



# **Identifying the effect of marketing 4 Cs on customer satisfaction of life insurance (Case study: Pasargad Insurance Offices in Tehran)**

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## **Abstract**

In today's competitive world, customer satisfaction from insurance companies is important with respect to rapid changes in competitive positions and marketing situations. For this reason, different models were designed for the measurement of customer satisfaction. One of them is marketing mix 4C's that increases customer satisfaction and loyalty by addressing customer's interest in a product or a service.

The general goal of this research is identifying the effect of marketing mix elements on customer satisfaction of life insurance, which was carried out in 2017, at Pasargad insurance offices in Tehran. The method of this research was descriptive and correlational. The required data was collected via a questionnaire. Designed questionnaires were given to 30 specialists and supervisors in order to measure the validity of the research instruments,

Cronbach's Alpha value for the questionnaire was ( $\alpha=0.92$ ). The subjects of this research were 391 customers of Pasargad life insurance selected through a stratified sampling. After data extraction, SPSS 21 and Amos 21 software did a statistical analysis. Based on the analysis results, among marketing mix 4Cs (**Customer values, Costs, Communications, Convenience**), only communications had meaningful effect on customer satisfaction of life insurance.

**Keywords:** marketing mix 4C's, customer satisfaction, and life insurance.

## **Introduction**

Humans have tried to fight with danger, ambiguity and as much as possible to control and manage financial and human risks. This concern has begun to be the cause of the emergence of insurance industry in the world (Hemmati & Moradi, 1390). Nowadays, insurance industry is one of the main economic institutions in

the world and is the strongest institution supporting the other economic and family institutions too. Among the various types of insurance, the insurance of individuals especially life insurance and savings has a special position (Taleghani & Taghi Zadeh, 2010). This kind of insurance has the benefits that can be a perfect cover for each individual and it provides comfort for

insurer. It is also an investment option (Mirtabar, 2011). In our country, the sale of life insurance - despite its great importance - has not been successful. Scientific marketing of life insurance is one of the main strategies for the development of these kinds of insurance (Feyz, 2007). Insurance is included in the service sector and because services are invisible and intangible, customer satisfaction will be more complicated (Hamidi & Ghajar Beigi, 2015). In marketing of these services, specialists paid more attention to product quality and customer satisfaction (Sabzi et al, 2011). Today all the marketing mix of these companies has moved toward customer orientation with the shift from product-centered approach to the customer-centered approach in order to maintain its customers and attract more new ones. The insurance industry is not an exception (Hasan Zadeh, 2008). Therefore, identifying effective factors in this area is crucial. One of the items that can help organizations in this area is the 4 Cs model that deals with the best and the most appropriate components for companies. Scientific marketing of health insurance is one of the main strategies for the development of this kind of insurance. The 4 Cs model is one of the most advanced marketing models that is shaped in line with the marketing model 4 Ps which increases the sales, revenues, and profitability of the company by paying attention to the customer's views about the product or service and. On the other hand, it increases the customer satisfaction. The 4 Cs model considering the four components (Customer values, Costs, Communications and Convenience) is an

appropriate and effective model for the marketing of treatment insurance (Sogunro, 2013). The description of the four elements of the 4 Cs of marketing is as follows:

### **1-Customer Values:**

Companies must produce and deliver the products and services to customers based on customers' requirements not based on whatever they can (Hemati & Moradi, 2011). Service providers can increase the value of their customers through the following ways: Customization of services, quick service, more and better services, training, advice, and exceptional and abnormal guarantees (Shaba & Alipour, 2015). Competition has grown over the last decade in financial markets and companies are struggling to sell their products or services and thus to keep their market share. Consequently, a phrase is being commonly used in recent times, which is "focusing on a customer that is appropriate for maintaining all business activities". This represents a change in the business that leads to the engagement with the market (Bazini et al, 2012).

### **2-Cost:**

Money paid by customers for goods or service is some revenue for the company and cost for the customer, so the higher price is desirable for the company, the more unpleasant it is for customer. In the 4 Cs model, price of goods or services is considered cost from the customer's point of view (Hemati & Moradi, 2011). Therefore, the company's marketing program should focus on reducing the monetary as well as non-monetary costs of



customers. Since customers incur expenses for non-market items such as time, energy, mental costs, resale costs, and cost of product breakdown to obtain a product or service, companies should reduce all costs of customers and thereby increase their satisfaction, loyalty and profitability (Wang Libo & Pritt, 2005).

### **3-Convenience and comfort in shopping:**

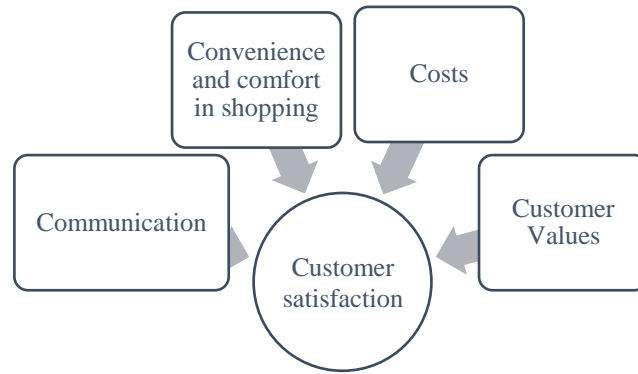
Providing the same services or products provided by the competitors is not enough, but customer should be easy to think about access to goods or services. Convenient shopping includes features of physical or virtual location, ease of access, time spent for shopping, access hours, product or service information search, speedy delivery of goods or services and customization of goods or services in a variety of ways (Hemati & Moradi 2011).

### **4-Communications:**

In the 4 Cs model, the most important aspect of advertising is the existence of a two-way flow between the company and customer. Customers are not merely recipients of information from the company. According to this view, an opportunity is given to the customers to have two-way talks in order to express their needs and establish a long-term relationship (Elahi rad, 2006). In the new era of marketing, the goal of establishing long-term relationships with customers is to preserve more customers, and thereby increase the market share and profitability of companies (Osman et al, 2009).

### **Studies on the subject:**

Salmasi and Sadegh Feyzi (2016) in his study entitled "*The effect of marketing factors on attracting loyal customers using customer relationship management*" (case study: Kowsar Credit Institution) found that the cost (Customer cost) does not affect the attraction of loyal customers through the customer relationship management system at Kowsar Financial Institution. Farah Bakht Fomani & Saberi Haghayegh (2015) in a study entitled "*Factors affecting Life Insurance Customers Satisfaction*" (case study: Iranian Insurance Offices in Golestan province) concluded that the four components of customer-Centric 4 Cs of marketing with customer satisfaction were positively correlated. Shaban and Alipour (1392) in their study entitled "*The Study of 4 Cs Marketing Components on increased Sales of Therapies*" (case study: Gilan province Insurance Companies) showed that the cost of services to customers did not have a significant effect on the increase in sales of health insurance. It found that customer values, customer communications and convenience have a positive and significant effect on the sales increase of insurance policies. Rajabi (2014) in his research entitled "*The Study of 4 Ps and 4 Cs components in the marketing and sales of life insurance*" found that the factors of customer-oriented values, customers cost, convenience in shopping and customer communication are effective in sales increasing of life insurance. Considering the relationship between the components of marketing mix



and customer satisfaction, the conceptual model of the research is as follows:

**Materials and methods:**

The goal of this research is identifying the effect of 4 Cs of marketing on customer's satisfaction of life insurance (Pasargad

Insurance Offices in Tehran). It was a descriptive and correlation method. Required data was collected through questionnaires: In order to measure the validity of research instruments, designed questionnaires were given to 30 specialists and supervisors and its validity was accepted by confirmatory factor analysis. Cronbach's Alpha coefficient for the questionnaire was ( $\alpha=0.92$ ) so reliability can be confirmed (Table1).

Figure. 1 The conceptual model of the research

Table1. Main variables of research (Cronbach's Alpha)

| Variable                            | Alpha calculated |
|-------------------------------------|------------------|
| Customer Values                     | 97               |
| Costs                               | 91               |
| Convenience and comfort in shopping | 92               |
| Communications                      | 81               |
| Customer Satisfaction               | 82               |
| Total questionnaires                | 92               |

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The population for this research was customers of Pasargad life insurance, so 30 questionnaires were distributed in the target population and its standard deviation was calculated to be equal to 0.05046.

Then the number of sample size was obtained by the following formula.

$$n = \frac{(Z_{\alpha/2})^2 * \delta^2}{\epsilon^2}$$

$$n = \frac{1.96^2 * .5046^2}{.05^2} = 391.228$$

The population of this research is 391 selected through a stratified sampling. Independent variables based on the 4 Cs of

marketing components include *Customer values*, *Customer costs*, *Customer convenience* in purchasing and *Customer communications* that have been measured. Statistical analysis was done through SPSS by 21, Amos 21 software. The research findings show that the average age of clients (life insurance buyers) is 36.6 years with standard deviation of 8.13. The respondents' education level shows that their education range varies from diploma to doctoral degree. According to the results, 56.8 % of the respondents are men and the remaining 43.2 % are women (Table 2). In order to verify the normality of the data, the Smirnov Colorimetric Test was used. The results for each variable are as follows (Table 3). The results obtained

in Table 3 show that since the significance level of this test is less than 0.05, the assumption of  $H_0$  based on the normal condition of the components is not confirmed. Verifying the fitness of confirmatory factor analysis model various fitness indicators including the relative Chi-square ( $\chi^2/df$ ), Root Mean Square Residuals (RMR), Incremental Fit Index (IFI), Comparative Fit Index (CFI), Goodness of Fit Index (GFI), Root Mean Square Error of Approximation (RMSEA) were used to test the correctness of the model and its fit with the field data. The fitness of the model was at a desirable level and a logical relationship was found between the examined variables (Table 4).

**Table2.** Demographic information of life insurance customers

| Sex                     | Frequency | Percentage | Considerations                                       |
|-------------------------|-----------|------------|--|
| Male                    | 222       | 56.8       | Mode: male   |
| Female                  | 169       | 43.2       |  |
| Age Category            | Frequency | Percentage | Considerations                                       |
| 22-29                   | 127       | 23.5       | Minimum: 22<br>Maximum: 57<br>Median: 34<br>Mode: 29 |
| 30-36                   | 122       | 31.2       |  |
| 37-43                   | 62        | 15.9       |  |
| 44-50                   | 57        | 14.6       |  |
| 51-57                   | 23        | 5.9        |  |
| Education               | Frequency | Percentage | Considerations                                       |
| Diploma                 | 45        | 11.5       | Mode:<br>Bachelor's Degree                           |
| Associate Diploma       | 53        | 13.6       |  |
| Bachelor's Degree       | 143       | 36.6       |  |
| Master of Science / Art | 102       | 26.1       |  |

**Table3.** The results of Kolmogorov Smirnov Test

| Variables                           | K-S  | Sig   | Result   |
|-------------------------------------|------|-------|----------|
| Customer Values                     | 3.16 | 0.000 | abnormal |
| Cost                                | 3.01 | 0.000 | abnormal |
| Convenience and comfort in shopping | 4.05 | 0.000 | abnormal |
| Communication                       | 3.09 | 0.000 | abnormal |
| Customer Satisfaction               | 3.32 | 0.000 | abnormal |

Error Level 0.05

**Table 4.** Model fitting indicators

| RMR   | GFI   | AGFI  | CFI   | NFI   | RMSEA | $\chi^2/df$ |
|-------|-------|-------|-------|-------|-------|-------------|
| 0.039 | 0.921 | 0.902 | 0.978 | 0.945 | 0.040 | 1.61        |

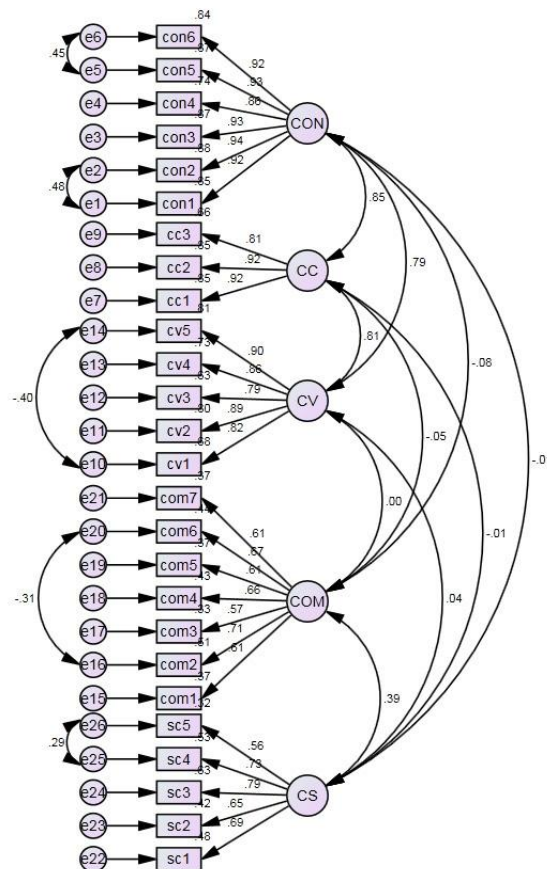
According to the data in Table 4, the ratio of the Chi-square to the degree of freedom ( $\chi^2/df < 3$ ) is equal to 1.61. This value is less than 3 which indicates the good fit of the model and confirms it. The RMSEA (Root Mean Square Error of Approximation) for the optional models is 0.05 or less. The rate of this index was 0.040. Therefore, its fit is appropriate. GFI (Goodness of Fit Index) evaluates the relative value of variances and covariance through the model. The GFI changes range between 0 and 1 and is 0.921 in this model which reflects good fitness. AGFI (Adjusted Goodness of Fit Index) is equivalent to the application of the mean squares instead of the sum of squares in the face and denominator (GFI-1). The

value of this index can also fluctuate between 0 and 1. It is equal to 0.902 that reflects good fitness.

### Structural Model Test

The structural model of the research was performed to study the effect of each of the 4 Cs of marketing on life insurance customer satisfaction. The results are shown in Table 5 and Figure 2. By assessing all fitness indicators, it can be concluded that the fitness indexes obtained are generally acceptable and generally indicate a suitable and acceptable fit of the data with the model and its fitness can be confirmed. The fitting indexes of the model are given in Table 5.

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**Figure2.** Conformity Factor Analysis

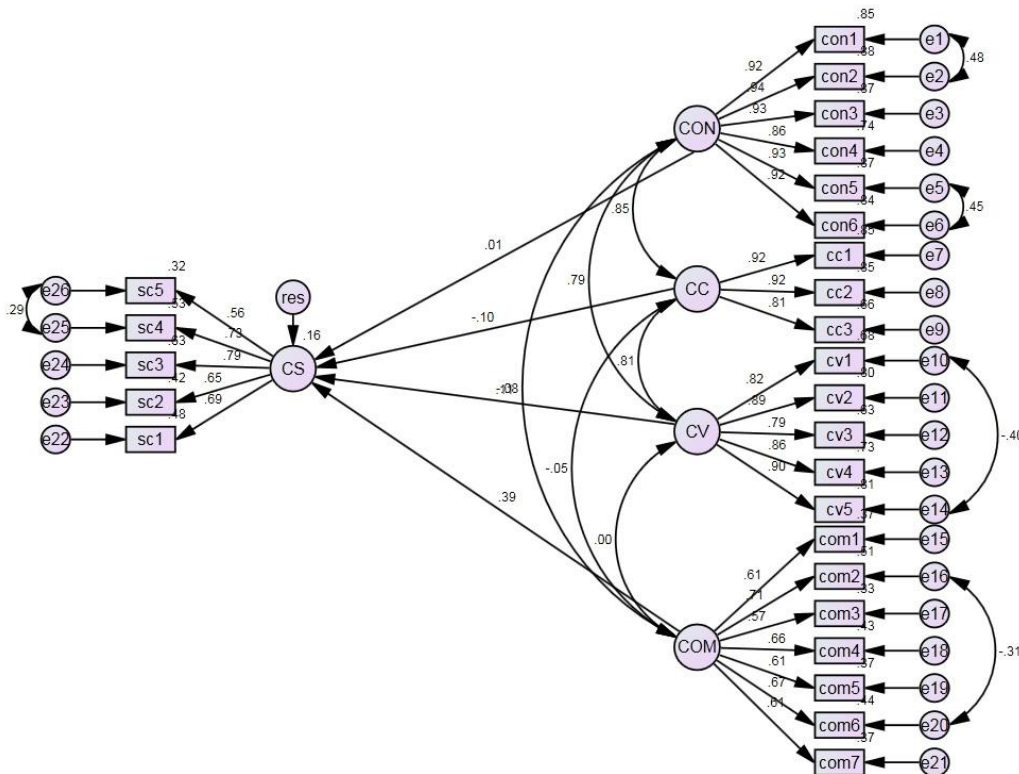
**Table5.** Fit Indicators of research model

| Index name    | Scale | Result | interpretation  |
|---------------|-------|--------|-----------------|
| Chi-Square    | >0.05 | <0.05  | undesirable Fit |
| GFI           | >0.9  | 0.921  | desirable Fit   |
| RMSEA         | >0.08 | 0.040  | desirable Fit   |
| CFI           | >0.9  | 0.978  | desirable Fit   |
| NFI           | >0.9  | 0.945  | desirable Fit   |
| IFI           | >0.9  | 0.978  | desirable Fit   |
| AGFI          | >0.50 | 0.902  | desirable Fit   |
| PGFI          | >0.50 | 0.745  | desirable Fit   |
| Chi-Square/df | ≤ 3   | 1.61   | desirable Fit   |

### Testing hypotheses and research relationships

In Table 6, the value of standardized coefficient and t value are reported. As you see, the study of relationships and the conceptual model of research show that all research hypotheses have been verified. The basis for testing the research

hypothesis is a structural model. If the value of t is greater than 1.96, it means that the obtained equation at the error level is less than 0.05 (P<0.05) and it is meaningful and if the value of t is greater than 1.58, it means that obtained relationship at the error level is less than 0.01 (P<0.01) and it is considered meaningful.



**Figure3.** Conceptual model test in the mode of standardized coefficients

**Table6.** Studying the standardized coefficients, t value and significant level

| Hypothesis   | standardized coefficients | t value | P value | Result                     |
|--|---------------------------|---------|---------|----------------------------|
| Convenience and comfort in shopping has a significant effect on customer satisfaction. | 0.012                     | 0.097   | 0.923   | Reject the hypothesis      |
| Customer cost affect the life insurance customer satisfaction                          | 0.098                     | 0.727   | 0.467   | Reject the hypothesis      |
| Customer values have an impact on life insurance customer satisfaction.                | 0.113                     | 1.043   | 0.297   | Reject the hypothesis      |
| Customer communication affects on life insurance customer satisfaction.                | 0.385                     | 5/376   | 0.000   | Confirmation of hypothesis |

**The first hypothesis test:** convenience and comfort in shopping has a significant effect on customer satisfaction. The structural model test showed that the customer's convenience on life insurance customer's satisfaction had no meaningful effect. The standardized coefficient obtained is 0.012. According to the findings, the first hypothesis of the research is not approved by the life insurance customer satisfaction Rajabi (1393) does not confirm the result.

**The second hypothesis test:** customer cost affects the life insurance customer satisfaction. The structural model test showed that customer cost does not have a meaningful effect on life insurance customer satisfaction. The standard coefficient obtained is 0.098. According to the finding, the second hypothesis is not confirmed. Salmasi and Sadiq Feyzi (1395) have similar results.

**The third hypothesis test:** customer-values have an impact on life insurance customer satisfaction. The structural model test showed that customer values do not have a meaningful effect on life insurance

customer's satisfaction. The standardized coefficient obtained is 0.113. According to the findings, we conclude that the third hypothesis of the research is not confirmed. Alipour (1392) confirms the result.

**The fourth hypothesis test:** customer communication affects on life insurance customer satisfaction. The results indicate that customer communication with life insurance customer satisfaction has a significant effect ( $P < 0.01$ ). It shows that customer communication affects the life insurance customer satisfaction. The standardized coefficient obtained is equal to 0.385. According to the findings, the fourth hypothesis of the research is confirmed at 99 % confidence level. Farah Bakht fumani and Saberi Haghayegh (1392) confirm the result.

### Conclusions and Suggestions:

A long time ago, the most important policy of insurance companies was customer attraction but today strategic and commercial politics focus on customer satisfaction and retention. The goal of this



research was identifying the effect of marketing mix 4 Cs on customer satisfaction of life insurance. According to the research findings of the marketing mix of 4 Cs, there is a positive and significant relationship between the customer communication with customer satisfaction. This variable accounts for 39 % of the variation of the dependent variable. Today, it seems that paying attention to marketing principles and customer communication can play an important role in retaining the existing customers and profitability of company. Then, it can be considered as sustainable competitive advantage. In new business process, customer satisfaction has a high position in company goals especially profit gain and cost reduction. The chiefs and managers know that their success in business goals depends on the customer satisfaction and is made possible through customer communications which can make the organization more effective in satisfying customers. Based on the research findings, some suggestions are made as hereunder:

-Since customer communication has a significant effect on customer satisfaction of life insurance, it is recommended to implement various ways of promoting including advertising, public relation, advance sale, personal sales, direct marketing.

-Some actions of customer communication such as marketing calls when due (at the time of arrival), providing special lines, sending greetings (e-mail), creating notification site can have high effect on customer satisfaction and sales.

-The results show that the effect of the components of the 4 Cs marketing mix has

not the same effect on customer satisfaction. So by choosing the appropriate strategy of the 4 Cs marketing mix as a related set, it can be arranged to increase customer satisfaction.

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