

Assessing a Strategic Alliance

In this mini-case study, you are required to determine whether a joint venture between Tesco Bank and Aviva (insurance) has benefits for both players, as well as customers.

To do this task successfully, you will need to consider what capabilities each organization is likely to provide to the strategic alliance.

Mini-Case Study Information

In mid-2012, Aviva (a major insurance company with its headquarters in the United Kingdom) announced an exclusive five-year deal with Tesco Bank to provide life protection products for its UK retail customers. This represents a significant expansion of their relationship as previously Aviva was only operating the employee medical insurance scheme for Tesco staff.

Tesco Bank is owned by the Tesco, which is the third largest retailer in the world. Tesco first diversified into the banking sector in 1997 with a joint venture with the Bank of Scotland. This proved very successful as the organization was able to cross-promote its broader range of offerings to its very large customer base, particularly via its loyalty card scheme.

The agreement that Tesco Bank struck with Aviva covers core insurance products, such as life insurance and critical illness cover. The distribution channels for sales these products will be online and via phone. However, potential customers will also be able to obtain product through some of Tesco's 2,900 stores.

A series of products will be offered, including: 'simplified' life insurance, over 50s life insurance, and life insurance with critical illness cover.

This strategic alliance is expected to provide positive benefits for both parties. According to Julie Hopes, managing director for insurance at Tesco Bank, "Partnering with one of the UK's leading life protection providers will bring benefits to our customers offering them a range of straightforward and good value products that we believe will give customers the reassurance they look for in life products."

And according to David Barral, chief executive for Aviva, UK and Ireland Life, "We are delighted with this new distribution agreement which strengthens further our position as one of the leading life protection providers in the UK."

Student Discussion Questions

1. Do you think that expanding into insurance products is a good strategic move for a corporation that is traditionally a retailer?
2. What capabilities does each of the parties bring to the strategic alliance?
3. Do you think it will be a positive move for the two organizations?
4. What risks would they need to consider? How could they effectively manage these risks?
5. In what ways will customers benefit (if at all)?