Learning Journey

Murguía Consultores

Don Juan Shopkeepers

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Project Basics

About the project

Don Juan is a brand that has been developed by Murguía Consultores for the distribution of microinsurance to the general public, in collaboration with small shopkeepers operating in urban and peri-urban areas in Mexico. It is hoped that Don Juan will be present in over 150,000 shops in three years’ time and will have sold over 1.5 million policies over the same period. To do this, a technological platform composed of point-of-sale (POS) terminals will be developed. POS terminals will be installed in each shop and shopkeepers will be trained to sell microinsurance. The idea of the project is to link the microinsurance component the Murguía Consultores’s overall strategy to create a distribution network of banking correspondents in collaboration with a microfinance institution. In this strategy small shops become banking correspondents and providers of various services such as cell phone top-ups and bill payments. The Don Juan brand in this case will use an existing Mexican network (called Bimbo) that distributes packaged bread throughout the country. Small shops have several advantages over other microinsurance distribution channels (e.g. microfinance institutions): they are located close to households, they are frequently visited by customers, and they are the main supply point and source of neighbourhood information. Furthermore, their socio-cultural characteristics are similar to those of the end-customer, and there is a relationship of trust between shopkeepers and neighbours.

The project will be divided into three phases: pilot phase (made up of two pilots), regional roll-out and national roll-out.

During the pilot phase, microinsurance was offered in a limited number of stores, which allowed for the necessary adjustments to be made to optimize the efficiency and scale of the business. In particular, during the pilot phase, the technological platform and the training model were modified to create an operating model that was easy, intuitive and profitable for the retailer.

In the second phase, Don Juan extended sales of microinsurance to the country’s largest urban and peri-urban areas. This required establishing a sales and training force to train retailers and monitor operations in more than 70,000 shops.

Finally, in the third phase Don Juan plans to offer microinsurance in both urban and rural areas across Mexico.

The target market is the customers of small neighbourhood shops in Mexico, who represent approximately 9 million heads of household, people from the middle and lower socio-economic strata of society who live, on average, on US$ 2–US$ 18 per day. These people frequently visit these stores to purchase basic consumer products, creating a relationship of trust between customers and the retailer.

The target market is characterized by having basic or medium levels of education, no access to social security mechanisms, and no bank account. This population consists on average of families of four people, with little knowledge of insurance.

With regard to risk coverage, various studies have shown that this group principally needs protection against the costs that are incurred through death, damage to the home or business, and illness.
### Project Summary

- **Project Name:** Don Juan Shopkeepers  
- **Project Start Date:** September 2011  
- **Duration:** 3 years  
- **Country:** Mexico  
- **Product:** Composite
Project Updates

What is happening?

As of December 2011

The pilot phase included two pilots. In June 2011 a first pilot was conducted to identify the characteristics (price, product and premium payment interval) that make microinsurance more attractive to shopkeepers by testing the products with them. On the basis of these results, the insurance offering for the general public was defined.

A team of four promoters was hired to offer life, education, hospitalization cost and damage insurance to 800 shopkeepers in the Mexico City districts of Naucalpan and Xochimilco. For each insurance product, monthly, quarterly, biannual and annual premiums were offered. The promoters visited shopkeepers at their place of business and registered sales on the spot using printed forms.

In all stores, a survey was conducted to identify shopkeepers’ preferences and patterns.

The findings are as follows:

- 12 per cent of the shopkeepers visited bought insurance;
- 69 per cent of those policies were for life insurance;
- 74 per cent of the policies sold had monthly premiums;
- 30 per cent of the shopkeepers renewed their insurance.

- The main reason for lack of interest in insurance was the absence of financial literacy (they responded “I don't need it” or “it's of no use”.

These findings showed that the product offering should centre on one product only and that the product had to include some kind of “tangible” benefit; hence, a medical aid component was added.

As of May 2012

In order to fully test the sales model of POS terminals in grocery stores, a second pilot was carried out. Microinsurance was sold in 936 stores in the Mexico City districts of Azcapotzalco and Izatapalapa. In particular, this pilot was used to test the functionality of the applications developed and the profitability of two different marketing models, one based on face-to-face visits and the other on remote communication (phone calls and text messages).

The main element of this mini-launch consisted of visiting the 936 shopkeepers who were already equipped with a POS terminal in order to train them on the subject of insurance, so that they would be able to sell insurance to their customers. Five promoters were hired to make the visits. During these visits, promotional materials were also distributed for display in the stores. Following the visit, call centre staff called in order to reinforce the subjects covered during the training and to evaluate shopkeepers’ satisfaction. One group of shopkeepers received remote training only.
This phase was planned to last four to six weeks (March and April), but during it, BLM (the provider in charge of the POS terminals), made changes to how it sold air time, which caused a great deal of annoyance among shopkeepers. As a result, the outcomes were “contaminated” by factors alien to the insurance offer. Hence, it was decided to extend this phase to all of May and June in order to obtain more data.

The partial findings are as follows:

- 30 per cent of stores agreed to sell insurance and receive training;
- 12 per cent of the stores that had received training sold more than one policy per month;
- The stores that received more than one visit generated 15 per cent of sales;
- All the applications functioned without problems.

As of December 2012

Between the months of May and September 2012, the project brought in a new insurance company, Alcanza Seguros, to replace the former insurer used for the project. This company will focus on working with the low-income segment of the population using retail sales channels as its main business activity. Due to the limited involvement of the previous insurance company in the project’s operation, it was decided to bring in a new insurer whose profile was more in tune with the structure’s requirements.

One of the first aspects to be implemented in the collaboration with Alcanza Seguros was the training and preparation of a marketing network (marketing and sales force) in order to communicate with the target client directly, on the basis of the results of the tests conducted at the start of the pilot phase.

One of the methods used in the pilot to test the product Compuesto (microinsurance combined with medical aid) consisted of using teams that visited an area several blocks wide around stores equipped with POS terminals to perform direct, personal marketing using brochures. Thirty promoters sold 26 policies in only one day, with monthly premiums being the preferred option of purchasers (at 45 per cent). Advertising support was also provided: leaflets were distributed accompanied by a vehicle making announcements over a loudspeaker (“megaphone advertising”), thereby creating different results in this pilot than in the previous one, which had focused on the shopkeeper and promotion within the store.

At the time it was concluded that the low microinsurance penetration so far was due to a marketing and advertising network that did not include sufficient incentives for promoters or assure them adequate remuneration.

For this reason, the marketing network that Alcanza and Don Juan set up was structured as follows:

- Initial segmentation of the Mexico City metropolitan area into six territories.
- Each territory had ten active promoters and five on stand-by (because of staff turnover).
- The promoters’ mission consisted of promoting microinsurance in the areas in which there is a high density of installed POS terminals, providing customers with information on the benefits of the product and selling policies via an issuing and payment system.
• It is planned to end in 2013 with a total of 1,620 promoters throughout Mexico.

The change of insurance provider also called for adjustments to the products offered. A shift was made from life insurance combined with medical aid to three new combined products: accidental death, heart attack, and women’s cancers, each of which include medical aid. The reasons for this shift were:

• It was learned in the surveys conducted that persons of the target segment are aware of the risk of death, but consider the risk of accident to be greater.

• Cover based on personal accident and specific risks (heart attack and women’s cancers) will make it possible to make enough money to sustain the marketing and promotional network, and, even though life cover is very complete and would perfectly well cover the risk of death, profit margins were small and it would not have been possible to cover the costs that the administration of a network of promoters generates.

In the new incentive scheme, the sales network is offered incentives, along with the shopkeeper, who continues to receive a commission for the sale of microinsurance from his/her POS terminal, although the shopkeepers’ activities remain limited to taking payments and issuing the activation code by means of a receipt printed via the POS terminal.

The installation of POS terminals continued as planned, reaching, as of November 2012, 25,000 terminals installed and activated for the sale of microinsurance, as well as some new services such as various kinds of bill payments, for example, water and telephone bills. The main problem with the POS terminals is the high percentage of cancellations (20 per cent) due to failure of the mobile phone network, as well as a certain amount of insecurity, which leads some shopkeepers to refuse very large payments, as the concentration of large amounts of cash increases the risk of robbery.

The call centre is actively involved in the operation of the POS terminals, namely, by enabling their activation, managing the schedule of visits for training on how to operate them what they offer.

Medical aid had a “use” (claims rate) of nearly 100 per cent according to OESA (a company providing health services), as the offer of free medical consultations is used immediately by insurance purchasers, and the fact that a special offer of laboratory analyses is included gives people a further incentive to attend the consultations.
Project Lessons

On training of distribution networks and retailers

Training of distribution networks’ sales forces must include financial culture components. Don Juan began by training its distribution network’s sales forces to sell insurance to shopkeepers. Promoters were successfully trained in three categories: microinsurance, overdraft facilities and the use of POS terminals. They were also sent on tours aboard buses provided by Bimbo (the distribution network) to learn in detail about the stores’ mode of operation. It was observed that the training of promoters needed to include detailed information about shopkeepers’ mode of operation as well as their customs and habits. This is the kind of knowledge that allows the promoter to create empathy with the shopkeeper and interest him/her in a new product.

In the pilot, training of the distribution network was focused on being able to explain the microinsurance products being offered; only 25 per cent of these promoters had knowledge about insurance. Afterwards, it was observed that it was the group with previous insurance experience that realized 60 per cent of sales during the pilot. Likewise, during the pilot, various microinsurance products were offered simultaneously (life, education, hospitalization expenses and damage) with a choice of monthly, quarterly, biannual or annual premiums.

The promoters mastered the products, but had difficulty in presenting them as a business opportunity for the shopkeepers so that they would be interested in selling the products to their customers.

Advertising materials need to be designed according to the communication preferences of the target audience. In addition, messages need to be tested for effectiveness. In the pilot phase, distribution network promoters distributed flyers to shopkeepers. By means of follow-up surveys, it was shown that this material did not help improve understanding of the products. The analysis showed that the advertising material was not adapted to the cultural conditions of shopkeepers, as it contained all the information in written form and shopkeepers are not used to reading all the material they receive. Similarly, graphic communication pieces need to be very eye-catching, given that the stores are full of advertisements from various brands selling their products. Insurance promotion faces a great deal of competition for space in the stores.

Don Juan, based on its experience during the pilot phase, decided to:

- use simple or even colloquial language;
- use pictures instead of text;
- include in the materials information of interest to shopkeepers;
- distribute items for everyday use (aprons, calculators, tablecloths, etc.), with the most basic information printed on them.

The comments of the store owners are indispensable for making the communication plans compatible with the physical and cultural characteristics of the stores. The shopkeepers are not proactive in promoting new products, but they do react to the interest of their customers for specific products. Hence, communication needs to focus on attracting customers.

In order to train people in a distribution network to sell microinsurance, it is better to begin by concentrating on one product (as opposed to a range of products). Out of 740 visits made by distribution network promoters, only 453 took place while the store owner was present. The insurance
policies sold consisted of 69 per cent life, 13 per cent education, 11 per cent hospitalization and 7 per cent damage. In terms of premiums, 74 per cent were monthly, 10 per cent quarterly, 9 per cent biannual and 7 per cent annual. Given these outcomes, it was decided to concentrate training on one product only in order to facilitate comprehension by both promoters and shopkeepers.

Don Juan noted that the life product was the most successful, yet shopkeepers have doubts about the benefits offered by insurance in comparison to the costs. Hence, it was considered indispensable to add tangible benefits that made it possible for them to recognize the value of insurance; in this case, a medical aid component was added to the basic product. This is based on the findings of a survey, which show that, on average, shopkeepers consider that insurance should serve to cover the main expenses with which their families are confronted, with health costs at the top of the list. The findings with regard to the frequency of premium payments showed that these had to be flexible, so that they could be adjusted to the shopkeeper’s cash flow, which can vary greatly.

Concerning communication with shopkeepers, it was learned that visits by promoters to shopkeepers should address fewer topics, as there are already too many distractions that complicate and lengthen the promoters’ stay.

Other findings of the pilot showed that:

- 64 per cent of the insurance acquired was by women;
- 34 per cent were interested in the product, but needed more time to make a decision;
- 23 per cent did not have faith in insurance or said they did not need it;
- 8 per cent already had some kind of insurance.

The integration of microinsurance into a broader strategy of using shops as banking correspondents made it possible to make the spectrum of services on offer more interesting for shopkeepers. The partnership with the microfinance institution made it possible to make the offer of financial services more attractive for both shopkeepers and their customers. As a first step, being able to offer a greater variety of services via a single POS terminal is more attractive for shopkeepers. Bill payments (water, telephone, electricity) and cell phone top-ups can be made, and bank transactions such as deposits and withdrawals can be carried out, in addition to the sale of insurance. In this case, the main challenges are, on the one hand, to find the opportunity to train shopkeepers to administer these operations and on the other, is to deal with the fact that these services compete with each other and with the shopkeeper's main activity, which is to attend to the sale of his/her stock.

The financial service most used by shopkeepers is the overdraft facility, given the fact that this makes it possible to work at weekends and on bank holidays. There is still little demand for bill payments; at the same time, shopkeepers in dangerous neighbourhoods express concern about holding large amounts of cash.

The Don Juan team considers that the diversification of financial services, their gradual acceptance by shopkeepers and the intensification of training efforts will significantly strengthen the marketing channel.

Building a network of promoters who work in conjunction with shopkeepers makes it possible to increase microinsurance sales. Shopkeepers did not take on microinsurance sales and promotion activities, owing to the scant interest they had initially and to the fact that, in general, they concentrate on making available the services and products their customers demand. The training of shopkeepers thus focused on POS operation and the use of the overdraft facility. In a second pilot of sales to the end-
customer in collaboration with shopkeepers, Don Juan developed a network of promoters under a team manager that worked in the districts where POS terminals had been installed. Each territory had ten active promoters and five on stand-by (because of staff turnover). Managers and promoters were fully trained, this time with the emphasis on insurance culture and its benefits. The target is that by the end of the third quarter of 2013, the structure is consolidated at the national level with 1,620 promoters and managers. The insurance provider will take care of training promoters.

During the pilot, each promoter interviewed on average 30 candidates per day in order to gain microinsurance sales opportunities. Twenty-six sales per day were achieved, the best score of the pilot tests. When approaching their audience, promoters not only sell insurance, but also strengthen the marketing channel by telling the customer about the services the store offers thanks to the POS terminal; the sale is closed in the street, the customer identifies which store is nearest and the promoter accompanies him/her so that the purchase is finalized using the POS terminal. The cycle takes on average 20 minutes.

For Don Juan, the monitoring structure is crucial; its task is to focus on sales results, to keep the teams motivated and provide ongoing training not only in microinsurance, but also in giving advice with regard to the overdraft facility and additional services that are added to the functions of the POS terminal.

The policy renewal strategy can be based on the added service (medical aid), which customers value most. Don Juan noted that nearly all renewals depended on the customer’s wish to retain the medical aid component of the life insurance policy. For this reason, the network of promoters should also focus on persuading clients to renew their policies, as it means working with customers who have already tried the service and know that the benefits are tangible.

The promotional materials and messages used can be based on visual concepts, which assure better retention and have a greater impact on customers than elaborate written messages. In the first pilots, promotion of the product was greatly focused on the shopkeeper and the location in the store in relation to other products. Don Juan began producing advertising focused on end-customers using leaflets tailored to a population that mostly responds to visual stimulation, in which the risks from which they will be protected are better perceived. Likewise, the word “insurance” was replaced by “protection” in dialogues and images. The new advertising material is available through the network of promoters and is also given to shopkeepers to distribute to their customers.

Promotion inside stores was reduced in accordance with the realization that the life of advertising in the store was very short, i.e. less than one month. Thirty-five per cent of shopkeepers decide to remove the advertising only a few days after it is put up.

On technology implementation

An overdraft facility in the shopkeeper’s “electronic purse” makes it possible to prevent the sale of insurance from competing with the sale of air time or other services. Don Juan developed in collaboration with its payments processor (BLM) and the microfinance institution the strategy of an overdraft facility for shopkeepers’ electronic purses. It was noted that in product and services sales models using electronic purses, care must be taken that the products do not compete against each other for the shopkeeper’s available balance, since otherwise, sellers will have a bias towards air time for products more in demand and, hence, the sale of other products, microinsurance included, will be affected.
Adequate cell phone coverage is crucial in order to persuade shopkeepers to accept and use POS terminals.

During the first six months 18,000 POS terminals were installed in metropolitan Mexico City, as part of Murguía Consultores’ strategy to develop correspondent banking with shopkeepers. The number of complaints about terminal malfunctions was three times higher than anticipated. The quality of cell phone coverage was the main barrier to greater growth. In the first three months, the poor quality of cell phone coverage generated discontent among shopkeepers and customers, because operations often did not go through. During peak times, the data transmission speed falls by 60 per cent. Twenty-four per cent of stores do not have a strong enough signal to carry out a transaction. This generated fewer sales than expected and the operational costs rose considerably (by 70 per cent). As a result, 12 per cent of stores cancelled the service. To solve this problem, the POS terminals were replaced with models equipped with two chips. This reduced the number of complaints by 87 per cent.

Through its experience with its payment processing company, Don Juan learned that:

- The stability and security of the technological platform is the main attribute that the payment processing company must assure. If this platform fails, shopkeepers are likely to change processing companies.
- Cellular-based platforms are easy to expand, but involve higher operational costs, especially in areas with poor cellular coverage.
- Given the intense competition among processing companies, the presence of a recognized brand (as is the case with Don Juan’s distribution network) is vital for acceptance by shopkeepers.

The rapid growth of the network of banking correspondents is due to the fact that the POS terminals have two very valuable characteristics: the positioning of the distribution network brand and the collection of money.

Technological developments for POS terminals may make it possible to build on experiences in other geographical regions, but they also determine the pace of massification. In Mexico, Don Juan has worked with BLM, a payment processing company based in South Africa, as well as with its distribution network partners. The implementation of changes in the system to be set up extended the execution time of modules, generating delays in the implementation of the project. Meanwhile, BLM’s experience in the implementation of sales models via the electronic purse made it possible to adopt practices that had been successful in other geographical regions when defining Don Juan’s business plan.

One of the challenges created by working as part of a consortium with different stakes in terms of the functionality of the POS terminals was that each development team interpreted the development requirements differently, and these differences were not identified until the trial period. Different time zones prevented the teams from working together to resolve these problems.

The under-utilization of POS terminals by shopkeepers is the biggest challenge for the activation of the distribution network. All sales registered were made from 8 per cent of the POS terminals installed and activated. According to the survey conducted among shopkeepers, the rate of under-utilization of POS terminals or even their abandonment (not cancellation) is 1 per cent per month; for this reason follow-up is conducted by phone to learn what problems arose in the shopkeeper’s business. The low
percentage of use of POS terminals for microinsurance sales was one of the points that highlighted the need for a network of promoters.

Because the problem of cell phone connection in certain areas has not been completely resolved, the cancellation rate reached 20 per cent.

The integration of more service for payments via the POS terminal depends on the shopkeeper’s confidence in the success of payment transactions processing via the POS terminal. With a higher volume of use, their confidence increases. If any operation fails, the use of their POS terminal slackens. Training in the operation of the terminal also must focus on a market with a low level of education, given the fact that many complaints of malfunctions in reality are due to lack of knowledge about the operation of the POS terminal.
Next Actions

- The launch of massification with more POS terminals. At present there are 25,000 activated POS terminals in 13 Mexican states.
- Design and launch of new products in places where work has been carried out for some time, as well as taking advantage of the development of a new network of promoters. Payment methods and options will be studied, as well as the premium payment frequencies of policies. Possible products such as cancer + medical aid and heart attack + health care will be assessed.