

## Welcome to IF Consulting's weekly e-mail newsletter

June 11, 2004

Our regular email tackles the topical issues that surround all marketing channels and their underlying strategies.

This newsletter is also available as a PDF on our Website (<http://www.i-f.com/E-comLinks02.htm>) if you want to download a version for your hard copy file.

### Effective channel strategy insures the market

With so many products making up the offer, it is little wonder that the insurance market engages many different marketing channels. Although insurance is still mainly sold by agents tied to the one company (the tied agency), banks and financial advisors have emerged as competitive distributors over recent years.

The rise of banks and financial advisors will not spell the end of the tied agency. Very successful in building lasting relationships with customers, the tied agency brings the human touch to transactions that no bank, direct marketing or Internet marketing can hope to replace. However, at the same time, the landscape is changing fast and consumers are accessing the information that leads to increasing demands. To compete, insurance agents will need to differentiate their offer by providing high quality, personal service to their clients.

Financial advisors, on the other hand, offer a wide range of products from a pool of suppliers. Primarily advisory-driven, the products are really just a means to enable them to offer financial solutions tailored to their customers' needs. However, what they offer their clients still depends on the distribution arrangements they have with suppliers.

While some insurers are seeking to enhance their position through a multi-channel distribution strategy, the key to success lies in the ability of the marketing channels to deliver higher efficiency and professionalism.

<http://business-times.asia1.com.sg/story/0,4567,117104,00.html>

### IF Comment

When the western world was largely agriculturally based, our friendly insurance agent was often a well known member of the community, active in all sorts of local activities. He sold insurance (and it was he) to people he knew and maintained their custom through what was virtually a "good old boy" network. Face to face interaction was a critical part of the insurance sales mix.

After the Second World War, the banks, particularly in the United States, entered the insurance business through savings bank life insurance – usually sold by direct mail. Savings bank life insurance was a small challenge compared to today's challenges of the Internet, financial planners and bank competition. The "good old boy" network never did much work on segmenting its markets.

If tied insurance agents are going to be successful today, a major contributor to that success will be detailed and thorough market segmentation to determine the most appropriate



Marketing Channel

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channels to serve the growing number of market segments. People familiar with high tech will no doubt buy over the Internet. However, in the conservative American mid west, it's a fair bet that segmentation will show that the most effective channel is still a tied agent.

In many countries, financial planners represent the major threat. Major financial planning companies such as American Express will eventually raise financial planners' profiles and when that happens, the financial planning channel will also become a serious threat to tied insurance agents. Insurance companies that are not thorough in their segmentation and flexible in their approaches will find great difficulty in maintaining tied agents' volumes.

## Snippets

The Bush administration announced this week that it will not pursue an appeal of a court ruling that frees regional telecommunications giants from having to sell wholesale access to their networks to nationwide carriers at discount prices. The decision clears the way for the elimination of strictly regulated discounts that regional carriers created by deregulation.

<http://www.ecommercetimes.com/story/34375.html>

The Saskatoon Health Region in Canada is buying a Starbucks coffee franchise for Royal University Hospital to boost funding for patient care. Sandra Blevins, Vice President of the agency, stated, "The business case is strong for a very healthy return, which is making it worth our while. It's a brand that people are receptive to and one that's having success other places."

[http://news.yahoo.com/news?tmpl=story&u=/ap/20040609/ap\\_on\\_fe\\_st/hospital\\_starbucks\\_1](http://news.yahoo.com/news?tmpl=story&u=/ap/20040609/ap_on_fe_st/hospital_starbucks_1)

The announcement by Singaporean bakery chain BreadTalk that it has developed a new halal operation has been welcomed. However, the company may be overlooking a great opportunity to tap the local market if it sticks with its focus on exporting the Muslim-friendly food. The company clarified that the 'Muslim market' mentioned in last week's announcement referred to overseas markets, such as Indonesia and the Middle East, where BreadTalk has signed franchise agreements.

<http://business-times.asia1.com.sg/story/0,4567,119028,00.html>

## Share the Knowledge

If you have colleagues who would be interested in receiving our weekly email please forward this e-mail to them.

IF Consulting publishes "Our View", a quarterly review of topical marketing channel issues. Samples are available on our website. To receive "Our View", please return this email with your address details.

To unsubscribe, please reply with "unsubscribe" AND a copy of the email address to be removed.



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<http://www.i-f.com>