FORMS OF MARKET STRATEGIES IN THE EUROPEAN INSURANCE SECTOR

Nora Lado Cousté *
Jaime Rivera Camino *

Abstract

The liberalization of the European insurance market has provoked a necessity for firms to develop multinational strategies. Thus, these strategies should be capable of maintaining their normal competitiveness inspite of the different countries and markets. From a theoretical perspective, this article investigates the influence of the national environments on the firms' competitive marketing strategies. The different strategic modalities that the insurance firms in two European countries, Spain and Belgium, develop are analyzed from a managerial perspective. The results obtained in this research allow the managers to position their firms' competitive strategies in their sectors and countries. Likewise, the strategy presented in this article can become a guide so that the firms operate more efficiently in complex competitive environments.

Key Words:

Market strategies, competition, services, insurance sector, international comparison

* Universidad Carlos III de Madrid-Departamento de Economía de la Empresa-España

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INTRODUCTION

The European insurance sector has traditionally operated subject to strict regulation and strong protection from international competition. For some years now, European Union authorities have been planning the removal of restrictions, thus liberalizing its operation. The European market's opening has generated a major increase in competition within the sector and has provoked the restructuring of insurance companies and groups. This competitive environment has become more complex because of the economic crisis and changes in consumer behavior. Currently, customers have greater service expectations while at the same time showing less loyalty.

Market orientation is recognized as an efficient competitive strategy for the European insurance firms[1] in this complex business environment.

Market orientation is an vital strategic and management marketing theme that has generated abundant literature in recent decades. A large number of these publications deals with the positive impact of market orientation on the firms' performance (see Jaworski and Kohli, 1993, Slater y Narver, 1994, Reukert, 1992; Greenley 1995; Rivera 1995).

Other publications are directed toward presenting valid definitions of the market orientation construct (see Narver and Slater, 1990, Kohli, Jaworski and Kumar, 1993; Deng and Dart 1994). This literature's authors differ in their definitions of the market orientation components. Narver and Slater and Kohli et al. indicate that market orientation is a one-dimensional construct composed of three components. On the other hand, Deng and Dart state that market orientation is a multi-factor construct composed of four components.

Considering the managerial importance of market orientation, a critical issue is to analyze its composition. Determining whether or not the firms' specific competitive environments influence the way they use the market orientation strategy is another critical issue.

Thus, in our research we analyze the market orientation dimensionality. We also investigate whether or not the national environment influences the firms' level as well as its use of the market orientation components.

In the first part of our article we will provide a short critical analysis of the different perspectives in market orientation. Then, we will introduce the

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[1] At the World Insurance Congress in 1991, Hanway (see Greenwald, J., 1991) contended that insurers needed to be strongly market oriented in order to perform more efficiently.

conceptual framework that supports our definition of market orientation and our analysis on the use of market orientation.

We will present and discuss the obtained results in the final part. This paper will conclude with a discussion on the managerial importance of the results and future research directions.

THEORETICAL BACKGROUND

The main models that the literature presents on market orientation point out its behavioral nature. In other words, the firm's actions constitute the market orientation. Kholi and Jaworski (1990) consider the market orientation to be formed by three behavioral components: organization-wide generation on market intelligence relevant to current and future customer needs, (b) cross-departmental dissemination of the intelligence and (c) organization-wide responsiveness to it.

For Narver and Slater (1990), the market orientation is also formed by three behavioral components: (a) customer orientation: sufficient understanding of target buyers to enable the creation of superior value for them, (b) competitor orientation: understanding short-term strengths and weaknesses and long-term capabilities of both current and potential competitors, (c) interfunctional coordination: involves coordination of the company's activities at inter-departmental levels to deliver superior value to buyers.

Following along the lines of the market orientation's behavioral nature and integrating the previous definitions, Rivera (1995) presents the market orientation as a competitive strategy. This strategy requires the participation of all of the firm's functional units to generate high performance (Lambin 1993). According to this broader definition, business performance depends on the differential satisfaction of the markets, of the quality of strategy's formulation and implementation (Day and Wensley, 1987), and of the actions related to competition (O'Shaughnessy,1985).

In order to obtain high performance, the firm must follow three steps: analysis, coordination, and organizational actions to reach two objectives: to satisfy their profitable markets and to control the groups (competition and macroenvironment) that can impede this satisfaction. Thus, the following components of the market orientation appear from the relationship among the three organizative stages and publics involved in it:

- the analysis of the final client
- the analysis of the distributor
- the analysis of the competitors
- the analysis of the environment
- the interfunctional coordination
- the strategic actions directed towards the final client

- the strategic actions directed towards the distributor
- the strategic actions directed towards the environment

The conceptual framework that supports this definition assumes that all of these components have the same theoretical importance. For this reason, it is desired that the firms use all of the market orientation components equally. If one of the components is overlooked, a competitive weakness could be generated in the long run.

We will study the distinct ways of using market orientation in both countries. In the first place, we analyzed whether or not the market orientation's components are integrated into a one-dimensional construct. In the second place, we analyzed whether or not the market orientation level is influenced by the national environments.

In third place, we will study whether or not the firms have different market orientation types. As an alternative hypothesis, it is possible that the firms having the same global level of market orientation possess differences in their nine components' levels. There could be groups of firms distinguished for having a greater emphasis in one of the nine already mentioned components.

Thus, we establish the following hypothesis:

H1   There are no different types of market orientation in the sampled firms.

H 2   There are different types of market orientation in the sampled firms.

GENERATION OF SCALE ITEMS

A set of items was generated based on the analysis of the literature and on the interviews given to managers for each one of the components of the market orientation scale. Thus, nine sub-scales were obtained, allowing us to measure each market orientation component.

In Belgium, the questionnaire was evaluated by four market strategy professors and 6 managers (marketing and non-marketing) of the sector studied. Its theoretical and practical adjustment to the competitive problems of the firms, as well as the difficulty in understanding the items were evaluated. Some revisions were made to the items as well as adjustments to the sector's own terminology.

In order to adapt the questionnaire to the Spanish context, the opinion of two professors and as well as the opinion of an insurance expert was solicited, thus obtaining a primary version of the questionnaire. A pre-test was then realized with two experts of the insurance sector. The second version of the questionnaire was pre-tested through a personal interview with three directors (a general director, a marketing director and a training director) belonging to three different insurance entities.

THE QUESTIONNAIRE

The market orientation was measured by nine uni-factorial sub-scales, which include 62 indicators (shown in table 1). These indicators were formulated as affirmations showing the ideal behavior of a market oriented company.

--------insert Table 1 about here----------------

The questionnaire had a scale to evaluate in which degree the affirmations reflected the real operation of the company. It was graded from 0 to 10, in which 0 indicated that the firm did not develop the practice "in any degree", 5 indicated that it developed the practice "more or less" and 10 that it developed "an intensive degree".

The questionnaire was translated to Spanish, French and Dutch by translators specialized in management, who used an independent verification process to evaluate the compliance of the translations.

EMPIRICAL STUDY

These hypothesis were empirically tested in Belgium and Spain between the last quarter of 1994 and the first quarter of 1995. The fieldwork was conducted out on a survey sent to the general manager of the insurance companies in both countries. The target population was the active insurance companies with market shares larger than 0.05% in the private insurance sector. The refined survey was mailed to all of the companies of the target population (76 companies in Belgium and 104 companies in Spain).

The design of the field study considered two respondents from each company: the highest marketing manager and one manager of another business function. The purpose for using two respondents is to obtain two independent measures of the market orientation intensity of each insurance company.

Sixty-one completed questionnaires were received, 34 belonging to firms in Belgium representing 45% of the total volume of market premiums. Fifty-one completed questionnaires were received from Spain, corresponding to 32 firms representing 43% of the total volume of market premiums. The size of the sample in both cases surpasses the minimum requirement for a confidence level of 95% and an error of 1 (on a scale of 0 to 10). The representativeness of the sample of the two countries was analyzed comparing the frequency distributions of the sample and of the target population according to the size of the firm. According to the obtained results, there were no significant differences between these distributions in the two countries.

RESULTS

Two types of analysis were realized before validating our hypotheses: our questionnaire's level of confidence and the dimension of our market orientation definition.

This reliability analysis used Cronbach's coefficient alpha (Nunnally 1978). In both countries, all of the multi-item components have a reliability greater than 0.70 and the market orientation's global measurements show a reliability greater than 0.90 (see table 2).

--------insert Table 2 about here----------------

In both countries, the strong association between the models' components empirically supports our definition: the market orientation is a strategy formed by 9 inter-associated components.

In order to confirm these results, we also develop a factorial analysis (ACP) in both samples. In Spain, the market orientation components seem to be grouped into one factor that explains 60% of the variance (eigenvalue = 5.23) . In Belgium, one factor explained 53% of the variance (eigenvalue = 4.73).

We used a t-test to analyze the national environment's influence on the firm's market orientation level. The results indicate that there are no significant differences in the firms' average levels of market orientation in neither country[2] . Therefore, a country influence does not exist on the level of market orientation use.

In both countries, we use cluster analysis to analyze if there are different ways of using market orientation. The number of clusters was determined to be three in both countries through the use of the hierarchic cluster method (see Table 3). Two techniques are used in order to verify the strength of the solution: discriminant analysis and variance analysis.

The discriminant analysis with a minimum tolerance level of 0.001, an acceptable Wilks' lambda of 0.089, a chi squared of 105.56 (Sig 0,0000), classifies 98.04% of the cases. Variance analysis shows that the differences between the clusters are very significant for all of the variables. Thus, both analysis allow us to accept the three clusters solution[3] .

--------insert Table 3 about here----------------

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[2] In Belgium the market orientation average, on a scale of 0-10, was 5.14 (S.D. 1.2). The average was 5.22 (S.D. 1.1) in Spain.

[3] The clusters were optimized through the SPSS quick cluster procedure using the K-means algorithm.

In Belgium, in cluster 1 ,13 cases are characterized for having low scores in all of their components. In cluster 2, 19 cases are characterized for having high scores. In cluster 3, there are 22 cases and average scores are found in the nine components (see annex 1).

In Spain, cluster 1 shows 12 cases with low scores in their components. Eleven cases are characterized by high scores in cluster two. In cluster 3, 28 cases with average scores in the nine components are found (see annex 2).

The profiles of the group of firms in the nine market orientation components are shown in Table 2. The existing similitude in the cluster profiles of both countries is observed. In both cases we see an emphasis in the "actions directed towards the distributors". This result is coherent with the distributors' strategic role for the insurance firms. It is pointed out by several authors (Houghton, 1988; Kramer-Kawakami, 1994).

In both countries we also observe that the "analysis of the environment" component shows the highest level in cluster 2. These results are explained by the large impact that the changes in the environment (EU deregulations) have on the insurance sector.

Likewise, we point out that the analytical level (ANALCF, ANALDIS, ANALENV) is lower than the actions developed for the different publics in both countries. These results contradict the theory, which indicates that the market analysis is the raw material for successful marketing tactics (Cravens, 1987).

The interpretation of the clusters is clear in both countries. In cluster 1, we observe the cases with low levels of market orientation. In cluster 2, we observe a high level of market orientation and in cluster 3, an intermediate level. This order is presented in all of the components.

These results allow us to accept the first hypothesis: there are no different types of market orientation in the sampled firms. In our study, there are no groups of firms who differentiate themselves for their emphasis in the model's individual components. The groups differentiate themselves for their level of market orientation and not for their way of using this strategy.

DISCUSSION:

The high level of reliability obtained for our scale indicates that market orientation has been defined equally in both countries. This result is important for managers who are faced with international competition. It assures them that this strategy's tactics are capable of maintaining their normal competitiveness inspite of the different countries and markets.

The one-dimensionality of our market orientation definition has also been validated. These results are important for firms that face complex environments requiring multiple competitive tactics. This need of diversification could

generate confusion in coordination and organizational image, especially if they are not integrated coherently.

The market orientation´s one-dimensionality shows that all of the competitive strategies are integrated coherently into one sole strategy. This integration allows the market orientation to guide organizational analysis tasks, coordination, and market responses. If this guide is maintained over time, the organization learns to develop a competitive culture oriented to the market.

The previous literature measures the market orientation as the average of its components. This measurement hinders whether or not the firms with the same level of global market orientation differ in their evaluation of the diverse components. We have analyzed this aspect in our paper. The results indicate that the firms differentiate themselves by their market orientation level and not for the use of their components[4].

According to management theory, the strategies are developed by the firms to control their competitive environments. The similitude found in the average and the market orientation types suggest that the managers of both countries perceive that they are operating in similar competitive environments. These findings bring about the following questions:

The market orientation types that the firms adopt, are they optimal? or do they have a strategic opportunity to differentiate themselves for the best use of a component? For example: the firms´ actions on the environment and the analysis of the different publics.

Is there a marketing organizational learning curve? The similitude in the low levels of market orientation (close to 5) and in their components´ types indicate that these firms are in the beginning stages of organizational learning. They still have not had sufficient competitive experience to recognize that the market orientation can serve as a differentiation method from other firms in the sector.

We consider that future areas of research should take into account the implementation of the market orientation. In our research we have only analyzed the competitive conducts in our research. We do not know which individual and organizational factors influence the market orientation levels and types found in our research.

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[4] These results differ from the ones obtained by Greenley (1995). This author found different types of market orientation with another market orientation definition and samples from different sectors.

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TABLE 1.   **Market Orientation indicators**

ANALYSIS	
Organizational behavior to analyze	
FINAL CUSTOMER • Satisfaction of our final customer • Present and future needs • Factors that influence the purchase • Changes in their preferences • Emergence of new segments • Different elements which influence the purchase • Problems with our solutions. • Positioning of our solutions-firm • Non-monetary costs of our solutions • Profitability provided by our customer	**DISTRIBUTOR-CUSTOMER** • Satisfaction of our distributors • Present and future needs • Goals pursued by our distributors • Their compatibility with our strategy • Value that they find in our company • Value that they find in our solutions • Their problems with our solutions • Image and attitudes to our solutions-firm • Its effect on our final customers • Profitability provided by distributors
COMPETITORS • Following our competitor's strategies • Characteristics of strengths and weakness • Characteristics of variables of marketing • Evolution of potential competitors	**MACROENVIRONMENT** • Different environmental components • Impact on the final customer • Impact on the distributors • The environment as an opportunity and a threat

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COORDINATION
Organizational behavior to generate and use the market information

• Shared participation of the functions to analyze the market information
• Formal diffusion of the market information at all levels
• Promotion of the informal diffusion of the market information
• Participation of all the levels in the generation of market intelligence
• Use of market intelligence for feedback at all levels on their performance
• Use of market intelligence for the development of services
• Use of market intelligence to develop a plan of marketing
• Use of market intelligence for the shared execution of competitive strategy
• Use of market intelligence to obtain the personal commitment in the execution of strategies

↻

COMPETITIVE ACTIONS
Organizational behavior to satisfy and control

FINALCUSTOMER • Offers presented as integral solutions • Offers formed by wide range of solutions • Rapid implementation of plan (marketing) • Market actions differentiated by segments • Introduction of new solutions • Rapid adaptation of solutions in segments • Prompt attention to complaints and problems • Use of value perceived for price fixing • Information to raise the value of a solution • Abandonment of unprofitable segments	**DISTRIBUTOR-CUSTOMER** • Recognition as a member of the firm • Shared development of the marketing plan • Diffusion of market intelligence • Communication of our competitive goals • Consultation before initiating new strategies • Support for sales, training, and publicity • Promotion of their collaboration with the firm • Quickness in satisfying problems/complaints • Abandonment of unprofitable distributors
COMPETITORS • Actions to protect our final customer • Actions to protect our distributors • Rapidity in anticipating the actions of competitors • Capability to surprise the competitors	**MACROENVIRONMENT** • Strategies to influence key groups • Promotion of the social benefit that the company offers • Promotion of ecological care of the company • Maintenance of credibility with key groups

TABLE 2   Reliability analysis in both countries

Market Orientation Component	Label	Belgium Alpha Cronbach	Spain Alpha Cronbach
Analysis of Customer	ANALCF	0.84	0.86
Actions toward Customer	ACTICF	0.72	0.73
Analysis of Distributor	ANALDIS	0.79	0.82
Actions toward Distributor	ACTIDIS	0.74	0.81
Analysis of Competitors	ANALCON	0.73	0.83
Actions toward Competitors	ACTICON	0.87	0.80
Actions toward Environment	ACTIENV	0.71	0.90
Interfuctional Coordination	COORD	0.78	0.87
Market Orientation		0.92	0.94

TABLE 3   Market orientation cluster profiles

MO CLUSTERS PROFILES
Belgium
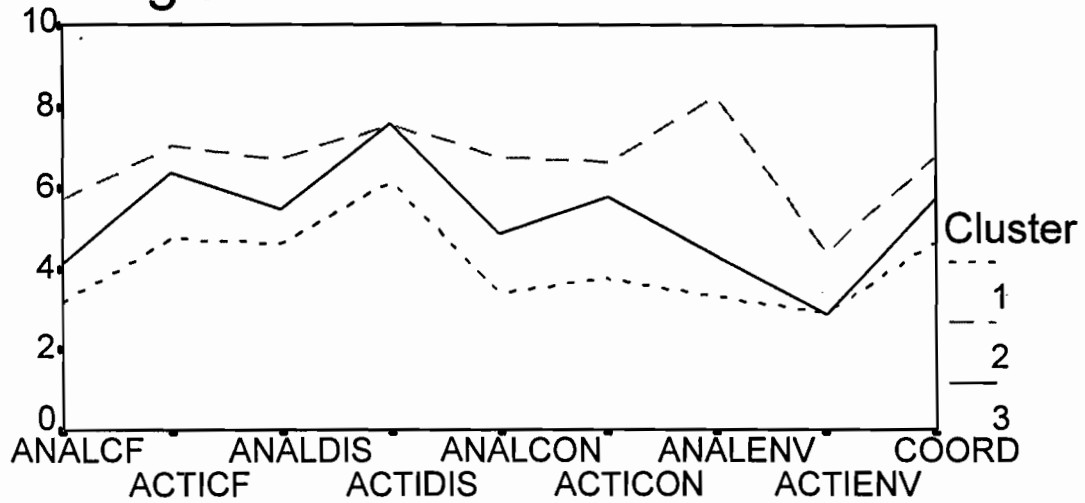
MO CLUSTERS PROFILES
Spain

ANNEX 1   Market Orientation Cluster Results -Belgium
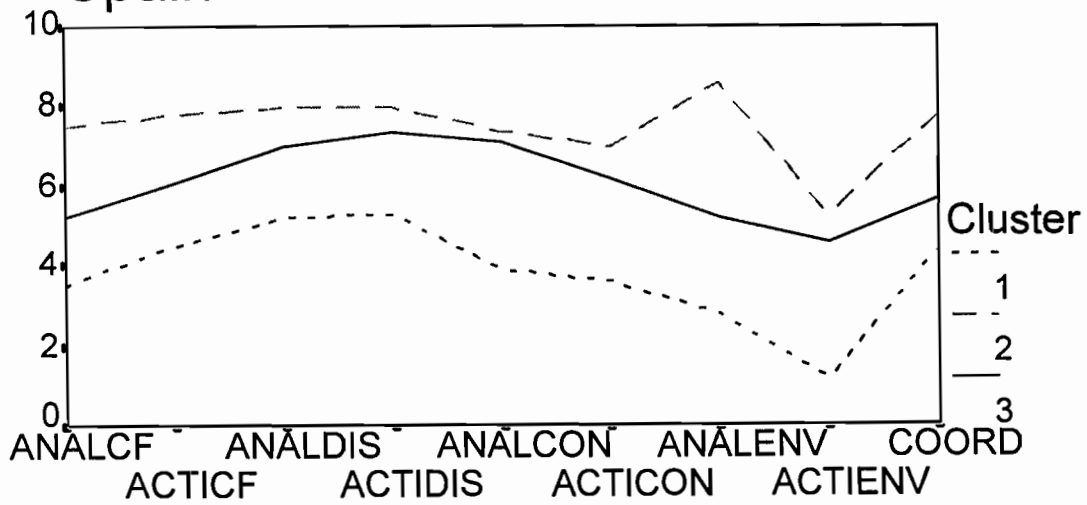
Final Cluster Centers.

Cluster	ACTICF	ACTICON	ACTIDIS	ACTIENV	ANALCF	ANALCON	ANALDIS	ANALENV	COORDINA
1	4,7584	3,7692	6,1624	2,9231	3,1709	3,4231	4,6264	3,3077	4,6923
2	7,0364	6,6491	7,5848	4,4211	5,7018	6,7763	6,7368	8,2632	6,7895
3	6,3916	5,7727	7,6111	2,8939	4,1515	4,8977	5,5130	4,3182	5,7670

Analysis of Variance.

Variable	Cluster MS	DF	Error MS	DF	F	Prob
ACTICF	20,5417	2	1,187	51,0	17,2972	,000
ACTICON	32,5706	2	2,571	51,0	12,6641	,000
ACTIDIS	10,1878	2	,770	51,0	13,2161	,000
ACTIENV	14,1602	2	3,369	51,0	4,2020	,020
ANALCF	26,4962	2	1,330	51,0	19,9140	,000
ANALCON	45,1335	2	1,367	51,0	33,0045	,000
ANALDIS	18,0654	2	1,356	51,0	13,3136	,000
ANALENV	119,0999	2	2,926	51,0	40,7039	,000
COORDINA	17,1633	2	1,412	51,0	12,1523	,000

Number of Cases in each Cluster.

Cluster	unweighted cases	weighted cases
1	13,0	13,0
2	19,0	19,0
3	22,0	22,0

Valid cases   54,0

ANNEX 2   Market Orientation Cluster Results-Spain

Final Cluster Centers.

Cluster	ACTCF	ACTCOMP	ACTENT	ACTIDIS	ANACF	ANACOMP	ANADIS	ANALENV	COORD
1	4,5625	3,6190	1,2222	5,2917	3,5833	3,9306	5,1653	2,8333	4,3864
2	7,7955	6,9610	5,3030	7,9205	7,4818	7,4545	8,0231	8,5909	7,7603
3	6,1295	6,2143	4,6548	7,4509	5,2143	6,0774	6,9847	5,2500	5,6786

Analysis of Variance.

Variable	Cluster MS	DF	Error MS	DF	F	Prob
ACTCF	29,9954	2	1,411	48,0	21,2489	,000
ACTCOMP	38,3245	2	1,414	48,0	27,0863	,000
ACTENT	61,6323	2	3,205	48,0	19,2303	,000
ACTIDIS	24,9668	2	1,890	48,0	13,2059	,000
ANACF	43,9565	2	1,448	48,0	30,3553	,000
ANACOMP	36,9801	2	1,518	48,0	24,3521	,000
ANADI	24,7282	2	1,427	48,0	17,3184	,000
ANALENV	95,8420	2	1,689	48,0	56,7422	,000
COORD	33,3184	2	1,776	48,0	18,7590	,000

Number of Cases in each Cluster.

Cluster	unweighted cases	weighted cases
1	12,0	12,0
2	11,0	11,0
3	28,0	28,0

Valid cases   51,0