Is a hybrid distribution business model right for your organization?

Dec 21, By Jon Mayo

In the first part of our four-part overview of the current state of the insurance industry, we focused on what customers want, which is to feel cared for and part of the process. However, that is not the only changing element of the insurance industry and certainly not the only one that impacts the bottom line of an insurance company.

In addition to the impact of customer demands, the distribution model a company selects dictates how business is conducted and how customers interact with the organization. Today, insurance companies are faced with a few options for distribution models: traditional legacy with infield representatives; on-demand models that go directly to consumers; or a hybrid of these two models. So how do you determine which model is right for you?

**Legacy:** Many traditional insurance companies operate under this model. There is a corporate office, but local agents for the company interact with customers each day. This model is beneficial for local service and for acting as an intermediary when a claim is filed. Overall, the customer service element of legacy distribution is beneficial for the long term connection with customers. At the same time, legacy distribution does not provide customers with the on-demand care capabilities they are looking for, such as apps or online portals that enable customers to control their own experience. It can also cause siloed pockets of information about customers and can reduce cross-sharing of best practices.

**Direct to customer:** In direct contrast to legacy distribution, direct-to-customer options focus exclusively on letting customers control the experience. Customers can go directly online and determine the level of protection they would like, refine their price parameters, and dictate the entire process based on their needs. While this is great because it satisfies the growing number of people, particularly younger consumers, who want to control their experience, it takes away an opportunity to provide exceptional customer service. With this model, the customer no longer has a dedicated customer care representative that focuses on getting the best product or who can navigate the claims process.

**Hybrid model:** Intuitively, this model combines the first two options. With hybrid models, for example, customers can dictate their own level of protection but then also have a representative to help navigate the process should a claim be filed or have coverage questions. This process helps bridge the gap between the two models, but also requires more complexity than either of them. To move toward a hybrid model, both other models will require implementation of new capabilities. To be specific, direct to customer models will require dedicated representatives to manage accounts while legacy models will have to implement digital offerings and determine how to assign representatives and the required integration between the legacy agency management.

It doesn’t matter which path is taken, but insurance organizations must better understand what their customers want and what their providers demand so they can continue to adapt to meet those needs. Regardless of distribution model, customers are continuously requesting on-demand services including
mobile apps and portals that allow them real-time access to their information. Without these offerings, companies risk losing customers and agents to competitors that understand these demands.

This is the second in a series of articles from Jon Mayo of NIIT Technologies about how to utilize data in the insurance industry to decrease customer churn, increase revenues, and lower cost. In coming articles, he will analyze how data is impacting business models, how to upgrade data warehouses to be more effective, and how to fully leverage data efficiently to drive business outcomes.