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## **IMPLEMENTATION OF THE MARKETING ORIENTATION IN POLAND BY LIFE INSURANCE COMPANIES**

### **Wdrażanie orientacji marketingowej w Polsce przez zakłady ubezpieczeń na życie**

*Marketing is a tool for expansion and fight for company to achieve a position on the market, which is judged by generally accepted standards such as: sales volume, market share and profit levels. Marketing orientation of life insurance companies as a source of income shows customer needs and preferences, so that targeted offers and marketed insurance services meet the needs and preferences better than those of the competition. The company's marketing orientation is the need to adapt constantly to changing market conditions. The article presents scope of the implementation of the marketing orientation by life insurance companies based on of the survey. The aim of the study was to determine: primary purpose of the operations of life insurance companies, a strategy of action to customers, way to identify customer needs and make employees aware of the way that the company implements marketing orientation activities.*

**Keywords:** life insurance company, marketing, marketing orientation, customer

### **1. Introduction**

Organization and functioning of the Polish insurance market, based on the principles of market economy and the patterns and standards operating in the European Union launched the Act of 28 July 1990 on insurance activities<sup>1</sup>

This Act was a landmark piece of legislation that determined the shape of the Polish insurance market. Introduced modern insurance organization, defined the principles of free competition and equal treatment of all parties. Likewise, formal privatization and rise to the liquidation of the insurance monopoly in Poland. Similarly, division of insurance was introduced: property insurance and life insurance. Further development of the insurance market in Poland was introduced adjustable renewals (including in 1995, 2000, 2001.2003 years). Currently, the most important is the law of 22 May 2003 about insurance activities. (Dz. U. No. 124, item. 1151, as amended, hereinafter referred to as

- Act of 22 May 2003 on the supervision of insurance and pensions and the Insurance Ombudsman (Dz.U. No. 124, item. 1153, as amended.,

- Act of May 22, 2003. Insurance Mediation (Dz.U. No. 124, item. 1154, as amended.).

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<sup>1</sup> Ustawa o działalności ubezpieczeniowej z dnia 28 lipca 1990 roku ( Dz. U. nr 59 poz. 344

Changing the organization of the insurance market led to the appearance of competition and excess of supply to the demand of insurance services, which contributed to the insurance companies interested in marketing. Based on the practice of marketing formulated general principles and created a lot of new tools. The focus of the marketing-oriented insurance companies is the customer and his needs, which satisfy should bring mutual benefits (for both the company and customer)<sup>2</sup>. An important task of marketing is to ensure business continuity and growth of the insurance market through the development market-product relationship beneficial for the company and customers, and continuous adaptation to changing environmental conditions<sup>3</sup>. The marketing orientation is especially important in the life insurance companies due to the nature of services offered. Development of insurance marketing orientation is conditioned macro-and micro businesses and adaptation abilities of companies.<sup>4</sup>.

## 2. Characteristics of the life insurance market

On the insurance market, There are life insurance companies (Section I) and property insurance (Section II). This division takes attention primarily the time horizon offered insurance coverage. In the case of life insurance, services are characterized by a long period of protection (long-term insurance). In the case of non-life insurance services are characterized by a short period of protection. (short-term insurance). This division is also important because of the rules: the calculation of premiums, of insurance, account of technical and insurance, determination of benefits and compensation, insurance service. To conduct insurance business in the Section I it must be noted in the name of (the company) by determining insurance "życie" or „life”<sup>5</sup>. The structure of the life insurance market create participants of the demand and the supply side, supervision of insurance and other institutions and organizations actively involved in making or performance of insurance contracts supporting the operation or development of insurance<sup>6</sup>. Insurance services provided by insurance company shall be made only by the conclusion of an insurance contract with the policyholder<sup>7</sup>.

The number of life insurance companies operating in Poland shows Table 1.

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<sup>2</sup>B. Nowotarska-Romaniak: Wdrażanie orientacji marketingowej w firmach ubezpieczeniowych, [w:] Usługi w Polsce 2012, Usługi Publiczne- Usługi Komercyjne, pod red. B. Iwankiewicz-Rak, A. Panasiuk, K. Rogoziński, Zeszyty Naukowe nr723, Ekonomiczne Problemy Usług nr 96, Uniwersytet Szczeciński, Szczecin 2012, s.153

<sup>3</sup>M. Płonka, Rozwój orientacji marketingowej polskich banków, Zeszyty Naukowe Małopolskiej Wyższej Szkoły Ekonomicznej w Tarnowie nr 4, Tarnów 2001, s. 31

<sup>4</sup>Zakład ubezpieczeń lub firma są stosowane przez autorkę zamiennie.

<sup>5</sup>B. Hadyniak Ubezpieczenie jako urządzenie finansowe [w:] Ubezpieczenia podręcznik akademicki pod red. J. Handschke i J. Monkiewicz, Poltext, Warszawa, 2010 s, 79

<sup>6</sup>Na podst. K. Ortyński, Rynek ubezpieczeń non – life w Polsce [w:] Ubezpieczenia non- life pod red. E. Wierzbicka, CeDeWu.pl Wydawnictwa Fachowe Warszawa, 2011,s. 17

<sup>7</sup>Szerzej o podstawach prawnych świadczenia ochrony ubezpieczeniowej zobacz. E. Kowalewski, Prawo ubezpieczeń gospodarczych wyd.3, OW Branta, Bydgoszcz- Toruń 2006, s. 230-243

Tabela 1. Number of domestic life insurance companies operating in each year from 1990 to 2010 year

y e a r s	1 9 9 9 1	1 9 9 9 2	1 9 9 9 3	1 9 9 9 4	1 9 9 9 5	1 9 9 9 6	1 9 9 9 7	1 9 9 9 8	1 9 9 9 9	2 0 0 0 0	2 0 0 0 1	2 0 0 0 2	2 0 0 0 3	2 0 0 0 4	2 0 0 0 5	2 0 0 0 6	2 0 0 0 7	2 0 0 0 8	2 0 0 1 9	2 0 1 1 0	2 0 1 1 1
q u a n t i t y	5	5	6	10	13	15	21	24	30	35	36	37	36	33	32	31	32	30	30	30	30

Source: Own based on: years 1990-2000, Przegląd dziesięciolecia. Rozwój ubezpieczeń w Polsce w gospodarce wolnorynkowej. PUNU, Departament Analiz Systemu Ubezpieczeniowego, Warszawa 2011, s. 26, for 2001-2010 – Biuletyn roczny. Rynek ubezpieczeń, www.knf.gov.pl

Decrease in number of life insurance companies in 2001-2004 was caused by the withdrawal of some foreign investors. However, due to the entry into the European Union there was stabilization of the Polish insurance market as well as of interest in selling insurance policies of insurance companies from the European Union. Competition, including foreign, causes a lot of positive impact on the life insurance market, impact on improving customer service, better efficiency of operations and quality of service. According to the Annex to the Act of 22 May 2003 on Insurance Business (Dz. U. No. 124, item. 1151, as amended.) gives a detailed breakdown of life insurance (Section I)

Section I life insurance (life insurance)

1. Life Insurance.
2. Marriage assurance, birth assurance.
3. Life insurance, if they are associated with an insurance capital fund.
4. Annuities .
5. Accident and sickness insurance, if they are supplement of insurance set out in groups 1-4

On the Polish insurance market in 2011, about 5 million customers had individual life insurance<sup>8</sup>. . Possessed individual life insurance according to market saturation shows Figure 1.

<sup>8</sup>Dane uzyskane w Polskiej Izbie Ubezpieczeń , Warszawa , wrzesień 2012

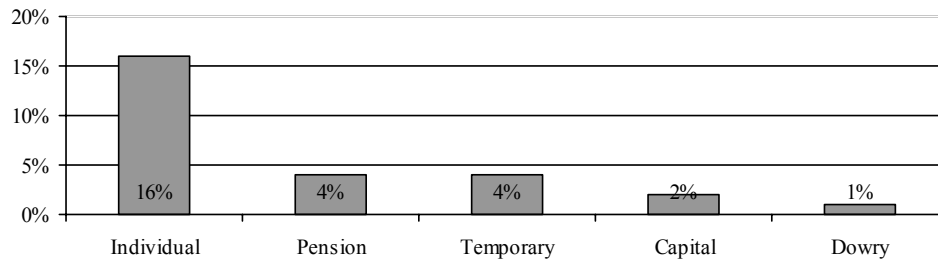


Figure 1. Individual life insurance owned, according to the saturation of market in 2011  
Source: Information obtained from PIU, Warsaw, September 2012

In the case of life insurance customers a major factor in shaping their demand is the amount of income. (See Figure 2). Another factor in generating demand is the level of awareness of insurance.

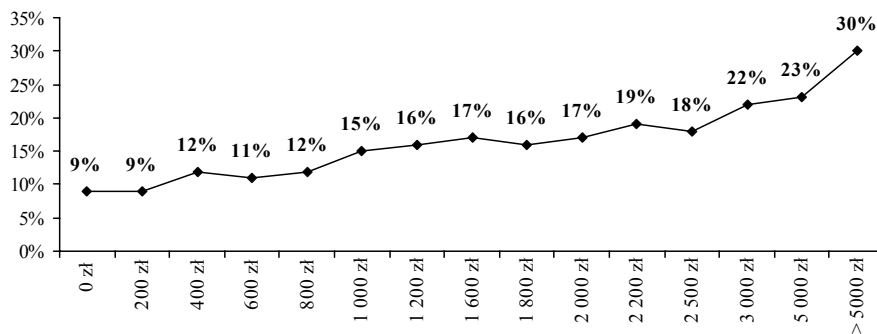


Figure 2. Possession of individual life insurance and income customers  
Source: Information obtained from PIU, Warsaw, September 2012

Clear connection between income and individual insurance owned a cut-off point of 1000 zloty.

Life insurance companies direct their attention to their current and potential customers. Among the important marketing tasks performed by life insurance companies should be building trust, creating the image and giving immaterial insurance services distinguishing characteristics. It is widely recognized that marketing is a kind of modern philosophy of customer-oriented business. Most importantly, marketing is a tool for the expansion of the company and fight for positions on the market, which in turn be judged by the commonly accepted standards in the world, such as: the volume of sales on a given market, market share, reputation of the company and the size of the profit<sup>9</sup>.

<sup>9</sup>T. Kramer, Orientacja marketingowa przedsiębiorstw polskich: wyzwania i zagrożenia [w:] Zarządzanie marketingowe przedsiębiorstwami w realiach gospodarki polskiej, red. L. Żabiński, AE/PTE Katowice, Katowice 1995 s.10

### 3. Basic principles of marketing orientation

Marketing should be an interactive marketing within which interaction of the exchange partners take place, resulting in, the implementation, aspiration and customer satisfaction and the company maintains its place in a competitive market. Taking as a basis marketing code of conduct, we can talk about the marketing orientation of the unit when it meets the following requirements – criteria:

- The company carries out regular market research [...] which are the basis of the market activities, and so decisions current and long-term.
- The company must be able to determine their own field of cost-effective [...] called the segment to which it intends to address their actions [...] specify your own segment allows for continuous tracking for the changes therein, which makes it easier for a more accurate offer their products.
- The unit [...] constantly communicates with its environment, from the one side by downloading the information of the market, on the other issuing them in relation to the various market participants through systems of promotion, advertising, public relations, contacts with consumer organizations and government agencies. Based on information collected continuously, it creates a marketing information systems defined by their decision-making needs and financial capabilities.
- The basis of the company's expansion in competitive markets is a clear definition of its long-term goals (mission). The company incorporates them into using different types of marketing strategies [...]. These goals relate to [...] to gain new markets, to locate a sufficient number of its own products to increase share [...] on a given market, consolidating its reputation [...] increase profit. Designing a strategy for the company must set [...] its competitive and strategic position, it usually does today through SWOT analysis.
- Marketing-oriented company has no chance of existence in the European markets without the recognition and operation of the general standards of the European Union. They relate to product quality standards [...] packaging design, management systems, information systems, logistics, banking, etc. [...] Europe's strategic processes created new market structures and new standards of consumption. It is said [...] the europroduct, euroconsumer and Euromarket.
- Finally, an important and but not last standard is to follow professional ethics in business<sup>10</sup>.

Ph. Kotler defines the marketing orientation of the company, as the five key elements: customer philosophy, integrated marketing organization, adequate information, marketing strategic orientation and operational effectiveness<sup>11</sup>. Marketing-

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<sup>10</sup>T. Kramer Orientacja marketingowa przedsiębiorstw polskich: wyzwania i zagrożenia [w:] Zarządzanie marketingowe przedsiębiorstwami w realiach gospodarki polskiej. Praca zbiorowa pod red. L. Żabińskiego AE/PTE Katowice 1995 s. 11

Definicje orientacji marketingowej Praca zbiorowa pod red. L. Żabińskiego Orientacje marketingowe podmiotów gospodarczych. Podstawy teoretyczno metodyczne Kierunki Badań AE Katowice 1999 s. 34

<sup>11</sup> Ph. Kotler Marketing. Wyd. Gebethner i S-ka, Warszawa 1994 s. 222, 697.

oriented company must realize the need to take into account the social and environmental aspects of the meet the needs of customers and the recognition and enforcement by world standards<sup>12</sup>.

The basis of marketing orientation is to understand the needs of buyers and the factors affecting their satisfaction. Expression of the modern concept of marketing is the following three company orientations providing that success in the market:

- orientation on how to best meet the needs of buyers, it is the purpose of the existence and task of any business, requiring the creation of supply of products and services in full compliance with previously diagnosed with the size and structure of demand reflects the needs of buyers supported by company market segment
- orientation on competitive advantage, meaning the need to manufacture better products, provide better services,
- selling them at more attractive prices and the most convenient for buyers places and time
- Orientation on the social responsibility of the company, treated not as a philanthropic activity, but as an obligation to strictly obey the law and ethical standards of business, as well as the need to participate in matters of importance to the external environment, especially as regards environmental protection<sup>13</sup>.

The combination of these three approaches marketing orientation gives the company the ability to create long-term profit providing continuation and development of the company. From the above definition, the basis for the development of company is a marketing orientation and also for insurance companies.

Marketing orientation insurance companies as a source of income indicates consumer needs and preferences, so that targeted offers and sold insurance services better satisfy the needs and preferences than the competition. Customer satisfaction is based primarily on satisfaction, and then be translated into customer loyalty to the company.

We conclude that the basis for the company's development is marketing orientation. This orientation as a source of income indicates consumer needs and preferences, so that created, marketed and sold products and services they need to meet the preferences better than the competition.

Highlights of the company's marketing orientation are:

- the needs of the buyer (gathering of information including market research)
- target markets (market segmentation)
- coordination of marketing activities (activities within the company, marketing-mix)
- Analysis of the business environment, including competition and adaptation of the organization to carry out marketing activities<sup>14</sup>.

The company's marketing orientation is the need to adapt constantly to the changes occurring in the market.

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<sup>12</sup>Z. Kędzior „Orientacja marketingowa w przedsiębiorstwach (próba identyfikacji) „Marketing i Rynek” 1997 nr 7 s. 20

<sup>13</sup>T. Sztucki Encyklopedia Marketingu. Definicje, zasady, metody. Agencja Wydawnicza placet Warszawa 1998 s. 227

<sup>14</sup>Beata Nowotarska-Romaniak Marketingowa orientacja firm ubezpieczeniowych w Polsce AE Katowice 2003

The issue of marketing orientation is increasingly the subject of research, and its presence in the strategic behavior of firms is seen as a symptom of the economic development. The task of marketing research orientation is a description and analysis of the status and extent of changes of market-oriented companies. Since the degree of market orientation involves a very complex phenomenon, it is necessary to determine what elements should be included in the study.

The article presents a thesis that the success of the implementation of the marketing orientation determines the state of consciousness of management of life insurance in the same way the appropriate structures and procedures for the implementation of marketing activities. Therefore IDs of marketing orientation looked for in both areas, directing questions to the management of the scope of implementation of marketing activities.

#### **4. Objectives, research methodology for the implementation of marketing orientation in life insurance**

In order to find out whether life insurance companies in Poland are implementing a marketing orientation, a survey was conducted. The study included life insurance companies in the period from September to October 2012. The survey was e-mailed and sent to the directors and managers of life insurance companies. The questionnaire consisted of 8 fundamental questions and 4 demographics question which asked respondents to specify gender, education, work experience in an insurance company and mark whether they are an employee of the department or unit life insurance company. Respondents hold a higher education (92% of respondents). More than half of the respondents worked in the company for more than 5 years. Questionnaire was filled in 39% of women and 61% of men. Of the questionnaires sent to the companies, received 112 correctly filled. The aim of this study was to determine:

- The basic purpose of the operations of life insurance companies,
- The strategy of action to customers,
- Method of identifying customer needs,
- Way to make employees aware of the company implements marketing orientation activities.

Almost 76% of life insurance companies have department, cell marketing. In the other life insurance companies, director of the organization and sales management is involved in tasks of marketing activities. However, in all the headquarters of the life insurance companies are marketing departments within which there are different divisions such as customer service division, CRM, PR. One of the main objectives of marketing orientation is customer orientation. Therefore, an important question was whether life insurance companies use information about customers and what are the sources. (See Figure 3)

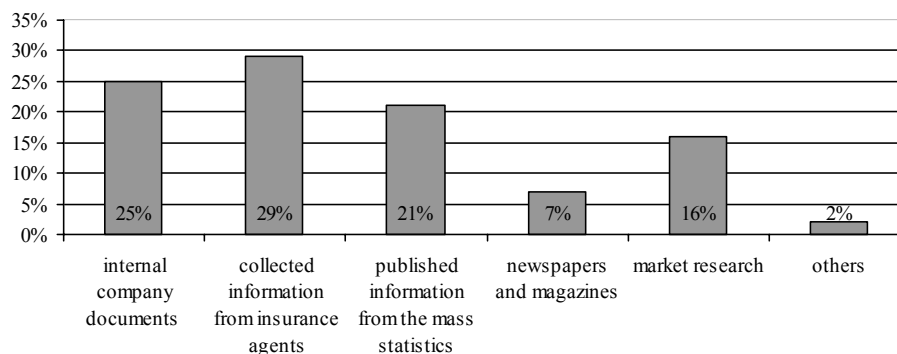


Figure 3 Sources of information about clients in the life insurance sector (%)  
Source: Own calculations based on direct studies

Most insurance companies declare that collects information about customers the primary source of information is an insurance agent, internal company documentation. Compared to previous studies of the author it can be concluded that the increasing importance of information about clients on market research. These are usually the results of research gathered by the company on behalf of the insurance companies' headquarters<sup>15</sup>.

Table 2. The main objectives of the life insurance company

Item no	Item	Life insurance company* (w %)
1.	Raising the level of customer service	82,9
2.	Acquiring new customers	76,5
3.	Introduction to sales of new insurance services	29,4
4.	Extend the existing area of operation	41,3
5.	The increase in profit	42,3
6.	Increase in market share	37,2
7.	Minimizing the cost	26,2

\* Interest indications do not add up to 100% due to multiple choice answers.

Source: Own calculations based on direct studies

Analyzing the results presented in Table 2, it can be concluded that the majority of insurance companies seeking to raise the level of customer service as well as seeking opportunities to acquire new customers still in the same time taking care of existing customers. Here was stated a question, about the strategy of life insurance companies.

<sup>15</sup>B. Nowotarska-Romaniak, Marketingowa orientacja firm ubezpieczeniowych w Polsce, Wyd. AE Katowice, Katowice 2005, B. Nowotarska-Romaniak: Wdrażanie orientacji marketingowej w firmach ubezpieczeniowych, [w:] Usługi w Polsce 2012, Usługi Publiczne- Usługi Komercyjne, pod red. B. Iwankiewicz-Rak, A. Panasiuk, K. Rogoziński, Zeszyty Naukowe nr723, Ekonomiczne Problemy Usług nr 96, Uniwersytet Szczeciński, Szczecin 2012



Most companies are trying to adapt the offer to the customers' expectations. Figure 4 shows how to identify customer needs.

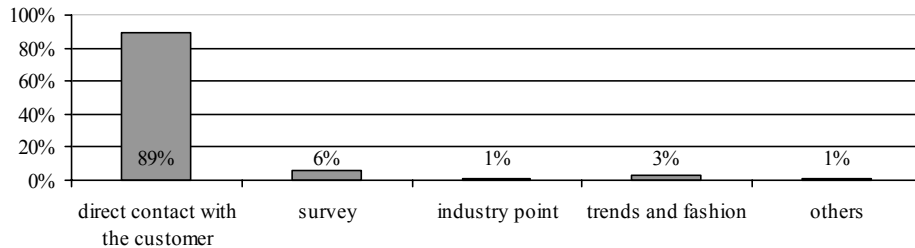


Figure 4. Ways to identify customer needs  
Source: Own calculations based on direct studies

Identifying customer needs of life insurance services is usually made based on the reported needs during direct conversation with the customer.

An important question in the study of marketing orientation of life insurance companies, was how to make employees aware of marketing activities to transform businesses in the direction of marketing orientation (Fig. 5)

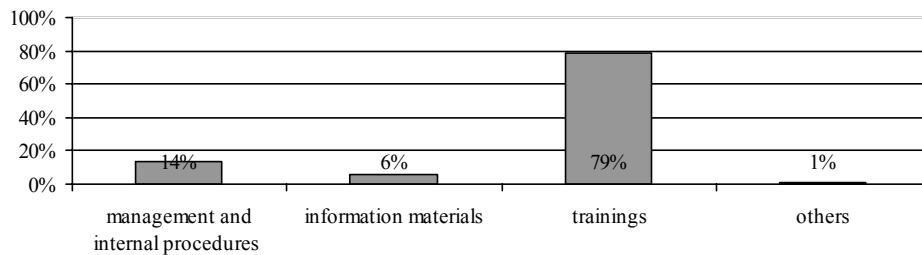


Figure 5. Ways to make employees aware of the company implements marketing activities  
Source: Own calculations based on direct studies

System that make employees aware of what the aims and marketing objectives implements life insurance company intakes place primarily on training (79%) and in the form of regulations and procedures (14%).

## 5. Summation

In conclusion, referring to the author previous research, we can conclude that life insurance companies reveal more and more symptoms of marketing orientation. The criteria chosen to investigate the implementation of marketing orientation by life insurance companies in Poland helped to identify the degree of use of marketing instruments. In Article the insight to reduce the volume presents the most important results showing that the companies put the main emphasis on the customer. Visible is

emphasis on personal service and offer customization to their needs and expectations. For insurance company, the important is customer satisfaction at the time of contact with the insurance intermediary, which translates into purchasing decisions and willingness to cooperate. Often, however, some activities are carried out without environmental analysis based on the partial information available in reports or summaries. Most insurance companies take action in order to create competitive advantage through additional services for insurance policies or the adjustment of the major contributions to the financial capacity of the client. Life insurance companies communicate with the environment especially with customers through promotional schemes, advertising, and public relations.

## Streszczenie

*Marketing jest narzędziem ekspansji i walki firmy w osiągnięciu pozycji na rynku, ta zaś, bywa oceniana przez powszechnie przyjęte standardy jakimi są: wielkość sprzedaży, udział w rynku i wielkość zysku. Orientacja marketingowa zakładów ubezpieczeń na życie, jako źródło zysków, wskazuje potrzeby i preferencje klientów tak, by kierowane oferty i sprzedawane usługi ubezpieczeniowe lepiej zaspokajały te potrzeby i preferencje niż konkurencja. Orientacja marketingowa firmy oznacza konieczność ciągłego dostosowywania się do zmian na rynku. W artykule przedstawiono zakres wdrażania orientacji marketingowej przez zakłady ubezpieczeń na życie na podstawie badania ankietowego. Celem badania było określenie:*  
- podstawowych celów działań zakładów ubezpieczeń na życie, strategia działania wobec klientów,  
- sposób identyfikacji potrzeb klienta i sposób uświadamiania pracownikom, że firma wdraża działania orientacji marketingowej.

*Słowa kluczowe: zakład ubezpieczeń na życie, marketing, orientacja marketingowa, klient*

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