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The importance of measuring return on marketing investment in the insurance industry

by

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Magister Commercii
in
Business Management

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UNIVERSITY OF JOHANNESBURG

Supervisor: Ms S Bronkhorst

2013
DECLARATION

I certify that the minor dissertation submitted by me for the degree Master’s of Commerce (Business Management) at the University of Johannesburg is my independent work and has not been submitted by me for a degree at another university.

MANKONE LERATO PRECIOUS SEOBI
ACKNOWLEDGEMENT

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My parents, Khosana and Thonaeng, for teaching me the importance of education, babysitting during tough times and providing me with the motivation to persevere. My two siblings, Matshediso and Nthabeleng, for their continued support and toleration for not visiting often. And most of all to my beautiful son Tlotlo for putting a smile on my face whenever I felt frustrated and in doubt, for loving me unconditionally, and for allowing me the opportunity to be a good role model.

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ABSTRACT

The study focuses on the return on marketing investment (ROMI) in the life insurance industry in South Africa. Although this is a growing industry, it is characterised by high competitiveness and similar product offerings from the different insurance providers. Therefore, in competing for the larger market share, the companies differentiate themselves by relying more on their unique strengths. They compete by promoting themselves and their products through various above-the-line and below-the-line marketing activities and campaigns in order to drive sales, build awareness, manage reputations, and to be top of mind to consumers.

This study focuses on establishing whether these various marketing activities are measured to determine whether they contribute to the bottom line/profit margins (basic purpose of ROMI) and to what extent. The ultimate goal is to establish whether ROMI is considered as being important to measure in the life insurance industry and whether spending on marketing activities does contribute to profit margins.

A total of 16 recognised life insurance companies were identified and a sample size of seven companies selected. The sampling frame consisted of marketing managers, who happened to be heads of departments in this case. Structured interviews were conducted with these managers, and feedback was transcribed and analysed. Only marketing managers were interviewed as they are directly responsible for the marketing budget, and are accountable for marketing spending and the overall success of the department.

It was identified in the study that in order to measure ROMI, it starts by being accountable for the marketing spending. The overall results of the study indicate that spending on marketing does contribute to profits margins and that ROMI is considered by the life insurance industry as important to measure. The study was limited only to the Gauteng province, thus it can be generalised to the life insurance companies in South Africa, but cannot be generalised to other insurance industries, e.g. short-term insurance, thus allowing for the possibility of a comparative study in the future, in addition to future studies listed in chapter 5.
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CHAPTER ONE

ORIENTATION

“There’s no better way to go back to the well to get more money than using a language that the money people can understand.”

Guy R. Powell

1.1. INTRODUCTION

Return On Marketing Investment (ROMI) is derived from the Return on Investment (ROI) formula in order to determine the value of marketing budgets and expenditure. To understand ROMI, an understanding of the ROI formula is important, as well as understanding the concept of marketing. A simple calculation to determine ROI is by dividing net profit by investment, which results in the amount of profit generated from each investment (Economy watch, 2010).

Marketing is known to fulfill the purpose of brand awareness, product promotions, obtaining new customers, and maintaining relationships. In understanding the full concept of marketing, an understanding needs to be established that marketing extends beyond just advertising, communications, product promotions or closing a sale (Seggie, Cavusgil and Phelen, 2007:834).

Fill and Jamieson (2006: 13) explained that marketing promotes the company and its products, and also aims to develop and maintain the network of relationships in the market. It includes the entire chain and processes of successfully taking products and services into the market. Spending on marketing activities and the budgets thereof should be decided with a clear objective in mind that supports the company’s goals of financial wellbeing (Powell, 2002: 2).

Therefore, measuring ROMI simply means indicating financial outcomes from the marketing activities employed. Marketing activities in this study refer to both above-the-line and below-the-line functions so as to provide a general overview of the
industry. The research conducted was based specifically on the life insurance industry, and not the insurance industry as a whole.

1.2. BRIEF DISCUSSION OF ROMI

The purpose of ROMI is to establish the extent to which marketing activities contribute to the company’s financial wellbeing or profit margins. Many companies allocate big budgets to marketing with the aim of engaging stakeholders, however it is unclear if these marketing activities are seen as investments or simply as expenses, and whether they lead to incremental sales resulting in increased profit or revenue for the company.

As the business environment continues to grow and become more competitive, many organisations are seen to invest more in marketing campaigns and activities in order to grow profits and increase brand awareness. However, as the economic environment can become volatile, companies are forced to consider cost savings and become cautious with spend in order to stay in business. This gives rise to the increasing need for marketing as a supporting function to produce accurate data on the return they receive from investing in the different marketing activities (Seggie et al., 2007: 834).

The main reason why companies and individuals enter into any investment is for profit making. Therefore, spending on marketing activities can be considered by some to be an investment, even though it can be difficult to measure (Ryals et al., 2007: 991). Like many companies, life insurance companies also allocate big budgets to their marketing activities and embark on promoting their life insurance products through various mediums such as television, radio, print and other media avenues seen and heard on a daily basis.

Duboff (2007:3) pointed out that it has become necessary for companies to measure a return on intangible assets in order to gain and sustain competitive advantage. Since the insurance industry deals with intangible products and services, logic provides that spending on marketing activities cannot be considered to be exactly an ‘investment’ in the literal meaning of the word. Therefore it becomes challenging in
the insurance industry to measure spending on marketing activities as it is a services environment.

So do the life insurance companies consider ROMI as important to measure, and can they measure the extent to which their marketing efforts contribute to financial returns?

1.3. PROBLEM STATEMENT

Return on investment allows marketers to make decisions that result in marketing activities translating to profitable growth (Duboff, 2007: 10). But while the costs of spending on these activities are clear, profit realised from each activity is known to be somewhat unclear. Thus, marketers are continuously being pressurised to “show a return” from their marketing investments (Seggie et al., 2007: 834).

Marketers however believe that marketing activities are a necessary expense since they create a prolonged effect in the future and thus argue that they should be regarded as an investment. They believe that many of their marketing activities should be considered as investments, thus contributing significantly to company profits or revenues (Ryals et al., 2007: 991).

NMG Consulting pointed out that the life insurance industry is known to be a highly competitive environment (NMG Consulting, 2012), where many companies are striving to gain bigger market share by enticing customers via various marketing activities which are known to be highly expensive exercises. The challenge is in providing quantifiable evidence of financial return from these marketing efforts.

The problem statement therefore is that if ROMI is not measured, it will be difficult to ascertain whether spending on marketing activities is an important contributor to financial wealth.

1.4. BRIEF DISCUSSION OF THE INSURANCE INDUSTRY

People take out life insurance as a means to protect their family members financially during death, illness and/ or disability, which can be regarded as an investment. The
onus is on the insurance companies to make it a pleasant experience for consumers, to educate them, and to tailor make products according to individual needs and affordability (Melnyk, 2011: 47).

The life insurance industry is known to be very competitive, with similar product offerings amongst the competing companies. It is known as long term insurance. In South Africa there are many companies offering life insurance products, which includes retail companies. This is mainly attributable to the low barriers to entry in the South African market, thus increasing competition in the market (NMG Consulting, 2012).

NMG Consulting also explained that since the life insurance companies offer similar products, they rely on their differentiating strengths when competing to attain a larger market share. These differentiating features or strengths are product innovation, product pricing, product differentiation and operational efficiency (NMG Consulting, 2012). Munro and Snyman (2005: 127) gave examples of life insurance products, which include the following:

- Retirement
- Health and disability
- Life cover
- Annuities
- Estate planning

For the purpose of the study, only companies with the core business being life insurance were considered, and thus 16 recognised and reputable life insurance companies were identified as the study population, from which the sample was drawn.

1.5. PURPOSE OF THE STUDY

The purpose of the study is not in the calculation of ROMI, but to understand the concept and its value-add, perceptions on how it is viewed, and benefits retrieved by the life insurance companies when measuring it. The reasons for undertaking this particular study were to determine the extent that spending on marketing activities contribute to profit margins or whether they are just seen as expenses, thus
determining the importance of measuring the return on marketing in the life insurance industry.

1.6. RESEARCH QUESTION

To what extent do the life insurance companies measure ROMI in order to determine whether spending on their marketing activities is viewed an important contributor to company profits?

1.7. RESEARCH OBJECTIVES

The research objective was explained by Zikmund (2005: 45) as what the research study aims to accomplish; the purpose of the research expressed in measurable terms. This research study has three main objectives, namely:

1.7.1. Primary objective:

   - To investigate whether marketers in the life insurance industry view the return on marketing investment as important to measure.

1.7.2. Secondary objectives:

   - To determine whether spending on marketing activities is viewed by the life insurance companies as contributing to incremental sales and profit margins.
   - To determine the extent to which the life insurance companies measure the return on marketing investment.

1.8. HYPOTHESIS

Leedy and Ormrod (2010: 56) defined ‘hypothesis’ as a formal declaration of association between two or more variables. It is suggested to be an understanding that has not been proved true or not true. It should include the following characteristics:
• a **prediction** of anticipated results
• a proposed **answer** to the research question
• it can be **tested** for the truth or the contrary

**There are two types of hypothesis that the study can follow:**

1) A null hypothesis - represented as H0 - is explained as an assumption that has not been proved, but has been presented with the belief to be either truthful or used as a foundation of an argument (Diamantopoulos and Schlegelmilch, 2000: 132).

2) An alternative hypothesis – represented by H1 - is explained as being the reverse or complement of null hypothesis, as it is only established when the null hypothesis is discarded (Diamantopoulos and Schlegelmilch, 2000: 132).

**1.8.1. The hypothesis for the study is:**

• Marketers in the life insurance industry who place significant effort in measuring spending on marketing activities view it as an important contributor to company profits.

• Marketers in the life insurance industry who do not measure spending on marketing activities do not consider it as contributing to company profits.

Therefore a null hypothesis has been used in the study, as the assumption is made and truthfulness still needs to be proved.

**1.8.2. Proposition**

A research proposition is known to be the foundation of the research study as it declares the basis of the study. The study thus proposes that since marketers in the life insurance industry place significant effort in measuring spending on their marketing activities, it should therefore be regarded as an investment. These marketers need to be accountable for the return on these investments, and determine whether they contribute to company profits, incremental sales and revenue.
The study also proposes that in order to measure ROMI, marketers must then be accountable for their spending as there is no measurement without accountability. Therefore if there no accountability on spending, a return on investments (ROMI) is not being measured or measured correctly.

1.9. RESEARCH METHODOLOGY

The approach to addressing the research problem was the qualitative method of study. A qualitative method was selected as being suitable because not only will the research add to an already existing conversation on return on marketing investment, but it will also add value to the life insurance industry by highlighting benefits for taking ROMI seriously. Feedback from the study is provided in a question-by-question analysis in order to capture the overall view on each question, thereafter results are analysed and a deduction is made. However, these questions are grouped according to themes that eventually meet the research objectives and to finally answer the research question, discussed in the final chapter.

Face-to-face interviews with key individuals (marketing managers) in the life insurance industry were conducted. The participants received structured questions prior to the interview in order to familiarise themselves and prepare for the interview. The interviews were recorded and transcribed for analysis.

1.9.1. Research approach

Structured personal interviews with participants were conducted. The questionnaires were sent to the participants prior to the interviews for the participants to be familiar with the interview content and to prepare. The interviews were recorded and transcribed, then analysed. The analysis of the data was done by grouping similar questions into themes and analysing the data. Recommendations are then made based on the findings.
1.9.2. Methodology of data gathering

The method used for collecting information was through primary and secondary data collection. Primary data was collected through conducting personal interviews with the participants, and secondary data through literature review research.

1.9.3. Sampling procedure and sample size

A non-probability sampling procedure was used in the study since the actual sample was selected according to ease of accessibility and convenience. A study population of 16 was identified and a sample of seven was selected from the population.

1.9.4. Data collection

Data was collected through conducting structured interviews with participants and through a literature review. Structured personal interviews were conducted and involved recording the interviews for transcription and analysis. A literature review was done by searching through books, journals and internet websites.

1.9.5. Data analysis

After transcribing the interview data (Appendix B), the information was then summarised for easy referencing (Appendix C). The questions were then grouped according to similarities and themes identified through grouping the questions. The feedback per question was then analysed, then the overall analyses provided for each theme. The themes were developed in line to the research objectives. A discussion of findings is provided by comparing the findings to the research objectives and literature review, and recommendations given.

1.9.6. Measuring instruments

Babbie and Mouton (2009: 123), Golafshani (2003: 601) and and Graneheim and Lundman (2004: 110) explained that the truthfulness of the data collected and the entire research is determined through measuring dependent variables namely:
- Reliability – measures consistency.
- Validity – measures what the study sets out to measure.
- Sensitivity – measures variability.
- Credibility – measures confidence.
- Transferability – measures the ease of reassigning information.
- Dependability – measures provision to replicate.
- Confirmability – measures the ability to track the source of data.

1.10. ETHICAL CONSIDERATIONS IN THE RESEARCH

The actual names of the participants and their respective companies are not mentioned in the research, as participants were assured of the confidentiality of their identities. The participants were also given an option to withdraw should they have become uncomfortable with the entire interview process.

1.10.1. Limitations of the study

The study is limited only to companies in the life insurance industry in the Gauteng province, and the companies had been operating for more than five years at the time the study was conducted. Another limitation is that only marketing managers were interviewed to obtain their expert opinions and feedback on their marketing practices regarding ROMI.

1.10.2. Project budget and schedule

A minimal budget of R500 was allocated to the research as the research interviews were based in the Gauteng province. To keep costs down, initial contact was done through email and interviews were also confirmed via email. Only participants who did not respond to the initial email were contacted via telephone to follow up on their availability. The budget was spent according to the following schedule:
Table 1.1: Project Budget and Schedule

<table>
<thead>
<tr>
<th>Date (Participant)</th>
<th>Date</th>
<th>Destination</th>
<th>KM (est.)</th>
<th>Transport cost (est.)</th>
<th>Telephone costs (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First interview</td>
<td>16.11.2012</td>
<td>Parktown - Sandton</td>
<td>28.40 km</td>
<td>R25.52</td>
<td>R0</td>
</tr>
<tr>
<td>Second interview</td>
<td>29.11.2012</td>
<td>Parktown - Braamfontein</td>
<td>2.2 km</td>
<td>R1.89</td>
<td>R0</td>
</tr>
<tr>
<td>Third interview</td>
<td>06.12.2012</td>
<td>South of Centurion - Centurion Central</td>
<td>20.60</td>
<td>R18.37</td>
<td>R0</td>
</tr>
<tr>
<td>Fourth interview</td>
<td>23.04.2013</td>
<td>Parktown - Houghton</td>
<td>8.6 km</td>
<td>R8.43</td>
<td>R7.00</td>
</tr>
<tr>
<td>Fifth interview</td>
<td>26.04.2013</td>
<td>South of Centurion - Menlo Park</td>
<td>55.40</td>
<td>R54.47</td>
<td>R0</td>
</tr>
<tr>
<td>Sixth interview</td>
<td>05.05.2013</td>
<td>Parktown - Parktown</td>
<td>6.0 km</td>
<td>R5.50</td>
<td>R5.00</td>
</tr>
<tr>
<td>Seventh interview</td>
<td>09.05.2013</td>
<td>Parktown - Sandton</td>
<td>25.40</td>
<td>R23.50</td>
<td>R5.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>Gauteng Province</td>
<td></td>
<td>R146.60</td>
<td>R137.68</td>
</tr>
</tbody>
</table>

The total transport expenditure of conducting the research was R137.68.
The total telephone costs of conducting the research was R17.00.

**The total costs of conducting the research was thus R154.68**

1.11. BENEFITS OF THE STUDY

Many companies in the insurance industry set aside big budgets and spend a great deal in engaging stakeholders through various marketing efforts, thus measuring ROMI can be viewed as important in this regard.

Marketers are under continuous pressure to show some measurable outcome of their marketing efforts (Seggie et al., 2007: 834). Answering the research question will inform companies' Chief Executive Officers, Chief Financial Officers, Brand Managers, and other marketers on the value add of marketing activities or lack thereof. Duboff (2007: 33) pointed out that it is important for marketers to have buy-in
from CEOs and CFOs to believe that spending on marketing activities results in financial benefits.

It has been experienced that when facing financial difficulties or experiencing economic downturns, the marketing budget is amongst those that are cut or reduced in order to save and reduce costs (www.infonow.com). Thus, answering the research question will also either prove to CEOs and CFOs that spending on marketing activities is just an expense, or it will educate and reconfirm the financial value add that it brings to the company.

The latter will afford marketers an additional benefit to account for their marketing spend; to justify and negotiate their marketing budgets by providing evidence (measuring ROMI) that marketing activities contribute significantly to incremental revenues and increased profit margins.

A practical contribution to the study will be the findings related specifically to the life insurance industry, and results will be made available and distributed to the companies in the industry whenever requested.

The academic contribution to the study is that ROMI is still a challenging concept and still being adopted by companies. Therefore this study will serve as a platform for similar or continual research in the financial services industry for measuring the return on their intangible assets.

1.12. DEMARCATION AND SCOPE OF THE STUDY

The study covers the literature on return on marketing investment, perceptions around it from marketers themselves, and views of others in different disciplines. It focuses on whether spending on marketing activities is regarded as an investment or simply as an expense (Ryals et al., 2007: 991). The research was conducted through interviewing marketing managers in the life insurance industry as they are in charge of the entire marketing portfolio and budget, thus would defend their marketing budgets when faced with budget cuts. The outline of the study is as follows:
Chapter 2: Overview of ROMI and the Life Insurance Industry

This chapter focuses on the literature and provides a wider view on ROMI covered by subject matter experts and researchers that have investigated this concept. The emphasis is on whether spending on marketing activities can be viewed as an investment, and whether these marketing activities are seen as contributing to financial outcomes. An overview of the life insurance market is also discussed in providing background on what the life insurance industry is about.

Chapter 3: Research design and methodology

Research design and methodology in this chapter is discussed in detail and covers areas such as sampling, data collection, population, and data analysis procedure. It outlines the methods used in conducting the research in an effort to meet the research objectives, in order to answer the research question.

Chapter 4: Research Findings and Interpretation

In this chapter, question-by-question feedback from the interviews is analysed and interpreted, and a summary of findings or results is drawn. The structure in which the results are laid-out is in line with meeting the research objectives in order to answer the research question.

Chapter 5: Discussion, Conclusion and Recommendation

The final chapter provides an overall summary of all chapters and outlines the major findings and limitations of the study. The discussion of the findings is aligned to the literature review as well as the research objectives. It is important in this chapter that an indication is provided as to whether the research objectives have been met and to ultimately answer the research question. Recommendations for future studies and action plans that can be taken by the life insurance industry are then drawn.

1.13. CONCLUSION

The aim of this chapter is to provide a clear explanation of why this particular study was selected, the objectives it aims to achieve and how the research was conducted.
It is important that an understanding of the term ROMI is established with this chapter as it sets the tone for the entire research document.

ROMI is explained to be derived from the financial term ROI, and therefore aims to account for a return that spending on marketing activities bring in the business. This calls for marketers to be accountable for their expenditure and determine the activities that are worthwhile and those that are not. However since marketing is a broad concept, with activities aimed at driving sales and activities to drive awareness and build reputation, it becomes challenging for marketers to measure a return on all aspects of marketing.

The research study aims to meet the research objectives and ultimately answer the research question. Therefore a brief description on how this will be achieved is provided by the demarcation of the study laid-out, showing the structure of the entire research study and what each chapter covers.

The next chapter covers the literature review, which aims for an in-depth understanding and views on the subject ROMI. A detailed description and background of the life insurance industry is also provided in the next chapter.
2.1. INTRODUCTION

The purpose of this chapter is to introduce the concept of ROMI for intangible assets and to understand the importance of assessing marketing productivity. As explained in chapter one, the return on marketing investment (ROMI) was derived from the notion of return on investment (ROI). It relays that tangible and intangible assets contribute to significant and sustainable competitive advantage. In determining ROMI, an understanding of concepts of marketing and ROI concepts is necessary.

The marketing concept can be understood as a function that encompasses the process of developing a product through a chain of series until successfully bringing the final product into the market with the aim of sell products or services and increasing company profits (Powell, 2002: 2). On the other hand, the ROI concept entails determining the margin of profit made as compared to the investment made. Thus, measuring ROMI is to determine the margin of profit made as compared to the marketing investments made by the company on its products and services. Marketing investment encompasses all the marketing activities that the marketing budget is spent on (Economy watch, 2010).

ROMI can be defined as a method used by marketers to determine the success of their marketing activities, allowing them to make better marketing investment decisions for the future (Powell, 2002: 3).

For the purpose of this study marketing activities refer to intangible assets, that is marketing in the life insurance industry which takes the form of print and online advertising, public relations, television promotions, radio promotions and billboards, events and cinema, amongst others (InsureMe, 2013).
2.2. FUNDAMENTAL CONCEPT OF ROMI

In recent years there has been increasing demand to provide quantifiable measures to evaluate the ‘value add’ that some functional areas within companies bring. Marketing was identified as one of the areas where measurement of its value add has proven to be difficult, leading to senior management to increasingly demand that the return on marketing investment be determined and measured (Seggie et al., 2007: 833).

Powell (2009) pointed out that marketers use different tools that should be taken into consideration when measuring ROMI, namely:

- Marketing to direct consumers:
  - Marketing mix
  - Mass media
  - Social marketing

Business to Business marketing
  - Sales and marketing
  - Generating leads
  - Direct responses

2.2.1. Accountability for marketing expenditure

Does accountability for marketing expenditure equal investment? Focusing on return on marketing investment allows marketers to measure the effectiveness of spending on their marketing activities (Cook and Talluri, 2004: 25). This was also supported by Ryals et al. (2007: 991), who claimed that spending on marketing activities results in financial benefits, which supports and enhances shareholder wealth and companies’ long-term growth, and thus can be regarded as an investment.

In addition to the above view, Seggie et al. (2007: 835) added that it is vital that companies treat marketing expenditure as an investment so that they are encouraged to measure the return on marketing. They further pointed out that marketers are under continuous pressure to be accountable by showing a return on their marketing activities, and that accountability for marketing efforts depends on measurement.

This will result in marketing managers not being accountable if they are unable to measure. Therefore, for companies to show accountability, they need to able to measure the return on marketing activities, thus it is essential for them to treat
spending on marketing activities as an investment and not as an expense (Duboff, 2007: 31).

One of the reasons why marketing has at times been excluded or has had minimal input in strategy development, is its inability to account for the value that marketers add in companies. It has been pointed out that some marketers themselves have previously lacked the knowledge to connect marketing to financial outcomes (Seggie et al., 2007: 833).

In order to determine whether marketing activities add to the financial wealth of a company, it is important that in measuring return on marketing investment a connecting link should be identified between investing in marketing activities and financial outcomes. This would be to ascertain that spending on marketing activities leads to incremental sales and revenue, as establishing this link would equal accountability (Duboff, 2007: 61).

However, McDonald (2005: 256) pointed out that there are other marketing elements that contribute to incremental sales and revenue such as price, product packaging, benefits of the product, effectiveness of sales staff and customer loyalty, which should be acknowledged as they also have an impact on increased sales and revenue. He further explained that the problem with being accountable for marketing efforts is that marketing is not only a promotional activity but also involves other marketing value propositions, thus making accountability a challenge.

In addition to the view above, Marshall (2007: 47) explained that Ed See, the Chief Operating Officer of Marketing Management Analytics, pointed out that smaller companies are doing better when it comes to accountability of spending as they are more knowledgeable on how to get the most out every cent they spend. He believed that accountability of spending on marketing activities is improving since more of the marketing communities respond to demand for accountability.

2.2.2. Views by other managers

In order to prove to senior management and other functional areas that spending on marketing activities is an investment, marketers have to show that there is a link between marketing activities and financial outcomes. This is because managers of
different disciplines have different views when it comes to return on marketing investment. Figure 1 shows some of the results from a study conducted by Marketing Management Analytics; it points out the difference of how Finance and Marketing view return on marketing investment (Marshall, 2007: 47). The summary of the results are highlighted as follows:

Table 2.1: Views of Finance and Marketing

<table>
<thead>
<tr>
<th>How Finance and Marketing View Return on Investment Differently</th>
<th>Finance</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have full cooperation and open dialogue on metrics and methodologies</td>
<td>20%</td>
<td>28.4%</td>
</tr>
<tr>
<td>Could forecast impact of 10% marketing budget cut</td>
<td>16%</td>
<td>33%</td>
</tr>
<tr>
<td>Confident in forecast of marketing impact of sales</td>
<td>10%</td>
<td>25%</td>
</tr>
<tr>
<td>Satisfied with company’s ability to measure marketing return on investment</td>
<td>7%</td>
<td>23%</td>
</tr>
<tr>
<td>Dissatisfied with the ability to understand sales impact of each marketing campaign</td>
<td>45%</td>
<td>23%</td>
</tr>
</tbody>
</table>


The above table indicates that Finance and Marketing have different views on return on marketing investment. Finance does not believe that marketing activities add to the financial wealth of a company, while marketers hold a positive view that marketing activities do contribute to a company’s incremental sales and revenues (Marshall, 2007: 48).

In most cases, Chief Executive Officers and Chief Financial Officers are skeptical about the value that marketing activities add, due to a lack of quantifiable measures of success. This is one of the reasons many companies find it easy to cut their marketing budget when faced with the need for cost cutting. Therefore, by measuring the return on marketing investment and providing quantifiable results, marketers can make investments more coherently and negotiate rationally on cost cutting activities (InfoNow, 2008).
Similarly, Marshall (2007: 46) also believed that most financial executives are still uncertain about the return that marketing activities contribute to the financial wealth of a company. He stated that results from a survey conducted to assess corporate attitudes toward marketing return on investment (Figure 1) yielded findings that showed that financial executives have strong uncertainties about marketing return on investments. The survey also indicated that these financial executives viewed marketing as an expense and not an investment.

To overcome such views, Duboff (2007: 49) stated that marketers must be forward thinking when investing in marketing activities, in a way that will resonate well with company executives. He explained that marketers must learn to speak the same language as these financial executives (CFOs) and chief executive officers (CEOs) to clearly articulate and justify their marketing activities and to communicate results in financial terms.

This means that when marketers speak the same language as the executives, it indicates that they are being accountable for their marketing expenditures and are able to provide feedback in financial terms (measuring ROMI). This will enable marketers to shift the views of these CEOs and CFOs (Band, 2003: 18). He further suggested that marketers must also shift their views to focus on customers by:

- Understanding the value that customers bring as the return on marketing. The type of investment should be evaluated against the estimated change of the value the customer brings in a lifetime.
- View and treat customers as long term assets and to evaluate them as such.
- Not to work in silos but to involve other functional departments in the company, for example, involving call centres and establishing if a specific marketing activity caused an unusual increase in calls.
- Uncover other values that customers may bring to the company such as encouraging other customers to buy the company’s products.
- Guard against customer turnover as this has the biggest impact on company profit generation.

(Band, 2003:18)
Many companies focus their marketing efforts on current and potential customers with the aim of gaining brand awareness and recognition, market share, competitive advantage, and increased sales, and this is the feedback or results that is provided to CEOs and CFOs on marketing performance. However, marketers have since learned to speak the same languages as these executives, such as shareholder value, financial performance, and return on investment, which in a way forces them to be accountable for the expenditure on their marketing activities (Romero, 2011: 148).

The diagram in Figure 2.1 indicates that marketing is perceived as an investment that results in the enhancement in drivers of customer equity, which leads to customer perceptions being enhanced, leading to customer attraction and customer loyalty improving. This in turn results in customer lifetime value increasing along with customer equity. When considering customer equity in view with the expenditure on marketing activities, the resulting effect is a return on marketing investment (Rust, Lemon and Zeithaml, 2004: 109).

![Diagram of Customer Equity](source)

**Figure 2.1: Customer Equity**

Source: Rust, Lemon and Zeithaml (2004: 109)
Powell (2002: 2) stated that companies that have adopted a ROMI culture tend to focus on nurturing and growing their brands, as well as building and maintaining relationships with their customers, while being effective still remains a priority. Powell identified five steps in improving ROMI measurements:

**Step 1: Accountability of marketing costs**
- Determine costs of each marketing activity and every contact with consumers.
- Track all expenditures and establish direct and indirect spending for each marketing activity.
- Compare actual spending to set budget.

**Step 2: Customer equity**
- Understanding customer needs.
- Channel communication to the right customers for brand awareness.
- Consider customer purchase cycles in addition to sales cycles.

**Step 3: Track results**
- Different levels of marketing results can be in the form of sales levels, revenue levels, number of website visits, brand awareness and generated leads.
- Utilising research agencies to track data. Data can be used to track changes and also for forecasting future results.
- Track major competitors with regard to product, price, promotion, place.

**Step 4: Act on results**
- Analyse results, determine trends, assess competitive advantages in order to make better decisions in the future.

**Step 5: Determine areas of improvement**
- Making better decisions means unprofitable activities have to be removed and activities that need improvement must be highlighted.
- With continuous improvement in decision making, marketing investment forecasts are likely to become more accurate.
The five steps indicate how marketers can be effective in measuring ROMI. Therefore, feedback provided by the participants from the interviews will indicate whether these steps are followed, or if any other steps are being followed. This will be an indication of the extent to which marketers in the insurance industry measure ROMI.

2.3. ASSESSMENT OF ROMI

A study that was conducted in 2009 by a global independent research company, ‘The Conference Board’, to provide an assessment of the state of return on marketing investment measurement in firms, indicated that this business practice was still in its early stage of development (Crosby, 2009: 10).

The study revealed that although there are increasing expectations for marketing to deliver measurable, quantifiable results and to demonstrate satisfactory return on investments, that approximately one-third of the surveyed firms made no effort to measure return on marketing investment and one-third had been working on it for less than two years. It also showed that only 22% of those that had made an effort reported good progress (Crosby, 2009: 10).

Crosby (2009: 11) further pointed out that it is unclear from the study whether companies actually calculate the return on marketing investment, or are simply looking for some key indicators like customer loyalty, retention, share, volume or margin. It is also unclear whether they are taking into account a single-period return or an average return on multiple periods when measuring return on marketing investment. He believed that measuring return on marketing investment can be complex and challenging, but can be overcome by proper attention and patience.

With that, Powell (2009) explained that ROMI should be adopted by companies as one of their top strategies. Results from the study previously conducted showed that the four strategies, increased by 8% each in a period of one year.

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1 The Conference Board is a research consulting company that through research provides knowledge to companies that aim to enhance performance.
Powell (2009) indicated that marketers who put more resources into measuring ROMI make improved decisions in marketing investments. Other studies also confirmed that marketers can make better and more accurate decisions by focusing their marketing efforts on customers that bring revenue back into the company. Since some marketers have recently learnt to integrate their marketing activities into a business model, they can now quantify the return on marketing investment. This is the reason why today one can see business strategists running the marketing function and turning it into more of a revenue driver (Cymbic, 2001).

2.4. BENEFITS OF MEASURING ROMI

2.4.1. Donath (2005: 5) found that once marketers have established the metrics of measuring ROMI in place, their suppliers such as advertising and public relations agencies buy into them greatly, and assist in pointing out areas of improvement.

2.4.2. Powell (2002: 2) made a personal assumption that marketers who take measuring ROMI seriously could earn up to 20% more than those who do not. He also made qualitative guesses about the value of measuring ROMI, i.e. that it:
• reduces waste on marketing expenditure by 10-15%.
• improves response rates from advertising by 125%.
• increases revenue by 10-20%.
• grow profit margins by 5-10%.

2.4.3. Cook and Talluri (2004: 253) added that in addition to control on spending and incremental revenue, measuring ROMI:

• heightens the focus on achieving business goals.
• Makes business processes more efficient.
• heightens transparency.
• allows marketers to forecast possible outcomes.
• increases marketers’ efficiency and response rates in providing alternatives solutions.

2.5. REASONS FOR NOT MEASURING ROMI

2.5.1. Contrary to 2.4.1. above, Donath (2005: 5) found that most of the marketers’ suppliers are reluctant to be measured in determining ROMI as they do not want to know how badly they might be doing.

2.5.2. Cook and Talluri (2004: 251) pointed out that some managers even fear that measuring marketing performance can threaten their job security and salaries.

2.5.3. Marketers who do not set comprehensive goals at the beginning often fail at measuring ROMI, because it would mean that marketers spend on marketing activities without a clear definition of being able to measure whether they have achieved their goals (Powell, 2002: 3).

2.5.4. Donath (2005: 1) stated that there are still marketers who believe that measuring marketing activities cannot be quantified, which explains why they feel threatened and frightened by the concept of ROMI and believe that it is being forced on them by CEOs and CFOs demanding accountability for marketing expenditure.

2.5.5. Marketers who do not measure ROMI are unable to link investments in marketing activities to possible incremental revenue or profit. They are therefore
unable to defend their budgets, which possibly encourages other executives to continue to view marketing activities as an expense and not as an investment (Powell, 2002: 4).

2.6. BARRIERS TO IMPLEMENTING ROMI

With the positive outlook that return on marketing brings, Cook and Talluri (2004: 251) stated that there are, however, barriers to implementing return on marketing investment successfully, especially when being introduced for the first time. They stated that the barriers are as follows:

- Resistance to change within the company.
- Some companies are unable to define profit or returns.
- Some managers believe that results from marketing activities are not measurable.
- Some managers do not trust measures of return on marketing investment, as they are fearful that such objective measures of performance could threaten their compensation and even their jobs.
- Some managers lack financial acumen and generally mistrust ROMI and its benefits.
- Some managers are convinced that marketing returns cannot be measured.
- Marketing working in silos from other departments.
- Some companies have departments that continually compete for resources and lack of cooperation amongst these departments is the downfall of a successful implementation of ROMI.

2.7. SOLUTIONS TO THE PROBLEMS

Problems faced by marketers regarding the value that ROMI brings to the companies can be easily overcome. McDonald (2005: 260) believed that marketing needs buy-in from other business functions in order to achieve successful implementation of ROMI, while Cook and Talluri (2004: 251) believed that successful implementation of ROMI is when it has become part of the marketing culture. They further added that marketers who have successfully implemented ROMI have worked closely with their
finance and operations departments to establish a fit between their processes. Therefore it is important for companies to integrate ROMI with other functional departments and with operational systems (such as Information Technology) which facilitates the ease of adoption in the company.

In summary, below are three possible outcome scenarios that have been identified to illustrate the power and importance of measuring ROMI (Marketing Mo, 2013).

**Table 2.2: ROMI Outcome Scenarios**

<table>
<thead>
<tr>
<th>Case</th>
<th>Best Case</th>
<th>Neutral Case</th>
<th>Worst Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>When marketers track and measure the return on investment of all its marketing activities.</td>
<td>When marketers track and measure return on some investments and not all the time, because it can get complex.</td>
<td>When the marketers do not measure and track how any of their investments are performing.</td>
<td></td>
</tr>
</tbody>
</table>

| Results | When the organisation and its senior executives understand and have buy-in on the decisions made by the marketer because they can quantify the performance of their investments with solid data. | When marketers get an idea of how their investments are performing relative to each other, but cannot ascertain the exact return they are generating. | Marketing is seen as an expense and not an investment. |

| Outcome | In tough times, the marketing budget is cut. | The company does not understand what works and what does not, and it becomes difficult to meet company goals. |

Source: Marketing Mo (2013)

In order to be accountable and foster a culture of ROMI, companies should turn to training as a starting point. Once marketers learn and understand how to measure
marketing results, their fear and doubts disappear. In addition, their confidence will grow and they can defend their marketing budgets with comprehensive answers when faced with budget cuts and other adversity (Powell, 2002: 5).

2.8. BACKGROUND OF THE LIFE INSURANCE INDUSTRY

2.8.1. Introduction

A study by Munro and Snyman (2005:127) pointed out that South Africa has the most developed life insurance industry, which is highly sophisticated with its assets corresponding to over 80% of GDP. International consultancy and advisory company, NMG Consulting, which services multi-national insurance companies, also supports the view that the life insurance industry in South Africa is the most dynamic, fragmented and innovative in the world, focusing extensively on quality and competitive business models (NMG Consulting, 2012).

Moreover, South Africa is said to have the highest life insurance premiums in the world in relation to GDP, with an impressive record of innovation. Its success is also attributable to the achievements over long periods of high rates of return (Munro and Snyman, 2005: 127).

2.8.2. Structure of the life insurance industry

The industry is dominated by a few major players which include: Old Mutual, Sanlam, Liberty, Discovery and Momentum, just to name a few, while there are other smaller players that have proven to be successful. In this industry customers have a genuine choice and benefit structures, therefore distributors and insurers generate enough returns to defend investing back in the business (NMG Consulting, 2012). Munro and Snyman (2005: 127) explained that the life insurance companies in South Africa are said to have invented the universal life and annuity policies, and also policies associated with dread diseases. They further highlighted products in the life insurance industry, which include:

- Life insurance policy – life cover in the case of death.
- Retirement fund policy – which include pension and provident funds.
• Health insurance – medical aid schemes, exempt and benefit schemes.

Life insurance has been divided into two major categories - individual life business and group life business. Individual life businesses are policies sold to individuals by intermediaries such as brokers and other office agents on behalf of several companies. Group life business is life insurance that covers a company’s employees as part of that company’s employee benefit scheme, and the company usually contributes a portion of the premium which does not include cash build-up (Munro and Snyman, 2005: 136).

The South African market has been described by NMG Consulting (NMG Consulting, 2012) as being:

• An insurance friendly market created by high risk awareness and a safety net that is limited.
• ‘One size fits all’ models are avoided by the fragmented client demographics and distribution.
• New companies that enter the market keep it from a state of oligopoly.
• There are various approaches to risk management that are driven by different demands and high target returns.
• High risk complexities are created by pricing power obscuring future cost challenges.

The NMG Group explained that it is possible for a life insurer in South Africa to be a major player and demand premiums based on risk differentiation and its product offering. This is supported by certain factors, that when combined bring about highly demanded insurance as well as clients willing to pay premiums for the value offering. The company explains that the demand dynamics in South Africa increase life insurance product sales and drives revenues (NMG Consulting, 2012).

There is high market penetration into wealthy client segments, which supports the current South African market but which also potentially lessens future market growth. There is limited market growth attributable to acquiring new customers through the use of brokers. Thus for insurers that depend on brokers to bring in business, the
focus should be on increasing market share and keeping pace with the increasingly growing demographic segments (NMG Consulting, 2012).

The South African market has low barriers to entry, resulting in the high market penetration of insurance companies. These new entrants to the insurance industry are known to be successful in establishing their presence (Munro and Snyman, 2005: 129). An overview provided by the NMG Group of retail life insurance penetration (per head) in South Africa as compared to other countries is as follows:

Life insurance in South Africa is characterised by the different strategies and distinct risk constraints when it comes to pricing, product and underwriting. Some insurers lead in high product differentiation (such as Momentum), while others lead in high innovation (like Discovery Insure), and some lead on operational efficiency when it comes to pricing (such as Old Mutual), making our insurance market as a whole unique (NMG Consulting, 2012).
2.9. **CONCLUSION**

This chapter is a collection of secondary data provided by a summary of literature and also the background on the life insurance industry. The summary and assumption from the literature review on ROMI includes:

- Defining the term ROMI as a concept to explain that it stems from the financial term ROI, i.e. its aim is to quantify the results of spending on marketing activities.
- Emphasises the accountability required for marketing managers to show the value add that marketing activities bring, in order to be included in important strategy decisions.
- Views spending on marketing activities as an investment since it contributes to financial benefits.
- The need to acknowledge various and different marketing elements that contribute to increased sales, revenue and profit margins, which some have short term and some long term financial impact.
- That marketers should learn to articulate marketing results in financial terms for ROMI to resonate well with company CFOs and CEOs as a step to win their buy-in.
- Outlines steps to improve and motivate the measurement of ROMI, as well as the benefits of measuring ROMI.
- Outlines the actual barriers to implementing ROMI effectively and the reasons why ROMI is not measured by some marketers.
- A culture of ROMI, training on ROMI, and understanding ROMI as a concept and what it intends to achieve, needs to be enforced in order to get rid of fear and doubts, and to improve confidence in marketers when it comes to ROMI measurement.

The background summary provided by the literature on the life insurance industry is that:
• It is a highly innovative and competitive industry in South Africa.

• The major companies that dominate the industry include Old Mutual, Sanlam, Liberty, Discovery, and Momentum.

• Revenue streams come from selling major policies such as life, retirement and health products to companies and individuals.

• The life insurance market is saturated due to low barriers to entry, resulting in limited market growth.

• The life insurance market is unique as the companies compete for a higher market share based on their different strengths, which ranges from product differentiation to innovation, to pricing, etc.

The next chapter covers the methodology used in conducting the research study. It outlines in detail how the data was collected, the procedure followed in collecting the data, and how information collected is analysed. It also outlines the research limitations and ethical considerations important for the study.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1. INTRODUCTION

The previous chapter provided a literature review on the subject of ROMI and a brief background to the life insurance industry. This chapter will focus on the research design and methodology used in the study. Maxwell (2005: 6) stated that a good research design is one with elements that work together satisfactorily and create a platform for the entire research process, with the purpose of:

- answering the research question(s),
- controlling irrelevant or unrelated factors, and
- making valid the degree that generalisation can be made.

The content of this chapter details the research paradigm and strategy, and describes the research design and approach. It also describes the methodology used in the research for data collection by outlining the sampling strategy, data collection and analysis procedures. Babbie and Mutton (2009: 123), Golafshani (2003: 601) and Graneheim and Lundman (2004: 110) indicated that the trustworthiness of the research information is indicated by describing the:

- reliability of data provided,
- validity of information,
- sensitivity of data,
- credibility of data,
- transferability of information,
- dependability of information, and
- confirmability of the data.
3.2. RESEARCH PARADIGM AND STRATEGY

The paradigms that are relevant in the study are constructivism, interpretivism, positivism and critical theory. Although positivism is used in quantitative research, there are some elements shown in the thematic analysis in chapter 4 that quantifies a portion of the results (keeping in mind that these results are based on subjective information provided). The paradigms are explained as follows:

3.2.1. Constructivism paradigm

One of the paradigms used in this study is that of constructivism. It is an approach based on understanding how knowledge is constructed, and is about making knowledge and not discovering it. It states that knowledge is socially constructed and may change according to circumstances. This means that the study requires the researcher to gain a deeper understanding through actively interacting with the participants (Golafshani, 2003: 604).

It also states that since people have different experiences and different points of view, they therefore experience different realities, which indicates multiple realities (Krauss, 2005: 760). Golafshani (2003: 604) also explains that the value of constructivism is based on the multiple realities that exist in people’s minds. He explained that to achieve a valid, reliable and a variety of construction of realities, several techniques can be used – and are used in this study – such as observation, interviews and recordings, in an effort to gain quality data that has a balanced representation of the participants’ views. Thus the approach is supportive of the qualitative method of data collection.

3.2.2. Positivism paradigm

The positivist paradigm originates from the phenomenon known as logical positivism, suggesting that there is only one reality that is objective and is based on a firm set of laws of truth, logic, prediction and measurement (Kaboub, 2008: 343).

The positivist view is that similar research processes can be used universally by different researchers to produce similar results, thus generalisation of results can be made across different scenarios, thus the paradigm known to be naïve (Wahyuni,
Krauss (2005: 760) added that the positivist view is that knowledge beyond what can be seen and measured is impossible, and that the positivists detach themselves from the world.

Krauss (2005: 760) further explained that the positivists’ views are based on science, and that theories can be controlled and tested in order to predict reality. Babbie and Mouton (2009: 22) also added to Kaboub’s view that positivism is based on empirical evidence which must comply with scientific explanation as follows:

- The general law is that the phenomenon must be universally valid.
- The phenomenon should be objective.
- The phenomenon should hold true.
- The explanation of the phenomenon must flow logically from the truth.

The above holds that scientific explanations must be verifiable and must have variables that can be measured, otherwise they cannot be accepted (Babbie and Mouton, 2009: 27), therefore a researcher maintains objectivity as the data is seen as independent, thus the approach is supportive of the quantitative method of data collection (Wahyuni, 2012: 70).

3.2.3. Interpretive paradigm

The interpretivist view follows the constructivism approach that reality is attributable to social factors and how it is perceived. Wahyuni (2012: 71) further stated that people contribute to the construction of reality based on the context of their social interaction, and is attributable to their different backgrounds and the experiences they bring. Babbie and Mutton (2009: 30) explained the concept as the way in which human beings make sense of their circumstances and surroundings and how they maintain order in interacting with others.

Therefore, social science research should take into account that human beings are constantly constructing and interpreting realities differently every day to make sense of the world (Babbie and Mouton, 2009: 28). Thus, social reality is subject to change as people’s backgrounds and experiences are subjective and thus multiple perspectives can arise (Wahyuni, 2012: 71).
Since the interpretivism approach deals with individuals’ own interpretations of the world, as well as perceptions of reality and understanding social practices that individuals conform to, Babbie and Mutton (2009: 33) stated that social science research could appear to be entirely theoretical. Thus interpretivist researchers prefer a qualitative data research method as it allows for interaction with research participants, offers vast descriptions of social constructs, and describes in detail the social reality being studied. Thus the approach is known as idiographic, which is gaining in-depth information to reach a unique understanding (Wahyuni, 2012: 71).

The study required an in-depth understanding of ROMI from each participants’ perspective, as their realities are constructed through their different backgrounds and they may thus perceive the subject of ROMI differently. The researcher and participants influence the quality of data collection and analysis thereof, since the social reality is constructed by the participants themselves. The researcher is subjective as he cannot be separated from the study (Wahyuni, 2012: 71), thus the approach is subjective and supportive of the qualitative method of data collection (Babbie and Mutton, 2009: 33).

3.2.4. Critical theory

Babbie and Mouton (2009: 35) explained that the theory aims to uncover people’s actions, which are caused by uncontrollable social circumstances that are performed unconsciously. It aims to provide an explanation of the social suffering of the people by providing a historical description of their frustrations. Denzin and Lincoln (2011: 100) also explained that the theory suggests that reality is based on history that is shaped by values on gender, political, economic and social constructs developed over time.

The theory supports social transformation and aims to empower the oppressed by providing knowledge that can ultimately alter social practices and policies for the better. It suggests that research is conducted to remove social injustice and other negative barriers and that it introduces social change on how people view the world. It therefore aims to educate, liberate and transform (Denzin and Lincoln, 2011: 100). Since the researcher prefers involvement with the subject, the approach is supportive of the qualitative method of data collection (Babbie and Mouton, 2009: 36).
The research participants in this study base their opinions on their experience gained over time (history), which supports their stance (social construct) on the need to continue with ROMI measurement. The participant not measuring ROMI has since indicated the need to measure ROMI going forward subsequent to the revamping of their life business. Thus the data collection process for the study has altered this participant’s social practice and views on the need to measure ROMI, as the revamp also comes with removing barriers of not measuring.

The study therefore agrees with all approaches of constructivism, positivism, interpretivism, and critical theories.

3.3. RESEARCH APPROACH

The approach to addressing the research problem was carried out by using a qualitative method of study. Creswell (2013: 44) explained that qualitative research begins with a theory that informs the study of the research problem, and is appropriate to use when:

- the research problems needs to be explored further,
- a detailed understanding of the subject is required, and
- the researcher is required to express detailed and subjective views in a literary style.

(Creswell, 2013: 65)

The nature of the data is the differentiating factor between qualitative and quantitative data. Quantitative research is characterised by hard evidence, objectivity and factual data, while qualitative research is characterised by soft, rich, descriptive and subjective information (Maxwell, 2005: 9). A qualitative method was selected as the study required interaction with the participants through conducting structured face-to-face interviews in order to gain an understanding of the participants’ points of view.

Conducting interviews involves being in direct contact with participants. Personal and productive interviews are those conducted in a comfortable environment (Hoyer and MacInnis, 2007). Interviews in this study were conducted in the participants’ natural settings which were the participants’ work environments in this case. Creswell (2013:}
45) explained that most researchers are likely to conduct research or interviews in a participant’s natural setting, where the issue under study generally occurs.

The study involves thematic analysis by using inductive and deductive reasoning in data analysis. The inductive method involves organising data into conceptual elements of information and working through the data collected in an effort to identify a comprehensive set of themes. Deductive logic involves constructing themes and regularly checking these themes against the data (Creswell, 2013: 45).

Four themes were identified in the study through inductive and deductive reasoning, as per the above explanation. The themes were then compared to the literature review provided in order to add to the literature or to show deviation of information from the literature. These both add value to the study. Recommendations of the study are made in conjunction to the findings.

The research will add to the quality and accessibility of new information on ROMI, specifically in the life insurance industry as it is currently a ‘hot’ topic amongst businesses. The study required detailed views, understanding, descriptions and interpretations of the return on marketing investment. The study also required getting an in-depth understanding of views, practices and decisions made by marketers, in order to gain perspective on the research problem.

3.4. RESEARCH DESIGN

Research designs outline the type of study being planned, the results aimed at and the logic of the research, with the ultimate purpose of answering the research question (Babbie and Mouton, 2009: 75). The developmental designs that outline the research study include:

3.4.1. Cross sectional design

Cross sectional studies allow the researcher to collect all the required data at one time (Leedy and Ormrod, 2010: 186). Mann (2003: 54) explained that cross sectional studies are used to establish predominance with measurement completed at one point in time. He also added that they are fast and not difficult to do, and can take the
form of questionnaires or interviews. The method used to collect data in the study is through structured interviews, which involves the use of both questionnaires and personal interviews, and information is collected at one point in time for each participant (no repeat interviews with participants).

3.4.2. Longitudinal design

Qualitative research generally takes a long time to complete as it involves a detailed process of data collection, investigation and interpretation, reports yield lengthy results, and does not have prescribed guidelines (Creswell, 2013: 65). Leedy and Ormrod (2010: 186) added that that longitudinal studies allow the researcher to collect information over a long period, thus giving rise to several disadvantages such as:

- Number of participant may decrease over time due to loss of interest, geographic relocation of participants, etc.
- People are likely to improve and grow, therefore posing the same questions repeatedly to the same participants using the same method of measurement may lose its validity.

Since this study used cross sectional design by collecting data at one single time from each participant, it avoided the disadvantages mentioned above and thus excluded longitudinal studies. However, the longitudinal study can be utilised when conducting future studies using the same sample or participants of this research study.

3.4.3. Case study process

The purpose of using the case study method of data collection is to gain in-depth knowledge about an unknown or little known phenomenon. It can also be used to gauge and determine how a particular study can transform over time due to changes in events. The process includes collecting extensive information and engagement with the subject under investigation, including details surrounding the case such as social, physical and economic settings. The aim is for the various pieces of information to draw to the same conclusion (Leedy and Ormrod, 2010: 137).
The disadvantage of the study is the uncertainty of being able generalise results to other situations (Leedy and Ormrod, 2010: 137). The research study can be considered as a case study as it embodies the above description and has the following case study characteristics:

- The study focuses on getting an in-depth understanding of a situation being studied.
- It is based on one case that focuses on the participants’ natural settings.
- Data is collected through observations, interviews, audio recordings and relevant written reports.
- Data is analysed by grouping information by type and using themes to interpret the data.

3.4.4. Experimental design

Podsakoff et al. (2003: 899) explained that this design allows for the researcher to manipulate independent elements and attain a measure of dependent elements as the method that examines mediating processes. Leedy and Ormrod (2010: 108) explained this design as a method of randomly assigning participants into groups to be exposed to extensive research treatments that are observed and measured in an effort to assess the impact of the treatment, therefore cause-and-effect relationships will be easily identified.

This study excludes experimental design as it does not allow pre-tests, and post-test it does not manipulate the situation after certain initial observations.

3.4.5. Descriptive design

The study however involves descriptive research design through using structured interviews. It involves observing, investigating and analysing the circumstances as they are, without changing or manipulating any factors, and does not aim or seek to establish cause-and-effect associations (Leedy and Ormrod, 2010: 182).
3.4.6. Comparative research design

Mills et al. (2006: 621) explained comparative research analysis as comparing more than one variable in an effort to discover new information about one or all of the variables being compared. They further added that the basic purpose of this analysis is to investigate and identify similarities and differences.

The different variables compared in the research study was the participants’ feedback to the same questions, and the similarities and differences of participants’ views on the aspects of ROMI were investigated. The themes were compared to the literature review for similarities, differences and new information. The themes were compared again to the research objectives to find out whether the objectives were met, in an effort to answer the research question.

3.5. METHODOLOGY FOR DATA GATHERING

3.5.1. Sampling strategy

Sampling involves the process of utilising a representative number of objects of the entire population to make inferences with regard to the entire population, therefore a sample is a segment or portion of a larger population (Zikmund, 2003: 396).

Curtis et al. (2000: 1002) stated that the method used to draw samples in a qualitative study should not be based on statistical probability methods of selection, but rather on theoretical sampling criteria, defined by Babbie and Mouton (2009: 287) as a data collection method used to develop theory (used interchangeably with purposeful and selective sampling).

Curtis et al. (2000: 1002) further explained that samples in a qualitative study are generally small and studied extensively, and that each sample yields a generous amount of data. The key features explained by Curtis et al. (2000) are that:

- The strategy used for sampling should be in line with the conceptual framework of the study and should address the research questions.
- The sample selected should be knowledgeable enough to provide quality information on the topic researched.
Since the sample size is small, it should be that it improves the generalising of findings.

The sample should portray a true picture or description that is convincing in order to be considered valid.

The sample strategy should be ethical, meaning that the researcher should look at risks or benefits connected to the sample selection and participation in the research study.

The sampling strategy should be feasible, requiring the researcher to look at the overall cost of conducting the study in terms of time, money and accessibility.

Further to the above, Churchill and Iacobucci (2010: 283) illustrated steps that can be followed when drawing a sample as:

**Procedure**

1. **Step 1** Describe the target population
2. **Step 2** Identify sampling frame
3. **Step 3** Select sampling procedure
4. **Step 4** Establish sample size
5. **Step 5** Select the sample elements
6. **Step 6** Data collection from sample elements

**Figure 3.1: Steps In Drawing A Sample**

Source: Churchill and Iacobucci (2010: 283)
3.5.1.1. Step 1 - Target population

A target population is defined as overall combined elements from which the sample is selected (Babbie and Mouton, 2009: 174). The study was constituted of a target population of 16 recognised life insurance companies in South Africa. The target population identified in this study was homogeneous, meaning that individuals in the population were similar with respect to the characteristics of interest (Leedy and Ormrod, 2010: 207).

3.5.1.2. Step 2 - Sampling frame

A sampling frame is a list of all members within a population from which the sample is chosen (Babbie and Mouton, 2009: 175). The sampling frame was in this case inclusive of all races, ages and genders, and made up of marketing managers in the life insurance industry.

3.5.1.3. Step 3 - Sampling procedure

The sampling technique that was used in this study was non-probability sampling. A non-probability method of convenience or chuck sampling was used this study, meaning that the sample members were selected on the basis on the ease of accessibility by the researcher (Diamantopoulos and Schlegelmilch, 2000: 13).

However, Churchill and Iacobucci (2010: 283) warned that non-probability sampling should be used with caution as it:

- allows the researcher to have personal judgment, since it was up to the researcher's discretion to select the sampling frame, and
- there was no specific scientific method available to evaluate the extent of sampling error.

The reason for using this sampling technique is because of the ease of access to contacts in the insurance companies in South Africa, making it easier to secure interviews with the relevant individuals invited to participate in the study as a current employee in the industry.
3.5.1.4. Step 4 - Sample Size

A sample size is the number of elements to be included in the sample (Diamantopoulos and Schlegelmilch, 2000: 12). The sample size of seven was established, made up of marketing managers currently employed (at the time the research was conducted) by the life insurance companies in Gauteng, and who were in charge of the daily marketing operations and decisions.

3.5.1.5. Step 5 - Sample elements

A sample element is explained by Babbie and Mouton (2009: 173) as that unit that forms the foundation of analysis; it is an entity in which information is collected about or from. Diamantopoulos and Schlegelmilch (2000: 12) defined a sample element as members of a sample representative of members of a population.

Therefore, in this case the elements were the expert opinions and experience of marketing managers in the life insurance industry, who were interviewed to provide information on the extent to which investing in marketing activities adds to the financial wealth of their respective companies, and whether they are achieving a return on these investments. Marketing managers were selected as a sample in the study because:

- they are all involved in the day to day marketing operations,
- they are the ones who will need to defend their marketing budgets from possible budget cuts, and
- they are accountable for achieving their investment objectives.

3.5.1.6. Step 6 - Data collection

The data collected in this study was based on the feedback provided by the participants, and since they all held senior positions with the respective companies, their feedback was regarded as a true and honest reflection.
3.5.2. Data collection method

The method used for data collection for this study was a qualitative method of study, through conducting face-to-face structured interviews with select marketing managers. Primary data was collected from the raw information provided, which was then collated and analysed. The structured interviews were standardised questions that were pre-determined and sent to all participants prior to the interview (www.businessdictionary.com).

The reason for this was so that the participants could familiarise themselves and prepare for the interview prior to it taking place, so as to gain quality information from the participants during the interview. It also enhanced the precision and reliability of the information provided (Business Dictionary, 2013).

Structured interviews allowed for all participants to receive the same set of questions, which were worded exactly the same and scheduled in the same order and format. Therefore the variation in the information provided was the result of responses provided by the participants themselves, and any variability in the method used (Phellas, Bloch and Seale, 2011: 183).

The reason for using structured interviews in this study was to avoid irrelevant and unrelated data to filter through which could distort the quality of information gathered in the interviews. Using structured interviews increases the chances of each participant providing the same set of possible responses when answering the same set of questions.

Face-to-face structured interviews allowed the researcher to probe further in order to get answers to the questions. There are several advantages of conducting face-to-face interviews, as identified by Phellas et al. (2011: 183). These are:

- It allows the researcher to probe.
- It allows the researcher to ask more open questions and non-verbal clues can be given.
- The researcher can explain/ clarify the question(s) to the participant, if required.
- The participants are less likely to quit the interview process once started.
- It allows for the use of visual aids if necessary.
- The researcher can control the environment by ensuring that the questions are asked and answered to follow the questionnaire format. Therefore, the researcher has the power to control the data collection process.
- The researcher can include the most relevant variables in order to get direct answers to the research question(s).
- Allows for information to be collected in real time.
- The researcher can gain access to historical data from the examples of past events as relayed by the participants.
- Data accuracy is enhanced.
- Reliability of data can be checked.
- Validity of data can be checked.

However, the researcher should also be aware of the disadvantages that come with face-to-face structured interviews (Phellas et al., 2011: 183):

- The geographical coverage tends to be narrow due to related costs.
- Reliability of the research can be compromised as the researcher may become biased.

The data collected were the opinions, expertise and experience of the participants' (marketing managers) general views on ROMI. The aim was to establish whether they view measuring ROMI as important in the life insurance industry, and to establish whether they view investing in marketing activities as contributing to their organisation's financial success.

The information gathered will also establish whether companies in the life insurance industry are measuring the return on their marketing investment or if they view these activities as expenses. All interviews were recorded and transcribed for analysis. Secondary data collection was also looked at, and is represented by the literature review in Chapter 2 of the research study.

3.5.3. Research procedure

In collecting the data for the research study, the following procedure was followed:
• Identifying all companies in the life insurance industry.
• Establishing whether these companies had been in operation for at least five years.
• Identifying marketing managers in these companies and obtaining their contact details.
• An oral and written invitation was sent to the participants inviting them to participate in the study and to obtain their consent.
• The objectives and purpose of the study were provided and made clear to the participants.
• Requirements of what information will be needed was explained prior to the interview through structured questions sent prior to the interview.
• Duration of the study was also indicated.
• Freedom of the participants to withdraw from the study was made available as an option.
• A list of structured questions guided the interview discussions during the interview process. These were sets of questions (similar to a questionnaire) that centered around marketing managers' views on ROMI, which were sent to the participants or marketing managers prior to the interview in order to prepare for the interview process.
• A brief synopsis of how the research of findings will be reported was explained.
• Securing and scheduling the interviews with the participants.
• The interview process and recording thereof followed.

3.5.4. Data analysis procedure

Data analysis starts with data description as the first step; it is a descriptive examination of the data. Diamantopoulos and Schlegelmilch (2000: 73) outlined the purpose of describing the data before analysing it as:

• it provides original insights into the types of responses received.
• it allows for the data to be presented in a logical manner (table and graphs can be used where possible).
• provides a summary of responses.
The analysis of the information in this study is conducted in the following manner:

- Transcribing and capturing all raw data from all participants.
- Summarising data by breaking it down into smaller units in an effort to organise it.
- Looking for themes or patterns in the data and grouping the similarities into categories and subcategories in order to make a deduction. Similar patterns marked to capture initial thoughts and impressions, done by using insert comment feature or using different colour fonts.
- Grouping similar themes or patterns together and classifying each piece of information accordingly, in order to get a sense of what the data means.
- Describing the relationships amongst the categories and offering a proposition on the findings.
- Relating the findings to the existing literature, concepts, theories and pre-existing research studies to validate or dispute the findings of the data.
- Determining whether the findings have practical and statistical significance.
- Identifying and confirming limitations to the study.

3.6. MEASURING INSTRUMENTS

3.6.1. Reliability

Babbie and Mouton (2009: 122) described reliability in a research study as a degree to which consistent results are obtained from the research questions. Golafshani (2003: 601) stated that when designing, analysing and judging the quality of the study, researchers in a qualitative study should be concerned about reliability and validity. This is to ascertain that the information is credible, dependable, neutral and consistent. It is important to look at trustworthiness in a qualitative study, as there is no validity without reliability.

To ensure reliability of data in the study, structured interviews were used as a method of collecting data. The interviews were conducted with Senior Marketing Executives who were responsible for the marketing budgets and who would be in the position to report on ROMI. Since the participants held great responsibilities in their
respective organisations, trustworthiness and credibility of information was immediately established.

3.6.2. Validity

Some researchers have argued that it is not relevant to determine validity in a qualitative study, but recognised the need to establish a way to qualify the research, and thus base validity on the quality of the information and trustworthiness (Golafshani, 2003: 602). Babbie and Mouton (2009: 123) described validity as the ability of the questions asked to measure what they intend to measure. It is used to reduce error in the measuring process (Kimberlin and Winterstein, 2008: 2276).

Validity in this study is determined by the quality of the questions asked and establishing the reliability of the information provided as explained above in point 3.3.5. Golafshani (2003: 601) also pointed out that there is no validity without reliability.

3.6.3. Sensitivity

Sensitivity of data determines the ability of measuring the variability in responses accurately, and applies more to quantitative research (Babbie and Mouton, 2009: 123). Therefore, since the study required a qualitative approach and data collection through structured interviews, it has less sensitivity since there was no scale assigned to the questions in order to get a variable.

3.6.4. Credibility

Credibility is the confidence with which the effectiveness of the information collected and analysed meets the research objectives. Therefore the research methodology applied should look for the truth (Graneheim and Lundman: 2004: 109). Credibility in the study was achieved by the interview process, where participants were experts in the marketing field, were responsible and accountable for the success of their respective departments, and had a general understanding of the ROMI phenomenon under study. It was also achieved by grouping all the actual interview questions into themes, making sure that no data was excluded or irrelevant data included.
3.6.5. Transferability

The ease and ability for the findings to be transferred and applied to another different context. However it is important to note that transferability is to the reader’s discretion (Graneheim and Lundman, 2004: 110). Therefore the researcher is unable to confirm that the findings can be applied nor be relevant in another different context (Babbie and Mouton, 2009: 277). Thus the study can be easily transferred to other different settings, however since it is on the life insurance industry, it is at the reader’s discretion to apply the study to another different setting such as the motor insurance industry, for example.

3.6.6. Dependability

When information is extensive and data collection process long, the study carries a risk of being inconsistent when collecting information (Graneheim and Lundman, 2004: 110). The study must have a provision that should it be replicated it will yield the same results, therefore data collected must be credible and dependable, as credibility relies on dependable data (Babbie and Mouton, 2009: 277).

Should the study be replicated, there is certainty that it will yield the same results, as the data collection process included recording and transcribing the interviews conducted with participants, thus deeming the information dependable and credible.

3.6.7. Confirmability

Graneheim and Lundman (2004: 110) explained that confirmability is the ability of others to confirm the research findings, based on the arrangement of data during data collection, analysis, interpretation, conclusions and recommendations. These should be traced back to their origins through an audit trail, added Babbie and Mouton (2009: 278). The audit trail for this study can be traced by working backwards as follows:

- Chapter 5 (discussion, conclusion and recommendation can be traced back to chapter 4 (research findings and analysis) and to chapter 2 (literature review).
Chapter 4 can be traced back to chapter 3 (research methodology) and appendices B (transcribed data from the interviews) and C (summary of interview feedback transcribed).

Appendix B and C can be traced back to the actual audio recording saved.

The audio recordings can be confirmed by the consent forms signed by each participant.

Chapter 2 (literature review) can be traced back to the sources referenced within the text.

Chapter 1 (orientation) is applicable to all five chapters.

3.7. ETHICAL CONSIDERATION

In conducting the research, the participants were assured of confidentiality and that they and their respective companies would not be mentioned by name but given aliases. This is to protect the participants’ right to privacy, thus data collected should prove to be impossible to trace back to the participants (Leedy and Ormrod, 2010: 146). Since the study required structured interviews to be conducted with the participants, permission was requested to record the interview with the assurance that the recording would be kept safely after the study was completed.

Freedom for participants to withdraw from participating in the study was provided as an option should they wish to opt out. Privacy of the information provided regarding their marketing strategies, financial information and other sensitive issues were guaranteed to remain confidential.

3.8. LIMITATIONS

The research study was limited to the life insurance industry in the Gauteng province to companies that had been in operation for more than five years. Only views of marketing managers were solicited, thus excluding all junior marketing specialists from the study. Opinions and views of financial managers on ROMI were not investigated as the study was limited only to the views of the marketing managers in this industry, as this is not a comparative study between Financial Managers’ views and Marketing Managers’ views.
The implication of the limitations is that this study may not be representative of the wider population in South Africa. Views of financial managers could be imperative to the study, as marketing managers need to be accountable to financial managers. This is because financial managers drive and allocate budgets and have the final responsibility for company profits. The exclusion of financial managers meant that the study has a biased view and may have yielded different findings if financial managers were included.

3.9. CONCLUSION

This chapter described the methodology used in conducting the research study. It provided details of the research followed, strategies utilised and processes undertaken. The paradigms applicable to the study are summarised as follows:

Table 3.1: Summary of Paradigms

<table>
<thead>
<tr>
<th></th>
<th>Constructivism</th>
<th>Positivism</th>
<th>Interpretivism</th>
<th>Critical theory</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main aim/purpose</strong></td>
<td>The researcher gains a deeper understanding by actively interacting with participants.</td>
<td>The researcher can generalise the research results across different contexts, and reality can be predicted by controlling and testing the theories.</td>
<td>The researcher recognised the value of information provided by each participant during the interviews.</td>
<td>The research introduces social change on how participants view the situation.</td>
</tr>
<tr>
<td><strong>Belief</strong></td>
<td>Multiple realities exist as well as many truths. Subjective.</td>
<td>One truth. Objective.</td>
<td>Multiple realities exist as well as many truths. Subjective.</td>
<td>Multiple realities exist. Subjective. Historical origins.</td>
</tr>
<tr>
<td><strong>Methodology</strong></td>
<td>Qualitative</td>
<td>Quantitative</td>
<td>Qualitative</td>
<td>Qualitative</td>
</tr>
<tr>
<td><strong>Nature of data</strong></td>
<td>Quality of data has a balanced representation of participants' views.</td>
<td>Data is quantified in the analysis through themes.</td>
<td>Quality of details is influenced by both the researcher and participants.</td>
<td>Data alters and improves social views practices.</td>
</tr>
</tbody>
</table>
A description of the type of study being planned was indicated through the research design. The method of achieving the goal intended was outlined through the data collection method, data analysis and research procedure. The chapter also outlined the sampling strategy and the steps used for selecting the sample.

Trustworthiness of information in the entire research study was indicated through the provision of data validity, reliability, sensitivity, credibility, transferability, dependability, and confirmability. Reliability of the study depended on the validity of the information provided and credibility depended on the transferability of information; it is deemed credible if dependable information is provided.

The purpose of this chapter was to provide a blueprint of the methodology used in conducting the study. Chapter 4 is dedicated to the presentation of the research results. It entails the analysis and interpretation of the research findings, provides detailed findings from the interviews conducted and a summative deduction of the findings is made.
CHAPTER FOUR

RESEARCH FINDINGS AND INTERPRETATION

4.1. INTRODUCTION

The previous chapter dealt with the research methodology, which includes research design, definition of population sample and methods of data collection. This chapter focuses on the analysis of the research findings. The primary data was obtained through face-to-face structured interviews with marketing managers in the life insurance industry.

4.2. DISCUSSION OF RESULTS

The research interviews contained 12 questions that were sent prior to the interview, and which were presented to the participants in the order as seen in Appendix A. The order and structure in which the questions were asked was consistent throughout all interviews, in an effort to enhance consistency between interviews.

The open-ended format afforded the participants to respond freely and to keep the researcher’s input to a minimal. It also afforded the researcher the opportunity to ask additional questions to probe where answers were not clear, as well as to comment on points of interest in an effort to get answers to the questions.

The participants were all marketing managers who headed up their respective marketing departments, with the overall responsibility of driving the marketing initiatives and being accountable for department’s productivity and success. A total of seven participants were interviewed which included six females and one male. (For the purpose of this study, the gender of participants is not an important factor as it did not contribute or limit the research study).
The participants were experts in the marketing field and had been in the insurance industry for more than 10 years. They held executive positions in their respective departments and companies.

The interviews began with the researcher extending gratitude to the participants for participating in the research study, and answering any question the participants had prior to the formal interview. An overview of the topic and how it was selected was then briefly highlighted by the researcher, with the intention to warm up the participants before easing into the actual interviews. This introductory part was not recorded.

The structured interviews conducted were recorded and transcribed, and the full detailed transcription thereof is available in Appendix C. A summarised version of the respondents’ feedback following the format in which the questions were asked is also available in Appendix B, which may be used for quick referencing on this Chapter.

4.3. FINDINGS AND ANALYSIS OF INTERVIEW FEEDBACK

A tabula format to interpret the interview feedback was used and the feedback was outlined through the identification of four key themes. The themes were identified through grouping similarities together (which in this case were the interview questions themselves) under each relevant theme. Question by question analysis was made under each theme.

The four themes were pertinent in meeting the research objectives and ultimately answering the research question. The findings and analysis through themes were thus outlined as follows:

4.3.1. Theme 1 – Awareness of ROMI

Awareness of ROMI was highlighted by the feedback to question 1.
**The question refers:**

Q.1: Do you know the term ROMI?

**Results are as follows:**

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 1</td>
<td>P -1 Yes, P -2 Yes, P -3 Yes, P -4 Yes, P -5 Yes, P -6 Yes, P -7 Yes</td>
</tr>
</tbody>
</table>

**Analysis of results:**

- All the participants knew the term ROMI. Six of the seven participants could say the name in full and right the first time.
- The one participant after being corrected indicated awareness of the term, but only knew it as ROI at their company.

The deduction of the finding is that all participants knew and understood what the term ROMI means. Therefore 100% awareness of ROMI is deduced.

(Source: Question 1).

**4.3.2. Theme 2 - Actions taken in measuring ROMI**

This theme aimed to identify steps taken by marketers in an attempt to measure ROMI, as indicated by feedback to questions 2, 4, 11 and 12 (refer to Appendix C).

An indication whether the participants take action on measuring ROMI resulted in the below findings.

**The question refers:**

Q. 2. a) Do you record spending on marketing activities?
   b) How?
Results are as follows:

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 2 a)</td>
<td><strong>Yes</strong></td>
</tr>
<tr>
<td>Q. 2 b)</td>
<td>Compare budget to cost</td>
</tr>
</tbody>
</table>

Analysis of results:

- Of the seven participants, six indicated recording spending on marketing activities, while one participant (participant 7) indicated non-monitoring of its marketing expenses (Source: Question 2.a).

- The finding is that all the participants, except for participant 7, use the same method to record spending on their marketing activities; they all base their spending according to the allocated budgets (Source: Question 2.b), however they provided varying methods of recording the spending. The variation is from simple Excel spreadsheet entry to specialised technological systems designed to record and track spending.

- The participant not recording marketing expenditures or investments did acknowledge and respect the need to start focusing on monitoring marketing investments, more especially after the changes undertaken by the company (rebranding and revamping their life insurance company) which came with increased marketing budget and more activities to invest in (Source: Question 2.b).

(Source: Question 2).

The question refers:

Q.4. Do you measure ROMI with each marketing activity?
Results are as follows:

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 4</td>
<td>P - 1 P - 2 P - 3 P - 4 P - 5 P - 6 P - 7</td>
</tr>
<tr>
<td></td>
<td>Yes Yes Yes Yes Yes Yes No</td>
</tr>
</tbody>
</table>

Analysis of results:

- Six participants indicated and confirmed measurement of ROMI per activity undertaken, while one participant (participant 7) indicated no measurement of ROMI. The non-measurement was due to the fact that recording and monitoring of expenses had not been a priority to the company in the past.

- Of the six participants that actually measured ROMI, one participant indicated that at times it is required to measure activities as a job lot and not per individual activity. The finding is that the job lot is representative of various activities with the aim of reaching one objective.

  (Source: Question 4).

The question refers:

Q.11. How do you measure ROMI in your company?

Results are as follows:

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 11</td>
<td>P - 1 P - 2 P - 3 P - 4 P - 5 P - 6 P - 7</td>
</tr>
<tr>
<td></td>
<td>Budget Expenses Sales Actuarial team Sales actuarial team Measures leads</td>
</tr>
<tr>
<td></td>
<td>Product house marketing team Pre and post research Measures cost per lead vs. retention and premium payments</td>
</tr>
<tr>
<td></td>
<td>Budget Expenses Sales Not measured</td>
</tr>
</tbody>
</table>
Analysis of results:

- Of the six participants that indicated measurement of ROMI in their respective companies, the results show that the measures used vary per company, as indicted above on Q.11.
- The participant that indicated no measurement of ROMI pointed out future consideration to attempt some kind of measure.

(Source: Question 11).

The question refers:

Q.12. Do you believe that your measuring tools are effective?

Results are as follows:

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 12</td>
<td>Yes, No, Yes, Yes, Yes, Yes, No</td>
</tr>
</tbody>
</table>

Analysis of results:

- It was found that of the six participants that measure ROMI, five believe that the respective measuring tools used are effective in their respective companies.
- Only one participant doubted the effectiveness of the measuring tools it uses.
- Participant 7 did not measure ROMI, thus they reported not having any measures in place.
- Common sense would prevail that if a participant takes steps in measuring ROMI but doubts the tools used, then commitment to the cause, a true reflection on the return and being effective in measuring may be compromised.

(Source: Question 12).
Deduction on Theme 2

The overall finding under this theme is that 81% of the participants take active steps, as varied as they are from one another, in attempting to measure ROMI as part of the daily operational plans.

4.3.3. Theme 3 - Importance of measuring ROMI

Views on the importance of measuring ROMI is indicated by grouping feedback on questions 5, 6, 7, and 8 (refer to Appendix C). An intention to determine whether participants view ROMI as important and practical resulted in the following findings:

The questions refers:

Q.5. a) Do you think it is practical to measure ROMI, given the type of business or industry you operate in?
   b) Please elaborate with relevant reasons.

Results are as follows:

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 5 a)</td>
<td>P -1</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
</tr>
</tbody>
</table>
Analysis of results:

- Of the seven participants, only five indicated the practicality of measuring ROMI while two indicated that it is not practical. This meant that one participant deems ROMI measurement to be impractical, although they actually measure it. Participant 7 does not measure ROMI at all (Source: Question 5).

- The reasons for not measuring ROMI were found to be:
  - intangible products being sold,
  - no direct correlation proven between marketing activities and the extent of increases in sales, and
  - difficulty in measuring because the lead time for new business on certain products may range from six months to four years.

(Source: Question 5).

**The questions refers:**

Q.6. Would you agree that ROMI is important?
Q.7. If yes, please elaborate with relevant reasons.

**Results are as follows:**

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – ((P)- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 6</td>
<td>P -1  Yes P - 2 Yes P – 3 Yes P – 4 Yes P - 5 Yes P - 6 Yes P - 7 Yes</td>
</tr>
<tr>
<td>Q. 7</td>
<td>Competition Differentiation Reputational To be top of mind. Commitment To justify spend. To measure marketing success. To achieve effectiveness Control and monitor budget. Negotiating budget increases. To keep track of returns.</td>
</tr>
</tbody>
</table>
Analysis of results:

- All seven participants agreed that ROMI is important; even participant 7 who does not measure ROMI (Source: Question 6 and 7). The reasons were found to be that measuring ROMI:
  - improves competition,
  - encourages differentiation of products,
  - plays a part in company reputation,
  - ensures company is top of mind,
  - shows commitment,
  - justifies spend,
  - measures marketing success,
  - achieves marketing effectiveness,
  - controls and monitors the marketing budget,
  - provides a platform for negotiating budget increases, and
  - keeps track of returns.

(Source: Question 6 and 7)

The questions refers:

Q.8. Are the benefits experienced from the marketing spending acknowledged by the CFO and CEO?

Results are as follows:

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 8</td>
<td>P -1</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
</tr>
</tbody>
</table>

Analysis of results:

- All seven participants indicated full support from their CEO in recognising the benefits of the marketing investments, however the CFO did not recognise the benefits brought by marketing. Of the 6 participants, three indicated that their
CEOs are marketing driven and led. This includes the one participant (participant 7) who does not consider tracking, monitoring and measuring marketing activities to be a priority (Source: Question 8).

- Participant 7 indicated that the CEO instructed and led the revamping and rebranding drive of the company and injected more resources into the marketing investments, deeming it a priority going forward (Source: Question 8).

- Only one participant who actually measures ROMI could not confirm whether the CEO and CFO acknowledge the benefits provided by marketing investments undertaken (Source: Question 8).

(Source: Question 8).

**Deduction on Theme 3**

The finding is that 81% of the participants believe in the practicality and importance of measuring ROMI, while 4% is unsure of its practicality and 15% believe it is impractical.

These results thus indicate that even though the companies attempt to measure ROMI, some do find it impractical given the type of industry. To clarify, the impracticability of the marketing activities that do not drive sales (brand awareness focused. e.g. company website, facebook) was emphasised, thus a generalisation was made.
4.3.4. Theme 4 - Linking marketing activities to profits

A connecting link between marketing activities to increased sales, revenue or profits is indicated by grouping feedback on questions 3, 9 and 10. In an attempt to link the marketing activities to incremental sales or profits, the findings are as follows:

**The question refers:**

Q.3. Do believe that spending on marketing activities contribute to profit margins or incremental sales? Please elaborate with examples.

*Results are as follows:*

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>P -1</td>
<td>P -2</td>
</tr>
<tr>
<td>Q. 3</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Analysis of results:**

- All seven participants believe that spending on marketing activities does contribute to profit margins (Source: Question 3).

**The questions refers:**

Q.9. Can you identify a marketing investment/ spend that contributed to an increase in sales, revenue or profit?

Q.10. If so, can you elaborate on the impact?

*Results are as follows:*

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>P -1</td>
<td>P -2</td>
</tr>
<tr>
<td>Q. 9</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Analysis of results:

- Although the results indicated 100% positivity in contributing to profits, it does not necessarily mean that all participants strive to measure the return on those marketing investments as indicated in Theme 2 by Q.4 and Q.11 (Source: Question 4 and Question 11).

This would explain the two participants being unable to identify a marketing spend in their respective companies that contributed to increases in sales and profits. Only five of the participants were able to identify the contribution (Source: Question 9).

- Five of the seven participants were able to elaborate on the impact that marketing has had on the sales and profits in their respective companies, as indicated above (Source: Question 10). The impact on sales and profits were found to be:

  - Client retention
  - Increased sales
  - New business leads
  - Improved client relationships
  - Increased brand awareness and confidence.

(Source: Question 9 and 10).
A deduction can be made that 86% of the participants can link marketing activities to incremental sales, revenue and possible profits, while 14% is unable to link the two factors.

Valid reasons for the inability of the two participants to provide history and examples in determining the link between marketing investments and revenue and profits are identified as:

- Participant 2 was fairly new in the current company (less than one year), thus they were unaware if it had been done in a previous campaign.
- Participant 7 does not attempt to track spending on marketing activities, and no attempts are made to measure a return from those activities.

4.4. MAJOR HIGHLIGHTS AND FINDINGS

The overall results show that in measuring ROMI a few elements are currently being considered by the marketing managers, namely:

- There should be a budget to spend.
- There should be recording and tracking of expenditures.
- There should be recording and tracking of sales.
- There should be a clear objective for each marketing activity taken.
- Marketing activities can have a long term and short term impact.
The four themes yielded results from each interview question and the findings thereof. It can be concluded that there are vast similarities in the feedback analysed, which are summarised as follows:

- All participants believe that marketing activities contribute to incremental sales, even amongst those that have proven difficult to measure.
- The budget plays a major role in keeping track of the marketing spending.
- It is easier to measure the return on activities that actually drive sales.
- Measuring ROMI indicates what works and does not work.
- It is important to have CEO buy-in.

4.5. CONCLUSION

Since face-to-face interviews afforded the researcher to observe the participants’ demeanors, the observation made from the research interviews is that the participants were passionate and knowledgeable on the subject of marketing, but some discomfort was sensed from most participants around the actual discussion of ROMI measurement. This was observed mainly through change in body language, eye contact, and change in tone or speech.

This chapter indicates analysis and findings from the research results. The results are indicated by four identified themes. The actual interview questions were grouped and allocated under the relevant themes. As indicated at the beginning of the chapter, the themes are aligned to the research objectives which are partly discussed in chapter 5.

Chapter 5 marks the conclusion of the research study. Brief summary of the previous chapters and a summarised discussion of findings is provided and aligned to the literature review and the research objectives, and recommendations provided.
CHAPTER FIVE

RESEARCH DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1. INTRODUCTION

Chapter 4 discussed the research results and findings. This chapter will conclude and summarise the key lessons learnt from the study and put forward recommendations as to the implementation of the study.

5.2. SUMMARY

5.2.1. A brief summary of the problem

The life insurance industry is in the business of selling intangible products to the market; it is a services industry. The marketers in this industry spend a lot of money on promotional activities such as advertising (TV, radio, print and billboards), road shows and sales campaigns that are aimed at increasing sales, revenues and profits. But how do these marketers ensure that they translate these marketing activities into money?

The answer is by measuring ROMI. The purpose of this study was therefore to uncover whether marketers in the life insurance industry do measure ROMI and to what extent, in order to ascertain if ROMI is sufficiently important to be measured in the life insurance industry.

5.2.2. A brief summary on the methodology

The purpose of outlining the research methodology is to describe the approach used to answer the research question. The method used to conduct the study was through structured interviews. Seven marketing managers out of a population of 16
recognised life insurance companies in South Africa were interviewed. For the purpose of the study the population was narrowed to the Gauteng Province, which is one of the disadvantages of conducting face-to-face interviews, as pointed out in section 3.3.2 of chapter 3.

As explained by Babbie and Mouton (2010: 252), unfair pressure is placed on respondents if they are not familiar with the questions during the interview process, which may lead to the interview taking longer than necessary and becoming unpleasant for both parties, causing the study to suffer. Therefore, the participants in the study received questionnaires prior to being interview in order to prepare sufficiently.

It was important that participants were familiar with and understood the term ROMI, as the nature of the questions was to first establish awareness and an understanding of the term ROMI. This first question was used to qualify if the research interview process should go ahead, i.e. the interview would not have taken place were the participant not familiar with the term.

The interviews were recorded and then transcribed for analysis. The information was thus collected through primary and secondary data. The research methodology also outlines the research procedure, mapping out the route that the study followed. The research methodology, research procedure and the findings are discussed in chapters 3 and 4. A qualitative research was conducted utilising open-ended interview questions. The sample and sampling method were discussed in detail in chapter 3.

5.2.3. A brief summary of major findings

All participants viewed ROMI as important to measure, although some questioned the practicality of measuring ROMI given the type of industry. It was also found that the participants recognised the need to measure ROMI in order to be functional, efficient and accountable in their marketing role.
Of all seven participants interviewed, only one indicated that no attempt had been made to measure ROMI, explaining that marketing spending had previously gone under the radar and not objected to until approximately a year prior to the interview. The company has since realised the impact of spending more on marketing activities, and thus undertook major marketing and promotional drives with the intention of considering measuring ROMI in future. This aligns with a section in Chapter 2 indicating the increasing pressure and the growing need to be accountable for spending on marketing activities.

Chapter 4 provided in detail the major findings and analysis thereof. In accordance with the themes identified and explained in chapter 4, a brief summary of major findings are provided below and aligned to the literature review and research objectives as stated in chapter 2.

5.2.3.1. Theme 1 - Awareness of ROMI

Participants needed to be aware of the term ROMI in order for the research interview to proceed. The first question thus determined awareness of the term allowing the researcher to continue with the interviews.

- Literature review and discussion of findings
  The literature provided a description of the term ‘Return on Marketing Investment’ (ROMI) and explained that it originated from the financial term ‘Return on Investment’ (ROI). Participant 2 understood the term as ROI and thus qualified to continue with the interview. All other participants knew the term ROMI and understood its meaning and purpose.

- Research objectives
  The term ROMI needed to be understood in order to attempt to meet the research objectives and to ultimately answer the research question. All seven participants were interviewed and the analysis of the feedback provided will attempt to meet the research objectives.
5.2.3.2. Theme 2 - Actions taken in measuring ROMI

This theme establishes whether the life insurance companies and their marketing managers take strides in measuring ROMI, the actions taken and the extent thereof.

- **Literature review and discussion of findings**

  The literature review indicated that measuring ROMI starts by being accountable for marketing spending. The research finding showed that the vast majority of participants are accountable for their marketing investment expenditures and record their spending in conjunction with their set budgets. The literature also outlined that all companies should treat marketing as an investment, because as with all investments, there is an automatic expectation of yielding a financial return. The study also found that the same participants who record their marketing spending also strive to measure ROMI, however different their methods are from one another.

  However, the literature review established that there are other marketing elements of value that contribute to incremental revenue, which are a challenge for marketers in order to be accountable for marketing efforts on these value propositions (McDonald, 2005:256). The research results prove the above point to be true; the majority of the participants interviewed pointed out that the measurement of elements such as branding, reputational and relationship building efforts continue to be a challenge, and most are of a long term view and impact.

  In addition to the above, Crosby (2009: 10) pointed out that the results of research previously conducted by ‘The Conference Board’ in 2009 was unclear as to whether companies calculate ROMI or are only looking at key indicators and whether the period of return is taken into consideration. Thus the research study reveals that for marketers in the life insurance industry, there are no established standard methods to calculate or measure ROMI.

  In striving to measure ROMI, marketers base their measurement on subtracting investments from the set budgets, and the period of return
depends on the aim or objective of the marketing activity. This might be a single period (short term impact), in which in some cases it can carry over multiple periods as some promotional activities may only be visible years later (long term impact). Since the research shows that there are no standard set methods to measure ROMI, each company measures ROMI the way it sees fits and makes sense to the company.

The extent to which marketers in the life insurance industry measure ROMI has varying degrees. Some measure for personal objectives that end at departmental level, while some extend the measure to other specialised departments such as actuaries, which then becomes a company-wide objective with the CEO’s interest.

Section 2.7 of the literature review (chapter 2) provides solutions to the problems faced by marketers when measuring ROMI. Results of the research study seem to be in line with the solutions provided; they show that marketers who have successfully implemented ROMI have worked closely with other operational departments and systems. Research results have shown that marketers have worked with finance, actuarial departments, operational systems and gained CEOs’ buy-in in implementing ROMI and being successful with its measurement. The results further indicate that the success is mainly attributed to buy in and drive of the CEO in most companies interviewed.

- **Research objective**

  The theme is aligned to meet the objective of ‘determining the extent the life insurance companies measure the return on marketing investment’. The study shows that the majority of these companies do strive to measure the return, however it shows that they all have different ways and methods of achieving this – from simple budget and expense measurement, to utilising their actuarial teams and soliciting research companies. Therefore the extent to which the return is measured is shown to be significant.
5.2.3.3. Theme 3 - Importance of measuring ROMI

This theme aims to determine the value of measuring ROMI.

- Literature review and discussion of findings

Since the literature calls for marketing activities to be referred to as investments, a deduction can be made that to be regarded as such, all marketing activities should be measured to determine a return on investment. The literature also indicates that marketers must learn to articulate the results of their marketing efforts in financial terms, so as to be recognised and taken seriously by the CEO and CFO and for their buy-in.

The literature further indicates that CEOs and CFOs are often skeptical about the benefits that marketing activities bring. The research study reveals the contrary; it found that CEO are major supporters of driving marketing activities. In one case, the participant (P -5) indicated that the CEO has big beliefs in what marketing can do, and thus always provides emergency budget should marketing overspend or be under budget for its activities. This can also indicate the evolution of ROMI measurements becoming increasingly popular and recognised in recent years.

Research conducted in 2009 by ‘The Conference Board’ indicated that approximately 33.3% of surveyed companies had made no effort to measure ROMI. Research results however revealed that more companies have since started measuring ROMI, as the percentage of surveyed companies has gone down to 14.3% as indicated in chapter 4. This might also infer that companies in the life insurance industry are increasingly seeing ROMI as important to measure.

In the case of participant 7 where the company has not been practicing the measurement of ROMI and has a limited marketing budget and activities, the company has recently seen a turnaround, where the CEO has driven the rebranding of the company with marketing drives at the forefront, with big budgets and big marketing initiatives.
Section 2.3 of the literature review (chapter 2) pointed out the benefits of measuring ROMI. The research study has thus identified benefits in addition to the literature review as:

- Measures extent of direct effect on sales and revenue margins.
- Important in managing the reputation of the business.
- Enhances retention of clients.
- Enhances innovation for marketing the products.
- Increases competitiveness as the life products are increasingly becoming less differentiated.
- Directs marketers to spend the budget on the right marketing activities, so as to minimise waste.
- Helps marketers to justify their spend and possibly negotiate increases in budget.
- It can give an indication of new business gained.

Section 2.4 of the literature review highlights reasons some companies do not attempt to measure ROMI. As indicated above, the research study revealed that only 14.3% of companies in the life insurance industry do not attempt to measure ROMI. The reasons in this case (in addition to the literature review) have been provided as:

- It is not practical at times since certain marketing elements cannot be measured, such as reputational and building brand confidence.
- Some marketing elements have longer life cycles such that the outcome is only visible a few years after the marketing activity has taken place. At that time a number of other additional activities would have taken place, so pinpointing the exact return for the initial activity is difficult.
- ROMI is difficult to measure because of the long and short term effects it has.
Section 2.6 of the literature review outlines barriers to implementing ROMI, however, since the research results have indicated that there are no set standard methods and no right or wrong methods to measuring ROMI, it can be deduced that there is no real reason for not measuring ROMI, thus there are no valid barriers to be identified, only excuses.

- **Research objective**

  The theme aims to address the first research objective in finding out ‘whether marketers in the life insurance industry view the return on marketing investment as important to measure’. In addition to the benefits of measuring ROMI as outlined in Chapter 2, the research study has found additional benefits (provided above) identified by the participants, thus deeming ROMI as important to measure in the life insurance industry.

5.2.3.4. **Theme 4 - Linking marketing activities to profits**

This theme strives to show a correlation of marketing activities to increased sales, revenue or profits.

- **Literature review and discussion**

  The literature review pointed out that in order to ascertain that spending on marketing activities leads to incremental sales and revenue, a link should be identified between investing in marketing activities and financial outcomes. The participants added credibility to this view by pointing out a few impacts from the marketing activities undertaken that were beneficial to their respective companies:

  - Actual increases sales
  - New business leads
  - Incremental revenue

  The literature also pointed out that marketers must understand the value that customers bring, as any type of investment should be measured against the change in the value the customer brings in a lifetime. This is to guard against
customer turnover as this has the biggest impact on company profit generation (Band, 2003:18). The study has found this to be true, and identified other benefits to measuring ROMI as:

- Customer retention
- Improved client relationship
- Increased brand awareness and confidence

The study also found that marketing activities that are not based on driving sales have an indirect impact on sales and on profit margins. This proves that any marketing activity undertaken actually has a purpose or objective to achieve, providing another reason for it to be regarded as an investment.

It is pointed out in the literature review that the reason marketers have previously been excluded from adding input into strategy development in companies is their inability to link marketing to financial outcomes (Seggie et al., 2007:834). The outcome of the study proves that marketers are moving away from this notion and moving towards accountability of their marketing investments, as well as adding actual value in the companies.

The results indicates that the extent to which marketers add value in their respective companies has increased; it shows that they are increasingly being included and consulted with regard to strategy development and decision making due to their proven ability to link marketing to the financial wealth of the company. Some of the measures taken to achieve this are through:

- involving other operational departments such as specialised actuarial departments;
- developing and utilising operational systems for recording and tracking; and
- comparing budget to expenditure for each marketing activity or each objective.
• Research objective

The theme aims to meet the objective of ‘determining whether spending on marketing activities is viewed by the life insurance companies as contributing to incremental sales and profit margins’. The results from study show that although only 80% of the participants attempt to measure ROMI, all believe that investing in marketing is a big contributor to incremental sales, revenues and profit margins.

Overall, the four themes have met all three research objectives, thus answering the research question to say that the majority of the life insurance companies go to great lengths in order to measure ROMI and deem it to be an important contributor to the financial wealth of the company. The marketers in this industry have proven to be resilient even when faced with difficulties and challenges; they have broken away from working in silos to achieve this and have gained CEO buy in.

5.3. LIMITATIONS OF THE STUDY

The major limitation of the study is that it was limited only to the life insurance industry in the Gauteng province and limited only to marketing managers. Other limitations as stated in chapter 3 (section 3.4) are also important to the study.

5.4. RECOMMENDATIONS

The first recommendation is that a clear distinction be made between the actual marketing activities that can be measured and those that cannot be measured in an effort for accuracy in measurement, keeping in mind that some long term activities can be difficult to measure (such as brand building and reputational activities). Thus there should be three standard categories when measuring ROMI:

- Category 1: marketing activities based purely on driving sales – short term effect. The period short term should also be determined.
- Category 2: marketing activities with a longer life cycle where sales will only materialise a few year later subsequent to the activity – long term effect. The period long term should also be determined.

- Category 3: marketing activities that are purely for reputational and confidence building, such as websites, social media platforms, general company brochures, etc.

The second recommendation is the development of standard formulas that can be used for the first two categories in measuring ROMI. Category 3 above, although important, proves difficult to measure, therefore it is recommended that the measurement thereof should not be attempted in order to simplify matters and minimise guess work and confusion.

5.5. CONCLUSION

It can be concluded that ROMI is increasingly becoming important to measure in the life insurance industry, which is proven by the extent the marketers in the industry go to in order to remain relevant, be accountable and be considered a vital part of their respective companies. Every company is in business for profits and financial wealth, thus ‘sales’ is an imperative part of any company. Therefore successful companies, whether big or small, must see marketing and sales as having one rhythm, for the fact that marketing is a driver sales. The greater the sales, the greater the profits.

Marketers have come a long way, however they still have further to go in order to perfect the measurement of ROMI. In conducting the study, it is identified that more literature is needed around the study of ROMI, therefore a suggestion can be made for further studies to be conducted, focusing on the following areas:

1. Determining and establishing a standard method or formula (as recommended above in 5.4) that marketers in the life insurance industry can use in measuring ROMI. In this way more companies will attempt to measure ROMI with readily available information (methods of measuring ROMI), thus leading to a decline in the numbers of companies not measuring.
2. Conducting a detailed comparative study between marketers’ views and financial managers’ views on ROMI. Now that an understanding is established from the marketers’ views and opinions of why ROMI is deemed as important to measure in the life insurance industry, it would equally be important to determine the views of the financial managers or CFOs, as they are seen as gate keepers to all company finances and are accountable for overall company profits and losses.

3. Conducting a historical study to determine the actual link between marketing and financial outcomes, with an emphasis on reviewing financial reports and aligning them to specific marketing activities at specific periods in an attempt to quantify the real impact of ROMI. In this study the participants only provide their views and expert opinions, therefore the study relies on their personal feedback to make a deduction. A historical study will quantify and base the results on proven facts.

This chapter has met the three research objectives outlined in chapter 1. It reveals that ROMI measurement plays an important role for the marketers in the life insurance industry by allowing marketers to account for marketing activities and drives sales (both short and long term). It does not exclude customer retention, relationship building, reputational and brand awareness building elements. This is increasingly being considered as significantly important in the insurance industry, more specifically in the life insurance industry as the study has found.
REFERENCES


RESEARCH INTERVIEW QUESTIONS

1. Do you know the term ROMI?
2. a) Do you record spending on marketing activities?
   b) How?
3. Do believe that spending on marketing activities contribute to profit margins or incremental sales? Please elaborate with example.
4. Do you measure ROMI with each marketing activity?
5. a) Do you think it is practical to measure ROMI, given the type of business or industry you operate in?
   c) Please elaborate with relevant reasons.
6. Would you agree that ROMI is important?
7. If yes, please elaborate with relevant reasons.
8. Are the benefits experienced from the marketing spending acknowledged by the CFO and CEO?
9. Can you identify a marketing investment/spending that contributed to an increase in sales, revenue or profit?
10. If so, can you elaborate on the impact?
11. How do you measure ROMI in your company?
12. Do you believe that your measuring tools are effective?
SUMMARY OF RESULTS

Summary of results below indicate the interview feedback received from participants, which follows the same structure and order in which the questions were asked. Summary of feedback is as follows:

Question 1: Do you know the term ROMI?

Response feedback:

- Participant 1 – Indicated yes
- Participant 2 – responded yes but indicated that it stands for Relevance, Originality, Measurability, and Impact. Upon correction, the participant indicated awareness of the term and that it is referred to as ROI in the participant's respective company.
- Participant 3 – Indicated yes
- Participant 4 – Indicated yes
- Participant 5 – Indicated yes
- Participant 6 – Indicated yes

Question 2: Do you record spending on marketing activities? How?

Response feedback:

- Participant 1 – a) Yes, b) indicated that the recording is simply done by breaking down the overall budget into particular initiatives, looking into how effective the initiatives was and how much it cost, then comparing to the budget.
- Participant 2 – a) Yes, b) indicated that they have projections and record all cost estimates that they receive. They would monitor and track all spending on a monthly basis, such as how much they have spent on media, on digital, etc.

- Participant 3 – a) Yes, b) indicated that whatever is spent is recorded and taken off the budget.

- Participant 4 – a) Yes, b) indicated that each marketing activity has its own objective and budget and that they account for every single cent that goes out.

- Participant 5 – a) Yes, b) indicated that since they are a very small company with very tight and heavily controlled budget, the recording is done by using a spreadsheet and recording every single monthly spend (such as spend per publication, per TV advert, or print) on the monthly budget folder.

- Responded 6 – a) Yes, b) indicated that the recording done is specifically on what they spend per individual broker, thus all expenses are tied per broker accordingly, and elaborated that they use an electronic payment system that they can pull the spend report from. She explained that marketing activities such as brochures and other sales materials they do monitor the spend but do not tie it back to an actual return.

- Responded 7 – a) No, b) pointed out that they do not record spending or monitor it in any way. The reasons provided were that they are a small company that focuses on business to business marketing, and that monitoring the marketing expenses has not really been a priority for them. The company has recently gone through a major change of rebranding, where a big marketing budget has been allocated and would be able to make the monitoring and tracking of spend a priority.
Question 3: Do believe that spending on marketing activities contribute to profit margins or incremental sales? Please elaborate with example.

Response feedback:

- Participant 1 – agrees and believes that marketing has a direct effect on profit margins and it is also important to manage the reputation of a business because if the reputation of the business is not managed it will have indirect impact on sales.

- Participant 2 – agrees and indicated that raising awareness of the business’ existence and its products is the first step to the sales process. She further highlighted the Hierarchy of Effects Model from the awareness stage to being top of mind when purchasing.

- Participant 3 – agree and also highlighted that there is a direct correlation between sales and marketing. She added that for whatever reason they are slow on the marketing side, they can see the impact on sales, so their marketing efforts are also used to get sales on track.

- Participant 4 – agrees and pointed out that since he sits on the marketing council, sales and distribution team, and drives awareness and the brand, he sees marketing and sales as one. He further pointed out that they make sure that there is a direct link for every campaign to contribute to profit margins.

- Participant 5 – agrees and believes it also depends on the aim or objective. She added that the branding exercises indirectly influences sales and other activities that require a call to action by client or potential clients has a direct impact on sales.

- Participant 6 – agrees and adds that it is important for a brand to maintain a presence as there is a direct link to financial returns, even though difficult to identify. She further explains that it becomes a little easier when they are doing an event and looking at attendees. Then they do monitor and track movement in sales and profits, as they actively the activities to improve relationships and thus correlation to profits.
Participant 7 – agrees and points out that it is however very difficult to measure as she believes there is no direct correlation. She believes that when building the brand and building confidence, the return may only be visible two or three years later (long term).

**Question 4: Do you measure ROMI with each marketing activity?**

Response feedback:

- Participant 1 – explained that they measure ROMI depending on the aim, she explained that they can have two campaign running towards achieving a single objective and would measure ROMI as a job lot not per campaign.

- Participant 2 – measures ROMI with each activity although it can be very difficult to measure, as the indication or the measure is with the new business written.

- Participant 3 – indicated that they do not measure ROMI with each marketing activity. She pointed out that they do not measure ROMI with on their annual activities where results have been known but only measures ROMI when engaging in new activities in order to measure whether it yields a return.

- Participant 4 – measures ROMI with each activity even when it is difficult to do through pre and post campaign research.

- Participant 5 – agrees that they measure ROMI with each marketing activity although she cannot establish the integrity on some results, such as activities aimed to raise brand awareness and reputation.

- Participant 6 – points out that they measure ROMI with activity but only when it is feasible, meaning that it excludes branding, website and reputational type activities as they do not get business from engaging in them and as it would be almost impossible to measure them.

- Participant 7 – indicates that they do not measure ROMI at all.
Question 5: Do you think it is practical to measure ROMI, given the type of business or industry you operate in? Please elaborate with relevant reasons.

Response feedback:

- Participant 1 – Agrees that is practical, and provides reasons as follows:
  - The industry is becoming extremely competitive
  - life insurance companies are becoming less differentiated as the benefits offered are becoming more similar.
  - There is not money to waste, so the set marketing budget should be spent on the right initiatives that are most practical.

- Participant 2 – also agrees in the practicality, and gives reasons that measuring on marketing activities justifies the spend.

- Participant 3 – agrees that it is practical although difficult to do considering that the sales cycle takes longer. It is practical but challenging.

- Participant 4 – thinks it is not practical, and provides reason being that the products sold are not tangible, and that only hope is being sold.

- Participant 5 – agrees that it is practical, but only for direct marketing that drives sales. However does not believe it is practical for other marketing activities that are purely to drive awareness.

- Participant 6 – also indicates that it is practical, and gives similar reasoning as participant 5.

- Participant 7 – indicates that it is not practical, and gives reasons as follows:
  - as they do not sell products where they can measure direct increase in sales.
  - their marketing activities yields lead time of getting new business that can range from of 6 months to 4 years.
4.3.6. Would you agree that ROMI is important?

Response feedback:

- Participant 1 – Yes
- Participant 2 – Yes
- Participant 3 – Yes
- Participant 4 – Yes
- Participant 5 – Yes
- Participant 6 – Yes
- Participant 7 – Yes

4.3.7. If yes, please elaborate with relevant reasons.

Response feedback:

- Participant 1 – reasons as provided in Question 5.
- Participant 2 – reasons as provided in Question 3.
- Participant 3 – to see if there is a positive return on investment.
  - to establish how effective the marketing activities are.
  - to minimise waste on non-effective marketing activities.
- Participant 4 – to measure success and effectiveness of marketing campaigns.
  - to identify and exclude those that are not effective.
- Participant 5 – to control and manage costs.
  - because we are sales driven.
- Participant 6 – to justify budget increases.
  - everything ultimately relates back to money going out and money coming in.
- Participant 7 – to measure effectiveness
  - to measure the returns
4.3.8. Are the benefits experienced from the marketing spending acknowledged by the CFO and CEO?

Response feedback:

- Participant 1 – Yes, the CEO is marketing lead and understands the impact that marketing has. They are very analytical and accepts the benefits of ROMI.
- Participant 2 – No, currently seen as a luxury. An assumption is that sales departments are more valued and acknowledged more that marketing.
- Participant 3 – not sure if the Company CEO looks at marketing returns that closely, however the product house CEO would.
- Participant 4 – Yes, the CEO is a big believer in marketing drives.
- Participant 5 – Yes, the CEO is very passionate about it, but less so for the CEO.
- Participant 6 – Yes, the marketing team announces the benefits and impact of ROMI.
- Participant 7 – Yes, the CEO is currently driving the revamp and rebranding of the life insurance department, with a bigger budget and more marketing activities.

4.3.9. Can you identify a marketing investment/spending that contributed to an increase in sales, revenue or profit?

Response feedback:

- Participant 1 – Yes
- Participant 2 – No
- Participant 3 – Yes
- Participant 4 – Yes
- Participant 5 – Yes
- Participant 6 – Yes
- Participant 7 – No
4.3.10. If so, can you elaborate on the impact?

Response feedback:

- Participant 1 – retaining clients that were lapsing by focusing the marketing activities to target them. Also increase in sales from identifying product gaps in the marketing those as an offering.

- Participant 2 – cannot elaborate, new in the position (6 months) and currently putting measure in place, not sure about previous campaign before joining the company.

- Participant 3 – sales increase after the new product launch.

- Participant 4 – evident sales volume and increased revenue.

- Participant 5 – the number of leads shown by an increase in sales.

- Participant 6 – improved relationships between broker consultant and the brokers, which leads to brokers representing the company products favourably, resulting in increasing sales.

- Participant 7 – since there is not tracking and measuring of return on marketing activities, the activities employed are more about brand and product awareness, it increases confidence on its products and brand.

4.3.11. How do you measure ROMI in your company?

Response feedback:

- Participant 1 – by comparing budget to expenditure, and measure against sales
- Participant 2 – utilising sales actuarial team.
- Participant 3 – product house team tracks sales attributed to each specific campaign.
- Participant 4 – pre & post research.
- Participant 5 – measures cost per lead vs. retention & premium payments.
- Participant 6 – comparing budget to expenditure and measuring sales.
- Participant 7 – Not measured.
4.3.12. Do you believe that your measuring tools are effective?

Response feedback:

- Participant 1 – Yes, we utilise in addition actuaries and accountants
- Participant 2 – No, still a long way to go on perfecting the measuring tools
- Participant 3 – Yes, it is achieving the purpose although the tools could be made better.
- Participant 4 – Yes
- Participant 5 – Yes, not perfect but effective.
- Participant 6 – Yes, it works because we keep it simple.
- Participant 7 – No, not applicable.
APPENDIX C

TRANSCRIPTION OF DATA

PARTICIPANT 1

Designation: Head of Marketing

Research interview questions and feedback:

1. Interviewer: Do you know the term ROMI?
   
   Participant 1: Yes, I know what the term is.

2. Interviewer: Do you record spending on marketing activities? How?
   
   Participant 1: Yes. We have a budget for Discovery life which includes salaries and other, bud would also include brochures and would break it down to particular initiatives to i.e. reduce the number of clients who lapse their life insurance policies and then would have initiatives to reduce number and how effective or ineffective our initiatives was in achieving that and what the cost was and would compare the two and calculate the ROI in that way.

3. Interviewer: Do believe that spending on marketing activities contribute to profit margins or incremental sales? Please elaborate with example.
   
   Participant 1: Yes, definitely. I believe it has a direct effect. I also think it is important for other reasons. Marketing spend is important to manage the reputation of a business which obviously does not have a direct impact on sales or direct correlated impact but if you don't manage your reputation it will have an indirect impact on your sales. So you have to be careful, you can't just manage something that has a very obvious effect, something like a direct marketing campaign or special offer.

   At the moment we are running a special offer on our life insurance products to drive sales and we have already seen an impact, but then we have other
initiatives which are purely reputational drive building or to drive consumer education or consumer understanding and they will not have any impact or immediate impact on sales at all but I think they are equally important because without building the reputation of a company they will have a long term impact on the business. Without having a good strong brand I think is hugely detrimental to a business particularly on a life insurance business where you are managing people’s business, it’s not like buying a pair of shoes it is exceptionally important that you are seen as very ethical, highly astute, very innovative that your products and business practices are seen as very prudent and very reliable, honest trustworthy, all of those things have to be built into your reputation. Some of the marketing actually needs to build on that reputation base and they are not directly related to sales.

4. **Interviewer:** Do you measure ROMI with each marketing activity?

**Participant 1:** Yes. Example – Discovery has a special offer that is product which is a bit like Outsurance (where you get an out bonus when you do not claim) we have a product where you can claim but if you don’t make an enormous claim and if you manage your health then you get a pay back, you get a portion of your premium being paid back after 5 years, so the special offer we are running is instead of getting your premium paid back after 5 years you get your premium paid back after one year, you get an annual pay back instead of a 5 yearly pay back. so the different initiatives we have going at the moment are mostly to brokers so we expect the brokers to take the message out to the clients. We have direct mails going to the brokers, we are also mining our existing client base and giving the brokers that data to say they these are your health clients or vitality clients which used to have a policy with us but have moved to another life insurer for whatever reason to approach them because this is special offer going on right now and if they have been underwritten by a South African insurance company in the last 12 months we will not need to conduct any underwriting on them they can just move back and they can enjoy the special offer. We also communicate to them through some channels we have at Discovery through the business consultants, email, financial advisor, and communication that we send out through road shows,
we also have a leader log where we tell them who is producing the higher sales at the moment and we send them a weekly case study as to why this is a good case study i.e. example to say this is someone who received an annual payback, sometimes is a competitor comparison, sometimes it is just a stand-alone case study.

**Interviewer:** Do you measure all those marketing initiatives separately?

**Participant 1:** We would not measure them separately, with all those elements mentioned sort of build to one campaign, so we would not measure them as individual elements, we would measure the whole campaign as a cost and we would measure the impact of the whole campaign to see whether there is an increase in sales. We do sometimes, we have run direct mail campaigns, e.g. about a year ago we did some research to why clients where lapsing and why some other clients we staying with us. We identified the reasons and then we looked into our data base and we saw some clients that we thought might be at risk and then we contacted the corresponding brokers and we sent the list to say these are you clients that might be at risk and we though you should sell particular products to them to make them stick with us. The reasons that would make them stick with us at Discovery would be: if they we vitality clients for example or if they had more than one discovery product then they generally stay with us. so if they have a health product with us or have a discovery card, if they are on a high vitality status then they generally stay with us. We took those reasons and approached the clients, e.g. Say you were a client with us and had a life policy and you are a vitality client but you were only on a blue status, then we have two campaigns running to get you to gold, so we would have two different mail shot campaigns and we would measure the one campaign vs. the other campaign with the campaign we are running now it is all going to the brokers so we are not measuring one particular element, its being measured as a job lot, but sometimes we to measure them independently.

5. **Interviewer:** Do you think it is practical to measure ROMI, given the type of business or industry you operate in? Please elaborate with relevant reasons.
**Participant 1:** Definitely we should measure it. I think the life insurance business is becoming exceptionally competitive, more and more competitive. I think at the moment life insurance companies are becoming less differentiated, the benefits we are offering are becoming more similar and we are becoming more competitive on a price comparison basis. So there is not much money in marketing to spend so we need to make sure that the marketing budget is being spent in the right place, on a very practical level, I don’t have any money to waste. So yes.

6. **Interviewer:** Would you agree that ROMI is important?

**Participant 1:** Yes definitely.

7. **Interviewer:** If yes, please elaborate with relevant reasons.

**Participant 1:** Reasons already been given.

8. **Interviewer:** Are the benefits experienced from the marketing spending acknowledged by the CFO and CEO?

**Participant 1:** Yes. I am lucky at Discovery because a lot of companies in financial services are very driven by actuaries and accountants and Discovery as well but because Adrian (CEO) is the person that he is Discovery is very marketing lead and very aware of the impact of marketing so yes they are very aware that marketing is an important consideration and they definitely acknowledge the benefits. With ROMI they are very analytical, so they accept the benefits of ROMI far more easily than they would accept the benefits of something that was brand building or reputation building which is a bit more on the fairiest e.g. If I am putting articles together e.g. that explain asset allocation for invest clients where I am not actually talking about Discovery invest products or funds, they would ask why am wasting my time doing this, because we are not selling product or doing anything for Discovery, we are actually doing a consumer good, they can’t see the value, they can sometimes when you explain it but they see that a lot less important than something that drives sales or something like an advertising campaign or something that is a bit more on the public space.
**Interviewer:** If there were huge problems like a recession for example, do you they would cut the marketing budget?

**Participant 1:** No, marketing will always be important at Discovery. I can tell you as a fact that in the Life space, less so in the invest space, health and other portfolios but they are not big believers on above the line advertising but are big believers in things like direct mail and most of our other initiatives, they are not big believer in above the line. Most other things are committed to, like PR, brochures, conferences, training brokers, putting together competitor comparison, pretty much everything they do they can see a huge value and a merit in, but above the line not so much but that is only in the Life space. Health and Vitality they can see the value, I guess their opinion is that Life insurance is a bit of a grudge purchase so they think above the line advertising is not such a good idea.

9. **Interviewer:** Can you identify a marketing investment/ spending that contributed to an increase in sales, revenue or profit?

**Participant 1:** Yes quite a few.

10. **Interviewer:** If so, can you elaborate on the impact?

**Participant 1:** This year (2012) we did that special offer I just mentioned, and last year (2011) we also had a special offer where we launched a product that we are still running. We realized that mostly South Africans are underinsured because that was that GAP insurance study so we launched benefits where if clients buy a life insurance policy we would give them an addition percentage of life insurance for free. We ran an above the line campaign and there was a certain number of other initiatives and that definitely pushed sales up and that was above the line as it happened. There was also the campaign which I also mentioned earlier where we did the research to look at why our clients were lapsing their policies and then we looked at our clients that we thought might be at risk so we made them to stick more with us. although that was not driving new business sales, some of the initiatives to make them more sticky
did upsell them so they bought more benefits and it is always hard to say, we thought they were more at risk but whether they were more at risk on not it is difficult you can never tell. But we upsold them so we think they were okay, so there has been quite a few but those are the three that have happened in the last year and a half.

**Interviewer:** On that note, the question is not here but do you ever look at your financial reports and try and link it to the marketing activities to see whether a specific campaign pushed up sales or profits?

**Participant 1:** No, not our financial report. I get a report on the monthly sales so I would look at the monthly sales against our marketing activities on a monthly basis. I don’t look at our annual report. I can see the changes on a far shorter term basis. There is although a bit of a lag because when you think about a special offer that we are running now we launched it at the last week of October and it’s going to run until the last sales date which is 15 December, so the last inception date is going to be the middle of January so by the end of January will be the last time we can see the kick up in the sales. Although the special offer was launch was in October you are not going to see much by end of October and few weeks in November because it takes a while for clients to be sold because the brokers actually go to see the clients, they discuss the product, then the client’s application is submitted and goes through new business so for the first week and a half to two weeks after the launch you are not going to see any new business sales, from then until the 1st of Jan that is when you are going to see the peak to see if we have made a difference or not.

11. **Interviewer:** How do you measure ROMI in your company?

**Participant 1:** We take the figure of what we have spent over this period, obviously we know what we would normally spend on an annual basis on brochures etc., we know what the special offer is going to cost us in term of hard cost of paying a payback annually as opposed to every 5 years and we know what is going to cost us in terms of the marketing costs - printing costs,
direct mail elements that we had to produce, then we just measure it against sales.

12. **Interviewer:** Do you believe that your measuring tools are effective?

   **Participant 1:** Yes, we have enough actuaries and accountants at Discovery. I calculate and send it to actuaries and accountants to double check my figures. So yes I would say it is accurate.
PARTICIPANT 2
Designation: Head of Brand and Marketing

Research interview questions and feedback:

1. **Interviewer:** Do you know the term ROMI?

   **Participant 2:** No

   **Interviewer:** Not at all?

   **Participant 2:** Well I mean from my studies, I don’t know - does it mean, is it about relevance, originality, measurability, Impact. No?

   **Interviewer:** No, it is about return on marketing investment.

   **Participant 2:** Okay

   **Interviewer:** So the reason I chose this topic was because we do a lot of functions, we do a lot of promotions, we have a lot of client engagements but do we measure whether we get a return on that.

   **Participant 2:** We don’t call it that we just call it ROI.

   **Interviewer:** Oh, yes it is the same thing but on the marketing side of it. So should I say yes on the first questions?

   **Participant 2:** Yes, I mean we just call it ROI so whatever.

2. **Interviewer:** Do you record spending on marketing activities? How?

   **Participant 2:** Yes

   **Interviewer:** So how do you go about it? Record your spending?

   **Participant 2:** So what we do is, we obviously monitor and track all spend so we have got monthly spend where we would – we have projections, we have a budget that we try to work within, and all cost estimates that come in are recorded, so we would like monitor and track this how much we spend on media, how much we spend on digital, so we monitor and track on a monthly basis.
3. **Interviewer:** Do believe that spending on marketing activities contribute to profit margins or incremental sales? Please elaborate with example.

**Participant 2:** Absolutely, there is where you get into somebody’s consideratiancy, so raising awareness about your existence is the first step in the sales process.

**Interviewer:** Do you have an example that you can share?

**Participant 2:** I mean any marketing activity is going to get you into consideratiancy of a consumer. There is a basic pyramid in marketing that talks about awareness being the bottom layer and then you will have top of mind – I am sure you know this- and you will have preference and then you will have commitment. So this is what marketing does it addresses all of these things. So if you do not have marketing activities, how are people going to know that you exist. So you have got to spend money to get into their consideratiancy.

4. **Interviewer:** Do you measure ROMI with each marketing activity?

**Participant 2:** Yes - It is such a difficult thing to measure in our business because financial products take time to sell. So for example we have done a campaign, we are running a campaign at the moment and sales will spike 3 months later. You cannot buys products over the phone, you cannot buy it off the shelf,. You need to make an appointment with the financial advisor, you have got to complete the financial needs analysis and then you can only buy the product. And it take a while a while for you to get signed up, once you first debit order has gone through we can basically check the ID number after on the system to see whether it is related to the campaign but we do not do specific call to action like sms lines like more of the direct players do, because I think that is more like how they do it in the direct space. They will say sms 323 to bla..bla..bla..in a print they will say go to the website and on radio add they will say call this number. So they actually monitor and track that way, we don’t track that way at all.

**Interviewer:** Is it, so how do you track it.

**Participant 2:** Like I said using ID numbers, for example if we have an expo and we have a completion element and part of the completion element would
be to agree to have a financial needs analysis done, we collect all our leads using ID numbers. And in three months’ time we got the system to see whether we have written any new business or not. That is how.

5. **Interviewer:** Do you think it is practical to measure ROMI, given the type of business or industry you operate in? Please elaborate with relevant reasons.

   **Participant 2:** Absolutely, the thing is in marketing the challenge that we face all the time is what value we are bringing to the bottom line so measuring marketing justifies your spend on marketing activities. So the stronger link you can have to measuring your marketing activities the better.

6. **Interviewer:** Would you agree that ROMI is important?

   **Participant 2:** Question 6 & 7, already answered.

8. **Interviewer:** Are the benefits experienced from the marketing spending acknowledged by the CFO and CEO?

   **Participant 2:** No. I think we are getting to a place where... I have a very new team in marketing, the marketing team in retail South Africa and that is the part of the business I work on has only been around for about 2.5 year only. So we are putting all these measurable into place now and the easiest part of marketing to measure and track is digital, that is the easiest way of calculating our ROI. Because we obviously have online leads forms and we follow a process that tracks form the first discussion to closing the sale. Those are ways we monitor and track with the greatest amount of ease, and those results have been received very positively.

9. **Interviewer:** Can you identify a marketing investment/spending that contributed to an increase in sales, revenue or profit?

   **Participant 2:** No not at Liberty.

10. **Interviewer:** If so, can you elaborate on the impact?

    **Participant 2:** I have been in this role for about six months only, we have not done the calculation yet so I am not sure about the previous campaigns.
11. **Interviewer:** How do you measure ROMI in your company?

   **Participant 2:** You see our actuaries actually do this so we have a sales actuarial team that monitors and tracks.

   **Interviewer:** So you don’t send them anything to them like to double check your figures?

   **Participant 2:** Well yes we do, we actually tell them what we spend on the campaign and that kind of thing.

12. **Interviewer:** I am not even sure if I should I ask the last question. Do you believe that your measuring tools are effective?

   **Participant 2:** Probably not. There is a long way to go.

**Additional questions for probing:**

   **Interviewer:** I think I will go back to question 8 regarding CFO’s and CEO. Do you think if there were budget cuts they will look at marketing and cut your budget.

   **Participant 2:** It has never happened to me but I mean it is common knowledge that people regard marketing as a luxury and I think there is a misconception that sales can do the role of marketing on their own.

   **Interviewer:** Yes, because I think they are actually looking at what drives profits. So you think they don’t really look at marketing as that important to the actual selling of the product?

   **Participant 2:** Absolutely. Just remember they are the bean counters, the CFO cares about how much money is coming into the bank, so I think most companies probably values their sales departments over marketing. Definitely seen as a luxury, for sure.

   **Interviewer:** Even in Liberty

   **Participant 2:** You know nothing is ever been said or acted upon in any way like that but I think it is just assumed.
PARTICIPANT 3

Designation: Marketing Head of Life

Research interview questions and feedback:

1. **Interviewer**: Do you know the term ROMI?
   
   **Participant 3**: Yes, Return on Marketing Investment

2. **Interviewer**: Do you record spending on marketing activities? How?
   
   **Participant 3**: We obviously record spend but we just struck it against budget. Because clearly we have a budget so whatever you do it comes off the budget so that is how we track spend. That is not really the kind of tracking you are looking for but we are tracking and monitoring spending.

3. **Interviewer**: Do believe that spending on marketing activities contribute to profit margins or incremental sales? Please elaborate with example.
   
   **Participant 3**: Yes we definitely do. The more practical example is: we are in an established business so what we have been doing we have been doing for a couple of years but in times where we have not done much for various reasons for whatever the case might be, we could see the immediate knock off effect on actual sales because sales start declining slowly and then you realize that it is time you start spending in terms of marketing to actually get sales on track again. So there is a very direct correlation between sales and marketing and if we are a bit slow on the marketing side then we definitely see the impact on the sales side, so we cannot slip there and that is the reality.

4. **Interviewer**: Do you measure ROMI with each marketing activity?
   
   **Participant 3**: No we do not. If we do brand new stuff that we have not done before then we will definitely look at return on investment but a lot of the stuff we do we do on a fairly regular basis and we have been doing it for a couple of years, so it is trial and tested we know for a fact that is actually works. So there we do not track the return on investment that actively because we have
done it in previous years. But if we do something completely new, then we will definitely look at the return on investment.

**Interviewer:** To see whether it works?

**Participant 3:** To see whether it works and if we got the results we were hoping for and whether we are going to do it again because that is the other reality. If your return on investment were bad, then the questions sort of comes up as ‘are you going to do this again’, and then in theory the answer should be No unless there were obvious stuff that were wrong with the campaign that needs fixing or whatever the case might be. So yes, definitely, if it is new stuff we definitely look at the return on investment. The stuff that are tried and tested, almost like the ‘no-brainer’ stuff, the stuff that you need to do to stay current to be out there whatever, that we do not necessarily track. And obviously any above the line type activities like advertising, there we will track return on investment because there we are looking at whether specific sort of channel is working for you working for you or not but a lot of the stuff that we do we do not do a lot of above the line advertising for instance at Momentum that will happen at a Brand level. We are no operating at a band level, we are operating at a product house level so we do not do a lot of above the line except for print. Print is almost the only above the line that we do.

5. **Interviewer:** Do you think it is practical to measure ROMI, given the type of business or industry you operate in? Please elaborate with relevant reasons.

**Participant 3:** I have actually answered all of that in one. But the reality is that you have to but in our industry where there is a third party involved in terms of selling etc. it is a bit harder, it is definitely harder. And our sales cycle is also a bit longer, it is not a simple something like toothpaste or whatever the case might be, so the actual sales cycle is somebody first establishing a relationship then going to do a financial needs analysis then selling the product or whatever the case might be. So it is definitely a bit harder just to directly track it, it takes much longer to do the tracking and then on the multiply side you need a qualifying Momentum product so there is a barrier to entry but for a good reason because obviously the product is cross subsidies by the different business units. But it makes it makes it a bit harder to sell it, it’s is not
like somebody can just pick up the phone necessarily and say I want Multiply. The first question would be, do you have a qualifying Momentum product. So there is a tiny barrier to entry on the multiply side, it’s still possible though.

6. **Interviewer:** Would you agree that ROMI is important?

   **Participant 3:** Yes, it is obviously important because the reality is if you do not know what your return on investment is or if you don’t know you have positive return on investment then chances are that obviously either you are wasting money or you just do not know how effective your marketing is so return on investment is definitely an important measure of how successful your marketing are, and if you are getting the desired results. That obviously depends, not every campaign is necessarily a sales campaign some of them would be more to build the brand or whatever the case might be. And there you will be looking at other measures but the return on investment where it is a campaign that you are expecting direct sort of results in terms of sales should be tracking.

7. **Interviewer:** If yes, please elaborate with relevant reasons.

   **Participant 3:** That sort of took care of question 7

8. **Interviewer:** Are the benefits experienced from the marketing spending acknowledged by the CFO and CEO?

   **Participant 3:** I honestly do not know. I would guess so because obviously they would need to approve budgets and stuff every year but I do not think that they are that close. It will not be the CEO of Momentum it will be the head of the area that we are in. so let’s put it like this, if you look at the way Momentum is structured which is product house specific then yes the CEO of the product house will be monitoring it very closely, not the CEO of the company. So just that differentiation. Not really the CFO but he obviously gives input to the CEO but the reality is that in the end the CEO is the guy that is going to make the final decision.
9. **Interviewer:** Can you identify a marketing investment/spending that contributed to an increase in sales, revenue or profit?

**Participant 3:** Well, let’s think about that one because we do so many stuff. We recently in October launched new, I mean there is a huge marketing activity to launch and we obviously launch to brokers, our product house is not that consumer facing it is more, I mean we deal with the brokers a lot but we touch consumers at an arm’s length because they are obviously in between. But after launch we can definitely see the impact in terms of sales just the fact that you were out there that you have actively interacted with them, that you actually launched new products or enhancements, it is not always new products sometimes it is just tweaks to existing stuff etc. and we can definitely see the sales sort of increasing from something like that. It is actually not that hard to see it, but did we measure the return on investment in that case for instance – not necessarily because it is one of those pretty much trial and tested stuff, you don’t do it every year because it is too costly so therefore you actually need to measure it over two year time period and then saying how impactful was this. So it is not a straight forward return on investment type measurement but we can definitely see.

10. **Participant 3:** I believe I have answered question 10.

11. **Interviewer:** If so, can you elaborate on the impact?

**Participant 3:** Like I said it will happen at a product house level, I do not know if they actually do it across the entire Momentum like at a board level or whatever the case might be, however for the annual report and annual results every year someone would be tracking all marketing spend etc. but at that level they definitely would not be looking at what the return on investment is. To measure the return on investment really lies with the product house marketing teams and so I mean it not a formal measure and like I said if it something we have not done before or something that we are starting we will definitely look at the return on marketing investment there and then based on that decide, but the how will differ for every activity and it will also obviously depend on where we can track direct sort of sales that can be attributed to
certain campaigns or where we are simply looking at increases in business or whatever the case might be. So it will depend, there is no one set of way to do the return on investment measurement.

12. **Interviewer:** Do you believe that your measuring tools are effective?

**Participant 3:** They can always be better, but for our purposes I think they are fine but they can definitely always be better. Like I say it’s not like we have got these massive marketing budgets that makes it very hard to track the return on investment and that is the reality but we have very clear targets we know much we need to make in terms of justifying that we did something or whatever but we can easily work out like if we are spending X and we need to get a return on investment of Y otherwise this will not be worth our while, so there is a very direct correlation.

**Additional comment:**

**Interviewer:** So you have a basis to at least negotiate if they look at marketing and say if they say we are cutting budget then you can say no but this how we are doing.

**Participant 3:** Yes we can do that very clearly, obviously we work in a financial type institution, here everything gets numbered through the last cent and that is the reality, so I mean we can pretty much tell you exactly that for every R1 we spend we need to get R1.50 back otherwise it is not worth our while or whatever the case might be. We have got very clear sort of guideline in terms of that.
PARTICIPANT 4

Designation: Manager: Marketing and Communications

Interview questions and feedback

1. **Interviewer**: Do you know the term ROMI?

   **Participant 4**: Yes I know the term ROMI. It is the Return on Marketing Investments, and particularly in the financial sector, it is hard to just splash the money, you need to make sure that we are being responsible while investing in campaigns. So what we normally do is that we don’t use the formula as you know it, but what we do is because our products, unfortunately is not like selling cars where you know you have sold x number of cars after a specific campaign and knowing after what the return is. It is not that easy as our products are intangible, we are actually selling hope.

2. **Interviewer**: Do you record spending on marketing activities? How?

   **Participant 4**: Yes, definitely. Each marketing campaign has its own budget, so we have specific objectives with each campaign that we do. We rely heavily on research, we do thorough research before each campaign and after the campaign. This helps us quite a lot see whether we achieve our objectives. Each campaign has its own objective, since our target market is the entry level market, we target individuals that earn between R1000 and R10,000, the majority of which stay in informal settlements, rural areas and townships.

3. **Interviewer**: Do you believe that spending on marketing activities contribute to profit margins or incremental sales? Please elaborate with example.

   **Participant 4**: 100% Yes otherwise I would not be here. We see sales and marketing as on, I mean I sit on the board of the marketing council, I sit on the sales and distribution team, because I drive awareness, I drive the brand. We just cannot be Sanlam where people do not relate to it, we must be able to say what is Sanlam known for, that is our job definitely there spending on marketing activity must contribute to the profit margins or sales.
Interviewer: So is there a specific example that you can share?

Participant 4: Yes, we do radio campaigns as well as TV campaigns. We have two ads running currently through radio and TV where we ask people where they keep their money, in their bra’s or under the mattress – and we sell them hope by encouraging them to put their trust and money with Sanlam. We make sure that there is a direct link that every campaign must contribute to profit margins, and we have been successful so far.

4. Interviewer: Do you measure ROMI with each marketing activity?

Participant 4: I think I have answered that with the first question, that it is very difficult to do, but we do it through pre and post campaign research.

5. Interviewer: Do you think it is practical to measure ROMI, given the type of business or industry you operate in? Please elaborate with relevant reasons.

Participant 4: It is not practical. Because we do not sell tangible products, we sell hope. You see, if we were selling packages for example, FNB with their smart phone and iPad campaign, they are in a position to measure the return on that campaign. But financial services has more challenges in this area.

6. Interviewer: Would you agree that ROMI is important?

Participant 4: Yes, But I guess it depends on the industry.

7. Interviewer: If yes, please elaborate with relevant reasons.

Participant 4: In 2009, we ran a lot of campaigns and some were not practical. We started using the pre and post campaign research method and it showed that some of their target market did not even get to see or hear some of their campaigns, so from that feedback they had to scale down and get rid of some medium of communications in promoting their campaigns that did not work, to achieve effectiveness.

8. Interviewer: Are the benefits experienced from the marketing spending acknowledged by the CFO and CEO?
**Participant 4:** Yes, they are big believers in efforts that bring revenue to the company and they consider marketing to be. I mean, if we are under budget or run out of budget, they can get us the emergency fund to support the marketing activities.

9. **Interviewer:** Can you identify a marketing investment/spending that contributed to an increase in sales, revenue or profit?

**Participant 4:** Every year for the past 5 years we have spent one week per targeted area on road shows. Since our target market is lower segment of the market or should I say entry level market, where the majority of people do not own cars and use taxis, or those that might have cars but you are not the Sandton dwelling caliber type. We used taxi rank mobile shows for our campaigns and used taxi branding, where we advertise on taxi’s.

10. **Interviewer:** If so, can you elaborate on the impact?

**Participant 4:** The impact is the evidence on sales volume, increased revenue. For the past 3 years, our annual results have shown that we are fastest growing sector of Sanlam and we are growing every year. We are trend setter, we work hard by rolling our sleeves and getting our hands dirty, weekends we are here working and we enjoy it.

11. **Interviewer:** How do you measure ROMI in your company?

**Participant 4:** Through research. We are not arrogant in our approach, meaning that if a campaign worked last year, it does not necessarily mean it will work this year.

12. **Interviewer:** Do you believe that your measuring tools are effective?

**Participant 4:** Yes, absolutely
PARTICIPANT 5
Director: Marketing and Communications

Research interview feedback

1. **Interviewer:** Do you know the term ROMI?
   
   **Participant 5:** Yes, the return on marketing investment.

2. **Interviewer:** Do you record spending on marketing activities? How?
   
   **Participant 5:** Yes. We have obviously various marketing avenues, remember we are not a massive company like FNB or Standard Bank so we have very tight and bar controlled budget, so for every type of marketing event be pod cast media or whatever we have a budget and we record every single monthly spend per publication spend, print, per TV advert if it is spent. We record that on our monthly budget folder which is an excel spreadsheet, and updates from there is like a central folder.

3. **Interviewer:** Do believe that spending on marketing activities contribute to profit margins or incremental sales? Please elaborate with example.
   
   **Participant 5:** Yes it does. Depending on your aim, what you actually want o do. So for me, I have different reason why I market, it could be a pure branding exercise which does not directly influence sales so it is a very difficult one to measure. Then we also do a lot of what we refer to as retail response driven marketing which is for example lead generation based on the marketing spend, and that is very easy to measure because you obviously look at a cost per lead based on the responses, the incoming responses per event be it the TV or radio or whatever. There is a lot of variety that you can pull through in terms of certain level of spend below that it does really add value but above that it adds significant value. So it is very measurable if you do it to create responses, if not, it is difficult to measure but it is possible, it is not impossible, you will do that by means of typical market research afterwards focus groups, questionnaires, etc.
Interviewer: Do you perhaps have an example where the spending on the marketing activities did contribute to your profits?

Participant 5: Well as I have said, so for example on how it works, we would broadcast on TV show an ad (maybe I should show you one if you are interested or I can give you a DVD with our TV adverts if you want to see it) – so those adverts have a call to action, so it asks clients to phone in or to sms us, so once we get the response, the lead we phone the client back and we sell them a policy. So based on that the more we have spent, the more responses we get, the more sales we got.

Interviewer: Because it is directly related to…

Participant 5: directly related into more business, so in our world it is quite easy to measure.

4. Interviewer: Do you measure ROMI with each marketing activity?

Participant 5: we do, but we cannot necessarily establish the integrity of that. On the response driven ones, it is very easy to measure it. On the branding, we have maybe once a year, we have a brand awareness monitoring exercise where we will have a research marketing company that will phone with certain questionnaires depending on what the outcome that we want and based on that we would see ‘has our brand awareness increased’ etc but it is not on each, it difficult to see , it is on a more holistic approach but then it is too different things, on the response driven yes we measure it per day per time slot, very easy.

5. Interviewer: Do you think it is practical to measure ROMI, given the type of business or industry you operate in? Please elaborate with relevant reasons.

Participant 5: It is practical, in this industry on the direct marketing it is possible. And the rest I do not think it is very practical. There are ways, but it is difficult, it is assumptions and not like a clear cut ‘definitely yes, definitely no’.

6. Interviewer: Would you agree that ROMI is important?
Participant 5: It is definitely important. I suppose it is more difficult for companies that are not in the direct sphere, it does not generate sales, it is more like a service driven thing, yes but think it is practical but I think it is more challenging but it is important.

7. Interviewer: If yes, please elaborate with relevant reasons.

Participant 5: As I have mentioned just now and I am talking in my sphere, it is important because the costs can run away with you, if you do not measure it especially if you are a smaller corporate like we are, it is important to have the right measure an jut stay on top of it because marketing can just easily be a black hole where money just disappear into if cost are not tightly managed.

8. Interviewer: Are the benefits experienced from the marketing spending acknowledged by the CFO and CEO?

Participant 5: It is very important for our CEO and maybe less so for our CFO, but you always have that natural business strain between finance and marketing. It is two very different skill set, it is two very different personalities in terms of generally understanding. I think our CFO acknowledges it, definitely not as passionate about it a I am or our CEO.

Interviewer: So the CEO is passionate about it?

Participant 5: For our CEO is extremely important for him.

Interviewer: So how is their relationship, if the CEO thinks it is important and the CFO reluctant on it?

Participant 5: Luckily I report to the CEO, and he controls the budget (laughs)

Interviewer: Lucky for you (laughs)

9. Interviewer: Can you indentify a marketing investment/ spending that contributed to an increase in sales, revenue or profit?

Participant 5: so the two that is the most successful in our lives is TV, TV broadcast media and the second one is the digital marketing which is a combination of AVM’s (which is automated voice messages, sms campaigns, email campaigns, etc). Most of successful is our broadcast and second is the
digital. But digital excludes social media in our sphere, it not like complete social media campaign integrated, it is active retail orientated response driven marketing campaign with the objective to generate client responses.

10. **Interviewer:** If so, can you elaborate on the impact?

   **Participant 5:** What do you mean?

   **Interviewer:** As a follow up to question 9.

   **Participant 5:** So the impact is the number of leads which mean we would have an increase in the sales. The more we spend, up a certain level (it is not a perfect size to say if you spend more you get more), you need to spend more cleverly as well. But if you know what works and where you are actually successful in which markets then it is very easy to measure because if you spend more in that specific area then you do get better responses which then directly converts into sales. We are a life insurance company, so obviously premium income is our main income streams, so it is important

11. **Interviewer:** How do you measure ROMI in your company?

   **Participant 5:** Well we have the two leg approach, as I said we have the branding which is the branding reputation intention in terms of marketing and the second one is the retails which is directly linked to sales. So we measure the cost per lead, so it is three things that we measure. Firstly, we measure the cost per lead, how much if we spend R100k on this TV slot and we get 10,000 leads (okay that is very optimistic, it is never that high...laughs) then it costs us let say a R100 a sale. If we advertise in that spot, it costs us R200 a lead. So the sources of leads, how much we have spend and how much many responses we have driven is directly measured. Then the second one is the conversion rate, so when the sales person does a sale for example, different sources will have different conversion rate. So let us say the TV is the best we have the highest conversion on TV, clients need to sms us, so it is because we have a TV advert and it is the incoming leads basically. On the digital campaign, where we prompt the client conversion rate is also good but slightly lower but similarly we will spend a certain amount for a certain campaigns and then based on the number of leads it will give us the cost per lead, how much
did it cost us to get that client’s contact. Then we look at how easy did it convert, how many leads did we waste etc. Then the last one is a little bit after the fact but we, but measure the retention rate of the client, how well did he pay his premiums etc. So different leads sources, so because you attract different types of LSM’s emails is automatically higher that sms type of response. So the client that you get a response by an email generally has a better payment profile, than a client that sms’s you. So it is per rand value that you spend per type of avenue that we have used, broadcast, print etc and ten after the fact we look at the retention and premium payment.

Participant 5: Does that make sense, does it answer your question?

Interviewer: It makes perfect sense.

12. Interviewer: Do you believe that your measuring tools are effective?

Participant 5: Yes, it not perfect but it is effective enough.
PARTICIPANT 6

Designation: Head of Marketing and Communications

Research interview feedback

1. **Interviewer:** Do you know the term ROMI?
   
   **Participant 6:** Yes, return on marketing investment

2. **Interviewer:** Do you record spending on marketing activities? How?
   
   **Participant 6:** Yes we do. We record all of our spend, we particularly we record what we spend specifically on individual brokers because we have to account that in terms of conflict of interest so that it is clearly accounted for, and that is done through our actual systems. So a payment being made is tied into an individual broker or any kind of hospitality gift or anything through the payment system ties back to the individual broker so we can see where our spend is going.

   **Interviewer:** So you actually have a system that you use that you just populate or upload data in?

   **Participant 6:** Yes, so it all ties back. In terms of actual broker spend we know exactly where our money is going, in term of other more general marketing activities - for example, if we were doing sales material or guides or anything of that nature we are quite strict on what we spend, we monitor exactly what we spending but we do not actually tie it back to an actual return.

   **Interviewer:** It’s just to control the budget specifically.

   **Participant 6:** Yes.

3. **Interviewer:** Do believe that spending on marketing activities contribute to profit margins or incremental sales? Please elaborate with example.

   **Participant 6:** Yes I do, I believe that maintaining a presence is very important for a brand and I think that there is a very direct link but a very difficult to find link between maintaining that brand and actually the business that we are
getting in return. So the marketing activities that we do I think they do contribute to profit margins, the level of contributions is very difficult to say, especially if you are talking broadly across all marketing activities. Maybe it is a little easier if you are looking at direct relationships between activities like an event and who attends the event, whenever we do that kind of activity we do monitor business to track if there is an increase in business. And what we do is we try to actually amend the activities to improve the relationship or the correlation.

I will give you an example. Broker hospitality, going out and doing road shows and that kind of thing. What we did one year is that we actually looked at having a session with brokers but at a much more social level with a high ration of staff to brokers. So whereas you go on a road show where you would have a couple of 100 brokers versus a hand full of representative of staff. What I did is that I made it more social function where the ration was about two to one (2:1), so one host to about two to three brokers and what we did after is that we actually monitored whether we saw an improvement in our business.

**Interviewer:** And did you?

**Participant 6:** Yes, we did from those specific brokers. And then we have just now done our second one, so we are waiting to see what our numbers look like

4. **Interviewer:** Do you measure ROMI with each marketing activity?

**Participant 6:** No, some it is just not possible. If you break down your marketing activities, for example, social media and what we spend on social media which is not very much but what do we get in return probably very very little business, if any. But part of building a brand and part of maintaining a brand presence so we need to be there. Even our website, being an intermediated business and not dealing directly with the public we have to have a website, it is almost like you do not exist if you do not have a website as a corporate, but we do not really get business from having a website.
5. **Interviewer:** Do you think it is practical to measure ROMI, given the type of business or industry you operate in? Please elaborate with relevant reasons.

**Participant 6:** It depends on if you are going to separate it into individual activities versus if you are going to look at marketing investment overall. I think overall it is very difficult, so I think it does have to be on a specific activity basis, so yes.

6. **Interviewer:** Would you agree that ROMI is important?

**Participant 6:** Yes absolutely.

7. **Interviewer:** If yes, please elaborate with relevant reasons.

**Participant 6:** Especially going through the budgeting process and ring to justify why you need an increase on certain items or if you cannot show that you are going to get more of it in return, so definitely and also you have got to measure it in some way, so whether it is actual investments or whether it is in brand awareness or brand loyalty or whether it is in customer satisfaction you got to have some kind of measures and even then it is still going to ultimately relate back to money and your spending.

**Interviewer:** that is why you are in business (laughs..)

**Participant 6:** It ties together, absolutely.

8. **Interviewer:** Are the benefits experienced from the marketing spending acknowledged by the CFO and CEO?

**Participant 6:** I would say yes, because as a marketing team we do make sure that when we do have benefits that we make sure the everybody knows about it because I think that is one of the dangers, everybody out there sees marketing as a black hole where all that money disappears thinking ‘what are they doing with all that money’. So yes we do, we make sure that we fly our own flag and say this is working, look at what is happening, but at the same time we do tell them when it does not and say we are not going to continue with this type of thing because it is just not working or not appropriate to our market or if we are not seeing any kind of benefits that we expect to see so we will stop it definitely.
Interviewer: So they do rout for marketing?

Participant 6: Yes absolutely

Interviewer: So let’s say if there was a recession, they will not come to marketing and say we are cutting costs and look at marketing as the first target?

Participant 6: I think marketing is always going to be a target, but at the same time there is an understanding that you cannot achieve what we want to achieve without having the right kind of image and reputation out there and we have to get an image and reputation out there it does not just happen by itself.

9. Interviewer: Can you identify a marketing investment/ spending that contributed to an increase in sales, revenue or profit?

Participant 6: Yes, the one I already told you, it is such an nice example. Got them in for breakfast and lunch sessions, we had the CEO and had all the senior management of the company, and you would literally have a broker on either side of you as a host and their job was to getting to know each other and making themselves available to that person, such as to say “you are having that problem, oh let me sort it out for you” that type of thing. It is actually starting to establish those relationships and show that we are an accessible business. As a broker you could be sitting next to the underwriter, the head actuary, the product specialist, marketing and you could say can you help me what do I do with my own marketing, can you give me information for my own website as a broke, and of course we can help you. I cannot remember the actual number but we monitored this over a six month period because we thought six months would be reasonable as nothing really happens immediately. So what I can tell you is we did better than expected.

10. Interviewer: If so, can you elaborate on the impact? I think you have mentioned to say that you did see and improvement in sales and also from what you are saying is that you did see an improvement is relationships as well between the staff and the brokers.
Participant 6: Yes, because ultimately the relationship is what you need before you get the sale. And in terms of impact we saw an increase in business, we also saw our broker consultants having a better relationship with the brokers. So even though we may have had an initial improvement in business immediately after seeing the brokers, the brokers consultants then had the opportunity to get involved and maintain that relationship to make sure that in improved even more after our session. It is as if we had gone and made those opportunities possible and paved the road for the broker consultant. So they are out there trying every day and we are sitting in head office and they feel that we are very disconnected so bring head office to the brokers and it helps the broker consultant. So a bit of an immediate short term and a longer term benefit.

11. Interviewer: How do you measure ROMI in your company?

Participant 6: Like I said very difficult, we only measure per particular activity where feasible. So we do not measure across the board. Obviously I look at my overall contributions in terms of the entire budget and what we have to bring in etc. but it is so difficult when you are not seeing a direct correlation between a specific activity and a result. You know there are other factors so it is really hard to narrow it down to what the actual activity did. I will give you an example. We recently launched a new benefit ‘early cancer cover’ – what we have done is specific marketing campaign for existing brokers who have clients who can benefit from taking up this product and we will be able to measure from there whether our campaign was successful and I would say the majority of that success would be driven by the marketing activity, we can make that assumption. So yes, individually or per activity.

12. Interviewer: Do you believe that your measuring tools are effective?

Participant 6: Well it depends on what you are measuring, but we try to simplify it as much as possible, well like on the early cancer campaign example let say we have 20 000 clients to target who could potentially take this up, it is very easy to measure on how many of them did actually take it up,
so we keep it really simple, and of course how much did we really spend on that, what have we brought in as part of the campaign.

*Interviewer:* So the way you are doing it right now is working for you?

*Participant 6:* It is working for us because we keep it simple and also because I don’t really know any other way that we could be doing it better.
PARTICIPANT 7

Designation: Marketing Executive

Research interview feedback

1. **Interviewer:** Do you know the term ROMI?

   **Participant 7:** Yes, I would assume that it stands for return on marketing investment.

2. **Interviewer:** Do you record spending on marketing activities? How?

   **Participant 7:** We do not really, that is why I said to you earlier when I looked at the questions. I mean we do record it but because we focus on business to business, our marketing expenses has not been a real priority for us, we have a marketing budget but has been very small, it is not something we focused on. Our marketing is more on one on one, going out there and selling rather than spending on advertising and promotions etc. so for that reason we do not really spend a lot of effort in monitoring it, it will be part of the expenses. We have a separate spend for advertising and public relations and things like that but it is not something we monitor because it is a very small portion of our expenses. It is only recently that Alexander Forbes as a group and Guardrisk started focusing a bit more on the spend and increased the spend quite drastically because we went rough the whole rebranding exercise last year so of course there was a lot of spend and they then started looking at if it is worthwhile and how much we should spend. But before that it has never been a priority for us because it is business to business but at the same time we acknowledge that we have to brand we have to create that brand so we have to spend a bit more.

3. **Interviewer:** Do you believe that spending on marketing activities contribute to profit margins or incremental sales? Please elaborate with example.

   **Participant 7:** Yes, it does but I think it is very difficult to measure because there is no direct correlation, there is a short term effect and there is a long term effect, which part of it is building a brand and building confidence in your
company and your products. You are not necessarily going to see a return immediately it may only happen two or three years later. It is very difficult to measure but it is definitely necessary.

4. **Interviewer:** Do you measure ROMI with each marketing activity?

   **Participant 7:** We definitely do not. It is a definite no because we do not measure ROMI at all.

5. **Interviewer:** Do you think it is practical to measure ROMI, given the type of business or industry you operate in? Please elaborate with relevant reasons.

   **Participant 7:** Us specifically NO, because we do not sell products where we can measure a direct increase in sales, for example, you have just gone out on this advertising campaign and if you can measure a direct correlation of an increase in sales because we do not sell the products like that so our lead time of getting new business can be anything from 6 months to 4 years. So it is very difficult to measure that, it is not practical in the line of business we are in.

6. **Interviewer:** Would you agree that ROMI is important?

   **Participant 7:** Absolutely.

7. **Interviewer:** If yes, please elaborate with relevant reasons.

   **Participant 7:** I think it is always important to see or measure what you are doing is the right thing, if it is working so that is why I feel it is important. Otherwise you invest in something that is not giving you any returns then you are completely on the wrong path.

8. **Interviewer:** Are the benefits experienced from the marketing spending acknowledged by the CFO and CEO?

   **Participant 7:** Yes definitely. I think from the Alexander Forbes Group in total it was the CEO who drove a lot more marketing spend over the last year or two feeling that a lot more effort and money should be spend on getting the brand awareness out there and increase the knowledge of what Alexander
Forbes and Guardrisk does and offer. So it is acknowledged because they are the ones who were actually driving it.

9. **Interviewer:** Can you identify a marketing investment/spending that contributed to an increase in sales, revenue or profit?

**Participant 7:** Not really, like I said it is very difficult for us to measure what specific thing contributes, it is kind of putting it all together, I think it all contributes. It is like one of those things that if you stop doing it then you will see a decrease in sales but doing it does not necessarily show you the increase. It is all the little things put together, it is not one specific activity that I think can be outlined. Last year with the rebranding, we went quite big in Guardrisk to put the name out there, we did billboards by the airports and followed that on with some TV ads and we had a lot of new technical articles in magazines and we have found that there is a lot more brand awareness, suddenly it is not lie when you mention the name Guardrisk people would say we do not know who that is, they would say we have heard of them where before we were more business to business behind the scenes selling now it is suddenly becoming a name that people are aware of. So from that point of view, we have seen an increase in that which will eventually lead to an increase in sales and profits.

10. **Interviewer:** If so, can you elaborate on the impact? I believe that you have answered this questions when you say the impact is on more awareness of your brand

**Participant 7:** Correct and also confidence. Once they hear what we are all about (that has always been our challenge) they go ‘wow you are a big solid company that has been around for a while’ but because they do not know the name and knowing the name now gives a bit of more of that confidence and they say ‘we have heard of you’ rather than ‘now we know what you are all about as we did not know before’ there will be doubt. So yes it gives confidence in the brand.
11. **Interviewer:** How do you measure ROMI in your company?

   **Participant 7:** We do not at all. Probably going forward we will start looking at something but up to now because of the nature of how we market we have not.

12. **Interviewer:** Do you believe that your measuring tools are effective?

   **Participant 7:** Obviously not.

   **Interviewer:** Yes, I guess this question does not apply.