



# **Specimen coursework assignment and answer**

## **945 Marketing insurance products and services**

The specimen coursework assignment and answer provides a guide as to the style and format of coursework questions. These examples indicate the depth and breadth of answers sought by CII markers.

The answer given is not intended to be the definitive answer. Well-reasoned alternative answers can also gain marks.

Before commencing work on your coursework assignment, you need to familiarise yourself with the information in the Coursework Support Centre available on the unit webpage.

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## Coursework submission rules and important notes

Before you start your assignment, it is essential that you familiarise yourself with the information in the *Coursework Support Centre*.

This includes the following information:

- These questions must not be provided to, or discussed with, any other person regardless of whether they are another candidate or not. If you are found to have breached this rule, disciplinary action may be taken against you.
- Important rules relating to referencing all sources including the study text, regulations and citing statute and case law.
- Penalties for contravention of the rules relating to plagiarism and collaboration.
- Coursework marking criteria applied by markers to submitted answers.
- Deadlines for submission of coursework answers.
- There are 80 marks available per coursework assignment. You must obtain a minimum of 40 marks (50%) per coursework assignment to achieve a pass.
- Your answer must be submitted on the correct answer template in Arial font, size 11.
- Your answer must include a brief context, at the start of your answer, and should be referred to throughout your answer.
- Each assignment answer should be a maximum of 3,200 words. The word count does not include labels and headings however, it does include text and numbers contained within any tables or diagrams you choose to use. The word count does not include referencing or supplementary material in appendices. **Please be aware that at the point an assignment answer exceeds the word count by more than 10% the examiner will stop marking.**
- Do not include your name or CII PIN anywhere in your answer.

## Top tips for answering coursework assignments

- Read the *Specimen coursework assignment and answer* for this unit, available on the unit webpage.
- Read the assignments carefully and ensure you answer all parts of the assignments.
- You are encouraged to choose a context that is based on a real organisation or a division of an organisation.
- For assignments relating to regulation and law, knowledge of the UK regulatory framework is appropriate. However, marks can be awarded for non-UK examples if they are more relevant to your context.
- There is no minimum word requirement, but an answer with fewer than 2,800 words may be insufficiently comprehensive.

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## Assignment

Provide a brief context for an insurance organisation, or a division of an insurance organisation, with which you are familiar.

For **this** insurance organisation or division of an insurance organisation:

- Identify **four** significant marketing activities.
- Explain the extent to which these marketing activities assist in the delivery of customer service.
- Analyse, based on your explanation, how these marketing activities contribute to business performance.
- Make recommendations, based on your analysis, to modify these marketing activities to improve business performance whilst maintaining customer service.

**Note:** You are recommended to discuss your own organisation, or one that is familiar to you. Your answer is confidential to the CII and will not be shared. For this specimen answer, which is widely publicised, a fictitious company has been chosen so as not to highlight any particular company.

**To be completed before submission:**

<b>Word count:</b>	3,187
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**Start typing your answer here:**

## Brief context

This answer is based on ABC, my employer, a UK regional insurance broker engaged in marketing, selling and servicing life and non-life products for SME and personal customers.

ABC was formed in 1990, initially trading from a single office, and continues to be run by its founding directors who have expanded the business both organically and by acquisition to its current size of four offices, each of which is located in a major town, with 60 staff in total.

Over the next five years, ABC has strategic objectives of opening further offices and making acquisitions, with the aim of increasing inflation-adjusted revenue by 50%.



## **Marketing activities involved in the delivery of customer service.**

### **Introduction**

The challenge for ABC's marketing activities is to establish the correct level of customer service which differentiates ABC from its competitors but does it in a cost-effective manner which complements ABC's strategy and business objectives.

Good customer service provides an experience that meets customer expectations and which produces satisfied customers. Poor customer service can lose sales and existing business, as customers may prefer to transact business with our competitors.

### **Marketing activities**

The Financial Conduct Authority (FCA) provides a consideration for ABC to take into account regarding customer services. The FCA's 'Fair treatment of customers' has six consumer outcomes which all insurance brokers are expected to achieve. (FCA, 2023). These consumer outcomes have regulatory support through the FCA's principles which include, at Principle 6, *"A firm must pay due regard to the interests of its customers and treat them fairly"* (FCA 2022).

Additionally, the FCA has stated in 'Our Strategy 2022 to 2025' that its outcomes for consumers comprise fair value, suitability and treatment, confidence and access (FCA, 2022). This strategy will, in part, be further reinforced by the implementation of the FCA's Consumer Duty which states; *"Our new Duty sets higher and clearer standards of consumer protection across financial services, and requires firms to put their customers' needs first."* (FCA, 2023)

The four significant marketing activities are:

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## 1. Market Research

ABC conducts market research amongst its customers on an annual basis, through online surveys and telephone-based questionnaires.

## 2. Segmentation

The outputs of the market research are intended to provide detailed analysis of the results to create market segments, each of which has a specific mix of needs and wants. These market segments are then matched against the available population of potential customers to establish if ABC has:

- (a) a sufficiently large existing customer base, and
- (b) suitable customer service delivery capabilities to meet that segment's needs, wants and demands.

## 3. Value Chain Analysis

ABC undertakes a value chain analysis to support detailed understanding of the key activities which would support customer service.

Michael Porter, who developed the value chain analysis concept, sees it as a tool to *"disaggregate an organisation into its strategically relevant activities in order to understand the behaviour of costs and the existing and potential sources of differentiation"* (Porter, 1985, p.33).

## 4. Culture

The culture of ABC is set by the founding directors who see it as a major differentiator between it and its competitors. The culture places the customer at the centre of all ABC's consideration, with a stated commitment to wanting all customers feel valued and well-served.

**Analyses the contribution of marketing activities and customer service to successful business performance.**

### Market Research

The intention of the market research is to establish what is the customers' perception and experience of ABC's service. The intention is to establish the right level of customer service, with Paul Fifield noting that adding more and more customer service may not be a customer

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motivating force, where there is no guarantee of increased return from significant marketing investment (Fifield, 2007). Philip Kotler stated: *"The key is to meet or exceed the target customers' service-quality expectations"* (Kotler, 1967). Furthermore, the 945 Marketing insurance products and services Study text identifies that, *"the objective of customer service is customer satisfaction"* (945 CII Study text, 2020, Chapter 6, page 9).

This research addresses several themes:

- How customers, actual and potential, regard ABC and its competitors.
- What are customers' current needs and how might they change in the short and medium-terms?
- What products and services are required to address these needs?
- What are the potential volumes of products and services which could be generated in meeting those needs?

Additionally, ABC contacts its panel of insurers to access elements of their market research activities. This allows it to understand how the market is changing and the responses the insurers are developing - such as new products and services.

Finally, the business and insurance media provide intelligence on general trends in economics, customer behaviours, needs and expectations.

Combining the market research with the information from insurers and other external sources allows ABC to adjust its service proposition to meet competitive challenge and to ensure customer service is appropriate.

## Segmentation

Customer segmentation is a process whereby ABC decides where it is best to deploy its finite customer service budget, in the context of its strategy and objectives.

ABC trades from a number of town centre locations which supports its personal engagement with locally based customers.

ABC's customer centric focus is in terms of location supported by:

- Each office being staffed by locally based employees who are empathic to the locality, to deal with locally based customers. This is seen as giving competitive advantage over those organisations who deal with customers from remote locations elsewhere within the UK or even overseas. The market research has shown that most customers are drawn to dealing with individuals who share their accents, are locally based, and understand the local social and economic environments.



- Giving every business customer and the more important personal lines customers (comprising those linked to a business customer or with an annual premium over £2,000) nominated contact points in sales, servicing, accounts and claims.
- Every member of staff having written authority levels with the intention that for the majority of decisions that are put to them they can respond to customers without the need for referral. This is intended to be a competitive advantage however it does require well-trained staff and an effective decision-making audit trail. Feedback from customers does indicate that they would prefer a much higher rate of decision-making authority given to staff with some evidence that customers are increasingly attracted
- to those competitors who provide such decision-making.

The key to customer segmentation is that it matches finite resources to the needs of individual customer groups in order to maximise the delivery of customer service excellence in a highly competitive, revenue-driven environment. Unfortunately, ABC has insufficient understanding of its customers segments, tending to be driven by the needs and demands of each customer, rather than settling out to deliver a consistent service per customer in a segment. In main, those customers who shout the loudest get the lion's share of the service support, irrespective of whether or not it is cost-effective for ABC.

## Value Chain

Each of the primary and support activities in ABC's value chain is subject to consideration against its effect on customer service. The intention underpinning this analysis is that where customer service strengths are identified they are considered as to their effect on competitive advantage with corresponding weaknesses also ranked. From this analysis mapping of the customer service strengths and weaknesses, against the output from market research and segmentation, frames how those strengths and weaknesses should be exploited and addressed. This can mean that a perceived strength, which is not sufficiently valued by customers, can be reduced, potentially with cost savings, whilst weaknesses, which harms the customers' view of ABC, can be improved to better meet their expectations.

The difficulties which ABC encounters in breaking-down its value chain is a paucity of data. With no organised input from customers, outside the annual surveys, the approach is empirical rather than based on measured, collated and analysed facts.

In practice there is no known example of a perceived strength, not sufficiently valued by customers, being reduced in scope or depth. Rather the direction of journey has been one of piecemeal increases in customer service, taken against the background of actual or anticipated expectations of customers. This has placed stress on ABC's available resources as it has led to an environment where more and more service is expected to be delivered, without change in the resources available to support that enhanced service.





For example, ABC has never given consideration to engaging outside support to assist its understanding of, or delivery of, its customer service. This means that even relatively straightforward options such as the design of a suitable system to ensure customer feedback is captured and recorded in a consistent manner.

## Culture

ABC's customer-centric culture results in improved customer satisfaction as it reminds every employee of the importance of putting the customer at the forefront of everything they do.

ABC's culture is set by the directors and it is expressed as a willingness 'to go the extra mile' for each and every customer to provide them with service which is not available elsewhere. Whilst this creates a customer focus it is not delivered in a consistent manner with some staff believing that the customer is always right whilst others take an approach based on their self-interest which may harm other parts of the company. For example, there is sometimes tension between the account executives, which are the primary contact point for customers, who can make commitments ahead of securing the agreement of office-based staff who are expected to deliver on the commitments.

ABC recognise that maintaining current service and performance levels is not an option, if it is to remain competitive in what is a dynamic and changing market. The FCA has made to case for innovation; "*We see innovation as key to ensuring that firms continue meeting the changing needs of consumers and businesses.*" (Speech by Sheldon Mills, FCA, 2022). ABC use its engagement with its insurers and scrutiny of the competitive environment to identify opportunities to improve its service to its customers.

ABC's culture requires that decisions about potential acquisitions must take into account the extent to which the targeted acquisition already has a customer centric ethos. However, acquired businesses have retained their legacy cultures as they have remained semi-autonomous units. Without any significant change this will continue to be an issue in the future, particularly as the strategy includes growth through further acquisition.

The New Economics Foundation's seven principles of behavioural economics have been recently identified by ABC's directors as a means to map the changes to culture which are required (New Economics Foundation, 2005). The principles can be summarised as:

1. Other people's behaviour matters: people do many things by observing others and copying.
2. Habits are important: people do many things without consciously thinking about them.
3. People are motivated to 'do the right thing'.
4. People's self-expectations influence how they behave: they want their actions to be in line with their values and their commitments.
5. People are loss-averse and hang on to what they consider 'theirs'.



6. People are bad at computation when making decisions: they put undue weight on recent events and too little on far-off ones.
  7. People need to feel involved and effective to make a change: just giving people the incentives and information is not necessarily enough.
- (New Economics Foundation, 2005)

Straddling the four significant marketing activities there are four issues which are addressed below rather than under one or other specific marketing activity.

## Customer Relationship

The importance of CRM is expressed by Peter Verhoef as *“Relationship marketing theory and customer equity theory posit that customers’ perceptions of the intrinsic quality of the relationship (i.e., strength of the relationship) and customers’ evaluations of a supplier’s offerings shape customers’ behaviour in the relationship”* (Verhoef, 2014). This view is reinforced by Linda Goldzimer: “Having a good customer relationship beats the most expensive market research because your customers will tell you what they want” (Goldzimer, 1989).

ABC recognised the importance of customer relationships however its current IT systems are based on policy transactions, rather than a holistic view of its customers, and this frustrates the delivery of customer service consistent with that provided by many of its competitors.

There are a number of different IT systems which have resulted from the acquisitions of businesses without there having been any strategy to move to a common system. The absence of an effective customer relationship management (CRM) impedes the understanding and value of individual customers. It also makes it difficult for different members of staff, whether in the same team or not, to have a sufficiently complete awareness of all activities which are underway with any customer.

The absence of a customer service plan means that each individual employee delivers what they believe to be the required level of service, rather than act in a manner that is consistent across ABC.

## Complaints

The insurance industry regards the reduction in customer complaints as an important issue. The FCA has, in its Business Plan 2022/23, stated an objective; *“Reduction over time in upheld Financial Ombudsman Service complaints about unsuitable advice and mis-sold products and services.”* (FCA, 2022)

It is ABC policy to let customers know that ABC does not hide from complaints. By adopting a robust complaints procedure it reinforces the message to customers that ABC is on the



customers' side, as their agent, and this supports the building of long-term customer relationships.

ABC's approach is to create an environment in which customers do not need to complain, as the service levels are intended to prevent issues escalating into complaints. However, where complaints do arise, to both deal with the complaint fairly and quickly, and to use learning from the complaint to influence change to the customer service delivery.

## **Standards**

ABC is engaged in the process of establishing customer service standards, setting priorities and achieving performance targets. This process involves all staff and is regularly monitored and reviewed and adjusted accordingly. It does this by establishing the customer service proposition and examining management information and listening to customer feedback. ABC has a number of customer service standards, by customer segmentation, which it makes available to customers.

The difficulty is that whilst standards are identified they are not always achieved, so creating disappointment for customers and frustration for staff that, within the confines of the available resources and technology, do their best to achieve the standards; as such the performance falls short.

Management priorities are that resources should be focussed on the more important customer segments. However, the current systems do not readily support workload prioritisation and work transfer between individuals and teams.

The performance targets are set by the directors, based on their personal views, rather than by reference to research and resource availability so are not seen by staff as being 'SMART' and therefore act as demotivators.

## **Customer Satisfaction**

There is no formal mechanism for gathering customer feedback, outside of the annual surveys, due to the perceived cost of doing so and the absence of a suitable system to record and analyse the resulting data.

Anecdotal evidence from customers, gathered informally by staff as a by-product of their customer engagement, is that there is an appreciable gap between what is delivered and what they expect. Increasingly the view is that this is harming business performance with some customers referring to it when moving their business to other insurance brokers.



## Recommendations

1. Undertake a review, in light of the market research findings, to determine what does or should differentiate ABC from its competitors in the delivery of customer service. Develop values, in conjunction with all staff, so that they fully engage in the cultural change programme which will subsequently be needed to bring the revised customer service proposition 'to life' across ABC.

2. ABC to implement a formal customer service plan, to replace the current informal arrangements with the following steps:

- Analysis of the market, including the competition.
- Identify customer needs for each of the market segments and define how to fulfil them.
- Deliver the package having allocated responsibilities and established the most important segments.
- Set standards, priorities and performance standards.
- Measure customer satisfaction.
- Feedback customer information and modify where necessary.

(Wicks, 2020).

This absence of a customer service plan places ABC at risk of adverse comment from the FCA, in terms of delivering the expectations of the FCA Handbook and the requirement for fair treatment of customers. Responding to such criticism would deflect ABC from its operational activities and would be likely to harm business performance.

3. Implement a CRM capability, to draw together all the existing data from different formal and informal systems, and align it with a new integrated telecommunications system, bringing telephone (fixed and mobile) and email together so that workloads are better managed across the office network to improve the nature and quality of customer engagement.

4. Increase the investment in staff training and development so that individual authority levels can safely be increased so that more customer enquiries are handled and resolved at the first point of contact. Also increase the team-working ethos so that no individual makes a commitment to a customer without being confident that it can be delivered, whether by that individual or another employee.

5. Use the CRM system to collate all the existing hard (IT based) and soft (employee knowledge) data and intelligence to create a customer-centric view of each customer. Implement a phased programme to collect 'missing' data. The CRM will assist staff in developing better relationships with customers, as they can view the entire relationship. It will also support up-sell and cross-sell activities to relevant existing customers so widening and deepening customer relationships. This will provide a relatively low-cost source of new and additional business so assisting ABC's growth and profitability objectives.

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**6.** Develop an improved process for the calculation of costs per customer, including staff, IT and premises allocations, so that it can inform an improved understanding of customer and market segment profitability.

**7.** ABC to become a member of the Institute of Customer Service. This Institute is an independent, not for profit, professional body. Its purpose is to assist organisations to strengthen their business performance by improving their customers' experiences. It does this through research and insight, benchmarking and accreditation programmes, customer service training and qualifications. It also provides a platform for networking and sharing best practice. This membership would support ABC in its drive to give fuller recognition and meaning to the importance of the experiences of customers (Institute of Customer Service, 2020).

**8.** Review the role of customer satisfaction surveys, to gain quantifiable information, and where appropriate, subject to a cost benefit analysis, engage the services of a suitable external agency to undertake the surveys and preparation of a report on the findings. Subsequently use these findings to inform the development of the customer service plan.

**9.** Require that any marketing services agency engaged to undertake research is a member of the Market Research Society (MRS) which requires that it meets standards such the MRS Code of Conduct, its regulations and the associated disciplinary procedures (Market Research Society, 2023). This will ensure that customers have the confidence that ABC takes their relationship, and its confidentiality, seriously.

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## Glossary of key words

### Analyse

Find the relevant facts and examine these in depth. Examine the relationship between various facts and make conclusions or recommendations.

### Construct

To build or make something; construct a table.

### Describe

Give an account in words (someone or something) including all relevant characteristics, qualities or events.

### Devise

To plan or create a method, procedure or system.

### Discuss

To consider something in detail; examining the different ideas and opinions about something, for example to weigh up alternative views.

### Explain

To make something clear and easy to understand with reasoning and/or justification.

### Identify

Recognise and name.

### Justify

Support an argument or conclusion. Prove or show grounds for a decision.

### Outline

### Give

a general description briefly showing the essential features.

### Recommend with reasons

Provide reasons in favour.

### State

Express main points in brief, clear form.