

Abstract

“Aviva is a highly regarded business within the financial industry, with over 54,000 employees serving over 50 million customers in 28 countries around the world [1].

As the finance industry starts to recover from two years of global recession, consumer confidence is at an all time low, and people are less willing to part with their money. This, accompanied with the fact that people are living longer, has meant that Aviva has had to be strategic in their approach to offering customers a wide range of products and services to meet their needs. This report highlights the current position of Aviva within the finance industry and by using a SLEPT framework I have been able to analyse the main social, legal, economic, political and technological factors that have made Aviva the company it is today.”



Aviva Plc (formerly Norwich Union) is the world's fifth largest Insurance Company, serving over 50 million customers across Europe, North America and Asia Pacific. Main businesses are long term savings, fund management, and general insurance. They are also the largest service provider in the UK and one of the leading providers of life and pension products in Europe. [1] They are therefore regulated by the Financial Services Authority.

Operating in the Public Sector as a Public Limited company, its mission is:

"to become a leading European-based financial services group. We have chosen to focus on long-term savings as our engine of growth. We have also committed ourselves to developing a world-class fund management business and to raising the quality of our general insurance earnings. To generate real value for our shareholders, we will also concentrate on markets where Aviva can achieve a leading position."[2]

Aviva's purpose is to bring prosperity and peace of mind to customers. They aim to do this by realising their vision of "One Aviva, twice the value". Their strategy is outlined below:



They state that by working together across their businesses, they can optimise their performance in the global marketplace and maximise the value they can generate for their stakeholders. [3]

The following report looks at Aviva and its position in the Financial Industry. To enable myself to carry out a full analysis of the company I am going to use the SLEPT framework.

Social Factors

The main social factor that affects a business is Demography (the study of population). Businesses are concerned with:

- The working population (between 16 and 65) to determine the number of workers available to them.
- The population – The number of people who live in a country, as changes in population affect demand.

People are living longer these days and when they retire they expect a certain standard of living. This has resulted in a higher demand for the wide range of products offered by Aviva, such as Life Insurance, Savings and Pensions. Aviva have recognised a developing market in Asia, especially China, due to its strong growth and low insurance market and have therefore gained access to 630 million customers by expanding their savings, investments, retirement planning, health and estate planning products [4].

Aviva will also use an advanced data mining system where they profile their customers to ensure they are offered tailored products to meet their needs. There is always an element of cross selling with all products to ensure the customers' needs are met and there is always new business coming into the company. For example, when you request a quote for car insurance, they will always ask for the renewal date of your house Insurance.

They also carry out annual global surveys across 25 markets, to look at different attitudes towards Insurance, savings and Investment, to ensure they deepen their understanding & enable them to address barriers to saving and alleviate knowledge gaps and confidence [5].

Aviva are also committed to helping the environment. They have referred to addressing climate change as their 'most pressing environmental concern' and have committed to addressing the issue using control, influence and concern. To do this, they control their own carbon footprint through energy efficiency, influencing and encouraging their customers, suppliers and investment companies to minimise their own impacts and demonstrating their concern through active involvement in cross-sectoral business and public initiatives. In addition to this, they also recycle 84% of their waste and paper use is kept to a minimum by using online tools and they only source paper with recycled content [6].

Legal Factors

Aviva works within the regulatory framework of the Financial Services Authority (FSA) in the UK. One of the FSA's statutory objectives is to help customers get a fair deal. Examples of treating customers fairly include: products and services targeted to meets customers' needs and which perform in line with what customers have been led to expect; clear information (and advice where relevant); good service; and making sure there are no unfair barriers that prevent customers from getting access to their money, changing products or making a successful insurance claim.

Financial crime, including money laundering, fraud, corruption and market abuse, can seriously affect consumers and costs the financial services industry billions of pounds each year. Aviva has implemented financial crime policies across the group, which are regularly monitored to ensure compliance [7].

As a member of the international business community, Aviva also recognises its corporate responsibility commitments in its various roles as Insurer, investor, employer and consumer. They have various policies in place:-

- Corporate responsibility policy
- Environment policy
- People policy
- Customer policy
- Financial crime policy
- Group health and safety policy
- Purchasing and supply management policy.

In addition to these they would be expected to comply with various government based legislation such as the Data Protection Act 1998, Health and Safety Act 1974 and Consumer protection Act.

Also, by law, everyone has to be insured.

Economic Factors

A major contributing factor to the financial industry as a whole has been the recent recession. The insurance market has shown signs of recovery. However, increased competition from new entrants, combined with the lack of consumer confidence still creates a difficult environment in which to acquire new business. The IMF (International Monetary Fund) was quoted as saying 'faced with falling house prices, significant reduction in the value of pensions and other assets, a deteriorating and uncertain employment outlook, consumers are unlikely to return to retrench spending to reduce debt and rebuild savings' [8]. As recent as 24th January 2010, it was reported that car Insurance premiums are 'racing ahead' and there is worry that customers will choose not to insure their vehicles and drive illegally or not be able to afford to run their vehicles.

Insurance companies charge policy holders annual premiums. This brings in a small amount of cash each year. The money is invested until it is needed to pay out on claims. Whereas some will go into fixed income products, the rest will be paid into shares. As the stock exchange has been in freefall, the company will no longer receive any income as interest or dividends. This could've been managed. However, with the issue of global warming, there has been an increase in the number of water damage claims. When added together, the loss of investment income and the unexpected rise in claims have resulted in many insurance companies making a loss between 2008 and 2009.

To limit exposure to the stock market, Insurers are trying to diversify their portfolios into less risky products including bonds. This has resulted in Insurers expanding their products offered and making their services more customer friendly in order to increase profits. To

increase business, insurance companies would be tempted to increase premiums to turn their loss back into profit, but making prices unaffordable also results in people not buying.

With the travel industry taking a major knock during the recession, this has also had a knock on effect to Aviva as they have lost many travel policies, as they are not needed.

Aviva Plc employs around 30,000 people in the UK and over 24,000 in other countries. By creating call centres in India, they have created jobs to help a poorer country and therefore decreased their overheads in this country. They have therefore been in a position to offer customers cheaper premiums. There are however, many other finance companies in competition with Aviva. They are all in a constant battle to be the best and offer the customers what they want at the most competitive price. In addition to this, there are a number of new, non-financial companies, such as banks and supermarkets now offering similar products to attempt to take their business away.

Political Factors

With the above mentioned recession still lingering, the government has had to bail the financial industry out of its crisis. Aviva took on the VAT reduction from 17.5% to 15% to assist its customers.

Unemployment figures are still at an all time high and the government have introduced new funding to many companies to train individuals to gain qualifications and get them back into a working environment. This will decrease the number of people claiming benefits and help cut down on the global debt. Aviva has a good retention rate of its staff and are always looking to create new business and therefore employ more people.

Technological factors and Business Functions

Technology has been a major factor in Aviva's success. As Aviva is an information based company, it will use various Information systems across all its departments.

The company consists of the following business functions:

- HR
- Customer Service
- Sales
- Renewals
- Adjustments
- Claims
- Marketing & Research

The *HR department* deals with recruitment and selection, promotions, discipline and grievance advice, contracts of employment, terms and conditions of service, health and safety, induction, training and development, advice to management and staff on personnel issues, probation reports, absence records, increments, monthly staffing statistical reporting employee relations, performance management, compliance with employment law, job evaluation, policy formulation to comply with best practice, retirements (medical and early), occupational and career guidance, redundancy advice, resignations and termination of

employment. To enable a HR department to run efficiently, it will require an advanced database to hold all employee records and to monitor all information. Microsoft packages will most likely to be used for word processing, e-mails and statistical reporting.

In 2008 and 2009, Aviva cut over 1,000 jobs, having already cut over 4,000 jobs in 2006. At the same time it restructured its business into 12 'centres of excellence'. Therefore, the company has undergone radical change in the last five years. During this process, Aviva employees had various questions regarding other opportunities, redundancy packages and post redundancy support. The company set up a specific department named 'Employee Services' to answer employee queries over the phone. As the restructure took effect, the volume and diversity of calls outstretched the department's capacity. Although, most of the information was already on the company's intranet, in the form of policy documents and guidelines for managers. Aviva approached a company called Transversal who worked with them to develop a self help, searchable repository of frequently asked questions called 'AskHR'. Since its introduction, this system has successfully answered 83% of employee queries [9]. As a result of this system, there would have undoubtedly been job losses in the Employee Services department.

The *Sales department* will deal with all new business coming into the company. They will have an advanced telephone system, which will pre-warn customers to answer all questions correctly and accurately, and that their calls are recorded. This saves time and ensures the customer is fully aware of the need to answer questions before they are transferred through. The call system will also ensure calls are managed effectively and fairly to ensure customers are not kept waiting. The sales staff will also have access to the full sales database and online sales system to ensure they give the customer the best price. This is the start of the data mining process. When dealing with a new customer, the salesperson will take all the details and ask relevant questions to ensure the customer is given the best tailored quote to suit their needs and this information will be kept in the system so they can target the customer when other suitable products and services may become available. This department will have access to the MID (Motor Insurance Database) to ensure all details provided by the customer are accurate.

The *Renewals department* will deal with existing business to be renewed. Approximately 21 days before their renewal is due they will rate the policy and send the renewal quote to the customer. To enable them to do this they will need to check the renewed policy is like for like cover to the previous year and check that their price is competitive. They will also have access to claims system to check claims history to assess whether the premium will go up or down.

Customer Services will deal with complaints and customer issues that cannot be resolved by other departments. They will need access to all computer systems across the company, to ensure they can deal with any query or complaint promptly and efficiently. They will also need to be able to e-mail other departments or offices so will require access to these facilities. In addition to this they will also need to have access to tape recordings used by the above mentioned telephone system to deal with any disputes between the customer and the company.

In *mid-term adjustments*, they will again have access to all computer systems so they can check existing customer information and deal with any amendments accordingly. The systems they use will be the same as the Sales and renewals departments.

The *Claims department* will deal with all claims for relevant policies, from initial notification to final settlement. They will have access to the underwriting system that will enable them to check that the policyholder has the correct cover in place to process the claim. The claims handlers will have access to the CUE system (Claims and Underwriting Exchange) to check claims history and ensure no similar claims have been made by the policyholder to any other company.

Market & research will look at all the information collected by all departments of the business. They will look at the industry as a whole and identify current trends and compare them with how Aviva are operating. They will also carry out customer survey's and analyse the information to identify areas of the business that are progressing and areas that need improving. By looking at also the competitors within the industry they can develop new products and services to ensure Aviva stay as one of the top providers of financial products. They will primarily use database to store all information and produce reports for management analysis.

The systems in place in most of the above departments will primarily be Operational, such as Transaction Processing Systems, Knowledge Work Systems and Process Control Systems.

Aviva Online

The introduction of the 'newly launched' online system, in June 2009, brought significantly improved capabilities meaning that customers can now process a new quote themselves, completing online fields and submitting the information via the internet to enable it to present them with a current quote. By doing this they can also compare their quote with other competitors to ensure they are getting the best price. Also, using the online policy management facility, they can also make changes to their policies without incurring the mandatory administration charge and also renew their policies. A new market leading pension tracker system also gives customers and advisors instant online access to their pensions [10]. These systems have proved beneficial for the customer as it saves them time and money on telephone bills and beneficial to Aviva as it saves on overheads, printer, paper and ink charges and produces less waste. The downside to this system is that it results in job losses as the company is effectively 'cutting out the middle man'. However, the use of terminology will sometimes confuse the customer and result in them giving incorrect information, providing an invalid quote or policy. Some customers still prefer to speak to an advisor to ensure this does not happen.

By introducing the online facility, Aviva and other businesses have left themselves open to threats from other companies who can access their information and therefore provide the unwanted competition. However, Aviva are not on any price comparison websites, like many other companies, so are therefore attempting to ensure Policyholders come to them for the best deal.

Conclusion

Aviva have kept themselves as one of the top businesses in the industry by offering consistent service to their customers. They have expanded their products worldwide, identifying strategic opportunities and timing the introduction and nature of their products to expand their business with maximum effect. The recent recession has played a major part in consumer confidence and companies have had to work extra hard to reassure their customers and keep their existing business, as well as attempt to bring in new business. Despite this, Aviva's overall client base has grown.

Aviva are highly knowledgeable on who they are as a business, where their strengths are and where new opportunities lie. They have developed opportunities to work with major companies worldwide in relation to the environment, community initiatives, employees and suppliers and have focused on passing this knowledge onto their customers to provide 'prosperity and peace of mind' [11].

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