

# Channel Innovation

- Shop-visit type shops and online shops that now gather attention
- Channel Mix, a new marketing method

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# Profile

## \* Kenichi Suzuki

- \* General manager of the Editing and Sales Office of *Hoken Joho*, a specialized insurance marketing magazine.
- \* *Hoken Joho* features a wide variety of information, such as management strategies, marketing strategies, education systems, sales skills/motivational enhancement/guidance on activities for sales representatives, and the latest trends in foreign countries.
- \* Interview themes after the 1990s are as follows:
  - ☆ A series of bankruptcies of life insurance companies that had happened since 1997 (such as 7 medium-sized life insurance companies)
  - ☆ Easing of regulations/liberalization (such as reciprocal extension of life and non-life insurance businesses)
  - ☆ The non-payment of insurance claims after 2003 and the management innovation afterwards
  - ☆ The moves of the internet life insurance companies (such as Lifenet Insurance Company, which was established in 2008)
  - ☆ The moves of the shop-visit type shops which have been rapidly expanding as a new channel
  - ☆ Major life insurance companies' new management strategies (such as Nippon Life Insurance Company's Mirai Project)
- \* He has a broad network in the insurance industry and presides over Asia Insurance Communication Center (AICC), Society for Research on Insurance Marketing, etc.
- \* He has given lectures at seminars in Japan and abroad held by Oriental Life Insurance Seminar (OLIS). He also participated in seminars in Taipei, Beijing, Seoul, and Bangkok.
- \* He is currently serializing the latest life insurance information in Japan in *Advisers*, Taipei IMM International's monthly magazine.

# 1. Consumer Awareness on Buying of an Insurance

- Consumers would Like to choose the security that is most appropriate for oneself, instead of buying it as recommended
- It has become common that consumers collect information on the internet in advance
- Consumers make a comparison and consideration and would rather not to make a wrong choice

# Consumers' Worries

- Fall into *information fatigue* because of the excessive information and unable to make a decision
- As the insurances are the ones that are infrequently purchased, consumers cannot accumulate their experience
- The individualized customization is needed but it is difficult to make a choice
- Would like to seek advice from the person who has a high-degree of professionalism

## 2. Reasons to Choose Shop-Visit Type

### Shops

- Being able to consult with them when people feel the need for insurance products
- They listen attentively to people even if their needs are vague
- They offer appropriate options and people can choose from them
- Being able to achieve gratification that people fully understood and bought insurance products



Hoken-no-Madoguchi



Hoken-no-Madoguchi



# Shop Opening Status

- Broad-based joint agents (Handle 21 life insurance companies and 15 non-life insurance companies)
- A former life planner at Sony Life Insurance Co., Ltd. opened the business
- Its first shop opened in Yokohama in March, 2000
- The number of shops opened is 140 in FY 2011 and 130 in FY 2012
- Its three brands were integrated into *Hoken No Madoguchi* in April, 2014
- The number of shops is 486 (As of April 11)

# A Bias in Opening Shops:

## Concentration in Urban Areas

- Concentrated in the Greater Tokyo Area and large cities
- 189 shops in Tokyo and three prefectures (The share is 39.1% as of September, 2013)
- Tokyo and seven prefectures account for 62.9% of the total
- Opened its shops in all of the 47 prefectures. The first time in the industry.
- In FY 2013, they planned to open 160 shops and their shop opening was focused on the local regions

# Outline of the Shops

- The area is 15-30 tsubo. The number of staff is 3-4
- 200,000 people visit the shops annually
- Site locations are tenants in buildings (aerial shops (shops opened on the second or higher floors)) and stand-alone shops around the periphery of stations
- At one point, they opened shops in large shopping centers having a high customer gathering power

# Targets

- The main target is housewife group in their 30s and children in early elementary school years
- The first catalyst of consultation is to save insurance premiums (34%) and the second one is having worry about the content of the insurance (25%)
- There is a strong tendency that they would like to hear professional advices
- Women have the power to make a decision in buying life insurances
- The numbers of households in which members are in their 60s and female Ohitori-sama (one person) have been increasing
- Advance reservation and online reservation have been increasing

# Results

- The equation of the sales = The fee per one case x The number of customers visited the shop x The contract rate
- The number of consultations per one shop is 20-25
- The contract rate is 60%
- The average monthly insurance premium per one case is about 40,000 yen

# Marketing of the Shop-Visit Type shops

- Three P's
- Promotion (Advertising and promotion)
- People (Cultivation of human resources who have high productivity)
- Process (Consultation)

# Promotion

- Previously, advertising with a focus on mass media was developed. The purpose was to increase visibility
- The advertising cost was 1 billion yen per year
- From now on, it will shift to unique appeal according to regions and appeal of the brand content (provision of the most appropriate products, full accountability, and accurate clerical work)

# Response to Existing Policyholders

- Making a database of existing policyholders
- Thoroughly follow them and cultivate fans
- Develop a trusting relationship in which the introduction of new prospect customers will be realized



# Key Drivers for Sustainable Growth

- Competitive advantage in human resources
- Concentrative shop opening
- Alliance with regional banks

# Competitive Advantage in Human Resources

- The biggest differentiation is the ability of shop planners
- Inject managerial resources (manpower, goods, and money) into guidance, education, and training
- Training centers in Osaka, Senri, and Atami. Build a system in which 300-400 people can be trained
- Required skills are hearing, ability to make proposals, closing, etc. Standardization of the know-how as a whole

# Concentrative Shop Opening

- Points in the shop opening plan
  - \* Profitability per one shop
  - \* Area covering rate
  - \* In the local regions having motorized societies, population of the market area using cars
- Strength of the multiple-store policy
  - \* Familiarity that shops are close to people, such as the commutable area and living area, will be generated

# Alliance with Regional Banks

- Support for the sales structure (training of the skills to sell protection-type products and support for customer attraction)
- Have business alliance with 14 banks
- 30 banks will be a target in the business alliance.
- Balance the directly-managed shops, FC shops, and banks to establish the Trinity area strategy



Hoken-no-Madoguchi

# 4. The Moves of the Competitors Extending Across the Country

- Mitsubachihoken Group, Inc.
  - \* Mitsubachihoken (176 shops)
  - \* We will help you choose the insurance that is most appropriate to you
- Hoken-minaoshihonpo Co., Ltd.
  - \* Hokenminaoshihonpo (193 shops)
  - \* Family ties connected by insurance
- IRRC Corporation
  - \* Hoken Clinic (157 shops)
  - \* An insurance consultation at a convincing location
- The store opening competition is very keen. Some peripheries of bus terminals have too many shops

# IRRC's New Shop Concept

- Try to establish community-based shops by providing a wide variety of information
- Nursing care, pension, inheritance, home mortgage, and household budget
  - \* Consultants who have Meister Certification in these five areas will provide consultation at no charge
- Various types of money seminars such as the parent-child money lecture, etc.
- Uniquely developed IQ system (Content analysis on the insurance policy)
  - \* Show and compare intangible products



Nissay Life Plaza





Hoken Hyakka



Hoken Ga Wakaru Desk



Hoken Annai

## 7. Major Life Insurance Companies are Focusing on the Shop-Visit Type Shops

- Nippon Life Insurance Company -- Nissay Life Plaza (95 shops)
- The Dai-Ichi Life Insurance Company, Limited -- Dai-Ichi Hoken Shop (80 shops)
- Sumitomo Life Insurance Company -- Hoken Hyakka (63 shops)
- Meiji Yasuda Life Insurance Company -- Hoken Port and Hoken Ga Wakaru Desk, the reciprocally extended shops that are the first in the industry
- Aflac Japan -- Yoku Wakaru! Hoken Annai (15 shops)

# Sales Representatives are the Main Channel but Why Shops are Focused?

- Positioning of the antenna shops -- Probe for the needs of customer segment with whom the sales representatives cannot contact
- Change the image -- Change the insurance that seems to be somewhat difficult and difficult to access into the one which has gentle and friendly images
- Consumer segment -- Respond to the consumers who would like to choose by themselves and who think that the cheaper the insurance premium, the better
- Consumer segment -- Provide a place for those who consider the insurance for the first time will be able to consult

# Participation from Different Types of Businesses

- Distribution business -- Aeon Insurance Shop (139 shops) and Seven Insurance Shop (25 shops)
- Mail order business -- Senshukai Group's Belle Maison Insurance Shop

# Problem Points Due to Its Rapid Growth

- The wave of criticism that companies are choosing products by prioritizing fees over consumer needs
- The fairness and transparency of the product choosing process are demanded

# Regulations Relevant to Consumer Protection

- Clearly indicate all of the products which can be compared
- When presenting and recommending a product, explain the reason in an understandable way
- Clearly indicate that it is an agent of an insurance company
- Properly streamline the process to appropriately conduct comparison and recommendation and preserve the records
- Details of the regulations are scheduled to be decided by June

# 7. Lifenet Insurance Company



# Company Concept

- Launched operations in May, 2008 as the first online life insurance company
- The purchasing style in the 21st century is “Compare, Understand, Being Convinced, and Make a Purchase”
- Their managerial goal is “Create a new market within five years and have 150,000 or more of in-force contracts”
- Provide simple, easy-to-understand, reasonable, and convenient products and services
- Their targets are those in their 20s and 30s with small children

# The Formula for Enhancing Results

- Recognition rate x Number of Products X Buying rate
- Recognition rate: According to the questionnaire, it is about 40%
- Products: Term insurance and medical insurance for life (May, 2008)
  - \* Disability income insurance (February, 2010)
  - \* A type of medical insurance interlocked with burden of medical expenses (October, 2012)
- Buying rate: Around 70% (Calculated with the number of new contracts against the number of monthly applications)

# The Progress of the Results -- Steady Growth of the Number of In-Force Contracts

- Achieved 150,000 contracts in November, 2012
- Achieved their initial target in four years and six months
- Achieved 200,000 contracts in February, 2014

## The Progress of the Results -- Steady Growth of the Number of New Contracts Until the Number Reached 60,000

- In FY 2009: 19,000 contracts
  - \* (Increased by 23,000 contracts)
- In FY 2010: 42,000 contracts
  - \* (Increased by 18,700 contracts)
- In FY 2011: 60,700 contracts
- In FY 2012: 60,600 contracts

# The Contract Trend -1

- Those in their 20s and 30s account for 70% (30s: 49% and 20s: 23%)
- What is focused at the time of considering the insurance is “cheapness of the insurance premium” (88%)
- The amount of the monthly insurance premium saved by the insurance review is about 9,000 yen.
- The number of policyholders is 100,000 (As of February, 2013)

# The Contract Trend – 2

- A total of 42% of the policyholders transferred from other companies. 34% of the policyholders were the ones who bought insurance for the first time.
- The peak time of application was 10:00 p.m.
- The term insurance, their main product, exceeded 100,000 contracts (As of October 2013)
- The cross-selling rate of the term insurance is a little more than 50% and combining with medical insurance for life was the most common

# An Unexpected Drastic Decrease in the Number of New Contracts in FY 2013

- 46,000 contracts. Decreased by 14,600 contracts compared with the previous year (Decreased by 24%)
- The average monthly number of contracts decreased from 5,000 to 3,800
- In March, the number dropped below 3,000

# Why did the New Contracts Become Stagnant in FY 2013?

- In addition to two online-exclusive companies, five companies entered into the market and it became a highly competitive market
- The correlation of the increase in the name recognition and the growth of the number of new contracts was weakened.
- Smartphones, tablet terminals, etc., have become widely used and the information collection, consideration, and application processes for life insurance became diversified



# Next Growth Strategy

- A New Medium-Term Plan (2013-16) was announced
- Facing the business environment that is different from the one in the past five years
- Creating mechanisms for following prospect customers (Outbound)
- Capturing of the specific segment
- Enhancing the competitiveness of existing products (such as reduction in insurance premiums)

# Online Life Insurance Companies' Potential Market Size

- About 10% of the users are intended to buy insurance through the internet.
- The number of contracts held by the online life insurance companies are less than 1% of the entire life insurance industry which means that there is a huge room for growth.
- The share of the direct car insurance (online sale) is about 10%.

# Sales Strategy from April

- The consumption tax has increased from 5% to 8%
- Reduction in the insurance premium for the first time
- Their term insurance is in the lowest level in the industry
- The new medical insurance for life was decreased by 24% as compared to the old product
- Provide an opportunity to save insurance premiums

# 8. Channel Mix

# Put All Their Effort into the Expansion of Customer Touch Points

- Diversification of the channels to consider buying insurance
- Policies and measures for following material requesters
- Combine with face-to-face consultation

# Meiji Yasuda Life Insurance Company

- Their business model is “Site & Shop”
- Material requesters who accessed the exclusive site
- Guide them into Hoken Ga Wakaru Desk, a shop-visit type shop

# Nippon Life Insurance Company – 1

- A channel mix system centered on the sales representatives
- Nissay Life Plaza (Shop-visit type shop)
- In charge of corporate insurance sales
- Call Center
- Internet
- Expand the customer touch points

# Nippon Life Insurance Company – 2

- Educational Endowment Insurance -- Cooperation of the internet and sales representatives
- Development of the occupational field market -- Cooperation of the sales representatives in charge of corporate sales and sales representatives
- Defend existing policyholders -- Cooperation of the office workers in charge of insurance administration and sales representatives



# Nippon Life Insurance Company – 3

- Develop an untapped market with the educational endowment insurance
- Open a special website in their website
- Provision of a service to reserve consultation
- People can choose either a visit by the sales representatives or coming to the Life Plaza
- The number of visitors to their website in six months was about 550,000
- About 90% of those who made a reservation for consultation was non-policyholders of Nissay

# Fukoku Mutual Life Insurance Company

- Joint offering scheme with Advance Create Co., Ltd.
- Targeted for the material requesters of Hoken Shijo on the Internet
- Provide consultations and propose their educational endowment insurance
- Lead to up-selling of death benefit

# MetLife Alico – 1

- Their website has the hub function
- Provide multiple channels for enabling consumers to buy insurance in the way they wish
- Call Center for those who demand for telephone consultation
- Sales representatives for those who wish to have a face-to-face consultation
- Facilitate the procedure for application for those who would like to complete the contract on the internet
- Guide into the contract by combining channels

# MetLife Alico – 2

- Integration of the direct marketing and face-to-face channel
- Call Center asks “Would you like to meet our staff for consultation?”
- 20% of them says “Yes, I would like to meet the staff”
- They will become prospect customers of the staff providing consultation