

Introduction

Perreault, Jr., Cannon and McCarthy define place as “making goods and services available in the right quantities and locations, when customers want them” (2015, p. 262) and distribution channel as “any series of firms or individuals who participate in the flow of products from producer to final user or consumer” (2015, p. 263).

The Travelers Companies, Inc. (“Travelers”) offer a wide array of insurance products and services (The Travelers Indemnity Company, 2015). Travelers strives to provide need-satisfying insurance products and services to its customers where and when they are desired. Given that Travelers is a publicly-traded Fortune 500 company with a highly integrated technology-driven distribution platform for its products, it may appear as though decisions related to place and distribution channels at Travelers are fairly static. It may also seem that place decisions should be subordinate to decisions related to the other 3 Ps. However, because place decisions often have long-running implications, they require the same careful consideration by marketing managers as decisions regarding the other 3 Ps as they are particularly challenging to change (Perreault, Jr., Cannon & McCarthy, 2015).

First, this unit will explore place as it relates to Travelers distribution strategy, including the distribution channels chosen by Travelers and the rationale therefore. Next, this unit will discuss whether Travelers has a competitive advantage with respect to place based upon its place decisions as part of its overall distribution strategy.

Place

Place decisions are more complex today than ever. Information technologies have paved the way for nearly unfettered access to customers in many industries. The property and casualty insurance industry is one such industry. Today, insurers have their choice of several channels for

reaching customers. It is important to remember that customers may be part of the same, or different, target markets and each target market may have varying needs which call for variations in approach to place decisions (Perreault, Jr., Cannon & McCarthy, 2015). In short, there is no “one size fits all” in place decisions.

There are several broad place elements, including place and development of channel systems, distribution, customer service and logistics, retailers, wholesalers, and strategy planning. Product classes dictate place objectives by virtue of the market exposure needed. Naturally then, idealistic place objectives should guide place decisions (Perreault, Jr., Cannon & McCarthy, 2015). For example, a newly developed cyber-crime product for small business owners may require extensive exposure across a broad geographic market area. Conversely, a rarely sought, marginally profitable aircraft product may require very little exposure and only in selective markets. With each product, place objectives must be set accordingly.

Travelers Distribution Strategy

While Travelers may have direct contact with customers, Travelers does not distribute its products directly to its customers. Rather, Travelers products are sold through independent agents and brokers. To that end, Travelers boasts more than 12,000 agency locations across the country (The Travelers Indemnity Company, 2015). However, even among agents and brokers, Travelers only permits financially strong, experienced agencies to sell its products (The Travelers Indemnity Company, 2015). Aside from these independently contracted agents and brokers, there are no other intermediaries involved in getting Travelers products from its rate and form division at Travelers headquarters in Hartford, Connecticut to the agents and brokers who ultimately provide them to customers at agency locations across the U.S. Because the products and services offered by Travelers are not tangible goods, Travelers is relieved of some of the

more customary place decisions associated with manufactured, tangible goods, such as transportation, wholesale and retail relations, or the physical facilities and costs associated with storage or direct distribution, etc. Notwithstanding this, Travelers does share in information technology delivery investment decisions, in that its technology portal for agents undoubtedly requires significant financial investment given that it is utilized by all 12,000 agencies (The Travelers Indemnity Company, 2015).

Travelers provides extensive training to all agents and brokers regarding its products and operations (The Travelers Indemnity Company, 2015). All agents and brokers are under the supervision of Travelers field employees and agency performance is regularly reviewed (The Travelers Indemnity Company, 2015). These agents and brokers are members of Travelers contractual channel system and share in Travelers product-market commitment, all focusing on applicable target markets and sharing in critical marketing functions (Perreault, Jr., Cannon & McCarthy, 2015).

It appears that Travelers uses an intensive distribution approach to achieve ideal market exposure through its network of more than 12,000 agencies. This approach makes Travelers broad array of business and personal products available to all customers across the United States where they buy insurance products from their local independent insurance agent or broker.

Competitive Advantage and Travelers

Competitive advantage exists where the target market perceives that one company's marketing mix is superior to another's mix (Perreault, Jr., Cannon & McCarthy, 2015). It is clear that Travelers is enjoying a competitive advantage for some lines of business, including, for example, workers compensation (Harrison, 2014). Moreover, Travelers is the third largest writer of U.S. personal insurance through independent agents (The Travelers Indemnity Company,

2015), which ranking implies a competitive advantage attributable to the use of independent agents versus captive agents and direct response writers. In fact, it was recently reported that independent agents and brokers continue to dominate property/casualty commercial lines and are very competitive in the personal lines market when measured against captive carriers and direct response writers (Insurance Journal, 2015).

As it relates to place decisions, Travelers attributes its competitive advantages to its delivery of superior products through its cutting-edge technology platforms as well as a strong and convenient distribution presence with expansive domestic geographic coverage (The Travelers Indemnity Company, 2015).

With respect to place, Travelers has continued to dominate as a leading property casualty insurer. However, more and more insurance consumers desire the ability to purchase products directly (EY GM Limited, 2014). Given this shift, many insurers are leveraging technology to permit insurance consumers to purchase products directly. For example, direct writer GEICO, has recently gained a competitive advantage in the auto insurance market. In fact, GEICO has reportedly overtaken Allstate to become the second largest U.S. auto insurer while agency-writing Progressive is losing ground in the personal auto insurance market (Insurance Journal, 2013).

GEICO's experience in the direct-auto insurance market suggests that Travelers competitive advantage in the personal insurance market may be at risk given the shift in consumer preference for direct writers. This concept ties back to the notion that within each product class, variations in approach to place decisions may be required (Perreault, Jr., Cannon & McCarthy, 2015).

Closing

In closing, the purpose of this unit was to explore place as it relates to Travelers and to discuss whether or not Travelers has a competitive advantage attributable to place.

Accordingly, in this unit I explored the various place elements as they relate to Travelers and provided an extensive review of Travelers distribution channel for its products and services. In addition, I provided my rationale for Travelers purported competitive advantage in its respective property casualty markets as they relate to place concepts and contrasted Travelers competitive advantage to that of a competitor successfully utilizing a direct approach to distribution in an effort to demonstrate how products classes dictate place objectives and how place decisions are guided by place objectives.

References

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