

## MARKETING RESEARCH

(Summation by Laurence H. Longley-Cook, Actuary,  
Insurance Company of North America)

The seminar on Marketing Research owed its success to Mr. Seymour Smith, Vice President and Actuary of the Travelers Insurance Company, who had prepared a general review of the subject.

Marketing research may be considered to be the application of scientific methods and procedures in the study of marketing problems to provide management with factual information upon which to formulate executive decisions and policies. Clearly a company cannot usefully undertake such research until it has determined its overall aims which will vary according to its Surplus, Volume and Profit position. For some companies increased growth is desirable, for others, improved underwriting results. Again, in some cases, lower expenses must be achieved before growth is desirable. Without a strong surplus position, too fast a rate of growth is unwise. A stock company's major aim should be to serve its stockholders; and achievement in this field is measured not by growth but by dividends and future dividend prospects. The market measures the combination of these by the value placed on a company's stock. The value of a company with consistently good operating results will stand well above its break-up value while the reverse is true of a company with consistently bad results. Considerations in a mutual company are primarily good policyholder dividend service and growth must be subservient to maintaining a good profit and adequate surplus protection.

Having analysed the companies' Surplus, Volume and Profit position, top management may decide that it should embark on a program of growth, of improved underwriting results, or both. Marketing research is a valuable aid in planning such a program, but it is necessary to consider the potential of the company before starting detailed planning. Has the company the people and the know-how to undertake the development and launching of new products? Personnel who have been used to writing business in lines where there has been no rate competition are generally ill-suited to rate making and the selection of risks under changed circumstances. Companies, like leopards, cannot change their spots.

Marketing research can be applied to the development of new products, sales growth, and many other aspects of business development. For this reason nearly the whole of management is concerned in one way or another with various aspects of marketing research. Consequently, it is generally considered undesirable to establish a single market research department. The broad aims of the company must be established by top management and the various research aspects of each problem can best be studied in different sections of the company organization as is most appropriate.

New products research is an important field of study at the present time, and the usual method of study by questionnaires to a sample group of the public does not prove particularly satisfactory. The public is dismally disinterested in insurance and more often the problem is to determine what can

be sold rather than what the public wants. In commercial and industrial insurance it is difficult even to determine who in a company organization really determines what insurance coverages should be effected. The development of new products is often by a trial and error basis, modifications being introduced step by step as sales experience is gained. This leaves a trail of discarded forms and modified rating plans which is most uneconomic.

For distribution studies there is ample data available on production of competitors, population trends, income levels, etc., which are considered the normal basis for determining the areas of a country which have the most potential for future growth. It is important, however, to consider many other features of each area. In particular the political climate is most important since we are regulated on a state by state basis. Some states discourage the introduction of improved coverages and others may abuse their rate regulation laws.

The classification of business should be an important aid to marketing research, but our statistical plans seem to be invariably keyed to trying to prove that something we did some years ago was right, rather than to developing better rating systems for the future. The use of sampling techniques is coming increasingly into vogue because they can often provide valuable data more economically than is otherwise possible. Sampling involves a number of important technical considerations; and unless such studies are carried out properly, they will not give satisfactory results.

Marketing research is a management tool of outstanding importance at the present time. Such research, if conducted wisely, can contribute greatly to the advancement of a company.