

## **Achieving Competitive Advantage in Insurance Industry: The Impact of Marketing Innovation and Creativity**

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### **Abstract**

In order to achieve new gains for its stakeholders and fulfill their needs and requirements, organisations must continuously search for the development of its product and services through marketing innovation and creativity. This will play a very important role in achieving competitive advantage especially in the insurance industry where competition is much stiffed, through the forces of change brought into the industry by recapitalization and consolidation. The study was carried out to find out whether marketing innovation and creativity has an impact on achieving competitive advantage in the insurance industry. The study shows that marketing innovation and creativity are crucial in organisational success. It also concluded that through marketing innovation and creativity, the insurance industry can improve their businesses and achieve a competitive advantage.

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Keywords: Marketing Innovation, Creativity, competitive advantage, insurance innovation, management's perception, client's perception

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### **INTRODUCTION**

During the last few years, the insurance industry has undergone a series of changes through financial reforms, advancement of communication and information technologies, globalization of financial services and economic development. Those changes have had a considerable effect on efficiency, productivity change, market structure and performance in the insurance industry. There is an established relationship between business strategy, innovation and organizational performance. Innovation which refers to the use of a new product, service or method in business practice immediately subsequent to its discovery, influences economic success and market share in increasingly competitive global markets. In response to new technology-driven global markets, companies have increased their use of advanced technologies as well as their innovation efforts (Zahra and Covin, 1993). The increasingly competitive environment in the financial services market has resulted in pressure to develop and utilize alternative delivery channels. Insurance companies are now facing extreme challenges in the current competitive environment because the changes and new services became the base of marketing and in order to face those challenges, insurance companies started to go towards marketing innovation and creativity which includes creating new services, delivering insurance services to customer and promoting those services and delivering them to customers in the right time and place since time and speed became essential in the world of financial services and depends on innovation in this world of competition in order to deliver the best products and services to achieve competitive advantage and gain customer satisfaction and loyalty.

### **LITERATURE REVIEW**

Competitive advantage is an organization's ability to perform in one or more ways that competitors will not and cannot match (Kotler, 2000) and is realized by the organization's marketing strategy, the implementation of this strategy and the context in which competition unfolds. The target consumers will be the core and center of the organization's marketing strategy. The organization should identify the total market and divide it into smaller segments and it should select the segment(s) and focus on serving them. The organization then engages in marketing analysis, planning, implementation and control to find the best marketing mix and take action.

Contemporary business theory argues that companies must compete to keep or gain market share. Innovation is considered to be the key to creating competitive advantage (Stalk, 2006). A more developed service is one that provides the customer with the opportunity to gain access to the services required and execute transactions or buy policies online, Daniel (1999). The most recent delivery channel to be introduced is electronic or online insurance delivery. The term electronic service delivery is used to describe the provision of information about an insurance company to its customers, via a computer network. In its simplest form, online insurance service can mean the provision of information about an insurance company and its products via a page on the World Wide Web. Innovation is associated with competitive advantage in both growing and mature markets. Innovation, unlike most other business practices can change the

competitive balance in mature markets (Brown, 1992). The concept and practice of innovation became closely associated with economic gain and competitive advantage in the 1930s. Joseph Schumpeter (1883-1950) created a theory of economic development based on five types of economic innovations: set up or discovery of a new product, a new manufacturing process, a new market, source or new organisation (Letenyei, 2001)

**Marketing strategies for competitive advantage**

In the 1950s, framework such as the marketing mix was developed to make the most of market demand. The 4 Ps, product, price, place and promotion were use to describe the levers that if used appropriately could lead to an increase in company’s profitability. The strategy to strengthen the relationship between the needs and wants of the user and the products and services offered by the organization is better known as the marketing mix. This mix incorporates four elements, namely, products, price, place and promotion. To put in another way, a typical marketing mix consists of product or service offering at a price, targeting a customer segment in certain place and a set of modalities to reach the target customer and promotion to tell the potential customer about the availability of the offering (McCarthy, 1978).

The 4 Ps represent the sellers’ view of the marketing mix variables available to influence buyers perspective, each marketing tool is designed to deliver customer benefits. Lauterborn (1990) suggested that the sellers 4 Ps corresponds to the customers 4Cs product corresponds with customer needs and wants, price responds with cost to the customer, place responds with convenience and promotion corresponds with communication.

**Marketing mix variables for services**

products and services are different in many ways. Unlike products/manufactured goods, services are intangible and cannot be stored, transported or resold. In goods manufacturing, on the other hand, repeatability and systematically controlled production are the key variables of success. A key factor distinguishing the services marketing from marketing of physical products is the human element, often included as new parameter in the services marketing mix (Booms and Bitner, 1981; cowell, 1984; Heuvel, 1993; Melewar and Saunders, 2000; Grove et al., 2000). The human factor underlines the personal nature of the services marketing the personal nature

of the services marketing; service providers play a double role in the marketing process as a service delivering factors: the personnel is a powerful element tool of customer persuasion and a major parameter affecting the customers perception on the delivered service quality.

The services marketing function in an organization is much broader than the traditional marketing department, requiring close co-operation between marketers and those managers responsible for operations and human resources (Lovelock), 1996). Therefore, the traditional marketing mix has been expanded by the addition of the new marketing mix variables people, processes and physical evidence. This expanded marketing mix consists of the following instruments product, price, place, promotion, people, processes and physical evidence.

**MATERIALS AND METHOD**

The population targeted for the study was the adult (18 years and over) population residing in Lagos, Nigeria whom are insurance services user or employees in the selected 20 insurance companies. The researcher chose a random sample of the population from the insurance companies and their branches, where 240 questionnaires were given to the insurance companies and their branches, 240 questionnaires were given to the insurance clients as well. About 221 questionnaires were recovered from the insurance company’s clients and after auditing the sample 12 questionnaires were found unusable for the analysis. 209 out of 240, which is 87.1% of the questionnaires given to the insurance managers and employees were recovered and after auditing the sample 9 questionnaires were found unusable for the analysis and thus the used questionnaires from insurance managers and employees were 218 out of 240 which 90.1% is. Several procedures were used to analyze the data for the purpose of addressing and answering the hypotheses and research question of this study.

**RESULTS**

Hypothesis testing: A combination of t-test and F-test and simple regression was the predominant means used for testing the main hypotheses. The Hypothesis (Ho) will be accepted if F is less than (critical F-value) and significance level is <0.05 at 0.95 confidence. The Hypothesis (Ho) will be rejected if F is more than (critical F-value) and significance level is >0.05 at 0.95 confidence.

Table1: Marketing innovation and creativity

Competitive advantage dimensions	F	F-critical value	sig-F	r	r2	Ho
Efficiency	62.829	1.94	0.000	0.739	0.546	Rejected
Quality products and services	48.452	1.94	0.000	0.694	0.481	Rejected
Customer satisfaction	150.486	1.94	0.000	0.862	0.742	Rejected
Total	140.841	1.94	0.000	0.854	0.729	Rejected

**Ho:** There is no statistical relation between marketing innovation, creativity and achieving competitive advantage.

**HA:** there is a statistical relation between marketing innovation, creativity and achieving competitive advantage (Table 1).

This hypothesis was tested using multiple regression analysis where F was:

Efficiency and F-value was 62.829 which is higher the critical F-value 1.94 and also the sig-F is less than the significance level 0.05 and thus the hypothesis Ho will be rejected and HA is accepted which means there is a statistical relation between marketing innovation and creativity and achieving competitive advantage. Pearson's correlation coefficient for marketing innovation and creativity and efficiency was 0.739, which shows a strong positive correlation. The coefficient of determination ( $r^2$ ) was 0.546 which shows that the independent variable (marketing innovation and creativity) have a 54.6% of the total variation in the dependant variable (Efficient). Quality of products and services where F-value was 48.452 which is higher the critical F-value 1.94 and also the sig-F is less than the significance level 0.05 and thus the hypothesis Ho will be rejected and HA is accepted which means there is a statistical relation between marketing innovation and creativity and achieving competitive advantage. Pearson's correlation coefficient for marketing innovation and creativity) and quality products and services) was 0.694 which shows a positive correlation.

The coefficient of determination ( $r^2$ ) was 0.481 which shows that the independent variable (marketing innovation and creativity) have a 48.1% of the total variation in the dependant variable (Quality of Products and Services). As for customer satisfaction where F-value was 150.486, which is higher the critical F-value 1.94 and also the sig-F is less than the significance level 0.05 and thus the hypothesis Ho will be rejected and HA is accepted, which means there is a statistical relation between marketing innovation and creativity and achieving competitive advantage. Pearson's correlation coefficient for marketing innovation and creativity and quality products and services was 0.862 which shows a positive strong correlation. The coefficient of determination ( $r^2$ ) was 0.742 which shows that the independent variable (Enhancing (reviving) the insurance financial services) have 74.2% of the total variation in the dependant variable (customer satisfaction).

## DISCUSSION

The study shows that the independent variables (Marketing Innovation and Creativity) which were tested through the hypothesis plays a major role in

achieving competitive advantage. The study shows the innovation and creativity are crucial in organizations success through the innovation and creativity in services, prices, promotion, distribution and the role of the upper management and their encouragement and motivation of the staff and the clients in accepting the innovations. The study also shows the role of the client's perception of innovation and creativity on achieving competitive advantage and that it aims to serve the clients and provide better services and the importance of marketing information availability to serve marketing innovation and creativity and the understanding of the client's needs and finally the importance of having a recovery strategy in order to correct the errors that may happen when conducting transactions and keep the clients satisfied.

## CONCLUSION

From the study findings, we can, conclude that creativity and innovation in providing new and innovative services as an important factor in order to satisfy the client's need and that creativity and innovation in pricing and promotion and innovation and creativity in distribution, technological innovation are crucial in attracting new clients. The upper management perception and acknowledgement of innovation and creativity in insurance industry helps in motivating the innovation and creativity in the insurance sector. While the availability of marketing information for the innovation and creativity, whether through knowing services provided by other insurance companies or creating a research and development department may be hard to achieve but it will keep the insurance company more up to date with the services and new technologies. And finally, having a services recovery strategy, for correcting the errors that may occur when providing the services for the clients will help the insurance industry in keeping the clients satisfied and attract new clients.

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