

## **CROSS-BORDER INSURANCE MARKETING AND THE CORPORATE IMPLICATIONS**

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### **Abstract**

The present investigation has been undertaken in order to study the decision-making involved in the process of cross border marketing planning, the competences that can be developed to respond creatively to the changing global environment in the light of cross border marketing challenges.

A simple study was carried out through questionnaire. 156 senior executives of insurance companies with cross border insurance companies were carefully sampled randomly. Also the grounded theory was used to summarize the answers to some of the questions posed to some of the Chief Executives and Executive directors of insurance companies involved in cross-border marketing. Qualitative data collected was analyzed using content analysis

Quality will be the ultimate yardstick in cross border competition, and quality will be determined by professional competence. Thus, developing global leadership in insurance entails paradigm shifts. These often require the development of new organizational mindset, knowledge and competences, and will require the organizations to engage in long term planning and sustainable implementation. On a global level the only insurers able to compete will be those that have the leadership and staff capacities to respond to ever more complicated client needs.

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**Keywords:** Cross Border (CB), Grounded Theory, Marketing, Global, Insurance, Economic Community of West African States (ECOWAS)

### **Introduction**

A significant number of insurance corporations are limiting their activities to either local or regional levels or are only addressing members of certain professions and branches. Needless to say, such companies generally do not market beyond national borders. Thus most

insurance companies have been concentrating their efforts primarily on national levels. despite their financial strength.

In the light of increasing globalization of the world economy, the global marketing is gradually becoming a necessity for the survival of all organizations either big or small. In Nigeria, the recapitalization exercise of the insurance industry of 2008, has created a lot of incentive for the insurance companies to reconsider the possibility of tapping into the other West African Insurance markets as a way of investing the sudden accumulation of funds in their kitty. Dramatic changes began to take place with some companies crossing the border of Nigeria to establish companies in other countries like Ghana, Liberia, Sierra Leone, Cameroon and Gambia.

Such development was adduced important as development Corporation's activity from a global level has been one of the key issues in the business community in recent years. Managers in every sector of business and commerce have been challenged with the question of how they perceive a greater part of the world as their market place, how they cope with increasing international competition and whether their company will survive through its own expansions or will be taken over by another, more visionary player. Some organizations also believe the developments are also relevant for the services sector, including the insurance industry. Insurers in particular will feel challenged, as all in all there is little competence in global activities within the insurance community compared to other business sectors where the world as a market place has been a reality for many years.

Marketing always has been a key element of insurance. Insurance is sold rather than bought; therefore, it is often described s a “push-product’. Whether there is obviously general agreement about this character of insurance, little has been said about the reason for it, which lies in the human trait to suppress the existence of creativity and chance. As risks are neglected or underestimated instead of evaluated or managed, insurance as a risk-taking proposition has to be sold to people. Consequently, the insurance business has been a sales business, or a marketing business, probably long before the term “marketing” was used in this context.

Insurance has been sold by very traditional methods over many years and decades. However, in the last ten years discussions about the future of insurance marketing have been on the agenda in virtually all insurance markets. New trends and ideas have been debated, projected and implemented with mixed experience. Around the buzzwords ‘Cross-border marketing’, a wide range of visions and speculations about future marketing scenarios have been discussed.

Cross –border marketing has become a popular subject among the insurance companies in Nigeria, seeing it as a necessity for the survival of the industry organizations big or small. So, what do these developments mean to business? How do they affect the management decision for cross-border operations? The clear implication is that these developments will shape the nature of competition, the source and scope of competitive advantage of the immediate physical environment in the immediate future. It is the aim of this paper to consider these environmental changes and the ways in which they will impact on the management of cross-border marketing. We will then examine the challenges that insurance companies face in responding to this new business environment

### **Literature Review and Conceptual Framework**

Cross-border marketing or global marketing is expansive, extensive and complex. Defining terms in the global marketing arena is a complex issue. Marketing across political and cultural boundaries raises a lot of questions, problems and juxtapositions, rendering precise definition difficult. The focus of domestic marketing is primarily marketing carried out within a defined national or geographic boundary where the marketer is relatively free to plan, implement, and control marketing plans, including decisions on the marketing mix, (the controllable ) within a relatively known and easily researchable marketing environment (i.e. the uncontrollable). Over time the marketer learns to anticipate the needs and wants of his/her market. There is no need to attend to the demands of the cross-boundary markets, other than to monitor and meet the threat of competitors. Focus and control are on the domestic market,

International marketing takes place when the marketer explores markets outside the national boundaries of the domestic market. This often begins with direct or indirect business relationship with a neighboring country. The focus is to find markets which have needs similar to those in the domestic market and can be satisfied with similar products and services.

The concept of global marketing begins with the idea that the world has no centre. The borderless global marketplace encompasses the participation of all countries not only the industrialized and the newly industrialized nations but also the developing economies such as Nigeria. This new market internationalism is coupled with more integrative global structures, including free trade areas, common markets and multilateral agreements which link international markets more closely, even though protectionism and conflicts coexists with it. It rests upon the dynamic premise that consumer preferences can be, and are, constantly being

reshaped by common exogenous rather than endogenous forces, resulting in the convergence of many consumers' wants and desires (Perry, 1999:48)

Global marketing organizations would strive exclusively to maximize standardization, homogenization, similarity, concentration, dependence, synchronization and integration of marketing activities across markets (Svenssen, 2002:581) Organizations seeks to lever its resources across political and cultural boundaries to maximize opportunities and exploit market similarities and differences in search of competitive advantage. De Mooij,( 1998) in his own contribution, was of the opinion that organization wishing to embark on cross border marketing, would have an enlightened recognition that global consumers differ in their consumption behavior from culture to culture.

In 2008, the World Economic Forum, explained that the world is currently undergoing a very serious change demographically amounting to an earthquake for business improvement and expansion. To them, the planet is experiencing a youth bulge, rates of mortality and fertility are falling in the developed world, with average life expectancy projected to reach 100 by the end of the century. In Africa, a surplus of workers is driving immigration to the north. To survive and prosper in the rapidly evolving global marketplace therefore companies must win the war for talent, innovate rapidly , where also appropriate collaborate effectively

Marketing efforts on a global scale can be approached through many different strategies. One of the greatest challenges for a corporation today is the lack of congruence on what a global marketing strategy is by definition, and the lack of supporting measurable criteria for the determination of success ( Kaustin, 1994), Zou and Cavusgil (2002) note that there are ultimately three strategic perspectives :integration, configuration-coordination, and standardization. However, the research of Karuppur(1994) suggests three strategies with incorporation of a differing terminology: standardization, multi-domestic, and various strategies that fall between the two.

In light of variety of global marketing strategy definitions and therefore possible variety of measurable and reportable results, researchers Zou and Cavusgil created what they term as GMS, or Global Marketing Strategy (2002). GMS is a broad strategy that encompasses the main components of the other more narrowly defined global marketing strategies in order to streamline the approach to marketing and to provide an opportunity that both benchmarks organizations against other industry competitors. Sashi et al (2002) have arrived at a conclusion in their research that the ability of a firm to successfully operate at the

global level suggests the need to overcome internal and external risks and uncertainties, thereby embracing the flexibility components found within the GSM option.

The whole essence of looking into the cross-border activities of the insurance companies are to consider the changes in the market environment which impact on the management of cross –border marketing and companies operations globally and in the light of market changes and new challenges, on what basis can the companies develop new sources of global competitive advantage.

### Methodology

A simple study was carried out through questionnaire. 156 senior executives of insurance companies with cross border insurance companies were carefully sampled randomly to make sure it goes round the employees of the companies concerned. Also the grounded theory was used to summarize the answers to some of the questions posed to some of the Chief Executives and Executive directors of some insurance companies. Qualitative data collected was analyzed using content analysis

### Findings and Discussion

The table 1 is on the Knowledge and importance of cross-border marketing. The table even though is very simple, but helps us to catch a picture of what the various organizations are facing in their respective country of operation outside the shore of Nigeria. It is on 4 Likert Scale of SA=Strongly Agree, A=Agree, SD= Strongly Disagree and N=Neutral

Over 80% of the respondents said they have a knowledge of what cross border marketing concept is and the usefulness to their companies while 6.6% was neutral and 6.6% strongly disagreed that it has not been useful or helpful.

**Table.1 Knowledge And Performance Of Cross –Border Marketing**

Options	SA	A	N	SD
	N %	N %	N %	N %
<b>Cross Border marketing has been a useful means of increasing the company's network</b>	<b>65(49.3)</b>	<b>67(37.5)</b>	<b>10(6.6)</b>	<b>10(6.6)</b>
<b>The gap between the expectation and actual result has been very wide income wise</b>	<b>18(11.8)</b>	<b>37(24.3)</b>	<b>15(9.9)</b>	<b>82(53.8)</b>
<b>It is a way of increasing competitive advantage</b>	<b>40(26.3)</b>	<b>75(49.3)</b>	<b>11(7.2)</b>	<b>26(17.1)</b>
<b>The human resources and other resources are not enough to meet the demands of CB marketing</b>	<b>56(36.8)</b>	<b>63(41.4)</b>	<b>19(12.5)</b>	<b>14(9.2)</b>
<b>The training for this type of marketing is not enough. the management should do more</b>	<b>48(31.6)</b>	<b>56(36.8)</b>	<b>34(22.4)</b>	<b>14(9.2)</b>

<b>The culture and the political structure of the country are barrier s to progress</b>	<b>45(29.6)</b>	<b>56(36.8)</b>	<b>29(19.1)</b>	<b>22(14.4)</b>
<b>Company has to do a research of the country before going in to set up the company</b>	<b>20(13.2)</b>	<b>87(57.2)</b>	<b>22(14.5)</b>	<b>23(15.1)</b>
<b>We need to improve on our services in this new country to be able to compete successfully with home based</b>	<b>58(38.2)</b>	<b>61(40.1)</b>	<b>14(9.2)</b>	<b>19(12.5)</b>
<b>Our marketing strategy should be improved upon</b>	<b>37(24.3)</b>	<b>81(53.3)</b>	<b>24(15.8)</b>	<b>10(6.6)</b>

**Source: Field Survey 2012**

Whether CB marketing is generating the expected income, only 36% strongly agreed and agreed while 53% strongly disagreed that is not generating enough to justify the money invested. Looking at the table generally, one observed the importance of cross-boder marketing in competitive advantage, inadequate human resource and training this was expressed by 68% of the respondents.

66% of the respondents were of the opinion that the political structure and the culture of the countries of location should be researched into before establishing such companies.

78% of the respondents agreed that they need to improve on their services to be able to compete effectively while 77% supported this idea and would love to improve on their marketing strategies

From the statistical analysis, one can infer that all the respondents have the knowledge of the cross-border concept and the importance; they believe it is a useful instrument for increasing the company's profit if proper training is done and necessary tools provided. To further buttress our findings, some of the CEOs and executive directors were interviewed, using the grounded theory approach, some suggestions that were similar were brought together as a concept that can assist future companies embarking on the establishment of insurance across the shore of Nigeria.

The goal of the grounded theory approach is to generate a theory that explains how an aspect of the social world "works". The goal is to develop a theory that emerges from and is therefore connected to the very reality that the theory is developed to explain. According to Creswell (2009), grounded theory is "a qualitative strategy of inquiry in which the researcher derives a general, abstract theory of process, action, or interaction grounded in the views of participants in a study." (p. 13 & 229) This process involves using multiple stages of data collection and the refinement and interrelationships of categories of information (Charmaz, 2006; Strauss and Corbin, 1990, 1998).

## **Summarized Interview With CEOs of Insurance Companies on the Challenges and Implications of Cross- Border Marketing**

### **Extract 1**

*In the service industry nothing happens without people that are able to convey the benefits of the respective service to the company's clients. "Human Resources" are therefore understood to be the determining factor for success in every segment of insurance.*

This holds very much true when one considers the requirements for global insurance activities. One needs employees who understand the specific technical requirements of insurance coverage in other markets. Underwriters who have to decide about acceptances in other countries have to know and understand a lot about the risks in those countries, and their professional capability must be on a level that is accepted in the respective markets. However, professional competence is not sufficient in and of itself. Beyond professional competence, such employees need social competence, which enables them to successfully provide services in other markets. Social competence means not only understanding foreign languages, but also accepting other values, other cultures and different personal relationships.

### **Extract 2**

*It has been said and repeated that in the insurance world all business is local. In other words, one needs people who are on locations and who are integrated into, rather than isolated form, a proper organization that provides a basis and at the same time ties people to a common goal. Organizations develop slowly. Their ability to provide services grows through recruitment, training and guidance of people. An organization developed under a certain concept cannot be quickly transformed into one that follows a different philosophy. This is what makes organizations with a global heritage so valuable.*

Global activities in a service industry depend on the organization's competence to transact business locally but guided by a global idea. Such virtues have been called "Transnational Competence", a term that reasonably describes what is intended.

### **Extract 3**

*Global activities depend on the power of a corporation-power that usually will emanate from successful operations in the home market that provide the necessary financial basis. Undoubtedly, financial strength has the prerequisite for international activities. On the other hand, strong national companies have failed in other countries despite all conceivable financial background and support.*

Thus, it not sufficient in insurance to dwell on a concept that has proven successful in the home market. Rather, insurers have to evaluate the strength and weakness of their home portfolio in order to determine the following:

- Whether their competence in products, services, marketing and administration is solid enough and is applicable beyond their existing markets, and
- Whether international facilities or international experience may improve the quality of their services to the existing client base.

In general such evaluation will reveal that it is very difficult to develop transnational competence from a composite portfolio of standard insurance products. However, as commercial or industrial corporations are developing more and more into international or even global players, insurers with a significant market share in such clientele have the choice of either developing their own services in a global direction or losing their edge in this segment of the business.

### **Recommendations for Successful Cross Border Marketing Of Insurance**

The changing and more sophisticated investment attitudes of individual buyer have been shaking up traditional product segmentation and further blur the traditional border lines between the various financial institutions, new product or service concepts so far have not been developing on an international level. Although such prospects are not inconceivable for certain client segments or sophisticated products, the leverage of international competence seems to be rather small compared to the leverage of the decisive factor in the personal lines insurance business—local responsiveness to attitudes, expectations and needs of the clients.

The understanding of the statutory requirements is a cornerstone to successful insurance operations in another country. In the beginning the company interested in cross border insurance establishment, may need to nominate a local delegate to take charge of the initial formalities. Soon, however, a representative office may be necessary in order to gain contacts. Mature activities eventually will need support of local service companies.

Companies that are not familiar with the complexity of foreign markets often have relied on local partners with whom they have formed joint-venture companies. As loose co-operations have not proven very successful in the past, joint venture companies in certain cases may be a better alternative. Sometimes even mutual participation in equity has been established in order to facilitate the required local support.

Companies in all lines of financial services therefore will continue to fine-tune their services to the individual and to make sure that they can offer a broader range of products either by extending their own capabilities or by lining up with established suppliers of complementary services. If the innovative products or features of a required quality have already been developed and implemented in another country, it may be attractive to ally oneself with a successful company of such origin. It seems doubtful, however, that the



necessary application of the product to national requirements thereby can be in a way that would give such an alliance strategic significance.

Product innovation and successful management of multiple sales channels will be the success factors in the personal lines business. Leaders in that business will find it increasingly necessary to have access to developments in the more innovative markets. The management of product features and sales channels, however, will remain quite different from country to country. Whereas one might expect cross-border activities to increase in some particular niches, it seems unlikely that global marketing patterns will have an impact on the development of the personal lines insurance business.

In sharp contrast to the individual consumer's perception, corporate buyers in many companies have found it necessary and proper to include insurers of other countries in their insurance program. Foreign insurers often have been instrumental to them in establishing the necessary capacity in a difficult class of business. For example, liability coverage's for oil and chemical industries have been put together with capacities originating from international sources—rather as a rule than as an exception.

Searching the globe for the insurance solution is no longer concentrated on multinational corporations and already meets an interesting range of supply. World-wide insurance solutions are a reality in the market place. International insurance programs, particularly in property, business interruption and liability, have proven track record of more than twenty years. At this stage one also should note that the integration and pooling of international employee benefits programs represents a global solution with significant benefits to corporations in all parts of the world.

All the insurance recommendations have one common denominator—the client's desire to optimize the local coverage along a multinational master program is of paramount importance. Coordinated handling of premiums and claims adjustment, the provision of buffer coverage's and the leveling of local misjudgment or error provide clear and tangible advantages. Within the Ecowas Community, the development of policies with common language applicable throughout the community is on the agenda of the countries within the community and in the future will represent a significant integrated element in every cross border program.

### **Competing in the Cross Border Market**

In the era of cross border business, when goods and services can be marketed and sold in ways that were unimaginable in the past, organizations need to compete for survival not

only within their domestic market but globally. And also be prepared to fight for market share.

What will be the deciding factors in the global competition for corporate insurance accounts? The following five important aspects shall be highlighted:

1. Improved client orientation will be required in the market. Market solutions have to be based on the particularities of the individual countries involved. Risk scenarios in countries with sometimes very different safety and security cultures have to be taken into account. Reliance on familiar patterns may prove to be dangerous. No international standard in risk management currently exists and none will for many, many years to come.
2. At the same time, insurance solutions have to be based on the requirements of the insured's risk policy. There is often no easy answer to the question of a common requirement in a complex industrial group. However, the insurer must understand the client's expectations. Only then will he be able to deliver adequate solutions and avoid disappointments.
3. No international concept will work without proper backup on the local level. Such backup has to be competent and efficient and needs the local flavor in order to gain acceptance also with the client's national entity, whose satisfaction is of particular importance to central risk management.
4. With growing interdependency within global industrial groups, the management of cross-border-exposure quickly gains relevance. In many corporations risk management has been properly prepared for such important tasks. Insurers therefore have an important role in making companies aware that such exposures need careful evaluation, analysis and an insurance solution.
5. Only professionalism in the risk business will enable insurance companies to handle such complicated issues. Insurers will achieve or maintain such professionalism only if they segment their activities, thereby applying different approaches to multinational corporations, industrial and commercial risks and finally the personal lines. Professionalism in the leadership of the insurance business also is required. On a global level the only insurers able to compete will be those that have the leadership and staff capacities to respond to ever more complicated client needs.

## Conclusion

Quality therefore will be the ultimate yardstick in cross border competition, and quality will be determined by professional competence. Thus, developing global leadership in insurance entails proving superior competence in the most important insurance markets.

Many approaches to global marketing planning have been put forward in response to the evolution in the global marketplace. Mere tinkering with the marketing mix is no longer sufficient to address the challenges. Paradigm shifts are often the only answer. These often require the development of new organizational mindset, knowledge and competences, and will require the organizations to engage in long term planning and sustainable implementation.

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