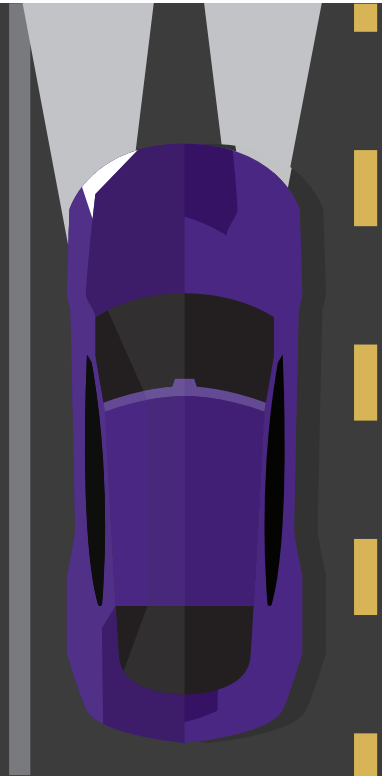


Making a strategic lane change

An interview with Chris Wei, Aviva

By **Chris Wei**, Global Chairman, Aviva Digital and Executive Chairman, Aviva Asia
By **Gary Reader**, Global Head of Insurance, KPMG International



Chris Wei



Gary Reader

A few of the most innovative insurers have already started to make dramatic shifts to progress their growth agenda. Aviva plc has been rapidly evolving its mergers and acquisitions (M&A) strategy to take advantage of the new opportunities in the marketplace. Recently, Gary Reader, Global Head of Insurance for KPMG International, sat down with Chris Wei, Global Chairman of Aviva Digital and Executive Chairman of Aviva Asia, to learn more about their strategic approach.

Gary Reader (GR): Aviva has been very clear about its intentions to transform into a digital and customer-focused organization. How is that emphasis influencing your M&A activities?

Chris Wei (CW): Our stance is changing dramatically. For one, the traditional bank/insurance relationship has been fundamentally de-emphasized. What we are looking for today are relationships that go beyond simply leveraging bank networks to also help drive our vision around digital execution for financial services. I don't think the traditional big M&A distribution deals are going to drive our success in the future, but rather smart

investments and partnerships that deliver brilliant customer experiences.

GR: Will partnerships be a bigger focus for Aviva moving forward?

CW: I think when partners share aligned interests, it can be hugely successful. Our partnership with Amazon in the UK, for example, allowed us to be the first UK insurer on the Alexa platform and helped us improve service delivery to our customers. At the same time, Amazon's cloud and infrastructure services have been very important to our growth in the UK, so there is a clear alignment of interests.

GR: Nobody has an unlimited investment budget. How do you prioritize and select your areas of focus for M&A and partnership activity?

CW: We have a few macro topics that we focus on — data and analytics and artificial intelligence, for example. More broadly, we are focused on creating a brilliant and frictionless customer experience. If the target is aligned to one of our priority areas of focus, can help us improve the customer experience and has a business model that is relevant for our business, it may be worth exploring. But we also recognize that we need to bring something to the table as well. The really good companies are not struggling to find financing; what they want is access to data, to customers and to deep industry experience.

GR: How has this shift towards partnerships and non-financial benefits influenced the traditional due diligence process for Aviva?

CW: It's certainly tough. If you value some of these opportunities, particularly the startups, from a pro forma perspective, you are likely going to be very, very wrong. It's almost a waste of time. You can't get too hung up on financials. We often look at other key metrics that influence the way they engage customers or users. What is their customer proposition and are customers buying into it? Ultimately, it often comes down to experience and instinct. If you think it's too expensive, you need to walk away.

GR: Aviva Ventures has also been very active in the investment space, particularly for technology startups. Is the value proposition different with the venture arm?

CW: The ventures unit is really set up to focus on startups and the like, but it reports into our group M&A director so it is very much aligned to our overall strategy. But it's a different mind-set versus traditional M&A. Ventures often invests into really early stage companies, sometimes more as a way to access a technology or piece of intellectual property than anything else. And, we recognize that some of the investments simply aren't going to succeed. But where we do, the value is tremendous.

GR: In your opinion, how important has the creation of alignment between Aviva's M&A objectives and the corporations' overall strategy been?

CW: I think it's extremely important. Our very public strategy is 'digital first' and that translates throughout — into how we drive change and transformation; into how we align our investments and ventures; and into how we structure our new partnerships. The good news is that our board and group executive team are 100 percent behind the strategy and recognize the urgency. I think we're very aligned as an organization and the value of that alignment is being demonstrated in our results. ■

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Appointed KPMG's Global Head of Insurance in 2014, Gary's career with KPMG has spanned over 30 years. Gary is responsible for supporting all efforts to maximize presence in the European and Global insurance marketplaces, identifying and closing advisory opportunities. His personal delivery experience lies in the area of financial management services, and having set up the financial management practice in the UK, he has led a number of financial transformation projects for our firms' insurance clients.



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