



SPECIMEN COURSEWORK ASSIGNMENT AND ANSWER

945 – (Marketing insurance products and services)

The following is a specimen coursework assignment question and answer. It provides a guide as to the style and format of coursework questions that will be asked and indicates the depth and breadth of answers sought by examiners. The answer given is not intended to be the definitive answer; well reasoned alternative views will also gain good marks.

Before commencing work on an actual coursework assignment, you need to fully familiarise yourself with the following documents:

- Coursework assessment guidelines and instructions;
- How to approach coursework assignments;
- Explaining your results notification.

Coursework assignments involve the application of knowledge to work-related questions. They require you to explore issues in the workplace relevant to the unit for which you have enrolled. The aim is that you should thereafter be able to apply this learning in the workplace.

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Coursework – assignment

Submission Rules

Before commencing work you need to fully familiarise yourself with the 'Candidate coursework assessment guidelines and instructions', including:

- Maximum word limit for assignments (3,200 words)
- Font type and size to be used in your assignments (Arial – size 11pt)
- Rules relating to referencing third party work
- Penalties for contravention of the rules relating to plagiarism and collaboration
- Deadline for submission of coursework assignments
- Outline of the marking criteria applied by assessors to submitted assignments

Important notes

Ensure that you have:

- Answered **all** parts of the question in sufficient depth
- Answered the precise question as worded – marks will not be awarded for irrelevant material
- Correctly referenced **all** sources shown on the reference list in your answer
- Checked your word count to ensure it is not too low as this might indicate that you are not answering in sufficient depth and will affect the marks allocated for components in the mark-grid. A word count that is too high may lead to lack of focus
- Reread your answer to ensure your description of the context is not too long as marks are only allocated for answering the question
- Reread your answer to ensure it is logically structured and that you have added value by making sufficient conclusions and recommendations

Failure to follow the guidance and instructions could result in you failing this unit.

Assignment

Provide a brief context for an insurance organisation or a division of an insurance organisation with which you are familiar. For this organisation or division:

- Explain the marketing activities involved in customer service
- Analyse how customer service contributes to successful business performance in a competitive market
- Make recommendations to improve the marketing activities in order to enhance business performance

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Additional note:

You are recommended to discuss your own organisation, or one that is familiar to you. Your answer is confidential to the CII and will not be shared. For this exemplar answer, which is widely publicised, a fictitious Company has been chosen so as not to highlight any particular company.

To be completed before submission:

| | |
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| Word count: | 3,184 |
|--------------------|-------|

Start typing your answer here:

Context

This answer is based on ABC, my employer, who is a UK regional insurance broker engaged in marketing, selling and servicing life and non-life products for customers in the small and medium enterprises, and personal lines markets.

ABC was formed in 1985, initially trading from a single office, and continues to be run by its founding directors who have expanded the business both organically and by acquisition to its current size of four offices, each located in a major town, with 55 staff in total.

Over the next five years, it has strategic objectives of opening further offices and making acquisitions, with the aim of increasing inflation-adjusted revenue by 50%.

Marketing activities involved in customer service

(a) What is customer service?

Peter Drucker, described by Steve Denning as “the founder of modern management”, (Denning, 2014) stated that the only valid definition of business purpose is to create a customer (Drucker, 1955, p.52). From this it follows that a customer can be defined as someone who has the choice of purchasing your product or service, or going to one of your competitors. As insurance is primarily about service, without the opportunity to touch, feel and otherwise engage with a product, it follows that the delivery of customer service is an important factor. Ken Irons has observed that the most compelling reason for improving customer service is that it is a differentiator (Irons, 1994). Furthermore Johnson, Scholes and Whittington have commented that in a firm which competes on services, such as insurance, competitive advantage is likely to be related to the extent to which customers value less tangible aspects such as the attitude of staff (2007).

However the issue is not about perfect service but rather about the right level of customer service. Paul Fifield noted that adding more and more customer service may not be a customer motivating force where there is no guarantee of increased return from significant marketing investment (1992, p. 114). Philip Kotler stated: “The key is to meet or exceed the target customers’ service-quality expectations” (1967, p. 474).

The challenge for ABC is to establish the correct level of customer service which differentiates the organisation from its competitors but does so in a cost-effective manner which complements the organisation’s strategy and business objectives.

Good customer service provides an experience that meets customer expectations and which produces satisfied customers. Poor customer service may diminish sales performance and adversely affect the retention of existing business.

Good customer service involves developing sufficient positive connections with customers which encourages long-term relationships. It creates advantages for both ABC and its customers. Customers benefit because ABC is providing a service that meets their needs. ABC benefits because satisfied customers are likely to remain loyal to ABC. Good customer service is not easily achieved as it takes time to develop and it requires continuing investment in staff, systems and processes to deliver consistent standards.

Good customer service is an important element in the creation of customer loyalty and contributes to successful business performance.

The Financial Conduct Authority (FCA) provides a further consideration for ABC to take into account. The FCA Handbook identifies the importance of customer services in the Principles for Businesses, particularly Principles: 6 (Customers' interests), 7 (Communications with clients), and 9 (Customers: relationships of trust), and sets out the Regulator's expectations (FCA, 2014). Additionally, the FCA has stated: "Treating customers fairly (TCF) remains central to our expectations of firms' conduct, that firms put the well-being of customers at the heart of how they run their businesses." (FCA, 2014).

The FCA's Head of General Insurance and Protection, in a speech entitled "What does the future of insurance broking look like" stated the following:

"The customer must be at the heart of the organisation's business.
Trust must be earned through professionalism and integrity.
The value brought by brokers to customers' insurance choices must be demonstrated." (Green, 2013).

(b) Marketing Activities

i) Market Research

ABC conducts market research on an annual basis through online surveys and telephone based questionnaires.

This research addresses the following themes:

- How do customers, actual and potential, regard ABC and its competitors?
- What are customers' current needs and how might they change in the short and medium-terms?
- What products and services are required to address these needs?
- What are the potential volumes of products and services which could be generated in meeting those needs?

Additionally, ABC contacts its panel of insurers to access elements of their market research activities. This allows it to understand how the market is changing and the responses the insurers are developing - such as new products and services.

Finally, the business and insurance media provides intelligence regarding general trends in economics, and customer behaviours, needs and expectations.

ii) Segmentation

The outputs of the market research allows detailed analysis of the results to create market segments, each of which has a specific mix of needs and wants. These market segments are then matched against the available population of potential customers to establish if ABC has:

- a sufficiently large existing customer base

- an existing customer service delivery that meets the segments' needs, wants and demands.

iii) Value Chain Analysis

Michael Porter, who developed the value chain analysis concept, sees it as a tool to “disaggregate an organisation into its strategically relevant activities in order to understand the behaviour of costs and the existing and potential sources of differentiation” (Porter, 1985, p.33).

ABC undertakes a value chain analysis to support detailed understanding of the activities that underpin customer service.

iv) Brand

One key way in which culture is communicated to ABC's customers is through its branding. The culture of ABC is set by the founding directors and applies to both current activities and every acquisition that has been made.

v) Place

ABC trades from a number of town centre locations which support its personal engagement with locally based customers. Some of our customers prefer to interact on a face-to-face basis.

vi) Customer Relationship Management (CRM)

The importance of CRM is expressed by Peter Verhoef as “Relationship marketing theory and customer equity theory posit that customers' perceptions of the intrinsic quality of the relationship (i.e., strength of the relationship) and customers' evaluations of a supplier's offerings shape customers' behavior in the relationship” (Verhoef, 2014). This view is reinforced by Linda Goldzimer: “Having a good customer relationship beats the most expensive market research because your customers will tell you what they want” (Goldzimer, 1989, p.12). These quotations amply demonstrate the need for a capable CRM.

ABC recognised the importance of customer relationships although its IT system is based on policy transactions.

vii) Customer Service Standards, Priorities and Performance Targets

ABC has a process for maintaining and enhancing customer service standards, setting service priorities and the achievement of service performance targets. This process involves all staff and is regularly monitored, reviewed and adjusted accordingly. It does this by establishing the customer service proposition, examining relevant management information and listening to customer feedback. ABC has a number of customer service standards, organised by customer segments, which it makes available, as appropriate, to customers.

viii) Customer Feedback and Satisfaction

It is ABC's policy to positively encourage customer feedback and always informs every customer of the correct complaints procedure. By adopting a robust customer feedback and complaints procedures it reinforces the message to customers that ABC is on the customers' side, as their agent, and this supports the building of long-term customer relationships.

The extent and quality of customer feedback, including complaints, forms part of performance measurement of service standards. Given their high profile, amongst customers and the FCA, complaints are considered as a separate and important component.

Anecdotal evidence from customers, gathered informally by staff as a by-product of their customer engagement, is that there is an appreciable gap between the service that is delivered and the expected service. ABC's view is that this is harming business performance with an increasing number of customers referring to service when moving their business to other insurance brokers.

(c) Analyses of the Contribution of Customer Service to Successful Business Performance

i) Market Research

Combining the market research with the information from insurers and other external sources allows ABC to adjust its service proposition to meet competitive challenges and to ensure customer service is appropriate.

ii) Segmentation

Customer segmentation is a process whereby ABC decides where it is best to deploy its finite customer service budget, in the context of its strategy and objectives. The options are:

- growing in a segment;
- maintaining its share of a segment; or
- moving away from a segment where the effort and rewards to meet customers' expectations, or the volume of actual and potential business, does not provide a reasonable likelihood of sufficient returns.

The key to customer segmentation is that it matches finite resources to the needs of individual customer groups in order to maximise the delivery of customer service excellence in a highly competitive, revenue-driven environment.

iii) Value Chain

Each of the primary and support activities in ABC's value chain is subject to consideration against its effect on customer service. Where customer service strengths are identified they are considered as to their effect on competitive advantage and correspondingly weaknesses are also ranked. From this analysis mapping of the customer service strengths and weaknesses, against the output from market research and segmentation, frames how those

strengths and weaknesses should be exploited and addressed in turn. This can mean that a perceived strength, which is not sufficiently valued by customers, can be reduced, potentially with cost savings, whilst weaknesses, which harms the customers' view of ABC, can be improved to better meet their expectations.

iv) Brand

A customer-centric culture results in improved customer satisfaction as it reminds every employee of the importance of putting the customer at the forefront of everything they do. ABC's culture is set by the directors and it is expressed as a willingness 'to go the extra mile' for each and every customer to seek to provide them with service which is not available elsewhere. Whilst this creates a customer focus it is not currently delivered in a consistent manner. Some staff believe that the customer is always right whilst others take an approach based on their self-interest which may harm other parts of the company. For example, there is sometimes tension between the account executives, the primary contact point for customers, and the office-based staff. The account executives sometimes make commitments to the customers, before securing the agreement of office-based staff who are expected to deliver on the commitments.

Additionally, acquired businesses have retained their legacy cultures as they have remained semi-autonomous units. Without any significant change this will continue to be an issue in the future, particularly as the strategy includes growth through further acquisition.

The New Economics Foundation's seven principles of behavioural economics have been recently identified by ABC's directors as a means to map the changes to brand which are required (New Economics Foundation, 2014). The principles can be summarised as:

1. Other people's behaviour matters: people do many things by observing others and copying.
2. Habits are important; people do many things without consciously thinking about them.
3. People are motivated to 'do the right thing'.
4. People's self-expectations influence how they behave; they want their actions to be in line with their values and their commitments.
5. People are loss-averse and hang on to what they consider 'theirs'.
6. People are bad at computation when making decisions; they put undue weight on recent events and too little on far-off ones.
7. People need to feel involved and effective to make a change: just giving people the incentives and information is not necessarily enough. (New Economics Foundation, 2014)

This means that in relation to customer service delivery, ABC is at the forefront of adopting and applying behavioural economics.

v) Place

ABC's customer-centric focus in terms of place is supported by:

- Each office being staffed by locally based employees who are empathic to the locality, to deal with locally based customers. This is seen as giving competitive advantage over those organisations who interact with their customers from distant locations, elsewhere within the UK and overseas. The market research has shown that most customers are drawn to dealing with individuals who share their accents, are locally based, and understand the local social and economic environments.
- Giving every business customer and the higher value personal lines customers (comprising those linked to a business customer or with an annual premium over £2,000) nominated contact points in sales, servicing, accounts and claims.
- Every member of staff having written authority levels. The intention is that for the majority of decisions that are put to staff can be responded to without the need for referral. This is intended to be a competitive advantage, although it does require well-trained staff and an effective decision-making audit trail. Feedback from customers does indicate that they would prefer staff who have a much higher decision-making authority. There is some evidence that customers are increasingly attracted to those competitors who have staff with such authority.

vi) Customer Relationship Management (CRM)

ABC's IT provides a product centric rather than customer-centric approach which frustrates the delivery of customer service as it does not provide an holistic view of each customer and it is inferior to the capabilities of many of its competitors.

There are a number of different IT systems which have resulted from the acquisitions of businesses without a strategy to move to a common system. The absence of an effective CRM system impedes the understanding and value of individual customers. It also makes it difficult for different members of staff, whether in the same team or not, to have a sufficiently complete awareness of all customer contacts with any one customer.

vii) Customer Service Standards, Priorities and Performance Targets

The difficulty is that whilst standards are identified they are not always achieved. This creates disappointment for customers and frustration for staff. Within the confines of the available resources and technology, staff do their best to achieve the service standards; as such the service performance falls short of expectations.

A management priority is that resources should be focussed on the more important customer segments. However, the current systems do not readily support workload prioritisation and work transfer between individuals and teams.

The performance targets are set by the directors, based on their personal views, rather than by reference to research and resource availability, so are not seen by staff as being 'SMART' and therefore act as staff demotivators.

viii) Customer Feedback and Satisfaction

The insurance industry regards the reduction in customer complaints as an important issue.

In 2014, the FCA's Director of Policy, Risk and Research said:

"It's important that firms now get on top of the issues that are driving complaints. Although it's encouraging to see the total number of complaints fall, there is clearly further work to be done to ensure that consumer interests come first." (Woolard, 2014).

ABC's approach is to create an environment in which customers do not need to complain, as the service levels are intended to prevent issues escalating into complaints. Where complaints do arise, ABC is committed to dealing with complaints fairly and quickly, and to learn from them in order to improve future customer service delivery.

There is no formal mechanism for gathering customer feedback due to the perceived cost of doing so and the absence of a suitable system to record and analyse the resulting data.

(d) Make Recommendations to Improve the Marketing Activities In Order to Enhance Business Performance

- i) Use the market research findings to determine the customer service activities which it is doing and which it could do to better differentiate ABC from its competitors. Develop corporate values in conjunction with all staff, so that they fully engage in the changes which will be needed to implement the revised customer service activities.
- ii) The absence of a customer service plan places ABC at risk of adverse comment from the FCA, in terms of delivering the expectations of the FCA Handbook and TCF. Therefore ABC should implement a customer service plan, to replace the current informal arrangements through the following steps:
 - Analysis of the market, including the competition.
 - Identify customer needs for each of the market segments, and define how to fulfil them.
 - Deliver the package having allocated responsibilities and established the most important segments.
 - Set standards, priorities and performance standards.
 - Measure customer satisfaction.
 - Feedback customer information and modify where necessary (Wicks, 2014).
- iii) Implement a CRM system, to draw together all the existing data from different systems, and align it with a new integrated telecommunications system. This integration of systems will bring telephone (fixed and mobile) and email together so that workloads are better managed across the office network, to improve the nature and quality of customer engagement.

- iv) Increase the investment in staff training and development so that individual authority levels can safely be increased to ensure more customer enquiries are resolved at the first point of contact. Additionally, increase the team-working ethos. No individual will then make a commitment to a customer without being confident that it can be delivered, whether by that individual or another employee.
- v) Use the CRM system to collate all the existing hard (IT based) and soft (employee knowledge) data and intelligence to create a customer-centric view of each customer. Implement a phased programme to collect 'missing' data. The CRM system will assist staff in developing better relationships with customers, as they can view the entire relationship. It will also support up-sell and cross-sell activities to relevant existing customers, so strengthening customer relationships. This will provide a relatively low cost source of new and additional business so assisting ABC's growth and profitability objectives.
- vi) Develop an improved process to inform a better understanding of customer and market segment profitability.
- vii) ABC to become a member of the Institute of Customer Service. This Institute is an independent, not for profit, professional body. Its purpose is to assist organisations to strengthen their business performance by improving their customers' experiences. It does this through research and insight, benchmarking and accreditation programmes, customer service training and qualifications. It also provides a platform for networking and sharing best practice. This membership would support ABC in its drive to give fuller recognition and meaning to the importance of the experiences of customers (Institute of Customer Service, 2014).
- viii) Currently, ABC conducts its own market research. Should it decide to engage the services of an expert external marketing services agency, it will need to ensure that the agency is a member of the Market Research Society (MRS). The MRS requires that its members meet the standards of the MRS Code of Conduct, its regulations and the associated disciplinary procedures (Market Research Society, 2014). This will ensure that customers have the confidence that ABC takes their relationship and its confidentiality, seriously.

(e) Conclusion

ABC has successfully grown under its current directors. The challenges of the market place demand that it widens and deepens its marketing activities to support improvements in its customer service which will continue to improve business performance in the future.

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