

Uk insurance industry analysis



**ASSIGN
BUSTER**

Discuss the background to change that exists in today's economy

Abstract: This case study focuses upon AEGON in the UK, AEGON specializes in the insurance sector which was created in 1983 in the United Kingdom, as a result of merger between a Netherlands based Dutch insurance company called AGO & Ennia. AEGON has a long history for instance it operates in the United States, which is based in Baltimore and has been insuring people since 1858, while in the United Kingdom, AEGON Scottish Equitable has been in existence since the early 1830s and since then it has a remarkable history of providing excellent insurance packages to the general public

AEGON has recently expanded its international presence, gaining access by providing its services in new growth markets such as the Americas, the Central and Eastern Europe and Asia in particular, presently AEGON has its business interests in more than 20 countries across the globe

AEGON is one of the world's largest leading providers of life insurance, investments and annuities companies which also specializes in pensions, life insurance, asset management and adviser businesses in the UK. This particular case study basically illustrates the success that embracing and pursuing change has brought to AEGON in the UK.

AEGON has a motive goal of becoming ' the best long-term savings and protection business within the UK'. The AEGON Group has more than 27, 000 employees and more than 25 million customers worldwide. The major share market for AEGON is in the United States of America and Netherlands. Since 1994, United Kingdom has become another major and increasingly important market for AEGON,

In recent years mainly due to recession the life insurance and pensions industry, in which AEGON operates, has had a poor reputation. Some organizations have been accused of ‘mis-selling’ by not providing consumers with the best product for their needs. To prevent similar situations arising in the future, (FSA) the Financial Services Authority has put significant amounts of regulation on the industry, many of the service products which falls within the financial sector are quite often difficult to understand. Most of the People who choose the range of financial products and services are not sure where to seek support & advice for their investments. Keeping in mind the falling values on the Stock Exchange have considerably affected the investment return on some of the insurance products, namely mortgage, endowments etc. that is to say for instance some people the product they bought has not delivered the financial return which they have expected, due to which it has created uncertainty in regards to the financial services industry. Industry has also been characterized by intense competition. AEGON faces competition as in other businesses which sell directly to consumers which are better known in the UK. AEGON who distributes its products & services to customers mainly through its appointed financial advisers, AEGON with its reputed brand image had to overcome and address these industry related issues in order to remain competitive over its competitors

Historically AEGON had been successful however with the Government imposed restrictions related to price controls which had reduced its profitability, comparing with its competitors, AEGON had developed good products and services and had a good reputation with distributors specially in the pensions sector, unfortunately other than pensions AEGON was not

well recognized in other areas such as offshore investment products which were more profitable.

Today if a consumer wants to invest for a product in the long term, first they want to make sure and know more about the organization which they are going to deal with for example they would like to recognize the brand & understand more about the brand, its value which it represents, AEGON is financially strong which is rated “ AA” by Standard & Poor’s rating agency

Evaluate the strengths and weakness of the organization

Abstract: The strength and weakness related to a business or organization is its positive elements, which they do something well and within their control, the strengths and weakness of a company or group is based on its values which gives it the edge in areas over their competitors

Following is an outline and main strengths of AEGON

- Making alliances with strong & popular businesses is a major plus point for AEGON as it helps in bringing new customers and make business more effectively
- Keeping the overall costs lower than their competitors and maintaining the cost advantages helps AEGON to pass on some of the benefits to its consumers
- AEGON’s marketing strategy has proved to be very effective which helped in raising Profiles & Profits which is one of its major strength
- AEGON has a large & extensive customer base, which is a major strength in regards to sales and profits

- Being financially strong {rated “ AA” by Standard & Poor’s rating agency} helps AEGON deals extensively with any threats & problems arising in profits and can out perform their rivals
- Keeping competitive pricing is one of the vital element for AEGON’s overall success, as this keeps them ahead of their competitors
- Riding high in the highly competitive insurance industry and has helped boost AEGON which raised its reputation and turnover
- AEGON’s continuous innovation over its products keeps it as a front-runner in the insurance sector with its regular tuning of new patents and proprietary technology
- AEGON has a strong brand image which is well recognized and respected
- By providing high quality products and services it is a vital strength which in turn ensure customers to return to AEGON
- AEGON’s with its vast distribution chain can be listed as one of their strengths and links to its success
- AEGON is equipped with experienced employees which is a key success of AEGON helping to drive them forward with expertise and knowledge in their respective field
- AEGON keeps high percentage of the market share due to its brand image which keeps them ahead of their competitors
- Products and Services which is offered by AEGON are authentic/original, which means people will turn to AEGON to purchase or obtain them
- Online presence for AEGON is strong which means it is ahead of many competitors

- AEGON's with its international operations has a wider customer base, strong brand image with its presence in the global market
- Innovation and Development is the prime concern for AEGON in regards to the products and services which is a major strength for its overall performance
- With its high quality offices, advanced modern equipment and well trained personnel which ensures the job is done to the utmost standard, which is a big strength AEGON
- AEGON's has a strong reputation which the consumer / people view it with respect and believe in their products & services

A weakness for any company or organization is needed to be improved for better performance which is under their control. Weaknesses can also place behind the competitors, when a company or organization stops to meet their objectives

Following is an outline and main weaknesses of AEGON

- Limited customer base is considered as a major weakness for AEGON which means they have fewer{less} people to sell their products in the market
- The weak market position for AEGON is a limitation to their overall success, as they will be considered behind their rivals.
- A serious weakness for AEGON means that their services or products are of low quality, and then people opt for better-quality substitutes.
- Reputation is very important, and once its damaged for AEGON's it will be a major weakness where consumers will not trust the firm anymore and will not borrow their products

- By not reducing costs the same way as their competitors which means AEGON is outlaying more for their profits, maintaining higher costs than their competitors will be considered as a major weakness
- If AEGON's Research & development {R&D} work is low and insignificant, which is a major weakness in insurance as it is constantly creating new products
- Lack of inexperienced staff will be a major downfall for AEGON as it could lead to mistakes and negligence which could tarnish the image of AEGON in the long run
- Unstable with stock exchange are a weakness for AEGON as they need to keep up with demand
- Online presence is vital for success these days, and lack of one is a limitation for AEGON
- Overpricing is one of the reasons and setting higher prices for AEGON products/services could make them uncompetitive, which is a major weakness.
- The lack of business alliances is a major weakness for AEGON, as they will struggle to get deals, favors and partnerships.
- AEGON is in a poor financial position which makes it weaker than its competitors.
- AEGON's lack of innovation limits its success, as there is no forward thinking.
- Good companies need loyal employees, but AEGON has a poor relationship with staff which affects performance.
- If AEGON does not function internationally, it will have an effect on its success, when they do not reach consumers in overseas markets.

- AEGON's underdeveloped distribution chain has a marked effect on performance as it affects the distribution of their products/services.
- Lack of original services & products is a major flaw in AEGON's future success, as it shows a blinkered outlook.
- AEGON's location is weakness for the firm, as it means they miss out on many opportunities.
- AEGON's lack of patents/proprietary technology puts it behind its rivals and is deemed as one of their weaknesses.
- The weak brand name compromises success for AEGON as it doesn't inspire people to buy their products/services

Compare alternative forms of organizational development

Abstract: With the impact of change which affects the organization in both ways internally and externally this is influenced on how people behave and also how they communicate with each other and when the organization becomes more focused on the customer. With such emphasis of making clear information for the customer in order to understand the company of making business easier, to embed such values and behaviors, AEGON established a new relationship with Shirley Robertson, the famous yachtswoman and the only British female athlete to have won gold medals at consecutive Olympic Games. By associating AEGON with an individual who embodies similar values, it was able to bring the values and behaviors to life for their staff, AEGON had to further develop their brand and its reputation, which AEGON maintain in couple of ways for example

AEGON carried out external promotional campaigns in order to emphasize the relationship between Scottish Equitable and AEGON which helped to

<https://assignbuster.com/uk-insurance-industry-analysis/>

reinforce the local knowledge and the global power of AEGON within the United Kingdom with such refreshing of the brand internally and externally resulted in strong positive feedback

AEGON also launched newer and innovative products for instance the 5 for Life annuity which helped to change the way in which consumers look at their retirement income support which provides with more certainty levels of income for the consumer, providing the levels of return as promised by AEGON of being responsible for any risks associated with doing so

AEGON today with its brand image has a position within the financial services industry which over the years has posted record results with significant growth in the underlying earnings, AEGON has also increased its business across a mix of their profitable products and services, reflecting its continued strength

Terms

The alternative forms of organizational development which AEGON had figure out is to fully integrate organizational structure where employees are best integrated while their service offerings are best coordinated cross-selling opportunities and best tracked and pursued, with the recent analyses of organizational development which suggests a growing concern with the tempo of change, pattern of work or activity, such a change which is in contrast with continuous change on such basis of implied metaphors of organizing

Develop systems for understanding and involving others in the process of

change. Identify systems to involve appropriate stakeholders in the introduction of change

Abstract: In today's developing environment any product development is a complex process which needs to be consider new demands from different stakeholders which can be analyzed how these demands can be fulfilled while sharing appropriate stakeholder information is important, however it can only be beneficial when the information is used effectively.

When an induction of change arises the information must be shared across stakeholders, such process relies up to a large extent on the individual common understanding for stakeholders involved in order to help balance the interests of different stakeholders and their related functions. With such a process we need to identify the relevant stakeholders and their relation to the product, normally such a requirements from different Stakeholders can be negotiated and balanced in order to develop a competitive product

In order to make a well-balanced product it is therefore necessary to take a broader approach by taking into consideration not only the end-users, but also all the other stakeholders throughout the product's life cycle hence the stakeholders play according to their interest they use such power and influence the product in the direction they desire.

A stakeholder can be defined as an individual or a group of people and a stakeholder could either be external or from the internal organizational stakeholders could also be addressed or regarded such as Primary or Secondary wherein primary stakeholders are those stakeholders who has a <https://assignbuster.com/uk-insurance-industry-analysis/>

direct stake in an organization and to its success, secondary stakeholders are those who have a special or public-interest stake in the organization.

Stakeholders interact with each other in different ways such as exchanging information, products, providing supporting tasks, instructions etc.

Stakeholders can also be external or internal; AEGON had historically been successful however with the government-imposed price controls which had reduced profitability over its competitors, AEGON had developed good products and services and had a good reputation with distributors, particularly in the area of pensions which were a key strength of AEGON

Culture refers to the personality and attitude of an organization. It also includes the shared beliefs, values and behavior of the employees. These determine the ways in which the organization and its people make decisions and solve problems.

The goal of AEGON's CEO helped to provide a vision for change. Financial objectives were important as the path for future developments depended upon these. It was also important to create more clarity about who AEGON was. With limited awareness of AEGON in the UK, it was important to explain what it had to offer, how big the organization was within the UK and how strong it was globally.

At the heart of this strategy was the need to:

1. Simplify financial services and provide more customer focus. It was important that consumers understood more precisely what they were buying, as well as the benefits and services they received

2. Develop the workforce. The objective was to develop the skills needed within the business to help it change. AEGON also created opportunities for progression from one job to another in a way that provided individuals with a coherent career path.
3. Create a more distinct presence within the marketplace. This involved refreshing the AEGON brand in a way that made it more distinctive from its competitors and more attractive to customers.

Analyze and evaluate these systems

Abstract: In order to analyze and evaluate such systems it is important to understand the environment in which key issues which needs to be responded in order to improve decision-taking which reduces uncertainty. In recent years few industries have experienced such changes in their external environment especially in the financial services sector.

Saving for retirement is a good concept that is sometimes difficult for people to understand. Within the United Kingdom life expectancy has risen in recent years where people can be expected to retired in the long run, there are many examples where an individual have not planned properly for their retirement and later in their life they may experience a shortfall in the amount of money available to them, there is also a drive by the government to reduce dependency on the State in old age with such uncertainty looming over many companies have introduced less expensive pension schemes and has insisted on employee pension contributions which did not exists in the past, with such factors people have to make wise decisions to invest properly at an early stage of their lives. Keeping in mind of the old age investing in the future helps people to prepare financial security towards their old age

<https://assignbuster.com/uk-insurance-industry-analysis/>

Life insurance and pensions industry, in which AEGON operates, has had a poor reputation in recent years. Some organizations have been accused of ‘mis-selling’ by not providing consumers with the best product for their needs. To prevent similar situations arising in the future, the Financial Services Authority (FSA) has put significant amounts of regulation on the industry

People do not always feel equipped to choose between the range of financial products and services as financial services products are often difficult to understand, most of them are not sure where to seek support and advice. With the recession falling values on the Stock Exchange have affected the investment return on some products, such as mortgage etc, which for some people means the product they bought has not delivered the financial returns as they had expected.

The financial industry has also been characterized by intense competition where AEGON is no exception and in terms of competition with organizations which sell directly to consumers and which are better known in the UK. AEGON distributes its products and services to customers mainly through financial advisers. AEGON being a reputed company had to address and overcome these industry-wide problems to remain competitive among their competitors

Adapt an appropriate model for change

Abstract: AEGON had a good historically record of being successful however with the government-imposed price controls which had reduced profitability comparing with their competitors, AEGON was not well known by consumers.

It had developed good products and services and had a good reputation with their distributors, particularly in the area of pensions which were a key strength of Scottish Equitable.

If consumers are to invest in a long term product, they need to know more about the organization they are dealing with. They need to recognize the brand and understand more about the brand values that it represents. As AEGON traded under a number of brand names it was not always easy for financial advisers and consumers to recognize the breadth and depth of the company in the UK, however, AEGON had to develop the brand and its reputation by carrying out the following tasks:

- AEGON carried out external promotional campaigns in order to emphasize the relationship between Scottish Equitable and AEGON. This helped to reinforce the local knowledge and the global power of AEGON in the United Kingdom
- Chief Executive Officer talked to the media about the need for change. The refreshing of the brand internally and externally resulted in strong positive feedback.
- AEGON has launched new and innovative products. For example, the 5 for Life annuity has helped to change the way in which consumers can look at their retirement income. It provides more certainty about levels of income for the consumer, with AEGON providing the levels of return promised and being responsible for any risks associated with doing so.

Today the AEGON brand has a position from which it is influencing the financial services industry. It has posted record results with significant

growth in underlying earnings. It has also increased its new business across a mix of profitable products and services, reflecting its continued strength.

Change is continuous. The process of change is a journey. External factors will always be there to influence business organizations.

AEGON responded well to such factors by simplifying, clarifying and strengthening its brand in the UK. As organizations change, their patterns of behavior and business culture develop. As AEGON is concerned as an organization it has to move positively towards achieving its full potential and to remain competitive in an increasingly difficult market

How was the plan implemented, its process and outcomes

Abstract: AEGON underwent a discovery phase with its new Chief Executive (CEO) in place. The main purpose of this process was to find out what it had to do to meet the CEO's goal. This goal was to build 'the best long-term savings and protection business in the UK'. The discovery focused on three main key questions such as

1. What do we stand for in the UK?

AEGON owns life and pensions, asset management and advice businesses. AEGON name to be known for helping their customers build better financial futures and as a result they are actively raising their brand profile in the UK.

2. What do we want to stand for in the UK?

AEGON responded to these factors by simplifying, clarifying and strengthening its brand in the UK

3. What should we be doing about it?

<https://assignbuster.com/uk-insurance-industry-analysis/>

This has helped AEGON as an organization to move positively towards achieving its full potential and to remain competitive in an increasingly difficult market

Describe the purpose of the eight behaviors

Abstract: The main purpose of eight behaviors for AEGON is to develop a behavior framework to support its brand values, it was designed keeping in mind to influence how people at all levels within the organization could work and make their decisions. Such behaviour would emphasize the values of the organization which AEGON have helped to build its culture and to be influenced its performance

Following are the eight behaviours:

- Decisive action
- Work together
- Learn and grow
- Relate and communicate
- Think customer
- Embrace change
- Encourage excellence
- Act with integrity

Evaluate the role of an audit within and outside an organization. To what extent can a process of audit form the basis for a business strategy?

Brand audit

To answer these questions AEGON undertook a brand audit. This audit looked at two aspects:

- the company internally
- how the organisation was positioned externally.

The purpose of the audit was to find out more information about the organisation. This helped AEGON to provide a more informed approach to the decisions that were needed to start the process of change.

The audit showed that AEGON was solidly placed within the market. Its staff were known for their considerable expertise, innovation and clarity of communication.

The external audit also helped to discover where AEGON was positioned in relation to its competitors. People who were aware of AEGON saw it as being a refreshing and different organisation. However, there was evidence that people were confused about the breadth of what AEGON did because it traded under a number of different company brands