

## **From Adversity comes Opportunity**

### **In Darwin's 200<sup>th</sup> Anniversary it's all about Adapting to Survive**

The consequences of any downturn can be retrenching, cut backs, consolidation and redundancies, organisations become inwardly rather than externally focused.

Ironically, from where TCP sit, this downturn is having completely the opposite effect. Some organisations are galvanised by the adverse market conditions with the aim of not simply retaining but increasing market share.

A number of companies seem to be turning to the direct channel where the waters have remained largely 'untapped' since the demise of the direct sales force. Although presenting some hurdles the direct channel does present a number of opportunities, particularly around product and process innovation. By adding a direct distribution capability to their armoury life companies are able relinquish themselves of some of the constraints imposed on them when trading in the independent broker market, which requires greater conformity of product and process across life companies to enable comparisons to be made.

As there is little need or pressure in the direct channel to conform to the 'norm, the channel represents fertile ground for product and process innovation. A number of issues that currently malign our industry e.g. commoditisation of product, price wars and narrowed margins, can be addressed by going direct. Innovative products, more specifically, cover, can be tailored to meet the specific needs of our varying customer base, furthermore cover can be designed to evolve with the ever changing needs of our customers over time. Going direct allows an organisation to own the customer relationship and therefore allows it to offer services well beyond those available when merely servicing a policy in force. Who will be the first life company to offer an impaired life annuity to a client they have loaded 50% for the last 20 years? The concept of operating a customer account has been talked about by a number of organisations over the past decade, only by owning the customer relationship can this concept truly fulfill on its promises.

But going direct clearly still has its barriers, not least the capturing of customers in the first place. For household names, advertising and brand loyalty goes a long way to address this issue but what about the rest? If you're not a major brand where else does the opportunity lie?-

With the internet revolution capturing customers through other markets and affinity groups is considerably less complex than it may have been 10 years ago, however, the culture of internet trading can be very demanding. Internet users are typically looking for fast, efficient and cost effective ways of doing business but most importantly they are

looking for fulfillment, they don't want to be handed off, they don't want drawn out processes and they want a decision now.

So how can a small to medium sized life company or indeed a new entrant compete with the 'big boys' who have vast IT budgets at their disposal to spend on their internet solutions?

To start with the 'big boys' have their own challenges. A number are running on legacy mainframe platforms which are not capable of being adapted to support the innovative product designs. These platforms tend to be policy centric rather than client centric and consequently are not able to offer the level of client serving a modern platform can offer. Furthermore these solutions have been developed for 'back office' use and do not have the security infrastructure or process handling capabilities required to deploy directly to the customer on a 'Self Serve' basis over the internet. Also, with larger IT departments comes bureaucracy, whilst the business may wish to innovate they may well find themselves constrained by the rigid IT release schedules imposed on them.

So how does that help?

Because there are independent solutions in the market that already offer 'Self Serve' functionality covering new business acquisition, customer servicing, contract servicing and claims management. Solutions that fulfill the process at point of sale rather than handing off to the 'back office, solutions that allow life companies to manage the customers relationship rather than a series of policies to which the customer is associated. Solutions that are secure, highly configurable, readily deployable and do not require vast up-front expense or significant IT involvement. The reality is we all have the opportunity to compete in this ever changing market.

So what about the IFA market?

TCP see the IFA market continuing to flourish with Life Companies continuing to establish closer and closer relationships with their IFA partners. Indeed we see the influence the IFA is having on the provider becoming increasingly strong with IFAs now dictating product design. As an industry we know the UK population is significantly under insured and both the independent and direct channels have complementary roles to play to ensure this issue, of all of the issues facing our industry, is addressed.

So is the recession so bad for our industry? TCP don't think so, the downturn is forcing us all out of our comfort zones and perhaps that's no bad thing, ironically it may be those that refuse to evolve have most to fear.

**'It's the survival of the fittest' - not the fattest!**