ABSTRACT

Travel insurance as an ancillary service emerged few decades ago. In the present day, it has been bolstered up as a core function owing to the tremendous surge experienced by the global travel and tourism industry coupled with the unforeseen mishaps and untoward incidents faced by travellers’ world over. In this paper, segmentation of distribution channels like agents, banks, brokers, work site marketing, online sales are dealt with. This paper examines the ways and means of processing resorted to by distribution channels engaged in the insurance sector mainly laying focus on (i) companies – employees - customers and (ii) array of mediators to end users and the work also analyses the major influencing factors of time (convenience), price (rationale), advancements (technology) and service (feasibility) involved while selling travel insurance. A qualitative technique has been employed for this study. The data was collected from the travel insurance companies’ staff, intermediaries, tourists (customers), travel agents and industry practitioners by way of interviews and observations. Thematic Content analysis and Empirical Data analysis shall be employed to process the data and derive inferences.

Keywords: Distribution channels; Travel insurance; Service Quality; Convenience; Segmentation.

1.0 Prologue

Modern day travel dynamics are witnessing a paradigm shift from the traditional voyage to well-chalked out trips. Tourism industry is spellbound with an enormous flow of tourists both inbound and outbound, globally. Tourism is receiving remarkable impetus and hordes of tourists are swarming around destinations worldwide.
In India, Chennai is a key destination which attracts enormous inbound and outbound tourists. The information of international tourists visiting Tamil Nadu has witnessed a steady growth in the last three years with 4.68 million foreign tourists in 2015, an increase from 4.65 million in 2014. There is an augment in foreign tourist arrivals to normal visits of native Indians of Tamil native from abroad and interests of American travellers exploring South India. The flow of tourists from USA is on the mount throughout the last five years. The visits of Tamilians from out of the country mainly from countries like Malaysia, Singapore, Sri Lanka, Mauritius and Reunion Island remain untouched. Indigenous Indians form 40% of the total number of international visitors touring the state every year. On the domestic front, the state received 343.81 million travellers 2016, hitting a hat-trick in maintaining the first position since 2014. The contribution of top ten states was about 84.21% to the total number of domestic tourist visits during 2016. While the state recorded 343.81 million domestic tourists in 2016, it was 333.45 million in 2015 and 327.55 million in 2014. There has been a significant increase in the number of foreign nationals visiting the country and Chennai accounted to 6.1 per cent of the total 79.96 lakh foreign tourists India had received in October this 2017 (Deccan Chronicle). In service industry, distribution channels considerably determine the merits and demerits in the market, because the reach and quality of access of the services is reliant on them. This proposition is creating greater demands on the intermediaries who play a fairly important role in travel insurance industry. Travel insurance companies, are world over grilled by the problem of diminishing market shares and are now focusing on improving their distribution systems as a means of generating growth and positioning themselves with a distinct viable edge.

2.0 The Prognosis

In past few decades, sustained environmental, extensive operational levels and vibrant technological changes have led to the growth of manifold distribution channels in the equipped dynamics of travel insurance companies. The companies no longer rely on habitual channels such as agents and brokers, but rather have initiated new alternating channels to drive extension at lesser costs. Tripathy & Prabir (2007) With stiff struggle in travel insurance markets rising, cost savings and customer retention have become matters of apprehension, forcing insurance companies to look for ways to drive sales and client ease while keeping costs low and maintaining customer loyalty. These aspects are leading to the initiation of additional channels such as call centres, mobile, and web. The switch over behaviour of customer performance and preferences about products, various
distribution channels, and processes are also acting as catalysts for the enlargement of substitute channels. For example, insurers are now partnering with banks and affinity groups to spruce-up strategy sales. With advancements in expertise, travel insurance companies have started surveying ways to develop newer distribution channels in the online emerged as a platforms. As customers prolong to incorporate the use of the internet in as part of their day-to-day dealings, it has eye-catching medium through which firms can publicize and distribute travel insurance products. Borden (1990) avow there is a slow change in the buying habits of the insured as they make use of the internet and e-links in the decision making and product buying process. Travel insurance companies are also efficiently using technology to meet customer demands by assimilating technology with the whole policy sales cycle, claims resolution and repetitive purchases (Chari, 2008). They are spotlighting on speeding up the complete travel insurance allocation process while also identifying procedures that can be automated improving competence and usefulness in its working process. These schemes are facilitating travel insurance companies to scale up their industry models by intensification of their internal processes with the object of enhanced customer service; Palande et al. (2007).

3.0 Literature Review

Fields et al. (2005) found that unlike marketable bank mergers and most non-financial corporate mergers, optimistic wealth gains for familiar shareholders, for bidding firms as well as for targets are there. Also, higher bidder abnormal returns in bancassurance show that lower systematic risk is consistent with diversification benefits. Their results support the general hypothesis that there is something special and beneficial about banking and insurance combinations.

Kacker (1976) observe that numerous interesting events are happening in the socio-economic outlook of India which may critically affect the distribution system operating in an institute. For decades, the distribution channels in India, with reverence to a large number of buyer and industrial goods, remained overloaded with a variety of market intermediaries. The environmental forces from various guidelines have already challenged the functioning of such conventional channels and shaken the existence of sponging middlemen to whom the system offered a sort of social insurance. The channels are now getting shorter. The gap between the insurance company and insured clients is being linked. Encumbrances from several operations are paving the way for alterations in the distribution channel of an individual firm.
Falautano and Marsiglia (2003) find that insurance and financial services are going through a stage of deep alter. The incorporation between financial banking and insurance services and integrated distribution, after the big drive given by convergence, are facing a critical stage. The article outlines the main drifts and future scenarios with prior consideration to: the integration models linking banking and insurance services, collection from co-operation and “alliance” agreements to integrated groups; the article compares the incorporated distribution of banking and insurance services with the intend of offering a full array of products within various managerial models from bancassurance to assure banking; and the “new circulation” type of bancassurance, comparing national models and distribution scenarios.

Ward (2002) review the cost of direct and autonomous distribution in the UK life insurance sector over the period 1990 - 1997. This is a novel offering to the literature that until now has alerted almost exclusively on distribution in the non-life sector. Unlike the non-life sector the division of life insurance is complicated by the existence of investor protection policies in insurance industry.

Black et al (2001) include a supplementary line of research that relates to the extension of channel classifications, as these can have an imperative force on the results observed. However, it should be noted that the ongoing increase in the set of accessible channels, namely as a result of technological progress, might construct some difficulties in this task. This also makes it essential to investigate the factors that induce or inhibit the adoption of new channel technologies in a financial services milieu, a subject which has been scarcely researched.

Keh and Park (1998) find that in the era of information technology superhighway, access to information has been assisted even further. Each channel partaker can know more about its competitors and other channel associates. It has become a buzzword that information influences, but the cliché still holds true. The channel member who has more information is in a position that will accord of power over other channel affiliates.

4.0 Need for the Study

A lucid understanding with respect to the dynamics of tourism in an emerging tourism destination like India which confronts the global competitors and travel insurance market scope shall provide insights on the deeper role which may be played by distribution channels. A study which highlights the pivotal facets of distribution channels in the progression of the untapped realm of travel insurance is the need of the hour. It is
also necessary to find out the operational mode of distribution channels in the travel insurance companies.

5.0 Objectives of the Study

This study conducted as an empirical work has been directed by the following objectives:

- To examine the ways and means of processing methods of access resorted to by distribution channels engaged in the travel insurance sector,
- To scrutinize the major influencing factors of time (convenience), price (rationale) and service (feasibility), advancements (technology) involved while selling travel insurance,
- To evaluate the core competency of distribution channels among the insurer and the insured,

6.0 Methodology of the Study

Methodology explains the research course to be followed, the instruments to be used, universe and sample of the study for the data to be composed, the tools of examination used and pattern of inferring the conclusions. The research design applied is exploratory using experience survey method. The Panel comprises of experts and practitioners in the travel insurance industry. Personal interviews were conducted and in addition responses were collected over phone and e-mail. The type of research employed in this particular study is qualitative research. The qualitative data which were collected from the various sources were analysed using the following two analysis techniques:

- **Thematic Content Analysis**: It is one of the commonly used types of analysis in qualitative research which focuses on examining, problem-solving and recording the different patterns within the composed data. The patterns which are found across the data sets are vital to the depiction of a situation or practice or phenomenon and are related to a particular research question. These patterns are called ‘themes’.
- **Empirical Data Analysis**: It deals with empirical evidence which is collected through empirical research. It deals with obtaining information or knowledge through indirect and direct experience or observation from the field by the researcher. The evidences collected from the observation can be analysed both qualitatively and quantitatively as it is one’s direct observation.
7.0 Data Collection

For any research, the critical input to a decision-making process is data. The data when processed will produce necessary statistics which are the paramount constituents of a research. For this particular study, both the primary and secondary data were collected from different sources. The data was compiled through straight interviews with experts (practitioners) from the particular industry and various stakeholders of insurance industry dealing with travel insurance in meticulous. Questions were directly related to the distribution channels in the purview of travel insurance. In addition to the above techniques, researcher observation was also used during the field study to record field notes where and when necessary. The collected data will be used along with the other data for better interpretation. Secondary data was collected from documents and records of tour and travel companies offering the travel insurance policies, journals, brochures, periodicals, insurance blogs, and websites. The pertinent secondary data has been combined through the data bases of Insurance Regulatory Development Authority of India (IRDA) websites, travel insurance companies, various reports, dossiers, and other studies.

8.0 Distribution Channels in the Realm of Travel Insurance: An Overview

The distribution structure in both developed and developing countries pertaining to travel insurance is witnessing staggering cost pressures. With an increase of tourists’ (customers) arrivals both inbound and outbound as well as domestic travel has immensely created an impact on the purchase of various travel insurance products along with their travel to an alien land leaving behind their residence. In this context there is an emerging need to reverse the statement ‘insurance is sold and not bought’ and this can be achieved with profound human relationship and by way of educating the customer. Travel insurance should become an essential part of travel with basic plans of booking tickets, mapping of itineraries and tour arrangements along with the purchase of travel insurance products to be procured to deal with uncertainty expenses or unavoidable risks. An individual customer or corporate may be interested in LTA and BTA (Leisure Travel Assistance and Business Travel Assistance) travel insurance. By and large, the travel insurance companies aim at non-traditional channels and multi-systems wherein the customer can purchase travel insurance products from travel desks in shopping malls, corporate travel desks, small travel agents, banks, internet kiosks, hotels, and bus or railway stations. Chandler, M. L (2000); the primary consideration of a travel insurance intermediary is the promotion of travel insurance business through the expansion of
market, and the system should be developed to encourage different channels. Formally, it is also possible to purchase travel insurance directly. Albeit, there are some travellers who would restart to direct purchase it is seamless while entrusting this function to an agent/broker/banks (Aggarwal, 2004). Individuals are not likely to do any sort of research to know the product details (terms and conditions) rather they require professional advice on the requisite matters. Even the corporate companies and group travellers’ prefer to enquire from an intermediary. Bennett, AR (1997) avow, that the agent must disclose to the customers all the features of the product so that there is no communication gap. Policy conditions also will have to be spelt out lucidly to the customers before the sale is closed.

9.0 The what’s and how’s of Distribution Channels in Travel Insurance

Travel insurance, an ancillary product of tourism, with an immense pool of premium offers in terms of money value is an enormous volume of business. A multi-channel strategy is suitable for the Indian market. Indian insurance industry is a combination of multiple products. Apart from geological spread, the socio-cultural and monetary segmentation of the markets in insurance are very widespread with an inhabitant of 1.2 billion, taking into account of diverse characters and needs of consumers.

- **Agents** – Travel insurance agents have to know which policy will appeal to the customer, and they should also understand the competitors’ policies. Agents are the prime channel for distribution of travel insurance. The public and private sectors have rooted out many branches in all parts of the country and have involved local people to become their agents.

- **Banks** – The success of bancassurance in India is that the banks need not look outside their own inherent customer base to sell travel insurance. Further, banks represent a symbol of utmost good faith where the customers’ pay premium. Training on sales of travel insurance policies to bank staff need to be strengthened. With increased use of technology in the industry, it is expected that the development of e-travel insurance encompass data pertaining to the customers.

- **Brokers** – Brokers represent the customers and sell the travel insurance products of more multiple companies in the same line of business. Singh et al. (2011), they bridge the channel between the customers and companies by providing services and earn their revenue. Either it is the individual customer or corporate customer’s brokers who provide a wide range of travel insurance products for a good discounted price. The corporate broking plays a vital role in the modern day.
• **Internet** - Developing customer inclinations and intensifying contest in travel insurance markets have led to manifestation of multiple low-cost distribution channels. Growth in these channels has also been aided by current technological innovations that smooth the progress of ability to demonstrate product benefits, curtail customer reaction moment, and simultaneously provide services to multiple customers. Sreedevi & Sridharan (2008) observe that the new channels also allow advisors and customers to compare multiple products without much effort, helping them choose the products that best suit their profile. Online-technology is enormously useful for the distribution channels in switching customer inquiry into concrete sale which is significant and it also plays a key role in maintaining the record of customers.

• **Corporate Agents**: Corporate society is a cross selling type of channel. Travel insurance companies’ tie-up with other production houses in additional industries to sell insurance policies either to their employees or customers. Corporate agents have become a major force to reckon with in distributing insurance products as a premier.

### 10.0 Distribution channels: Catalyst to bridge the gap between the Insurer and Insured in Travel Insurance

Various distribution channels act as a catalyst to bridge the gap between the insurer and insured in Travel Insurance for an efficacy services (Figure 1). The channels mentioned in Figure 1 will be a connectors for a smooth transaction between the service providers and customers to procure travel insurance policies via the different categories of distribution channels.

### 11.0 Discussion and Implications

• Travel insurance companies are effectively leveraging technology to reach customers and building an effective and comprehensive distribution network for easy communication with different channels.

• For knowledge and product information awareness, travel insurance companies and distribution channels should work together in enhancing the prospects of business and maintaining consistency in services delivery.

• The manifold advantages such as easy mode to access, less expensive and time saving are the positive indicators for the purchase of travel insurance products through different channels, the distribution channels have far-reaching implications.
Figure 1: Architecture of Distribution Channels in Travel Insurance

- Brand synergy, and reach of distribution channels across the country creates a reputation and goodwill in travel insurance markets aligned with the needs and requirements of customers which are important factors that have to be intensified for its increase in cyclical purchase.
- Entering into partnerships with banks, corporate brokers, and technology based websites, and travel agents and tour operators are ways to increase the customer database, and also gain market acceptability and reliability.
- Majority of the customers are satisfied with the purchase of their policies through banking channels and agency channels who are the prime distributors for the travel insurance companies.
- The Product upgrading, clear instructions about schemes, policy wordings, premium modes of payment, etc. have to be well scrutinized and disseminated to attain customer retention and customer loyalty.
• The Insurer with the support of various distribution channels increase the volume of businesses without much difficulty in processing swift service along with systematic follow up to hold the customer base by using instruments of feedback, discount points and loyalty cards.

• Different intermediaries play a significant role in educating the customers by providing interface and consultations at the time of purchase.

Figure 2 explains the sequence of services to be provided through the distribution channels for a rapid process and retain the customers.

**Figure 2: The what’s and how’s of Distribution Channels in the Realm of Travel Insurance in Chennai – the Dynamic Representative Wheel**

12.0 Conclusion

Globalization has brought significant changes as regards the distribution channels of travel insurance products. India is moving towards realizing the importance
of travel insurance as not only an investment but also as a security measure. With the clocking FDI 49% for foreign players with respect to tie up with Indian investors, the companies have geared up to install and penetrate the travel insurance market. The efforts are on the rise for distribution channels for market penetration the same; the agency model still dominates the market and continues to do so. Customer requirements, market reputation, brand synergy between the participating companies and reach of different channels are areas the distribution channels must continuously work for the stability and credibility of travel insurance products. It is thus clear that the travel insurance companies will observe a mutation in its promotional set-up as well as its promotional strategies. The obtainable and the new insurers will devise different strategies to retain and enhance the brand image. It would carry out the various processes by ushering new practices, setting new service standards, devising contemporary distribution channel modules, creating new benchmarks in the distribution channels, enhancing niche concepts, and usage of technology models in distribution channels.

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