

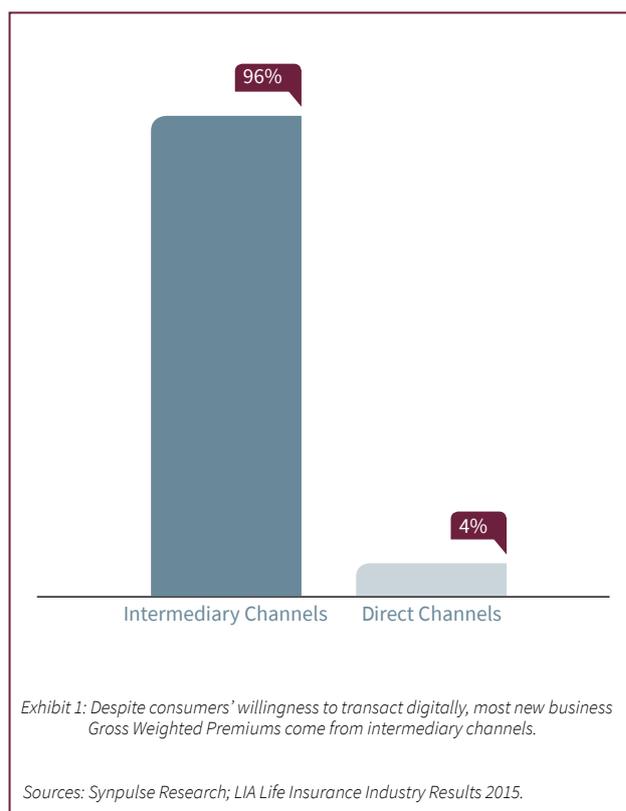


How has the Direct Digital Channel fared?

2015 has been an ominous year for small life insurers in Singapore. Despite a strong year-on-year growth in business volume, the year was marked with high-profile exits of two life insurers.

Potential entrants have to understand the exit drivers and exercise caution not to repeat past mistakes. One potential lesson centers on scale and cost of distribution. Agency distribution takes many years and much investments to grow and expand either organically or through acquisitions. Independent financial advisory remains small and fragmented. Bancassurance as a potential channel is subject to existing and exclusive partner agreements in the market. Relying on these traditional distribution channels will be ineffective for late entrants.

New entrants must look beyond the traditional channels. The digital direct channel has by far been underdeveloped despite its huge potential in Singapore. An estimated 1.44 million Singaporean residents shop online¹ with travel and fashion industry attracting the biggest share of online purchases². In life insurance industry however, only 4% of all new business premiums were sold through direct channels³. In fact few life insurers offer customers the option of purchasing insurance online⁴. This is in spite of the market having a ready and sizeable demand for online distribution, as outlined in our previous article⁵.



¹ Annual Survey on Infocomm usage in Households and by Individuals for 2014, IDA

² E-Commerce in Singapore - How it affects the nature of competition and what it means for competition policy, CCS

³ 2015 year of growth and implementation of key initiatives for Singapore's life insurance industry, LIA

⁴ Market study on 18 Singapore life insurers, Synpulse Research

⁵ A Ready Market for Digital Distribution, Synpulse Newsletter

Observations on the Life Insurance Digital Direct-to-Consumer (D2C) Front

While it is too soon to make a final assessment given digital D2C for life insurance is in early innings, there remains much room for improvement. The form and state of digital distribution observed in the market now is unlikely to gain much traction with consumers for two reasons.

First, digital technologies are only used to the extent of digitizing analog practices. They are not used however to transform the customer experience when shopping for life insurance. As such, customers continue to face complex application forms and procedures.

Second, products put on digital channels mirror closely, if not identically, to those sold through traditional channels. This presents a problem as these products are designed around intermediary channels. They are too complex for consumers to purchase independently without external consultation support.

	Overall Customer Perception	Ease of Use			Customer Engagement		
		Number of Questions	Steps before payment	User Experience (1 to 5)	Live Chat	Social Media	Self Help Info and Tips
(SG) Term Life Product 1	☹️	65	7	3	No	No	No
(SG) Term Life Product 2	☹️	78	14	1	No	No	No
(SG) Term Life Product 3	☹️	34	4	2	No	No	No
(SG) Term Life Product 4	☹️	42	11	2	No	No	No
(SG) Whole of Life 1	☹️	65	7	3	No	No	No
(UK) Term Life Product 1	😊	54	58	4.5	Yes	No	Yes
(ID) Term Life Product 2	😊	13	5	4	Yes	No	Yes

☹️ Negative Customer Perceptions
«Frustrating, too many forms, fell asleep, too much text, tedious, boring, time-consuming.»

😊 Positive Customer Perceptions
«Had fun, nice graphics, clean and simple, didn't feel like I was filling a form, easy to get help, able to customise plan.»

SG = Singapore
UK = United Kingdom
ID = Indonesia

Exhibit 2: A brief survey of local and selected overseas digital direct channels showed how local first movers are off to a poor start, despite a digitally savvy customer base. A change in approach is clearly needed.

Business Models for Digital Distribution

Digitization has yet to transform the local life insurance industry. Business «truths» such as «insurance is sold, not bought», «life insurance is too complex to be sold online» and «insurers must own their customers for effective risk assessment» persist. For digital distribution to become a viable and credible channel, insurers have to start from the sketch board and understand holistically the required business model.

Life insurers can reference from other industries where digitization has successfully transformed «uneventful» business models. For example, digitization has enabled product unbundling in the music industry, starting with iTunes music being sold in «singles». Digital evolution has brought about further industry transformation where bundling concept returns in favor of personalization.



Exhibit 3: Before launching into digital distribution, insurers must consider the elements of the required business model.

Lessons for Digital Distribution Success

Overall, the local scene for digital distribution of life insurance has ample room for improvement. The improvement cannot be incremental. Efforts must first be invested in conceptualizing (even innovating) the business model for digital distribution. Innovating the business model has transformational and longstanding impact providing sustainable competitive advantage as compared to standalone improvements such as operations processes and product, for which diminishing returns to benefits set in quickly.

As part of the conceptualization work on the business model, life insurers must consider the psyche of consumers, especially when designing the customer journey and campaigns. In the next newsletter, we discuss market attitudes towards life insurance as well as syncing of behavior with attitudes in the context of digital distribution.

Contact us

Synpulse is happy to discuss further about digital distribution for the insurance industry with you.

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