

## **INSURANCE MARKETING AND THE DISTRIBUTION NETWORK IN THE ALBANIAN MARKET**

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### **Abstract**

*Marketing is essentially the interaction of the company and its products to the consumer. The main purpose of this interaction is to attract customers to the company and products / services that it offers. Insurance marketing is in fact the marketing of insurance products. When we speak about the insurance business, marketing is a very important tool. Insurance products are: life and non-life products. This article is focusing on Albanian marketing insurance perspective, particularly considering the socio-cultural character of this market, distribution channels for these products, as well as facing the challenges and difficulties of different nature. The nature of this paper is descriptive and explanatory. When the debate arises about the role of intermediaries and distributors in this industry, the discussion tends to technology development and influence in distribution system. However, it would see the main problems facing the distribution channels in this type of market, as the place is a key element of the marketing mix. This element is known as channel, distributor or intermediary. It is the mechanism through which move the physical goods / services from producer to consumer. Afterwards come other facilitating factors such as technology, tools, staff training that should be taken into account. As a conclusion, the insurance marketing success depends on understanding the socio-cultural needs of the target population, the proper use of intermediaries in the right segment. These intermediaries need to be strengthened through proper training, proper sales tools and technological facilities.*

*Keywords: Insurance Marketing, Distribution Channels, Intermediaries, Place, Technology*

## INTRODUCTION

Insurance is a form of risk management primarily used to protect against risk and uncertainty of loss. Otherwise, it is the equal transfer of the risk of loss from one entity to another, in exchange of the payment.

In February 1999, was established the first private insurance company in Albania "SIGMA", followed a few months later (June, 1999) by the establishment of SIGAL insurance company, currently the largest company in the insurance market in the country. SIGAL's market share - Life insurance is 59.78% (Monthly report, March 2016 AMF). From 1999 and ongoing expands the competition in the insurance market, but not only, it was increased through the creation of other private companies in the insurance field. But there are many challenges facing insurance companies in Albania, of which two are critical: 1. Designing products that suit the Albanian market 2. Use of appropriate marketing strategies to reach all segments of consumers.

While companies have been successful in the first challenge of using existing features of their products and the development of technology, many companies face the dilemma of choosing the right channel to reach potential customers..

## DISTRIBUTION SYSTEM IN ALBANIA

A characteristic of the insurance market in Albania is that they have opened many branches in all districts of the country. But there are many challenges facing life insurance companies, of which two are key:

- Designing products according to market needs.
- Using the appropriate distribution channel to reach consumers

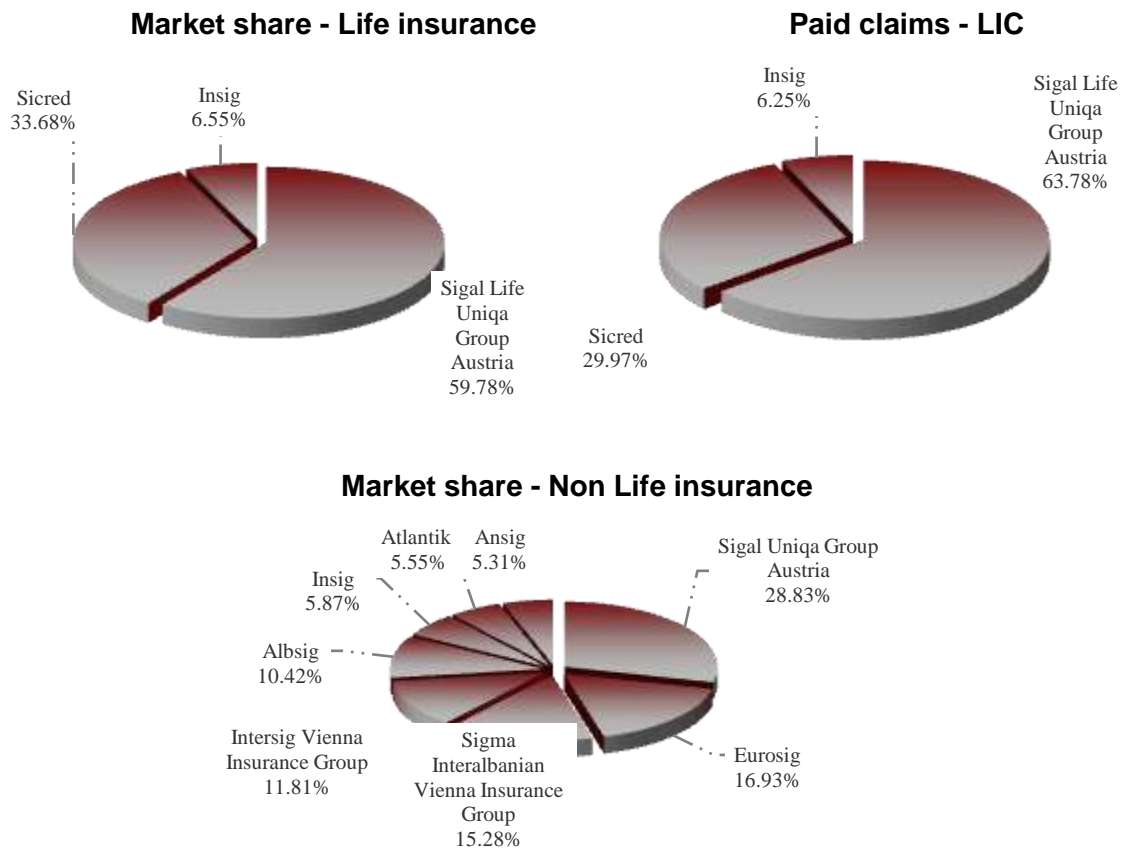
In the present Albanian Insurance market, challenges for the insurers and intermediaries are in two directions:

1. Building of trust about the company in the customer's mind
2. Intermediaries must be able to build personal reliability with customers

The agents have been traditionally the main channels of the Albanian insurance market. Referring the network of branches of insurance companies in Albania, the agents belong to the areas where lives the population, when these branches headquartered. Often these agents may not have sufficient knowledge about the products the company offers, so they cannot sell the products in the best possible way. For this reason needed their ongoing training.

Almost all of private insurance companies operating in Albania the agents function as traditional distribution channel. As more evolving the existing scheme constantly increases the need for other potential channels.

Figure 1. Some Data on Market



Source: Statistics, Insurance Market March 2016, AMF

### Why they are Needed Alternative Distribution Channels?

- In order to increase the penetration of insurance in the country.
- To differentiate customer service.
- To maintain the existing customers and to attract new customers in order to expand business.
- To raise awareness about importance of ensuring to the people.
- To satisfy the most evident customer needs.
- To improve cost efficiency in the distribution of the insurance.

### What defines the choice of distribution channel in an insurance company?

- Where are the customers?
- What is the target customer profile?
- Which product (traditional etc...) can be sold through the distribution channel?
- Which channel offers better value and buying experience in the target customer segments?

- Consumer preferences vary in different market segments such as by geography, age, income, lifestyle, etc., so the market changes over the time.

### **Challenging Scenario: Demanding Role Transformation of Intermediaries**

- Insurance should be sold worldwide, so the Albanian market is no exception. The contact point with the final customer is the manufacturer or distributor and the role played by them in the insurance markets is very important.
- It is the distributor, who makes the difference regarding to advices of product choice, adapted to the the culture and their social affiliation, conditions that play an important role in shaping the distribution channels and their effectiveness.
- In today's scenario, insurance companies need to move from selling insurance to marketing of essential financial products. Distributors should become trusted financial advisors to clients and trusted business collaborators for insurance companies.
- This requires multiple distribution channels in a cost-effective and customer-friendly behavior.

Channels in developed markets are divided into:

1. Personal distribution systems and
2. Direct Response systems.

- Personal distribution systems include all channels such as various agencies all over Albania, brokers etc. Meanwhile of the direct response system that uses tools such as the internet, tele-marketing, direct mail, call center, etc., have just started to grow.
- Today's insurance agent needs to know what the product will provide the consumer, and also recognize its competitor's products and at the same time be an effective salesman who can sell his company's products to consumer.

### **Intermediaries**

- Even though a multi-channel strategy is most appropriate for the Albanian market, it is important to say that the main intermediators are the agents nowadays.
- Today's insurance agent needs to know what the product will provide the consumer, recognize the company's competitor products and at the same time be an effective seller that may sell his company's products to the consumer.

### **Agents**

Although a multi-channel strategy is most appropriate for the Albanian market, it is important to note that the main intermediaries nowadays are agents.

Today's insurance agent needs to know what the product will provide the consumer, and also recognize its competitor products and at the same time be an effective salesman who can sell his company's products consumer. For mid-level customer, every new company is the same Perception of public sector companies has been deeply rooted in the minds of consumers so that they are not yet creating faith in private companies.

Insurance companies are demanding more and more individuals well educated, aware and gifted in marketing, an elite group who may be tempted only by the reward of good and an attractive job, which may not be accessible in a business with price pressure and the complexity of selling insurance. While the public sector (in the few services that it offers) employing agents regardless of the above criteria, it continues to suffer from low levels of performance due to their inappropriately appointments. The challenge here lies in the fact that there is a lack of knowledge of the private competitive market and the inability to make intelligent comparisons. Education and training of these agents is a serious challenge to the state social insurance company.

### **The Role of the Sales Agents is Important in Life Insurance or Non-Life Insurance for the following Reasons**

- Insurance and its usefulness is an idea that should be explained personally
- Every prospective buyer has special needs and requires specialized solutions
- Personal guidance can be given only when there is an active interaction with the agent
- Considerable amount of money to be deposited immediately and then continue to deposit regularly for a long-term benefit in the future, should be argued convincingly
- The insurer enters a risk and for each proposal for providing the necessary information needed which includes details about the personal life styles, habits, family etc ... agent is a person who undertakes to fulfill the realization of this goal, so due to personal contacts, they can provide valuable information about the needs and expectations of customers and realize cross selling.

### **Banks**

Do banks be the main channel for the distribution of the insurance?

Banks have become a dominant channel for selling insurance to a paradigm shift. In close collaboration with UNIQA Group Austria, Sigal UNIQA Life has developed and implemented new insurance products through banks and launched products combined of life insurance with long-term savings schemes. In this context, life insurance for people who take loans in commercial banks is strongly introduced. The main share in this kind of service holds SIGAL

LIFE Insurance Company, but the SICRED Insurance Company is proceeding at a satisfactory rate in the life insurance market. The market share of SICRED has reached 21.53 % of this market in September 2015 ( <http://www.sicred.com.al/web/index.html> )

### **Brokers**

They are another type of agents who deal with car insurance or other types of insurance. This is a kind of new experience for insurance consumers, accustomed to mediators in financial services, real estate, travel and tourism agencies. The image of these "intermediaries" in the consumer's mind is not very favorable. This new type of agents is facing the challenge of establishing credibility

### **Internet**

Selling face to face with the client, after many negotiations and arguments from the agent requires more time than sales through the network, thus the internet plays a very important role in terms of the time of purchase and comfort of delivering products.

### **CONCLUSIONS**

Referring to the above data emerge some difficulty facing distribution channels for their proper functioning:

The low level of income per capita - is unimaginable to think that modest-income families have the opportunity to provide life, property or liability. As well to a certain extent this applies to businesses in Albania known that most businesses are small or often family businesses, so the property insurance of business or activity from the interruption is often a luxury for their modest earnings.

The mentality and the culture of living - insurance is a relatively new activity in Albania and the public mindset to transfer the risk and insurance is still in low levels. Public perception of insurance is almost equivalent to that of a forced tax to be paid. This is a result of several factors:

- The perception of risk and uncertainty.
- Lack of responsibility in civil issues and community living.
- The current level of the insurance companies' service. The low level of payment of damages and problems that this process carries, divert the public from buying insurance products.
- Gaps in legislation and problems in the justice system. This, particularly in the cases of liability and property insurance. The civil resolution of conflicts by the judicial system and the execution of decisions leaves space for improvement.

Simply stated, the insurance companies are not yet as present in the channels of marketing, promotion and sales of their products. While sales are focused in the system of exclusive agents, often these agents are not able to promote and sell the company's products, as they have not yet achieved the necessary qualifications. Voluntary insurance are generally concentrated in the departments of the company.

However is noted an improvement of this situation and the following premises are to rising levels of voluntary insurances. Several factors have contributed here:

- Insurance companies have already consolidated a financial position
- The market of compulsory insurance is to a certain extent "Saturated"
- the competition is strong, and
- the entry of foreign companies with experience and good practices in this area.

Especially a field worth exploring is that of life insurances, on providing alternative products that combine life insurance with investments. Finally, the success of insurance marketing depends on understanding the social and cultural needs of the target population and matching the market segment with the suitable intermediary segment and these intermediaries need to be empowered with the right learning, training, sales tools and technology enablers.

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