

## Digital commerce - new fuel to drive growth

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### Key takeaways:

- *Given the changing face of the consumer, digital commerce is the new frontier*
- *Businesses must unlearn conventional thinking and reinterpret customer value proposition and product solutions to succeed in this new world*
- *Hiring (in-sourcing) contemporary digital marketing and digital technology talent is necessary to ensure agility*
- *Digital is a great leveller and not a preserve of traditional giants.*

As the world shrinks to the size of our screens, we are undergoing a massive digital revolution. From ordering a pizza to e-learning, online workouts to business calls; exposure to **convenience and personalisation at the back of technology and digitalisation** has increased exponentially. With evolving consumer desire, associated **products/services are available, just a click away**. It is no different for the insurance sector where digital platforms have gone through evolution and **transitioned from being 'discovery platforms' to 'transaction platforms.'**

With limited experience around digital commerce, insurers are faced with multiple myths. As companies prepare for a digital transition, it is necessary to **break these myths**.

- ***Myth 1: Online is a price game***

Fact: While customers are price sensitive, digital natives demand richer experiences and greater convenience. The decision to choose an insurer is influenced by multiple aspects, including discovery and product research experience, onboarding experience, servicing options, ease of raising claims, modes of engagement, etc.

- ***Myth 2: Only big players will achieve success on this road***

Fact: All e-commerce brands that we transact with today were virtually non-existent 10 years ago. Now, we see new vertical focused unicorns (*cosmetics, education, food delivery, etc.*) being added every year. Digital is a great leveler that upends traditional hegemony and gives way to customer-oriented, convenience-focussed businesses. Insurance, traditionally too, has been all about data. Companies that use data and technologies like AI/ML to target the right leads;

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hyper-personalise their offerings; develop nudges and recommendation engines; make pre-approved offers and underwrite at the edge have been able to achieve success.

- ***Myth 3: My customer segment is pre-dominantly non-metro; they may not have experience/intent to buy digitally***

Fact: Latest industry reports revealed that rural India had 10 per cent more active Internet users<sup>1</sup> as compared to urban India. Lockdown acted as an inflection point for e-commerce companies as we see a structural shift in the shopping pattern of consumers from non-metros. A marquee life insurance player has reported that over 70 per cent of its online business comes from non-metros.<sup>2</sup> Clearly, 'California Indians' are spread all over and not centered only in metros.

- ***Myth 4: Present in-house talent is adequate for digital commerce***

Fact: Hiring the right talent is a pre-requisite as digital commerce comes with its unique set of skills, products, operating modalities, etc. It has been observed that traditional companies trying to repurpose their existing manpower for digital commerce leads to an elongated learning curve and loss of precious time. Also, creating a value proposition that resonates with digital employees – e.g. differentiated career paths, millennial work environment, exposure to cutting-edge training programmes, etc. helps attract and retain top talent.

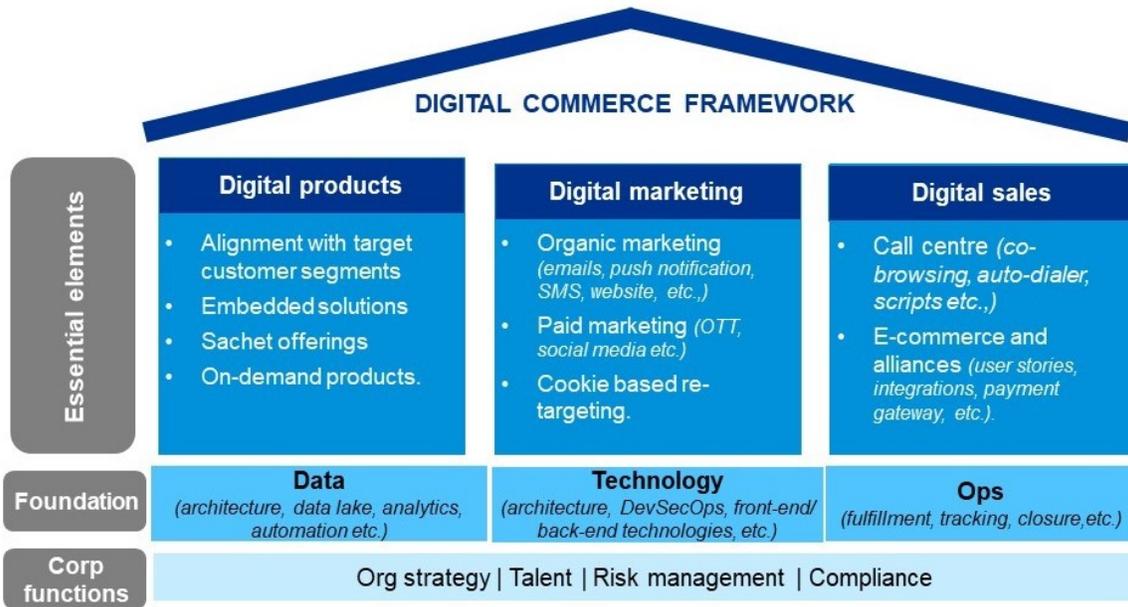
- ***Myth 5: My current technology infrastructure is adequate to support this channel***

Fact: Most of the legacy infrastructure falls short in the pursuit of digital commerce. Although it is important not to get trapped in tech buzzwords, it is also unwise to not acknowledge the computing power of cloud which makes all of it possible. While wholesale changes in technology are often not possible, use-case driven adoption of contemporary technologies is essential for success in digital commerce.

**As businesses embark on this digital commerce journey, KPMG in India has captured key building blocks of the operating model:**

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We expect insurance digital commerce space to grow at a CAGR of more than 30 per cent. However, it is also the imperative of insurers to be observant of digital attacks and see how to best secure their new business.

The growth in this space will allow insurers to explore untapped segments and deepen their relationship with existing customers. The path may be unfamiliar and may require the management to unlearn traditional thinking, but CEOs and leadership teams must eventually acknowledge this new reality.

<sup>1</sup> For the first time, India has more rural net users than urban, THE TIMES OF INDIA, 6 May 2020

<sup>2</sup> HDFC Life Insurance investor presentation - 12M FY20, accessed on 28 July 2021

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