CONSUMER BEHAVIOR AND DECISION MAKING IN THE INSURANCE INDUSTRY

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The President:

Prof. Dr. Thomas Bieger
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My PhD time has reached its end and it would have never come so far without the support of a number of people. My deepest gratitude goes to all who have accompanied me on this journey and have shown me the direction with their advice and persistence.

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Veselina Milanova
Zurich, December 2017
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SUMMARY

Consumer behavior and in particular consumer decision making is key to successful marketing strategies. The insurance industry is no exception in this regard. Consumers employ different decision making strategies to make an insurance decision - be it for or against a certain insurance policy, whether to rely on external advice or decide alone, or whether to entrust the own safety to a new player in the industry. The aim of this dissertation is to look at consumer decision making strategies from different perspectives. By doing so, this work contributes to both academia and practice, so that they can develop a better understanding of what benefits and harms consumers when making an insurance decision.

The dissertation spans over five parts. Part I frames the overall goals of the research by giving an overview of the state of the art in the field and highlighting the contributions to theory and practice. Part II and III focus on how consumers can be protected as participants in the insurance marketplace based on their current behavioral patterns. The fourth part researches intangible sharing services and empirically investigates why consumers participate in them. The last part conceptualizes the actors and relationships that shape the essence of collaborative consumption, a trend in consumer exchange markets that has found its way to the insurance industry.
ZUSAMMENFASSUNG


Consumer behavior has gained widespread recognition as being the key to successful marketing (Hawkins et al., 2003). In particular, consumer decision making in the context of insurance still needs more research attention. Insurance decision making exemplifies cases not thoroughly explained by standard economic theories. Kahneman and Tversky (1979) develop the prospect theory as a critique of the expected utility theory, aiming at correcting some inconsistencies with pervasive effects. Different anomalies in insurance decision making such as insurance purchases not matching with theoretical predictions cause a gap between theory and practice (Cutler and Zeckhauser, 2004). Kunreuther and Pauly (2006) have made a first step towards a theory of insurance decision making that explains behavior non-conformable with existing economic models. The present PhD project contributes to the body of knowledge on consumer behavior and consumer decision making in the context of insurance by focusing on two main areas:

1. Consumer vulnerability due to decision making patterns - consumers employ different strategies to make an insurance decision and each of these strategies implies a certain degree of vulnerability. A better understanding of these decision making strategies and of the vulnerability potential they bear will inform public policy makers and debates revolving around consumer protection in the insurance industry.
1. State of the art in research

2. Consumer engagement in collaborative consumption - as an example of collaborative consumption, insurance sharing business models bear potential to reduce well-known problems in the insurance industry such as low customer engagement and moral hazard. Furthermore, examining the mechanics of the sharing economy supports the design and further research on collaborative phenomena in that context.

The insurance industry is strongly regulated. Regulatory bodies need to consider financial safety, affordability, and consumer protection at the same time (Stoyanova and Schlüttet, 2015). On the other hand, due to rising competition insurance companies are looking for ways to foster customer engagement with insurance services. Thus, one of the goals of this dissertation is to support both marketers and public policy makers. The presented papers derive implications for further regulation development and for customer-centered marketing activities. Figure 1 depicts how the researched topics complement each other to achieve this goal.

1 State of the art in research

1.1 Consumer vulnerability

Current debates on future regulatory measures for the financial services industry revolve around consumer protection. Neglect in this area is considered to be one of the triggers and amplifiers of the financial crisis in 2008 (OECD 2009; Akinbami, 2011). Institutions, federal councils, companies, and scholars are vividly discussing the strengths and weaknesses of proposed actions (Brown, 2013; FIO 2013). The Financial Services Act 2012 in the UK, for instance, highlights consumer protection as one of its three operational objectives, while the current revisions of the Insurance Contracts Act and the Financial Services Act in Switzerland propose different policy interven-
Figure 1: Overview of the dissertation project
1. State of the art in research

In recent years, there has been a proliferation of research targeted at the same topic. A further prominent example is the recently published Insurance Distribution Directive of the European Union (EU 2016) that aims at increasing transparency of remuneration for customers.

First-best regulation aims at establishing competitive and efficient market conditions to maximize social welfare (Viscusi et al., 2005). In the context of financial services and insurance, regulatory activities focus on solvency, price, and market conduct (Klein, 2012). Market conduct mainly incorporates consumer protection and does not only address the social issue of protecting vulnerable groups, but also the vulnerability of the financial sector itself. During the financial crisis, ill-informed consumers were easy targets for malfunctioning business practices that resulted in purchases of inappropriate products (OECD 2009). Consequently, consumers' financial decisions and their resulting behavior have a direct impact on both the overall sector's safety and soundness (Melecky and Rutledge, 2011). For the same reasons, Mayer (2001) argues that the primary motivation and justification behind financial market regulation is the protection of consumers.

A crucial factor for establishing consumer protection and, hence, ensuring well-functioning financial markets is to get a better understanding who the consumer is and to acknowledge that a certain degree of heterogeneity exists (O'Mahony et al., 2015). The heterogeneity among consumers and their decision-making strategies lead to various levels of vulnerability. Consumer vulnerability can arise from a variety of different situations and corresponds to a state of powerlessness (Baker et al., 2005). During the financial crisis, for instance, consumers lacked the knowledge or capacity to protect themselves (OECD 2009), while external factors such as opportunistic marketing and claims practices additionally contributed to a higher level of vulnerability (Klein, 2012). The major driver of vulnerability risks in insurance markets is both asymmetric and incomplete information among insurers and consumers (Cummins and Doherty, 2006; Eckardt, 2007). The difference in bargaining powers between the two parties often results in a disadvantage for consumers (Klein, 2005). No matter the cause, vulnerabili-
ity entails exposure to the risk of detriment (Cartwright, 2015) and individual consumers are more likely to be disadvantaged in market relationships (Andreasen and Manning, 1990).

Regulatory measures aim at finding a sound balance between factors contributing to vulnerability such that all stakeholders are better off. While both external and contextual factors are shaped by regulation to some extent, individual consumer characteristics do not follow any law or rule. Additionally, extant research (Kahneman and Tversky, 1979; Pappalardo, 2012; Tversky and Kahneman, 1992) shows that human behavior is almost never in line with the utility maximization principle assumed by rational consumer choice theories (von Neumann and Morgenstern, 1944). That is, under a cost-benefit consideration, the ‘reasonable consumer’ is not perfectly, but well-informed (Pappalardo, 2014). The notion of a reasonable consumer is an aspiring one, yet, it remains unclear to what extent it reflects reality.

The perspective of everyday consumers is still a blind spot in consumer protection research (Cude et al., 2003; Goldsmith, 2005). For example, existing consumer vulnerability typologies are not rooted in empirical data (Cartwright, 2015; Shultz and Holbrook, 2009). Further research is needed to uncover the patterns of how consumers take insurance decisions and how these patterns influence the magnitude of vulnerability risks they are exposed to.

1.2 Consumer engagement in collaborative consumption

New business models also pose a number of challenges for public policies. In particular, regulatory bodies currently discuss how to approach the sharing economy and its market inefficiencies (Cohen and Sundararajan, 2015; Hartl et al., 2016; Koopman et al., 2015; Rauch and Schleicher, 2015). The global sharing economy has been valued at $15 billion in five key areas for 2013 and the prognosis for 2025 sums up to $335 billion - of equal size to traditional rental services (PwC, 2013). Botsman and Rogers (2010) describe the shift over the past years from exclusive usage toward alternative modes of
1. State of the art in research

Consumption as “sharing economies” of collaborative consumption, emphasizing the inclusion of other than purely economic value in an otherwise economic exchange. Now millions of people embrace giving and gaining access to goods like books, cars, tools, and homes. Providers like Airbnb, Craigslist, and Uber challenge traditional businesses in many industries (Cusumano, 2014).

Protecting consumers in such peer-to-peer marketplaces calls for an approach different from the current one-size-fits-all policy strategy (Sundararajan, 2016). Although not yet widely available, insurance sharing services are also paving their way toward changing traditional insurance business. These services offer peer-to-peer or networked-based mechanisms, where a limited number of peers forms a network to fully or partially support each other in case of an insured incident. Every member pays a monthly premium and a certain percentage of this premium is paid to a common fund. If an incident occurs and the common fund is not sufficient to cover the resulting loss, an insurance company bears the cost. Yearly, the money from the common fund is distributed back to all network members. Currently, only a few companies worldwide offer insurance sharing services (Insurance Tech Insights, 2015). However, the rising trend of the sharing economy may further enforce insurance sharing and sharpen the regulatory challenges of protecting consumers in peer-to-peer marketplaces. Thus, understanding how customers perceive the sharing economy and why they participate in it is crucial for offering adequate protection and minimizing vulnerability where necessary.

Research on sharing phenomena is still in its formative stages (Bucher et al., 2016). Initial and fragmented research has been conducted to contrast sharing with other modes of consumption such as pseudo-sharing (Belk, 2014), gift giving (Belk, 2010), access-based consumption (Bardhi and Eckhardt, 2012), collaborative consumption (Hartl et al., 2016; Heinrichs, 2013), and commodity exchange (Haase and Pick, 2015; Habibi et al., 2016). Despite this research effort, the boundaries between new ways of consuming are still blurred. Current literature calls for further examination of new shar-
ing phenomena to inform both research and practice communities (Heinrichs, 2013; Krush et al., 2015). Besides discussing the essence of the sharing economy, recent works examine the factors motivating consumers to participate in the sharing of physical goods such as the enjoyment of sharing (Hamari et al., 2016), economic gain (Eckhardt and Bardhi, 2015), cost saving (Neoh et al., 2017), perceived risk of scarcity (Lamberton and Rose, 2012), familiarity, utility, and trust (Möhlmann, 2015). Materialism hinders consumers’ decision to share products and unique product characteristics can attenuate its negative effect (Akbar et al., 2016). Nevertheless, the sharing economy has been considered as a way to overcome environmental and social challenges and as "a new pathway to sustainability" (Heinrichs, 2013, p.228).

Further research is necessary to examine whether the sharing economy can be sustainable and how to encourage participation in it. In particular, non-physical dimensions of sharing servicescapes, as conceptualized by Rosenbaum and Massiah (2011), and how these can affect the customer service experience have not yet been examined. Rosenbaum and Massiah (2011) develop the notion that servicescapes embrace stimuli different than a controllable physical environment. Prior research has focused on product or product-related sharing; intangible services such as insurance sharing can provide additional insights into the unique structural traits of service sharing (Krush et al., 2015).

2 Research goals and contribution

The previous section illustrated the shortages of existing research on two major areas of consumer behavior in the insurance industry:

1. Research on consumer vulnerability and protection falls short in providing insights about how different consumers make insurance decisions and how that affects their vulnerability;
2. Research on the sharing economy falls short in providing insights
2. Research goals and contribution

about why consumers engage with intangible services such as insurances and does not provide the conceptual means to examine sharing phenomena.

Each shortage poses a number of challenges for policy makers and practitioners. The paper-based format of this dissertation allows for a detailed analysis of the two shortages in the form of single and independent publications. Each publication studies an important aspect of the upcoming challenges in the insurance industry related to consumer behavior and consumer decision making. In particular, the work aims at covering the following sub-questions:

**Q1:** What are the downsides of insurance decision delegation for consumers?

**Q2:** Which are the individual drivers of consumer vulnerability?

**Q3:** Why do consumers engage with insurance sharing services?

**Q4:** What are the conceptual means to examine sharing services?

Table 1 provides an overview of the articles that aim at answering the posed questions. In particular, papers I and II focus on how consumers can be protected as participants in the insurance marketplace based on their current behavioral patterns (Q1 and Q2). The already published paper III researches intangible sharing services and empirically investigates customer experiences with an insurance sharing service. The last paper (IV) conceptualizes the actors and relationships that shape the essence of collaborative consumption. The findings from all papers contribute to well-defined streams in consumer vulnerability and sharing economy research as follows:

**Scientific contribution.** The studies comprising the dissertation aim at advancing existing scholarly knowledge in the following ways: (1) clarify individual responsibility attributions in decision delegation situations, (2) reveal individual characteristics that impact consumer vulnerability, (3) systematically research motives for participation in intangible sharing
services, and (4) examine characteristic consumer-provider relationships within collaborative consumption systems.

Managerial and public policy contribution. By examining consumer behavior in different insurance domains, this dissertation aims at providing policy makers with tools to evaluate the efficiency of current and future (self-)regulatory measures. Managers can use the results to identify areas where self-regulation will benefit both the industry and consumer welfare. Furthermore, managers benefit from insights how to design engaging insurance sharing services.

3 Summary and publication status

This thesis contains four research papers on consumer protection in the insurance industry and on sharing modes of consumption. Paper I and II discuss how consumers can be protected as participants in the insurance marketplace. Paper III empirically investigates customer experiences with a risk sharing service while Paper IV develops a conceptual framework for collaborative consumption systems. Papers I and III are co-authored by Peter Maas, while Paper II is in co-authorship with Florian Schreiber. Paper IV is a single-author paper. A brief summary on the papers and their current status follows below.

Paper I - The price of delegating decisions: Effects on consumer responsibility and future decisions

Decision delegation to professionals is supposed to lead to better outcomes for consumers. One challenge professionals often have to deal with is the conflicts of interest, in particular related to their own remuneration. A new European insurance distribution directive introduces remuneration transparency as a way of managing conflicts of interest and thus leaves consumers decide whether they still wish to delegate. This study examines
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| Q1 | The price of delegating decisions: Effects on consumer responsibility and future decisions | Milanova, Maas      | Present at the Marketing & Public Policy Conference 2016 and 2017 Winter AMA Conference | Mixed: experiment and interviews    | - Establishes the effect of decision delegation on regret  
- Shows how insurance advisors can improve consumers’ perceived decision responsibility  
- Disclosure as a form of managing conflicts of interest can lead to a shift in channel use  
- Awareness for individual responsibility needs to be raised |
- Four personal characteristics contribute to consumer vulnerability: financial literacy, balance of responsibility, information behavior, and consumer involvement  
- Three types of consumers - autonomous, socially-informed, and delegators, need to be targeted by specific policy measures |
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| 3  | Sharing intangibles: Uncovering individual motives for engagement in a sharing service setting | Milanova, Maas              | Presented at the 6th Global Innovation and Knowledge Academy (GIKA), European Marketing Academy 2016, and Frontiers in Service 2016, 2017 conferences. Published in the Journal of Business Research (5-year impact factor: 2.67; VHB: B) | Qualitative: grounded theory based on interview data | - The typology serves as a tool for estimating the efficiency of regulatory activities  
- The work reviews different definitions of the sharing concept and subsequently points at interferences and discrepancies to place them along the continua of prosocial-commercial and private-public  
- Financial rewards are a necessary, but not sufficient motivator for consumers to use intangible sharing services  
- A sustainable market persistence can be supported by social and emotional aspects such as fostering a community feeling |
| 4  | The many faces of sharing: A conceptual framework for collaborative consumption | Milanova                    | Presented at EMAC and the corresponding doctoral colloquium 2017, to be submitted at the Journal of Business Research (5-year impact factor: 2.67; VHB: B) | Conceptual                             | - The work resolves the terminological confusion around collaborative consumption  
- The motives driving consumer participation in collaborative systems stem from symbolic, economic, and social considerations |
3. Summary and publication status

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<td>- The developed conceptual framework proposes main factors and their possible effects in moderating consumer-to-consumer interaction and engagement in collaborative consumption</td>
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Table 1: Research status overview
consumer reactions to remuneration transparency and explores how con-
sumers cope with bad outcomes after a delegated decision. Our results in-
dicate that delegating insurance decisions impairs consumers’ perception
of individual responsibility and thus may trigger less learning effects for
future decisions. Transparency of remuneration, as suggested by several
public policies worldwide, enforces this effect additionally and provokes a
shift in channel usage as an unintended policy consequence. This research
provides insights for further elaboration of the EU Insurance Distribution
Directive proposal and similar regulations.

Status: presented at the 2016 Marketing and Public Policy Conference and
the 2017 Winter AMA Conference. Current version available as part of the Work-
ing Paper Series on Risk Management and Insurance of the Institute of Insurance
Economics, No. 193.

Paper II - One size does not fit all: A typology of financial
c consumer vulnerability

Current debates on future regulatory policies for the banking and insurance
industry revolve around consumer protection. A crucial factor for ensuring
consumer protection and well-functioning financial markets is to under-
stand who the consumer is and to acknowledge that a certain degree of
heterogeneity exists. The present study empirically derives a typology of
financial vulnerability based on four important drivers of consumers’ ins-
urance decision-making: financial literacy, involvement, information be-
behavior, and balance of responsibility. Our results provide several important
insights both for public policy makers and marketers and help to estimate
the efficiency of consumer protection activities from consumers’ perspec-
tive. We illustrate how personal characteristics influence the magnitude of
vulnerability risks consumers are exposed to. Significant differences in the
levels of financial vulnerability result in three consumer groups that pose
diverse demands on insurance regulation. In this regard, a commonly em-
ployed one-size-fits-all regulation is likely to be ineffective. The paper con-
3. Summary and publication status

Incluces with a discussion of approaches to establish consumer protection and derive implications for the involved parties.


Paper III - Sharing intangibles: Uncovering individual motives for engagement in a sharing service setting

The sharing economy has shifted the way in which goods and services are consumed - from exclusive ownership toward collective usage with economic benefits. Current literature addresses consumer motives to participate in commercial sharing of goods and services with a physical manifestation. In contrast, this study shows the relevance of intangibility for the act of sharing services and empirically examines consumers’ motives, perceptions, and experiences in the context of a new insurance model. A qualitative investigation reveals three main characteristics of intangible service sharing: financial benefits as a main motivator for participation, emerging weak social and symbolic values in a controlled environment, and a network of strangers as a crucial precondition for sharing. The work contributes to research on the sharing economy as well as to managerial considerations for the design of sharing services. In particular, managers need to balance between community development and the preservation of anonymity when promoting sharing services based on intangible elements.

Paper IV - The many faces of sharing: A conceptual framework for collaborative consumption

Collaborative consumption systems are on the rise - both their usage and transaction volume are growing at an accelerated pace. And yet research is lacking a clear understanding of these systems: access-based consumption, sharing economy, pseudo-sharing are only part of the terms academics and practitioners use to denote an emerging mode of consumption. This article theoretically sets the boundaries of collaborative consumption, structures its elements, and highlights the variables that influence how consumers interact with each other as members of a collaborative consumption system. As a result, we propose a three-level conceptual framework that describes the mechanics of collaborative consumption and the interrelations between the main involved parties: consumers as providers, consumers as beneficiaries, and intermediaries. The framework both reconciles contradictory findings and supports scholars and managers in the design and investigation of collaborative consumption systems. As an important outcome to guide future research, five propositions consolidate the main insights of the framework and offer several directions for further exploration.


Bibliography


Bibliography


Abstract

Decision delegation to professionals is supposed to lead to better outcomes for consumers. One challenge professionals often have to deal with is the conflicts of interest, in particular related to their own remuneration. A new European insurance distribution directive introduces remuneration transparency as a way of managing conflicts of interest and thus leaves consumers decide whether they still wish to delegate. This study examines consumer reactions to remuneration transparency and explores how consumers cope with bad outcomes after a delegated decision. Our results indicate that delegating insurance decisions impairs consumers’ perception of individual responsibility and thus may trigger less learning effects for future decisions. Transparency of remuneration, as suggested by several public policies worldwide, enforces this effect additionally and provokes a
shift in channel usage as an unintended policy consequence. This research provides insights for further elaboration of the EU Insurance Distribution Directive proposal and similar regulations.

**Keywords:** decision delegation, consumer protection, consumer responsibility, financial decision making, decision regret
1 Introduction

Consumers do not always make decisions by themselves, but often let a third party or a surrogate make a choice for them. The terms “decision delegation” (Aggarwal and Mazumdar, 2008) or “choice delegation” (Broniarczyk and Griffin, 2014) describe this phenomenon in literature. Decision delegation is very common in the insurance industry; as complex products, insurance policies often require an advisor to explain and compare offers for consumers.

Advisors directly account for around 0.6% of the gross domestic product in the European Union and for more than 50% of all life and non-life insurance premiums in 11 European countries (BIPAR, 2015). However, consumers are often not aware of the conflicts of interest under which their advisors operate, in particular, they are not aware of the conflicts related to remuneration. These conflicts of interest are inherent to many intermediary business models (FCA, 2014). In the past, there have been numerous scandals about mis-selling insurance products. A recent one was the costliest consumer scandal for Britain, where Lloyds Banking Group had to compensate customers for mis-sold loan insurance in 2015 and paid the largest ever retail fine amounting to 117 million pounds (FCA, 2015).

Such potential conflicts of interest and particularly the resulting consumer protection issues challenge current public policy discussions worldwide. For example, the directive on insurance distribution (IDD) of the European Union (The European Parliament and the Council of the European Union, 2016) addresses specifically the conflicts of interest arising when distributors sell insurance products. The directive aims at enabling consumers to make informed decisions by (1) establishing minimum standards for the quality of advice consumers receive and by (2) providing consumers with information about how insurance intermediaries are remunerated for their services.

While such kind of policies may positively impact the quality of insurance advice, they ignore the downsides of insurance advice and transpar-
1. Introduction

ent remuneration systems. In the particular context of finance and insurance, consumers often make life-altering, high-stakes decisions. Lusardi (2012) points out the greater responsibility consumers must take on to ensure their financial security. Thus, the responsibility for a decision made together with an advisor still remains with consumers. Consumers also have to bear the consequences of a bad decisional outcome. Current consumer protection policies, and IDD in particular, neglect the interplay of delegation behavior and transparent remuneration systems on the ability of consumers to make informed decisions.

Research in corporate finance and asset management has examined the effects of delegation, in particular on asset pricing (Cuoco and Kaniel, 2011). A few articles research the impact on individual responsibility mainly in a medical context (Benbassat et al., 1998; Levinson et al., 2005). In contrast to medical decisions, the responsibility for insurance decisions is not transferred to the advisory together with the act of decision making but still remains at the hands of consumers. For example, according to IDD, insurance intermediaries should act in accordance with the best interests of customers and allow them to make an informed decision. The actual decision, even if based on the advisors’ recommendation, is formally taken by the customer. However, consumers often rely on the quality of advice they receive, so they only seldom question the recommendations of their advisors. Due to this peculiarity of insurance decisions, the question arises whether current policies such as the IDD in the European Union adequately address consumer needs for protection. The objective of this study differs from previous research as it does not concern itself with responsibility preferences in decision delegation (e.g. such as in medical research). Instead, the work focuses on post-decisional perceived individual responsibility for delegated financial decisions and the resulting implications for public policy and marketing.

In this paper we empirically demonstrate that the behavior of delegation reduces individual responsibility. The transparency of advisor remuneration additionally reinforces this effect. Thus, the interplay of delega-
II DELEGATING DECISIONS

tion and remuneration transparency, as currently planned by IDD, jeopardizes consumers’ ability to deal with essential financial matters in life. In summary, this research contributes to the literature on financial decisions and their respective policy implications. In particular, the study delivers insights about the societal impact of current public policies and prompts policymakers to (i) rethink the importance of personal responsibility in case of delegating financial decisions and (ii) reconsider the effect of introducing transparent remuneration systems.

The article begins with an overview of the challenges potentially arising from the IDD and puts these into the context of consumer protection policies around the world. The subsequent theoretical part reviews existing research on decision delegation and individual responsibility as it becomes manifest in regret. Then we develop hypotheses about the relationship between the identified constructs. The empirical part follows a mixed methodological approach; we use a qualitative and a quantitative study to establish the effect of decision delegation and related constructs on individual responsibility. The qualitative study illustrates how consumers attribute responsibility in a delegation scenario and describes their coping strategies. The paper concludes with theoretical and public policy implications and makes suggestions for future research.


A new legal framework within the European Union will take effect in February 2018 to widen the scope of the current insurance mediation directive. This new framework, the insurance distribution directive (IDD), aims at ensuring the same level of protection across distribution channels for consumers and retail investors (The European Parliament and the Council of the European Union, 2016). This work focuses on business-to-consumer relationships, thus, it will consider the IDD regulations relevant for private
consumers. IDD promises that consumers will benefit in several ways from the new rules. First, they will gain greater transparency on the cost of insurance products and their distribution. Second, consumers will receive clear, simple, and standardised information documents for non-life insurance products. Third, consumers will have the choice to opt out an insurance policy if it is sold in a package with another product or service. For example, this is particularly relevant for car sellers, who offer the in Europe obligatory motor insurance in a package with a new car. And last, the new directive introduces strict rules for business conduct to support consumers in buying insurance products that meet their needs.

IDD addresses specifically the conflicts of interest arising when intermediaries and distributors sell insurance products. According to IDD, they need to disclose the nature of remuneration they receive. Additionally, insurance distributors have to ensure that their remuneration practices do not conflict with their employees' duty to act in the best interest of customers. Consumers willing to purchase an insurance policy are expected to evaluate the information they receive about the nature of advisor remuneration on their own. This kind of price disclosure for advisory services can have a number of consequences on consumer decision making. Consumers may decide not to use insurance advisory services and opt for a lower priced service (i.e., online purchase of a policy). Another consequence may be higher appreciation of advisory services due to the transparency of its value. Regulators still need an estimate of the effects of such disclosures in order to achieve the desired goal of regulatory interventions.

The IDD represents only a portion of public policies around the world that aim at increasing consumer protection in the financial and insurance sector; further examples are the partial revision of the Insurance Supervisory Law in Switzerland (The Federal Council of Switzerland, 2016), Australia's Corporations Amendment Act (The Parliament of Australia, 2016), UK's Retail Distribution Review (Financial Services Authority, 2010), and the fiduciary rule of the Department of Labor in the USA (Department of Labor, 2016). The new policies aim at increasing the level of protection and
at the same time facilitate the delegation of decisions by pursuing three main goals: (i) quality of consultation; (ii) obligation to a fiduciary level duty of care; and (iii) transparency of remuneration to avoid conflicts of interest. For example, the fiduciary rule in the USA, known as the Dodd-Frank Consumer Financial Protection Act, covers several topics to ensure financial market stability for all involved parties. Disclosure requirements enjoy a prominent position across all topics in the act, "however, questions remain as to whether, when, and for whom disclosure is effective" (Johnson and Leary, 2017, p.185). Horn (2017) also underlies the importance of academic research on consumer decision making and financial disclosure requirements to inform the effectiveness of rulemaking agendas.

3 The interplay between individual responsibility and decision delegation

3.1 Individual responsibility and regret in insurance decision making

The extent to which consumers feel responsible for a made decision manifests itself in the experienced regret after a bad decisional outcome (Connolly and Zeelenberg, 2002; Sugden, 1985). The experience of making decisions and evaluating their outcome can be a very intense one, especially if choices turn out to be poor. Different emotions accompany the evaluation of expected and experienced outcomes, with regret being the most present one (Connolly and Zeelenberg, 2002; Zeelenberg and Pieters, 2007). Feeling regret demands the ability to look backwards and compare a current state with what might have been better if a different choice had been made. It is an aversive, unpleasant emotion that represents a common consequence of decision making (Joseph-Williams et al., 2011).

Previous work on regret has pointed to its multiple facets and multi-
3. Individual responsibility and decision delegation

level nature. Connolly and Zeelenberg (2002) propose the Decision Justification Theory to solve contradictions in regret studies from psychology and economics. They conceptualize regret as a two-component emotion. The first component, bad outcome regret, is associated with the evaluation of the decision outcome in comparison to missed alternatives. The second one comprises the feeling of self-blame for having made a poor choice. This second component, the self-blame regret, is the element of responsibility that a taken decision is due to one’s own thoughts and actions or inactions (Connolly and Zeelenberg, 2002; Sugden, 1985). It is this relation to individual responsibility that sets regret apart from other negative emotions such as anger or disappointment (Connolly and Zeelenberg, 2002; Joseph-Williams et al., 2011). Henry et al. (2013) empirically demonstrate the strong relationship between consumer blame and belief in individual responsibility.

Some decisions are better thought through, others are more spontaneous or relying on heuristics. Irrespective of the way to a certain choice, if the evaluation of this choice is negative, regret comes into play (Kahneman and Tversky, 1982). Research has shown that regret is correlated with and helps determine behavioral choices (Hetts et al., 2000). The retrospective acknowledgement of regret about passed missed opportunities makes a future behavioral change more likely (Landman et al., 1995). Zeelenberg and Pieters (2007) build their theory of regret upon the notion that emotions mainly exist to provide a behavioral guidance. One of the regret regulation strategies they propose, the undo or reverse decision strategy, focuses on the influence of regret on cognition. Regretting something can have a motivational effect on the engagement in reparative actions as well as a learning effect on behavior when considering future decisions (Shefrin and Statman, 1985).
3.2 Decision delegation in insurance context

To facilitate their process of decision making, consumers often apply different strategies; they acquire relevant information from commercial and official sources, media, friends, and family. Sometimes consumers’ preferred decision making strategy is to entrust or delegate the information gathering and the performing of the actual decision to a third party (Price et al., 1995). The academic literature denotes this kind of behavior as decision delegation (Broniarczyk and Griffin, 2014; Chhabra and Olshavsky, 1986; Solomon, 1986). This study employs Aggarwal and Mazumdar’s definition where decision delegation describes the situation in which consumers ask professionals (insurance intermediaries) to actively participate in the decision making process as their surrogates (2008). Prior research studies measure decision delegation as a single binary outcome. Aggarwal and Mazumdar (2008) propose three components of decision delegation - attribute identification, choice set reduction, and final choice decision. A typical consultation with an insurance advisor usually includes the first two components, whereas the final decision can be met with a time lag. The IDD focuses on all three components and regulates the duties of insurance agents and brokers in their relationship with consumers.

Both independent brokers and firm-exclusive agents distribute products in insurance markets; this co-existence is due to market imperfections and product quality (Barrese and Nelson, 1992; Cummins and VanDerhei, 1979). The product quality hypothesis attributes the co-existence of the two distribution channels to the difference in the services they offer and the clients they attract (Barrese and Nelson, 1992). The roles and assumed tasks during the advisory process depend on the type of policy that brokers and agents sell (Regan and Tennyson, 2000). With respect to complex and long-term products, consumers are expected to be better off with independent brokers since they usually provide a higher service intensity (Regan, 1997; Regan and Tennyson, 1996). Several studies empirically confirm this observation for the insurance markets in the U.S. (Barrese et al., 1995) and
3. Individual responsibility and decision delegation

Germany (Eckardt and Räthke-Döppner, 2010; Trigo-Gamarra, 2008). The expected better outcome of delegated decisions is one of the reasons why consumers consult with intermediaries. Additionally, the third party can be better informed, more adequately skilled, or have lower opportunity costs than the delegating consumers (Bolton and Dewatripont, 2005). Avoidance of punishment and blame shifting can further motivate delegation (Bartling and Fischbacher, 2012). Because of the popularity of purchasing insurance from intermediaries and the resulting conflicts of interest, the IDD and other public policies strive at increasing the quality of advice by introducing strict professional requirements.

At the same time regulators try to cope with the negative effects of conflicting interests on the quality of advice by making the nature of remuneration transparent for consumers. As professional service actors, insurance intermediaries can create autonomy over consumers and are able to extract economic rents for their advisory services. Literature on professional services such as the ones that advisors provide acknowledges that professionals service actors will "be striving to preserve and enhance their economic and political influence" (Saks, 2016, p.12). To some extent, professions serve in their own interest and questions of power still shape the research agendas in professional services theories (Suddaby and Muzio, 2015). Although not primarily explained by economic self-interest, the profession of insurance advisors enjoys a monopoly over consumer decisions related to insurance matters.

The IDD aims at placing decisions in consumer interest over economic rents by disclosing information to delegating consumers about the nature of remuneration their advisors receive. The effect of the planned remuneration disclosure remains unclear in the context of decision delegation. Previous research has shown that decision delegation leads to depletion of self-regulatory resources, thus impairing consumers’ self-control abilities (Usta and Häubl, 2011). Burkley (2008) demonstrates that self-control plays an important role in resisting persuasion, particularly when, for example, strong arguments come up. The lack of self-control can in turn negatively impact
consumer welfare in form of overspending (Baumeister, 2002). Depending on the degree of preferred balance of responsibility, consumers can be left subject to the influence of their advisor and are in most cases dependent on the goodness of advice they receive. The question remains whether these consumers can evaluate the additional information on remuneration structures and then make an informed decision whether to follow the insurance advice or not.

### 3.3 Effects of decision delegation and remuneration transparency on individual responsibility

Important preconditions for regret are the element of personal agency (responsibility for a decision) or the awareness that the outcome would have been better if one had decided differently (Zeelenberg and Pieters, 2007). The element of personal agency is to be questioned in case of decision delegation. Entrusting and delegating responsibility to an advisor is indeed by itself a decision, however, the final decision (e.g. whether to take out a certain insurance or not) is passed to a third party. In terms of a choice without awareness (Smith et al., 2013), the delegation of insurance decisions can be considered as a form of default - consumers delegate decisions and insurance matters to the advisor who has been consulting them for years. Consumers may consider the delegation alternative as less risky since they believe that the advisor knows their needs and personal situation to such an extent that anything else can be perceived as time-consuming and not leading to the intended results. By relying on the professional expertise of the third party, consumers feel less responsible for the quality of a taken decision. That is, in case of decision delegation the element of personal agency becomes significantly reduced and the experienced regret is particularly due to a bad decision outcome:

**H1:** Decision delegation reduces the individual responsibility for a decision relative to non-delegation.
While this hypothesis is logical, the IDD does not imply less individual consumer responsibility for an insurance decision in the special case of delegation. Intermediaries carry the responsibility to present consumers with all information relevant for an informed decision and in case of providing advisory services, to give a personal recommendation "explaining why a particular product best meets the customer's insurance demands and needs" (The European Parliament and the Council of the European Union, 2016, p.24). The directive explicitly addresses situations where consumers make informed decisions. In such a way, if decision delegation reduces individual responsibility, the directive misses to protect the ones who need most protection.

Kahneman and Tversky (1982) demonstrate in their preference studies that regret from action is stronger than regret from inaction. Later research results are not as clear - some studies show empirically that actions cause more regret in the short-term, but turn to be less regrettable in the long run in comparison to inactions (Gilovich and Medvec, 1994). Feldman et al. (1999) find that regret from actions and inactions does not differ in intensity, at least under some conditions; however, regret from inactions is more frequent. Zeelenberg and Pieters (2007) propose in their Regret Regulation Theory that regret can be evoked by both decisions to act and not to act - the more justification there is for a decision, the less regret it provokes. When evaluating different options, individuals include in their evaluation process the regret they may eventually feel when choosing each option. The models of anticipatory regret support this notion of including potential regret in decision making (Bell, 1982; Loomes and Sudgen, 1982). They complement traditional utility theory by incorporating the concept of regret and its opposite, which they call rejoicing, the experience of a situation where one has chosen the best option, in a modified utility function (Loomes and Sudgen, 1982). The mere presence of a justifiable reason for the decision (e.g. the avoidance of a negative consequence) mitigates the experience of regret in case of a miserable outcome (Luce, 1998).
II DELEGATING DECISIONS

Justification for decision delegation usually comprises several factors such as surrogate’s expertise, trustworthiness, accountability and willingness to customize (Aggarwal and Mazumdar, 2008). Consumers who do not delegate but make decisions by themselves have explicit reasons for their behavior (e.g. negative prior experience, price sensitivity, etc.) (Shafir et al., 1993). For example, when consumers have the feeling that they lose control or miss an opportunity to learn from experience, they tend to refuse delegation. Decisions to switch (e.g. change the insurance policy provider) rather than maintain the status quo are found to produce more regret if there is no justifiable reason for the switch (Inman and Zeelenberg, 2002). By introducing the disclosure of remuneration, the IDD provides consumers with a justification for either delegation or non-delegation. Depending on consumers’ evaluation of the remuneration practice as positive or negative, its disclosure acts as justification to either delegate an insurance decision to an advisor or not. Thus, consistent with previous literature on decision justification and choice of avoidant options, we hypothesize that irrespective of whether consumers delegate or not, they experience less individual responsibility for a justified decision:

**H2a:** The presence of justification for a decision reduces individual responsibility.

**H2b:** In the particular case of delegation, the justification additionally enforces the negative effect on responsibility.

In summary, the behavior of delegation reduces individual responsibility and this effect is stronger when consumers can justify their decision to delegate. Figure 2 illustrates the proposed relationships between the main constructs. Even when delegation is at play, regulators assume that consumers carry responsibility for their financial situation. Only in cases of intentional mis-selling, intermediaries bear the responsibility for their wrong recommendations. Such cases usually become disclosed when they
3. Individual responsibility and decision delegation

demonstrably lead to devastating consequences for consumers, similar to the Lloyds Banking Group case of mis-sold loan insurance (FCA, 2015).

![Conceptual model for the relationship between delegation and individual responsibility moderated by a reason for justification.](image)

Figure 2: Conceptual model for the relationship between delegation and individual responsibility moderated by a reason for justification.

Public policies addressing consumer protection in different countries indeed contribute to a higher level of security for consumers, however, they still strongly rely on a certain level of individual responsibility. Hence, the questions remain: Are consumers aware of their individual responsibility when they delegate insurance decisions? If they do not feel responsible, would they be more careful in their next choice to prevent a wrong decision? Previous research shows that perceptions of personal causation strongly impact both positive and negative affect from outcomes (Gilovich et al., 1995; Landman, 1987; Ritov and Baron, 1995). If both delegators and non-delegators are equally aware of their own responsibility and feel involved in the insurance decision making process, then public policies are right to solely focus on other stakeholders such as intermediaries. However,
current public policies should be seriously questioned if consumers are not aware of their responsibility for the own financial situation. Should current policies even contribute to the reduction of individual responsibility, this makes the case for re-thinking financial regulation even stronger.

This study approaches the posed questions by applying a convergent mixed methods research design (Creswell and Plano Clark, 2011). A quantitative inquiry aims at measuring individual responsibility as manifested in regret after delegation and non-delegation both in the presence and absence of a reason for justification. The goal of the inquiry is to deliver insights whether the posed hypotheses can be supported or not. The subsequent qualitative phase intends to deliver a rich description of how consumers cope with a bad outcome scenario. In particular, it focuses on the question whom consumers blame for a bad decisional outcome and for what reasons. The main aim of the qualitative approach is to explore the coping strategies of consumers when they experience a bad outcome after a poorly made decision and to examine whether delegators can still learn from their negative experience. We first present the results from both data collection phases separately and then discuss them in an integrative manner. By triangulating the results of both phases and by making use of the illustration power of qualitative data, we seek to establish the effect of decision delegation on regret and describe the underlying process of responsibility attribution.

4 Study I: Car insurance scenario

4.1 Aim and participants

The first data collection phase was designed as an online study to better understand how consumers make insurance decisions and what is the currently perceived level of protection in claims procedures. 525 participants were recruited from a panel of a market research firm as a sample of the
4. Study I: Car insurance scenario

Swiss population and were reimbursed for their participation. The sample comprises 51.2% men and 48.8% women, median age is 36-45 years, and median education level is associate degree from a community college. A screening question for the participation in the study was whether consumers make any insurance decisions on their own, together with someone else, or not at all. Consumers who stated to take no insurance decisions were excluded from the study. Most participants reported to have a car insurance (75.4%) and 53% of them had changed or renewed their policy in the past two years. More than half of the participants (61.7%) reported that they intend to contact an advisor within the next five years. From the remaining 38.3%, 41.8% report to avoid using advisory services because of lack of trust in advisors. Nearly one third (29.95%) of participants agrees that insurance representatives (agents or brokers) make decisions rather in their clients' interest than in their own. All participants answered questions to determine their general financial literacy.

4.2 Design and procedure

The study design entails a car insurance scenario with the option to delegate an insurance decision to an advisor or to decide alone which car insurance policy to take out. A car insurance scenario represents a realistic situation for participants to take out such a policy either online or through an intermediary. Three-quarters of our sample (75.4%) report to have purchased a car insurance policy. This kind of policy is obligatory for all car owners in Switzerland. The following procedure was carried out in one session. All participants were asked to imagine a situation where they have just bought a car. For the insurance of the car they were told that they have already contacted an advisor who had consulted them in other insurance matters in the past. All participants received an insurance policy from the advisor. Upon review of the policy we manipulated the information participants received. Then we presented them with the choice to either look for a suitable car insurance online or to accept the policy and thus delegate the
final decision to the advisor. Appendix A contains the detailed procedure as shown to participants.

**Manipulation**

The manipulation consisted of a short TV report about online insurance policies being often cheaper than advisors’ offers. The main message of the report was that the same policy is usually more favorably priced online than when purchased from an advisor. The manipulation aimed at both inducing anticipated regret in case of delegation and providing a reason to justify non-delegation by communicating the remuneration advisors receive. Anticipating negative events and related counterfactuals intensifies the feeling of a potential negative outcome. Thinking about possible negative outcomes increases the perceived likelihood that these will occur (Kahneman and Tversky, 1973) and potentially influences decisions. Thus, we expect the manipulation to (1) evoke anticipated regret when considering the delegation alternative due to the higher costs for the same product and (2) make the non-delegation option more attractive. The justification appealed to the price sensitivity of consumers - the ones who regard price as a sufficient reason to change the status quo are supposed to opt for non-delegation instead of following the given advice. The TV report was randomly shown to half of the participants, while the other group was directly presented with the choice. The outcome scenario of the choice was the same for all participants. It described the denial of the insurance company to cover claimed costs and aimed at provoking regret feelings.

**Measures**

Next to the main constructs of decision delegation and experienced regret as proxy for individual responsibility, we measured the following constructs as covariates: sensitivity to regret, balance of responsibility, locus of control, and financial literacy. Regret was measured twice during the study.
4. Study I: Car insurance scenario

First, a general regret measure was incorporated in the survey before participants had to make a delegation decision. The general measure assessed systematic individual differences in the sensitivity to regret and was included as a control variable because it is likely to affect experienced regret. The sensitivity to regret was measured with the Regret Scale (Schwartz et al., 2002) (Cronbach's $\alpha = .776$); all items were rated on a seven-point Likert scale from "strongly disagree" (1) to "strongly agree" (7).

The second measure targeted the experienced regret after finding out that the chosen insurance option had serious flaws. The Regret Experience Measure, a post-decisional regret scale developed by Creyer and Ross Jr. (1999) (Cronbach's $\alpha = .861$) was employed to assess the source of experienced regret. Four of the scale items measured self-blame and included statements such as "Before I should have chosen differently" and "I think I made an error in judgement". These statements explicitly target individual responsibility. The remaining ones measured bad outcome regret with items such as "I regret my choice" and "I really feel good about my choice" (reversed). All the items were rated on a seven-point Likert scale from "strongly disagree" (1) to "strongly agree" (7).

Decision delegation was measured in two different manners to account for general consumer preferences and actual delegation behavior. First, participants’ preferences for involvement in decision making were controlled for before the car insurance scenario was presented. A three-item scale for the preferred balance of responsibility for the decision between consumers and insurance agents was adapted from Garfield et al. (2007) (Cronbach's $\alpha = .915$), based on the control preferences scale developed for medical treatment decisions (Degner et al., 1997). The three items were rated on a five-point scale denoting a different degree of delegation ("me alone" = lowest degree of delegation, and "the insurance agent" = highest degree of delegation).

Second, we directly assessed the actual delegation of a decision according to the choice that participants made. In the scenario participants had to make a final decision whether they accept the policy or look themselves
for a suitable one online. The measure for the decision was incorporated into the analysis as a binary variable (accept policy as act of delegation vs. search online as act of non-delegation).

The measure for locus of control (Cronbach’s α = .820) targeted the insurance domain, thus maximizing the likelihood to uncover insurance-specific relationships (Lachman, 1986). We adapted the domain specific scale of Chandran and Morwitz (2005). The four items were evaluated on seven-point scales from “strongly disagree” (1) to “strongly agree” (7).

To condense the items into factors, we applied confirmatory factor analysis. Two items from the anticipated regret scale and four items from the experiences regret scale were removed due to low factor loadings. All factor loadings in the final item set exceed .70. All path coefficients between the items and the constructs exhibit high significance (p < .001). Furthermore, Cronbach’s α scores for the constructs range from .776 to .915, thereby exceeding the proposed .7 threshold (Nunnally, 1978) and indicating a good level of internal consistency. Table 2 summarizes the items and features the factor loadings on the four constructs, the resulting composite reliability, the average variance extracted, and also measures supporting the good model fit.

Financial literacy was measured with four basic literacy questions taken from the 2004 U.S. Health and Retirement Study (Lusardi and Mitchell, 2008, 2011) that cover the mechanisms of interest compounding, inflation, time value of money, and money illusion (van Rooij et al., 2011). Participants receive one point for each correct answer, which sets the range from 0 to 4 (0 denoting no correct answers at all, 4 denoting correct answers to all four questions). Table 4 in Appendix B contains the exact wording of the questions and all answer options.

**Analysis approach**

We analyzed the data using an ANCOVA with a 2 (delegation: yes/no) x 2 (justification: yes/no) between-subjects design. Regret acted as dependent,
### Items and constructs

<table>
<thead>
<tr>
<th>Sensitivity to Regret</th>
<th>FL</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>If I make a choice and it turns out well, I still feel like something of a failure if I find out that another choice would have turned out better.</td>
<td>.776</td>
<td>.536</td>
<td></td>
</tr>
<tr>
<td>When I think about how I am doing in life, I often assess opportunities I have passed up.</td>
<td>.753</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whenever I make a choice, I’m curious about what would have happened if I had chosen differently.</td>
<td>.703</td>
<td></td>
<td></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Experienced Regret</th>
<th>FL</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>I regret my choice.</td>
<td>.862</td>
<td>.610</td>
<td></td>
</tr>
<tr>
<td>I really feel that I was making an error when I made that choice.</td>
<td>.741</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before I should have chosen differently.</td>
<td>.819</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I think I made an error in judgment.</td>
<td>.808</td>
<td></td>
<td></td>
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<table>
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<tr>
<th>Balance of Responsibility</th>
<th>FL</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>When thinking about making changes to an insurance product, once my agent has told me about the benefits and risks of doing this, the decision should be made by ...</td>
<td>.917</td>
<td>.786</td>
<td></td>
</tr>
<tr>
<td>When thinking about stopping using a insurance product, once my agent has told me about the benefits and risks of doing this, the decision should be made by ...</td>
<td>.942</td>
<td></td>
<td></td>
</tr>
<tr>
<td>When thinking about choosing a new insurance product, once my agent has told me about the benefits and risks of a product, the decision should be made by ...</td>
<td>.830</td>
<td></td>
<td></td>
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<table>
<thead>
<tr>
<th>Locus of Control</th>
<th>FL</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a lot that I as a consumer can do to get the best insurance value for my dollar.</td>
<td>.827</td>
<td>.546</td>
<td></td>
</tr>
<tr>
<td>In the long run, I as a consumer am responsible for getting the best insurance value for my money.</td>
<td>.839</td>
<td>.691</td>
<td></td>
</tr>
</tbody>
</table>
With enough effort I can get very good value for money spent on insurance. .753
By taking an active part in the process of taking out an insurance I can have considerable influence as a consumer. .660

<table>
<thead>
<tr>
<th>Measure</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparative fit index (CFI)</td>
<td>.983</td>
</tr>
<tr>
<td>Tucker-Lewis index (TLI)</td>
<td>.978</td>
</tr>
<tr>
<td>$\chi^2/df$</td>
<td>1.81</td>
</tr>
<tr>
<td>RMSEA</td>
<td>.039</td>
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Table 2: Construct reliability and validity measures. Notes: Standardized factor loadings are shown, FL = factor loadings, CR = composite reliability, AVE = Average Variance Extracted.
4. Study I: Car insurance scenario

decision delegation and justification as independent variables. The model included the two main effects and the interaction for decision delegation \( \times \) justification. Sensitivity to regret accounted for individual regret tendencies as a covariate. We also controlled for locus of control, balance of responsibility, and financial literacy. Leven’s test showed nonsignificant results, thus supporting the assumption of homoscedasticity. No multicollinearity was detected in the dataset. Normal Q-Q plots did not show a violation of the normality assumption.

Results

Delegation and regret. Decision delegation has a significant main effect on regret, \( F(1, 524) = 24.69, p = .000 \). Remuneration transparency as justification reason does not significantly impact the amount of experienced regret, \( F(1, 524) = .687, p = .407 \). The interaction term decision delegation \( \times \) remuneration transparency is significant, \( F(1, 524) = 14.74, p = .009 \), so that the effect of delegation on regret depends on whether consumers have raised price awareness or not. Planned contrasts reveal that non-delegators with raised price awareness experience greater regret relative to delegators in the same condition, \( p = .001, 95\% \text{ CI} [0.36, 1.238] \) and without justification, \( p = .003, 95\% \text{ CI} [0.143, 0.997] \). Non-delegators without justification reason exhibit more regret compared to delegators with justification, \( p = .002, 95\% \text{ CI} [0.209, 1.389] \). Experienced regret reaches higher values for non-delegators relative to the delegator group as Figure 3 shows.

Justification for non-delegation: Remuneration transparency. The manipulation with transparency of remuneration is successful and has a significant effect on the delegation decision. Pearson chi-square test examined the relationship between these two dichotomous variables. The test yields significant results (\( \chi^2(1) = 44.671, p = .000 \)) and supports the notion that decision delegation and remuneration transparency are not independent. The strength of association is moderate and significant (Cramer’s \( V = .292, p = .000 \)). The group in the remuneration transparency condition (\( n = 248, M = \)])
Figure 3: Mean experienced regret among delegators and non-delegators in both price awareness conditions
4. Study I: Car insurance scenario

.27, SD = .447) was more inclined to take a self-made decision than delegate it in comparison with the group without justification reason (n = 277, M = .56, SD = .497).

**Covariates.** Two of the covariates are significantly related to experienced regret, sensitivity of regret, F(1,524) = 10.25, p = .001, and locus of control, F(1, 524) = 4.66, p = .031. The results indicate no statistically significant effects for balance of responsibility and financial literacy.

4.3 Discussion

The results of the first study partially support H1; decision delegation leads to less regret relative to non-delegation, however, in the special case when a reason for justification is present. Non-delegators experience significantly more regret than delegators when they are aware of the cost of engaging a third party with the decision, thus supporting H2b. When there is no information about price differences between the two options, the non-delegators in our study still experience slightly more regret on average (see Figure 3), however, the results do not yield statistically significant differences and H2a cannot be supported.

The presence of a justification reason (remuneration transparency as proposed by the IDD) reduces the amount of experienced regret and individual responsibility for delegators. Paradoxically, the effect of remuneration transparency as justification turns to be just the opposite of the expected in H2a. According to our results, lower price justifies non-delegation at the point of decision making, but not in a post-decisional evaluation. Non-delegators may think of reasons why delegation would have been the better choice after being confronted with the bad outcome scenario. For example, they may post-evaluate that the reliability of the professional advice would have been worth the remuneration. In such case, the justification (remuneration transparency) is strong enough to provoke a self-made decision, but not sufficient to justify non-delegating in the post evaluation. A further explanation for this result is the likelihood of respondents to be more cautious.
when making a decision that involves higher costs (Campbell et al., 2011). Non-delegators in the justification condition may ignore the more expensive option of consulting an advisor due to price considerations. However, in a post evaluation they may become aware of having bought a product that is not only inferior in price but also in service quality. This finding suggests that the transparency of remuneration the IDD introduces will lead to switch in channel use for some consumers. Instead of receiving advice, consumers would opt for a more favorable option to buy insurance.

In contrast, delegators in the same condition report to experience less regret, even though they have paid a higher price for arriving at a bad decision (H2b). From delegator perspective, they may have a very strong justifiable reason to do so - they have done everything they could have done, namely consulted a professional for advice and even paid more for a hopefully better insurance policy. In their eyes it may be only bad luck or bad advice that has led to such a mediocre result, but not necessarily their own fault. Delegators may interpret the outcome as something that could have happened anyway; and since they have done everything in their hands to prevent a bad outcome, they experience less regret. In summary, the transparency of remuneration the IDD requires will lead to overall worse outcomes for consumers in both roles as delegators and non-delegators. The first ones will be nudged into non-delegation due to price considerations and the second ones will feel less responsible for the bad outcome, resulting in no chance for a lesson learned.

5 Study II: Life insurance scenario

5.1 Aim, participants, and procedure

The second phase of the research design follows a qualitative approach to deeper investigate how consumers cope with the bad situation resulting from a poorly made decision and whether coping strategies change depend-
5. Study II: Life insurance scenario

ing on whom they attribute the decision responsibility. A market research company contacted participants through a panel. Experience with insurance products acted as main selection criterion, where experience means that participants have already made insurance decisions and have purchased at least one insurance product. This second study encompasses 78 interviews with Swiss insurance customers. The sample comprises 47% men and 53% women aged between 18 and 83 (\(M_{age} = 48\) years) with different education levels ranging from secondary level to university. Informants live in three of the four language and cultural regions of Switzerland: 61 in the German, 10 in the French, and 7 in the Italian-speaking part. The interviews were semi-structured, focusing on customer experiences with insurance intermediaries. All participants were asked to imagine a scenario, similar to the one from the experiment, however the purchased policy was for life instead of car insurance (Appendix C contains the scenario description).

Each of the informants was asked to imagine they were interested in a life insurance and took out a policy recommended by an intermediary. Due to unfavorable market developments they receive less as expected by the time the policy expires. Informants were asked how they feel about the outcome and what would they think and do in such a situation. The scenario aims specifically at exploring whether informants will blame someone for the bad outcome although market developments are rarely foreseeable, even for professionals. We choose life insurance for the scenario for two main reasons: (1) in Switzerland life insurance policies are not available online, so personal contact with an intermediary or an insurance representative is obligatory, which makes the scenario more realistic for informants, and (2) as a source for retirement provision, life insurance policies can elicit stronger regret and thus, more easily unveil responsibility attributions.
5.2 Analysis approach

We transcribed all interviews and Atlas.ti computer-aided the data analysis. A pre-defined set of codes captured informants’ perceptions of delegation (such as own decision, delegation to advisor or unclear), to whom informants attribute the responsibility for the unfavorable outcome (e.g., to the advisor, to oneself, no responsibility attribution, or other), what kind of coping strategy they would use (surrender or resist) as well as whether and how they relate the learnings from the outcome to future decisions. New codes emerged during the process to describe the different coping strategies of informants. The scenario presented in the interview does not a-priori differentiate between delegators and non-delegators. Each informant was told that she took out the policy recommended by the advisor, so she was free to interpret the scenario in terms most realistic to her. While explaining their reactions in such a situation, some informants clearly stated that they believe to have delegated the decision responsibility to the advisor. During the analysis, we assigned all informants who made such a clear statement to the group of delegators. Informants who explained to feel responsible for the decision were assigned to the group of non-delegators during the analysis. In cases where the perception of delegation was not clear in informants’ explanations, their answers were assigned to a third group labelled “Other”. The designation of each informant to one of the three groups – delegators, non-delegators, or other, rests upon informants’ interpretation of the scenario and thus represents a situation most realistic for each of the interviewed persons.

5.3 Results and discussion

The life insurance scenario evoked mixed feelings among informants. Irrespective of their perception of delegation, they attributed responsibility to either the advisor, themselves, or did not blame anyone. Table 3 summarizes informants’ reactions to the scenario. The interview analysis shows
that people assigned to the group of delegators search for numerous explanations why the situation turned out bad for them. Delegators consider at first whether they can directly blame the advisor; afterwards, they place a strong focus on other reasons. One plausible explanation from their perspective is "well, I think the advisor cannot help it that the market has changed, the interest rates have collapsed or whatever". In informants' eyes bad luck can plague advisors as well, as one of them said, "I'd be angry with the advisor that recommended me that insurance, though one cannot blame him, he as well doesn't know how the stocks will develop, this is pure lottery. He just hasn't managed the money quite well, this can happen to anyone." Attributing the cause for the bad outcome to external factors makes the cause uncontrollable, thus, a matter of luck (Weiner, 2010).

The life insurance scenario directly states that the market has not developed as expected and thus implies external causation. Interestingly, delegators first consider blaming their advisor and then think about possible other causes. The scenario does not specify who expects the market to develop in a certain way; the interpretation of all delegators is that the advisor is the one expecting a certain development. The coping strategies of delegators place them in a victim role instead of fostering a lesson-learned attitude. These outcomes support the notion that delegators not only delegate the insurance decision itself but as well the responsibility that is attached to the act of deciding. This finding is consistent with our first hypothesis that delegators experience less regret in comparison to non-delegators. Only two delegators relate the expectation to themselves and make clear that they need to pay more attention when taking out a policy. The interview results illustrate how delegators either surrender or find explanations to reduce their regret and to attribute the cause for the bad outcome to factors not controllable by anyone.

The main outcome of interviews with non-delegators is that they either attribute the responsibility for the decision and the bad outcome to themselves or accept the bad outcome as a realistic consequence of an investment. Although the presented scenario implies bad market development as
<table>
<thead>
<tr>
<th>Perception</th>
<th>Responsibility attribution</th>
<th>Coping strategy</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delegation</td>
<td>to advisor</td>
<td>search for explanation</td>
<td>“I’d get in contact with the advisor and ask why that happened. I believe that there are different factors at play, and that’s why the result is not what it ought to be or how I imagined it.”</td>
</tr>
<tr>
<td></td>
<td>to oneself</td>
<td>surrender</td>
<td>“I didn’t really pay enough attention when taking out the policy.”</td>
</tr>
<tr>
<td></td>
<td>none or other</td>
<td>surrender</td>
<td>“The very first thing is just frustration... And the feeling that someone has sold and promised me something that I won’t get - so, I feel betrayed. But there’s nothing I can do about it. I signed the contract and agreed with all the conditions. Because if the market had developed differently and if I had received more, then I also wouldn’t have done anything.”</td>
</tr>
<tr>
<td>Non-</td>
<td>to advisor</td>
<td>none</td>
<td>none</td>
</tr>
<tr>
<td>delegation</td>
<td>to oneself</td>
<td>lesson learned</td>
<td>“I shouldn’t have taken it out, I usually check very carefully what I sign, I’d take a closer look the next time.”</td>
</tr>
<tr>
<td></td>
<td>none or other</td>
<td>acceptance; resistance if fraud suspected</td>
<td>“It depends whether there are some political or economical reasons for the bad development. If not, if I cannot explain why that happened, then I won’t accept it. That would feel to me like a fraud. Otherwise, if there are political or economical reasons, I am just unlucky. That would be the same situation for everyone else.”</td>
</tr>
<tr>
<td>Other</td>
<td>to advisor</td>
<td>surrender</td>
<td>“I must say, well, things happen, possibly he made a bad job, but I suppose I cannot do a lot to change that.”</td>
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</table>
5. Study II: Life insurance scenario

Perception Attribution | Responsibility Attribution | Coping Strategy | Example
--- | --- | --- | ---
to oneself | lesson learned | “I’d think that I’ve trusted someone I shouldn’t have. However, I should have referred to the policy, because there you always find all the conditions. In that sense, I must say, I backed the wrong horse. I wouldn’t react against the insurance company, but I’d say that I need to be aware of the fact that there is a risk coupled with the opportunity for high returns.”

none or other | acceptance | “Well, I wouldn’t put the blame on the advisor, unless he has acted carelessly and has gambled with the money, which is barely to comprehend. I’d say that risk is part of the game.”

Table 3: Overview of informants’ responsibility attributions and coping strategies
external cause for lower life insurance payback, one of the non-delegating informants says, "I shouldn't have taken it out, I usually check very carefully what I sign, I'd take a closer look the next time." This orientation towards future decisions highlights how a bad situation can turn into a lesson learned for non-delegators. They clearly differentiate between situations where they have the feeling that the advisor gave them wrong information or consulted them unprofessionally and situations where they accept that the outcome of the contract can turn out bad for them and they still sign it: "Wrong decision, I've made a mistake. What I decide and sign is my responsibility. I'd just take the money that I still get from the life insurance unless I realize that they've made a calculation error or something like that. Then I'd definitely react, but if it all went well, then I'd take a good look in the mirror, I've bought the wrong product."

The third group consists of informants who do not make their perception of delegation explicitly clear. When informants from this third group identify the advisor as responsible for the bad outcome, they do not actively think about possible reasons for the status quo. Surrendering to the notion that one cannot change the result is how these informants cope with the bad outcome. In contrast, informants who attribute the responsibility to themselves acknowledge that they need to be aware of the risks that go hand in hand with investment opportunities. Except for informants who blame their advisor, the third group strongly resembles non-delegators in their attitude towards the bad outcome.

In the context of the IDD, these findings reveal that delegators, the ones who feel less responsible for insurance decisions, will rather accept a bad outcome and not explore the potential of being advised in a wrong way. Delegators would ask their advisors why the outcome differs from their expectations but are not willing to go a step further into consulting with a third party to exclude the chance of being mis-advised. The results illustrate that consumers, who heavily rely on advisory services, would not invest time and effort to examine whether they received the policies that correspond to their needs. This limits the outreach of the IDD to the group of consumers
who already consciously make insurance decisions and are less in need for protection.

6 General discussion

The evidence from this study suggests that delegating financial decisions impairs the perception of individual responsibility when price considerations come into play. These results mean that the remuneration transparency as the IDD introduces it, will additionally reduce the individual responsibility consumers feel for their insurance decisions. As a result, the absence of individual responsibility triggers less learning effects for future financial decisions. This finding is consistent with attribution theory (Weiner, 2000); attributional search most likely follows bad outcome situations. Delegators mainly attribute the cause for a failure or a bad outcome to external uncontrollable and unstable factors. Ascriptions to such causes imply that in the future the outcome may be different under the same decisional circumstances (Weiner, 1986; Weiner and Bernard, 1985). In such cases, the resulting causal attribution rather leads to hope that the next time the outcome can turn out better. The downside of this casual attribution to chance is that it fails to point to a necessity for a change in the decision process. When delegators need to make a financial decision again, they have no reason to be more attentive or further compare products. A vicious circle forms unless an intervention from outside breaks through.

The anticipation of regret activates the mechanism for a future learning effect; in case of a bad experience, consumers will be more cautious in a similar future situation. In such a way consumers often incorporate past experience into their current and future decision making process (Connolly et al., 2013; Hetts et al., 2000). Due to impaired individual responsibility in a delegation situation, in particular due to the causal attribution to chance, delegators are unlikely to anticipate regret in a similar future situation. Thus, anticipated regret does not play a strong role in the decision
making process and cannot help to improve the decision outcome. Regret has no chance to act as motivator (Weiner, 2010) for better decisions since a critical reflection of causes and outcomes does not take place. The results illustrate that the idea of a well informed consumer that is at the bottom of the IDD disconnects from reality. By taking ever less responsibility for their decisions, consumers will not be able to make informed decisions themselves. Moreover, as our study illustrates, many consumers who become aware of the costs of delegation opt for a different distribution channel.

6.1 Implications for marketers

From a marketer’s perspective, it is desirable to increase consumers’ awareness of their own responsibility when deciding about financial matters. A critical reflection of causes and outcomes from consumer side can reduce the level of blame attributed to advisors and insurance companies. However, solely calling for more responsibility awareness has a significant drawback for marketers. Insurance companies are suffering from bad reputation (de Bettignies et al., 2006); activities for fostering more individual responsibility should not raise an impression that insurers are trying to lay the blame on consumers. Rather, marketers need to focus on collaborating with public policy makers and figuring out how to best support consumers in their decision making process.

Henry et al. (2013) demonstrate the role of reducing distrust in increasing responsibility beliefs. Enhancing consumer welfare is in the interest of all involved stakeholders. Marketers can seize the opportunity and start initiatives to improve their reputation. For example, insurance companies can start thinking about consumer protection as a tool for differentiation instead of a policy burden. Providing easy understandable, clear, and concise information about insurance policies and their possible outcome not only can improve consumer protection but at the same time draws consumers’ attention to what is important for an informed decision.
6. General discussion

6.2 Implications for public policy

Currently discussed changes of intermediary regulations worldwide can benefit from this research in different ways. First, the work provides initial evidence of the impact of intermediaries on consumers’ perceived decision responsibility. While professional financial advice usually leads to better consumer decisions (Hung and Yoong, 2010), conflicts of interest with regards to the nature and source of remuneration coupled with low decisional responsibility of consumers cannot lead to effective insurance decisions. It is indeed important to focus on avoidance of conflicts of interest as the European Insurance and Occupational Pensions Authority currently states to be envisioning (EIOPA, 2015). However, our results also present policymakers with insights about to whom consumers attribute responsibility for delegated insurance decisions. The results illustrate that consumers do not necessarily assume responsibility when delegating financial decisions. Completely waiving individual responsibility may not be a desired goal for legislations; up to now, depending on the provided level of protection, public policies rely on at least some portion of individual responsibility from consumer side. As Henry et al. (2013) highlight in their study on individual responsibility in the credit card domain, “any equitable system also requires vigilance on the part of the consumer”.

Second, the results suggest that the disclosure of price differences in the sense of distribution channel costs (eventually the less cost-intensive online channel versus insurance advisors) leads to a shift in channel usage. The Directive on markets in financial instruments (MiFID 2) in the European Union (in particular Article 21) as well as the IDD discuss disclosure as one form of managing a conflict of interest. We deliver initial proofs that such a disclosure will not achieve its original goal. Price-sensitive consumers are nudged to switch channels in the presence of cost benefits. In such a way, conflicts of interest may be eliminated, but customers will turn to other distribution channels to save costs. Switching consumers who can take well informed decisions by themselves will not suffer from this disclosure,
II DELEGATING DECISIONS

however, its heaviest impact will be on consumers who need to consider pricing aspects due to their own financial situation and are also in need of advice for insurance products. Future research is needed to examine behavior, in particular of consumers who need advisory services and at the same time refuse to buy them under such circumstances.

Third, the finding that delegation impairs individual responsibility has specific implications for financial literacy education. There are equivocal research results on whether financial advice serves as a substitute or complement for financial literacy (Collins, 2012; Hung and Yoong, 2010). With potential for conflicts of interest in mind, financial advice as a substitute for financial literacy would often end in mis-selling. This study shows that delegators are less financially literate compared to non-delegators. Measures to foster awareness for individual responsibility can be readily incorporated in financial education programs and additional decision aids. Schools and private organizations can both offer educational programs for consumers - at an early age or as advanced training for adults. Such programs can promote the use of financial advice as a complement for financial literacy and highlight the importance of individual responsibility for financial decisions. In such manner delegators benefit from opportunities to improve their own financial literacy and at the same time become aware of the responsibility they still carry for decisions made jointly with an advisor.

7 Limitations and future research

This research offers a deep understanding of how decision delegation impacts individual responsibility in the presence of remuneration transparency. However, one of its shortcomings is its limited geographical focus on Swiss consumers. Different cultures may react differently to remuneration transparency and may cope in a different manner with bad outcomes. Future research should explore whether and how culture influences the interplay between decision delegation, remuneration transparency, and
individual responsibility. The introduction of the IDD regulates the general approach to remuneration transparency. We suggest that evaluations of national regulatory policies that will be introduced in European Union countries to follow the directive are needed to explore how to foster better informed consumer decisions.

The current study focuses on immediate regret and the individual responsibility it entails after receiving feedback to a taken decision. Gilovich and Medvec (1995) propose an opposite pattern to Kahneman and Tversky's results in a series of studies, where they argue for a temporal regret component: in the short run actions seems to hurt more, whereas in the long run inactions are more regrettable. Future research should examine this temporal dimension of regret and the corresponding responsibility (Joseph-Williams et al., 2011) in order to clarify their long-term influence on subsequent insurance decisions and behavior. Further research is needed to explore different ways of how to best support consumers in realizing their responsibility despite delegating at a higher cost. Continuing the research on delegation, individual responsibility, and their influence on subsequent decision making behavior not only advances the theoretical understanding in the field but also suggests valuable insights for policy makers. The interplay of decision delegation and remuneration transparency warrant further examination to strike the balance between consumer responsibility and protection.
BIBLIOGRAPHY


Bibliography


Bibliography


APPENDICES
A Appendix

Car insurance scenario

All participants:
Imagine you have just bought a new car and you need to take out a car insurance policy. You call your advisor, Mr. Meier, in the past he consulted you several times in insurance matters. Mr. Meier notes down all the relevant information about the car and tells you that he will send you an adequate insurance offer. You receive the offer from Mr. Meier and have a look at it.

Group one, random assignment:
While you scan through the offer, the following report is running on TV.
[Here all participants in this group are exposed to a short TV report about online insurances being much cheaper than insurances bought via a salesperson]

Group two, random assignment:
You scan through the offer, Mr. Meier has included what you discussed about.

All participants:
In this situation, you:
(i) decide to take out the offer from Mr. Meier and sign it.
(ii) decide to look for an alternative online or to consult further salesperson.

Participants who chose (i):
Soon after you took out the insurance policy, your new car gets involved in an accident and is badly damaged. Despite the comprehensive cover you have, the insurance provider refuses to remunerate you for the full damage. Your advisor, Mr. Meier, cannot help you further in this case. It takes several months before you can claim a full remuneration. Because of the bad experience with this particular insurance provider you have decided to terminate the contract, effective immediately.

Participants who chose (ii):
You have found a more favourable priced car insurance product online and...
request an offer. The offered conditions are the same as the ones your advisor, Mr. Meier, sent you, but more favourably priced. Thus, you decide to take out the online offer and sign the policy.

Soon after you took out the insurance policy, your new car gets involved in an accident and is badly damaged. Despite the comprehensive cover you have, the insurance provider refuses to remunerate you for the full damage. Your advisor, Mr. Meier, cannot help you further in this case. It takes several months before you can claim a full remuneration. Because of the bad experience with this particular insurance provider you have decided to terminate the contract, effective immediately.

*All participants:*
Measurement of regret.
Basic financial literacy questions

Interest compounding: Suppose you had 100 € in a savings account and the interest rate is 20% per year and you never withdraw money or interest payments. After 5 years, how much would you have on this account in total?

- (i) More than 200 €;
- (ii) Exactly 200 €;
- (iii) Less than 200 €;
- (iv) Do not know;
- (v) Refusal.

Inflation: Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?

- (i) More than today;
- (ii) Exactly the same;
- (iii) Less than today;
- (iv) Do not know;
- (v) Refusal.

Time value of money: Assume a friend inherits 10,000 € today and his sibling inherits 10,000 € 3 years from now. Who is richer because of the inheritance?

- (i) My friend;
- (ii) His sibling;
- (iii) They are equally rich;
- (iv) Do not know;
- (v) Refusal.

Money illusion: Suppose that in the year 2010, your income has doubled and prices of all goods have doubled too. In 2010, how much will you be able to buy with your income?

- (i) More than today;
- (ii) The same;
- (iii) Less than today;
- (iv) Do not know;
- (v) Refusal.

Table 4: The four basic financial literacy questions and their answer options

These questions measure financial literacy in the 2004 U.S. Health and Retirement Study (Lusardi and Mitchell, 2008, 2011) and cover the mechanisms of interest compounding, inflation, time value of money, and money illusion (van Rooij et al., 2011). Participants receive one point for each correct answer, which sets the range from 0 to 4 (0 denoting no correct answers at all, 4 denoting correct answers to all four questions).
C Appendix

Life insurance scenario

Within the interview all informants were asked to imagine the following situation:

You are interested in a life insurance and an advisor consults you on the matter. Finally you take out the policy recommended by your advisor. Later on, the market does not develop as expected and you end up with receiving less by the time the policy expires. How do you feel about this outcome?

Informants were encouraged to explain in detail their feelings and possible reactions or reasons to act in a certain way.
PAPER II - ONE SIZE DOES NOT FIT ALL: A TYPОLOGY OF FINANCIAL CONSUMER VULNERABILITY

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Abstract

Current debates on future regulatory policies for the banking and insurance industry revolve around consumer protection. A crucial factor for ensuring consumer protection and well-functioning financial markets is to understand who the consumer is and to acknowledge that a certain degree of heterogeneity exists. The present study empirically derives a typology of financial vulnerability based on four important drivers of consumers’ insurance decision-making: financial literacy, involvement, information behavior, and balance of responsibility. Our results provide several important insights both for public policy makers and marketers and help to estimate the efficiency of consumer protection activities from consumers’ perspective. We illustrate how personal characteristics influence the magnitude of vulnerability risks consumers are exposed to. Significant differences in the levels of financial vulnerability result in three consumer groups that
pose diverse demands on insurance regulation. In this regard, a commonly employed one-size-fits-all regulation is likely to be ineffective. The paper concludes with a discussion of approaches to establish consumer protection and derive implications for the involved parties.

**Keywords:** consumer typology, vulnerability, regulation, consumer policy
1 Introduction

Current debates on future regulatory measures for the financial services industry revolve around consumer protection. Experts believe that neglect in this area is one of the triggers and amplifiers of the financial crisis in 2008 (OECD 2009; Akinbami, 2011). Institutions, federal councils, companies, and scholars are vividly discussing the strengths and weaknesses of proposed actions (Brown, 2013; FIO 2013). The Financial Services Act 2012 in the UK, for instance, highlights consumer protection as one of its three operational objectives, while the current revisions of the Insurance Contracts Act and the Financial Services Act in Switzerland provide for different policy interventions targeted at the same topic. A further prominent example is the recently published Insurance Distribution Directive of the European Union (EU 2016) that aims at increasing transparency of remuneration for customers.

Generally, first-best regulation aims at establishing competitive and efficient market conditions to maximize social welfare (Viscusi et al., 2005). In the context of financial services and insurance in particular, regulatory activities focus on solvency, price, and market conduct (Klein, 2012). Market conduct mainly involves consumer protection. It addresses both the social issue of protecting vulnerable groups as well as the vulnerability of the financial sector itself. During the financial crisis in particular, ill-informed consumers were easy targets for malfunctioning business practices that resulted in purchases of inappropriate products (OECD 2009). Consequently, as Melecky and Rutledge (2011) point out, consumers’ financial decisions and their resulting behavior have a direct impact on both the overall sector’s safety and soundness. For the same reasons, Mayer (2001) argues that the primary motivation and justification behind financial market regulation is consumer protection.

A crucial factor for establishing consumer protection and thus ensuring well-functioning financial markets is to get a better understanding of who the consumer is and to acknowledge that a certain degree of hetero-
1. Introduction

geneity exists (O’Mahony et al., 2015). The aim of this research is to un-
veil the decision-making process of insurance consumers by taking into
account different strategies leading to an insurance decision. This study in-
cludes several advances on previous research. First, the work contributes
to the insurance literature by highlighting the perspective of consumers,
still a blind spot in consumer protection research (Cude et al., 2003; Gold-
smith, 2005). Second, unlike previous work (Cartwright, 2015; Shultz and
Holbrook, 2009), the study seeks an empirical ground for an in-depth con-
textual examination of consumers at risk. We conduct seven focus groups
and a comprehensive online survey among 1,027 insurance customers to
cover various aspects of the insurance decision-making process. We use
consensus clustering analysis to construct a consumer typology with focus
on individual characteristics impacting vulnerability. Third, the elaborated
typology accounts for individual consumer differences without targeting
specific groups regarded as vulnerable. We examine the whole continuum
between high and low risk exposure to obtain a holistic understanding of
what puts consumers at risk.

Finally, our findings uncover patterns of how consumers make insur-
ance decisions and how these patterns influence the magnitude of risk
that consumers are exposed to. Managers and policy makers can apply
the typology as a decision tool to estimate the efficiency of (self-)regulatory
protection measures from the perspective of consumers, their main target
group.

The remainder of the article starts with a brief overview of consumer
risk and vulnerability in the context of insurance. A discussion of individ-
ual characteristics that influence the degree of vulnerability follows. After
outlining the methodological approach, we present the results of the study
and discuss the findings in the light of extant literature. Finally, we con-
clude by offering practical implications of the elaborated typology for con-
sumer protection policies and outline potential avenues for future research.
Risk and vulnerability are closely related, but still different concepts (Baker, 2009; Cardona, 2004). Baker (2009, p.118) argues that vulnerability is the “materialization of risk”, the loss of security, while risk denotes the probability to lose security. Insurance consumers are exposed to the risk of fraud and unfavorable decision making (OECD 2009); however, this risk does not materialize in all cases and thus allows for a range from non-existent to high vulnerability. Therefore, this work resorts to the so-called “situational approach” to examine how vulnerable insurance consumers are in case they experience a situation of fraud or unfavorable decision making. In contrast to other concepts, the situational approach acknowledges the multi-dimensional and dynamic nature of vulnerability (Wisner, 2004). More importantly, it treats vulnerability as a situational outcome contingent on different environmental, social or economic conditions and calls for empirical examinations of vulnerability experiences (Baker, 2009; Baker et al., 2005). Consumer vulnerability can arise from a variety of different situations and corresponds to a state of powerlessness (Baker et al., 2005). The financial crisis of 2007-2009, for instance, revealed that consumers lacked the knowledge or capacity to protect themselves (OECD 2009), while external factors such as opportunistic marketing and claims practices additionally contributed to a higher level of vulnerability (Klein, 2012). The major driver of vulnerability risks in insurance markets is both asymmetric and incomplete information among insurers and consumers (Cummins and Doherty, 2006; Eckardt, 2007). The difference in bargaining powers between the two parties often results in a disadvantage for consumers (Klein, 2005). Irrespective of the cause, vulnerability entails exposure to the risk of detriment (Cartwright, 2015) and individual consumers are more likely to be disadvantaged in market relationships (Andreasen and Manning, 1990). Facing difficulties to overcome their heterogeneity, consumers struggle with exercis-
2. Consumers at risk and consumer vulnerability

ing their market power as a uniform group (Ahlswede, 2011).

Shultz and Holbrook (2009) construct a typology of vulnerability based on two consumer characteristics, knowledge of means-ends relationships (equivalent to cultural capital) and access to beneficial means (equivalent to economic capital). Knowledge of means-ends relationships describes the degree to which people have an understanding of the necessary means by which they can achieve their goals, while irrespective of how that knowledge is obtained (e.g., schooling or experience). Access to beneficial means denotes whether individuals have the ability or economic resources to acquire the products or services that support the achievement of their goals. The lack of both characteristics indicates high vulnerability, whereas the lack of one indicates a still present, however, lower vulnerability.

Besides knowledge and access, individual and external factors such as consumers’ individual characteristics or imbalanced market context (Baker et al., 2005; FCA, 2015) contribute to increased consumer vulnerability. Regulatory measures aim at finding a sound balance between these factors such that all stakeholders are better off. While regulation strives to shape both external and contextual factors to some extent and market players bind themselves to certain rules, individual consumer characteristics do not follow any law or rule. Additionally, extant research (Kahneman and Tversky, 1979; Pappalardo, 2012; Tversky and Kahneman, 1992) shows that human behavior is almost never in line with the utility maximization principle as rational consumer choice theories assume (von Neumann and Morgenstern, 1944). Under a cost-benefit consideration, the ‘reasonable consumer’ is not perfectly, but well-informed (Pappalardo, 2014). The notion of a reasonable consumer is an aspiring one, yet, it remains unclear to what extent it reflects reality.
3 Individual characteristics influencing vulnerability

3.1 Financial literacy

In accordance with Shultz and Holbrook (2009), Cartwright (2015) acknowledges the importance of individual characteristics and financial literacy in particular. The author proposes a taxonomy focusing on individuals with capacity to make informed decisions. The taxonomy encompasses different types of vulnerability where consumers can, e.g., suffer from suboptimal decisions or information asymmetry. Next to these classifications, several authors highlight the importance of financial literacy among consumers for efficient banking and insurance markets (Braunstein and Welch, 2002; Lusardi, 2008; Lusardi and Mitchell, 2011b). Increasing financial product complexity additionally raises the urgency for higher financial literacy. The trend for an ongoing transfer of financial risks to individuals puts enormous pressure and responsibilities on consumers (OECD 2009; Klapper et al., 2013; Lusardi and Mitchell, 2011b).

Several studies show that financial knowledge levels across all age groups in the U.S. are very low on average and almost insufficient to make well-informed decisions (Lusardi et al., 2010; Lusardi and Mitchell, 2011a). Lusardi and Mitchell (2011b) confirm these findings by examining financial expertise in eight countries with different levels of market development as well as type of pension provision. As a consequence of illiteracy, financial resources are inefficiently allocated and stability both at the micro- and macro-level is endangered (Lusardi and Tufano, 2009, 2015). Moreover, Cole et al. (2011) point out that the implementation of measures enhancing the level of financial knowledge are particularly important for vulnerable consumers. Klapper et al. (2013) highlight that in countries with developing banking and insurance markets, consumers need to be well-educated in order to keep up with the continuing shift towards individual responsibility.
3. Individual characteristics influencing vulnerability for investment, savings, and debt management decisions.

3.2 Information behavior

Besides financial literacy, consumer choices are often a result of consumers’ engagement in information seeking and information exchange. Clarifying requirements and satisfying other cognitive needs are the main reasons why consumers seek information (Kellogg et al., 1997). Sources of information can vary from exchanging with other persons or monitoring others’ behavior (Kelley et al., 1990) to gathering information online (Bickart and Schindler, 2001).

Consumers with a higher awareness of objective sources of information and their usage acquire knowledge and “expertise”. This knowledge makes them more likely to select suitable products and at the same time decreases their likelihood of becoming vulnerable (Anderson and Engle- dow, 1977; Bloom, 1989). Research in knowledge management considers information and knowledge as interrelated concepts that affect each other. Stenmark (2002) resorts to the work of Polanyi (1958) and clarifies the difference between the two concepts: knowledge is tacit, while information is what consumers can articulate.

The interrelation between information and knowledge implies that the information behavior of consumers impacts their vulnerability. Active information seekers are better equipped to respond to opportunistic marketing and claims practices. In contrast, consumers identified as cognitive misers tend to use simplified and limited amount of information for making decisions (Fiske and Taylor, 1991). In her study on trust, transparency, and protection in the digital age, Walker (2016) proposes a 2x2 matrix that highlights the different complexity stages of transparency in information exchanges. The matrix depicts how “the uncertainty and challenge for individuals to process increasingly more information leads to consumer vulnerability” (Walker, 2016, p.148). The impact of information behavior on vulnerability, in particular in a context with significant information asymme-
tries such as insurance, is decisive for the success of protection policies and needs close examination.

### 3.3 Balance of responsibility

Even though consumers differ in their financial expertise, experience, and needs for information and advice (O’Mahony et al., 2015), regulatory interventions rely strongly on an equal level of individual responsibility (e.g., as the Financial Services Act 2012 in the UK does). To counteract this ongoing trend, a possible solution from consumer perspective is to delegate responsibility to a third party (Price et al., 1995). The academic literature denotes this kind of behavior as decision delegation (Broniarczyk and Griffin, 2014; Chhabra and Olshavsky, 1986; Solomon, 1986). Consumers mostly consult industry experts such as agents or brokers, but they might also seek advice from relatives or friends (Anderson and Nevin, 1975; Cummins and Doherty, 2006; Duker, 1969; Maas, 2010; Swiss Re, 2004). Formisano et al. (1982) empirically prove that the majority of participants choose their life insurance policies following the recommendations of salespersons.

Independent and firm-owned agents operate concurrently as insurance salespersons or intermediaries due to the market imperfections and product quality hypotheses (Barrese and Nelson, 1992; Cummins and VanDerhei, 1979). The role of such intermediaries and their assumed tasks differ according to the nature of contracts they provide (Regan and Tennyson, 2000). Researching advisory on complex products, several authors argue that individuals are better off with independent advisors since they generally provide a higher service intensity (Regan, 1997; Regan and Tennyson, 1996). The studies of Barrese et al. (1995) for the U.S., Trigo-Gamarra (2008) and Eckardt and Räthke-Döppner (2010) for Germany support empirically this argument and implicitly illustrate the potential vulnerability of insurance consumers who engage with firm-owned agents.

The critical issue in insurance distribution is the remuneration of industry experts. Most agents receive their remunerations from insurance
3. Individual characteristics influencing vulnerability

companies and not directly from the consumers they advise. Gravelle (1994) shows that common remunerations, such as commission payments and fees-for-advice, result not even in a second-best solution for life insurance products. Kurland (1995) and Kurland (1996), however, find no empirical evidence that commission payments negatively impact the behavior of insurance advisors. Similarly, Focht et al. (2013) show that the remuneration system does not matter as long as consumers act rationally and advisors behave honestly. Yet, it remains questionable whether these assumptions represent the current market conditions in a realistic manner. Instead of taking a supporting role only (Price et al., 1995), intermediaries act as consumers’ surrogates (Aggarwal and Mazumdar, 2008). Extant research shows that delegation towards surrogates leads to depletion of self-regulatory resources and thus, impairs consumers’ self-control abilities (Usta and Häubl, 2011). Self-control, however, plays an important role in resisting persuasion, particularly when strong, cogent arguments come up (Burkley, 2008). In turn, the lack of self-control can negatively impact consumer welfare in the form of overspending (Baumeister, 2002). By delegating their responsibility to a third party, consumers become dependent on the surrogates’ goodness of advice and hence, make themselves implicitly vulnerable.

3.4 Interest

The link between consumer self-knowledge (e.g. awareness of own needs and goals) and product knowledge defines the level of interest for a product and has an impact on the evaluation process of purchase offers (Celsi and Olson, 1988; Petty et al., 1983). More specifically, the willingness to devote cognitive resources depends on how central the product or service is to consumers. The perceived importance indicates consumers’ interest or involvement with a product or service (Laurent and Kapferer, 1985; Mittal, 1989; Zaichkowsky, 1985). Celsi and Olson (1988) provide strong support for the notion that involvement acts as a motivator for consumer attention and
comprehension processes. Similarly, Chandrashekaran (2004) shows that highly involved consumers stay generally unaffected by external attempts to enhance their evaluations. Therefore, involvement with insurance services impacts the level of vulnerability consumers can experience.

In summary, we analyze four personal and behavioral characteristics as main drivers of the vulnerability of insurance consumers: (1) financial literacy, (2) information behavior, (3) balance of responsibility, and (4) consumer involvement. These drivers guide the examination of how consumers make insurance decisions and which decision-making patterns emerge.

4 Methods

4.1 Study 1

Study 1 is exploratory in nature and aims at adopting a consumer perspective on vulnerability and protection in an insurance context. With a series of focus groups we explore consumers' perceptions of their vulnerability and ways to overcome it. Within moderated settings, consumers discussed how they decide to take out an insurance policy, what their concerns are, and how they search for and evaluate insurance-related information.

Sample and procedure

The application of focus groups helps to overcome initial difficulties consumers experience when they have to express their perceptions of an abstract topic such as consumer protection or vulnerability in insurance context. The interaction between participants is of key importance and group dynamics are decisive for the quality of the results (Barbour, 2007; Halkier, 2010). In the best case, participants express personal opinions and ideas, while the rest then comment and elaborate on them (Fern, 2001). Moreover, participants confront each other with different perceptions and thus, are
4. Methods

compelled to examine their own views more closely in the course of the argumentation process. The group dynamics allow participants to analyze a topic they have given little thought to in everyday life in a straightforward and insightful manner.

Altogether, we conducted seven focus groups across Switzerland with 58 participants in total (50% men, 50% women). A market research firm contacted them through a panel and reimbursed them financially for their participation. The allocation to the seven groups aimed at diversifying the participants with respect to age, gender, and occupation. Table 7 in Appendix A shows a detailed overview of the composition of the seven focus groups. Discussions within heterogeneous focus groups result in a high level of information saturation after only relatively few meetings (Liamputtong, 2011). Participants engaged in a two-hour moderated discussion about their trust and risk perceptions regarding insurance services.

Results

A striking insight emerges from the focus group discussions. Participants do not relate consumer protection to the insurance industry. Swiss consumers seem to overlook regulatory state actions. As one participant highlights, he expects protection from “the media and Comparis [a Swiss insurance comparison website]” in case he cannot exercise his rights. Furthermore, mediating parties such as the ombudsman are fairly unknown, as one participant reports: “I don’t know whom to ask for help. I have too little competence and detailed knowledge in that area.” This finding supports the notion that some consumers are not aware of regulation as a form of protection. In contrast, when directly asked who is responsible for consumer protection, the state is participants’ first choice.

Participant narratives support the outcome of the literature review that financial literacy, information behavior, balance of responsibility, and involvement play an important role in the insurance decision-making process. Some focus groups discussed the impact of the perceived fair-
ness, quality of service, and also appreciation from intermediaries on the preferred balance of responsibility and the decision whether to delegate. These dialogues provide evidence for consumers’ vulnerability in situations where they seek professional advice. However, strategies for minimizing vulnerability differ among participants. Consumer protection is “control” at its core, as one participant says. She stresses that “control is not a sign of personal responsibility” and rejects governmental protection, whereas other participants comment that they delegate decisions because they prefer not to carry responsibility. The diversity of decision-making approaches we discover in the focus group discussions confirm the assumption that there is no single valid pattern of how consumers choose insurance policies. It turns out that consumers may not perceive protective measures as meaningful support, depending on the path they pursue to a decision. The second phase builds on these outcomes. Together with prior literature results, these results inform the choice of appropriate constructs for the development of a consumer typology.

4.2 Study 2

Study 2 consists of a comprehensive online survey on insurance decisions among 1,027 consumers in Switzerland. A market research company contacted respondents through a panel and thus maximized response quality and minimized missing data. All participants received financial reimbursement. The sample is population-representative for Switzerland with respect to age, gender, and education as Table 8 in Appendix B shows. Respondents are spread across three cultural and linguistic Swiss regions - the German-, French-, and Italian-speaking parts of Switzerland.

Measurement

We draw on established scales from academic literature to measure the latent constructs of financial literacy, information behavior, decision delega-
4. Methods

Financial knowledge was measured with four basic literacy questions taken from the 2004 U.S. Health and Retirement Study (Lusardi and Mitchell, 2008, 2011a) that cover the mechanisms of interest compounding, inflation, time value of money, and money illusion (van Rooij et al., 2011)). Table 9 in Appendix C contains the exact wording of the questions and all answer options. In line with Mitchell and Lusardi (2011), we distinguish “incorrect” from “do not know”/“refusal” answers in order to account for the differences between various levels of financial literacy.

Twelve items adapted from the scales for depth of information search by Mishra and Kumar (2012) (Cronbach’s alpha = .752) measured information behavior. Each item represents a possible information source (e.g., “Internet site of insurance provider”, “consumer magazines”, or “friends, family, employer”) and participants needed to indicate their respective degree of usage intensity on a seven-point Likert scale (1 = “not at all” to 7 = “very intensively”).

A three-item scale measured the preferred balance of decision responsibility between consumers and insurance advisors. We adapted the scale from Garfield et al. (2007) (Cronbach’s alpha > .8, no exact value reported). Originally, the questions stem from the control preferences scale that Degner et al. (1997) develop for medical treatment decisions. Participants rated the items “When thinking about taking out / changing / canceling an insurance policy, if the insurance advisor has told you about its benefits and risks, who should finally decide about your insurance?” on a five-point scale denoting a different degree of delegation (from “me alone” = lowest degree of delegation to “the insurance advisor” = highest degree of delegation).

Finally, we draw on the three-item scale developed by Chandrashekaran (2004) (Cronbach’s alpha = .91) to measure consumer involvement with insurance services. The items aim at revealing the overall interest (“I am particularly interested in insurance services”), the perceived personal relevance (“Given my personal interests, this service is not very relevant to me”) and the overall feeling of involvement (“Overall, I am quite involved when
I am taking out or changing an insurance policy"). All items range from 1 (strongly disagree) to 7 (strongly agree) on a Likert scale. Chandrashekaran (2004) reports a high correlation (.92) of the scale with the 20-item construct Personal Involvement Inventory (PII) developed by Zaichkowsky (1985).

**Consensus clustering analysis**

We resort to cluster analysis as a statistical approach for revealing groups in data, to recognize and analyze potential decision-making patterns. Given the exploratory nature of clustering techniques, however, both the number of groups and individual membership assignments are unknown a priori. Furthermore, they critically depend on the applied algorithm. Under hierarchical clustering strategies, for instance, the respective linkage criterion mainly drives the results, whereas partitioning methods such as $k$-means are very sensitive to externally set starting points. To minimize the risk of applying inappropriate techniques and assumptions, we run several hierarchical algorithms and $k$-means with intelligently-drawn starting points for 2- to 10-group solutions. All results obtained in this manner form a so-called cluster ensemble that is further subject to the Meta-CLustering algorithm (Strehl and Ghosh, 2002) as Orme and Johnson (2008) propose. This method is shown to achieve better hit rates, a better fit to true group means, and better estimates of the true group sizes in comparison to other approaches (Orme and Johnson, 2008).

Figure 4 gives an overview of each step in the methodological approach. Before the analysis, we calculate Euclidean distances (Everitt et al., 2011) between respondents for each latent construct on a separate basis. Then, at the first stage, we apply one divisive and three agglomerative hierarchical clustering algorithms to each respondent. Among the agglomerative techniques that start with each respondent representing a single group, we run complete linkage clustering (Sorensen, 1948), average linkage clustering (Sokal and Michener, 1958), and Ward’s method (Ward, 1963). Divisive methods construct the hierarchy from top to bottom. In this particular case,
4. Methods

Survey Data

Stage I

Hierarchical clustering

- Complete linkage
- Average linkage
- Ward’s method
- Divisive (DIANA)

k-means clustering

- Distance-based starting points
- Density-based starting points
- Hierarchical-based starting points

Stage I Memberships

Final Ensemble

(4 bases $\times$ 7 solutions $\times$ 9 groups = 252 partitions)

Final membership assignments

Figure 4: Consensus Clustering Analysis – Overview
the so-called DIANA algorithm (Kaufman and Rousseeuw, 1990) splits one cluster containing all data points into single groups.

Additionally, we apply $k$-means clustering (MacQueen, 1967) with three different starting points. The main difference to hierarchical methods is that these techniques require the final number of non-overlapping clusters, i.e., the so-called group means, before the analysis. In order to increase their performance, we follow Orme and Johnson (2008), who suggest to define starting points based on distance, density, and hierarchical criteria that are determined within randomly-drawn subsamples of 100 respondents. For each method, we perform 30 iterations with different subsamples to ensure a high representativeness and robustness of the results.

After the first stage, the individual classifications form an ensemble matrix with individuals in rows and the different classifications in columns. In sum, we apply 7 different clustering techniques on 4 clustering bases and extract all 2- to 10-group solutions. Hence, our final ensemble comprises 252 ($= 7 \times 4 \times 9$) sample partitions. Finally, at the second stage, we run another 30 iterations of $k$-means with mixed starting points on the ensemble to find the consensus solution, which resembles “clustering on cluster solutions” (Orme and Johnson, 2008). The most reproducible solution, i.e., the one most often observed among these replications, is the final classification (Orme and Johnson, 2008).

Results

A satisfying degree of diversity among the individual ensemble partitions is an important prerequisite for high-quality consensus clustering results (Retzer et al., 2009). A common way to determine diversity is the so-called adjusted Rand index (ARI) (Hubert and Arabie, 1985) that captures the correspondence between two classifications.

Given its definition, the ARI equals unity for two identical partitions. Thus, we first calculate the average ARI among our ensemble solutions and deduct it from unity afterwards in order to arrive at the overall diversity.
4. Methods

With the average ARI amounting to .105, the ensemble diversity amounts to .895. Regarding our final clustering at stage two (Figure 4), a high reproducibility implies that, irrespective of the selected starting points, a solution crops up again and again. This, in turn, is a clear indication that the cluster solution resembles the data structure. Given the reproducibility figure of 87.9 percent (Orme and Johnson, 2008), our analysis provides clear evidence for a three-cluster solution.

We carried out a post-hoc descriptive discriminant analysis with the obtained membership from the consensus clustering to examine which constructs contribute most to group separation (Borgen and Seling, 1978). The results point towards two statistically significant discriminant functions. Balance of responsibility greatly impacts the first function. Information behavior and financial literacy exhibit strong influence on the second one. These results support the notion of significant differences between the clusters along the analyzed characteristics. Table 5 gives an overview of the clusters.

Cluster 1, labeled “autonomous”, consists of 544 people (53% of the sample) who take insurance decisions by themselves without including a third party in the decision-making process. The autonomous gather their information from a mix of different sources such as online, private, and professional contacts. This group exhibits a high level of financial literacy, with more than half of its members correctly answering at least three of the four literacy questions. Autonomous decision-makers are highly involved when they take out or change an insurance policy, but do not show genuine interest in the topic.

The second cluster, labeled “socially-informed”, accounts for 303 people (29.5% of the sample). The socially-informed take their decisions after having discussed possible outcomes with their advisor. This group uses least intensively offline and online information sources and instead relies heavily on personal contacts. The group of socially-informed exhibits the highest percentage of correct and lowest of incorrect answers to the basic financial literacy questions. Similar in their involvement to the au-
<table>
<thead>
<tr>
<th>Construct/Variable</th>
<th>Variable Level</th>
<th>Autonomous</th>
<th>Socially-informed</th>
<th>Delegators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster size</td>
<td></td>
<td>544</td>
<td>303</td>
<td>180</td>
</tr>
<tr>
<td></td>
<td></td>
<td>53%</td>
<td>29.5%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Age structure</td>
<td>1950-1959</td>
<td>23%</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td></td>
<td>1960-1969</td>
<td>25%</td>
<td>21%</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>1970-1979</td>
<td>24%</td>
<td>21%</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>1980-1989</td>
<td>21%</td>
<td>24%</td>
<td>27%</td>
</tr>
<tr>
<td></td>
<td>Born after 1990</td>
<td>6%</td>
<td>11%</td>
<td>17%</td>
</tr>
<tr>
<td>Gender</td>
<td>Men</td>
<td>49%</td>
<td>48%</td>
<td>56%</td>
</tr>
<tr>
<td></td>
<td>Women</td>
<td>51%</td>
<td>52%</td>
<td>44%</td>
</tr>
<tr>
<td>Education</td>
<td>None</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>Up to upper secondary level</td>
<td>59%</td>
<td>54%</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>Higher vocational training</td>
<td>16%</td>
<td>22%</td>
<td>21%</td>
</tr>
<tr>
<td></td>
<td>University</td>
<td>24%</td>
<td>22%</td>
<td>16%</td>
</tr>
<tr>
<td>Region</td>
<td>German-speaking</td>
<td>66%</td>
<td>60%</td>
<td>64%</td>
</tr>
<tr>
<td></td>
<td>French-speaking</td>
<td>27%</td>
<td>28%</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>Italian-speaking</td>
<td>8%</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Financial literacy</td>
<td>Correct</td>
<td>55.7%</td>
<td>56.8%</td>
<td>28.9%</td>
</tr>
<tr>
<td></td>
<td>Incorrect</td>
<td>5.3%</td>
<td>4%</td>
<td>14.4%</td>
</tr>
<tr>
<td></td>
<td>Do not know</td>
<td>2.6%</td>
<td>2.6%</td>
<td>7.8%</td>
</tr>
<tr>
<td></td>
<td>Refusal</td>
<td>2.4%</td>
<td>3.3%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Construct/Variable</td>
<td>Variable Level</td>
<td>Autonomous</td>
<td>Socially-informed</td>
<td>Delegators</td>
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<tr>
<td>-------------------</td>
<td>----------------</td>
<td>------------</td>
<td>-------------------</td>
<td>------------</td>
</tr>
<tr>
<td></td>
<td>intensity</td>
<td>alone</td>
<td>after consultation with advisor</td>
<td></td>
</tr>
<tr>
<td>Online</td>
<td>high</td>
<td>31%</td>
<td>29%</td>
<td>31%</td>
</tr>
<tr>
<td></td>
<td>low</td>
<td>60%</td>
<td>58%</td>
<td>43%</td>
</tr>
<tr>
<td>Offline</td>
<td>high</td>
<td>12%</td>
<td>15%</td>
<td>22%</td>
</tr>
<tr>
<td></td>
<td>low</td>
<td>73%</td>
<td>70%</td>
<td>45%</td>
</tr>
<tr>
<td>Information</td>
<td>high</td>
<td>37%</td>
<td>56%</td>
<td>41%</td>
</tr>
<tr>
<td>behavior</td>
<td>low</td>
<td>47%</td>
<td>9%</td>
<td>44%</td>
</tr>
<tr>
<td>Personal contacts</td>
<td>high</td>
<td>34%</td>
<td>38%</td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td>low</td>
<td>54%</td>
<td>49%</td>
<td>33%</td>
</tr>
<tr>
<td>Professional contacts</td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>low</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance of</td>
<td>Taking out</td>
<td>93%</td>
<td>96%</td>
<td>71%</td>
</tr>
<tr>
<td>responsibility</td>
<td>Changing</td>
<td>95%</td>
<td>94%</td>
<td>69%</td>
</tr>
<tr>
<td></td>
<td>Terminating</td>
<td>98%</td>
<td>70%</td>
<td>59%</td>
</tr>
<tr>
<td>Interest</td>
<td>General</td>
<td>31%</td>
<td>32%</td>
<td>31%</td>
</tr>
<tr>
<td></td>
<td>Relevance</td>
<td>19%</td>
<td>18%</td>
<td>28%</td>
</tr>
<tr>
<td></td>
<td>Involvement</td>
<td>73%</td>
<td>70%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Table 5: Demographic description and personal characteristics of the three clusters. Financial literacy percentages involve at least three answers in the displayed categories (e.g., correct, incorrect etc.), while the intensity of information behavior represents ratings from 1 to 3 (low) and 5 to 7 (high). The percentages denoting participants’ balance of responsibility indicate a preference for self-made decisions. Finally, interest percentages include agreement ratings of at least five on a seven-point Likert scale.
tonomous cluster, the socially-informed are not seriously interested in insurances, however, they report to gather the relevant and necessary information when they need to take out or change an insurance policy.

Consumers belonging to the smallest cluster, labeled "delegators" (180 members, 17.5% of the sample), exhibit a greater tendency for deciding together with their advisors. In particular, decisions regarding the taking out or changing of insurance policies are joint, terminating a contract seems less crucial in comparison and 29% make termination decisions alone or after a discussion with an advisor. In addition to their decision-making behavior, striking for this group is its low financial literacy. Barely 30% give correct answers to three or all four questions, whereas almost 15% cannot answer them. Delegators strongly resort to professionals for gathering insurance information. Insurance topics are very relevant for 28% of the delegators - the highest number in comparison with the other two groups (19% of the autonomous and 18% of the socially-informed).

The demographic data of the three clusters indicates some slight differences in age and education. The discriminant analysis results also point to age and education as statistically significant discriminators. Delegators are younger than the other two groups - 44% of its members are under 36 years old, amongst the autonomous these are only 27%, and 35% amongst the socially-informed. Delegators tend to be less educated, 3% report to have received no education and only 16% have a university degree. Most delegators (60%) report having reached a degree up to upper secondary level. We also observe regional differences in our sample, which includes data from three different cultural and linguistic Swiss regions (German, French, and Italian). The Italian-speaking cantons are more strongly represented in the groups of the delegators and the socially-informed, while the German- and French-speaking cantons exhibit a similar spread across the groups.
5. General discussion and public policy implications

Both national and EU bodies vividly discuss about measures to better protect consumers, in particular after the financial crisis. Posner and Véron (2010) suggest that the European Union (EU) aims at securing market integration instead of shaping regulation to respond to a common public purpose. As a possible explanation the authors highlight embedded differences at the national level (Fioretos, 2010) that significantly reduce the chance of reaching a EU-wide consensus. Our findings circumvent this issue by focusing the discussion on how to protect certain groups and which regulatory measures have the potential to reduce vulnerability. The consumer typology reflects the different levels of vulnerability consumers are exposed to when they take insurance decisions. The personal characteristics of delegators, autonomous, and socially-informed we report in this paper stem from data from three different cultural and linguistic Swiss regions (German, French, and Italian). The cultural and regional variety in the data allows us to assume that the three consumer types are also present in other cultural regions, including the EU. The distribution of the types may differ across the countries, however, the types can still serve as a common basis for the discussion about which kind of protection consumers need and how to implement it. By overcoming international differences, public policy makers and marketers can focus their activities towards only three consumer types. Such an approach is more likely to significantly reduce levels of vulnerability on a larger scale.

5.1 Trade-off between collective and individual protection

The concept of vulnerability that underlies regulation determines how protection is allocated to different actors and individuals. Baker et al. (2015) pose the question of possible trade-offs between individual and collective
vulnerability. While individual vulnerability allows for a case-by-case protection allocation, collective vulnerability encompasses the isolation of particular populations at risk or conditions placing people at risk. The elaborated consumer typology embraces the notion that there are different levels of consumer vulnerability. Therefore, it allows for a collective perspective on individual characteristics and can help to mitigate the trade-off between individual and collective vulnerability. This is even more important in light of the differences between the three types. These differences strongly support the idea that consumer protection cannot be implemented within a one-size-fits-all approach. The reason is that such collective, one-fits-all regulation initiatives aiming at reasonably protecting the most vulnerable can turn too costly for average consumers. Lowering the protection bar, in turn, negatively affects the actual target group and most vulnerable ones can be easily compromised. As Cunningham and Cunningham (1976, p.67) note in their study on information about consumer protection laws, “all consumers need to be treated in a special way if they are to be fully protected.”

For example, due to their preferred decision-making style, delegators are potentially vulnerable since they can be harmed by advisors’ practices. Conflicts of interest, which insurance advisors are exposed to, can easily affect delegators’ well-being. However, conflicts of interest are less harmful for autonomous and socially-informed consumers. As these consumers account for the majority of the population in Switzerland, mainly they will be paying for expensive policies to ensure quality of advice and lower the risk for delegators. An optimal solution would both minimize the risk for vulnerable consumers and keep costs for less affected low. A possible alternative to such a solution is to encourage knowledge acquisition among delegators, thus fostering a better informed decision-making behavior.

5.2 Resolving tensions in vulnerability research

Pechmann et al. (2011) summarize four tensions of research involving consumers at risk: vulnerability versus strength, radical versus marginal
change, targeting versus nontargeting, and knowledgeable versus naive consumers. Our findings address the last two tensions about targeting and knowledgeable consumers. The typology illustrates that personal characteristics contribute to different levels of consumer vulnerability, each of which needs a specific combination of measures to minimize the vulnerability potential. Targeting each of the three consumer groups promises a number of advantages, without leading to adverse consequences such as stigmatization or an increasing number of undesirable behaviors that have been reported in other studies (Byrne et al., 2009; Guttman and Zimmerman, 2000). Both public policy makers and marketers can use the three types to focus their activities and ensure that these activities reach the recipients they are meant for.

Including financial and insurance topics in secondary schools’ curriculum, for example, can positively affect all groups by mitigating the tension between knowledge and naivety. Building up financial and insurance knowledge as a policy measure has two advantages. First, it does not make delegators aware of their illiteracy and thus prevents from boomerang effects. At the same time, knowledge empowers them with basic concepts to understand their own needs and better evaluate insurance offers. Autonomous and socially-informed consumers can also be exposed to pitfalls regardless of their higher level of financial literacy. The vulnerability potential of these groups lies within their perception of insurances being less relevant to them and within their information behavior. Socially-informed and autonomous consumers also benefit from early financial education. Basic concepts are not new to them, but an early examination of insurance matters can strengthen their relevance and intensify the information gathering behavior of socially-informed and autonomous consumers. In such a way, the vulnerability potential of these groups also decreases. In particular, socially-informed consumers can then more thoughtfully reflect on advice given by personal contacts they heavily rely on.

Our results highlight that another good way of reaching the group of delegators is via their professional advisors. In Switzerland, for example,
private insurance companies have started an initiative called “Cicero” to ensure binding quality standards among insurance advisors. Such initiatives can increase the quality of advice consumers receive, however, they do not address conflicts of interest. These conflicts still remain challenging to solve since they are inherent to many insurance intermediary business models (FCA, 2014). Australia and the United Kingdom have made the first steps in rethinking the remuneration of financial advice by banning commission payments to advisors (Batten and Pearson, 2013; McMeel, 2013). However, such profound changes in the current remuneration system need to be closely examined from the perspective of each consumer type. Fees that can be agreed upon between advisors and consumers will diminish conflicts of interest but eventually decrease consultations with professionals in general. Delegators, who tend to be less financially literate and less well-educated, may seriously suffer from a fee-based remuneration system although they are the main target group of such measures.

5.3 Regulatory interventions: Balancing consumer protection approaches

Governments regulate consumer protection through interventionist, non-interventionist, or a mixture of both approaches (Akinbami, 2011). Interventionist and non-interventionist approaches embrace opposing notions about how consumers make decisions. The first acknowledge the interplay of various variables such as psychological, cultural, or sociological aspects to influence decisions (Jacoby, 2000), while the second argue that rational choices and the free market organize the allocation of resources most effectively (Friedman and Friedman, 2002). The elaborated typology provides empirical support for consumer behavior not always bound to rationality. Consumers do not have the same resources for making informed financial decisions; for example, their financial literacy substantially differs among the three groups. While this result suggests an interventionist approach to protect consumers and to balance out resource inequalities, cost-benefit
6. Conclusion

considerations similar to the ones in the trade-off between collective and individual protection call for a mixed approach. To ensure effective protection for different consumer groups, a fair balance between governmental and industry self-regulation seems very promising. For example, regulatory bodies can set minimal protection standards, while marketers can offer a variety of market choices targeted at specific groups. Table 6 provides a summary of the implications of this work for all involved stakeholders.

6 Conclusion

A solid understanding of the factors influencing the magnitude of consumer vulnerability is an essential ingredient for informed regulatory interventions. This paper reveals the important drivers behind consumer vulnerability and need for protection in the context of insurance based on financial literacy, information behavior, balance of responsibility, and consumer involvement. The results provide evidence for three consumer types within the Swiss population: autonomous, socially-informed, and delegators.

The empirically-based insurance customer typology contributes to an in-depth policy makers’ understanding of consumer vulnerability risks and helps them to evaluate the efficiency of regulatory interventions. In light of the significant heterogeneity among consumers, a one-size-fits-all regulation seems inappropriate for financial consumer protection. On the contrary, policy makers and marketers need to implement differentiated regulatory and marketing interventions to target each of the three consumer types. Minimal standards and market choices, for instance, can support the establishment of an overall effective consumer protection level. Although it is widely-known that financial education is a crucial element for making informed insurance decisions, many countries such as Switzerland omit it from their agendas in current discussions on consumer protection. Obviously, the protection of consumers is not an issue exclusive to govern-
## Mixed approach to consumer protection

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<th>Public policy makers</th>
<th>Marketers</th>
<th>Outcomes for consumers</th>
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<tr>
<td>National level: apply the consumer typology to achieve a balance between measures for reduced individual or collective vulnerability. For example, combine minimal protection standards with self-regulatory measures to cover all three vulnerability groups.</td>
<td>Offer market choices and enhance differentiation based on the needs of the three consumer types. Show ability for self-regulation via quality standard initiatives, targeted information campaigns, etc.</td>
<td>Less governmental “control” and still effectively protected.</td>
<td></td>
</tr>
<tr>
<td>International level: agree on the three vulnerability levels as common basis for consumer protection discussions instead of focusing on differences at national levels.</td>
<td>Provide cross-border market choices and realize the cost cutting potential due to reduced specific national regulation.</td>
<td>Standardized cross-border protection.</td>
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<tr>
<td>Tailored protection</td>
<td>Apply the typology to run a cost-benefit analysis for effective protection measures and target specific consumer groups without adverse consequences.</td>
<td>Focus activities on target consumers.</td>
<td>Avoid costs for overprotection (taxes or higher premiums) without harming more vulnerable consumers. Receive protection based on own needs.</td>
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<tr>
<td>Financial education</td>
<td>Public policy makers</td>
<td>Marketers</td>
<td>Outcomes for consumers</td>
</tr>
<tr>
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<td>---------------------</td>
<td>-----------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Use financial education as a long-term measure for coping with consumer protection challenges.</td>
<td>Promote financial literacy education initiatives as long-term support for stronger consumer protection.</td>
<td>Benefit from educational programs at various levels (e.g., at early age in school or later as advanced training).</td>
<td></td>
</tr>
</tbody>
</table>

Table 6: Summary of implications and outcomes for all stakeholders
mental agencies. Market players such as insurance companies can develop comprehensible ways of presenting relevant product information to consumers. The typology we elaborated in this paper can serve as a starting point and contribute to a more equally-distributed and higher levels of financial literacy among consumers.

We encourage researchers to further explore cultural differences in the factors contributing to the vulnerability of insurance consumers. Although the current study sheds light on slight cultural disparities along the factors of financial literacy, involvement, information behavior, and balance of responsibility, there are some limitations that have to be considered in future research. In the study, we use a sample from different cultural and linguistic regions that all belong to one country. Further research is needed to explore potential cultural differences in the distribution of the three consumer types. To what extent cultural dimensions play a role in the decision-making process for insurance matters is still an open question. Furthermore, a cross-cultural analysis of the distributions of the three types might provide interesting insights for policy makers. Analyzing potential causes for the typology distribution in one national context in comparison to others can contribute to a better understanding of what makes consumer protection measures efficient and effective. Major crises happen regardless of state sovereignty and consumer protection also needs to overcome national borders.


Bibliography


Halkier, B. (2010). Focus groups as social enactments: integrating interaction and content in the analysis of focus group data. *Qualitative Research, 10*(1):71–89.


Bibliography


Bibliography


Bibliography


APPENDICES
### A Appendix

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Table 8: Study sample vs. Swiss population in 2014 (see FSO 2015)
#### C Appendix

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<td><strong>Interest compounding:</strong> Suppose you had 100 € in a savings account and the interest rate is 20% per year and you never withdraw money or interest payments. After 5 years, how much would you have on this account in total?</td>
<td>(i) More than 200 €; (ii) Exactly 200 €; (iii) Less than 200 €; (iv) Do not know; (v) Refusal.</td>
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<td><strong>Inflation:</strong> Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?</td>
<td>(i) More than today; (ii) Exactly the same; (iii) Less than today; (iv) Do not know; (v) Refusal.</td>
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<td><strong>Time value of money:</strong> Assume a friend inherits 10,000 € today and his sibling inherits 10,000 € 3 years from now. Who is richer because of the inheritance?</td>
<td>(i) My friend; (ii) His sibling; (iii) They are equally rich; (iv) Do not know; (v) Refusal.</td>
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<td><strong>Money illusion:</strong> Suppose that in the year 2010, your income has doubled and prices of all goods have doubled too. In 2010, how much will you be able to buy with your income?</td>
<td>(i) More than today; (ii) The same; (iii) Less than today; (iv) Do not know; (v) Refusal.</td>
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Table 9: The four basic financial literacy questions and their answer options
Abstract

The sharing economy has shifted the way in which goods and services are consumed - from exclusive ownership toward collective usage with economic benefits. Current literature addresses consumer motives to participate in commercial sharing of goods and services with a physical manifestation. In contrast, this study shows the relevance of intangibility for sharing services and empirically examines consumers’ motives, perceptions, and experiences in the context of a new insurance model. A qualitative investigation reveals three main characteristics of intangible service sharing: financial benefits as a main motivator for participation, emerging weak social and symbolic values in a controlled environment, and a network of
strangers as a crucial precondition for sharing. The work contributes to re- search on the sharing economy as well as to managerial considerations for the design of sharing services. In particular, managers need to balance between community development and the preservation of anonymity when promoting sharing services based on intangible elements.

Keywords: sharing economy, collaborative consumption, service sharing, intangibility
1 Introduction

Millions of people embrace giving and gaining access to goods like books, cars, tools, and homes. Providers such as Airbnb, Craigslist, and Uber challenge traditional businesses in many industries (Cusumano, 2014). This shift over the past years from exclusive usage toward alternative modes of consumption characterizes the “sharing economies” of collaborative consumption (Botsman and Rogers, 2010), emphasizing the inclusion of other than purely economic value in an otherwise economic exchange. Despite the constant growth of the sharing economy, research on the phenomena is still in its formative stages (Bucher et al., 2016). In particular, research to determine the motives that drive participation in the sharing economy has focused on sharing goods and services with a physical manifestation. Recent works examine the factors motivating consumers to participate in the sharing of physical goods such as the enjoyment of sharing (Hamari et al., 2016), economic gain (Eckhardt and Bardhi, 2015) and cost saving (Neoh et al., 2017), familiarity, utility, and trust (Möhlmann, 2015). Only very few empirical works on sharing motives study why consumers engage in sharing by examining intangible services such as communication and experiences (Albinsson and Perera, 2012; Lamberton and Rose, 2012). In contrast to these studies, this article specifically focuses on the intangibility of a sharing service and explores consumer motives for engagement in a qualitative manner. Prior research shows the distinct effect of intangibility on consumer experience and evaluations (Carter and Gilovich, 2014; Hellén and Gummerus, 2013); however, the relation of intangibility to individual motives for sharing remains unclear.

The concept of intangibility helps to understand how consumers experience services (Hellén and Gummerus, 2013) and it as well can uncover further motives for participation in sharing. Materialism hinders consumers’ decision to share products and unique product characteristics can attenuate its negative effect (Akbar et al., 2016). Furthermore, research shows that services evoke higher risk perceptions than goods, among other due to
1. Introduction

their greater degree of intangibility (Murray and Schlacter, 1990) and can be thought as a perspective on value creation (Edvardsson et al., 2005) when compared to goods. Rosenbaum and Massiah (2011) conceptually develop the notion of servicescapes as consumption settings that comprise not only physical stimuli, but also subjective, immeasurable, and often uncontrol-
able social, symbolic, and natural stimuli. For example, social density, rela-
tionships between customers, displayed emotions, and artifacts laden with socio-collective meanings affect the servicescape in a way managers can neither objectively measure nor control. To promote the sharing of intangi-
ble resources to a broader mass of consumers, scholars and marketers must understand which critical stimuli beyond the physical ones influence consumer sharing behavior and, in particular, what motivates consumers to share intangibles.

The current research focuses on the traits of sharing intangibles and explores individuals’ motives to engage with sharing in the context of insur-
ance. Gaining insights about what creates value from consumer per-
spective in the context of intangibles contributes to the literature on shar-
ing in several ways. First, the work builds on prior research and explains the dualistic character of the sharing economy in the context of intangi-
bles. The empirical results highlight several discrepancies in the consumer behavior of sharing and its underlying motives to embed them into exist-
ing theoretical approaches. Second, addressing how the sharing economy shapes intangible services and vice versa advances the understanding of the rapidly transforming business environment and is one of the priority topics in current service research (Ranaweera and Sigala, 2015). Social and symbolic aspects give distinction to the interactions within an insurance sharing network and bear potential to grow into a differentiator between insurance offerings. As an important precondition to insurance sharing arises the connection to strangers instead of family and friends. Third, the empirical study generates insights into the motives of consumers to en-
gage in sharing within a very particular context, namely of non-life insur-
ance sharing services. By examining such a specific context, unique struc-
tural traits, closely related to the intangible nature of insurance services, become evident and provide additional insights into the phenomenon of sharing intangibles (Krush et al., 2015).

Consequently, the main research question of this study is “What motivates individual consumers to engage in the sharing of intangible services?” The remainder of the article first lays the conceptual foundation to clarify the semantics of the sharing economy. It then reviews extant research on individual motives to share and discusses the relevance of intangibility for research on the sharing economy. In its second part the work undertakes an empirical analysis of consumer experiences with and motives to participate in an intangible sharing offer, namely a commercial insurance sharing service. The paper concludes by outlining its contributions to the academic literature and suggesting future opportunities for both researchers and managers.

2 Conceptual foundations

2.1 The semantics of the sharing economy

Current literature on sharing centers around efforts to: 1) define what is contemporary sharing and how to label it; 2) classify sharing phenomena; 3) empirically examine the motives of participants in different commercial sharing systems; and 4) address emerging regulatory challenges in sharing contexts. Various terms aim at highlighting the essence of the "sharing economy" (Martin, 2016), “anticonsumption” (Albinsson and Perera, 2012), “pseudo-sharing” (Belk, 2014a), “collaborative consumption” (Hartl et al., 2016; Heinrichs, 2013), “commercial sharing system” (Lamberton and Rose, 2012), “access-based consumption” (Bardhi and Eckhardt, 2012), or simply “sharing” (Belk, 2010). Eckhardt and Bardhi (2015) argue that the term “sharing” places an inappropriately great focus on social relationships and neglects the core of what they call the access economy - low-cost and con-
2. Conceptual foundations

Venient consumption.

Belk (2007, p.126) describes the phenomenon of sharing as “the act and process of distributing what is ours to others for their use and/or the act and process of receiving or taking something from others for our use.” Benkler (2004, p.275) identifies the essence of sharing as “nonreciprocal prosocial behavior.” People share for both functional and altruistic reasons (Belk, 2014b). Heinrichs (2013) acknowledges the potential of the sharing economy to act as a pathway to environmental and social sustainability. Further scholars also focus on sustainability and perceive sharing as a form of anticonsumption (Ozanne and Ballantine, 2010; Seegebarth et al., 2016) and environmentally conscious behavior (Ozanne and Ozanne, 2011; Prothero et al., 2011). While highlighting its prosocial and proenvironmental character, these views on sharing depict only a part of the contemporary traits of what is meant by the sharing economy.

Collaborative consumption represents the antipode of the altruistic behavior, namely, the commercial dimension of traditional sharing. Lambertson (2015) provides an extensive overview of collaborative consumption and emphasizes the breadth of the phenomenon by highlighting different terms used to describe its nature. The initial point of the overview is Botsman and Roger’s (2010) definition, referring to collaborative consumption as an economic model “enabling access over ownership.” Felson and Spaeth (1978, p.614) consider collaborative consumption as a routine activity and its acts are “those events in which one or more persons consume economic goods or services in the process of engaging in joint activities with one or more others.” Belk (2014b) argues that this view is too broad and not sufficiently focused on acquisition and distribution, which he finds central for collaborative consumption. His definition emphasizes the coordination of goods acquisition and distribution as well as compensation for this coordination. The latter is the turning point; the involvement of compensation is what differentiates collaborative consumption activities such as bartering from pure sharing and gift giving (Belk, 2014b). In the context of sharing with monetary compensation, Belk (2014a) introduces the
term “pseudo-sharing”. This business relationship describes a commodity exchange for profit where sense of community is absent and participants expect reciprocity. Egoistic motives and money are the main driver of this phenomenon, masqueraded as sharing.

Next to the involvement or lack of compensation, the degree of intimacy matters when sharing. Even though it does not imply only family, kinship, or friends in its original form, these groups are more likely to become recipients. Belk (2014b) distinguishes between sharing-in and sharing-out where the latter involves sharing with strangers or one-time sharing acts. The online facilitation of sharing activities transforms the meaning of intimacy. Private sharing is open for strangers and private does not imply a strong intimate connection like the one that holds families and friends together. The meaning of private extends to connections between peers - members with a strong sense of belonging to a group or community. The less pronounced this sense of community belonging, the less private and the more public is the act of sharing. Bardhi and Eckhardt (2012) demonstrate an example of public sharing in their research on access-based consumption and illustrate that consumers resist any social attachment to a car sharing community.

Wittel (2011) argues that the digital age has introduced new forms of sharing. Belk (2014b) also acknowledges the existence of new and mainly Internet-facilitated sharing systems. What characterizes the sharing economy, besides its prevalently digital nature, is the interplay between the compensation aspect of collaborative consumption and the prosocial character of pure sharing. The relation to other participants in the sharing economy can be private or public, depending on how strong participants feel attached to a community. In sum, the essence of sharing definitions centers on the two continua of prosocial-commercial and private-public. This duality of the sharing economy at various levels is the research topic of several works. For example, Habibi et al. (2016) examine non-ownership practices and propose a dual framework for calculating a sharing score by using prototypical characteristics of sharing and exchange. One of their central insights is
that non-ownership practices are dualistic in nature, exhibiting a mixture of sharing and exchange characteristics at the same time. Prosocial and commercial goals are not mutually exclusive and may be part of a single-system context (Lamberton, 2016). The private-public continuum emerges mainly in the analysis of the social logics of sharing. John (2013) shows that contemporary sharing practices shift the boundaries between the private and the public by changing the degree of openness to others.

The sharing economy stands for the involvement of stronger or less prosocially oriented, but still economically viable consumption. Grassmuck (2012) argues that modern society is at the point of a “sharing turn,” as he refers to the re-emergence of social values in a prevailing economically oriented system. As Scaraboto (2015, p.154) points out, such hybrid exchange forms “operate at the interstices between market and non-market economies.” In contrast to pseudo-sharing, these dual systems combine profit motives with prosocial ideas and can also foster community feeling among participants.

This article uses the terms “commercial sharing” and “sharing economy” interchangeably to denote the hybrid exchange form between economic gain and prosocial mindedness for three reasons. First, the terms focus on these new forms of sharing - not merely using a paid process of acquiring and distributing (implied by its nature of being “commercial”), but doing so with an altruistic idea in mind. Second, the term “sharing” by itself indeed implies a pure prototype of altruistic sharing; however, the combination with the terms “economy” or “commercial” highlights the hybrid character of this emerging mode of exchange. In line with this argument, commercial sharing does not denote the same behavior described by Belk (2010) as sharing or pseudo-sharing (Belk, 2014a), but a hybrid with characteristics of each of these phenomena. Third, the empirical study examines a case of sharing intangibles where not necessarily all participants can consume the shared resources as in a prototypical collaborative consumption scenario, but all contribute equally to resource accumulation. The terms “commercial sharing” and “sharing economy” underline the behavior related to both
IV SHARING INTANGIBLES

accumulation and consumption of resources.

2.2 Why and what do consumers share?

Next to defining what constitutes the sharing economy, research examines the reasons and motives to share goods and services from consumers’ point of view. Up to now, several studies offer empirical results that explain where consumers see value in sharing as a substitute for traditional consumption practices. A multitude of motives emerges as a result of these studies, such as the enjoyment of sharing (Hamari et al., 2016), economic gain (Bucher et al., 2016; Eckhardt and Bardhi, 2015), lifestyle improvement (Catulli et al., 2014), and utility (Hellwig et al., 2015; Meijkamp, 1998; Möhlmann, 2015) (see Table 10). In the case of commercial offers, empirical results point to monetary benefits as a strong motivator for sharing. Furthermore, the overview of reasons for participation in a sharing offer (Table 10) highlights the absence of a clear answer as to why consumers share. The motives for using a sharing option seem to vary even when researchers study the same context, for example, car sharing (Akbar et al., 2016; Bardhi and Eckhardt, 2012; Benkler, 2004; Hellwig et al., 2015; Lamberton and Rose, 2012; Meijkamp, 1998; Möhlmann, 2015). This ambiguity of research outcomes underlines the early stage research on sharing is currently in. Additionally, it emphasizes the need for further examinations to construct a holistic picture of why consumers share and highlights the benefits of a methodological plurality to uncover different sharing motives.

Table 10 also shows that current empirical studies mainly focus on consumer motives to share tangible, physical goods. As Rudmin (2016) summarizes, the resources consumers share can be material, territorial, or intangible. However, only two works examine intangibles and both succeed in adding new aspects to the literature on sharing. Lamberton and Rose (2012) consider a cell-phone minute sharing plan in their second study and demonstrate that consumers may perceive personal usage predictability and control over the usage of other participants as sources of risk in a com-
<table>
<thead>
<tr>
<th>Author</th>
<th>Mode of consumption</th>
<th>Type of shared good</th>
<th>Reasons for participation</th>
</tr>
</thead>
</table>
| Akbar et al. (2016)    | Commercial sharing systems           | Physical goods: cars, tools and fashion goods | • Desire for unique consumer products  
• Low product-need-fit  
• High product-need-fit only when consumers do not own the product offered for sharing |
| Albinsson and Perera (2012) | Collaborative consumption and sharing in non-monetary marketplaces | Non-commercial: private and public temporary sharing events | • Sense of community |
| Bardhi and Eckhardt (2012) | Access-based consumption           | Physical goods: cars                 | • Use value: reducing expenses and increasing convenience  
• Sign value: flexible lifestyle |
| Benkler (2004)         | Social sharing                       | Physical goods: cars, distributed computing | • Money (or any other type of market exchange value)  
• Social-psychological rewards such as self-confidence, esteem, and love |
| Bucher et al. (2016)   | Internet-mediated sharing            | Physical goods                       | • Moral  
• Social-hedonic  
• Monetary motivations |
<table>
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<th>Author</th>
<th>Mode of consumption</th>
<th>Type of shared good</th>
<th>Reasons for participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caprariello and Reis (2013)</td>
<td>Non-commercial sharing</td>
<td>Physical goods, solitary, and social experiences</td>
<td>• Experiences: perceived to have greater affective value (not empirically derived)</td>
</tr>
</tbody>
</table>
| Catulli et al. (2014) | Product-service system | Physical goods: baby and nursery equipment | • “Leveraging” the own lifestyle  
• Social responsibility |
| Hamari et al. (2016) | Collaborative consumption | Physical goods (no details about which goods participants share when using the service Sharetribe) | • Economic benefits  
• Perceived enjoyment from participating  
• Perceived sustainability fosters positive attitudes toward sharing, but not necessarily participation |
| Hellwig et al. (2015) | Sharing | Physical goods: flats, cars, and 34 further objects | • Idealistic and emotional values (intrinsic motivation, prosocial ideas, hedonic value, and social relationships)  
• Signaling value  
• Functional value/utility |
| Lamberton and Rose (2012) | Commercial sharing systems | • Physical goods: cars, bicycles  
• Service: cell phone minute-sharing plan | • Consumers’ sense of usage predictability and prospects of control over others’ usage  
• Cost benefit |
<table>
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<tr>
<th>Author</th>
<th>Mode of consumption</th>
<th>Type of shared good</th>
<th>Reasons for participation</th>
</tr>
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<tbody>
<tr>
<td>Meijkamp (1998)</td>
<td>Eco-efficient services</td>
<td>Physical goods: cars</td>
<td>• Utility</td>
</tr>
</tbody>
</table>
| Moeller and Wittkowski (2010) | Renting as a form of non-ownership consumption | Physical goods: not specified | • Trend orientation  
|                             |                               |                           | • Convenience orientation                                    |
| Möhlmann (2015)             | Collaborative consumption     | Physical goods: cars, flats | • Utility  
|                             |                               |                           | • Cost savings  
|                             |                               |                           | • Familiarity                                                |
| Ozanne and Ballantyne (2010) | Sharing                       | Physical goods: toys      | • Social and community benefits  
|                             |                               |                           | • Anti-consumption considerations, frugality                 |

Table 10: Studies that generate empirical insights about why consumers participate in sharing activities
mmercial sharing scenario. In their study of non-commercial sharing events, Albinsson and Perera (2012) challenge the idea of reciprocity in sharing and identify sense of community as both driver and outcome of sharing. Further empirical work on sharing intangible services as opposed to services in combination with physical goods is scarce, although several authors distinguish between physical and intangible goods when it comes to sharing or gift giving (Belk, 2010; Giesler, 2006; John, 2013). For example, John (2013) argues that the difference lies in the way of sharing - in the case of tangibles sharing is active, opposed to abstract and passive when consumers share intangibles. Little is known whether the tangibility/intangibility of a service also affects consumers' motivation to engage in sharing.

2.3 The relevance of tangibility/intangibility for the sharing economy

While intangibility traditionally describes the impalpability or immateriality of a thing (Shostack, 1977), several scholars extend this view beyond physicality by adding specific facets such as the purchase motive or the difficulty to understand the offering (mental intangibility) (Carter and Gilovich, 2012; Laroche et al., 2001). The role of tangibility and intangibility as a measure of physicality, in particular with regards to commercial offerings, is still a matter of controversy for service scholars. Modern service marketing considers goods and services in a similar manner, namely as experiences (Edvardsson et al., 2005; Grönroos, 2008; Vargo and Lusch, 2008), regardless of their level of materiality. Customers are the ones who co-create value and companies provide them with resources (tangible and/or intangible) that they integrate in their value creation process (Grönroos, 2008; Heinonen et al., 2010).

A recent work re-investigating tangibility/intangibility warns of dismissing the concept in service marketing because it helps understand consumer experiences (Hellén and Gummerus, 2013). Numerous studies in both marketing and psychology show the effect of tangibility and intan-
2. Conceptual foundations

gibility on consumer evaluations: experiential purchases deliver greater hedonic value than material ones (Carter and Gilovich, 2014) and lead to higher levels of well-being (Caprariello and Reis, 2013; Guevarra and Howell, 2015; Howell and Hill, 2009). Table 11 summarizes the aspects of consumer evaluations that scholars associate with intangibility. Moreover, Hellén and Gummerus (2013) argue that, indeed, tangibility/intangibility may not be an inherent characteristic of offerings, but its assessment from consumer perspective uncovers effects on the formation of consumer experience.

The duality of the sharing economy (e.g. private/public and prosocial/commercial) suggests a variety of consumer experiences along its various facets. Some of these facets such as services, spaces, and goods with tangible manifestations have been the main focus of sharing literature. Knowledge about why consumers share intangibles and what relationships the act of sharing immaterial resources imposes among consumers is scarce. Rudmin (2016) identifies research on sharing immaterial resources as one of the fields for future work. Gaining a holistic understanding of consumer motives to engage with all forms of shareable instances (goods, spaces, and intangibles) is essential to explain the phenomenon of the sharing economy. Both managers and scholars benefit from taking an immaterial lens on sharing. On the one side, it is critical for managers to trace how the sharing systems they offer are constitutive for social and monetary relations between consumers. On the other side, scholars need to elaborate on the interplay of different motives to advance understanding about how to design sharing systems to promote a conscious, sustainable, and productive resource use.

2.4 Context of study: Insurance sharing

The study at hand empirically examines motives to share intangible services in the context of insurance. Both researchers and consumers perceive insurance services as intangible (Miller and Foust, 2003; Santos, 2002; Tsoukatos and Rand, 2006; Zeithaml et al., 1993), thus qualifying these as a
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<table>
<thead>
<tr>
<th>Intangibility is associated with ...</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>... increased perceived risk</td>
<td>Blois (1974); Laroche et al. (2004); Mitchell and Greatorex (1993); Zeithaml (1981)</td>
</tr>
<tr>
<td>... uncertainty of outcome</td>
<td>Rathmell (1966)</td>
</tr>
<tr>
<td>... inability to compare services</td>
<td>Laroche et al. (2001); Lovelock and Gummesson (2004); Martín-Ruiz and Rondán-Cataluña (2008); Zeithaml (1981)</td>
</tr>
<tr>
<td>... lack of expectations</td>
<td>Hill (1986)</td>
</tr>
<tr>
<td>... ambiguity of the offering's content</td>
<td>Laroche et al. (2001)</td>
</tr>
<tr>
<td>... limited endurance and motivation for doing (instead of motivation for ownership as in tangibility)</td>
<td>Carter and Gilovich (2012); Lovelock and Gummesson (2004)</td>
</tr>
<tr>
<td>... reduced stress of having to identify the “best” offering</td>
<td>Carter and Gilovich (2010)</td>
</tr>
<tr>
<td>... unclear roles between consumers and providers</td>
<td>Grove and Fisk (1992); Solomon et al. (1985)</td>
</tr>
<tr>
<td>... more time consumers need to adapt to the offering</td>
<td>Nicolao et al. (2009)</td>
</tr>
<tr>
<td>... less purchase regret</td>
<td>Rosenzweig and Gilovich (2012)</td>
</tr>
<tr>
<td>... augmented post-purchase experiences</td>
<td>Carter and Gilovich (2010); Van Boven and Gilovich (2003); Van Boven and Leaf (2005)</td>
</tr>
<tr>
<td>... greater well-being</td>
<td>Caprariello and Reis (2013); Dunn et al. (2011); Howell and Hill (2009); Nicolao et al. (2009); Pchelin and Howell (2014)</td>
</tr>
<tr>
<td>... representation of the self</td>
<td>Carter and Gilovich (2012); Celsi et al. (1993)</td>
</tr>
<tr>
<td>... greater feelings of relatedness</td>
<td>Arnould and Price (1993); Caprariello and Reis (2013); Cotte (1997); Raghu-nathan and Corfman (2006)</td>
</tr>
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</table>

Table 11: Research on intangible offerings and their relation to consumer evaluations
suitable context for research on sharing intangible resources.

Traditionally, insurance research has studied the formation of risk-sharing networks in rural settings where formal insurance is not available (Bramoullé and Kranton, 2007; Fafchamps and Lund, 2003). For example, households in developing countries often face income and expenditure shocks and one of the strategies they employ is to share risks with others. Such risk-sharing networks can form at different levels, e.g. at the village, relatives and friends level (De Weerdt and Dercon, 2006), and usually have bounded group size (Murgai et al., 2002).

Insurance businesses have recently started to provide a form of insurance sharing similar to these risk-sharing networks from developing countries. In the current context insurance sharing denotes the phenomenon of peer-to-peer or networked-based mechanisms. An insurance sharing provider acts as intermediary between consumers and insurance companies. In this role, the intermediary fulfils two main functions. First, the provider offers a platform, where a limited number of peers (in the researched case usually up to 10) can form a group to fully or partially support each other in case of an insured incident. Every member pays a monthly premium. Second, the intermediary manages the support within each group in the form of a common fund, a set amount of money, taken as a percentage of the paid premiums. If an incident occurs and the common fund is not sufficient to cover it, the provider takes care that an insurance company bears the cost. If the common fund is not all used during a year, it is distributed back to all group members. The operating principle of an insurance sharing provider is similar to other services that offer refunds. What differentiates an insurance sharing provider from refund offers is the tie between the refund and group performance.
3 Method

The research follows a qualitative approach to elaborate on why consumers share intangibles. The principles of grounded theory guide the data collection and analysis of the empirical work for two main reasons. First, reconstructing the perception of commercial sharing as customers experience it calls for a qualitative approach. Suddaby (2006) points to grounded theory as an appropriate method for interpreting individuals' reality. Second, Goulding (2005) highlights the suitability of grounded theory for the study of any behavior with interactional elements. As the conceptual foundations outline, peer relationships are one of the inherent pillars of the studied consumer behavior. The intensity, frequency, and level of interaction between peers represent the social character of the sharing economy.

This study focuses on customers of a non-life insurance sharing provider, using the described principle of peer-to-peer mechanisms for the provision of household, personal liability, and smartphone insurance. The provider will be labeled “Share” for the remainder of this work.

3.1 Sampling

The purposeful sampling approach guided the selection criteria for informants (Coyne, 1997; Morse, 2010). Socio-economic population characteristics acted as a starting point for choosing informants. In the course of the study, different interaction situations emerged as relevant and thus guided the sampling. For example, informants involved in a claim process, either directly or indirectly as group members, became important for understanding the perceptions of insurance sharing. The sampling criteria pay special attention to negative cases such as non-users of the sharing option, but still customers of Share. The inclusion of relevant negative cases adds to the explanatory power of the research by challenging the results and enriching their explanation (Mahoney and Goertz, 2004; Onwuegbuzie and Leech, 2007). Another sampling criterion involved the duration of informants’ rela-
3. Method

tionship with Share: It ranges from three weeks up to four years to capture both initial and consolidated perceptions over time. The sample consists of 35 men and 14 women. The age distribution is as follows: 29 informants between 18 and 35 years old, 10 between 36 and 50 years old, and 10 older than 50 years old.

3.2 Data collection

The collected data comprises one-on-one interviews and written, electronic documents. The interviews are the main source of data on sharing experiences, with Share documentation acting as an important triangulation and supplementary source to enrich the perspective on key issues (Jick, 1979). The documentation includes interview and survey reports from internal studies describing behavioral patterns of Share’s customers. These reports served as a secondary data source about possible customer perceptions of sharing and proved helpful in engaging informants in discussions of how specific situations affect the relationship with their peers.

Two investigators conducted semi-structured, in-depth interviews with 49 German customers of Share. The interviews took place over three time frames until theoretical saturation was reached (Goulding, 2002): Seven interviews took place in January 2015, followed by 29 in April to June 2015, and concluding with 13 interviews in January and February 2016. Each interview lasted between 45 and 60 minutes. The semi-structure of the interview protocol allowed for a wide scope in the data collected and at the same time ensured that data collection embraced key issues across all informants. Each interview centered on three main topics: (1) informants told the story how and why they became Share customers, (2) they reported how they perceive the interaction in their current group, and (3) they talked about their experiences with claims in the group as well as with refunds after each claims-free year. All interviews were subject to audio recording and transcription.
3.3 Data analysis

The transcription of all interviews interrelated to the analysis of the data. The approach of interrelation minimizes the chance that salient aspects of the researched topic are missed (Corbin and Strauss, 1990). Through a constant comparison of the similarities and differences in sharing experiences (Glaser and Strauss, 1967), we elaborated emerging categories until they reached theoretical saturation (O’Reilly et al., 2012). In total, the data were subject to three coding procedures to reach a higher level of abstraction: open, axial, and selective (Corbin and Strauss, 1990). In open coding, data examination and labeling subsequently generated first-order inductive concepts, mirroring the language used by informants whenever possible. We then arranged these concepts in higher order themes during axial coding by considering elements of context, intervening conditions, action strategies, and their consequences. The last analytic process, selective coding, resulted in the development of a description of insurance sharing where its key dimensions become apparent. Figure 5 illustrates the final data structure and summarizes the elaborated model of insurance sharing.

4 The quintessence of insurance sharing

The findings of this research support the notion that the sharing economy is a consumption mode guided by mainly economic and not altruistic motives. This outcome is in line with the results several authors report (Bardhi and Eckhardt, 2012; Moeller and Wittkowski, 2010; Möhlmann, 2015). Nevertheless, in contrast to these works, sharing in the studied commercial context also stimulates social relationships and depends on connections with strangers. Three main outcomes rise from the empirical analysis and describe the motives of participants and their relationships in a context of sharing intangibles: (1) financial benefits emerge as a main motivator, (2) weak social and symbolic values accompanied by forced compliance are inherent to this mode of consumption, and (3) sharing of intangibles takes
4. The quintessence of insurance sharing

Figure 5: Data structure of the elaborated insurance sharing model
place among strangers rather than friends and family.

4.1 Financial benefits as main motivator

Insurance services are a form of mutual aid and collective responsibility (Stone, 1993). This view suggests that social and moral values are strong motivators for engaging in an insurance model, especially in an insurance sharing model. Within a small, non-anonymous insurance community, we expect members to be emotionally touched by knowing whom they have helped with their insurance premium. In contrast to this argument, our findings suggest that the motives for joining an insurance sharing service are not primarily of a social but rather a financial nature. The refund members receive if no claim has occurred is the main reason why they participate in such groups. Share customers approve of the idea of refunds if their group stays claims-free. Laura, for example, thinks of the refund as a “tidbit” that positively reminds her of her insurance. The refund also plays the role of a financial reward for good behavior, according to Laura. She believes it to be fair to be rewarded if she has not made demands on the insurance company. A common statement of Share customers is that “one has nothing to lose by sharing risks”; customers just get something back if no one in the group makes a damage claim. As Christian says, the financial payback gives him the feeling of actually having profited from the insurance policy, not for its original purpose but for receiving something back if he does not use the service. This feeling of having avoided “a loss” or “spending in vain” highlights customers’ search for cost-saving opportunities.

Several explanations exist for consumers’ focus on cost saving. One of them is that insurance sharing is not yet widely available. Insurance sharing has not become ubiquitous; it is not even as common as sharing books, bikes, or cars. Only a few companies worldwide offer insurance sharing services (Insurance Tech Insights, 2015). Additionally, as Möhlmann (2015) points out, familiarity with the offering is one of the reasons why consumers decide to participate in sharing activities. In the case of an un-
familiar offering such as insurance sharing, the opportunity for cost savings is what attracts consumers at first place. As the service becomes more widespread, socially or morally based motives have the chance to become stronger motivators for sharing.

A second explanation lies in the intangible nature of insurance sharing manifested in a promise. Consumers do not have any (physical) cues to assess the reliability of other participants. In this specific case, the opportunity for a refund and the mere hope to gain back part of the paid premium stands against the uncertainty of outcome:

At first I was rather skeptical of whether it all functions as promised and I was unsure, because by entering the network I essentially make myself dependent on the other insured and I must hope for them to stay claims-free. (Laura)

A further theme enforcing the notion of financial benefits as a key incentive for sharing is the economic valuation of social bonds. Our informants often tell stories of how they chose the members of their group. As Christian reveals, “I actually first invited girls, because I thought, well, they are always careful with their stuff.” During their search for members, Share customers evaluate whether a person can turn out to be profitable or not for themselves:

I somehow tried to deduce from the name who doesn't like breaking their smartphone as often as I do, just on a gut level. (Marco)

... I gained a real impression from what people wrote to me and from their reaction to the topic: whether they directly state, well, yeah, I'm interested in actually receiving money back. Or sometimes, there were people who said: Really, there is such a thing? I didn't know that. The reactions were very different, that's how I got an idea who really wanted to do that and these people made quite a respectable impression on me. (Karin talk-
Christian acknowledges that even if he applies different strategies to guess whether someone is going to cause claims, connecting to others still “feels like a lottery game” as long as he does not have objective measures for estimating the risk to which others can expose him. Punishment seems as a good way to deal with repeated claims by the same group member and thus reduce the risk of repeated loss of money. Christian, for example, excludes such members from his group because “they take my money away.” Consumers focus on their own resource money and its retention since next to the risk, money is part of what they share with group members. Other Share customers also focus on maximizing their chance of receiving a refund:

Well, I take out an insurance policy because of two reasons. On the one side, I want to be protected; on the other side, I take out such a shared policy because I want to have money back, that’s my reason to be with this company. If the chance to receive money back gets smaller, I’d kick out the person with claims from my group. For example, this also applies to my partner, I wouldn’t like to have him in my group. (Marco)

Up to now, many research contributions have addressed the monetary aspect of sharing as a key determinant for its usage (Lamberton and Rose, 2012; Sacks, 2011). For example, Möhlmann (2015) shows that cost savings positively influence satisfaction with a sharing service. Moeller and Wittkowski (2010) expect price consciousness to determine the usage of sharing services, which they cannot prove empirically due to the special case researched (renting vs. owning). However, the authors point out that sharing is usually cheaper than owning. The result of a strong monetary motivation can also be explained by considering cost savings as a self-imposed goal that can be obtained only by cooperation (Henrich et al., 2001). In such a way, the common resource (money) has a restricted usage (only in the
4. The quintessence of insurance sharing

case of claims) and its non-usage is awarded (refund). While the financially driven motivation is not a surprising insight, it confirms prior research results in a new context. The case of Share adds to prior research by highlighting the twofold function of monetary benefits in an intangible service context. Next to cost-saving aspects, monetary benefits act as an enhancement of the company-customer relationship, creating opportunities for positive experiences (e.g., Laura’s perception of the refund as a tidbit). For an intangible service such as insurance (Miller and Foust, 2003; Tsoukatos and Rand, 2006), where the usual customer contact is reduced to yearly bills, commercial sharing provides a more frequent and positively connoted interaction.

4.2 Emergence of social and symbolic values in a controlled environment

At the heart of sharing lies a sense of mutuality and community (Belk, 2010) that cannot be easily evoked in commercial service contexts as Bardhi and Eckhardt (2012) show in their study on access-based consumption. Cova (1997) conceptualize social links within postmodern communities as “more important as the thing” (p.307), meaning that consumers value more the social aspect of a good or service instead of the good or service itself. This argument is in line with prosocial conceptualizations of sharing (Belk, 2014b; Benkler, 2004); however, many empirical studies demonstrate that altruistic or social motives seldom stand behind the sharing economy (Akbar et al., 2016; Hamari et al., 2016). In contrast to these studies, our findings point at weak social and symbolic values that are stronger than in a common insurance setting. Furthermore, consumers expect other participants to comply with established rules for sharing and make the provider Share accountable for monitoring and group governance.

Social values describe “actor’s preferences for differing distributions of their own and other’s outcomes” (McClintock and Van Avermaet, 1982, p.44). A central prerequisite for social value is the interdependency of outcomes; otherwise actors cannot influence the outcome of others and realize their
preferences. Social value orientations differ in their pattern; as one of these patterns, prosocial orientation implies equality of outcomes and outcome maximization for the self and others (Lange, 1999). In the context of insurance sharing, group members share a common goal (to maximize refunds) and can behave in a way that promotes the group's well-being as a whole. A shared understanding of how to achieve the common goal encourages acting in a cooperative manner. Share customers are aware of being part of a group with a certain goal that they jointly try to achieve:

I don’t think it’s necessary for me to explain a friend of mine why I kicked him out without comment from my group. For my side, this is not in need of explanation since everyone who joins the system would know why I do this. I mean, not because it’s me, but because as a person who joined the system, I pay an insurance premium that I’d like to keep to a minimum as everyone else. (Marco)

Marco mentions the “system” as a community he belongs to. Community membership is valuable for marketplace participants because communities create social links between members and influence their consumption choices (Näränen et al., 2013). Botsman and Rogers (2010) emphasize the need to connect to like-minded people and argue that this need enables collaborative consumption. The sense of community also drives participation in non-monetary sharing marketplaces (Albinsson and Perera, 2012). Communities rest on the notion that their members share a common purpose or interest, are interconnected, and are committed to integrity (Wood and Judikis, 2002). Such social considerations are rather atypical for the current insurance industry, even though Bagozzi (1975) highlights that most marketplace exchanges satisfy a mixture of utilitarian, social, and psychological customer needs. Unlike other insurance models, insurance sharing embraces the notion of stimulating social value, although some informants still feel uncomfortable that other members might free-ride or not care about others losing their refund. One of our informants, Michael, is
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cconcerned for the members in his group because they would not receive any refund on their insurance policies if he makes a claim. The consumer relationship to the community manifests itself in the wish to create personal bonds with others and the trust in group members:

There should be trust in each other, so that one builds together with several people a group. And in the group one should think, well, yeah, I trust the other group members, because each of us counts. If one has a damage, looked at in this way, it applies to the whole group, all members would not receive their refunds. (Anna)

Symbolic value encompasses positive social meanings that are attached to self and/or communicated to others (Smith and Colgate, 2007). According to Flint (2006, p.352), "symbols are special kinds of social objects that stand for something; they have meaning and when used are intended to convey a shared meaning to a receiver, who incidentally can be oneself (i.e. self communication)." The satisfaction of self-expression needs leads to symbolic value for consumers (de Chernatony et al., 2000). For example, confirming one's feeling of being helpful to others creates symbolic value for Share customers. Laura says that she welcomes requests for entering her group from strangers because “why shouldn’t I help someone who eventually needs further connections in their network?” Share customers feel confirmed in their perception of being helpful to others:

I once looked it up by myself, I had some requests from people wanting to join my group. Then I just seized the chance to add them. Well, I received a lot of requests and I thought, ok, I will try to accept as many as I possibly can because.. well, why shouldn’t I jump in for someone, who maybe needs an additional connection right now? If someone says, well, I don’t know, I need one group member more, well, then this is ok for me. I am very cooperative and that’s why I think this system is good. (Anna)
Insurance sharing highlights the role of behavioral self-control and enforces a mindful handling of insured resources:

What I like about sharing my smartphone insurance is that I can actually influence what I get back. I can decide by myself, ok, I won't take my smartphone under the shower, I know that it can get damaged there. (Christian)

I am no longer exposed to the management of the insurance company. When we share our insurance in these small groups where we can band together with other customers, well, we can then ourselves do something to get a part of our insurance premiums back. (Laura)

Both Laura and Christian become aware of their control as customers over the insurance premium. Customer empowerment in such a form is one of the consequences of consumer engagement in online communities (Brodie et al., 2013). In the studied insurance setting, customers’ perception of regaining control over their own premium, behavior, or both, additionally promotes customer empowerment (Prentice et al., 2016). Customer empowerment can positively influence the service-customer relationship because it satisfies customers’ need for autonomy and self-esteem (Usta and Häubl, 2011). The service-customer relationship in insurance sharing exemplifies how the sharing economy can deconstruct ongoing practices and change business as usual (Richardson, 2015).

Hand in hand with these social aspects goes the compliance our informants expect from all involved parties. For example, Laura expects Share to continue setting and managing the communication rules within the group. Communication through Share “should not feel like Facebook”, but stay focused on the necessary exchange around claims and new/quit memberships. Michael reports that he does not remember receiving a note someone left his group, which felt rather confusing for him. Especially in cases of fraud, Michael highlights “I’d be glad to receive a message from the company if they have detected fraudulent behavior, so that I can remove that
person from my network." Monitoring and sanctioning defection is one of several ways to encourage cooperation (Hardin, 1968; Kollock, 1998). Commercial sharing systems usually rely on external regulations imposed by the mediating company or by legal mechanisms (Cannon and Chung, 2015). Hartl et al. (2016) argue that people support governance systems when they distrust other members. Informants do not directly raise the issue of distrust, but they are still aware that they do not personally know the members of their group. Laura disapproves of behavior that actively raises distrust; she says, "I told my group members that it was me who had a claim, so that the others won’t get wary. Then it is disposed of once and for all." According to Laura, being silent about her own claim is "negative for all of us who endorse the system and try to avoid damages. Of course, a damage can always happen, to anyone, but I believe that not saying who had a damage is counterproductive or at least not stimulating." Sharing not only the risk but also a common understanding of the system and in particular of the system rules is a prerequisite for its proper functioning.

4.3 Network of strangers

Communities rely on building attachment by either focusing members’ attention on the group and thus establishing a group identity (Hogg and Turner, 1985) or fostering interpersonal bonds (Festinger et al., 1950). The studied insurance sharing provider does not currently allow for intensive interpersonal communication between members; rather, it aims at enforcing group identity. Our informants rarely know personally the members of their group and at the present time there is no straightforward way for them to connect to them offline and in person. Michael describes his relationship to individual members as a “purely business” one. He stresses that he prefers sharing risks with complete strangers to avoid eventually tense situations with friends and family:

This is something I don’t want to handle in my circle of friends
- I mean, it’s obvious! When I have to explain to my best friend
that I broke my smartphone, well then, then it’s obvious that this is a pretty awkward situation for me.

In a similar manner, Karin prefers to have strangers in her group to avoid discussions about money with her friends:

I’d always stay with the trustworthy people I don’t know. My friends are trustworthy, but I’m not up for situations like: Owh, you’ve lost your smartphone and we have to stump up for you again. Because you meet with your friends and it is easy to notice if someone has lost her smartphone. And in such a moment money pops up in the conversation and I just don’t want that. I avoid this in all circumstances that we hold forth too much about money. And I think that in such a situation, if I have previously received money back, but this time it doesn’t work, this is just unnecessarily burdening the relationship to friends. (Karin)

Another reason for preferring strangers over people one knows personally is that disconnecting from the first does not pose any problems in contrast to disconnecting from friends or family. For example, Michael points out that details about others can eventually intensify interpersonal bonds such as common interests or occupation and can also lead to a more skeptical selection of future group members: “A schoolboy is rather prone to break something than someone who works in an office.” The emergence of a judging attitude toward others (schoolboys are not as cautious as office workers; that is why they can easily damage something and make a claim) is what concerns Michael and makes him prefer a certain degree of anonymity in the group. Additional information about potential group members can lead to a very differentiated selection process:

Marco: What would be really cool is if one could search for different occupational groups, but that wouldn’t be easy enough.

Interviewer: Why would be a search for occupational groups cool for you?
4. The quintessence of insurance sharing

Marco: Well, for example, I’d never accept an attorney in my group, or a doctor. I’d take officials, public officials, but they’d never accept me. Or I’d take young women, they wouldn’t have in mind to betray the group.

Next to gender, age, and occupation, further criteria such as nationality or pictures can evoke prejudices and lead to biased decisions. Striking the right balance between anonymity and social relationships is the challenge of commercial sharing. For example, Laura emphasizes the wish to be able to reveal her identity at least in an introductory message to her new group members. Seeing a picture of the person instead of a standard icon is important to her as well. However, both Michael and Laura point out that “revealing too much information would be bad; it somehow feels awkward.”

The finding of emerging social values seems at first somehow contradictory to the existing networks of total strangers. At the same time, this contradiction reflects the conflict situation into which commercial sharing can put consumers. The only weak ties between strangers are those that provide “greater flexibility and liquidity in the deployment of resources” (Benkler, 2004, p.343). More emotional and personal connections lead to greater vulnerability of each member and require stricter control over the group (Benkler, 2004). Granovetter (1973) illustrates the importance of weak ties in groups and highlights their indispensability to integration into a group. On the one side, informants wish for more interaction and information about each other (turning weak into stronger ties) and, on the other side, they admit that additional information will probably lead to subjective judgments and eventually to exclusion of the group (failure in the transition; instead of strong, weak ties become absent). This contradiction conforms to the idea that impersonal relations are sufficient for a domain-specific group such as the researched insurance case (Benkler, 2004).

The role of customer participation in service production has been a topic of research interest for several decades (Bowen, 1986; Prahalad and Ramaswamy, 2013). As the preferred form of customer-to-customer interaction in insurance sharing, the network of strangers dominates the con-
nection to friends and family in this insurance context. Indeed, the level of intensity of customer-to-customer interaction is not equal along the spectrum of services, as Nicholls (2010) notes. Martin and Pranter (1989) propose seven characteristics typically describing intense interactions between customers. In insurance sharing, only two of these characteristics are present: heterogeneous customer mix and sharing service parts. Further arranging and nurturing compatible relationships between customers can intensify the customer-to-customer interaction. In particular in an intangible service setting, such interactions are the actual experience for customers and they can either prove or disprove the promise Share gives to its customers. An example of compatible relationships in the examined insurance sharing model is matching customers’ personal details to a group that is risk-diversified but still based on a common ground such as living in the same geographical area.

5 Conclusion

The sharing economy is growing in popularity; for example, the short-term vacation rental company Airbnb has more than two million listings in more than 190 countries (Airbnb, 2016) and its capability for growth is much greater than that of any traditional hotel. Given the competition between traditional business models and emerging ones, it is vital to understand what commercial sharing is and what motivates consumers to participate in it. The aim of the current study is to contribute to research on the sharing economy as well as to managerial considerations for the design of sharing services, in particular the ones based on intangible elements. The study examines commercial service sharing in the context of insurance through a qualitative investigation of customers’ motives, perceptions, and experiences.
5. Conclusion

5.1 Managerial implications

Previous research has shown that only a fraction of service marketing knowledge reaches managers, partly due to the abstractness and the lack of named operational meaning (Kauppinen-Räisänen and Grönroos, 2015). The empirical findings of this article illustrate the practical relevance and importance of social and symbolic servicescape dimensions for intangible sharing services. To bridge the gap between research and practice, we suggest implications at both the strategic and operational levels.

The empirical findings support the notion of insurance sharing evoking only weak community feelings and being financially oriented. Integrating financial rewards is valuable for managers to consider when designing sharing services for new markets. However, sharing services that are solely based on financial benefits may be difficult to sustain in future markets. The less familiar a sharing service is and the less customers are able to assure themselves beforehand of the service benefits, the more relevant become financial rewards. Unlike services with tangible elements, truly intangible services do not have a physical manifestation to remind customers of being part of a sharing mechanism. Even so, managers can develop a strategy to support further motives to use a sharing service by creating personal bonds between customers or by fostering a community feeling. Customer empowerment is a key tool for creating such bonds and fostering community feelings. Social and symbolic values in all their facets and nuances offer yet untapped potential to differentiate from mainly monetary-oriented sharing services. In comparison to non-sharing mechanisms, commercial sharing offers many opportunities to create positive experiences and enhance company-customer relationships for intangible services. Our findings show the potential of sharing services to make customers pro-active in the customer-company relationship. This is particularly relevant for the insurance industry since it has only a few customer-company touch points.

The empirical evidence suggests that cooperating with strangers instead of friends and family is not only relevant but can be vital to new forms
of sharing, unlike their pure origin as described by Belk (2014a). The findings show that an active community is not a distinct need of all sharing customers; it is rather the context of sharing that affects how active a community can become. These insights suggest that sharing service providers need to carefully design the communication experience of their customers. How often do customers communicate and on which occasions? Companies can foster a feeling of affiliation with a group, even when the main motivator for joining is a financial benefit, by 1) designing for the necessary minimum of customer-to-customer communication and 2) enabling additional communication situations to occur if customers wish so. Indeed, small groups are more likely to have a greater degree of trust and hence encourage cooperation (Sánchez de Pablo González del Campo et al., 2014). Nevertheless, even in small groups, governance mechanisms need to come into play to ensure cooperation (Kollock, 1998) when members have only limited information about each other. The findings imply that successful commercial sharing encompasses customers’ need to preserve anonymity and the desire to nurture compatible relationships at the same time.

5.2 Theoretical implications, limitations, and future research

The article provides a systematic theoretical development of the understanding of commercial sharing in several ways. First, by focusing on a purely intangible service setting, this work highlights the non-physical dimensions of a sharing servicescape (Rosenbaum and Massiah, 2011) and shows how these affect the customer service experience in a positive or negative manner. Besides an online environment and direct service encounters, the servicescape of commercial sharing consists of various non-physical and subjective stimuli for customer behavior such as the social interactions between customers, the symbolic meaning of engaging in an insurance sharing community, and the consumer feeling of empowerment. These findings support empirically the notion developed by Rosenbaum
5. Conclusion

and Massiah (2011) that servicescapes embrace stimuli different than a controllable physical environment (Kim and Lee, 2012) and illustrate how these stimuli affect the consumer experience with the service.

Second, the work reviews different definitions of the sharing concept and subsequently points at interferences and discrepancies to place them along the continua of prosocial-commercial and private-public. These four dimensions set the limits for the sharing economy; the variety of motives why consumers engage with sharing activities in an economic setting also take root in the space between the continua. This study examines the intangibility of an offer as an additional factor to contribute to research on motives for participation in the sharing economy. The concept of intangibility intensifies the relation between the four dimensions and uncovers how their interplay can unlock the potential of the sharing economy for a considerate exploitation of all kinds of resources.

Third, the work at hand empirically examines insurance sharing as an example of an intangible service offering. Our findings illustrate the nature of insurance sharing as a predominantly financially motivated consumption behavior and thus confirm past research. Additionally, the results extend prior knowledge by empirically demonstrating that insurance sharing promotes social values, even though the driving force behind sharing is clearly monetary. The findings illustrate that commercial sharing can foster positive experiences, where the fulfilment of social and symbolic values represents one example of how service companies can meet customers’ needs. The study uncovers a network of strangers as a crucial aspect of insurance sharing; the at first sight contradicting findings of emerging sense of belonging and the preference for nonbinding connections characterize this particular form of sharing in the context of insurance. While the network of strangers may not be a prerequisite unique to insurance sharing only, this aspect is new with regard to already researched forms of sharing.

Further research is needed to examine different motivation contexts, especially where the main motivation is not of a financial, but an altruistic nature although participation still may be bound to financial benefits. This
grey area, emerging from different forms of consumption in the range between private and professional, is continuing to grow as an additional field for future research. Furthermore, insurance sharing contexts that stimulate customers’ perception of regaining control over their premiums and enforce a mindful handling of insured resources may influence customers’ risk-taking behavior. Future research is needed to examine the effects of customer empowerment on risk behavior.

We encourage researchers to further explore the customer engagement in service sharing, especially differences and stimuli for different target groups and further intangible offerings. Although the current study sheds light on the contemporary form of sharing, some limitations have to be considered in future research. The study focuses on one specific example of commercial sharing. While this allows for a deep and nuanced understanding of unique characteristics, further research on sharing intangibles should be carried out to discover the whole range of sharing facets. Single-context research explores the observed phenomena in a rich manner, whereas multiple contexts tend to generate more parsimonious theory (Eisenhardt and Graebner, 2007). Hence, the focus of the present study may constrain the generalizability of the findings.

As an important trend, commercial sharing and sharing-like phenomena are just beginning to raise various issues. Besides trying to disentangle these phenomena from each other, research has started to address their general context. For example, how regulatory bodies can approach the sharing economy and its market inefficiencies (Cohen and Sundararajan, 2015; Hartl et al., 2016; Koopman et al., 2015; Rauch and Schleicher, 2015). Future research is needed to examine the societal and public policy challenges that sharing-like phenomena pose.

In conclusion, the discourse about contemporary forms of sharing is still in its infancy. This paper has focused on developing an understanding of commercial sharing of intangibles in a theoretical and empirical manner. The qualitative study of an insurance sharing provider and its customers generates valuable insights into how consumers experience, perceive, and
value sharing of intangible services. The work structures the path for other researchers to further investigate the sharing economy, question underlying assumptions about its nature, and elaborate on the limits and potentials of economic consumption and exchange.


IV SHARING INTANGIBLES


Bibliography


Collaborative consumption systems are on the rise - both their usage and transaction volume are growing at an accelerated pace. And yet research is lacking a clear understanding of these systems: access-based consumption, sharing economy, pseudo-sharing are only part of the terms academicians and practitioners use to denote an emerging mode of consumption. This article theoretically sets the boundaries of collaborative consumption, structures its elements, and highlights the variables that influence how consumers interact with each other as members of a collaborative consumption system. As a result, we propose a three-level conceptual framework that describes the mechanics of collaborative consumption and the interrelations between the main involved parties: consumers as providers, consumers as beneficiaries, and intermediaries. The framework both rec-
onciles contradictory findings and supports scholars and managers in the design and investigation of collaborative consumption systems. As an important outcome to guide future research, five propositions consolidate the main insights of the framework and offer several directions for further exploration.

**Keywords:** collaborative consumption, sharing economy, conceptual framework
1 Introduction

Sharing objects, spaces, and immaterial resources with peers is becoming ubiquitous as a mode of consumption. Although neither new, nor innovative, the usage of the same resources by different individuals attracts consumers in both the role of beneficiaries and providers for a number of social, monetary, and symbolic reasons. As an emerging trend, collaborative consumption is also gaining growing attention from academics and managers. One of the yet unsolved challenges in research discourse relates to the nature of collaborative consumption. Imagine a consumer taking the car of her neighbour to get to the local grocery store. What is the consumer doing - consuming collaboratively, consuming the access to a car, or just sharing with a neighbour? Initial and fragmented work has been conducted to describe and contrast contemporary modes of consumption such as pseudo-sharing (Belk, 2014a), access-based consumption (Bardhi and Eckhardt, 2012), collaborative consumption (Hartl et al., 2016), and commodity exchange (Haase and Pick, 2015; Habibi et al., 2016). Despite this research effort, the boundaries between new ways of consuming are still blurred due to the confusion in terminology.

When examining collaborative consumption systems marketers and academics face a number of urging questions: Which are the prerequisites for sustainable shared consumption in economic, societal, and psychological terms? How to encourage consumers to engage in such systems? How to prevent collaborative consumption from transforming into a pure capitalist market exchange? The answers to these questions have major implications for coping with hyperconsumption, a state of excess purchase of goods with potentially destructive consequences for consumers, the economy, and the environment (Albinsson et al., 2010). Research suggests that collaborative consumption can further develop either as a form of anticonsumption (Ozanne and Ballantine, 2010; Seegebarth et al., 2016) and environmentally friendly behavior (Ozanne and Ozanne, 2011; Prothero et al., 2011) or as a transition to business-as-usual (Lamberton, 2015; Martin, 2016). Several
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empirical studies have explored the mechanics of collaborative consumption in its varied forms - car sharing (Bardhi and Eckhardt, 2012), sharing of baby and nursery equipment (Catulli et al., 2014), toy sharing (Ozanne and Ballantine, 2010), etc. However, before research can explore the prerequisites for sustainable shared consumption, academics need to develop an integrative understanding of the distinctive characteristics of collaborative consumption and the factors that drive and shape consumer interactions within these systems.

Consequently, the aim of this article is to structure the elements of collaborative consumption and highlight the variables influencing how consumers interact with each other as members of a collaborative consumption system. More specifically, the study pursues the following research objectives: 1) to resolve the terminological confusion around collaborative consumption; 2) to generate an integrative understanding of the motives driving consumer participation in collaborative systems; and 3) to explore main factors and their possible effects in moderating consumer-to-consumer interaction and engagement in collaborative consumption. As a result, we propose a conceptual framework that addresses the many faces of collaborative consumption phenomena and supports scholars and managers in the design and research of collaborative consumption systems.

To achieve this goal, the paper first theoretically sets the boundaries of collaborative consumption by reviewing related concepts across the disciplines of social psychology, anthropology, consumer behavior, and economics. Based on a discussion of interferences, discrepancies, existing frameworks and typologies, we analyse the antecedents of shared consumption, the actors involved, their relationships, and the factors affecting interactions within a collaborative consumption system. The elaborated conceptual framework brings together diverse research perspectives and integrates the key characteristics of collaborative consumption. At the end of the work, we derive implications and identify avenues for future research.
2 The logics of collaborative consumption

By itself, the act of sharing is "the simultaneous or sequential use of goods (e.g., cars, books, food, water), spaces (e.g., living rooms, gardens, decades, websites), or intangibles (e.g., experiences, beliefs, identities, heredity) by more than one individual" (Rudmin, 2016, p.198). As a phenomenon in society, sharing is neither new, nor innovative (Belk, 2010; Rudmin, 2016). What is new, is the scalability, flexibility, and commercialization of systems that enable the collaborative consumption of under-utilised individual resources. According to Bagozzi’s conceptualization of exchange, collaborative consumption falls into the type of complex mixed exchanges (1975). The complexity in this exchange type stems from the system of "mutual relationships between at least three parties" that aim at satisfying their utilitarian and symbolic needs (Bagozzi, 1975, p.33).

Recent technological developments enable otherwise unconnected individuals to exchange resources and thus facilitate sharing on a broader scale with a growing number of providers and beneficiaries. As a market exchange practice, collaborative consumption fosters technology-mediated collaborative efforts from a number of participants, extending the reach from family and friends to strangers and at the same time promising economic gains. Granting access to unused resources turns into a profitable undertaking for individuals and also attracts them as beneficiaries who need a resource quickly and at low cost without the burden of ownership (Botsman and Rogers, 2010). The resources that are the main subject of exchange were underutilised before the rise of collaborative consumption - the reduction of transaction costs plays is a crucial enabler for the engagement of individuals in collaborative systems.

2.1 A multitude of conceptualizations

Research on contemporary sharing phenomena has not yet agreed upon a single conceptual umbrella. Various terms seek to describe the different
forms of the “sharing economy” (Martin, 2016), “collaborative consumption” (Hartl et al., 2016; Heinrichs, 2013), “collaborative economy” (European Commission, 2016), “commercial sharing system” (Lamberton and Rose, 2012), “access-based consumption” (Bardhi and Eckhardt, 2012), or “anticonsumption” (Albinsson and Perera, 2012). Table 12 gives an overview of the definitions prior research has used to set the boundaries of sharing phenomena.

As a human behavior, sharing is the “the act and process of distributing what is ours to others for their use as well as the act and process of receiving something from others for our use” (Belk, 2007, p.127). To differentiate this behavior from commodity exchange, Belk (2007) highlights the lack of indebtedness and feelings of friendship in an economic exchange. Eckhardt and Bardhi (2015) also criticize the term “sharing” as used in the sharing economy since it focuses on social relationships and disregards low-cost and convenient consumption as the main characteristics of what they label the access economy. To emphasize the semantic difference between sharing with friends and family and the economic exchange mechanism underlying the sharing economy, Belk (2014a) labels the latter as “pseudo-sharing”.

These perspective on collaborative consumption depicts only parts of it. Scholars also consider environmental and social sustainability as goals or potential consequences of collaborative consumption (Heinrichs, 2013; Ozanne and Ozanne, 2011; Prothero et al., 2011). Prosociality and commercial orientation can both be part of a single system (Lamberton, 2016). In summary, the discussion about the nature of collaborative consumption illustrates that 1) the mode of market exchange in collaborative consumption differs from traditional utilitarian market exchanges due to exhibiting a partly prosocial and environmental character, 2) collaborative consumption and the act of sharing in and out (Belk, 2010) may resemble each other in their prosocial orientation, however, 3) unlike pure sharing, collaborative consumption is mediated and can embrace commercial exchange as a driving mechanism.
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<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>access-based consumption</td>
<td>“does not involve transfer of ownership”&lt;br&gt;“transactions that can be market mediated but where no transfer of ownership takes place”&lt;br&gt;“market-mediated transactions that provide customers with temporally limited access to goods in return for an access fee, while the legal ownership remains with the service provider”</td>
<td>Catulli et al. (2014, p.186)&lt;br&gt;Bardhi and Eckhardt (2012, p.881)&lt;br&gt;Schaefers et al. (2016a, p.571)</td>
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<tr>
<td>collaborative consumption</td>
<td>“people coordinating the acquisition and distribution of a resource for a fee or other compensation”&lt;br&gt;“the peer-to-peer-based activity of obtaining, giving, or sharing access to goods and services, coordinated through community-based online services”</td>
<td>Belk (2014b, p.1597)&lt;br&gt;Hamari et al. (2016, p.3)</td>
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<tr>
<td>collaborative economy</td>
<td>“business models where activities are facilitated by collaborative platforms that create an open marketplace for the temporary usage of goods or services often provided by private individuals (...) Collaborative economy transactions generally do not involve a change of ownership and can be carried out for profit or not-for-profit”</td>
<td>European Commission (2016, p.3)</td>
</tr>
<tr>
<td>commercial sharing systems</td>
<td>“marketer-managed systems that provide customers with the opportunity to enjoy product benefits without ownership”&lt;br&gt;“an economic system in which assets or services are shared between private individuals, either for free or for a fee, typically by means of the Internet”&lt;br&gt;“hybrid exchange form between economic gain and prosocial mindedness”</td>
<td>Lamberton and Rose (2012, p.109)&lt;br&gt;Oxford English Dictionary, definition used by Habibi et al. (2016)&lt;br&gt;Milanova and Maas (2017, p.161)</td>
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<td>pseudo-sharing</td>
<td>“digitally enabled peer-to-peer exchange of tangible or intangible resources in both global and local contexts”</td>
<td>Zurek (2016, p.675)</td>
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<tr>
<td>anticonsumption</td>
<td>“antioverconsumption or anticonsumption of goods that are detrimental to personal and societal well-being”</td>
<td>Albinsson and Perera (2012, p.304)</td>
</tr>
<tr>
<td>product-service system</td>
<td>“system of products, services, supporting networks and infrastructure that is designed to be: competitive, satisfy customer needs and have a lower environmental impact than traditional business models”</td>
<td>Mont (2002, p.239)</td>
</tr>
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Table 12: Overview of definitions for sharing phenomena
Collaborative consumption, PSS, or sharing economy?

Literature uses both collaborative consumption and sharing economy interchangeably (Schor and Fitzmaurice, 2015) to describe the contemporary phenomenon of “people coordinating the acquisition and distribution of a resource for a fee or other compensation” (Belk, 2014b, p.1597). Past research has identified business practices that disprove the notion of the sharing economy as embodying prosocial and sustainability considerations in the first place (Bardhi and Eckhardt, 2012). While businesses that originally stood out as success examples of the sharing economy such as Uber and Airbnb, become more popular, they can also become less transparent and drift toward competitive marketization (Lamberton, 2015). This transformation in business-as-usual will substantially weaken the promotion of sharing as a form of prosociality in market exchanges. By dismissing the term “sharing”, however, future research can fail to further examine the notion that social and community benefits also drive participation in collaborative consumption (Bucher et al., 2016; Hellwig et al., 2015; Ozanne and Ballantine, 2010). On the other hand, as Widlok (2017, p.145) underlies, “calling it ‘sharing’ is a euphemism at best and mystification of commercial market relations, at worst.” Collaborative consumption dissociates itself terminologically from sharing as inherent human behavior, thus responding to calls in media and research about the term sharing economy being a misnomer (Hern, 2015; Horgan, 2016; Yglesias, 2013).

Botsman and Rogers (2010) identify three main systems within collaborative consumption: product service systems (PSS), redistribution markets, and collaborative lifestyles. Redistribution markets involve the redistribution of pre-owned goods and include swapping, gifting, and reselling. While the goods redistributed are not new and thus imply sequential use by more than one individual (similar to how Rudmin (2016) defines the act of sharing), the exchange mechanisms within collaborative consumption promote access and non-ownership instead of change in ownership in the sense of traditional commodity exchange. In line with this reasoning, redis-
2. The logics of collaborative consumption

tribution markets are not part of what constitutes collaborative consumption in the context of this work. The other two systems, PSS and collaborative lifestyles, encompass services enabling the sharing of privately- or company-owned tangible and intangible resources. Research on PSS classifies commercial sharing as one of its subcategories under use-oriented services (Tukker, 2004). The concept of PSS aims at creating customer value and at the same time reducing the environmental footprint of both production and consumption (Kim et al., 2016; Mont, 2002). As defined by Tukker (2004), PSS miss to consider intangibles as a sole shareable resource and thus exclude sharing phenomena not tied to a product but an intangible good such as insurance sharing (Milanova and Maas, 2017). PSS and collaborative consumption only meet where tangible resources become shared between consumers with sustainable production and consumption as (unintended) consequence. Environmental considerations represent only "an added bonus" for collaborative consumption participants (Philip et al., 2015, p.1324), whereas they are central in the concept of PSS.

Toward a definition

This work investigates collaborative consumption as a mode of economic exchange, thus acknowledging the separation between consumption mode and the consumed resource (Chen, 2009). Nevertheless, a necessary prerequisite for any form of collaborative consumption is the availability of a resource that can be shared. Rudmin (2016) names goods, spaces, and intangibles as the object of sharing. Shareable resources need to be "lumpy" and mid-grained (Benkler, 2004). Benkler (2004) defines "lumpiness" as a characteristic that enables the resource to be provisioned in bundles with a discontinuous amount of capacity. The level of granularity (fine, mid-, or large) is an indicator for the potential amount of unused capacity of a resource. Besides capacity, resources are also a source of consumer experience. The way consumers assess tangible and intangible resources greatly affects the formation of their experience with these resources (Hellén and Gummerus,
Intangibility as resource characteristic adds an emotional touch to the relationship between providers and beneficiaries (Milanova and Maas, 2017).

A review of existing conceptualizations (see Table 12) underlies the key characteristics of collaborative consumption: no transfer of ownership, peer-based, managed by a third party, mainly profit-oriented, aiming at achieving a positive prosocial and environmental impact. Thus, we summarize the essential characteristics of collaborative consumption as follows:

- a temporary exchange of rights to resources without the transfer of ownership,
- monetary or non-monetary beliefs motivate the act of sharing,
- an individual shares a privately owned resource (good, service, or asset) with others,
- an intermediary enables the exchange and sets its rules through a technological platform.

The mediation by an intermediary ensures a flexible exchange with zero entry barriers for individuals and guarantees the receipt of gains. Most collaborative consumption systems promote short-term and episodic transactions (Eckhardt and Bardhi, 2016); however, collaborative consumption can also enable long-term exchanges with fixed time constraints. Insurance sharing platforms such as Teambrella and insPeer are examples for long-term collaborative consumption systems.

2.2 Why sharing? A multidisciplinary view

Consumer literature has explored the drivers of contemporary sharing in several studies. A striking outcome of these studies is that the motives why consumers participate in collaborative consumption widely differ across contexts and stem from economic considerations (Hamari et al., 2016), symbolic and social benefits (Hellwig et al., 2015), frugality and anti-consumption (Ozanne and Ballantine, 2010). Belk (2014a) suggests the
main intention of participating as the crucial identifier between sharing and pseudo-sharing. Challenging in this regard is that the motivation to consume a resource in a certain way varies among individuals. Do people stay with Airbnb to save money or to get access to a local, individual home? The reason why consumers share (as providers or beneficiaries) is decisive for the further development of collaborative consumption. Moreover, participants’ motivation also determines the consequences of a change in the mode of consumption not only for all involved parties, but also for societies and economies. Thus, disentangling the main motives from each other is crucial for understanding the subsequent mechanics of collaborative consumption and its possible effects.

Although the context and circumstances for sharing in its current form as economic behavior have changed, its original nature may have stayed untouched. For this reason, we turn to several disciplines that have studied the behavior of sharing in a number of contexts and explore possible motives to share. Studies on food sharing among animals and humans from the field of evolutionary anthropology identify four motivations for engaging in sharing activities (Jaeggi and Gurven, 2013). The first motive, kin selection, implies sharing with others who are closely related to oneself by either being relatives or having a number of traits in common. Second, tolerated scrounging or also tolerated theft motivates sharing when it becomes too costly for the provider to keep excess resources, so beneficiaries with greater need can take up the excess. Third, costly signalling is a means of showing off that one is able to acquire a rare resource and is willing to share it with specific partners, thus signalling an intent for cooperation. Costly signalling also leads to status gains among the members of a tribal community (Hawkes et al., 2001). Fourth, reciprocal altruism can motivate sharing among pairs of individuals for mutual long-term benefits (Hill and Kaplan, 1993).

Economic theory delivers one of the most obvious motives for collaborative consumption. When monetary benefits or cost savings are pertinent to collaborative consumption systems, individuals’ self-benefit potentially
increases and thus turns into a driver for engaging in sharing activities (based on Hardin, 1968; Olson, 1971). By engaging in collaborative consumption, consumers reduce their costs for resource ownership (Wirtz and Ehret, 2009). Additionally, recent research highlights the positive influence of ownership risk perceptions related to performance and social standing on the usage of access-based services (Schaefers et al., 2016a). Building visible positive reputation contributes to an increase in social income and can also foster participation in collaborative consumption (Becker, 1974). Work on cooperation and competition from the field of social psychology suggests that people who cooperate positively incorporate the desired outcomes of others in their decision making (Deutsch, 2011). Cooperators thus share a positively related goal and strive for a “win-win” situation. Furthermore, past research shows that the desire for social approval can motivate the choice of access over ownership (Trocchia and Beatty, 2003).

Within a goal-based framework Lamberton (2016) provides a concise overview of five different goals that underlie collaborative consumption as studied by several disciplines. Personal utility, economic gains, resource smoothing, task completion, and relational goals can all drive participation in sharing activities. Some form of trust turns to be a common similarity across all goals associated with sharing, with externally imposed trust mechanisms tending to be most pertinent to commercial sharing contexts (Lamberton, 2016). Current empirical studies on motives to participate in collaborative consumption confirm these outcomes and depending on the researched context, add further nuances. For example, Moeller and Wittkowski (2010) point to trend and convenience orientation as motivators of renting physical goods. The desire for unique consumer products and low product-need-fit also drive participation in collaborative consumption systems (Akbar et al., 2016). Lawson et al. (2016) examine perceived motivations for engagement in access-based consumption and identify four distinct groups who focus on either economic aspects, status consumption, material possessions, or product variety.
2. The logics of collaborative consumption

2.3 Classification of sharing phenomena: typologies and frameworks

Understanding collaborative consumption implies not only exploring its possible drivers, but also describing the dimensions that shape this mode of consumption. Research on the classification of sharing phenomena is still scarce and features only a few studies. Belk (2010) initiates the discussion of what is contemporary sharing and how it differs from similar behaviors like gift giving and commodity exchange. He identifies reciprocity, relationship, and ownership as distinguishing dimensions. In their conceptualization of access-based consumption, Bardhi and Eckhardt (2012) refer to similar dimensions and also add an important aspect that is key to collaborative consumption - market mediation. Market mediation is the degree to which a third party organizes the process of consumption and thus imposes rules for the communication and exchange between consumers. For example, Airbnb allows space providers and their potential guests to communicate solely through its own system. Any attempts to change the communication channel (e.g., to e-mail or telephone) remain unsuccessful since the Airbnb message platform suppresses all contact details within the written text of a message.

A further important aspect of collaborative consumption is that usage or access are not necessarily coupled with ownership of a resource. Building on Belk’s work, Haase and Pick (2015) turn to economic property rights and approach ownership in a holistic manner. Property rights theory names the following options along the rights spectrum that can be transferred with an object: right to use, to change, to retain the fruits of the resource, or to transfer all rights and the resource (Furubotn and Pejovich, 1972). Companies like Zipcar, Liquid, and Couchsurfing offer access and the right to use cars, bicycles, and other people’s couches for a certain amount of time. Insurance sharing providers such as Friendsurance and Guevara transfer money from a shared pool to policy holders with a damage and thus transfer all rights and the resource to beneficiaries. Both the nature
of the resource and the mediating company determine what kind of rights transfer can take place.

Lamberton and Rose (2012) base their typology of commercial sharing systems on a classification from the public goods literature (Ostrom, 2003). Rivalry and exclusivity are the two continuous dimensions that guide the conceptualization. Rivalry denotes the degree to which customers must compete for the shared resource. The basic assumption of rivalry is a limited supply of the resource, which restricts availability. Exclusivity refers to the degree of control over access to a shared resource. For example, car sharing has a low degree of exclusivity; only a few conditions are imposed for participation, such as a valid driving license. Lamberton and Rose (2012) focus mainly on rivalry as a type of relationship between customers. Schor and Fitzmaurice (2015) identify two predominant influencing characteristics of sharing platforms: the market orientation (towards profits and value creation) and the target mode of operation (peer-to-peer or business-to-peer).

The discussed frameworks and typologies examine sharing-like phenomena through different lenses. They demonstrate how research on specific types sheds light on general characteristics of collaborative consumption and adds to its better understanding. However, an integrating conceptualization of relationships within collaborative consumption systems is still a blind spot in consumer research.

3 Development of a conceptual framework for collaborative consumption

Figure 6 depicts our proposal for a conceptual framework of collaborative consumption. As the review of past literature suggests, several elements are key to this mode of consumption. To account for all involved parties the framework spans over three different levels. The resource level entails the prerequisite for collaborative consumption: shareable resources need
3. Conceptual framework

to be well distributed in the market and have unused capacity (Benkler, 2004). The second level underlines the technology-mediated nature of contemporary sharing activities. Third parties account for the design of this technology layer and thus mediate the interaction between providers and beneficiaries. Consumers, either in their role as providers or beneficiaries, occupy the third level and shape their relationship with each other according to the preceding motivation to participate and the rules imposed by the intermediary. Together, these perspectives provide the conceptual means for examining interactions within collaborative consumption systems. We consolidate the main insights of the framework into propositions for each level to guide future research efforts.

3.1 Resource level: A prerequisite for collaborative consumption

The availability of unused resources precedes collaborative consumption business models - spare mattresses during a big event or free seats in a car turn to be both lumpy and mid-grained, so companies such as Airbnb and Uber meet these unused resources with individual consumer needs on demand. The granularity of a resource corresponds to its degree of market distribution; if a resource is highly available to all market participants, their need for sharing this particular resource will strongly decrease. As Benkler (2004) explains granularity, he gives the example of a cup of coffee and a donut. Both of these goods are highly available and consumers can usually acquire the exact capacity of coffee and donuts they need. Similarly, if a resource is only scarcely distributed in a market, sharing such resources becomes less attractive due to lack of sufficient demand. Mid-grained resources, well distributed among individuals, generate a large amount of unused capacity and thus provide the basis for collaborative consumption businesses.

While distribution and capacity act as a prerequisite for collaborative consumption, another inherent resource characteristic directly influences
Figure 6: Conceptual framework for collaborative consumption
consumer interaction within sharing systems. The tangibility of a resource impacts the mechanics of collaborative consumption and how consumers experience the process of sharing. Tangible resources such as cars, bikes, homes, or tools imply either geographical proximity or other means of physical access and exchange for providers and beneficiaries. Intangibles such as knowledge and intellectual property enable an exchange independent from locality and require a purely digital logistic process.

Besides affecting the logistics of exchange, the tangibility/intangibility of a resource also influences consumer experiences (Hellén and Gummerus, 2013). Consumer’s subjective perception of resource tangibility generates distinct psychological consequences. For example, spending money on experiences instead of possessions tends to increase consumer’s hedonic gain (Carter and Gilovich, 2010, 2012). In the context of collaborative consumption, this finding immediately raises the question whether consumers share a material possession or an experience. At first glance, the distinction between intangible experiences and tangible resources seems fuzzy. Many collaborative consumption businesses provide access to material goods such as cars, books, bikes, or apartments, but regardless of the tangibility of these resources, the act of their provision is the main service. Collaborative consumption focuses on access and usage, not on the acquisition of new possessions. Supporting this idea, one may conclude that collaborative consumption services tend to rather offer an experience and not a material possession.

To resolve the ambiguity about the proper assignment to either an experience or material possession, Carter and Gilovich (2014) propose that the intention behind a purchase is decisive. Research on motives for participating in collaborative consumption has identified among other drivers that consumers share due to the utility of doing so and the use value they gain out of sharing (Bardhi and Eckhardt, 2012; Meijkamp, 1998; Möhlmann, 2015). The importance of utility and use value as main sharing drivers varies in consumer studies (Milanova and Maas, 2017); social-hedonic aspects and perceived enjoyment from participating also foster commercial sharing ac-
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tivities (Bucher et al., 2016; Hamari et al., 2016). The primary source of pleasure is decisive for assigning the act of sharing to the experience or material category. Is it the experience that a drive with Uber affords that matters to a beneficiary or is it the pure utilitarian value of getting from one point to another? When beneficiaries perceive the act of sharing as an experience, they will derive greater hedonic value from sharing compared to situations when sharing represents access to a material possession. The discrimination between experience- and material-oriented sharing explains the sometimes contradicting findings of studies on motives to participate in collaborative consumption. That is:

**Proposition 1:** Collaborative consumption systems address distinct participation motives depending on whether they facilitate sharing as experience or sharing as access to material possessions.

3.2 Intermediary level: Third parties employing technology to mediate sharing markets

Technological developments and the Internet fuel the rise of collaborative consumption. As a market economy, collaborative consumption relies heavily on formal enforcement mechanisms (Benkler, 2004) that third parties adopt. Intermediaries such as DogVacay, Turo (previously known as RelayRides), or Liquid operate a platform to enable interactions and resource exchange between providers and beneficiaries - consumers who have excess resources (a place to stay for a dog, an unused car, or a bike) and consumers who want to use these resources. By exchanging resources through the platform providers and beneficiaries generate network benefits for each other (Rochet and Tirole, 2003). Research in economics has studied such business intermediaries as two- or multi-sided platforms. These platforms bring together two or more distinct and interdependent groups of agents, thus generating network effects among the groups affiliated with the platform (Armstrong, 2006; Hagiu and Wright, 2015). Bailey and Bakos (1997) em-
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Empirically explore the tasks of online intermediaries and summarize them as aggregation and match of supply and demand, provision of trust and reduction of operational costs.

In their role as resource integrators, platforms at the intermediary level involve both providers and beneficiaries in a process of value co-creation (Muzellec et al., 2015). These platforms (e.g., a company such as Uber or Airbnb) assume the task of communicating the benefits of participation in the collaborative consumption system. On the one side, the utilitarian value of what the resource can perform (use value, Marx, 1930) can attract consumers; on the other side, the resource or the act of sharing alone can have a symbolic meaning indicating its sign value from consumer perspective (Baudrillard, 1981). The intermediary of the collaborative system determines how and which of these value propositions to communicate to potential participants. As the operator of a two-sided platform, the intermediary needs to formulate a separate value proposition for each group of providers and beneficiaries (Muzellec et al., 2015).

One key difference between collaborative consumption intermediaries and two-sided platforms lies in the monetization of their business model. While two-sided platforms usually subsidize one of their customer groups to create demand for the other group (Parker and Van Alstyne, 2005), collaborative consumption intermediaries aim at an equal treatment of both groups. Intermediaries either impose a transactional fee on both groups or charge no fee to both. For example, Airbnb charges both guests and hosts service fees. To monetize the participation of providers and beneficiaries at the same time, collaborative consumption intermediaries need to generate sufficient value from the perspective of two different customer groups. An intermediary not charging any fees is Couchsurfing; the platform connects travellers and hosts for free.

A source for value creation that intermediaries can leverage is the level of market mediation. Market mediation determines the degree of allowed or desired participant communication and sets the rules for the operating mode of consumption (Bardhi and Eckhardt, 2012). As literature on indus-
trial markets describes two-sided platforms, providers and beneficiaries “retain control over the key terms of the interaction” (Hagiu and Wright, 2015, p.163), where the key terms could include the price, whether and how the resource will be delivered, and its quality. Collaborative consumption intermediaries need to provide a level of mediation that is sufficient for enabling smooth resource sharing and at the same time allows both groups to have control over terms and conditions that are important for them.

Trust mechanisms, rights to resources to be shared, and reciprocity expectations act as market mediation levers intermediaries can shift to create value and ensure formal enforcement. Trust mechanisms are particularly important in the context of collaborative consumption since they protect both providers and beneficiaries from opportunistic behavior of other participants (Giaglis et al., 2002). Customer misbehavior is a common phenomenon in service settings (Fisk et al., 2010). In particular, collaborative consumption systems are especially prone to customer misbehavior because consumers receive access to a resource without actually obtaining ownership of that resource (Durgee and Colarelli O’Connor, 1995). Owners cannot observe all actions of beneficiaries, which usually results in moral hazard. Schaebers et al. (2016b) empirically show the negative effects of misbehavior and reveal that product brand, anonymity of the owner, and community identification moderate the level of contagion.

To minimize such negative effects, collaborative consumption systems employ a number of mechanisms to establish trust. Digital profiles, accumulated feedback from previous interactions, externally validated identity all contribute to building up digital trust capital (Mazzella et al., 2016). For example, in a high-stake decision situation such as booking a room over Airbnb, both the room provider and beneficiary rely on the correctness of the profile and rating information they can view about the other party. Couchsurfing profits from the need for digital trust and asks its users to pay for an optional verification service to become a trusted member. Weber (2014) shows how intermediaries can also establish trust by offering an insurance contract that requires beneficiaries to make a deposit prior the
event of consumption. This deposit for beneficiaries acts as incentive for them to exert care and reduces moral hazard.

Collaborative consumption intermediaries shape the reciprocity expectations among providers and beneficiaries by communicating what and why is shared on their platforms. Belk (2010) identifies reciprocity as a differentiator between exchange versus sharing and gift-giving. Reciprocity denotes the action-reaction-relation between two parties, whereas redistribution designates a system of reciprocities and is thus a collective action of a group (Sahlins, 1972). A networked sharing model can feature redistribution or one-to-one reciprocity. For example, when sharing a home cooked meal with strangers, the reciprocity expectation is preparing a traditional or special meal for monetary compensation (e.g., Eataway, Meal Sharing). In contrary, in an insurance sharing network the principle of redistribution applies since resources are first pooled together and are then distributed to those who have a claim (e.g., Guevara, Friendsurance).

Terms and conditions that give providers the feeling of control over the sharing activity encompass the pricing for sharing and the shared rights to resources. Providers control key aspects of the sharing interaction when they can independently determine the price, the duration of the exchange, whether a specific exchange takes place, and also the rights that a potential beneficiary receives. This autonomy offers economic liberation and more flexibility to providers, they turn into independent producers and freelancers with zero bureaucracy. The fundamental paradox of this economic liberation is that collaborative consumption intermediaries often replace bureaucratic regulations with their own rules (Rahman, 2016). For example, platforms such as Lyft and Uber exert their power by setting the price for drivers instead of allowing for price competition. When the gain of participation in collaborative consumption becomes subject of determination by the intermediary and not the provider, providers will tend to perceive the sharing activity as a mere provision of goods. Hence:

**Proposition 2:** The balance of market mediation and autonomy within collaborative consumption systems is decisive for their development as
either sustainable or purely capitalistic practices.

3.3 Consumer level: Provider-beneficiary relationships

The consumer level builds on research exploring drivers of sharing in both its contemporary and original forms. Symbolic, economic, and social motives act as antecedents for the decision to share either an own resource or to acquire access to use an external resource. The essence of the motives to participate in sharing activities determines to a great extent the nature of these activities (Belk, 2014a). Related goals also shape interactions within collaborative consumption systems (Lamberton, 2016). Thus, the motives for participation and participants’ goals influence the kind of relationships that can flourish among consumers in their roles as providers or beneficiaries and also impact their engagement in a re-assessed sharing activity. Provider-beneficiary relationships evolve within the rules that an intermediary sets. Factors embodying the art of mediation and the rules for participation also shape the provider-beneficiary relationship. Figure 6 depicts the interplay of these different factors and the possible outcomes of participating in collaborative consumption.

The proposed framework defines collaborative consumption as an economic exchange between beneficiaries and providers at the consumer level. In some cases, however, the company that facilitates sharing also acts as a provider. For example, Bardhi and Eckhardt (2012) study a car-sharing company providing both the platform and the resource (cars) to be shared. Consumer-to-consumer sharing does not take place in this case, it is a company that offers access to resources for a fee. Such cases where companies offer the access to a resource as a service resemble to a great extent traditional commercial exchange and in particular the well-known practice of renting. Pure economic considerations motivate the company as provider; even though marketing activities can aim at masking the exchange as an environmentally-driven practice (Eckhardt and Bardhi, 2015). How the provider perceives the exchange is what frames the act of shar-
3. Conceptual framework

...ing as access, not experience. Such exchanges create mainly economic value for providers and beneficiaries and miss to foster a sense of belonging. Individual consumers are not dependent on interactions with other consumers; the lack of interaction greatly hinders the evolvement of a community around the offered service. As relationships only develop over time, repeated interactions are a precondition for the building of a community that creates social and hedonic value for its members. Collaborative consumption systems that define consumers’ role as beneficiary only, are more likely to attract mainly financially-motivated consumers compared to systems who rely on consumers themselves to become providers of shareable resources. More formally:

**Proposition 3:** Collaborative consumption systems that involve consumers solely as beneficiaries address primarily monetary motives for participation.

Further factor that influences consumer relationships and the reassessment of the process is the mediation of the market that sets the rules for consuming collaboratively, including the medium of exchange and how the technology layer communicates the value of the system. Depending on whether consumers exchange resources for other resources, for money, or for virtual currencies, strong or weak social ties emerge. For example, Bardhi and Eckhardt (2012) report a non-existent social bond to other participants in a car sharing system, where exchange takes place for money and all consumers engage to gain access to cars provided by a company. However, when the sharing system relies on non-reciprocal exchange of goods or services, then sense of community is what constitutes the relationship among participants (Albinsson and Perera, 2012). For example, Pumpipumpe, a Switzerland-based sharing community encourages residents to inform their neighbours that they are willing to lend goods for free by putting stickers that depict the goods on their mailbox. Further important aspect of market mediation is trust. The mechanisms to establish trust among involved parties that intermediaries apply shape consumer...
relationships to a great extent. In sum:

**Proposition 4:** The interplay of market mediation levers forms the basis for the social norm guiding provider-beneficiary relationships.

Experience-oriented sharing fosters stronger social connections when compared to material-oriented sharing. Three basic mechanisms differentiate experiences from possessions - comparison processes, connections to the self, and social connections (Carter and Gilovich, 2014). Experiences have the ability to draw people stronger together than material possessions (Van Boven et al., 2010, Study 5). Consumers who derive hedonic value out of sharing activities and perceive them as experience rather than a mere access to a good, tend to be more open to community building. The notion of sharing as experience also explains why non-market sharing practices that engage consumers in offline gatherings have less struggle to foster a sense of belonging among their members (Rosen et al., 2011) than pure market sharing practices (Bardhi and Eckhardt, 2012). Social-hedonic motives are less pronounced among collaborative consumption consumers (Bucher et al., 2016), although perceived enjoyment of participation positively affects both attitude towards collaborative consumption and behavioral intention to engage in it (Hamari et al., 2016). Therefore we argue:

**Proposition 5:** In contrast to systems with material orientation, experience-oriented collaborative consumption evokes a feeling of community.

**4 Discussion**

The proposed framework demonstrates how a multi-level perspective unravels the full spectrum of dynamics among the actors involved in collaborative consumption. In particular, the interplay of the consumer and intermediary levels is key to understanding the phenomenon of consuming collaboratively as a market exchange practice. The rules guiding participation in one system draw the space for social interaction and relationship
4. Discussion

building among consumers. For example, in their study of Freecycle, a non-profit recycling organization, Krush et al. (2015) describe the organizational context as resembling a mixture of sharing and gifting and explain how the intermediary party enforces general policies to the community.

As the framework suggests, the effect of motivations on how consumers behave either in their role as providers or beneficiaries can also shape the collaborative exchange to a great extent. Schor et al. (2016) provide evidence for a number of distinguishing practices that reproduce inequality within the micro-level interactions between members of four sharing communities. The cultural capital that participants bring into collaborative consumption systems can lead to segregation and carry the adherence to subtle distinguishing practices to extremes. Intermediaries make use of market mediation levers to control the social norms within collaborative consumption, however, they rarely achieve adherence to organizational mission and robust trading activity at the same time, both identified as success criteria for egalitarian systems (Schor et al., 2016).

4.1 Avenues for future research

The framework in Figure 6 facilitates parsimonious conceptualization and, more importantly, suggests the potential for further examination by identifying additional constructs that may impact the consumer-provider relationship. Many distinct research directions promise to extend the analysis of collaborative consumption. First, the five propositions grounded in the framework itself can be tested and applied to different contexts of collaborative consumption. By improving and sharpening each proposition, future research can create awareness at the market and regulatory level of the factors that promote and impede the development of collaborative consumption as a sustainable market practice. Table 13 summarizes the propositions.

Second, further examinations of why consumers engage in collaborative consumption and how these motives guide the building of relation-
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Proposition 1
Collaborative consumption systems address distinct motives depending on whether they support sharing as experience or sharing as access to material possessions.

Proposition 2
The balance of market mediation and autonomy within collaborative consumption systems is decisive for their development as either sustainable or purely capitalistic practices.

Proposition 3
Collaborative consumption systems that involve consumers solely as beneficiaries address primarily monetary motives for participation.

Proposition 4
The interplay of market mediation levers forms the basis for the social norm guiding provider-beneficiary relationships.

Proposition 5
In contrast to systems with material orientation, experience-oriented collaborative consumption can evoke a feeling of community.

Table 13: Summary of the elaborated propositions

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Description</th>
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<tbody>
<tr>
<td>Proposition 1</td>
<td>Collaborative consumption systems address distinct motives depending on whether they support sharing as experience or sharing as access to material possessions.</td>
</tr>
<tr>
<td>Proposition 2</td>
<td>The balance of market mediation and autonomy within collaborative consumption systems is decisive for their development as either sustainable or purely capitalistic practices.</td>
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<tr>
<td>Proposition 3</td>
<td>Collaborative consumption systems that involve consumers solely as beneficiaries address primarily monetary motives for participation.</td>
</tr>
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</tr>
<tr>
<td>Proposition 5</td>
<td>In contrast to systems with material orientation, experience-oriented collaborative consumption can evoke a feeling of community.</td>
</tr>
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Relationships between participants are central to understanding collaborative phenomena. A vast amount of studies on sharing motives uncover that consumers engage in such activities because of a mix of reasons instead of a stand-alone goal. Further inquiries are necessary to inform our understanding of how consumers prioritize sharing motives in different contexts. Similarities across collaborative consumption systems can facilitate serving consumers who follow different motivations (Lamberton, 2016); future research may explore which motivators are more likely to fit together and encourage participation of a wide consumer range. Furthermore, current systems facilitating collaborative exchange already manage to meet more than one consumer need. For example, Milanova and Maas (2017) highlight that consumers exhibit very different motives for participating in similar systems. The variety of reasons for sharing indicates that research on the synergy of motives can help to better understand collaborative consumption systems in today’s marketplace. Additionally, longitudinal analyses of the interplay between original motives to participate and the intermedi-
ary’s communication of use and sign value will shed light on whether and how market mediation enforces the original motivation to engage in collaborative consumption.

Third, next to all involved actors, engagement in collaborative consumption systems also affects the economy and society in general. First efforts to estimate the impact of such systems on their respecting industry remain positive in suggesting overall well-being for consumers. For example, Zervas et al. (2016) determine the impact of Airbnb on the hotel industry as primarily manifested in less aggressive room pricing. At a broader economic and societal level, sharing systems can have further consequences. For example, consumers in the role of providers can have more flexibility in their working times coupled with less security of regular income. Widlok (2017, p.145) points to the downside of this development as “a case of underpricing through deregulated jobbing”. As collaborative consumption systems grow bigger, they can eventually abandon the originally embraced values and drift towards business-as-usual (Lamberton, 2015; Schor and Fitzmaurice, 2015). By studying in depth the development of exemplary collaborative consumption businesses, future research will be well equipped to understand changes in companies’ value systems. Further inquiries are also in need to support regulators in finding ways how to shape the rules for collaborative consumption and foster its development into a sustainable practice than amoral capitalism.

Finally, while this article benefits from research on sharing economies such as families and non-profit sharing groups, its goal is to generate a holistic understanding of collaborative consumption systems. Future research is needed to investigate whether and how these sharing economies, fundamentally different in nature, interact and affect each other. In particular, academics and marketers could explore sharing economies such as the family to address current negative developments in collaborative consumption (Rahman, 2016) and foster the creation of social capital within digital platforms. According to Zuleta Ferrari (2016, p.674), building and strengthening social capital can “motivate growth despite the uncertain-
ties and risks” in collaborative consumption. The way participants accumulate, deploy, and convert their social capital within collaborative consumption systems will also impact the reproduction of distinction and inequality (Schor et al., 2016). In-depth explorations of social relationships within collaborative consumption contexts can reveal promising hints about how to achieve an optimal trade-off between transaction volume and inequality.

4.2 Contribution to theory

The purpose of this paper is to advance the understanding of collaborative consumption and its underlying mechanics. To achieve this goal, we discuss the similarities and discrepancies of different related concepts, define the key characteristics of collaborative consumption, and develop a conceptual framework to show the interplay of involved actors. By doing so, the contributions of this work take several forms.

First, based on the overview of current labels for similar sharing phenomena and their discussion we develop a general definition of collaborative consumption. The idea of “allowing others take what is valued” (Widlok, 2013) in the context of the market economy is a very much debated one. Resolving the terminological confusion around collaborative consumption is a crucial step in conducting further research on collaborative market phenomena (Schor, 2016). The definition developed in this work embraces the different forms of collaborative consumption in the marketplace and still allows for a clear distinction from other terms. Additionally, the paper addresses current inexact specifications of collaborative consumption and points to its unique dimensions and distinctive characteristics in contrast to other modes of consumption. In such a manner, scholars benefit from a shared meaning of the phenomenon to pave the way for a more differentiated view on alternative consumption modes emerging worldwide.

Second, a cross-field literature review of motives to share generates an integrative understanding of why consumers engage in collaborative consumption systems. We trace the motives for participation in a sharing ac-
4. Discussion

tivity down to three disciplines that have studied sharing behavior - evolutionary anthropology, economic theory, and social psychology. The insights that these disciplines have generated provide evidence for symbolic, social, and economic antecedents of participation in collaborative consumption.

Third, the conceptual framework of collaborative consumption as economic behavior describes the mechanics of the sharing process and captures the multiple interactions between involved parties. A multi-level perspective reveals the facets collaborative consumption can have and facilitates the resolving of present contradictions in research outcomes. Furthermore, the framework generates five propositions to support and guide future research efforts. In this way, the work provides a holistic understanding of collaborative consumption, its antecedents, and consequences that has been lacking in previous research.

4.3 Managerial contribution

A variety of collaborative consumption systems strive to reach a critical mass of users in the marketplace. The conceptual framework presented in Figure 6 equips managers with several levers they can operate to design the collaborative system they envision. As a tool, the framework guides through the most relevant characteristics of collaborative consumption and shows their interrelations. In particular, when a system aims at facilitating sharing either as experience or access, this goal significantly defines the rules of participation. Investing resources to build up a community within a collaborative consumption system that provides mere access to goods and services is an unnecessary expense. This expense can even lead to unintended, negative outcomes if participants wish to use the system but rather prefer to leave their participation unrecognised for others as some Zipcar users report in the study of Bardhi and Eckhardt (2012).

Even though still in its infancy, the trend of collaborative consumption is important for practitioners from incumbents and start-ups alike (Matzler et al., 2015). Kathan et al. (2016) explain the various ways in which collabo-
Collaborative consumption can affect traditional business models. The proposed framework facilitates the careful design of collaborative consumption systems. In such a manner, it supports practitioners in the promotion of resource sharing to a broader mass of consumers. By clearly and unmistakably communicating the system goal (experience or access), managers can reinforce the notion of collaborative consumption being a resource-friendly form of exchange that sometimes but not always facilitates social connections. The unified understanding of parameters that influence the design and acceptance of sharing offers helps to promote the collaborative consumption of resources in a directed way.

5 Conclusion

Collaborative consumption systems are on the rise - both their usage and transaction volume are growing at an accelerated pace (European Commission, 2016). The paper outlines several approaches to guide empirical investigation. At the same time it also addresses current inexact specifications of collaborative consumption, its unique dimensions, and distinctive characteristics in contrast to other sharing behaviors. By extracting the key characteristics of collaborative consumption, we propose a three-level framework to describe its mechanics and the interrelations between the main involved parties: consumers as providers, consumers as beneficiaries, and intermediaries. The framework both reconciles contradictory findings and offers several directions for further exploration.

We also acknowledge a number of limitations within our conceptual study. While the elaborated framework focuses on antecedents, underlying processes, and direct relationship outcomes of collaborative consumption, it ignores its consequences at a broader societal, regulatory, and economic level. Several works aim at examining the opportunities and risks of collaborative consumption in the current legal framework in different contexts (see e.g., Doménech-Pascual, 2016; Lenz, 2016). Further research is needed.
to empirically investigate the consequences of collaborative consumption in regulatory terms and to assess possible outcomes for both society and the economy. By combining different perspectives on the sharing process and its outcomes future research efforts will help to uncover the full potential that lies within collaborative consumption.


Bibliography


Bibliography


Bibliography


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