E-RELATIONSHIP MARKETING BY CLOSED MEMBER AREAS IN THE GERMAN HEALTH INSURANCE INDUSTRY

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Abstract: German compulsory health insurance companies are in intense rivalry and for most of these companies customer loyalty is a critical success factor. E-Relationship marketing as a basic concept in business field is constantly on improving new means of managing customer relationship. The marketing departments in the health insurance industry have developed different tools of attracting their customers.

One of the new strategies that are used today by industries in general and compulsory as well as private health insurances in particular is the implementation of an online closed member area that offers exclusively some benefits for their customers in order to create a long term customer relationship.

For this reason we have benchmarked different national and international closed member areas of some health insurances. Using these results, we have developed a concept of an effective closed member area for a German health insurance as a part of the customer loyalty policy of this company. In fact, implementing this closed member area by a health insurance company will be very helpful in enhancing a long-term customer relationship and maintaining the competitive policy of that company.

1 INTRODUCTION

The appearance of the Internet has been a revolution in the economic field; companies have found in it a source of support to their offerings. Furthermore the Internet is increasingly used as a tool to enhance relationship marketing between companies and their customers. Companies find in this new technology some characteristics that are new, unique and more efficient with less cost than what they were using as technologies before this invention (Brock, 2000).

In fact, a striking characteristic about the Internet is that it has opened the path toward a new form of companies, namely the virtual companies. These companies are rather functioning at the level of marketspace than marketplace (Stapleton et al, 2001). However, maintaining customer relationship in the virtual market requires from companies developing strong marketing policies. Hence, this paper will be devoted to the development of an online closed member area as a new tool of E-marketing for virtual health insurances. For this reason, our current investigation will go through the following steps:

- The German health care system and the need of developing a new e-marketing policy.
- The role of online closed member areas in the strategic approach for health insurance companies (national and international).
- The process of developing an effective online closed member area for health insurance companies.

This analysis shall provide a conclusion for the usefulness and the effectiveness of implementing an online closed member area by health insurance companies.

2 THE GERMAN HEALTH CARE SYSTEM

2.1 An Overview about the German Health Insurance Market

The German health care system maintains two different ways of citizens' health protection; namely, the private health insurances (PHIs) and the statutory or public health insurances (SHIs). About 90 % of German inhabitants are statutorily insured, whereas only 9 % are privately insured (Joecks and Ribhegge 2004).

Germany contains about 70 PHI providers (Spoerel 2003) and about 283 SHIs (Herles 2004). SHIs are part of the German social system and form the core of public rights. Their tasks are to secure the health of their customers (Herles 2004). Their main characteristic, on the contrary to PHIs, is that all members are equally treated; in the sense that, although there are some differences concerning the fees paid by different members, all customers have the same health benefits. Moreover, SHI members do have a free choice of their health insurance company and every SHI company has to accept all membership inquiries received.

In fact, each German citizen has the right of being a member of the health insurances in the country; but the choice of being private or statutorily insured depends on the personal income of each member

The German health care system has set the market segment for all SHIs. This segmentation includes the mandatory and the voluntary members and depends on the yearly income of a person (Schmidt 2005).

2.2 The Intensity of Competition in the Health Insurance Market in Germany

The intensity of rivalry among existing competitors is very high. The fact that almost everybody has to be statutory insured and only some few people can leave to have a private insurance increases the number of clients and simultaneously enhances the competition between different parties. This intensity among SHIs is very high due to different factors. The first one is that about 95% of the companies duties are already regulated by the German health care law (Spoerel 2003); this means that all competitors offer almost the same basic benefits for the customer and that there is almost no difference between the performances of the different insurances; only almost 5% which is free for further management for statutory health insurances. The second one is related to the exit barriers that are high for most competitors because of economical and governmental reasons (Dess and Lumpkin 2003). Economical reasons are the result of the companies' high fixed assets that is represented in the different shops and other real estates; whereas, the governmental reason is related to the government discouragement of exit out of concern for job loss.

This strong market competition has brought with it the difficulty for customers to differentiate between competitive offers. In fact a leading price position can be one factor but not be the only way to retain customers. For this reason, the quality of after sale services and image of the insurance company can be of crucial meaning. This image is only attained by implementing some effective loyalty programs.

3 THE ROLE OF ONLINE CLOSED MEMBER AREAS IN THE STRATEGIC APPROACH FOR HEALTH INSURANCES

The technological development and the intensity of competition have helped in the appearance of new concepts in the marketing field. Relationship E-marketing as a new paradigm in marketing field was the result of this intensity. Its main task is developing adequate marketing instruments for enhancing and maintaining relationships with customers. One of these instruments is developing online closed member areas as a new form of customer loyalty programs. Studies have proved that the success of health insurances today depends on their success in implementing effective loyalty programs. According to Reichheld and Sasser (1990), loyalty programs lead to customer loyalty and the latter increases the firms' profitability through cost savings and revenue increase. The importance of the customer's loyalty depends on the extent of its ability to increase customer retention. Reichheld (1993) reported that an improvement of customer retention by 5% leads to a profit between 25% and 85% for the company. Hence, when a firm increases its customer retention rate, the competitive advantage of that firm increases. This is because that the expense of acquiring new customers is higher than retaining existing ones.

3.1 Characteristics of Online Member Areas

Member areas are a new form of marketing instruments that most companies are using today to maintain a long-term relationship with their customers.

Sandler & Tischirhart (1997) described a member area as a group of people sharing members' characteristics and excludable benefits. Sällberg (2004) suggested that member area is a form of access program that provides customers with exclusive events to which they otherwise would not gained access. Helmke & Dangelmaier (2001) argue that a club area shall improve a psychological relationship with customers since the latter choose this membership voluntary and as a result they shall be rewarded by some exclusive services. Helmke & Dangelmaier further suggested that there are two types of member areas; namely an open member area and a closed member area. In the case of health insurances, a closed member area is characterised by extensive services and refers to membership allowed only for customers; whereas an open member area allows a pseudo membership for anyone who wants to login and is characterised by limited services.

Further more, Butscher (1995) stated that a member area is a loyalty program strategy initiated by the company to unify existent and potential customers. Similarly, Holz (1997) tried to identify a club area through six elements:

- A marketing instrument.
- Initiated and organized by the company.
- Unifying target segments
- Offers exclusive services to the members of the community.
- Its prior aim is attracting and maintaining customers.
- Based on a permanent contact with members to strengthen the relationship.

To sum up what is stated so far, we can say that a closed online member area is a social context that forms an exclusive community where members have the privilege of some benefits offered by company over the Internet, which differentiate them from other non-member customers; this area is based on mutual communication that is necessary in analysing members' needs and developing a company strategy that enhances an emotional relationship with customers.

3.2 The Purposes of Online Member Areas

We have already stated that a member area is a form of loyalty program. But there are some more purposes of member areas, which has been identified by Butscher (1995) and Holz (1997):

- Customer retention through some exclusive benefits for loyal customers.
- New customer attraction
- Building and optimizing a customer database, which is necessary for implementing services that suit customers' needs.
- Profit maximizing of the company
- Supporting the core product and market research.
- Enhancing a better image of the company.
- Implementing a communication tool for the company.

Hence, membership areas are organized around important goals and this is why developing such areas takes a considerable effort. We have defined a process for developing such member areas and have used this process exemplarily for a health care company.

4 DEVELOPMENT PROCESS FOR CLOSED MEMBER AREAS OF HEALTH INSURANCES

4.1 Important Characteristics

We start with benchmarking of different closed member areas of health insurance companies that shall identify the design of these areas from the registration until the log-out (Puscher, 2005). Further, we make use of the Seven Cs framework by Rayport & Jaworski (2003), which is intended to provide an extensive method to understand the different choices to implement a user interface of an e-business mode. This framework includes: context, commerce, connection, communication, content, community, and customization.

4.2 Benchmarking of Online Closed Member Areas of Some National and International Health Insurances

By applying the models above, we have tried to define the main characteristics of some online closed

member areas of some health insurances in Germany and USA.

4.2.1 Online Member Areas of Some German Health Insurances

The German health insurances that are analysed are compulsory health insurances. For the sake of avoiding any kind of advertisement to any of these health insurances, we will rename them with company "A", "B" and "C" which are representatives for the evaluated companies.

The Company "A" provides a well-organized member area for its customers, but the offered content is only limited to detailed information about reward programs. The closed member area of the company "B" is more a functional than an aesthetic area. Members have not only reward benefits but they have access to many extra services such as reworking profile or printing health certificates and other issues. They have also the possibility to participate in forums and chat rooms. Member data are more protected as in case of company "A", because the confirmation of membership takes place through e-mail and post and an activation key is necessary. Company "C" offers a functionally based member area with an obscure design. Different to the other companies, this one offers an open and a closed area. The difference between both areas is at the level of content, connection and some technical characteristics. In the open member area, there is no connection with other websites; similarly the content of the open area is very limited.

A common characteristic among all evaluated areas is the design of the member area; actually there is no difference between the design of the member area and the starting web page of the insurance. As a result, the user does not have the feeling of being inside the closed area and in this case he may loose the trust that was supposed to be achieved by the login of this area.

4.2.2 Online Member Areas of Some Health Insurances in USA

The study of some examples of membership areas from the USA can be of great help in developing a sophisticated member area. With regard to this issue, we will investigate two health insurances. These will be referred to as company "X" and company "Y" that proved to have different marketing strategies.

- Company "X": The website does not clearly present the membership area; still this closed area is generally well organized and user

friendly. Besides the richness of the design, this closed area offers its users many benefits such as: printing different types of certificate forms, special advices from doctors, detailed explanation of different issues such as drugs and their usage, different sickness, special therapies, and summary about last doctor visits.

- Company "Y" offers a closed area that is easy to use and rich in information; most of the information is similar to the previous discussed area, in addition to some other features such as printing and requesting cards, complaint form and other issues. After the login, members quickly notice that they are inside the closed area because the layout of the closed area is different from the layout they have seen before the login. The fact that enhances in members a feeling of belonging to an exclusive area.

So generally, more importance is given to content, design, communication, connection, and customization. Moreover, health insurances in the USA are using a positive method of customer loyalty that is based mainly on developing positive attitudes by attracting customers through the use of free services than using economical incentives as in the case of bonus programs.

4.3 Implementation of an Online Closed Area

Our development of a closed member area for a health insurance will take three different aspects into consideration; namely, the initiation, the offerings, and the maintenance. Our focus on these three aspects indicates the life cycle of this marketing instrument.

4.3.1 The Initiation of the Closed Member Area

The initiation refers to the set of procedures that are necessary to be undertaken at the beginning in order to attract customers to the closed user area. These procedures can be managed through the fulfilment of the following characteristics: advertisement, placement of the login button in the home page, registration data, and steps of registration.

Advertisement should making customers aware of the existence of an online closed area.

Placement refers to the positioning of the membership area button on the home page. An effective place of the membership button is just in

the middle left side of the home page because in this way, it is put at the eye-level once the user is directed to computer screen.

Registration data refers to the data that customers need to fill in to get access to the membership benefits. To avoid violation of privacy here it is crucial that the health insurance goes beyond the insurance number to check the authenticity of the user. In fact, increasing authenticity data reflects the value of the content provided in this area.

Registration steps: Refers to the steps that customers shall go through from the registration to the login in the membership area; the usability of these steps must be simple and must give customers a convincing feeling of being lead to an exclusive membership area.

4.3.2 The Offerings of the Closed Member Area

With offerings, we refer to whatever shall increase customers' retention. In fact, immediately after the log in, the offerings are presented. These include the context, the connection, communication, and content of the closed member area. The context refers to the design of the closed member area. When customers log in, they shall be guided and supported through a well-designed area to easily find what they are looking for; otherwise, they may leave the area discontented. For this reason, we have developed for sample membership area the following example of the features description right after the login. This will be divided into three main parts that we will discuss in detail later on: on the left side, we will put the general offerings of the closed member area; in the middle a reminder service; and on the right we will put quick links (see Fig. 1)

In the quick links section we have implemented issues that are of urgent importance for customers; these quick links commonly tend to enhance communication, connection and customization in the closed member area. The quick links section can be seen as a necessary support that the customers would jump to whenever they feel lost or have an urgent need to get some information.The quick links section is further divided into several subsections which include the following:

"Find a Provider" subsection that will offer information about some providers such doctors, hospitals, or pharmacies, "Newsletter", "Call-Back Service", "E-mail", "Telephone", and "Search Tools". These subsections are crucial for the closed

area because they complement each other and offer customers all possible means that are required to fulfil their needs.

Reminder Service: This will provide customers with the infrastructure to plan their daily appointments. Some customers often forget their next visit to dentists or other health checks. So, offering them this service will be very helpful because they will always get an e-mail in advance that reminds them about the next appointment. This can be very crucial for saving extra costs for the health insurance since customers go to check their health status regularly; this helps them to stay in good health.

The overview is supposed to offer an idea about the content of the membership area. We have tried to develop content for the closed area of a health insurance that will focus more on services than bonus programs to maintain a positive customer loyalty that leads to long term customer retention.

The content of the health insurance will be divided into three parts; these include the "what can you do" which will include the possibility of getting important preventive guide lines to lead a healthy life, managing the account, checking the medical history of the user, downloading some forms, and getting other extra benefits. The "information" section presents various kinds of information for enhancing the learning ability of customers and helping them in developing a skilful background
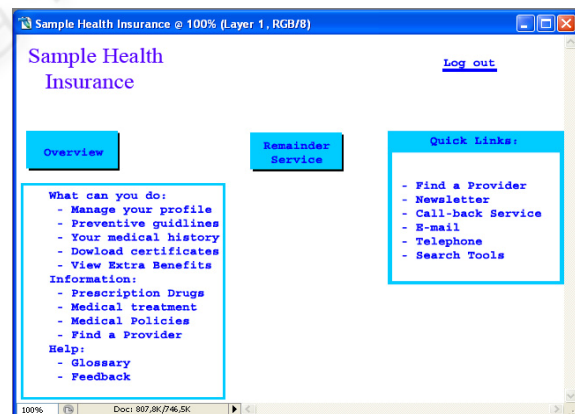

Figure 1: Features Description of the Sample Membership Area.

concerning some medical issues that are related with human health; this will include information about prescription drugs, medical treatment, and medical policies.

The "help" section includes both a glossary that offers the explanation of some medical terms and a feedback sub-section that is used as a tool that allows the closed member area to be developed in a way that meets customers' requirements.

4.3.3 The Maintenance of the Developed Closed Member Area

The maintenance of the closed member area is the third part to be taken into consideration by the management of the health insurance; it is not enough just to offer customers the privilege of this closed area without any constant maintenance procedures that serve content revision and services updating. The maintenance tasks that have to be performed can be divided into technical maintenance and content maintenance.

Technical maintenance involves all necessary technical issues that support the access to and use of the closed member area. Content management is related mainly to the different offerings that we have integrated in the closed member area and should guarantee that all content is not out of date.

5 CONCLUSION

In this paper, we have described the process of developing an online closed member area in general and exemplarily for a health insurance company. We have described first the intensity of competition in the health insurance market in Germany advantages and the necessity of loyalty programs in general and the membership area in particular. Further more, we discussed the main issues of some national and international online closed member areas and on the basis of these we have tried to develop an example of an effective closed area in the health insurance industry. The implementation is relying mainly on services that are crucial to enhance positive attitude toward the health insurance and hence lead to a long-term relationship with their customers.

In fact, we identified three main steps that are of strategic importance in implementing a closed member area; these are the initiation part, the offering part, and the maintenance.

In our future research we will evaluate the contribution of the implemented closed member area of the health insurance to company's customer loyalty.

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