**Marketing & Distribution Channels in Bancassurance**

One of the Most Significant Changes in the Financial Services Sector Over the Past Few Years has Been the Growth and Development of Bancassurance. Banking Institutions and Insurance Companies Have Found Bancassurance to Be an Attractive and Profitable Complement to Their Existing Activities. The Successes Demonstrated by Various Bancassurance Operations Particularly in Europe Have Triggered an Avalanche of Mergers and Acquisitions Across Continents and Efforts Are On to Replicate the Early Success of Bancassurance in Other Parts of the World As Well.  
  
distribution Is the Key Issue in Bancassurance and Is Closely Linked to the Regulatory Climate of the Country. Over the Years, Regulatory Barriers Between Banking and Insurance Have Diminished and Have Created a Climate Increasingly Friendly to Bancassurance. The Passage of Gramm-Leach Bliley Act of 1999 In Us and Irda Bill in India in 2000 Have Stimulated the Growth of Bancassurance by Allowing Use of Multiple Distribution Channels by Banks and Insurance Companies.  
  
bancassurance Experience in Europe As Well As in Other Select Countries Offers Valuable Guidance for Those Interested in Insurance Distribution Through the Banking Channel in Developing Markets. Many Banks and Insurers Are Looking with Great Interest at Building New Revenue Through Bancassurance - Including Large, Traditional Companies That Wouldn't Have Considered Such an Approach About a Decade Ago. Of Particular Interest, Many Believe, Is the Potential for Bancassurance in Developing Economies Such As Those of Latin America and Southeast Asia.  
  
distribution Channels in Bancassurance  
  
traditionally, Insurance Products Have Been Promoted and Sold Principally Through Agency Systems in Most Countries. With New Developments in Consumers’ Behaviors, Evolution of Technology and Deregulation, New Distribution Channels Have Been Developed Successfully and Rapidly in Recent Years. Bancassurers Make Use of Various Distribution Channels:  
  
-Career Agents  
-Special Advisers  
-Salaried Agents  
-Bank Employees / Platform Banking  
-Corporate Agencies and Brokerage Firms  
-Direct Response  
-Internet  
-E-Brokerage  
-Outside Lead Generating Techniques  
  
the Main Characteristics of Each of These Channels Are:  
  
career Agents:  
  
career Agents Are Full-Time Commissioned Sales Personnel Holding an Agency Contract. They Are Generally Considered to Be Independent Contractors. Consequently an Insurance Company Can Exercise Control Only Over the Activities of the Agent Which Are Specified in His Contract. Despite This Limitation On Control, Career Agents with Suitable Training, Supervision and Motivation Can Be Highly Productive and Cost Effective. Moreover Their Level of Customer Service Is Usually Very High Due to the Renewal Commissions, Policy Persistency Bonuses, Or Other Customer Service-Related Awards Paid to Them.  
  
many Bancassurers, However Avoid This Channel, Believing That Agents Might Oversell Out of Their Interest in Quantity and Not Quality. Such Problems with Career Agents Usually Arise, Not Due to the Nature of This Channel, But Rather Due to the Use of Improperly Designed Remuneration And/or Incentive Packages.  
  
special Advisers:  
  
special Advisers Are Highly Trained Employees Usually Belonging to the Insurance Partner, Who Distribute Insurance Products to the Bank's Corporate Clients. Banks Refer Complex Insurance Requirements to These Advisors. The Clients Mostly Include Affluent Population Who Require Personalised and High Quality Service. Usually Special Advisors Are Paid On a Salary Basis and They Receive Incentive Compensation Based On Their Sales.  
  
salaried Agents:  
  
having Salaried Agents has the Advantages of Them Being Fully Under the Control and Supervision of Bancassurers. These Agents Share the Mission and Objectives of the Bancassurers. Salaried Agents in Bancassurance Are Similar to Their Counterparts in Traditional Insurance Companies and Have the Same Characteristics As Career Agents. The Only Difference in Terms of Their Remuneration Is That They Are Paid On a Salary Basis and Career Agents Receive Incentive Compensation Based On Their Sales. Some Bancassurers, Concerned at the Bad Publicity Which They Have Received As a Result of Their Career Agents Concentrating Heavily On Sales at the Expense of Customer Service, Have Changed Their Sales Forces to Salaried Agent Status.  
  
platform Bankers:  
  
platform Bankers Are Bank Employees Who Spot the Leads in the Banks and Gently Suggest the Customer to Walk Over and Speak with Appropriate Representative Within the Bank. The Platform Banker May Be a Teller or a Personal Loan Assistant and the Representative Being Referred to May Be a Tarined Bank Employee or a Representative From the Partner Insurance Company.  
  
platform Bankers Can Usually Sell Simple Products. However, The Time Which They Can Devote to Insurance Sales Is Limited, E.G. Due to Limited Opening Hours and to the Need to Perform Other Banking Duties. A Further Restriction On the Effectiveness of Bank Employees in Generating Insurance Business Is That They Have a Limited Target Market, I.E. Those Customers Who Actually Visit the Branch During the Opening Hours.  
  
in Many Set-Ups, The Bank Employees Are Assisted by the Bank's Financial Advisers. In Both Cases, The Bank Employee Establishes the Contact to the Client and Usually Sells the Simple Product Whilst the More Affluent Clients Are Attended by the Financial Advisers of the Bank Which Are in a Position to Sell the More Complex Products. The Financial Advisers Either Sell in the Branch but Some Banks Have Also Established Mobile Sales Forces.  
  
if Bank Employees Only Act As "Passive" Insurance Sales Staff (Or Do Not Actively Generate Leads), Then the Bancassurer's Potential Can Be Severely Impeded. However, If Bank Employees Are Used As "Active" Centres of Influence to Refer Warm Leads to Salaried Agents, Career Agents or Special Advisers, Production Volumes Can Be Very High and Profitable to Bancassurers.  
  
set-Up / Acquisition of Agencies or Brokerage Firms:  
  
in the Us, Quite a Number of Banks Cooperate with Independent Agencies or Brokerage Firms Whilst in Japan or South Korea Banks Have Founded Corporate Agencies. The Advantage of Such Arrangements Is the Availability of Specialists Needed for Complex Insurance Matters and -In the Case of Brokerage Firms - The Opportunity for the Bank Clients to Receive Offers Not Only From One Insurance Company but From a Variety of Companies. In Addition, These Sales Channels Are More Conceived to Serve the Affluent Bank Client.  
  
direct Response:  
  
in This Channel No Salesperson Visits the Customer to Induce a Sale and No Face-To-Face Contact Between Consumer and Seller Occurs. The Consumer Purchases Products Directly From the Bancassurer by Responding to the Company's Advertisement, Mailing or Telephone Offers. This Channel Can Be Used for Simple Packaged Products Which Can Be Easily Understood by the Consumer Without Explanation.  
  
internet:  
  
internet Banking Is Already Securely Established As an Effective and Profitable Basis for Conducting Banking Operations. The Reasonable Expectation Is That Personal Banking Services Will Increasingly Be Delivered by Internet Banking. Bancassurers Can Also Feel Confident That Internet Banking Will Also Prove an Efficient Vehicle for Cross Selling of Insurance Savings and Protection Products. It Seems Likely That a Growing Proportion of the Affluent Population, Everyone's Target Market, Will Find Banks with Household Name Brands and Proven Skills in E-Business a Very Acceptable Source of Non-Banking Products.  
  
there Is Now the Internet, Which Looms Large As an Effective Source of Information for Financial Product Sales. Banks Are Well Advised to Make Their New Websites As Interactive As Possible, Providing More Than Mere Standard Bank Data and Current Rates. Functions Requiring User Input (Check Ordering, What-If Calculations, Credit and Account Applications) Should Be Immediately Added with Links to the Insurer. Such an Arrangement Can Also Provide a Vehicle for Insurance Sales, Service and Leads.  
  
e-Brokerage:  
  
banks Can Open or Acquire an E-Brokerage Arm and Sell Insurance Products From Multiple Insurers. The Changed Legislative Climate Across the World Should Help Migration of Bancassurance in This Direction. The Advantage of This Medium Is Scale of Operation, Strong Brands, Easy Distribution and Excellent Synergy with the Internet Capabilities.  
  
outside Lead Generating Techniques:  
  
one Last Method for Developing Bancassurance Eyes Involves "Outside" Lead Generating Techniques, Such As Seminars, Direct Mail and Statement Inserts. Seminars in Particular Can Be Very Effective Because in a Non-Threatening Atmosphere the Insurance Counselor Can Make a Presentation to a Small Group of Business People (Such As the Local Chamber of Commerce), Field Questions On the Topic, Then Collect Business Cards. Adding This Technique to His/her Lead Generation Repertoire, An Insurance Counselor Often Cannot Help but Be Successful.  
  
to Make the Overall Sales Effort Pay Anticipated Benefits, Insurers Need to Also Help Their Bank Partners Determine What the “hot Buttons” Will Be for Attracting the Attention of the Reader of Both Direct and E-Mail. Great Opportunities Await Bancassurance Partners Today And, In Most Cases, Success or Failure Depends On Precisely How the Process Is Developed and Managed Inside Each Financial Institution. This Includes the Large Regional Bank and the Small One-Unit Community Bank.  
  
  
distribution Models   
bancassurers Have Developed Three Basic Distribution Models: Integrative, Specialist and Financial Planning Model.  
  
integrative / Generalist Model:  
  
the Integrative Model Distributes Products Through Existing Bank Channels, And in It's Most Well-Known European Version, Branch Bankers Themselves Sell Insurance Products to Customers. Theoretically, This Offers “one Stop Banking” And Requires Extensive Training to Branch Staff. Bank Staff Are Supposed to Know the Details of All the Insurance Products On Offer. Telemarketing and Direct Mail Are Also Examples of Integrative Approaches.  
  
specialist Model:  
  
the Specialist Model Distributes Investment or Other Complex Insurance Products Through Product Experts Who Are Generally Employees or Representatives of the Insurance Company. Platform Bankers Help Identify Prospects Who Are Then Contacted by an Insurance Professional. This Process Requires Less Training Bur Requires Higher Compensation to Support the Referral Process. This Model May Not Meet All of Customers’ Needs Since It Lengthens the Process of Sale of Even a Simple Insurance Product Which Can Otherwise Be Sold Across the Counter.  
  
financial Planning Model:  
  
the “financial Planning” Model Is the Only “team” Approach. This Method Offers Each Customer and Prospect a Full Financial Planning Package Addressing All of the Individual's Financial Concerns, Risk Tolerances and Location in the Cycle of Life. This Process Is Beneficial for the Customer, The Bank and the Insurer, As the Customer Is Viewed “outside the Numbers”. Bancassurers Convey the Message That They Want to Know All About the Customer in Relation to Their Current and Future Financial Needs and Want to Assist Them On All Those Aspects of Their Life.  
  
to Move a Bank in the Direction of Becoming an Effective User of the Financial Planning Model, The Bank’s Sales Force First has to Be Taught How to Qualify Prospects and Make Referrals and Properly Approach the Customer/prospect. This Process Will Include and Actively Involve the Bancassurer’s Project Incharge Who Is Best Acquainted with Pertinent Federal and State Regulations for the Bank’s Geographic Market Area.  
  
insurers' Bank Partners Must Then Learn How to Spot Existing Depositors/borrowers' “life Triggers,” I.E., Milestones in a Life That Represent Insurance Opportunities. Although Bank Representatives Have Always Done This in Conjunction with Bank Products, It Is New to Them to Apply This Concept to Insurance Products As Well. For Example, A Younger Depositor Mentions He Is Withdrawing Part of His Savings to Purchase His First Car. Knowledgeable Bank Representatives or Platform Bankers Would Immediately Understand the Requirement for the Car Insurance and May Be Personal Accident Insurance. These Bank Staff Functioning Now As Financial Services Representatives Can Provide Such Sound Practical Advice, I.E., An insurance product to Fit Customer Current and Future Needs.  
  
in General, A Well-Trained Sales Person Can Always Count On Certain “life Triggers” -Birth, Death, Divorce, Career Change or Other Catastrophic Event—to Lead His or Her Regular Bank Customers to New Insurance Products. If the Bank’s Personnel Are Shown How to Capitalize Upon These Triggers Using Insurance Products, They Will Automatically Provide Referrals to the Insurance Group and Insurance Sales Will Follow.  
  
either of These Distribution Models Works Under the Right Circumstances. What's Most Important Is Whether the Model Is Compatible with the Bank's Customer Base and the Insurance Company's Strategic Objectives. European Bancassurance Experience Shows That the Financial Planning Model Is an Extremely Productive Way to Reach a Large Number of Bank Customers.  
  
key Value Drivers   
  
which Distribution Model to Use Is a Tactical Decision Secondary to More Basic Strategic Concerns. Bancassurance Strategies Should Be Driven by Markets and Channels, Encompass a Broad Range of Tactics and Practices, And Leverage the Competencies of the Bank and the Insurer. They Should Identify and Build Upon a Discrete Set of Value Drivers, Those Factors of Such Fundamental Importance That to Ignore Any One of Them Could Be Fatal to the Success of the Project. The Following Four Value Drivers Should Be Considered in a Bancassurance Strategy:  
  
brand Equity. The Strategy Should Leverage the Bank's Brand Equity with Consumers. Consumers Throughout the World Rate Bankers Higher Than Insurance Agents in Terms of Such Criteria As Objectivity of Advice and Product Knowledge. A Rationalized Bancassurance Strategy Will Build On the Superior Brand Equity of Banks by Integrating Insurance Into the Bank Product Portfolio and Distribution Infrastructure. For Many Customers, Banks Can Become the Primary Providers of Financial Services by Supplying Personal Risk Management Along with More Traditional Banking Services. Lloyds Tsb has Been Using It's Own Brand Name for a Long Time and Have Only Recently Indicated Rebranding After Acquiring Scottish Widow. Halifax and Abbey National Continue to Use Their Own Brand Names Despite Acquiring Clerical Medical and Scottish Mutual.  
  
distribution. The Distribution Model Should Accomplish the Following Objectives:  
  
- It Should Cater to All Segments of the Banking Population  
- It Should Work As a Single Shop for All Financial Requirements for the Bank Customer  
- It Should Effectively Utilize the Existing Branch Banking Platform  
- It Should Take Advantage of the Multiple Sales Opportunities Afforded by the Bank's Other Distribution Channels  
- It Should Strive for Congruence Between Product Characteristics and Channel.  
  
one of the Key Economic Advantages of Bancassurance Is the Savings Achieved Through Efficient Utilization of the Bank's Existing Distribution Channels. At Some Point in the Development of a Bancassurance Operation, The Marginal Cost of Adding One More Customer Becomes Negligible. Bancassurers Can Reduce Significantly the Costs of Agent Recruitment, Selection and Conservation. These Savings Can Be Passed On to Consumers Through Lower Premiums, Or the Bank Can Maintain the Premiums at Market Level in Order to Increase Profitability. Because the Lower and Middle Segments of the Life Market Are Not Price-Sensitive, The Second Option Is Often More Desirable.  
  
technology:  
  
bancassurers Should Plan a Technological Infrastructure That Will Exploit Customer Information Found in the Bank's Database to Uncover Sales Opportunities and Produce Transactional Simplicity for Insurance Customers.  
  
the Information Banks Have About Their Customers' Buying Habits, Economic Status and Money Management Practices Constitutes a Valuable Asset Often Unrecognized Even by Large, Sophisticated Banking Institutions. Using Technology to Order Information About the Economic Behavior of Customer Segments Can Provide Valuable Insights About Insurance-Selling Opportunities. For Instance, Customers Buying a Home Through a Bank Mortgage Can Be Approached for a Variety of Insurance Products. With a Traditional Insurer, Behavioral Information About Policyholders Is Usually Unavailable, But Even When Known, Can Only Be Employed by Agents (Who Have an Economic Interest in Thwarting a Direct Relationship Between the Company and the Client).  
  
bancassurers Should Use Technology to Simplify the Insurance Purchase As Much As Possible, Thereby Making the Purchase an Easier, More Pleasant Experience and Further Differentiating Themselves in the Process. Buying Insurance in the Traditional Way Means Dealing with Agents and the Complications of the Underwriting Process, Which Bancassurance Can Eliminate. Branch Customers Are Usually in a Hurry and Don't Want to Wait, So Banks Will Serve Them Best by Simplification. With Point-Of-Sale Technology, Customers Should Be Able to Buy Policies in a Short Time and Leave the Bank with Coverage in Hand. Particularly with an Intangible Such As an Insurance Policy, The Buying Experience Itself Is a Key Part of the Purchase. Bancassurers Should Make the Experience As Positive As Possible, And Technology Can Contribute Greatly to This Effort.  
  
culture:  
  
an Effective Bancassurance Strategy Acknowledges the Fundamental Cultural Conflict Between the Bank and the Insurance Company by Aligning the Bank's Interests with Those of the Insurance Company. Without the Bank's Total Commitment to the Insurance Strategy, Any Bancassurance Program Is Doomed to Fail. One of the More Effec-Tive Ways to Achieve This Commitment Is for the Bank to Have an Equity Interest in the Insurance Company. With a Stake in the Financial Results of the Insurance Operation, The Bank has a Powerful In-Centive to Support the Insurance Strategy. The Alternative Approach, Buying "Shelf Space" In the Bank to Sell Insurance Products, Will Rarely Be As Effective.  
  
in Any Given Situation, One of the Four Value Drivers May Greatly Outweigh the Importance of the Others. In Some Cases, Solving the Cultural Problem May Loom Especially Large, While in Others Building an Effective Technology Platform May Be Paramount. Bancassurers Will Need to Consider All Four, However, To Achieve Successful Balance.  
  
  
trends in Mature Markets   
  
bancassurance has Blossomed Across Europe with Penetration Rates Ranging From 20 Percent of Pensions and Life Premiums in Germany to 73 Percent in Spain, According to Datamonitor. In the UK, Around 10 Percent of Life Insurance Premium Income Is Generated Regularly Through Bancassurance Channel.  
  
the Success of Bancassurance in European Countries to Date and It's Projected Future Growth Are Eagerly Trumpeted by Investment Bankers, Particularly to Clients Considering Entering the Market. In Their View, Bancassurance Is One of the Primary Beneficiaries of the Global Movement Toward Liberalization and Subsequent Integration of Financial Services. Clearly, The Concept of One-Stop Shopping, Or allfinanz, Is More Advanced in Some European Markets Where the Process of Integration of Financial Services Is Further Along.  
  
european Experience Shows That Tax-Advantaged Insurance Products with an Emphasis On Savings Accumulation Can Be Successful in the Banking Channel Under Certain Circumstances. Protection Products, Such As Pure Term Insurance, Are Rarely Promoted, And the Big Sellers Are Investment Products with an Insurance Wrapper. These Products Tend to Compete with Banking or Investment Products Rather Than Other Insurance Products.  
  
in Some Countries, Such As France and Spain, Favorable Tax Treatment Affords Bancassurance Products Competitive Advantages. On Certain Pension Products Sold in Europe Through Banks, The Tax Advantages Are Substantial, Sometimes Even Including Deductible Premiums. In the United States, Where Bancassurance has Achieved More Modest Success, It Is Openly Acknowledged That the Market for Annuities Sold Through Banks and Insurance Agents Would Evaporate If the Government Withdrew the Favorable Tax Treatment of These Products. However, Annuities Continue to Enjoy Tax Advantages, And the Market for These Products Through the Bank Channel Is Booming.  
  
  
distribution Strategies in an Emerging Market  
  
the Business Model for Bancassurance in Europe Does Not Necessarily Transfer to the Regulatory and Economic Environment of a Developing Market. To Succeed in Emerging Markets, Bank Marketers Will Have to Develop Unique Strategies Consistently Attuned to Local Customer Expectations and Consistent with Bank Distribution Capabilities. The Biggest Challenge Is Determining How to Reach the Middle and Lower-Middle Economic Classes, Which Comprise the Largest Group of Bank Customers in Such Countries.  
  
a Frequent Mistake Made by Many Bankers and Insurers Is Their Failure to Develop Unique Strategies Specifically for Bancassurance. Instead, They Simply Extend Their Traditional Agency Distribution Approach, Because They View Bancassurance As Just Another Means of Reaching Their Existing Market of Affluent Consumers. Agents Typically Target the Affluent Because the Average Revenue Per Customer Is Sufficient to Support the Fixed and Variable Costs of the Distribution System. The Agency Channel Thus Perpetuates Itself: Commissioned Agents Sell to Affluent Customers Because They Generate Enough Revenue to Make It Profitable to Sell to Other Affluent Customers. Because Agents Are the Insurance Company's True Customers, Insurers Provide Them with Products Suitable for Sale to the Affluent.  
  
in Developing Markets, Affluent Populations Are Much Smaller Than Their Counterparts in North America or Europe. Although Distribution Models Geared to Wealthier Bank Customers Exist, Bancassurers Who Pursue This Segment of the Market Are Forced to Compete Directly with Traditional Insurers. In a Developing Market, A Strategy Focused Solely On Affluent Customers Ignores the Largest Group of Bank Customers.  
  
a Successful Bancassurance Strategy Focused On Middle and Lower-Middle Income Segments of the Bank Marketplace Requires Insurers to Rethink Assumptions. To Fully Exploit the Potential of the Mass-Market Banking Channel, Insurers Need New Types of Distribution, Underwriting, Administration, Policy Issue and Delivery, Premium Collection Procedures, Customer Service Strategies and Sales Approaches. In Bancassurance, Technology Must Be Combined with Fundamental Knowledge of Insurance to Develop Processes Unique to the Banking Environment.  
  
  
distribution Channels and Product Complexity  
  
the Design and Implementation of the Distribution Model Is As Important, If Not More So, Than Product Design in Bancassurance (Except for the Few Clients Who Require Customized Product Solutions for Individual Financial Planning Needs). If an Insurance or Investment Product Offers Basic Protection or the Promise of Reasonable Return at a Fair Price, Consumers Will Buy It If the Product, The Distribution System and the Channel Are Compatible. Low Penetration of Insurance in Emerging Markets Is Not a Failure of Product Design, But a Failure of the Distribution System.  
  
the Diagram Below Demonstrates That Products at Varying Levels of Complexity Require Different Distribution Channels and Cost Structures. As Products Become More Customized, The Complexity of the Product and the Cost of Distribution (Expressed As the Cost-Per-Customer Contact) Increases. As a Result, The Product and Distribution System Must Also Change. Complicated Estate or Retirement Planning Cannot Succeed Via Direct Mail, And It's Not Economically Feasible to Sell Only Accidental Death Through an External Agency Force. In a Traditional Sales Environment, Neither the Company nor the Agent Can Earn Adequate Profits Selling a Low-Premium Product (Such As Accidental Death) Because Costs Are Too High. Conversely, A Direct Mail Company Can Be Enormously Successful Selling an Accident Product with an Average Premium of Only $100 Because the Cost Per Solicitation Can Be Kept Low.

To Be Successful, The Components of a Distribution Model Must Work Together; Product Features and Benefits, Distribution Costs and Marketing Channels All Should Complement Each Other. Bancassurers Can Tap All the Channels Identified in the Model: Direct Mail, Telemarketing, Platform Bankers, Internet, In-House Specialists, Career Agents or Professional Financial Advisors. The Most Effective Bancassurance Strategies Will Be Driven by Customers and Channels, Not Products, And Will Leverage the Bank's Competitive Strengths.  
  
a Customer and Channel Driven Bancassurance Strategy Finds and Engages Buyers Where They Are Found. No Attempt Is Made to Impose a Preconceived Product Driven Strategy. Traditional Life Insurers Are Often Trapped: They Create a Product with Features Attractive to Agents (Such As High Commissions), And Then Let the Agents Find Appropriate Target Markets. This Is a Type of "Top-Down" Product Development Approach. However, The Bank Channel Requires an Analysis of the Market That Starts at the Bottom, With the Customers, And Works Up.  
  
a "Bottoms-Up" Approach in Bancassurance Works Differently. A Customer and Channel-Driven Strategy Capitalizes On the Existing Relationship of Trust and Familiarity Between the Banker and Branch Customer and the Frequency of Branch Visits. In Emerging Markets, The Lower-Income Customers Found in Bank Branches Are Usually Wage-Earners or Small-Business Owners - The Same Type of Customers Ignored by Most Insurance Agents.  
  
visiting Local Branches Frequently, These Customers Often Develop Close Relationships with Branch Managers or Tellers. (Relatively Few Insurance Agents Achieve Similar Levels of Trust with Their Customers.) Even in the United States, Where Internet Banking and Automatic Teller Machines (Atms) Are Omnipresent, 50 Percent of Bank Customers Have Monthly Contact with Their Local Bank Branch. In Developing Markets, These Contacts Are More Frequent and Personal and Often Come in the Form of Visits to a Branch to Perform Simple Transactions Such As Funds Deposits or Withdrawals.  
  
the Type of Distribution Channels That a Company Uses Affects the Design and Pricing of It's Products, As Well As the Way in Which the Products Are Promoted and Perceived in the Marketplace. Some Bancassurers Started Out by Selling Simple Products Which Could Be Sold in Large Volumes but Which Usually Had Low Margins to Cover Expenses and Profits. If We Compare How Products and Distribution Are Related to the Profits of an Organization, We Will Come to the Conclusion That the More Complex the Products Sold Are, The Higher the Required Margins Will Need to Be.  
  
many Banks Entered Bancassurance with a Defensive Strategy in Their Attempt to Avoid Market Share Erosion by Insurance Companies. Very Soon, Though, They Realized That They Could Gain Market Share If They Expanded Their Product Range, Developed a Sales Culture Within Their Organizations, Created a Multi-Channel Distribution Structure and Exploited the Potential of the Customer Information That Can Enable the Identification of Customer Needs.  
  
  
cultural Issues in Distribution  
  
the Managers of Banks and of Life Insurance Companies Can Come From Quite Different Cultures. There May Be Differences in the Way of Thinking and Business Approaches of Bankers and Managers of Insurance Companies. These Differences Create a Communication and Implementation Problem in Bancassurance Operations. Banks Are Traditionally Demand-Driven Organizations with a Reactive Selling Philosophy. Life Insurance Organizations Are Usually Need-Driven and Have an Aggressive Selling Philosophy.  
  
it has Been Observed That This Friction at the Level of Bank Employees and Life Insurance Salespeople Arises From Differing Philosophies Towards Selling, The Jealousies of Bank Employees Regarding Remuneration of Life Sales Staff and Fears of "Cannibalization" Of Deposits, E.G. The Bank Employee Fears That the Salesperson Encourages Withdrawal of Bank Deposits, Putting the Bank Employee's Job in Greater Jeopardy. As a Result the Team Spirit Is Negatively Influenced And, Since This Is a Crucial Factor for the Success of Any Operation, It has to Be Confronted.  
  
cultural Differences Between the Banking and the Insurance Industries Must Be Understood, Respected and Lived with in Order for the Bancassurance Venture to Succeed. The Development of a Single Culture Is Another Possible Solution but This Requires a Very Strong Commitment From the Top Management. This Commitment Must Be Continuously Conveyed to All Bank Employees and Life Insurance Agents. One Way of Achieving This Is to Develop a "Statement of Mission" For the New Organization and to Get the Staff to Commit to Fulfilling This Statement. This Can Help to Ensure That There Is a Common Path for the Bank and the Life Insurer.  
  
  
integration of Various Distribution Channels  
  
it Seems Very Difficult for a Single Distribution Channel to Successfully Reach the Bancassurer's Goals and Specific Target Markets. Many Bancassurers Are Using Multiple Distribution Channels. This Way They Avoid Becoming Locked Into One Channel and They Can Offer Services to a Greater Number of Target Markets. Multiple Distribution Channels Provide Another Valuable Feature. They Enable the Enterprise to Offer Customers Multiple Options for Access. Therefore, If a Customer Wants to See Someone About a Particular Service On One Day but Wants to Transfer Funds at a Later Date, E.G. On a Sunday Night, The Availability of Both Branch Office and 24-Hour Telephone Access Increase the Service Value to That Customer.  
  
however, Conflicts May Arise Among the Various Channels and Also Within Channels Under a Multi-Channel System. To Avoid This It Is Necessary to Ensure the Following:  
  
- Colleagues Within a Channel Are Motivated to Cooperate  
- There Is Communication of the Importance of Every Link in the Distribution Process  
- Cultural Differences Are Communicated and Respected  
- The Goals of Every Partner in the Distribution Process Can Be Fulfilled by the Process  
- The Specific Role and Performance Expectations of Each Channel Member Are Clearly Stated, Understood and Accepted  
- Communication Between Channels Is Encouraged  
- Channel Leadership Is Strong and Committed to Success.  
  
by Completely Integrating Their Distribution Channels in Accordance with an Established Model, Companies Can Achieve Substantial Cost Savings, Improve Productivity and Ensure That All Stakeholders, Shareholders, Customers and Staff Are Satisfied.  
  
the Future of Integrated Distribution Calls for the Customer to Be Placed at the Heart of the Distribution Network. The Call Centre and the Agency No Longer Operate As Separate Channels. Rather a Synergy Is Realized Through Realignment of Roles and Responsibilities and the Creation of a New Sales Integrated Sales Process, Maximizing Lead Generation Activity. Whatever the Combination of Distribution Channels, The Financial Services Company Must Seek to Always Improve the Customer Experience and Deliver the Service More Cost Effectively.

**Finally**

“insurers Will Intensify Their Quest for More Cost-Efficient Distribution Channels. Aided by the Scrapping of Regulatory Obstacles, Bancassurance Is Likely to Gain Prominence.

Internet Distribution Will Continue to Be Explored, But the Focus Is Expected to Be On the Enhancement Rather Than the Disintermediation of Traditional Agency Channels.”

1. Understand Customers’ Current Channel/transaction Behavior and Their Underlying Attitude;
2. Use Sophisticated Experimental Customer Research to Assess the Economic Impact of Tactics Designed to Change That Behavior
3. Develop an Integrated Channel Migration Plan Which Blends Economic and Non-Economic Incentives to Ensure That Right Initiatives Are Targeted at the Right Customers;
4. Protect Sales Effectiveness by Utilizing the Ability of Non-Branch Channels to Select Amongst Prospects and Differentiate the Marketing Message;
5. Design Non-Branch Channels to Emphasize Personalized Interaction to Counteract Decreased Loyalty Among Remote Customers;
6. Develop Tracking Mechanisms to Allow You to Assess and Revise Your Migration Strategy On an Ongoing Basis.

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