



Confidence

Understanding customers helps make smarter decisions

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Introduction

Welcome to the third issue of the Vero New Zealand SME Insurance Index 2018

Understanding small and medium business enterprise (SME) decision makers is a fundamental objective of the Vero SME Insurance Index, and part of this involves looking at how key groups of SMEs differ.

Female decision makers are taking an increasingly prominent role in owning and running small businesses in New Zealand. So, this report examines whether there are any differences between the behaviour and decision-making of females and male SMEs and should brokers/advisers be adapting their approach to ensure that they are meeting the needs of this large and growing number of female SMEs?

Our research this year has found that although the key needs are largely similar, there are several important nuances between male and female SME decision makers that affect the way they purchase their insurance.

In particular, their usage of brokers/advisers and appreciation for the benefits of brokers/advisers is markedly different. Understanding these differences will enable brokers/advisers to adjust their approach to provide them with the most appropriate and relevant range of services.

While brokers/advisers need to show expertise and build deep relationships with SMEs regardless of gender, the following report uncovers some insights into how the approach and attitudes of female SMEs might be different, and how brokers/advisers can tailor their offering to best meet the needs of these clients.

Contents

Overall demographics	7
Business challenges	11
Drivers of broker/adviser usage	17
The research	27


The findings

This third report of the Vero New Zealand SME Insurance Index 2018 focusses on women SME decision makers and how their usage of insurance differs to male SME decision makers:

- **General demographics**
- **Business concerns and challenges**
- **Drivers of broker/adviser usage**

These topics will be explored in detail in this report.



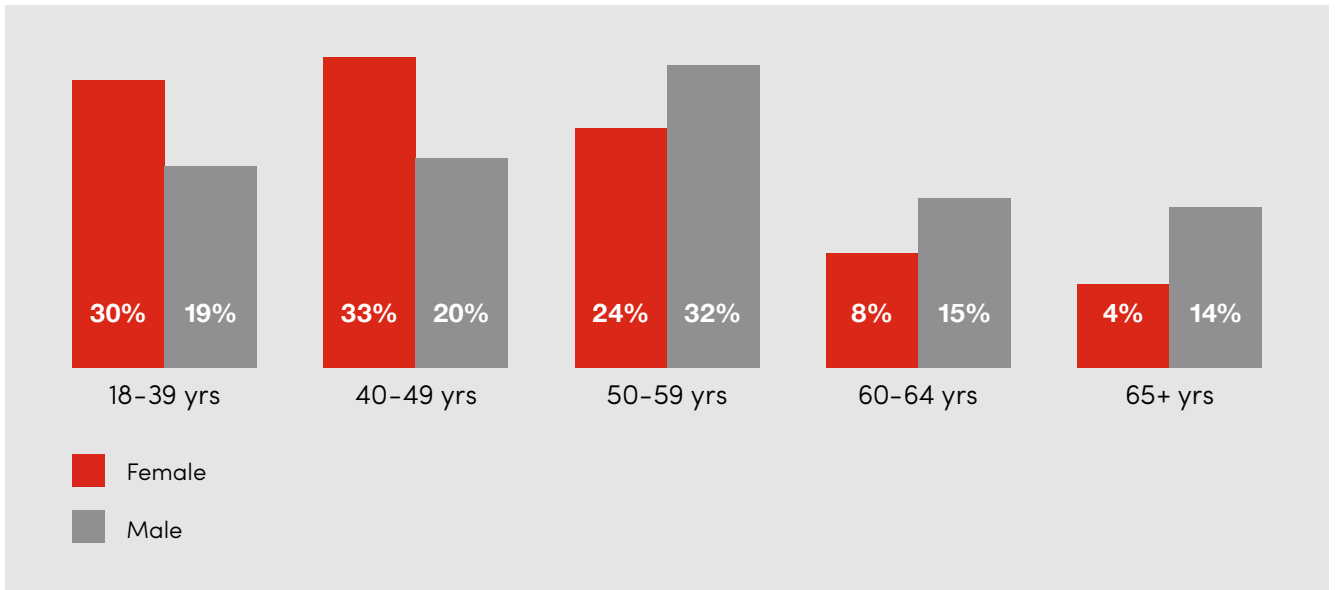


Overall demographics

As an introduction to exploring the differing needs and behaviours of women SME decision makers, it is important to understand any key demographic differences between female and male SMEs.

Female SMEs are significantly more likely to be younger than males. 63% of females in small businesses are under 50, compared to only 39% of males (see Figure 1).

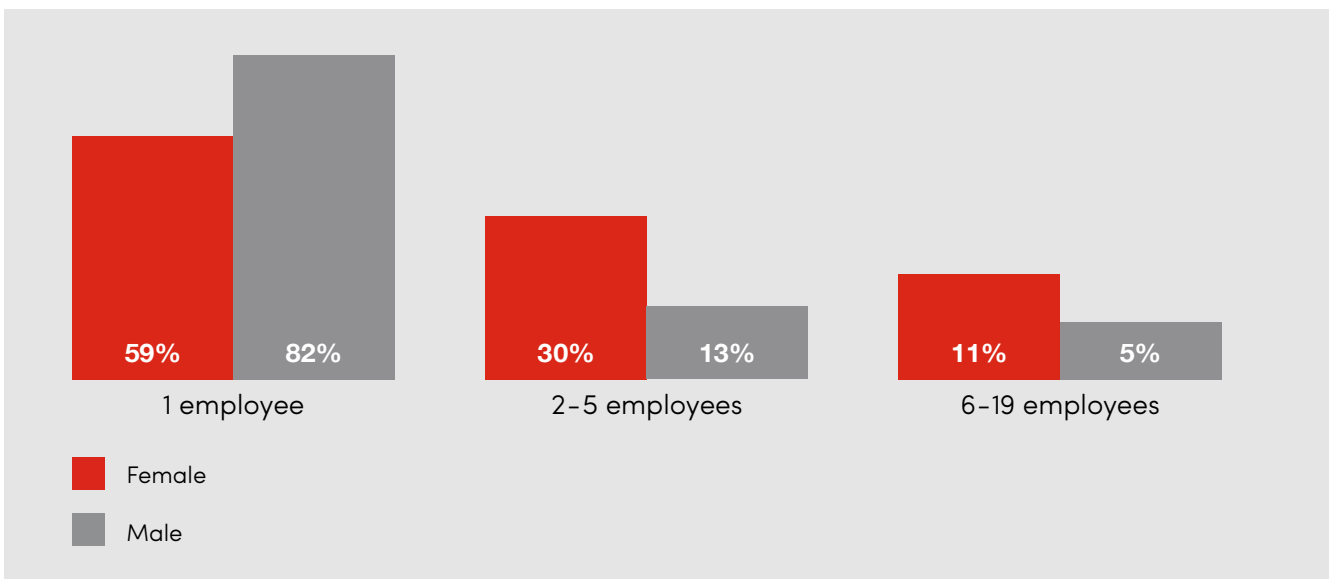
Figure 1: Age



They are also more likely to work in or own larger businesses and less likely to be sole traders (see Figure 2). In fact, 40% of women

SME decision makers work in businesses with at least two employees, compared to only 20% of men.

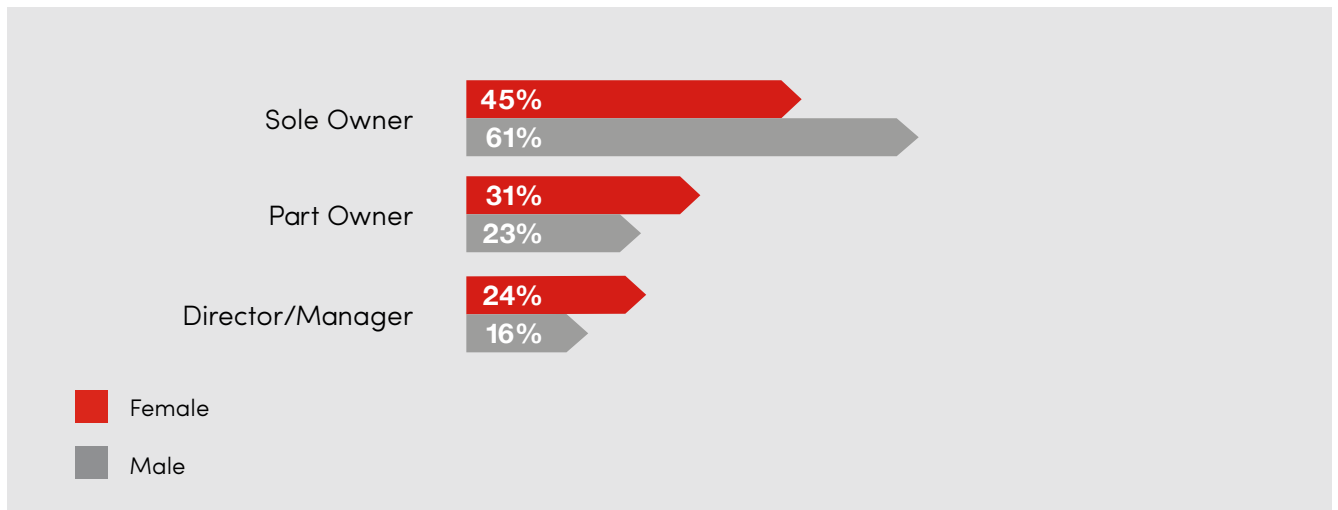
Figure 2: Number of employees



Our study shows that female SMEs are more likely to be part owners or senior managers / decision makers

than males, who are more likely to be sole owners (see Figure 3).

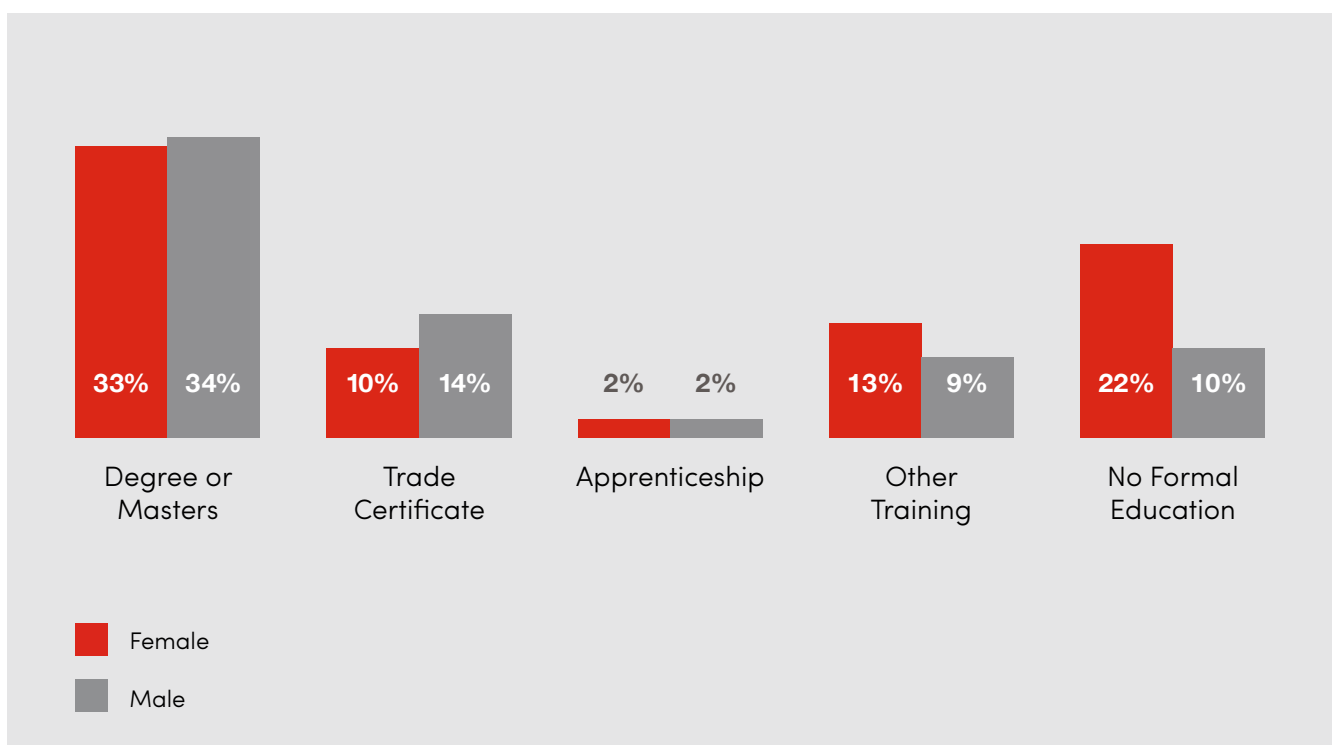
Figure 3: Role in business



And finally, our research has shown that female decision makers working in or owning a small business are less likely to have formal qualifications than

men, with 22% claiming to have no formal business education, compared to only 10% of men (see Figure 4).

Figure 4: Education and Qualifications







Business Challenges



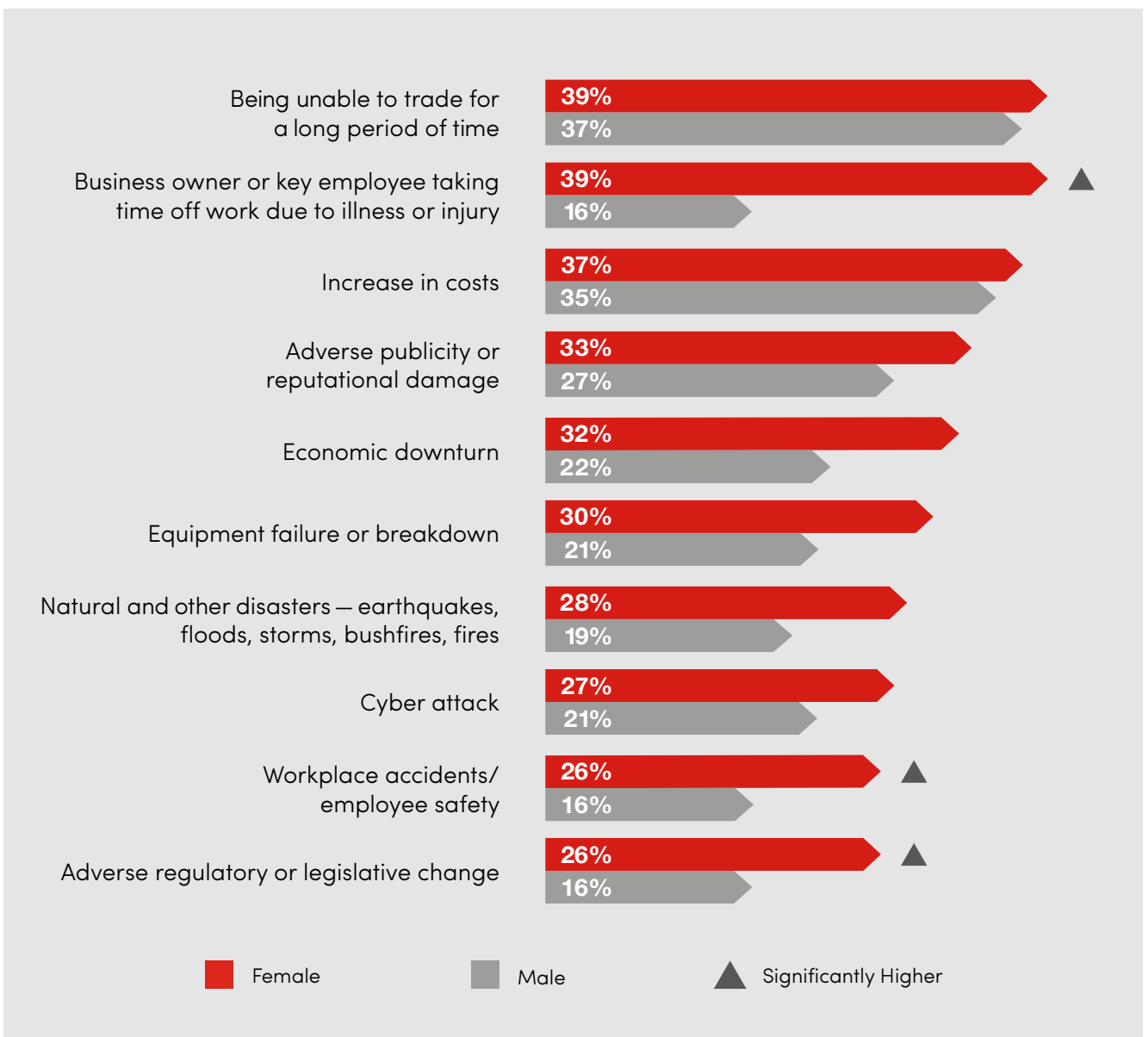
Business concerns and challenges

In order to gain a deep understanding of SMEs, we asked them about the things that worry them the most and the challenges they face in their business.

The first key difference that emerges between males and females is that females generally express greater concern about more things than

males, with almost every potential concern rating higher (see Figure 5).

Figure 5: Business challenges



Our research shows that a notable difference emerges when we look at events that could stop or limit business trading for a period of time.

- 39% of women decision makers have indicated that they are concerned about being unable to trade, and a similar number

worry about the absence of a key employee or owner.

- 30% are concerned about equipment failure or breakdown.

For each of these concerns, female decision makers are more concerned than males, particularly

key employees and equipment breakdown. This could suggest that covers such as business interruption, equipment insurance and key person cover are going to be seen as more important to females than male SME decision makers.

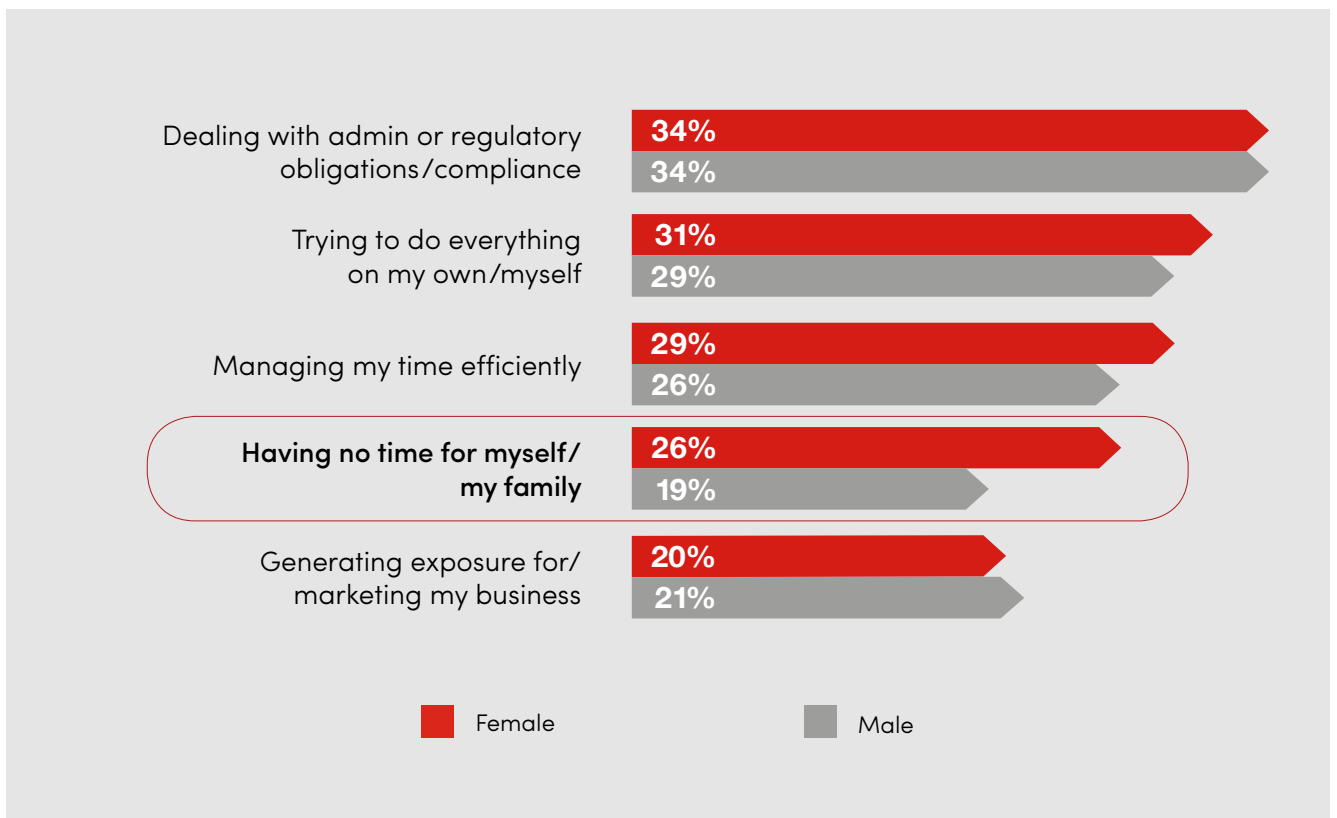
One of the key findings from our first issue this year is that time is a significant issue for SMEs. Many SMEs claim to have real challenges managing their time, trying to do everything themselves. In general, these challenges are consistent across genders. However, there is one challenge that is dramatically different: 26% of females say that having no

time for self or family is a challenge, significantly higher than the 19% of males who also nominate this as a challenge (see Figure 6).

This finding is unsurprising and consistent with widely observed trends in which women are time-pressured and juggling multiple roles in life.

But understanding this will help brokers/advisers manage client relationships and deliver genuine and meaningful benefits to this very time-poor audience.

Figure 6



In a nutshell

- Overall, female SME decision makers express greater levels of concern in general than male SMEs.
- In particular, female decision makers are more concerned about ongoing business operations being impacted by need to close or loss of key staff or equipment.
- A notable challenge for female decision makers is lack of time, especially having enough time for self or family.

Things for brokers/advisers to consider

- ✓ Female SMEs are significantly more concerned about the impact on business with business owner or key employees taking time off – however this is not balanced by a corresponding uptake in the purchase of business interruption products.
 - There is significant opportunity for brokers/advisers to communicate the importance of business interruption and key person insurance.
- ✓ All SMEs are time-pressured, but female SMEs are especially concerned about having time for themselves and their families, and managing their time efficiently.
 - Brokers/advisers who can make things easier and therefore save time for their female clients are likely to be viewed more positively – this is a particularly relevant story to reinforce with female clients.
 - Brokers who already have Female SME customers, should review and adapt how they position themselves and emphasise the value that they can bring and how they can save time and worry for their female clients.
 - From our research we can see that women tend to express greater concern overall. What role can brokers/advisers play in helping female SMEs feel in control and use insurance to help them feel like they are taking action and being positive about risk?



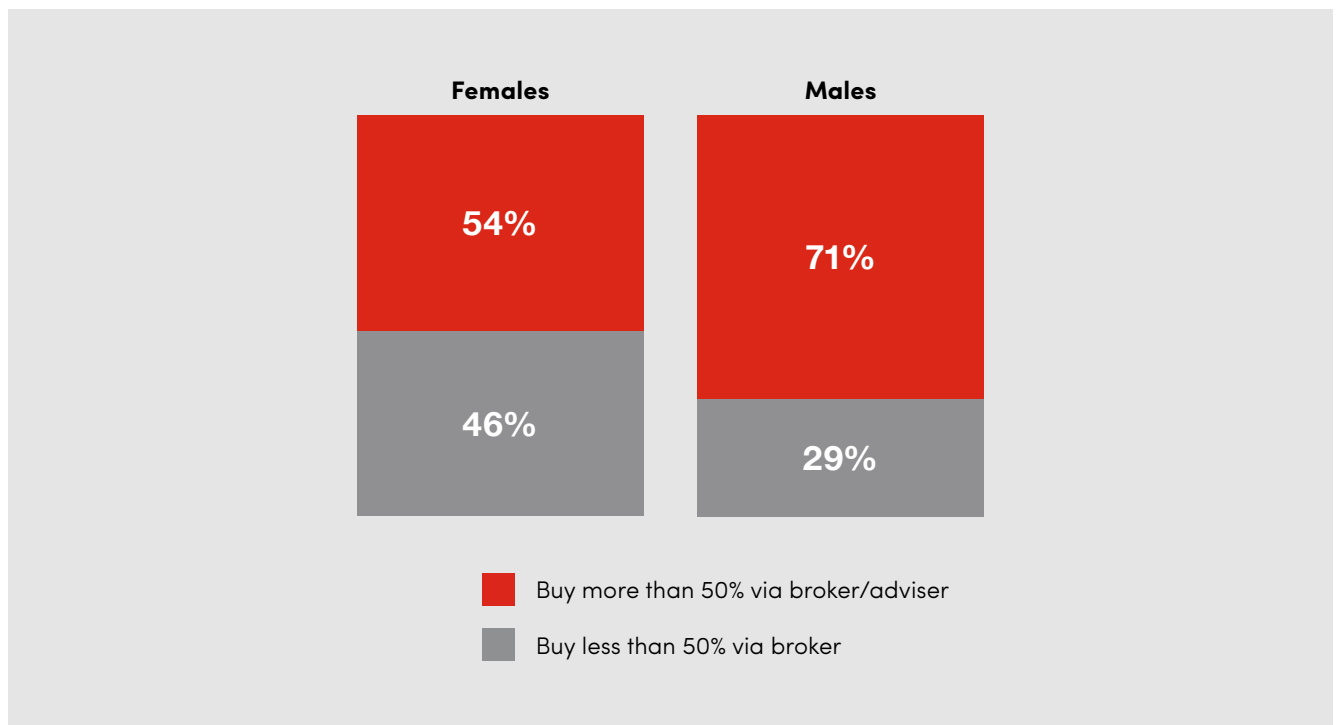
Drivers of broker/adviser usage



Through the research, it is clear to see there is a notable gap in broker/adviser usage between males and females, with only 54% of females

claiming to buy most of their insurance through a broker/adviser, compared to 71% of males (see Figure 7).

Figure 7: Broker/adviser usage by gender

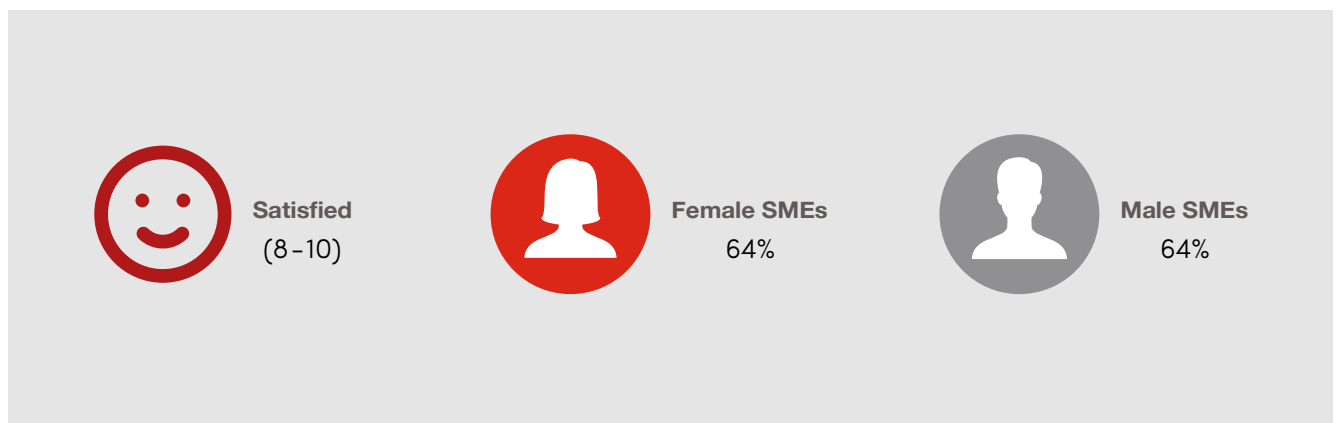


This trend is consistent, no matter the business size. Larger SMEs (between 6-19 employees) are generally likely to use a broker, but among women decision makers, 24% are still choosing to buy the majority of their insurance direct from the insurer, compared to

only 16% of males in similarly sized businesses. So, what do female SMEs want from a broker/adviser, and why don't they use brokers/advisers more?

The good news is that female broker/adviser clients appear to be just as satisfied with their brokers/advisers as males – 64% of both males and females score their brokers/advisers at least 8 out of 10 (see Figure 8).

Figure 8: Satisfaction with current broker/adviser among broker buyers



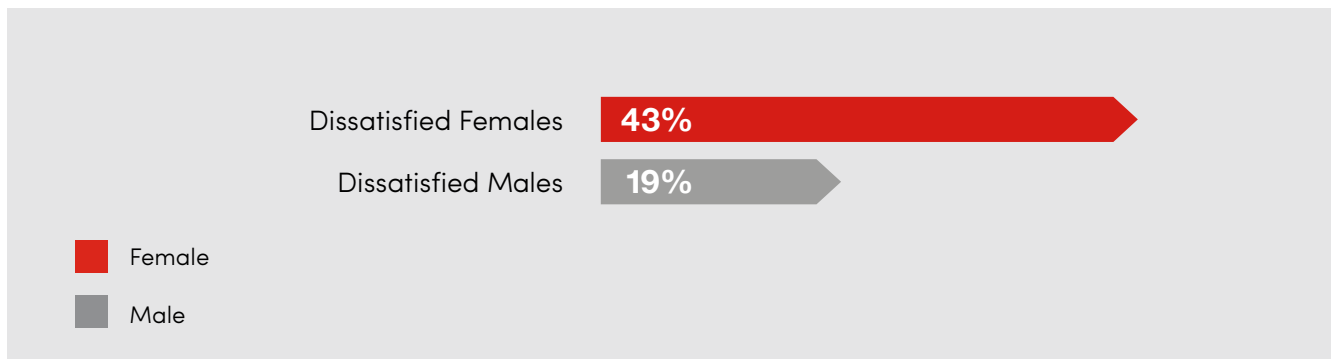


This is important, because there is a very strong link between satisfaction and willingness to move away from broker/adviser use, especially for females. In fact, 43% of females who are dissatisfied with their broker/

adviser claim that they will use a broker/adviser less in the future, compared to only 19% of males (see Figure 9). This suggests that building strong relationships and ensuring satisfaction with female clients is

highly important for brokers/advisers to ensure that female clients aren't tempted to shift to purchase direct for their insurance.

Figure 9: Using a broker/adviser less

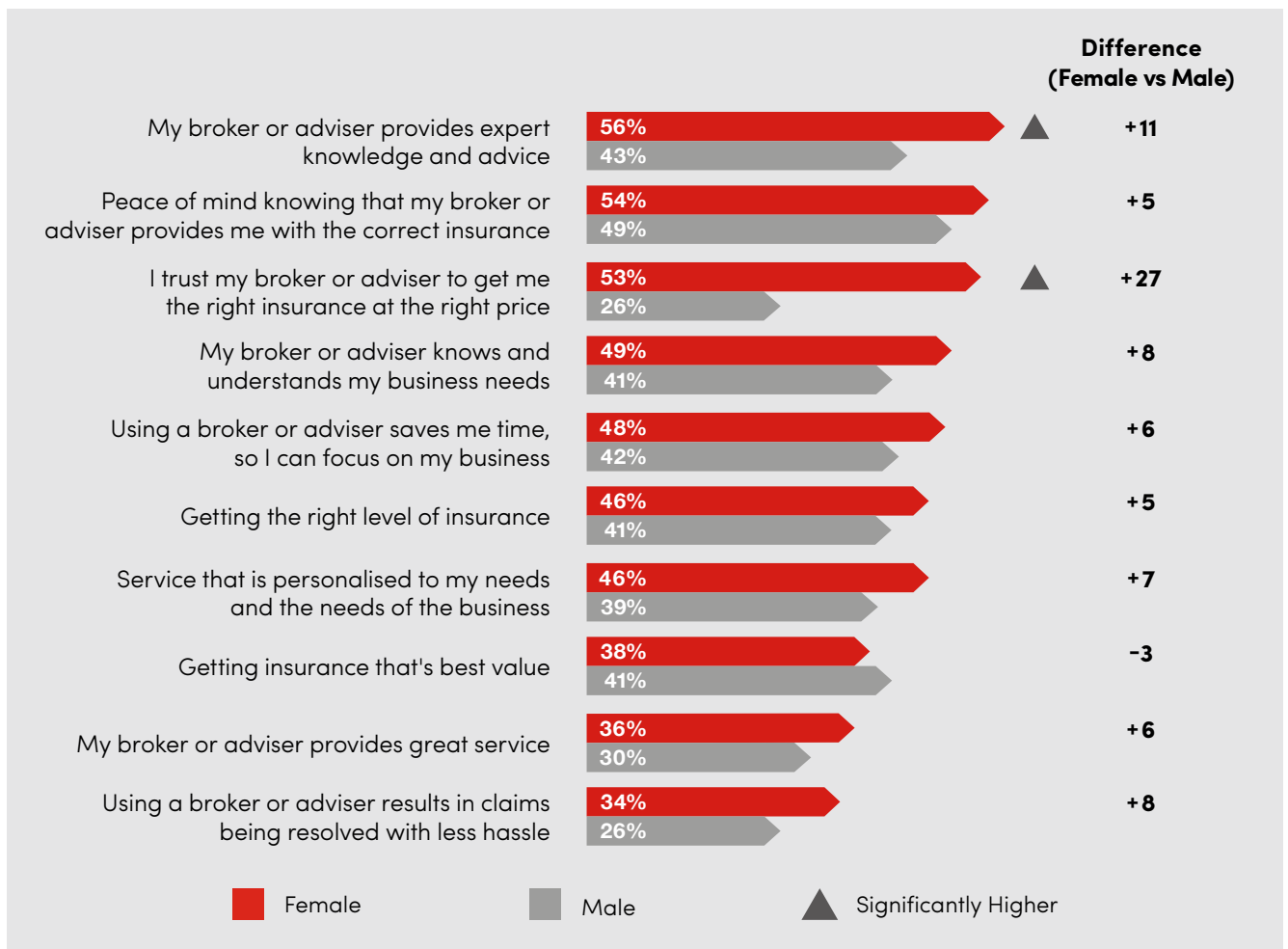


However female SMEs who use a broker/adviser value their brokers/advisers for a wider range of reasons. This suggests that those who have a good experience with a broker/adviser

may understand and appreciate the value they represent. Our research shows that they are significantly more likely than males to say that their broker/adviser provides expert

knowledge and advice, and that they trust their broker/adviser to get them the right insurance at the right price (see Figure 10).

Figure 10: Perceived value of brokers/advisers



Reasons for using a broker/adviser less are markedly different between males and females. For example, 30% of females who are using a broker/adviser less than they used to say that it is because they couldn't see the value the broker/adviser added, compared to only 5% of

males (see Figure 11). There is a lack of understanding of the benefits that brokers/advisers can bring, suggesting a need for education and a clear message about the beneficial role of brokers/advisers.

In contrast, male decision makers tend to go direct because they think they can get their insurance cheaper.

Figure 11: Reasons for using a broker/adviser less

Why...	Female	Male
Couldn't see the value they added	30%	5%
Too much commission/fees	26%	4%
Poor customer service	20%	2%
Opportunity to bundle my covers together	20%	3%
Thought I could get business insurance cheaper	8%	42%

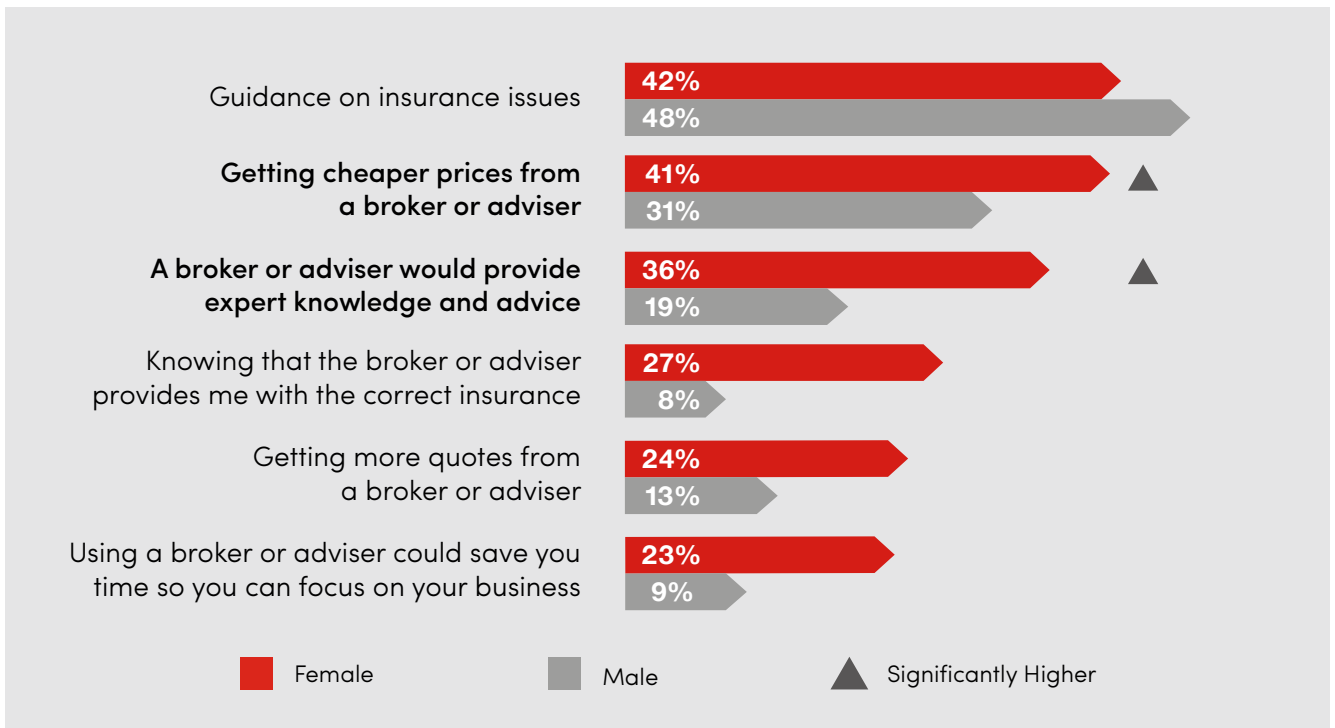
Turning to those females who buy direct, the dominant reason they don't use a broker/adviser is because they think they can do it easily themselves, similar to male decision makers. However, our research indicates that females are more likely to say that they don't use a broker/adviser because they don't see the benefit or simply hadn't thought of it. Again, this suggests that there is considerable scope for brokers/advisers to clearly explain the benefits that they can bring to female small business owners, potentially via case studies or testimonials from satisfied female clients.

In particular, many females SMEs are attracted by the potential for brokers/advisers to bring expertise to their business.

- 36% say that they would consider using a broker/adviser if they knew that the broker/adviser would bring expert knowledge and advice, compared to 19% of males.
- 27% like the idea that the broker/adviser could provide them with the correct insurance, compared to only 8% of males (see Figure 12).

Another key motivating message is around saving time. We know that finding time to spend with family is a major challenge for SMEs, and almost a quarter say that they would be interested in using a broker if they knew that it could save them time, compared to less than a tenth of male SMEs. (Figure 12)

Figure 12: Reasons for using a broker/adviser



Looking for brokers/advisers

This data suggests that there is significant scope for brokers/advisers to deliver many advantages to female SMEs and their businesses, and that brokerages could benefit from targeting more or changing

how they target to get better resonate with female owned and managed businesses. So how do female decision makers look for a broker? Word of mouth is a major source, as is online search. 45% of females

would ask colleagues, friends and family, compared to 26% of males, while 38% would search online, compared to 17% of males (see Figure 13).

Figure 13: Key sources for finding a broker/adviser

	Female	Male
Via a colleague/friend or family member	45% ▲	26%
Via online search	38%	17%
Via a business advisor	35%	30%
Via local business association	11%	7%
Via an industry body/association	10%	11%
Online forums	8%	1%
Product review websites	8%	9%
Business directory	7%	6%
Facebook	7%	3%

▲ Significantly Higher



In a nutshell

- Females are significantly less likely to use brokers/advisers than males and do not see the value of using a broker.
- Expertise is a key reason for female SMEs to use a broker/adviser, and females with a good relationship with their brokers/advisers are more likely to appreciate the advice and value they are receiving.
- Female SME decision makers would consider using a broker/adviser if they knew they would bring expert knowledge & advice, and provide them with the correct insurance that they need.
- Females are more likely to use word of mouth and online channels to find a broker/adviser.

Things for brokers/advisers to consider

- ✓ Broker/adviser usage is consistently lower amongst females, and females are just as likely as males to say that they are using a broker/adviser less than they used to, meaning that this trend is at risk of continuing.
 - Brokers/advisers must understand the needs and concerns of females SMEs and potentially adopt different strategies to ensure that they are able to deliver to female SME decision maker's needs, or they are at high risk of losing those customers to direct channels
- ✓ Broker/adviser expertise and advice is highly regarded by female SMEs compared to male SMEs who are more price-driven
- ✓ More than 1 in 10 go direct simply because they hadn't considered using a broker.
 - Brokers/advisers can get female SMEs who buy direct to consider buying from a broker/adviser by showing how they can help protect their business by minimizing risk and providing active guidance on insurance issues.
 - Building an online presence and referrals is even more critical for brokers/advisers with this audience, as they are more likely to rely on their personal networks, online search and even online forums to find a broker/adviser.



The research

This report is based on research involving more than 900 business owners and decision makers from around New Zealand. The research was independently* conducted in two stages:

Stage One – Quantitative Survey

A survey of 901 business owners and insurance decision makers was conducted, covering a range of business types, locations and sizes. The survey was conducted during November 2017 and the data was weighted by region and organisational size to current Statistics New Zealand data. The survey covered:

- general business sentiment
- general business sentiment
- attitudes towards insurance
- insurance purchase process
- purchase channel (broker or direct)
- attitudes towards insurance brokers/ advisers
- expectations and impact of price changes
- demographics

Respondents were screened to ensure that they were responsible for making insurance decisions for their businesses. Quotas around region and business size ensured that representative samples were obtained.

Businesses were divided into two groups, following Statistics New Zealand standards:

Micro

Businesses which employ 0 (self-employed)-5 employees

Small

Businesses which employ 6-19 employees

Stage Two – In-Depth Qualitative

Eight interviews were conducted with SME respondents representing a mix of business sizes, types, attitudes to insurance, insurance purchasing channels and demographics. These sessions were held at respondents' workplaces during February 2018.

* This research was conducted by BrandMatters. See www.brandmatters.com.au

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