

COMING TOGETHER ON CLIENT VALUE

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The Eastern Cape is one of the poorest regions in South Africa. It has a population of around 6.8 million people, who predominantly work in subsistence farming and small enterprises. The population is largely rural, and must travel anything from 15 to 80 kilometers to engage in financial transactions.

Aside from banking and loans, access to funeral cover is a priority in order to provide a dignified burial for family members. This cover is provided through formal providers like Old Mutual or through informal village schemes or locally owned funeral parlors.

Old Mutual's Imbizo project

It is in the Eastern Cape that Old Mutual gave birth to the Imbizo concept, a Xhosa word that literally means getting together and listening to each other. Building on this community tradition, Old Mutual, together with subsidiaries Nedbank and Mutual & Federal (general insurance company), and in partnership with black empowerment partner Wiphold, is testing a one-stop-shop strategy to bring an array of financial products and services to underserved communities.

Imbizo is seen by all partners as a laboratory for designing financial products that fit the needs of the rural population. Before the Centane Imbizo was launched the local community had no access to financial services. Now clients have access to banking services, ATMs, savings accounts, micro-loans, group and individual funeral insurance, livestock insurance and asset insurance.

Over the last three years Old Mutual has launched five Imbizo outlets. Colette Patience, Old Mutual's Business Development manager, explained, "the last three years have been one



Centani village landscape



long [learning journey](#). It has been exceptionally rewarding for Old Mutual employees to be involved in local development. But the time has come to evaluate the business model behind it. We decided to start with the client value proposition to get it right before looking at premiums and costs.”



The Greenshop: an Imbizo outlet in Centane

Bringing practitioners together

Tackling the most challenging issues in microinsurance, including client value, requires the industry to come together to share knowledge and develop solutions. It is rarely possible to achieve this level of collaboration in a day to day business environment. At the Microinsurance Innovation Facility, we have been contemplating for some time how best to achieve this. We jumped at the first opportunity when a dozen partner organizations participating in a two-day training session on client value expressed a need to continue exchanging their experiences.

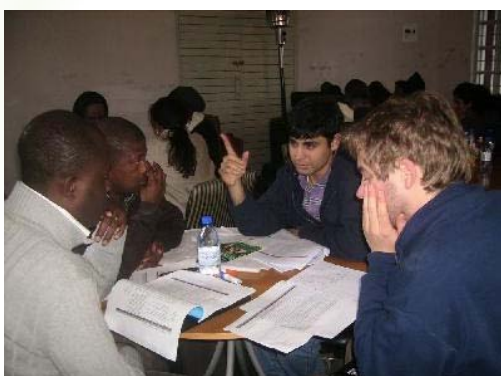
A Practitioner Learning Group (PLG) on client value was launched in March 2012 with member organizations from 12 developing countries, represented by 46 individuals whose work relates to product design, promotion, distribution and enhancing the client experience. The PLG members keep in touch through an online space hosted on the Facility website and quarterly webinars, each focusing on one member organization’s work to improve client value.

In early August Old Mutual hosted a peer exchange visit in Centane, bringing together 16 individuals from PLG organizations, along with staff from Old Mutual and its sister companies. Following a one-day refresher training on using the [client value assessment tool, PACE](#) (Product, Access, Cost, Experience), the group began evaluating the client value proposition of the two main products Old Mutual offer within the Imbizo model.

The group was divided into sub-groups, which each analysed a specific client value dimension of one of the two products. Old Mutual staff also joined the teams both as members and resource persons. Soraya Moosa, back-end policy administration manager from Old Mutual’s head office, patiently explained the importance of funerals in South Africa, but was also pleasantly surprised by “the number of times I was challenged by gaps identified in Old Mutual’s internal processes.” She explained, “We rarely look at all those things from a client perspective. We knew about many, but doing a holistic overview helped to reprioritize and identify those that need immediate action.”

After three intense days engaging with sales agents and other field staff, going to funeral parlours and retail outlets, studying the competition, and interacting with existing and potential clients, participants discussed their main findings and recommendations with the management of Old Mutual, and later presented a detailed report.

Participants during group work



Client value in focus

Imbizo

Imbizo is a cutting-edge concept that should facilitate financial inclusion as well as unlock new business opportunities. It has not been tried extensively in other developing countries with the notable exception of [KGFS](#) in India. During the peer exchange, one problem identified for Old Mutual was that its products are not as visible as those of the bank and general insurer. There is also an issue with aligning competing products (the bank also sells funeral products).

Burial Society Support Plan (BSSP)

Old Mutual introduced BSSP in 2003 as its first product for the lower income market in South Africa. This is a group funeral cover targeted at traditional burial societies, which are an important source of community support (financial and otherwise) when a death occurs. The level of coverage is selected by the burial society. It applies to all principal members and is optional for their spouses and dependents. BSSP is a flat premium product and pricing needs to be reviewed to contain rising claims costs (see [more](#) on BSSP business analysis).

At the moment it is difficult to differentiate BSSP from communal burial societies and schemes offered by funeral parlors. The product perfectly mimics informal mechanisms, which is a great achievement in itself, but makes it hard to position the product appropriately in the market.



A focus group discussion with clients

One of the suggestions that Old Mutual is now contemplating is to reposition its product as a complementary offering to informal burial societies. Members often need to piece together several funeral policies as they all offer specific functions. If Old Mutual repositioned its group product correctly it could reduce the hassle of patching together many mechanisms, while at the same time embedding its offer into local customs. Some specific improvements in enrollment and claims processes were also identified to further improve client experience.

"Pay when you can" (PWYC) funeral product

Old Mutual recently launched PWYC, an individual funeral product distributed by ShopRite, one of the biggest food retailers in South Africa. PWYC provides flexibility and convenience to suit the irregular income of the target population. It is designed to be similar to cell phone retail products, where a starter pack provides the basic registration and coverage details, and top ups are purchased as desired. Registration and top-ups are made by sending an SMS with a specific PIN number to the company.

Because of its flexibility and cost structure, from the client perspective PWYC excels at coverage and cost compared to informal group schemes and individual funeral covers offered by other insurers through similar distribution channels. There is a catch though. Owais Rasool from Naya Jeevan in Pakistan noted that "the PWYC product is ahead of its time, which is exciting, but it also makes it a difficult sell as rural households don't bank on their phones at all, so they are not that comfortable with the enrolment process." From a client perspective, difficult access to a product equates to low value, and this has been shown by the slow uptake of the product. Old Mutual is considering keeping the mobile option but ensuring improved communication and education to facilitate the enrolment process and client understanding.

There was also some debate over whether the product should continue to be called a funeral product, as the term is familiar to South African clients, or whether it should be labelled more accurately as a life product. It was suggested that it might be better to position PWYC as an individual life product that will help younger families to smooth financial stress when the main breadwinner dies.

Participants visit a funeral parlor



Power of peer exchange

The peer exchange validated our initial thinking that gathering practitioners in one place and asking them to figure out solutions together can yield impressive results within a very short time-frame. Peer exchange should be considered by managers as a powerful tool to build the capacity of their staff through learning in a real-time environment among practitioners facing similar issues.



The participants

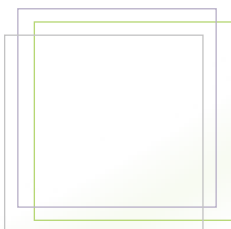
Managers at Old Mutual were convinced of the value of PACE in helping them to prioritise improvements in client value, and are determined to use the tool as part of their strategic planning process. Participants also came away better equipped to apply PACE in their own organizations. Tyler Tappendorf, Microinsurance Head at Fonkoze, a microfinance institution in Haiti, said, "the interaction with the other group members proved most beneficial to me. This event makes the concept of PACE 100% tangible and has greatly aided Fonkoze's ability to continue moving forward with its PACE analysis."

Peer Exchange Success Factors

- Strong commitment of the host and close co-ordination to ensure that their needs are met
- Choice of field location with easy access to the distribution channels, competitors and clients
- Mix of well-selected practitioners facing similar issues
- Open environment encouraging free sharing of ideas
- Clear objective, facilitation and structure

Sibongile Mthimunye from Old Mutual concluded: "The fact that Old Mutual has been here for the last 166 years shouldn't let us assume that clients know us and will always take our products. It's high time to get into clients' shoes." Bringing practitioners together for a short and focused period of work to help Old Mutual get into their clients' shoes has proven a successful approach to one of the knottiest issues facing the industry. The Facility is looking to use this approach again to act as a platform for the industry to come together to move towards solutions on the most pressing issues. Stay tuned.

Housed at the International Labour Organization's Social Finance Programme, the **MICROINSURANCE INNOVATION FACILITY** seeks to increase the availability of quality insurance for the developing world's low income families to help them guard against risk and overcome poverty. The Facility was launched in 2008 with generous support from the Bill & Melinda Gates Foundation to learn and promote how to extend better insurance to the working poor. Additional funding has gratefully been received from several donors, including the Z Zurich Foundation and AusAID. See more at www.ilo.org/microinsurance



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