

Building a tech-enabled ecosystem: An interview with Ping An's Jessica Tan

A culture of innovation and failing fast drives the Chinese financial conglomerate's expansion beyond traditional sector boundaries and its early adoption of emerging technologies.

Many companies seeking to stay ahead of digital competition are making ambitious, strategic moves beyond their traditional sector boundaries. These bold ventures require a significant reallocation of resources and a more open, agile culture that embraces tough targets and an understanding of what it means to innovate but also to “fail fast.” This is particularly relevant in China, where the rapid rise and expansion of players such as Alibaba and Tencent has led to the creation of massive “ecosystems,” spanning e-commerce, finance, and logistics.

The Chinese financial conglomerate Ping An, which has expanded beyond insurance into a broader set of ecosystems, such as banking, healthcare, smart cities, and housing, is a prime example of such a first mover, at a scale that most companies only dream of. In the past five years, Ping An has accumulated nearly 500 million online users, created 11 new digital platforms across industries, and increased its number of insurance agents to 1.4 million, all armed with the company's digital tools and apps. Ping An's commitment to investing in emerging technologies has been a particularly important driver of this expansion: it now directs 1 percent of its annual revenue—around \$1 billion—toward tech investment. In this interview, conducted by McKinsey's Joe Ngai, the deputy CEO of Ping An, Jessica Tan, discusses recent developments and the power of freeing employees from the fear of failure.

The Quarterly: *In the past few years, Ping An has expanded far beyond traditional financial services. How did the company go about deciding where and how to expand its ecosystem?*

Jessica Tan: We looked at what sectors were most important, not only to the economy in general but to the consumer—such as autos, housing, and health. We then identified the key areas in each of these ecosystems where we could add value. In the health arena, for example, as an insurer, we're usually at the end of the customer experience, so we wanted to move further upstream to capture the customers as they start their journey. One of our health platforms that just went public, Good Doctor, now fields more than 500,000 online consultations a day from customers who are looking for health-related advice. Since 55 percent of health expenditures are government related in China, we now also serve about 258 cities, helping local governments to process medical claims and work more efficiently. And we continue to investigate how we could contribute to the patient side by providing technology solutions that facilitate affordable, easy-to-access primary care.

The Quarterly: *Ping An has made a conscious choice to distinguish between consumers who buy products and consumers whom you reach in your ecosystem. What's the thinking here?*

Jessica Tan: This was quite a significant conceptual change for us. Five years ago, we were really learning from what the internet guys were doing: everything was free. They got the users first, and only then started to monetize their offerings by cross-selling and up-selling.

So the idea was to create these platforms where we could draw in customers who would then later buy our financial-services products. We started with our five ecosystems by offering services for free—for instance, our Good Doctor app, which provides users with free medical consultations and other services. Gradually, over time, users then began to buy our products. In the first three years, frankly, it was difficult just building everything. Like any other start-up, our new platforms needed time to get to scale.

But over the last two years, about 35 to 40 percent of our new financial-services customers—people who open a bank account or buy an insurance product—have been users on our platform who are new to Ping An and hadn't previously purchased any products. We currently have around 486 million online users that we reach in our ecosystem. So we've created this virtual cycle, whereby our customers have developed some affinity with us, and naturally buy from us. We think this ecosystem model is much better than a more

traditional one where a customer has to buy a product first and then you provide services based on that customer's needs.

The Quarterly: *Ping An has built a lot of technology in-house, including facial recognition, artificial intelligence [AI], and blockchain. What was Ping An's motivation for investing in technology built in-house rather than licensing it from others?*

Jessica Tan: In the beginning, some of it was out of necessity. For example, when we were looking at facial recognition five years ago, the options out there didn't accurately register Asian faces. It was the same experience with voice recognition. We wanted to use it in our call center to recognize customer's voices, but the options available to us were not very good at recognizing Chinese dialects.

The other reason was that, particularly with AI, our needs were very specific to the scenarios we were solving for. Unfortunately, many technology companies might offer machine-learning techniques, but they don't really understand your business, and it takes a while to build that understanding. That was one of the challenges when we started doing this. How do you get people with the right domain knowledge and the right technical skills to be able to build something together?

We have scale and we have the resources, so we decided that it would be faster for us to put it all together ourselves. Now that we've done it, it has become much easier for us to use the technology in other areas across our ecosystem, because all these technologies were tailored to our use.

The Quarterly: *Financial-services companies are not predominantly known for innovation. What are some of the strengths of Ping An's culture that have helped it to succeed?*

Jessica Tan: We have a clear vision and set very aggressive targets. No matter your background or position, at the end of the year, the only thing that matters is whether you've delivered your results or not. That helps to galvanize people to work together because if they don't, they won't meet their targets. We also have a zero-based process every year, where next year's target is based on market potential, not on the previous year's growth trajectory. It's like playing a game: you go back to level zero; you don't ride on the success of the past.

In this culture, everyone is able to speak up with new ideas or objections. There's no sacred ground that you can't touch, and that's a philosophy that has really helped us over the years. Risk taking is strongly encouraged, and failure isn't stigmatized. When I first came to Ping An, I remember Peter Ma, our founder and CEO, telling me, "You don't have to worry about failing at all. We just need you to try really hard to find a way to make it work. As long as one of these ideas eventually works, we'll be successful."

Over time, our hit rate on innovation has gotten better, because what you learn is that often your original instinct—about why you need to make a certain move and the untapped potential that you see—is correct, but your first idea of how to actually execute it might be wrong. But if you keep trying, understandably making a few missteps as you make your way on an unpaved path, you'll eventually get there. What I've found is that with each new success, you become more confident in your abilities and your instincts to try the next big thing.

The Quarterly: *Ping An has grown at a tremendous rate over the past 15 years. What worries you the most? What keeps you awake at night?*

Jessica Tan: Not being fast enough. There's just so many things to do, and speed is of the essence. And what's especially exciting about China is that you may be the best now, but if you're not fast enough, a 70 percent solution can beat you. The market is too big and too competitive. There's a hunger that you can see in the market. You have to have good people who are motivated, driven, who want to go out and make things happen. We have been successful, but we can't slow down. **Q**

Jessica Tan is the deputy CEO of Ping An Insurance Group. This interview was conducted by **Joe Ngai**, a senior partner in McKinsey's Greater China office.

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For more about Ping An's innovation efforts, see our video interview with deputy CEO Jessica Tan in the online version of this article, on [McKinsey.com](https://www.mckinsey.com).