

Investigation of the Impact of Marketing Mix (8p) on Insurance Policy Purchase in Mellat Insurance Company in Alborz Province, Iran

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ABSTRACT

Insurance is an important instrument for risk management and provision of comfort and solace for individuals and is a solution for responding to human community requirements in unexpected risks. Today, insurance is an important economic and social instrument which plays an important role in stable economic growth of countries. The main goal of the present research is to investigate the influence of 8p marketing mix on insurance policies purchase in Mellat insurance company. Marketing mix elements in this research include product elements, time and place, process, productivity and quality, human resource (people), promotion and training, and physical evidence. In terms of research objective, it is an applied study and in terms of methodology, it is a descriptive study. Data were collected by distributing 47 structured questionnaires among representatives of Mellat insurance company in Alborz Province, Iran. Data were analyzed by SPSS and LISREL using descriptive and inferential statistical methods. Results showed that product, people, promotion and training, physical evidence, price and other costs in insurance policies have significant impacts on Mellat Insurance Company insurance policies purchase and sale and the corresponding hypotheses were verified. Further, place and time, process, productivity and quality elements did not have any significant influence on Mellat Insurance Company insurance policies purchase and the corresponding hypotheses were not supported.

KEYWORDS: marketing, marketing mix, 8p model, insurance

INTRODUCTION

Today, insurance industry is fiercely competitive. Furthermore, insurance companies seek new methods for increasing their market share and provide better services considering rapid changes in ICT and unpredictable market changes. In today's volatile environment, companies must adapt to changes in order to conserve and be flexible (Sureshchander et al, 2003). In any organization, whether a production or a service company, the main factor in organizational conservation is "customer". If an organization is not successful in attracting customers' satisfaction and loyalty, it will fail to have stable and long-term growth (Rahnama et al, 2012). Competition among institutes and firms for acquiring more shares of market and customers' attempt to achieve higher levels of satisfaction has made firms to seek for acquiring a prize place in market and has made customers to seek for finding clues for achieving better suppliers. These targets can be achieved via two concepts: service quality and customers' satisfaction. These two concepts are more sensitive in service companies because of their special conditions (Rahnama et al, 2012). In customers' strategy, customer's loyalty is very important. Increasing customers' loyalty is a very common subject among managers and advisors and academics (Haghighi et al, 2012). Within the past few years, different types of economic firms, institutes and companies including insurance companies have learnt about the importance of customers' satisfaction and all of them have understood the importance of customers satisfaction. We can dare say that the main professional skill of marketers is their ability to create, maintain, care for and promote brand. Marketers believe that determination of brand is the art and base of marketing (Heidrzadeh, Khoshpanjeh & Rahnama, 2011). Today, increasing services is very common all over the world. Investment in services is so important that it has attracted a large part of financial resources. Economic system of service companies has been developed a lot and it constitutes more than one fourth of the value of international trade. There are different types of service organizations. These include: banking, insurance, communications, transportation, tourism and entertainment. Marketing is an important factor in service companies because marketing system is necessary for every organization, whether profit-making or non-profit-making, small or big. Organizations which have accepted marketing principles and based their programs on marketing mix elements have achieved positive results. This is true for insurance companies which are service companies. Therefore, it is necessary for insurance companies to become familiar with marketing mix concept in the present fiercely competitive world and make use of it in order to provide favorable services and develop their businesses.

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THEORETICAL LITERATURE

Service marketing

Most physical and tangible products are accompanied by several service elements as part of the product's offer. Hotels are classic examples in this case. A hotel's rooms offer a kind of service and customers also eat food and use hotel's cafe. A large part of our discussion concerns net services. Net services are defined as intangible activities and advantages which satisfy customers' demands without owning a service or product. This definition includes services like insurance policies, stock brokers and so on. We, intentionally, emphasize on net services because we want to understand special features of services so that we can conduct marketing activities in a better manner (Dalrymple, Parsons, 2000, 338).

A comparison of product vs. service marketing

Products and objects marketing activities are tangible and marketing mix elements (product, price, place and promotion) are conducted in market environment and customers satisfy their needs after they know about products and firms supply. However, service or software marketing activities is not limited to the above activities and requires more factors. This is because a product is a tangible object while this is not true about services. Secondly, a product passes special stages and its pricing system is clearer but services don't have clear criteria or units for measurement. Thirdly, marketing flow in products is demand side and marketing flow for services is supply side. Therefore, in addition to the mentioned elements in product marketing mix, there is another factor called interaction in the center of the above factors which in fact plays a communication role and these factors are particularly important in banks and insurance companies. In most service firms like banks, hotels, insurance companies, aviation corporations and ..., employees' service quality, their training, their commitment to providing service for customers and things like that are more important than other factors like price, advertisements, information and other features in development and success of the firms. In such firms, mutual relationship between employees and customers causes customer satisfaction, purchase repetition and increase in corporate profitability. This, in the long run, brings competitive advantage for the service company and increases competitive power (Blouriyani Tehrani, 2007).

Service characteristics

Service, whether public or private, profit-making or non-profit-making, have four important features which impact on service marketing. These include: intangibility, inseparability, variability, and mortality.

Service marketing mix

When strategies of products marketing are discussed, marketing usually considers four basic factors: product, price, place (distribution) and advertisements (promotion). However, the nature of service which includes factors like customer's participation in production and importance of time requires other factors. 8p service management model is usually used in this case. This model attracts managers of service companies to 8 important marketing elements (Lovlita and Right, 2003). The following figure shows 8 elements of integrated service management.

Service marketing mix which is called "8p" has 8 elements:

Product (services), price, place and time, promotion (upgrade and training), employees (human force), physical evidence and facilities, productivity and quality, processes.

Product (service)

Product (service) means all elements which are necessary for services and create value for customers (Lovelock, Wright, 1999, 18).

price

Price and other costs of service sector indicate management of different costs incurred by customers in return for using the services. Managerial responsibilities are not limited to traditional pricing techniques like determination of sales price for customers, determination of commercial profit and creation of limited credit conditions. Further, managers of service section search for ways of minimizing other costs like time, psychological and physical attempts and negative feeling experiences which customers have in purchase (Lovelock, Wright, 2000). Price can have several meanings. In a common meaning, the price of a product or service depends on the number of important applications that product or service has for buyer.

Place and time

Place refers to management's decision about where and how a service should be offered to a customer. It can involve electronic or physical distribution channels. Companies may offer services directly to customers or they may deliver their services via third party organizations (Lovelock, Wright, 2000). Due to the fact that service offering is not separable from its providers, place factor is very important in service marketing strategy. Considering the increase in competition, offering services in appropriate place to customers is very useful in customers' maintenance. Therefore, hotels, banks, insurance companies and transportation companies establish branches in different areas in order to give better service and cover wider areas (Venous, Roustani and Ibrahim, 2006, 377).

Promotion (training)

There are several methods for an insurance company to establish relationship with its customers and promote its services. All promotion methods are not used equally by different companies. A special combination of promotion methods is used by every company. Promotion can include one or all the following factors: advertisements, personal sales, sales promotion, public relations, direct post and financial support (Lovelock, Wright, 2000).

Human force

Employees of a service company are the main marketing factors because many customers know service providers under the name of their company. A sympathetic nurse, committed teacher, good mechanic, capable chef of good-natured tailor can attract customers. Considering the role of employees in service provision, factors like employment, training and motivation of workforce must be noticed. Interest, ability, politeness, initiative, treatment, tidiness and punctuality of employees are important in service companies success (Venous, Roust, Ibrahim, 1996, 377).

Physical facilities and evidence

These facilities make transfer and service provision activities easy. For the case of services, intangible facilities should be also considered besides tangible facilities because they play important role in service provision (Venous, Roust, Ibrahim, 1996, 377).

Building outer view, yard area, internal furniture, equipment, signposts, printed info and other observable objects and tangible documents demonstrate company's service quality. Service companies need to manage physical assets exactly because physical assets and facilities can have a lot of impact on customer's perceptions (Lovelock, Wright, 2000).

Productivity and quality

Productivity and quality which are usually investigated separately are two sides of a coin. No service company can investigate these two factors separately. Productivity increase is necessary for costs control but managers must pay attention to reduction in the level of services customers and employees are annoyed with. Service quality is necessary for differentiation between products and customers' loyalty. Of course, investment in improvement of quality without considering balance between income and costs increase may endanger corporate profitability (Lovelock, Wright, 2003).

Process

Effective process design and implementation is necessary for offering products to customers. A process explains the method of service operation systems. It seems that inappropriately-designed processes raise problems for customers because services are offered slowly and ineffectively to customers. Similarly, weak processes create problems for frontline employees and prevent them from doing their duties effectively and this, in part, reduces productivity and increases the probability of service failures (Lovelock, Wright, 2000).

Definition of insurance

Many definitions have been presented for insurance. The most familiar definition is article 1 of insurance law (passed in 1927): "insurance is a contract in which one side commits to compensate damages he or she gives to the other side or pay a special amount of money in return for receiving an amount of money from the other side. The committed is called insurer, the other side is called the insured, the amount of money the insured pays to insurer is called premium and what is insured is called insurance subject." (Golchinian, 2010). In general, insurance is used in the following two fields:

Social and commercial insurances

social insurances (compulsory)

Social insurances which are also called "compulsory insurances" or "law-driven insurances" are usually used for workers and low-income classes of a society. In other words, it goes to individuals who are production force of a society and meanwhile they think less about their future and social security. Consequently, government tries to support this category and covers under social security insurances. In social insurances, another person (employer) pays a large part of premium and a small part of it is paid by insured workers. Secondly, contrary to commercial insurances in which premium is determined according to risk, premium in social insurances is a percentage of the insured salary or wage and does not have any relationship with risk (Karimi, 2011).

commercial insurances (voluntary)

Commercial insurances are also called voluntary insurances and the insured buys commercial insurance coverage voluntarily. In commercial insurances, the insured and insurer are committed to each other. insurer provides the insured with a coverage in return for receiving premium. Basically, insurance markets use different classifications considering insurance regulations and market structure. In here, commercial insurances are divided into assets, liability, persons and monetary loss insurances (Karimi, 2011).

Research hypotheses

hypothesis 1: product elements in insurance policies influence insurance policies purchase.

- hypothesis 2: place and time in insurance policies influence insurance policies purchase.
- hypothesis 3: processes in insurance policies influence insurance policies purchase.
- hypothesis 4: productivity and quality in insurance policies influence insurance policies purchase.
- hypothesis 5: human resource in insurance policies influence insurance policies purchase.
- hypothesis 6: promotion and training in insurance policies influence insurance policies purchase.
- hypothesis 7: physical evidence in insurance policies influence insurance policies purchase.
- hypothesis 8: price and other costs regarding service provision in insurance policies influence insurance policies purchase.

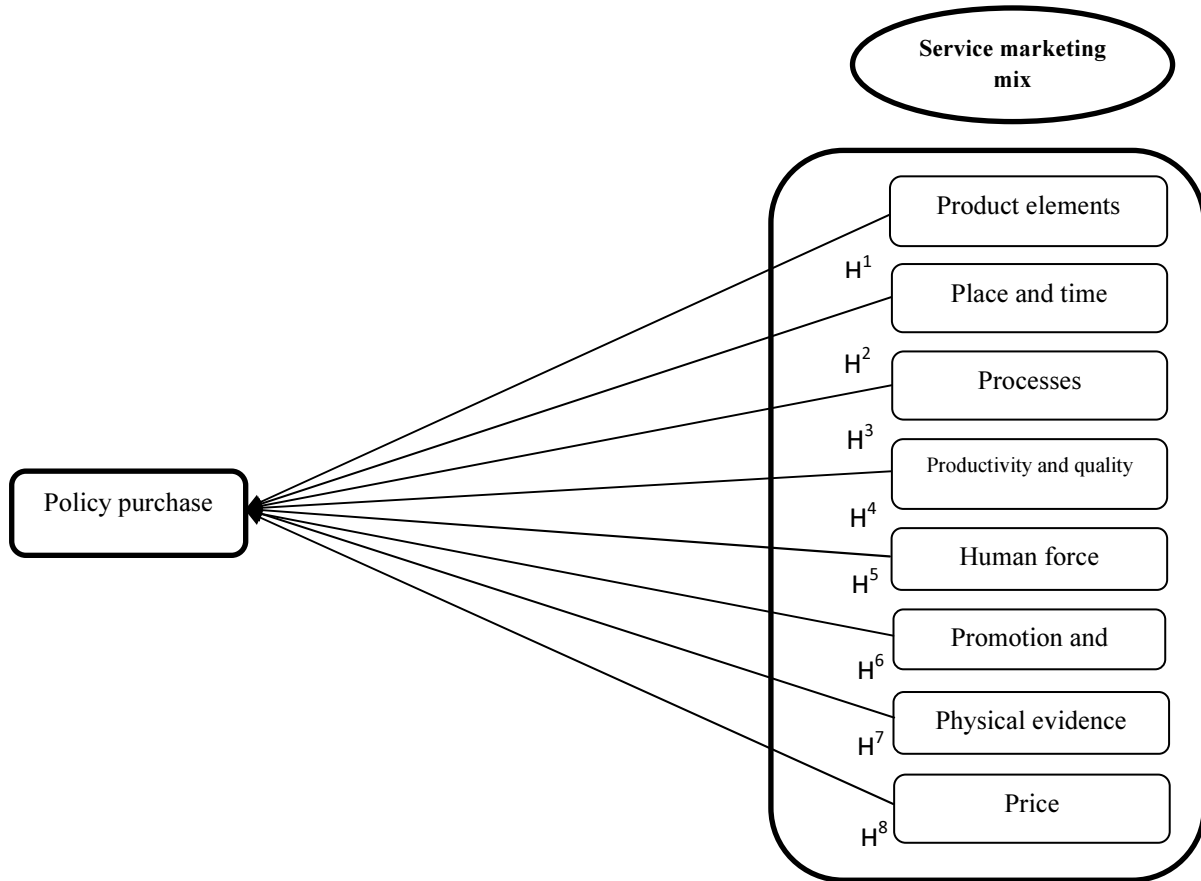


Figure 1. research conceptual model

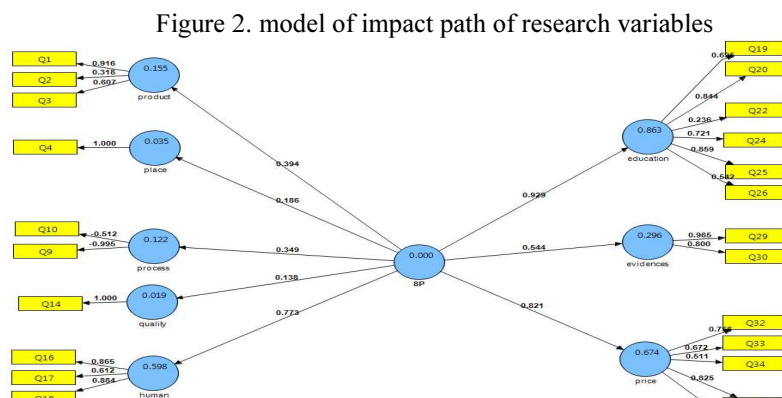
METHODOLOGY

Statistical population of this research included all representatives of Alborz Province Mellat insurance company (47 representatives). Since the size of population was small, we conducted a census. Further, data were collected by library and field study and questionnaire considering model's framework. This questionnaire contained 37 specialized questions and 47 questionnaires were distributed all over Alborz Province among representatives in order to investigate the impact of elements of service marketing mix on insurance policies purchase. Validity of the questionnaire was verified by experts and professors. Further, Cronbach's alpha was used to determine reliability of the questionnaire. Alpha coefficient was above 0.7 and therefore reliability is acceptable. In the end, structural equations model was used to test hypotheses.

Research structural model (hypotheses test)

Partial least squares method makes use of a complex and two-stage process for estimation and determination of coefficients. Moreover, using limited information method in partial least squares method, there is no hypothesis for population or measurement scale. Results are usable without need to distribution hypotheses or nominal, ordinal and distance scales. Of course, it must be noted that partial least squares method needs special assumptions just like other statistical techniques. The most important hypothesis is identification of "predictors". This states that we should define systematic section of linear regression out of situational expectations from dependent variable so that we can come to conclusion based on regression. However, stability is a problem in large scale. Considering compatibility problem in large samples, there are doubts around

appropriateness of least partial squares and we can ask why this technique cannot guarantee one of the key characteristics of a statistical model (estimator stability). After setting aside unimportant indices within the framework of structural equations model, the hypotheses were investigated and the results have been presented in the coming sentences. Considering the results of investigation of relationships between independent construct and dependent construct, we can investigate significance of inter-construct impacts using corresponding coefficients.



In order to investigate significance of path coefficient or the very Beta coefficient, Bootstrapping method was used. Bootstrapping was conducted in three states: 100 samples, 300 samples and 500 samples. Results showed that no change occurred in significance state of the parameter in the three cases and results are of strong validity. Therefore, research hypotheses can be tested using regression model.

Table 1: linear influence of impacts of research variables on testing general hypotheses of the research

Linear relationship	beta	rank	result	Bootstrapping		
				n=100	n=300	n=500
Product elements→policy purchase	0/394	5	supported	3/314	2/718	2/84
Place and time→policy purchase	0/186	7	rejected	1/075	1/027	0/927
processes→policy purchase	0/349	6	rejected	0/802	0/831	0/814
Productivity and quality→policy purchase	0/138	8	rejected	0/875	0/797	0/665
Human resource→policy purchase	0/773	3	supported	5/412	5/18	4/47
Promotion and training→policy purchase	0/929	1	supported	17/42	16/7	14/69
Physical evidence→policy purchase	0/544	4	supported	5/25	4/98	4/86
Price and other costs→policy purchase	0/821	2	supported	6/29	7/63	6/87

Results of data analysis and hypotheses tests

H1: product elements in insurance policies influences on insurance policies purchase.

Calculations and estimated model showed that path coefficient of impact of product elements in insurance policies on Mellat Insurance Company insurance policies purchase is estimated to be equal to 0.394. Significance level of t value for this parameter is significant in 0.01 levels. Therefore, there is enough reason for rejecting H0 and considering the significance of this coefficient, it can be said that product elements in insurance policies have significant influence on Mellat Insurance Company insurance policies purchase. In product elements, items like adjustment and improvement of insurance policies conditions, objective guarantees offering at purchase and attention to the insured needs are important. The insured who intend to buy policy try to purchase a policy that can satisfy their insurance and economic needs.

H2: place and time in insurance policies influences on insurance policies purchase.

Calculations and estimated model showed that path coefficient of impact of place and time in insurance policies on Mellat Insurance Company insurance policies purchase is estimated to be equal to 0.186. Significance level of t value for this parameter is not significant in 0.01 levels. Therefore, there is not enough reason for rejecting H0 and considering the significance of this coefficient, it can be said that place and time in insurance policies don't have significant influence on Mellat Insurance Company insurance policies purchase. considering the unimportant coefficient of this relationship, it can be said that place and time are not important in insurance policies purchase and the second hypothesis is rejected. Since insurance services reception at appropriate time and place is very important for customers, increase in the number of branches in places like airports, metro stations and terminals in which potential customers are present and also use of telephone and internet methods in purchase result in reduction in customers' costs especially time costs.

H3: processes in insurance policies influence on insurance policies purchase.

Calculations and estimated model showed that path coefficient of impact of processes in insurance policies on Mellat Insurance Company insurance policies purchase is estimated to be equal to 0.349. Significance level of t value for this parameter is not significant in 0.01 levels. Therefore, there is not enough reason for rejecting H0 and considering the insignificance of this coefficient, it can be said that processes in insurance policies don't have significant influence on Mellat Insurance Company insurance policies purchase. In process dimension, for instance, installments of life insurance policies can be collected via banking system or by marketer instead of direct attendance of the insured in insurance company office.

H4: productivity and quality in insurance policies affects insurance policies purchase.

Calculations and estimated model showed that path coefficient of impact of productivity and quality in insurance policies on Mellat Insurance Company insurance policies purchase is estimated to be equal to 0.138. Significance level of t value for this parameter is not significant in 0.01 levels. Therefore, there is not enough reason for rejecting H0 and considering the insignificance of this coefficient, it can be said that productivity and quality in insurance policies don't have significant influence on Mellat Insurance Company insurance policies purchase. Productivity and quality is largely dependent on human resource because favorable services and high quality received by customers is followed by direct interaction of the customer with personnel. Therefore, way of behavior towards personnel must create sense of trust in customers because trust is the most important dimension of service quality dimensions.

H5: human force in insurance policies influences on insurance policies purchase.

Calculations and estimated model showed that path coefficient of impact of human force in insurance policies on Mellat Insurance Company insurance policies purchase is estimated to be equal to 0.773. Significance level of t value for this parameter is significant in 0.01 levels. Therefore, there is enough reason for rejecting H0 and considering the significance of this coefficient, it can be said that human force in insurance policies have significant influence on Mellat Insurance Company insurance policies purchase. In this case, it can be said that marketers of insurance market are more effective than other personnel of insurance companies. This is because marketing before production of a product or offer of a service is of great importance and conveys customers' voices to producers. However, for the case of insurance products, traditional sales method which involves going to people's houses is recommended by internal and external experts. Marketers' role as the frontline employees of sales process is very important. In Iran, this category of employees does not receive enough attention and marketers suffer from great weakness in terms of organization, training and so on.

H6: promotion and training in insurance policies influences insurance policies purchase.

Calculations and estimated model showed that path coefficient of impact of promotion and training in insurance policies on Mellat Insurance Company insurance policies purchase is estimated to be equal to 0.929. Significance level of t value for this parameter is significant in 0.01 levels. Therefore, there is enough reason for rejecting H0 and considering the significance of this coefficient, it can be said that product elements in insurance policies have significant influence on Mellat Insurance Company insurance policies purchase. Unfamiliarity of people with insurance, products and its advantages and absence of culture of use of insurance from one hand and inflation in Iranian economy from the other hand have made insurance fields not to reach their real share in insurance industry.

H7: physical evidence in insurance policies influences on insurance policies purchase.

Calculations and estimated model showed that path coefficient of impact of physical evidence in insurance policies on Mellat Insurance Company insurance policies purchase is estimated to be equal to 0.544. Significance level of t value for this parameter is significant in 0.01 levels. Therefore, there is enough reason for rejecting H0 and considering the significance of this coefficient, it can be said that physical evidence in insurance policies have significant influence on Mellat Insurance Company insurance policies purchase. Physical evidence is also an important factor in purchase repetition and creation of customer's loyalty. Therefore, tide environment, proper table setting and so on have a lot of impacts on customers' purchase.

H8: price and other costs of service offering in insurance policies influences on insurance policies purchase.

Calculations and estimated model showed that path coefficient of impact of price and other costs in insurance policies on Mellat Insurance Company insurance policies purchase is estimated to be equal to 0.821. Significance level of t value for this parameter is significant in 0.01 levels. Therefore, there is enough reason for rejecting H0 and considering the significance of this coefficient, it can be said that price and other costs in insurance policies have significant influence on Mellat Insurance Company insurance policies purchase.

Conclusion

Ranking of elements (constructs) revealed that "promotion and training" and "price and other costs" elements are in the first and second ranks. The reason is that these two elements are among the main problems in insurance industry.

Unfamiliarity of people with insurance and its offerings and absence of culture for use of insurance and economic problems like inflation has stooped Iranian insurance industry from growth and development.

The reason why price and other costs did not achieve the first rank is that the insured must first become aware of insurance advantages and then make decision about its cost-effectiveness. For the case of human resource, it can be said that marketers of insurance market are more active than other employees who work in this industry because in spite of the fact that marketing before production or service offering is of great importance and helps customer voices be conveyed to manufacturers, insurance services are still marketed by attendance at people's houses traditionally. Insurance services marketers are frontline employees of this industry and this category of employees do not receive enough attention in Iran and suffer from weak organizing and rewarding and training. "Physical evidence" also plays an important role in purchase repetition and creation of loyalty. Therefore, a tidy environment, proper table and chair setting and so on can be very effective in purchase. In "product elements" dimension, items like adjustment and improvement of insurance policies conditions, objective guarantees at the time of insurance policies purchase and attention to the insured needs are important. The insured who intend to purchase policy look for insurance services which can satisfy their economic and insurance needs. In "process" case, for example, life insurance policies installments can be collected by a marketer or via banking system instead of attending at insurance company's office. In "place and time" construct, because receiving service at the appropriate time and place is an important demand of customers, an increase in the number of branches in places like airports, railway stations, metro stations and other places where potential customers exist and also use of telephone and internet methods for insurance policies purchase results in reduction in customers' costs especially time costs. "Productivity and quality" element is covered by human resource dimension to a large extent because productivity and high quality of service is created for the insured when he or she is in direct interaction with personnel. Therefore, personnel behavior towards customers should create a favorable sense of trust in the company because trust is the most important dimension among the dimensions of quality services.

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