

Analysis of Enterprise Strategy Mechanism from the Perspective of Globalization

Taking Yulife as an Example

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ABSTRACT

Yulife is a British insurance company and it has had some successes in Britain. The main products of Yulife are B2B and B2B2C insurances. Yulife has its unique application for its customers, which is one of the largest advantages of Yulife. This article uses PEST and SWOT to analyze Yulife. According to the results, Chinese insurance market has great opportunities, and the company can participate in the competition. In addition, Yulife has a lot of merits, such as its application, EAP benefits. In return, its insurances are more expensive. The next goals of Yulife are to develop its business about B2B2C insurances in the UK and China insurance market. Developing its business about B2B2C insurances is a relatively positive goal since it already had some basics. Nevertheless, globalization is a risky goal with better potential returns. This paper takes the Chinese market as an example. Although Yulife may get a higher profit, Yulife may face issues of negative cash flow, unattractive comparative advantage. This article also gives Yulife advice about its next step strategy and give individual investors a suggestion about whether Yulife is worth to invest.

Keywords: PEST, SWOT, Insurance industry, Yulife company, Globalization

1. INTRODUCTION

The strategy made by an enterprise plays a key role in if it could be successful. Strategic management is an analysis, decision-making, and action taken by an organization to create and maintain a competitive advantage [1]. Michael E. Porter first proposed the concept of competitive strategy in his book *Competitive Strategy*. Three basic strategies with an internal consistency are summarized by Porter induction [2]. They are Centralized strategy, Differentiation strategy, and Low-cost strategy.

A centralized strategy is to put the limited resources and capabilities of enterprises in a specific target market, focusing on a certain market, a certain product, a certain business, etc., to provide special products or services to a particular region or characteristic customers, to obtain higher returns.

Differentiation strategy refers that enterprises give full play to use part or all advantages of its products in the production process, as the goal and direction of the sustainable development of enterprises. Differentiation

strategy is an enterprise strategy focusing on the internal conditions of the enterprises [3]. Special emphasis is placed on relying on the company's existing level of resources to provide customers with industry-wide unique products and services, and this feature can bring additional value to products. If an enterprise's spillover price for a product or service exceeds the increased cost of achieving uniqueness, the enterprise with this differentiation will gain a competitive advantage [4]. Low-cost strategy refers that in the process of production and operation, enterprises manage to reduce their production and operation costs through improving labor production rate and improving technology. After that, the cost of the company is lower than the cost of other competitors in the same industry. Thus, the enterprise can sell lower than the price of competitors. Thus it has a market share so that its low-cost efficiency transforms into high returns so that it can reach above the average profit in the same industry [5]. There are many schools of enterprise strategic management. For example, Planning school stems from the weak competition. Designing schools is based on strong competition [6]. The enterprise environment develops towards a dynamic state. One of the drivers of

development is globalization. Globalized competition occurs through the global distribution and integration of resources. To maximize the use of global markets and global enterprises, governments have strengthened openness and cooperation in the economy and its related fields, gradually eliminating political and cultural barriers and antagonism [7].

The history of Yulife's successes imply that COVID-19 may not affect high-end B2B insurances. Few articles are devoted to the strengths and weaknesses of high-end B2B and B2B2C insurance companies. In particular, the possible problems faced by high-end B2B insurances entering the Chinese market. In addition, this paper discusses the current situation of the B2B market in China and finds if there are similar applications in Chinese insurance enterprises through primary sources. Few papers compare between B2B insurance enterprise in the UK, which is Yulife, and B2B insurance enterprises in China.

2. COMPANY AND DATA DESCRIPTION

2.1. Company Profile

Yulife, founded in 2016, is a UK-based tech-driven life insurance company. Yulife's mission is to inspire life and turn financial products into a force for good, which could be described as the "healthy concept". Yulife applies the wellness philosophy to both customers and their employees, and Yulife's application is one of the significant tools for Yulife to fulfill its mission. In Yulife's application, by engaging in trackable healthy habits such as meditation, cycling, mindfulness, and walking, users of Yulife's application can earn Yucoin that can be exchanged for rewards like movie tickets, airmiles, and gift certificates to online retailers like Amazon and ASOS. In addition, the main products of Yulife are B2B insurances, which are business to business, and B2B2C insurances, which are business to business to customers. Yulife has achieved some successes in B2B insurances in the UK. Yulife will remain the B2B business, and the next target for Yulife is B2B2C insurances. Business of B2B2C is carried out based on the business of B2B. To be specific, companies that are the first round of customers will buy B2B insurances for their employees. And then, their employees become the second round of customers, and they will learn about B2B2C insurances on Yulife's application and buy B2B2C insurances on the application directly. Thus, Yulife is still in the development stage and is a potential new company in the UK insurance market. Furthermore, Yulife also plans to globalize its business.

2.2. Data Resource

The data for SWOT analysis in this paper is from the

official website of Yulife, OurCrowd, and the primary source. To better analyze the development prospects of the enterprises in China, this paper did some interviews with several domestic employees. As shown in Table 1, it shows the results of the survey in the Chinese market.

Table 1. The survey of Chinese insurance companies

Company name	Name of salespeople	Theme
Taiping	Mrs.Qin	B2B insurances, application
Xinhua	Mr.Sun	B2B insurances, application
Youbang	Mrs.Chen	B2B insurances, application

3. PEST RESEARCH OF CHINESE INSURANCE INDUSTRY

3.1 Policy

In recent years, China improved and supported the relevant policies of endowment insurances, such as establishing a basic endowment insurance system suited to Chinese national conditions and capable of achieving sustainable development. In addition, China attaches great importance to medical care, which is reflected in the policies. These policies lead to a better medical system, improvement of institutions and mechanisms, significant results in key reforms, pragmatic basic support, timely and effective response to the epidemic, and continuous improvement of the people's access to health care. In short, China is paying more and more attention to the development of medical care, which undoubtedly provides policy support for the development of the insurance industry.

3.2 Economy

With the rapid development of the Chinese economy, people's awareness of risk is increasing and people have considerable disposable income. In the first half of 2021, the disposable income per capita in China was 17,642 yuan, a nominal increase of 12.6 percent compared with 2020. With the rise of family income, people's demand for risk protection increases simultaneously, which means premiums are more affordable for people than before. What's more, insurance premiums in China increased from 3.1 trillion yuan to 4.5 trillion yuan, from 2016 to 2020. This may illustrate the increase in the size of the insurance market. In addition, many insurance companies had a rapid development in the past. For instance, the premium income of PICC increased from 22.423 billion yuan in 2019 to 32.257 billion yuan in 2020. With the increase of residents' income and the standardization of the insurance industry, there are still a lot of potentials in the insurance industry.

Moreover, the number of people who bought pension insurances increased from 858.33 million to 998.82 million during 2015 and 2020. At the same time, the unemployment insurances had a significant rise from 173.26 million to 216.89 million between 2015 and 2020. These data indicates that people pay more and more attention to insurances.

3.3 Society

At present, China has 264 million people aged 60 and over, accounting for 18.7% of the total population; The population aged 65 and over is 190 million, accounting for 13.5%. Therefore, the Chinese population has entered the age bracket. Although the Chinese government has introduced relevant policies to deal with the aging population, it still needs time to change the situation.

Under this situation, buying insurances is a feasible solution to this problem. Furthermore, Covid-19 has made many people aware of the importance of health, and more and more people are paying attention to the impact of diseases. Manulife Asia Care Survey illustrated that ninety-three percent of respondents in China have increased their health promotion activities since the Covid-19. This implies that more people will buy insurances, which can effectively resist the risk of disease.

3.4 Technology

As for the companies, the application of big data in the insurance industry is likely to promote the development speed. With the rapid development of Internet technology, customers can be pictured from a large amount of data, so as to screen out target users. Also, big data helps insurance companies accurately target the market. Furthermore, insurance companies could sell the right products or services, at the right time, at the right price, through the right sales channels, to the right customers through using big data. This could help the insurance companies to have a better cash flow and maximize the benefits.

4. SWOT ANALYSIS

This paper will adopt SWOT to analyze the development potentials of Yulife. SWOT analysis is an enterprise strategy analysis method based on the established internal conditions of the enterprise to find out its strengths, weaknesses, and core competitiveness. S is strengths, W is weaknesses, O is opportunities, T is threats [8]. S and W are used to analyze the internal factors, O and T are used to analyze the external factors [9]. SWOT analysis can quickly grasp the competitive situation of enterprises and it is a kind of systematic analysis. The purpose of SWOT analysis is to make an objective and fair evaluation of the comprehensive situation of enterprises [10]. To be specific, S could

include a favorable competitive situation, adequate financial resources, technical strength, positive corporate image, economies of scale, market share, product quality, cost advantage, advertising campaigns, etc. W could include equipment aging, mismanagement, lack of key technologies, lack of funds, backward research and development, poor management, product backlog, poor competitiveness, and so on. O could include new products, new demand, new markets, lifting of foreign market barriers, competitor error, and so on. T could include new competitors, alternative products increase, copycat, market contraction, recession, industry policy changes, emergency, customer preferences change, etc.

4.1. Strengths

4.1.1. Application

Yulife's biggest advantage comes from its health philosophy, which is reflected in many aspects. Initially, Yulife's health concept is reflected in its application. To be specific, Yulife's application uses comprehensive and systematic approaches to motivating people to keep healthy. Yulife's application will use hundreds of small sustainable steps, which are small games, to help people build towards success at their own pace and set their targets. These small sustainable steps are always encouraging, never judging. There are over two hundred levels to engage and inspire people, with daily challenges to maintain and reward engagement, which means incentives change all the time, and customers will not get bored with incentives. Furthermore, usage data of Yulife's application, for example, 60% of employees participate in Yulife with 46% using the app monthly, and 35% of Yulife members have tried meditation in the last month, illustrates that many customers have recognized Yulife's application. And another data points out that 65% of employees say that they would do more physical activities if they were rewarded by their employer for doing so, which highlights the effectiveness of Yulife's application in motivating people to stay healthy. In addition, Yulife reports that its proprietary IP comes from its unique ecosystem which revolves around its in-app currency – the YuCoin. While some competitors may have a similar element in the form of App points to promote gamification and user interaction, none of them have built real-world uses for these 'points'. The Company states that its reward system is far more attractive to users as it can be exchanged for material rewards. Likewise, the value of this reward system is directly tied to partners within the ecosystem and with Amazon, Avios, Asos, and more onboard, the Company believes it can offer its users far more value than competitors. Customers do not need to a long time to collect Yucoin and they can use Yucoin to exchange rewards immediately. There is no limitation about the users' age

for using Yucoin, too. These illustrate that Yulife's application brings Yulife strong competitiveness, which may also be reflected in the Chinese market. Although several top insurance companies in China have similar applications, and their applications can also motivate people to keep healthy with real-world rewards, this application, Yulife's Application uses more comprehensive and systematic ways to motivate people, which is mentioned before, compared with these applications. Take an instance, Yulife's application uses meditation, and mindfulness, which are not used by Chinese applications, to stimulate people to keep healthy.

4.1.2. Employee Assistance Program

Secondly, Yulife offers Employee Assistance Program (EAP) benefits to its customers, which displays its healthy concept. EAP benefits contain mental health experts, structured clinical counseling, financial support, legal advice, career coaching, bereavement counseling. Specifically, mental health experts are 24/7 telephone and online access to clinically trained mental health experts; Structured clinical counseling is face-to-face or telephone sessions with a local clinician; Financial support is expert advisers available to support people facing financial challenges; Legal advice is qualified legal professionals available to provide advice on a range of legal issues; Career coaching is telephone sessions providing advice on career development; Bereavement counseling is advice on probate, tax issues, support with grief and feelings of anxiety. This shows that Yulife offers comprehensive benefits for its customers. The reason why Yulife is willing to provide such relatively abundant benefits is that Yulife is not only concerned with death and claims, which is the pain spot of the most traditional insurance companies in the UK. In the Chinese market, what's more, EAP benefits are also a kind of strong advantage. Many Chinese insurance companies do not offer Customers as much benefits as Yulife does. For instance, most Chinese insurance companies do not offer benefits financial support, and legal advice like Yulife offers. More crucially, most insurance companies in China only provide welfare to individual policyholders, rather than group policyholders who are employees, since B2B insurances in China is relatively low-end. In other words, many B2B insurance companies in China do not charge high premiums. Hence, these insurance companies will not offer welfare to group policyholders.

4.1.3. Internal incentives

Thirdly, founders, as well as employees, are willing to buy Yulife's B2B insurances for their employees, because employees are willing to enjoy the benefits from Yulife's insurances. To be specific, founders could regard Yulife's insurances as an option pool to attract

employees and keep employees in their companies. If founders do not want their company's ownership to be diluted, it is an ingenious way for them to select Yulife's insurances as alternatives to the option pool. Additionally, Yulife's insurances will motivate employees to stay healthy, so it means employees will have higher work efficiency. Founders certainly want their employees to have higher work efficiency. The history of successes proves that employees are willing to pay for foregoing advantages. Amidst a global pandemic, the Company managed to grow its annualized GWP by more than 10x to over £15m reflecting a more than 2x uptick since the end of 2020 alone. At the time of its last raise in early 2019, YuLife reported that it was insuring 2,100 lives, today that number has grown exponentially to over 400,000 lives – a more than three times growth in insured employees since the end of 2020 alone. (Gross Written Premium (GWP) - the total premium (direct and assumed) written by an insurer before deductions for reinsurance and ceding commissions. Includes additional and/or return premiums.)

4.1.4 Financial performance

Fourthly, Yulife is likely to have positive cash flow from the perspective of S. The employees will become the second round of employees, and they will learn about B2B2C insurances on the Yulife's application and buy B2B2C insurances on the application directly, which is mentioned in data. That illustrates Yulife does not have to spend too much money on salespeople, which means CAC is low. In addition, employees can buy insurances on Yulife's application directly also means Yulife can collect employees' information easily to know which terms in insurances employees like. Thus, Yulife will use the information to make their insurances more popular to employees. In addition, for LTV, primarily, Yulife's unique value proposition allows it to charge more than its competitors by 10-20%. After that, Yulife faces a lower claim probability than its competitors, because their employees are motivated to keep healthy. Especially in Group critical illness, which is the name for one of B2B insurances. Finally, Yulife's health concept will bring higher customer recognition. Thus, employees are likely to buy more Yulife's insurances. To sum up, the three reasons above will lead to high LTV, and CAC is low which is mentioned before. Hence, Yulife will be likely to have a positive cash flow.

4.2. Weaknesses

Yulife's unique value proposition makes it charge more than its competitors by 10-20%, which is mentioned before. Although charging higher fees is beneficial for cash flow, it will discourage sales. The historical successes of Yulife mentioned above shows

that, in the UK, people are willing to pay higher fees to obtain great welfare. Therefore, welfare makes up for the high price. Nevertheless, it is still a question that whether this situation will happen in the Chinese market.

Yulife is difficult to gain profits from individual policyholders who are not involved in B2B insurances because of Yulife's guidelines. To be specific, Yulife is focused on B2B and B2B2C insurances, and B2B2C insurances are based on B2B insurances. Although this business model will decrease the costs of getting individual policyholders which is analyzed before, Yulife still needs to cost a lot for customers who are not involved in B2B insurances before, because Yulife needs to refocus its efforts on advertising its products.

4.3. Opportunities

In the UK, there is a lot of room for Yulife's business. Approximately 63% of the UK's 1.2 million Small and Medium Enterprises (SMEs) have insufficient coverage for their staff. With another 630,000 queried received by the UK Financial Ombudsman asking for help regarding different policies and coverage. This only represents the consumers who have the time and effort to make a complaint. These insurance inquiries also illustrate the importance that the British people attach to insurances, and these people only lack access to insurance information. Therefore, Yulife is likely to continue its success in the UK. As mentioned in the PEST part. Similarly, in the Chinese market, most companies are only focusing on the basic B2B insurances, and the Chinese market lacks high-end B2B insurances. Thus, Yulife also has opportunities in China. More broadly speaking, it is in a global health crisis: Society is facing an overwhelming health challenge. Heart disease causes 17.9 million deaths annually, while preventable cancers, lung disease, and diabetes together cause a further 13.7 million. In the UK alone, cardiovascular disease accounted for 26% of all deaths (160,000 total) in 2018. The World Health Organization has found that 60% of these diseases are caused by unhealthy lifestyles. Therefore, Yulife's healthy concept is in line with the current overall global environment.

4.4. Threats

4.4.1. Compensation Pressure of Covid-19

Initially, Covid-19 increases the frequency of claims settlement, because Covid-19 can cause other illnesses. Furthermore, this will lead to a negative cash flow for Yulife, since it will decrease the LTV. Covid-19 affects not only people's physical health but also mental health, "According to news originating from Beijing, People's Republic of China, by NewsRx correspondents, research stated, 'The outbreak of COVID-19, later named as a

pandemic affecting nearly 210 countries and territories has led to negative emotions of fear and agony in the general population and healthcare staff professionals.' If people are more stressed, they are more likely to take time off work. Yulife will need to cost more on group income protection, which is insurance for providing a salary replacement for the employees during the period of leave.

4.4.2. Homogeneous Competition

Secondly, there is the risk of entering the global market. Taking the Chinese market as an example, although the Chinese market lacks high-end B2B insurances, there are many mature B2C insurances in China, which can also be a substitute for Yulife's B2B2C insurances. To be specific, some Chinese insurance companies have similar applications to motivate people to stay healthy. These Chinese insurance companies also offer people welfare similar to Yulife's EAP benefits. Chinese insurance companies have gained popularity in society and the trust of their customers. Under this circumstance, Yulife has to spend more money to enter the Chinese market, advertise their products and gain people's trust, competing with many Chinese mature insurance companies.

5. CONCLUSION

Yulife has already had some successes in the UK, and there is still a lot of room in the UK Market. However, with the rapid development of the economy, China's insurance industry contains great opportunities. Yulife also has the corresponding chance to compete in China. Although Yulife's globalization strategy carries some risks, and it takes time for people to recognize a brand new in a mature market. According to the results, this company has a certain ability to participate in the competition.

For individual investors, they could consider investing in Yulife, because of the healthy concept of Yulife and the achievement they reached. However, if Yulife plans to go global on a large scale, investment risks and opportunities increase simultaneously. For Yulife, it could use the differentiation strategies for its next step to better adapt to the Chinese market.

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