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MARKETING | RESEARCH ARTICLE

Optimizing Marketing Strategies and Expenses in Medical Schemes, South Africa: Challenges and Solutions

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Abstract: Marketing strategies and expenses are crucial for businesses' success and growth in today's dynamic marketplace. This paper explores the importance of targeted marketing efforts aimed at specific audiences and delivering high-quality products at competitive prices. However, challenges persist in the medical scheme sector, where transparency and specificity in marketing expenses are lacking, hindering the assessment of their value to customers. Despite acknowledging various reasons for stagnant membership, including affordability and entry barriers, notable increases in marketing expenses within medical schemes have complicated the situation. Poor marketing strategies have been associated with organizational underperformance, particularly within medical schemes with disproportionately high marketing expenses, often leading to failure due to governance shortcomings. Moving forward, prioritizing the development of strong brand identities, clear messaging, and effective customer engagement strategies is essential for insurance companies to thrive in a competitive market. Additionally, future research should explore innovative approaches to optimize marketing investments, enhance consumer value, and increase membership in medical schemes.

Keywords: Competitive Market, Customer Value, Marketing Expenses, Marketing Strategies, Medical Schemes, Membership Growth, Organizational Performance.

JEL Classification Code: Mo

1. INTRODUCTION

Marketing strategies and expenses are pivotal in shaping businesses' success and growth trajectory in today's dynamic marketplace. Marketing strategies and their financial consequences should be focused on targeting specific audiences (Camilleri & Camilleri, 2018). Marketing strategies that deviate from this objective are unlikely to yield the desired outcomes, as evidenced by research suggesting that marketing strategies should further prioritize offering customers high-quality products at competitive prices (Morgan et al., 2019); (Lockett, 2018). Presently, the expenditures linked with marketing in medical schemes, particularly within private health insurance covering private clients and representing less than 15% of the population, lack transparency and specificity concerning essential aspects such as client promotion and acquisition (Morgan et al., 2019). Top of Form This issue arises against the backdrop of stagnant membership numbers (Willie et al., 2023). While acknowledging multifaceted reasons for stagnant membership, including affordability and other barriers to entry, there has been a noticeable rise in marketing expenses within medical schemes (Willie et al., 2023). This makes it difficult for customers to assess their worth. Furthermore, the fees associated with distribution marketing and advertising costs are not subject to regulation. The lack of regulatory monitoring and reporting gaps complicate understanding the main factors that drive the increase in marketing expenses and their relationship with membership growth.

2. STUDIES OF TARGETING SPECIFIC MARKETS

Comprehending customers' demands and recognizing the value proposition of both the organization's product and its offerings to customers is essential for generating customer appeal.



Gbolagade, Adewale, and Oyewale (GbolagadeAdewale & Oyewale, 2013) emphasized the importance of well-defined marketing strategies tailored to specific market segments and allocating resources to support businesses, which can lead to a competitive edge. Such strategies have shown potential for driving growth, particularly in conventional industries where the predominant product is often a commodity. However, the dynamics differ in the healthcare sector, where the product consumers acquire is considered a public good rather than a tradable commodity (Morgan et al., 2019). Consequently, devising and implementing effective marketing strategies for health insurance and engaging consumers present significant challenges for payers in the current intricate purchasing environment. Table 1 highlights the key challenges health insurance marketers face and offers targeted solutions to navigate these issues. Health insurance companies can develop more effective marketing strategies and improve their market position by addressing these challenges through strategic market research, regulatory compliance, technological investment, competitive differentiation, data-driven insights, and enhanced customer engagement.

Table 1. Challenges related to implementing effective marketing strategies in health insurance markets

Challenges	Solutions
Market Dynamics	Conduct regular market research to understand consumer trends and preferences.
Regulatory Environment	Stay updated on regulatory changes and ensure compliance through regular audits and training.
Technological Advancements	Invest in and leverage innovative digital platforms and marketing and customer engagement tools.
Competitive Landscape	Monitor competitors' strategies and offerings and differentiate through unique value propositions.
Healthcare Trends	Adapt marketing strategies to address emerging healthcare needs and trends in the market.
Data Analytics	Utilize advanced analytics to gain insights into consumer behaviour and optimize marketing efforts.
Consumer Expectations	Focus on providing personalized, transparent, and accessible insurance products and services.
Communication Channels	Identify and utilize effective communication channels to reach and engage target audiences.
Value Proposition	Continuously refine and communicate a compelling value proposition that resonates with consumers.
Customer Experience	Improve the overall customer experience through streamlined processes and responsive support.

3. MEDICAL SCHEMES MARKETING EXPENDITURE

Assessing the performance of medical schemes often relies on medical scheme membership as a key indicator, reflecting the number of individuals enrolled in these schemes. An uptick in membership is typically driven by new enrollees, potentially leading to higher contribution income for the scheme and, consequently, a potential boost in its financial performance. Nevertheless, despite the significance of increasing membership, enrollment in medical schemes has remained unchanged at around eight million for the previous ten years, despite the rise in marketing expenses (CMS Report, 2023). Non-healthcare costs associated with medical schemes include broker fees, marketing expenditures, and distribution costs (CMS Report, 2023). Notably, marketing costs within medical schemes were not consistently reported until recently by the Council for Medical Schemes (CMS), making it challenging to evaluate their impact on customer value (CMS Report, 2023). Additionally, there needs to be more regulatory oversight regarding distribution fees, marketing expenses, and advertising costs in this sector. This lack of regulatory oversight has resulted in some schemes expanding excessively on marketing (CMS Report, 2023). The overall cost structure reveals that broker service fees constitute the bulk of non-healthcare costs, comprising approximately ninety-five percent. Distribution fees represent a smaller fraction, accounting for five percent, while marketing and advertising expenses comprise less than half a percent of the total brokerage costs. These findings suggest that broker costs, particularly in open schemes admitting beneficiaries freely, significantly

contribute more considerable marketing as a proportion of non-healthcare expenditures. Studies have shown poor marketing strategies lead to poor organizational performance (Willie et al., 2023). Poor marketing techniques lower organizational performance, according to research marketing techniques have prevented most organizations from increasing sales income (Willie et al., 2023); (Lockett, 2018). Medical schemes may not emphasize sales growth, but schemes with disproportionately high marketing expenses have failed, either liquidating or being curatorship. This failure is due to poor governance and controls. Insurance companies must emphasize the development of strong brand identities, deliver clear and simple messaging, and implement effective customer engagement strategies to distinguish their products in a highly competitive market. Traditionally, there has been a strong connection between sales and marketing, mainly when using focused market segmentation to understand clients' behavioral preferences (Willie et al., 2023). Key observant trends observed in the health sector focus on targeting specific demographic profiles of members (Camilleri & Camilleri, 2018). However, these initiatives have not impacted the sector's performance in terms of membership and the characteristics of some schemes. Previous research has explored the link between marketing initiatives and consumer growth. Marketing is a vital prerequisite of the industry's ability to strengthen its market share and minimize the impact of the competition (Camilleri & Camilleri, 2018); (Lockett, 2018). Other studies have explored the potential impact of marketing to business's bottom-line (GbolagadeAdewale & Oyewale, 2013); (Stewart, 2008); (de Ruyter et al., 2022).

4. CONCLUSION

In conclusion, marketing strategies and expenses drive success and growth in today's dynamic business landscape. Targeting specific audiences and prioritizing the delivery of high-quality products at competitive prices are crucial components of effective marketing efforts. However, challenges arise in the medical scheme sector, where transparency and specificity in marketing expenses are lacking, hindering the assessment of their value to customers. Despite acknowledging various reasons for stagnant membership, including affordability and entry barriers, notable increases in marketing expenses within medical schemes have complicated the situation. Poor marketing strategies have been associated with organizational underperformance, particularly within medical schemes with disproportionately high marketing expenses, often leading to failure due to governance shortcomings. Moving forward, prioritizing the development of strong brand identities, clear messaging, and effective customer engagement strategies is essential for insurance companies to thrive in a competitive market. Additionally, future research should explore innovative approaches to optimize marketing investments, enhance consumer value, and increase membership in medical schemes.

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