Multichannel Integrated Distribution Model

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Davide Germana
Agenda

- Life business context
- Multichannel integrated distribution model
Life business context
Different distribution strategies needed for different markets

Customers …
… are dissatisfied, high demanding, diversifying channels usage and ready to move

Distribution channels …
… where “Physical channels” play a dominant role facing emerging issues in terms of sustainability, effectiveness and governance

Markets …
… which required different distribution strategy approach:
  • Structured transformation program for mature market
  • Start up investment for emerging markets

Current economic crisis emphasizes the trends in progress on client needs and distributor issues and represents a disruptive opportunity to address significant transformation program in the Distribution Business Model
Focus on Customers

Customers are dissatisfied, high demanding, diversifying channels usage and ready to move

What Customers think

Higher service expectation and limited satisfaction …

Why

… because it’s not all about price but also service and trust are critical …

What they want

… in fact Customers want also to use and have access to multiple channels

What they are ready to do

Customers are on the move

… in fact Customers search understandable and transparent products (investment decision)

… in fact in many markets Customers look for a direct and “physical” contact with the intermediaries

Source: Global consumer research, 2010; Multichannel Customer Survey, 2010
Focus on Distribution Channels

“Physical channels” (Bancassurance, Agents, FAs) play a dominant role in the distribution landscape

**World Life Distribution Mix**

(Market share, %)

**Canada**
- Others: 5%
- Brokers, FAs: 34%
- Agents: 60%
- Bancassurance: 1%

**USA**
- Agents, Brokers, FAs: 98%
- Bancassurance: 2%

**Brazil**
- Agents & Others: 15%
- Brokers: 30%
- Bancassurance: 55%

**UK**
- Others: 5%
- FAs/ Brokers: 72%
- Agents: 23%

**Portugal**
- Brokers FAs: 4%
- Agents: 10%
- Bancassurance: 87%

**France**
- Others: 19%
- Brokers Agents: 14%
- Bancassurance: 60%

**Germany**
- Others: 6%
- Brokers: 20%
- Agents: 54%
- Bancassurance: 20%

**Canada**
- Bancassurance: 16%
- Agents, Brokers: 84%

**South Korea**
- Agents, Brokers: 91%
- Bancassurance: 9%

**Austria**
- Others: 19%
- Brokers Agents: 13%
- Bancassurance: 65%

**China**
- Bancassurance: 16%
- Agents, Brokers: 84%

**Portugal**
- Bancassurance: 87%

**Spain**
- Others: 13%
- Brokers Agents: 8%
- Bancassurance: 66%

**Italy**
- Others: 9%
- Brokers Agents: 6%
- Bancassurance: 74%

*Bancassurance is included in all other channels and cannot be split out*

Source: Accenture elaboration on CEA, Swiss RE
**Focus on Distribution Channels**

*Main features and issues*

<table>
<thead>
<tr>
<th>Key physical channels</th>
<th>Main features</th>
<th>Main issues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agents</strong></td>
<td>Relevant widespread territory presence</td>
<td>Low commercial focalization</td>
</tr>
<tr>
<td></td>
<td>Limited dimension</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subnetwork (sub-agents and producers) as the real production engine</td>
<td>High sub-network management costs</td>
</tr>
<tr>
<td><strong>FAs</strong></td>
<td>Focalized on investment products</td>
<td>Decreasing profitability</td>
</tr>
<tr>
<td></td>
<td>Strong relationship with customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Entrepreneur model (gaining strongly correlated with sales performance)</td>
<td>Growing regulatory constrains</td>
</tr>
<tr>
<td><strong>Bancasurance</strong></td>
<td>High contact rate</td>
<td>Complex governance presidium on sales targets</td>
</tr>
<tr>
<td></td>
<td>Recognized as the “one-stop-shop” for financial advisory</td>
<td>Outstanding incentive model needed for FAs retention</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Training and financial education as a key imperative</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Administrative burden</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cultural clashes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Channel governance (no “commercial guide”)</td>
</tr>
</tbody>
</table>
Agenda

- Life business context

- Multichannel integrated distribution model
Multichannel integrated distribution model

Main Initiatives

<table>
<thead>
<tr>
<th>Key physical channels</th>
<th>Main initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agents</td>
<td>Lean administrative BO Services</td>
</tr>
<tr>
<td>FAs</td>
<td>✓</td>
</tr>
<tr>
<td>Bancassurance</td>
<td>✓</td>
</tr>
</tbody>
</table>

Target model

A
“Agency light” and “Mobile Fas/Vendor”

B
“Lean bank”

Legend

- Relevant impact
- Medium impact
- No impact
# Lean Administrative Back Office Services

*Industrialized network processes and optimized administrative services*

## Key innovations of Network processes

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Network processes streamlining</strong></td>
<td><strong>Pre-sale/ sale</strong></td>
</tr>
<tr>
<td><strong>Centralized administrative services to channels</strong></td>
<td><strong>Post-sale/ Claims management</strong></td>
</tr>
</tbody>
</table>

### Pre-sale/ sale
- **Point of sale enhancements:**
  - *Online* relation with HQ (authorization, …)
  - Paperless doc. Mgmt
  - New layout

### Post-sale/ claims management
- **Online renewal** (directly performed locally)

### Administrative processes
- **Simplified billing leveraging on online connection with policy issuing**
- **Subnetwork management enhancement** (real time monitoring and innovative operating features – Discount management, profiling, …)
- **Realtime payment reconciliation**
- **Documentation management leveraging on digital archive**
- **Centralized policy servicing**
- **Centralized cashing and billing**
- **Point of Sale accounting and reporting**
- **Centralized subnetwork management**
- **Centralized inbound/ outbound documentation management and archive**
- **New assistance model** (boosting monitoring and high-value services)

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**REAL CASE**

**Pillar Highlights**

- **Pre-sale/ sale**
- **Post-sale/ Claims management**
- **Administrative processes**

**Lean and centralized administrative operating platform supporting distribution network**
## Marketing factory

*Centralized commercial and marketing execution services*

### Pillar

<table>
<thead>
<tr>
<th>Commercial services and tools to enhance sales effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enhanced customer insight and interaction</strong></td>
</tr>
<tr>
<td><strong>Innovative tools for intermediaries</strong></td>
</tr>
<tr>
<td><strong>Network commercial focalization services</strong></td>
</tr>
</tbody>
</table>

### Highlights

- Customer insight analysis and target list generation (e.g. hot targets, retention, …)
- Campaign management (initiatives planning and monitoring)
- Sale execution support (e.g. preliminary commercial contact through contact center, …)
- Reporting to distribution channels on marketing KPI

- New tools to intermediaries to:
  - enhance commercial focalization and mobility of the intermediaries
  - improve selling experience to customer
  - activate new approaches to insurance distribution

- Knowledge share of best practice commercial initiative among the intermediaries
- Sale results analysis and definition of improvement actions (Clients to be targeted, products / approach to be used, …)
- E-learning platform (products/ tools)
2 Marketing factory
Focus on Enhanced customer insight and interaction

Key results

Focus on up-selling campaign:
- High redemption rate (about 13%)
- Excellent up-selling performance (about +40% average premium increase)
Innovative tools for intermediaries – Accenture IAM solutions

Document archive for functional processes and support (e.g. brochures, policy conditions, ...)

Relationship management of parties involved (e.g. contacts, email, agency workflow – direction, ...)

Organization and activity management support tools (GPS locator, maps, around me, calendar, scanner, ...)

Access to Company e-Learning platform

Interactive reporting for performance and trends monitoring (e.g. reporting, commissions, ...)

Customer management (e.g. customer lists, data sheets, calendar contacts)

Connection to Company portfolio and claims systems (e.g. tariffs, claims open, portfolio, ...)

Key innovations

Full Intermediary mobility

Unique and integrated view of all business, commercial and customer data of the Company

360° Commercial platform of Agency / and Company
Multichannel Governance

Services and Tools for the government of the distribution network in a Multichannel way

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissioning and Incentive system</td>
<td>- <em>Network - Head Quarters</em> participated incentive models with the aim of:</td>
</tr>
<tr>
<td></td>
<td>- Leading the activity of the Network</td>
</tr>
<tr>
<td></td>
<td>- Enhancing the commercial focus of the Network in a system perspective</td>
</tr>
<tr>
<td>Cross Channel Collaboration</td>
<td>- Commercial rules (i.e. fees, commissioning, ...) and operational tools</td>
</tr>
<tr>
<td></td>
<td>(i.e. lists of prospect clients, contact tools, ...) to enable synergies</td>
</tr>
<tr>
<td></td>
<td>between distribution channels</td>
</tr>
<tr>
<td>Planning and Monitoring of Network</td>
<td>- “End-to-end” commercial Network planning and monitoring model:</td>
</tr>
<tr>
<td></td>
<td>- Top-down commercial target definition</td>
</tr>
<tr>
<td></td>
<td>- Bottom-up feasibility assessment/ development plans definition</td>
</tr>
</tbody>
</table>
 Territory presence reorganization
Segmentation model and possible initiatives

Key analysis drivers

- **Territorial positioning**
  - Territorial presence
    - GWP and market share by Region/Province
    - Technical profitability by Region/Province
    - ...
  - Territorial synergies with the Group
    - Displacement of the Group Agencies by Region / Province
    - ...
- **Performance evaluation**
  - Profitability
    - Technical balance/RT
    - Dimension / portfolio mix
    - Average profitability by resource
    - ...
  - Potential for development
    - Penetration of potential client base
    - Cross / Up-sell index

“Cluster”

1. **Focus Area**
   (first Hypothesis)
   - Development
   - Portfolio rationalization
   - Unification

2. **Other region**
   - Transfer of Agencies/ portfolio versus other Companies in the Group
   - Portfolio deregulation

3. **Problematic Areas**
   - Portfolio rationalization
   - Portfolio deregulation
   Transfer of Agencies/ portfolio versus other Companies in the Group

REAL CASE
### Process integration & dedicated branch staff

**Focus on dedicated branch staff (1/2)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Market/ banks features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classic</td>
<td>- Consulting and selling of insurance products delegated to the bank personnel</td>
</tr>
<tr>
<td></td>
<td>- Centralized insurance Call Center for support to the clients and to the sales force</td>
</tr>
<tr>
<td>Combined</td>
<td>- Consulting and selling of insurance products delegated to the bank personnel</td>
</tr>
<tr>
<td></td>
<td>- Centralized insurance Call Center for support to the clients and to the sales force</td>
</tr>
<tr>
<td>Integrated consultant</td>
<td>- Network of consultants for HNW and more complex cases</td>
</tr>
<tr>
<td>Lead generation</td>
<td>- Bank officer not qualified for the sale of insurance products</td>
</tr>
<tr>
<td></td>
<td>- Insurance products sold using a dedicated network of qualified consultants</td>
</tr>
</tbody>
</table>

**Different “in-store” distribution model**

- Accordingly to market and banking partner characteristics

**Focus Next Slide**
<table>
<thead>
<tr>
<th>Segment</th>
<th>Relationship model</th>
<th>Sale approach</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail/HNW</td>
<td>Specialized consulting service</td>
<td>- Financial planning and support in the selection of the product</td>
<td>- Insurance life products portfolio</td>
</tr>
<tr>
<td>Mass</td>
<td>Consulting service</td>
<td>- Simplified consultancy and sale management</td>
<td>- Standard product of protection and savings management</td>
</tr>
<tr>
<td>Loans/Mortgages</td>
<td>Front office sale</td>
<td>- Transaction management at the counter</td>
<td>- “Catalogue” including simple products deposit like</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Protection of the loan/mortgage together with the sale</td>
<td>- “Catalogue” including simple products deposit like</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Savings protection products</td>
</tr>
<tr>
<td>Credit Card</td>
<td>Front office sale</td>
<td>- Protection</td>
<td>- Products related with credit cards</td>
</tr>
</tbody>
</table>
Value proposition (key market innovation)

- Full network "mobility" to the Customer
- Refocus agent role on client-facing and value-added activities
- Integrated (Company - Intermediary) and synergic customer centric approach

See Tab.1

Overview

Target & Offering Model

- Simplified, complete and modular offering, “easy to sell” …
- … addressing basic needs of mass market and micro-SMEs

Channel Governance

- New Intermediary – pure vendor
- Product target sales and monitoring for single Vendor
- Dedicated sales support
- Centralized recruiting machine

Operating Model & IT

- On-line IT platform and mobility tools enabling physical intermediation
- Centralized Back-Office
- Call Center and web portal for Customer multi-access post-sales

MKTG & Comm. services

- Centralized marketing execution (e.g. Call Center)
- On-line training catalogue
- Channels and customer Help Desk

See Tab.2-6
### From …

**Traditional Model**

- **Agent**
- **Customer**

**End to end physical relationship** (impacting trust) between Agent and Customer

**Lower intermediary commercial focus**

### Direct Model

- **Customer**
- **Service center**

**Efficient operating model and direct governance** of distribution and clients

**Limited opportunities** for commercial **proactive proposition** (no physical intermediation)

### … To …

**New Lean Agency Model**

- **Customer**
- **New lean Agent**
- **Service Center**

- **Physical and proactive intermediation** relevance (focus on sale)
- **Centralization of low value activities**
- **Common Service Center** “advisor” both for Intermediaries and Customer (pre & post sale)
- **Single customer view**
## “Light Agency and Mobile FAs/Vendor”
### New operating model highlights

### Focus on key activities

<table>
<thead>
<tr>
<th>Value chain</th>
<th>Pre-Sale</th>
<th>Sale</th>
<th>Post-Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New centralized service center</strong></td>
<td>Marketing services</td>
<td>Premiums accounting</td>
<td>Policy servicing management</td>
</tr>
<tr>
<td></td>
<td>Support for risk quotation</td>
<td>Policy documents management</td>
<td>Renewal, up-cross selling proposal per Agents</td>
</tr>
</tbody>
</table>

### Key innovations vs traditional Agencies’ processes

<table>
<thead>
<tr>
<th>Sales force</th>
<th>Products proposition and quick-quotation</th>
<th>Selling finalization and cashing</th>
<th>Renewal, up-cross selling proposition to the Client</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer</strong></td>
<td>Preliminary contact</td>
<td>Contact with service center</td>
<td></td>
</tr>
</tbody>
</table>

*Common call center advisor both for customer and Intermediary*
### “Light Agency and Mobile FAs/Vendor”

**New operating model - Focus on sales logistics**

<table>
<thead>
<tr>
<th>Type of PoS</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Territorial Hub</strong></td>
<td>- Physical “point of sale” supporting multiple vendors</td>
</tr>
<tr>
<td></td>
<td>- Opened in high density areas in terms of sales force and customers</td>
</tr>
<tr>
<td></td>
<td>(e.g. big town)</td>
</tr>
<tr>
<td></td>
<td>- Administrative expenses shared among Company and vendors</td>
</tr>
<tr>
<td><strong>Traditional Agencies PoS</strong></td>
<td>- Optional use of Traditional Agencies (1 PoS for 1 Agent)</td>
</tr>
<tr>
<td></td>
<td>- Administrative expenses of the “point of sale” directly owned by Agent</td>
</tr>
</tbody>
</table>

**Key objectives:**

- Reinforce **brand identity** for the Customers (Company “materialization”)
- **Commercial approach** management (e.g. dedicated areas)
- Direct **contact** with other colleagues & meeting with Sales Manager
- **Learning place** (e.g. workshop, periodical group meeting, …)
- **Service point** (e.g. commercial proposal printing service, IT Help Desk)
**The Hub concept**

- Opening in **metropolitan areas**
- **Shared investments** between Company and Intermediaries

**Components**

<table>
<thead>
<tr>
<th>Components</th>
<th>Elements</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>“Physical”</strong></td>
<td>Façades as Brand Flagship</td>
<td>Reinforce brand identity (Company “materialization”)</td>
</tr>
<tr>
<td></td>
<td>Sales Oriented Navigation</td>
<td>Maximization commercial stimulus through appropriate internal navigation</td>
</tr>
<tr>
<td><strong>“People”</strong></td>
<td>Sales Advisor Effectiveness</td>
<td>Improving sales force effectiveness through:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Best practice diffusions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Learning places (e.g. workshops, periodical group meetings, …)</td>
</tr>
<tr>
<td><strong>“Pervasive Technology”</strong></td>
<td>Digitalization and Paperless Operation</td>
<td>Paperless solutions to reduce times and costs of documentary management</td>
</tr>
<tr>
<td></td>
<td>High Speed Connectivity</td>
<td>High value remote services (e.g. remote expert, video promotion, e-learning)</td>
</tr>
</tbody>
</table>
Subsidiary type/ Extent of the potential Market

- Specialist/dedicated Corner
  - For smaller subsidiaries without a sufficient critical mass, information in subsidiary and client addressing to bigger subsidiaries/insurance agencies/broker

- Lead based
  - Complex stand alone offer manageable in bigger size subsidiaries through insurance specialist through bank dedicated corners, also on a scheduled appointment with the potential client

- Administrator in subsidiary
  - Pre-selling and selling activities for simple stand alone and bundle offers managed in subsidiaries by a Responsible/Administrator with:
    - Advanced support tools (e.g. channel help desk, specialists in remote, assessment of insurance needs)
    - Targeted training
    - Shared goals
    - Easy-to-sell standard products

Product Complexity

- Traditional Life (Term Life, Saving)
- Full Insurance Coverage (Traditional, Pension and Personal Line)
Pre-selling and selling activities managed (depending on the size of subsidiaries) by:

- **Subsidiary Responsible** (e.g., for small/medium subsidiaries)
- **New dedicated role** (e.g., for big subsidiaries with a dedicated insurance corner)

**Branch layout**

- **Information/Brochure dedicated area** (A)
- **Stand for self-service quotation** (B)
- **Reception for information to client/addressing** (D)
- **Promotional “windows” for insurance products** (E)
- **Dedicated corner for Area Manager/Commercial Agents**:
  - Quotation
  - Selling
  - “Light” assistance (C)

**Depending on different partner/size of subsidiaries...**

- **Small subsidiaries**
  - A Stand self-service
  - B Promotional material

- **Not-specialized distributors**
  - A Stand self-service
  - B Promotional material

- **Medium subsidiaries with high potential**
  - A Stand self-service
  - B Promotional material
  - C Dedicated corner

- **Big subsidiaries**
  - A Stand self-service
  - B Promotional material
  - C Dedicated Corner
  - D Reception
  - E Promotional “windows”
# Operating Model

**Pre-selling**
- Premium evaluation
- Commercial negotiation and proposal definition

**Selling**
- Policy Issue
- Payment management

**Post selling**
- Renewal
- Surrender
- Additional payment
- Cancelation
- Address change
- Beneficiary change / addition
- Switch
- Change of policy owner
- ...

**Claims notification**
- First notice of loss
- Collection of settlement notification
- Claims management
- Claims settlement

**Owner**

<table>
<thead>
<tr>
<th>Main activities</th>
<th>Contact /service center</th>
<th>Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pre-selling</strong></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td><strong>Selling</strong></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td><strong>Post selling</strong></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td><strong>Claims notification</strong></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

**Branch ownership**

**Centralization on contact /service center**
Multichannel integrated distribution model
Main Accenture experiences

Main initiatives
1. Lean administrative BO Services
2. Marketing factory
3. “Mobile” empowerment
4. Multichannel Governance
5. Territory presence reorganization
6. Process integration & dedicated branch staff

Main Accenture experiences
- Distribution and Operating Model Transformation
- Multichannel Transformation program
- New sales and marketing strategy definition
- New lean agency model (Business & operating model)
- Entry Strategy definition - Due diligence for a joint venture with a primary Banking Group
- New commercial model for small medium enterprises market
- Establishment of a Direct Company
- International direct channel projects (new Co setup based on a common Operating Model and multichannel platform)
- New Multichannel Group Business and Operating model
- Process integration between bank and insurance
- Bancassurance strategic business plan aimed at enlarging the distribution network

Lesson learnt
- It is fundamental to adopt a multichannel approach when starting a distribution transformation program