Beyond sales: Growing alternative distribution channels into one-stop shops
Defining alternative distribution

- Characteristics:
  - Scale through concentration
  - Presence of infrastructure footprint
  - Transaction platform
  - Standalone voluntary products
  - Trusted brand

- What it is not:
  - MFI-based distribution with a specific focus on credit risks, bancassurance
Models reviewed

South Africa
- Pep/Hollard
- Take-it-Eezi/Hollard
- Shoprite/Cover2go
- Shoprite/Old Mutual
- Wiredloop/Cover2go
- Airtime networks/Cover2go

Colombia
- CODENSA/Mapfre
- Alico Chartis/Gas Natural
- Colseguros/Carrefour

Brazil
- Mapfre/Casas Bahia
- Mapfre/Vivo
- ACE/AES Elctropaulo
- QBE/Brasil Telecom

India
- May Vijay (Max New York Life)
Distribution cycle

- Product (development)
- Claims processing
- Servicing
- Sales
- Premium collection
Balanced distribution required

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<thead>
<tr>
<th></th>
<th>Business perspective</th>
<th>Client perspective</th>
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<tr>
<td><strong>Product features</strong></td>
<td>Realistic pricing</td>
<td>- Meets needs</td>
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<td>Ease of administration</td>
<td>- Simplicity</td>
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<td><strong>Sales</strong></td>
<td>- Most important phase for business</td>
<td>- Informed purchase decision</td>
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<td>- Achieve take-up</td>
<td>- Understand value proposition and costs</td>
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<td>- Client retention</td>
<td>- Understand how to successfully realise value form products (servicing and claims)</td>
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<td><strong>Premium collection</strong></td>
<td>- Low cost</td>
<td>- Ease/convenience</td>
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<td>- Integration into insurer management system</td>
<td>- Flexibility</td>
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<td>- Low transaction cost</td>
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<td><strong>Servicing and administration</strong></td>
<td>- Real time information and reporting to track performance</td>
<td>- Easy access</td>
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<td>- Low cost</td>
<td>- Ease/convenience</td>
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<td></td>
<td></td>
<td>- Low transaction costs</td>
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<tr>
<td><strong>Claims processing</strong></td>
<td>- Only pay legitimate claims</td>
<td>- Most important phase for the client</td>
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<td>- Cost-effective claims assessment and administration</td>
<td>- Ability to claim successfully</td>
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<td>- Risk monitoring and management</td>
<td>- Easy access</td>
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<td>- Low transaction cost</td>
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<td></td>
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<td>- Simplicity (few documents required)</td>
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<td>- Quick turnaround</td>
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<td>Passive descriptors</td>
<td>Standalone</td>
<td>Client concentration</td>
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<td>Strictly/purely Passive</td>
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<td>Semi-passive</td>
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<td>Semi-passive</td>
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<td>Active agent or</td>
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<td>Broker sales process</td>
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## Emerging alternative distribution categories

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<tr>
<th>Channels</th>
<th>Characteristics and issues</th>
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| Cash-based retailers (e. supermarkets and clothing retailers) | - Examples: Pep, Shoprite, Carrefour  
- Cash premiums  
- No account  
- Limited client information  
- FMCG environment, regular interaction (client will return)  
- Lack of financial services culture may make active sales difficult |
| Credit-based retailers (e.g. furniture and white goods stores) | - Example: Casas Bahia  
- Existing financial services capacity allows for active sales  
- Credit-based contractual relationship  
- Extensive client data  
- Screened/filtered client pool  
- Benefit settles outstanding credit (but with some additional value) |
| Utility and telecommunications companies | - Examples: Codensa, Gas Natural, Telefonica, Telmex, AES Electropaulo  
- Contractual client relationship (account-based)  
- Benefits provide for continued service  
- Various sales approaches: agents, mail shots, in- and out-bound call centres  
- Low claims may signal low value to clients |
| Third-party payment providers | - Example: Take-it-Eezi, Cover2go, Wiredloop  
- No data on clients  
- No contractual relationship  
- Loose client relationship (lower reputational risk) – no trusted brand  
- Premium payment rather than sales channel? |
Motives for distribution partners:
- retention (cash-based retailers)
- protection (distraction?) (credit-based retailers)
- attraction (third party payment systems)

Above determines:
- division of roles and responsibilities:
  - partners with more to lose (and gain) take on more responsibility
- remuneration structures.

Successful partnerships require dedication, investment and keep evolving!
Where to from here?

- Models focused on communicating value to clients:
  - Voluntary (opt-in)
  - Closer to clients’ lives
  - Reliance on brand
  - Tangibility

- Offering value to clients?
  - Need for greater emphasis on servicing and claims payment
  - Distribution partners as one-stop shops

- Intermediary chain becoming longer (and more expensive)
Thank you!

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