

TECHNIQUES AND METHODS FOR PROMOTING GENERAL INSURANCE PRODUCTS

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ABSTRACT

Selling of the own products or services is the goal of each commercial organization without which it cannot achieve the efficiency and probability objectives. This is possible only with the help of promotion of the organization's products and services in purpose to assure a good image at the market level. The paper presents the promotion methods and techniques used by the insurance companies to promote the general insurance products.

KEYWORDS: *promotion, communication, selling, general insurance, marketing mix.*

Selling of the products and services offered by a commercial organization is the one that assures its good functioning and competes in achieving the set objectives. Component of marketing mix, promotion is the one that assures the information flux regarding the characteristics, advantages and benefits of offered services or products.

Another important element is the *public image* of the company. In insurance domain, "the public image of an insurance company, set mainly by its actions in the advertisement and public relations domain, is tight connected by the company's marketing mix that includes the necessary activities to provide an insurance product to the client"¹.

The marketing mix has four major components: the product, the price, the promotion and the placement.

The **Product** is the main element of the marketing mix. Nevertheless there are situations when other elements are defining in successfully applying of a strategy regarding the public image of the company. Regarding the product or the service the bidder must establish the assortment variety, their quality, the name under they are promoted, the packaging (if is the case), the offered related services (free or charge), the offered warranty etc.

„In the insurance domain, this component of the marketing mix requires decisions, type: what category of insurance products must be offered, what are the services related to the products and the how these will be presented. In an insurance company, the decisions regarding the class of products gravitate around the domains in which the company has developed.”²

The **Price** is the one that makes a product attractive for the target segment and to be asked and sold in a sufficient amount that to assure its profitability. When it is established should be considered the list price (the one that is shown), possible discounts, accorded bonuses (following a purchase amount or the number of acquisitions, for advance payment), payment terms (on signing, after a certain period etc), and eventual credit

¹ Dan Anghel Constantinescu (coordonator), *Insurance treaty*, Ed. Semne '94, Bucharest, 1999, p. 427.

² Dan Anghel Constantinescu (coordonator), op. cit. p. 427.

conditions (offered directly by the producer or provider or through the societies that are empowered to give credits). In the insurance domain the price is established, usually, by applying a premium quotation at the insured sum. Another feature specific to the insurance domain is that the price varies depending the risk factors that may occur and can affect the insured good.

The **Promotion** is the one that assures the best image to the products and services at the market level and a good image of the organization in order to differentiate it by price politics, quality etc. this is an integral part of the dialog between producer / provider (bidder) and consumer / user (beneficiary). The term itself refers to the modality that the organization transmits to its potential clients (and equally to the existing ones) information about its products and services. The chosen method is tight connected both with the category of the targeted customers and with their nature and needs.

The **Placement (distribution)** makes the product to reach the final consumer. In this case very important are chosen the distribution channels (local, national, international), the number of territorial units and the way that these are identifiable, as all the problems which belong to the management of stocks and transport (from the producer to deposits or intermediaries or transport to the final consumer).

An important promotion element is communication of the defining elements of the promoted services or products.

All the promotion actions of a company's products or services are made with the help of communication. This process consists in information transfer.

Within the communication process can be identified the next elements:

➤ *The Source* – is a person, a group or an organization that wants to transmit a message to another person or group of persons. This is the initiator of the communication, the one that elaborates the message. He chooses the means of communication and the language so the receptor to understand the message.

➤ *The Receptor* – to whom the message is intended. Reception is at least as important as the issuing of the message. This may not coincide with the receptor followed by the source.

➤ Communication implies the existence of a source and a receptor, without these two elements we cannot communicate.

➤ Between the Source and the Receptor interposes *The communication environment*.

➤ It is very important that the communication process to be held in an environment that facilitates the reception of the message without it being tainted.

➤ *The Message* – represents the assembly of words, images and symbols transmitted by the source for the receptor. The message has the objective to inform, convince, impress, and obtain action.

➤ *The used language* can be: verbal, non - verbal (body language), time, space etc. (if it's possible).

➤ *The context* is very important because the same message can be interpreted in different ways.

➤ *Coding* – represents transforming the message by the Source in a way symbolically express the idea or the concept that needs to reach the Receptor (potentially buyer or existing client). In the context of promoting the products and services the message must stimulate buying.

➤ *Decoding* that represents the interpreting by the Receptor of the symbols transmitted by the Source.

➤ *Communication channel* that represents the means that the coded message is going to reach the Receptor. In the context of promotion the distribution channel can be a newspaper, a magazine, television, radio, street signs.

➤ *The response* – represents the Receptor's reactions after receiving the message. The objective is that after the receiving the message the potential client to decide to buy or the existent clients to be loyal. Another followed element is to succeed to change the position regarding the promoted products.

➤ *Feedback* – represents the part of the response that comes back to the issuer. Represents for the Source the most important information. Based on the reactions of the Receptor, the Source can intervene also to adapt the product or to rethink the promotion strategy.

➤ *The disturbing element (the noise)* – are the interferences that can lead to an incorrect perception of the message. Damages the purpose for what the message was conceded and can draw after itself the company's inefficiency.

For completing the communication processes with the expected answers, buying the product, there are used so called models of response hierarchy that follow the steps made by the consumers until getting the products.

There are several models of which the most popular is AIDA. This starts from the idea that promotion must to: Catch eye, spark the Interest, stimulate the Wish and to determine the Action.

The main strategies used in promotion are those 'pull' type and 'push' type.

If in the first place the 'pull' strategy was the most used one, in time this was replaced by the 'push' type strategy.

At the middle of '50's the rise of consumers purchase power amplified by the credit increase lead to selling almost everything that was produced.

After the slowing of the increasing demand rhythm, the main effort oriented to 'push' type selling especially to maintain a high level of sales. This inevitably leads to a profitability dropping. 'Pull' type strategy is used by many companies. These by solid publicity and promotion campaigns encourage the potential consumers and equally the existent clients to require the product or offered services. This is a strategy used especially by the large commercial chains. In this situation those concerned, by different methods and promotion techniques, are the consumers / users of the product / service.

The 'push' type strategy is that which the products are pushed to potential clients or existing ones and urge the first ones to try and the latter to continue to use them. The products are practically pushed, the bidder taking care that the products or services to be the most accessible. In this case most times the ones that are concerned (not by the promotion action but the granted incentives) are all that interpose between the producer and consumer / beneficiary, respective the distributors.

In the insurance domain the most used strategy is 'push' type where the insurance products are pushed to the potential clients. This due to the characteristics of insurance products distribution and also to their specific.

Regarding the characteristic of the insurance products distribution, we can observe that the most of the insurers create their own distribution networks (formed by branches and agencies). – Internal channel – but, equally they call the external distribution channels formed by physical persons agents, juridical and insurance brokers.

Also another important event is that of the insurance products characteristics:

➤ A first insurance services characteristic is that they are *intangible*, these cannot be seen, smelled, heard etc. insurance policies are simple documents that contain a

compensation promise in case that the provided risks happen and if there is not a situation that stops the insurer to pay the compensation.

➤ Another very important characteristic of the insurance services is that it needs interdependence between the insurer and the insured. When the policy is emitted the property transfer isn't made, the insured's depend of the insurer's performance if the event takes place. The performance that the insurer is obliged is conditioned by the taking place of the insured event, otherwise at the end of the contract, the insured does not receive anything, mostly a discount for the next year (in case of general insurances).

➤ *Outage* – the services characteristic that they cannot be kept for future consumption. The insurance policies have a period of validity that usually is of one year. If during this time the risk does not occur, the engagement assumed when the policy was signed stops when it expires.

➤ Another characteristic of the insurance services is that of the *standardization difficulty of services quality*. It is possible that, considering the fact that they are concluded through persons (employees, collaborators physical persons, juridical and brokers) to produce mistakes that can have a major impact upon the insured. So the quality of the performance is different from insured to insured and it is influenced by many factors, as: professionalism rate of the agent that concludes the policy, the type of insurance, duration, and the purpose for what it is concluded etc.

To increase the turnover, a company not necessarily needs to drop the price of its products and services. These can appeal at a permanent and open communication reported to the offer to aware and raise the clients and potential clients of the utility of the services and products offered to them and for the fact that the offered price is the best on the market or the related services to the product or service make it, by far, the most attractive from the existent offers.

Promotion has an important role to aware the target-public but also to create a favorable image of the company and its offer.

Most often it is assumed that any promotion is good and it creates a positive development in the company with direct passing image, sales and profit that it will register. Nothing less wrong. There were and certainly there will be promotion campaigns that had an opposite effect, although strong negative consequences in the market and target audience perception.

Because that the terms publicity and promotion are frequently used instead of the other, it is needs to be made some clarifications.

Normally, promotion means everything is done to help sell a product or service throughout the sales process by trying to engage the customer to think positively about the product or service in your ad.

Advertising has the essential purpose of communicating information or ideas of certain groups of people to change, renew or strengthen a particular view. Additional "advertising activity must contribute to influencing consumer education, in this way, the volume and pattern of consumption, purchasing habits and consumption within the meaning of their rationality."¹

Among the techniques and methods used in advertising are newspapers (daily and periodic), radio, television, cinema, outdoor advertising.

Sales promotion is a set of techniques that are intended to offer substantial enrichment by adding an additional value to the product / service, price, distribution, for a

¹ Virgil Balaure (coordinator), *Marketing*, 2nd edition, Ed. Uranus, Bucharest, 2003, p. 488

limited period of time, taking into account the business objectives and to gain a temporary advantage from the competition.

„In the literature, sales promotion means that, most often, the use of media and techniques to stimulate, enhance and increase the sales of goods and services offer enterprises forming.”¹

According to Philip Kotler, "sales promotion can be used for short-run effects such as to highlight product offers boost sagging sales. Sales promotion tools offer three distinct benefits:

1. *Communication*. They gain attention and may the consumers to the product.
2. *Incentive*. They incorporate some concession, inducement, or contribution that gives value to the consumer.
3. *Invitation*. They include a distinct invitation to engage in the transaction now.”²

While advertising offers a reason to buy, sales promotion offers an incentive to buy.

If advertising is proving to be very effective in raising awareness to customers of a product / service but does not necessarily lead to the acquisition, sales promotion provides the necessary incentives to encourage trial purchase of the product / service.

The most used sales promotion techniques are: communication, stimulation and invitation. All aim to increase sales. The most used method of sales promotion is that of reducing the price on a certain time, the price is a key element considered when the decision to purchase.

In addition to price reduction are used: grouped sales (when offered two or more products in one package, the resulting amount is less than the price of each product in part); gifts and promotional premiums, advertising contests, games and lotteries; advertising at the sales place, merchandising, loyalty programs.

In the insurance domain the most used promotion methods are:

➤ *Grouped sales* – many insurance companies have developed complex products that sold more policies, so within a complex policy of freight cars "bucket type" are covered risks of damage and theft (CASCO), auto liability insurance with availability outside Romania (Green Card) and carrier insurance (CMR). Another product is the complex house insurance, where, in addition to coverage by the basic policy, the risks of accidents are covered, persons residing at the address where is located the house and civil liability (damage of neighboring properties or housing risk -- if the insured is the tenant).

➤ *Lotteries* organized during the campaigns developed for the obligatory third party liability, when the insurers are competing in the amount and variety of the awarded prizes.

➤ *Loyalty programs* embodied in reductions to be granted when renewing the insurance contract for consecutive years without damage.

Other elements of the promotional activity are:

Public relations - another way to mass promote. Public relations activities aim primarily correct and permanent information of the public about the activities of a firm. Public relations are defined as "planned and continuous effort to establish and maintain mutual understanding between the company and customers or potential customers". Among the methods we mention: issuing press releases, boost free advertising for a product, public affairs - creating and maintaining community relations, lobbying. A big change in sales is

¹ Virgil Balaure (coordinator), *op. cit.*, p. 495.

² P. Kotler, K. L. Keller, *Marketing management*, 5th edition, Ed. Teora, Bucharest, 2008, p. 823.

generated by a shift to forms of direct communication with consumers. Using *direct marketing* can immediately communicate with potential customers through: phone, mail, Internet.

Direct marketing is all the communication techniques used by a company to establish direct contacts, personal and interactive, other than those that put the consumer in front of a product, contacts aimed at triggering a quick response from people concerned. This way of promotion is becoming more frequently used in promoting insurance products. This is done through the sales force while providing and promoting services with information on quality.

Personal selling involves direct communication, direct one or more potential customers to inform and persuade them to buy a product or service. Large companies allocate for personal sales more money than any other part of promotional activity.,, Personal selling is the most effective tool in the final stages of the purchasing process, especially in determining the buyers' preferences, convincing and the decision to take action. Personal selling has three distinctive features:

1. *Personal interaction.* Personal selling involves a immediate and interactive report between two or more persons. Each participant can observe the reactions of others.
2. *Cultivation.* Personal selling allows the emergence of all sorts of human interaction, from simple commercial natural dialogue without emotional involvement to a deep personal friendship.
3. *Answer.* Personal selling makes the buyer feel somewhat obliged to obey him at his tender."¹

Because that it brings in direct contact sales agents with buyers, private sales can be a promotional tool more persuasive than advertising, but promotional message reaches a much smaller number of potential buyers.

With personal sales is trying to collect the fruits of other promotional activities.

Insurance companies use this method to promote products with great success even if, as I mentioned, network maintenance costs resulting from the sales are quite high. For sales, insurance companies use both its agents and specialized agents such as insurance brokers, which have their own activities to promote certain products or companies conjugating the company's effort to obtain better results.

Support, sales force overlaps with human resource management and concerns: recruitment, training, remuneration, motivation and evaluation of their work.

As part of the product, *brand* plays an important role and is fully deserved, means of communication and promotion. "Invested with multiple functions put both in enterprise and consumer service, the brand is currently the subject of separate strategies focusing on key issues of market activities and ordered by rigorous criteria."² The brand must be endowed with many qualities: perceptibility, consistency, honor, power of evocation, personality, memory capacity, reputation, associability.

The brand enables identification, with its help, of the product, identifying the manufacturer / tenderer from the existing market; provides information to potential customers or existing customers thereby contributing to reduction efforts in the purchase process; offers to the buyers the opportunity to express their individuality and personality.

In the insurance market we can already speak of brands that already have been imposed. Here we remind insurers Allianz-Tiriac, AIG Romania and ING Life Insurance

¹ P. Kotler, K. L. Keller, *op. cit.*, p.824

² Virgil Balaure (coordinator), *op. cit.*, p.503.

which are synonymous services quality and financial power, brands which imposed with effective promotion campaigns.

Clearly the economic environment will reshape development methods and techniques to promote products / services; the insurance domain isn't an exception. Crisis whose effects we feel today will undoubtedly make its mark on the promotion means in the idea of obtaining greater efficiency of the promotion campaigns.

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