

Case study foundations of marketing



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The new proposition is for PGI insurance to consider operating as a direct household insurance provider alongside its existing motor insurance policy.

To achieve this, two strategies have been proposed to gain competitive advantage in the insurance industry; Product Development and Market Penetration.

The marketing plan analyses the insurance industry strategies to be employed by PGI for it to achieve the development plan and retain market share for existing product using a marketing audit, customer audit and internal audit.

Other tools have used to gain better understanding and evaluation of the external insurance market (using PESTEL, ANSOFF's Matrix, Porter's generic strategies, AIDA and other marketing tools to gain better insight and to recommend the most appropriate strategy for PGI to use with this new product – household insurance.

Introduction

This report is going to provide an analysis of the interviews to investigate the possibility of introducing a new general insurance policy for Pure General Insurance (PGI). This analysis gives a direction as to which segments of the market are more willing to buy i. e. gender, age and behavioural analysis.

After which, recommendation will be given to PGI about promoting to these customers, in addition, conducting three important audits; Customer, Internal and Market to gain understanding about the situation of things internal and external to PGI.

Finally a comprehensive strategy will be recommended for PGI to break into this potential market (household insurance) and how to be a world-class insurer in a booming market such as this.

BUSINESS VISION AND MISSION

Vision statement

Pure General Insurance (PGI) will be a world class insurer and the customer's first and best choice in the products and services they provide.

Mission

PGI will provide its customers with an efficient & reliable insurance services.

PGI provides its service by giving a paramount importance to its customers safety and satisfaction; by making use of the right mix of expertise, the most up to date ICT and cost effective strategies.

MARKETING AUDIT

The marketing audit is subdivided into External and Internal marketing audit.

Question 2 shows the details of the External audit (comprising of the macro and micro environment analysis using the PESTLE framework, Porter's five

forces) and the Internal marketing audit (using the 4M model). It also

described the Insurance market size, market growth and market trends. The

figure below is a pictorial representation of the marketing audit.

SWOT ANALYSIS OF PGI

Negative

Positive

Internal

Threat

Stagnation in affinity group membership

Aging population

Decline in trade union membership

House price inflation

Consumer shopping around

Customers want “cheap”.

Increased level of lending and new mortgages being granted.

Opportunity

Increase in house ownership

Aging population – low risk customers

Improved labour market policy

Increased average length of household mortgages

Increase in insurance expenditure

Customers ‘shop around’.

Increased use of internet.

Increasing purchase through affinity groups

PGI's existing affinity groups are 5.2 million with around 4.5 million in employment.

Consumer are open to new ways of purchasing insurance.

External

Strength

Good relationship with affinity groups.

Expert knowledge of insurance.

Highly specialized

Low lapse rate

Good ICT infrastructure

Weakness

Single product offering

Reactive management approach.

Restricted target market

Indirect distribution channel

Long process

Table 10 – Showing conversion of weaknesses to strength, threats to opportunities and matching strengths to opportunities

STRENGTHS

Good relationship with affinity groups.

Expert knowledge of insurance.

Highly specialized

Low lapse rate

Good ICT infrastructure

Converted Weaknesses

Develop new product offerings to customers

Management to be innovative and proactive in making decisions and approach to business

Expand the target market

Reduce / eliminate commission given to affinity groups

Reach customers directly e. g through internet

CONVERTING WEAKNESSES TO STRENGTHS

Single product offering – increasing product offerings will help increase potential customer base and revenue

Reactive management approach – market analysis and forecasting will help management to be proactive in business situations

Restricted target market – increasing target market to individuals will increase potential customer base

Indirect distribution channel – reaching customers directly will remove the necessity of sharing commission with affinity groups

Long process – reaching customers directly will remove their perception of the process being long

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MATCHING STRENGTHS TO OPPORTUNITIES

Increase in house ownership/Expert knowledge of insurance

Aging population – low risk customers / Expert knowledge of insurance

Improved labour market policy / Expert knowledge of insurance

Increased average length of household mortgages / Expert knowledge of insurance

Increase in insurance expenditure / Expert knowledge of insurance

Customers ‘ shop around’./ Expert knowledge of insurance

Increased use of internet./ Expert knowledge of insurance

Increasing purchase through affinity groups / Good relationship with affinity groups

PGI’s existing affinity groups are 5. 2million with around 4. 5million in employment/ Good relationship with affinity groups.

Consumer are open to new ways of purchasing insurance/ Expert knowledge of insurance

Converted Threats

Stagnation in affinity group membership

Aging population

Decline in trade union membership

House price inflation

Consumer shopping around

Customers want “ cheap”.

Increased level of lending and new mortgages being granted

CONVERTING THREATS TO OPPORTUNITIES

Stagnation in affinity group membership – forces PGI to embark on improved distribution channel and reaching customers directly (not through groups)

Aging population – provides a low risk customer base which PGI can target leading to reduced operating cost due to less claims

Decline in trade union membership – forces PGI to embark on improved distribution channel and reaching customers directly (not through groups)

House price inflation – will create need for insurance in consumers since houses are now more valuable.

Consumer shopping around – provide opportunity to attract competitions customers

Customers want “ cheap”. – allowing PGI to develop a value for money proposition and gain competitive advantage over competition

Increased level of lending and new mortgages being granted – increases house ownership and percentage of customer needing household insurance

STRATEGIC ISSUE ANALYSIS

Strategic Thrust

Using the Ansoff and SWOT Matrices as analytical tools and focusing on converting weaknesses to strengths, maximizing opportunities through strengths while minimizing threats the recommended strategy is Market Penetration and Product Development.

Figure 15 – Ansoff Matrix

The product development involves the development of new products for existing market. In the case of PGI, they are in the insurance market already and the household insurance being the new product to be launched. This will give PGI's existing customers greater choice and the two products on offer can be insured easily together.

Market Penetration and expansion will be achieved through winning competitor's customers and converting non-users to users through the implementation of new distribution system (internet).

Marketing Objective

To increase the size of PGI Motor Insurance from 566, 000 in 2006 to 750, 000 in 2007

To gain 3% of the market for household insurance within 1 year

Strategic Objectives

Strategic Objectives for PGI based on SWOT and Ansoff Matrices Analysis:

PGI should increase market penetration/expansion through using the internet as a channel for selling insurance policies

Consolidate market share in the motor insurance market by improving the product characteristics and making it more desirable to all segment profiles.

Increase market share by developing a new product – Household insurance which is a fast growing market.

Increase and grow business profitability by targeting lower-risk customers such as older people.

Focus on low price product to offer customers value for money products.

Differentiate themselves by offering quality service, this includes their after sales service

Inform customers about their brand and new range i. e. household insurance and its features (revamp their brand to existing customers alike).

Core Strategy

Target Market

The answer given in question 1 shows the insurance market segments already defined. Of these segments, PGI will choose the target market. The profile for the first objective will be the current PGI target market. In addition to this, the profile target described below will also be targeted.

For the second objective the target market profile is described below.

Target 1: 40 -50 year olds

Target 2: Young working class

Market target: Car insurance and household content insurance

Customer target: the main target segment is segment 1 (40 – 50yrs)

Figure 16 – Snapshot PGI Marketing Plan

Competitive Advantage

Insight from consumer research shows that PGI must have these differentials over competitors to gain competitive advantage.

Low Price

Offer superior service

Faster Process for payment claim

Empathetic staff

Good reputation

Figure 17 – Porter’s Generic Strategy for Competitive Advantage

Based on these insight, and using Porter’s generic strategy model for competitive advantage, we advice PGI pursue a cost focus strategy to capture customer’s and build on the other competitive advantage given above to retain the captured customers.

PGI Positioning:

Target 1: Quality of service and choice availability

Target 2: Price conscious as well as discounts

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Figure 18 – PGI New Positioning

Marketing mix decision

Product

In addition to current motor insurance offering, PGI should offer Household insurance policies concentrating on household contents.

PGI could offer multiple insurance policies in addition to motor and household- travel, health, pet while still performing their brokerage functions and helping customers get the best deal in terms of price and quality.

PGI household offering should cover fire, theft and accidents. It should also be flexible so customers can add other policies (like travel insurance) to ensure customer satisfaction. This flexibility will make PGI policy a desired commodity for customers because it will provide security at low price.

Figure 19 – Cocentric Circle for Product Description

PRODUCT DESCRIPTION

Household insurance focused on contents has been selected to fit the target market and subsequently other features can be introduced.

Quality is a customer expectation and should be a key factor of the new product.

Target market stressed quality service The design and packaging is essential to attract target market. It must be in plainenglish devoid of legal languages The flexible add-on aspect of PGI Household insurance is an augmented

feature that can stimulate consumers to buy and give leverage over competitors.

The brand name PGI household insurance will appeal to all potential customers because PGI is an existing insurance provider with good reputation

Security

Price:

PGI should pursue a value for money strategy not “cheapest” because primary target market expects quality service and quick claims settlement which could be expensive. PGI should also keep prices flexible, to suit the customer’s personal risk and cover the chosen insurance level. Secondary target want basic Household Insurance and are price sensitive. Primary target want a comprehensive cover with quality service; and are not price sensitive.

Introduce discount scheme for “zero-claims” to build ‘profitable’ (non-claimer) customer loyalty.

Place

Refine sub-brokers channel: ensure conformity with new strategy and align commissions accordingly which at current 10% is too high.

Gradually change from unions and groups strategy: PGI’s traditional channel is through groups. Due to limited information, customers used this channel to buy insurance however with the advent of internet, customers are no longer limited. Although this channel still provides substantial market (5. 2

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million) PGI should also capitalize on the potential global market which internet usage offers.

Internet: Commission easy-to-use website offering comparison between PGI offering and carefully selected competition. Primary target already has a growing awareness of the internet and in a decade, Secondary target will become primary target (since they would have grown older). PGI should go with the trend in offering insurance to customers in their preferred way.

Promotion:

Raise brand awareness through focus on Internet and television advertising.

Reduce operation and administration costs by increasing online traffic through 10% online discount offer.

Drive word of mouth through refer-a-friend offer: where referees get £15 voucher if friend takes a policy with PGI.

Processes:

Effective, efficient and fast claims settlement

PGI should always excel in their processes since quality service is a major customer expectation. This can be achieved through: implementing customer friendly processes, strong customer service, and various methods for purchase to offer customers a choice.

People: PGI should ensure careful and continuous staff training and appraisal to enable PGI satisfy and surpass customer service expectations.

Physical evidence:

PGI policy documents should be in customer friendly language devoid of confusing legal language.

CONTROL

Quality Management

The following areas will be monitored to ensure the plan serves its purpose as a useful guide to PGI

Customer satisfaction

Repeat businesses

Expenses – monthly and annual

New customers as a percentage of overall revenue

PGI Market share

PGI customer base

Contingency planning

The recommended strategy would be ‘ market development’ which is existing product in new market by utilizing PGI strength motor insurance specialisation and building good relationship with affinity groups in a country with thriving affinity group membership and legal requirement for motor insurance.

PGI can also improve distribution and process (use internet as delivery mechanism) or promotion (revise the commission package being given to affinity groups).