

Future of distribution in South Africa: the path toward digital solutions



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Although brokers continue to dominate the insurance market across Africa, the industry is quick to embrace digital solutions. As customer needs evolve and the traditional model of distribution faces new challenges, insurers struggle to strike the right balance between their legacy operations, which contribute to the most revenue, and the opportunities that the new digital landscape will generate.

As in many developing economies, most customers in South Africa still purchase insurance policies through financial advisors, insurance agents or brokers. Companies still use the language of actuaries to market their plans, which can be difficult for the customer to understand. The axiom is that complex financial products such as insurance must be sold, not simply purchased like TV sets or refrigerators. As a result of this, personal relationships are the key driver of sales.

A recent EY survey found that customers in South Africa are more likely to use digital channels to check and compare policies than their UK counterparts. Thirty-seven percent of South African customers already use their mobile phones or computers for the initial process of browsing and identifying policies. How to convert browsing into a purchase remains a challenge, since brokers continue to be the main drivers of sales.



Non-life insurers adopt digital solutions more rapidly

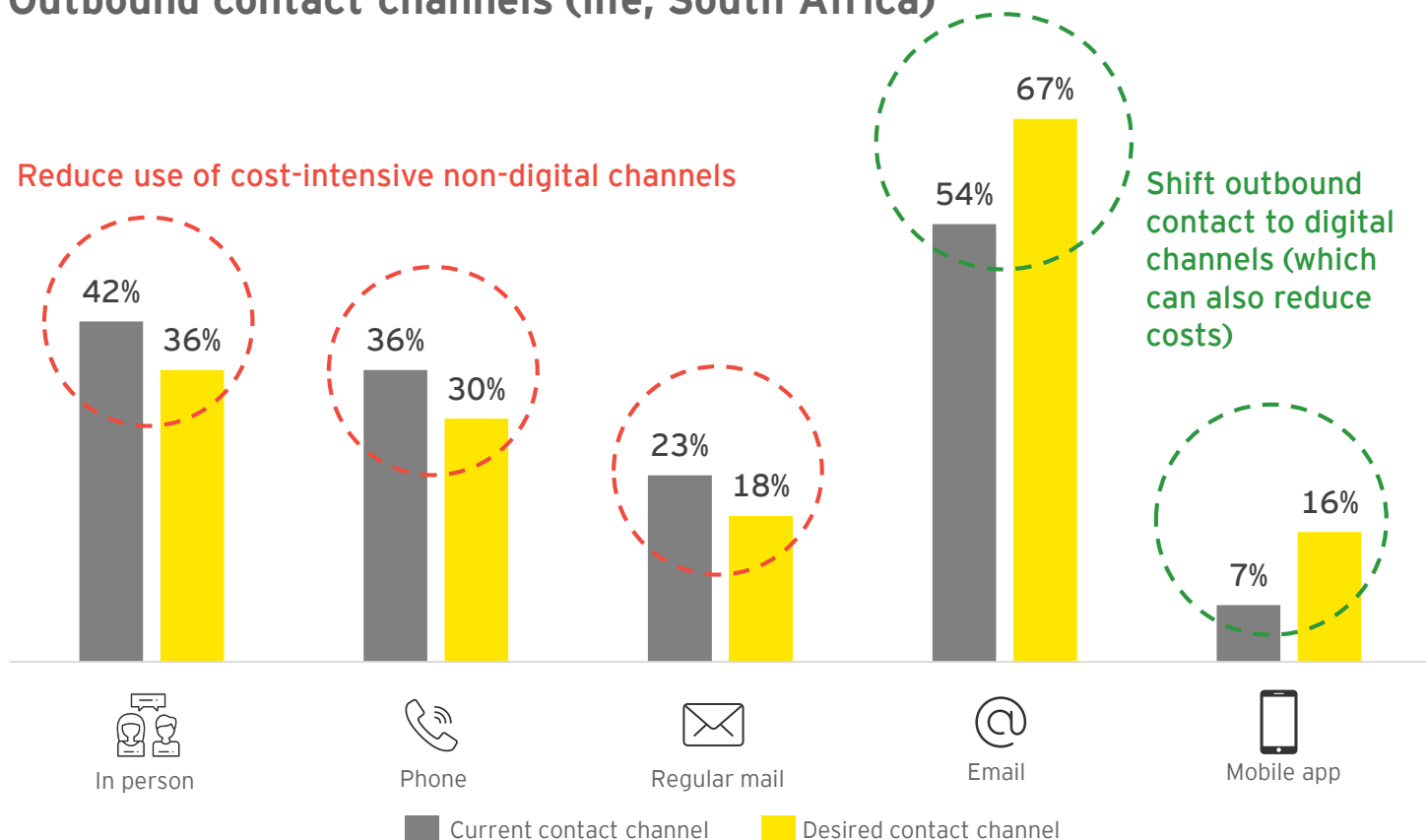
Since consumers are increasingly using digital assets to search for policies, insurers must adapt to digitize responses. Insurers must strike a balance by introducing technological solutions that empower their customers while also enhancing the opportunities for brokers and agents to deliver value. Developing effective digital solutions is key in order to boost sales and reduce costs.

This digital transformation is taking place across two fronts. While mobile and digital applications are being targeted to specific markets, such as funeral insurance, major initiatives are transforming back-office operations to become more cost-effective and reliable.

37% of South African customers already use their mobile phones or computers for the initial process of browsing and identifying policies.

Outbound contact channels (life, South Africa)

Reduce use of cost-intensive non-digital channels



A recent EY survey shows that life insurance customers in South Africa would prefer to be contacted via email or mobile devices.



How an insurer is improving sales without cutting out agents

Improving digital offering

Historically, a website had promoted the availability of funeral insurance, but it did not include ways to actually purchase it. A consumer can now purchase it via the updated website or mobile device.

Web-enabled sales



Improving call center effectiveness

EY teams also helped the company reimagine its call center, so that it can help customers who want to speak with a human agent in order to complete the purchasing process.

Real-time assistance



Using data analytics to improve sales

The company is now using data analytics to track what happens when callers call the company with coverage inquiries. Any changes made by the company in its policies are now based on customer feedback.

Incorporating customer feedback



With the move toward digitization, boosting the company's back-office efficiency without endangering the brokerage relationship will be key. Traditional insurance firms are working to make sales processes easier for the digital customer, but have usually limited this to non-life products because of the strong position brokers and intermediaries still possess in life coverage.



Funeral insurance as a digital test-bed

The business of funeral insurance is an important market segment in South Africa. South African funerals are large-scale, often expensive events that families share with the community. More than half of South Africa has some form of funeral insurance. Migrating to online sales for funeral coverage was considered the best case study for an experiment.

EY teams worked with one of the top South African insurance companies to develop a digital platform for selling insurance. Even though it was difficult for the company to engage customers, generate digital traffic for its assets and turn that traffic into sales, it was clear that the digital channel needed to grow into another business within the organization, one that could boost revenue and reduce the cost of serving customers.

An earlier version of the insurer's website promoted the availability of funeral insurance but did not include ways to actually purchase it. This lack of

information had to be addressed, since customers were looking for direct sales.

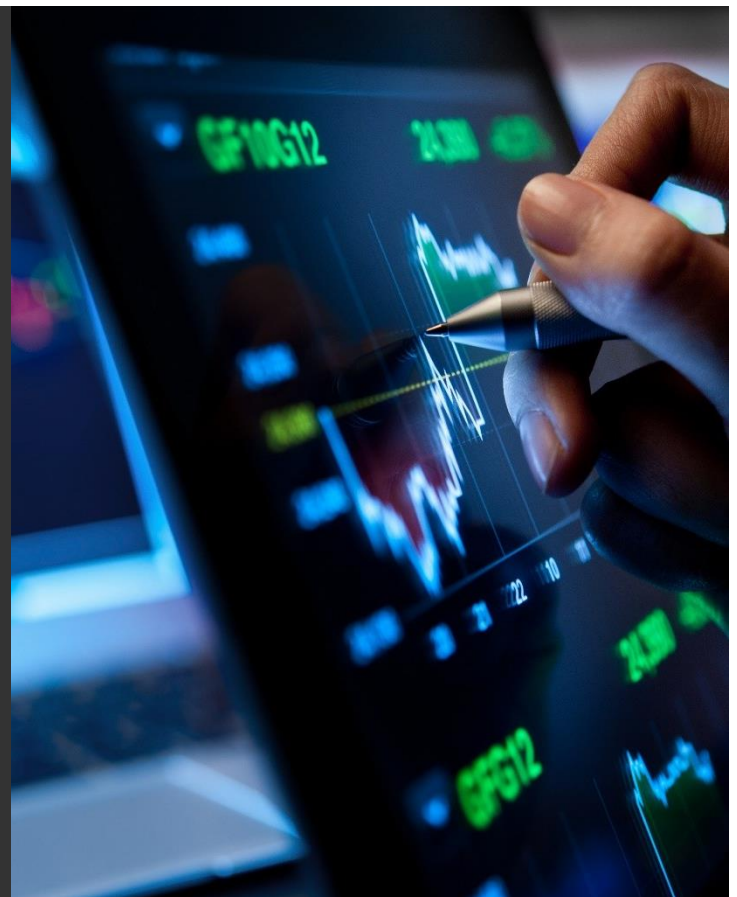
The updated website reduces friction in the process of buying insurance by allowing consumers to investigate various options and purchase directly via computer or mobile phone. Simultaneously, the company is building its digital assets by providing education and tools to customers.

In addition to helping to build its digital business line, EY teams worked with the company to reimagine its call center operations and operating model to assist customers who want to speak with a human agent to complete the purchase. Data analytics are used to track the process of coverage inquiries. This helps the company make relevant, data-driven changes based on caller behavior and customer feedback, which has become an important driver of amendments in the policy.

Moving forward with digital

It is too early to judge the success of the digital experiment, but it often takes experimentation to get senior executives to understand the potential of digital as a new distribution model for insurance. While most insurers see the benefits of developing a digital strategy, the reality remains that few have implemented them.

In the future, as digital sales increase, one would expect companies across South Africa to create other products that enhance the customer journey, as companies learn to serve individual customers and their needs and not just focus on selling products.



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