

# Developing New Wave Marketing Initiatives to Optimize Bancassurance Distribution Channel: Case Study: PT ABL

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**Keywords:** Bancassurance, Digitalization, Life Insurance, Marketing Initiatives, New Wave Marketing.

**Abstract:** Bancassurance is a business model that enables life insurance companies to sell their insurance products through their partnered banks. As part of its strategy, PT ABL has been focusing on the development of its bancassurance channel to help boost the company's market share in the domestic life insurance market. The objective of this research is to develop marketing initiatives that can help PT ABL optimize its bancassurance channel in the current digital era. Prior to developing the proposed solution, both of the external and internal environment of the business are analyzed using Kotler's anatomy of change, Porter's five forces, STP, and marketing mix 4P's frameworks. Purposive sampling method was used in this research. The primary data is obtained from interviews with internal respondents and a survey to external respondents. The survey shows that the three major factors that can positively drive the purchase decision are customer service quality, brand image, and premium price. Using both new wave marketing and marketing 4.0 concepts, the proposed marketing initiatives focus on improving customer experiences across the new customer path. To optimize its bancassurance channel, PT ABL needs to increase its brand awareness and improve its customer service quality through digitalization across its customer value chain.

## 1 INTRODUCTION

The demand for life insurance protection in Indonesia has been steadily increasing in recent years, judging from the increasing trend of the total insurance gross premiums and the insurance density. However, since the level of insurance penetration in the country is still relatively low, it represents a potential future growth. As a result, life insurance companies are developing various innovative ways in marketing their insurance products in order to increase their market penetration. One of them is through the development of bancassurance channel. Bancassurance is a business model that enables life insurance companies to sell their insurance products through their partnered bank distribution channels. According to Teunissen (2008), depending on the level of the integration between the bank and the insurance company, there could be four bancassurance models: pure distributor, strategic alliance, joint venture and financial holding company (wholly owned subsidiary).

Currently, PT ABL, as a subsidiary of one of the state-owned banks in Indonesia, is not a dominant player in the domestic life insurance market.

According to the data from the Financial Services Authority, the market share of PT ABL is below two percent of the total premium in the domestic life insurance market in 2016 (Otoritas Jasa Keuangan, 2018). In order to increase its market share, PT ABL focuses on the development of bancassurance distribution channel. This is in particular because, compared to other distribution channels, the bancassurance distribution channel has experienced significantly higher growth, as shown in figure 1. However, despite PT ABL has consistently implemented both ATL and BTL marketing to increase its brand awareness and sales, the level of penetration of its bancassurance products to the customer base of the parent company is still less than five percent, according to the research interview. Given the business condition above, the business issue to be addressed by PT ABL is how the company can optimize its bancassurance distribution channel, so that it can subsequently increase its market share. Since PT ABL is currently also adapting to the dynamics of the digital economy and is moving towards digitalization, therefore, the objective of this research is to develop new marketing initiatives that

can be implemented by PT ABL to optimize its bancassurance distribution channel in the digital era. This is needed because, in the current digital era, the customer behaviour has shifted, which according to Kotler et al. (2017), the customer path has also shifted from 4A (Aware, Attitude, Act and Act again) to 5A (Aware, Appeal, Ask, Act and Advocacy).

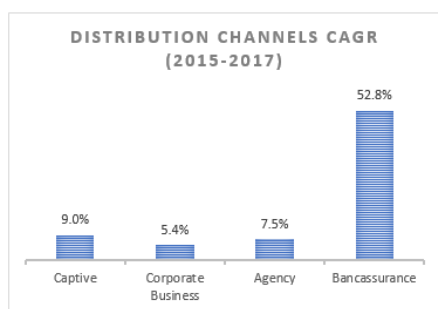


Figure 1: Compounded annual growth rate of PT ABL distribution channels 2015-2017 (source: internal report).

## 2 RESEARCH METHODOLOGY

After identifying the business issue, both external and internal environment of the business were analyzed to understand the current business situation and the challenges faced by the company. The external macroeconomic and industry environment were analyzed using Kotler's anatomy of change and Porter's five forces framework. Subsequently, STP analysis and Marketing Mix 4P's framework were used for the internal analysis. The analysis of the current business situation would be the basis for the formulation of the solutions.

In order to support the analysis, both primary and secondary data were used in this research. The primary data was obtained from survey and interviews, while the secondary data was obtained from literature, internal report, third-party survey, and other publicly available information sources. Purposive sampling method was used in this research, in which the respondents were selected for certain criteria based on the research questions (CIRT, 2018). In this research, the qualitative data was obtained by conducting interviews with internal respondents of the company who are involved in the development of the bancassurance distribution channel, in order to gain insights on the current marketing strategy and the challenges that the company may be facing. Questionnaires were also distributed to external respondents to gain insights on the customer behaviour and customer preferences when deciding to

purchase life insurance products. The target respondents of this survey are banking customers who have purchasing power and live in urban areas. It is expected that the urban population would have higher financial literacy, and thus a higher level of awareness on insurance protection. The research questions were designed to follow the new 5A customer path framework, in order to understand what drives the customers to move from one path to another.

Following the analysis, business strategy and marketing initiatives were subsequently developed. In developing the marketing initiatives, both new wave marketing and marketing 4.0 frameworks were used.

## 3 BUSINESS SITUATION ANALYSIS

### 3.1 External Analysis

#### 3.1.1 Kotler's Anatomy of Change

The dynamics of business environment are always changing. Understanding the current situation of the business environment is of importance prior to developing any business strategy. To analyse the business landscape, Kotler et al. (2008) formulated an anatomy of change framework that consists of five elements: technology, political legal, social-cultural, economy, and market. The changes in technology, political-legal, social cultural and economy will eventually affect the market dynamics, whether creating new markets and eliminating the old ones, or the emergence of new players and the disappearance of the old ones.

**Technology.** The development of digital technology has changed how people do things and has become the enabler for creating new solutions. The application of the technology can be implemented in almost every industry, including financial services. For example, the application of mobile banking and mobile payments have increased the financial inclusion, allowing a rural population to access products and services that were previously beyond their reach. While the emergence of FinTech has disrupted the banking industry (by changing the nature of lending and payment practices), it will not be surprising that the emergence of InsurTech can also disrupt the insurance industry (by reinventing the way how insurance is offered and bought). However, the insurance company can also leverage on the development of the technology, such as data analytics

to improve the business value-chain processes. This will require a robust digital ecosystem, not only a user-friendly digital interface but also a reliable back-end infrastructure.

**Politico-Legal.** Since 2013, the role of insurance industry regulator in Indonesia has been assumed by Financial Services Authority (OJK). In October 2014, the new insurance law replaced the previous insurance law. This regulatory change has affected the business landscape of insurance industry in Indonesia, where M&A and consolidation activities are expected to continue as a result of the changes in regulation, such as the new single presence policy, the new capital requirement of life insurance companies, as well as the new rule for foreign ownership of any joint-venture insurance companies. The ASEAN Economic Community, launched in 2015, also represents a major opportunity for global multinational insurance companies to enter the domestic insurance market, which could lead to tighter competition in the domestic market. In addition, OJK is continuously committed to developing the financial service sector, by developing programs to increase the financial literacy and financial inclusion in the country. OJK has set the target to increase the financial literacy to 35 percent and financial inclusion to 75 percent by 2019. This would represent micro-insurance opportunities, since there are still a big percentage of the population who do not have access to financial services.

**Economy.** The data from Central of Statistical Bureau of Indonesia has shown that the economic growth of the country has been recovering since the economic downturn in 2014/2015 (Badan Pusat Statistik, 2018). However, despite the increasing economic growth, it is also imperative to note that the increasing inflation rate and the recent weakening of Indonesian rupiah towards US dollars may also have a negative impact on the purchasing power of the households. In a society where price is sensitive and it could be a determinant in making the purchase-decision, life insurance companies will need to be more cautious and be more innovative with their offerings in order to develop products that are attractive and affordable to the target customers.

**Socio-Cultural.** As mentioned earlier, the development of digital technology has changed how people live, work, and do things. It changes how people communicate and interact with others. Over time, it will also change the lifestyle of the society. Kotler et al. (2017) identify that the digital revolution has triggered the emergence of three new subcultures: youth, women, and netizens. Managing these three influential subcultures will be essential for a company

in order to be competitive in the era of connectivity. The company should leverage on utilizing the digital technology to “make friends” or collaborate with these subcultures.

**Market.** Life insurance market in Indonesia still offers an opportunity for future growth due to its low level of insurance penetration. As mentioned earlier, the country also represents big micro-insurance opportunities. However, it is imperative to note that the changes in the previous factors (technology, politico-legal, economy, socio-culture) could also shift the market. Therefore, the company will need to be able to sense any changes that may occur, for example changes in customer behaviour. Realizing the changes after the market has actually shifted would mean that the company will play a “catching-up” game in the market.

### 3.1.2 Porter’s Five Forces

Table 1 below shows the summary of the analysis of the life insurance industry in Indonesia using Porter’s five forces framework. The analysis shows that despite having potential future growth, the life insurance industry may not appear to be attractive for new players who do not possess superior resources to enter the industry. On the other hand, the incumbents who aim to grow and penetrate the market further will have to leverage on the weak forces and anticipate the strong forces.

Table 1: Porter’s five forces analysis.

Five Forces	Score	Rationale
Threat of new entrants	Low to Medium	Highly regulated industry Increased capital requirement (IDR 100b) Local partnership requirement (20/80) Strong incumbents
Bargaining power of suppliers	Medium to High	Limited number of re-insurance companies Several alternatives of custodian banks
Bargaining power of buyers	High	Many life insurance providers Price sensitive market, low switching cost Some corporate customers
Threat of substitute products	High	Many investment alternatives BPJS Kesehatan Low switching cost
Rivalry among existing competitors	High	Many life insurance providers Potential growth due to low level of penetration Strong incumbents High exit barrier

**Threat of New Entrants.** Life insurance business is highly regulated by the government in order to protect the customers and make the business environment healthy. While groups with big capital, expertise, and strong brand image may not have a significant barrier to enter the industry, the smaller groups will certainly face some restrictions. Thus, the threat of new entrants for life insurance industry can be considered low to medium.

**Bargaining Power of Suppliers.** Bargaining power of suppliers would normally be high when the

numbers of suppliers are relatively small compared to the numbers of players in the industry. In life insurance industry, the suppliers are reinsurance companies and custodian banks. The number of reinsurance companies in Indonesia is still limited. According to the data from OJK, there are only six reinsurance companies in Indonesia in 2016 (Otoritas Jasa Keuangan, 2016). Thus, life insurance companies will have limited options of reinsurers and will highly be dependent on few reliable reinsurers. On the other hand, there are several alternatives for custodian banks in Indonesia. That means life insurance companies can select any custodian banks that offer lower cost, more benefits, and better services. Therefore, depending on which supplier, the bargaining power of suppliers in life insurance industry can be medium to high.

**Bargaining Power of Buyers.** The bargaining power of buyer can be influenced by several factors such as number of customers, switching cost, availability of products or services, and price sensitivity. While Indonesia has a large population, it does not necessarily mean that the bargaining power of insurance buyers must be low. According to the data from OJK, there are about 55 life insurance companies in the domestic market (Otoritas Jasa Keuangan, 2016). This means that there are many alternatives for the customers to choose where they want to get their insurance protection from. The customers in Indonesia are also price sensitive, in a way that they will prefer insurance companies who can offer affordable premium while still delivering acceptable services that meet their needs. The switching cost for the customer is also low. Customers can easily change their insurance providers to any providers that can meet their needs and requirements. It is also not uncommon for Indonesian customers to own more than one insurance protection. As a result, the customers still have strong bargaining power, especially those corporate customers who seek for a group insurance provider for their employees.

**Threat of Substitute Products.** Nowadays, insurance is sold either as a protection, investment or a combination of both. When insurance is sold as investment, there are many alternatives of substitute products, such as bank deposits, bonds, stocks, mutual funds, indexes, forex, or other derivative products. In fact, when insurance is linked to investment products, the insurance funds are usually invested to one or more of those investment products. Therefore, it is not surprising if a direct investment to those investment products would offer a more attractive price to performance trade-off. This direct

investment will be more attractive for those customers who are seeking for higher return of investment and are more familiar with the investment in the capital market. As a protection, the national insurance protection schemes (BPJS) have become an option for those customers looking for more affordable protection. With low switching cost, it means that the threat of substitute products for life insurance protection is quite high.

**Rivalry among Existing Competitors.** The level of rivalry among existing competitors can be analysed by looking at the numbers of the players in the industry, the status or the size of the incumbents, the exit barrier, or even the industry growth. Since there are many life insurance companies in Indonesia and Indonesian are price sensitive, the life insurance companies will have to be able to differentiate themselves, either by being innovative in the product development and offering, widening distribution channels, or delivering superior services compared to those of the competitors. Major incumbents often possess superior brand image and reputation, wider distribution channels, and enough capital to make further investments. And considering the potential future growth of the insurance industry in Indonesia, these big incumbents are still committed to make investments that they believe can help them penetrate the market further. This makes the exit barrier for the incumbents high, in addition to the amount of obligation that they have to pay if they wish to quit. Combination of these factors makes the level of competition in life insurance industries is considerably high.

## 3.2 Internal Analysis

### 3.2.1 STP Analysis

STP (Segmentation, Targeting, Positioning) is a strategic process in modern marketing. It helps the company explore and map the market, so that it can design and develop an appropriate strategy according to the selected target market. This is imperative because of the fact that companies cannot serve all customers, and the customers may have different needs and may also behave and value the products or services differently. Segmentation is a process of dividing the market into distinct groups of customers which could be based on geographic, demographic, psychographic or behavioural, while targeting is a process of selecting market segments that the company is going to serve. PT ABL target segments for bancassurance products are the customers of its parent company across Indonesia, who are in their

productive years needing either insurance protection or investment solution. The development of each product is therefore in accordance to each target market. For example, it develops micro-insurance product for the micro-consumers, a unit-link product for retail customers needs both investment and insurance protection, or health insurance for retail customers who only need health insurance protection. PT ABL aims to position itself as trusted future protection, which is in line with its vision to be a leading and trusted life insurance company.

### 3.2.2 Marketing Mix 4P's Analysis

Marketing mix is a set of tactical tools used in marketing the product. The purpose of the marketing mix is to engage the target customers and deliver the proposed customer value. Marketing mix 4P's consists of four elements: product, price, promotion, and place. In terms of product, PT ABL currently offers three bancassurance products, which include health-insurance, unit link, and micro-insurance products. In term of price, the amount of premium of each bancassurance products will vary, depending on which plans or riders are chosen by the customers. According to the interview with internal respondent, the premium of PT ABL bancassurance products is competitively lower than those of the competitors. For the promotion, PT ABL does both above the line and below the line marketing communication to increase its brand awareness and sales. For its distribution channel, PT ABL has a wide distribution network, especially since the distribution of its bancassurance products is through the parent company's branches and sub-branches. To fill the assignments in those branches, PT ABL also continuously recruits the required sales forces. PT ABL currently has over 1,300 bancassurance sales forces to cover its bancassurance distributions across the country.

### 3.3 SWOT Analysis

Based on the external and internal business situation analysis, the SWOT analysis of PTB ABL is developed to determine the strengths, weaknesses, opportunities, and threats of the company. The internal insights from the interviews with internal respondents, as well as the internal data obtained during the research, are in particular used to identify the strengths and the weaknesses of PT ABL. While the analysis of macroeconomic and life insurance industry is used as the basis in identifying the

opportunity and threats. The SWOT analysis of PT ABL is summarized as follows:

- Strengths: long experience with credit life insurance and insurance product development and wide distribution networks.
- Weaknesses: brand image is not yet strong, IT system is not yet integrated, service delivery is not yet optimum.
- Opportunities: large customer base of the parent company, low level of life insurance penetration in the country, micro-insurance opportunities.
- Threats: AEC (foreign investments), price sensitive market or weakening purchasing power, national health insurance scheme (BPJS), and the emergence of InsurTech.

## 4 RESULTS AND DISCUSSION

As mentioned earlier, the survey questions were designed to follow the new 5A customer path (Aware, Appeal, Ask, Act and Advocate), in order to understand what drives the customers to move from one path to another. Table 2 shows the descriptive analysis of the survey data, presenting the mean value of each variable, which will be used for the analysis of each customer path.

**Aware.** The first step in the customer path is aware. This could be in the form of level of awareness to have insurance protection and the level of awareness of the brand itself. Based on the primary survey data, when asked about the importance of owning insurance protection, most respondents agree that it is important to have insurance protection (mean score value=4.0). This implies that the urban population already have a high level of awareness on insurance protection. For the level of brand awareness, according to the interview with internal respondent, PT ABL had conducted the survey in eight major cities in Indonesia through a consultancy agency. The data from the survey shows that the level of brand awareness of PT ABL is close to 90 percent. However, it is still behind the level of brand awareness of the market leader which is around 97 percent.

**Appeal.** The next path after being aware is appeal. As shown in figure 2, the primary survey data shows that most respondents obtain information about insurance from direct contacts, such as friends or families and insurance agents, or through bank representatives and telemarketers who approach them. Only four percent of the respondents mentioned that they obtain information on insurance products from internet or social media. Very few respondents

Table 2: Descriptive analysis of the survey variables (source: survey data).

Customer Path	Variables	Statements	Mean	Std. Deviation	N	
AWARE	Insurance need	Owning an insurance protection is important	4.00	0.977	241	
		Attractive advertisement can lure me to seek for further information about an insurance product	3.47	1.013	241	
ASPEAL	Ads to drive appeal	Before purchasing an insurance policy, I always look for more information about the insurance product	4.29	0.847	241	
		Before purchasing an insurance policy, I always ask for recommendation from friends or families	3.98	0.931	241	
ACT	Recommendation factor	I will purchase an insurance policy if I get a strong recommendation from friend or families	3.88	1.013	241	
		I will purchase an insurance policy from a company who has a good reputation or brand image	4.34	0.816	241	
	Brand image factor	Affordable premium price is a determinant factor for me before I purchase an insurance policy	4.30	0.823	241	
		When offered with insurance product, I prefer personal or direct approach (face to face)	3.77	1.005	241	
	Personal approach factor	I prefer insurance product that can be personalized or customized according to my needs	4.16	0.866	241	
		I prefer insurance product with a wide range of payment options	4.29	0.847	241	
	Payment options factor	I prefer an insurance provider whose administration processes can be completed on-line	3.83	0.910	241	
		I prefer an insurance provider who has mobile app facility	3.88	0.940	241	
	Mobile app factor	Additional or direct bonus can influence my decision in selecting an insurance product	3.19	0.182	241	
		Endorsement from public figures can influence my decision in selecting an insurance product	2.48	1.118	241	
	Influencer factor	I prefer an insurance provider who has good reputation for its customer service	4.39	0.763	241	
		I am satisfied with the service of my current insurance provider	3.56	0.789	241	
	ADVOCACY	Satisfaction level	I will not hesitate to recommend my current insurance provider to others	3.44	0.840	241
			Advocacy level			

gain information from traditional media, such as TV, radio, and billboards.

It appears that the current life insurance advertisements are not attractive enough to lure the target customers to pay attention for the information. However, the survey data also shows that attractive advertisements could still arguably drive the customers to look for further information about the life insurance product (mean score value=3.47). Therefore, the challenge for life insurance companies is to find innovative ways (style) to deliver their messages, so that it can attract the attention of the target customers. When the attention is obtained, the message must also contain valuable offering or solution (substance) for the customers. Only when the style meets substance, the target customers may be lured.

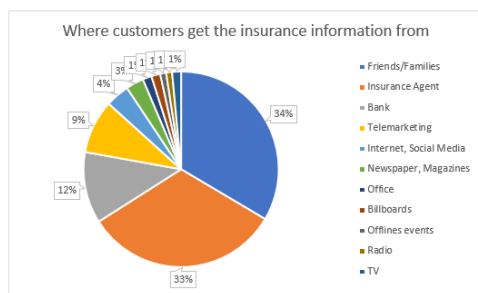


Figure 2: The sources of information of insurance products (source: survey data).

**Ask.** After being attracted to a certain life insurance product, customers often seek for further information and recommendation. This is expected because there are many considerations that the customers need to weigh prior to making the purchase

decision. This is supported by the survey data that shows that majority of the respondents agree that they always look for further information before making a purchase decision on insurance products (mean score value=4.29). Most respondents also agree that they seek for recommendation from friend and families about the insurance products in question (mean score value=3.98).

**Act.** The survey also asks the respondents on several factors that can affect their purchase decision when choosing a life insurance product. The survey results on the variables that could affect customers purchase decision is shown in figure 3.

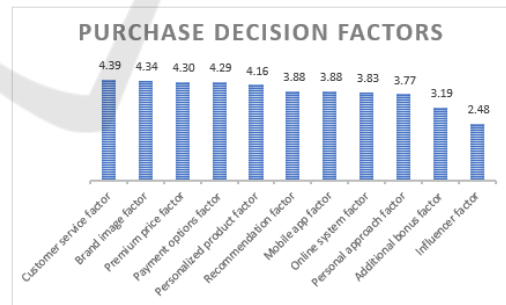


Figure 3: Survey results on purchase decision factors (source: survey data).

According to the survey data, the top three determinants that can positively affect customers purchase decision are as follows:

- Customer service quality (mean score value = 4.39). The majority of the respondents prefer life insurance provider that owns a reputation of having good customer services. This would be the challenge that needs to be addressed by PT

ABL as one of the weaknesses of the company is the customer service delivery that is still not optimum.

- Brand image or the reputation of the life insurance company (mean score value=4.34). This means that PT ABL will have to improve its brand image in order to be more competitive in the life insurance market.
- Premium Price (mean value=4.30). In the market where price is sensitive, premium price becomes one of the major purchase decision factors. Majority of the respondents prefer buying a life insurance policy from a life insurance provider that can offer affordable premium price. This could be a challenge that needs to be addressed by life insurance providers, because while the customers are demanding an affordable premium price, they also expect to have superior service quality.

Following those three major purchase-decision factors, the respondents also prefer life insurance providers that can offer a wide range of premium payment options (mean score value=4.29) and a customized or a more personalized insurance product (mean score value=4.16). Recommendation from friends and families can also influence the purchase decision (mean score value=3.88). In addition, the data also show that the respondents appreciate life insurance provider that has an online system (mean score value=3.83) or mobile applications (mean score value=3.88), as these facilities would make the whole administrative processes easier, more convenient, and faster to complete.

However, unlike in other industries, the endorsement or opinion from public figures and influencers would not influence much the customers purchase decision on insurance products (mean score value=2.48). Additionally, those incentives or additional bonuses that are expected to attract the potential customers are actually not affecting much of the customers purchase decision (mean score value=3.19).

**Advocate.** When asked whether the respondents are satisfied with the current life insurance providers, they are arguably in a neutral position (mean score value=3.56 on satisfaction level). As a result, they are not in a strong position to recommend their life insurance provider to others either (mean score value=3.44 on advocacy level). This represents a homework for life insurance companies that, in order to increase the level of advocacy, they must first ensure a high level of customer satisfaction. And to achieve that, they must first deliver superior service quality.

## 5 BUSINESS SOLUTION FORMULATION

### 5.1 Business Strategy Formulation

Business strategy aims to gain and sustain competitive advantage, which is a company's performance relative to the competitors. This means, in developing the business strategy, a company needs to compare its performance to the performance of other companies in the same industry. Competitive map can be used to measure the position of the company relative to the competitors in the industry. Figure 4 shows the competitive map of some life insurance companies in Indonesia based on their market share and growth in 2016.

The data shows that PT ABL is considered having high growth but low market share, while the top life insurance companies have both high growth and high market share. This implies that, with current growth, it might be difficult for PT ABL to "catch-up" with the top players, because the business of top life insurance companies is still continuously growing as well. Therefore, in order to increase its market share, PT ABL will need to take different approach to penetrate the insurance market further and boost a significant growth. This can be achieved if PT ABL has certain uniqueness that can increase the value creation for the customers and differentiate the company from its competitors. Based on the interview with internal respondent, the current offering of bancassurance products of PT ABL is differentiated by offering a more competitive premium pricing or lower acquisition cost. However, it is still not enough to increase PT ABL market share. The data from the survey shows that the customer quality and brand image are the two major factors that could drive customer purchase decision, and PT ABL still lacks on these two factors.



Figure 4: Competitive map of life insurance companies in Indonesia in 2016 (source: OJK data).

In order to create unique differentiation, PT ABL can focus and leverage on its strengths, which is as a company who has long experience on life insurance products and wide distribution networks, and also as a subsidiary of the largest micro financing provider. The parent company of PT ABL is known for having a solid digital infrastructure to support its operation and coverage in remote areas. Since the bancassurance products of PT ABL are being distributed through its parent company's channels, this represents an opportunity for PT ABL to integrate with the digital infrastructure of the parent company digital eco system and penetrate the micro-insurance market. With these resources and capabilities, PT ABL has the potential to pursue a differentiation strategy to become the largest digital micro-insurance provider, that is to become an insurance provider that can deliver seamless digital customer experiences across its customer value chain and have extended network coverage across the country to reach those who are not yet tapped by insurance protection.

## 5.2 New Wave Marketing Approach

According to Kotler et al. (2017), *“the business landscape has shifted to become inclusive, horizontal, and social”*. As a result, the company should no longer consider customers as a king, rather they should be viewed as a friend, who demand more participation, more collaboration and more human-centric approach. This leads to the birth of new wave marketing, a concept developed by Markplus Inc., which shifts the nine core elements of legacy marketing to the 12C's of new wave marketing as shown in figure 5. This approach will be used as it fits to address the shifts occurring the current digital economy.

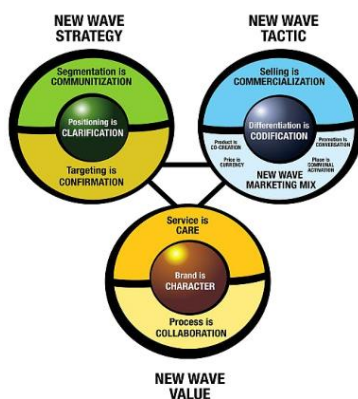


Figure 5: The 12C's of new wave marketing (source: Kotler et al., 2017).

**Communitization.** In legacy marketing, companies group their target customers through segmentation. In the era of connectivity, the customers are viewed as social beings who live in certain communities. Consequently, in developing the bancassurance distribution channel, PT ABL can partner and synergize with its parent company to develop their communitization strategy to engage the existing communities or build a new community. This is inevitable because competitors are also approaching local communities as an entry point to build brand awareness.

**Confirmation.** In legacy marketing, following the segmentation, companies will choose the target segment that they consider the most profitable, based on the market size, market growth, and competitive condition. In digital era, customers no longer want to be considered as passive recipients. If a company continues with the legacy marketing communication approach, not only the customers may not pay attention to the messages the company tries to convey, but they may even consider the company's attempt to reach them as spam. Therefore, after exploring the communities that PT ABL wants to engage, PT ABL will need to first gain permission, to ensure that the community is willing to accept and communicate with the company. Once the communities accept the invitation, they become "confirmed" communities. PT ABL will then be able to engage further with the members of the communities to participate in certain program or activities.

**Clarification.** Positioning has also shifted to clarification. In the legacy era, company attempts to win the mind of the customers through frequent communication of their value proposition or positioning statement to the customers. However, it does not necessarily work anymore in the current digital era. This is because customers can now easily access any information. They can easily clarify the value proposition that the company offers with their peers in the community. Kotler et al. (2017) suggested that the approach that can be utilized in the clarification process is by creating content that has been adjusted according to the customer needs, in a way that the content may not be directly related to the products or services being offered, but it should provide real values to the customers instead. For example, PT ABL can create content such as tips on how to live a healthy lifestyle, information on certain illness, or even tutorial on personal financial planning. This is because the main difference between positioning and clarification is, while positioning is about the service being offered,



clarification is all about the customer, how the information can become useful for the customers. When customers perceived the information is useful, or when the service is exceeding their expectation, they may voluntarily share the information and their perception to their community. When communication among the customers occurs, the community consensus or clarification could be achieved.

**Codification.** In legacy era, value proposition is delivered through differentiation. Without differentiation, it could result in over-promise or under-delivery of the offerings. In the digital era, differentiation has shifted to codification. Codification refers to a uniqueness, an authenticity of a brand that cannot be easily imitated by the competitors. Thus, in order to achieve a unique differentiation, PT ABL can focus on its strength. From the SWOT analysis, one of PT ABL strengths lies on its wide distribution network. PT ABL can therefore leverage this internal competitiveness with the network and infrastructure that the parent company has. As the largest micro-financing provider and the bank that has largest coverage to remote areas in the country, the parent company of PT ABL has successfully integrated the technology and human approach. Therefore, by integrating with the parent company digital ecosystem and leveraging on its extended network coverage, PT ABL can establish a uniqueness that cannot be easily imitated by the competitors.

**Co-creation.** The product development process has shifted from company-centric to customer-centric. The development of internet platform has allowed the company to become more collaborative with their customers, allowing the customers to get involved in the product development process. This is called co-creation. In co-creation, the company would act more like a facilitator. By developing a platform, PT ABL can interact and communicate actively with customers or communities. The objective is to capture ideas and insights directly from the customers, so that the products or services developed can be more personalized or customized according to customer needs and wants. Co-creation will not only help PT ABL make the product development process more effective, but also help the products or services become more acceptable when they are commercially launched to the market.

**Currency.** Kotler et al. (2017) argued price has become currency, where the advancement of technology has enabled price customization by the customers, in a way that the customers can determine the price they are willing to pay based on the services they need. Currently, PT ABL already offers

premium price flexibility depending on the type of bancassurance products and the plans or the riders the customers opt to have in their insurance plan. As development of additional bancassurance products and digital platform is inevitable in the future, PT ABL certainly needs to make this flexible and transparent customization of premium pricing available in their digital platform. This would be convenient for the customers and make the process of customer acquisition easier and faster. The use of data analytic will also allow advanced flexible pricing in the future, in a way that the premium price could be tailored based on the customer historical data.

**Communal Activation.** Kotler et al. (2017) also argued that not only the company needs to get the right mix of online-offline distribution channels, once the company identified the confirmed communities, they also need to be able to activate those communities, by creating a platform where the community members can interact and share opinion with each other. Engaging the communities will not only help PT ABL increase its brand awareness, but it can also act as another distribution channel through word-of-mouth.

**Conversation.** In legacy era, company sends a one-way message to the target customers through promotion. However, as the data from the survey has previously shown, this is not always the most effective way to convey the message to the target customers. In the era of connectivity, it is now easy for the customers to gain information and to get validation from others. This communication between customers creates conversation. This conversation can be positive and negative. Positive conversation can definitely have a positive impact to the brand, and vice versa. Since conversation is more effective than promotion, PT ABL will need to create marketing contents that could trigger conversation, in addition to ensuring the delivery of beyond expectation services. This could drive the satisfying customer to share the positive experiences with others. This would trigger conversation. PT ABL can facilitate this conversation through its website, social media, or digital platform.

**Commercialization.** Kotler et al. (2017) define commercialization as utilization of social networks for new customer acquisition and old customer retention. This can be done by utilizing both internal and external networks. Internally, PT ABL can leverage on its parent company extensive networks to commercialize its products. One example is to create a synergy with the parent company in developing a bundled product or an insurance solution. In addition, PT ABL can also facilitate its bancassurance sales forces to bond with the employees of the parent

company. Once a good bonding is established, the employees of the parent company may be able to provide a lead for potential customers. Externally, PT ABL can also leverage on the customer community networks, for example by developing a “customer-get-customer” program.

**Character.** Brand is a value indicator, because a strong brand is an asset that can deliver values to both the customers and the company. However, branding merely with physicalities such as name, symbol, packaging, or building is no longer enough. Brand must also have a character. Instead of being an institution, a brand must become more “human”, because customers now only trust human, their friends and families. Therefore, PT ABL must become “human”, in a way that it must own human characters of a trusted friend for the customers. PT ABL, and its whole employees, must embrace and apply their own corporate values, such as integrity, professional, and customer satisfaction, in their daily activities. They need to establish a personal relationship with their customers, to ensure that the interaction with the customers is not only transactional basis.

**Care.** In the current era, relying only on Standard Operating Procedures (SOP) in delivering the services is no longer sufficient. The company must also show genuine concerns and efforts to the customers. Because when the customers see that the company is indeed showing a genuine care to their needs and anxieties, and able to provide a true solution to them, they may not only be willing to recommend, but also advocate the brand. This would only happen if PT ABL can deliver outstanding service quality in all customer touch points, by integrating seamlessly between the technology and the human touch.

**Collaboration.** In legacy era, process plays an important factor in creating and delivering value to the customers. The whole processes in the value chain are normally controlled by the company, and the success of the process is often measured by quality, cost, and delivery. With the advancement of digital technology, the company can now conveniently manage and improve the processes by developing collaboration with other parties in the value chain process. This collaboration can be done with both internal or external parties. In the development of bancassurance channel, for example, PT ABL can collaborate with its parent company to develop seamlessly integrated system. PT ABL can also collaborate with external parties, such as hospital networks or health providers, to ensure they can deliver differentiated values to their customers.

### 5.3 Marketing Initiatives using Marketing 4.0 Framework

By understanding the new customer path, the company can align its resources and implement the appropriate tactics accordingly. Kotler et al. (2017) argued that company could do few interventions across the customer path to “create Attraction, trigger Curiosity, secure Commitment, and build Affinity (ACCA)”. The proposed marketing initiatives is developed using this framework.

**Creating Attraction.** Making the potential customers aware of the brand only is not sufficient. The brand also needs to be appealing to the potential customers. Otherwise, the potential customers may only know about the brand, but may not move forward to the next step in the customer path. The customer is aware but not appealing to the brand. If this happens, it means that the brand has not created enough attraction. This often results from poor positioning or poor marketing communication. The survey data also shows that there is a need to improve the current marketing communication so that it can be more appealing to the customers. The following are some proposed marketing initiatives to increase the brand attraction:

- PT ABL can aim to develop a brand image as the largest trusted digital micro-insurance service provider, who is socially responsible in contributing to the financial inclusion development in the country. This is because the customers are now more appealed to brands that possess human-centric values. For example, the parent company of PT ABL has a strong brand image as the largest micro-financing bank who helps to develop the country by assisting micro and small businesses, even in some remote areas in the country. Thus, as its subsidiary, PT ABL can definitely follow its footsteps to become the largest micro-insurance provider in the country, who can reach those who are previously not tapped by insurance protection.
- Improve the marketing communication, by optimizing the use of internet and social media to raise brand awareness. The available social media accounts need to be more utilized to establish valuable interaction with the customers. Instead of only delivering one-way product information contents, the social media can also be used to provide useful information for customer daily lives. The aim is to increase brand awareness by being sociable brand.
- Participate or sponsor in local community events, such as seminar, education, sports,

social event, customer gathering, or other events. The aim is not only to increase the brand awareness, but also to humanly interact with the communities for social listening.

- Improve the website display and develop a simple, attractive, friendly user interface for digital platform. The aim is to make customer experience when accessing the company's website or application seamless and easy.
- PT ABL can also create a fun and catchy mascot or jingle for the brand. The objective is to develop a quick and easy brand association in customer's mind.

**Triggering Curiosity.** If customers are appealing to the brand but there is low conversion rate from Appeal to Ask, it would mean that the brand is not able to create enough conversation. The conversation can be created when there is curiosity. When people are curious, they will ask around. Kotler et al. (2017) argued that one way to trigger curiosity is through content marketing approach, which is a process of developing and distributing a marketing content that is relevant for the customers. Thus, the key point in creating a conversation lies on content marketing creation and its distribution. Some proposed marketing initiatives to trigger more conversation are as follows:

- Create conversation among the customers or communities through content marketing. The content of the marketing communication done by PT ABL must be relevant to the customers. When the customers are able to see the relevance between the content and themselves, or when they think that the content is of values and worth sharing, they will be willingly sharing the content with their friends or families. Conversation among them will then be created.
- Amplify the content conversation through proper distribution channel and communities. In addition to distributing their marketing content through social media or traditional public spaces, PT ABL can also place their content in cinemas or local community events. Engaging and involving local communities is another way to trigger and amplify the conversation.
- Create a content creation competition where both customers and non-customers in communities can create and share their contents based on a certain theme. If given a theme that is of values and relevant to the customers, they will be willing to put their creative ideas to join such competition. If successful, this competition could create a strong conversation among the communities.

**Securing Commitment.** The next step in the customer path is Act. This is a point where the customers actually buy the product. This is where the marketing mix 4P's could be a deciding factor. The product or service must be of good quality, the price must be reasonable and affordable, the promotion and the sales forces must be convincing, and the product must be available when the customers need it. Channel management becomes important to ensure the availability of the product or service. The human capital across customer touch points is also critical to delivering excellent customer experiences. The survey data shows that the top purchase-decision factor is customer service quality, followed by the brand image. The following are some proposed marketing initiatives to secure the commitment of the customers:

- Ensure seamless integration between offline and online channels. The aim is to create seamless customer experiences. Both channels must be complementing each other.
- Ensure seamless integration with parent company digital ecosystem. This is to ensure that the bancassurance products or services can be made available through the parent company digital platform and all the processes can be completed seamlessly.
- Optimize channel experiences using data analytic. Data analytics would enable the company to get deeper insights and improve the processes across the customer value chain.
- Develop a sales force management program for both PT ABL and parent company sales forces. It is equally important also to ensure the employees of the parent company understand that it will be beneficial for both companies if the bancassurance channel is growing. Some additional incentives program could also be made for parent company employees who help to provide a lead for bancassurance customers.

**Building Affinity.** After securing the commitment of the customer, the next objective is to increase brand advocacy. According to the survey, most respondents are not strongly willing to recommend their current insurance provider to others. This is arguable because their customer satisfaction level is not spectacular either. Thus, to increase the customer advocacy level, the company must first deliver superior customer services. Some proposed marketing initiatives to build affinity with the customers are as follows:

- Improve service quality through digitalization across customer touch points to increase customer satisfaction level. With digitalization,

PT ABL can develop self-service experiences, make the administrative processes fast and easy, or enable virtual customer service or chat bots to provide real time assistance to the customer as needed.

- Develop customer service training program for human capitals working at various customer touch points. Automation through self-service is great. However, it must still be combined with a human touch. Excellent digital ecosystem can be jeopardized if the customers are handled poorly by the personnel at touch points. On the other hand, exceptional human interaction can also make the difference and amplify the customer satisfaction.
- Develop customer engagement program to build close relationship with the customers. In the service industry, good relationship with the customers needs to be maintained so that the customer satisfaction can also be managed. The relationship with the customers cannot be transactional only. The objective is to facilitate the bancassurance sales forces to become trusted friends for their respective customers
- Develop a customer-get-customer program to encourage word-of-mouth recommendation. However, the main homework still lies on getting very high customer satisfaction level. Any incentive programs will not work when the service quality is still poor, because no customers would want to jeopardize their reputation by providing unreliable recommendation.

## 6 CONCLUSIONS

The business issue in this research is for PT ABL to increase the market share of the company by optimizing the bancassurance distribution channel. A survey done by a consultancy agency shows that the brand awareness of PT ABL is still behind the leading life insurance companies, and the primary survey data shows that the top three factors that could drive the customer's purchase decision are the customer service quality, the brand image, and the premium price. Therefore, to optimize its bancassurance distribution channel, PT ABL needs to increase its brand awareness and improves its customer service quality across its customer value chain. This can be achieved by enhancing its marketing communication initiatives and its customer service quality. This is because brand image cannot be separated from customer service quality, and a superior customer

service quality can also positively increase the brand image of the company.

Since PT ABL is moving towards digitalization, the proposed marketing initiatives are developed using the new wave marketing and marketing 4.0 frameworks and are focusing to enhance the customer experiences across its customer path through digitalization by integrating both offline and online channels. The customer experiences, and thus customer satisfaction, can be improved by leveraging on the digitalization to increase the productivity and applying the human-centric approach to establish the customer engagement.

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