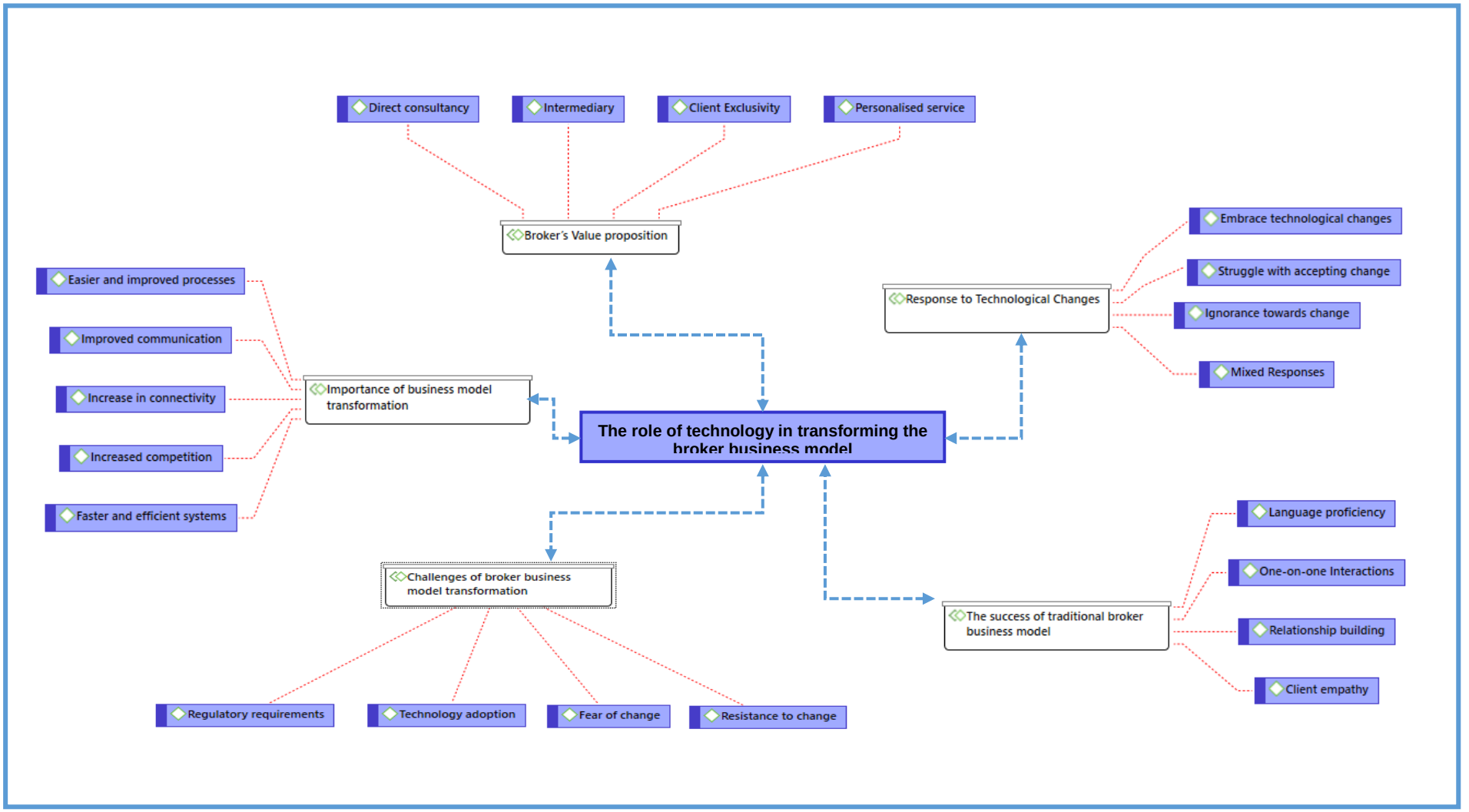


Figure 17: Consolidated summary of the themes and consolidated codes as they relate to each other

6 CHAPTER 6 – DISCUSISION OF THE RESULTS

6.1 Introduction

This chapter provides a detailed discussion of the results from the thematic analysis conducted on the data collected from the fourteen semi-structured interviews, as outlined in chapter five. The outcome of the results from chapter five will be compared and contrasted in relation to the extant literature as detailed in chapter two. The objective of this chapter is to identify consistencies and contrasting ideas between the research results and extant literature. The chapter builds on the following academic construct, brokerage theory, actor network theory, business model innovation and insurance technology (Insurtech). It assesses their impact on the insurance broker industry as a concept that is in its infancy in academic literature. The results are discussed as they relate to each research question outlined in chapter three, which aimed to address the role of technology in transforming the broker business model. The chapter will conclude with a summary of the results discussed, which will serve as a basis for the development of a model. The model will outline how the various constructs interact with one another to determine the role of technology in transforming the broker business model.

6.2 Discussion of results for Research Question 1

Research question 1: How is the broker industry responding to technological changes in the South African Short-term insurance industry?

Extant literature on brokerage suggests that the broker business model has been for decades the main distribution channel used by insurers to sell simple and complex insurance products (Focht et al., 2013; Hahl, Kacperczyk & Davis, 2016; Dominique-Ferreira, 2018). The prime value proposition for the broker business model has been the ability to build strong relationships and maintain high levels of trust with clients on behalf of the insurer (Dominique-Ferreira, 2018;) . Furthermore, brokers offer value to insurers through their insurance product expertise, their ability to build pricing models and setting up underwriting criteria to be utilised to assess the risks for the specific areas of insurance based on client profiles and needs (Focht et al., 2013).

Most participants agreed with extant literature as was evident in the responses that were received. **Table 5** below outlines the summary themes based on the research participants responses to research question one.

Table 5: Summary themes for research question 1

Research question	Themes	Code Groups
RQ1: How is the broker industry responding to technological changes in the South African Short-term insurance industry?	Broker's Value proposition	Personalised service
		Client Exclusivity
		Direct consultancy
		Intermediary
	The success of traditional broker business model	One-on-one Interactions
		Relationship building
		Client consideration
		Language proficiency
	Response to Technological Changes	Embracing technology
		Ignorance towards change
		Struggle with accepting change
		Mixed Responses

6.3 The Broker value proposition

6.3.1 Personalised service

According to extant literature, the primary economic function of a broker has been to connect the creator of insurance products, the insurer and the buyer of these products, the client, in a business transaction by having good relationships of trust with both parties (Hahl et al., 2016; Peng, Chen, Wang, & Tzeng, 2017). These viewpoints were supported by responses from research participants who argued that due to the complex nature of insurance products, clients rely on brokers to perform a needs analysis and provide personalised insurance services that will ensure they are adequately covered. Brokers give clients personalised service, as they advise clients on products specifically suited for them.

6.3.2 Client Exclusivity

According to Dominique-Ferreira, (2018), Brokers play a key role as an alternative retail insurance distribution channel by influencing the insurance product sales process, claims management and client satisfaction and experience. Participants supported this statement and argued that client exclusivity is a critical value proposition offered by brokers, as they can deal with each client on a personal level and therefore give clients insurance products best suited for them. Brokers through exclusivity can gain trust from the clients, giving them access to important information that will make it possible to suggest or provide the clients with the most suitable product.

6.3.3 Intermediary

Participant 1, 7 and 11 explained that clients appreciate human interaction and intervention. Brokers provide this human intervention through trust relationships between clients and insurers. One of the historical roles of brokers is selling products for insurers, meaning that brokers were an intermediate between clients and insurers, with their main goal being to earn commission, as asserted by three of the participants. According to one of the participants, brokers are a very important intermediary, as they are instrumental in finding out the client's need and therefore, helping the insurer stay relevant by selling products that are always relevant to the client's need.

Their success in intermediating is heavily reliant on trust. Extant literature agrees with this sentiment and asserts that the broker business model has been for decades the main distribution channel used by insurers to sell insurance products in the market (Focht et al., 2013; Hahl, Kacperczyk & Davis, 2016; Dominique-Ferreira, 2018). Brokers bridge information asymmetry by not only fostering trust relationships, but also intermediating between insurers and clients, through their understanding of simple personal insurance to complex specialist risk product offerings in insurance (Focht, Richter & Schiller, 2013).

6.3.4 Direct consultancy

Most of the participants expressed how brokers offer unique tailor-made services for each of their clients, especially those that require an in depth understanding of the products they are buying and continuous supervision of their portfolio. Through direct consultancy brokers can perform a needs analysis to provide clients with guidance on the process of buying and claiming for insurance products. Literature further asserts that risk assessment involves the process of analysing the client's insurance needs based on the item to be insured, their personal demographic and geographic profile (Asaad, 2016). The correct assessment of this information is critical during the contracting process (Asaad, 2016). Brokers can provide this unique service through direct consultancy with clients (Asaad, 2016).

Participants 10, 12 and 9 explicitly highlighted the importance of direct consultancy in enabling clients to make informed decisions at the point of sale as opposed to going through a call centre setting, which may leave the client vulnerable to making uninformed decisions on product choice. The broker's value proposition is very clear. It is to simplify the process of buying and selling complex insurance products on behalf of the insurer to the client.

6.4 The success of traditional broker business model

6.4.1 One-on-one Interactions

Participants, 7, 9 and 19 clearly articulated their thoughts on what makes the traditional model broker successful. One of the main contributors to the success of the broker model was identified as one-on-one interactions that the brokers have with clients. Most participants indicated that a segment of insurance clients with high value items, prefer one-on-one interactions, due to the complex nature of their risk profiles. These clients prefer the guidance of an expert broker when obtaining risk products.

Dominique-Ferreira, 2018; Catlin et al., 2015; Lemon & Verhoef, 2016) concur that it is imperative that brokers gain in-depth understanding of client demographics and their changing behaviours for accurate rating. The scholars further elaborate that

brand loyalty and trust are no longer enough in maintaining the broker value proposition and client retention.

6.4.2 Relationship building

Extant literature on the broker business model argues that the brokerage founded on the pillars of solid client relationships, trust and expertise, enables the broker to accurately risk profile and recommend fit for purpose products (Stanley, 2019; Kendler, 2016; Dominique-Ferreira, 2018). The Mckinsey and company report, (2017) supports this argument and suggests that brokers play a key role in maintaining client relationships and product expertise.

Research participants aligned to literature in their responses that relationship building is at the core of the value of the broker business model. The traditional broker model encourages relationship building between brokers and clients and brokers and insurers and this has been seen to be very instrumental in cementing the value of the broker model by all participants of this study. Brokers engage with clients to understand their needs based on their risk profiles, and they configure or find products that are suitable to the client. Relationship building, creates opportunities of trust that allows for easier and smooth transactions between all parties, ultimately leading to word of mouth recommendations, thus leading to the success of the broker.

6.4.3 Client Empathy

The level of consideration and attention to detail that brokers give to their clients in terms of their needs, makes the clients more inclined to working with brokers. This is an important contributor to the success of the traditional broker model. Broker's ability to empathise with clients makes the traditional broker model the preferred channel for accessing insurance products for clients. This was confirmed by participants' responses, as well as Mulhall et al., (2016) and Peng et al., (2017) in their research articles.

6.4.4 Language Proficiency

Another important contributor to the traditional broker model is the fact that brokers are language proficient, which means they can assist clients in their preferred language. This competence enables relationship building and trust between clients and their brokers, thus ultimately enabling better transactions. Three participants' responses highlighted that language proficiency develops trust and enables the client to disclose more information. Whilst extant literature reviewed for this research did not cover language proficiency, Dominique-Ferreira, (2018) argues that brokers are believed to play a significant role in the facilitation of buying and selling of insurance products between the insurer and the client. This implies that brokers are fulfilling a significant role in the client's decision making process.

6.4.5 Response to Technological Changes

Theme three was developed to understand the response of brokers to the technological changes in the broker business model. This theme consists of a total of four consolidated codes namely: Embracing Technological Changes, Ignorance towards Change, Struggle with Accepting Change and Mixed Responses. These codes deal with participants perceptions on the response to technological changes by the brokers who operate in the insurance industry.

6.4.6 Embracing technological changes

Extant literature argues that there are many benefits to be gained by brokers as a result of technology and that the traditional broker business models must transform in order to realise these benefits, given the looming threat of new digital insurance start-ups (Eling & Lehmann, 2017; Stoeckli, Dremel, & Uebernickel, 2018; Roberts et al., 2019; Singh et al., 2001). Despite arguments made by the above scholars, contrasting views have been made by multiple reports which suggest that brokers have been laggards in adopting technology (Lemon and Verhoef, 2016; Kendler, 2016; & Zeier, 2018).

Research participants also highlighted that brokers are responding to technological changes due to an overwhelming number of young clients who are migrating to more technological systems. The participant responses show that there is a lag in adopting technology particularly from older generation brokers and by contrast, younger generation brokers are embracing opportunities brought about by technology. The responses presented by the participants suggest that some brokers with experience of more than five years, do not currently view technology as the main lever of providing the broker business with dynamic capabilities as a contributor to the broker value proposition. These participant responses are aligned to the studies conducted by scholars Lemon and Verhoef, (2016); Kendler, (2016); & Zeier, (2018).

6.4.7 Ignorance towards change

Participants displayed some level of ignorance with regards to the technological changes that are happening in relation to the broker insurance industry. In line with the ignorance displayed by some of the participants, Lemon and Verhoef, (2016); Eling & Lehmann, (2017); Kendler, (2016); & Zeier, (2018) all suggest that brokers have particularly been laggards in their adoption of technological innovations brought about by Insurtech. Most participants argued that technological changes will happen, however do not carry too many threats to their broker business model. Most participants were oblivious towards embracing or getting acquainted to the changes in order to leverage all the opportunities that come with it. To this end, Caitlin & Lorenz (2018); Eling & Lehmann, (2018) further assert that this may be due to the perceived broker value proposition which relates to trust and long-standing relationships with their clients.

6.4.8 Struggle with Accepting Change

While some brokers are ignorant of the changes on the broker model, some brokers are aware of the changes that are coming with technology but are struggling with accepting these changes. For smaller brokers, the cost of changing systems is too high, hence they struggle to accept the change. For older brokers, it is more difficult to transition from their paper-based system to the more technological broker model. For some the first response is fear because for them it is a very big step and change. Extant literature argues that these brokers are missing the important value that will

be brought about by the internet and subsequently Insurtech, which provide game changing opportunities for brokers to improve their offerings and returns significantly (Stoeckli et al., 2018).

6.4.9 Mixed Responses

Two participants who had been in the industry for 25 years, asserted that response to technological changes is influenced by multiple factors. Some brokers are ignorant and not interested in the changes, while others are influenced by the socio-economic factors in South Africa, which limit infrastructure development that may enable access to technology. Eling & Lehmann, (2018) partially agree with the sentiments above but largely attribute the reluctance to change to perceived broker value proposition which relates to trust and long-standing relationships with broker clients. However, the literature review conducted does not explicitly explain the reasons for the mixed responses. It can however be deduced from the participant responses that positive responses to change are largely attributable to the size and the financial power of the brokerage. Despite the mixed responses from brokers in accepting changes in the industry, the financial services board released a report detailing six year growth figures and the brokerage short term business posted R99 billion in gross written premium for the year 2017. This suggest that the broker business is healthy in South Africa.

6.5 Results for Research Question 2

What are the challenges faced by brokers that may be grounds for slow adoption of technology and business model transformation?

It is inevitable that the broker business model is going to be disrupted by technology with artificial intelligence (Robotics), smart phones, block-chain, big data processing, cloud computing and data analytics, as the engines of Insurtech domination (Eling & Lehmann, 2018). Extant literature reviewed for this particular study does not explicitly outline challenges experienced by brokers relating to the adoption of technology, however, Kendler, (2016); & Zeier, (2018) also suggest that brokers have not embraced technology and innovations brought about by Insurtech. Most of the

participants however provided insights from their lived experiences, relating to the possible challenges faced by brokers in this regard.

Table 6 below, outlines the summary themes that emerged from the responses provided by the research participants to research question two.

Table 6: Summary themes for research question 2

Research question	Themes	Code Groups
RQ2: What are the challenges faced by brokers that may be grounds for slow adoption of technology and business model transformation?	Challenges of business model transformation	Fear of change
		Resistance to change
		Technology Adoption
		Regulation requirements

6.6 Challenges of business model transformation

The interview data echoed the same sentiment from Catlin & Lorenz, (2017) that the broker business model is very traditional, especially those operated by older generation brokers. These broker businesses are not aligning to the current changing business environment. Participants highlight possible reasons for this as fear of change for some brokers, resistance to change for others and the technology adoption and possible regulatory requirements.

6.7 Fear of change

The elements that encompass fears related to change can be explained through the lens of Actor Network Theory (ANT) which builds on from the 1980s (Shim & Shin, 2016). The objective of ANT is to integrate roles played by non-human elements such as politics, socio-economic conditions and technology into traditional social networks which include humans (Shim & Shin, 2016). ANT asserts that networks include both human elements referred to as actors and non-human elements referred to as actants (Shim & Shin, 2016). ANT provides a framework to better understand the

complexities and dynamic nature of the role played by technology within the broker business model network (Shim & Shin, 2016). In ANT, there are four moments of translation, where an actor or actants joins a network and potential disruptions occur, which require specific actions to be taken in order to adapt to the changes brought about (Sai & Naroznaja, 2018; Iyamu, 2018). Most of the time actors do not know how to respond to non-human actants, which in this case is technological disruptions (Iyamu, 2018.

Three participants indicated that one of the major challenges that they face was from the older generation who fear change and are intimidated by the new technological systems and a highly regulated financial services industry, in which they operate in as brokers. The response from the participants underpinned by the ANT framework, provide a reasonable argument that captures the reasons why brokers would experience fear due to changes brought about by technology.

6.8 Resistance to change

One participants argued that why change something that is not broken however this particular response is limited in nature especially because broker clients are changing and have become increasingly demanding, in their expectations for exceptional , efficient and timeous customer service (Dominique-Ferreira, 2018). Agreeing with the above argument was a report by McKinney which indicated that Lemonade a platform insurance product provider managed to sell 2000 policies in the first 100 days of their existence of which 80% of their policy buyers were first time buyers and largely millennials who appreciated transacting on their mobiles (McKinsey & Company, 2017). The traditional methods previously utilised by brokers to secure clients for long periods cannot meet these customer demands because technology now enables them to compare products and services rendered by multiple providers instantaneously (Dominique-Ferreira, 2018).

It was indicated by at least four participants that there was a lack of willingness to adopt and change to the new systems and new ways of doing work. The major reason that came out of the interviews with participants, was that technological changes are time consuming for the broker. The older generation brokers were not willing to learn about the new technology, as they felt they are comfortable in the

traditional ways of conducting their broker businesses. These older generation brokers further asserted that based on their current profitability as well as the solid trust relationships, their business model was sustainable.

There were however contrasting views that came out of the interviews from the various participants in relation to what factors impacted the broker's willingness to transform their business models. Participants indicated that they had seen growth in the preceding years and believe that they will achieve more in the coming years. In their view, there is no direct correlation between broker growth and the adoption of technology. This is supported by The Mckinsey and company report, (2017) which argued that insurance technology is merely enabling the insurance value chain, and that brokers still play a key role in maintaining customer retention and product expertise.

6.9 Regulatory requirements

The Financial Advisory and Intermediary Services (FAIS) Act of 2002 provides the regulatory framework that guides the conduct of any agent or broker, or financial advisor in South Africa (Financial Services Board, 2002). The Financial Advisory and Intermediary Services Act (2002) regulates the rendering of advice and intermediary services to clients (Financial Services Board, 2002).

Section 7(1) of the General Code of Conduct requires that financial service providers and any of their associates (brokers, financial advisors and intermediaries) responsible for distributing their products, provide a reasonable and appropriate explanation of the nature and material terms each contract entered into with a client (Financial Services Board, 2002). This includes making full disclosures of any information that would reasonably enable the client to make an informed decision about the products (Financial Services Board, 2002). All participants were mostly concerned about regulatory requirements as an area of uncertainty and a big challenge, particularly for the older generation brokers in the industry.

Restrictions on the type of products that can be sold depending on the type of qualification held, were deemed as inhibitors to broker success and sustainability (Financial Services Board, 2002). The participant concerns presented were echoed

by extant literature which asserted that regulatory requirements introduce a challenge to the broker's value proposition as the entire value of the broker is formed on the basis of their knowledge of insurance products (Ramchander, 2016). Brokers have historically always ensured that they provide their services whilst not disclosing too much information in order to maintain their value proposition (Ramchander, 2016).

The FSCA provides for a valid argument in that previously brokers could just operate and not be accountable to their clients in terms of products sold. This raised fraud and moral concerns and brokerages were for many years characterised by exploitation, corruption, hunger for power and greed as a result of the pursuit of personal profit (Stovel & Shaw, 2019). Participants presented a further argument that there were many experienced brokers who operated their broker businesses with the highest integrity, who will be disadvantaged by the regulatory requirements of the FSCA.

Technology Adoption

Extant literature assert that the customer journey has evolved as a result of the rising tech-savvy millennials, who in the context of Africa account for over half of the population (Eling & Lehmann, 2017). These millennials demand faster, cheaper and customisable products that enable them to transact from devices such as mobile phones (Lee & Shin, 2018). Supporting the above argument, seven of the research participants believed that the adoption of technology as an enabler for their business processes was critical in their ability to operate and provide their clients with efficient broker services.

Technology is critical in ensuring sustainability into the future as it facilitates the process of business model transformation, Participant 12 emphasised. Furthermore, it is worth noting that studies conducted to date are suggesting that the brokers' ability to embrace technology and transform their business models timeously, are a prerequisite for their sustainability well into the future (Pollari, 2016; Zhang, 2016; Catlin & Lorenz, 2017; Stoeckli, Dremel, & Uebernickel, 2018). Whilst most participants agreed with the importance of technology adoption, they also argued that technology adoption requires expensive infrastructure to be setup to ensure that

brokers take full advantage of the capabilities presented. South Africa currently has not enabled most parts of the country to be able to implement technologies that are disrupting other parts of the world. In other instances the associated risks and cost of implementing the latest technology, are too high for most brokers in South Africa.

Two participants asserted that technology is a major player in the reduction of costs associated with services provided by the broker. One participant highlighted the fact that technology is continuously changing, and brokers must also update their systems to enable the ever-changing needs of their clients and insurers. Clients and Insurers have expectations that are forcing brokers to adopt technology to enable cost reduction, growth, accessibility and effective communication. Many studies conducted suggest that technology is the answer in unlocking the optimisation and efficiencies required by all role players in the broker insurance industry to remain relevant to clients (Catlin & Lorenz, 2017; Alhassan & Biekpe, 2015; Eling & Lehmann, 2017; Roberts, Fogarty, & Rear, 2019).

6.10 Results for Research Question 3

Why is it important that brokers transform their business models?

Extant literature associates the concept of business model with elements of strategy formulation, how the business creates value for its clients, which client segments are being targeted, associated distribution channels to be used to deliver the value to the client, stakeholder management and how profit can be generated (DaSilva & Trkman, 2014; Gatautis, 2017). Continuous review of the transformation of business models aid organisations in the facilitation, promotion and acceleration of new ideas that will enable the business to continue to be sustainable (Gatautis, 2017). Most participant responses agreed with this sentiment.

Table 7 below outlines the summary themes that emerged from the responses provided by the research participants to research question three.

Table 7: Summary themes for research question 3

Research question	Themes	Code Groups
RQ3: Why is it important that brokers transform their business models?	Importance of business model transformation	Improved communication
		Easier and efficient processes
		Easier and improved processes
		Faster and efficient systems
		Increased competition

6.11 Importance of business model transformation

Traditional broker models have sustained brokers and kept them in business for many decades. Despite the challenges that brokers are facing due to technological disruptions of the old broker system, it is undeniable that the transformation will help improve their business to continue to be successful. Investors are aligned to this and it is evident in the rapid growth of investment into Insurtech over the past five years, where over 1.7 billion was invested in 80 Insurtech organisations just in 2018 (Fintech Global, 2018).

Participants believe that even though there are challenges that come with transformation of the old broker model, the benefits outweigh these challenges. Broker business model transformation can help realise new potentials, especially in relation to the younger generations. Literature asserts that the broker industry has become more competitive than ever, not only because technology is impacting them directly, but rather because clients are being influenced by technology, thus resulting in an indirect requirement on the broker to respond by reviewing and enhancing their business models (Dominique-Ferreira, 2018)

Eling & Lehmann, (2017) and Lee & Shin, (2018) outline the following immediate value creation benefits that brokers who have embraced the technological innovations and transformed their business models have gained, along with the reduction of operating costs:

6.12 Improved communication

According to the participants, technological advancements in the broker industry have improved communication between the clients and the brokers. Simple technology such as email, telephone and laptops, have enabled transactions to be efficient and timeous and most importantly, enabled the broker to have the means to create solid relationships with their clients. Brokers are now able to engage with their clients from anywhere and at any time.

These simple technologies have changed the way brokers operate and some participants highlighted that without email and electronic processing of transactions, communication and online deal making, their work would be difficult and impossible. Four participants asserted how communication technology enables them to perform much more effectively and promotes relationship building with their clients. It must be noted that majority of the participants that embraced opportunities brought about by technology were newcomer brokers. This is supported by arguments in extant literature which suggests that business model transformation has the potential to enhance client interaction capabilities through web portals or online apps, which enable self-service as opposed to the traditional direct interaction. Client can retrieve most information online, compare product offerings and prices directly and instantly on digital platforms (Eling & Lehmann, 2017 and Lee & Shin, 2018).

6.13 Easier and Improved Processes

Process improvement innovation can yield many tangible and intangible benefits for brokers. Tangible benefits such as reduced operating costs, improved compliance and reduced paperwork. Intangible benefits relate to an improve broker workforce and efficient customer delivery mechanisms. Research participants highlighted that utilising technology to transform their business model over time has simplified processes that historically used to take long hours to complete. This sentiment is echoed by Lee & Shin, (2018) who argue that the automation of business processes can result in simple products that can be purchased online without any direct interaction. Initial claim reporting can be aided by robot apps, including automated processing of contracts, and simple claim settlements, leaving the broker to focus on other important aspect of the business.

Participants further asserted that technology has reduced the amount of paperwork required for transactions to be completed. Signing off documents has become quicker and has reduced geographical boundaries in that brokers are now able to facilitate discussions and transactions from anywhere and with anyone around the world. Participants further highlighted that simple technology such as email enables them to obtain quicker turnaround times to complete deals.

6.14 Faster efficient systems

Wathne, Heide, Mooi, & Kumar (2018) in ther article argue that the main objective of any business including that of insurance brokers is to maximise shareholder value by enabling processes that yield the highest possible returns for the investors through the effective management of transaction costs and maintaining positive margins. Further to this, research by Alhassan & Biekpe (2015) suggests that most short-term insurance broker businesses are fifty percent efficient in the way that they operate and that only twenty percent of these businesses operate optimally and believe that technology can be utilised to address this.

Four participants agreed that business model innovation and transformation have enabled faster and efficient ways of performing tasks, by enabling access to information. The advantage of technology is that it has platforms that makes it easier to get information, and brokers do not have to go to libraries to get the information that they require to perform their functions.

6.15 Increase in Connectivity

Extant literature highlights multiple digital projects that are disrupting the insurance industry significantly (Pollari, 2016). Digital technology such as Lemonade and Naked from South Africa, have successfully enabled easy access to insurance products through digital platforms (Pollari, 2016; McKinsey & Company, 2017). Another business that is tech enabled is Geo-Risk Information Platforms. It utilises digital technology that combines the satellite and aerial imagery with the most up to date risk data to enable brokers to assess, underwrite and price complex risks more accurately (Geo-Risk Information Platforms, 2018). Participants agreed with the

benefits highlighted by extant literature and asserted that current technology enabled business models fostered better connectivity between all role players in the broker industry value chain. Brokers can perform multi-quoting functions which enables them to provide best suitable insurance products for their clients. Through innovative business models, digital brokers have been able to provide mobile apps that enable their clients to access information about products instantly. Most importantly technology has enabled more accurate pricing models for the benefit of the client and the insurer. One participant asserted that processes such as claims have become enhanced and allow for real time processing as a result of connectivity.

6.16 Increased Competition

Extant literature highlights technological developments that are taking place globally, specifically the emergence of brokers who offer their services digitally, with some of them capturing the younger generation market at an alarming pace, for example lemonade selling 2000 policies to first time insurance buyers within 100 days of its existence (Dominique-Ferreira, 2018 and Lee & Shin, 2018). An estimated 8 billion dollars was invested in over 675 Insurtech deals (Fintech Global, 2018).

The participants' responses highlighted the awareness of the increased direct marketing competition that is taking place through television advertisements, which appeals to the younger generation clients. Participants also were aware that there are software applications that provide client assistance regarding their policies through mobile and online applications. One participant highlighted that competition is so fierce that most of the time clients pay loaded premiums and are not even aware of this because of the carefully thought out advertisements on television and radio.

Extant literature argues that broker business models can take advantage of the opportunities presented by technology through business model innovation. This requires businesses to continuously review their business models to ensure that they still offer value to clients and the required dynamic capabilities for profitability and sustainability. (DaSilva & Trkman, 2014; Gatautis, 2017). Four participants agreed with this sentiment and highlighted that they are relooking at the way they package and present their services to clients in order to attract the younger generation clients who are tech survey. Coverfox.com is one of the many digital broker platforms that

are being utilised to take advantage of the opportunities presented by brokers (Lee & Shin, 2018)

6.17 Conclusion

This chapter presented the discussion of the results as outlined by the 14 research participants in relation to extant literature around the concepts of brokerage, technology and business model transformation. These concepts underpin the research topic. The discussion was presented as it related to the research questions outlined in Chapter three.

The discussions and extant literature highlighted the number of key challenges faced by brokers operating in the short-term insurance industry. The study showed that whilst it is inevitable that technology will disrupt many industries, including the broker industry, there are underlying contextual issues that may be attributable to the low adoption or even resistance to change existing broker business models. The study also revealed that whilst technology is a disruptor in industries, there are other forces that are influencing the behaviour of stakeholders such as the broker. This study highlighted regulatory requirements as the biggest concern in the sustainability of the broker business model. Often these socio-political issues prevent businesses from prioritizing issues that will ultimately contribute to their sustainability.

Extant literature on business model innovation suggests that businesses must continuously review their positioning in terms of the value they offer to clients, their distributions channels and how they capture value in order to be profitable (DaSilva & Trkman, 2014; Gatautis, 2017). When businesses such as broker perform these evaluations, they will be able to respond to any type of non- human and human disruption taking place and this includes technological disruptions.

7 CHAPTER 7 – CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

The objective of this exploratory study was to investigate the role played by technology in transforming the broker business model in the South African short-term insurance industry. The study set out to explore the lived experiences and insights of brokers who have been working in the industry to understand the challenges they encountered in adopting technology and their understanding of the importance of transforming their business models, in order to take advantage of the opportunities presented by the digital era.

Extant literature by scholars such as (Catlin and Lorenz, 2017; Zhang, 2016; Stanley, 2019; Lemon and Verhoef, 2016; Eling & Lehmann, 2017; Kendler, 2016; & Zeier Roschmann, 2018) all explicitly suggested that brokers may be oblivious to the technological disruptions and face the possibility of not taking up opportunities presented. Other studies conducted to date also suggest that the brokers' ability to embrace technology and transform their business models timeously is a prerequisite for their sustainability well into the future (Pollari, 2016; Zhang, 2016; Catlin & Lorenz, 2017; Stoeckli, Dremel, & Uebernickel, 2018). These scholars believe that technology can enable greater access, more efficiency and cost reduction for the broker to be profitable and sustainable (Catlin & Lorenz, 2017; Stoeckli, Dremel, & Uebernickel, 2018.

This chapter discusses the key findings and take-outs from this research study on the role of technology in transforming the broker business model in the South African short-term broker insurance industry and evaluates them against the initial objectives set out in chapter one. The chapter follows on with a presentation of key research findings and the associated implications to the extant literature and the broker business.

The findings and discussions that emerged from the data analysis in chapter two, chapter five and chapter six, presented useful and insightful information to enable the introduction of a new framework that will assist existing brokers in understanding the role played by non-human actors such as technology, socio, economic and

political environments that compel businesses to innovate their business models in order to be sustainable into the future. Finally the chapter concludes with limitations of the research study as well as suggestions for future research.

7.2 Research Findings

There were multiple findings on this research study. These findings cover the following areas: The broker value proposition; Broker responses to technology; Regulatory requirements; the benefits of business model transformation

7.3 The broker value proposition

The exploratory research study confirmed that the broker value proposition as it relates to the South African short-term broker insurance industry underpins some of the resistance to change by brokers who operate in the industry. This finding is supported by Dominique-Ferreira, (2018); Hahl, Kacperczyk & Davis', (2016) who assert that the prime value proposition for the broker business model has been the ability to build strong relationships and maintain high levels of trust with clients on behalf of the insurer. The findings established that the broker's ability to offer personalised service, client exclusivity, direct consultancy and general intermediary services are key to the broker value proposition. The services offered by brokers enable trust relationships and enhanced customer experiences (Dominique-Ferreira, 2018).

It was established that the broker's ability to directly offer one on one interactions, build long term relationships, have client empathy and language proficiency, are all soft skills that have continuously supported the broker business model to be sustainable, even in the wake of technological disruptions. This was evident even in the research interview responses. This finding was supported in extant literature with Roberts-Lombard, 2011; Dominique-Ferreira, 2018; Catlin, Hartman, Segev, & Ruxandra, 2015; Lemon & Verhoef, 2016) all assert that for the broker business model to be sustainable, it is imperative that brokers gain in-depth understanding of clients they service, especially the high net-worth clients who have complex risk profiles. ,

7.4 Response to Technological Changes

One of the main findings relating to the broker was that older generation brokers had high levels of confidence in the value proposition of the broker. This was believed to be the reason why most of them have been oblivious to the technological disruptions taking place, as they believe that they are secured by long standing trust relationships. Participants together with extant literature identified three types of attitudes that brokers generally held when it came to their response to technological changes.

(1) Brokers who embraced technology changes because they were aware of the opportunities that were presented as well as the threat of disintermediation due to direct channels that offer attractive deals and accessibility to younger generation clients.

(2) Brokers who are resistant to change. These brokers have maintained their manual ways of conducting business. The finding of this study was that the general perception was that brokers with experience of more than five years do not view technology as the main lever of providing the broker business with dynamic capabilities or as a contributor to the broker value proposition. These findings are aligned to the studies conducted by scholars Lemon and Verhoef, (2016); Kendler, (2016); & Zeier, (2018).

(3) Some brokers are just ignorant and despite having the resources, they have been laggards in adopting technology (Lemon and Verhoef, 2016; Kendler, 2016; & Zeier, 2018). These brokers believe technological changes will happen but are convinced the changes do not carry too many threats to their broker business model.

(4) Struggle with accepting change. Findings in this regard revealed that some brokers were genuinely struggling with accepting the changes brought about by technological disruptions. Brokers in this category are aware of the changes, however, are deterred by the high costs of acquiring systems or technology. This was especially true for smaller brokerages. For older brokers research found that it is more difficult for them to transition from their paper-based systems because they

require specific skills and training. One Participant expressed the following sentiment *“why fix it, if it is not broken”.*

7.5 Regulatory requirements as a challenge

The biggest finding of this research study was that whilst extant literature and participants were aligned that it was inevitable that the broker business model was being disrupted by technology with artificial intelligence such as smart phones, block-chain, big data processing, cloud computing and data analytics (Eling & Lehmann, 2018), regulatory requirements was the biggest single aspect of the broker business that was seen as an inhibitor to the success of the broker business model. Due to the nature of the insurance industry fraud, money laundering and misrepresentation of information regarding products, the Financial Services Conduct Authority provides regulations that the broker industry must adhere to.

The Financial Advisory and Intermediary Services (FAIS) Act of 2002 requires that all brokers rendering services to clients to adhere to the following conditions:

(1) Making full disclosures of any information that would reasonably enable the client to make an informed decision about the products;

(2) Obtain specific qualifications depending on the type of products sold;

(3) All brokers must obtain a certain amount of points for continuous personal development;

(4) Completion of record of advice for every product sold. All of these conditions are mandatory and brokers who fail to adhere may be debarred or imprisoned (Financial Services Board, 2002);

(5) Must maintain an authorised financial services provider license;

(6) Must employ a compliance and complaints officer.

The findings of this research study revealed that older generation brokers are mostly at risk of debarment due to non-compliance with the above conditions as their broker value proposition has been founded on their ability to provide limited information to the client to encourage a sale (Ramchander, 2016). The older generation brokers are not coping with the amount of studying and skills development required for licensing purposes.

There were conflicting sentiments on the stringent regulatory restrictions, with some participants arguing that the FSCA provides for a valid argument in that, previously brokers could just operate and not be held accountable to their clients in terms of products sold and associated exclusions of cover. This raised fraud and moral concerns and brokerages were for many years characterised by exploitation, corruption, hunger for power and greed as a result of the pursuit of personal profit (Stovel & Shaw, 2019). Participants presented a further argument that there were many experienced brokers who operated their broker businesses with the highest integrity who may be disadvantaged by the regulatory requirements of the FSCA.

7.6 The benefits of Business model transformation

Another finding of this research was that there was alignment between extant literature and brokers who participated in the research study regarding the broker business model in South Africa being outdated, especially broker businesses operated by older generation brokers which are not interested in aligning to the current changing business environment. Gatautis, (2017) further asserted that ccontinuous review of business models is critical in aiding organisations in the facilitation, promotion and acceleration of new ideas that will enable the business to continue to be sustainable. Whilst there are notable challenges faced by brokers, participants agreed that the benefits of business model transformation outweigh these challenges.

Eling & Lehmann, (2017) and Lee & Shin, (2018) outline the following immediate value creation benefits that brokers who have embraced the technological innovations and transformed their business models have gained, along with the reduction of operating costs:

7.7 Improved communication

Business model transformation has the potential to enhance client interaction capabilities through web portals or online apps, which enable self-service as opposed to the traditional direct interaction. Clients can retrieve most information online and compare product offerings and prices directly and instantly on digital platforms (Eling & Lehmann, 2017 and Lee & Shin, 2018).

7.8 Easier and improved processes

Process improvement can yield many tangible and intangible benefits for brokers. Tangible benefits such as reduced operating costs, improved compliance and reduced paperwork and intangible benefits such as efficient and improved customer interactions and an efficient and productive workforce capable of achieving more with less.

7.9 Faster efficient systems

Wathne, Heide, Mooi, & Kumar (2018) in their article argue that the main objective of any business, including that of insurance brokers, is to maximise shareholder value by enabling processes that yield the highest possible returns for the investors, through the effective management of transaction costs and maintaining positive margins. Participants agreed that business model innovation and transformation has enabled faster and efficient ways of performing tasks by enabling access to information. The advantage of technology is that it has platforms that makes it easier to get information. Brokers do not have to go to libraries to get the information that they require in order to perform their functions.

7.10 Increase in Connectivity

Extant literature highlights multiple digital projects that are disrupting the insurance industry significantly (Pollari, 2016). Digital technology such as Lemonade and Naked from South Africa, have successfully enabled easy access to insurance products through digital platforms (Pollari, 2016; McKinsey & Company, 2017). Brokers can perform multi-quoting functions, which enables them to provide best

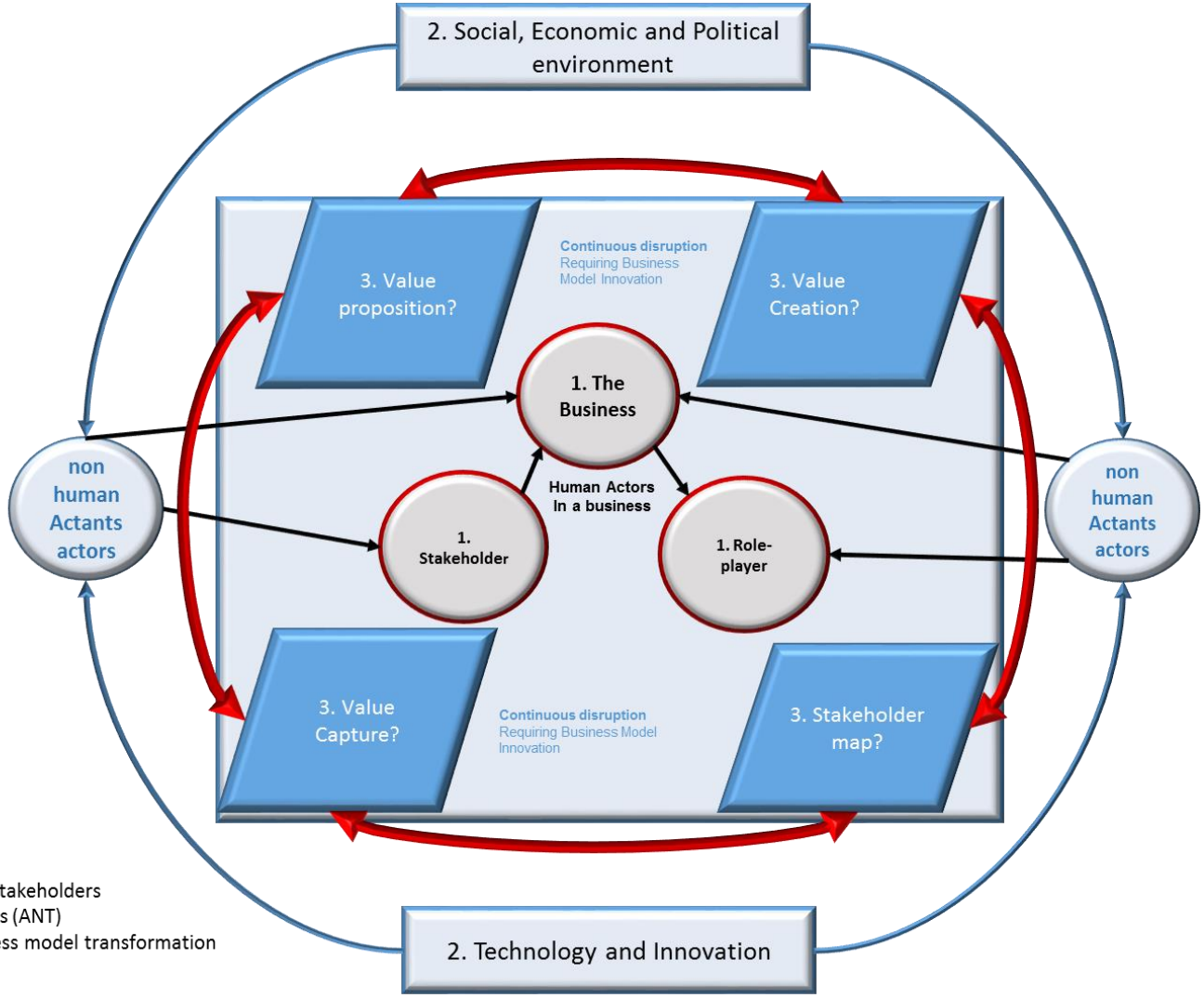
suitable insurance products for their clients. Through innovative business models they have been able to also provide mobile apps that enable their clients to access information about products instantly and most importantly, technology has enabled more accurate pricing models. One participant asserted that processes such as claims have become enhanced and allow for real time processing as a result of connectivity.

7.11 Increased Competition

Business model innovation enables businesses to counter the effects of increased competition by aligning their value proposition to clients, understanding their stakeholders and continuously reviewing their distribution channels to being profitable. Part of business model transformation enables assessment of competition and revises strategies to ensure sustainability of market share. Extant literature highlights technological developments that are taking place globally, specifically the emergence of brokers who offer their services digitally with some capturing the younger generation market at an alarming rate. The study found that whilst there was consensus between the research results and literature, there are other forces such as regulation that take up more attention in the broker industry and this diverts attention from other disruptors such as technology. This leaves brokers at a disadvantage which could result in them being disintermediated by tech enabled digital brokers.

7.12 The proposed framework

Figure *18* below, is the proposed framework that businesses such as broker may use in practice to review their business models continuously to enable decision making on what actions the business must take to benefit or adapt to the opportunities presented by disruptions from the external environment.



Legend:

1. The business and stakeholders
2. Non human actants (ANT)
3. Elements of business model transformation

Figure 18: The proposed Actor network capability analysis framework

7.13 Explanation of the model for business model transformation

The model explains how businesses are continuously being impacted by external environments and factors beyond their control. Starting at the centre, the model outlines all the participants within the business network, who interact with one another for various business reasons. These are businesses, stakeholders and role-players referred to as human actors within the network.

The areas labelled two, are external factors which are non-human and can continuously disrupt the business, its stakeholders or role-players. All human actors can be disrupted simultaneously by a single or multiple non-human actor. The model shows that none of the human participants have control over who in the network is impacted by which external factors.

The model also shows that the external factors are non-human actants that may impact and influence the business, the stakeholders and even the role players continuously. Businesses must continuously review to align other human actors within the network, as this is critical for sustainability.

The next layer within the business network in the shape of a diamond labelled three, outlines the elements to be considered when responding to a network disruption caused by external, non-human actants. These elements enable effective assessment of whether the business requires a business model innovation by asking the below questions:

- What is the value proposition of the business?
- Is the business still creating value for its clients through its current processes and resources?
- Has the business captured the required markets for sustainability and growth?
- Does the business have a solid distribution map of all its stakeholders in order to deliver to clients?

All the above are key questions to be answered by the business continuously, as it gets disrupted by external factors beyond its control. The answers to the above

questions will enable the business to decide whether action must be taken in relation to innovating the business model in order to ensure sustainability and profitability.

The model shows the cyclical nature of the external environmental factors to indicate that they continuously occur, and businesses must continuously review the elements of business model transformation (shown in red cyclical arrows) to ensure that they remain relevant and sustainable within the environment they operate in.

7.14 Implications for Business

The research study data collected, as well as the findings as they relate to the three research questions posited in chapter three, prove that the brokerage is a solid business model that has existed for long and has been able to withstand previous external pressures. However, extant literature and the findings of this research study suggest that the broker business value proposition is not sustainable into the future on its own. Industries continue to be disrupted by technology which is forcing businesses to innovate their business models in order to remain relevant. This research has presented a practical way that brokers can conceptualise the impact of technology and any other external factors which directly or indirectly influence the profitability and sustainability of their business models. Through the proposed Actor network capability analysis framework, brokers can continuously evaluate elements that exist within their network to determine actions that need to be taken to ensure sustainability.

In addition to the framework, the research study provides several insights for businesses to consider.

The study highlighted that traditional brokers have a high reliance on their outdated existing business model, and this poses a risk to their sustainability and success. Brokers must accept that they need to continuously review their business models in response to technological disruptions to take advantage of the opportunities presented.

The study also highlighted that whilst technology is a major disruptor of industries, there are other external disruptors that might be equally challenging for the broker

business, such as regulatory requirements that may divert attention from technological disruptions. Leaders of broker organisations must employ mechanisms that enable them to pay enough attention to all relevant disruptors.

The challenges currently experienced by brokers in relation to the adoption of technology in building and growing their brokerages, resulting from their limited understanding of the opportunities that come with digital technology. Leaders must be aware that there are multiple reasons why brokers might be resisting the adoption of technology. These include the lack of skills and knowledge required to successfully take advantage of opportunities presented by technology. Another challenge may be the cost of implementing technology especially for brokers with resource constraints.

The research also highlighted the benefits associated with the adoption of technology and enhanced business models. Leaders of brokerages must ensure that they communicate the benefits such as improved processes, faster and efficient communication with clients, accessibility of products and the ability to rate risks accurately through the implementation of rating systems.

7.15 Limitations of the study

The explorative nature of this research study in the context of other industries is limited and cannot be generalised.

The study was limited to the short-term insurance broker industry in Gauteng and was conducted using participants from only eight insurance brokerages companies.

Explorative research is very subjective in nature and the researcher acknowledges potential researcher biases that may influence the outcome of the analysis of the research.

The purposive nature of the research study, may have present unintended consequences, relating to the sampling bias, as participants were recommended based on the researcher's network and a list of registered brokers from the financial services conduct authority website.

The research may present issues of data quality and interpretation as the researcher may have applied subjective interpretation bias resulting in misinterpretation of important information and facts.

The choice of research methodology may be limited and further qualitative and quantitative studies on the research may be required.

The sample consisted of brokers with an unequal distribution of work experience and thus may contain participant biases.

7.16 Suggestions for future studies

- To determine relevance, the proposed Actor network capability analysis framework, can be tested in other business contexts.

- There is a need for research to be conducted into the impact of regulatory requirements on small brokerages and the role played by technology as an enabler.

- A qualitative research study may be conducted on the relationship between the cost of insurance technology and the sustainability of the broker business models

- Research on business model innovation in the context of emerging markets

- A qualitative research study may be conducted on the relationship between the cost of insurance technology and under-developed infrastructure in South Africa

7.17 Conclusion

This research study has provided insights into the role played by technology in transforming the broker business model in the context of the South African short-term insurance industry. The exploratory nature of the study enabled the researcher to gain in-depth lived experiences from brokers who provide services in the insurance industry. The study found that whilst technology is a major disruptor of industries, there are other underlying factors that play a significant role in influencing brokers

such as regulatory requirements, cost of technology and technological skills required for brokers. The study also found that networks are continuously being disrupted by multiple external and internal factors thus requiring brokers to continuously review their business models to ensure that they adapt to the requirements of their clients in order to remain profitable, relevant and sustainable. To perform the continuous review, there are multiple tools that can be employed such as the Actor network capability analysis framework.

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APPENDIX A: Invitation to participate in research

Paulinah Teffu
Gordon Institute of business science MBA candidate
22 Oxford road
Parktown
2143
Cell: 084 314 9934
Work: 011 351 5784

Date:

Request for permission to conduct an interview for my research

Dear_____

My name is Paulinah Teffu. I am a second year Master of Business Administration (MBA) student, at the Gordon Institute of Business Science, University of Pretoria. One of the key components required to graduate from this program is the completion of an Integrated Research Project.

I have chosen to perform my research in the area of business model transformation and technology. My research explores the broker's lived experience in understanding the role played by technology in the evolution of the broker business model and the opportunities and challenges that arise given their current value proposition to insurers and clients. The research will focus on trying to understand how brokers change or transform their business models, what challenges they experience in their efforts to transform their business models and the importance of that business model transformation in the digital age.

Please note that your participation is voluntary, and you can withdraw at any time without penalty.

Kindly confirm if you would be willing to grant me an interview with you by replying to this email

If you have any concerns, please contact my supervisor or me. Our details are provided below:

Yours Sincerely

Researcher Name: Paulinah H Teffu
Email: 22337645@mygibs.co.za
Phone: 0834588345

Supervisor: Khanyiso Mguni
Email: kmguni@sword-sa.com
Phone: 082 498 8611

APPENDIX B: Informed Consent Letter

Interview Consent Letter

Dear participant

My name is Paulinah Teffu. I am a second year Master of Business Administration (MBA) student, at the Gordon Institute of Business Science, University of Pretoria. One of the key components required to graduate from this program is the completion of an Integrated Research Project.

I have chosen to perform my research in the area of business model transformation and technology. My research explores the broker's lived experience in understanding the role played by technology in the evolution of the broker business model and the opportunities and challenges that arise given their current value proposition to insurers and clients. The research will focus on trying to understand how brokers change or transform their business models, what challenges they experience in their efforts to transform their business models and the importance of that business model transformation in the digital age.

This consent letter confirms your voluntary participation in this research. I expect the interview to not take more than an hour of your time. With your permission, I might need to have the interview digitally transcribed to ensure accuracy of the data and to help me focus on the interview, without having to take notes manually. Your position and company name would be kept anonymous as to ensure confidentiality. The interview will be strictly confidential, and data will be handled in a confidential manner. While a list of all the companies represented by each interviewee will be stated in the thesis, none of the comments made by you or any individual will be linked to a specific company. All data will be reported without identifiers.

Please note that your participation is voluntary, and you can withdraw at any time without penalty.

Kindly confirm consent to participation by signing below

If you have any concerns, please contact my supervisor or me. Our details are provided below:

Yours Sincerely

Researcher Name: Paulinah H Teffu
Email: 22337645@mygibs.co.za
Phone: 0834588345

Supervisor: Khanyiso Mguni
Email: kmguni@sword-sa.com
Phone: 082 498 8611

Signature of participant: _____

Date: _____

Signature of researcher: _____

Date: _____

APPENDIX C: Interview guide

Introduction	**Research Questions**	**Interview questions: Broker**
Name: Organisation: Job title: Years of Experience Date: Start Time: End Time: Thank you for agreeing to participate in my study and meeting with me. I appreciate your time and your input. Before we continue, may I ask that you complete the consent form? Please remember that your participation in the interview is voluntary and that you may choose to withdraw at any time and without prejudice. In addition, this interview will be recorded. The recording will be used solely for data analysis and to ensure that all your responses are	Research question 1 How is the broker industry responding to technological changes in the South African Short-term insurance industry?	How would you describe your current business model? What contributes to the success of the broker business model? What is the broker value proposition? What are the gaps that exist in the traditional broker model in order to be sustainable in the future? How do brokers remain resilient
	Research question 2 What are the technology challenges faced by brokers that may be grounds for slow adoption of digital platforms or technology?	How are brokers mitigating these challenges? How has technology contributed to how you conduct business Has technology enabled you to achieve more with less? What are the advantages and disadvantages you have experienced in trying to implement technology? How have you experienced technology implementation in South Africa

captured. Your identity, or that of your company, will not be included in my report I am conducting research on the role of technology in transforming the broker business models.	Research question3 Why is it important that brokers transform their business models?	How much growth have you had over the last five years? How have you managed your transaction costs over the past five years What are your top five complaints reasons from your clients? Where are most of your clients located What is the average age range of your client base? How do you keep your clients informed

APPENDIX D: Ethical Clearance Letter

Gordon Institute of Business Science
University of Pretoria

07 August 2019

Paulinah Teffu

Dear Paulinah

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

Please note that approval is granted based on the methodology and research instruments provided in the application. If there is any deviation change or addition to the research method or tools, a supplementary application for approval must be obtained

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee

Appendix E: ATLAS.ti Code Book

Code no.	Code
1	Ability to treat clients equally
2	Accessibility of broker
3	Accountability for product post purchase
4	Advantage of technology
5	Advertisement through Word of mouth
6	Automation of processes
7	Benefit of using brokers
8	Better client sourcing
9	Big brand competition
10	Broker as sales model
11	Broker business model
12	Broker model commercialisation
13	Broker value proposition
14	Broker vs direct insurers
15	Brokers don’t own products
16	Brokers getting robust
17	Brokers give in depth information
18	Brokers have a future
19	Brokers not under threat
20	Brokers offer better service
21	Brokers protect clients
22	Brokers still have a market
23	Brokers struggling to keep growth
24	Business affinity
25	Business growth
26	Challenges of business model transformation
27	Change from price model to advice model
28	Change in license requirements
29	Client disclosure
30	Client empathy
31	Client Exclusivity

32	Client migration
33	Client satisfaction
34	Client segmentation through technology
35	Client's understanding of value proposition
36	Communication
37	Comparison between countries' insurance models
38	Complaints with returns
39	Complexity of SA model
40	Consistency by brokers
41	Cost efficiency
42	Customer communication preference
43	Customer Experience
44	Customer inclement to change
45	Customer incitement to change
46	Customer reporting
47	Customer trust
48	Data exchange model
49	Delay in pay out to clients
50	Dependency on the internet
51	Different broker system in SA
52	Difficulty while claiming
53	Direct consultancy
54	Disadvantages of current processes
55	Disruption of old broker system
56	Downside of using direct insurer
57	Easier and improved processes
58	Easier client access
59	Easier transitioning
60	Efficient client sourcing
61	Embrace technological changes
62	Experience in insurance
63	Faster and efficient systems
64	Fear of change

65	Financial regulator requirements
66	Fixing Insurance
67	Flexibility
68	Gaining more information
69	Getting work done
70	Getting work done on time
71	Give emotional guides
72	Good policy management system
73	Good relationship with client
74	Growth challenge
75	Growth impeded
76	High earn clients
77	High earning clientele
78	Historical broker's role
79	Ignorance towards change
80	Imminent threats to brokers
81	Implementation of new legislation
82	Importance of business model transformation
83	Importance of right target market
84	Importance of short-term insurance
85	Improved communication
86	Increase in connectivity
87	Increased competition
88	Insurers outsourcing broker
89	Insurers trends
90	Integration with bank models
91	Intermediary
92	Introduction to insurance market
93	Lack of accountable persons
94	Lack of technological processes
95	Language proficiency
96	Legislation compliance
97	Less competitors
98	Less paperwork

99	Less Persuading
100	Misconception on the need of brokers
101	Mixed Responses
102	More advanced technology
103	More complicated systems
104	More personalised brokers
105	Need for guidance
106	Need for industry change
107	New age brokers
108	No Threat in technology arrivals
109	Older brokers struggling with technology
110	One on one confrontation
111	One-on-one Interactions
112	Outsurance products
113	Personalised service
114	Potential to withstand technology change
115	product complexity
116	Products available in the market
117	Professionalising Brokers
118	Progress in the Insurance industry
119	Rapid system change
120	Receptive technological changes
121	Regulatory requirements
122	Relationship building
123	Relationships will suffer
124	Relationships with clients
125	Reliable research
126	Reluctance to technology introduction
127	Replacement of broker
128	Resistance to change
129	Response to Technological Changes
130	Review meetings
131	Revolutionary broker business model
132	Risks

133	SA as too forward
134	Safe and reliable
135	Schedule delays
136	Service fees
137	Shift in requirements for brokers
138	Simplified processes
139	Speeding up processes
140	Struggle with accepting change
141	Success of broker model
142	Sustainability in brokerage
143	sustainability through agility
144	System selection and gap analysis
145	Target groups for different policies
146	Technology adoption
147	Technology as an enabler
148	Technology for client service
149	Technology models reduced broker intake
150	Technology' role in growth
151	The success of traditional broker business model
152	Threats to broker
153	Tied brokers Vs Independent brokers
154	Transitioning from traditional ways
155	Transitioning back to old model
156	Transparency in marketing
157	Understanding broker's role
158	Unqualified brokers
159	Value for money
160	Value of broker