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In the insurance industry there is a new way of thinking which determined the passage from transactional marketing to a holistic marketing concept. In this paper five key elements of holistic marketing are presented: relationship marketing, integrated marketing, internal marketing, social responsibility marketing and international marketing. In order to be successful insurance companies have to be able to convince their clients of the usefulness of their products and of the solidity of their businesses. In the current crisis situation, trust is a vital element for the insurance industry and even if on short term, liquidity is the target, as it ensures survival, on long and medium term the objective has to be the consolidation of the trust of consumers in insurance companies and the goal of the managers must be to win customer loyalty.

Keywords: holistic marketing in insurance, relationship marketing, integrated marketing, internal marketing, social responsibility marketing, international marketing, trust, customer loyalty, crisis

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1. Modern marketing versus traditional marketing in the insurance industry

Today the success of an insurance company is based on the quality of the long term relationship established between the company and its “partners”: customers, employees, broker dealers, banks, hedge funds etc. In the insurance industry this new way of thinking determined the passage from transactional marketing to a holistic marketing concept. The traditional transaction marketing focused on meeting customers’ needs so that the company could obtain an immediate advantage. This approach wasn’t always benefic for the insurance companies and for their clients. For example in the U.S. in the 1980’s and 1990’s the life industry was found by the regulators, courts and media to be engaging in widespread marketing and sales practices that were deemed inappropriate, unethical and, at times, illegal. Consequently, business suffered and there was movement to enact new onerous laws to impose new performance standards on the industry.⁴⁶¹

The new marketing perspective is based on the fact that a long term relationship should be established between the company and its partners. Modern marketing builds on the principles of traditional marketing, but it focuses on new elements. In the opinion of specialists, the holistic marketing concept is based on the development, design, and implementation of marketing programs, processes and activities that recognize their breadth and interdependencies. Holistic marketing recognizes that everything matters and it has four important components: relationship marketing, integrated marketing, internal marketing, and social responsibility marketing.⁴⁶² In the context of the recent events in the global economy, we consider that in the case of the financial sector, insurance products included, there is another essential component for the holistic marketing: the international marketing (see Figure 1). The crisis on the American financial market has had effects on all industries, at a global level, thus becoming a worldwide crisis. In this context, an international approach of the marketing activity is necessary, due to the fact that there are interconnections between the activities of insurance companies on different markets and the activities of their international partners. An interesting example reflecting this idea is the fact that the news regarding the buying of the majority of AIG shares by the US government so as to save the American giant from bankruptcy, as well as the announcement that the Dutch state has invested, as an emergency measure, a large sum in ING, were sufficient for causing mistrust from Romanians, the consequence being that numerous insurance contracts were interrupted.

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461 Brian Atchinson, Self Regulation And The Insurance Industry – A Viable Proposition in Geneva Association Information Newsletter, PROGRES, no. 48/December 2008, p. 1

462 Ph. Kotler, K. L. Keller, [Marketing management](#), United States Edition, 12th Edition, Pearson Education, 2006, p. 17

Figure 1. Key components of holistic marketing in the insurance industry



Source: Adapted after Ph. Kotler, K. L. Keller, *Marketing management*, United States Edition, 12th Edition, Pearson Education, 2006, p. 18

In the next pages, we will try to describe the main characteristics of five key elements of holistic marketing in the insurance industry: relationship marketing, integrated marketing, internal marketing, social responsibility marketing and international marketing.

Relationship marketing is the ongoing process of identifying and creating new value with individual customers and then sharing the benefits from this over a lifetime of association. It involves the understanding, focusing and management of ongoing collaboration between the company and selected customers. Relationship marketing is based on the loyalty of company's customers. The company can obtain a competitive advantage by maintaining and/ or increasing the level of satisfaction of its current clients. By making customer satisfaction an ongoing priority, the focus is taken off the product (brand) and laid on added relationship values, such as trust and commitment. The company develops a genuine policy aimed at achieving customer loyalty. Loyalty is achieved as a result of repeated positive experiences related to the respective insurance company. Customers can develop company loyalty, product loyalty or loyalty for the contact person. In this approach the goal of the company is to build a strong relationship with its customers by cooperating with different parties. Relationship marketing involves creating, maintaining and consolidating a long-term relationship with all the company's partners. Relationship marketing marks a significant paradigm shift in marketing, a movement from thinking solely in terms of competition and conflict toward thinking in terms of mutual interdependence and cooperation.⁴⁶³

An integrated marketing is a must in the insurance industry. The insurance company must have a coherent marketing mix in order to satisfy efficiently the needs of their clients. The marketing department of the insurance company must coordinate and integrate all the activities included in the marketing mix in order to maximize their joint effects: the insurance products and services offered must be conceived as a solution for the needs of the client and the setting of the premiums, distribution channels and company communications must be done in an integrate perspective.

The role of **internal marketing** is to ensure that everyone in the insurance company embraces appropriate marketing principles. The internal marketing is the task of hiring, training and motivating the employees who want to serve customers well.⁴⁶⁴

Social responsibility marketing is a key element in the marketing activity of an insurance company due to the specific of the product. The role of the insurance is to protect the insured against different risks, but also to create benefic effects for the entire society. The marketing activity in insurance has important causes and effects in the

463 Philip Kotler, *Marketing Insights from A to Z: 80 Concepts Every Manager Needs to Know*, John Wiley & Sons Inc., New Jersey, 2003

464 Philip [Kotler](#), Kevin Lane [Keller](#), op. cit., p. 18

social, ethical and legal environment. The social responsibility marketing activities demonstrate a corporate culture that is designed to treat consumers fairly.

The globalization of the insurance market is a fact that cannot be contested and an *international approach to the marketing activity* becomes more and more important. There are two approaches to the international marketing activity in the insurance sector: multicultural marketing and global marketing.⁴⁶⁵ The multicultural marketing accounts for differences in perception, attitudes and behavior of consumers in different cultural areas.⁴⁶⁶ There are specialists that have noticed even the appearance of the so called *emotions marketing* in insurance⁴⁶⁷ – a type of marketing necessary as a consequence of an increasingly sensitive consumer behavior. Nowadays consumers are trying to build an identity through various consumption activities and consequently a consumer will choose the product / service / company brand that has an image in accordance with the ideas he holds about himself – the choice being indicative of the type of image the consumer desires.⁴⁶⁸ The multicultural marketing recognizes that the cultural heritage is a decisive factor for the success or failure on international markets and the insurance companies try to adapt their activity to the specific consumer behavior. For example, previous studies have shown that Romanians are much more skeptical than other nations in Central and Eastern Europe. One of the managers of a large multinational selling life-insurance in Romania, but also in other countries in Central and Eastern Europe stated that: ‘Although insurance products on the Romanian market are similar to those in Poland or the Czech Republic, the Romanians are more skeptical when it comes to investments and tend to place their money in low risk products. That is why we concentrate now, on the local market, more on financial protection, because in Romania people need this more than investments.’

Insurance companies have many variants by which they can strengthen their position on the insurance market – for instance, there are several companies which decided to use a multi-brand strategy that will give the possibility to companies in the same group to concentrate on different market niches, also having the advantage of being able to use common competencies and capacities (for example, the same IT platform), without selling the same products and having different prices. For example, the holding Generali PPF, in addition to Generali Asigurari also owns on the Romanian market ARDAF and RAI, recently taken over from the PPF Investment Funds for approximately 80 millions Euros. Generali has chosen the following strategy on the Romanian market: the group has three companies on the market and has chosen not to merge the companies; they will function as different brands since part of the clients may be lost as a result of a merger.

2. From trust to customer loyalty – key issues in the modern marketing activity in the insurance industry

Trust is a key element in insurance marketing. Insurance companies have to be able to convince their clients of the usefulness of their products and of the solidity of their businesses. While it takes years to build trust and establish a reputation, those qualities can be very quickly damaged or destroyed. This is true of an industry, as well as an individual company and the entire life industry and its financial performance suffered as a result of the lack of trust.⁴⁶⁹ In the current crisis situation, trust is a vital element for the insurance industry. The current liquidity crisis is the result of lack of trust. The decrease in the level of trust has taken place in the business sector and also with consumers, both reacting by a reduction of expenses.

A serious consequence of the negative evolution of the financial market is the decrease of clients’ trust in the safety of insurance, especially in the case of insurance for long period. The most affected market is the investment insurance market, which can face a decrease, generated not only by the declining number of new contracts closed, but also by the interrupted contracts. Clients will cash in their policies before maturity, if decreases on the stock exchange will continue. The main factor that leads to such a situation is the mistrust in the financial market and in the solidity of insurance companies. The decision to take out insurance in the case of life insurance policies with an investment component is mainly based on trust ensuing from the reputation of the insurance company and its capacity to invest profitably, due to its experience on international markets.

The impact of the crisis on the insurance industry in Romania was so far ‘relatively limited’ and has mainly affected consumer trust, the negative reaction was firstly an emotional one, influenced by the current context. The greatest challenge of the entire financial industry will be in the following period regaining clients’ trust in financial institutions. A positive effect of the crisis will be the fact that insurance companies will have to be especially responsive to the needs of their clients, and their marketing will be a relational one. For the insurance companies on the short term, liquidity is the target, as it ensures survival, but on long and medium term the objective has to be the consolidation of the trust of consumers (natural persons or legal entities) in insurance companies. The goal of the managers must be to win customer loyalty. The loyalty is indicated by the company’s customer retention rate,

465 Werner J. Keegan, Marc C. Green, Global marketing, fifth edition, Pearson Education International, London, 2008, pp. 508 - 512

466 Stefan Mueller, Katja Gelbrich, Interculturelles marketing, Vahlen Verlag, Muenchen, 2004, p. 172

467 Ruy de Carvalho, How does the future look?, in The Geneva Papers On Risk And Insurance – Issues And Practice, no. 89, Oct. 1998

468 Michael Solomon, Gary Bamossy, Soren Askegaard, Margaret [Hogg](#), Consumer Behaviour – A European Perspective, 3rd edition Enhanced Media Edition, Pearson Education, 2006

469 Brian Atchinson, op. cit., p. 2

defined as the outcome of an entire process the client goes through in his relationship with the company, moving in turn from the first purchase of a product to the repetition of the purchase and then to loyalty. The mechanism of achieving and developing customer satisfaction leads to customer loyalty. The maximum level of commitment towards a company, its products and/or its brands is described as exclusivity.⁴⁷⁰ The essential issues of the customer retention process are the following: 1) What is the object of the customer loyalty? 2) What are the categories of clients that are able to develop loyalty towards an insurance company? 3) What are the main ways of developing customer loyalty? 4) What are the stages of the customer retention process?

1) In the insurance industry customers can develop company loyalty, product loyalty or loyalty for the contact person. Company loyalty is achieved as a result of repeated positive experiences related to purchases from the respective company. Product loyalty is the consequence of recurrent satisfaction in usage of the respective products. The services connected to the product can improve loyalty (for instance, a claim solved quickly can be perceived as an additional advantage of the product). Loyalty for the contact person is related to an insurance agent or a broker.

2) Not any customer can be loyal to a company. The activities involved in the customer retention process need to be customized according to the features of the demand (size, structure, intensity, frequency and so on). Modern marketing recommends grouping the customers in order to form a customer portfolio (occasional clients, permanent clients, key clients, problem clients).

The crisis has multiple effects on the insured and on the insurers. One effect of the crisis may be the increase in the number of late payers, but this should not frighten insurance companies, but should determine them to find a way to help their clients honor their responsibilities, even if at a slower pace. Another effect of the crisis will be the increase in the number of insurance frauds – in crisis periods this phenomenon usually develops. Lately, the number of files with a strong suspicion of fraud has considerably increased in the case of motor third party liability insurance. The solution lies in preventing this phenomenon and trying to find methods to discourage fraud.

3) What are the ways to develop customer loyalty? The actions available to the organization can be grouped in two categories: development of customer loyalty based on facts and development of customer loyalty based on emotions. The first category contains marketing elements of a *contractual nature*, a *technical nature* and of an *economic nature*. The second category contains all the marketing communication tools that develop the satisfaction of the customer. An attractive price is less and less significant in switching to a new product or company.⁴⁷¹

4) When assessing a product, nowadays buyers (Romanian buyers included) go through an increasingly complex decisional process based on the relationship *price – quality – degree of satisfaction*.⁴⁷²

The marketing techniques used to develop customer loyalty are various and require the combination of *elements based on facts* with *elements based on emotions*. The first step in creating customer loyalty consists in identifying the customer and studying his behavior. Thus the company has the possibility of creating a client database.

More and more specialists ask the question: “What is the value of a customer?” A customer’s value is primarily given by the long-term relationship with the company, which attests the fact that relationship management is crucial to the market success of the economic agent. When assessing a client’s market value one has to consider the multiplying effect the customer can have on the company. A type of client can become prescriptive, assuming a decisive role in directing demand towards a certain company / product. Some of them have an important role in directing demand, while others have a certain subjective reputation among consumers. Loyal customers’ willingness to recommend a certain company to other potential customers increases that company’s market value. In an increasingly competitive environment building customer loyalty is an essential asset for a company that wishes to develop.

The evolution of the insurance market is closely related to economic, social and political changes, and in this context of financial crisis an increasingly important role will be played by the state, which can influence the evolution of the insurance sector through its social and economic policy. But the insurance companies and financial institutions through their marketing activity can play an important role in rebuilding the trust of potential clients in their services and success will belong to strong, financially-sound companies, which know how to gain and keep their clients’ trust, with a flexible pricing policy, diversified products and impeccable customer service.

470 See Meyer-Waarden, Lars, *La fidélisation client - stratégie, pratiques et efficacité des outils du marketing relationnel*, Vuibert, Paris, 2004; Moisand, Bernard Dominique, *CRM - Gestion de la relation client*, Hermes Sciences Publications, Paris, 2002, Pop, Nicolae Al. *Ataşamentul clientului față de întreprindere – principala pârghie a marketingului relațional*, in „Marketing-Management. Studii - cercetări - consulting”, nr. 1/2005, Pop, Nicolae Al., Petrescu, Eva-Cristina, *Marketing et gestion de la relation client*, Ed. Uranus, București, 2008.

471 Henning – Thureau, Thorsten, Hansen, Ursula (Editors) *Relationship Marketing – Gaining Competitive Advantage Through Customer Satisfaction and Customer Retention*, Springer Verlag, Berlin, Heidelberg, New York, 2000

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