

INNOVATIVE DISTRIBUTION CHANNELS ACCORDING TO THREE FINANCIAL SPECIALISTS

We brought together three major figures in the Financial Industry to ask them what their views are on innovative distribution channels.

What do they agree on and where do they differ?

Introducing Jacques P.M. Kemp of ING Asia/Pacific from the Netherlands, Geraldine Kaye of GAAPS from the UK and Husamettin Dogramaci of AON Benfield from Turkey.

What innovation do you expect will impact Financial Industry greatly and the banking/ insurance sector specifically?

JK: Obviously that would be the Internet. Due to the surge in technological developments, customers increasingly want easy direct and 24/7 access to financial services, and advice only when and where they request it. Looking forward and based on the new realities in the current financial markets, I expect that most innovative efforts should focus on making things simple again. While the notion 'innovate by making things simpler' sounds paradoxical, customers, regulators and financial institutions will

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(have to) introduce products onto the market that are different from the overly complex products that generated top-line yet risky sales up to last year. In the recent down market, many people have experienced how much more risky those products are than they were believed to be when asset prices were on the rise. As the saying goes: 'when markets go up people want yield, when markets go down, people want protection.' This will stimulate a different approach to future innovation in product development.

HD: Due to the global financial turmoil, what the financial industry really needs now is to recapture the clients' confidence and reliance. For the moment, capturing confidence is a matter of time. The financial industry should be as transparent as possible. It is not the time to introduce innovation - on the contrary, it is time to be simple, pure and transparent.

How high do you rate and qualify the innovative capabilities in your country compared to the rest of the EU/continent?

JK: In ING Insurance Asia/Pacific, we operate in 13 countries and as you can imagine, each market has its own specific requirements. Many times, these are driven by different customer needs, but also by the rules of each country. From the Regional Centre, we have encouraged the local business units to find an optimum balance between innovation, efficiency and meeting local needs. We support the process with best practice sharing. If, for instance, a new product proves to be a best-seller in country A, we 'export' this product in a localised version to another market, though there is no guarantee that it will work well in another market.

GK: We are experiencing the start of a brain drain now that more candidates are moving overseas, as foreign salaries are attractive when you take the exchange rate into consideration.

HD: Having a limited idea of the extent of innovation capability abroad, I can say that it is not bad in Turkey. Being a developing country, Turkey has considerable human sources, who aim to catch up on the latest technology, especially in information technology, which is applicable to every aspect of life. These young, educated and curious people who work in production, trade, finance, advertising, press, tourism, entertainment and other sectors must be innovative in order to compete with their competitors in Europe, the US, China, and India.

How would you rate the effectiveness of the latest implemented innovative IT solutions across the financial sector?

JK: Effectiveness is high. IT has caused a tremendous improvement in the effectiveness



**Jacques P.M. Kemp -
ING Asia/Pacific**

Jacques Kemp is vice chairman of ING Asia/Pacific for Insurance and Investments. His international career has involved many positions in North and South America, Europe and Asia. He is specialised in setting up international networks and developing Emerging Market Banking and e-Business for ING.

of our business processes. Next to this improved efficiency, IT will likely increasingly become a driving force behind strategic choices. IT is shifting from a cost factor to an income-contributing factor.

A powerful example is one which almost every customer uses a couple of times a week: 'pin-payments', a tremendous facilitator that not only makes the retail customer's life easier, but also makes the life of the retailer and the bank more efficient.

HD: For years, an incredible variety in IT solutions has been introduced into the financial sector. Each year, the extent of the capabilities increases, yet - as far as I can tell - not a single company in the insurance sector is satisfied with its IT system. Every company - local or global, small or big, located in Turkey or abroad - is always in search of an ideal/utopian system, but unfortunately without success. The more complex the systems, the more problems they create. However in the banking industry, it seems IT adaptation is beyond comparison. This is obviously the result of the huge investments the banking industry has been making in IT solutions over the years.

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Geraldine Kaye – GAAPS

Following a career as an actuary, Geraldine Kaye set up GAAPS in 1992, which has become one of the largest specialist actuarial recruitment consultancies in the world. Kaye manages and advises on the placement of highly experienced senior executives seeking permanent and interim management positions.



What, in your opinion, are the key factors and challenges involved in developing a successful multichannel strategy?

JK: The main factor is at the same time also the main challenge, namely being how to reconcile the conflicting issues between the channels. During the early years of this decade we sold almost all of our products through one channel, the tied agency channel. Today a large part is sold through banks. Managing the tension between both channels was the biggest challenge but once you get it right, everybody can benefit from it.

GK: One of the most important factors is an excellent, committed staff, and one of the most important challenges is finding them! A dedicated team that works together will not only facilitate development but also boost it.

HD: Having a successful multichannel strategy means enjoying the full advantage of all channels, using them effectively and in a well-balanced manner to reach the sales targets. In addition to the conventional ways, all technological means such as the Internet and mobile phones are utilised in order to achieve targets. Interactive TV broadcasting and banks' ATMs should also be considered new ways of reaching insurance customers. Internet facility should be improved for this purpose, as Internet penetration in Turkey is almost 100%. This seems incredible, but if you take into account the fact that there are approximately 7 million households in Turkey that are eligible for insurance and there are 23 million Internet connections, it may be concluded that there is at least one person in every house that has access to the Internet.

How can traditional distribution channels networks be integrated into a multi-network model?

JK: Let me start by describing the context of the evolution of the multichannel model. Bancassurance is developing fast in Asia. The primary drivers for this rapid penetration include the insurers' desire to diversify away from costly agency distribution and the banks' interest in broadening their income base. At the same time, recent deregulation from India and China to South Korea and Japan, has significantly added momentum to the proliferation of bancassurance in Asia. The invention of the Internet did not mean the end of the TV. Similarly we believe that the increasing role of banks in the distribution of insurance products or the direct channel will not replace the tied agency model. Many customers will continue to be guided by the professional and personal advice from an agent-advisor.

The best way to manage the multi-network model is to respect the varying needs of the customers and the persons involved in the different channels. This could mean variation in product offerings, pricing and incentive programs, and sometimes different branding.

GK: I believe yet again that you have to have excellent and committed staff, which has vision and tenacity.

“The Internet is a very effective media, which provides the consumer with more opportunity to make propaganda than the producer.”

HD: I believe you can only achieve this by integrating high technology into the individual channels. The traditional distribution channels - namely agencies - should continue to use conventional ways to keep their traditional customers. At the same time, they should use high tech, to reach the growing young population.

How can insurers and banks use the Internet effectively to sell more complex products and therefore increase their revenues?

JK: Just as human interaction can hardly be replaced by computers, the advice we provide to our customers is also hard to replace. IT/Internet can, however, support this process. It can give the advisor direct access to a financial overview per customer and can make calculations for the customer regarding different products. Another opportunity could be, when you “see” (via IT data) that a customer is searching for information on a product, for you to introduce an option that he can follow-up on by discussing this with an advisor via the Internet. Experience in the Netherlands has shown that this has led to an increase in the sales of certain products. The more simple a product, the easier it is for the customer to decide directly on purchasing it online.

GK: With great difficulty - the only way this can really be achieved is by making complex products appear less complex!

How can the Internet be used to manage the customer experience and develop closer relationships with customers?

JK: It can greatly contribute to this. For instance, the Internet home page of ING in the Netherlands has over 1 million customers per day. If you use the data this generates



Husamettin Dogramaci – AON Benfield

Husamettin Dogramaci is executive director of AON Benfield and has 20 years of experience working for insurance and reinsurance companies as a financial executive. Dogramaci also has experience in banking as an internal auditor.

on the visitors' behaviour combined with relevant polls, this will provide you with insight into customer experience and needs, which can be very useful for developing customer relationships.

GK: By cloning social networking ideas. Take a look at the GAAPS Facebook page! It is essential that any webpage that allows the public to add content is closely monitored to avoid misuse and abuse.

HD: The Internet is a very effective media, which provides the consumer with more opportunity to make propaganda than the producer. Producers do this on their own page - which is considered advertising and therefore somewhat unreliable. Satisfied consumers don't share their pleasure with

the public. However, unsatisfied consumers write their bad experiences in every blog, page, e-mail address in an effort to reach more people and turn them against the company. In order to cut down on the number of unsatisfied customers and to decrease their negative effect, an interactive and transparent communication opportunity can be supplied on the company's web portal. Opening a forum section on the company's web page and encouraging customers to share their problems - and of course replying promptly - may stimulate the development of customer relations.