

# Rise of Digital and Affinity (B2B2C) Marketing in Insurance - Dealing with a New World

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## Executive Summary

Evolution of digital technologies continue to reshape our lives, changing people's behaviour and habits. The rise of digital ecosystem is delivering a connected customer experience and driving higher expectations for convenience, accessibility and value.

Digitalisation together with an increase in adoption of artificial intelligence and machine learning, is driving industry wide disruption and opportunities. The insurance industry in response to this change is seeking to transform itself as digitalisation empowers customers to transact, process and interact at their convenience in a seamless environment.

Growing use of digitalisation is shaping digital and affinity (B2B2C) insurance business models, leveraging the digital platforms and ecosystem. Insurers with access to customers data of where they go; how they go; what they buy; how much they spend; who they go with and what they spend is creating a multi-fold increase in the data volume that facilitates the development of customer personas and customised insurance solutions and services providing greater protection, risk mitigation, claim handling and timely assistance.

In this paper, we explore the rise of digital and affinity marketing (B2B2C) within the ecosystems, how it is impacting the Insurance Industry and what it would take to build a successful B2B2C business model.

Here we have outlined the opportunity on building B2B2C business model for insurance industry and how to develop a focused approach. We commence with looking at context of looking beyond traditional channels, evaluating opportunity taking example of India's growth in digitalisation, moving into market trends providing few examples of digitalisation companies and concluding with of a formulating a B2B2C strategy.

### **Insurance Industry is facing a challenge and distribution can no longer be limited to traditional channels**

Insurance distribution and services can no longer be limited to traditional ways of distribution and need to evolve as consumers expectations shifting towards digital services with compelling user interfaces and experiences. Some of the insurance companies have started exploring opportunity to partner with businesses having an ecosystem and embedding insurance offerings with their product purchase journey.

Insurance offering through ecosystem is emerging as important component as it has significantly expanded access to those who could not had access to insurance and to insurers who could not access a wider market.

In the recent years, emerging markets are witnessing significant middle-class growth with better spending propensity who seeks value for money, simple products with minimal friction and seamless experience. Growing income levels among the middle class with emerging lifestyles triggering the need of household and retail insurance driving growths for products of protection, health, home and savings insurance.

## Business-to-Business-to-Customer (B2B2C) in Insurance

Business-to-business-to-customer (B2B2C) distribution is not unfamiliar to insurance industry like Bancassurance (insurance selling through bank branches) and non-insurance players like car manufacturers and leasing companies selling insurance solutions bundled with their core products providing additional value to customer. However, this trend shall accelerate, driven by improved customer access through digital technology enabling insurers to integrate insurance products into partners ecosystem.

The B2B2C insurance concept is defined insurance products (life, non-life and health) offered through any non-insurance and/or non-financial intermediaries excluding the traditional insurance intermediaries.

Insurance offering through B2B2C channel covers a wide range of potential partners including retailers, telecom companies, utility providers, retailers, e-commerce and other digital players. Traditionally B2B2C was focused on selling insurance products as supplements to the partners core product like motor insurance for a car sale, creditor insurance for a mortgage, extended warrant for white goods.

B2B2C is about reaching Mass Customers, Segmented by Cluster, with a Single, Smart, Convenient and Spot-on Approach. B2B2C insurance is a promising opportunity in the constantly evolving world with high growth potential and would mean a much larger B2B2C insurance market.

Insurance distribution can be split in to following phases:

<i>Phase 1</i>	Traditional	<ul style="list-style-type: none"> <li>• Agents</li> <li>• Brokers</li> <li>• Independent financial advisors</li> <li>• Direct to Customer (D2C)</li> </ul>
<i>Phase 2</i>	B2B2C - Traditional	<ul style="list-style-type: none"> <li>• Bancassurance</li> <li>• Car manufacturers</li> </ul>
<i>Phase 3</i>	B2B2C – Ecosystem led Digital platforms	<ul style="list-style-type: none"> <li>• Retail stores</li> <li>• Utilities and telecom companies</li> <li>• Post offices</li> <li>• Schools and Professional organisation</li> <li>• Air and Travel companies,</li> <li>• E-commerce and digital platforms</li> <li>• Affinity groups.</li> </ul>

## Opportunity: Digital Ecosystem

Digital technology is driving change across industries and the user experience through online shopping, mobile banking, ride sharing, and other digitally enabled services has changed the customer's expectation and have set new definition of convenience, speed, value and experience. Technology connect businesses with customers and vice versa, automate interactions, and analyse the data created and resulting digital ecosystems defining new customer experience.

Customers get seamless experience on these platforms whether they are buying groceries, clothes, home stuff, furniture, making a payment or buying an insurance policy. This shift is driving insurers to reimagine what they do and how they do it. In some Asian markets, insurers are providing their customers digital experience like in China, India, Malaysia, South Korea.

In Business Ecosystems, a single platform catering to every customer need, translating into a significant business potential leveraging its customer data. Digital technologies can be leveraged to create the value through unleash integrate services between different sectors into new digital ecosystems.



The need for digitalisation is driven by change in customer behaviour and expectation of transparency, perceived value, availability of choices and convenience.

## India is poised for big growth in B2B2C

Digital boom in India is driving change in consumer behaviour. The Government of India is focused on improving digital literacy in the country, with an objective to transform India into a digitally empowered society and knowledge economy.

India's internet adoption rate is growing at a rapid pace, ranking 2<sup>nd</sup> globally with around 45% of population having an internet connection making it home of one of the largest digital consumers in the world. Rapidly growing use of digital activities, increasingly availability of low-cost smartphones and improving data connectivity has driving growth of Internet user base which is currently second only to China in world ranking.

India is among the top two countries globally on many key dimensions of digital adoption.

India no. 1 globally

**1.2b**

people enrolled in the world's largest unique digital identity program

India no. 2 globally, behind China



**12.3b**

app downloads in 2018



**1.17b**

wireless phone subscribers



**560m**

internet subscribers



**354m**

smartphone devices



**294m**

users engaged in social media

SOURCE: Priori Data, January 2019; Strategy Analytics, 2018; TRAI, September 30, 2018; UIDAI, April 2018; We Are Social, January 2019; McKinsey Global Institute analysis

India has World's largest Citizen biometric unique ID system "Aadhar" which has 1.2 billion people enrolled. This unique ID system is leveraged for financial inclusion, direct transfer of subsidy and has led to opening of over 318 million bank accounts under the Government scheme Pradhan Mantri Jan Dhan Yojana (PMJDY) with an aim to expand and make affordable access to financial services such as bank accounts, remittances, credit, insurance and pensions.

Further, structural reforms like the demonetisation, implementation of Goods and Service Tax (GST) had a positive impact to the Indian economy and it is reflected by an increase in capital inflows into the formal financial system from savings to investments in capital markets to insurance premiums

Digital businesses in India are developing tailored services catering to local consumer's needs and operating conditions. For example, Paytm has more than 300 million registered mobile wallet users and over 7 million merchants available in 11 Indian languages providing services like mobile recharges, utility bill payments, travel, movies, event bookings, in-store payments at grocery stores, fruits and vegetable shops, restaurants, parking, tolls, pharmacies and education institutions through

Paytm QR code, internet as well through short message service (SMS) for low connectivity areas.

Generali's joint venture partner in India, Future Group is leveraging its Customer and Distribution ecosystem to focus on expanding beyond the commodity products and to offer Financial services to its customers. Riding on Future Group's digital journey, Generali and Future Group building a front-end distribution platform leveraging the far-reaching distribution network of Future Group focusing on its customer ecosystem to offer Insurance solutions with a focus on digital to make simple and easily accessible insurance offerings available. The platform will support to penetrate insurance solutions including micro insurance to its customers.

### Insurance leveraging Ecosystem through B2B2C business model

Insurance industry traditionally being represented by the intermediaries to the customers, primarily act as risk aggregators and had a limited interaction with the customers. The relation with customer is made and manage through the intermediary interface and if insurers were to lose their intermediary, the customer relationships is also got disconnected. Leveraging the digital platform and ecosystem, Insurer can reinvent their relationship with the customer, and position itself beyond being solely as risk manager to a more evolved role of providing comprehensive solutions and helping customer to have a better lifestyle.

Ecosystem involves multiple companies providing their respective products and services under a single platform with a holistic view and uniform experience to customer. Insurers through B2B2C distribution channel can offer its solutions leveraging multiple touch points within the ecosystem like in a retail ecosystem, an Insurer can offer solutions for white good purchase, extended maintenance coverage, tailored made solutions for its loyalty customers.

Post bancassurance, the development of digital sales and the growth of price comparison websites, the insurance industry may now be on the verge of another major transformation with rise of digital and affinity (B2B2C) distribution.

#### Insurance companies active in B2B2C:

International insurers are combining strengths and expertise of their global units to provide comprehensive solutions like Protection, Health, Assistance through ecosystem led distribution channel

Examples of retail distribution partnership:

<i>Ecosystem</i>	Examples
<i>Telecommunication</i>	Embedded with new mobile phones sales like Mobile Device Protection  Micro Insurance solution like products embed with pre-

<i>Ecosystem</i>	<i>Examples</i>
	paid recharges.
<i>Retailers</i>	Insurance part of the retail offerings, Embedded with the white goods purchase Tailor made offerings for loyalty customers like Motor, Health, Protection, Savings.
<i>Utilities</i>	Gas cylinder delivery or embed with in the invoice Insurance solutions like Fire, Personal Accident, Protection
<i>Travel</i>	Purchases of Travel tickets bundled with travel insurance
<i>Education Institutes and Professional Bodies</i>	Offering of Insurance packages tailor made based on individual profiles of the education institutes or professional bodies like Health, Protection, Savings
<i>Home and Real Estate</i>	Insurance solutions embeded with Mortgage, interior designing of Fire, Credit Life, Protection

**Example - ZhongAn**

ZhongAn, an online insurance technology company, a joint venture of Alibaba, Tencent and Ping An, is focused on looking at every source of data, mapping needs of Chinese consumers and integrating its products. Zhong An has three main business lines:

1. Traditional insurance products
2. Insurance products enabled by technology (i.e. critical illness insurance utilizing wearable device data).
3. Insurance products for the Internet economy (i.e. shipping returns insurance).

One example of this is ZhongAn’s vaccine insurance product in which product managers identified a host of bad vaccination outcomes in the news, studied vaccination data released by the Chinese government, and offered a corresponding risk product to its customers seeking vaccination on its platform. ZhongAn also integrated with WeChat and other distribution channels to offer its vaccination insurance product right at the point of booking an appointment, an optimal market entry.

Few other examples from China below:

Consumer Protection Insurance

Partnership between Taobao and Zhongan, to provide insurance features to sellers and make it safer to sell



Convenient Purchasing

ZhongAn operates an online storefront on Tmall (spin-off of Taobao)



Secured Transactions

ZhongAn covers Alipay security risks (transactions, shipping, etc.)



Tencent

Provides users insurance for a Baidu Mobile Security product



Baidu Mobile

Provides users insurance for a Baidu Mobile Security product



Travel Insurance  
An extension of ZhongAn's travel/trip protection



MoGuJie  
Insurance for transactions on website (Pinterest of China)



LeYa Dental Appointment Platform  
ZhongAn Insurance for dentistry



He Li Jia  
ZhongAn Insurance for O2O, protects users' safety when accepting on-site services



XiaoYing Mobile Lending  
ZhongAn formed cooperation in order to legitimize internet finance, to reduce risk and improve risk control



Xiaomi  
ZhongAn provides accidental protection for XiaoMi phones

### Example - Vitality

South African insurer, Discovery Limited, pioneered a wellness ecosystem platform named Vitality which help users to track their health and participate in activities to earn loyalty points including with its partners. As per Discovery Limited's analysis of its three years data, performance tracking through its platform has helped its users to reduced health risks by 22%. The insurer was able to penetrate international markets by partnering with Generali across continental Europe, AIA across all of Asia except China where it partners with Manulife and Sumitomo in Japan.

### Example - Bluestream

Bluestream is a cloud-based digital broker platform launched by Marsh for its affinity clients to streamline insurance products offerings and services to their customers, contractors and employees.

Bluestream Health developed a streamlined platform that instantly connects patients to specialists via live, secure video conference. The digital service integrates with clients existing digital channels and user experience and will also be able to integrate with the global insurance space via APIs. Clients will be able to choose and scale the exact insurance program which best suits the needs of their customers, contractors, or employees, across different locations, while maintaining a consistent global customer experience. Alongside this, Bluestream delivers advanced reporting and analytics on insurance programs for clients and helps them access machine learning and blockchain technology.

Bluestream is live in over 200 healthcare organizations, delivering services to several thousand end users. For many clients, the system load balances resources, connecting the supply (experts and specialists) to the demand (physicians, nurses, and patients). Each health system or service provider that partners with Bluestream becomes part of a growing, connected ecosystem.



## Example - OnDemand Insurance business

### Trov

California-based Trov is an innovative insurance platform protecting anything, anywhere, at any time. Trov is reinventing insurance by making it simple, flexible and transparent. A simple swipe on your mobile phone, customers can easily protect just the things they want and when it wants against accidental damage, loss or theft. Reporting a claim is as easy as a few taps on your phone and have it processed in minutes, not days or weeks. Trov's has collaborated with AXA in UK, SunCorp Group in Australia, Munich Re in US and Sompo in Japan.

### Cuvva

A European (Scottish) startup has created a model of on-demand car policy through which it allows buying insurance through a monthly subscription between GBP 10 and GBP 30, according to the car and the city where the user lives, which covers the risk associated with a "stationary" car. When the insured person wants to use the car, through the Cuvva application a sort of "topping up" of the subscription is made, starting from GBP 1.20 per hour, only for the time expected to be driven. The company states that owners who travel less than 4,000 miles per year can save up to 70% on insurance costs. A possibility that reduces costs and meets new models of urban mobility.

### Slice

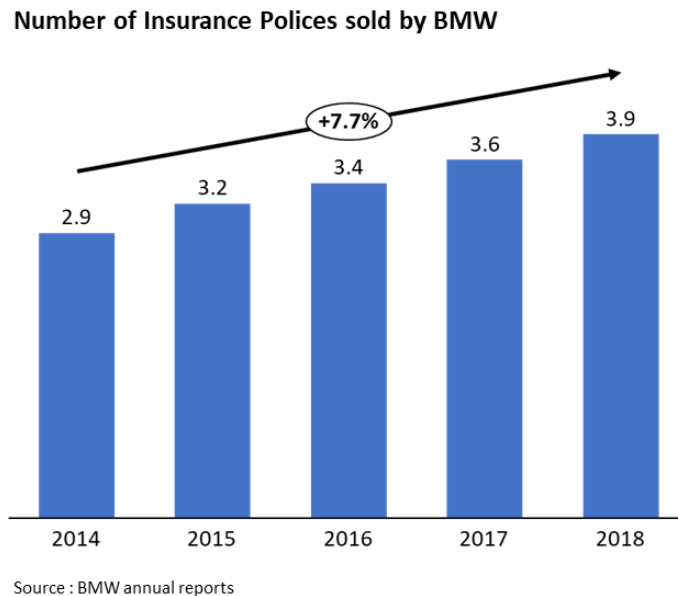
New York based Slice started with a first on-demand insurance product for people who rent their homes, or rooms, through online platforms such as Airbnb, HomeAway, OneFineStay and FlipKey. Subsequently it started offering policies for ride-sharing and cyber security, always with the on-demand formula and still being an insurance broker who works with major companies. Slice makes it very easy to "turn on" the policy as once the user is registered, the coverage is automatically added for the days indicated by the customer or through a text message, using the mobile app.

### Yolo

Italy based, is an all-digital insurance intermediary and is becoming a leading player in the on-demand insurance market: it targets the digital consumer through an offer of tailor-made policies to suit their needs. With the app, users can subscribe to instant and pay-per-use products on a daily or monthly basis: from travel coverage to flight and smartphone protection and sports insurance. Yolo has adopted a business model that leverages not only a technology platform (also provided to Companies), but also strategic partnerships.

## Non-insurance players demonstrating the potential of the ecosystem led B2B2C model:

The BMW Group, a leading automobile manufacturer is also a leading provider of financial services in its industry. The Financial vertical main business is providing credit financing and the leasing of its cars and motorcycles to retail customers. The vertical also provides financials solutions to support the BMW Group's dealership network, for example by financing dealership vehicle inventories, embedding insurance products. BMW has reported 3.9 million insurance policies in its annual report as of December 2018.



## Building A Successful B2B2C Business Model

Traditional Insurance distribution model typically are resource intensive, as it requires a large network of agents to reach out to the customers sell its products and provide service. Forging a partnership with Ecosystem led business and building a successful B2B2C business could provide significant opportunity to both partners, though it requires similar mindset for fruitful alliances. We outline following aspects to look into while building up of a B2B2C business model:

### Opportunity

B2B2C insurance has high growth potential, giving opportunity to access information about customers lifestyle and designing products catering to their needs. Therefore, it is critical to understand how the customer interact with the ecosystem and to assess the potential of the customer information available with the platform.

### Collaboration

B2B2C business model is based on principle collaboration as it drives customer from one service to another, interlinked within the ecosystem. Value creation for the insurer is dependent the access to ecosystem, leveraging technology its ability to integrate Insurance products within the defined customer journeys.

### Customer

Customer is at the heart of any business, and who owns the customer relation is the key in today's world and foundation of ecosystem is the ownership of the customer. Through digital platforms, companies are constantly connected with their customers, facilitating to continue evolving their business models based on customer needs and behaviour contributing to greater customer experience and provide access to customer information data - oxygen of the ecosystem.

## Data

Insurance sector core component always being its analytics capabilities and through leveraging technology, Insurer can enhance their analytical capabilities leveraging their historical experience converge with data analytics. Digital ecosystems are gateway to enormous volume customer data, and Insurers can provide greater protection, risk assessments and mitigation, dynamic pricing by considering customer behaviour and profiling.

## Risk

Risk profiling required for underwriting insurance solutions is changing significantly with the availability of increased customer and risk data for example uncertainty could be reduced as tracking and predictive technology improves like connected cars have fewer accidents and breakdowns, wearables help ensure a healthier lifestyle. The availability of such data can help Insurer to model the risk profile on individual basis instead for a group providing more comprehensive solutions and strengthen its risk management capabilities.

## Insurance solution

Insurance solutions require to be tailor made, providing coverage for risks identified for customer during its customer journey, enhancing partners value proposition to its customers. Traditional products strategy “one product fit, for all channels” would not able get customers attention within the ecosystem play. Leveraging technology like artificial intelligence could transform the way insurance solutions are developed including underwriting, pricing, risk profiling and services.

Insurance offerings integrated into the customer journeys, offered through multi access touch points would make B2B2C channel relevant to the customers as well as the partner i.e. adding value to the partner’s proposition to their customers).

## **B2B2C – Connecting the Last mile**

Traditional way offering Insurance offerings is quite resource intensive and it requires a large network of agents to sell its products to reach customers. In most of the emerging and developing countries, Insurance sector is not able to penetrate in the rural and semi-urban areas. Leveraging technology to reach far reach areas of the country, providing insurance solutions to those who perhaps get benefited more from the insurance products.

## **Dealing with New World**

The insurance industry has a significant untapped opportunity to offer services that address diversified consumer needs driven by customers changing behaviour and expectation, these ecosystems let insurers look beyond the Insurance and embed insurance as part of the offering which may translate into higher customer satisfaction and loyalty.

Growing ecosystems led business is innate of digitalisation reflects significant opportunity, though its challenging to capture emerging value. To unlock the value from this phase insurers are required to leapfrog in their technology capability and to make digitalisation a priority in their strategy. B2B2C strategy leveraging ecosystem could led insurers to explore and penetrate through offering innovative insurance solutions and services like lifestyle linked preventive insurance solutions, care and assistance services. Crafting and formulating an ecosystem strategy will require identifying ecosystems, prioritising based on the factors like culture, technology, customer engagement and how it aligned between the partner and Insurer.

B2B2C would be a possible engine of growth, value creation for the Insurers and bridging the last mile connectivity.

**Future of Insurance is driven by digital and affinity marketing (B2B2C) leveraging Ecosystems!**