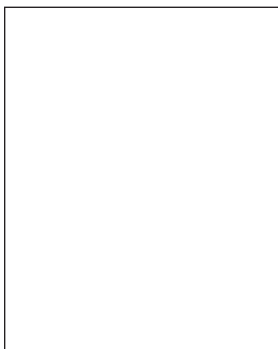


The market orientation process in two Swedish insurance companies

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The background to this study is found in the interest of market orientation. The concept has been used in articles frequently the last years, in spite of lack of consensus about what it is [6], [9], [12]. However, one mutual standpoint is that market orientation is beneficial for the company, but what the advantages consists of is more unclear.

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Background

Over time the competition has increased in the markets e.g. through deregulation's and internationalization. With increased competition the companies will have difficulties to sell their products or services. One phrase that often is used the latest years is to keep the "customer in the focus" of all business activities. This symbolizes a change in the way business leaders think about the companies relations to the market. We could say that it represents a change from a product oriented

way of thinking to a market oriented way of thinking. Another way of characterizing this is to say that the thinking has changed from an internal perspective to an external perspective.

One interesting issue about the research in market orientation is that almost all studies was done in manufacturing companies. The development of the concept therefore had a bias concerning the empirical field of study. In this study the empirical field is insurance companies. It was chosen because of the possibilities to give a contribution to the marketing concept.

To make a contribution to the theoretical field the theories about service marketing and the theories about market orientation had to be examined and the relevant factors had to be focused to construct a model for describing

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market orientation in service companies. The theoretical examination resulted in three components that together constitutes the foundation of the marketing concept in service companies. The three components are: market information, the support system and the customer meeting.

Those three components are supposed to interact in the company so that a high degree of market orientation is achieved. Market information is essential to collect data about the customers needs and wants. The support system should help the marketing function to behave in a market oriented way. The customer meeting is central for a service company and the front personnel's interactions with the customers are essential as a competitive advantage.

The three components consisted of a number of factors within each component. Market information included e.g. *the collection and dissemination of data about both customers and competitors*. The support system included e.g. *segmentation of personnel, market oriented culture and decentralization*. Finally, the customer meeting included e.g. *buyer-seller relations, interaction and service quality*.

The main purpose of this research was to study the process towards market orientation in insurance companies.

Research Strategy

The selection of insurance companies as cases in this study was motivated in different ways. Some of the motives to use insurance companies was as follows. One motive was that they are large companies. The size was considered of importance because earlier studies of the marketing concept was done in large companies. The size also guaranteed that there were employees working within the area of the three components, i.e. different employees mainly working with issues related to one of the components.

One other motive was that earlier studies had been done in companies selling consumer goods. To be able to use results from them, the area of consumer goods seemed important. Because of that the organizational interest was focused on the part of the insurance companies that dealt with consumer insurance's.

Another motive was that the insurance industry in Sweden worked with changes in their organizations that were in line with the marketing concept. A deregulation of the insurance industry had taken place which made the competitive climate to increase and that was also of interest.

Within the companies, the access to the employees was considered as good because one person of the top management team in each company was appointed as my contact person. These persons legitimated this study by informing about it internally in each company and there were also a possibility to mention their names when booking interviews with employees.

The component model was used to collect data about the marketing concept in two service companies – the insurance companies. The data collection method is a qualitative case study.

The interview guide was structured from the three components that constituted the marketing concept, and the factors included in each component was the specific subjects of interest when talking to the employees. The interviews was conducted as a conversation with the respondents to try to avoid leading questions and other types of interviewer biases.

The case descriptions was made up by conversations with a total of 43 employees in two insurance companies in Sweden. Their perception of the marketing concept was the focus for this study. The employees had different hierarchical positions, and were stationed in four different cities. The insurance

companies in this study are anonymous on their request. The names in the case descriptions are therefore fictive.

Case Description

Insurance companies is a part of the financial sector. Their role in this financial sector is to handle and even out risks. For the customer, the insurance company takes over the risk against a premium.

The insurance company Sture had not been active to collect market information about the customers needs and wants. However, their collection of information about their competitors was better.

The company decided to do use their customer database to investigate their customers. They found out that about 20 % of their customers accounted for 80 % of their turnover. The conclusion drawn from this was that this group was the most profitable customer group. That information made the management to rethink their way of handling their customers. Up until then almost all customers were treated in the same way.

This resulted in an organizational change. They divided their customers in different segments and created one organization for the profitable group. The front personnel was expected to make personal contact with all of these customers, to go through their total insurance needs and wants. The aim of this was to give the customers attention in other situations then when the premium should be paid. Every customer in this segment got a personal insurance employee to interact with. The management thought it was of importance for the customers to be in contact with the same employee every time.

The insurance company Sture focused on the customer meeting to try to create a good interaction with the customers to ensure that the customers would be pleased with the service provided by the company. The front

personnel got very much internal attention from the management, since they were considered to be of critical importance for the customers fulfilment of expectations.

The support systems had partly got attention and partly been forgotten by the management. One example was the computer system that got lots of resources for development. However, the management forgot to change in the accounting system so that it would be possible to measure profitability from the customer segments instead from the products, as before. The responsible managers were therefore unable to know if they were profitable or not at first.

The other insurance company – Nisse, had not either used market information actively. The primary area of interest when it came to collection of information was, as in the other insurance company, information about their competitors. Through that they were going to copy the concept of personal insurance employee from the insurance company Sture.

They had problems with the way they used to handle their customers. Focus had been to attract new customers instead of give attention to existing customers to keep them satisfied. They had done some changes in the organization to get a better interaction with their customers. For example they had experimented with physical locations. At one time their strategy were to be located in the ground floor in the centre of the towns to increase the availability. That strategy had to be abandoned because of economical reasons, the premises were to expensive.

One other planned change in the organization concerned the front personnel. They needed more education because their future role would be to have knowledge about most insurance services instead of being specialists in one area.

The support system in the insurance company Nisse had gone through some changes. The organization had been flattened and the

new idea was to create profit centres. The profit centre should consist of a small number of employees which prime assignment was to please the customers. One idea the management had with these centres was to increase the profit thinking within each profit centre. One obstacle for this team idea was the sellers individual commission based salaries. The original incentive for the seller was to act individually and not to cooperate with the team members in the profit centre.

In common for both companies was that their computer systems was designed to be an administrative instrument and not to be an active help for the marketing function. For example, if they were going to select a customer group from their customer database for a mailing offer they had to do this through the central computer, and it had to be done at the headquarters in Stockholm.

Influence on the Market Orientation Process

The cases differed from the theoretical frame of reference, as expected. However, the differences was impossible to explain with the three components. New analyses of the empirical data showed other factors that had influenced the market orientation process in the companies.

The new factors could be divided into four groups depending on if they were considered as internal or external factors and if they were driving forces or obstacles for the process.

Figure 1. The typologies

	<i>Obstacles</i>	<i>Driving forces</i>
<i>Internal factors</i>	Conserving internal environment	Reforming internal environment
<i>External factors</i>	Environmental restrictions	Environmental potential

The conserving internal environment consisted of factors as *the fragmented customer perspective* and the *inward-out thinking* in the organization. The environmental restrictions consisted of the factors *law and regulations* who held back changes and the *low activities among the customers* to convey demands to the insurance companies. These two groups of factors were obstacles to the market orientation process.

The reforming internal environment consisted of factors as *segmentation of customers* and the creation of *sales teams*. The environmental potential consisted of factors as *degree of competition* and *internationalization*. These two groups of factors worked as driving forces for the market orientation process.

We could think of this situation as a tug-of-war between obstacles and driving forces, since all types of factors exists simultaneously in the organization. After this we have an understanding of why the insurance companies were not more market oriented. Without any doubts the insurance companies had changed from a production oriented thinking to a more market oriented thinking.

The Cycle Model

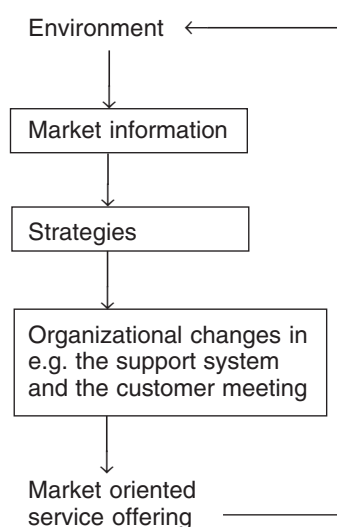
One original component that proved to be of great importance in the market orientation process was market information. Neither of the insurance companies had worked with that in a systematic way to find out for example the customers needs and wants. The importance of market information is also to be found in the literature.

There were need for a more dynamic model of the market orientation process that puts the components in relation to each other. So far we only have mentioned the components as equal to the marketing concept. The cycle model visualize the relation between the components and it also adds on a time perspective

to market orientation, since it is supposed to continue over time.

Market information will work as input to the strategy development. The strategies will in turn affect the organization concerning for example changes in the customer meeting and in the support system. If this process works it would result in a market oriented service offering to the customers on the market.

Figure 2. The cycle model



The model also consists of the environment. In the analyses it was possible to establish that the environment had an impact on the market orientation process. One example is the deregulation of the insurance market and another example is the internationalization of the insurance market.

From the beginning the component model was built up by more or less internal factors. To understand the development of the market orientation process we had to add on factors in the environment that had an impact on the process. This means that the environment are of importance for the implementation of the marketing concept.

To have a well functioning market information system is with this discussion in mind a

prerequisite for market orientation. The information collected has an onward perspective in that it is supposed to be used for future decisions about for example the company strategy.

The study has shown that it is important to disseminate information in the organization to keep the employees well informed about the customers changed needs, the competitors strategies, the customers opinion about the companies service offerings, etc.

The strategies should be formed with respect to the market information and the company resources. In the literature we could find some links between the environment and strategies [3], [5], [12]. One normative advice is that the management should increase the company's market orientation as soon as possible because the markets in the world is heading towards increased diversification and increased turbulence [1]. The technological development makes it possible with "mass customization". This could be a strategic competitive advantage because it makes it possible to specially design products and services to individual needs and wants in another way than it is done today.

To add on two other factors of importance for future competitive advantage we have complexity and economy of scope. This is in deep contrast to old strategies as standardization, simplification and economy of scale [2]. These new strategies are especially well suited for service companies as they often could change their services much simpler to satisfy the customers needs, then a product producing company could do.

Segmentation is another issue of strategic importance [13], [17]. The study showed the segmentation process of the insurance company Sture as a strategic change. From the point of the marketing concept it seems very important to segment the market to be able to attract the "right" customers, and to serve them in the best way possible. For a service

company the satisfaction of the customer depends for example on the customers expectations and the service delivery system. If the market is segmented it is much easier to handle the marketing situation.

Organizational changes is a result of chosen or modified strategies. The study showed different types of internal driving forces and internal obstacles affecting the market orientation process. We also had the original conceptual factors and the behavioural factors.

For the management the challenge is to make changes in and/or influence these different factors to promote the implementation of the marketing concept. One area of interest in this context is the learning of the organization. Since the implementation of the marketing concept is a process influenced of the environmental changes it is important to create an organizational culture that maximizes organizational learning [4], [16]. The ability to learn faster than the competitors would be a possible strategic competitive advantage in the future.

Organizational learning could be connected to the reforming internal environment because the information from the environment plays a great role for the market orientation process.

The gaps

There are four possible problem areas in the marketing orientation process that could be identified as gaps between the factors in the above discussed cycle model. First, we could argue that lack of market information will reduce the possibilities to create service offerings that the customers will be satisfied with. We call this the market information gap.

Secondly, this lack of information will give negative impact on the strategic decisions. This could lead to serious problems which, in fact, could have serious effects to the company and to the service offerings. If the information

is insufficient the strategic decisions may be wrong. The management may make changes in the internal factors that will lead the company on to the wrong way to satisfy the customers in the future. This is the strategy gap.

The third gap is the implementation gap. This means that there are problems between the strategic direction and the organizational changes. The implementation process is about how the management handle the organizational changes. In this context the reward system is of great importance to make the personnel do the new things in the right way.

Earlier we established that the marketing concept was built up by conceptual factors and behavioural factors. The links between them constituted the implementation of the concept. Therefore it must be important for the management to consider these links when implementing the marketing concept. Of course they also have to pay attention to the environmental changes. We could see in the cases that external factors affected the market orientation process which is important to remember.

The fourth gap is the relation gap. It means that there are problems between the company and its customers. Relationship marketing is a theoretical field of importance to deal with this gap. There we can find that customer reward systems, database marketing etc. will enhance customer loyalty. A relation is a personal process which should be treated with care and it should be considered to be of great importance to the company.

If we consider the above discussions we could note that it to a great extent concerns resources. Information could be seen as an intangible resource. The strategy formulation and competence is another resource. The organization is a resource that the management will have to invest in, and learning as mentioned earlier could be a strategic competitive resource. The resource discussion implicate

that the market orientation process also could be seen in the light of resources.

At last a late study of the new research gave the following results. The theoretical field of service marketing have the latest years been fragmented, and the only major area of it that still remains is the area of quality in services. The other areas have more or less been incorporated in the theoretical field of relationship marketing [8]. This development could be explained through a life cycle discussion. The service marketing had gone into the maturity stage and something new was called for.

The theoretical field of market orientation is still developing. One area of research interest is the link between market orientation and profitability. This is still unclear and need more studies, because indirect the marketing concept is mentally linked to profitability [10], [11], [14], [15].

Some research gave support to this study that market information is essential for the market orientation process. Support to the cycle model is also given in late publications to the extent that the market orientation process starts with information that serves as input for strategies [7], [9]. Support is also given to the result that market orientation is a strategic competitive advantage [16].

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