

The values and principles of prudential plc



Prudential plc is an insurance based company that was firstly introduced to the citizens of British in 1848 by a group of investors. The company established as The Prudential Mutual Assurance Investment and Loan Association in London. The company succeeds worldwide to Asia, United States of the America, Europe and United Kingdom, having 25 million of customers and £309 million assets in hand.

In this assignment, a thorough marketing plan will be proposed to Prudential in U. K to continue its success in dominating market share and improve global living standards.

Business Vision:

Prudential aimed to be world leading, well recognized and innovative insurance company in providing professional services and variety of products that fits into all levels of the community.

Business Mission:

Provide the best financial planning for community and understand stakeholder's needs, savings and protection to generate better future values of the corporation, align with the concern of Corporate Social Responsibilities as the fundamental for Prudential's business operation. In addition, provide most profitable investment plans to grant better living standards of the community.

Financial situation:

Prudential is in a strong financial situations as it has achieved astounding success in earning profits comparing to previous year, which is 2009. This would prepare Prudential in expanding its business widely in U. K.

elements

2009 (half yearly) Jan- June

£m

2010 (half yearly) Jan-June

£m

Total net assets

16, 672

13, 720

Operating profit from total long-term investment returns

615

535

Total operating profit for Prudential worldwide

1, 677

1, 246

In addition, there is an increment in Prudential new business on long term investment returns, which is £122m in 2009 and £135m in 2010 half yearly.

Management overview:

Prudential manages its company based on 4 units that each has a specific headquarter to monitor businesses in certain regions worldwide. These units are Prudential Corporation Asia, Jackson National Life Insurance Company, Prudential UK and M&G. This would construct an effective framework for Prudential to run business accordance to regions that has different business system.

Market share:

Prudential has increasing market share worldwide as the company is well recognized for effectiveness and efficiency in providing services and products. Below is an example of the growing market share of Prudential in Hong Kong, U. S and Singapore.

[http://www.ogilvy.](http://www.ogilvy.com/On-Our-Minds/Articles/ogilvy_on_recession_prudential.aspx)

[com/On-Our-Minds/Articles/ogilvy_on_recession_prudential.aspx](http://www.ogilvy.com/On-Our-Minds/Articles/ogilvy_on_recession_prudential.aspx)

[http://www.prudential.co.](http://www.prudential.co.uk/prudential_ar2007/operating_and_financial_review/business_unit_review/)

[uk/prudential_ar2007/operating_and_financial_review/business_unit_review/](http://www.prudential.co.uk/prudential_ar2007/operating_and_financial_review/business_unit_review/)

[http://www.towerswatson.](http://www.towerswatson.com/hong-kong/newsletters/distribution-debrief/2256)

[com/hong-kong/newsletters/distribution-debrief/2256](http://www.towerswatson.com/hong-kong/newsletters/distribution-debrief/2256)

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MARKETING AUDIT:

Marketing audit is the study of a firm's activities for duration of time from internal operation to external environment.

Macro environment:

Political

Government in U. K supports citizens in pension saving for future retirement purpose by offering a tax relief policy. The government will subsidize according to the amount tax payers is contributing into individual's pension funds, such as investment, bonds and unit trusts. There are basic rate tax and high rate tax. Basic rate tax is the starting rate of income tax, where as high rate tax is meant for those who have more than £37, 400 per annum for higher rate of income taxation. Below are the examples from prudential official website for both taxes.

For every £80 a basic rate taxpayer pays into a personal pension the taxman will add £20.*

For every £80 a higher rate taxpayer pays in a personal pension the taxman will add £20. But at the end of the tax year you can claim back a further 20%, in this case £20, so the cost to you would only be £60.*

Source: (http://www.pru.co.uk/pensions_annuities/pension_guide/tax_benefits/)

Besides individual fund, there is also company pension fund referred as company pension schemes; employees will receive sum money from the

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company after retirement. The payment method is slightly different as employer will deduct a specific amount from salary automatically into the pension fund. The graph below illuminates the benefit contributed to individuals from applying a pension.

(http://www.pru.co.uk/pensions_annuities/pension_guide/tax_benefits/)

This means higher income tax rate will have a lower pension fund payment for individuals, because government will contribute bigger portion.

Prudential will therefore be benefited with government's intervention in offering good pension funds, building good sales and create brand awareness nationwide. The graph below shows the increment in pension application in U. K.

(<http://www.statistics.gov.uk/cci/nugget.asp?id=1282>)

Economical

According to a research done by Professor Les Mayhew, the economic growth of the nation has declining since 1990 and this is related to the population working age. Income is the main source in generating a greater economic growth, when time spent working before retirement reduces; the society's total support ration will reduces. Below is the graph that shows how productivity affects economic growth.

<http://www.globalaging.org/health/world/2010/EconomicValue.pdf>

However, the economic growth is improved by Prudential. This is because the prior condition for work is health. Worker's peak productivity is between

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age 40 to 45 and it is important to invest on health care insurance and pension funds to grant a stable working productivity and retirement, especially when the retirement age is increased to 60 for women and 65 for men. Besides, investment is also crucial as there are 3 investment plans evolve in shares, properties and fixed interest. All the pension funds and investment would improve the economic growth as the spending ability will remain constant after retirement and ability to generate other income other than occupation.

<http://www.globalaging.org/health/world/2010/EconomicValue.pdf>

The graph above shows as age increases, the lesser the people are economically active. This shows retirement plans and pension funds are crucial in granting a stable income.

Social

A recent research shows the latest trend of retirement is early retirement and higher earnings during retirement. Therefore, the demand for effective pension funds are much needed as the demographics of elderly increases.

<http://www.w3.org/WAI/WAI-AGE/Drafts/slides/overview-090108.html>

Graph above indicates pension funds will be in demand as aging population is increasing in future.

Prudential is one of the insurance companies in U. K that changed the nation's perception towards retirement by offering effective saving pension funds and investment to grant a fulfilling retirement life. Prudential offers

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annuities that will distribute income after retirement according to what customer desires, one of the highest payments of all pensions. It will protect customers from inflation by increasing the income yearly, with condition that the initial payment is lesser. Besides, awareness of pensions for youngsters will also increase as it helps in financial planning for retirement.

(<http://www.trustnetuk.net/Factsheets/Factsheet.aspx?fundCode=PAF02>
HYPERLINK " <http://www.trustnetuk.net/Factsheets/Factsheet.aspx?fundCode=PAF02&univ=P>"&HYPERLINK " <http://www.trustnetuk.net/Factsheets/Factsheet.aspx?fundCode=PAF02&univ=P> univ= P)

The graph above shows the success of Prudential's pension funds growth for 5 consecutive years.

Technological

New technologies enable firms to perform better business operations, as the century is moving to a digital era where all business are computerized for effectiveness and efficiency in handling businesses, e-commerce are gaining its popularity. On 24th July 2010, Prudential has implemented new back-ended software, Progress Software Corporation, to deliver a better quality of services, interaction with customers and strengthen IT infrastructure.

Enterprise Service Bus (ESB) has few programs that are to process annuities effectively for customers on web for a better understanding level, such as calculations on returns, investments; provide reliable messaging between customers and Prudential, even information for all products.

Besides, it is a high definition technology that is able to sustain large amount of messages in a system that is up to megabytes, each host of the system can stay connected with many customers. It helps in easing large size messages to be transferred to brokers through bus.

Such technology will increase the confidence of customer to purchase plans because Prudential has all it takes to serve customer effectively and professionally. In addition, the system would help in shorten time required to respond customer's enquiries, which result in efficiency. Effectiveness and efficiency is the highest level for a firm to perform well.

Source: <http://fusesource.com/wiki/display/ProdInfo/Support+for+large+data+volumes>

In the diagram, all brokers are connected between customers and main system to improve interaction and efficiency in handling messages.

“ We have an ongoing stream of work that requires suitable, sustainable technology in order for us to deliver that work,” said Tim Milbourne, IT Architect at Prudential UK.” The Progress FUSE ESB product has an open, standards-based model that will support our needs now and in the future,” he continued. “ This first step lays the foundation for change.”

“ Prudential UK is an example of a large organisation taking advantage of open source technologies to drive new and efficient computing standards without having to replace equipment, software and networks that have been built up over many years,” commented Rob Davies, Director of FUSE

Engineering at Progress Software Corporation and co-founder of the Apache ActiveMQ and ServiceMix open source projects

Source: <http://web.progress.com/en/inthenews/prudential-uk-launch-39013.html>

Environmental

Prudential pays complete attention to environmental issues and raise awareness on importance in conserving Mother Nature. Prudential has several implementations into their operating systems to support the effort worldwide.

Environmental A-Z compliance program

All the programs are to ensure that Prudential's environmental standards are aligning with all operating countries legislation, practice and share all information throughout the group.

ISO 14001 international Environment Management System

Prudential is awarded by ISO 14001 that all environmental issues are attempted and risks are supervised for improvement.

Environmental Implementation plan

Futerra Sustainability Communication evaluates Prudential's environmental standards among other competitors for better business practice.

Climate Wise principles

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Create awareness regarding climate changes in business and apply suitable remedies for possible risks.

Carbon Disclosure Projects

Support in low carbon economy by participating in Carbon Disclosure Project and implement strategies from within.

Reducing pollution, emissions and waste

Fully utilizing and minimize usage of all resources, promote recycling to all employees. For instance, a water flushing system is installed to the offices to avoid water usage and purchasing energy efficiency technologies

Suppliers environmental standards

Ensure all suppliers are compliant with all tight environmental criteria of Prudential, encourage suppliers to have ISO 14001 standards.

PRUPIM

First U. K company that achieve ISO 14001 certificate with most properties reaching environmental standard. Besides, there are several management offices in measuring PRUPIM's all resources usage to implement plans for reduction in consumption. For instance, wind turbines are used by PRUPIM to generate electricity for 1, 200 houses in Green Park, Reading.

Legal

Under Sex Discrimination Regulations, insurance company in U. K, inclusive of Prudential, are eligible in offering different packages and plans according

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to gender. This is because there are difference in need between men and women. However, these annuities are only applicable for those who fit all criteria such as individual data must be updated and issue by Her Majesty's Treasury, as well as all information is accurate and precise. In a research of Government Actuary's Department, women receive lower payment in an annuity compared to men because duration for payment is longer as women is forecasted to age till 85 and men is 82. This will not violate the law in all operating countries.

Source: <http://www.geographylwc.org.uk/A/AS/ASpopulation/popstructure1.html>

Micro environment:

Internal Analysis

Human Resources

Prudential has great employees that bring great success to the company. Prudential has 27, 389 trained employees and agents are working nationwide dominating entire insurance business in United Kingdom, under the lead of Nick Prettejohn, U. K Chief Executive to perform professionally. These employees are scattered for few sections, such as help lines, independent counselors and medical advisers. Annual growth for employees is 7. 7%.

Informational Resources

Prudential trains all employees for absolute performance worldwide, assisting customer's enquiries and provide guidelines for products. The

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training includes one to one coaching for better learning capabilities and development. There is an online learning management system provided for employees to keep track with information and upgrading latest information of Prudential. There are 3, 500 modules available, such as foundation skills programs, leadership management and functional technical management.

Besides, Prudential informative team will constantly upgrading the firm by exposing themselves to latest insurance and living issues through research, feedback and interviews from customers, provide best solutions for all issues and improve current offerings.

Financial Resources

Prudential mainly earn its income to support the whole organization through pension funds. Pensions, retirement funds and investment have been the targeted market for firms to expand as the importance of retirement funds is relatively important in recent years. The graph below shows the growth of Prudential Pension funds.

(<http://www.trustnetuk.net/Factsheets/Factsheet.aspx?fundCode=PAF02>HYPERLINK " <http://www.trustnetuk.net/Factsheets/Factsheet.aspx?fundCode=PAF02&univ=P>"&HYPERLINK " <http://www.trustnetuk.net/Factsheets/Factsheet.aspx?fundCode=PAF02&univ=P>" univ= P)

Current offerings:

Prudential offers a wide range of products, from retirement funds, investment plans and insurance, either individual or property. These few elements are the main product lines for Prudential to obtain sales turnover, <https://assignbuster.com/the-values-and-principles-of-prudential-plc/>

in order to dominate the influence of Prudential worldwide. As top insurer in U. K, beating competitors such as Aviva, AXA and AIG (America International Group). Professional services provided to all customers are always a competitive advantage, as customer database software is upgraded all times. For instance, an implementation of new software, Enterprise Service Bus (ESB) in July 2010. These few product lines made over millions for Prudential for past decades.

<http://www.barnett-waddingham.co.uk/news/2003/08/with-profits-bonus-rate-cuts-the-downward-trend-continues/>

The graph above shows Prudential offers a wide range of products in U. K as compared to few big insurers.

Car insurance

Health insurance

Home insurance

Travel insurance

Life and seriously illness cover

Insurance

Bonds

ISAs (Individual Saving Accounts)

OEICs (Open Ended Investment Company)

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Unit trusts

Investment Plans

Besides, Prudential does offer several self measured plans for customers to decide on investment without provider interruptions and amount on investments are flexible. Customer's wills are all taken in account and it helped in building Prudential's reputation and customer's satisfaction.

http://www.pru.co.uk/about_us/customer_impact_survey/

In addition, Prudential U. K obtains astounding profit from all products comparing other operating countries because of difference in business practice. According to Jonathan G. Katz, Secretary Securities and Exchange Commission, Prudential U. K credits bonuses to either policy or policyholder, which will directly affect on profit of the year and it portrays the investment return. Below is the sentence extracted from Jonathan G. Katz's explanation on U. K business practice on generating better income, despite the product pricing because all the returns are based on amount invested or placed into a fund.

“ Part of the reason for the very significant discretionary element is due to smoothing returns to policyholders, which is a fundamental feature of U. K. with-profits contracts. Typically, annual bonuses will be declared during the life of a policy at comparatively low, but from year to year relatively consistent, levels. Terminal bonuses, which represent a significant proportion of total bonuses on a policy, are usually declared at or near the end of the policy's life. They will broadly reflect the policyholders' share of the balance

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of investment returns and other profits and losses arising on the with-profits fund, attributable to the policy, that have not been credited through annual bonuses in earlier years. " ByJonathan G. Katz, 13 December 2002.

Prudential's products cover all stages of life, from pre schooling to retirement. Therefore, the business will continue in serving the community because it offers early preparation for life.

Previous performance

Prudential has successfully gain profit from its business throughout the past 10 years by implementing changes from all aspects, improve services provided and supply wide range of products for all levels of the community. In results, the total sale since year 2007 has been increasing constantly, either from new or present business, with a rise in sales of 16% compared to 2006, 10% in 2008 and 11% in 2009. Share price for Prudential has been increasing for a period time and this shows the revenue earned is expected to be high and satisfying. The success is foreseen to be in a long run.

<http://www.lse.co.uk/shareprice.asp?shareprice=PRU>HYPERLINK "

<http://www.lse.co.uk/shareprice.asp?shareprice=PRU&sharename=prudential>"&HYPERLINK " <http://www.lse.co.uk/shareprice.asp?shareprice=PRU&sharename=prudential> sharename= prudential

Prudential U. K Financials:

Sales

\$77. 672991522 bil

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Profits

\$1. 093257973 bil

Assets

\$364. 171154997 bil

Employees

27389. 0

[http://finapps.forbes.com/finapps/jsp/finance/compinfo/CIAtAGlance.jsp?
tkr= PUK](http://finapps.forbes.com/finapps/jsp/finance/compinfo/CIAtAGlance.jsp?tkr= PUK)

Share price and sales for Prudential for last quarter of year 2010, can be seen it has been increasing tremendously and therefore it is said to be a continual success case.

[http://www.prudential.co.
uk/prudential_hy2008/review/key_performance_indicators.html](http://www.prudential.co.uk/prudential_hy2008/review/key_performance_indicators.html)

This is the profit increment in new business comparing with previous years of pre tax value for shareholders cash flow in new business, the figures are calculated after deduction of impact of time value and cost, extracted from Prudential webpage.

[http://www.prudential.co.
uk/prudential_hy2008/review/key_performance_indicators.html](http://www.prudential.co.uk/prudential_hy2008/review/key_performance_indicators.html)

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The holding operating cash and short term investment increased to 153% compared to previous year, which means the business is running well and successful.

The figures above are sufficient enough to portrait Prudential's success throughout the year and it gives a strong financial foundation to launch more insurance plans to increase better revenue and sales turnover. Furthermore, the company will contribute more in beneficial activities such as donations for poor countries which have been done for years in Prudential's corporate responsibility.

<http://in.reuters.com/article/idINN019938820100305>

The statistics above shows that Prudential is in strong financial status because there are adequate resources to purchase AIG. Prudential's purchasing AIG plan if succeeded will be the biggest buy in insurance field which shows the strength of Prudential.

SWOT ANALYSIS:

Strength

Prudential is essentially one of the most famous insurers in U. K due to the wide range of choices available for customers and offers a service where insurance plans are tailored for each customer accordingly. This is a competitive advantage because other insurers in U. K do not offer as many plans as Prudential and most of the plans are standardized. For instance, customers are able to decide amount invested and risks encountered within a plan. This would trigger the perception in customers towards firms because

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it highly relates to understanding of customer's current needs. In addition, Prudential has good image reputation and well known in U. K in supporting most of the corporate responsibilities activities, such as international charity for development in poor countries and awarded for great achieving ISO 14001 environmental friendly standards by local and global authority,

Weakness

However, there are certain aspects should take in account for better performance, such as misunderstandings of customers towards certain claims. There were several cases where Prudential agents mislead customers in certain insurance plan that consequence in a lawsuit battle in all operating countries. Agents and workers should had master all criteria in all plans during training sessions and self assessment webpage, approach subordinates for further explanation is appropriate for perfect information.

Position hierarchy in Prudential is also another issue where settlement for claims is constrained into short period of time. This would affect decisions because all settlement cases should be revised thoroughly and handle effectively. Time is crucial but professionalism is the key for it. Employees should review each settlement in detail with time efficiency for absolute results.

Opportunities

Prudential has great opportunity in succeeding because people started to realize the importance of saving from young and planning for retirement life. This is due to natural disaster that happened more frequent than previous

decades, which would flush away belongings in a blink of the eye. The awareness of insurance plans is growing rapidly to guarantee some return for every lost, depending on the terms and condition of a policy. For instance, tsunami that relapsed without warning few years back. Besides, pension funds are the current trend for individuals due to economic issues, such as rise in price for petrol and other daily needs. Pension funds and retirement plans would distribute monthly income to applicants as usual, maintaining spending ability of an individuals and guarantee a stable income.

Understanding of life insurance regulations does contribute to bigger success to Prudential, this could be illuminated through properly funding to equalize with customer's liabilities and fair treatment for all customers. This would gradually increase the service standard of Prudential, which result in greater brand awareness and create good reputation.

Threat

However, there is a problem that might be an obstacle for Prudential in achieving its aspired success, which is financial crisis. Financial crisis gives big impact on insurers because the value of each investment will fall, which results in lost or even lower revenue. For instance, financial crisis in 2008, where Prudential's share price was dropped by 20%. It affected the total revenue earned.

Besides, difficulties in changing regulations on products that are related to gender issues. Some products offered by Prudential might vary in terms of gender, such as pricing and benefits available. For instance, Prudential

offered an annuity which is differentiated by gender; evaluate benefits received through the forecasted lifespan of both women and men, where women are expected to live longer. Below are two examples extracted from an article;

The premium payable by a woman aged 40 for life cover is likely to increase by 16 per cent, against a fall in a man's premium at the same age of 8 per cent.

the reality of different life expectancies for men and women would be to increase the annuity a woman would be able to purchase at age 60 by 2 per cent; and to reduce the annuity a man aged 60 could purchase by 3 per cent.

Source: (<http://www.fsa.gov>.

[uk/pages/Library/Communication/Speeches/2004/sp173.shtml](http://www.fsa.gov/uk/pages/Library/Communication/Speeches/2004/sp173.shtml))

ASSUMPTIONS:

There are few assumptions made during the preparation of marketing plan for Prudential, which were directly appointed to financial crisis and employee's efficiency.

Financial crisis:

Due to the big market share Prudential obtain in U. K, the sight of financial crisis affecting the firm is considerably low, to be optimistic for following years, although inflation and economic crisis might relapse. Investment in developing countries are said to be more profitable. However, Prudential has made precautions move to protect customers and firm's benefit.

Prudential has started offering products that are eligible for customers to evaluate risks and capital on their own, leaving all the decisions made solely by customers, with agents assisting for information.

Terms and conditions of products vary to keep track on current trends in U. K market. This would benefit Prudential and also customer in seeking for latest needs, best way to minimize problems caused by economic or financial crisis, prior to customer's benefit.

Employee's efficiency:

Employees plays a crucial role in connecting customers to Prudential, therefore working abilities have to be relatively high to portraits a good image and reputation. Assumes that employees are well trained for serving customers, Prudential made a move to maintain employee's professionalism.

Monthly assessment are made to evaluate employee's standard and knowledge with products, meetings to brief on latest products that will be launched, to grant a great success in customer's respond.

Marketing Objective

In year 2010, company's activities are similar to Prudential's practice from previous years, with additional implication to all policies. Prudential's objectives will be focusing on SMART, which are Specific, Measurable, Achievable, Realistic and Timeline.

Specific

15% increment in number of customers.

Attain 4% of competitor's customers to Prudential by offering more products that are prior to customer's needs.

Measurable

Trained employees can help Prudential in attracting new customers by providing best services among competitors, guiding customers to correct products professionally. Plus, offering more current trend products, such as pension funds and investment due to the latest insurance trend in U. K.

Achievable

Prudential have huge potential in attracting new customers because of its upgraded trainings, additional assessments are made to maintain professional standard, and new customer databases system.

Good services will lead to brand awareness and attain greater market share.

Realistic

Intense training for employees, sufficient resources on customers and compensation in effort for serving customers are crucial to create a professional image in the public eye. All employees will have monthly assessment and awards will be given to motivate employees.

Timely

The duration forecasted for the targets is 3 years, as a trial for the business to forecast if the expectations are too high and make adjustments.

Financial objective

Specific

To achieve financial results of 15% increment in business profit through new strategies.

Increase market share by 5% in U. K market.

Measurable

Achieve lower business profit to increase market share, because Prudential has a significant role in U. K insurance line but lower growth rate. Therefore, the main goal in 2011 would be market share and growth, not profit based.

Achievable

The objective is achievable because Prudential has financial foundation and many resources available to sustain such move and it will bring better profit in future, such as professional employees and good financial position.

Realistic

Prudential has been gaining profit from its new business, building strong financial foundation and therefore there are sufficient resources to sustain such a plan in future.

Timely

The duration forecasted for the targets is 3 years, as a trial for the business to forecast if the expectations are too high and make adjustments.

Societal objective

Specific

Reduce pollution to conserve the environment by 5% as compared to previous year.

Increase awareness of environmental information, such as new technology in reducing pollution.

Measurable

Prudential has already implemented some advance technology and policies in reducing pollution, therefore the effort in continuing will be successful.

Achievable

It is achievable because Prudential has been upgrading its environmental knowledge and implementing all necessary policies or technology in conserving the earth.

Realistic

Prudential has implemented PRUPIM to keep track on all possible outcome caused by the firm and to inject new policy or information to the employees in order to meet environmental friendly standard.

Timely

The duration forecasted for the targets is 3 years, as a trial for the business to forecast if the expectations are too high and make adjustments.

COMPETITOR'S ANALYSIS (AXA INSURANCE):

Analyzing competition:

Insurance market in U. K is a pure competition market where best firm who offers great plans will dominate market share. These firms major in similar <https://assignbuster.com/the-values-and-principles-of-prudential-plc/>

insurance plan as Prudential, which would trigger customers to make comparison and therefore, competition is provoked. In addition, these competitors are catching up rapidly in offering wide range of plans to the public, which contradict with Prudential's initial plan to expand its influence in U. K market share. Prudential has a direct competitor in U. K, which is AXA Insurance. AXA Insurance is a tiger competitor as the firm adapts to new policies or responds ideas quickly. For instance, AXA offers over 80% of similar insurance plans and funds with Prudential vary from benefit aspects only, such as life cover, health insurance, home insurance and pensions or retirement funds.

Competitive advantage

AXA Insurance has the same major with Prudential in recent years, which is pension funds and retirement plans. This would give a direct impact to Prudential as customers will make comparison and have similar targeted market as Prudential. For instance, AXA Insurance has funds referred as Sun Life Direct. Sun Life Direct funds are basically savings for loved ones when applica