



A Ready Market for Digital Distribution

In the history of disruptive innovation, 2015 could be the turning point for the insurance industry. A Chinese online insurer was ranked first in a global FinTech list. An online insurance start-up from UK won an award for FinTech Innovation of the Year. Innovation labs have been opened one after another in Singapore by insurers with deep pockets and pragmatic vision.

The digital theme is prominent among insurance FinTechs. Digital distribution is almost consistently a default channel. As a country which ranks top in the global Networked Readiness Index 2015¹, it may be reasonable to put forth the idea that the time is right for Singapore to pursue digital distribution in the insurance industry.

Why is Singapore's insurance market ready for digital distribution?

Digital distribution has been made feasible by both technology infrastructure and consumer receptivity. Singapore meets both criteria readily. The rise of the digital channel in Asia is driven by increasing internet penetration rates, with Singapore clocking the highest internet penetration rate in South-East Asia at 80%. On the consumer front, consumer attitude is an important catalyst for the digital wave. The consumer market in Singapore demonstrates a fair level of comfort with digital purchase. According to Digital, Social & Mobile 2015, 46% of the Singapore population bought something online in the past month. In a separate survey done by Visa², 30% of Singaporeans who shop online use their mobiles to make purchases at least once a week. Given that the daily internet usage in Singapore ranges from 93% to 96% depending on age groups, the number of online purchasers is very likely to grow larger over time as the comfort level with internet increases.

Digital distribution of insurance products exists in Singapore, but contained to general insurance products and growth is nascent by far. Although the market is ready for digital distribution, it does not guarantee immediate success, especially for life insurance. Traditionally, the life insurance practice hinges on relationship building, which means that face-to-face interaction is important. A digital distribution model is thus counterintuitive and demands a profound understanding of the customer's digital journey.

Don't squander opportunities

A promising market can quickly dwindle if the sales conversion process is not managed with care. To leverage consumers' digital habits, among the key considerations is the capturing and conversion of traffic throughout the customer's digital journey. According to a protection gap study done by the Singapore Life Insurance Association (LIA) in 2012, 1.9 million prospects do not have self-bought life insurance. Since 46% of the Singapore national population transact digitally (Digital, Social & Mobile 2015), let's assume that close to half of the 1.9 million prospects would be open to buying insurance online. This works out to 0.9 million prospects with no self-bought life insurance who are likely to transact digitally. In order to garner 100,000 sales, assuming a 1-in-3 conversion, 0.3 million site visits have to be assured. In other words, only 5% of the original 1.9 million prospects would be converted into customers successfully. The importance of traffic capture and conversion cannot be underestimated for digital distribution.

¹ World Economic Forum (WEF) Global Information Technology Report 2015

² Visa Consumer Payment Attitudes Study 2014

A partnership strategy can help drive traffic to an insurer's digital channel. The partnership strategy allows the insurer to leverage the relevant core competencies of the partner. Examples of competencies include the ability to drive traffic or perform digital transactions. An insurer can tie up with an aggregator to refer qualified leads. Considering that the insurance purchase process is typically triggered by life events, the insurer also partners itself with an online retailer with predictive analytics engine and already possesses a critical mass from the customer segment(s) targeted by the insurer.

A sound and sustainable partnership strategy is based on an ecosystem concept. This concept is derived from the disaggregation of distribution and other parts of the value chain from insurers,

where other strategic partners can be the "face of insurance" at different points in the value chain (Figure 2). The ecosystem keeps up the engagement level during the entire customer lifecycle. It is important to consider an end-to-end lifecycle in order to sustain traffic and give customers a reason to come back. An omni-channel strategy based on the ecosystem may also be necessary, especially for new entrants.

To build up momentum in the digital channel, the 25 – 44 age group in the first phase of digital distribution can be the initial target segment. Consumers within this age group are reported to shop most frequently online according to a Consumer Payment Attitudes Study done by Visa in 2014.

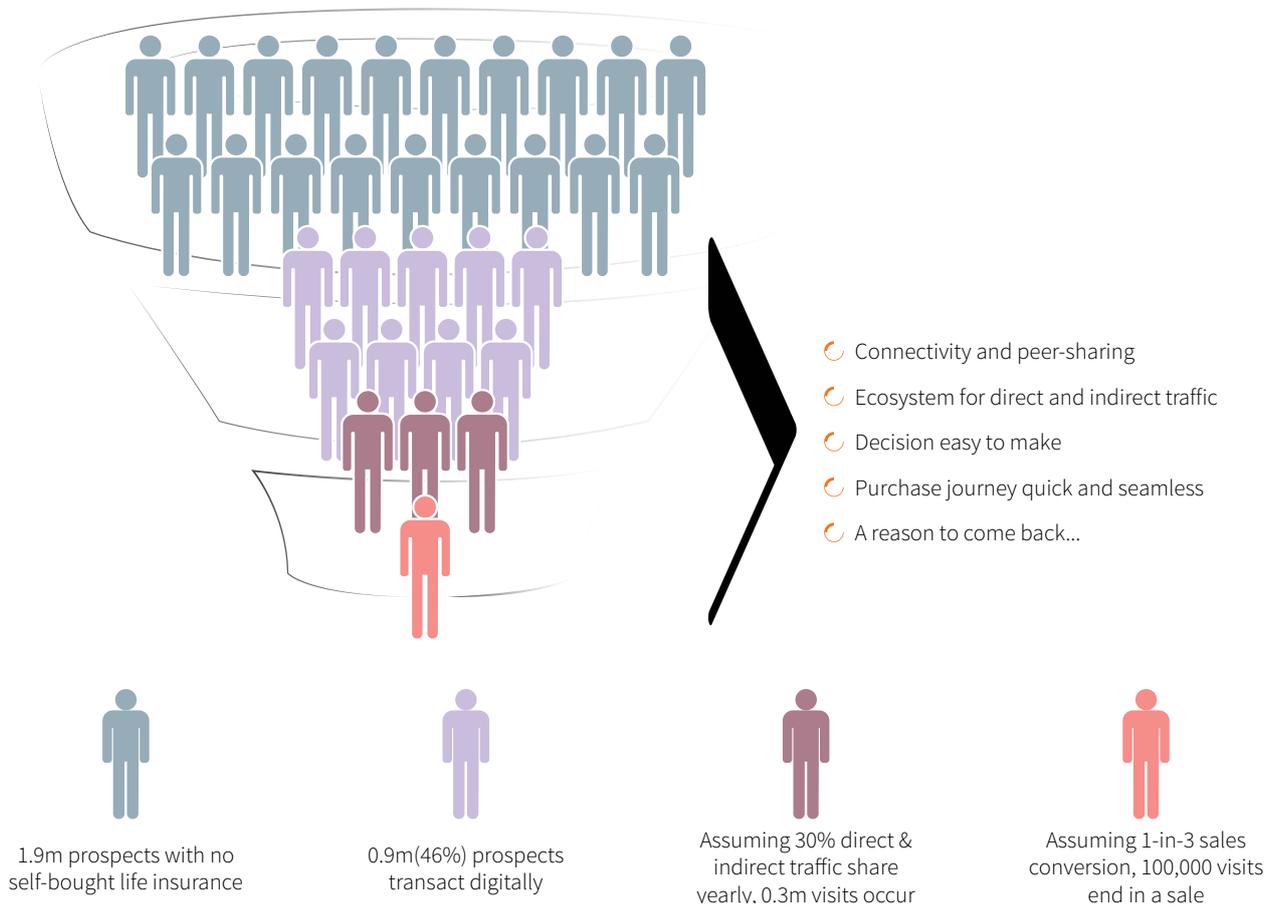


Figure 1: Paying attention to capabilities in capturing traffic, sales conversion and cross/up-selling on the digital channel

Key Success Factors to enable Digital Distribution

The market in Singapore is ready for digital distribution. Nonetheless it cannot be taken for granted. Insurers need to focus efforts to drive digital traffic, including building up a sound partnership strategy.

Ideally, insurers should start with a holistic view based on the complete digital customer lifecycle for sustainability reasons. With extensive project experience in conceptualizing and implementing the entire digital customer lifecycle and the required operating model, Synpulse has supported new market entrants in Asia and Europe and accelerated digital transformation of legacy

operating models. Given the scale of investments involved, a key success factor is for insurers to learn from others' experience and avoid reinventing the wheel.

While opportunities exist in the market, life insurers have to decide if they want to join in the digital distribution market if they have not yet done so. Resource availability, depth of expertise and timeline commitment are among the factors to be considered. Synpulse's insurance newsletter next month will discuss how successful the first movers have been, and what could have been done differently.

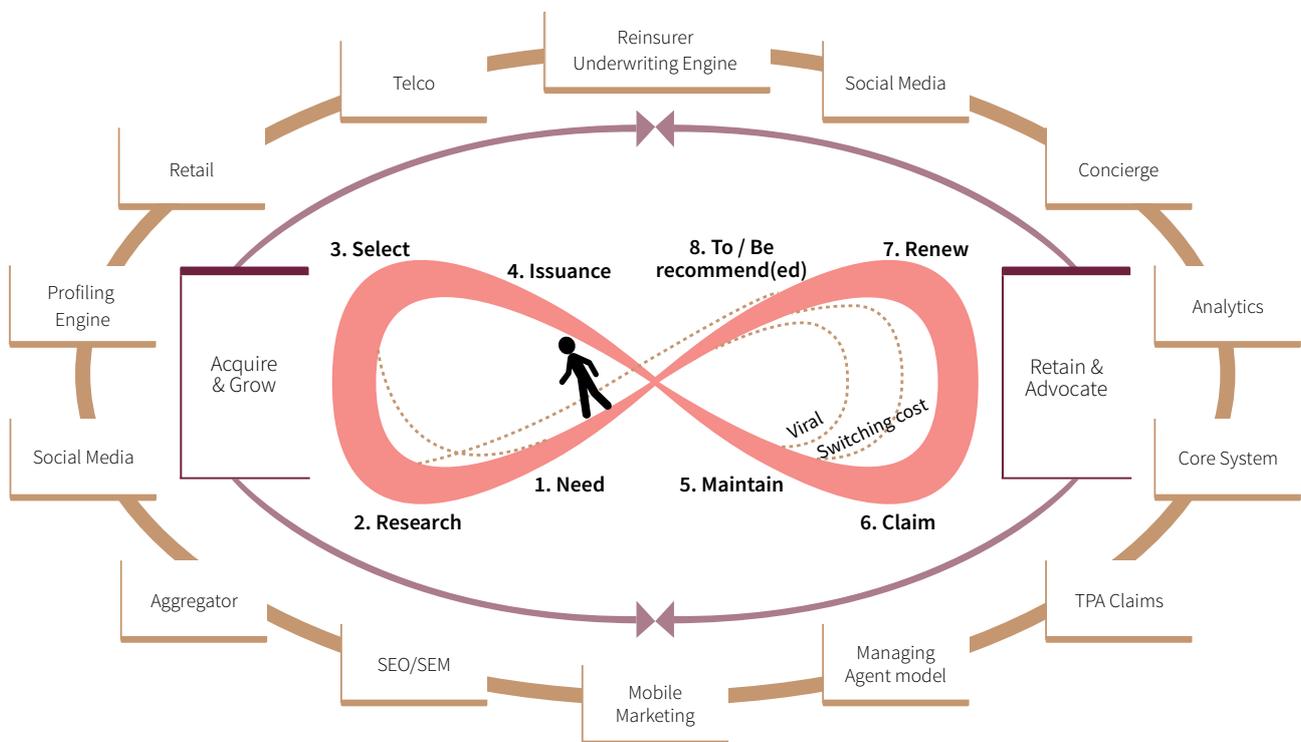


Figure 2: A sound and sustainable partnership strategy considers partners' core competencies and the entire insurance value chain

Contact us

Synpulse is happy to discuss reflections on digital distribution for the insurance industry in more detail with you. Please contact our topic experts **Clarie Kwa** clarie.kwa@synpulse.com or **Constance Teo** constance.teo@synpulse.com.