

國立交通大學

管理學院（國際經貿學程）碩士班

碩士論文

創新的金融服務 ~

保險結合殯葬服務的商業模式設計

A New Financial Service Innovation ~

The Design of an Insurance-Funeral Business Model



研究生：陳碧玉

學號：9072504

指導教授：張力元 教授

中華民國九十三年六月

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研究生：陳碧玉
指導教授：張力元

Student : Eva Chen
Advisor : Charles V. Trappey

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ABSTRACT

Nothing is certain but death. As the aging population and lower birth rate problems become worse, more and more people are aware of the necessity of pre-planning their future life. At the same time, many companies try to find new business opportunities for this coming trend. Funeral business is one of the great potential markets which have estimated over NT\$ 50 billions sales volume per year. This figure is becoming bigger with the inflation rate. Pre-need funeral arrangement is one of the products that are born under this trend, but it is still not popular to the public. The reason is people have to pay money before they get the service. For customers, they feel it is difficult to buy an intangible service especially when they are not familiar with this service.



This research tries to build a new business model for the people who are willing to pre-plan their future risks. The design of this new business model is to extend a whole life insurance service to pay the funeral expenses. Customer could have an easier and cost saving way to buy two services at one time through this new model design. Insurance companies could earn more business opportunities from providing this new financial service to the customers. The findings and results of this new business model also provide an idea for government, insurance companies, and funeral homes some information for the future products development.

Key words:

Insurance, Funeral Service, Pre-need funeral arrangement, CRM, New financial service

ABSTRACT IN CHINESE

中文摘要

人的一生無非生、老、病、死四個階段，每個人都希望自己的人生可以「生前活的精采，死後不留遺憾」。生前要過怎樣的生活，可以靠自己的努力獲得，然而如何讓人生的謝幕一樣精采，漸漸地被現代人所關心。

台灣的社會已邁入老人化的時代，有人甚至說：「二十一世紀是老年人的世紀」。再加上社會結構改變，許多現代人意識到自己的未來生活不能仰賴子女而須自己提早規劃。所以，許多的產品就在這樣的時代背景下推出市場。其中生前契約便是近來日漸為民眾所知的一項產品。它教育客人事先規劃的觀念，除了價格於購買時固定，不用擔心通貨膨脹問題；減輕家人日後支付喪葬費用的負擔及讓自己有個完美人生的謝幕都是其銷售的重點。另外，加上這個市場每年有超過 500 億的商機，所以許多財團及殯葬業者都想跨足此市場。不過，生前契約引進台灣雖近十年，由於需事先支付前金，再加上殯葬市場的服務品質參差不齊。多數的消費者仍多採身故時請殯葬業者服務的模式。

本研究主要利用人壽保險發展一套新金融服務模式，將保險服務延伸至殯葬服務。讓客戶在買保險時，除了規劃人生的風險，同時保險公司能真正落實陪客人走完他的最後一段路。對客戶而言，利用保險來支付喪葬費用，達到減輕家人負擔愛的表現，同時透過保險公司的篩選包裝，安心一次購足兩項服務。對保險公司而言，透過差異化的商品服務，可以開拓新市場及商機，同時搭配客戶關係管理增加更多銷售機會。研究中探討市場概況及其潛在的商機。同時，亦對國內外的相關產品做了一些研究。希望此商業模式的設計，可以提供業者研發新產品及政府制定相關法令做一些參考。

關鍵字：

保險、新金融服務、殯葬服務、生前契約、顧客關係管理

ACKNOWLEDGEMENT

This thesis is in memory of my beloved father. He died in July, 2003. As experiencing the sorrow at my father's death, I realize that life is unpredictable. How to pre-plan your future is very important. I also see some problems that a family might have when encounter similar experience. It is his spirit that supports me to finish this thesis.

Besides my father, I would like to express my warmest thanks to my professor, my family, my colleagues, and friends that help me during this hard time. I can not complete this thesis without their continuous support.



As a part-time student, working woman and a-mother-to-be, it is really a hard time to me to finish this thesis, especially writing English thesis for a student that her mother language is Chinese. My professor gave me a chance to study harder as possible. Although I study in Taiwan, he makes me feel like I study abroad. This is definitely would be an unforgettable and valuable experience in my life.

I wish one day this thesis could really put into practice and help people in need.

Finally, I wish everyone lives a happy and healthy life.

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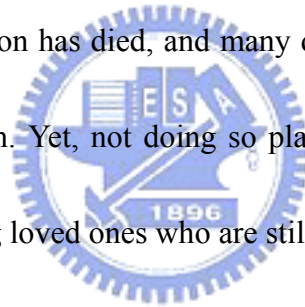
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CHAPTER 1 INTRODUCTION

1.1 Research Motivation and Background

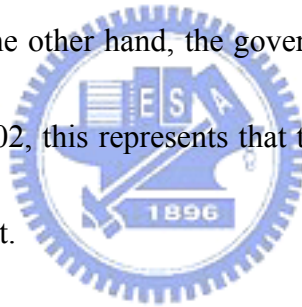
Nothing is certain but death. Death is a must process that everyone has to face. There is no getting away from the fact that a death in the family causes a great deal of stress and upset. In real life, we tend not to think about funeral planning until after a person has died, and many do not discuss their final wishes with those closest to them. Yet, not doing so places the responsibility to handle such affairs with surviving loved ones who are still trying to accept their loss.



According to Ministry of the Interior's statistic in 2003 (Department of Civil Affairs, Ministry of Interior,2003) , the population of aged people(above 65) are 9.02% of Taiwan's total population. Compare to WHO's definition of advanced age society (7% Of total population), Taiwan has already been an aging society. As the result of aging society, the Executive Yuan estimate the body count from 2002 to 2050 will be 3 times of 2002's number, which are 130,000. The funeral expenses per person are around NT\$ 376,000 (Department of Social affairs, Government of Taiwan Province, 1998), the total funeral related expenses in

Taiwan would around NT\$ 50 billion per year. This number will increase through the increasing deceased people and inflation rate.

As the funeral business market is a huge potential market, many funeral homes and big business are eager to enter this market. Some of them introduce pre-need arrangement product concept from the WEST and Japan in 1993, but it didn't work very well because of the social value to this concept is not popular. However, people are more open to talk about the dead and will issue in these two years. More and more companies join this market and even have some commercials on TV. On the other hand, the government enacted some policies to the funeral business in 2002, this represents that the government's concern of the development of this market.

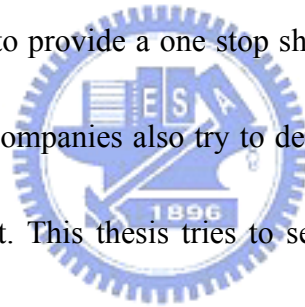


Many consumers have considered arranging their future life, not only for themselves but also for their families. Although there seem some products to choose in the market, they still hesitate to buy because of the following reason:

1. They know little about funeral affairs, so that it is hard to choose the right product for them.
2. They don't trust funeral homes enough because of the small size, credit, consistency of the funeral homes. They are afraid to pay ahead and finally get nothing.

3. The funeral service business is still not well organized enough. Products don't have a standard price, service content. Customers may encounter some losses and disadvantages buying this product.

Under this environment, we found that insurance product has similar product concept with the pre-need funeral arrangement, because they both have pre-planning concept and try to minimize some risks in people's life. As the aging market has been quite concerned by many businesses, some funeral companies try to forge alliance with insurance companies or rest homes to figure out a new integrated product which can link with funeral service to provide a one stop shopping service to the customers in 2003. Even the insurance companies also try to develop more new product related to this booming aging market. This thesis tries to setup a new business model that funeral company ally with insurance product and compare this new product concept with traditional funeral business using 4P model and business process. As the related research is little, this research also gathered some information from either insurers or funeral homes. The research also tries to make a 10 year cost and profit validation for companies or government who are interested in this new financial service development.



1.2 Research Objectives

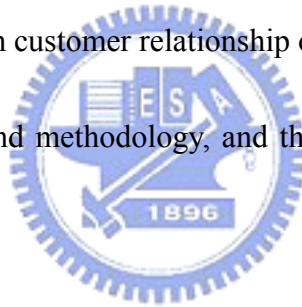
Customers know little about funeral service and many families encounter financial problems because of dealing with funeral affairs. New business model concept ally with the funeral home can be a trend to provide a better, safer financial service to the customers. This thesis probed into the development of funeral arrangement and insurance products. Furthermore, try to setup a new integrated product and analyze its possibility of success in the market.

From business view, how to maintain long term relationship with customer and earn more business opportunity are key points to a company's consistency. This thesis tries to analyze how the new business model provides a better way to maintain long term customer's relationship and profitability.

As the pre-need funeral issue has been more popular in the market, this thesis provides some information for the government to enact related policy to protect customers' rights and for business companies to develop better products and services.

1.3 Research Process

1. Through gathering information to understand the development of the products, the background of the market and setup the research structure and methodology.
2. To gather related information from books, periodicals, magazines, newspapers, papers, funeral homes and insurance companies.
3. Setup research structure, hypotheses and new business model design.
4. Analyze the marketing mix of the product by using 4P model.
5. To probe into the long term customer relationship of this new business model.
6. Identify research object and methodology, and then gather some information for cost & profit validation.
7. Setup some assumptions for analyzing the ten year cost and profit validation.
8. Make conclusions and suggestions.



CHAPTER 2 LITERATURE REVIEW

2.1 The meaning and characteristics of " Pre-need Funeral Arrangements "

2.1.1 The meaning of "Pre-need Funeral Arrangements"

1. Eric Clark (2002): "Pre-need Funeral Plan" is an agreement in which a seller agrees to provide funeral service and merchandise at the time of buyer's death.
2. William Stalter (2001): A "preneed trust" is a trust which holds, administers and distributes those payments made by a preneed contract purchaser to a funeral home which the applicable state law requires the funeral home to deposit into trust as security for the performance of the preneed contract. A 「preneed contract」 is a written agreement between a consumer (a "purchaser") and a funeral home in which the funeral home agrees to provide the funeral or cemetery merchandise or services described in the contract (a "prearranged funeral") at the purchaser's death. Every state preneed law requires the funeral home to deposit some or all of the purchaser's payments into a preneed trust.
3. Ministry of Interior (2002): According to" Funeral and Interment Management

Regulation” Article 2, Subsection 12, the definition of “Pre-need funeral arrangement” : The interested parties (Funeral home and purchaser) agree the other party to provide the funeral or cemetery merchandise or services described in the contract after the appointed party’s (Purchaser) death.

4. You zhi, Huang and Wen long, Deng (2001): “Pre-need funeral arrangement” is a contract that the funeral homes should provide any related products, services and information for before customers making a decision and guarantee the enforcement of the contract.



2.1.2 The characteristics of “ Pre-need Funeral Arrangements ”

You zhi, Huang and Wen long, Deng (2001) stand for that a “Pre-need funeral arrangement” should base on a complete service system. It should provide services with humanity concern and esteem. These services include care at one’s dying breath, medical service, heritage arrangement, funeral service, soothe family, law consultant.

The services should be provided with the following characteristics:

1. The seller should prompt clear product information to the customers. As the customers know less about the funeral service, they are intended to be sold the product that might suitable for their demand. So the seller should take the responsibility of providing the most suitable service to meet the customers’

demand and let them know they have the right to choose the service content.

2. The services or products provided by the seller must be transparent and open.

Before signing pre-need contract, the seller should try to explain the details of all the products, including the price, different classes of services and so on.

3. Customers can be their own master to choose the product or service they want.

Customers can choose the most suitable product or funeral service depending on his or her own will, economic situation, religion, and family's suggestion.

4. Customers have the right to change the service content or cancel the contract

before they die. As the future is unpredictable, customers' need may change through time. Without damaging the seller's legal right, customers could change or cancel the contract with freedom and flexibility.

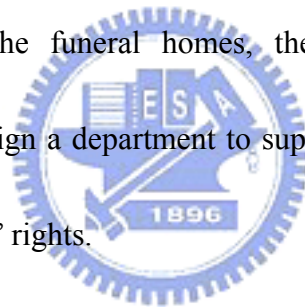


5. As pre-need funeral arrangement is the people who sign the contract before his

death, his own will or decision must be fully respected by everyone. Traditional funeral service, deceased people can not speak or decide his funeral arrangement.

The family may have different opinions about the funeral arrangement and waste lots of money on unnecessary products or services. The deceased people signed the pre-need funeral arrangement for themselves; therefore, their will must be fully respected.

6. The money for signing a contract collected by the seller must be used in a legal and safe way. In order to guarantee the future execution of the pre-need contract, the sellers must arrange the money they collected from the customers legally and safely. If they charge guarantee money ahead from customers, 75% of the money has to put into a trust account for assuring the future enforcement of the pre-need funeral arrangements. (Funeral and Interment Management Regulation, 2002)
7. The government should make policies to supervise the companies that provide pre-need funeral arrangement service. As the deceased person could not supervise the service quality of the funeral homes, the government should make a supervisory system or assign a department to supervise this business regularly in order to protect customers' rights.



2.2 The development of American 「 Pre-need Funeral Arrangements 」

The preneed concept originated with burial organizations that sold burial certificate plans in the 1930s. During the 1950s, funeral directors began selling prearrangements in the United States. The preneed market slowly evolved over the next 30 years.

There are two main reasons that pre-need sales are a booming industry today.

1. According to the 2003 World Population Data Sheet from Population Reference Bureau in U.S, we found that 10% of the U.S populations are over age 65. This phenomenon means that the continuing growth of older population will bring more potential market in pre-need funeral service.
2. Funeral expenses are one of the most purchases that Americans make.

According to a survey from AARP (American Associate of Retired Persons), the average cost of funeral per person was US\$ 5,160(without any extras).

In-ground burial can add another US\$ 2,400 to total expenses. In contrast to the purchase of these other expensive products, however, most funeral and burial purchases are made when buyers are vulnerable emotionally and lack the time and information to negotiate prices effectively. This is another main

reason why increasing numbers of consumers are entering into preneed agreements to purchase funeral and burial goods and services prior to death.

More and more Americans are entering into preneed agreements to purchase funeral and burial goods and services prior to death. Funds in preneed agreements exceed \$25 billion, up from \$18 billion in 1995. Two in five persons age 50 and older reported that they had been contacted about the advance purchase of funerals (43%) or of burial goods and services (39%). (AARP survey, 1999)

Individuals prepay for funerals and burials by entering into a preneed agreement, or contract, to pay in advance for goods or services they will receive upon death. Generally, this agreement is between the individual and the funeral director, and is funded through a funeral trust, annuity, or insurance policy. Upon the individual's death, the funds are used by the representative of the funeral home or cemetery to provide the designated goods and services.

In the past, preneed funeral agreements often included only cemetery plots and, therefore, were primarily sold by cemeterians. Preneed agreements are now likely to include a package of both funeral and burial goods and services that may be sold by funeral directors or cemeterians.

2.2.1 Funeral Insurance in American

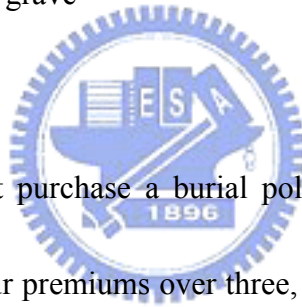
There are plenty of reasons to pre-plan and, if possible, pre-pay your final arrangements long before the need arises. A product called "pre-need" insurance, also known as burial or funeral insurance is intended for just that purpose. "Funeral Insurance" first appeared in 1930 when Los Angeles funeral director became concerned that legal reserve life insurance was the only dependable vehicle through elderly people could pre-fund their future funeral expenses.

According to a 1990 survey of 18 companies conducted by the Life Insurers Conference (LIC), there is US\$ 3.8 billion of pre-need funeral insurance in force from two million policies. In 1998, these companies sold 192,923 pre-need contracts totaling US\$ 165 million of new premium. There are over 50 life insurance companies in this business, either as a specialty or as part of a broader portfolio and market. Until 2003, most funeral homes work with at least one major insurance company that offer funeral insurance. (Funeral expenses)

Unlike some other types of insurance, funeral insurance is a kind of insurance that only covers funeral expenses. (Insure.com) Usually the face amount is smaller than other life insurances; most of them are under US\$ 10,000. Under the insurance

amount, the customers could determine the coverage. For example, the policies could cover these specifics:

- A casket or urn
- Cremation
- Embalming (not legally required unless there will be a public viewing)
- Burial vault or grave liner
- Grave marker
- Hearse and other funeral vehicles
- Flowers
- Digging and filling the grave
- The burial plot



In most cases, you must purchase a burial policy in one lump-sum payment. Some policies let you pay your premiums over three, five or 10 years. Payment plans also depend on what options you include in the policy.

If you buy a single-premium policy (and pay one lump sum at the time of application), you immediately have coverage for the full death benefit. People who have a serious health problem may receive a policy with a "graded death benefit," which means the coverage amount increases over time. For example, for a three-payment policy, the death benefit might be 50 percent of the face amount in the first year and 100 percent thereafter. For longer pay plans, say five or 10 years, the

death benefit is 30 percent of the face amount in the first year, 70 percent in the second year, and 100 percent thereafter.

If you are over 70 and shopping for a funeral policy, companies might offer you only the single-premium option. That's because the chances are greater you won't live long enough to pay premiums spread out over several years. Most pre-need companies will let you buy time-pay plans up to age 70 or 75.

According to the information of SHIBA (Senior Health Insurance Benefits Assistance), they gave funeral insurance a good definition and mentioned about traits of funeral insurance. It said, funeral insurance, a form of life insurance that covers funeral expenses and is sold by funeral homes and insurance agents, usually with the following traits:



- It's sold to people concerned about the expenses of their death for surviving loved ones.
- Many of those who buy funeral insurance have health conditions that make other life insurance unavailable to them.
- It may be sold by funeral homes as a "pre-need" funeral plan.
- It's often sold as a "guaranteed issue" policy, which means it's available to anyone who wants to pay for it.
- Applicants for funeral insurance don't need to be in good health as they do for other types of life insurance.

- The premiums are generally higher than for an equal amount of other types of life insurance.
- The death benefit is usually smaller than for other types of life insurance



2.3 The development of Taiwan " Pre-need Funeral Arrangements "

The pre-need funeral arrangement concept was introduced to the Taiwan market in 1993. Before that, most funeral homes provide funeral or cemetery service to immediate market. Even though, they also have few pre-planning programs, most of them are selling cemeteries.

Although pre-need funeral arrangement was introduced in the Taiwan market in 1993, it has not been popular until these two years. Why it is more popular now? It has some certain social background. This section will probe into more details about Taiwan funeral service market development.



2.3.1 The aging population, low birth rate

The aging population seems to be a trend in nowadays. According to the statistic of Executive Yuan in 2003, the percentage of people over age 65 is increasing from 8.3% (1998) to 9.2% (2003). The Development of Economic Association even predicted that this number will reach to 21.6% in 2030. This information means that Taiwan is stepping into a population aging society. The rest home issue, long term care issue and funeral arrangement and any issues related to this growing number of

aging people will be highly concerned by the government, and the public. More and more people agree they should prepare for their funeral arrangement and life planning when they are young.

On the other hand, most families in Taiwan have only one child. Some people even think they just want to get married, not having a baby. According to the statistic of Taiwan birth rate from 1980 to 2003, we found that the birth rate in Taiwan has been dramatically declined from 2.3% to 1.06%. This kind of phenomenon indicates that people have to manage their future life well instead of relying upon their children.

Figure 2.1 display the percentage of people over age 65 in Taiwan.

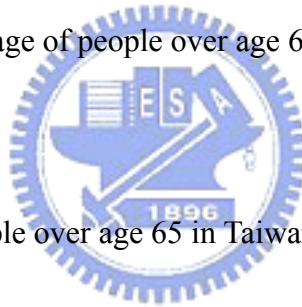
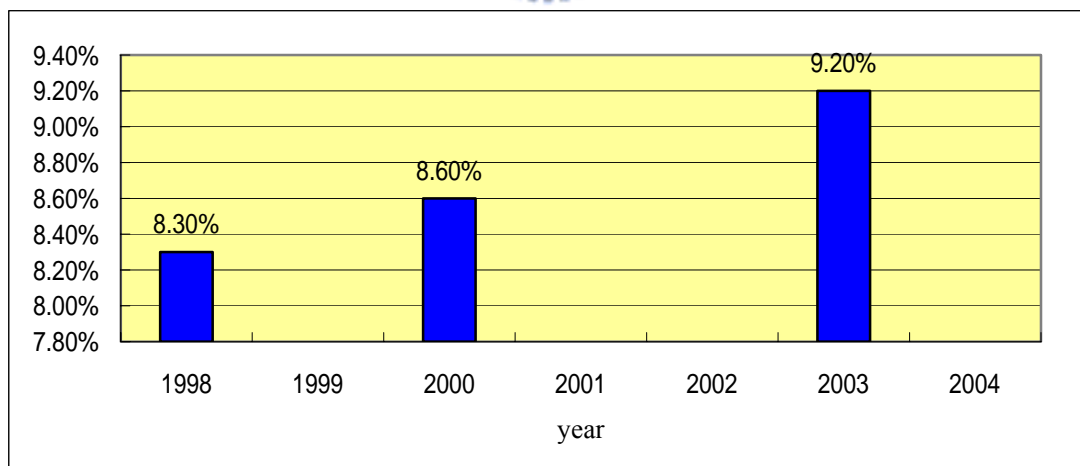


Figure 2.1: Percentage of people over age 65 in Taiwan



Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan (2003)

2.3.2 The expenses of Taiwan Funeral service industry

According to the statistic of social department of Taiwan Province (1997), the average total expense of funeral per person is NT\$ 367,757. (Table 2.1) Most of the money spent on the funeral ceremony (NT\$ 140,274), the second is cemetery (NT\$ 121,486). The details are shown on Table 2.1. If the inflation rate is 2% every year, the total funeral expenses in 2010 would be NT\$ 475,733. In 2050, this number would be NT\$ 1,050,437. (Table 2.2) That means if you don't prepare your funeral arrangement now, you might have to pay over one million NT dollar after 50 years.

These information also show how important is the pre-need funeral arrangement and the coming trend of pre-planning concept.

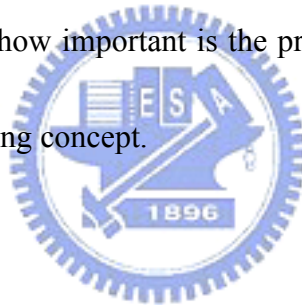


Table 2.1 Breakdown of Taiwan funeral service expense

Item	Average Expense (NT\$)
Total expense	367,757
Cremation expense	7,431
Cemetery	121,486
Tower	59,748
Coffin	31,294
Ceremony	140,274
Red envelop	23,291
Others	74,072

Source: Social department of Taiwan Province (1997)

Table 2.2 Prediction of funeral expenses growth by 2% inflation rate per year

year	1997	2010	2030	2050
funeral expense(NT\$)	367,757	475,733	706,914	1,050,437


2.3.3 How big is this market?

According to the statistic of Ministry of Interior in 2003, we found out that there are 128,357 people died in 2002. If the total funeral expenses per person in 2002 are around NT\$ 400,000 (calculated by the same base as Table2.2), the immediate market volume in Taiwan would over NT\$ 51.3 billions per year. Therefore, we can use the same method to predict the pre-need market. If we assume people over age 65 are the target market, the people over age 65 in 2003 are around 2 million in 2003, then the total market volume of the pre-need market would over NT\$740 billions. Moreover, the overall potential market is greater than the target market, because not only the target market will buy this service.

Many people would be very surprised at the above figure. If the population aging and inflation raise problem get worse, more people will pre-plan their funeral arrangement and retirement life earlier than ever. The pre-need market would be blooming up in the future.

2.3.4 The development of Taiwan “ Pre-need Funeral Arrangements ”

Before 1993, most funeral homes provide funeral service to immediate market. After they finished their service, they charge money for customers. From 1989~1994, some funeral homes think about exploring the potential market and new business opportunities. They start to sell pre-need funeral tower or cemetery for customers who plan for future demand, so that they can earn more money and get more prospects for future business. Gradually, they expand their service including pre-need funeral arrangement. (Zi qiang, Li, 2002).



Pre-need funeral arrangement was introduced to Taiwan in 1993. Most of the products concept is learned from U.S by the funeral homes. The product content and business model has some different characteristics in order to fit into Taiwan’s consumer behavior and culture. Table 2.3 displays 4 main products in Taiwan market. The prices of these four products only focus on the funeral service, excluding cemeteries and towers. If they want to buy a cemetery or tower also, they have to pay additional expenses.

Table 2.3 Pre-need funeral arrangements in Taiwan

Company	Guobao	ChinPaoSan	Zhanyun	Longyan
Time	1994	1997	2001	1996
Type of Products	1	2	3	3
Price (NT\$)	159000	172000/292000	156000-179000	160000~640000
Payment	Lump-sum/ Installment	Lump-sum/ Installment	Lump-sum/ Installment(*)	Lump-sum/ Installment
Promotion	Sales force, TV, Newspaper, Internet	Events, Brochure, Internet	Newspaper, Magazine, Internet	TV, sales force, exhibition, Internet
Place	Sales person, Broker, insurance agent	Sales person, Broker	Exclusive agent	Sales person, Broker,
Service Center	Every county	Big cites	Leaguers	Big cites
Exercise guarantee	DEXIA International Bank	First Bank	Fuhwa Financial Holding	China International bank

More people are known about pre-need funeral arrangement through TV commercials, newspaper and Internet, but many people still don't know this product well. The research did a comparison between traditional funeral service and pre-need funeral arrangement to help readers to understand the differences between these two different products.

1. Product contents

Usually people avoid talking about death, they know little about funeral arrangement. When they have to deal with their family member's funeral, it is really a hard time to them. They took everything that funeral homes proposed and didn't know if it is necessary to do. The product contents in this industry are not transparent, and suitable for customers. Pre-need funeral arrangements disclose its product contents and services very clearly, customers can know what they buy when they are still alive. All of the service contents have to be agreed by the mutual parties and signed in a contract.



2. Price

As customers know less about funeral arrangement, they also have no idea about funeral expenses. They might pay more to the funeral expenses and waste a lot of money. Pre-need funeral arrangement is pre-planned by customer; customer can know the price when they buy this service. Specially, this price will be fixed from the time customer buy the service. Therefore, compare to the traditional funeral product, pre-need funeral arrangement considers the inflation issue for customers.

3. Funeral expenses will cause a financial problem to a family

Funeral expense is one of the most expenditure of a family. In a lower income family, funeral expenses will put the family into a worse financial situation if they can not pay but they have to. Compare to the traditional way, the pre-need arrangement usually pay a single amount or installment, so when family encounter this situation, their financial problem will become smaller or even zero.

4. Follow the deceased's last will

Traditional funeral arrangement can not follow the deceased's last will, usually the family member make the decision for funeral arrangement. The pre-need funeral arrangement is arranged according to his wish before the deceased die, so it can respect the deceased' last will.

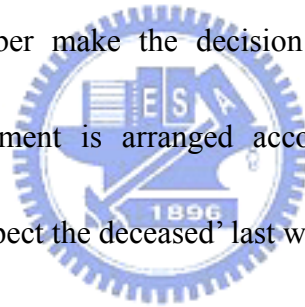


Table 2.4 Comparison between traditional funeral service and pre-need funeral service


	Traditional funeral service	Pre-need funeral arrangement
Product Content	Not transparent	Transparent
Price	No standard price	Standard price (fixed)
Financial problems	Yes	Lower financial problems
Follow the deceased's will	No	Yes

2.3.5 Comparison pre-need funeral arrangement between American, Japan and

Taiwan

As we learn form American and Japan market experience, we found that people in U.S are more open and willing to plan their future in advance than Taiwan. However people's thinking change over time, many funeral homes think Taiwan's pre-need funeral market is stepping into a booming future. This research did a comparison about pre-need funeral arrangement in American, Japan and Taiwan.

Table 2.5 Comparison of pre-need funeral market between American, Japan and Taiwan



	American	Japan	Taiwan
History	70 years	50 years	10years
Price	NT\$ 317,000	NT\$ 733,000	NT\$ 377,000
Market Share	35%	35%	1%

Source: <http://www.lungyen.com/inside4.htm>

2.3.6 Insurance linked with funeral service through insurance benefits trust

In Taiwan, there is no funeral insurance. One of the reasons is the insurance companies are not specialized in funeral industry. The other reason is the MOF does not allow the insurance companies to put funeral expenses as a coverage in the insurance policy so far. The only way to link the insurance and funeral service is through insurance benefits trust from bank. Some customers can sign a trust contract with the bank to tell the bank how to deal with their properties if one day they died. These properties include insurance policy. One kind of trust is insurance benefits trust which is a contract that customer signed with the bank. After signing this contract, the bank would use the trust fund to buy insurance, when customer died, the bank would pay insurance benefits to the funeral homes. For customers, they think it is safer to pre-plan their funeral through this way than buying a pre-need contract from funeral homes.

Actually, there are some disadvantages of this product. One is customers have to pay a lot of fees to bank for signing and maintain this insurance benefits trust. The other disadvantage is it is not convenient and simple enough for customers. However, this is the only way for insurance companies extending their service to funeral service so far.

Though the government hasn't opened the funeral service putting into the insurance policy, the insurance companies like Shinkong Life, Global Life, Fubon Life, and Kuo Hua Life are trying to persuade MOF to open this new coverage or business in order to provide their customers a really whole life service. At the same time, they also can expand their business to a new potential market.

2.3.7 The profile of Taiwan Funeral and Life insurance industry


According to a thesis written by Li-Ching, Tsai in 2003, she mentioned about that there are around 27,500 funeral homes in Taiwan, and the total working people in this business is around 80,000. Most of the funeral homes are very small companies with no business management and professional training. The total capital of the biggest funeral home is less than NT\$ 0.8 billion. This is the main reason that people feel hesitate to buy a pre-need funeral arrangement from these funeral homes.

Compare to funeral industry, insurance companies are much bigger. There are 29 life insurance companies in Taiwan, over 260,000 people working in this industry. According to the insurance law, the minimum capital to form an insurance company is NT\$ 2 billion. Every new insurance policy including coverage, price, and insurance reserve contribution has to been approved under the MOF's requirements. Beside that, the insurance companies are required to contribute reserve into Insurance Safety Fund

in order to guarantee the enforcement of the policy. The capital of the biggest insurance company in Taiwan is over NT\$ 83 billions. Furthermore, most of the companies have good business management, professional training. Legal license is required by every sales agent if they want to sell insurance.

According to the above information, Insurance companies tend to be more reliable and creditable than funeral homes. Therefore, people might be more willing to buy a pre-need funeral service from insurance companies than from funeral homes.

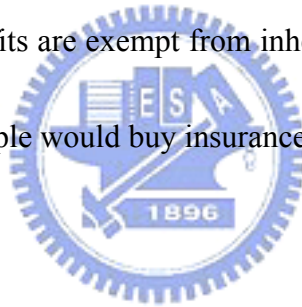
2.3.8 Various products and tax issue make insurance more attractive



Twain insurance industry has been developed for over 60 years. At the beginning, people prefer the saving product. So the 3-6 year endowments are the most popular products. As the economic and education level advanced, people concern more about diversifying different risks during their lifetime. Nowadays, insurance products are more consumer-oriented and the government also gives a more open mild to encourage insurance company to develop good and creative insurance products. Therefore, customers could buy various insurance products on the market. For example, MOF allowed insurance company to sell investment-linked insurance products from 2001. Recently they also consider open the insurance companies to sell the foreign currency policy. This policy could enable the customers who hold foreign

currency away from the exchange rate risk. Moreover, woman could also buy an insurance policy when they are pregnant. The baby could get some protection when he was still in mother's body. To conclude, people could feel the insurance products innovation from time to time. The government is willing to approve the products that are beneficial to customers.

Insurance is attractive to customers not only because of it is a risk management tool, but also it has some tax free benefits. According to Insurance Law, Article 112, the death benefits are tax free. It means if you hold an insurance policy, when you died, the total insurance benefits are exempt from inheritance tax. This is a very good selling point; hence many people would buy insurance as an asset allocation tool.



2.4 Customer Relationship Management

Every business recognizes that retaining customers is the top priority for long term business opportunities. Without customers, there is no business. The phrase of “Customer Relationship Management” has been very hot in these recent years. Many businesses recognize that the way of marketing has been changed from market to millions to market to one. Personalized customer communications and special preferences acknowledge that keep a long term relationship between a company and each of their customers. These relationships are the backbone of a profitable business.



2.4.1 The definition of CRM

1. Jeffery Peel (2002): Customer relationship management (CRM) is about understanding the nature of the exchange between customer and supplier and managing it appropriately. The exchange contains not only monetary consideration between supplier and customer but also communication. The challenge to all supplier organizations is to optimize communication between parties to insure profitable long-term relationships.

2. Meta Group: CRM (customer relationship management)-the automation of horizontally integrated business process involving “front-office” customer touch-points – sales (contact management, product configuration), marketing (campaign management, marketing), and customer service (call-center, field service) –via multiple, interaction). The CRM application architecture must combine both operational (transaction-oriented business process management) technologies as well as analytical (data mart-centered business performance management) technologies.

3. Duane E. Sharp (2003): CRM- A companywide, ongoing process whereby customer information is intelligently used to service customers more efficiently, thus optimizing customer satisfaction and company profits.



2.4.2 The technology of CRM applied to insurance industry

Many insurance companies especially a subsidiary in financial holding group are benefit from CRM related technologies. These benefits begin with the development and implementation of a data warehouse, data management systems, data mining and business analysis software.

Insurance industry unlike the other business, they have a special relationship with their customers. Insurance products are variable and have to meet with customers

need during lifetime. Therefore, how to maintain a long term relationship with their customers is very important.

More and more insurance companies now apply CRM technologies to help them to run marketing campaigns, choose right market segmentation, analyze customers' information, provide personalized service and develop new products.

OLAP (Jeffery Peel) tools are sometimes referred to as decision support tools and are used in insurance companies that allow users or applications to make decisions in real time. Online Analytical Processing technology can help the insurer to look at data from different perspectives and have the ability to examine summarized and detailed data. When an insurance company is developing a new product and campaign for their customers, OLAP technology helps them define the target market and evaluate the performance of the campaign in a short time.

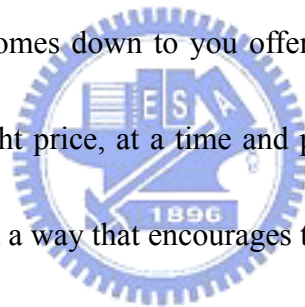


Nowadays, many companies they provide special CRM service for financial industry to run a good customer relationship management. The insurance companies would need this kind of technology to help them dealing with the customer relationship as their customer base become huge. Therefore, some insurance companies in Taiwan they spent a lot of money to implement CRM system. They even buy a lot of training programs to train their employees to use these systems. The only goal is to make more profit in this competitive environment.

2.5 Marketing Mix

Winning companies will be those who can meet customers' need economically, conveniently and with efficient communication. Marketing mix is a set of marketing tools that the firm uses to pursue its marketing objectives in the target market. (Philip Kotler). Marketing mix includes four P components, product, price, promotion and place, which is just about everything you need to cover when you sell something.

But basically, the 'mix' comes down to you offering what your customers really need and want, at just the right price, at a time and place they find most convenient and having heard about you in a way that encourages them to buy.

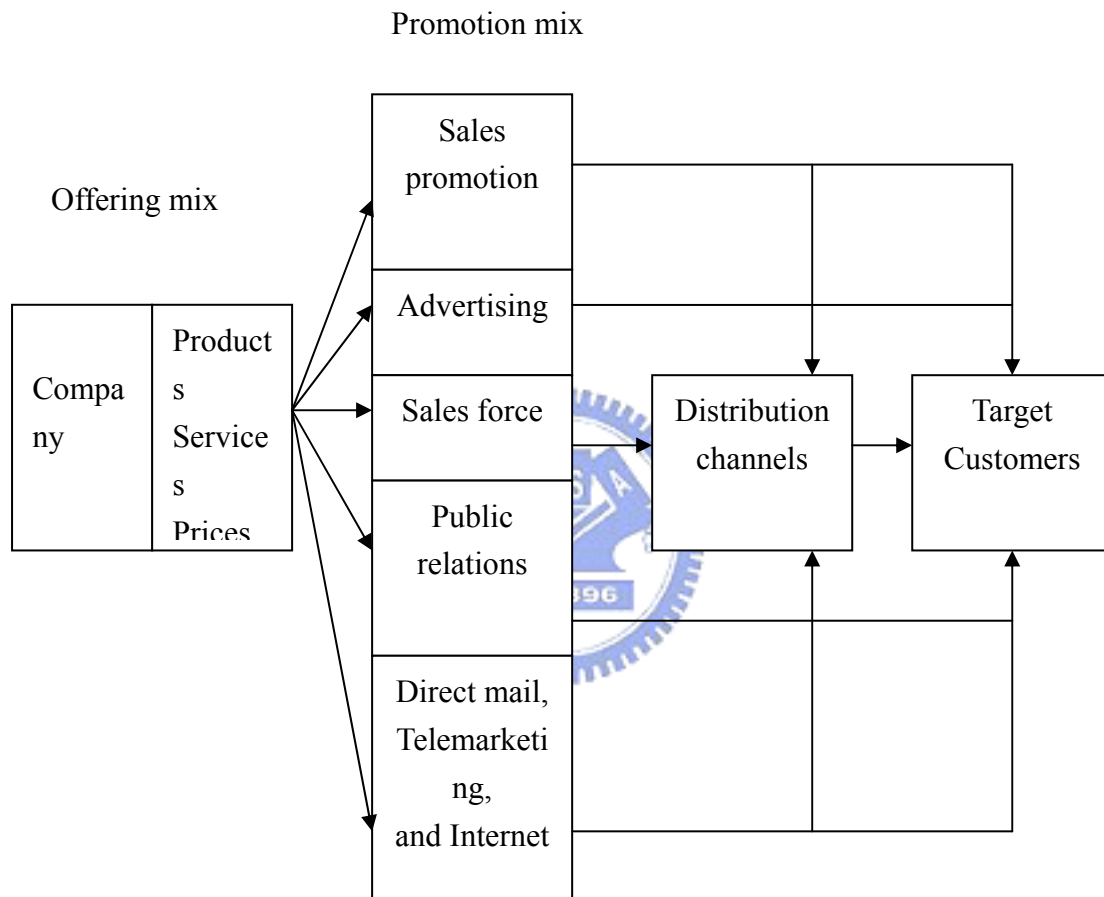


1. Product: all the product or service characteristics aimed at the target market
2. Price: the real cost to the customer including costs more than solely money.
3. Place: everywhere or every way the product or service is made available.
4. Promotion: all the marketing methods used to communicate with the target customers.

Before launching a new product or service, you have to make a good marketing strategy. Figure 2.2 shows a marketing-Mix strategy that company preparing an offering mix of products, services and prices, and utilizing a promotion mix of sales

promotion, advertising sales force, public relations, direct mail, telemarketing and Internet to reach the trade channels and the target customers.

Figure 2.2 Marketing-Mix Strategies



Source: Philip Kotler, Marketing Management (2000)

When we talk about marketing mix (4Ps), they represent the sellers' view of marketing tools available for influencing buyers. From a buyer's point of view, each marketing tool is designed to deliver a customer benefit. When customer relationship

management is becoming more and more important for a company's winning position in the market. Robert Lauterborn suggested that the sellers' four Ps correspond to customers' four Cs, which are more customer oriented.

Four Ps

Four Cs

Product

Customer solution

Price

Customer cost

Place

Convenience

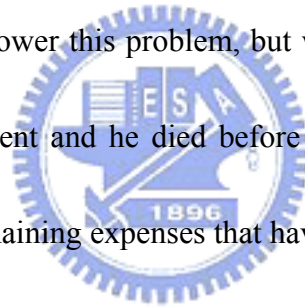
Promotion

Communication



Chapter 3 INSURANCE-FUNERAL BUSINESS MODEL DESIGN

After a family finished a funeral ceremony, there comes the bill of total funeral expenses. If they didn't pre-arrange a funeral service, the whole family could face a financial problem for paying the expenses. As the funeral expenses for a family might be a huge expenditure, they might have to borrow money to pay this bill. The pre-need arrangement could lower this problem, but what if the customer bought the pre-need contract by installment and he died before paying up the installment. The family still has to face the remaining expenses that haven't paid off. On the other hand, the pre-need funeral contract still has some problems, such as what if the funeral home goes bankrupt before the customer's death. The customer would lose more and still keep the financial problems for his family. In order to solve this problem, this research tries to build a new business model to lower the existing problems in funeral market and providing the consumers a better service to choose.



3.1 Business model design

Everyone has more than one insurance policy in Taiwan. According to the statistics of Life Insurance Association of the Republic of China in 2002, the insuring rate in 2002 is 143.7%. The insurances help people to diversify risks and take care of their family when accident happens. When people deal with the funeral matter, usually they will file an insurance claim at or after finishing the funeral matters. We know insurance can help a family to go on their life. But the insurance payment usually comes after the funeral expenses bill. So most of the time, the family has to pay the funeral expenses first, and then get the insurance indemnity. Figure 3.1 shows a time line of dealing a funeral and filing an insurance claim

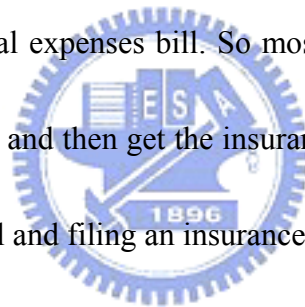
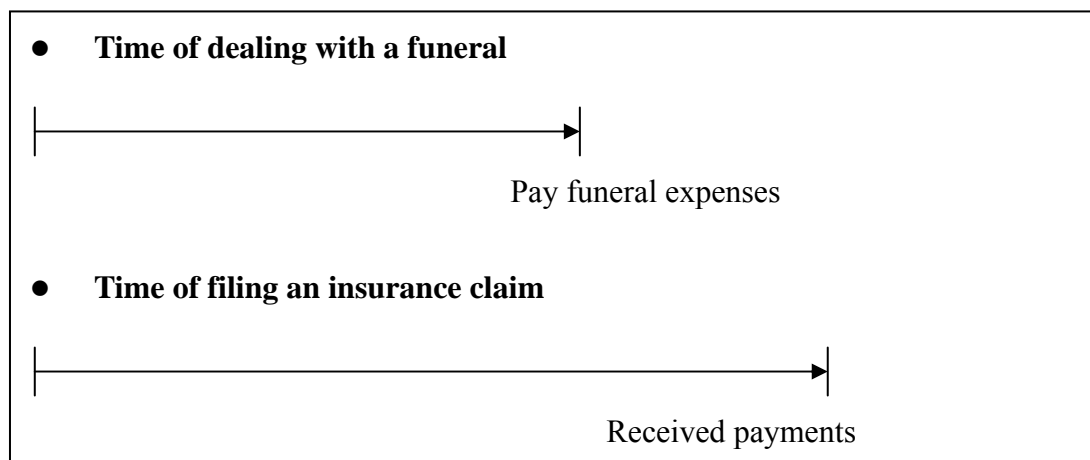


Figure 3.1 Time line of dealing a funeral and insurance claim



Therefore, if customers could use the insurance benefits to pay the funeral bills, it might be easier and more convenient to the customers. This research tries to build an insurance-funeral model to combine the funeral and insurance service together in order to give the customer an easier and safer way to pre-plan their future needs.

The goal of this business model design not only provides an easier and safer financial service, but also fulfills the goal of taking care of people a whole lifetime. Besides that, companies could find a new potential business opportunity for making profits.



3.2 Hypothesis

As there is no related research about insurance covering funeral service in Taiwan, in order to evaluate in a more specific way, this research did some hypotheses from an insurance company's point of view to design this new model. The following are hypotheses of 「Insurance-Funeral business model」.

H1 : As the population is aging, birth rates are falling in Taiwan, customers are more

willing to plan their pre-need demands(pre-need funeral arrangement)more than

ever.



H2 : According to the Taiwan Insurance Law and Tax Income Act, insurance benefits

to the beneficiary should be exempted. People are willing to buy insurance as

one of their asset allocation tools.

H3 : People think it is more convenient to buy one product including two services at

one time instead of buying two.

H4 : People are interested in a product that can not only take care of themselves but

also their family.

H5 : Customers trust insurance companies' credibility more than funeral homes.

H6 : Customers feel insurance products are more familiar than funeral products. They

also believe insurance regulations are better than funeral regulations.

H7 : The Government encourages insurance companies to provide new and innovative insurance coverage that are beneficial to customer.

H8 : More insurance companies are studying funeral related insurance products.

H9 : Insurance companies believe providing differentiated products in venture with funeral homes will bring more business opportunities.

H10 : Whole life insurance is more suitable for this business model than term life insurance.

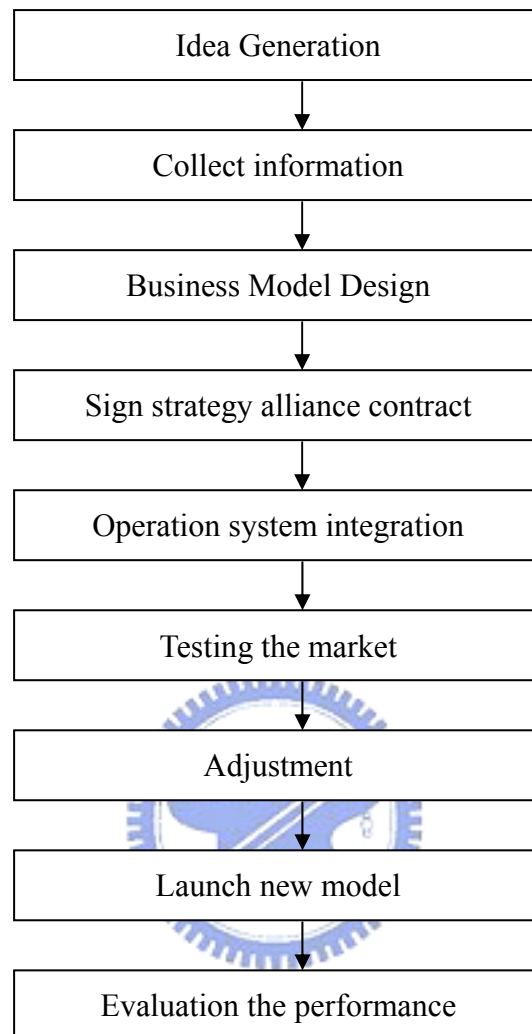


3.3 Insurance-Funeral business model structure

Insurance is a very wonderful financial tool to help people diversify many risks that they might encounter in their whole life. For the insurance products in Taiwan, they could take care of a person from his birth, education, marriage, to retirement. But when people died, the only thing insurance company can help is giving his family a check. Many young people even think about not to buy high insurance amount, because they can not use on themselves when they pass away. So this research tries to build a new business model that could extend insurance service with pre-planning funeral service. Customers could buy a really whole life financial service, and save much time to buy one product instead of two. Figure 3.2 display processes how an insurance company set up an 「Insurance-Funeral Business Model」.



Figure 3.2 Processes of building an Insurance-Funeral Business Model



1. Idea generation :

Product development department see market trend of future needs, and find out the relationship between insurance and funeral service has chances to link together and explore new market opportunity.

2. Collect information :

Company set up a project team starting to collect any information useful for this idea, including literature review and any experience in other countries.

3. Business Model Design :

This business model including funeral service into insurance product, compare to the funeral insurance in American, this model provide an insurance that could cover more customer's needs instead of only covering funeral service expenses. How to do that? Insurance company adds pre-need funeral service into to the whole life policy. If the insured is interested in this extending service, he can designate a certain insurance amount to the funeral homes as the first beneficiary. When the insured died, insurance company will pay the funeral expenses to funeral home under funeral service finished.

Figure 3.3 display whole processes of 「 insurance-funeral business model 」 .

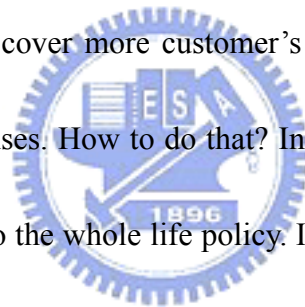
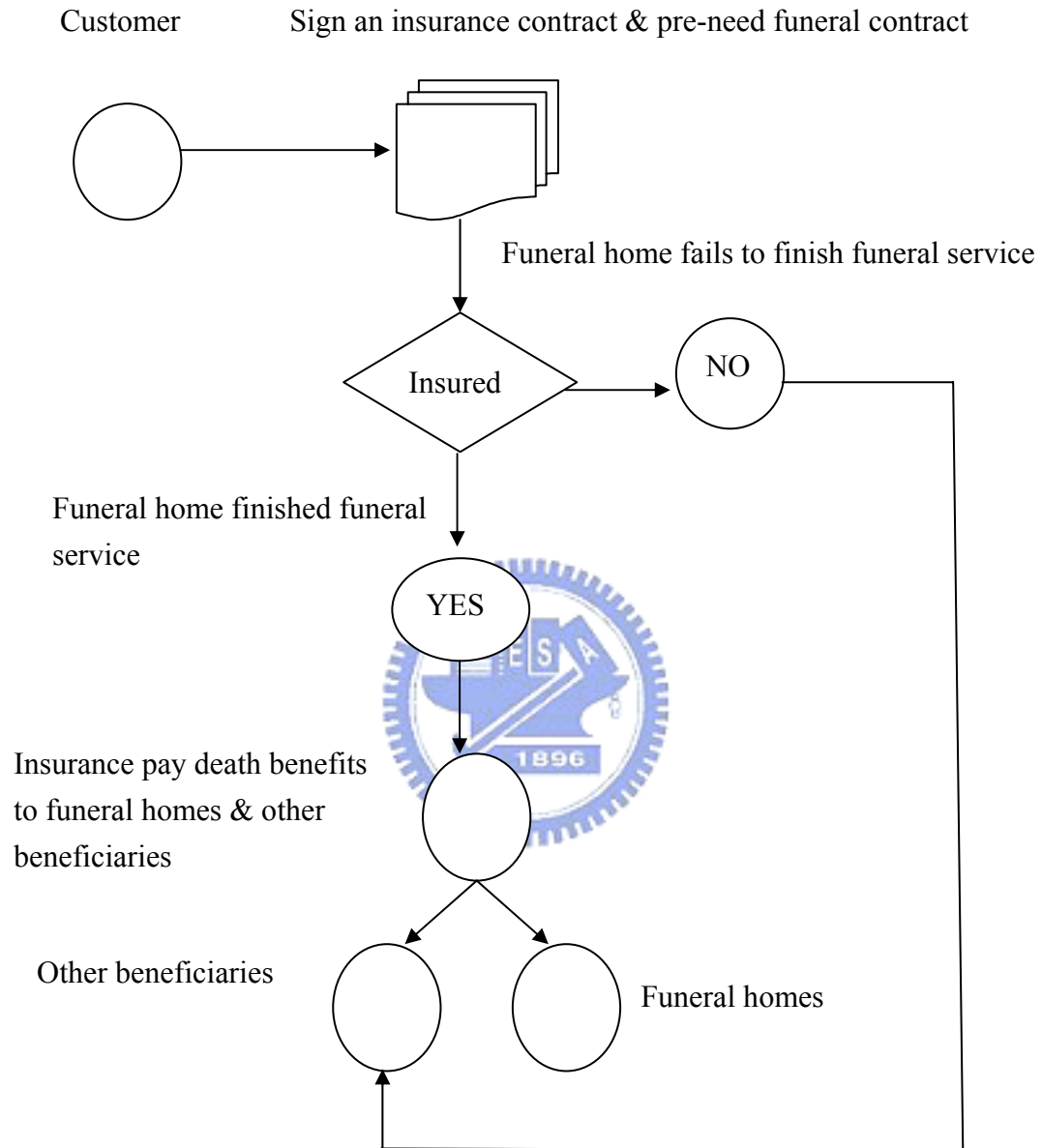


Figure 3.3 Insurance-Funeral Business Model



Through this new business model, the insurance company could provide an extendable and differentiated service to the customer. It combined two industries' service into one and would be more convenient to customers. But, as the funeral

industry in Taiwan is not well organized enough, there might be a chance that the funeral homes go bankrupt before the customers die. Therefore, through this model design, it could provide a certain protection to customers.

4. Sign a strategy alliance contract :

As insurance company is not specialized in funeral service, they have to ally with funeral homes. It is very important to choose a good funeral home with good service quality. Therefore, the insurance company has to spend some time to find a good funeral home in the market. When two companies are willing to sign an alliance contract, the content of this contract is very important. The insurance company should consider the obligations and rights they might have and ask lawyers' professional suggestions about signing this contract.



5. Operation system integration :

Computer system plays a very important role in this new model. The insurance company has to build a new system for running this model. In order to provide the right time service, they must have a good integration with the funeral home's system. So how to deal with the data in two different systems is a critical issue in this model design. With good system integration, the insurance company can do well business model evaluation after product launch and do good data analysis for CRM.

6. Testing the market :

When the business model completely set up, the insurance company could try to choose a target market to test the customer's attitude of this business model design. Testing market is a good way to know how customer's feeling about the new financial service. Insurance company can also evaluate if there is anything needed to change of the model design.

7. Adjust business model and marketing strategy :

After testing the market, there might be something needed to adjust. The insurance company could use this chance to adjust the model or marketing strategy.

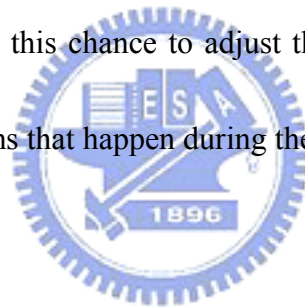
Try to solve the relate problems that happen during the test.

8. Launch new model :

After adjusting the model, how to well launch a new product is very important. Company can plan a good launch plan, including advertising and marketing campaign. Having a good product launch could make a new product successful.

9. Evaluate the performance :

Insurance company should make a regular evaluation plan to see the performance of new product after launch. The evaluation results could be very good references for better improvement of the product design.

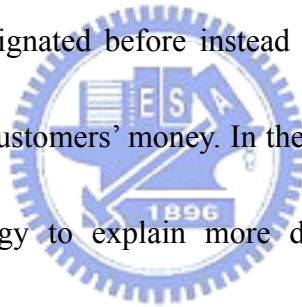


3.3.1 Protection to funeral home's failure of execution

As we know in the recent way of buying a pre-need funeral arrangement, customers have to pay all of some money ahead of they get the service. What if the funeral home goes bankrupt before customer's death, customer might get nothing back but lose all the money they paid. In order to solve this problem, the 「Insurance-Funeral Business model」 provide a protection mechanism for customers.

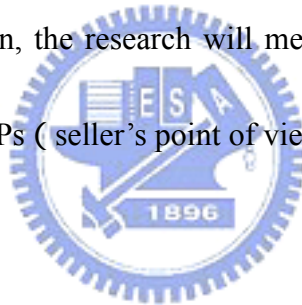
If the customers do not get the funeral service under some unexpected reason like just mentioned above, the insurance company will pay the death benefit to other beneficiaries that insured designated before instead of paying to the funeral home.

This is kind of protection of customers' money. In the following section, this research will use 4Ps Vs 4Cs strategy to explain more detail about “Insurance-Funeral Business Model”.



3.4 4Ps & 4Cs of “Insurance-Funeral Business Model”

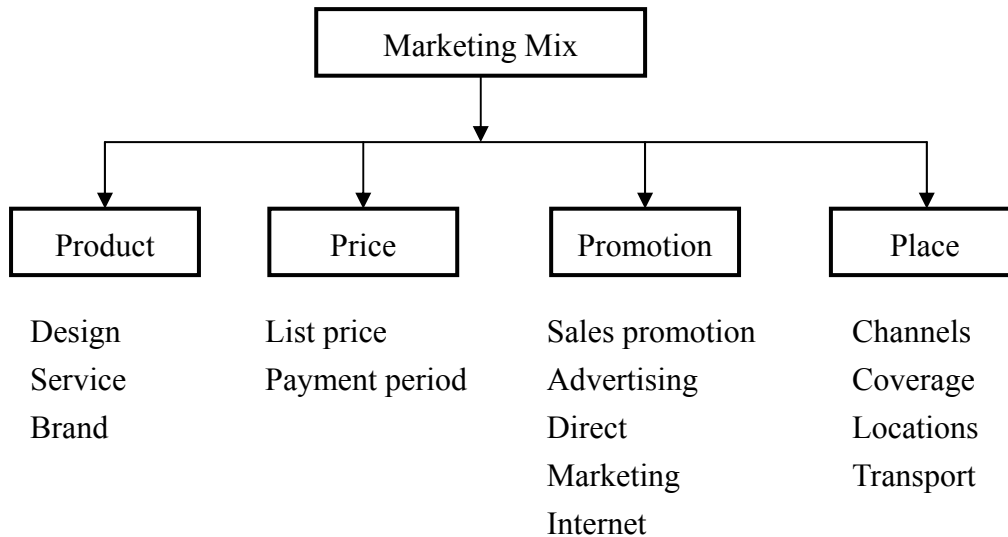
In chapter 2, the literature review mentioned about the relationship between 4Ps & 4Cs. 4Ps are the marketing mix from seller’s point of view, they are key elements when a company sets up a marketing strategy. Kotler suggested that marketer should concern more about customer-oriented perspective. 4Cs nowadays are key factors when a company wants to keep a customer for long term relationship. In this section, the research will mention about 「Insurance-Funeral Business Model」 from 4Ps (seller’s point of view) to 4Cs (customer’s point of view) .



3.4.1 Marketing Mix of “Insurance-Funeral Business Model”

4Ps refer to product, price, promotion and place. Each P has some components to explain this business model clearly. The particular marketing variables under each P are shown in Figure 3.4.

Figure 3.4 Marketing Mix



Source: Philip Kotler, Marketing Management (2000)



In this sector, the research would like to talk about the marketing mix of this model after finishing the basic model design. This is very important for company before they launch a product. The reader will be clear about this model after reading this sector.

1. Product

(1) Design

Product design of this model contains a whole life insurance covers with a pre-need funeral service. Why choose whole life insurance? As this

model's object is to serve the customers with an extendable funeral service, whole life insurance is the best choice that it covers a person's whole life upon to the insured's death. Compare to whole life insurance, term life is not suitable because customer might still alive when the policy expires.

The extendable funeral service will be provided by the funeral homes.

Because they are more expertise of doing this business than insurance companies, it is better for insurance company and funeral home take good care of their own expertise. Under this model, how to sign a complete alliance contract between funeral home and insurance company is quite important to keep good service quality to the customers. When an insurance company decides to provide new financial service, they have to be care of choosing the funeral homes size, financial ability and service quality. They also have to well regulate the mutual obligation and responsibility.



(2) Service

In the past, customer has to buy insurance and funeral service separately. Through this new business model, insurance company provides an integrated service which combines insurance and funeral service

together to customer and increases its business opportunity through this new differentiated financial service. Moreover, compare to the funeral insurance in U.S, this model not only covers the funeral expenses, but also whole life risk. This model uses whole life insurance as the main structure, funeral expenses would only be paid when insured died. The sum insured can cover the family's future expenditure and funeral expenses. Therefore, if the insured wants to leave some money to his family, he only has to buy one policy instead of buying funeral insurance and whole life insurance separately.

(3) Brand



Brand image is very important for this new business model. As the whole life insurance and pre-need funeral service are intangible service that customers buy for future needs, how to let the customers trust your service is more important than tangible commodities. Good brand image will be a competitive advantage for a new product launch. If an insurance company is already with good reputation and ally with a good funeral home, the possibility of success would be higher than a nameless company.

2. Price

(1) List price

In this new business model, the funeral expense will be paid by insurance benefits. So the total money, customer has to pay first is only insurance premium. But under the existing business model, if customer wants these two services, they have to pay for both of these services. Therefore, this new business model will be more attractive to the customers. Insurance company will get more business opportunity from providing this new service. As this pre-need funeral service now included into insurance policy, funeral homes could save their marketing cost for promotion. Insurance company can ask the funeral home to share some additional operation and marketing cost of insurance company. Then, insurance company could set an attractive price to customer and make their product more competitive. As the mortality rate and interest rate are the same between the insurance companies, the average level whole life insurance premium per year for a 30 year old woman, insurance amount is NT\$ 500,000 with a 20 year installment is around NT\$ 12,000. With the previous example, if this woman died in the second year after insured, she

only paid NT\$ 24,000 for buying this product. Compare to paying N\$ 500,000 funeral expenses, this is a very attractive price and product for customers to buy.

(2) Payment period

This new business model provides 6 payment period, 6, 10, 15, 20, 25, and 30 year installment. The variable payment period could satisfy different customers with different needs or ability of payment. The more service choices the insurance company can provide, the more attraction of the product to the customers.

3. Promotion

(1) Sales promotion



The primary objective of sales promotions is to predict and modify customer purchasing behavior, most often to improve sales. Insurance company could give the customer some premium discount if they buy a new insurance policy with pre-need arrangement service. As the funeral homes can also get potential customers from this new business model, they can also provide some peripheral services with some discounts to attract people buy this product.

The other way to make a good sales volume is giving some incentive

for sales force to encourage them to sell more. Unlike other product, this is an intangible product; to give the sales force a good incentive when they reach the target sales volume definitely will help the sale figure.

(2) Advertising

Advertising is a good and fast way to let people know your product in a very short time. As this is a new, fresh financial service to the customer, good advertising will help public to be aware of your service, and indirectly build your company brand image into the public's mind. How efficiently to advertise your product at the right time, right place is very important. For this new business model, the target market would be people over 45 years old. As they are the people who have ability to buy and stronger motivation to prepare their funeral, choose the financial, health and news channels at peak time in the evening would have a better outcome for this product's advertising.

(3) Direct Marketing

Direct marketing is a very common promotion way today; it includes distributing mail, brochure, product sample, promotion leaflet directly into the hands of the target consumers in order to achieve maximum promotion result. In order to achieve a successive marketing goal for this new business model,

direct marketing is also a good way of promotion.

(4) Internet

Internet is now become a must tool in people's life. It is efficient, cheap and fast way of promotion. Insurance company could set up a website for this new financial service, and use viral marketing to spread this news to the Internet. If people are interested to know more, they could leave their contact information for further information. Insurance company could get some information from the message and try to close a deal by contacting the potential customers.

4. Place



If a company wants to have an advantageous position in the market, good product and channel are two important factors. There is a good saying says, “If you owns the channels, you win the market.” An insurance company can sell this new financial service by not only their sales force, but also other channels that can sell insurance. The funeral homes could also be a very good channel to sell this product because of their expertise of funeral service. In Taiwan, besides sales agent of the insurance company, insurance broker and banks are allowed to sell insurance products. If the insurance company is one of the subsidiaries of a financial holding group, all companies in the whole financial holding group are

allowed to cross-sell insurance products too.

Therefore, choose the right channels, more channels to sell your products does good for promoting this business model.

3.4.2 4Cs of “Insurance-Funeral Business Model”

4Cs represents customer solution, customer cost, convenience, communication.

This concept is from customer’s point of view to the product. It is more concerned by many companies in order to get a long term business relationship.



1. Customer solution

The design of Insurance-Funeral Business Model helps the customers to diversify their risk. The extendable funeral service helps a family paying the funeral expenses through insurance death payments. This model helps customers to reduce their financial problems and comfort their mind when unexpected things happen.

2. Customer cost

If a 30 year old female customer buys a 20 year installment life insurance which insurance amount is NT\$400,000. The insurance premium she has to pay NT\$7,200 per year. If she dies after 3 years, the insurance company would pay

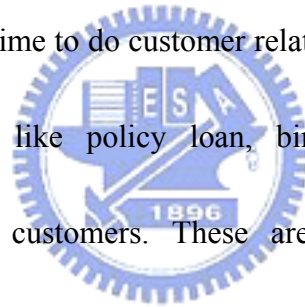
NT\$ 400,000 to her funeral expenses, but actually she only paid NT\$ 21,600 to get this service. This will help her and her family to save a lot of money.

3. Convenience

It is more convenient to buy a one-stop shopping service than two services. This model including two services into one financial service concept could save customers a lot of searching time and cost.

4. Communication

Insurance-Funeral Business Model is a life time service. Insurance company and funeral home have a lifetime to do customer relationship management. They also provide some services like policy loan, birthday greeting and coverage adjustment service for customers. These are ways to communicate with customers. Beside that, they also have service centers for customers to communicate with insurance company.



With a well planned marketing strategy would help this business model having more chance to success. After having a good start, making new public to become your customers, how to maintain them is also quite important. In next sector, the research would probe how insurance company through this model to begin their long term customer relationship management.

3.5 How does “Insurance-Funeral Business Model” help to maintain Long term CRM?

Insurance is a kind of financial services that is never written in stone. People’s needs change over the course of their whole life. Insurance is a special financial tool to help people to diversify their risk during their whole life. Every company now is eager to maintain a long term customer relationship with their customers. But not all kinds of products are easy and suitable for maintaining a long term customer relationship. Insurance is an exception.



There are many kinds of insurances which are designed to diversify many risks during a person’s life. Insurance services can meet different people’s need. People can have a personalized insurance package correspondent with their own demand. People could choose an insurance policy with different kinds of riders to make the whole package complete to indemnify loss when unpredictable situation happens. The most important thing is, insurance is a long term product and can be adjustable with human life cycle. Therefore, it is a very good product for maintaining long term customer relationship. Nowadays, customer relationship has been a very important issue for

insurance companies. Many insurance companies measure customer satisfaction on a regular basis to get an idea of how well the company is doing at maintaining these important assets~ their customers. (Tom Moormann, 2004)

Under “Insurance-Funeral Business Model” design, the research would try to explore how this new business model suitable to maintain long term customer relationship.

Insurance is like a big umbrella that could cove many risks during a person’s life. From a baby’s birth, go to school, start to work, get married to retirement, you can find variable insurance products that cover a person life time risk planning. Under “Insurance-Funeral Business Model”, the research assumed a person has to buy a whole life policy. After he became one of the insurance company’s customers, insurance company can use a lot of CRM technology to analyze this customer’s future needs and provide the best service to the customer. In the meanwhile, insurance company can earn more business opportunities from their existing customers. Figure 3.4 display how new business model help to maintain long term customer relationship management.

Figure 3.4 Long term customer relationship management of “Insurance-Funeral Business Model”

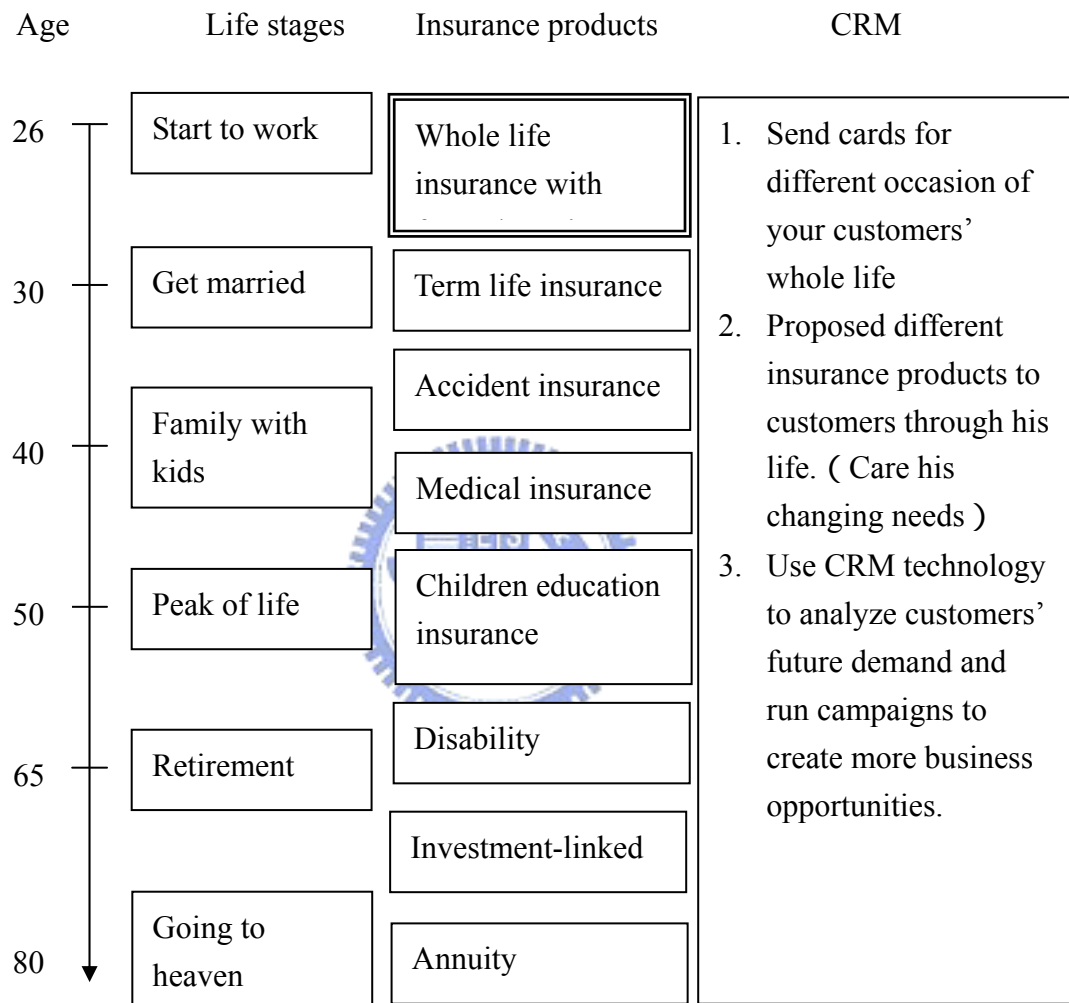


Figure 3.4 shows a basic example long term customer relationship management of this model. After a customer bought a whole life insurance with funeral service, insurance company has the responsibility to take care of his risk under the insurance coverage and chance to sell more products to this customer. When this customer is

getting old, he will have a family, house loan and kids. The insurance company could use CRM technology to know the customer's life cycle and design personalized products to their customers. Then suggest the customer buy more term life, medical and accidental life insurance after he got married. Because people will have more responsibility after having a family and kids, they need more insurance coverage to diversify more risk and take care of his family when bad things happen. When his child is growing up, he might have a need to prepare the education insurance. Insurance company can arouse the customer need when sending a birthday card or warm call to the customer.



Usually the insurance company has customer's financial statement when he applied to insurance. The insurance company can predict the customer's income growth and diagnose his potential consumption capability. If the customer is interested in investment and retirement planning, and he is very rich with tax planning demand. The insurance company could recommend the annuity and investment-linked insurance to the customers.

To sum up, through this new model design, as the customer buys a life time product, insurance company can have a life time to maintain good customer relationship with their customers and earn more business opportunities from long term customer relationship management.

CHAPTER 4 METHODOLOGY

There are ten hypotheses mentioned in chapter 3. The related methodologies that used in chapter 4 are trying to support the hypotheses of this model design. This thesis use both primary data and secondary data to prove the hypotheses made in chapter 3.

There are many ways to get information. The most common research methods are: literature searches, talking with people, focus groups, personal interviews, telephone surveys, mail surveys, email surveys, and internet surveys. This thesis used two ways to get information : questionnaire surveys, literature searches.

4.1 Methodology

4.1.1 Questionnaire surveys

Questionnaire-based surveys are one of the most common tools used by market researchers to establish consumer preferences. Questionnaire is a tool for collecting information to describe, compare, or explain knowledge, attitudes, and behaviors on the target group. Questionnaire format could be open questions or closed questions. Open questions could get more information but more difficult to analyze, where

closed questions get less information but easier to get and analyze. If the goal of this research is simple and clear, it is better to use closed questions.

This research designed two questionnaires, one is for public, and the other is for insurance professionals. To get valid information, this research used purposeful, concrete and shorter questions. The steps required to design and administer a questionnaire include:

1. Defining the objectives of the survey
2. Determining the sampling group
3. Writing the questionnaire
4. Administering the questionnaire
5. Interpretation of the results



The above steps will be explained clearer in section 4.2 with the hypotheses that used this methodology.

4.1.2 Literature searches

A literature search involves reviewing all readily available materials. These materials can include internal company information, relevant trade publications, newspapers, magazines, annual reports, government statistics, on-line data bases, and any other published materials. It is a very inexpensive method of gathering

information, although it often does not yield timely information.

Literature search is a way that the researcher will not have to collect his/her own data but can test his/her hypotheses using data that already exist among the wealth of data available in the public realm. These data might be small, simple, micro-level data such as a public opinion poll, or a survey of social or political attitudes. Or they may be more extensive and complex data, such as the Current Population Surveys or the Panel Study of Income Dynamics. Alternatively, many macro-level data sets (geographically aggregated data such as the County Business Patterns or the International Financial Statistics) are also available.

This thesis used secondary data to assure the data appropriately address the research hypotheses. The steps of using secondary data in this research are as follows:

1. Defining the required data
2. Finding the data
3. Accessing the data
4. Analyzing the data
5. Interpretation of the results

4.2 Methodology of each hypothesis

There are ten hypotheses for this business model design. This section will talk about the methodologies of each hypothesis. The research will explain methods applying on each hypothesis. Refer to the methodology using questionnaire survey, the research used two questionnaires (one for public, one for product development people working in insurance industry) with all questions covering the related hypotheses. The research results of the each hypothesis will be discussed in chapter 5. Table 4.1 displays a summary of methodologies that apply in each hypothesis.

Table 4.1 Methodology summary of each hypothesis

Hypothesis No.	Methodology	Notation
H1	Literature searches (Secondary data)	
H2	Literature searches (Secondary data)	
H3	Questionnaire surveys (Primary data)	Questionnaire for nonspecific public
H4	Questionnaire surveys (Primary data)	
H5	Questionnaire surveys (Primary data)	
H6	Questionnaire surveys (Primary data)	
H7	Questionnaire surveys (Primary data)	Questionnaire for professionals in insurance industry
H8	Questionnaire surveys (Primary data)	
H9	Questionnaire surveys (Primary data)	
H10	Literature searches (Secondary data)	

Hypothesis:

H1 : As the population is aging, birth rates are falling in Taiwan, customers are more willing to plan their pre-need demands(pre-need funeral arrangement) more than ever.

Methodology: Literature searches. (Secondary data)

1. Collect the statistics of elder rate, birth rate and old population dependency ratio.
2. Use population statistic tables from Department of Statistics, MOI.

Hypothesis:

H2 : According to the Taiwan Insurance Law and Tax Income Act, insurance death benefits to the beneficiary should be exempted. People are willing to buy insurance as one of their asset allocation tools.



Methodology: Literature searches. (Secondary data)

1. Apply the Insurance Law and Tax Income Act.
2. Collect the statistics of insuring rate.
3. Use the statistic tables from Insurance Institute of the ROC.

Hypothesis:

H3 : People think it is more convenient to buy one product including two services at one time instead of buying two.

H4 : People are interested in a product that can not only take care of themselves but also their family.

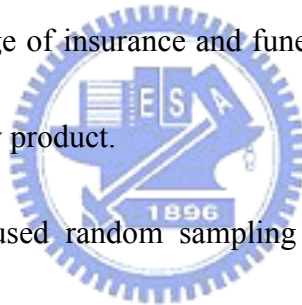
H5 : Customers trust insurance companies' credibility more than funeral homes.

H6 : Customers feel insurance products are more familiar than funeral products.

They also believe insurance regulations are better than funeral regulations.

Methodology: Questionnaire surveys. (Primary data)

1. The questionnaire for H3 to H6 is designed for the nonspecific public. The goal of this questionnaire is to probe into the attitude of customers' point of view about the image of insurance and funeral business, one-stop shopping and interest of a new product.



2. The questionnaire used random sampling method; survey period is one week on the internet. The total sample size is 176.

3. Questions used in the questionnaire:

1. Do you think the insurance industry is more reliable than funeral homes?

yes no

2. Which business do you think its financial capability and persistence is

better? insurance industry funeral homes

3. When buying insurance or funeral service, which one do you think is

more secure? insurance product funeral service

4. Regarding to the related laws of insurance and funeral business, which one do you feel is more well established for customers?

the insurance related law the funeral related law

5. Which business do you feel its company image is better?

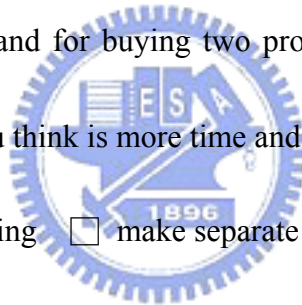
insurance business funeral business

6. Which product content do you feel is more unfamiliar to you?

insurance product funeral service

7. If you have demand for buying two product services at the same time, which way do you think is more time and cost efficient?

one-stop shopping make separate purchase



8. Are you interested in a product that could ease your family's burden and take care of them? yes no

9. Will you be interested in buying a one-stop service with insurance and funeral service under the hypothesis of without increasing extra cost?

yes no

10. Under the trend of aging population and lower birth rate, do you agree it is necessary to pre-plan risk management for your future?

yes no

Hypothesis:

H7 : The Government encourages insurance companies to provide new and innovative insurance coverage that are beneficial to customers.

H8 : More insurance companies are studying funeral related insurance products.

H9 : Insurance companies believe providing differentiated product in venture with funeral homes will bring more business opportunities.

Methodology: Questionnaire surveys. (Primary data)

1. The questionnaire for H7 to H9 is designed for the research people in insurance company. As they are developing new products and have lots of chances to communicate with the MOF. Their opinion is valuable to support the hypotheses of this model design.

2. The questionnaire collected information from 10 research people in 7 insurance companies.

3. Questions used in the questionnaire:

1. Do you think Department of Insurance encourages the insurance product development that is good to consumers? yes no

2. Do you think government encourages new financial service innovation

that is beneficial to consumers? yes no

3. Do you think the MOF's attitude about product innovation should be more open? yes no

4. Does your company do related market research under the trend of aging population and low birth rate ? yes no

5. Have you heard of the news that funeral homes are trying to forge an alliance with insurance companies in order to provide integrated product service? yes no

6. Have you heard there are some insurance companies are trying to develop insurance service linking with pre-need funeral insurance?
yes no



7. Do you know which company is doing the related funeral insurance product research?

Cathay Life Shinkong Life Nan Shan Life Global Life Fubon Life Kuo Hua Life Hontai Life Shin Fu life other: _____

8. Do you think that funeral homes are eager to cooperate with insurance company in order to get more potential customers? yes no

9. Do you think funeral home and insurance company's alliance could increase more potential business opportunity? yes no

10. Do you think insurance company could increase their sales volume through providing differentiated financial service? yes no

Hypothesis:

H10 : Whole life insurance is more suitable for this business model than term life insurance.

Methodology: Literature searches. (Secondary data)

1. Collect the insurance content of whole life and term life insurance.
2. Use the secondary data collected from Insurance Institute of the ROC, insurance dictionary and Internet.



CHAPTER 5 DISSUSSION THE RESULTS OF INSURANCE-FUNERAL

BUSINESS MODEL

In this chapter, the research will display the research results of each hypothesis by applying the methodologies mentioned in chapter 4. The goal of the discussion of the results is trying to prove that each hypothesis supports the insurance-funeral business model design.

5.1 The methodology results and discussion

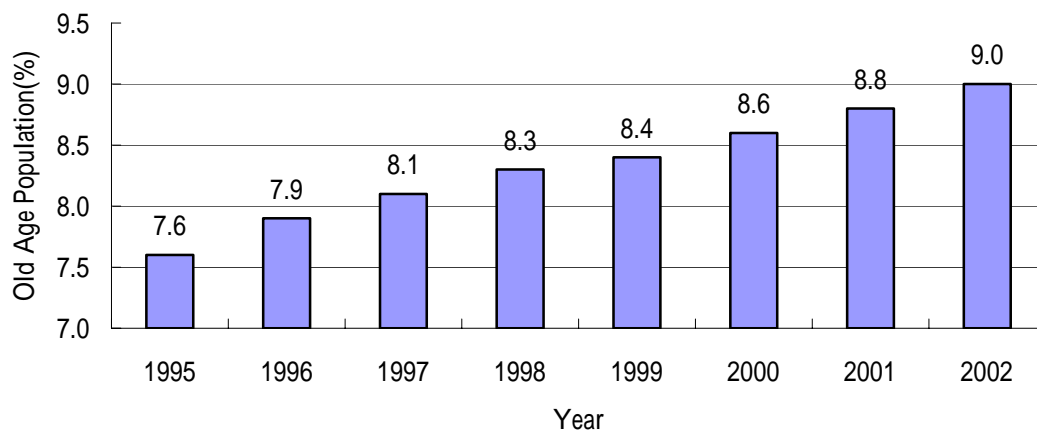
The results of H1:

1. Increasing aging population

Aging population represents people over age 65.



Figure 5.1 The percentage of Old Age population in Taiwan

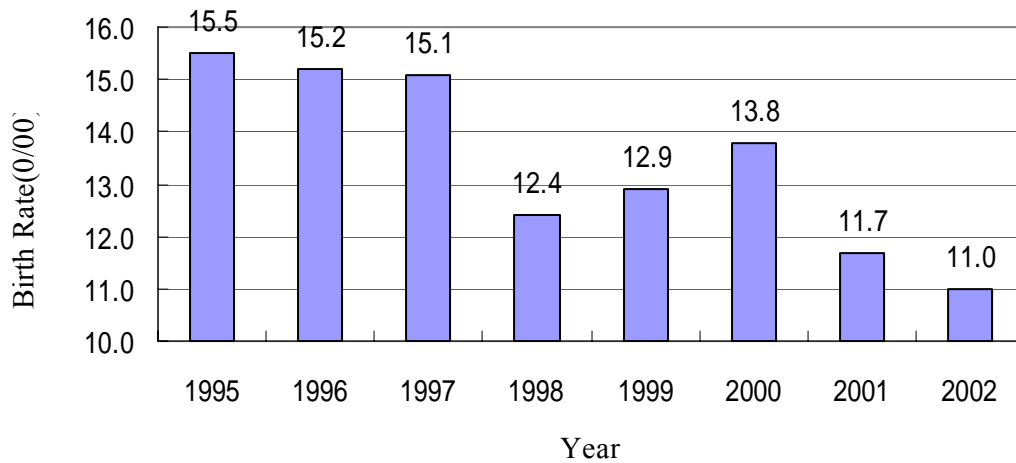


Source: Department of Statistics, MOI. (2003)

2. Decreasing birth rate

$$\text{Birth Rate} = (\text{No. of births}) \div (\text{No. of total population})$$

Figure 5.2 Birth Rate in Taiwan

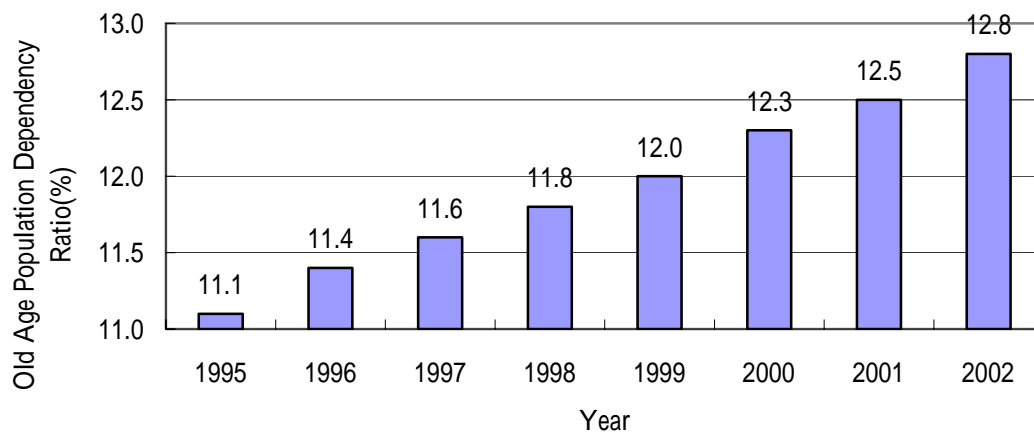


Source: Department of Statistics, MOI. (2003)

3. Higher old age population dependency ratio

$$\text{Old Age Population Dependency Ratio} = (\text{No. of age 65+}) \div (\text{No. of age 15-64})$$

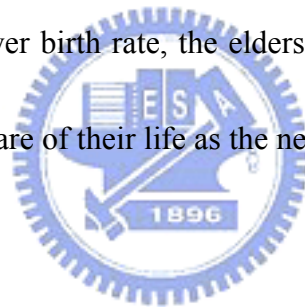
Figure 5.3 Old Age Population Dependency Ratio in Taiwan



Source: Department of Statistics, MOI. (2003)

Discussion the results of H1:

According to the statistics from MOI, the research found that Taiwan has already been an aging society for many years. This means there will be more elders in the society. The related market demand for the elders will increase by time. But in the meanwhile, the decreasing birth rate represents that the working population in the future will be fewer. On the other hand, the Old Age Population Dependency Ratio is getting higher by time, this represents that more and more elders need to be raised in the future. But due to the lower birth rate, the elders realize they can not depend on their next generation to take care of their life as the next generation's burden is getting higher than before.



In summary, under this population change trend, people are more willing to pre-plan their future. Insurance with pre-need funeral arrangement would be one of the demands that people need to pre-plan.

The results of H2:

1. Insurance law

Insurance Law, Article 112:

「 If it has been stipulated that the insured amount is to be paid upon death of the

insured to the beneficiaries named thereby, such amount shall not be treated as part of the insured's estate.」

2. Income Tax Act

Income Tax Act, Article 4, Subsection 7:

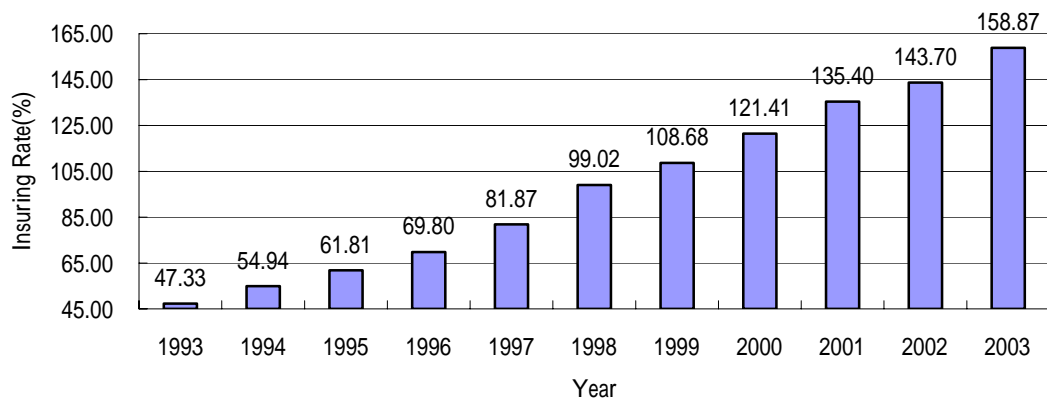
Income tax on the following categories of income shall be exempted:

「 Compensation payment made under life insurance, labor insurance and insurance for public servants, military personnel and teachers;」

3. Increasing Life Insurance Insuring Rate

Insuring Rate = No. of insurance policies ÷ total population

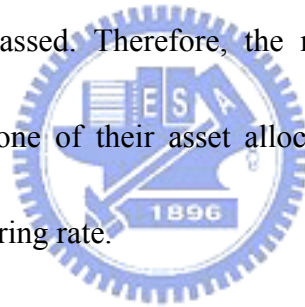
Figure 5.4 Life Insurance Insuring Rate



Source: Insurance Institute of the ROC. (2003)

Discussion the results of H2:

According to the Insurance Law and Tax Income Act, people can get tax advantage from buying Insurance. This advantage will encourage people buying insurance as one of their asset allocation tools. From figure 5.4, the life insurance insuring rate increase from 47.33%(1993)to 158.87%(2003)over the last ten years. Increasing insuring rate means people's point of view to buying insurance is getting more open. This information also indicates that more and more people buying insurance product as time passed. Therefore, the research infers that people are willing to buy insurance as one of their asset allocation choices based on the tax advantage and increasing insuring rate.



The results of H3 to H6:

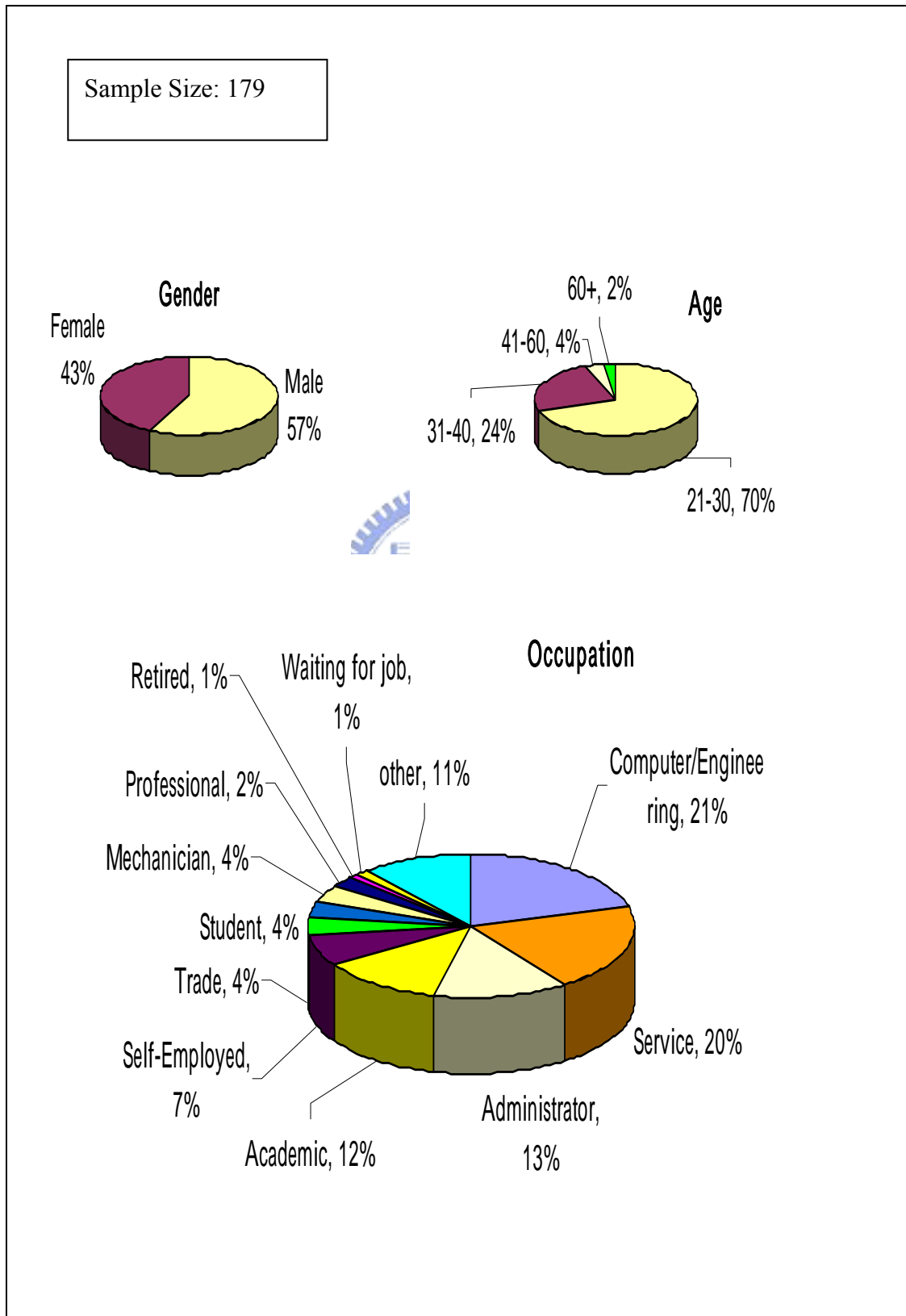
The methodology from H3 to H6 used a questionnaire that designed for the public. The following are a summary of this questionnaire survey:

Goal :

1. To probe into people's attitude of new insurance service
2. To understand people's image to insurance companies and funeral homes.

Sample size and structure :

Figure 5.5 Questionnaire 1- Sample Size and Structure



The following results are questions that designed for test H3 to H6:

1. Do you think the insurance industry is more reliable than funeral homes?

(83%) yes (17%) no

2. Which business do you think its financial capability and persistence is better?

(89%) insurance industry (11%) funeral homes

3. When buying insurance or funeral service, which one do you think is more secure?

(91%) insurance product (9%) funeral service

4. Regarding to the related laws of insurance and funeral business, which one do you

feel is more well established for customers?

(92%) the insurance related law (8%) the funeral related law

5. Which business do you feel its company image is better?

(92%) insurance business (8%) funeral business

6. Which product content do you feel is more unfamiliar to you?

(77%) insurance product (23%) funeral service

7. If you have demand for buying two product services at the same time, which way

do you think is more time and cost efficient?

(82%) one-stop shopping (18%) make separate purchase

8. Are you interested in a product that could ease your family's burden and take care of them?

(84%) yes (16%) no

9. Will you be interested in buying a one-stop service with insurance and funeral service under the hypothesis of without increasing extra cost?

(77%) yes (23%) no

10. Under the trend of aging population and lower birth rate, do you agree it is necessary to pre-plan risk management for your future?

(83%) yes (17%) no



Discussion the results of H3 to H6:

For H3, according to the results of question 7 & 9, 82% of the people agree it is more convenient to buy one product including two services instead of buying two. Moreover, 77% of the people are interested in insurance product that linked with funeral serviced.

For H4, according to the result of question 8, 84 %of the people are interested in a product that could not only take care of themselves but also their family.

For H5, according to the result of question 1 to 5, the research found that from the perspective of more reliable, better financial capability and persistence, more secure, well regulated, and better company image, most of the people agree insurance company is better than funeral homes. These results represents that the right direction for insurance company to provide this new financial service.

For H6, 77% of the people are more familiar with insurance products than funeral products. According to this result, the research infers that it might be workable to put funeral service into insurance policy. This result also supports the design of insurance-funeral business mode.



The results of H7 to H9:

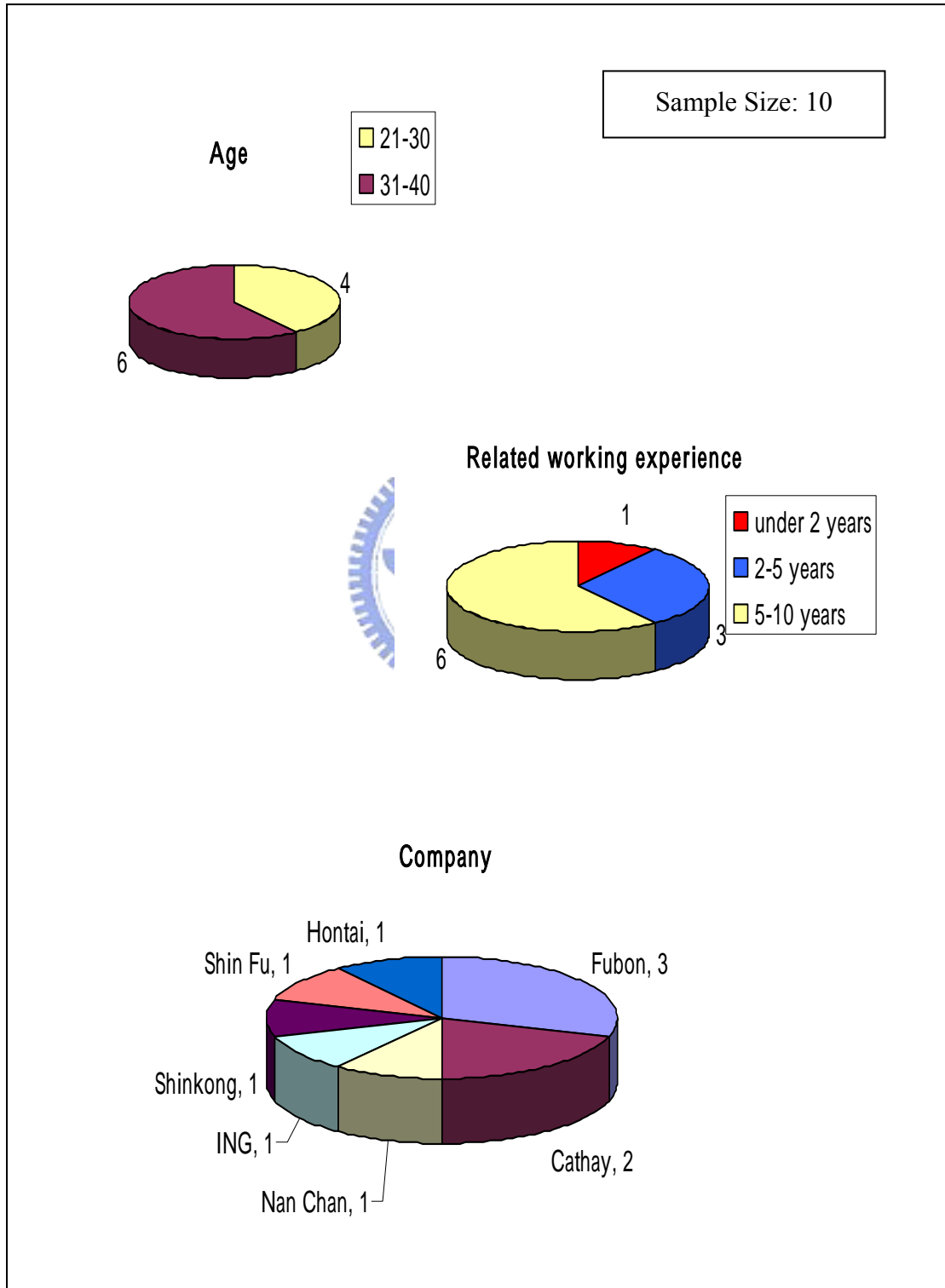
The methodology from H7 to H9 used a questionnaire that is designed for the research professionals in life insurance companies. The following is a summary of this questionnaire survey:

Goal :

As the research people are very sensitive for the new insurance product trend, and they have lots of chances to communicate the government as they file a new product. The main goal of this questionnaire is to probe into the professionals' perspective about new insurance product development.

Sample size and structure :

Figure 5.6 Questionnaire 2- Sample Size and Structure



The following results are questions that designed for test H7 to H9:

1. Do you think Department of Insurance encourages the insurance product development that is good to consumers?

(80%) yes (20%) no

2. Do you think government encourages new financial service innovation that is beneficial to consumers?

(70%) yes (30%) no

3. Do you think the MOF's attitude about product innovation should be more open?

(100%) yes (0%) no

4. Does your company do related market research under the trend of aging population and low birth rate ?

(60%) yes (40%) no

5. Have you heard of the news that funeral homes are trying to forge an alliance with insurance companies in order to provide integrated product service?

(100%) yes (0%) no

6. Have you heard there are some insurance companies are trying to develop insurance service linking with pre-need funeral insurance?

(90%) yes (10%) no



7. Do you know which company is doing the related funeral insurance product

research?

(3) Cathay Life (2) Shinkong Life (1) Nan Shan Life (8) Global Life

(4) Fubon Life (1) Kuo Hua Life (1) Hontai Life (2) Shin Fu life

(2) other: _____

8. Do you think that funeral homes are eager to cooperate with insurance company in

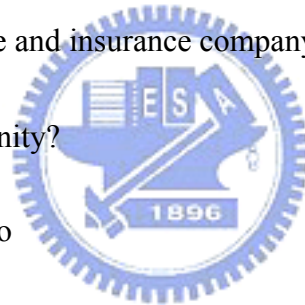
order to get more potential customers?

(100%) yes (0%) no

9. Do you think funeral home and insurance company's alliance could increase more

potential business opportunity?

(90%) yes (10%) no



10. Do you think insurance company could increase their sales volume through

providing differentiated financial service?

(100%) yes (0%) no

Discussion the results of H7 to H9:

For H7, according to the results of questions 1 to 3, the research found that most of the research people agree that the government encourage new insurance product innovation that is good to customers. They also think the government's attitude to the new product innovation should be more open.

For H8, from the results of questions 4 to 8, the research found that many insurance companies are working on the related product research due to the aging and low birth rate trend. They also agree that over 9 insurance companies are working on the funeral related products research. Moreover, most of them think funeral homes would be willing to ally with the insurance companies in order to get more potential customers.

For H9, according to the results of question 9 to 10, most of the research people agree that cooperate with the funeral homes will increase the potential business opportunity. They also agree that insurance company could increase sales volume by providing differentiated product.

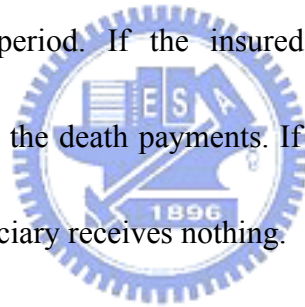
The results of H10:

1. INVESTORWORDS.COM

Whole Life Insurance is a Life insurance which provides coverage for an individual's whole life, rather than a specified term. However Term Life insurance provides protection only for a specified period of time.

2. Dictionary of Insurance Terms:

Life insurance protection is against the death of an individual in the form of payment to a beneficiary. However, term life stays in effect for only a specified, limited period. If the insured dies within that period, the beneficiary receives the death payments. If the insured survives, the policy ends, and the beneficiary receives nothing.



Discussion the results of H10:

Figure 5.7 Drawing of Whole life and Term Life Insurance

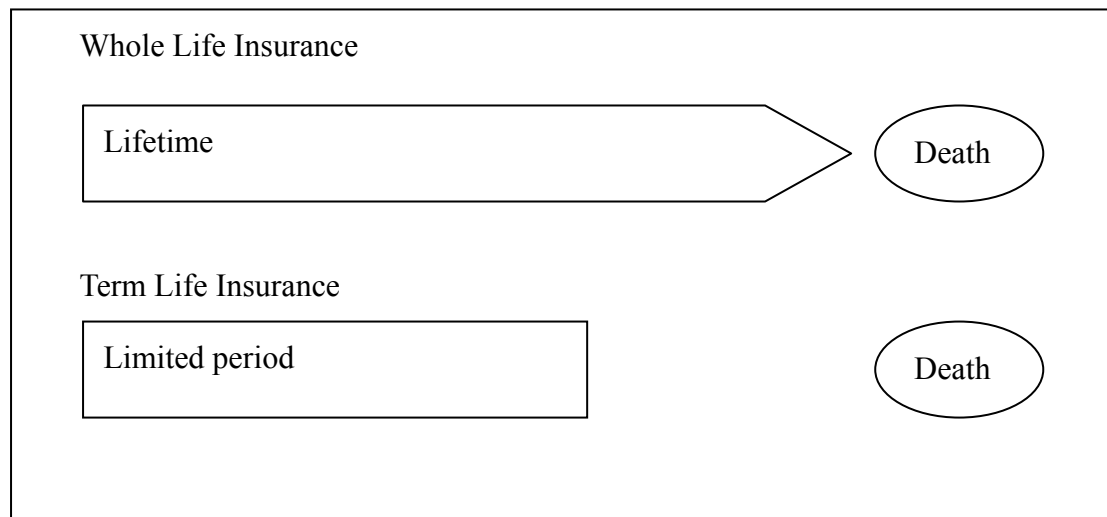


Figure 5.7 display a drawing of Whole Life Insurance and Term Life Insurance.

The design of Insurance-Funeral Business Model is to use the death payments to pay the funeral service. Whole Life Insurance is suitable for this model design, because it covers a life time. However Term Life Insurance has the possibility that makes the model doesn't work while the insured survives longer than the insurance period. Therefore, when the insured dies after the insurance period, the family still has to pay the funeral expenses. The goal of taking care of family and saving cost will not be achieved when applying term life insurance.



5.2 Methodological results that support the business model design

The design of “Insurance-Funeral Business Model” is based on the ten hypotheses made in chapter3. The main goal of the methodologies used to test the hypotheses is trying to prove that the design of business model is possible workable when this model launches someday. According to the results and discussion of each hypotheses, the research found that not only from the literature researches, but also from the questionnaires for nonspecific public and professionals, the results seem optimistic and positive to support the design of “Insurance-Funeral Business Model”.

The concept of this model is kind of one-stop shopping service. The design of this model is providing this service from insurance companies. The questionnaire survey results found that most of the customers would be interested in this service and they got better image to insurance companies. This outcome supports the design of this model.

From the research people in insurance companies, the research also found that government’s attitude to approve creative and good insurance products is positive. Moreover, many insurance companies are studying related funeral insurance. This is good news for this model design. The market trend supports the design of this

business model.

In conclusion, the overall hypotheses testing outcome support the design of “Insurance-Funeral Business Model”. These research results can provide some directions for the government and business to develop new products. In chapter 6, the research will further to validate the “Insurance-Funeral Business Model” through a cost-profit validation. The readers will have a more specific view to this model.



CHAPTER 6 MODEL VALIDATION

In order to have a more specific view of this new business model design, in this chapter, this research made some assumptions to this model, and tried to verify the costs and profits of “Insurance-Funeral Business Model Design”. Some of these assumptions are consulted by the professionals in insurance and funeral industries. Therefore, the costs and profits simulation will be more likely to close the real situation.

6.1 Assumptions of “ Insurance-Funeral Business Model ”

A1 : The average price of pre-need funeral arrangement is NT\$ 400,000 per person.

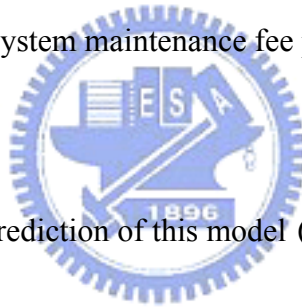
A2 : The gross profit per funeral contract is 40 % of the price, insurance company can earn 20% of the price from funeral homes. 15% of the price will distribute to the sales force as commission. So the average net profit insurance company could earn each case is 5% which is equal to NT\$ 20,000.

A3 : The average premium per insurance policy is NT\$ 30,000.

A4 : The average profit per insurance policy is NT\$ 2,400, which is 8% of the average premium.

A5 : The total costs of developing this model are as follows:

- (1) The marketing cost including advertisement, marketing materials are NT\$ 10,000,000, NT\$5,000,000, NT\$2,000,000, NT\$1,000,000 from year 1 to 4.
- (2) The additional labor cost for handling per policy (including underwriting, issuing cost and claim handling cost) is NT\$ 500.
- (3) The alliance contract cost is NT\$ 200,000. (Lawyer consulting fees)
- (4) The computer system setup cost : NT\$ 10,000,000.
- (5) The computer system maintenance fee per year: NT\$ 120,000.



A6 : New customer number prediction of this model (10% growth rate per year)

Table 6.1 New customer prediction for this model

Year	No. of insured per year	Aggregate No. of insured
1	5,000	5,000
2	5,500	10,500
3	6,050	16,550
4	6,655	23,205
5	7,321	30,526
6	8,053	38,579
7	8,858	47,437
8	9,744	57,181
9	10,718	67,899
10	11,790	79,689

A7 : The prediction number of insured died every year of this model (death rate based on 2002 Taiwan population death rate)

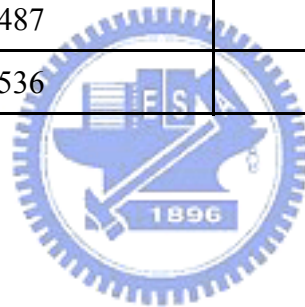
Table 6.2 The prediction number of insured using this model

Year	0.57% of the aggregate insured using this model
1	29
2	60
3	94
4	132
5	174
6	220
7	270
8	326
9	387
10	454

A8 : Other revenue comes from the insured buying other insurance products through long term customer relationship management. This research assume the other revenue per policy is NT\$ 5,000. The number of new policy generates from this model is 5% of the new insured every year. The research also assume that insurance company needs some time to run CRM campaign, so the revenue generates from other insurance products starts from year 2.

Table 6.3 Other revenue comes from the insured buying other insurance products through long term customer relationship management

Year	No. of new policy	Revenue
1	-	-
2	250	1,250,000
3	275	1,375,000
4	303	1,515,000
5	333	1,665,000
6	366	1,830,000
7	403	2,015,000
8	443	2,215,000
9	487	2,435,000
10	536	2,680,000



6.2 The cost and profit prediction for the first ten years

Base on the assumptions made in 6.1 sector, the 10 year cost and profit prediction are as follows:

Table 6.4 displays the total costs of building “Insurance-Funeral Business Model” in the first 10 years. The first column represents the marketing cost the first 5 years. The second column represents the cost for signing an alliance contract with funeral homes. The third column represents the computer system cost for building and maintaining this system. The fourth column represents the administration cost for processing a policy including underwriting, issuing and claiming cost. Then the last column of table 6.4 represents the subtotal cost spending each year.

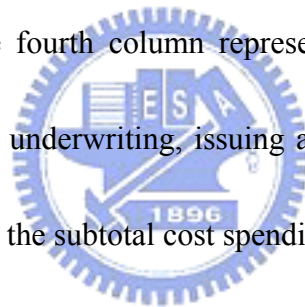


Table 6.4 Cost prediction of “Insurance-Funeral Business Model”

year	Marketing	Contract	Computer system	Handling cost	Cost per year
1	10,000,000	200,000	10,000,000	2,500,000	22,700,000
2	5,000,000	-	120,000	2,750,000	7,870,000
3	2,000,000	-	120,000	3,025,000	5,145,000
4	1,000,000	-	120,000	3,327,500	4,447,500
5	-	-	120,000	3,660,500	3,780,500
6	-	-	120,000	4,026,500	4,146,500
7	-	-	120,000	4,429,000	4,549,000
8	-	-	120,000	4,872,000	4,992,000
9	-	-	120,000	5,359,000	5,479,000
10	-	-	120,000	5,895,000	6,015,000

After having a clear picture of the cost spending in the first ten years, the research also did some profit prediction of “Insurance-Funeral Business Model” for the first 10 years. The profit assumptions consider any profits that might come from this new business model launch, and table 6.5 displays a clear worksheet of the profit prediction.

The first column represents the net profits comes from selling whole life insurance policy of this model. The insurance revenue equals to the number of insured increased every year multiply by the average net profit per insurance policy. The second column represents the profits that come from the existing insured exercising the funeral service. The funeral service revenue equals to the insured death number per year multiply the net profit per funeral service. Besides the previous two revenues, the research mentioned that this model is compliance with a whole life insurance policy; insurance company could have a whole life time to do well customer relationship management. They could try to sell more insurance products to the customers. Therefore, insurance company could earn profits from selling other insurance products. Then, the last column of table 6.5 displays the revenue that sums up the previous three columns.

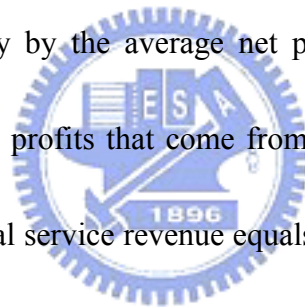
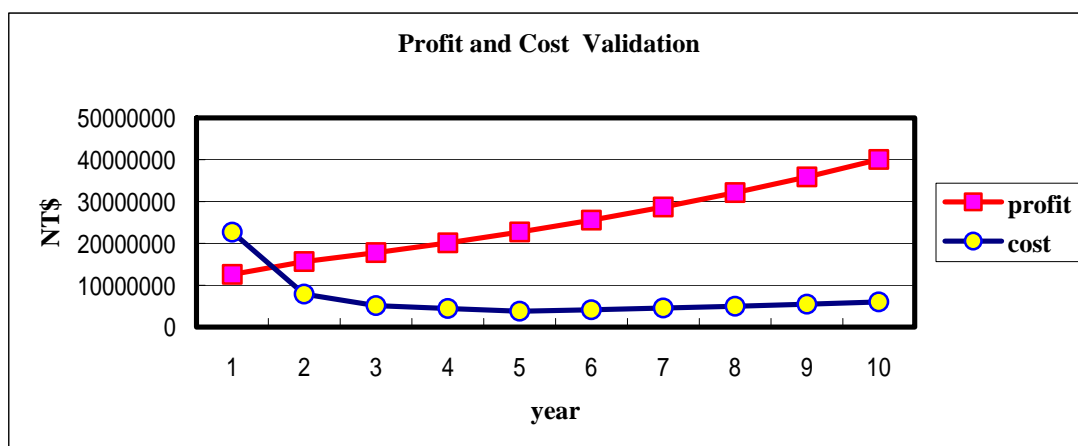


Table 6.5 Profit prediction of “Insurance-Funeral Business Model”

Year	Insurance	Funeral service	Other insurances	Revenue per year
1	12,000,000	580,000	-	12,580,000
2	13,200,000	1,200,000	1,250,000	15,650,000
3	14,520,000	1,880,000	1,375,000	17,775,000
4	15,972,000	2,640,000	1,515,000	20,127,000
5	17,570,400	3,480,000	1,665,000	22,715,400
6	19,327,200	4,400,000	1,830,000	25,557,200
7	21,259,200	5,400,000	2,015,000	28,674,200
8	23,385,600	6,520,000	2,215,000	32,120,600
9	25,723,200	7,740,000	2,435,000	35,898,200
10	28,296,000	9,080,000	2,680,000	40,056,000

After having the prediction of cost and profit for ten years, this research tries to combine cost and profit trend in one figure. Figure 4.1 display the cost and profit trend of “Insurance-Funeral Business Model”.

Figure 6.1 Cost and Profit Validation of “Insurance-Funeral Business Model”



As you can see from Figure 6.1, the breakeven point is between year 1 and year 2. The related cost assumptions are consulted with the professionals in Insurance and Funeral industries. The death rate assumption uses the real death rate of 2002 Taiwan population statistics as a reference. Therefore, if this business model runs into practice in real case under similar situation, this research could provide a basic specific view to the insurance companies that are interested in developing new whole financial service.




CHAPTER 7 CONCLUSION AND SUGGESTION

7.1 Conclusion

As people are more aware of the aging population and increasing funeral expenses phenomena, they are more willing to pre-plan their funeral arrangement in order to reduce a future financial obligation with uncertain timing risk. The design of

“Insurance-Funeral Business Model” has some advantages:

1. One-stop shopping concept.



Compare to the traditional way buying insurance and funeral service separately, this business model provide an easier way for customer to diversify their risk.

2. Leave no burden for family

Many families suffer from not only family member death, but also a huge funeral expenditure they have to pay. Through this business model design, family does not have to worry about the future financial obligation. The rest of the insurance benefits could take good care of the whole family also. It is a very good way for customer to love his family.

3. Save a lot of time and cost

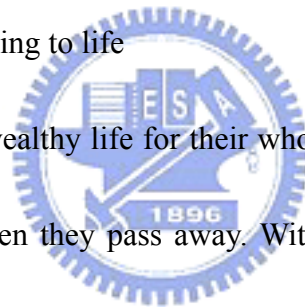
The increasing funeral expenditure would cost a family a lot of fortune. Pre-need funeral arrangement's price is fixed when people buying this service from Insurance-Funeral Model. Customers can also save lots of time searching a product which has to pay more than they can get. They only have to pay insurance premium to get this service. If the customer died earlier, the actual expenses can be far lower than they buy a funeral service.

4. Have a dignified ending to life

People strive for a wealthy life for their whole life; they also wish to have a dignified ending when they pass away. Without pre-planning your funeral, your funeral ceremony might not be hold as you wish. If you do not have a family or friends, it would be very miserable without pre-planning your funeral.

5. Create more business opportunities for insurance company and funeral home.

For insurance company, they can earn more business opportunities through providing this product. This model completes the insurance service to be a real whole life time service. The funeral home could also benefit from this



strategy alliance. They can save lots of time and cost to find a new customer.

6. Indemnify the insufficient social welfare.

If the aging population becomes worse, and many people do not have enough money to pay the funeral expenses, it can become kind of social problem. Our government doesn't have social insurance for funeral expenses. This business model can use new insurance service to ease some potential social problems. Customers can plan by themselves before the social welfare system becomes more complete.

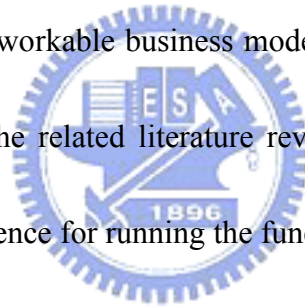


In the United States, most funeral homes work with at least a major insurance company that offers funeral insurance. Many companies even make a huge profit from this business. But, in Taiwan, the pre-plan funeral arrangement is just starting booming. As the government is not familiar with this new business, the related regulation is not complete enough. The good thing is more and more funeral homes and financial groups are trying to enter this market. They start to run a lot of TV commercials and advertisement to educate people to pre-plan their funeral. At the same time, they put a lot of efforts to persuade the government to open more business opportunities for this booming industry. The future seems optimistic. Under this optimistic situation, it is more possible to make this business model come true in the

near future. Before that day, there are still some problems need to solve and strive for.


This thesis starts from talking about the future trend of the population and great potential market. In the Chapter 2, the reader could have a picture of the recent market in Taiwan and abroad. Then the research tries to build a business model that can not only help the customers but also benefit the insurance companies and funeral homes. In Chapter 6 the reader can also have an idea about the cost and profit prediction of this model.

According to the related information of this research, the research results point out that it is a profitable and workable business model in the future no matter on the design of this model or on the related literature review in the U.S. As there is no related research or real experience for running the funeral insurance business model in Taiwan, the goal of this research also hopes to provide some ideas for the government enacting related regulations that could benefit customers and industries, for insurance companies and funeral homes to innovate more creative service to the public. Hope in the near future, there will be more related research or companies to probe into this business. Then customers can have a better choice for buying this kind of service.



7.2 Suggestions for the following research

The design of Insurance-Funeral Business Model is a new product concept that is beneficial for customers. However, there is no funeral insurance service in Taiwan. A good product service requires not only well product design, but also other important factors. The research provides some suggestions for the following research.

1. A good product needs good related regulations and policies to make sure the insurance companies and funeral homes are responsible for the service they provide. The research suggests the following research could probe into the related law research in Taiwan and other countries.
2. As population aging is getting worse, the purpose of this product design is to encourage people to pre-plan their future. The following research can probe into the related pre-planning products for customers. For example, the rest homes linked with financial service, long term care products, etc.
3. Prepare for tomorrow's need is very important to everyone. The following research can probe into the design of education plan to train people having pre-planning concept.

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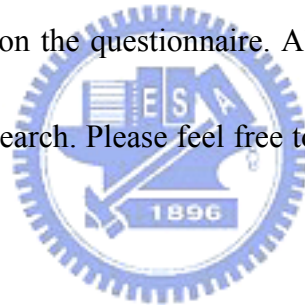
APPENDIXS

Questionnaire 1:

A survey of consumer's attitude of new insurance service

Dear sir/madam:

Thank you very much for fill out this questionnaire. This is an academic research survey. The goal of this survey is to understand consumer's thinking of new insurance service. Please answer the following questions according to your true viewpoint. You don't have to put your name on the questionnaire. All the information collected will be only used for academic research. Please feel free to answer these questions. Thank you for your assistance.



Department of Management Science

National Chiao Tung University

Professor: Dr. Charles V. Trappey

Student: Eva Chen

1. Do you think the insurance industry is more reliable than funeral homes?

yes no

2. Which business do you think its financial capability and persistence is better?
- insurance industry funeral homes
3. When buying insurance or funeral service, which one do you think is more secure?
- insurance product funeral service
4. Regarding to the related laws of insurance and funeral business, which one do you feel is more well established for customers?
- the insurance related law the funeral related law
5. Which business do you feel its company image is better?
- insurance business funeral business
6. Which product content do you feel is more unfamiliar to you?
- insurance product funeral service
7. If you have demand for buying two product services at the same time, which way do you think is more time and cost efficient?
- one-stop shopping make separate purchase
8. Are you interested in a product that could ease your family's burden and take care of them?
- yes no



9. Will you be interested in buying a one-stop service with insurance and funeral service under the hypothesis of without increasing extra cost?

yes no

10. Under the trend of aging population and lower birth rate, do you agree it is necessary to pre-plan risk management for your future?

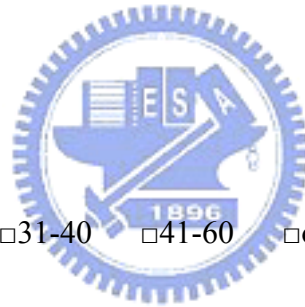
yes no

11. Your gender?

Male Female

12. Your age?

under 20 21-30 31-40 41-60 over 60



13. Your education degree?

junior high school high school university graduate school and above

14. Your occupation?

administrator professional(doctor, lawyer....) academic/educational circles
 computer/engineering technician service marketing trade students
 household industry self-employee waiting for work retire other

15. Your marital status?

single married live separate divorce

Thank you for your time and assistance!



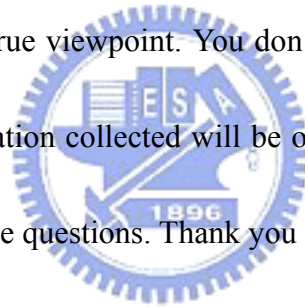
The End.

Questionnaire 2:

**A survey of insurance research people's point of view
to the new insurance product development**

Dear sir/madam:

Thank you very much for fill out this questionnaire. This is an academic research survey. The goal of this survey is to understand research professionals of insurance companies' thinking of new insurance development. Please answer the following questions according to your true viewpoint. You don't have to put your name on the questionnaire. All the information collected will be only used for academic research. Please feel free to answer these questions. Thank you for your assistance.



Department of Management Science

National Chiao Tung University

Professor: Dr. Charles V. Trappey

Student: Eva Chen

1. Do you think Department of Insurance encourages the insurance product development that is good to consumers?

yes no

2. Do you think government encourages new financial service innovation that is beneficial to consumers?

yes no

3. Do you think the MOF's attitude about product innovation should be more open?

yes no

4. Does your company do related market research under the trend of aging population and low birth rate ?

yes no

5. Have you heard of the news that funeral homes are trying to forge an alliance with insurance companies in order to provide integrated product service?

yes no

6. Have you heard there are some insurance companies are trying to develop insurance service linking with pre-need funeral insurance?

yes no

7. Do you know which company is doing the related funeral insurance product research?

Cathay Life Shinkong Life Nan Shan Life Global Life Fubon Life

Kuo Hua Life Hontai Life Shin Fu life other: _____

8. Do you think that funeral homes are eager to cooperate with insurance company in order to get more potential customers?

yes no

9. Do you think funeral home and insurance company's alliance could increase more potential business opportunity?

yes no

10. Do you think insurance company could increase their sales volume through providing differentiated financial service?

yes no



11. Your age?

under 20 21-30 31-40 over 41

12. Company you work for?

Cathay Shinkong Nan Shan ING Fubon Shin Fu Global

Kuo Hua other: _____

13. Working experience?

within 2 years 2-5 years 5-10 years over 10 years

14. Your education degree?

high school university graduate school and above

15. Other suggestions?

Thank you very much for your cooperation!



The End.