



Applying marketing management and communication management theories to increase client retention in the short-term insurance industry



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ARTICLE INFO

Article history:

Received 13 May 2013

Accepted 9 October 2013

Keywords:

Marketing management

Communication management

Client retention

Customer relationship management (CRM)

Public relations (PR)

Integrated communication (IC)

ABSTRACT

Businesses must retain their clients to remain profitable. The academic field of marketing management considers customer relationship management (CRM) as most appropriate to achieve this, while communication management focuses instead on public relations (PR). The purpose of this research was to analyse theories in these two disciplines and derive an integrated theoretical framework of CRM and PR client retention. The framework was then tested through in-depth interviews with short-term insurance clients and short-term insurance providers (brokers and direct insurers) in South Africa to gain perspectives from both sides. The importance of some fundamental elements found in literature were affirmed, two elements' importance were questioned and it was established that three inconsistencies existed between what providers regard as essential to retain clients and what clients regard necessary for them to stay in a relationship with an insurance provider. This may explain the many unsuccessful client retention efforts of South African brokers and direct insurers. Six new CRM and/or PR elements, not found in literature, are presented in the article for exploration in future research. In order to assist client retention in the very competitive short-term insurance industry, results were applied to the core tenets of Niemann's (2005) SA model for the implementation of strategic integrated communication (IC). Finally, the authors present an integrated approach to client retention strategies in the South African short-term insurance industry, incorporating both marketing and communication theories.

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1. Introduction

Attracting the right customers and retaining them are crucial to business success (Knox, Maklan, Payne, Peppard, & Ryals, 2003, p. 6). This is even more important during times of increased competition, recession, globalisation and stronger regulations (Moodley, 2007, p. 24). The current global financial crises serve as cases in point. Service providers striving towards more effective client retention practices during difficult times should get an in-depth understanding of client retention strategies, what they entail, how they are developed and how they should be managed (Corner & Hinton, 2002, p.

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239; Reichheld, Murkey, & Hopton, 2000, p. 135; Sanchez & Sanchez, 2005, p. 307; Ward & Dagger, 2007, p. 282; Zineldin, 2006, p. 341).

While both disciplines agree that relationships with clients should be established and maintained, marketing management relies on customer relationship management (CRM) to do this, while communication management favours the public relations (PR) function. The business principle of effective client retention to ensure sustainability applies equally to the short-term insurance industry, which in South Africa is particularly complex, competitive and regarded as cut-throat (Ndubisi, Wah, & Ndubisi, 2007, p. 223). Many clients, for reasons known and more often unknown, are not being retained. This threatens the survival of brokerages and direct insurance companies alike.

2. Problem statement and research aim

The research on which this article is based investigated how clients in the South African short-term insurance industry could be retained by seeking answers from marketing and communication management literature. Both fields recommend client retention strategies, but call them by different names. Short-term insurance practitioners and business managers are not always aware how their strategies differ or coincide.

3. Marketing management and communication management perspectives

Views on the retention of customers in the subject discipline of marketing management developed as the field itself evolved. In the mid to late nineties the focus shifted from transactional to relational, where the development and maintenance of relationships became the essence of the field (Strydom, 1999, p. 2). The value of retaining customers became apparent and crucial to business profitability and success. Marketing efforts had to be adapted to support this new point of view and innovative ways of dealing with customers were sought. This paradigm shift led to the birth of the concept of relationship marketing and customer relationship management (CRM) (Grönroos, 2000, pp. 8, 9; Payne, 2006, p. 6; Swart, 1998, p. 8). The premise of a CRM strategy is to create, develop and maintain profitable relationships with customers (Buttle, 2006, p. 39).

On the other hand, communication management as a developing academic discipline has since its origin maintained that building relationships with all the organisation's stakeholders is important for organisational success. Stakeholder theory suggests that the environment of any organisation consists of a variety of stakeholder groups with interests (stakes) in the organisation that could either positively or negatively impact organisational performance (Zsolnai, 2006, p. 39). Grunig, Grunig, and Dozier (2006, p. 33) state that part of the effectiveness of an organisation is therefore determined by identifying key stakeholders to incorporate their values into the goals of the organisation. Within communication management, the business function of public relations (PR) is to manage communication between an organisation and all of its stakeholders to build and maintain successful relationships (Grunig & Huang, 2000, p. 28; Ströh, 2005, p. 111).

Public relations (PR) focuses on all stakeholders involved in an organisation, while relationship marketing, and customer relationship management (CRM) in particular, predominantly focuses on customers. As this article specifically reports on the investigation of the retention of clients, only this stakeholder group is discussed. Table 1 indicates a comparison of the fundamental elements of CRM and PR gleaned from the respective literature reviews.

The grey areas indicate either differences between the two disciplines, or elements present in the thinking of one discipline but not necessarily relevant to the thinking of the other.

It is clear that almost all the core elements of CRM and PR are similar. Fundamentally the two disciplines strive towards the same main purposes that mostly comprise the same elements. If CRM's and PR's core elements are in essence the same and if, according to Ströh (2005, p. 121), the fields of customer relationship management (CRM) and relationship management in PR started to overlap, their strategies could be integrated to provide a competitive advantage in customer retention in the short-term insurance industry.

4. An integrated approach to retaining clients

The notion of an integrated approach is not new. Two decades ago Kitchen (1993, p. 15) stated that numerous overlaps and commonalities between the two fields exist. He suggested the comparison between the disciplines to evaluate, contrast and ultimately provide reasons why their possible integration might be beneficial, if not essential. Holm (2006, p. 23) supports this notion by stating that professionals and academics alike neglect to consider integrated approaches. Niemann (2005, p. 244) is a proponent of the integration of marketing and communication efforts and presented a conceptual South African model for the implementation of strategic integrated communication (IC).

Following through from the comparison of core CRM and PR elements found from reviewing the respective literature, Fig. 1 illustrates an integrated framework towards client retention in the short-term insurance industry.

The next step was to test and possibly validate the proposed integrated client retention approach among short-term insurance clients and insurance providers in the South African short-term insurance industry.

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