Impact of the Extended Marketing Mix elements on Customer Service in the Insurance industry in Botswana

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Abstract

Excellent insurance companies are blending all the 3Ps of services marketing in their marketing activities to retain existing customers as well as to attract potential ones. This study has put efforts to investigate the impact of the extended marketing mix elements on customer service in the insurance industry in Botswana. The objective of this study was to establish if there is a relationship between the extended marketing mix elements and customer service. Causal research design was employed and the questionnaire was used to collect the data. Data was analyzed using descriptive and inferential statistics. The study revealed that there is strong positive correlation between the extended marketing mix elements on customer service. Customers expect a high level of service delivery from the insurance companies. The study concludes that insurance companies should invest in training its personnel mainly on the products offered by the company. Insurance companies should automate their processes and continue to improve the service escapes to attract and retain clients.

Keywords: Extended marketing Mix, Customer Service, Service Quality

1. Background of the study

Botswana has seen a significant transformation of the insurance sector since establishing the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) in 2006. Competition in the market has increased in the last decade, following the licensing of many insurance entities. There has also been steady growth in GDP in the industry in recent years, although the insurance penetration rate hovers around 3% in 2015 which is lower than some South African similar-sized economies. However, this relatively low penetration rate indicates potential opportunities for growth and foreign investment. Before its independence in 1966, Botswana was considered one of the poorest countries in the world. However, with the discovery of diamonds and the development of an efficient regulatory system, the country's economy has gradually improved.

Moreover, the strong performance of the life, non-life, personal accident and health segments is generating demand for insurance and is helping grow the industry. The funds raised by the industry are long-term in nature, especially that of the Life Insurance business, making it the most critical fund for economic development. Insurance companies also assist economic growth by using the premium income they receive to provide long-term capital for investment, and by providing a large pool of investment funds, cuts the risk and cost of investing, allowing businesses to invest in a wider range of activities. This indicates that with stable economic conditions in Botswana, low inflation, low interest rates and high income, the industry could fulfil its important role as the favorite savings vehicle in the country's economic development by providing financial security for businesses and individuals, since people would have more disposable income to start thinking positively about insurance. In view of this, the industry needs to be innovative in engineering products services to attract the public's interest. Insurance also has to create and maintain goodwill all the time due to the fact that people pay for something that they cannot touch or see but only feel. To this effect, customer service in insurance has to be upheld to the highest standard.

The insurance industry in Botswana, like any other service organizations, has the quest to deliver quality service to satisfy its customers in the midst of fierce competition for market share with its numerous local and foreign competitors. Insurance companies are in a unique position when it comes to marketing. They have no tangible products to sell, but must instead rely on strong relationships with loyal customers and word of mouth to help them compete. Still, despite the challenges, the marketing strategies for insurance companies are really no different than for any other company, and require a strong focus on the basics of effective marketing. Due to its intangibility nature, insurance marketing strategies such as the extended marketing mix elements which are directly concerned with marketing of a service have to be properly applied; otherwise insurance is bound to falter. Therefore, this study seeks to investigate the impact of extended marketing mix elements on customer service in the insurance industry in Botswana. The study will focus on people, process and the physical evidence. Insurance Companies have always been blamed for late delivery of services and it is a common place to hear customers complain of late delivery of policy documents, renewal notices or even undue delay in responding to customer's requests. It is a common thing to hear people remarking that insurance companies are quicker to receive

premium but slower in other services such as claims settlement. There are also complaints of misleading of information by insurance companies. As a result clients are lured into buying policies they do not understand.

2. Literature Review

2.1 Marketing mix

The marketing mix concept is a well-established tool used as a structure by marketers. It consists of the various elements of a marketing programme which need to be considered in order to successfully implement the marketing strategy and positioning in the company's market. It is the important internal elements or ingredients that make up an organisation's marketing programme (Payne, 1993). Booms and Bitner (1981: 51) had modified and expanded the traditional marketing mix elements from 4Ps to become 7Ps by adding another three new Ps which are people, process and physical evidence. These new marketing variables are fundamental marketing variables for the success of any service company.

2.2 Elements of the Extended Marketing Mix

2.2.1 People

People mean the services provider in an organization (Kotler, 2004). According to Zeithaml and Bitner (1996) people are all humans who play a role in service delivery and who influence the perceptions of customers. People are the Service delivery employees (front-line staff), the general staff of the service company, the other customers that take part in the servuction and delivery process. Personnel are keys to the delivery of service to customers. Achievement of a customer-orientation is not possible if there is no cooperation coming from the personnel (Judd, 2001). The term service encounter is used to denote person-to-person interactions between a customer and an employee of an organisation during the purchase of a service (Bitner *et al*. 1994).

2.2.2 Processes

These are the activities that occur during the consumption of a service. In addition, process was defined by Zeithaml and Bitner (1986:20) as the actual procedure mechanisms and flow of activities through which a service is delivered. They also grouped a process in dimensions which includes length, duration and logistical effective. Under length, Zeithaml and Bitner explained as the number of steps that participants have to follow in order to affect service delivery, duration is the time that elapses from the first to the last activity of the service delivery process and logistical effectiveness being the degree of smoothness in the flow of the steps of the service delivery process. The delivery of the service can be done in-person or through electronic gadgets like machines, phones and others. It is important that the service provider offers the best to the customers because a negative delivery of a process may affect the overall effectiveness of the process. It also considers how quick service transactions can be executed but at the same considering the quality of the final service delivery. An insurance company that has to create competitive advantage through efficient and effective processes has to be robust enough to automatically send reminders to customers when premiums are due and when policies are also due for renewal. All services need to be underpinned by clearly defined and efficient processes. This will avoid mix-up and promote a consistent service. In other words processes mean that everybody knows what to do and how to do it (Stead, 2010). In the insurance industry, the process should be customer friendly, easy and convenient to the customers. The speed and accuracy of payment is of great importance. In order to provide high levels of service quality and therefore create value for customers, service organizations need to explain the delivery of their services and ensure the successful implementation of actual plan. For this reason good planning and effective implementation of the developed delivery plans are key factors for service delivery systems.

2.2.3 Physical evidence

Physical evidence refers to the tangibles and intangible that services provide to a customer. Lovelock and Wright (2001) describe physical evidence as environment, appearance of buildings, staff member, materials and other visible cues all provide tangible evidence of a firm's service style and quality. Boom and Bitner (1981) explained that physical evidence is of relevance to the retailers or to those who maintain premises from which a service is sold or delivered. Conclusively, the researchers might say physical evidence are the tangibles of a services, those that have an impact on the effectiveness of the service which might include the environment used that is the building in which insurance business operates in the case on the research. Physical evidence is an element that can be easily associated with the product by the customers. Ideally, service companies should create physical evidence to build environments that appeal to the pleasure and arousal states, and stay away from creating atmosphere that create submissiveness (Hoffman *et al.*, 2006).

2.3 Customer service

According to Turban *et al.,* (2002) customer service is a series of activities designed to enhance the level of customer satisfaction that is, the feeling that a product or service has met the customer expectation. Customer service is the provision of service to customer before, during and after a purchase. According to Turban *et al.,* (2002), customer service is a series of activities designed to enhance the level of customer satisfaction that is, the

feeling that a product or service has met the customer expectation. Organizations must take into account what their customers' wants and needs are when they develop their products and perform their services. Harris (2000) defined customer service as anything we do for the customer that enhances the customer experience. In order for good relationship to be built and maintained between the customer and the organisation, it all starts with an experience the customer encounter. Therefore, the interaction linking the employee and the customer is viewed as important if not more important than the product being sold. The value of the overall end product is directly related to the overall quality service the customer receives (Berry and Parasuraman, 1992). There are issues that need to be taken into consideration when an organization wants to provide its customers the best service. These include treating customers with respect and thinking of them as people in the organisation. The researchers have the opinion that treating customers with respect will add value to the organization regardless of the prices they charge. The researchers noted that some customers can just remain in the organization because they are treated well. Also it also vital to learn what each customer needs as well as to develop lifetime relationships with customers and lastly putting the customer's needs first. It is very crucial for an organisation to ask their customers of what they need and expect from the services these organisations offer. Another business consultant Pyle (2001) states that if you want to sell what the customers buys, you must see the world through eyes of the customer. This means that those businesses who find time in observing and asking from their customers are able to offer the best quality of service and they enjoy greater success. Understanding the customer better allows designing appropriate products. Being a service industry which involves a high level of people interaction, it is important to use this resource efficiently in order to satisfy customers. Training, development and strong relationships with intermediaries are the key areas to be kept under consideration. Training the employees, use of IT for efficiency, both at the staff and agent level, is one of the important areas in marketing of insurance services. Satisfied employees are more productive, innovative, and loyal, so the impact on customer satisfaction. Employees who are satisfied will be able to play the role of a strong core in achieving excellence and organizational effectiveness (Chiguvi, 2017). The process should be customer friendly in the insurance industry. The speed and accuracy of payment is of immense importance. The processing method should be easy to and convenient to the customers. Instalment schemes should be streamlined to cater to the ever growing demands of the customers. Evidence is a key element of success for all insurance companies. Physical evidence can be provided to insurance customers in the form of policy certificate and premium payment receipts. The office building, the ambience, the service personnel of the insurance company and their logo and brand name in advertisements also add to the physical evidence. To reach a profitable mass of customers, then new distribution avenues and alliances will be necessary. Initially insurance was looked upon as a complex product with a high advice and service component. Buyers prefer a face to face interaction and they place a high premium on brand names and reliability (Shameem and Gupta, 2012). The service setting often creates the all-important first impressions and helps set the tone for the entire service experience. The interior and exterior physical environment presents an image to the customer and helps them form an impression of the organisation and its service offering (Fisk, et al., 2000).

3. Research methodology

The study used causal research design and adopted a quantitative research method. In this study random sampling method was used to select the respondents. The method was easy and less time consuming to use. Rao soft sample size calculator software was used to determine the sample size of this study. From a targeted population of 20000, a sample size of 68 respondents was calculated at 90% confidence interval, with a 10% margin of error. The researchers used a self-administered questionnaire to collect the data. SPSS was used in analysing the data and the findings were presented in form of charts, graphs and frequencies.

4. Data Findings

4.1 People

Table 4.1: Impact of employees on customer service

	N		Mean	Mode	Std. Deviation
	Valid	Missing			
Sufficient product knowledge by employees	68	0	2.46	2	1.125
Courteous and professional	68	0	2.62	2	1.093
Always available to handle customer Queries	68	0	2.50	2	1.000
Employees are efficient warm, friendly and honest	68	0	2.66	2	1.128
Always provide prompt services and solve problems	68	0	2.49	3	1.086
Understood customer needs	68	0	2.66	2	1.141
Sympathetic to individual needs	68	0	2.62	3	1.079
Never too busy to respond to customer requests	68	0	2.54	2	1.099

The results revealed that employees are efficient, warm, friendly and honest to their customers. This implies that the organizations' personnel understand customer needs and they have positive attitude towards their customers. This was evidenced by a mean score of 2.66 respectively. However on average employees are not very effective in terms of product knowledge. It shows that the contact personnel of insurance firms do not have sufficient product knowledge. The results of mean score of 2.49 also espoused that customer service officers are not always available to handle customer queries and enquiries. This depicts that the staffs are too busy to respond to customer request. The overall results infer that the contribution of employees towards customer service in the insurance sector is average and hence more need to be done.

The study employed regression analysis to determine the relationship between employees and Customer Service using SPSS version 16.0 as shown in table 4.2 below:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.968[a]	.938	.930	6.124

a. Predictors: (Constant), Customer Service

Table 4.3: Correlation Matrix between Employees and Customer Service

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.365	6.889		-.779	.459
	Employees	1.038	.095	.968	10.960	.000

a. Dependent variable: Customer service. ($P<0.05$)

According to the model of summary of calculations in Table 4.2, it is observed that the correlation coefficient between employees and customer service is 0.93 indicating a strong positive relationship between employees and customer service. The findings of the study show that employees have a significant impact on customer service. This means that insurance companies in Botswana should invest more resources in staff development and motivation, in order to enhance customer service. The findings are similar to those by Ossman, Kattara and Weheba (2012) who revealed that there is correlation between the employees' behaviour and customer service.

4.2 Processes

Table 4.4: shows the results of the impact of processes on customer service

	N		Mean	Mode	Std. Deviation
	Valid	**Missing**			
Organization uses latest technology	68	0	2.84	3	.840
Website is user friendly	68	0	2.84	3	.704
Company maintains service time line	68	0	2.74	3	.840
Complaints are constructively handled	68	0	2.75	3	.920
Provides error free records and service	68	0	2.63	3	.929
Customer service delivery is excellent	68	0	2.81	3	.902
Offices have modern looking equipment	68	0	3.01	3	.954
Communication is effective	68	0	2.88	3	.923
Safe and assured in transactions with the company	68	0	3.07	3	.951
Operating hours are convenient to customers	68	0	3.06	3	.790

The survey results from 68 respondents, shown in table 4.4 indicated that processes have got impact on customer service. The average mean scores on all measured scale items are above 2.5. This indicates that the processes of insurances companies in Botswana are effective and efficient. Customers are satisfied with the processes since majority of the customers strongly agreed that they feel safe and assured in the transactions they conduct with the insurance companies. Customers also agreed that the operating hours are convenient with the mean score of 3.6. However, there was a wide dispersion between the mean and standard deviation. This means that the respondents have divergent views and opinions on the subject. Customers also agreed that the insurance companies have modern looking equipment. On average the results on processes showed that insurance companies in Botswana are doing very well and this seems to be positively contributing towards good customer service.

Table 4.5: Regression result on the impact of processes on customer service

The study employed regression analysis to determine the relationship between Processes and Customer Service using SPSS version 16.0 as shown in table 4.5 below:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.895[a]	.801	.800	11.124

b. **Predictors: (Constant), Customer Service**

Table 4.6: Correlation Matrix between Processes and Customer Service

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	**Std. Error**	**Beta**		
1 (Constant)	61.793	6.525		-.779	.459
Processes	6.508	.308	.895	10.960	.000

b. **Dependent variable: Customer service. (P<0.05)**

The findings of the study show that processes have a significant impact on customer service. This was confirmed by a significant value of p=0.000 and he standardized coeffient beta of 0.895. The study results are in line with the findings of Kostopoulos, Lodorfos and Kaminakis (2014) who found out that the, role performance, effectiveness of coordination and effectiveness of process control have positive influence on perceived service quality

4.3 Physical evidence

Table 4.7 Shows responses on the impact of physical evidence on customer service

	N		Mean	Mode	Std. Deviation
	Valid	Missing			
Exterior of organization is well maintained and attractive	67	1	3.66	4	1.122
Interior of organization is attractive	68	0	3.72	4	.990
Offices are well ventilated clean airy	68	0	3.63	4	1.021
Enough sitting space for customers	68	0	3.74	4	1.031
Adequate parking space	68	0	1.74	4	1.124
Company has distinct logo and colour regime	68	0	3.40	4	.979
Staff look attractive professional and elegant	68	0	3.68	4	.984
Organization provides literature to its customers	67	1	3.64	4	1.025

The results on table 4.7 revealed that the physical evidence of insurance companies in Botswana is quiet good and the clients are satisfied with the service escapes. The respondents strongly agreed that the interior and exterior of the insurance companies are attractive and pleasant and well maintained. This was evidenced by a mean score of 3.72 and 3.66 respectively. They were also happy that staff always looks attractive, professional and elegant with a mean score of 3.68. Respondents strongly agreed that the organization's offices are well ventilated, clean and airy. However, respondents were not satisfied with the parking space. Majority of respondents strongly disagreed that the organization has adequate parking for its customers with a mean score of 1.74.

Table 4.8: Regression result on the impact of physical evidence on customer service

The study employed regression analysis to determine the relationship between physical evidence and Customer Service using SPSS version 16.0 as shown in table 4.8 below:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.974[a]	.949	.949	5.857

c. Predictors: (Constant), Customer Service

Table 4.9: Correlation Matrix between Physical evidence and Customer Service

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	109.25	2.023		54.016	.000
Physical evidence	4.670	.102	.974	45.576	.000

c. Dependent variable: Customer service. (P<0.05)

The findings in table 4.8 and 4.9 indicated that the correlation coefficient between physical evidence and customer service is 0.974. The results depict that there is a positive relationship between physical evidence and customer service. The findings of the study show that physical evidence has a significant impact on customer service. The study results are in line with the findings of Kostopoulos, Lodorfos and Kaminakis (2014) who found out that physical evidence have positive influence on perceived service quality.

4.4 Summary of Tested Hypothesis

Table 4.10 present the tested hypothesis of the study on the impact of extended marketing mix elements on customer service.

Table 4.10 Summary of Tested Hypothesis

Hypothesis	Results	
	Reject	Accept
H1: Employees has got impact on customer service in Insurance industry in Botswana		**Yes**
H2: Processes has got impact on customer service insurance industry in Botswana		**Yes**
H3: Physical evidence has got influence on customer service in insurance industry in Botswana		**Yes**

5. Conclusion and recommendations

The study found out that customers of insurance companies expect more from their insurance company. However, respondents think staff lacks competencies in terms of sufficient product knowledge. Generally, customers considered the attitude of staff towards them good. The total results show that the impact of staff on customer service is average (around the mean of 2.5) respectively across all the measurement scale items with minimum of 2.46 and maximum of 2.66. The study result confirms the existence of the relationship between employees and customer service. It was recommended that insurance companies need to incorporate multiple factors in assessing human resources for employment, including experience, competence, and grooming. The current over-emphasis on qualifications alone without careful look at the other attributes limits the robustness of the recruitment process. Having recruited qualified and experienced employees, the company need to continuously invest in training of its employees in customer relationship management and excellent service delivery. It is through training that employees' are equipped with additional skills that will make them more efficient in performing their work. The researchers concluded that people element has the highest influence on customer service, followed by processes and finally physical evidence. Insurance companies needs to invest in its human resources, particularly in continuous training of its employees on products, services in order to improve customer service. The company should also consider investing in interactive intelligence which offers integrated contact centre and business automation processes to improve on its service time line, which majority of customers disagreed that the company is maintaining.

6. Limitations and suggestions for further research

This research has not been exhaustive on the impacts that the extended marketing mix elements have on customer service in Botswana. The study only focused on the insurance company customers located in Gaborone city only, it is therefore recommended future researchers should widen the geographical scope and covers the whole country.

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