

FACTORS INFLUENCING THE IMPROVED MARKET STANDING OF INSURANCE COMPANIES

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A b s t r a c t

The aim of this article is to identify factors influencing the improvement of the market standing of insurance companies. The following hypothesis was taken into consideration in this elaboration – the market standing of an insurance company is shaped not only by the quality and price of products, but also by the quality of consumer service as well as the company's good name.

The identification of the factors was done on the basis of a self-based study in which survey research was used and the data collection instrument was a self-completed questionnaire. The survey was sent by post or via the Internet to all 63 insurance companies located and run in Poland between 2008-2010. 57 questionnaires were correctly completed and sent back.

CZYNNIKI WPŁYWAJĄCE NA POPRAWĘ POZYCJI RYNKOWEJ FIRMY UBEZPIECZENIOWEJ

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S ł o w a k l u c z o w e: pozycja rynkowa, relacje z klientami, systemy informatyczne, komunikacja marketingowa.

A b s t r a c t

Celem artykułu jest identyfikacja czynników wpływających na poprawę pozycji rynkowej firmy ubezpieczeniowej. W opracowaniu przyjęto następującą hipotezę: pozycja rynkowa firmy ubezpieczeniowej jest kształtowana nie tylko przez jakość i cenę produktów, lecz także przez jakość systemu obsługi klienta i renomę firmy. Czynniki zidentyfikowano na podstawie wyników badań własnych, w których wykorzystano metodę kwestionariusza, a narzędziem badawczym była ankieta pocztowa lub internetowa. Ankiety wysłano do wszystkich 63 zakładów ubezpieczeń mających siedzibę i działających w Polsce w latach 2008–2010. W pełni i prawidłowo wypełnionych zwrócono 57 ankiet.

Introduction

The insurance sector is tightly connected with the developing market economy in Poland and it is a key element of its financial sector. Increasing competition between insurance companies leads to a situation in which companies need to have appropriate sources in order to gain a favorable competitive advantage. Taking into account a competitors' strategy; four strategies can be enumerated:

1. the most competitive prices,
2. the quality of the product,
3. the quality of the service,
4. the company's good name.

In practice, all of these strategies are rarely applied simultaneously. Companies usually choose mixed strategies which are focused either on the quality of the product and the service system; the most competitive prices and product quality; or finally on the quality of the service and the company's good name.

In the case of shaping the market standing, the strategies of the company may be described as follows (KOTLER 1988):

- leader's strategy,
- challenger's strategy,
- follower's strategy,
- market niche seeker.

Leader strategy is that the company maintains the leading position or even bolsters it further. The company that throws down the gauntlet, the challenger, wants to dominate. The imitator is the company which uses those elements of the leader's strategy, which have the most considerable influence on competitive dominance. The seeker of the market niches is the company looking for those market segments which are not apparent to the others. Insurance companies, depending on the market position they occupy, apply the chosen strategy, which, like other strategies, should include a clearly defined system of customer service unequivocally differentiated from the competitors.

The market position of the insurance company

The company's market share is one of the two indicators (apart from the financial situation of the company) which defines its competitive position (PIERŚCIONEK 1996). This means that a high market share and good financial situation of a company indicate the favourable position of the company. However, many insurance companies, especially those entering the market or

those which want to achieve dynamic growth of market share use prices that are almost dumping prices, which means that their competitive position cannot be recognized as sound. Nevertheless, such a strategy is used quite often by many insurance companies, as in this way they can more quickly transfer from a weak competitive position to a more favorable one.

The market position of the company may be determined by various factors, from which the following two can be enumerated as the most important ones:

- service and marketing system,
- company reputation.

Those two factors are in close correlation and should be considered only in reciprocal interactions. The service and marketing system is the result of a company's management system which consists of management abilities, organization, motivation as well as different kinds of information including those from the scope of efficacy and efficiency of managing the relations with the clients. The company's reputation, in turn, is presented in its brand image, which may be shaped by various factors including the clients' belief that the company applies modern management methods ensuring the certainty of compensation payments or at least damage benefits. From this point of view, there are two clear management strategies (PORTER 1980):

1. strategies related to maintaining the value of service to the customers,
2. strategy of having an outstanding reputation.

Strategies related to maintaining the value of services to the customers focus on clients' needs. In the case of insurance companies "a satisfied client acts in favor of the company, not only by purchasing but also by creating a positive image of the insurance company and its offer" (NOWOTARSKA-ROMANIAK 2005). That is why the insurance companies who investigate the level of satisfaction of their clients and do not neglect customer complaints (as far as client satisfaction levels are connected with purchasing or after-sales service are concerned) operate better.

Some of the market research indicates that clients who are not satisfied with a purchase comprise about 25% of all clients; however, only one fifth of them make complaints (GLANZ 1994). This means that if one client makes a complaint, 20 others are dissatisfied clients who do not complain (CHRISTOPHER et al. 1994). The reason is either a lack of client knowledge about who they should turn to or the belief that it is not worth bothering and making complaints as they will not be accepted anyway. Meanwhile, the company's willingness and its ability to solve clients' problems is concurrent with building client trust and loyalty which, as a result, influences the future position of the company in the market. It turns out that according to another study as many as 54% of dissatisfied clients, who had made a complaint and whose complaints were accepted, did later make a repeat purchase (LOVELOCK 1991). What is

more, clients who are satisfied with the way their complaint was taken care of tell about their positive experience to approximately 3–6 people (JOHNSTON, HEWA 1997). Consequently, it may be stated that all the complaints should be treated with gratitude as they provide information concerning what clients like in the company's activities. The situation described above, from the point of view of the insurance companies is presented in Table 1.

Table 1
Customers' satisfaction with the way their complaints were taken care of by the insurance companies' workers

Itemization	The number of answers	The percentage of answers
1 – very bad	0	0.0
2 – bad	13	22.8
3 – hard to say	15	26.4
4 – good	19	33.3
5 – very good	10	17.5
Altogether	57	100.0

Source: self study based on the empirical research.

Table 2
The results of the Pearson's chi square test: customers' satisfaction with the way their complaints were dealt with by the insurance companies' workers and – higher market share than competitors

Itemization	Value	<i>p</i>
Pearson's chi-square test	26.65	< 0.01

Source: Self study based on the empirical research.

Table 3
The insurance company has much higher market share than most competitors

Itemization	1 – I completely disagree, 5 – I completely agree				
	1	2	3	4	5
Customers' satisfaction with the way their complaints were dealt with by the insurance companies' workers	percentage of answers				
1 – very bad	0.0	0.0	0.0	0.0	0.0
2 – bad	53.8	20.0	9.5	0.0	30.0
3 – hard to say	30.8	20.0	42.9	0.0	10.0
4 – good	15.4	60.0	33.3	50.0	30.0
5 – very good	0.0	0.0	14.3	50.0	30.0
Altogether	100.0	100.0	100.0	100.0	100.0

Source: Self study based on the empirical research.

Judging from the data included in table 1, over 50% of respondents who were asked about their satisfaction (as far as dealing with their complaints was concerned) graded it as handled very well or well; although quite a large group (22.8%) rated it as bad. In order to determine if there is a correlation between client satisfaction with the contacts from an insurance companies' workers in the last month and dealing with clients' complaints and a favorable market position of the insurance company, Pearson's chi-square was done (Table 2). It turned out that with a statistical significance of 1% it can be stated that such a correlation exists. The above mentioned relation is also confirmed by the research results presented in Table 3.

Taking into consideration the above results, it may be stated that the highest percentage of the respondents (50% and 50%) had chosen "well" and "very well" when defining the level of their satisfaction with the way the insurance companies' workers deal with their complaints when the company's market share was much higher (4 – I agree) than competitors. A high percentage of respondents (30% and 30%) chose "well" and "very well" in the case where the market share was much higher (5 – I completely agree) than competitors. For the insurance companies, which have the lowest market share (1 – I completely disagree) the most frequent indicators were (53.8%) for "bad". Consequently it may be deduced that the higher the insurance company's market share in comparison with most competitors, the higher the clients' satisfaction as far as dealing with their complaints by the insurance companies' workers.

A very significant element of client satisfaction is their grade concerning the politeness and professionalism of the insurance companies' workers they have contact with. That is why trainings connected with enhancing the quality of the workers' assigned job with a focus on contact with clients, among other things, must be adapted to the anticipated changes in the organization and surroundings (POCZTOWSKI 1998), as well as to the challenges connected with the satisfaction of the trained workers, as there is a close relationship between the clients' satisfaction and the workers' satisfaction (GERPORTT, PAUKERT 2011). This relationship results from the theory of transferring emotion, according to which "the emotional state of the worker sends signals, which may be caught in an objectified way and transformed on the customer" (DOHERTY 1997). The results of the research concerning customer satisfaction in the last month of work as far as politeness and professionalism of the insurance companies' workers are concerned are shown in Table 4.

Table 4

Clients' satisfaction with politeness and professionalism of the insurance companies' workers in the last month of work

Itemization	The number of answers	The percentage of answers
1 – very bad	0	0.0
2 – bad	13	22.8
3 – hard to say	11	19.3
4 – good	29	50.9
5 – very good	4	7.0
Altogether	57	100.0

Source: Self study based on the empirical research.

Almost 58% of the respondents graded their satisfaction as very good or good. In order to establish if there is a relationship between customer satisfaction in the last month of work with the politeness and professionalism of the insurance companies' workers and higher market position of the insurance company, Pearson's chi-square test was done (Table 5). It turned out that with a statistical significance of 1% it may be stated that such a correlation exists. The above mentioned relation is also confirmed with the results of research included in table 6.

Table 5

The results of the Pearson's chi square test: Clients' satisfaction with politeness and professionalism of the insurance companies' workers in the last month of work and – higher market share than most competitors

Itemization	Value	<i>p</i>
Pearson's chi-square test	29.29	< 0.01

Source: Self study based on the empirical research.

Table 6

The insurance company has higher market share than most competitors

Itemization	1 – I completely disagree, 5 – I completely agree				
	1	2	3	4	5
Clients' satisfaction with politeness and professionalism of the insurance companies' workers in the last month of work	percentage of answers				
1 – very bad	0.0	0.0	0.0	0.0	0.0
2 – bad	53.8	0.0	23.8	0.0	10.0
3 – hard to say	23.1	40.0	23.8	0.0	10.0
4 – good	23.1	60.0	47.6	62.5	80.0
5 – very good	0.0	0.0	4.8	37.5	0.0
Altogether	100.0	100.0	100.0	100.0	100.0

Source: Self study based on the empirical research.

Taking into consideration the above results, it may be stated that the highest percentage of respondents (80,0%) graded the level of client satisfaction (as far as politeness and professionalism of the insurance companies' workers in the last month of work are concerned) as good when the company's share in the market was much higher (5 – I completely agree) than competitors. What can be observed with insurance companies which have much lower market share (1 – I completely disagree) is significantly a more frequent choice of "bad" (53.8%). Consequently, a conclusion may be drawn that the higher market share (in comparison with competitors) the higher the clients' satisfaction as far as politeness and professionalism of the insurance companies' workers in the last month of work are concerned. This means that the insurance companies who are the leaders in the insurance market pay much more attention to kind and professional service of their clients by the company's workers.

Managing the relations with clients became one of the most important issues of a companies' strategic thinking which, thanks to information technologies, has been introduced widely since the 1990s. The integration of information systems operating separately on sales, service and marketing enabled the implementation of the relationship marketing conception, which gives a general direction to all the activities connected with clients (BURNETT 2002). It relies on, among other things, strengthening the relations with clients by trustworthy and solid interpersonal contacts and fulfilling the duties to clients in a responsible way. The necessary research was conducted in order to grade the software used by the insurance companies to facilitate relations with clients. The results are presented in Table 7.

Table 7

The insurance company uses software facilitating relations with clients

Itemization	The number of answers	The percentage of answers
Definitely yes	22	38.6
Rather yes	18	31.6
I don't have any opinion	10	17.5
Rather not	7	12.3
Definitely not	0	0.0
Altogether	57	100.0

Source: self study based on the empirical research

In order to determine if there is a relationship between the grade of the software used by the insurance companies to facilitate relations with clients and a higher market position of the insurance company, the Pearson's

chi-square test was done (Table 8). The results show that with a statistical significance of 1% it may be stated that such a relationship exists. The relationship described above is also confirmed by the results included in Table 9.

Table 8

The results of the Pearson's chi square test: the insurance company uses software to facilitate the relationship with clients and – the insurance company has a higher market share than most competitors

Itemization	Value	<i>p</i>
Pearson's chi-square test	26.63	< 0.01

Source: Self study based on the empirical research.

Table 9

The insurance company has a higher market share than most competitors

Itemization	The insurance company is a leader in the insurance industry				
	1	2	3	4	5
The insurance company uses software to facilitate the relationship with clients	percentage of answers				
Definitely yes	30.8	40.0	23.8	87.5	40.0
Rather yes	7.7	40.0	42.9	12.5	50.0
I don't have any opinion	23.1	0.0	28.6	0.0	10.0
Rather not	38.5	20.0	4.8	0.0	0.0
Definitely not	0.0	0.0	0.0	0.0	0.0
Altogether	100.0	100.0	100.0	100.0	100.0

Source: self study based on the empirical research.

Taking into consideration the above results, it may be stated that the highest percentage of the respondents (50%) chose the statement claiming that the insurance company uses software to facilitate the relationship with clients when its market share is higher (4 – I agree) than in the case of the competition. A high percentage of the respondents (40%) confirmed a similar situation in the case of a much higher market share (5 – I completely agree). For the insurance companies which had the lowest market share (1 – I completely disagree), there may be observed a much more frequent choice of the grade “rather not” (38.5%). It all leads to the conclusion that a higher market share of an insurance company (in comparison to the competition) is related to the use of software to facilitate relationships with clients.

Insurance companies need to be image-conscious as customers trust in the Polish insurance market is not high. This image is created by numerous elements. It may be, for example, historical experience (for many years in

Poland there was only one insurance company, it is a typical example of a monopoly together with its negative consequences), or the result of insurance specificity, in which the perception of the insurer is determined mainly by the occurrence of an indemnifiable accident (mostly an unpleasant one). Other factors influencing the image of an insurance company are customer claims related to not paying the insurance money even in a situation where the signed insurance contract did not include the accident that happened. The research also shows that customers perceive as credible those companies from the insurance industry which are large, as it is a common belief that a powerful and wealthy insurer can guarantee payouts of compensations (SZWED-PIESTRZENIEWICZ 2013). The results of the research presented in Table 10 show how the workers themselves perceive the image of the insurance companies in this aspect.

Table 10

The insurance company is a leader in the insurance industry

Itemization	The number of answers	The number as a percentage
Definitely yes	7	12.3
Rather yes	15	26.3
I don't have any opinion	2	3.5
Rather not	13	22.8
Definitely not	20	35.1
Altogether	57	100.0

Source: self study based on the empirical research.

In order to establish if there is a relationship between the company's image (in comparison to competitors) when leading in the insurance industry and higher market share (in comparison to competitors), the Pearson's chi-square test was done (Table 11). It turned out that with a statistical significance of 1% it may be stated that such a relationship exists. The relation is also confirmed by the research results presented in Table 12.

Table 11

The results of the Pearson's chi square test: The insurance company is a leader in the insurance industry – the insurance company has a higher market share than most competitors

Itemization	Value	<i>p</i>
Pearson's chi-square test	55.59	< 0.01

Source: Self study based on the empirical research.

Table 12

The insurance company has a higher market share than most competitors

Itemization	1 – I completely disagree, 5 – I completely agree				
	1	2	3	4	5
The insurance company is a leader in the insurance industry	percentage of answers				
Definitely yes	0.0	0.0	9.5	25.0	30.0
Rather yes	0.0	0.0	19.0	62.5	60.0
I don't have any opinion	0.0	20.0	4.8	0.0	0.0
Rather not	0.0	40.0	42.9	12.5	10.0
Definitely not	100.0	40.0	23.8	0.0	0.0
Altogether	100.0	100.0	100.0	100.0	100.0

Source: self study based on the empirical research.

On the basis of the research presented above it may be stated that the highest percentage of the respondents (60%) chose the statement that the insurance company is the leader in the insurance industry when the market share was much higher (5 – I completely agree) than the competition. For the insurance companies which have the lowest market share (1 – I completely disagree), it can be observed that the most common indicator is (100%), which means that 100% of the respondents admitted that their insurance company is not the leader in the insurance industry (they chose the option “certainly not”). Therefore, it may be deduced that the higher the market share of the insurance company is, the more important and meaningful it is for the clients that the insurance company is in a leadership position.

One of the ways of strengthening the relationship with the insured is by creating a loyalty club, also called a marketing club. Its members are the clients who were selected on the company's own- initiative in order to assure regular and direct contacts. The members of the club have benefits which are unavailable to other company clients and, as a result, they feel more connected with the company. Membership in the club makes the buyers more willing to make more of their personal and psychographic data available for the company, which as a result enables the creation of an extended data base about the clients. Thanks to that, it is possible to create marketing campaigns which are better customized toward customer preferences and interests based upon previous purchases (SKŁODOWSKA-MICHALSKA 1996). The fact that club members show more commitment and are more willing to recommend the company to others is also of crucial importance (DAY 1990). In order to establish if within insurance companies there are loyalty clubs or other similar forms of the strengthening of bonds with the insured client, the appropriate research was conducted; the results of which are presented in the table below.

Table 13

In the insurance company there is a loyalty club or other similar form of bond strengthening with the insured client

Itemization	The number of answers	The percentage of answers
Yes	38	66.7
No	19	33.3
Altogether	57	100.0

Source: self study based upon the empirical research.

The Pearson's chi-square test was done in order to establish if the correlation between being a member of a loyalty club or similar form of strengthening the relations with the insured and the market position of the insurance company exists (Table 14). It turned out that with a statistical significance of 0,1% it may be stated that such a correlation exists. Such a relationship is also confirmed by the research included in Table 15.

Table 14

The results of the Pearson's chi square test – the insurance company has a loyalty club or other similar form of bond strengthening with the insured client and – higher market share than most competitors

Itemization	Value	<i>p</i>
Pearson's chi-square test	17.97	< 0.001

Source: Self study based on the empirical research.

Table 15

The insurance company has higher market share than most competitors

Itemization	1 – I completely disagree, 5 – I completely agree				
	1	2	3	4	5
The insurance company has a loyalty club or other similar forms of bond strengthening with the insured client	percentage of answers				
Yes	23.1	80.0	66.7	100.0	90.0
No	76.9	20.0	33.3	0.0	10.0
Altogether	100.0	100.0	100.0	100.0	100.0

Source: self study based upon the empirical research.

On the basis of the above results, it may be stated that the highest percentage of respondents (100%) chose the fact of belonging to a loyalty club or other similar form of strengthening relations with the insured in the case where the market share of the insurance company was higher (4 – I agree) than competitors. For the insurance companies whose market share was the highest

(5 – I completely agree) only a few such indicators may be observed (90%). It may be stated that the higher the market share of the insurance company, the higher the importance of loyalty clubs or other similar forms of bond strengthening with the insured.

Summary

If the insurance company wants to compete with other companies in the insurance industry, it must fight with the others for a higher position in the market. This means that an insurance company must apply a winning strategy, i.e. using the best techniques in business, being one step ahead of the competitors and using the synergy effect in their actions. According to the synergy effect, it is possible to gain multiple benefits thanks to connecting many parts into one unity, for example, connecting many employees into a well-knit team. Another important element of the market fight in the era of strong competition is the so called “soft management”, for example, the skillful use of the company’s reputation. It is a unique set of qualities which distinguishes the company in a positive way from its competitors. The effect of such distinguishing is usually a strong company brand, which creates a strong potential, reinforcing or increasing the company’s position in the market or expanding the company’s work into new markets, new products and new clients.

The identification of the factors influencing the improvement of the market position of the insurance company conducted in this study indicates that such factors may be, among others, chosen elements of a system of marketing and service, as well as those connected with managing the relations with clients and the company’s good name. The strategy of standing out in the system of customer service may concern the clients’ satisfaction with the way their complaints were looked into by the insurance company’s workers, the politeness and professionalism of those employees in all the stages of the process of communication with clients, the use by the insurance company of ITC systems facilitating contacts with clients and/or creating a loyalty club. A company’s good name is expressed in the company’s image, which may be shaped by various factors, including leadership in the insurance industry. In this way, the hypothesis which was put forward in this study was positively verified.

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