

# Axa group - a worldwide leader in financial protection and wealth management

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**Context**

AXA Group is a worldwide leader in financial protection and wealth management, with operations and presence across diverse geographies. The company's main operations are in Western Europe, North America and Asia. AXA Group has 120, 000 employees and is represented in over 60 countries worldwide.

In India, AXA entered into a joint-venture with Bharti Enterprises, a major player in the telecom, agriculture, insurance and retail industries, to form Bharti AXA Life Insurance. The company launched national operations in December 2006 and has over 8000 employees and a large pool of distributors providing quality financial advice and insurance solutions to their Indian customer base. Bharti has a 51% stake and AXA has a 49% stake in this joint venture. As the company continues to expand its presence across the country with a large network of distributors, it continues to provide innovative product and service offerings to cater to specific insurance and wealth management needs of customers.

This joint-venture brings together strong financial expertise of AXA and large customer pool and multi-channel urban and rural distribution network of Bharti Enterprises. Experienced and passionate leaders with global exposure comprise the Management team. They are committed to the company's vision and goals and the development of Bharti AXA Life Insurance.

## **Overview of Indian Life Insurance Industry**

The Indian economy is the 12th largest in the world, with a GDP of \$1.25 trillion and third largest in terms of purchasing power parity. With GDP growth of 7% in the December quarter of 2016-17, rising foreign exchange reserves, a booming capital market and a rapidly expanding FDI inflows, it is at the fulcrum of an ever increasing growth curve. Insurance is an industry that has witnessed continuous growth since the liberalisation of Indian economy. Taking into account the large population and growing per capita income besides several other driving factors, a huge opportunity is in store for insurers. The industry is growing at the rate of 15-20% per annum and presently worth \$48 billion.

The market began to grow in the year 2000, largely due to several reforms and long-term policies that brought about economic liberalisation and globalisation. While the public sector contributed to the spread of awareness about insurance, their reach was still limited and their products were still restrictive. After the passing of the Insurance Regulatory and Development Authority Act in 1999, a number of private insurance companies were established in India. Prior to this, Life Insurance Corporation of India (LIC) was the only life insurer, and to date, still enjoys 70% of market share. This is partly due to the role of the government in controlling the market with price controls, limits on ownership and other restraints. With the entry of private sector insurers containing foreign direct investment from large global insurers, the market has become more vibrant. Competition is at an all-time high as companies try to gain market share by lowering costs and creating new product offerings.

Before defining and identifying the main competitive and comparative advantages for Bharti AXA Life Insurance in the Indian life insurance industry, a Porter's Five Forces and SWOT analysis of the company and industry will provide greater insight and allow us to determine factors that have improved business success.

## **PORTERS FIVE-FORCE OF INSURANCE INDUSTRY**

### **Competitive rivalry**

There is cut-throat competition in the industry. Insurance companies tend to have identical policies and also offer similar levels of service to the end customer.

### **Power of suppliers**

Policy designer tend to have less leverage to Bargain over premium.

Insurance is tax exempted so that suppliers bargaining power increases.

Solvency of private players is not certain

### **Threat of Substitutes**

In India, savings and disposable income is often put away in a bank or invested in the form of gold. The concept of purchasing life insurance as an investment is yet to materialise and gain traction among the general public.

Threat of new entrants Life insurance industry entry barriers are moderate.

The Indian market is highly brand oriented . so it is difficult to introduce new brand. The acceptability of new brand is also very low. Economies of scale are difficult to find in the initial stage of entry in to market. Special permission is required from the government to enter in the insurance sector.

## **Bargaining Power of Buyers**

Buyers hold a tremendous amount of bargaining power as products are priced competitively and most of the market is still driven by price rather than service offering or claims competencies.

## **SWOT ANALYSIS**

### **Strengths**

Bharti AXA Life is one of India's most trusted and respected companies, due to its service standards, product innovation, brand image and strong financial base. Furthermore, the company has a strong base of financial advisors who have been trained to achieve ambitious growth targets.

### **Weakness**

Despite high competition in the industry, Bharti AXA Life's premiums are slightly higher than that of its competitors. Buyers are very price sensitive in the market as most purchasing decisions are price driven, with a little importance given to claims payments and service standards.

### **Opportunity**

- Rural population: This segment of the population is currently not served by any life insurance company, but instead by cooperative societies and cooperative banks.
- Bancassurance: As the Indian government pushes closer and closer to its goal of ensuring that each Indian citizen has a bank account, the sale of insurance can be done through banking channels and in partnership with cooperative banks or branches of scheduled commercial banks. As of 2018, the number of Indian adults who had a

bank account was 80%, compared with just 53% in 2014. This demonstrates the immense potential that banking channels have in driving insurance business in India.

Threats Threats to the life insurance sector in India are perceived to be minimal and any external shocks such as economic recession, war, insolvency of the foreign partner of the private life insurance companies, claims payouts due to any natural calamity etc., can disrupt the industry. However, given the relative strength of the life insurance sector, such incidents are expected to create an impact for a short period of time.

### **Competitive Advantage**

Competitive advantage exists when there is a match between the distinctive competencies of a firm and the factors critical for success within its industry that enables the firm to outperform competitors. There are many approaches that an organisation can adopt to generate competitive advantage against its competitors. The three main strategies, as conceptualised by Michael Porter, are as follows:

- Overall Cost Leadership: Customers are offered products at lower prices, which enables the company to gain a larger market share.
- Focus: An organisation focuses on a narrow segment of the market and those companies pursuing the same strategy directed to the same target market constitute a strategic group
- Differentiation: Philip Kotler has defined differentiation as the process of adding meaningful and valued differences to distinguish the company's offering from the competition. Thus, the product offered by

a company is perceived by customers as being different from other companies offering the similar product. The use of differentiation as a strategy is the most cost effective of the three strategies as it provides a long-term benefit to the company.

Bharti AXA has pursued and successfully delivered a Differentiation strategy, by enhancing their marketing capabilities in order to reach different segments of the market. They have also taken advantage of the perception customers have of the two companies and leveraged that in order to differentiate themselves in the marketplace as a trusted provider of insurance.

Multi-channel execution capability to large customer base

Bharti Enterprises owns a number of large companies in India, each with a customer base exceeding hundreds of millions. A notable example would be Bharti Airtel, which has a customer base of over 300 million, which can be tapped on for cross-selling insurance products. Bharti AXA Life Insurance has put in place a well-developed marketing function, which is divided into the following tiers:

- Direct Sales Force - This consists of a number of advisors who are compensated using an incentive system to target the large and diverse customer base that Bharti Enterprises has access to via its other companies such as telecommunications giant Bharti Airtel.

- Agency – This is a division in charge of recruiting, training and managing a high quality and highly productive workforce whose purpose is to drive sales.
- Bancassurance – This division investigates and finds leads with reputed banks in order to create strategic partnerships and create new sales and distribution channels.
- Corporate Agency and Broking Channel – This division is responsible for creating strategic partnerships with corporates and broking companies.

With a strong Marketing function driving sales through a number of channels, both corporate and direct to customer, it comes as no surprise that Bharti AXA Life Insurance has high Marketing Synergy, which is a situation in which an organisation takes advantage of a combination of its marketing facilities in order to maximise product outreach and sales. The proof of this is shown in the graph below, which is the company's business build-up in the first 3 years of operations versus that of other large players in a similar time frame.

### **High Brand Equity**

AXA is a brand that is recognised and respected across the globe. According to Interbrand's Best Global Ranking in 2016, AXA ranked 1st as a worldwide insurance brand for the 8th consecutive year. The company attributes this to their employees who embody the strategic vision of the company and empower their customers to lead better lives. The AXA brand is an extremely valuable asset and is a driver of trust for clients, employees and distributors alike. These qualities have the capacity to attract and retain high-calibre talent.



Bharti Enterprises is a household name in India. Having established Bharti Airtel, which ranks among the Top 100 Most Valuable Global Brands in a study conducted by global research firm Millward-Brown in 2012, the group aims to transform industries such as retail, financial services and agriculture. Apart from business ventures, Bharti is trying to make a meaningful difference in rural India by imparting free education to underprivileged children.

The combination of two strong brands has attracted global talent and a quality management team. Furthermore, the brand equity of the company provides solace to customers and distributors in India, as a familiar and trustworthy name is easier to trust in a market that has just opened to foreign investments and that was previously dominated by the government monopoly carrier. Despite the fact that a number of joint ventures have been set up in India, such as Bajaj Allianz, ICICI Prudential, Birla Sun Life, etc., none have the brand power of AXA and household ubiquity of Bharti.

### **Comparative Advantage**

Michael Porter devised the national diamond, into which he categorised attributes that impact national advantage. These attributes either contribute to or detract from the competitive advantage the nation has. These are as follows:

- **Factor Conditions:** This is the basis for undertaking various business activities and can be grouped into five broad categories: human resources, knowledge resources, physical resources, capital resources, and infrastructure.

- Demand Conditions: This determines the rate of and nature of improvement and innovation by the organisations - composition of home demand, the size and pattern of growth of home demand, and the means by which a nation's home demand pulls the nation's products and services into foreign markets.
- Related and Supporting Industries: The relationship between main industry and related and supporting industries such as brokers and producers is reciprocal.
- Firm Strategy, Structure and Rivalry: Differences in strategy, structure, and rivalry determine how the nation will be competitive. The degree of intensity of competition and the quality of competitors is important in determining the quality of products in the market place.