An Investigation into the Effectiveness of Marketing Strategies Employed By Zimbabwean Insurance Companies for Creating Competitive Advantage

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ABSTRACT

The Zimbabwean Insurance Industry has continued to see an increase in the number of players entering the market on one hand and a shrinking market at the back of an underperforming economy on the other hand. This has resulted in both old and new players in the insurance industry scrambling for the few clients who still see value in taking up life assurance policies especially after the losses that they suffered when the Zimbabwean economy adopted the multicurrency system. This challenge has been coupled with the influx of many new insurance companies that have joined the industry since the introduction of the multicurrency system. Competition in the industry has therefore been inadvertently on the increase over the years. It is against this background that the researchers sought to investigate into the various strategies that different players within the insurance industry have implemented in creating competitive advantage to attain improved organizational performance and sustainable growth. The objectives of this research were; to identify the different strategies that have been formulated and implemented by various organizations in the insurance industry in creating competitive advantage within the insurance industry; to measure the effectiveness of these strategies in creating competitive advantage; to identify the various challenges in the formulation and implementation of marketing strategies designed to create competitive advantage; an, 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

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 took 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. It is envisaged that the results of this research in measuring the effectiveness of the strategies that have been implemented successfully in this sector and identify the challenges that various organizations have encountered in their endeavour to create competitive advantage will be of great value to policy makers in the insurance industry. The results have formed the basis upon which conclusions were been drawn and recommendations made with regards to how players in the insurance industry could potentially create competitive advantage in this highly competitive market.

RESEARCH OBJECTIVES
The researcher sought to evaluate the effectiveness of various marketing strategies that organizations could formulate and implement as they endeavour to create competitive advantage within the insurance industry domain. Through this research, the researchers endeavoured to assess the impact of these strategies on various organizations’ efforts to create competitive advantage and continuously improve organizational performance and ensuring the sustainable growth. In more specific terms, the research seeks to achieve the following: -

- To identify the different strategies that have been formulated and implemented by various organizations in the insurance industry in creating competitive advantage within the insurance industry.
• To measure the effectiveness of these strategies in creating competitive advantage.
• To identify the various challenges 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 took 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. 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. The application of the results may however be applied to all organizations within the insurance industry, especially those that will have access to and see value in the recommendations that the researcher will make based on the findings of this research.

LITERATURE REVIEW

Competitive Advantage Defined
According to Porter (1985), competitive advantage refers to the strategic edge which one business entity has over its rival entities within its competitive industry – which strengthens and positions the business better than others within the business environment. Day and Wesley (1988), who concur with Porter, assert that this occurs when an organisation acquires or develops attributes, resources, technologies and strategies which allow it to out-perform its competitors in the market place. Competitive advantage can be based on unique quality products and services, service delivery, competent skills, efficient processes or any other attribute valued by the market (Porter, 1985; Kotler, 2003; Dess, Lumpkin and Taylor, 2005). Porter (1985) further notes that sustainable competitive advantage (SCA) defines the ability to outperform competitors in providing something valued by the market and to maintain this advantage for a significant time in the presence of competition. This implies the ability to deliver superior value to the market for a protracted period of time (despite competition), within which consumers are convinced that they are enjoying value for their money based on their subjective evaluation of benefits and costs. However, Kotler (2003) believes that advantages do not permanently stay relevant hence if they add a few, they must be sustainable. This implies that companies need to continuously add or develop one advantage on top of another over a period of time to stay relevant to their target market(s). According to Kotler (2003), companies depend on a combination of different strategies to attain a temporary advantage and to destroy the advantages of the competitors by keeping the market unbalanced. When companies realize that their advantages are not sustainable, they will search for new advantages to boost their competitiveness, contributing to their competitive advantage. Kotler (2003) further argues that companies can build a competitive advantage from many sources such as superiority in quality, speed, safety, service, design and reliability. He further notes that market dominance is indicative of effective marketing that guarantee success in business thereby gaining competitive advantage. On the other hand, McCarthy (1960) and Perrault (1999) believe that sustainable competitive advantage is a result of a firm’s effective marketing strategies which mainly revolve around identifying target market for its product or services, and developing a unique marketing mix to enhance sales to that target market.

Marketing Strategy And The Marketing Mix Effectiveness
Strategy refers to a stream of carefully thought out decisions and courses of action taken by individuals or enterprise to attain and sustain a competitive advantage over its rivals and achieve its goals and objectives under conditions of uncertainty (Mintzberg, 1987; Urban and Star, 1991). This implies that, the need for strategies grows when the uncertainty of results grows due to a dynamic environment and shortage of resources to achieve these goals. Powell (2001) adds that business strategy involves manipulation of the resources to create a competitive advantage; hence a viable business strategy should possess control over unique resources that have the ability to create such unique advantages. According to Powell (2001), marketing strategy therefore involves making a pattern of decisions which focus on identification and profitable satisfaction of consumer needs in a sustainable way. According to Aaker (2008), marketing strategy allows an organisation to scan the internal and external environment, concentrate its resources on the optimal opportunities and undertake market-oriented activities to increase sales and achieve a sustainable competitive advantage. According to McCarthy (1960) and Kotler (2003) the most visible and critical form of marketing strategy is that marketing mix model which focuses on tailor-making products, price, promotion and place (4Ps) to the needs of
target customers. In support of this, service marketing scholars like Lovelock (1996) suggests extending the marketing mix strategies to include people, processes and physical evidence to make them 7Ps especially for services. Effectiveness refers to movement in the right direction or doing the right things. According to Kotler (2003), the effectiveness of marketing strategies is determined by their ability to produce expected results of profitably satisfying consumers, creating a competitive advantage over competitors and achieving short, medium or long term objectives of the organisation. In this study, effectiveness of strategies was determined by the benefits which adopted strategies gave to the organisations in contribution towards the attainment of competitive advantage and organisational objectives (Mintzberg, 1987).

Marketing Mix Strategies For Competitive Advantage

The marketing mix has evolved from the 4Ps introduced by McCarthy (1960) to the contemporary 7Ps in service marketing, which service marketing authorities like Lovelock (1996) are calling for. Since the work of McCarthy (1990), Borden (1965) and McCarthy (1978), literature on marketing strategy has primarily focused on the marketing mix model. The marketing mix model (especially the 4Ps) has been central to formulation of marketing strategy.

In the 1950s frameworks such as the marketing mix were developed to make the most out of market demand. The 4Ps (product, price, promotion and place) were used to describe the levers that if used opportunity could lead to an increase in profitability. Duermyer (2009) defines marketing mix as the combination of the elements of marketing and what roles each element plays in promoting goods and services and delivering them to the clients. However, Duermyer (2009) talks of five Ps and that is product, price, place, promotion, and people. This definition seems to have a deficiency of the other two elements as mentioned by Parry (2010). Lovelock (1996) argued that services marketing are much broader than traditional marketing, therefore the marketing mix should be expanded by another three, that is people, process and physical evidence (Fig 2.1).

However, learning marketing.net emphasizes that service marketing is different from the marketing mix of tangible products. Just like the marketing mix of a product, the service marketing mix comprises of Product, Price, Place and Promotion. However as a service is not tangible, the marketing mix for a service has three additional elements: People, Process and Physical Evidence.

Fig 1: The Additional 3Ps of the Marketing Mix

Parry (2010) defines marketing mix as a framework for building a strategic outlook for the business. He further asserts that the marketing mix model is made up of the product, price, place, promotion,
people, process, and physical evidence. He argues that the marketing mix build the foundation of the business, strengthens its competitive advantage and results in its success.

Kotler and Armstrong (2012) describe marketing mix as tactical marketing mix tools in form of product, price, place, and promotion that firms blend to produce the response required in the target market. This implies that all the Ps must work together in a single marketing plan to satisfy the customer’s needs and allow the firm to make a reasonable profit and gain competitive advantage. Marketing mix elements are often viewed as controllable variables because they can be changed. They also describe the result of the management’s efforts to creatively combine marketing activities. Each of the marketing mix elements are briefly is reviewed briefly below.

**Product**

According to Kotler (1984) a product is anything that can be offered to a market for attention, acquisition, use or consumption; it includes physical objects, services, personalities, places, organisation services and ideas. With the current situation in the Zimbabwean insurance industry, marketing-oriented insurers will be concerned with the development of products and services that satisfy the ever-changing needs of customers in an intensely competitive environment. According to Tailor (2000), a product must be a solution to consumer needs because marketing is fundamentally about providing the correct bundle of benefits to the end user. This implies that marketing is not about providing products or services but it is essentially about providing changing benefits to the changing needs and demands of the customers.

Kotler (1991) described a product as having three levels which need to be managed by a marketer as illustrated in Figure 2 below:

![Fig 2: Levels of a product](Source: Kotler, 1991)

**Level 1: Core Product.** This refers to the core benefit which the product offers. For example, customers who purchase a camera are buying more than just a physical camera but they are purchasing memories.

**Level 2 Actual Product:** All cameras capture memories. The aim is to ensure that your potential customers purchase one. The strategy at this level involves organisations branding, adding features and benefits to ensure that their product offers a differential advantage from their competitors.

**Level 3: Augmented product:** What additional non-tangible benefits can you offer? Competition at this level is based around after sales service, warranties, delivery and so on.

According to Kotler (2003), new product development, product design, branding and packaging are critical areas which need attention in formulation of product strategy. For instance, when an organisation introduces a product into a market they must be clear about their target market and the intended benefit that the product is envisaged to deliver to the target market. The organization must also be clear on its positioning strategy and what differential advantage the product would offer over their competitors’.
Price
Webster (1991) believes that price is a critical element in the marketing mix of a marketer and should always be viewed in the context of marketing strategy as it portrays the value of the service and also used as part of the evaluation criteria by customers. Kotler (1991) adds that what makes it more critical is that its impact on the cost of the customer and the profit of the supplier. Relating the price to other elements of the marketing mix, Cravens (1994) asserts that buyers want the value offered by the product or service, and the services which accompany it to be worth the price. Marketers therefore achieve competitive advantage by flexible pricing which is sensitive to costs, profitability, demand and supply, completion and consumer needs. In addition Behera (2008) argues that pricing must be competitive and must entail profit hence the pricing strategy can comprise discounts, offers and the rebates depending on situations.

The early work of Dean (1950) served as a practical guide to the issues and potential strategies associated with pricing products in the early to mature stages of their life cycles. Dean(1950) presented prescriptions for pricing products based on both competitive market characteristics and consumer demand factors. The realm of pricing strategy has been integrated and synthesized by both Nagle (1984) and Tellis (1986). These authorities reviewed the field and created a framework for pricing strategy as it relates specifically to pricing products. Tellis (1986) also created a taxonomy which compares and contrasts each strategy relative to both the competitive market and customer sensitivity to the price variable.

These models begin with an identification of the target market and move through the choice of a positioning strategy and decisions regarding the marketing mix variables. This process leads to the selection of a pricing strategy and actual determination of a price. All of these decisions are made in the context of competitive and environmental factors (Ross, 1984). Most of the framework approaches are primarily concerned with “setting a price” and only secondarily interested in the issues associated with “adjusting a price”, even though prices are always on “trial”. The proactive pricing approach recommended by Ross (1984) focuses on issues related to price increases and decreases. His main thesis is that effective price changes are based on anticipated reactions of customers and competitors, rather than just the firm’s own costs and circumstances.

In the life insurance industry, rationalization of average costs can be a very important realm of differentiation which can translate itself into lower prices, better value propositions, and better returns (Mony, 2005). In addition, the administration charges and fund management charges that are being collected by the insurers can progressively reduce due to economies of scale and competitive forces from insurance as well as mutual funds. The reductions in overall costs can be passed on to the customer in the form of lower administration costs, better bonuses, and lower prices.

Promotion
Promotion is the marketing mix element that focuses on communicating with the market and stakeholders with the intention of informing, creating awareness, persuading, reminding or influencing action (Kotler, 1991; Firfield and Gilligan, 1995). According to Cohn (2010), promoting life assurance can be quite challenging because the marketer will be getting people to confront their own mortality and the certainty of death as well as persuading them to talk about it and invest on what will happen after their departure. However, well-positioned advertising and promotions can also help you build competitive advantage especially with use of well-crafted targeted direct marketing (email and social networks). Stead (2010) believes that as the insurance sector embraces the use of social media as a marketing tool, it must consider risks that are unique to the insurance industry. This is because of the degree of insurance regulation and the industry’s reliance upon agency distribution channels combined to create special regulatory and legal risks for both insurance companies and agents.

If insurance companies and agents do not use the social media carefully, they may find themselves not only in violation of insurance laws, but also with an increased risk of errors and omission claims.
Insurance companies may find themselves responsible for the actions of their agents in both civil and regulatory arenas. Under any definition of “advertising” in the insurance laws, the offering of services or products or statements made to promote interest in an insurance company or agent is advertising. Insurance companies and agents are using social networking in these ways but not necessarily in compliance with the insurance advertising.

Place
Place or Distribution function focuses on ensuring that the service is made available to the convenience of the consumers (Kotler, 1991). According to Cravens (1994), distribution also helps the marketer to demonstrate capability to deliver what they promise in their promotional statements. Intensified competition, rising agent costs and product transformation have driven players in the insurance sector to seek more efficient approaches to operate in the market. For instance, in Taiwan some life insurers changed their distribution strategies from direct writers to a coexistence of brokerage and agency distribution systems Chen (2010). On the Zimbabwean market, a similar trend has in recent years seen the replacement of the traditional agents channel with banc assurance; where insurance companies partner with banking institutions to offer insurance products to the two institutions’ mutual clients.

People
According to Behera (2008), people refer to the employees, management and everybody else involved in the company’s business. It is essential for everyone to realize that the reputation of the brand that a marketer is dealing with is in the people's hands. The Chartered Institute of Marketing (2009) says that people are an essential ingredient in service provision; hence recruiting and training the right staff is required to create a competitive advantage. Customers make judgments about service provision and delivery based on the people representing your organisation. This is because people are one of the few elements of the service that customers can see and interact with. The praise received by the volunteers (games makers) for the London 2012 Olympics and Paralympics demonstrates the powerful effect people can create during service delivery. Staff requires appropriate interpersonal skills, aptitude, and service knowledge in order to deliver a quality service. Presentability, etiquette and grooming are also very important in creating the right perceptions that an organization may want to create in the mind of its target market. In the United Kingdom, many organisations apply for the "Investors in People" Accreditation to demonstrate that they train their staff to prescribed standards and best practices (Sekhon 2000). The Zimbabwean financial services industry (both insurance and banking institutions) has largely seen organizations taking their service personnel through the “Zimhost” customer service training in a bid to ensure that service excellence through “people” is uncompromised. Maheshwari and Bhat (2003) agree that the new age insurance agent is trained to be an advisor to the customer instead of being a mere seller of policies. Bakhshi (2005) further argues that the agent is a suave, smart financial consultant thanks to the state-of-the-art training facilities provided by the insurers which are of international standards. With the evolution of these advisors, insurance is being seen more as a wealth enhancer and will help insurers increase their sales.

Process
The Chartered Institute of Marketing (2009) looks at this element of the marketing mix as the system used to deliver the service, for example, banks that send out credit cards automatically when their customers’ old one has expired again require an efficient process to identify expiry dates and renewal. An efficient service that replaces old credit cards will foster consumer loyalty and confidence in the company. Similarly, an insurance company that has to create competitive advantage through efficient and effective processes has to be robust enough to automatically send reminders to customers when premiums are due and when policies are also due for renewal. All services need to be underpinned by clearly defined and efficient processes. This will avoid confusion and promote a consistent service. In other words processes mean that everybody knows what to do and how to do it (Stead, 2010).
Rick et al (2004) assert that key drivers of growth in a long-term business like life insurance, such as technological advancement will be critical to functions like data management, underwriting, fund management, actuarial efficiency, and the end-to-end service delivery process. Some key benefits of technology have been reduction in turnaround time as well as multiple interaction points with the customer through emails, facsimile, and websites, which, have resulted in improved disclosure to policy holders (Mony et al., 2005). Coopers et al. (1983) says that information technology and its well qualified personnel can be used to build competitive advantage through enhancing the process of the firm. It shortens the turnaround period, improves the appearance of the environment thereby out performing competitors.

Physical Evidence
Lovelock (1996) intimates that physical evidence is about where the service is being delivered from. It is particularly relevant to retailers operating out of shops. This element of the marketing mix will distinguish a company from its competitors. The Institute of Marketing(2009) adds that physical evidence can be used to charge a premium price for a service and establish a positive experience. For example all hotels provide a bed to sleep on but one of the things affecting the price charged, is the condition of the room (physical evidence) holding the bed. Customers will make judgments about the organisation based on the physical evidence. For example if one walking into a restaurant one expects expect a clean and friendly environment, if the restaurant is smelly or dirty, customers are likely to walk out. This is the material part of a service. There are no tangible features on a service, so customers or clients tend to rely on material cues such as packaging, brochures, furniture, uniforms, business cards and the building in which the business is situated. The general ambience and atmosphere within a business environment can make a difference on how a customer perceives the service being delivered. Insurance companies, banks and tourism organisations depend so much on physical evidence (Gupta, 2012).

ANALYSIS OF RESULTS, CONCLUSIONS AND RECOMMENDATIONS

Demographic Overview
The randomly selected clients were mostly under the age of 50 years old (94%), while 53% were male, 71% were married and 75% had at least a first degree of education. A similar group of insurance marketers was also interviewed with 83% of them under 50 years old, 67% being male and 92% having at least first degrees. All the companies which participated in the study were over 10 years old in the industry. These demographics help in the analysis of views given by respondents in this study to establish if views vary with demographic characteristics. Client demographic data also included their preferred providers of life assurance services based on their evaluation of company and service characteristics:

Figure 3: Distribution of Policy by Service Provider
The 13 policy holders were asked where their policies were held and results in Fig 4.1 show that most policies (31%) were held by First Mutual Life followed by ZB life, Zimnat and Nyaradzo (15% each). As detailed in Table 4.2 (cross-tabulation), the most popular bases for choosing the companies were affordability of premiums, nature of benefits and effectiveness of agents. The top company according to client ranking (First Mutual Life) was mainly chosen for affordable premiums, good benefits, good customer care and influence from experienced family members (testimonial). On the other hand, Nyaradzo was chosen for being trustworthy during hard times and for covering the whole family, while Zimnat was preferred due to good reputation and effective distribution agents. The justifications show that customers have different needs and priorities which insurance companies need to identify and address for competitive advantage. First Mutual was rated the most competitive because it delivered on what matters most to the market. The clients noted that reliable policy providers also offered extra benefits like cash withdrawal options, school fees, medical bills cover, shopping vouchers and other which addressed their daily needs.

Due to the value received from their suppliers, clients indicated that in future, they would want to continue dealing with the companies they are used to rather than switching to new companies. However, they noted that the policy providers have to change with time and address contemporary needs of the market otherwise the clients will switch to those who address their dynamic needs. This therefore indicates that unless a new supplier offers better value for their money, they will stick with their First Mutual, ZB Life and Old Mutual. This has major implications on the defensive marketing strategies of those who are holding the market and attacking strategies for new comers and market followers.

MARKETING MIX STRATEGIES USED FOR COMPETITIVE ADVANTAGE

The study sought to establish the extent to which the extended marketing mix (7Ps) was applied by life assurance companies in Zimbabwe and whether there were elements which were used more than others. The application of the marketing mix elements by the companies interviewed is discussed in the following sections.

Product strategy

In this research, insurance marketers interviewed revealed that the main product they offered was life assurance presented in the form of assurance policies which are intangible products (services). With seven different companies offering the same services, all the companies interviewed (100%) indicated that they make efforts to offer specific characteristics and packaging of the services to differentiate them from those offered by other companies. In the companies which participated in this research, the most common product differentiation strategies ranged from branding (names, marks, signs and colour
combinations) (used by 100% of the respondents), range of services (100%), benefit packages (96%),
types of risks covered (92%) and after sales / augmented service offered (85%).

For instance, the study revealed that one of companies credits back to the client all premiums paid if
there is no claim in 5 years; another company offers medical insurance with a cash withdrawal option
and two companies offered insurance of agricultural products (livestock and crops). These differences
show the diversity of benefits in an attempt to provide unique services which create competitive
advantage. Apart from differentiating the companies, these unique services enhanced the confidence of
clients in the company by providing savings in cases where there are no claims in 5 years and
empowering them to use insured agricultural products as collateral security for credit.

Pricing strategy
As shown in the table below, there were differences in the main pricing methods used by the 12
marketers interviewed.

Table 1: Pricing Strategies used

<table>
<thead>
<tr>
<th>Pricing Strategy</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td># Competition based</td>
<td>2</td>
<td>16.7</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td># Penetration</td>
<td>1</td>
<td>8.3</td>
<td>8.3</td>
<td>25.0</td>
</tr>
<tr>
<td># Risk based</td>
<td>1</td>
<td>8.3</td>
<td>8.3</td>
<td>33.3</td>
</tr>
<tr>
<td># Average mortality rate</td>
<td>1</td>
<td>8.3</td>
<td>8.3</td>
<td>41.7</td>
</tr>
<tr>
<td># Economy pricing</td>
<td>2</td>
<td>16.7</td>
<td>16.7</td>
<td>58.3</td>
</tr>
<tr>
<td># Low cost pricing</td>
<td>1</td>
<td>8.3</td>
<td>8.3</td>
<td>66.7</td>
</tr>
<tr>
<td># Skimming</td>
<td>1</td>
<td>8.3</td>
<td>8.3</td>
<td>75.0</td>
</tr>
<tr>
<td># Cost plus and product</td>
<td>2</td>
<td>16.7</td>
<td>16.7</td>
<td>91.7</td>
</tr>
<tr>
<td># Premium pricing</td>
<td>1</td>
<td>8.3</td>
<td>8.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100.0</td>
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</tr>
</tbody>
</table>

The results show that at least nine pricing strategies were in use distributed across all the organisations.
This implies that apart from valuation, recovery of costs and profit motives, the pricing strategy is also
used as a service differentiation tool. The Cost-plus method is the basic foundation of all methods as it
ensures that all prices recover costs. The penetration (lower than market prices) and skimming (higher
than market prices) are used for new products depending on intended status and target market. For
instance, respondents indicated that when new prices are intended for the upper class, skimming is
used but when intended for the lower classes, penetration is used to gain market share. With the
pricing strategies listed in the table, 50% of the respondents believed they were affordable and
competitive while 42% believed that they were actually too low and only 8% believed that the prices
were too high. This trend is expected from marketers because they are looking forward to recovering
costs and a good return. All marketers believed that their pricing strategies ensured delivery of quality
services and guarantee payment of claims when needs arise and that gave them advantages over
competitors.

The views that prices were affordable were also confirmed by 82.4% of clients interviewed (very low,
low and fair). This consistency of views generally revealed the insurance industry predominantly uses
low prices as a marketing strategy.
**Place strategy**

The distribution strategy focuses on making the services available to the market at the right place and time and in the right condition. For services like life insurance, this has an effect on the number of outlets, location of outlets, opening times as well as use and choice of distributors (Lovelock, 1995; Kotler, 2003). As presented in Table 2 below, the results show that a total of 42% of the marketers interviewed used intensively agents (mainly brokers) while 25% selectively used agents in the distribution of their services to ensure that they reach many clients. A total of 33% distributed directly to the public but had own representatives scattered around the country for wide reach. The use of agents for distribution, confirms the literature by Kotler (1991) and Cravens (1994) which claimed that the use of brokers was very widespread in the insurance industry. The results also revealed that the most common agents used include specialist broking companies and banks.

**Table 2: Distribution of life insurance services**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Through many brokers / agents (Intensive)</td>
<td>5</td>
<td>41.7</td>
<td>41.7</td>
<td>41.7</td>
</tr>
<tr>
<td>Though selected brokers / agents (Selective)</td>
<td>3</td>
<td>25.0</td>
<td>25.0</td>
<td>66.7</td>
</tr>
<tr>
<td>Direct distribution only</td>
<td>4</td>
<td>33.3</td>
<td>33.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

**Promotional strategy**

The promotional strategy of the marketing mix focuses on communicating with clients and other stakeholders to inform, persuade, remind and influence them (Koekemoer, 2001). This research sought...
to understand how life insurance companies communicated with their clients. The results are summarized in Fig 5.

![Promotional strategies used](image)

**Fig 5: Promotional Strategies used**

Results show that no organisation used a single promotional strategy but a combination of strategies to ensure that messages are received in the way they are intended by the companies. The most common combination of strategies involve personal selling and advertising, cited by 75% of the marketers interviewed. Further probing of marketers to establish the ratio of the combination could not produce figures but general views of respondents were that personal selling was the main strategy supported by advertising because meeting clients to understand their situations and needs was critical in life assurance services. This confirms literature which suggested that in promotion of sensitive products such as assurance services, advertising was mostly used for creating awareness and reminding clients but interaction with clients was necessary to understand and convince customers.

The strong emphasis on personal selling implies that human resources (sales team) are one of the most important assets of life assurance companies and there is need for a well-crafted human resource policy especially in recruitment, induction, development, motivation, monitoring and evaluation. This therefore links with the ‘People’ element of the marketing mix to be discussed separately. To confirm the application of these promotional strategies in the market, the study also asked customers with policies how they got to know about the life insurance companies and their products. Out of the 13 clients who had policies, 8 of them (62%) confirmed that they got to know the life assurance companies through sales representatives and agents, 15% through word of mouth and another 15% through adverts (Table 3).

**Table 3: Knowledge of the Company**

<table>
<thead>
<tr>
<th>How did you get to know of this company?</th>
<th>First Mutual</th>
<th>ZB Life</th>
<th>Nyaradzo</th>
<th>Old Mutual</th>
<th>Zimnat</th>
<th>Fidelity Life</th>
<th>Altfin</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through adverts (media &amp; internet)</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Through word of mouth (friends, family)</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Through the sales Reps/Agents</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>8</td>
</tr>
</tbody>
</table>
People strategy
Due to the importance of personal selling and sales management in insurance as confirmed in the promotional strategy, the research also sought to establish how insurance companies managed their people issues. Table below shows the qualifications required for different levels in the organisation.

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Top Mgmt</th>
<th>Mid Mgmt</th>
<th>Junior Mgmt</th>
<th>Reps &amp; team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masters</td>
<td>67%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Post-grad</td>
<td>25%</td>
<td>67%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1st degree</td>
<td>8%</td>
<td>33%</td>
<td>58%</td>
<td>8%</td>
</tr>
<tr>
<td>Diploma</td>
<td>-</td>
<td>-</td>
<td>33%</td>
<td>50%</td>
</tr>
<tr>
<td>A’level</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25%</td>
</tr>
<tr>
<td>O’level</td>
<td>-</td>
<td>-</td>
<td>8%</td>
<td>17%</td>
</tr>
</tbody>
</table>

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. When probed about the need for experience, all the respondents confirmed that experience was an added advantage but not the first pre-requisite. The emphasis on educational qualifications is a way of trying to get the high fliers from the recruitment process, and develop 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.

Processes Strategy
Another element of the marketing mix which is very critical in service marketing is the processes which focus 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. 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 Fig 6, 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.
The marketers indicated that the communication for claims is done in 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.

**Physical evidence**

One of the most important elements of the marketing mix prescribed for service marketing is the use of physical evidence which gives proof of the service environment and the surroundings (Lovelock, 1996). Companies were asked what kind of physical evidence they used in their marketing strategies and only two out of the 12 marketers highlighted the use of exterior and interior signage as well as interior ambience to make clients notice the service setting and feel comfortable about it. The rest noted that they did not use any or talked about corporate gifts to clients. Although visits to the companies showed that there was some work on the service environment (interior, exterior and corporate attire) in all the companies interviewed, this was generally not recognized as a strategic weapon or it was known to be physical evidence. This implies that there is need for knowledge development and exploitation of the physical evidence strategy to complement other marketing mix elements.

**Table 5: Summary of Findings on Marketing Mix Strategies used in the Insurance Industry**

<table>
<thead>
<tr>
<th>MARKETING MIX STRATEGIES</th>
<th>Extent of application and success</th>
<th>Specific strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing mix element</strong></td>
<td><strong>Highly used – intangible products (services) in form policies and benefits.</strong>&lt;br&gt;<strong>Customers happy with service range but concerned with meeting of</strong></td>
<td><strong>Service differentiation</strong>&lt;br&gt;<strong>Variety of options of policies to cater for different needs</strong>&lt;br&gt;<strong>Optional policy features</strong></td>
</tr>
<tr>
<td>1. Product</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
promises

2. Price

- Highly used - premiums
- Customers happy with prices
- Differentiated pricing
- Affordable premiums

3. Place

- Highly used – convenience and outreach
- Customer happy with reach
- Use of agents (brokers) and own branch network

4. Promotion

- Highly used – awareness, reminder and persuasion
- Customers concerned about meeting promises
- Use of sales representatives and advertising

5. Processes

- Highly used – claims processing
- Customers not happy with processing time and procedure
- Policy & claims processing

6. People

- Highly used – Sales reps and management
- Clients have mixed feelings about the performance of reps
- Recruitment of qualified personnel
- Training and development
- Commission based remuneration

7. Physical evidence

- Used to some extent – sometimes not recognized as a strategy
- No evaluation from clients
- Branded surroundings and corporate wear

CONCLUSIONS
The study revealed that life assurance companies apply the marketing mix as the main weapon in their quest for competitive advantage. However, the specific elements of the mix are exploited differently in the market place as some elements are used more than others. Each strategy or combination of strategies had varied levels of effectiveness in creating competitive advantage for each respective organization in the industry. Life assurance companies mostly use the following marketing mix strategies:

1. **Product (service) differentiation using unique branding and policy benefits and a wide range of policy options to cater for a wide market** - While clients noted that the services and their differences were visible, the challenge is that clients believe that the services delivered do not adequately address their specific needs and life assurance companies are not honouring the obligations. This implies that the services and benefits are mostly standardized rather than customized to suit different conditions and could have been designed to meet company goals more than consumer needs. This also implies that some of the services and benefits offered on paper are not practically delivered or accessible. This study therefore concludes that there is a gap between the services offered by life assurance companies and benefits sought by clients which requires the attention from the service providers for them to be more competitive.

2. **Low-cost pricing strategies to accommodate all classes of consumers** – Consumers were happy with the low premiums paid. However, they had problems with the solutions provided by the services hence they could not describe the low prices as reflecting value for money but simply as affordable premiums. As long as clients do not link low prices to satisfactory benefits, the strategy is not effective enough and life assurance companies need to address this linkage.

3. **Intensive distribution of services through agents and own branch network** to reach a wide range of consumers – Clients were happy with this strategy noting that it facilitated better access to the services as well as providing convenience to the market. This implies that the strategy has enough support of the market to warrant further investment and reinforcement from other strategies.

4. **Personal selling of insurance services (using sales representatives)**, supported by advertising. Although clients confirmed the presence of sales representatives on selling products in the market, the industry's continued over-reliance on personal selling shows some stagnation in exploiting information
and communication technology (ICT) to address some human limitations, inefficiencies and errors. Word of mouth communication is very critical for testimonial endorsement of services hence the need to facilitate and promote it.

5. **Qualification-based recruitment, selection and development of human resources** especially the sales team and management to ensure satisfactory delivery of services. Clients were happy with the selling approach of sales teams but had concerns about their professionalism, courtesy, empathy, frequency of visits and responsiveness to client needs. This implies that the competency and success of the sales representatives depends on more than just qualifications emphasized by the companies on recruitment and promotion. It also depends on their skills, experience, grooming, attitudes, ethics and empowerment – all of which the companies need to address for sustainable competitive advantage.

6. **Standard processing of policies and claims to ensure consistent and efficient services** – Clients noted that the processing of policy applications were quick but were not happy with processing of claims citing that they were too slow, demanding and sometimes failing to meet promises. This implies that service processes are very critical in customer satisfaction hence the need to ensure that they are efficient and timely.

**RECOMMENDATIONS**

Based on the conclusions drawn from this research, the researchers make the following recommendations to life assurance companies:

1. **Comprehensive market research** – since the market is complaining about the services’ failure to meet their needs, there is need for companies to carry out comprehensive market research to ascertain contemporary needs and expectations of the market. This forms the foundation of strategy formulation. It is also critical to comprehensively assess the activities and plans of competitors for the purpose of strategic benchmarking.

2. **Responding to identified market needs and expectations** – After understanding consumer needs, service packages (solutions) should be designed in a way that addresses specific market needs to ensure market acceptability. With the advent of technology and growing needs for convenience by the market, availing services like policy application, making claims and payments electronically will boost competitive advantage of the companies.

3. **Promoting value for money** – Companies need to link the costs and benefits of life assurance services for clients to see their actual and perceived benefits. The strategy of promoting low premiums alone without linking them to benefits does not address the full expectations of the market.

4. **Exploitation of ICT in promotion and distribution of services** – The advent of new technologies due to globalization should be harnessed to improve the efficiency and accuracy of information and service delivery with limited human error or bias. ICT also helps to integrate different forms of communication into a more effective Integrated Marketing Communication (IMC) package. Companies should facilitate and promote word of mouth communication by clients as it gives convincing testimonies of service experiences. The current over-dependence on door-to-door personal selling has outlived its time and needs to be reviewed.

5. **Redefinition of the people strategy** – Companies need to incorporate multiple factors in assessing human resources for employment and promotion – including experience, competence, and grooming. The current over-emphasis on qualifications alone without careful look at the other attributes limits the robustness of the recruitment and promotion processes. Having recruited qualified and experienced employees, companies need to continuously invest in training of employees in customer relationship management and excellent service delivery among other deliverables that impinge on creating sustainable competitive advantage for the organization.

6. **Promoting physical evidence** – Companies need to harness the power of physical evidence aspects like the service environment, the surroundings, service information and signage and as well as branded mementos as a marketing strategy. There is currently underutilization of this strategy which has great potential to enhance competitive advantage according to (Lovelock, 1996).
7. **Redesigning of the systems and processes for claims** – The redesign should recognize situations being dealt with, clients’ efficiency expectations and time limitations. While risk management is very critical, some of the strategies adopted resulted in service delays.

**Recommendations for further research**

This research has not been exhaustive on the issues that affect creation of competitive advantage and as such further research can be undertaken in the following areas:

- Investigation of the factors affecting formulation and implementation of marketing mix strategies.
- Comprehensive exploration of new products / services which can be offered by contemporary life assurance companies to stay relevant and competitive in the market.
- Exploring modern communication and distribution technologies which can be used by life assurance companies for greater efficiency and reach.
- Investigating marketing strategies for competitive advantage in property insurance and other service sectors.
- Comprehensive customer satisfaction and image studies for specific companies to give more specific recommendations to companies.

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