

THE IMPACT OF E-MARKETING ON LIFE AND INVESTMENT INSURANCE SALES WITH EMPHASIS ON INTERNET

Mohammad Hossinpour¹, Dr.Mohammad Hasanzade², Dr. Mohammad Feizi³

¹Department of Business Management, Faculty of Management, Sciences and Research Branch, Islamic Azad University, Ardebil, Iran

²Assistant Professor, Department of Management, Faculty of Management, University of Mohaghegh Ardebili, Ardebil, Iran

³Assistant Professor, Department of Business management, Faculty of Management, Sciences and Research Branch, Islamic Azad University, Ardebil, Iran

Abstract

Electronic marketing as one of the most important aspects of innovation in business processes has been applied by many organizations and companies across the world. Nowadays insurance companies as an important part of the economy play an essential role in improvement of economic indicators. Life insurances are very important due to their importance and role in supplying and ensuring the future of families as well as bringing significant savings to the economy of a country in the macroeconomic level. Hence, adopting new innovative methods and tools for business affairs such as electronic marketing can play an important role in the success of these organizations. The present paper studies the impact of electronic marketing (with an approach to internet), on life and investment insurance sales. Here, the electronic marketing definition is limited to using internet in marketing activities and it has been assumed equal to internet marketing. The research attempts to answer the question if e-marketing affects life and investment insurance sales or not. The research population consists of managers, experts, and actuarial staff of insurance companies in Tehran-Iran. To answer the research question, a main hypothesis and three sub-hypotheses have been defined and the relation between “e-marketing” and “life and investment insurance sales” has been tested through providing a conceptual model. Pearson correlation test and multivariate regression analysis have been used to assess and analyze the hypotheses. The results indicate that there is a significant relationship between “e-marketing” and “life and investment insurance sales”. This significant relationship has been confirmed in all three dimensions of e-marketing including the use of internet for marketing activities related to clients, the use of internet for marketing activities related to distribution channels, and the use of internet for activities related to marketing research regarding life and investment insurance sales.

Keywords: e-marketing, internet marketing, life and investment insurance sales

Introduction

Today the insurance industry is considered as one of the most important economic institutions on the one hand and on the other hand, it is considered as the most powerful institution supporting other economic organizations and households (Sheydayi Rad, 1998). The growth path of global market for insurance is so that its general direction is to promote the importance of life insurance; because the higher the share of received premiums is in different parts of life, the more important the role of insurance industry will be in savings and capital market; and as a result, it can be said

that the country has high insurance culture (Hassanzadeh and Kazemnezhad, 2010). Life insurance is considered as one of the most important types of insurances due to its positive social, economic, and psychological effects for policyholders on the one hand and increasing the financial strength of insurance companies for short-term and long-term investment on the other hand; hence, insurance companies across the world are struggling to develop it (Feyz, 2007). Iran's insurance industry in comparison with other Middle Eastern countries is considered as one of the largest insurance markets in the region, because Iran has a population of 70 million; however, the industry has not grown enough (Hosseini, 2007). The most important factors in failure to extend the insurance coverage in Iran are the lack of public awareness and the old and traditional marketing techniques that are currently used by insurance companies. The weakness in the marketing has hindered the development of the insurance market in this field and caused adverse effects on the insurance portfolio of Iran. Today, due to income generation, most insurance companies pay special attention to life insurance. Considering the developments in the market, the traditional marketing approaches cannot respond to the current changing conditions within the insurance industry anymore and it is necessary to identify new approaches for dealing with these changes (Amirizadeh and Azimi G., 2010). However, due to the lack of development in this field, today more than ever it is needed for the proper techniques of marketing and sales in insurance industry; hence, assessing the impact of e-marketing on life and investment insurance sales can help in developing new approaches to solve this problem.

The literature review

A conceptual model provided by Kanti Prasad et al. studies the relations between market orientation, marketing competencies, and export performance as well as the role of internet in these relations. The results obtained from survey of 381 manufacturing and exporting companies indicate that combining Internet technology with marketing activities can significantly increase the impact of market orientation on companies marketing competencies and export performance. In this study, to measure the impact of using internet and IT in marketing, 11 indices including the key activities in three dimensions of a company's marketing (the activities related to clients, distribution and sales channels, and marketing research and communications/coordination management) has been used. Prasad et al. (2001) believe that internet has changed many marketing functions and tasks such as mediated inactivation, customer relationship management, mass customization, sales force automation, marketing decision support information, joint cooperation, and coordination.

There is another study as "the application of e-marketing, internal conditions and organizational performance in small software businesses" conducted in Austria. In this study, an exploratory analysis has been conducted based on the data collected from 141 Austrian software companies. This study revealed that companies owning strengths in branding, pricing, product diversification, internationalization, and access to new technologies have welcomed and supported e-marketing more. The results of this study show a positive relation between applying e-marketing and organizational evaluated performance factors especially in small firms. The research hypothesis "the

use of e-marketing is associated with a stronger competitive position” has been confirmed according to the analyses (Bernroider, 2008).

Another study as “integration of internet and marketing operations” emphasizes that acceptance and use of internet for more advanced marketing operations can provide challenging opportunities for companies of all sizes. The study attempts to show what differences can arise in companies (of different sizes) using internet-based advanced marketing practices compared to the companies which do not using these tools. The conceptual model of this research is based on a series of internal and external factors such as the firm size, desire to swallow other companies, entrepreneurial motivations, management support, and market stress. The data of this study has been collected from 379 Swedish manufacturing companies. The results of this study show that the combination of factors on which a company makes decision about using internet-based advanced marketing practices to a large extent depends on the size of the company (Bengissson et al., 2007).

There is another study conducted by Asfidany et al. (2011) as “the impact of internet on marketing performance of life insurance” showing that the use of internet can increase the marketing performance of life insurance. The results of this study have been obtained based on analyses and multivariate regression test. Also, the study show that the most important options for the development of life insurance marketing performance using electronic marketing are databases and human resources.

The other study conducted by Dehghan et al, (2005) as “the marketing process of food producers for using electronic marketing and providing an appropriate model for Iran food industry” shows that there are not necessary conditions for the realization of e-marketing in Iran. The results of this research have been obtained from studying 150 food manufacturers in Tehran. However, the provided model was confirmed by sales and marketing managers of food producers. The research studies the necessary infrastructures of e-marketing and uses the indices such as hardware and software facilities, marketing and sales managers’ familiarity and access to internet to assess the circumstances needed for the realization of e-marketing. In this study, Philip Kotler’s five-step model (process) of marketing management (1- marketing research; 2- market segmentation and target market selection and localization; 3- marketing mix; 4- implementation; and 5- control and monitor as well as environment, strategy and performance model) has been also used to provide a model for using e-marketing in food industry of Iran.

The other study conducted by Hatami G. et al. (2010) as “evaluation of electronic sales strategies of life insurance” assesses the role of e-commercial on marketing development of life insurance industry as well as electronic methods of life insurance sales and advantages and disadvantages of each method. In this research, using network separately in companies, their branches, and sales networks has been selected as the best method.

There is another study conducted by Mehrabadi et al. (2010) as “investigating the relationship between entrepreneurship and electronic sales of life insurance” assessing the process of entrepreneurship and its impact on electronic sales of life insurance. In this study, it is emphasized on clients and customer orientation so that it is recommended to organizations planners and decision makers to pay special attention to their clients.

The research hypotheses

The main hypothesis: electronic marketing affects life and investment insurance sales.

The research sub-hypotheses

The first sub-hypothesis: using internet in marketing activities related to clients affects life and investment insurance sales.

The second sub-hypothesis: using internet in marketing activities related to distribution channels affects life and investment insurance sales.

The third sub-hypothesis: using internet in marketing activities related to marketing research affects life and investment insurance sales.

The research conceptual model

Figure 1 shows the conceptual model of the research. In the model, the independent variables are the dimensions of electronic marketing including “the use of internet for marketing activities related to clients”, “the use of internet for marketing activities related to distribution channels”, and “the use of internet for activities related to marketing research”. The model also shows the components of each dimension as well as the dependent variable of the study “life and investment insurance sales”.

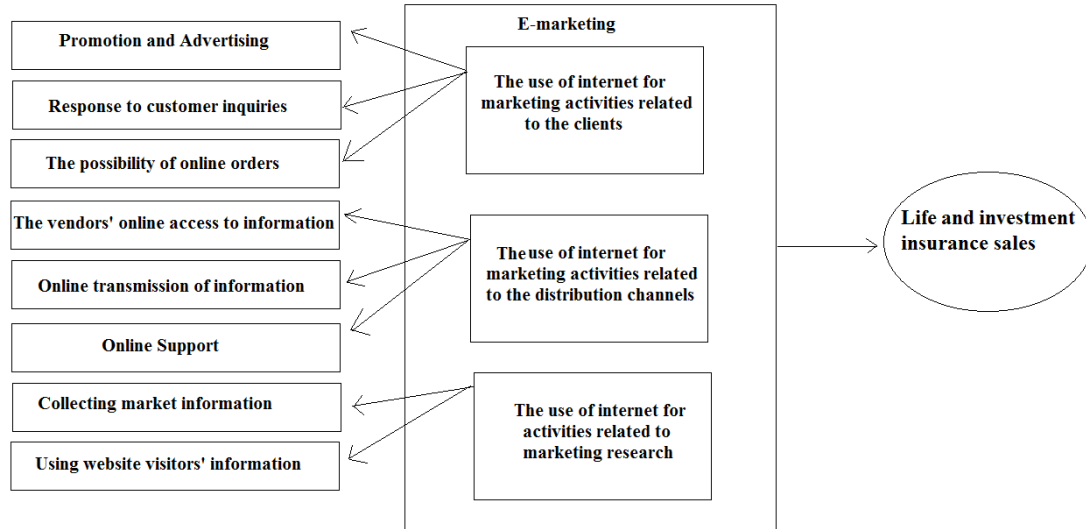


Figure 1: the research conceptual model

Methodology

The present study is an applied research based on its purpose, because its results and findings can help in solving some current problems of insurance companies and developing new approaches for promotion of life and investment insurance sales. In terms of data collection, the study is a descriptive research, because it describes the subject and deals with the relations between the variables. On the other hand, in terms of descriptive research classification, the present study is considered a survey research based on the data collection method.

The statistical population

The statistical population refers to all individuals, events, or things that a researcher intends to study them (Sakaran, 2003). The statistical population of this research includes life insurance specialized managers, experts in issuance, sales and marketing of life and investment insurance, and technical staff active in the life and investment insurance part of insurance companies in Tehran. These people can be considered as

leaders in this field who provide the sales policies of this insurance for all sales networks in Iran.

A) The size of statistical sample

The statistical sample refers to individuals who are selected from the statistical population through sampling methods. In this research, the number of statistical population is equal to 200 people that 132 of them were selected and surveyed as the statistical sample using Cochran's formula.

B) The sampling method

For sampling, the target population were firstly identified and counted in terms of expertise in life and investment insurance sales in various insurance companies; then, the sampling was conducted using random sampling method.

Data collection tools

In this study, the main tool used for collecting data is a closed questionnaire including questions developed based on theoretical studies, the research conceptual model, and the quintuple Likert scale to survey the sample. Totally, the questionnaire includes 38 questions that 4 of them are related to the sales issue and 34 of them are related to electronic marketing dimensions (14 questions about the use of internet for marketing activities related to the clients, 9 questions about the use of internet for marketing activities related to the distribution channels, and 11 questions about the use of internet for activities related to marketing research).

Validity and reliability of the data collection tool

Validity indicates if the measuring tool can measure the characteristics and features that the tool has been developed for or not; in other words, validity refers to the accuracy of an assessment -- whether or not it measures what it is supposed to measure. Validity is important, because inadequate measurement can make any scientific research worthless and invalid (Khaki, 2000). In this research, the validity was determined through content validity method; for this purpose, the questionnaire was firstly distributed among some experts and specialists in life and investment insurance; then, the original questionnaire was designed after applying the necessary modifications in it according to experts' views.

The reliability refers to the extent to which assessments are consistent; in other words, the reliability shows that if the measuring tool is used several times by one group of people in a short time interval, the results will be close to each other. To measure the reliability, an index called reliability coefficient is used that its value ranges from 0 to 1.0. A coefficient of 0 means no reliability and the value of 1 means perfect reliability (Khaki, 2000). In this study, to calculate the reliability coefficient and assessing the correlation among the statements making the questionnaire, 20 questionnaires were distributed among experts of life and investment insurance sales. The final value of 0.91 was obtained regarding Cronbach's alpha of all measures in this research. The value shows the acceptable level of research reliability.

Statistical methods and the data analysis

In this research, inferential statistics methods and Pearson's correlation test were used to analyze the data. After collecting data, they were classified and analyzed through SPSS software; also, the multivariate regression analysis was used for additional analyses.

The results of testing research hypotheses

Table 1 shows the results of testing research hypotheses.

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Hypotheses	The correlation coefficient (r)	The significance level (P)	The result at the confidence level of 0.99
The main hypothesis	0.623	0.000	Confirmed
The 1 st hypothesis	0.510	0.000	Confirmed
The 2 nd hypothesis	0.570	0.001	Confirmed
The 3 rd hypothesis	0.610	0.000	Confirmed

In fact, through the main hypothesis of this study, it was attempted to answer the question if e-marketing affects life and investment insurance sales or not. Also, the sub-hypotheses were proposed to answer the question if e-marketing dimensions (the marketing activities related to clients, the marketing activities related to distribution channels, and activities related to marketing research) affect life and investment insurance sales or not. Pearson correlation test was used to test the hypotheses. According to the results of table 1, since in the main hypothesis as well as the sub-hypotheses, the significance level of test error for a confidence level of 0.99 is lower than 0.01, all hypotheses (the main hypothesis and the sub-hypotheses related to it) are confirmed.

Table 2 shows the multivariate regression coefficients between e-marketing dimensions and life and investment insurance sales.

Table 2: the multivariate regression coefficients between e-marketing dimensions and life and investment insurance sales

Variables	Non-standardized beta coefficient	Standardized beta coefficient	Significance level	Results at the confidence level of 0.95
The marketing activities related to clients	0.048	0.130	0.188	No significant relationship
The marketing activities related to distributed channels	0.099	0.188	0.106	No significant relationship
The activities related to marketing research	0.182	0.379	0.001	A significant relationship

To assess the impact of each e-marketing dimension on life and investment insurance sales, the multivariate regression coefficients were calculated. According to table 2, it can be claimed that at the confidence level of 0.65, there is no significant relation between “life and investment insurance sales” and “two dimensions of e-marketing including the use of internet for marketing activities related to clients and the use of internet for marketing activities related to distribution channels”, but the relationship between “life and investment insurance sales” and “the third dimension of e-marketing, the use of internet for activities related to marketing research” is significant. According to the values of beta coefficients, the use of internet for activities related to marketing research has the highest effect on life and investment insurance sales.

Conclusion

The main purpose of this research has been to assess the impact of electronic marketing on life and investment insurance sales in Iran insurance industry to increase the life and investment insurance sales, meet people's economic, social, and psychological needs in this field, and increase this insurance penetration in Iran. The results show that the use of internet in various marketing activities affects life and investment insurance sales. In fact, using internet in marketing activities related to clients (including promotion and advertising, response to customer inquiries, and the possibility of online orders), insurance companies can increase customer awareness of the their brand and products, create a positive mindset towards their services, and improve their market share position. Also, using internet in marketing activities related to distribution channels (including the vendors' online access to information, online transmission of information, and online support), insurance companies can strengthen their sales networks which are the most important factors in attracting potential customers and converting them to actual customers as well as provide the access to new markets for their sales networks. Using internet in activities related to marketing research (including collection of market information and the use of website visitors' information), insurance companies can achieve useful information on market segmentation, products development, the quality improvement of services, as well as information about the situation of competitors, industry, and customers to improve their conditions in all fields. The results obtained from the study done by Hosseini et al. (2008) indicated that there is a positive and significant relationship between e-marketing and export performance; also, there is a positive and significant relationship between e-marketing dimensions (including the marketing activities related to clients, the marketing activities related to distribution channels, and activities related to marketing research) and dimensions of export performance (including economic, financial, and strategic results). Also, they found that the dimension "using internet in activities related to clients" has the highest effect on economic and financial resources derived from exports as well as the dimension "using internet in activities related to distribution channels" has the highest effect on strategic results obtained from exports.

In this study, it was firstly assumed that the e-marketing dimensions affect life and investment insurance sales. The results confirming the findings of previous studies showed that all three dimensions of electronic marketing affect life and investment insurance sales; however, the dimension "using internet in activities related to marketing research has the highest effect on life and investment insurance sales. Hence, it is needed to give special attention to this dimension in insurance industry and attempt to use it for obtaining the necessary information about clients, competitors, and industry. The feedbacks derived from customer surveys can be used to improve and extend the insurance industry. Thus, the insurance companies should pay special attention to e-marketing as a new tool for sales growth, achieving the top position among competitors, and conquering unexplored markets; also, they should develop appropriate marketing and promotional strategies to achieve a reasonable share in the market of life and investment insurance.

Recommendations

Practical Recommendations:

- According to the findings of this research and the high effect of “using internet in activities related to marketing research” on insurance sales, it is recommended that the managers and sales experts of life and investment insurance apply the information derived from customers to improve the process of electronic service delivery and highly satisfy the clients.
- According to the result that “the possibility of online order” has the highest effect on life and investment insurance sales among the components of “using internet in activities related to clients”, it is recommended to insurance companies to allocate a section in their websites to product customization and customer choice.
- Based on the result that “the online support” has the highest effect on life and investment insurance sales among the components of “using internet in activities related to distribution channels”, it is recommended to insurance companies to equip their sales network with the most updated communication facilities and online services to increase their market share and be informed from the latest changes in processes, services, and products in the fastest possible time.
- According to the result that “the website visitors’ information” has the highest effect on life and investment insurance sales among the components of “using internet in activities related to marketing research”, it is recommended to insurance companies to become aware of their clients’ interests regarding a particular product and attempt to develop it more than before.

Recommendations for future research

Here, some subjects are recommended as follows to researchers who may intend to investigate in fields related to the topic of this paper:

- The impact of application and implementation of e-marketing on the profitability of insurance companies
- To study the impact of “using internet for marketing activities related to clients” on sales of other insurances
- To study the impact of “using internet for marketing activities related to distribution channels” on customers’ satisfaction with service industries
- To study the impact of “using internet for activities related to marketing research” on market share of insurance companies
- To study the role of customer information security in electronic marketing
- The impact of culture on customers’ internet usage
- To study the obstacles to the adoption of e-marketing from customers
- The impact of online ordering on sales of service companies
- To study the impact of other e-marketing models on life and investment insurance sales
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