



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.

Coursework submission rules and important notes

Before commencing on, or submitting, your coursework assignment it is essential that you fully familiarise yourself with the content of *Coursework assessment guidelines and instructions*. This includes the following information:

- The maximum word limit for coursework assignments is 3,200 words.
- Arial font and size 11 to be used in your answers.
- Important rules relating to referencing all sources including the study text, regulations and citing statute and case law.
- Penalties for contravention of the rules relating to plagiarism and collaboration.
- Deadline for submission of coursework answers.
- There are 80 marks available per assignment. You must obtain a minimum of 40 marks (50%) per assignment to achieve a pass.
- The coursework marking criteria applied by markers to submitted answers.
- Do not include your name or CII PIN anywhere in your answers.

Top tips for answering coursework assignments

- Read the assignments carefully and ensure you answer all parts of the assignments.
- Ensure that each answer includes a relevant context, regardless of the country or countries to which it refers.
- You must include a context in each answer. You may use the same context for each of the three answers.
- For assignments relating to regulation and law, knowledge of the UK regulatory framework is appropriate. However, marks can be awarded for non-UK examples if they are more relevant to your context.
- There is no minimum word requirement, but an answer with fewer than 2,800 words may be insufficiently comprehensive.

Assignment

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

- Explain the marketing activities involved in the delivery of customer service.
- Analyse how marketing activities and customer service contributes to business performance.
- Make recommendations, based on your analysis, to change marketing activities and customer service to improve business performance.

Additional note:

You are required 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:

Word count:	3,132
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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 sector, and personal lines customers.

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 the delivery of customer service

1. Introduction

Peter Drucker, described by Steve Denning as “the founder of modern management”, (Denning, 2015) 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 with Paul Fifield noting 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). Furthermore, the 945 Marketing insurance products and services Study text identifies that, “the objective of customer service is customer satisfaction” (CII Study text, p. 5/7).

The challenge then is to establish the correct level of customer service which differentiates the organisation from its competitors but does it 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 can lose sales and existing business as customers may move to competitors.

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 the business is providing a service that meets their needs. The business benefits because satisfied customers are likely to be repeat customers who stay with the business. However, good customer service is not easily achieved. It

takes time to develop and requires continuing investment in staff, systems and processes to deliver consistent standards.

Customer service is therefore one of the most important elements of the marketing mix by assisting in the creation of customer loyalty and thereby contributing to successful business performance.

The Financial Conduct Authority (FCA) provides a further consideration for ABC to take into account regarding customer services as its Handbook, particularly Principles 6 Customers' interests, 7 Communications with clients, and 9 Customers: relationships of trust, sets out the Regulator's expectations (FCA, 2016). 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, 2016).

Additionally, to reinforce the importance of a customer centric ethos amongst insurance brokers, the FCA, 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).

Marketing activities

1. Market Research

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

This research addresses several themes:

- How 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 on general trends in economics, customer behaviours, needs and expectations.

2. 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) a sufficiently large existing customer base, and
- (b) suitable customer service delivery capabilities to meet that segment's needs, wants and demands.

3. 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 key activities which would support customer service.

4. Culture

The culture of ABC is set by the founding directors. This culture requires that decisions about potential acquisitions must take into account the extent to which the targeted acquisition already has a customer centric ethos.

Location

ABC trades from a number of town centre locations which supports its personal engagement with locally based customers.

Customer Relationship

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’ behaviour 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).

ABC recognised the importance of customer relationships however its current IT systems are based on policy transactions, rather than a holistic view of its customers, and this frustrates the delivery of customer service consistent with that provided by many of its competitors.

Complaints

It is ABC policy to let customers know that ABC does not hide from complaints. By adopting a robust complaints procedure 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.

Complaints form part of the service standards and performance measurement, however given their high profile, amongst customers and the FCA (FCA, 2015), they are considered here as a separate component.

Standards, Priorities and Performance Targets

ABC is engaged in the process of establishing customer service standards, setting priorities and achieving performance targets. This process involves all staff and is regularly monitored and reviewed and adjusted accordingly. It does this by establishing the customer service proposition and examining management information, and listening to customer feedback. ABC has a number of customer service standards, by customer segmentation, which it makes available to customers.

Customer Satisfaction

Anecdotal evidence from customers, gathered informally by staff as a by-product of their customer engagement, is that there is an appreciable gap between what is delivered and what they expect. Increasingly the view is that this is harming business performance with some customers referring to it when moving their business to other insurance brokers.

Analyses the contribution of marketing activities and customer service to successful business performance

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 challenge and to ensure customer service is appropriate.

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 alternatives are:

- (a) growing in a segment;
- (b) maintaining its share of a segment; or
- (c) 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.

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. 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.

Culture

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 provide them with service which is not available elsewhere. Whilst this creates a customer focus it is not delivered in a consistent manner with some staff believing 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, which are the primary contact point for customers, who can make commitments ahead of 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 culture which are required (New Economics Foundation, 2015). 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, 2015)

Location

ABC's customer centric focus is in terms of location 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 deal with customers from remote locations elsewhere within the UK or even 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 more important 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 with the intention that for the majority of decisions that are put to them they can respond to customers without the need for referral. This is intended to be a competitive advantage however it does require well-trained staff and an effective decision-making audit trail. Feedback from customers does indicate that they would prefer a much higher rate of decision-making authority given to staff with some evidence that customers are increasingly attracted to those competitors who provide such decision-making.

Customer Relationship

There are a number of different IT systems which have resulted from the acquisitions of businesses without there having been any strategy to move to a common system. The absence of an effective customer relationship management (CRM) 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 activities which are underway with any customer.

Complaints

The insurance industry regards the reduction in customer complaints as an important issue. The FCA has recently 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, 2012).

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. However where complaints do arise, to both deal with the complaint fairly and quickly, and to use learning from the complaint to influence change to the customer service delivery.

Standards

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

Management priorities are 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 demotivators.

Customer Satisfaction

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.

Recommendations

1.

Undertake a review, in light of the market research findings, to determine what does or should differentiate ABC from its competitors in the delivery of customer service. Develop values, in conjunction with all staff, so that they fully engage in the cultural change programme which will subsequently be needed to bring the revised customer service proposition 'to life' across ABC.

2.

ABC to implement a formal customer service plan, to replace the current informal arrangements with 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, 2015).

This 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. Responding to such criticism would deflect ABC from its operational activities and would be likely to harm business performance.

3.

Implement a CRM capability, to draw together all the existing data from different formal and informal systems, and align it with a new integrated telecommunications system, bringing 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.

4.

Increase the investment in staff training and development so that individual authority levels can safely be increased so that more customer enquiries are handled and resolved at the first point of contact. Also increase the team-working ethos so that no individual makes a commitment to a customer without being confident that it can be delivered, whether by that individual or another employee.

5.

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 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 widening and deepening customer relationships. This will provide a relatively low cost source of new and additional business so assisting ABC's growth and profitability objectives.

6.

Develop an improved process for the calculation of costs per customer, including staff, IT and premises allocations, so that it can inform an improved understanding of customer and market segment profitability.

7.

Implement suitable telecommunication capability, integrated with the CRM system, to support workload and work flow management so prioritising focus on the key customer segments.

8.

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, 2015).

9.

Require that any marketing services agency engaged to undertake research is a member of the Market Research Society (MRS) which requires that it meets standards such the MRS Code of Conduct, its regulations and the associated disciplinary procedures (Market Research Society, 2015). This will ensure that customers have the confidence that ABC takes their relationship, and its confidentiality, seriously.

10.

Review the role of customer satisfaction surveys, to gain quantifiable information, and where appropriate, subject to a cost benefit analysis, engage the services of a suitable external agency to undertake the surveys and preparation of a report on the findings. Subsequently use these findings to inform the development of the customer service plan.

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