

Czech University of Life Sciences Prague

**Faculty of Economics and Management
Agricultural Economics and Management**



Bachelor Thesis

Title: Marketing strategy of General Health Insurance Company of the Czech Republic and its implementation

Author: Veronika Jindrová

Supervisor: Richard Selby

Prague 2009 ©

Affirmation

I confirm that I elaborated the bachelor thesis: “Marketing strategy of General Health Insurance Company of the Czech Republic and its implementation” by myself with the usage of mention literature, and after expert consultation with VZP workers, especially Ing. Jarmila Seidlová MBA, Mgr. Václav Bendl, and with my supervisor Richard Selby.

Prague, 31. March 2009

.....

Acknowledgement

I would like to thank for support from members of VZP CR, especially Ing, Jarmila Seidlová MBA and marketing director Mgr.Václav Bendl, who have provided me with the expert knowledge and important documents. Special thanks to Richard Selby for important recommendations and expert help.

**Marketing strategy of General Health Insurance
Company of the Czech Republic and its
implementation**

SUMMARY

The aim of my bachelor thesis is to summarize the various marketing and management concepts of different well known thinkers. On the basis of these concepts was done the following practical part of marketing strategy analysis, I mainly used the concept of Keřkovský and Vykypěl.

I also used various common analyses, to find out about company's milieu I used PEST analysis, to scan its internal and external environment I used SWOT analysis, to find out about the insured foreknowledge I used the analysis of STEM company and my own Questionnaire.

I found out that the marketing strategy of company needed to be improved. There is a lack of awareness of information amongst the insured. VZP should focus its marketing strategy on target groups and offer special activities or benefits to its clients.

Key words: Health care insurance, VZP CR, AKORD, IZIP, SBU, SWOT, PEST, 4Ps and 7Ps, strategy, marketing

SOUHRN

Cílem bakalářské práce je shrnutí různých konceptů marketingových a řízení od proslulých kapacit v daném oboru. Na základě těchto konceptů jsem vypracovala praktickou část mé bakalářské práce zaměřenou na analýzu marketingové strategie, především jsem použila konceptu Keřkovského a Vykypěla.

Také jsem užila různých analýz, na zjištění prostředí podniku jsem použila PEST analýzu, na prověření vnitřního a vnějšího prostředí jsem použila SWOT analýzu, a ke zjištění informovanosti pojištěnců jsem užila analýzy STEMu a vlastního dotazníku.

Zjistila jsem, že marketingová strategie VZP ČR je nedostatečná a tudíž potřebuje zlepšit. Z dotazníků a analýzy STEMu jsem zjistila nedostatečnou informovanost pojištěnců. VZP ČR by se měla zaměřit na cílové skupiny klientů a nabídnout jim speciální aktivity nebo výhody.

Klíčová slova: Pojištění zdravotní péče, VZP ČR, AKORD, IZIP, SBU, SWOT, 4Ps a 7Ps, strategie, marketing

Table of contents

1. Introduction	6
2. Objectives of thesis	7
2.1. Methodology	7
3. Literature review	8
3.1. Theoretical concepts of strategic management and marketing	8
3.1.1. Kumar's marketing concept	8
3.1.2. Strategic management of Keřkovský and Vykypěl	9
3.1.3. Marketing management of Boyd, Walker, Larréché	12
3.1.4. Kotler's marketing theory	13
3.1.5. Marketing management of Kotler and Keller	15
3.1.5.1. Company orientation towards the Marketplace	15
3.1.5.2. The Holistic Marketing concept	16
3.1.5.3. Corporate and division strategic planning	17
3.1.6. Strategic management of Wheelen and Hunger	19
4. Investigation of the strategy of VZP CR	22
4.1. General characteristics of the company	22
4.2. Analyses of the company and awareness of information of the insured	23
4.2.1. PEST	23
4.2.2. STEM analysis	26
4.2.3. Own research – Questionnaire	28
4.3. Corporate strategy	31
4.3.1. Insured	31
4.3.2. Health care providers	32
4.4. Business strategy	32
4.5. The analysis of the current marketing strategy	34
4.6. Formulation of marketing strategy	37
4.6.1. Specific strategic targets for single aspects of marketing strategy	37

4.6.1.1.	Market development, the most important marketing targets	37
4.6.1.1.1.	AKORD	38
4.6.1.1.2.	IZIP	39
4.6.1.2.	Development of marketing methods and procedures	39
4.6.1.3.	The Effectiveness of marketing activities	40
4.6.1.4.	Cooperation with specialized companies, media, PR	40
4.6.1.5.	Personal marketing securing	40
4.6.1.6.	Information marketing securing	41
5.	Results	42
5.1.	SWOT	42
6.	Conclusion	44
7.	References	45
8.	Supplements	47
8.1.	Questionnaire	47

List of Figures

Figure 3 - 1: Marketing strategy	11
Figure 3 – 2: Marketing mix	14
Figure 3 – 3: Planning, Implementing, and Controlling scheme	17
Figure 3 – 4: Business Unit achievement	18
Figure 3 – 5: Division of strategy to corporate, business and functional	20
Figure 4 - 1: Expenditures on health care in 2006	25
Figure 4 – 2: Knowledge about benefit	28
Figure 4 – 3: Usage of services	29
Figure 4 – 4: Knowledge about health care expense statements	30
Figure 4 – 5: Information awareness on IZIP	30
Figure 4 – 6: Division of clients	34

1. Introduction

The General Health Insurance company of the Czech Republic (afterwards referred to as just VZP CR) is facing continuous loss of market share and the client portfolio is also getting worse. The total share of VZP CR in the market has fallen to under 65% since the year 2005. In addition the number of clients' outgoing is the highest in attractive age under 35 whose contribute to insurance rate more than draw from the costs on health care – statistics confirm this trend. On the grounds of the growing activity of competitive insurance companies maintenance of its portfolio of attractive client is even doubted and a marketing effort is urgently required. The Insurance company has been forced to come up „to the fight for maintenance of attractive customer base“ by issuing a letter of enforcement of system changes in the behaviour of the organization.

From 2009 the new program AKORD has been implemented and system IZIP improved (exclusively for VZP CR), these should have two basic aims: to increase the attractiveness of the insurance company for clients and at the same time to ease the cooperation with the contracted health institutions. Thanks to the project of quality care (AKORD) VZP is taking responsibility for the health services offered to its clients and a more active role in its implementation. It amount of the insured will have and use the system IZIP (electronic health book) in 2009.

Besides health care, VZP CR is focused on health programs and other preventive actions. The aim of these actions is to prevent the origin of serious illness. The company places emphases on prevention and a healthy life style.

VZP CR helps with the implementation of new diagnostic, examination and curative methods and processes. The company has facilitated the test and subsequent implementation of screening examination of hermetical bleeding into ordure, mamographic screening, and examination of C-reactive protein etc.

2. Aim

The aims would include:

To find out what the marketing strategy for the whole insurance company is.

To find out the acknowledgement of the insured about their health insurance company in the world of hi-tech.

To improve the marketing strategy and prevent insured leaving the company.

2.1. Methodology

I have used the theoretical concepts, which I found in the enclosed resources and used them in praxis. I used various common analyses, to find out company's milieu I used PEST analysis, to scan the internal and external environment I used SWOT analysis, and to find out about the awareness of people about the range of options open to them I used the analysis of STEM company and my own Questionnaire.

3. Literature review

3.1. Theoretical concepts of strategic management and marketing

For the purposes of this bachelor thesis, I compared several different theoretical concepts of strategic management and concepts of marketing strategy from different well known thinkers.

3.1.1. Kumar's marketing concept [20]

Kumar (2008) is trying to show how marketing as a discipline can become "more strategic, going through company functions and more oriented towards economic outcome" than previously.

Managers have to consider the marketing strategy as the impetus of corporate strategy. All values begin and end with customers.

„Because the purpose of business is to create a customer, the business enterprise has two – and only these two- basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs. Marketing is the distinguishing, unique function of the business.“

Peter Drucker, http://en.wikipedia.org/wiki/Peter_Drucker (26. 12. 2009)

The fundamental mission of marketing is to divert supply from all competitors in an area, to meet the requirements of the correct group of customers (market segmentation). The concept of strategic segments and the usage of the 3V model make marketing more flexible and able to answer important questions such as: How does the company make a sustainable differentiation? In what extent is our marketing strategy unique?

3V:

Valued customer – who do we serve?

Value proposition – what should we offer?

Value network - how do we offer the purchase, marketing, distribution, operation?

Kumar (2008) focused on targeting, which means choosing the target market. Companies choose between accepting the strategies of non-differentiating, differentiating or concentrated targeting. The non-differentiating strategy tries to attract all customers by the same marketing mix. The differentiating strategy simultaneously aims several marketing segments, each of them with different marketing mix. The concentrated strategy picks one segment and concentrates on its service.

3.1.2. Strategic management of Keřkovský and Vykypěl [18]

Keřkovský and Vykypěl (2002) in their book defined strategic management as an inevitable part of every company that helps to anticipate its future plans. They assumed that each company's objectives should be delimited in the way that they are SMART (Stimulating, Measurable, Acceptable, Realistic and Timed). They focused on SBU (Strategic Business Unit), which should be created at each company level (corporate, business and functional) and achieve strategic objectives for the elements of the marketing mix.

Strategic management, arising from long-term forecast development, helps the company to anticipate its future plans. The decisions made within the strategic management process greatly affect the prosperity of the company. Strategic management gives clear aims and directions for the future of the company and the feelings of certainty in its workers. Strategic management helps to improve the quality of management, the communication inside the company, the coordination of projects, the motivation of workers and the allocation of resources.

Keřkovský and Vykypěl (2002) say that the ideal model of strategic management of company does not exist. If the ideal model existed every company would accept that model and it would probably be the end of market economy. Strategic management should be understood as a never ending process, which begins with defining the company's mission and objectives and its strategic analyses and ends with the formulation of all possible strategic solutions.

Strategy means the fundamental image, which way will the company's objectives be achieved.

Strategic objectives should be delimited in the way that they are SMART:

S (Stimulating) objectives must stimulate to achieve the best outcomes.

M (Measurable) the achievement of the objective should be measurable.

A (Acceptable) the objectives should be accepted by all of those who should fulfil them.

R (Realistic) objectives should be real, attainable.

T (Timed) objectives should be determined in the time.

A strategic business unit (SBU) is defined as a determined group of customers and their needs, which the company would like to satisfy. Each SBU is formulated as an independent business strategy. It is assumed that a hierarchical system of interrelated strategies exist, and is created by the corporate, business and functional levels. While formulating SBU it should be process in the “top-down” direction and there is applied regressive connection, the “bottom-up” direction.

A business strategy expresses the fundamental objectives and ways for a determined SBU to reach its goals. The business strategy gives the company in a defined market its specific character. The business strategy should specify the strategic objectives for the elements of the extended marketing mix:

- Product (set of products/services of given SBU)
- Price (price politics)
- Place (delimitation of market)
- Promotion (distribution channels)
- People (human resources, workers)
- Process (development, supply, production, distribution, information and other processes needed for satisfying the needs of SBU customers)
- Planning (planning, management, organization and corporate culture of given SBU)

The function strategy should originate from the corresponding superior business strategies and support, and be more concrete in specific fields.

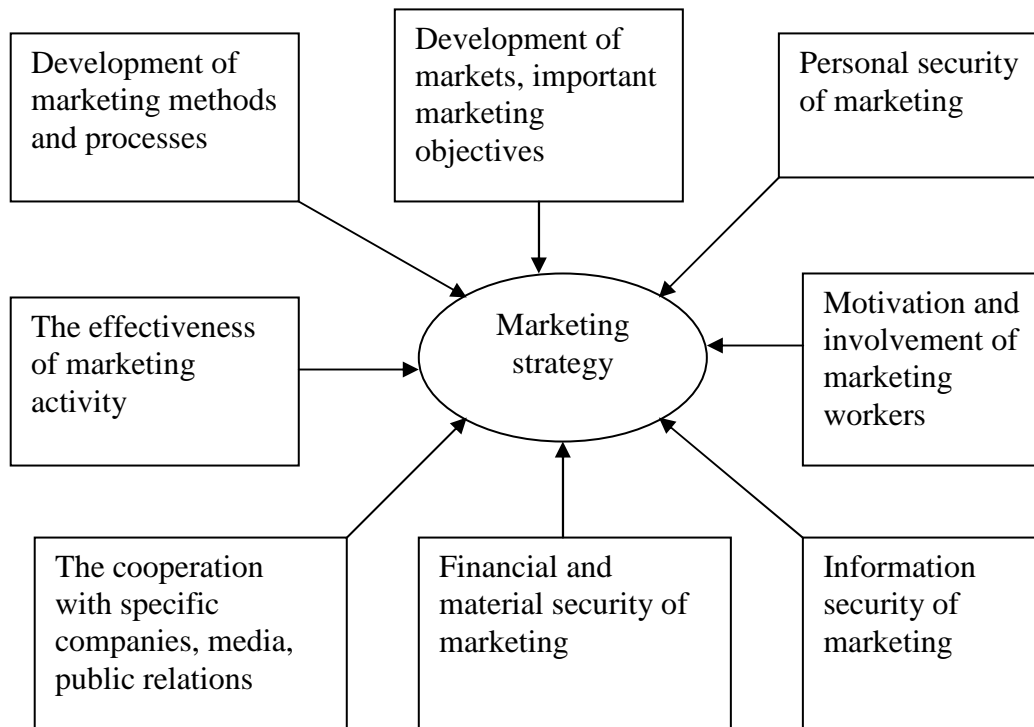


Figure 3 – 1: *Marketing strategy*

Source: KEŘKOVSKÝ, M., VYKYPĚL, O. *Strategické řízení – teorie pro praxi*. Praha: C.H. Beck, 2002. 172 p. ISBN 80-7179-578-X. p. 27

Specialist literature defined content marketing strategy by so known “4Ps” marketing mix, where strategic objectives are specified for Product, Price, Place and Promotion. The objectives of marketing strategy on the functional strategy level is transformation of superior strategic objectives into the field of relevant marketing SBU and concretion of ways/methods their implementation.

Keřkovský and Vykypěl (2002) mentioned Porter’s five factors model of competitor’s milieu. The model originates in presumptions that strategic position of the company/SBU operates in certain sector.

- Bargaining power of buyers
- Bargaining power of suppliers
- Threat of entry
- Threat of substitutes

- Competitive rivalry within industry

Porter's model can be profitably employed by strategic analysis of company's milieu, valuation of proposed strategy and the decision making is focused on answering the fundamental "strategic" questions.

When implementing the strategy, managers and ordinary workers have to be properly informed about the accepted strategy and following strategic plans. The strategy is usually fulfilled by realization of programmes and plans by ordinary workers and lower managers.

3.1.3. Marketing management of Boyd, Walker, Larréché [1]

Boyd, Walker and Larréché (1995) described the marketing management process as a controllable combination of marketing objectives, which refers to the marketing mix. They stressed how important it is to implement marketing strategy effectively.

Marketing strategy is reflected by the interrelated functional decisions about how to define market segments, which segments to target, which models and features to include in the product line, promotions and prices. Marketing objectives and strategy for a particular product-market entry must be consistent with the direction and resources provided by the firm's corporate and business-unit strategies.

Designing an effective strategic marketing program for product-market entry involves three interrelated sets of decisions:

- The manager must set specific objectives to be accomplished within the target market, such as sales volume, market share, and profitability goals. Those objectives must be consistent with the firm's corporate and business-unit strategic objectives, yet specific enough to enable management to monitor and evaluate the product-market entry's performance over time.
- The manager must decide on the overall marketing strategy to appeal to customers – and to gain a competitive advantage – in the target market. The strategy must be consistent with the firm's capabilities, its corporate and business-unit strategies, and the product-market objectives.

- The manager must then make decisions about each element of the tactical marketing program used to carry out the strategy. These decisions must be internally consistent and integrated across all elements of the marketing program.

The marketing mix is the combination of controllable marketing variables that a manager uses to carry out the marketing strategy in pursuit of the firm's objectives in a given target market. **Product** – Quality, Features, Style, Options, Brand name, Packaging, Guarantees/warranties and Services/spare parts. **Place** – Numbers and types of middlemen, Locations/availability, Inventory levels and Transportation. **Price** – List price, Discounts, Allowances, Credit provision and terms, Payment period, and Rental/Lease. **Promotion** – Advertising, Personal selling, Sales promotion, Point-of-purchase materials and Publicity. The target market is therefore created by the 4Ps.

Strategy is a fundamental pattern of present and planned objectives, resource deployments, and interactions of the company with markets, competitors, and other environmental factors. The strategy should specify what is to be accomplished, where, and when as well as how. A final critical determinant of a strategy's success is the company's ability to implement it effectively.

The primary focus of the marketing strategy is to effectively allocate and coordinate marketing resources and activities to accomplish the company's objectives within a specific product-market. Companies seek competitive advantage and synergy through a well-integrated program of marketing mix elements (4Ps) tailored to the needs and wants of potential customers in that target market.

Marketing managers bear the primary responsibility for formulating and implementing the strategic marketing plans for individual product-market entries.

3.1.4. Kotler's marketing theory (19)

Kotler (2000) stressed in his book the importance of marketing oriented companies, which are more profitable than those without marketing. Marketing should focus on customer care and management of customers demand. Marketing by Kotler mainly represents marketing with the marketing mix (4Ps = Product, Price, Place and

Promotion) and identifies, evaluate and choose the marketing opportunities and introduce strategies for achieving the top position in target markets.

Marketing oriented companies improve their knowledge about customers, communication techniques with customers and improve the understanding of economics of customer service (software, web pages, intranets and extranets).

Marketing is responsible for the profitability of the company and growth of its income. Strategic marketing is represented by segmentation, aiming and presentation. Tactical marketing is represented by the marketing mix.

Marketing is responsible for extending the commercial activities of the company. The main activity of marketing is the management of demand. Demand can be created by the combination of three processes: Acquisition of customers, sustainability of customers and increase the number of customers.

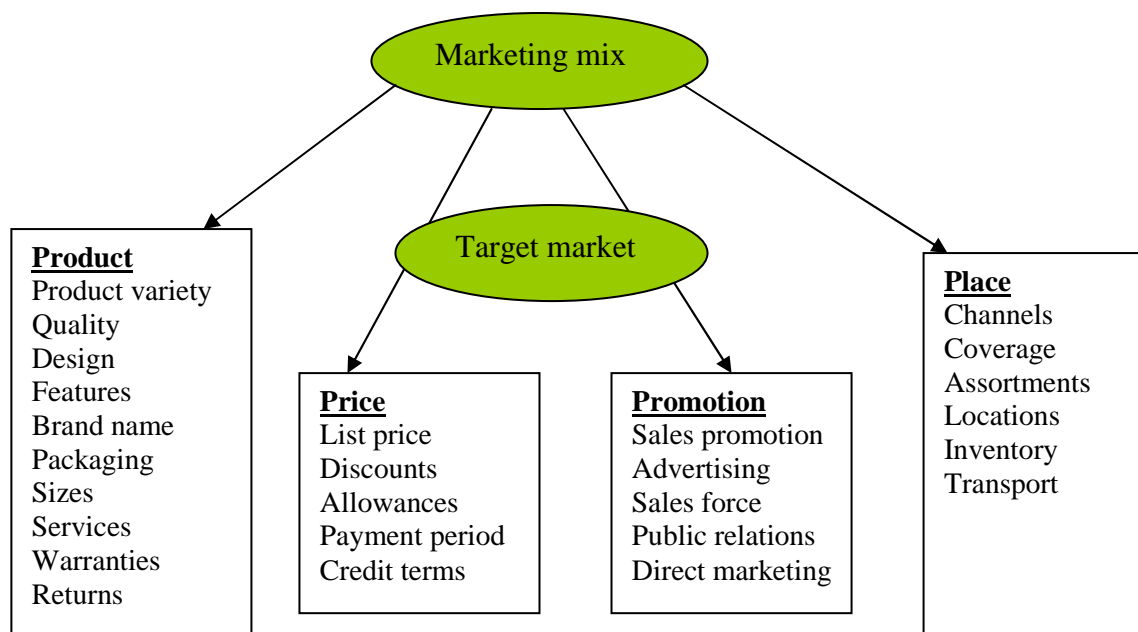


Figure 3 – 2: *Marketing mix*

Source: KELLER, K.L., KOTLER, P. Marketing management. Prentice Hall, Upper Saddle River, New Jersey 07458: Pearson, 2006. ISBN 0-13-145757-8. p. 19

3.1.5. Marketing management of Kotler and Keller [17]

Kotler and Keller (2006) said that marketing affects our day-to-day lives and is engaged in a vast number of activities by people and organizations. Based on their motion the company should be oriented towards the marketplace, which can be done through different concepts (production, product, selling, and marketing).

Kotler and Keller (2006) considered marketing as an art and science; the company can not afford to relax, it has to change or it will die. Marketing should be the result of careful planning and execution, while it is an increasingly vital ingredient for business success. Marketing deals with identifying and meeting human and social needs profitably.

Customers nowadays expect a higher quality of products and services, however they show less brand loyalty.

3.1.5.1. Company orientation towards the Marketplace

Production Concept

- Consumers will prefer products that are widely available and inexpensive.
- Managers concentrate on high production efficiency, low cost and mass distribution.

Product concept

- Consumers favour products that offer the most quality, performance, or innovative features.
- A new or improved product will not necessarily be successful unless the product is priced, distributed, advertised, and sold properly.

Selling concept

- The purpose of marketing is to sell more stuff to more people more often for more money in order to make higher profit.

Marketing concept

- Instead of “hunting” marketing is “gardening.”
- The job is not to find the right customer for your products, but the right products for your customers.

- Company should be more effective than competitors in creating, delivering and communicating superior customer value to its chosen target markets.

3.1.5.2. The Holistic Marketing concept

Holistic Marketing concept is based on development, design and implementation of marketing programs, processes and activities. Holistic Marketing concept consists of relationship marketing, integrated marketing, internal marketing, and social responsibility marketing.

1. Relationship marketing

- The aim of relationship marketing is to build a satisfying long-term relationship with key parties – customers, suppliers, distributors and other marketing partners.

2. Integrated marketing

- Marketer's task is to devise marketing activities and assemble fully integrated marketing programs to create, communicate and deliver value for consumers.
- Integrated marketing is composed of two different views: buyer's and seller's one. Seller view is represented by marketing mix (4Ps). Buyer view shows us the transformation of 4Ps into 4Cs; product is therefore transform into customer solution, place into convenience, price into customer cost and promotion into communication.

3. Internal marketing

- Internal marketing deals with tasks of hiring, training and motivating able employees who want to serve customers well.

4. Social responsibility marketing

- Social responsibility marketing helps us understand broader concerns and the ethical, environmental, legal and social context of marketing activities and programs.

Kotler and Keller (2006) stressed the importance of marketing plan as the central instrument for directing and coordinating the marketing effort. Marketing plan operates

at two levels: **strategic and tactical**. Strategic marketing plan lays out the target markets and the value proposition that will be offered, based on an analysis of the best market opportunities. Tactical marketing plan specifies the marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and services.

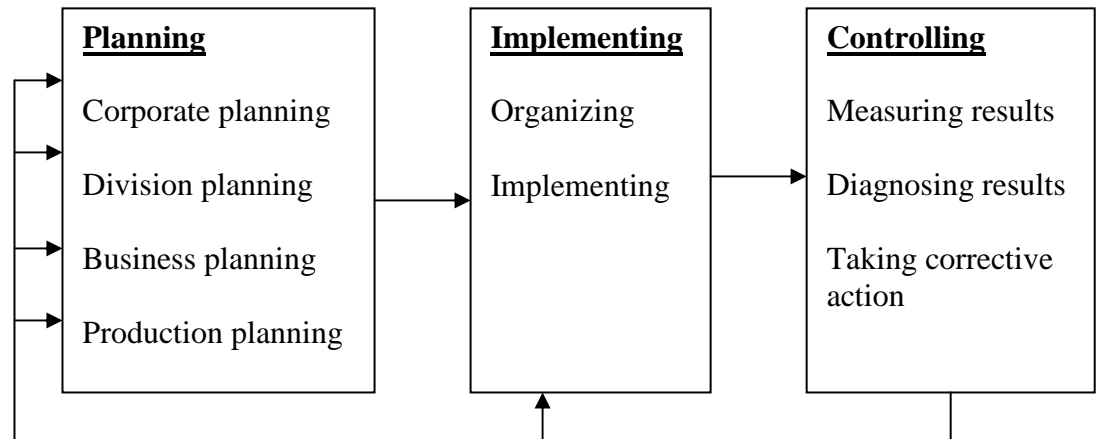


Figure 3 – 3: *Planning, Implementing and Controlling scheme*

Source: KELLER, K.L., KOTLER, P. Marketing management. Prentice Hall, Upper Saddle River, New Jersey 07458: Pearson, 2006. ISBN 0-13-145757-8. p. 44

3.1.5.3. Corporate and division strategic planning

Good mission statement has three major characteristics. First, it focuses on a limited number of goals. The statement, “we want to produce the highest-quality products, offer the most service, achieve the widest distribution, and sell at the lowest prices” claims too much. Second, mission statement stresses the company’s major policies and values. They narrow the range of individual discretion so that employees act consistently on important issues. Third, it defines the major competitive spheres within which the company will operate: Industry, Products and applications, Competence, Market segment, Vertical, Geographical.

Strategic Business Unit (SBU)

- It is a single business or collection of related businesses that can be planned separately from the rest of the company.
- It has its own set of competitors.

- It has a manager who is responsible for strategic planning and profit performance and who controls most of the factors affecting profit.

The purpose of identifying the company’s strategic business units is to develop separate strategies and assign appropriate funding. Senior management knows that its portfolio of businesses usually includes a number of “yesterday’s has-beens” as well as “tomorrow’s breadwinners”. There is a need to classify its business profit potential by analytical tools.

The achievement of business unit is indicated by goals; strategy is a game plan for getting there. Every business must design the strategy for achieving its goals, consisting of marketing strategy, and compatible technology strategy and sourcing strategy.

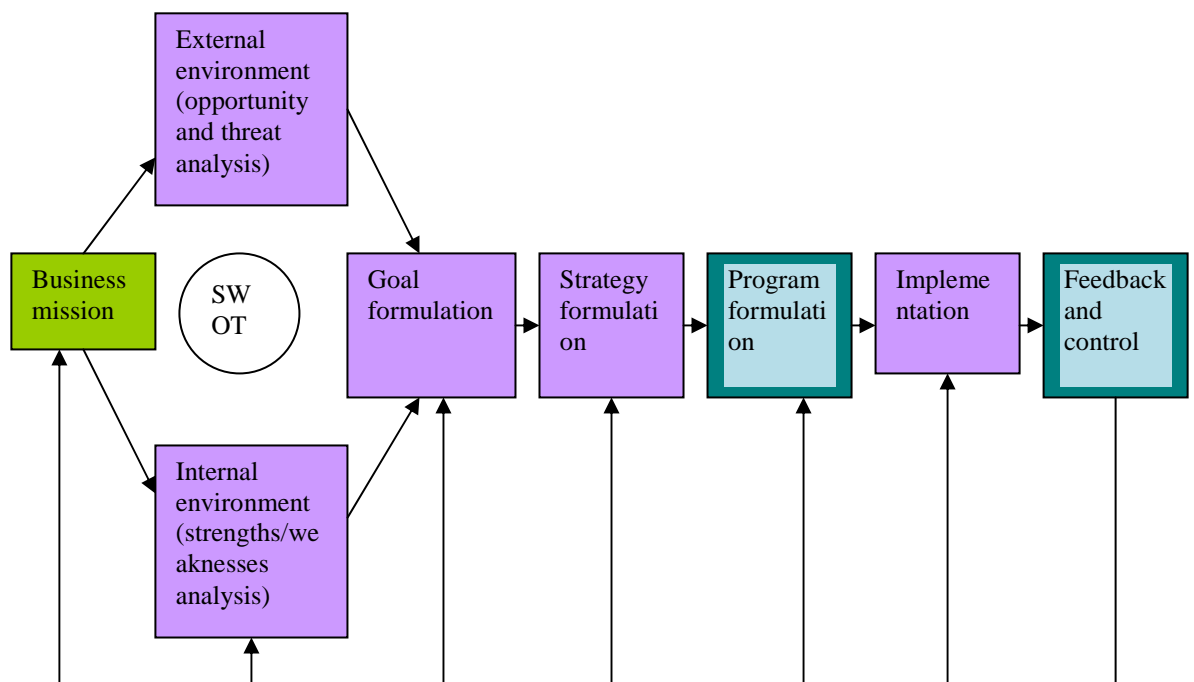


Figure 3 – 4: *Business Unit achievement*

Source: KELLER, K.L., KOTLER, P. Marketing management. Prentice Hall, Upper Saddle River, New Jersey 07458: Pearson, 2006. ISBN 0-13-145757-8. p. 50

3.1.6. Strategic management of Wheelen and Hunger [15]

Wheelen and Hunger (1992) declared strategic management as a set of managerial decisions and actions that determines the long-run performance of the company. Strategic management according to them includes environmental scanning, strategy formulation, strategy implementation, and evaluation and control.

The company should scan both the external environment for opportunities and threats, and the internal environment for strengths and weaknesses. The factors that are most important to the company's future are referred to as strategic factors and are summarized with the acronym SWOT, standing for Strengths, Weaknesses, Opportunities, and Threats. Once these are identified, top management then evaluates the strategic factors and determines the corporate mission.

A strategy formulation is the development of long-range plans for the effective management of environmental opportunities and threats, in light of corporate strengths and weaknesses

The typical large, multidivisional business company has three levels of strategy: corporate, business, and functional.

A corporate strategy describes a company's overall direction in terms of its general attitude toward growth and the management of its various businesses and product lines to achieve a balanced portfolio of products and services. Corporate strategy may be one of stability, growth, or retrenchment.

A business strategy, in contrast, usually occurs at the divisional level, and emphasizes improvement of the competitive position of a company's products or services in the specific industry or market segment served by the division. A division may be organized as a Strategic Business Unit (SBU) around the group of similar products. SBU is usually treated as a semi-autonomous unit with an authority to develop its own strategy within company's objectives and strategy. Business strategy could be competitive (battling against all competitors for advantage) or cooperative (working with one or more competitors to gain advantage against other competitors).

A functional strategy focuses on maximizing the resource productivity. Within the constraints of the corporate and business strategies around them, functional

departments develop strategies in which their various activities and competencies are pulled together for the improvement of performance.

These three levels of strategy – corporate, business, and functional - interact closely with each other and must be well integrated if the whole corporation wants to be successful.

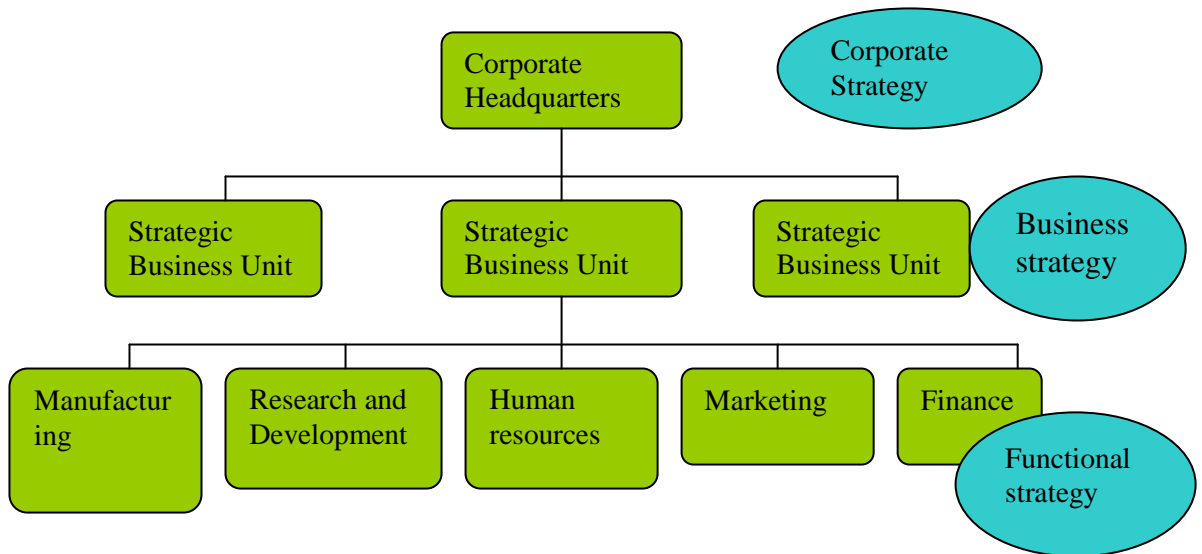


Figure 3 – 5: *Division of strategy to corporate, business and functional*

Source: HUNGER, J.D., WHEELLEN, T.L. Strategic management and business policy. USA: Addison-Wesley Publishing Company, Inc., 1992. 1138 p. ISBN 0-201-53281-6 p. 22

The specific operation of the hierarchy of strategy may vary from one company to another. There exist two basic types of strategic planning: (1)The top-down strategic planning, in which corporate level top management initiates the strategy formulation process and calls upon business and functional units to formulate their own strategies as ways of implementing corporate-level strategies. (2)Another approach is bottom-up strategies planning, in which the strategy formulation process is initiated by strategic proposals from business or functional units. The strategy formulation leads from the functional level to the business level and from the business to the corporate level.

Functional strategy

The principal goal of functional strategy is to maximize corporate and divisional resource productivity. Functional strategies can be identified within the areas of marketing, finance, research and development, operations, human resources, and among

other areas. The formulation and implementation of these strategies are important ways to build on an area's strengths or to reduce its weaknesses so that corporate and business strategies have a greater likelihood of success.

Two basic marketing strategies are (1) market development and (2) product development. Under the market development the company or unit can capture a larger share of an existing market for current products through market saturation and market penetration or develop new markets for current products. Generally speaking, the market development strategy supports a corporate strategy of concentration, whereas the product development strategy supports a corporate strategy of diversification.

There are many other marketing strategies. Some of them are presented in the categories of market, product line, distribution, pricing and credit, and advertising and promotion. Under advertising and promotion, for example, the company or business unit can choose between the "push" (previously unknown product is pushed to the consumer by distribution and promotion.) and "pull" (consumer requests the product) marketing strategy.

"Without successful implementation, a strategy is but a fantasy."

(15) Hambrick, Cannella

Once the strategy and a set of policies have been formulated, the focus of strategic management shifts to implementation. Strategy implementation is the total sum of all activities and choices required for the execution of strategic plan. It is the process by which strategies and policies are put into action through the development of programs, budgets, and procedures. Although the implementation is usually considered after the strategy has been formulated, implementation is a key part of strategic management.

4. Investigation of the strategy of VZP CR

4.1. General characteristic of the health insurance company

The General Health Insurance Company of the Czech Republic was established by the code no. 551/1991 coll. with the effect from 1. 1. 1992. VZP CR runs general health insurance in coincide with the valid legal regulations. VZP CR is responsible for drawings of insurance rate for the general health insurance and health care settlement from the health insurance and other activities, which are allowed by the law.

The hierarchy of VZP CR consists of Head office, regional branches, territorial workstations and offices. The company is run by Pavel Horák, the current head officer.

With 6.38 million clients VZP CR is the biggest health insurance company in the Czech Republic. The company was formed in 1992 and belongs to primary pillars of health service system in the Czech Republic.

The aim of VZP CR is to:

- become a strong, stable and serious partner
- provide its clients with quality service and information related to health insurance in the scope of valid legislation
- make sure that its clients get quality health care
- make its own economy of company effective

VZP CR pays health care provided in the Czech Republic and in the EU countries no matter the social position of its clients. The company makes sure that human rights, patient and insurance rights of clients are not violated. VZP CR is able to pay the most demanding health operation.

VZP CR besides the health care is focused on health programs and other preventive actions. The aim of these actions is to prevent the origin of serious illness. The company places emphases on prevention and healthy life style.

VZP CR helps with the implementation of new diagnostic, examination and curative methods and processes. The company has facilitated the test and subsequent implementation of screening examination of hermetical bleeding into ordure, mamographic screening, and examination C-reactive protein etc.

4.2. Analysis of the company and awareness of information of the insured

4.2.1. PEST

PEST analysis scans the external macro-environment in which the firm operates. The acronym stands for **Political** (This factor includes government regulations and legal issues and defines both formal and informal rules under which the company must operate.), **Economical** (This factor affects the purchasing power of potential customers and company's cost of capital.), **Social** (This factor includes the demographic and cultural aspects of the external macroenvironment and affects customer needs and size of potential markets.) and **Technological** (This factor can lower barriers to entry, reduces minimum efficient production levels, and influence outsourcing decisions.) factors.

Political

Daniela Filipiová is the sixteenth minister of the National Health Service (since 1989), she believe that laws prepared by previous minister Julínek are precise. Filipiová would like to put some of these laws into effect. Health service is the most difficult and important sector.

General health insurance in the Czech Republic is based on the principle of solidarity. Each citizen of the Czech Republic, who is by the law participant of general health insurance system, has the right on certain standard health care range, which is guaranteed by Health care rules, without the consideration of paid insurance amount. Each citizen and employer of the Czech Republic must pay a health tax 13.5% out of salary, this was established at the beginning of health insurance system, since then nothing has changed. Thanks to inflation every year the amount of collected money is greater. At the beginning of the system the company collected 42 milliard CZK, in 2008 it was 209 milliard and this year it was estimated on 214 milliard CZK – but this was estimated before economic crisis. The number of gainfully employed is decreasing, this means lower income into health insurance, payment from state for non-employed (seniors and children) will rise. Currently is everything much more complicated thanks

to economic crisis. Health insurance plan assumed the total income in an amount of 147.5 milliard CZK in 2009.

Higher unemployment about 1% would cause loss of income about 600 million CZK; lower anticipated increase of incomes about 8% with lower unemployment of 1% would cause loss of 850 million CZK. Current macroeconomic prognosis for the year 2009 estimates loss of 4 to 5 milliard CZK compared to last year presumption.

The participation of patients on health care will rise; the participation in the Czech Republic is at the lowest level in comparison to other EU states. It is approximately 11%, but in the EU countries participation on health care covers from 20% to 25%.

Socio-economic factor

Socioeconomic system of the Czech Republic has been formed historically by number of factors. Period of socialism has left behind some deep reflections in people and economy, which are reflecting at present when the society is being built on principles of market environment. The period after 1989 brought some new terms into the society such as private ownership, unemployment, economic stagnation, chaos in the law, uncertainty, commercialization of the environment and pressure on national integrity of society.

After November 1989 the situation for health service was not anyhow easy. Many years before, different information and documents about continuous devastation of health status of population were gathered.

Between 1991 and 1992 the unified structure of National Health Institution disintegrated and tens of new independent health service institutions were established. New codes were accepted, which helped Bureau of General Health Insurance to function. It was General Health Insurance Company (VZP) at first, established on 1. 1. 1992, followed by other health insurance companies (in accordance with law no. 280/1992 coll.)

The Czech Republic developed new health service system, which needs to be reformed now as the previous system was. The role of state will have in the following period high importance and the laws must be precisely formulated and strongly

implemented than it used to be. The dominant role of our state without the doubt is integration into highly developed EU countries.

There was an increase in the quality and accessibility of health care, prevention activities and changes in the lifestyle of population. Precious health care service is expensive and its every improvement, which can lead to an average life extension and quality improvement, leads to growth of expenditure. The population of the Czech Republic is ageing, which may cause problems with health care payment.

There is seen the decrease of young people (0-19 yrs) (in 1985 percentage of young people in the population was 30% and in 2007 it was only 20%) and increase of seniors (60+) (percentage of seniors in the population was in the year 1985 17.4% and in 2007 it was more than 21%). The trend shows higher life expectancy for both male and female; however the expectancy is slightly higher for women (79.9 yrs) than for men (73.7 yrs). The percentage of people in productive age has been decreasing since 2003, when it reached the peak, this will highly affect the pension payment and health care payment also as was said previously is fund by tax from those who work.

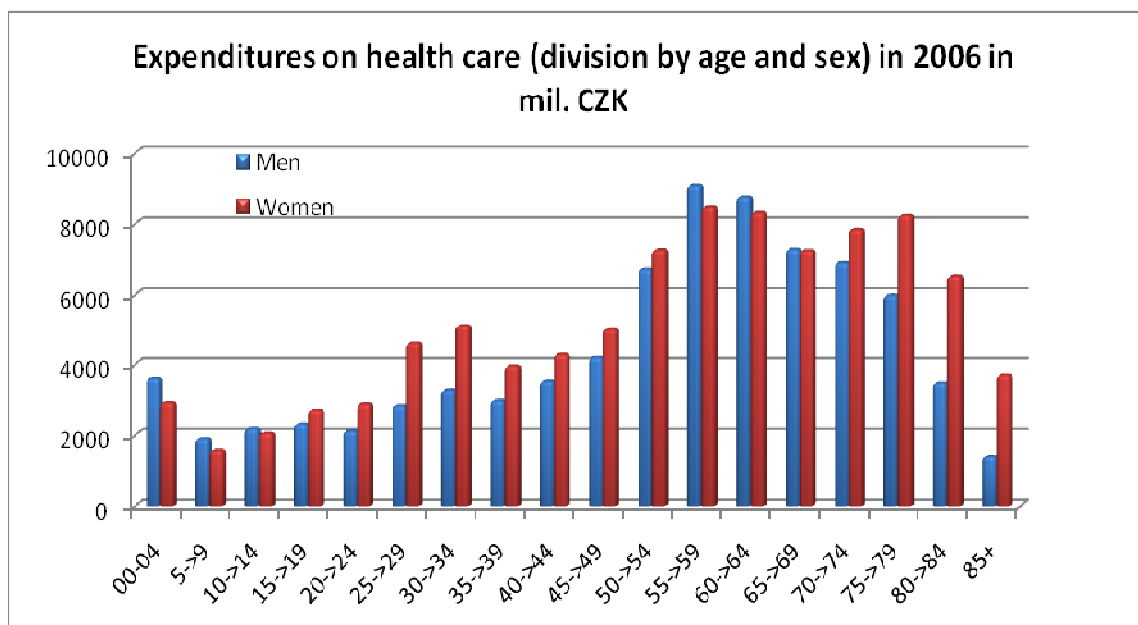


Figure 4 – 1: *Expenditures on health care in 2006*

Source: [http://www.czso.cz/csu/2008edicniplan.nsf/t/0F003829AD/\\$File/330608j3.pdf](http://www.czso.cz/csu/2008edicniplan.nsf/t/0F003829AD/$File/330608j3.pdf)

Technological

Technological environment is represented by the worldwide accessible information and communication technologies. New technologies are being implemented fast; there has been seen growth in internet users and high penetration of mobile phones. As the result of information development on a worldwide scale the distance effect is disappearing, which increases speed in processes, enables to run business in real time, and at the same time calls out for the necessity to radically re-asses the organization of management.

4.2.2. STEM analysis

Marketing director of VZP CR, Václav Bendl has provided me with a general report on health insurance, which was conducted for the purposes of VZP CR's top management (2.10.2008 in Prague).

The research was conducted by STEM company in the period from May to September 2008. The method used during the research was face to face interview by specially trained interviewers. The aim of this report was to find out different views of aimed groups on the health reform, transformation of health insurance companies, activity and service provided by VZP CR. During the research 3,390 respondents were interviewed, 2,739 public, 253 entrepreneurs, and 398 doctors.

Previous minister of National Health Service Julínek wanted to reform National Health Service system, he succeed with some reforms. Due to the STEM analysis most of Czech public agree with radical and depth reform of National Health Service system, to be specific 58% of interviewed. Doctors see higher importance in implementing the reform than public; with the reform agree 83% of interviewed doctors. However with the reform agree most of respondents; they are not satisfied with its implementation and its outcome.

Interviewed are not uniform in the question on supply of different health companies, 49% of interviewed see great differences between the health service companies' supply and 51% say there is no difference.

There is only 18% from Czech Republic's population, which takes care of health insurance offers. The decrease of people paying attention to health insurance has been

seen since 2003. Most of population takes insurance for granted something what functions without our endeavour and what we do not have to care about. Since 1993 22% people have changed their health service company, thanks to better offer. Clients of the VZP CR are less satisfied with the above standard offer and professionalism of officials; on the other hand they relish the availability of offices and like to be insured in well known company with long history.

The research shows high information deficit through interviewees. General knowledge about offered benefits is not very high. The highest measured awareness is on vaccinations benefits, 51%; followed by benefits for blood and bone marrow donors, 33%. Benefits for curative stay for children (including “Sea-horse”) is placed on third position with 32% awareness between interviewed. Other benefits offered by VZP CR stands between 15% to 20% (exercising of mothers with babies, program for lowering overweight and obese, program focused on dependence on tobacco treatment, etc.).

People mostly ask for extended services, such as the benefits for vitamins and food supplements; benefits for sport; the possibility to monitor the amount of regulation fees. Clients of VZP CR are more conservative in opinions on health reforms, and are less concerned about health insurance.

Clients of VZP CR are older in comparison to other health insurance companies, share of clients over 60 years is twice higher; they are poorer, less healthy, less educated with higher share of unemployed.

A perspective offer of VZP CR will have to take into consideration the passivity and conservativeness of own clients. Disbelief of people on reformation, lack of information and quite high expectation into future will put great demand on communication strategy of VZP CR.

4.2.3. Own research

I have conducted and distributed a questionnaire, which was returned by 64 people. These respondents were mainly customers of VZP CR and my friends. For the purposes of this bachelor thesis only certain questions will be used. The questionnaire mainly focuses on information awareness of insured people.

How do interviewed get to know about the advantages offered by VZP CR?

The majority of interviewees get the information about offered advantages through the internet and from relatives; these are followed by VZP leaflets and magazine 'Jistota'. Seventeen percent of interviewees say there are either no advantages or they are not informed at all.

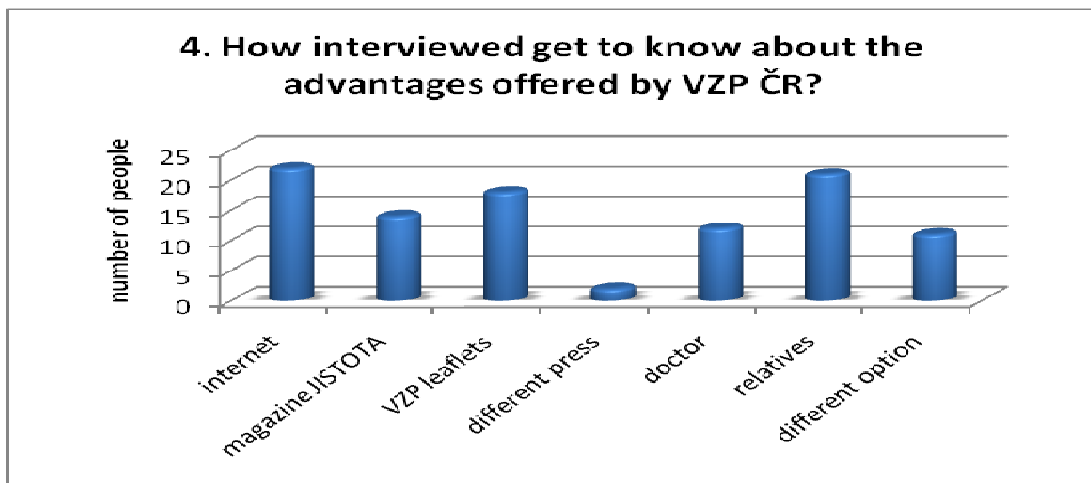


Figure 4 – 2: Knowledge about benefits

Which service, provided by VZP CR, does interviewees mostly use?

Surprisingly, majority of interviewees do not use any advantages or benefits offered by VZP CR. I think, this is caused by lack of information or poorly set up advantages focusing on particular groups.

Measurement of presurre, sugar, pulse, fat, cholesterol; and discounts for vaccinaions (against indoxes, flu, hepatitis..) in my opinion concentrate on whole population and due to my questionnaire are used by people quite lot. As a main focus group I consider children. There are many benefits focusing on children and at many benefits is the limitation age 18; students 18⁺ excluded. Some of these benefits are safety protection benefits for children, fixed orthodontic apparatus benefit, curative stay

benefits (especially “sea horse”) etc. No one from interviewees use the benefits for reduction of overweight and obese; and treatment for dependence and smoking. Some of interviewees said they did not know about so many benefits and thanks to my questionnaire they got to know.

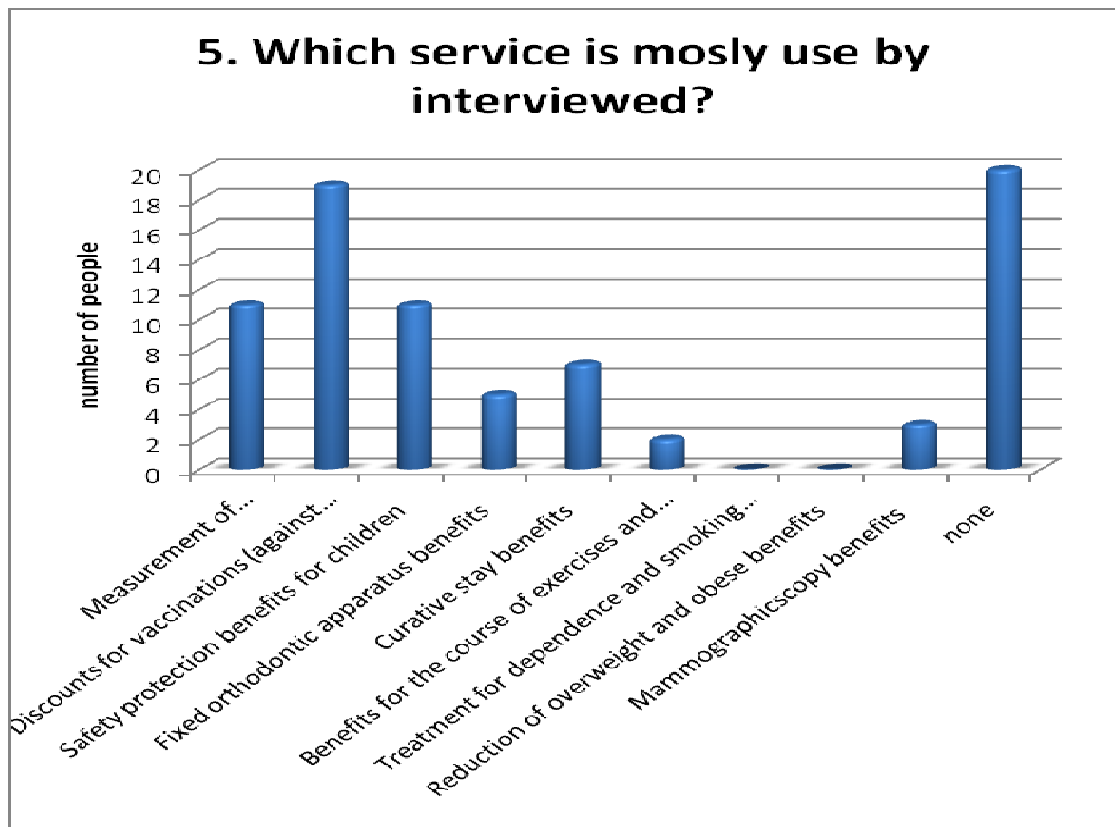


Figure 4 – 3: Usage of services

To the question: “What do you miss in the VZP CR’s offer?” some interesting things came up. More than 51% of interviewees do not know what they miss in the offer, because they either do not know what the current offer is or they are not interested in health care’s offer. 11% of respondents would like to improve the foreknowledge about the company or benefits provided. 5% of respondents and in this case women would be interested in implementing the benefit for contraception, which used to be in VZP’s offer but it was stopped few years ago. 3% of respondents would be interested in spectacle frame benefit, the same amount of respondents is interested in benefits focusing on students 18+ (not just children). The rest of answers were not represented by more than 3%, but some of them are worthy to mention such as: insurance of outdoor activities, and focus on active clients.

Do you know that you can ask for the expenses on health care statement?

Other information asking question showed that two thirds of interviewed did not know they can ask for the expenses on health care statement. This group was mainly represented by young people from 20 to 30 years.

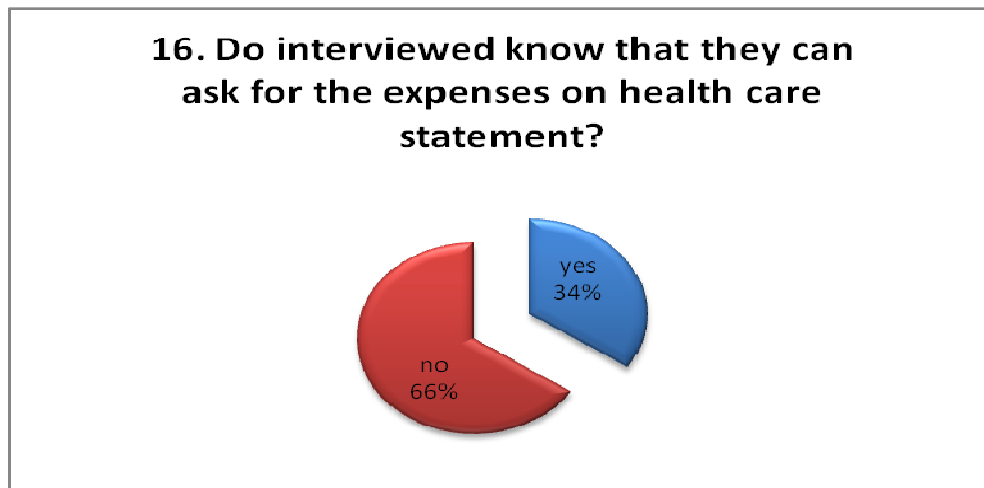


Figure 4 – 4: Knowledge about health care expenses on statement

Have you heard about electronic book called IZIP?

System IZIP has been running in the full version since 2003, it came with an idea of patient electronic documentation sharing, which should help doctors to share examination records. Only six people out of 64 interviewed fully use IZIP system.

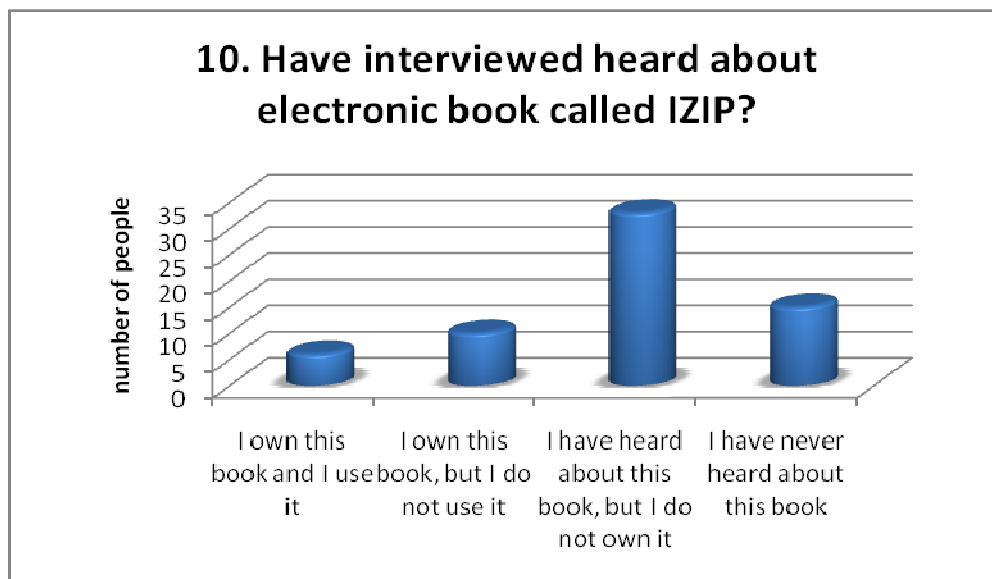


Figure 4 – 5: Information awareness on IZIP

This year the new program AKORD starts running. This program should be detailly worked out and for sure implemented in all regions and health institutions. When I asked interviewed whether they heard about AKORD program, none out of 64 respondents said yes. The information awareness about newly implemented programs and action through public I therefore consider really poor.

Nearly two thirds (63 %) of interviewed felt poorly informed about activities of VZP CR. Some people did not fill in my questionnaire, because they did not know much about this problem.

I have also asked interviewed how would they improve the lack of information. Some interesting answers arised, majority would prefer higher distribution of improved leaflets in the chemist or doctor's offices and in the transport. Second place was occupied by advertising into mass media. On the third place stands opinion that lack of information should be improved by sending e-mails to clients or improve web visage. Some ideas were interesting, such as improving magazine's graphics – to make it more interesting for readers; or to organize campaigns for purpose of higher consumer awareness. I think that company such as VZP is can not produce any mass media advertisement, because people will tend to say that they are wasting money of insured. I agree with improving the graphics of leaflets as well as magazine and www sites, all of these have obsolete look.

4.3. Corporate strategy

There does not exist corporate strategy. I have used the concept of Keřkovský and Vykypěl and divided a corporate strategy into two strategic business units.

4.3.1. SBU – Insured

Aim: to develop pro-clients activities, this should lead to better clients' foreknowledge and improvement of their healthy lifestyle; to improve insurance stock structure; to stabilize targets of insured and at the same time optimize income aspect of the budget.

4.3.2. SBU – Health care providers

Aim: to stabilize position in the system of health care by reforms or restructuring. Contribute to stabilization of insured thanks to target setting – VZP CR clients and at the same time optimize expenditure aspect of the budget.

The most strategic aim is to protect the drop of both SBUs to the competition by activity growth. One of the most important factor in the trade area especially „quality class“ insured is accordingly considered competition of health insurance companies. A competitive environment forces the insurance company to implement programs and actions, which should contribute to better competitive advantage to improve image, satisfaction, foreknowledge and thereby to stabilize advisable portfolio VZP CR insured.

4.4. Business strategy

In my work I will focus on first strategic business unit “insured”. I recommend fighting competitors by the strategy of differentiation; company should offer something what competitors can not reproduce so easily and nevertheless eliminate risks for appropriate activity lack of understanding. The company should focus on target groups and offer special activities or benefits.

Divisions of target groups:

- Women at the age of 20 – 34 years
- Young men at the age of 25 – 34 years
- Young families with small children
- Newborns and children to 10 years

Business strategy of insured according to extensive marketing mix (7Ps):

Product

The aim is to inform the chosen segment of insured about services, actions and preventive programs of the VZP CR. Introduce active offer program for children’s growth, such as antenatal activities, present for mother after the birth of the baby.

Price

Determine limits of fund advertisement means and propagation for stabilization of the insured in terms of programs realization. Financial means should be distributed objectively and efficiently.

Promotion

Marketing section task in the Head office is searching criteria for choice of priority, monitoring the efficiency of the client programs actions in their coverage on stabilization of clients' portfolio, development structure of the insured and outgoing of advisable segments.

Place

Decrease of the general outgoing trend of VZP CR's insured to other health insurance companies – especially in Prague, Brno and regions with regional capital. Maintenance of VZP CR's insured on 61 – 62 % of market share.

Process

Gather relevant information about the chosen clients' segments, realize and be on a look for adequate ways of addressing and information of the chosen segments of insured, contribute to improving good relationship with key group in VZP CR, extend effective forms of communication and increase its satisfaction, fulfil substantial expectations and needs, especially segments threatened by the competition – support chosen programs, health lifestyle actions and other attractive and asked services and activity. Observe competition (its offers, movement, needs, satisfaction and insured interests in single segment) and evaluate efficiency realized in stabilization programs.

Planning

To prevent decrease of clients' outgoing to the competitive insurance companies; the company should transfer supporting functions and operating activities on the level of regional branches. Keeping up the clients and providing services connected to carrying out general health insurance deploy as near as possible to a client – in the territorial workstations or offices. Increase attractiveness of insurance company for its clients.

People

Improve and innovate the staff general access toward its clients in term of services performance to insurance company. The meaning of the function and services

of regional specialised workers consists in its targeting coverage on the level of communication with clients, foreknowledge and satisfaction of the insured, stabilization of actions and programs, in coverage on global promotion, presentation and image VZP CR.

4.5. The analysis of current marketing strategy

Marketing targets for the SBU 1 ‘insured’ need to focus on mainly the target client groups, which are to be suitably and spontaneously offered programs and prevent from their possible transfer to competition.

A satisfied and loyal client is one of key means for the achievement of the Insurer’s targets. It is therefore essential for the Insurer to continuously build the relationship with the client based on trustworthiness, reliability and professional attitude. There is a need to watch and to analyze the statistics of movement of the insured between the health insurers; to identify the age groups which are attractive to the Insurer but who, at the same time, show high level of movement.

The division of the clients

Table below shows the division of clients through the different health insurance companies to the 1. 1. 2009.

Code of health insurance c.	Name of health insurance companies	Units of insured	
		Number	Percentage
111	VZP CR	6 381 814	61.5
201	Military	553 625	5.3
205	Metallurgical employment	361 720	3.5
207	Professional	674 223	6.5
209	ŠKODA MB	134 021	1.3
211	Interior	1 105 179	10.7
213	Chasing	406 489	3.9
217	METAL	392 755	3.8
222	Czech National	304 648	2.9
227	AGEL	59 031	0.6

888	Unknown	1 396	0.0
TOTAL		10 374 901	100.0

Figure 4 – 6: *Division of clients*

Source: Intranet, VZP CR Headquarters, central register, 15. 1. 2009.

Migration of insured out of the VZP is quite high, from 1.1.2008 to 1.1.2009 **170 240** of insured left the VZP and for the same period number of newcomers was really low **27 987**. Net migration was for **-142 253** insured in 2008, this is a warning number. VZP is loosing mainly the insured in a productive age and should therefore think quickly out new strategy to stop this trend.

The insurer should attract target groups, which were defined previously. The insurer must adapt to the competitive environment and adjust the standards for usage of offers.

1. Group of women at the age of 20 – 34yrs. The insurer should attract these women by covering the cost of contraception.
2. Group of young men at the age of 25 – 34yrs. These young men are in productive age, relatively healthy and therefore they do not use health care (shown in Figure 4 – 1: *Expenditures on health care in 2006*), they are trying to make career at the work in order to earn high salaries. The insurer should find out attractive and active programs for them.
3. Group of young families with small children. The activities should be focused on family as a whole.
4. Group of newborn and the children up to 10yrs. It is necessary to actively offer the advantages of programs for child growth support before and after the birth in order to persuade the mother that the insurer will be a good insurance provider for her child.

It is unavoidable that the insurer makes attractive offers to their insured by which it improves its image. It is necessary to work systematically and in the same way in all regional offices.

There is a need to set the rules, to motivate employees for improving satisfaction and knowledge in chosen segments of the insured – regarding services, events and prevention programs VZP CR.

To reach marketing targets there is the need to react flexibly to specific customer needs which the Insurer will try to serve to their absolute satisfaction via its workers. The Insurer does not have any unified norms and processes for quality service and information of clients. It shows that the workers proceed intuitively in many cases rather than as qualified and trained specialists, but it is getting better nowadays thanks to numerous seminars and training sessions. There is a need to give each customer their value and service recommendation. There is still call for a lesson from the research and a need to train the counter workers in series of customer service training sessions including presentation and behaviour behind the counter and also in field of quality offer of service and care.

Information system

The development of informational system of the insurance company reflects permanent trends of development informational technologies and brings for Insurance company work still superior tools.

Portal of the VZP CR consists of three basic parts:

- **inner part (Intranet):** contains information and tasks for Insurance companies employees
- **outer part, public (Internet):** contains information for widest public
- **outer part, for partners (Extranet):** ease registered partners on the basic of principle of maximal securing transfer to Insurance company documentation and receive information about its processing and other related data

For the work with clients is important the outer part – **public. Internet** is not visited repeatedly by public, advertising materials haven't uniform look, www sites have obsolete design, visitor has to still open windows, and searching information causes problems. Web works only as a notice-board.

There is necessary to change pages according to the visitor's wish – Insurance company clients – it means to ease navigation, make the summary of sorting information well-arranged, target selectively the content to various target groups, discussion, solving problem given.

All information from Insurance company has to be accessible on central sites (www.vzp.cz), all other „amateur“ sites should be cancelled.

4.6. Formulation of marketing strategy

4.6.1. Specific strategic targets for single aspects of marketing strategy

To define specific strategic targets I used the scheme of Keřkovský and Vykypěl on Marketing strategy (Figure 3 – 1), which I used for SBU 1 – Insured. For bellow strategic objectives will be stated SMART targets.

Formulated targets will aim to the future and then take in time horizon 1 – 3 years.

At the same time is necessary to bring in each target given its securing (financial budget, personnel securing...) and assign to each target partly responsible person for fulfilment and likewise person, who will check fulfilment of the target. However there is marketing department, it is only in Prague therefore it is difficult to find a responsible person and appropriate budget for each region. As the strategy is usually implemented nationally it has a low impact on target groups and I think there is a need to set up a marketing department in each region.

4.6.1.1. Market development, the most important marketing targets

Increase image of the VZP CR.

Increase foreknowledge about the VZP's activities and offers.

Formulation of marketing strategy – elaboration to the regions, preparation of new marketing strategy generally for all VZP, it will be applied according to specification in region at processing of marketing strategy in regions.

Implementation of customers' segmentation – Insurance company clients according to its value and identified size, clients' portfolio value in region for the reinforcement of clients' retention.

There are currently two programs: AKORD and IZIP (explained below), which should increase the foreknowledge, quality of health care and satisfaction of insured.

4.6.1.1.1. AKORD

AKORD is a new program of quality care implied from 1. 1. 2009. The program should guarantee VZP CR's clients the right provision of health care in the right time at the right place and by right method. Clients will get the opportunity to shorten the time spend at doctor's waiting room. The first phase of this program will be applied in Plzensky, Ustecky, Jihocesky and Moravskoslezsky region. In the following three years all clients should be integrated into this program.

AKORD would guarantee its clients the maximum waiting time 15 minutes after making previous appointment with the doctor. The system will gradually allow electronic sharing of health documentation between all doctors, who will be taking care of the patient. This will significantly affect the efficiency and quality care of patients and prevent from medicine wasting.

Thanks to project of quality care (AKORD) VZP is taking the responsibility for health services offered to its clients and more active role in its implementation. The integration into the program is obligatory neither for patient nor doctor.

In connection with the AKORD project entrance, health institution:

- must have visible logo of the project
- will run electronic documentation in security form
- will preferably communicate with VZP, other health institutions and insured through electronic connections
- run appointment system of insured, makes appointment on precisely given day with maximum waiting time of 15 minutes
- facilitates clients appointments to specialized or hospital care

4.6.1.1.2. IZIP

IZIP (health e-book) was created by doctors; in February 2002 the pilot phase in several regions of the Czech Republic was introduced. The aim of this phase was to verify the function of IZIP in praxis. Since 2003 system IZIP has been spread all over the CR's territory. Company IZIP a.s. provides the system IZIP exclusively for VZP CR (11. 12. 2008). Any other health company can not exploit the services of IZIP, except the Czech National Health Insurance Company which made a contract with IZIP a.s. in 2007. Until 6. 2. 2009 system IZIP has been exploited by 1.007.420 registered clients and 9.113 doctors.

“We are sure, that IZIP is for VZP going on the right track. We assume, that in the year 2009 the amount of insured in the system IZIP should increased by more than 200 thousand.”

Source: Jiří Pašek, director of IZIP a.s. (Prague, 11.12.2008)

<http://www.izip.cz/index.php?lang=cze&t=1&p=0>

Benefits of the system:

- patient is informed about health care, and has the overview of examination outcome and medication
- it allows better communication between patients and doctors, doctors and doctors
- patient can prevent the repetition of some examination, useless use of medication with different names but with the same action that can harm an organism
- it speeds up the diagnosis and treatment
- it prevents from double examining or prescribing the same medication as other doctors at the same time

4.6.1.2. Development of marketing methods and procedures

Elaboration of general marketing strategy in terms of regions

Development of new products and services for the VZP CR's clients – preventive programs on the basis of researches clients' requests

Competition monitoring

Satisfaction monitoring, expectation, opinions, public and the target groups evaluation.

Information of planned researches, investigations

Coordination of the territorial workstations on the delivery up-to-date leaflets, special publications, graphic proposals on prepared actions, delivery of advertising or special help in the course of regional campaigns realization.

4.6.1.3. Effectiveness of marketing activities

Prepare and evaluate marketing researches, relevant statistic data and information.

Evaluating of statistics – market share, outgoing, migration, suggest and realization steps in keeping with strategies.

Keeping opening hours, which are set on the boards of territorial workstations.

Monitoring of some important pages for clients' orientation (e.g. level of communication, personal contact with clients skill...).

Evaluating regional and all over the country action and generalizing of gained pieces of knowledge, suggestion and steps realization in step with strategy.

4.6.1.4. Cooperation with specialized companies, media, and PR

Prepare rules of keeping uniformed design in communication with public in course of keeping principle of directness notification, pleasant optimistic tone, and clarity for broad target group from the point of view of age as well as intelligence and not to miss out also social feeling (humanity, understanding).

Improve medial presentation and promotion.

4.6.1.5. Personal marketing securing

Create new marketing worker position in organizational structure of regional branches.

Preparation and training realization for marketing workers, regular communication workshops, experience exchange in the field of cooperation.

Process employees' education plans in the field of marketing analysis and promotion in regional branches and territorial workstations.

4.6.1.6. Information marketing securing

Extend topical marketing information on internet (systems, competition activities, contact places, etc.)

Simplify the navigation of company's sites www.vzp.cz, summary of sorting information, selectively target the content to various target groups, obtain visitors – public inquiry, discussions, solving problems – i.e. feedback.

Prepare and develop company's portal from the point of view public foreknowledge.

Cancel amateur sites of territorial workstations.

5. Result

5.1. SWOT

I have used part of the Wheelen and Hunger theory to scan the external environment for opportunities and threats, and the internal environment for strengths and weaknesses of the VZP CR. These factors are most important to the company's future and are referred to as strategic factors and are summarized with the acronym SWOT.

Strengths	Weaknesses
<ul style="list-style-type: none"> ✓ Company use internet, journal JISTOTA and leaflets to distribute the news to its customers ✓ In the client service departments are highly skilled workers, trained in dealing with customers ✓ Good network and availability of offices in the Czech Republic ✓ VZP CR still occupies the dominant position in the market ✓ Usage of internet, portal-intranet and extranet helps workers to exchange information between employees more easily ✓ Availability of health care for insured ✓ Stability and immunity ✓ Health programs and preventive actions ✓ Guarantee the most expensive and most modern health care ✓ Takes care for anyone regardless 	<ul style="list-style-type: none"> ✓ Non-existing defined standards of health care with which should be each patient provided ✓ Insurance taken for granted, people do not care of it ✓ Customers' scepticism onto Health Insurance Companies ✓ Insufficient amount of information ✓ Demographical structure of insured ✓ Worsening reputation of insurance company ✓ Worsening competitive position ✓ Marketing skills bellow average – low orientation on insured needs ✓ Obsolete look of www pages ✓ Complicated inner system of Head Office operating ✓ Inability to initiate system changes in health service, which would lead to effective resource using, reclassification of health

of life situation	institutions <ul style="list-style-type: none"> ✓ Absence of clear strategic operating
Opportunities	Threats
<ul style="list-style-type: none"> ✓ Implementation of health care management system (AKORD) ✓ IZIP (health e-book) exclusively for VZP CR ✓ Future reformation of health services ✓ Internet services ✓ Improving communication with the clients, inform about strategies and intentions ✓ Extension of bonuses (sport, vitamins, food counterpart) ✓ Focusing on target groups 	<ul style="list-style-type: none"> ✓ Low activeness in paying attention to health insurance ✓ Competition growth ✓ Worsening structure of insured ✓ Slow implementation of reform steps ✓ Lagging of payments to contracting health institutions and therefore influencing insured in choice of insurance company by means of doctors ✓ Need to increase the state payment for state insured category ✓ Inhabitants' imagination about health care as free pretension and immediately consumed

6. Conclusion

To remain the number one health care provider, VZP CR has to set up a proper marketing strategy focusing on target groups, which should set the same uniform norms and processes for quality service and information of clients and carefully implemented in every region in the top-down direction.

The research found out there was unsatisfactory foreknowledge of the insured about VZP's activities, running programs and offered benefits. Based on the division of clients scheme of the insured the need is to focus on target groups and provide them with an attractive offer. A satisfied and loyal client is one of the key methods to achieve the Insurer's targets. It is therefore essential for the Insurer to continuously build the relationship with the client based on trustworthiness, reliability and professional attitude.

VZP faces up to the worst demographic structure of the insured of all the health care insurance providers and the aging population makes it even more unfavourable.

VZP should implement the strategy of differentiation and start fighting the competitors for market share; the company should offer something that their competitors can not reproduce as easily and nevertheless eliminate the risks of misunderstandings.

There is real need to reform and develop the National Health Service system. The role of the state will have a large significance in the following period and must be precisely formulated and strongly implement the laws that have to be amended. Most of the public agree with reforms and especially doctors would be pleased.

To improve communication with clients, the company ought to develop its advertising techniques – improvement of magazine graphics, more places for leaflets distributions and end the obsolete look of web pages used.

I think that my proposed system conforms to new access of Insurance company and bring a positive effect.

7. References

- [1] Boyd, H.W., Larréché, J.C., Walker, O.C. : Marketing management: A strategic approach with a global orientation. Richard D. Irwin, inc., USA, 1995, ISBN 0-256-12576-7
- [2] http://en.wikipedia.org/wiki/Czech_Republic (26.2.2009)
- [3] http://en.wikipedia.org/wiki/Foreign_relations_of_the_Czech_Republic (26.2.2009)
- [4] <http://intranetvzp.vzp.cz/Lists/Oznameni/DispForm.aspx?ID=618&Source=http%3A> (20.1.2009)
- [5] <http://www.austrade.gov.au/ICT-to-the-Czech-Republic/default.aspx> (17.3.2009)
- [6] [http://www.czso.cz/csu/2008edicniplan.nsf/t/0F003829AD/\\$File/330608j3.pdf](http://www.czso.cz/csu/2008edicniplan.nsf/t/0F003829AD/$File/330608j3.pdf) (31.3.2009)
- [7] <http://www.izip.cz/index.php?lang=cze&t=1&p=0> (28.3.2009)
- [8] http://www.izip.cz/index.php?p=14_1 (28.3.2009)
- [9] http://www.izip.cz/index.php?p=14_3 (28.3.2009)
- [10] http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/macroeconomic_45194.html (31.3.2009)
- [11] <http://www.quickmba.com/strategy/pest/> (17.3.2009)
- [12] <http://www.seminarky.cz/Financovani-zdravotnictvi-prednasky-4812> (26.2.2009)
- [13] <http://www.vzp.cz/cms/internet/cz/Vseobecne/O-nas/> (2.3.2009)
- [14] <http://www.vzp.cz/cms/internet/cz/Vseobecne/O-nas/predmet-cinnosti/> (2.3.2009)
- [15] Hunger, J.D., Wheelen, T.L.: Strategic management and business policy. Addison-Wesley Publishing Company, Inc., USA, 1992, ISBN 0-201-53281-6
- [16] Intranet, VZP headquarters, central register (15.1.2009)
- [17] Keller, K.L., Kotler, P.: Marketing management. Pearson, Prentice Hall, Upper Saddle River, New Jersey 07458, 2006, ISBN 0-13-145757-8
- [18] Keřkovský, M., Vykypěl, O.: Strategické řízení – teorie pro praxi. C.H. Beck, Praha, 2002, ISBN 80-7179-578-X
- [19] Kotler, P.: Marketing podle Kotlera – jak vytvářet a ovládnout nové trhy. Management Press, Praha, 2000, ISBN 80-7261-010-4
- [20] Kumar, N.: Marketing jako strategie vedoucí k úspěchu. Grada Publishing, a. s., 2008, ISBN 978-80-247-2439-3
- [21] leaflets and brochures of VZP CR

[22] Selby R.: Segmentation and Marketing objectives (Lecture 3), CULS Prague, 2009

[23] STEM analysis determined for VZP CR company: General report on health insurance, 2.10.2008

8. Supplements

8.1. Questionnaire

Questionnaire

1. Sex: Male Female
2. The year of your birth: 19 _ _
3. Are you satisfied with the activities of VZP CR?
 - A. Yes
 - B. No

Why not? _____

4. How do you get to know about the advantages offered by VZP CR?
 - a. Internet
 - b. Magazine JISTOTA
 - c. VZP leaflets
 - d. Different press
 - e. Doctor
 - f. Relatives
 - g. Different option _____
5. Which service, provided by VZP CR, do you mostly use?
 - a. Measurement of pressure, sugar, pulse, fat, cholesterol
 - b. Discounts for vaccinations (against ixodes, flu, hepatitis...)
 - c. Safety protection benefits for children
 - d. Fixed orthodontic apparatus benefits
 - e. Curative stay benefits
 - f. Benefits for the course of exercises and swimming of pregnant women and mothers with babies to 3years old
 - g. Treatment for dependence and smoking benefits
 - h. Reduction of overweight and obese benefits
 - i. Mammographicscopy benefits
6. Do you think, that you are sufficiently informed about the activities of VZP CR?
 - a. Yes
 - b. No
7. If the question 6 is no – How would you improve this lack of information?

8. Do you agree with the radical reform in our health service system? (above standard care, fees)
 - a. Yes
 - b. No
9. Do you think, there exist big differences between the different health service companies offers?
 - a. Yes
 - b. No
10. Have you heard about electronic book called IZIP?
 - a. I own this book and I use it
 - b. I own this book, but I do not use it
 - c. I have heard about this book, but I do not own it
 - d. I have never heard about this book
11. Is all your family insured by the same health service company?
 - a. Yes
 - b. No
12. Who makes decisions about the insurance in your family?
 - a. Each family member decide by its own
 - b. I decide mostly for others and myself
 - c. My parents have decided for me
 - d. My partner has decided for me
13. Have you heard about new program of care quality AKORD (managed activity)?
 - a. Yes
 - b. No
14. Are you satisfied with pro-clients services of VZP CR?
 - a. Yes
 - b. No
15. What do you miss in VZP CR offer?
16. Do you know that you can ask for the expenses on health care statement?
 - a. Yes
 - b. No
17. Would it interest you to pay an above standard care?

a. Yes

b. No