



An Analysis Of The Factors Affecting Formulation And Implementation Of Marketing Strategies In The Insurance Industry

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ABSTRACT

Insurance companies in Zimbabwe are currently operating in a highly competitive environment and they continuously explore various strategies to create competitive advantage and sustainable growth. The formulation and implementation of such strategies has not been without its own challenges. In a previous research, the authors of this paper focused on the various strategies that insurance companies can pursue to create competitive advantage. Competition in the industry has therefore been inadvertently on the increase over the years. It was during this research that the researchers realized the importance of focusing not only on the strategies but on the factors that can affect either the success or failure of strategy formulation and implementation. The objectives of this research were therefore; to identify and analyze the impact of various factors in the formulation and implementation of marketing strategies designed to create competitive advantage, and to identify and recommend possible solutions to challenges faced in strategy implementation as organizations endeavour to continuously create competitive advantage. A cross sectional survey methodology was used to gather data from a sample of organizations within the insurance industry and two instruments were largely used for data gathering; the questionnaire and the depth interview guide. Results were analyzed and the following conclusions were drawn; organizations in the insurance industry largely use differentiation and low cost strategies, their products are intensely distributed using multiple agents and brokers, personal selling and advertising are also used as the main promotional strategies, and the use of human capital to create competitive advantage is becoming more extensively used by most organizations in the industry. It was on the basis of these conclusions that the researchers made the following recommendations; organizations in the insurance industry to regularly carry out comprehensive market researches to identify customers' ever-changing needs in a dynamic environment, efforts have to be made to satisfy these identified customer needs if insurers are to effectively create competitive advantage, there is need to increase the level of giving customers value for money through enhanced product features and benefits, insurers can aggressively use ICTS to extensively promote their products to their various target markets, the use of physical evidence to create competitive advantage can be further explored and there is need for redefining organizational systems so that they become more robust in facilitating efficient service delivery. These recommendations are envisaged to significantly benefit players in the insurance industry, if they are to continuously create competitive advantage for superior performance and sustainable organizational growth.

Key Words: Competitive Advantage, Marketing Strategies, Insurance, Life Assurance, Internal Marketing Environment, External Marketing Environment

BACKGROUND TO THE STUDY

This research sought to evaluate the effectiveness of the various strategies that have been formulated and implemented by Zimbabwean insurance companies in efforts to create competitive advantage, improved organizational performance and sustainable growth, in light of the fact that the industry has continued to be more competitive with the advent of more new players and a shrinking market. The study was at the backdrop of various challenges that characterized the Zimbabwean insurance sector, with more focus on the long term insurance products. Most of the customers that had invested in the long term insurance products during the Zimbabwean Dollar era lost the value of their investments when the Zimbabwean economy adopted the multicurrency system. While various organizations



within the insurance industry tried to cushion their customer by embarking on a demutualization process, converting the Zimbabwean dollar denominated policies into United States Dollar denomination, the process did not fully meet the expectations of the affected customers as the redenominated values were perceived to be far too low compared to what these customers had invested during the Zimbabwean dollar episode. Coupled with these challenges has been an influx of new insurance companies which inadvertently increased competition in the industry when the market share has not been growing due to the loss of confidence in the insurance industry. Literature by various authorities on the subject of competitive advantage was reviewed to establish the background to the subject of study, principles, concepts and schools of thought and international best practices on building competitive advantage through the formulation and implementation of marketing strategies. The gathered literature formed the basis upon which current marketing strategies in the Zimbabwean insurance sector were appraised or evaluated. The research will take the form of a cross sectional survey across the Zimbabwean insurance sector and data was gathered through the use of questionnaires and depth interviews, and analysed to draw conclusions. Recommendations based on the conclusions drawn were made on possible solutions to the challenges being faced in the insurance sector and the various international best practices on strategies for building competitive advantage that players in this industry could possibly implement to improved organizational performance and attain sustainable growth.

RESEARCH JUSTIFICATION

In the modern day economic space, the implementation of international best practices in running business organizations cannot be overemphasized. Globalization has made it mandatory for organizations to seek creating competitive advantage through adherence to international best practices in all strategic, operational and tactical areas. The implementation of effective marketing strategies in creating competitive advantage is no exception. Organizations need to be continuously innovative in developing market offerings that help them retain their existing markets as well as curving additional market niches through delivery of value and benefits to their target markets. The Zimbabwean insurance industry has become highly competitive over the years and it has become incumbent upon all players within the sector to formulate and implement marketing strategies to create competitive advantage, retain and increase market share. However, it is equally important for players in this industry to be conversant with various factors that affect the effectiveness of the formulation and implementation of strategies for competitive advantage. The researchers anticipate that the results of this research, conclusions drawn and the recommendations proffered will add value to the insurance industry and other industries that are equally affected by these factors in strategy formulation and implementation.

RESEARCH OBJECTIVES

Through this research, the researchers assessed the impact of various factors that influence strategy formulation and implementation. In more specific terms, the research sought to achieve the following:

- To identify and analyze the impact of various factors in the formulation and implementation of marketing strategies designed to create competitive advantage.
- To identify and recommend possible solutions to challenges faced in strategy implementation as organizations endeavour to continuously create competitive advantage

RESEARCH METHODOLOGY

This research will take the form of a cross sectional survey within the Zimbabwean insurance industry. In this research, the researchers investigated the different strategies that various organizations within the industry have implemented in an endeavour to create competitive advantage and continuously maintain a leading position in a market that has many other large and established players as well as many other new and vibrant players that continue to join the industry. Focus was on how various factors impinge on the formulation and implementation of strategies that different organizations pursue



in an effort to create competitive advantage. The researchers used both questionnaires and depth interview guides to collect data from various participants drawn from different organizations. Respondents were drawn from the respective organizations' marketing departments and management from other functional departments that the researchers envisaged to have an appreciation of the organizations' marketing strategies.

Reliability and Validity of Data Collection Instruments

The reliability of data collection instruments refers to the consistency of the instrument in measuring what the research is endeavouring to measure. Babbie (1983) asserts that reliability is a question of whether a particular technique, applied repeatedly would lead to the same result each time it is applied. If the instrument does not yield the same result, then it is unreliable. The researchers considered both the questionnaire and the interview guide to be instruments that would reliably gather the data that the researchers were endeavouring to gather consistently as both instruments were structured and also guided both the researchers and respondents in terms of the requisite data that the researchers sought to collect.

The validity of an instrument relates to whether the instrument has really measured in essence, what it was intended to measure. It entails the extent to which an empirical measure adequately reflects the real meaning of the concept or subject under investigation. Both the questionnaire and interview guide comprised sets of questions, both closed and open ended questions, which adequately covered the core concepts of competitive advantage and their application within the business environment in general and the insurance industry in particular.

The researchers did however not take for granted both the reliability and validity of the data collection instruments but also took some measures to improve both reliability and validity. One of the measures was to test both instruments in a pilot study, which assisted the researchers in eliminating irrelevant questions and any forms of duplication. This process improved the structuring of questions in both instruments in terms of relevance and flow of thought, which enhanced the probability of capturing the requisite data on the subject under investigation.

RESEARCH ETHICS

The researchers largely gathered data from individuals representing various organizations in the insurance industry. It was in the researchers' best interest to uphold the quality and integrity of this research through ethical research practices such as keeping all data collected anonymous and confining it to the purposes of this research. None of the information gathered in this research was used for commercial or any other purposes other than advancing the objectives of this research. The researchers did not manipulate respondents or use any other unorthodox means to gather data for this research, and all gathered data was interpreted without prejudice and objectively to ensure the validity and credibility of the research findings and conclusions. The researchers also respected the respondents' confidentiality and privacy in gathering data for this research.

SCOPE AND DELIMITATION OF THE STUDY

The research mainly concentrated on the Zimbabwean insurance industry and participants were drawn from insurance companies and their various branches across the country. Another group of participants also comprised policy holders from different insurance companies. While the research focused on the insurance industry, the application of the results may however be applied to other organizations outside the insurance industry, since the factors influence strategy formulation and implementation in general.

LITERATURE REVIEW

Introducton

Porter (1985) and Kotler and Armstrong (2012) noted that the choice of marketing mix strategies differs depending on the unique situation of the individual business, their objectives, growth stage, market dominance and operating environments. For instance, the authors concur that companies with



different financial muscles adopt different marketing mix strategies. Similarly Perrault (1999) added that market leaders, challengers, followers and nichers adopt different marketing mix strategies; and new, growing, mature, turn-around businesses also adopt different strategies. These illustrations imply that the choice, development and implementation of marketing mix strategies are dependent on the organisation's internal and external environment which influence strategic decision making.

The Internal Marketing Environment

According to Aker (2008) internal marketing environment refers to factors and decisions existing within a marketing firm. They are also known as controllable factors, because the company has control over them (Kotler, 1991). The company can alter or modify the factors such as its personnel, physical facilities, organisation and functions to suit its needs. There are many internal factors that influence the marketing mix as discussed in the following sections.

Corporate Objectives

Porter (1990) argues that if a business' objective is growth, then its marketing mix is likely to place considerable emphasis on price in the marketing mix. A business needs to set very competitive prices to attract new customers, especially if it is operating in an established market(Dean, 1950). Jeff Bezos, the founder and chief executive of Amazon, the internet bookshop, has publicly stated that his prime aim for the business is growth. He has pursued this objective relentlessly and Amazon's marketing mix has been distinctive. Key features of Amazons marketing mix are low prices and the company has reduced prices whenever possible (www.amazon.com).

Generic Strategies adopted

According to Porter (1990), two basic competitive thrusts are low cost and differentiation which can have a broad or a narrow focus as illustrated below.

Table 1: Generic Strategies adopted

Broad Target	Cost Leadership	Differentiation
Narrow Target	Cost Focus	Focused Differentiation

Source: Porter (1990), Generic Strategies

The generic strategies adopted have implications on the choice and implementation of the marketing mix strategies as the marketing mix has to be consistent with the strategy. For instance, Porter (1990) noted that the low cost strategy is the ability to design, produce and market a comparable product more efficiently than competitors implying that the firm can be able to flex its pricing strategy accordingly to exploit this advantage.

Porter (1990) goes on to say that differentiation is the ability to provide unique and superior value to the buyer in terms of quality, special features and after sales service. This implies that if the competitive thrust is differentiation, then a lot of emphasis has to be put on the product strategy to create unique goods and services. This allows an organisation to charge high or premium price on differentiated products which then lead to high profitability. Alalak et al. (2003) looked at the relationship between innovation differentiation, market differentiation and organisational performance in the financial services sector in Jordan and discovered that employing both innovation differentiation and market differentiation improves company performance thereby leading to competitive advantage. They concluded that for company pursuing differentiation, it was necessary to work on service innovation to stay above competition.



Operational and Interdepartmental Integration

According to Cravens (1994) in many organisations, marketing mix strategies are discussed before they are developed and implemented. To support this, Kotler (2003) noted that the ultimate strategies implemented therefore depend on the preferences, contribution and support of different management levels (board, top, middle and first line) and different departments (marketing, finance, research and development, operations, procurement and others). This implies that full support of the top management and other departments can make marketing strategies more effective than when support and coordination is limited. Organizations over the years have progressively realized the importance of the contribution of all internal stakeholders to the marketing effort, hence the pursuit of the integrated marketing approach.

Strategic Intelligence

Strategic Intelligence is the synergy between business intelligence, competitive intelligence and knowledge management that creates value for organisational strategic decision making (Liebourite, 2006). Xu and Kay (2007) define strategic intelligence as significant information to senior managers that is scanned, analysed, digested and is meaningful that could affect managers' beliefs and actions. Haag et al. (2007) believe that organisations employ information and maintain competitive advantage in the current information age in which knowledge is power. Knowledge and information are important ingredients in creating wealth for companies. By using information systems for generating knowledge and intelligence, the abundance of information will allow companies to plan, make decision and craft innovative strategies for competitive advantage to survive in the long term (Laudon & Laudon 2007). This implies that where information is limited or inaccurate, strategies formulated may be ineffective, but where good intelligence provides accurate information for decision making, marketing mix strategies are likely to be successful. Insurance business is operating in the changing macro and micro environment and the changing market regulatory environment, therefore information gathered from this environment will determine the companies' competitiveness. This industry or sector has gone through many changes since the economic meltdown period and this has increased unattractiveness of the industry to consumers. With the technological advancement consumers are allowed to shop around for the best products and prices around the globe and with considerations to the substitute products and competition, companies in this industry are required to stay a step ahead of competitors by remaining agile in gathering the latest information on customer needs and industry trends. Employing such information and knowledge for strategic use is what determines the success of marketing mix strategies.

Level of Customer Orientation and Relationships

Customer orientation is important for organisations to compete against each other in the global market. In response to the changing needs of the customers, insurance companies and other service companies have taken various strategies to identify and satisfy the needs of their target markets. Market orientation is therefore considered as the business culture that facilitates firms to achieve sustainable competitive advantage by creating supervisor customer value (Narver et al 1990). Market orientation seeks to understand both the present and future needs and demand advantages of the target market or customers. Li and Zhou (2010) says that the success of a business is in the firm's ability to serve its customers which means that companies should adopt more market based strategies (Kohli and Jaworski, 1990). This therefore implies that highly customer oriented companies are likely to put emphasis on market research and responsiveness to needs – which is addressed by the focus on the product and distribution functions. However, in some cases customer needs can be so diverse that it becomes costly to come up with highly customized services.

Relationships with Clients

The nature and closeness of relationships with clients also determines the nature and success of marketing mix strategies will be (Kotler, 2003). Aijoh (1996) suggested that strong relationships are rapidly becoming a determinant of marketing mix strategies and competitive advantage in the service



industry. Jackson (1985) states that relationship building has become important in helping companies to retain their clients for a longer term. Gummesson (1987) says in his model, the focus of marketing should be on reaching a position of strong relationships with clients and various stakeholders rather than transactions. He goes on to state that relationship marketing is about nurturing relationships, creating and maintaining networks and interactions and is more realistic because business is conducted in networks of relationships. This enhances implementation of marketing mix strategies (Webster, 1992; Guen, 1997).

Intellectual Resources

Seubert et al. (2001) observed that the success of marketing mix strategies and attainment of sustainable competitive advantage are no longer rooted in physical and financial assets only but in unique intellectual assets as well. Hitt et al (2001) added that intellectual capital resources are more likely to breed competitive advantage than tangible and financial capital, which would then translate into superior performance. Sofian et al. (2008) defines intellectual capital as the possession of knowledge and skills, good relationships and technological capacities, which when applied can give companies competitive advantage. Stewart (1997) identified intellectual capital as aggregation of all knowledge and competencies of employees that can bring about competitive advantage. Malone (1997) broadened the definition as the possession of knowledge, applied experience, organisational technology, customer relations and professional skills that provide a company with competitive edge in the market.

Central to the components of intellectual capital is human capital professional competence, social competence, employee motivation, leadership ability and the combined intelligence, skills and expertise put together. This gives the organisation its distinctive character which may be its competitive advantage (Bontis, 2002). Halim (2010) further observed that structural capital and the stock of knowledge that a firm owns includes corporate culture, information technology and explicit knowledge, product innovation, process optimization and innovation. All these definitions however indicate that intellectual capital promotes a company's competitive advantage. Competitive advantage is not dependant on such bases as natural resources technology or economies of scale because these can be easily imitated, rather it is according to resource base view, and dependant on valuable rare and hard to imitate resources that reside within an organisation which are indeed referred to as invisible assets by Stewart (1997) and this is intellectual capital. Therefore intellectual capital include resources and capabilities that are valuable, uncommon not imitable and non- substitute, which then help in development and implementation of marketing mix strategies to present a lasting sustainable competitive advantage and superior performance to the firm (Hamel et al., 1990)

The External Marketing Environment

External factors are beyond the control of a firm; hence success in dealing with them depends to a large extent on its adaptability to the environment (Wilson et al., 1995). As a result these variables outside the organisation greatly influence the implementation of the marketing mix strategies. The external marketing environment consists of micro environment, and macro environment. According to Kotler (2003) and Mony et al. (2005), the micro environmental factors that are in the company's proximity comprise suppliers, market intermediaries, customers, competitors and the public.

Suppliers

Suppliers to a firm can also alter its competitive position and marketing capabilities. These are raw material suppliers, energy suppliers, suppliers of labour and capital. According to Porter (1985), the relationship between suppliers and the firm epitomizes a power equation between them. This equation is based on the industry condition and the extent to which each of them is dependent on the other.

Market Intermediaries

Every firm has to have a number of intermediaries for promoting, selling and distributing its products to the ultimate consumer (Chen and Chang 2010). These intermediaries may be individuals or business firms. These intermediaries are middleman (Banks, Brokers, and agents).



Customers

Mary (2004) asserts that customers can also affect the designing of the marketing mix in a firm. The customers may be classified as ultimate customers (individual and householders) and industrial customers (organisation which buy Insurance services to cover their employees and assets for producing their goods and services for the purpose of earning profits or fulfilling other objective (McCarthy, 1990).

Competitors

Porter (1985) says that competitors are other insurance companies and those that are producing substitutes such as banks and micro finance and self-insurance organisations. Apart from competition on price, there are other competitive strategies like product differentiation. Therefore, it is necessary to build an efficient system of marketing mix strategy, which will allow the organization to identify its competitors' innovations and be able to counter them by developing market offerings that are differentiated and more attractive to the target market. This will bring confidence and better results. (Low,1992; Hesegawa, 1988).

The Public

It is duty of the company to satisfy the people at large along with its competitors and the consumers (Hesegawa 1988). It is necessary for future growth. The action of the company does influence the other groups forming the general public for the company (Tzu 1995). A public is defined as 'any group that has an actual or potential interest in or impact on a company's ability to achieve its objective.' Public relations are certainly a broad marketing operation which must be fully taken care of.

Macro Environment factors are external to the company and are highly uncontrollable. These factors do not affect the marketing ability of the company directly but indirectly, they influence marketing decisions of the company (Dean, 1950; Low,1992). The factors can be physical, demographic, social, economic, technological and political.

Demographic Factors

Low (1992) argues that demographic forces are the population in different groups, because people forms markets. Insurance companies are interested in the size and growth rate of population in different cities, regions, nations; age distribution and ethnic mix; educational levels; households patterns(McGrath. 1986).The economic environment consists of macro-level factors related to means of production and distribution that have an impact on the business of an organisation(Anderson, et al. 1997).

Physical Factors

Components of physical forces are earth's natural renewal and non-renewal resources. Natural renewal forces are forest, food products from agriculture or the sea. Non- renewal natural resources are finite such as oil, coal, and other minerals. Both of these components quite often change the level and type of resources available to a marketer for his production (Lovelock, 1996).

Technological Factors

The technological environment consists of factors related to knowledge applied, and the materials and machines used in the production of products and process that have an impact on the business of an organization. (Kotler, 1986). Firms now use information technology as resources for competitive advantage and employ advanced skills to manage the IT departments or systems (Jahangir Karimi 1983). As more executives recognize the power of IT to reengineer the business and improve its effectiveness, many chief executives and managers are looking for chief information systems officers who will also comprehend technology's potential to affect competitive advantage. Jahangir Karimi (1983) reported that a firm's competitive strategy has a significant impact on the firm's IT strategic



orientation and the firm's IT use. The role and qualification of IT personnel should reflect the firm's IT strategic orientation and the firm's IT use, and IT management should be aligned with the firm's competitive strategy. In firms where IT has a strategic orientation and where it is critical like in the life assurance sector, IT personnel must be multidimensional; they should have business, strategic, and political skills and a conceptual and visionary mind. Coopers and Lybrand (1983) say that IT and the qualified personnel can be used to create competitive advantage for the organization. It is a resource that must support the competitive strategy of a company and accordingly leads to the firm out-competing its competitors.

Political Factors

Developments in political and legal field greatly affect the marketing mix decisions (Kotler 1986). Sound marketing decision cannot be taken without taking into account, the government agencies, political party in power and in opposition, pressure groups, and laws of the land. These variables create tremendous pressures on marketing mix management (Low, 1992). Laws affect production capacity, capability, product design, pricing and promotion. Governments in almost all the countries intervene in marketing processes irrespective of their political ideologies (Ries, and Trout, 1993).

Social Factors

The Institute of Marketing (2012) argues that social factors crept into marketing literature as an advancement of the marketing concept. The social forces attempt to make the marketing socially responsible. It means that the business firms should take a lead in eliminating socially harmful products and produce only what is beneficial to the society. Besides the product itself, the business' operations, its waste and other by products should also have minimal negative effects on the organization's customers and the society at large. These are societal factors that impose restrictions on the marketing process (Dean, 1950)

The literature reviewed shows that the bulk of the factors affecting the development and success of marketing strategies pertain to the internal environment but information from the external environment is critical to adapt the strategies to the environment. This implies that formulation and implementation of the marketing mix strategies is within the control businesses hence they have the greatest influence on the nature of the strategies which will give them competitive advantage.

SUMMARY OF RESEARCH FINDINGS

External Environment Factors

Customers

Table 2: Customers' Influence on Strategy Formulation: Reasons for choosing policy providers

Reasons for choosing the preferred company	Preferred Company								Total
	NA	First Mutual	ZB Life	Nyaradzo	Old Mutual	Zimnat	Fidelity Life	Altfin	
Not Applicable (NA)	4	0	0	0	0	0	0	0	4
Premium affordable	0	1	0	0	0	0	0	1	2
Good benefits	0	1	1	0	0	0	0	0	2
Scheme with the church	0	0	1	0	0	0	0	0	1
Referred by family members	0	1	0	0	0	0	0	0	1
Reputation	0	0	0	0	0	1	0	0	1
Good agents	0	0	0	0	0	1	1	0	2
Influence from a colleague	0	0	0	0	1	0	0	0	1



Family cover	0	0	0	1	0	0	0	0	1
Trustworthiness during the economic melt down	0	0	0	1	0	0	0	0	1
Good customer care	0	1	0	0	0	0	0	0	1
Total	4	4	2	2	1	2	1	1	17

A total of 45% of the respondents indicated that in their choice of service provider, they largely considered affordability, product/service benefits and the impact of the agent selling the product/service. Other respondents cited other factors that they considered on choosing their policy providers and these included customer care, reputation of the organization, influence from colleagues and being members by default by virtue of being part of a family policy.

With these varied reasons/bases for selecting a service provider, the influence of customers in shaping choice of marketing strategy and its implementation cannot be overemphasized. Ordinarily clients would want to associate themselves with an organization that gives them value for money and develops product offerings that meet their current and future needs. Customer perceptions therefore have a significant impact on how both new and old insurance companies formulate and implement strategies that effectively position them for competitive advantage.

Based on their concerns regarding the marketing mix strategies, clients made their suggestions of what the companies should do to satisfy their needs and be competitive in the market

Table 3: Service improvement suggestions by customers

Recommendation	Frequency	% of sample
Meet their obligations and promises	6	35%
Cushion clients for economic hardships and inflation	3	18%
Pay claims on time	2	12%
Provide detailed information to clients	2	12%
Train staff on product knowledge, courtesy and professionalism	1	6%
Avoid misinterpretation of the products	1	6%
Offer housing and land development loans	1	6%
Regular visits to review products	1	6%
Redesign products	1	6%
Be more responsive to customer needs	1	6%

The most popular recommendations were concerned with meeting obligations and promises (35%), need to design appropriate services for hard times and inflationary situations, timely processing of claims and provision of proper product, benefit and cost information to the market.

It is clear from the suggestions that customers are not complaining about prices (premiums) and the distribution network, which they have commended as meeting their needs through the different options provided. The focus of suggestions is largely on the processes, communication, people and product points as areas of attention in strategy formulation for competitive advantage.

Market Intermediaries

A total of 67% of the organizations that participated in this research indicated that they distribute their products and services through market intermediaries, largely in the form of brokers and agents, as summarized in Table. Of this total 42% indicated that they use many brokers and agents, which is an intensive approach, while the other 25% took a selective approach whereby they only use a few select agents or brokers. Only 33% of the organizations indicated that they do not use intermediaries but instead use direct distribution. The insurance industry is therefore heavily dependent on agents and



brokers as market intermediaries and any organization that endeavours to create competitive advantage has to take the market intermediaries factor into account in formulating strategies.

Table 4: Market Intermediaries

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Through many brokers / agents (Intensive)	5	41.7	41.7	41.7
	Though selected brokers / agents (Selective)	3	25.0	25.0	66.7
	Direct distribution only	4	33.3	33.3	100.0
	Total	12	100.0	100.0	

Competitors Analysis and Promotional Strategy

The players in the insurance industry use different combinations of promotional strategies to create competitive advantage but the most prominent promotional strategies were personal selling and advertising. The combination of personal selling and advertising is the most common, accounting for 75%, while personal selling combined with other strategies accounted for 17%. The remaining 8% was a combination of advertising and other promotional strategies. In an environment where most competitors are using basically the same strategies, players in the insurance industry have the greatest challenge of creating uniqueness and competitive advantage. The Figure below summarises the distribution of promotional strategies used by insurance companies:



Fig 1: Promotional strategies used

Strategic Intelligence

As alluded to earlier on, Strategic Intelligence is the synergy between business intelligence, competitive intelligence and knowledge management that creates value for organisational strategic decision making (Liebourite, 2006). Insurance companies are using information that they have at their disposal strategically in order to create competitive advantage.

Table 5: Strategic Intelligence

	Frequency	Percent	Valid Percent	Cumulative Percent
# Group scheme at work	1	5.9	5.9	5.9
# Referred by a friend or Someone	8	47.1	47.1	52.9
# Approached them	2	11.8	11.8	64.7



# Through the church	1	5.9	5.9	70.6
# Visited my work place	4	23.5	23.5	94.1
#Through the social club and burial society	1	5.9	5.9	100.0
Total	17	100.0	100.0	

A total of 47% of clients indicated they were known by sales representatives who had been referred by friends, family members and colleagues, 23% were formally visited at their work places as a company, 12% approached the sales reps and the rest (18%) knew the clients through social groups like churches, societies and clubs (Table 4.3). This further confirms the role of satisfied customers in the communication strategy of insurance companies.

Intellectual Resources

Intellectual capital continues to play a more significant role in creating competitive advantage not only in the insurance industry but across all industries. While technology, business processes, product design and packaging may be imitated, one of the factors that remain instrumental in bringing distinction between one organization and another is intellectual capital. Insurance companies therefore continue emphasizing on their employees being highly qualified and experienced. The table below shows the qualifications required for different levels in the organisation:

Table 6: Educational requirements at different levels

Qualification	Top Mgmt	Mid Mgmt	Junior Mgmt	Reps & Team
Masters	67%	-	-	-
Post-grad	25%	67%	-	-
1st degree	8%	33%	58%	8%
Diploma	-	-	33%	50%
A' Level	-	-	-	25%
O' Level	-	-	8%	17%

The results show that there is emphasis on educational qualifications especially for managerial staff. 67% of the marketers indicated that at least a Master's degree is required for top management positions and 25% indicated that a post-graduate qualification was required. This shows that in total, 92% confirmed the need for a post-graduate qualification (Masters and others) for top management. For middle management, 67% of the respondents indicated that a post-graduate qualification was necessary while 33% said a first degree was acceptable. The emphasis on educational qualifications is a way of trying to get the high fliers from the recruitment process, and develop them to deliver required services better than competitors. Apart from the recruitment requirements, the industry also puts emphasis on training and development and 58% of the marketers indicated that they have a training department to identify training needs and facilitate the training. The 42% who did not have training departments outsourced training because they could not afford a fully-fledged department but needed the training. Hence intellectual resources have a significant bearing on strategy formulation and implementation for organizations in the insurance industry.

Customer Orientation & Relationship

This research also analyzed the impact of organizations' orientation towards customers and relationship management. To evaluate the performance of sale representatives in the industry, clients were asked how they rated their life insurance sales representatives in key performance areas summarized in the table below.

Table 7: Customer Orientation & Relationship

Satisfaction with Sales people	Pleased (%)	Neutral (%)	Not Pleased (%)
Selling style / persuasiveness	82%	12%	6%
Professionalism	47%	6%	47%



Honesty	47%	6%	47%
Product Knowledge	53%	6%	41%
Empathy	76%	6%	18%
Industry knowledge	59%	6%	35%
Responsiveness	71%	6%	24%
Courtesy	53%	6%	41%
Overall appeal rating	76%	0%	24%

The results show that 82 % of the clients were pleased with the persuasive style of selling (as opposed to being pressured). In addition they were also pleased with their empathy (76%), responsiveness (71%) and industry knowledge (59%). However less than half of the clients (47%) were pleased with the professionalism and honesty of sales representatives and just over half (53%) were pleased with their product knowledge and courtesy. This indicates that these are areas of concern which need to be investigated and addressed by marketers. Related to these areas of concern were clients' revelations that after-sales follow up by sales rep averaged once a year and when there are new products on offer and they felt that this was not good enough. Clients expressed need for information updates about their policy, benefits, new packages and other forms of interaction to keep the relationship strong and make sure that sales reps stay updated on clients' situations. The importance of customer orientation and development of relationship management skills continues to be a key influence on the formulation of strategies and their implementation in creating competitive advantage in the insurance industry.

Operations and Interdepartmental Integration – Synchrony and collaboration Marketing and Claims Administration. Personnel

One important aspect in service marketing delivery is the process which focuses on the procedures, steps and lead time required to complete delivery of services. In life insurance, this affects policy and claim procedures and processing time. Often these internal processes are handled by claims administration personnel, who are different from the marketing personnel. Creating competitive advantage through these processes and procedures calls for an integrated marketing approach, where every employee at all levels within the organization values the customer and as such ensures that they do their part competently in delivering exceptional service to the client. In this research 83% of marketers interviewed indicated that they processed funeral claims, 58% processed medical claims, 50% processed whole life claims and 33% processed other small claims. As illustrated in the figure below, 59% of the marketers indicated that the processing time of claims is mostly one day especially for funeral and medical claims. However some noted that some claims like whole life claims can take up to 14 days to process. Further probing showed that the companies consider the type of claim, urgency of need and amount claimed to determine the processing time and this is why funeral and medical claims are processed faster than whole life claims.

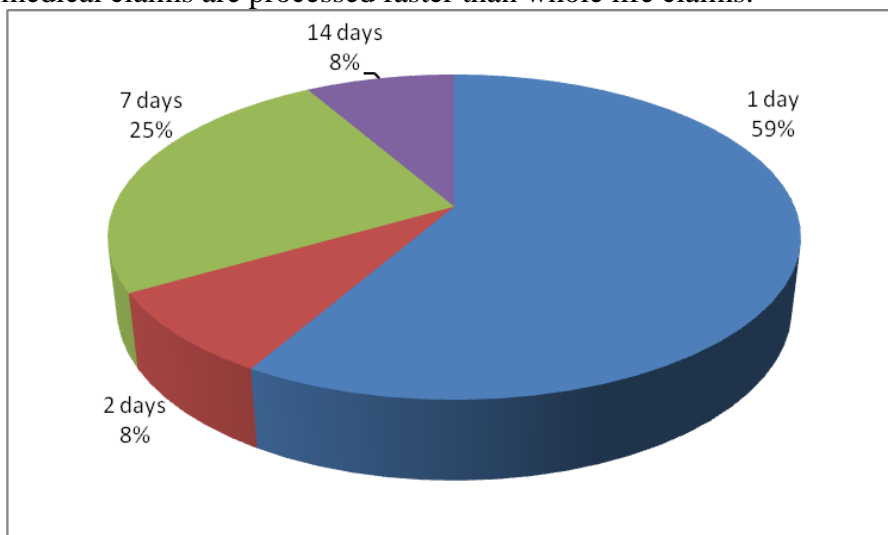


Fig 2: Turn-around time on claims processing



The marketers indicated that the communication for claims is done multiple ways but they stick to what the client listed as the priority communication channel. This was very critical to establish as it also determines processing time and the marketers highlighted that although letters and emails are sent to clients to give details, they notify and follow up the clients through interactive methods like phone to make sure that clients get the intended messages. To support the efficiency of processes, results in Fig 4.5 show that insurance marketers mostly use telephone (83%) for quick communication and mail (postal and email, 50%) for detailed communication to enhance customer service. All these are operational factors that have a bearing on the choice of strategy and its implementation in creating competitive advantage.

As the companies strive to achieve competitive advantage by choosing and applying combinations of the marketing mix elements, there are different factors which influence the choice of strategies as well as the success or failure of implemented strategies. Companies there need to pay attention to these factors to ensure the success of their marketing strategies in attaining competitive advantage. In this study, some of these factors highlighted by as highly influential included the target markets chosen, growth orientation of the business, internal capabilities / resources, nature of information management and operations coordination as well as leadership and change management styles among other factors.

Target Markets

The marketing mix strategies chosen should be consistent with the characteristics and needs of the markets targeted and served. The table below shows the segments targeted by the insurance companies interviewed:

Table 8: Served Market Segments

	Frequency	Percent	Valid Percent	Cumulative Percent
All classes	2	16.7	16.7	16.7
Everyone	6	50.0	50.0	66.7
All segments	1	8.3	8.3	75.0
All those who afford the services	1	8.3	8.3	83.3
All professionals and business people	2	16.7	16.7	100.0
Total	12	100.0	100.0	

Overall, the meaning of all the responses in the table is 'everyone.' Results in the table show that life assurance services cut across all classes, age groups, cultures, locations and professions hence they are not for any specific group of clients. The marketers generally concurred that their insurance services were for everyone as long as they are interested and can afford. The marketers however confirmed that while their services were for everyone, the specific policies and nature of benefits depended on what the client can afford hence there is a range of policy types to accommodate all segments of the market. This implies that the marketing mix is adapted to suit the specific needs of different segments. For instance, although marketers encourage policies with high premiums and benefits suitable for high income earners, they also have suitable packages for low income classes.

Corporate Objectives: New Business Development

The growth thrust of a company also has implications on the nature of the marketing strategies to be used. Table... shows the growth (new business development) strategies chosen and applied by the companies who participated in this research.

Table 9: New business development strategies

	Frequency	Percent	Valid Percent	Cumulative Percent
# Business development sales reps	1	8.3	8.3	8.3



# Direct selling	1	8.3	8.3	16.7
# Use of new agents	5	41.7	41.7	58.3
# Expansion of branch Network	2	16.7	16.7	75.0
# Targeting new segments	1	8.3	8.3	83.3
# New services / benefits	2	16.7	16.7	100.0
Total	12	100.0	100.0	

The results show that the most common business development strategy used by the companies is use of new / additional agents (42%) on top of the existing ones. This has the effect of expanding the distribution network of the life assurance companies thereby increasing their reach. To complement this strategy, companies also expand their branch network (17%) and introduce new services / benefits (17%). According to Ansoff (1957), the use of additional agents, own branches and new target markets fall under 'market development' category while introduction of new services is part of product development. This study therefore noted that the most common strategy used by life insurance companies is market development supported by product development. Further probing the marketers also showed that new business proposals can take between one day and two months to be confirmed depending on the type and situation of clients and timing. In business development using distribution agents, the distribution strategy (place) is central hence there is need to strengthen it supported by the other marketing mix elements.

Internal Capacity and Resources

Internal capacity of the company determines the quality of strategies developed and nature of investment and support that will be provided to the marketing mix strategy. All the insurance companies interviewed indicated that the sector was characterized by intense competition where competitive moves and counter-moves are common to ensure survival. This therefore means that there is need for a strong organisation to tackle. While they all confirmed that their intention was to be proactive and avoid hurried reactions but strategy choices and competitive moves depended on their resources and institutional strengths and resources sometimes limited their competitive activities. 92% of the companies confirmed that they are usually forced to react to competitive moves after careful analysis of the potential impact of the competitive moves and the planned response. Respondents confirmed that most of the competitive responses undertaken have been linked to imitations and betterment of the competitor's moves hence the moves of competitors also influence the nature and success of marketing mix strategies. In addition, those who have done the first moves before confirmed that they enjoyed advantages of pioneering before competition came in with similar services. Half of the companies interviewed believed that they had some resources and capabilities that gave them advantages like training facilities for staff development, offering financial services, unique human resources skills, strong brands which have withstood the test of time and strong relationships with emerging and growing segments like mining and agriculture. These ultimately support the choice and implementation of marketing mix strategies.

Responsibility for Crafting Strategies

The competencies and preferences of those responsible for crafting strategies are important in determining the quality of strategies and their implementation. The figure below summarises the results.

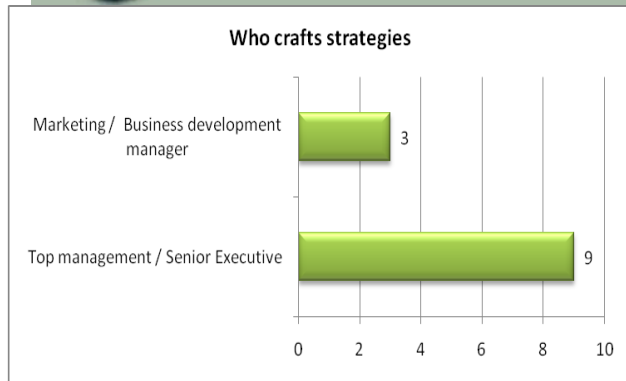


Figure 3: Responsibility for crafting strategies

In this study, the results show that 75% of the companies indicated that their top management and senior executives were responsible for crafting marketing mix strategies implemented by the whole organisation. The balance of 25% indicated that the development of marketing strategies was the responsibility of marketing / business development departments lead by the respective leader. This could be a result of differences in leadership styles or the empowerment of the marketing function in different organisations. Where the Marketing function is empowered, it formulates the strategies like in the 25% of cases recorded in this study. Respondents however confirmed that the group tasked with formulation should consult other departments and levels in order to come up with good strategies. Who crafts strategy therefore has an effect on the strategy formulation. While it is the role of senior executives within the organization to craft strategies, consultation at all levels within the organization is key because it yields buy in, which is instrumental in effective implementation.

Information Management and Coordination in the Organisation

All the marketers interviewed indicated that they highly valued the importance of information and information flow in the organisation to avoid bottle necks in operations and ensure efficient operations in the development and implementation of marketing strategies. As a result, 75% of the companies have positions or departments responsible for gathering, analysing and providing information to management for planning and decision making. To ensure efficient internal flow of information in the organisations all the companies confirmed that it is now industry standard that information should flow all-round the organisation (up, down and across the corporate ladder).

Change Management Approach

Marketing strategies depend on how the organisation responds to changes in the environment. While some companies had fixed term strategies like 1 year (17%), 2 years (8%) and 5 years (25%), the highest proportion (33%) of the companies interviewed noted that they changed their strategies when necessary as shown in Table 10 below. The changing of strategies when necessary is in line with the dynamic environment which requires high levels of flexibility in planning and strategy formulation. Therefore those with flexible strategies become more responsive to environmental demands than those with fixed plans.

Table 10: Frequency of Changing Plans and Strategies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not sure	2	16.7	16.7	16.7
	Annually	2	16.7	16.7	33.3
	Formulates 5 year strategy with ready review	3	25.0	25.0	58.3
	When necessary	4	33.3	33.3	91.7
	Every 2 years	1	8.3	8.3	100.0
	Total	12	100.0	100.0	



Table 11: Factors Affecting Strategy Choice and Implementation

Strategy	Effect / importance	Status
1. Target market	Marketing must respond to market needs and characteristics	• Differentiated marketing with all segments targeted with different offers
2. Growth orientation	Determines hierarchy of marketing mix – product strategy for product development or distribution strategy for market development	• Predominantly market development through new branches and agents, supported by product development
3. Internal capacity	Determines nature and quality of marketing mix support	• Companies view themselves as strong enough to support strategies
4. Strategy Leadership	Determines nature and quality of strategies and implementation plans	• Mostly done by top management and executives
5. Operational coordination	Determines efficiency and support of strategy implementation	• Activity coordination and information gathering, processing and dissemination units
6. Change management	Determines flexibility of implementation plans	• Predominantly undertake strategic reviews when necessary

CONCLUSIONS

The following conclusions were drawn after an analysis of the research findings:

- Customer Feedback** – Customers recommended that insurance companies improve on their fulfillment of obligations and also design products that cushion them against the effects of inflation. These recommendations from customers are testimony that these two key elements are missing from the insurers product/service offerings.
- Overall Effectiveness of Strategies** - Customer suggestions for the review of product, communication, people and process strategies imply that they are generally concerned with the quality of services provided by life assurance companies and they expect changes in their service delivery. These observations help this research to come to the conclusion that apart from the distribution and pricing strategies, most of the marketing mix and other strategies are not effective enough to meet consumer needs hence there is need to be renewed for improved performance and competitive advantage. Building sustainable competitive advantage depends on meeting consumers' needs better than competitors hence understanding of consumer needs and responding to them with effective solutions would help the companies to come up with the right solutions which boost their competitive advantage.
- Target Market: Basis of Choice of Marketing Strategies** - the choice, formulation and implementation of marketing mix strategies was found to be dependent on the target market, growth thrust, internal capacity, strategy leadership, operations coordination and change management thrust. This implies that for life assurance marketers, these are critical issues to attend to as they craft and implement marketing strategies for their respective organizations. The markets targeted have to be well defined, which implies that there is need for thorough market research to accurately characterize the segments. The rest of the other factors imply that there is need for a robust self-assessment as an organisation to identify strengths and weaknesses in the growth strategies, resources, processing systems, policies leadership, empowerment systems and coordination systems and attitudes to change. This helps in crafting winning strategies which make the organisation perform better than competitors.
- Intermediaries and Promotional Strategies** – Insurers continue to depend largely on agents and brokers as their intermediaries for product distribution. From the research results it can also be concluded that the bulk of the players in the insurance industry heavily rely on personal selling and advertising for product promotion. Both intermediaries and promotional strategies



are very limited and most of the players that have joined this industry have conformed to the traditional ways of doing business.

5. **Operations and Interdepartmental Integration** – Research has shown that turnaround time on processing short term claims is satisfactory, happening at between 24-48 hours. There is however great scope for improvement to ensure that even death claims have the same turnaround time so that bereaved families are not disadvantaged in the process. Where surviving dependants are satisfied with service delivery, there are greater chances of retaining them for their own policies. However, disappointment by poor service delivery in processing claims may result in clients leaving for competition. An integrated marketing approach would be idea where personnel at all levels right across the organization fully appreciate the value of meeting customer expectations and providing excellence customer service.
6. **Responsibility of Crafting Strategy** – while the responsibility for strategy formulation lies largely with senior management, there is need for extensive consultation at all levels across the organization, so that there is total employee buy-in, which is requisite for effective strategy implementation.
7. **Change Management Approach** - most organizations in the insurance industry have not been flexible enough to cope with the dynamism that characterises the operating environment and customers' ever-changing needs. This is witnessed by only 33% of the respondents citing that they make changes as and when it is necessary while the other 67% comprises those that are not sure or review their strategies over periods ranging between 1-5 years.

RECOMMENDATIONS

On the basis of the conclusions drawn from an analysis of the research findings, this research makes the following recommendations:

1. **Customer feedback** – insurance companies need to routinely gather feedback from their customers on how well they are meeting client needs and expectations. Any development of or improvement to product and service offerings without factoring in customer input risks being misdirected or fail to effectively meet customers' expectations.
2. **Meeting Obligations and Delivering on Product Performance** – there is need for insurance companies to continuously improve their level of meeting their obligations to clients and fulfil their promises when it comes to processing of claims. It is better to under promise and over deliver that to over promise and under deliver. Customers are disappointed more when their hopes and expectations are raised high during the policy sign-off period, only to receive far short of what their insurer had promised.
3. **Intermediaries** – the internet and more specifically social media has over the years become strong marketing tools for virtually any type of product or service. It is recommended that insurance companies formulate strategies that capitalize on social media for the purposes of creating competitive advantage.
4. **Operations and Interdepartmental Integration** – Research has shown that turnaround time on processing short term claims is satisfactory, happening at between 24-48 hours. There is however great scope for improvement to ensure that even death claims have the same turnaround time so that bereaved families are not disadvantaged in the process. Where surviving dependants are satisfied with service delivery, there are greater chances of retaining them for their own policies. However, disappointment by poor service delivery in processing claims may result in clients leaving for competition. An integrated marketing approach would be idea where personnel at all levels right across the organization fully appreciate the value of meeting customer expectations and providing excellence customer service.
5. **Responsibility of Crafting Strategy** – while the responsibility for strategy formulation lies largely with senior management, there is need for extensive consultation at all levels across the organization, so that there is total employee buy-in, which is requisite for effective strategy implementation.



6. **Responsiveness to Change** – insurance companies have great scope to be more proactive in managing change. It is recommended that marketers in the insurance industry be in a position to anticipate changes in customer needs and expectations and in the process formulate strategies that meet and even surpass these customer expectations. This will inevitably create competitive advantage.

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