

The Effect of Marketing Strategies on the Performance of Travel Insurance

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Abstract: Travel Insurance is a trade of complexity involving variety of independent components such as hotels, transports, tour operators, travel agents, various governments and private bodies. Hence, the demand for travel insurance is influenced by various factors: economy, institution, society and demographic. The objective of this research is to discern the effect of marketing strategies upon travel insurance services in Malaysia. Organizations own a marketing department that is responsible for the progress of sales volume, development of new products and adequacy of customer satisfaction and maintenance of market share. This department establish marketing strategies to attain the objectives of organization. Thus, the study is attempting to identify the effect of marketing strategies on the efficacy of travel insurance companies. Marketing strategies are referred to the 4Ps: product, place, promotion and price. The study is commenced at Ace Jemeh Insurance Bhd, Tune insurance company, Etiqa Insurance and Takaful Insurance in Shah Alam involving majority of the staff body. The results presented a significant relation between marketing strategical factors (product and sales promotion) and achievement in terms of sales volume, cost management, innovation and creativity and customer satisfaction of travel insurance company.

Key words: *Retirement Planning Behaviour, Financial Knowledge, Social Influences, Demographic*

INTRODUCTION

A holiday trip is one of the most celebrated activities commenced by almost any individual and there is an association of a trip with pleasure and relaxation. Due to their interest in going abroad, majority fail in securing their insurance required for their protection. Despite the undesirable idea of suffering an injury or being a victim to robbery or theft during a holiday trip, these incidents are plausible [1]. These cause tourists to bear with losses and they will be liable for medical costs or substitution of lost items without an insurance. Thus, travel insurance is essential for tourists with purposes of visiting a foreign country. Moreover, tourism is one of the largest developing industries and overtime, more and more people are joining the venture of travelling. The risks of travelling persistently rise which are frequently inevitable. Unexpected events have been experienced by tourism industry such as terrorism and natural

disasters. Protecting the tourists from facing these imminent perils is by possession of proper travel insurance. Incidents during the millennial age have occurred which led to severity upon tourism; they all vary in their causes but the similarity of being sudden, unforeseeable and hazardous lead to negative consequences of tourism industry. Few of the most outrageous and infamous outbreaks which have happened in the past years were the 9/11, Severe Acute Respiratory Syndrome (SARS) in Hong Kong, 2003, Indian Ocean Tsunami in 2004, Iceland's volcanic eruption in 2010 and the Arabic spring in 2011. These incidents have brought major crisis upon the tourists and the tourism industry in which the disasters were located.

The growing deprivation of safety and security has been undervalued over the past year in tourism industry. Safety and security issues have been discerned as one of the five factors affecting tourism industry in millennial era. The main

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concerns fall upon crime, health issues, natural disasters, terrorism and food safety [2]. Travel insurance was established to provide protection to travellers going abroad for a range of potential perils that they may encounter throughout the trip. These situations can be prevented with protection offered by insurance including tickets booked from airline companies and losses due to negligence of Airline staff body. Travel insurance covers the financial risk against unforeseen mishap that travelers are exposed to during their holiday. Depending on the policy coverage, such risks include loss of baggage, loss of travel deposit, trip cancellation, medical repatriation or evacuation, physical injury, bankruptcy of travel service providers, personal liability against tort committed to citizen of host country, legal expenses cover and may cover almost any unforeseen situations that is not covered by typical policies such as terrorism and denied boarding [3]. Therefore, this study attempt to determine the effect of Marketing Strategies on the performance of Travel Insurance Product in Shah Alam, Selangor.

LITERATURE REVIEW

Organization Performance

Organizational performance consists of the actual output or results of an organization as measured against its intended attainment. Organizational performance is the concept of evaluating the output of a specific process or procedure to modify the process or procedure to increase the production, increase efficiency, or increase the effectiveness of the process or procedure. The concept of organizational performance is applicable to either individual performance; e.g.: athlete or organizational performance; e.g. a racing team or a commercial enterprise or even a farm or livestock production. In efficacy improvement, Organizational performance is the concept of organizational change in which a program is managed by the managers and governing body of organization simultaneously to evaluate the current level of performance of the organization and generation of ideas of organizational behavior modification and infrastructure in place for higher production achievement. The main goals of organizational performance are increasing organizational effectiveness and efficiency for the improvement of organization's ability to deliver goods and or services. Another area in which organizational performance aims for continuous improvement is organizational efficacy involving the process of establishing organizational goals and objectives in a continuous cycle.

Organizational performance at the levels of operation or individual employee commonly includes processes

of statistical quality control. At the organizational level, softer forms of measurement such as customer satisfaction is emphasized to acquire qualitative information regarding performance from customers' perspective [4]. In a growing dynamic and information-driven environment, the quest by business leaders and management researchers for performance measures reflecting competitive productivity strategies, quality improvements, and speed of service is at the vanguard of organizing company performance to be evocative, company performance should be evaluated against a specific objective to speculate the attainment of objectives. Without an objective, a company would have no criterion in selection of alternative investment strategies and projects. Instantly, if the objective of the company is to maximize its return on investment, the company would attempt to achieve the objective by adopting investments with return on investment greater than the company's current average return on investment in ratio [5]. The selection of the most appropriate performance indicators is, however, an area with no definitive boundaries as there are a number of purposes to which performance Measurement can be placed, although not all performance measurement can be used for all purposes. Despite individual firms showing tendency to utilize firm-specific performance indicators appropriate according to their needs, for majority of firms, the main performance indicators would typically include certain combination of financial; market/customer; competitor; human resource; internal business process; and environmental indicators [6].

Travel Insurance

Travel insurance is intended for the responsibility of the financial or any other losses sustained by the insured while traveling, nationally or internationally, such as mountain trekkers and cruise travellers. Travel insurance is accountable for financial losses of customers caused by a wide range of events affecting their trip, whether they occur before, during or even after the trip. These may include travel modification, cancellation or interruption, medical expenses, baggage damage or theft, and more. Travel insurance should be a priority in all travel arrangements regardless of the customers' regular travel, occasional trip or they are planning for a once-in-a-lifetime trip. A comprehensive range of general insurance solutions is provided by Ace Jemeh for large corporates, small and moderate businesses inclusive of individuals through an assembly of distribution channels. Additionally, Tune Insurance company, ACE Jerneh, Etiqa and Takaful Insurance

companies offer responsive service and market leadership built on financial strength. The company owns a network of 23 branches and more than 2,000 agents.

In term of coverage, they will take charge regarding accidental death and permanent disablement, medical and emergency travel expenses, medical evacuation, trip cancellation, trip curtailment, replacement expenses, loss of money, travel delay and baggage delay, personal property, aircraft hijacking and personal liability. Based on latest Etiqa procedures, indulging and experiencing new places are often exhilarating and yet travelling may cause mishaps, from trip cancellation to luggage loss. The customer travelling companion and the policy will protect them every step of the way. The customers will not have to suffer from sprained ankles or delayed trips anymore. Newly fond memories and safely home arrival can be attained with this policy. World Traveller Care is a travel Insurance plan to protect customers when they are met with unforeseen incidents while travelling. It has worldwide coverage with 4 plans and a variation of benefits catering to travelers.

Marketing Strategies

The term "marketing mix" became recognizably utilized after the article publication of *The Concept of the Marketing Mix* by Neil H. Borden in 1965 [7]. He began using the term in his schooling during the late 1940's after James Culliton had elaborated the marketing manager as a "mixer of ingredients". The elements in Borden's marketing mix were inclusive of product planning, pricing, branding, distribution channels, personal selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis. E. Jerome McCarthy later congregated these ingredients into the four categories that known in this age as the 4 Ps of marketing. According to the study's background information, performance and achievements of most insurance companies are greatly dependent on the use of effective marketing strategies that are tailor-made to fit customer needs among other strategies. It is evident based on this argument that the development and implementation of effective marketing strategy is a very prominent function for an organization.

The marketing mix is the composition of marketing activities that an organization occupies in meeting the needs of its targeted market. The insurance business deals in selling services and therefore, due weightage in formation of marketing mix to the insurance business is required. The

marketing mix includes sub-mixes of the 7 Ps of marketing; i.e. the product, its price, place, promotion, people, process & physical attraction. The above mentioned 4 Ps can be used for marketing of Insurance products, in the following manner:

Product

A product is defined based on company production. If the company produce goods, it means tangible product and when they produce or generate services, it means intangible service product. A product is both an item a seller must sell, and a buyer must buy. Thus, an insurance company sells services and therefore services are their products [8]. Travel insurance plans are designed to protect travellers worldwide. Plans may include valuable medical coverage, trip, emergency travel services and variety of services.

Place

This component of the marketing mix is related to two important facts: (i) Managing the insurance personnel and (ii) Locating a branch - The management of agents and insurance personnel is found significant with the viewpoint of maintaining the norms for offering the services. This is also to process the services to the end user in such a way that a gap between the services, promised and services offered is bridged over. In a majority of the service generating organizations, such a gap is found existent which has been instrumental in making worse the image problem [8].

Sales Promotion

According to Gupta [9], the objectives of promotions are to attract new customers' building existing customer loyalty, rewarding loyal customers and increasing the market size by stimulating the use of an entire product category and to reinforce other communication tools. The further the product progress through its life cycle, the more managers tend to allocate more budgets to sales promotion. It is applicable for lower priced brands; moreover, retailers have high influence on the final price and promotional use. Nearly all companies need to use promotions as either offensive and/or defensive utilities in the fields for market share. As consequences, the consumer's brand choice is affected by the sales promotion campaigns.

Prior to forming a decision, the regular consumers will consider promotion availability. They may also purchase unintentionally or make a purchase in a greater quantity due to promotion. Sales promotion draws an impulse purchase, when the need

has been created or revealed in-store. According to Hartley and Cross [10], Sales promotions cover a wide scope of marketing activity ranging from trade, sales force to consumer programs. Specifically, sales promotion encompasses such activities as discounts, incentive plans, coupons, sweepstakes and value-added promotions. These programs have continually been analysed in aspects of their impact upon brand loyalty. The concern of marketing managers is elevating about the productive use of promotional funds and controlling spending on trade promotion. As a result, trade-offs among advertising, consumer promotion and trade promotion are an important, though perplexing aspect of the budgeting process. Although the importance of sales promotion has increased drastically, it has remained minorly comprehended beyond the objective of delivering short-term results and successfully introducing new products into the consumer market. According to Gupta [9], Sales promotion is exclusively emphasized with a prize or gift given to consumers. This is consistent with numbers of sales promotion activities for brands. When the type of sales promotion is a prize, the relationship between influence to take a brand and sales promotion becomes clearer. A premium or prize serves as an unconditional stimulus eliciting an excitement or emotion. When the type of sales promotion is a prize or a gift, there is a relationship with the effect. Relationships have demonstrated that individuals, in whom positive perception on a brand has been induced through gifts, are more likely to take risks when the probability of benefiting from the purchase of a brand is high but risk-averse when the probability of benefiting is low. Such research is vital in developing a perception of advertising and promotional strategies being used to influence consumers' brand perception and selection pattern. Sales promotion campaigns should be considered by organizations due to factors of competitive pressure from their counterparts leading to the need of variation of their products and services [11].

Buyers have become expectant when consumers are promotion oriented and demanding more deals. There is also a requirement for the organizations to advance customer loyalty; therefore, adding value to a product or service is prominent. Organizations have an urge of short-term results and the application of sales promotion yields quicker and more measurable results [12]. Over the years there has been a need to elevate sales volume especially in the short run thus use of sales promotion in comparison to the other tools of promotion. According to Kotler [11], decades ago, advertising to sales volume ratio

was about 60:40. Today in many consumers' packaged goods companies, sales promotion accounts for 65% to 75% of the combined budget. Sales promotion expenditures have been increasing as a percentage of budget expenditure annually for the last two decades and the fast growth rate is expected to rise.

Sales promotion receives more acceptances by top management as an effective sales tool and product managers are widely using it for increment of their current sales. Some of the companies are concerned with increasing the sales in the short-run; therefore, sales promotion is often the solution. Companies use sales promotion to establish a stronger and quicker response, it is used to dramatize product offers and boosting sagging sales [11]. According to Tull [13], Sales promotions may be confused with advertising. While the delivery of the marketer's message through television media is certainly labelled as advertising, the message content is considered a sales promotion. Advertising and Publicity, organisation of conferences and seminars, incentive to policyholders are impersonal communication.

Price

The price is that the quantity a client pays for the product. It is determined by variety of factors including market share, competition, material prices, product establish and therefore the customer's perceived price of the product. The business could increase or decrease the value of product if different stores have identical products [8]). Travel insurance protects the client for surprising prices incurred before or throughout their trip therefore prices area unit are less doubtless to return out of their own pocket. A travel insurance set up will reimburse them for the pre-paid, non-refundable parts of a visit if they are required to cancel; or interrupt the trip for a lined reason. A travel insurance service also embodies medevac coverage.

METHODS

Conceptual Framework

Companies are required to continuously develop their marketing strategies because 4Ps will dynamically change and be modified in the industry. This research focuses on the performance of Travel Insurance companies based on the marketing strategies 4Ps (Fig. 1).

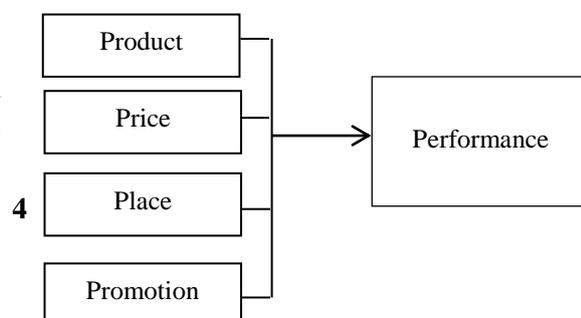


Figure 1 Marketing Strategies towards the Performance of Travel Insurance Products

Data Collection

100 samples (Male = 54, Female = 46) were acquired through convenience sampling from four Travel Insurance companies: Ace Jemeh Insurance Bhd, Tune insurance company, Etiqa Insurance and Takaful Insurance in Shah Alam. 25 questionnaires were distributed to staffs of each company and in total, the age range of the respondents were from 25 to 40 years old with a period of employment from 1 to 15 years and more. The primary data was acquired using a 5-point Likert scale and the performance of each company was evaluated based on 22 parameters.

Data Analysis

Data was analysed with the utility of Statistical Package for Social Sciences (SPSS) using Regression analysis to study the four variables in relation to the performance of each company.

RESULTS AND DISCUSSION

It is interesting to report that male respondents were (54.0%) compared to female (46.0%). Based on Table 1, a majority (49.7%) of the respondents were in the age group (31-35 years old). In term of working period with the organization, majority of the respondents have 1 -5 years' experience (72.0%), followed by 6 – 10 years (20.0%) and 4.0% of the respondents have an experience between 11 – 15 years and 15 years above. Monthly income of the respondents involved in the survey indicated that 41.0% were between RM2500 – RM3000, 32.0% were between RM1500 – RM2500, and 17.0% received more than RM3500 per month and only 10.0% received RM1000- RM1500 income per month.

Table 1 Respondents' Demographic Profile (n = 100)

		Frequency	Percentage
Gender	Male	54	54
	Female	46	46
Age	25 – 30	19	19

Based on Table 2, with respect to performance and marketing strategies, it is encouraging that all the results showed moderate in term of mean. Table 2 shows score mean for each independence variables of marketing strategies, which are product, price, place and promotion. From the result above, product has the highest mean among the other variable with 3.68. Followed by price, place and promotion, which are 3.62 and 3.38 respectively. This indicated most respondents agreed that product play a significant role in affecting their performance of Travel Insurance.

The conduction of multiple regression analysis is when the performance is a dependent variable, while the identified factors are independents. Performance of this analysis is a constituent part of path analysis which aims at identifying, a) which impact-making variables should be included in the research model and c) which relationships (or so called "paths") between the variables are not significant for the model. The independents variable are product, price, place and promotion.

Based on Table 3, it shows an R-squared of 0.521. The four predictor variables are not all equal and could be used to determine the dependent variable, performance of travel insurance as shown by an F-value 24.920 and significant level of 0.000 (p<0.05). Results shows that of the four variables, only product and promotion are significant (p<0.05) with a beta of 0.607 and 0.170 respectively.

However, place and promotion are less significant (p>0.05) with beta of 0.121 and 0.153 respectively. Tests indicate that only product and promotion has a significant relationship to the performance of travel insurance. Based on the *t* statistic for all the independent variable, it has indicated that product has significant relationship due to strong significant level (p<0.005) with the performance of travel insurance. Therefore, hypothesis H₂ and H₃ are rejected, while hypothesis H₁ and H₄ are accepted displayed in Table 4.

31 – 35	41	41
36 – 40	33	37
40 and above	7	7
Period of Working Organization		
1 – 5 years	72	72
6 – 10 years	20	20
11 – 15 years	4	4
15 and above	4	4

Table 1 Continuation

Monthly Income		
RM1000- RM1500	10	10
RM1500 – RM2500	32	32
RM2500 – RM3500	41	41
RM3500 and above	17	17

Table 2 Mean Analysis for Marketing Strategies and Performance

Variables	Mean
Performance	
The insurance agents are explaining clearly about the content of the policy.	3.77
Travel insurance is an upselling and cross-selling product among other product insurance.	3.73
Travel insurance provides the coverage for the worldwide and domestic area.	3.69
Travel insurance provides the coverage for the worldwide and domestic area.	3.67
Mean average	3.72
Product	
Travel insurance brand clearly communicate what the content are about to compete the highest value to deliver.	3.80
Travel insurance is the most profitable policy in insurance.	3.84
With travel insurance, customers will have access to the travel assistance service during an emergency whilst travelling abroad.	3.53
Travel insurance product will be wisest choice to customers for any trip and to ensure that they are enjoying the trip with peace of mind.	3.73
Mean average	3.68
Price	
The premium of travel insurance product is appropriate.	3.66
Travel insurance is an up selling and cross-selling product among other product insurance.	3.71
Discount provided for a travel insurance product is adequate and satisfying to customer.	3.60
The rate of interest is one of the major factors which determines people’s willingness to invest in travel insurance.	3.57
The cost of processing, commission to agents, reinsurance companies as well as registration are all incorporated into the cost of instalments and premium sum and forms the integral part of the pricing strategy.	3.74
Mean average	3.65
Place	
Travel insurance product is easy to find in urban area.	3.49
Travel insurance website built around the needs and interest of insurance company visitors.	3.67
Travel insurance product placement in television show can improve customers’ knowledge and awareness.	3.65
Travel insurance branches are easy to find and access.	3.56
The elite areas are an area that can influences	3.75
Mean average	3.62
Promotion	
Nowadays, insurance company include the travel insurance product when they are delivering	3.14

the package for travelling abroad.	
With the good knowledge of the agent towards travel insurance product, it is can improve the customer's confidence to purchase it.	3.83
Through media, it is can minimize the cost for agent.	3.82
Travel insurance company offer a wide coverage for the suitable premium and benefit to customers.	3.30
The messages of travel insurance content are match with customer's experience when they are interacting with insurance company staff.	2.83

Table 2 Continuation

Mean Average	3.38
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Table 3 The Effects of Marketing Strategies on the Performance of Travel Insurance

	Unstandardized Coefficients		Standardized Coefficients		Sig.
	β	Std. Error	Beta	<i>t</i>	
(constant)	1.328	.414		.300	.765
Meanproduct	.638	.086	.607	7.398	.000*
Meanprice	.176	.094	.153	1.862	.066
Meanplace	.073	.044	.121	1.668	.099
Meanpromotion	.108	.046	.170	2.349	.021
$R^2 = 0.512$	Adjusted $R^2 = 0.491$		F value = 24.920		$Sig F = 0.000$

CONCLUSION

The study registered a positive relationship exist between product and promotion as a marketing strategy and firms performance at 0.638 and 0.176 respectively. This entails that for any insurance company to diversify effectively and increase its market share investment in product innovation is critical. The study was able to concur with Hartley and Cross [10], promotions cover a wide scope of marketing activity ranging from trade, sales force and consumer programs. Specifically, promotion encompasses such activities as discounts, incentive plans, coupons, sweepstakes and value-added promotions, based on this finding due to the wide scope the study recorded a positive effect at 0.11 beta promotions as a marketing strategy and firm's performance. This also supports Kotler [11] that organizations should concern themselves with promotion campaigns because of factors such as competitive pressures from their counterparts, leading to the need of differentiation of their products and services. Buyers have become expectant in that the consumers are promotion oriented and are demanding more deals. According to Mills and Morris [14], insurance must continually invent new products and services in enlightenment of changes brought by the Internet and make existing products more suitable for online delivery. Similarly, Mols [15] identified numbers of critical success factors of Internet service in the context of the Australian insurance industry. In

conclusion, based on the analysis of responses, it was seen that there is still a lack of awareness among travelers regarding travel insurance. Even though people realize that risk is involved in travelling, they are not sure whether they should buy travel insurance or not. A possible reason for not purchasing be perceived as 'no one has complete information' about Travel Insurance. Need for advertisement & more involvement of insurance agents can be perceived as factors that can help publicizing travel insurance more among travelers. This research is limited to respondents from 100 travel pages. Research can further be conducted among travelers from other parts of the country. Further research can also be conducted on how purchase decision of travel insurance is affected by various motivational factors.

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