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Northwestern Mutual Marketing Plan Yuanheng Wang University of Nebraska at Kearney Prepared for Dr. Heather Table of Contents Executive Summary3 Situation Analysis Industry4 Company5 Products/Services6 Competition8 Target Market9 SWOT Analysis11 Marketing Goals and Objectives13 Marketing Strategy Product15 Price15 Place16 Promotion16 Action Plan (Tactics) 19 References20 Executive Summary With the rapid development of the insurance industry in recent years, having an insurance product can help a family or an organization to avoid some potential risks. An insurance company is actually playing a role accepting the risk for their customers. It is a transfer of the risk from one entity to another in exchange for payment. Northwestern Mutual is a company selling insurance. This report is intended to analyze Northwestern Mutual’s advertising plan for 2013. The first part of the report is its situation analysis. The situation analysis includes the analysis of the industry, company history, main products or services, main competitors and its target market. The SWOT analysis mainly discusses the company’s strengths, weaknesses, opportunities, and threats in the industry. The SWOT analysis is a comprehensive analysis of a company and tells what some of the strengths and weaknesses of the company are, and what the opportunities and threats to the company in the insurance industry are. By analyzing the marketing strategy, readers will know what some of the main products or services that Northwestern Mutual offers are, and what the prices of their products or services are. In addition, the marketing strategy analysis will let their customers know where they located. The company’s promotion is the way that they attract more customers to make purchase decisions. The last part is the company’s tactics plan within three years, what their future plan is, and what their expected revenue in the future is. Situation Analysis Industry: Insurance refers to the process of transferring risk from one entity to another organization or entities in exchange for payment. It refers to the development of a modern business in insurance against risks. The insurance industry can be classified as property insurance, life insurance, automobile insurance, and other medical insurance. The industry has boomed in recent years because it has a high profitability. The insurance industry has created millions of attractive job opportunities (Trenerry, 2009). In the ancient world, the first methods of spreading risk were created by Chinese and Babylonian merchandisers in 3rd and 2nd millennia BC. America was actually the first to name the insurance and make the process official by registering in governmental offices (Trenerry, 2009). Insurance can help people to eliminate their potential risks in their lives. Customers are spreading their risks to the insurance companies through purchasing insurance products. Insurance also provides long-term financial advising for both the large organizations and individuals. There are several important characteristics of the insurance industry. The first one is the share of risk. As mentioned above, insurance can spread out the potential financial losses from an individual to an insurance company. Insurance can help individuals to avoid risks which might happen because of a specific event. The event can be disease, death, accident, and so forth. The next thing that is valued in the insurance process is the amount of payment; it is something that investors need to take into consideration. The amount of payment actually depends on how serious the problems encountered are. Investors should be aware that insurance is not gambling. The insurance can directly affect people’s lives, and it is a great tool for a family to increase the productivity of a family by eliminating the worry of the risks. From a company’s point of view, it is extremely significant for a company to have insurance because no company can be sure that they operating in a certain profitable way. The only method of a company to avoid any potential risks is to have proper insurance. From an individual point of view, death can occur at any period during the lifetime. Once an important member of a family is dead, the rest of the family members will not be able to support themselves. It is now important for a family to have insurance to protect the whole family. Company: Northwestern Mutual is a company that is based in Milwaukee, Wisconsin. It was founded in 1857, and the company offers a variety of financial products and services, including long-term care insurance, life insurance, annuities, employment benefits and mutual funds (Northwestern Mutual). As described by the Northwesternmutual. com, “ Our company has lived through the Civil War, the Crash of 1929, the Great Depression, two world wars, and numerous recessions. Our experience is extensive. We are well-positioned to help you manage financial risk and achieve financial security in today's complex world" (Northwestern Mutual). The company maintains AAA ratings for insurance financial strengths from the four major rating agencies in the world. The company is the largest individual life insurance company in the United States. Surprisingly, Northwestern Mutual is an all equity company without any debt; it is hard for a company to operate without receiving any other financial support from a bank or other financial institutions. Northwestern Mutual achieved this goal (Northwestern Mutual). The following are some company distinctions in recent years: \* Northwestern Mutual is among the " World's Most Admired" life insurance companies according to executives, directors and analysts in FORTUNE® magazine's 2013 annual survey \* Northwestern Mutual has the highest financial strength ratings awarded to any life insurer by all four of the major credit rating agencies \* We are the nation’s largest direct provider of individual life insurance \* We are ranked among the Top 10 independent broker-dealers, as measured by total revenues, by the leading investment industry publications. (“ Top companies, " n. d.) Another thing that impressed their customers is that they claimed that they are not just selling products/services. They are trying to help every family to realize the importance of having insurance. The company has been creating many new positions in the past several years. The company has a top 10-internship program and they offered an excellent internship in Kearney. Northwestern Mutual is a great place to have a life long career, according to the survey. Most of the employees stayed in the company over 30 years. Product/Services: Northwestern Mutual mainly focuses on life insurance. However, long-term care insurance has boomed in recent years. Life insurance and long-term insurance are mainly introduced in this section. Life insurance is a legal contract between the insurance company and the individuals, where the organization promises to pay the benefits at the end of the individual’s life. However, not all insurance policies look similar. As for Northwestern Mutual, the insured individuals have the conversion rights, which means policies purchased during certain age groups offer conversion rights up to a certain age. Northwestern Mutual offers several excellent dividend options. Individuals can choose their dividend choices in several ways. The majority of people will choose increasing values for each month. However, some people will choose to receive the dividend in cash. The following two figures show the difference between two policies. Different types of cash flows (Marla, personal communication, 2013) As can be seen from the figures above, the dividends used to increase policy values will result in a much higher future value at the end of the contract than another form of dividends. Long-term insurance is another major product for Northwestern Mutual. People spend too much time working in order to ensure their family’s safety. Having long-term insurance can successfully help people to avoid some potential risks. It is also a wise choice to invest in their long-term run financial plan. The following are some concerns about their financial security: \* What happens if I cannot earn enough to support my family? \* How long will I live? \* How will inflation rate and taxes affect my savings? \* Can I help my kids with their education costs? People may never experience a long-term care event. If it does happen, it may not cost as much as it was worth. However, a long-term care event will happen for a certain percentage some day in the future. Long-term care provides all types of savings. Generally, long-term care starts at home and the most important thing that people are concerned about is the cost of the long-term care insurance. Another important consideration while building long-term care insurance coverage includes taking into account the effects of the inflation rate. The following figure shows the cost for different locations of long-term care. (Marla, personal communication, 2013) The change between the yellow bar to the red bar stands for the inflation rate each year. After 30 years, the cost of the care is dramatic. Competition: The following is the list of companies that are competitors for Northwestern Mutual: \* Gerber Life \* USAA Life Insurance \* Guardian Life \* New York Life \* Nippon Life Insurance of American (“ Standard & Poor’s, " 2012). Among all the competitors, Gerber Life would be the primary competitor for Northwestern Mutual because it offers different products that are new to all customers, and these products are different from most insurance plans. Another thing that makes Gerber Life more competitive than Northwestern Mutual is that Gerber Life has a better customer online service systems. Customers can easily talk to financial representatives from Gerber Life’s website and ask questions directly online. Thus, customers will get a response immediately. However, customers at Northwestern Mutual can only call them or email them if they need an immediate response to a certain question. Target Market: The people who will be targeted by Northwestern Mutual are the ones who live in the United States. Northwestern Mutual only focuses on the customers in the United States, and they have not opened an international market yet. Northwestern Mutual is working to improve the well-being of different age groups and income levels. However, the primary market would be those people who are at a younger age because the insurance company will charge more when people are older and at a higher risk level, as can be seen from the figure below: (Marla, personal communication, 2013) Thus, there is an advantage to buy an insurance product at the age of 45 to 50 because people from the age of 45 to 50 have relatively higher incomes and lower risks. People in this age are more likely to buy some insurance to protect their families. Another figure tells that people who are younger are most likely to be approved by an insurance company because younger people are less risky than older people. As a rule, companies are looking for healthy people. This does not mean that you need to be without any health conditions, but Northwestern Mutual is looking to issue policies to people who are not already or experiencing a long-term care event. This phenomenon can be seen from the figure below: (Marla, personal communication, 2013) SWOT Analysis \* Strengths: Northwestern Mutual obtains a strong market position in the United States. As a mutual company, Northwestern Mutual is an all equity company, which means that they do not have any debt from other financial institutions. In 2010, Northwestern Mutual Insurance became the largest direct provider in the United States. They have been holding this position since 2000. The company has more than 15% of the market share of direct insurance in the United States. Another program that makes Northwestern Mutual competitive is that they have a top 10 internship program in the United States. Most of their employees directly come from their internship program. The internship program is aimed at training their employees and coaching their employees in a positive way. \* Weaknesses: The only weakness of Northwestern Mutual is their limitation on expansion. With the rapid growth of the insurance industry worldwide in recent years, Northwestern Mutual should not limit their office locations to the United States. The company derives most of their revenues from the U. S. Northwestern Mutual should be able to diversify its business risks across various geographical locations. The limitation to the U. S. market limits its scale of operations. \* Opportunities: Northwestern Mutual has been expanding its long-term care insurance business in the United States. There is an increasing demand for long-term care insurance products in the United States. Over the next several decades, more than 78 million people will enter retirement. It is a great opportunity for Northwestern Mutual to target those people. Another noticeable opportunity for Northwestern Mutual is the increasing growth rate of the healthcare expenditure in the U. S. More people are now realizing the importance of having an insurance plan to protect their families and their savings. There is a large group of potential customers for the company in the next few years. \* Threats: As stated above, Northwestern Mutual is facing several major competitors in the United States. Most insurance companies in the United States offer similar products and services, even similar prices. Thus, it becomes hard for Northwestern Mutual to make themselves more competitive than other insurance companies. Furthermore, it is hard for Northwestern Mutual to compete with those worldwide insurance companies because some corporations may have office locations in other countries. \* SWOT Analysis Conclusion: StrengthsStrong market positionTop 10 internship program | WeaknessesLimitation of expansionLimitation of locations | OpportunitiesExpanding insurance business Growing demand in U. S. | ThreatsCompetition from other companiesCompetition from worldwide companies | Marketing Goals and Objectives Northwestern Mutual’s focus for the overall strategy is to meet their goals and objectives. By doing an interview with one of the financial representatives from Northwestern Mutual, she drafted three broad marketing goals for the company. The team will couple the goals with three corresponding objectives as well. \* Goal 1: Increase and hold the current market position. \* Objective 1: Increase at least 20% of sales revenue in each area; increase the percentage of long-term care insurance products. \* Goal 2: Make full use of marketing advertising methods to show the benefits of using Northwestern Mutual’s products. \* Objective 2: Create new customers that were influenced by their advertisements. \* Goal 3: Increase the revenue in the Kearney area and do several internship programs at University of Nebraska at Kearney. \* Objective 3: Build up a network on campus in Kearney and influence more students interested in Northwestern Mutual by doing an internship program. (Based on the interview with Marla, Financial Director of Kearney area) Marketing Strategy Product: The product that will be mainly introduced in this part is their long-term care services. They created different products and services according to different locations. The following services might be suited for the citizens in Nebraska: Disability Income Insurance, Medicare and Health Insurance and Long-term Care Insurance. There are several important factors that people need to consider. First of all, how long does the insurance last and how much is the rate for different level of services. Secondly, what are some risks that the policy covers and does the policy take an inflation rate into account. Price: As for customers, the long-term care insurance might the best suited for them since this product has an extremely high cost-quality ratio. People will get extra care with a similar price compared to what other companies offer. It is hard to determine the exact cost for an insurance company because different people have different ages, financial situations and so forth. However, the rate that Northwestern Mutual offers is competitive. Northwestern Mutual states that they offer the best long-term care insurance in the United States and the ideal marketing they have been working in recent years has helped the company attract millions of new customers. The following is the partial price list, as can be indicated by the list; the nursing home daily average in Nebraska is relatively lower than other states and areas. Especially lower than NewYork area, the reason is that the New York area has a much higher rate of criminal. Partial Cost Table Place: The following picture shows the physical place in Kearney area, if customers in Kearney want to purchase some financial products locally, the following graph will give people an instructions how to get there. Promotion: Northwestern Mutual has been investing millions of dollars a year toward their marketing plan. The media plan created by the company will last over a year. The following images show the different methods of their advertisements. As for their Facebook page and Twitter homepage, they are not promoting a specific product of their company. All they have on these two pages are their company logo and their most current event. Basically, they are just posting some current event of the company. These two are new media advertisements, which are internet based and people may gain some new information from the homepages. Facebook page: Twitter: Posters: The posters are actually promoting their main products: Long-term care insurance and life insurance. It is just a normal poster with the company’s logo on it. This is also a creative advertisement because the sunshine indicates that those people who purchase an insurance product from Northwestern Mutual will have a brilliant future. Meanwhile, the company is also hoping that their customers have a safe life and brilliant future. T-shirt: The T-shirt was created by Northwestern Mutual because they sponsored basketball games in Milwaukee, Wisconsin. This is specially created to promote their life insurance product. This makes sense because professional basketball players have the potential risk of getting injured. Thus, having life insurance to protect their bodies would be beneficial. Action Plans The following is the screen shot of the TV advertisement for the Northwestern Mutual company, it is more of an official advertisement shows that the steps. It kind shows that how Northwestern Mutual can help their customers build up their financial plans and help them to achieve their financial goals as well. As the TV indicates that Northwestern Mutual wants their customers have a brilliant future. Another thing that customer will be impressed by the video is the music that they used, the background music gives customers a sense that they are confident in their financial plans, and customers will have a brilliant future if they put money into their company and help them take care of their families. The TV advertisement wants to build their goodwill in the public, thus, customers will willing to do business with the company. Here is the YouTube video link: http://www. youtube. com/watch? v= XqSe4XyN70M References M. Marla, personal communication (March 16, 2013). Northwestern Mutual. n. d. Retrieved from: http://www. northwesternmutual. com/about-northwestern-mutual/our-company/default. aspx Trenerry, C. F. (2009). The origin and early history of insurance: Including the contract of bottomry. Available from: http://books. google. com/books? id= kkiFKCO5BAgC&printsec= frontcover#v= onepage&q&f= false (2012). Standard & Poor's affirms Northwestern Mutual's financial strength rating. The Free Library. Retrieved from: http://www. thefreelibrary. com/Standard+%26+Poor%27s+affirms+Northwestern+Mutual%27s+financial+strength...-a0296497717 (2012). Top companies: Fastest growing. CNN Money. Retrieved from: http://money. cnn. com/magazines/fortune/fortune500/2012/performers/companies/fastgrowprofits/