

**A STUDY ON THE EFFECTIVENESS
OF AMERICAN INTERNATIONAL ASSURANCE CO. LTD
(AIA)'S CURRENT MARKETING STRATEGY
IN KUCHING MARKET**



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TABLE OF CONTENTS

	PAGE
ACKNOWLEDGEMENTS	ii
TABLE OF CONTENTS	iii
LIST OF TABLES	vii
LIST OF FIGURES	x
ABSTRACT	xi
CHAPTERS	
1 INTRODUCTION	
1.1 Background of the Study	1
1.2 Problem Statement	1
1.3 Objective	1
1.4 Scope of the Study	2
1.5 Significance of Study	2
1.6 Limitations	3
1.7 Definitions of Terms	3
2 LITERATURE REVIEW	
2.1 Introduction to Marketing Strategy	7
2.2 The Problems Exists in AIA	8
2.3 Industry Reviews or Studies	8
2.4 LIAM and MII Reports	11
2.5 Current Publications on Competitors	11
2.6 Future Prospect and The Need To Further Study The Marketing Strategy	12
3 RESEARCH METHODOLOGY AND DESIGN	
3.1 The Data Collection	14
3.1.1 Primary Data	
3.1.2 Secondary Data	
3.2 Survey Instrument	15
3.3 Sampling Techniques	17
3.4 Sampling Size	17
3.5 Procedures for Analysis of Data	17
4 COMPANY BACKGROUND, CURRENT MARKET ANALYSIS, AIA KUCHING'S CURRENT (1998) MARKETING STRATEGY, S.W.O.T ANALYSIS AND INSURANCE INDUSTRY IN MALAYSIA	
4.1 Company Background	
4.1.1 Incorporation and Brief History of AIA	18
4.1.2 Reason for Existence	18

ABSTRACT

American International Assurance Co. Ltd (AIA) started operations in Kuching since 1948. It has 22 branches nation-wide and is among the 18 companies in Malaysia providing life insurance.

Over the nine months of operations for 1998, AIA Kuching had been unable to achieve its targeted sales for 1998 and recorded a problem which was a decline in sales. (Please refer to Table 4.2). Besides this, the economy slowdown, devaluation of Ringgit and increasingly competitive business environment had also placed AIA Kuching in a challenging position. Thus, there was a need to analyse their current marketing strategy to address the problem mentioned.

A study was carried out to gather the opinions and perceptions of the general public and existing AIA's policyholders with relation to their current marketing strategy. From the study I have identified the strengths and weaknesses of the strategy, and opportunities and threats faced by AIA company. In the study I also do the market analysis and industry analysis.

After identifying the above, I came up with a recommendation to AIA Kuching. The proposed marketing strategy is detailed out in Chapter 7 of the paper. However, this was only an academic project.

CHAPTER 1

INTRODUCTION

The topic of the study is "A Study On The Effectiveness Of American International Assurance Co. Ltd (AIA)'s Current Marketing Strategy In Kuching Market".

1.1 BACKGROUND OF THE STUDY

This study was conducted as a partial requirement of my Bachelor in Business Administration programme and it is purely for academic purpose.

The reason I wish to study this company was because most of my project assignments in class I have chosen to study on insurance companies and it seems this life insurance company ranked the second largest in term of market share in Malaysia. Thus, it would be interesting to analyse their marketing strategy.

The company being studied is American International Assurance Co. Ltd (AIA), Kuching. Wisma AIA is located at 216, Jalan Song Thian Cheok which is next to the MAS office Kuching. AIA is a wholly owned subsidiary of American International Group Inc. (AIG) which is a leading international insurance organisation. AIA began operations in Malaysia in 1948 in Kuala Lumpur, Penang, Ipoh, Sandakan and Kuching. AIA has 22 branches throughout Malaysia with 6 branches in East Malaysia. The company is now admitted to do business in 130 countries around the globe.

The purpose of this study was to analyse the effectiveness of their current marketing strategy to counter the problem of decline in sales (based on current sales performance) and also to counter the effect of external environmental factors. The marketing strategy will be assessed in order to identify its strengths and weaknesses and I would come up with a proposed marketing strategy.

1.2. PROBLEM STATEMENT

The study undertaken hopes to analyse the effectiveness of AIA Kuching's current (1998) marketing strategy so as to counter AIA Kuching's problem of decline in 1998 sales [Please refer to **Table 4.2** : Sales (In Total Annual Premium) for 1997 and until 3rd Quarter of 1998 for AIA Kuching] and to strengthen its position in the marketplace and continue to remain competitive despite the economy slowdown, devaluation of ringgit's effects and the increasingly competitive business environment.

1.3 OBJECTIVES

The objectives of this study were:

- 1.3.1 To assess the present (1998) marketing strategy adopted by AIA Kuching.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION TO MARKETING STRATEGY

Marketing Strategy according to Philip Kotler (1996, Marketing Management) presents the broad marketing approach or “game plan” that will be used to achieve the company’s marketing objectives (sales volume, market share and profit).

Kotler & Armstrong (1994, Principles of Marketing) said Marketing Strategy consists three parts. Firstly of specific strategies for target markets, positioning and marketing objectives. Secondly of marketing mix and marketing expenditure level. The manager should also outline specific strategies for such marketing mix elements as products, field sales, advertising, sales promotion, prices and distribution. Thirdly of Action Plan and Controls. Marketing strategy should be turned into specific action plan . Action plans allow the manager to make a supporting marketing budget .Finally control mechanism will be used to monitor progress.

According to Kotler (1996, Marketing Management), marketing strategy will best position the company’s offer against its competitors’ offers in the mind of customers. Nevertheless no one strategy is best for all companies but each company must determine what makes the most sense given its position in the industry, its objectives, opportunities and resources.

Treacy and Wiersema (1993, Havard Business Review) recently distinguished three strategies that lead to successful differentiation and market leadership. They are operational excellence, customer intimacy and product leadership.

EONCMGLife Seminar text (1997, Distribution Channel) ,argues that in addition to developing quality insurance products and appropriate pricing to improve sales of insurance to target market, distribution enhance the marketing exchange process by making products available so that customers can buy them. Within insurance distribution channels, all marketing intermediaries are considered agent middlemen.

The text claimed as economic conditions improve or worsen, as technological advances are made, as competitive forces intensify, as social and legal conditions change, so may the advantages and benefits of one type of distribution channel structure vary comparison to another.

According to EONCMGLife Seminar text (1997, Customer Service), value added customer service activities help a company become more appealing to customers, attract new customers, keep its customers once it has attracted them, create additional sales opportunities with existing customers, differentiate itself (company & products) from its competitors, attracting and retaining high-quality employees (internal customers) and increase productivity.