Scientific Research

Key Factors Influencing Bancassurance Success -Mainland China Evidence

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ABSTRACT

The aims of this paper are 1) *search for the key factors of bancassurance operation in mainland China;* 2) *explore the weight of each key success factor;* 3) *identify performance gaps typically measured as performance minus key success factors. This study besides reviewing literatures and interviewing with experts, also adopts the modified Delphi Method and the Analytical Network Process* (ANP) *to construct a framework of key success factors of bancassurance. Then, the Importance Performance Analysis* (IPA) *is applied to identify the performance of each key success factor for bancassurance. The finding offers the decision-maker for the revision of the bancassurance strategy that had been inappropriate. In other words, the strategy maker can identify the weakness and strength of their bancassurance strategy, and allocate their resource accordingly as well.*

1. Introduction

Bancassurance becomes the most popular insurance selling channel in mainland China. According to the statistical reported by China Insurance Regulatory Commission, the premium income from bancassurance increased from RMB 127.8 billion to 339.9 billion during 2006 to 2008. Bancassurance has accounted for 45.6% of total first year life insurance premium income in 2008 compare to 31.0% in 2006.

In this context, competition in the bancassurance industry is at an all-time high, challenging providers to attract new customers while retain existing ones. Thus, identifying key success factors for insurers and banks improving their bancassurance strategy accordingly is not only a critical competitive differentiator but a necessity. Unfortunately, several theories or research lay behind the expansion of bancassurance. However, identifying and qualifying the key success factors for bancassurance is a complex issue and often depend on the subjective assessments of managers. The strategic planners in banks or insurers, however, often lack objective decision-making procedures and clear-defined evaluations criteria while identify the key success factors for bancassurance, not to mention to assess the weight and prac-

tical performance of each key factor.

To fill this gap, the purposes of this paper, first of all, is to search for the key success factors for bancassurance in the mainland China area. The second is to explore the weight of each key success factor. Finally, is to identify performance gaps typically measured as performance minus key success factors.

The finding offers the decision-maker for the revision of the bancassurance strategy that had been inappropriate. In other words, the strategy maker can identify the weakness and strength of their bancassurance strategy, and allocate their resource accordingly as well.

Summary of the literature review with regard to the key factors for success with bancassurance are as followings:

1) What methods employed to identify the key factors of success were not described in the prior papers related to key factors for success with bancassurance.

2) The weight or ranking of each key factor were not defined in prior studies related to key factors for success with bancassurance.

3) No prior research focused on evaluating the performance of the key success factors for bancassurance.

4) According to the prior studies, some key success factors for bancassurance and a hierarchical evaluation

structure can be concluded, including: A. service quality of the bank; B. short time of product innovation; C. short time to establish a substantial market share by providing lower premium insurances to bank distributions; D. small subsidiary set-up cost for insurance distribution; E. large sale promotion from banks; F. lower administration costs per insurance contract; G. marketing partnership; H. joint ventures; I. creation of integrated groups; J. internal development (see **Table 1**).

2. Methodology

The methodology in this study consists of three phrases (see **Figure 1**). The major theoretical approaches are described as follows.

2.1. Analytic Network Process

This paper adapts ANP methodology for identifying the weights of the key factors is due to its suitability in offering solutions in a complex multi-criteria decision environment since ANP uses a network without a need to specify levels in hierarchy [7,8]. For ANP's technique retails, one can refer to the study of Saaty [9].

The pair-wise comparison in ANP is made in the framework of a matrix, and a local priority vector is derived by solving the following equation

$$A \cdot w = \lambda_{max} \cdot w, \quad (1)$$

where A is the matrix of pair-wise comparison, a_{ij} denotes the importance of the ith element compared to the jth element, and $a_{ij} = 1 / a_{ji}$, w is the eigenvector, and λ_{max} is the largest eigenvalue of A. Saaty [9] proposes several algorithms for approximating w: In this paper, a three-step procedure is used to synthesize priorities [9].

We derive the super matrix W [7], as in (2), by surveying data to have W_{21} and W_{32} established, via model described in **Figure 2**.

$$W = \begin{array}{c} C_1 \\ \vdots \\ C_k \\ \vdots \\ C_n \end{array} \begin{bmatrix} W_{11} & \cdots & W_{1k} & \cdots & W_{1n} \\ \vdots & \vdots & \vdots & \vdots & \vdots \\ W_{k1} & \cdots & W_{kk} & \cdots & W_{kn} \\ \vdots & \vdots & \vdots & \vdots & \vdots \\ W_{n1} & \cdots & W_{nk} & \cdots & W_{nn} \end{bmatrix}$$

(2)

Following the arguments in Saaty's study [7], the converged limit super-matrix has the same form as the weighted super-matrix. And by normalizing each block of this limit super-matrix, the final priorities of all the elements in the matrix can be obtained.

2.2. Importance-Performance Analysis

In 1977 Martilla and James introduced Importance-performance analysis (IPA) as a framework for understanding customer satisfaction as a function of both expectations related to salient attributes ("importance") and judgments about their performance ("performance"). The traditional approach for IPA developed by Martilla and James [10] has been improved into various forms in applications [11,12]. By being applied in hotel sector, the IPA produced a graphical display on separate measurement of performance versus importance on each factor or

Table 1. The key factors for bancassurance success.

| Organizations	Key Factors	References
Insurer	Short time of product innovation	[1-3]
	Lower administration cost per insurance contract	[1,4]
	Provide lower premium insurance to bank distribution	[4]
Bank	Small subsidiary set-up cost	[4]
	Service quality	[1]
	Sales promotion	[4]
Strategy of Bank and Insurers Consolidation	Marketing partnership	[1]
	Joint ventures	[1,5,6]
	Creation of integrated groups	[1]
	Internal development	[1,2]
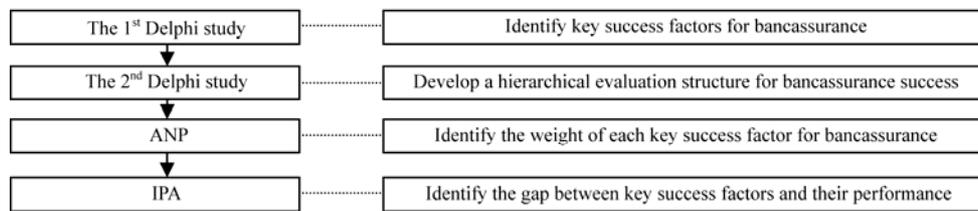
Figure 1. The structure of methodology.
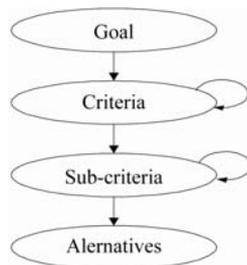
Figure 2. Network form for this paper.

attribute. Based on the picture from the IPA, the strategy makers can identify the marketing or operational needs for an organization [13].

Typically, the IPA begins with identifying the critical factors to be evaluated. The factors are based on a literature review or qualitative research [10,14]. Martilla and James [10] suggested the use of means to separate each of the two measurements. Importance scores were either above or below the importance mean, and performance scores were either above or below the performance mean [15]. This combination resulted in four "classification possibilities" [10,16] (see **Figure 3**).

3. Decision Model Application and Result

After conducting the research methods, the findings of this study were described as follows.

3.1. The Result of the Delphi Study

In order to identify the key factors and develop the evaluation structure for bancassurance success, this study applies a purposive sampling technique and select 10 experts who are employed by different model banks or insurance companies in mainland China with a known involvement or expertise in bancassurance.

3.1.1 The Result of the First Delphi Study
The aim of the first Delphi study is to identify the key success factor for bancassurance. Delphi panelists were asked to justify their answers to interview questions and to rate their level of agreement toward key factors, ranging from strongly agree 5 to strongly disagree 1. Descriptive statistics of attitude toward each key factor at interview were showed as **Table 2**.

Based on the result of a Wilcoxon Signed Rank test,

no significant attitude difference toward each key success factor was found between round 2 and round 3. Thus, the 10 items proposed by this study can be identified as key success factors for bancassurance.

3.1.2 The Result of the Second Delphi Study
Delphi panelists were asked to justify their answers to interview questions and to rate their level of agreement toward hierarchical evaluation structure developed by this research (see **Figure 4**, **5**, and **6**).

Based on the result of a Wilcoxon Signed Rank test, no significant attitude difference toward the hierarchical evaluation structure was found between round 1 and round 2. Therefore, no more round of interview was necessary. This means the hierarchical evaluation structure provided by this study could be identified as the suitable mode to evaluate bancassurance success (see **Figure 5** and **6**).

3.2. The Results of the Analytic Network Process

3.2.1. Establish the Pair-Wise Comparison Matrix and Determine Eigenvectors
The respective weights of the three evaluative criteria are insurer (0.297), bank (0.383) and strategy of bank and insurers consolidation (0.320). Assume there is no interdependence among sub-criteria, which sub-criteria should be, emphasized more in determining their respective upper level criterion. The eigenvectors for insurer ($W_{32\,(C1)}$), bank ($W_{32\,(C2)}$) and strategy of bank and insurers consolidation ($W_{32\,(C3)}$) are organized into a matrix, W_{32}; that represents the relative importance of sub-criteria with respect to their upper level criteria (see **Table 3**).

3.2.2. Establish Pair-Wise Comparison Matrices of Interdependencies
The inner dependency among the criteria and the sub-criteria is W_{22} and W_{33} respectively (see **Table 4**, **5**)

3.2.3. Evaluate the Limit Matrix
As shown by the dotted bracket in **Figure 4**, the super-matrix in this paper comprises all the elements in the network. The generalized form of the super-matrix is shown in **Figure 7**. The report of the synthesized results from the super-matrix is in **Table 6**.

Table 2. Descriptive statistics of attitude toward each key factor at interview round 2 and round 3.

Key factors	Attitude toward Key factors									
	SA		A		UD		D		SD	
	R2	R3	R2	R3	R2	R3	R2	R3	R2	R3
Short time of product innovation	8	9	2	1	0	0	0	0	0	0
Lower administration cost per insurance contract	7	8	2	2	1	0	0	0	0	0
Provide lower premium insurance to bank distribution	6	7	3	3	1	0	0	0	0	0
Small subsidiary set-up cost	7	8	2	2	1	0	0	0	0	0
Service quality	7	9	3	1	0	0	0	0	0	0
Sales promotion	8	9	2	1	0	0	0	0	0	0
Marketing partnership	8	8	2	2	0	0	0	0	0	0
Joint ventures	6	7	3	3	1	0	0	0	0	0
Creation of integrated groups	7	8	2	2	1	0	0	0	0	0
Internal development	8	9	2	1	0	0	0	0	0	0

*Five Attitudes toward Key Success Factors: Strongly Agree (SA), Agree (A) Undecided (UD), Disagree (D), and Strongly Disagree (SD).
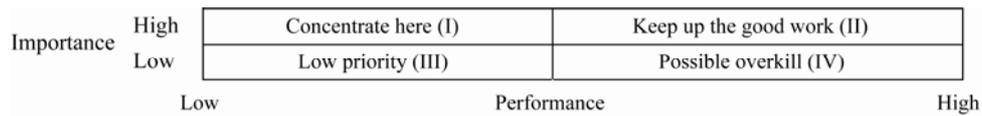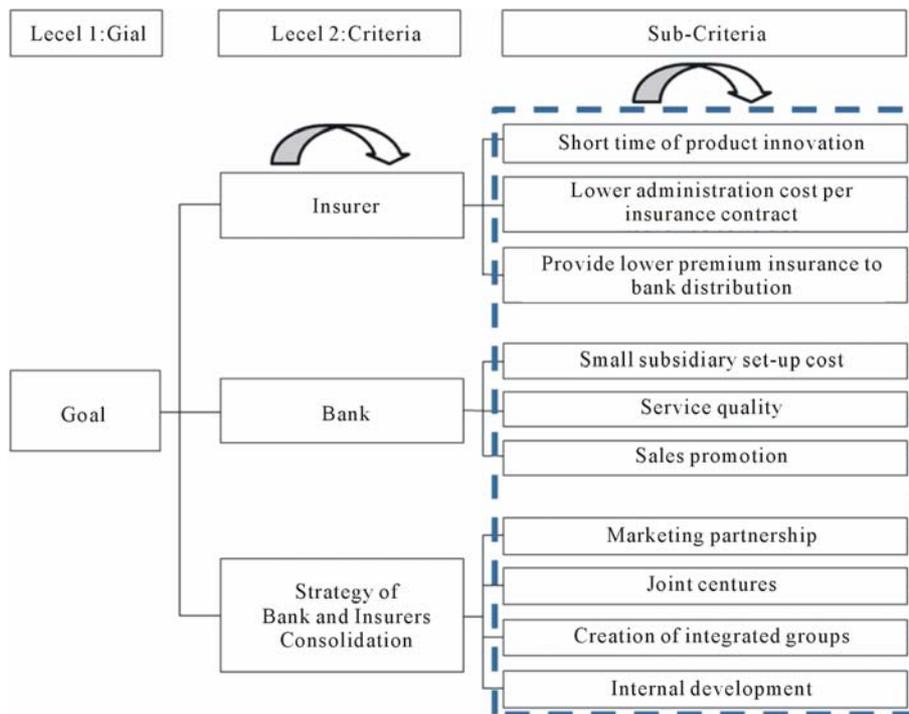

Figure 3. IPA concept map.

Figure 4. Evaluation structure of key factors.

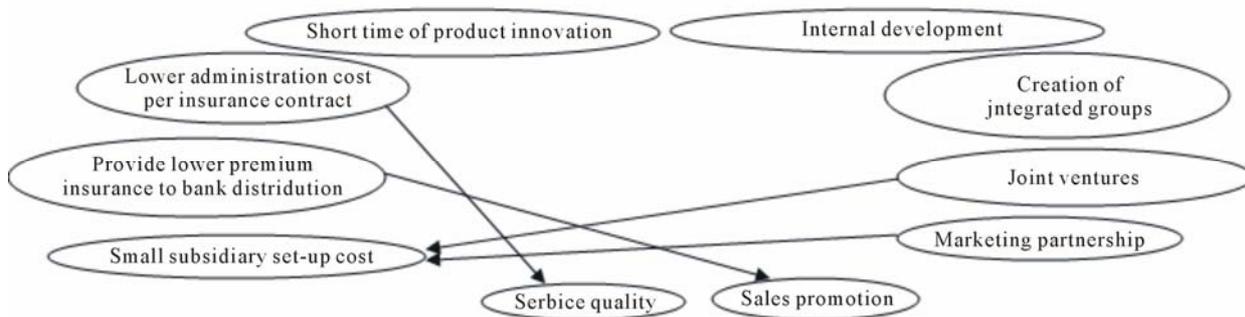**Figure 5. Inner dependence among criteria.**

Figure 6. Inner dependence among sub-criteria.

Table 3. Weights of the criteria and sub-criteria in mainland China.

Criteria	Weights of Criteria (W_{21})	Sub-Criteria	Weights of Sub-Criteria (W_{32})
Insurer	0.297	Short time of product innovation	0.818
		Lower administration cost per insurance contract	0.093
		Provide lower premium insurance to bank distribution	0.089
		Small subsidiary set-up cost	0.051
Bank	0.383	Service quality	0.353
		Sales promotion	0.596
		Marketing partnership	0.028
Strategy of Bank and Insurers Consolidation	0.320	Joint ventures	0.325
		Creation of intergrated group	0.555
		Internal development	0.092

Table 4. Inner dependence matrix of criteria, W_{22}.

Goal	Insurer	Bank	Strategy of Bank and Insurers Consolidation
Insurer	0.000	0.000	0.572
Bank	0.345	0.000	0.428
Strategy of Bank and Insurers Consolidation	0.665	0.000	0.000

Table 5. Inner dependence matrix of criteria, W_{33}.

|	Short time of product innovation	Lower administration cost per insurance contract	Provide lower premium insurance to bank distribution	Small subsidiary set-up cost	Service quality	Sales promotion	Marketing partnership	Joint ventures	Creation of integrated group	Internal development
Short time of product innovation	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Lower administration cost per insurance contract	0.000	0.000	0.000	0.000	0.000	0.000	0.112	0.112	0.000	0.000
Provide lower premium insurance to bank distribution	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Small subsidiary set-up cost	0.000	0.000	0.000	0.000	0.000	0.000	0.888	0.888	0.000	0.000
Service quality	0.000	0.900	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Sales promotion	0.000	0.000	0.900	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Marketing partnership	0.000	0.100	0.100	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Joint ventures	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Creation of integrated group	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Internal development	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
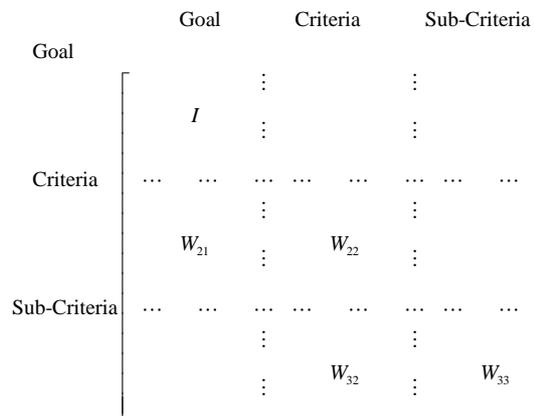
Figure 7. Generalized super-matrix.

Table 6. The synthesized results from the super-matrix.

Node name	Limiting values from the Supermatrix	Priorities (limiting values normalized by cluster)
Insurer	0.297	0.065
Bank	0.383	0.084
Strategy of Bank and Insurers Consolidation	0.320	0.070
Short time of product innovation	0.110	0.086
Lower administration cost per insurance contract	0.037	0.029
Provide lower premium insurance to bank distribution	0.012	0.009
Small subsidiary set-up cost	0.210	0.165
Service quality	0.229	0.179
Sales promotion	0.241	0.189
Marketing partnership	0.020	0.016
Joint ventures	0.047	0.037
Creation of integrated group	0.080	0.063
Internal development	0.013	0.010

3.3. The Results in the Importance-Performance Analysis

The purpose of attitude survey was to collect data with regard to the performance of each key success factor identified through Delphi Study in this research. The respondents were asked to answer the level of performance for each key success factors for bancassurance. Through snowball sampling technique, the questionnaires were distributed to the qualified managers who were introduced or recommended by other managers with job experience in bancassurance. This study successfully surveyed 35 qualified managers employed by different banks and insurance companies. As stated in methodology section, the range of rating level in per-

formance survey was from one to five. However, the range of weights estimated through ANP was from zero to one. In order to conduct comparison, this study transfers the key factor's weight to 1 to 5 scale.

Table 7 shows the mean of performance ratings of the 10 key factors and linear transformation of key factors' weights in mainland China. The mean of overall linear transformation of key factors' weights was 2.87 and the mean of their performance rating was 2.77.

In the grid, there were 10 success key factors for bancassurance in mainland China that fell in terms of the four quadrants (See **Figure 8**). According to the grid, a total of one success key factor fell into the "concentration" area (quadrant I,), these included creation of inte-

grated groups (1.50, 3.14). Furthermore, four success key factors located in quadrant II, they were short time of product innovation (3.25, 3.39), small subsidiary set-up cost (3.75, 4.24), service quality (4.00, 4.40) and sales promotion (3.50, 4.50). The management scheme action "keep up the good work". In addition, three success key factors that had plotted in the "low priority" area (quadrant III) were lower administration cost per insurance contract (2.50, 2.15), joint venture (1.25, 2.48) and internal development (2.75, 1.42). Finally, two success key factors fell within the "possible overkill" area (quadrant IV), included provide lower premium insurance to bank

distribution (3.50, 1.38) and marketing partnership (4.50, 1.62).

4. Conclusions

The purpose of this study was to identify key factors influencing bancassurance success in mainland China. The above analysis supports the argument that, while it is necessary to identify areas of importance and low performance, neither by itself is sufficient. Just because a key factor is important does not mean that resources should be expended in that key factor; performance may be adequate, in which case the benefits of the resources

Table 7. Gap analysis of key factor and performance in mainland China.

| item	Key Factors	Linear Transformation of Key Factors' Weights (A)	Mean of Performance (B)	Gap Analysis (B-A)
1	Short time of product innovation	3.39	3.25	–0.14
2	Lower administration cost per insurance contract	2.15	2.50	0.35
3	Provide lower premium insurance to bank distribution	1.38	3.50	2.12
4	Small subsidiary set-up cost	4.24	3.75	–0.49
5	Service quality	4.40	4.00	–0.40
6	Sales promotion	4.50	3.50	–1.00
7	Marketing partnership	1.62	4.50	2.88
8	Joint ventures	2.48	1.25	–1.23
9	Creation of integrated groups	3.14	1.50	–1.64
10	Internal development	1.42	2.75	1.33
	Overall	2.87	2.77	–0.10
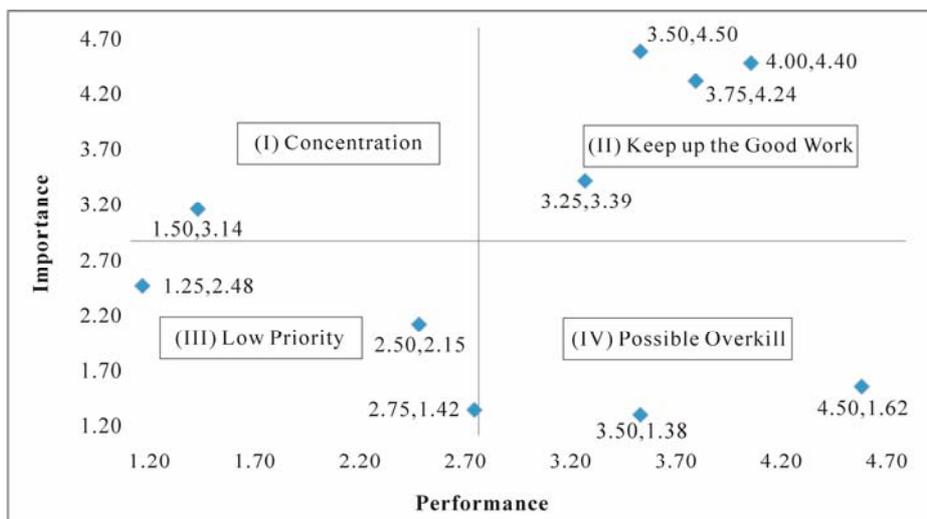
Figure 8. Importance-performance grid in mainland China.
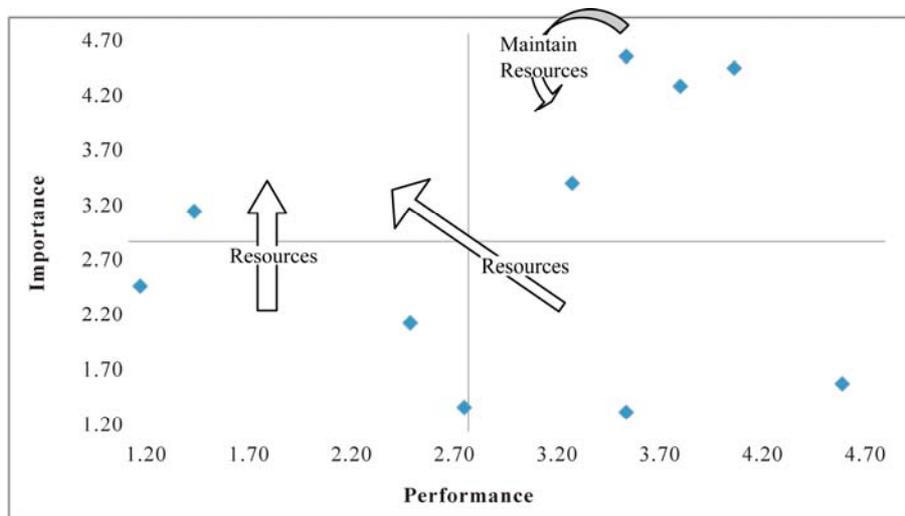
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Figure 9. Resources allocation in mainland China.

expended will be limited.

In context of mainland China, factors such as creation of integrated groups falling into quadrant (I) are perceived as more important, but performed poorly in bancassurance. The managerial implication is that management has to put greater efforts into improving performance in these factors.

Factors such as short time of product innovation, small subsidiary set-up cost, service quality, and sales promotion in quadrant (II) are rated as important with high level of performance, and the managers have to maintain the performance level in these factors to sustain the resultant competitive advantages (see **Figure 9**).

Both factors of lower administration cost per insurance contract, joint ventures and internal development locating at quadrant (III) are rated as having a low level of importance and performance, and the management should not put efforts into improving the performance in these factors (see **Figure 9**).

Factors such as provide lower premium insurance to bank distribution and marketing partnership locating at the quadrant (IV) are perceived as less critical to success, although the bancassurance performed well in these factors. This indicates a problem of over-investment in these less critical factors and a reduction in investment is encouraged (see **Figure 9**).

In order to improve the performance of bancassurance, administrator should have some of efforts originally invested in the factors of lower administration cost per insurance contract, internal development, provide lower premium insurance to bank distribution, and marketing partnership moved to factors such as creation of integrated groups and joint ventures. On the other hand, the administrator should not expand resources in the factors

of short time of product innovation, small subsidiary set-up cost, service quality, and sales promotion (see **Figure 9**).

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