The Utilization of Distance Selling Channels in the Korean Insurance Market

Due to the development in ICT (Information and Communication Technologies) new marketing strategies have emerged in the financial industry. In the Korean insurance sector, various distance selling channels, such as TM, Internet, TV home-shopping, have emerged since 2000. We analyze the characteristics and the problems of distance selling channels in the Korean insurance market. We make cross country comparisons of the distance channel operation and regulation system and find useful implications for Korean companies. Next, we examine the growth potential of distance selling channels and provide suggestions on utilization methods in the Korean insurance market.

The Korean insurance market faces the following problems. First, the choice of distance selling channels used is not according to products' characteristics. Next, improper selling practices are frequently reported in distance selling sales. Last, there is insufficient regulation on sellers.

We survey insurance experts to investigate the Korean insurance companies' perceptions about distance selling channels and its potential growth. The future growth of distance selling channels and the factors affecting their growth are analyzed. Our factor analysis extracts IT infrastructure, channel strategy, regulation, consumer needs, and consumer protection as the key factors affecting the growth of distance selling channels. In addition, the estimation results suggest that among them channel strategy factor, which is extracted from differentiated strategy according to products and the
companies’ niche market strategy, has the most significant impact on the growth of distance selling channels.

We make the following suggestions on marketing strategy. The products whose characteristics are suitable for distance selling should be sold via distance selling channels. Next, low price products or distance selling channels with low expense can be utilized in order to exploit their low cost characteristics. Last, the companies should expand their channels to new customer contact points, such as internet, TV home-shopping, mobile, etc.