

## Adopting Innovation Marketing as a Mechanism to Improve the Competitive Advantage of Service Companies: The Algerian Insurance and Reinsurance Company (CAAR) Case Study

تبني التسويق الإبتكاري كألية لتعزيز الميزة التنافسية للشركات الخدمية:  
دراسة حالة الشركة الجزائرية للتأمين وإعادة التأمين.

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Received in	07-10-2020	Accepted in	22-02-2021
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### Abstract

The dynamic nature of markets, due to the rapid change in the tastes and desires of consumers and the increase in competition, made innovation marketing one of the modern means that the company must adopt to achieve competitive advantage. Through this study, we aim to highlight the contribution of innovation marketing in the marketing mix to improve the competitive advantage of service companies. To achieve this objective, concepts related to innovation marketing and how it affects competitive advantage have been identified, and the experience of the Algerian insurance and reinsurance company (CAAR) has been analyzed for it represents a leading company in this field. We used the company's annual reports as a tool to collect the necessary data using the descriptive approach. One of the most prominent results of this research study is that the adoption of innovation marketing by this company has improved its competitive advantage through innovation in the marketing mix.

**Keywords** : Innovation marketing ; marketing mix ; Competitive Advantage.

### المخلص

إن الطبيعة الديناميكية التي تشهدها الأسواق نتيجة التغير السريع والمتطور في أذواق المستهلكين واشتداد المنافسة، جعلت التسويق الإبتكاري من الوسائل الحديثة التي يجب على الشركة تبنيها لتحقيق الميزة التنافسية، حيث نهدف من خلال هذا البحث إلى إبراز الدور الذي يؤديه التسويق الإبتكاري في عناصر المزيج التسويقي إلى تحسين الميزة التنافسية للمؤسسات الخدمية، ولتحقيق هذا الهدف تم تحديد المفاهيم المتعلقة بالتسويق الإبتكاري ومساهمته في تحقيق الميزة التنافسية، وعرض تجربة الشركة الجزائرية للتأمين وإعادة التأمين (CAAR) كشركة رائدة في هذا المجال، وتم الإعتماد على التقارير السنوية للشركة لجمع البيانات لتحقيق أهداف البحث، ولمعالجة هذه الدراسة قمنا باستخدام المنهج الوصفي.

ومن أبرز النتائج التي توصل إليها البحث أن تبني التسويق الإبتكاري من طرف هذه الشركة أدى إلى تحسين ميزتها التنافسية من خلال الإبتكار في مزيجها التسويقي.

**الكلمات المفتاحية:** التسويق الإبتكاري؛ المزيج التسويقي؛ الميزة التنافسية .

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## **Introduction**

Insurance companies are institutions that provide financial services, as they guarantee covering for the future losses of individuals. However, insurance companies face many changes such as technological development and development of expectations and sensitivity of customers. This makes it in a dire need of a modern and contemporary approach in marketing its insurance services and improving its product, especially in light of intense competition in the market.

On the other hand, innovation marketing can contribute to creating excellence for insurance companies by developing their marketing methods that allow to overcome internal restrictions and respond quickly to external changes.

Insurance companies that realize the importance of innovation in the marketing mix are always able to gain competitive advantages and achieve excellence. This research study, then, will present the case study of the Algerian Insurance and Reinsurance Company (CAAR) in the field of innovation marketing.

## **Research Questions**

The fundamental question that this study sought to answer is:

**How does the innovation marketing improve the competitive advantage of Algerian Insurance and Reinsurance Companies?**

Two other sub-questions emanate from this main question:

What is the extent of the application of innovation marketing in the Algerian Insurance and Reinsurance Company?

What is the role of innovation marketing in achieving the advantage of differentiation for the company through the continuous development of its marketing mix in the Algerian Insurance and Reinsurance Company?

To answer these questions, the following two hypotheses have been made:

- The innovation marketing of the Algerian Insurance and Reinsurance Company is limited to reducing costs to achieve a competitive advantage.
- Innovation marketing plays a crucial role in achieving the differentiation advantage of the company through the continuous development of its marketing mix.

## **Importance of the Study**

This study presents a vital and important subject, which is innovation marketing. It identifies innovation marketing in the marketing mix that is implemented within the Algerian Insurance and Reinsurance Company. It also highlights the contribution of innovation marketing to achieving a competitive advantage in the Algerian Insurance and Reinsurance Company.

## **Research Objectives**

This research study aims:

- To highlight the role played by innovation marketing in its various elements in the creation and improvement of the competitive advantages of insurance companies.
- To analyze the ability of the Algerian Insurance and Reinsurance Company to adopt innovation marketing and its contribution to achieving excellence under the intense competition in the Algerian insurance market.
- To present a set of recommendations that improve the effectiveness of innovation marketing to gain competitive advantages in insurance companies.

## **Study Methodology**

In this study, we used the descriptive approach by collecting and analyzing the data and information, in order to formulate the theoretical background and applied results achieved. To achieve the objectives of the study and respond to the problem at hand, we used the company's annual reports as a tool to collect the necessary data and to discover what the company has achieved in the field of innovation marketing and its contribution to achieve competitive advantage.

## **Literature Review**

A number of studies have focused on the topic under study; all of which have collected and studied the relationship and impact of innovation marketing on competitive advantages. The following studies can be highlighted in this context:

### **Information Technology Adoption for Service Innovation Practices and Competitive Advantage: The Case of Financial Firms**

an article written by Chen, J. S.; Tsou, H. T, and published in Information Research: An International Electronic Journal, v12 n3 Apr 2007, Department of Business Administration, Yuan Ze University, Chung Li, Taiwan.

The goal of this article was to expand the understanding of service innovation as a vital organizational ability in which the introduction of information technology affects the competitive advantage of a business. The main result of this study showed that the introduction of information technology has a beneficial influence on service innovation processes that increasing the competitive advantage of businesses (Chen & tsou, 2007).

### **Firm survival through a crisis: The influence of market orientation, marketing innovation and business strategy**

an article written by Vikash Naidoo, and published in Industrial Marketing Management Journal, Elsevier, v39 n8, 2010.

This research examined whether marketing creativity, identified as marketing mix enhancements, can help to overcome the difficulties of operating

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under current economic circumstances. This paper has achieved three crucial results as following (Naidoo, 2010):

- A. First, the Chinese manufacturing SMEs analysed had a higher positive chance of survival if they had a competitive advantage established and retained.
- B. Second, marketing innovation has helped to build and maintain competitive advantages based on differentiation and cost leadership strategies.
- C. Third, the marketing innovation capabilities increased when the small and medium-sized manufacturing enterprises studied were competitively focused and had strong inter-functional abilities.

**Selecting Business Partners for Service Delivery Co-Innovation and Competitive Advantage**

an article written by Hung-Tai Tsou Colin C.J. Cheng Hsuan-Yu Hsu, and published in Management Decision, Emerald insight, 2015, Vol. 53 Iss 9.

Through this study the researchers tried to illustrate the main contribution of selecting Business Partners for Service Delivery Co-Innovation and its impact on Competitive Advantage.

This research has achieved several results where the most significant one is the Service delivery Co-innovation impacts the competitive advantage of companies differently (centered on the market and centered on employees). Thus Managers should also be mindful that the competitive advantage of companies demands that they be differentiated in alignment with co-innovation in service delivery (Hung-Tai&al, 2015).

**Innovation and competitive advantage creation: The role of organisational leadership in service firms from emerging markets**

a paper written by Thomas Anning-Dorson, and published in international marketing review, Emerald insight, 2015, Vol. 35 Iss 4.

The main aim of this article was to clarify how innovation creates competitive advantage for emerging market companies. The findings showed that creativity is mainly positively linked to competitive advantage in both India and Ghana. In addition, in both cases, organizational leadership was also found to mediate individually and as a team between creativity and competitive advantage in order to validate the impact of power distance and leadership position in such cultures (Anning-Dorso, 2015).

**Competing through service innovation: The role of bricolage and entrepreneurship in project-oriented firms**

an article written by Sandeep Salunke, Jay Weerawardena, Janet R. McColl-Kennedy, and published in Journal of Business Research, Elsevier, 2013, Vol. 66 Iss 8.

This research aimed to illustrate how business service companies efficiently combine the available tools (bricolage) to innovate and keep ahead of competition. The main result of this study confirmed that service

entrepreneurship (SE) and bricolage affect two modes of service innovation (interactive and supportive), which in turn is related to sustained competitive advantage (Salunke&al, 3013).

Through the previous studies above, we can say that our research is distinguished from these studies by focusing on innovation marketing as a specific field of innovation rather than innovation as a general domain, moreover, this paper also sheds light on a specific case study which is insurance and reinsurance companies.

### **The Concept of Innovation Marketing**

Innovation has been widely regarded as the central process driving economic growth and the sustainable competitive advantage of both companies and nations. Besides, to driving sustainable growth. According to a global study by the Boston Consulting Group, 75% of executives consider innovation as one of the three key priorities of their business, and 61% spend more on it than in 2013 (Manceau & AL, 2015, p. 1). These results have pushed organizations towards innovating new marketing methods to create customer value and achieve a competitive advantage.

### **Definition of Innovation Marketing**

Innovation is the implementation of a new or significantly improved product (good or service), process, a new marketing method, or a new organizational method in business practices, workplace organization, or Foreign relations (Marins, 2017, p. 10). While innovation marketing is defined as "a search for creative and new solutions to problems and needs, it brings together both techniques and practices used to master the actions of launching new products to facilitate their adoption and understanding by the market" (Semlali, 2016). Innovation marketing is also defined as "The development of new marketing tools and methods» (Cascio, 2011, p. 11). Innovation marketing is identified as "An application of a new marketing method in the action of an enterprise" (Spychalska-Wojtkiewicz, 2017, p. 56). It can therefore be said that innovation marketing is the successful exploitation of new ideas and that it touches all activities associated with directing the product from the manufacturer to the final consumer.

Innovation marketing represents the development of new ideas in marketing practices aimed at achieving profits for the company by satisfying consumers better than competitors do and creating value for them, so the company that adopts innovation marketing has to develop new products and strategies to achieve excellence.

### **Elements of Innovation Marketing**

Innovation marketing involves the use of completely new marketing strategies, marketing concepts or new marketing methods that have never been

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applied in the company, it is based on the combination of the following elements (Ilić & AL, 2014, pp. 36-37):

### ➤ **Product**

New products are known as products that have been on the market by the firm for five years or less; on average, new products account for a staggering 40% of company sales. And this percentage has been increasing terrifically (Innoregio, 2000, p. 3):

33 % in the years between 1976 and 1981;

40 % from 1981 to 1986;

42 % between 1985 and 1990;

In 1995 accounted for 52 % of company sales.

This acceleration of launching new products can be explained by the changes in customer needs as well as like markets, technological development, the intensity of competition, shortening product life cycles.

### ➤ **Pricing**

Innovation marketing in pricing is "the ability to invent new unexpected price/product constellations not perceived by other agents in the market" (Jonason, 2001, p. 40), Furthermore, It involves the use of a completely new pricing strategy that the organization applies for the first time in its products and services in a particular market.

In general, it is possible to summarize the most important forms of innovations in pricing:

- The consumer set the price of the product him or herself;
- Pricing Unit method;
- Rebate Cash method;
- Selling Pricing Package;
- Club Diamond Card;
- Pricing Psychological.

### ➤ **Place**

Innovations in distribution channels may relate to how distribution functions are implemented, or how these functions are divided between channel actors. Innovation may require the inclusion of additional types of distribution channels, or the exclusion of existing channels (Nyberg, 1998, p. 12).

Thinking about developing new channels has become imperative, given that the new distribution channels are considered as a way to develop an effective differentiation strategy for companies, and thus better segmentation of products and customers, that's providing a suitable offer to each customer.

### ➤ **Promotion**

The concept of promotion is a mechanism for communication and exchange of information between consumers and organizations. The task of promotion is to inform, remind, and persuade consumers to act, purchase, and consume a certain product.

The main objective of innovation marketing in terms of branding is product positioning in the new market or creating a new image.

➤ **People**

The skills and competencies that the company possesses represent a source of strength for it, through creative ideas and efficient performance, which drives it towards achieving excellence and uniqueness, which must be taken care of and run effectively from the stage of employment to the stage of performance evaluation.

Each person in the organization, from the custodian, through who receives phone calls, and producers have a significant impact on the reaction and behavior of customers towards the company, which means that each person working in the institution has a role in the marketing process of the company and contributes to achieve excellence for it through continuous training for them And improve their performance.

➤ **Process**

Process innovation involves creating a new way to produce, or sell, distribute an existing good or service, also, it increases the efficiency of manufacturing processes and reduces the associated production costs. Although each has a positive impact on the company's performance, the synergistic effect between them provides the most competitive advantage (Tinoco, 2010, p. 1).

➤ **Physical evidence**

Any innovative change in the physical evidence of others competitors, no matter how simple, contributes to positive outcomes for both workers and clients, and the interior must be designed by creative people who know how to blend visual, auditory, and taste elements in a way that helps to achieve the desired goal.

## **The Role of Innovation Marketing in Achieving Competitive Advantage**

Competitive advantage is the ability to stay ahead of the competition, as the superior performance achieved through competitive advantage allows market leadership.

Indeed, the companies which aim to achieve a competitive advantage must be able to offer the same benefits that competitors offer, but at a lower cost or deliver benefits that exceed those of competing products.

Besides, many companies are working hard to innovate more, better, quickly, at a lower cost to maintain their position in the market. For example, the bankruptcy of Kodak and the takeover of Nokia have deeply made an impression, showing that no giant is dominant (Manceau & AL, 2015, p. 1).

The competitive advantage is defined by the situation that creates value for the enterprise by improving productivity and meeting customer needs differently from competitors (wanyoike, 2016, p. 3). The overwhelming majority of innovation research confirms that innovation marketing may open new markets, identify customer needs, reposition products in the market to increase sales. In addition to that marketing, innovation maintains a competitive advantage and improves the overall performance of the company. Although there are many

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sources of competitive advantage like skills development and cost reduction, innovation marketing is considered as an important source for it. In 1985, Porter has indicated that a company's strengths ultimately fall into one of two advantages: cost advantage and differentiation (Wang, Lin, & Chu, 2011, p. 102):

### **➤ Differentiation advantage**

In this advantage, innovation marketing plays a role in creating value for the consumer or user in the form of a new product or service. Usually, this value-added is offset by the high price.

Differentiation is about charging a premium price that more than covers the additional production costs, and about giving customers clear reasons to prefer the product over other, less differentiated products (Wang, Lin, & Chu, 2011, p. 102).

### **➤ Cost advantage**

Eventually reducing production costs leads to lower prices compared to competitors, the company applies innovation marketing to obtain a competitive advantage by reducing the cost of production compared to its competitors and offering different goods and services and sell them at a premium price.

In this context, we conclude that to achieve excellence, the company must have one or both of the following two advantages: differentiation and cost advantage, by the way, innovation marketing contributes to achieving both of these advantages through innovation in the elements of the marketing mix.

## **The Experience of the Algerian Insurance and Reinsurance Company (CAAR)**

### **Creation of the Algerian Insurance and Reinsurance Company (CAAR)**

Indeed, the Algerian Insurance and Reinsurance Company (CAAR) is the oldest insurance company in Algeria. It was created the day after independence in 1963 as an Insurance and Reinsurance Fund. It was responsible for legal assignment in reinsurance to allow the Algerian State to control the insurance market, And it is authorized by the Ministry of Finance to practice all insurance operations, including reinsurance (caar, 2017).

In 2011, the Algerian insurance sector knew a new stage of its development with the law 06-04 which had given five years to separate personal insurance from damage insurance: this is how CAARAMA assurances were born, with a capital of one billion dinars, the subsidiary was approved on March 09, 2011.



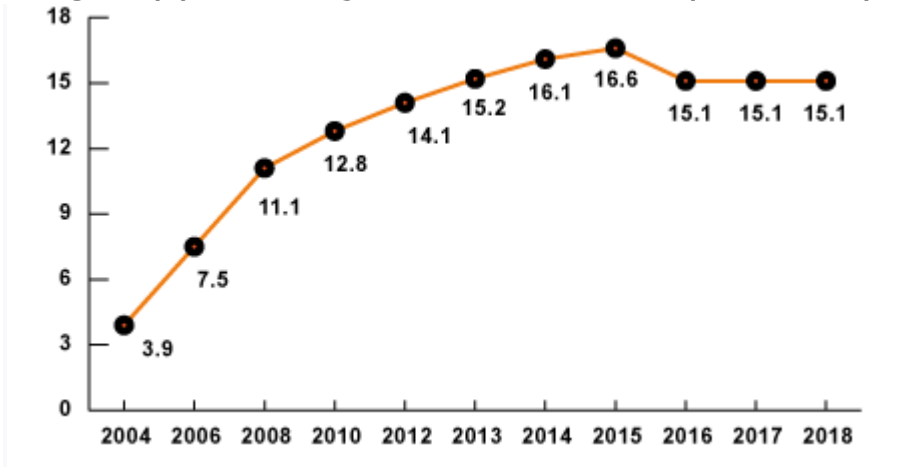
**Table (1): Company turnover revolution (2004-2018)**

Thousands of da

	2004	2006	2008	2010	2012	2014	2016	2018	2004/2018
CA	3 957	7 573	11 068	12 802	14 097	16 088	15 081	15 195	284%

Source: (CAAR, rapport annuel, 2018, p. 13)

**Figure (1): Company turnover revolution (2004-2018)**



Source: (caar, 2017)

It is noted through the schedule that the company's business number has witnessed a continuous development.

**Competitive Advantage of the Algerian Insurance and Reinsurance Company (CAAR):**

The systemic structural reforms resulted in a complete competition between the insurance companies in the sector; especially, after separating the damages insurance from the life insurance, that led to the expansion of the competition sector between the dominant public sector and the private sector to reach market dominance, The following figure shows the arrangement of insurance companies in the market:

**Table (2): Ranking of damage insurance companies in Algeria according to turnover 2018:**

Rang		2018		Parts	Evolution
		En DZD	En USD	2018	2017-2018 <sup>(1)</sup>
<b>Compagnies d'assurance de dommages</b>					
1	SAA	27 679 000	231 672	20,10%	4,34%
2	CAAT	24 126 000	201 935	17,52%	4,32%
3	CAAR	15 195 000	127 182	11,03%	0,27%
4	CNMA	14 025 000	117 389	10,18%	7,79%
5	CIAR	10 099 000	84 529	7,33%	10,08%
6	CASH Assurances	9 499 000	79 507	6,90%	-11,73%
7	Salama Assurances	5 158 000	43 172	3,74%	7,75%
8	Alliance Assurances	5 002 000	41 867	3,63%	4,16%
9	GAM	3 859 000	32 300	2,80%	11,40%
10	2A	3 849 000	32 216	2,79%	6,06%
11	Trust Algérie	3 547 000	29 688	2,58%	29,17%
12	AXA Assurances Algérie Dommage	2 967 000	24 834	2,15%	-3,23%
<b>Total compagnies dommages</b>		<b>125 005 000</b>	<b>1 046 291</b>	<b>90,75%</b>	<b>3,95%</b>

**Source: (Magazine, 2020)**

The company ranked third in terms of market share in a distinguished market with great competition, as it achieved a turnover of 15,195 billion dinars by written premiums in 2018 With the growth of 0,27% in its market share. The Algerian Insurance and Reinsurance Company "CAAR" can achieve both of cost advantage and improvement of productivity via the following elements:

➤ **Differentiation advantage**

Subsequently, the various phases of restructuring of the Algerian market (monopoly, Functionalization of the network, specialization, creation of the Central Reinsurance Company - CCR, creation of the Algerian Insurance Company - CAAT) determined the activities and specialties of the CAAR mainly in industrial risk management.

The company offers a variety of products to expand coverage and create value for its various customers, whether they are individuals or institutions, as the company practices all insurance and reinsurance operations. The company's products are (CAAR, 2017):

- **Car insurance**

Civil liability and car damage and assistance.

- **Miscellaneous risk insurance**

Fire, explosions and related risks, water damage, theft of goods, theft from safes, personal theft, glass breakage, general civil liability, multi-risk home, multi-risk professional craftsmen, merchants, and liberal professions.

- **Industrial risk insurance**

Fire, explosion and related risks, machinery breakdown, civil liability for delivered products, goods in cold storage, operating losses after fire and machinery breakdown, multi-risk for industrial and commercial companies, all computer risks.

- **Engineering and construction risk insurance**

Professional civil liability of architects and contractors, all building site risks, all building machine risks, all assembly risks, ten-year civil liability.

- **Transport insurance (maritime, land, rail, air)**

Faculties insurance, hull, fishing, and other insurances.

- Insurance against natural disasters.

The Algerian insurance and reinsurance company is the only state-owned company that practices all insurance and reinsurance activities on the Algerian market. Besides, there are personal insurances managed by CAARAMA assurances, a subsidiary of the company specialized in personal insurance products and services.

**Table (3): The turnover of the CAAR with its subsidiary CAARAMA**

Thousands of DZD

Organisme	2011	2012	2013	2014	2015	2016	2017	2018	Evolution 2017/2018
CAAR	12 839 286	14 096 871	15 198 101	16 088 415	16 637 456	15 081 362	15 154 027	15 195 069	0,3%
CAARAMA AP	930 640	1 798 553	1 929 469	1 538 834	1 783 894	2 069 313	2 129 395	1 694 986	-20%
CA Global	13 769 926	15 895 424	17 127 570	17 627 249	18 421 350	17 150 675	17 283 422	16 890 054	-2%

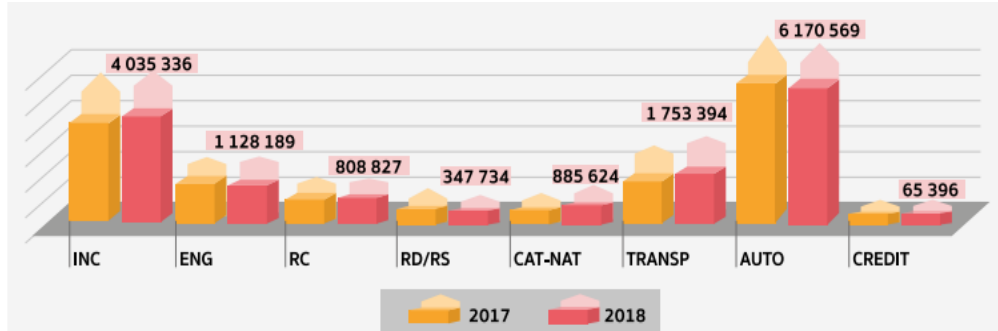
Source: (CAAR, rapport annuel, 2018).

➤ **Global Production Analysis of the company (CAAR)**

**Insurance production**

At the end of 2018, CAAR achieved a business turnover of 15.2 billion dinars, up 0.3% compared to 2017, with the auto, civil liability, and natural disaster branches growing 11%, 13%, and 91%, respectively. While, branches of fire, multiple risks, simple risks achieved a decrease compared to 2017. The engineering and transportation branches also achieved a decrease in their production due to economic conditions (the slowdown in the launch of public investment projects and the reduction of imports), The following figure shows the development of CAAR production by activity branch:

**Figure (2): Evolution of Production by branch 2017/2018**



Source: (CAAR, rapport annuel, 2018, p. 10)

### Reinsurance situation:

CAAR has had a Central Reinsurance Department since 1963. This department is made up of a team of seasoned technicians experienced in reinsurance techniques. The training of these executives has been enriched by numerous advanced training courses with renowned reinsurers on the international market. For many years, CAAR's executives have maintained privileged relationships with all London reinsurance brokers such as WILLIS FEBER, UNITED INSURANCE BROKERS (UIB), MARSH as well as with world-renowned Reinsurance Companies such as SCOR/Paris, Swiss Re, Munich Re, Gerling Gruppe, Arig London..., After the specialization of the public Insurance Companies in 1975, (CAAR) continued to maintain contact with its reinsurance partners for the placement of portfolio business, in collaboration with the Central Reinsurance Company "CCR", That became an Algerian insurance company specializing in reinsurance. (CAAR, Activité de la CAAR, 2017)".

**Table (4): Reinsurance activity**

Thousands of DZD

Désignation	Année 2017	Année 2018	Variation	
			Absolue	relative
Primes Cédées	6 902 549	5 753 787	-1 148 762	-17%
Commissions Reçues	1 217 979	670 474	-547 505	-45%
Taux de Cession	46%	38%		-17%
Taux de Commission	18%	12%		-34%

Source: (CAAR, rapport annuel, 2018)

In 2018, the reinsurance business was marked by the following major elements (CAAR, rapport annuel, 2018):

- Premiums ceded reached 5.75 billion dinars, with a decrease of 17% compared to the previous year.

- In 2018, the proportion of ceded premiums to written premiums is 38% compared to 46% in 2017.
- Commissions received from reinsurers fell from 1.21 billion dinars in 2017 to 670 million dinars in 2018, a decrease of 45%.

➤ **cost advantage**

The company provides risk support solutions; insurance contracts at reasonable and preferential rates, as well as reductions depending on the means of prevention, implemented.

Despite the economic and financial situation in the insurance sector, especially the intense competition that characterizes the market, (CAAR) has succeeded in preserving its main customers and maintain a positive growth rate in its turnover.

In terms of claims settlement, the company has fully discharged its commitments, by paying DZD 9.3 billion of compensation to the profit of its policyholders. It should be noted that over the past two years, the (CAAR) paid almost DZD 21 billion in compensation, including DZD 10 billion for the automotive branch, DZD 5.8 billion for the branch transport branches.

The Year of 2018 was also characterized technically by the change in the (CAAR) reinsurance mode with the implementation of a non-proportional treaty instead of the proportional treaty and this, in the concern to optimize the use of reinsurance and to give a more of the company vis-à-vis its reinsurer partners. This new device has enabled the company to generate a financial gain substantial between cessions made to reinsurers and commissions received from them.

Regarding financial aggregates, it is important to note the progression significant increase in net insurance margin from DZD 4.4 billion in 2017 to DZD 5.3 billion in 2018.

## **The Innovation Marketing Strategies Applied within the Algerian Insurance and Reinsurance Company**

The Algerian insurance and reinsurance company focuses on meeting its customers' needs and obtaining their satisfaction by developing its products and diversifying its services in a distinctive, value-added manner, by adopting both strategies:

➤ **Differentiation strategy**

The company is ranked third in terms of market share after the Algerian Insurance Company, which is ranked first, followed by the Algerian Global Insurance Company,

As a result, the company is strongly focused on creating a competitive position in the market, through its specialization in industrial risks insurance, and the practice of reinsurance, compared to other public insurance companies.

➤ **Dispersion strategy:** through it

- Expanding the services offered on the market.
- Expansion of products in different regions of the country.

## **The Contribution of Innovation Marketing to the Improvement of the Competitive Advantage of the Algerian Insurance and Reinsurance Company**

The Algerian Insurance and Reinsurance Company "CAAR" confirms the implementation of all necessary measures, to ensure the improvement of its business and results, in accordance with the strategic objectives of its business plan for the period 2019-2021.

To this end, it will work on the five main tools, which are, product and service innovation, more efficient use of the distribution network, digitalization, the intensification of communication/information actions, marketing, and improvement of human resources.

### **➤ Product**

In 2017, the Algerian insurance and reinsurance company revealed the launch of new products offered by the company, including online subscription services such as "multiple risks for housing", "natural disaster insurance" and "vehicle insurance" as this process can be done via a current bank card or postal account card. It also developed new products for car insurance in the form of packages like riots insurance, insure act of terrorism, earthquake insure. In order to develop and improve the simple risk insurance, the company has launched a home repair service, supported by a multi-risk home product.

It aims to evolve towards electronic subscription, via a smart phone, and working on mobile applications to enable immediate resolution of disasters.

Also, the company is ready to launch "Islamic Takaful" insurance products which are listed in the 2020 finance law.

### **➤ Price**

The company makes convention with profitable customers by offering them discounts, as:

- Convention with insurance companies SAA, CAAT, CRMA, CASH to apply the clearing procedures directly to the benefit of their customers.
- Convention with Sonatrach complex (CAAR, Infoscaar N 66, 2018, p. 20).
- Convention with Chamber of Traditional and Handicraft Industries.
- Convention with the Ministry of Culture and other two public insurance companies: the Algerian Insurance Company (CAAT), the National Insurance Company (SAA).
- Convention with the health sector to insure their cars and the director of direct agency pointed out that 80% of the health sector of the province of Sétif is provided by our agency.

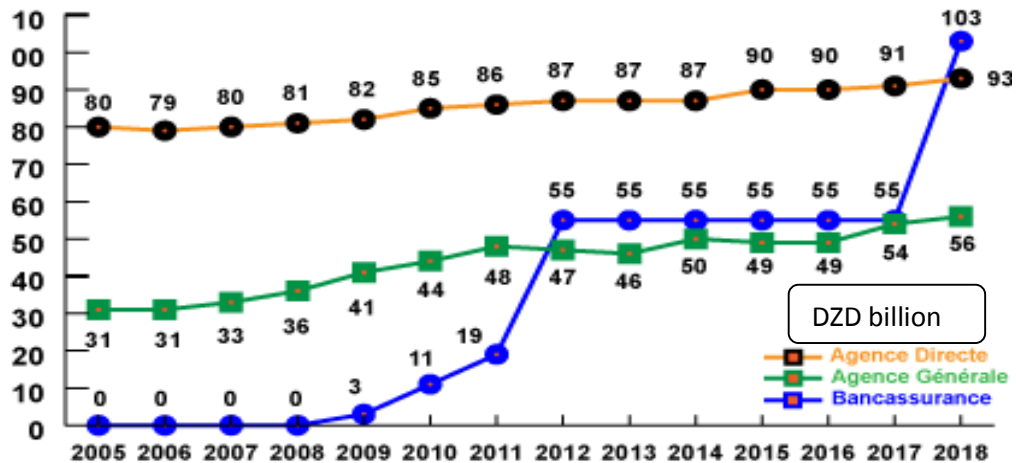
### **➤ Place**

The company introduced its distribution channels by creating an online sales platform (electronic payment) for insurance products in 2017 and 2018, which is an important step in the digitization process the company has started.

It also aims to spread in the different regions of the country to get closer to its customers by using the different distribution channels, and the following

figure shows the evolution of the distribution networks for the period (2005-2018).

**Figure (3): Evolution of distribution channels in the company by types of Distribution**



Source: (caar, 2017)

The company's new points of sale are

- Post Offices: Allows Gold cardholders to benefit from financial services.
- Telemarketing.
- Participation in Algeria International Fair (CAAR, info caar N° 40, 2012, p. 18).
- The sales by meetings.
- Internet
- Social media.
- Various agencies (mortgage agency, tourism agency).
- The company is the first who launch an online payment service for products and services Insurance in the market (CAAR, Infoscaar N°70, 2019, p. 27).

➤ **Promotion**

The company aims to attract new customers, improve its image among its customers, and benefit from the positive word of its satisfied customers. The company uses means of communication:

- Organize conferences with clients by executives of the company, aims to create direct relations and responses to the client's needs.
- Use applications in the smartphone to define their products.
- Personal selling.
- Provide low-price offers for a certain period.
- Offer gifts to customers who subscribe within a specified period.
- Offer gifts to loyal customers at the beginning of the calendar year.
- Uses direct marketing techniques such as telephone, Internet, and e-mail to reach targeted customers.
- Offer a 70% discount to the health sector to insure its cars.

## **Adopting Innovation Marketing as a Mechanism to Improve the Competitive Advantage of Service Companies: The Algerian Insurance and Reinsurance Company (CAAR) Case Study**

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- Open days that the company organizes to get closer to its customers, and recently it was organized in (CAAR, Infoscaar N°70, 2019, p. 25):
  - Annaba Branch on October 22, 2019, Sheraton Hotel;
  - Oran branch on November 14, 2019, Sheraton Hotel;
  - Constantine Branch on November 25, 2019, Marriott Hotel;
  - Chéraga and Bouzaréah branches on the 15th
  - December 2019, International Centre of Conferences- CIC Algiers.

### ➤ **People**

The business leader notes that human resources management is a key success factor, which makes our company efficient and competitive. The company gives importance especially in the field of training and human resources improvement, the continuous development of skills and competencies allows the improvement and enhancement of its experiences. The company employs 1928 workers spread over five branches and regional agencies. The company would like annual training of between 2 and 3% of salaries and more than 40% of the total workforce, representing 808 employees, they received training in 2018 (CAAR, Infoscaar N°70, 2019, p. 24).

In this context, we notice that the company gives much importance to skills development to improve its employee's performance.

### ➤ **Process**

To keep pace with inevitable developments in the insurance sector, the company has quickly and practically adapted with these developments, by integrating new technologies in its general administration, which allows for improved file management and coverage, as well as reduced claims settlement period.

The company is preparing to reorganize its commercial network, to process the information system, by creating a central computer decision-making system, equipped with tools for analysis and data processing (CAAR, rapport annuel, 2018).

## **Results and Conclusion**

In light of what has been discussed, it can be said that innovation marketing represents a mean of ensuring the continuity and sustainability of insurance companies in an environment where competition is intensifying, where innovation marketing contributes to the search for the underlying needs of the clients and satisfy them in a way that creates added value and maintains the relationship with them.

Innovation marketing plays an important role in gaining new competitive advantages and enhancing benefits by seeking new marketing opportunities, transforming threats into new opportunities and markets, and finding new uses for existing products.

The competition is no longer limited to price competition in the insurance sector, but also includes innovation in different marketing methods.



The following are the most important results achieved by presenting the experience of the Algerian Insurance and Reinsurance Company, on the basis of which we tested the hypotheses of the study:

#### **The first hypothesis**

Adopting innovation marketing in the Algerian insurance and Reinsurance Company is not limited to reducing the cost to achieve a competitive advantage. It goes further by launching completely new products, such as insurance via the Internet and electronic payment, as well as innovation in the promotion and distribution. This negates the validity of the first hypothesis.

#### **The second hypothesis**

Innovation marketing has contributed to the development of the products of the Algerian Insurance and Reinsurance Company, after the diversification policy it adopted to get rid of the dependence on industrial risks it had monopolized since the period of the insurance monopoly in Algeria. The company recorded stability in its business number, with an important portfolio Customers, the company records an increase Of 0.3% compared to 2017, and trading volume in 2018 to 15.2 billion Algerian dinars due to the application of innovation marketing in developing its products and diversifying its distribution outlets. In addition, The Company is the first to launch insurance services via the Internet, which proves its interest in innovation to achieve differentiation advantage. And finally, The Company practices all insurance and reinsurance operations, which highlight its large absorptive capacity to bear the risk losses insured against, and this supports its competitive advantage in the Algerian market. This proves the second hypothesis.

Generally, it can be said that the adoption of innovation marketing by the insurance institution contributed to improving its competitive advantages, and removed from it many difficulties facing most of the Algerian insurance companies, and opened the doors of leadership to them in a market full of competition.

### **Recommendations and Suggestions**

In order to gain a competitive advantage, the insurance company must take a risk of covering new risks (such as coverage of the coronavirus).

Insurance companies should aim to anticipate customers' expectations and competitors' products.

To develop pricing methods in providing insurance policies offers contributes to increasing the volume of underwriting and thus increasing its market share.

To develop distribution methods to better approach the customer (machine to issue insurance policies, phone application, e-insurance) and achieve a competitive advantage.

The company's advertisement must be innovative, attract attention, and focus on the benefits the customer gets.

Forming a specialized team to search for new ideas that could lead to new services and achieve a competitive advantage.

To achieve a competitive advantage for insurance companies is to insure that compensation is paid on time in the contract.

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