

Unlocking Untapped Insurance Markets through Telemarketing

Insurance companies are increasingly under pressure to reinvent their sales and distribution models and find innovative ways of reaching new customers. In a tough economic environment product providers are faced with challenges that include budgetary constraints, regulatory complexity and resources needed to maintain an effective sales force.

At the same time, South Africa's population of financially included individuals remains stagnant, with the 2014 Finscope Consumer Survey showing that apart from an increase in part time employment, very little structural change has happened in terms of employment status. The Finscope report however also shows that insurance levels have increased significantly over the last decade, and conversely to other financial categories, have sustained this growth in the last year. Access to insurance has grown from 41% to 60% over the past ten years, with a 6% year on year growth. Funeral cover through both formal and informal channels has played a key role in this growth in underserved markets.

"We believe that educating consumers in typically underserved markets about financial products that they would otherwise never have known existed is pivotal to driving growth in this sector. When one considers that there are only about 17 400 registered financial advisors in the life industry in South Africa, against a financially active population of 20.1 million people (Department of Labour - Sep 2014), the need for distribution innovation to get consumers onto the insurance ladder becomes very evident. Telemarketing of simple insurance products has proven to be a highly effective tool to reach consumers by providing them with valuable information and access to products that they would otherwise not be exposed to," explains Albert Theyse, Head of Sales at O'Keeffe & Swartz, a leading outsourced call centre specialising in the outbound sale of simple insurance products and whose clients include the major banks and insurance companies in South Africa.

With 59 million registered mobile phones out of an approximate population of 52 million, telemarketing's pivotal role in the growth of the insurance sector in South Africa should come as no surprise. It remains a highly effective sales channel that provides consumers with information and access to financial services products that were previously unavailable or difficult to obtain.

Additionally, telemarketing is being used effectively by product providers with affinity databases. This allows a product provider to leverage the relationship of familiarity and trust to upsell and cross-sell added value insurance products to existing clients, who are more receptive to a telesales pitch when it comes from an already known and trusted service provider. From O'Keeffe & Swartz's own sales statistics, the most widely taken up products sold through such affinity databases are funeral policies, debt protection policies, hospital plans and personal accident and disability benefit policies.

"Beyond funeral policies which are the most prevalent form of insurance in South Africa with almost 90% of all risk cover being attributed to this form of insurance according to the Centre for

Financial Regulation and Inclusion (CENFRI), we're also seeing telemarketing of healthcare, cancer and disability benefits on an upward growth path, and expect this to continue as product providers create simpler, more flexible and affordable products for South Africa's underserved consumers," explains Albert.

But is telemarketing still effective?

It's easy to be pessimistic about the future role of telemarketing and some of that mind set is justified when one considers the heady 'free for all' days prior to the Consumer Protection Act (CPA) and the Protection of Personal Information Act (POPI). Unprofessional operators did a great deal of damage to the telemarketing industry by burning out databases and pitching products to wholly unsuitable markets. But years on, regulation has played an important role in cleaning up the industry and levelling the playing fields.

"Direct marketers are specialists in target marketing by combining database capabilities and analytics to target the right customer, through the best channel, with the right product, at the right time, and at the right price. Telemarketing works exceptionally well in certain consumer segments and for certain products, and O'Keeffe and Swartz has over 22 years of experience in getting this formula right," explains Albert.

"With the right approach from an experienced and committed telemarketing provider, telemarketing has an important role to play in the insurance industry. One of the key factors in our sales success for clients is that we approach telemarketing with the highest levels of ethics and integrity in all our processes – sales are always done in an ethical manner and as an authorised financial services provider, we support the objectives of the Financial Services Board (FSB) in terms of consumer protection by ensuring that our market conduct is always fair and transparent. While we operate in a performance environment, it's not ever at the expense of good governance and sound business principles, and this reflects in our sales results," he adds.

During 2014, O'Keeffe & Swartz generated over R407 million in annualised premium income for its clients which amounts to more than R51 billion in insurance cover sold to almost 2 million South Africans. These figures are for simple insurance products sold via telemarketing means only on behalf of banks and insurers to affinity databases in a single year.

"For many consumers, their first insurance product is sold to them via a telephone call, and is their very first step onto the insurance ladder and their first exposure to the concept of financial planning. For many there will be a natural evolution to more sophisticated products, and a greater propensity for them to seek financial advice as the complexity of their financial portfolios grows. Telemarketing plays a fundamental role in unlocking new and emerging insurance markets that traditional distribution models are unable to reach," concludes Albert.