



# **Identifying the effect of marketing mix 4C's on customers satisfaction of life insurance**

## **(Case study: Pasargad insurance offices in Tehran)**

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### **Abstract**

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

The general goal of this research is identifying effect of marketing mix elements on customer's satisfaction of life insurance. It was carried out in 96, at Pasargad insurance offices in Tehran. The method of this research was descriptive and correlation and required data was collected through questionnaire. In order to measure the validity research instruments, designed questionnaire was given to 30 specialists and supervisors.

Cronbach's Alpha value for the questionnaire was ( $\alpha=0.92$ ). The population for this research was 391 customers of Pasargad life insurance that was selected through a stratified sampling. After data extraction, statistical analysis was carried out by SPSS 21 and Amos 21 soft wares. Based on the analysis results, among marketing mix 4C's (clients, costs, communications convenience) only communications had meaningful effect on customer's satisfaction of life insurance.

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

### **Introduction**

Humans have tried to fight with danger and ambiguity and as much as possible they 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). Today, insurance industry is one of the main economic institution and on the other hand, it is the strongest institution supporting other economic and family institution. Among the various types of insurance, the insurance of individuals especially life insurance and savings has a special position (Taleghani & Taghi

Zadeh, 1389). 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, 1390). In our country, the sale of life insurance-despite it is 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, 1386). Insurance is included in the service sector and because services are invisible and intangible, customer satisfaction will be more complicated (Hamidi & Ghajar Beigi, 1394). In marketing of these services, attention

should be paid to product quality and customer satisfaction (Sabzi & etal, 1390). Today all the marketing mix of these companies has moved toward customer orientation with the shift from product-centric to the customer centric in order to maintain its customers and attract more new ones. The insurance industry is not exclude from this rule (Hasan Zadeh, 1387).Therefore identifying effective factors in this area is crucial. One of the items that can help organizations in this area is the 4C's model that discusses 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 4C model is one of the most advanced marketing models that is shaped in line with the marketing model 4P's and it 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 4C's model considering the four components (Customer Values, cost, communication, Convenience) is an appropriate and effective model for the marketing of treatment insurance (Sogunro, 2013). The description of four elements of the marketing mix 4C's is as follows:

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

Companies must produce and deliver the products and services customers require not 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 and advice, and advice, and exceptional and abnormal guarantees (Shaba & alipour, 1394). 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 commonly used in recent times is focusing on a customer that is appropriate for maintaining all business activities and this represents a change in the business that leaders engage with the market (Bazini etal, 2012).

### **2-Cost:**

Money paid by customers for goods or service is revenue for the company and cost for the customer, so the higher price is desirable for the company and it is unpleasant for customer. In the 4C's model, price of goods or services is considered cost from the customer's point of view (Hemati & Moradi, 1390). 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 there by increase their satisfaction and loyalty and profitability (Wang Libo & pritt, 2005).

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

Providing services or products that is match with 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 spend for shopping, access hours, product or service information search, delivery speed of goods or services and customization of good or services in a variety of ways (Hemati & Moradi 1390).

#### **4-Communication:**

In the 4c's 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, the opportunity gives to the customers to have two-way talks in order to express their needs and establish a long-term relationship (Elahi rad, 1386). In the new era of marketing, the goal of establishing long-term relationships with customers is to preserve more customers, and thereby increasing the market share and profitability of companies (Osman et al, 2009).

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

Salmasi and Sadegh Feyzi (1395) in his study "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 the Kowsar Financial Institution. Farah Bakht Fomani & Saberi Haghayegh (1394) 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 4c

marketing mix with customer satisfaction were positively correlated. Shaban and Alipour (1392) in their study entitled "Study of Marketing 4C's 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 communication and convenience have a positive and significant effect on the increase in sales of insurance policies. Rajabi (1393) in his research titled "study of 4p and 4c 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 increasing the sales 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 4C's marketing mix on customer's satisfaction of life insurance (Pasargad insurance offices in Tehran). It was descriptive and correlation method. Required data was collected through questionnaire: In order to measure the validity research instrument, designed questionnaire was 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).

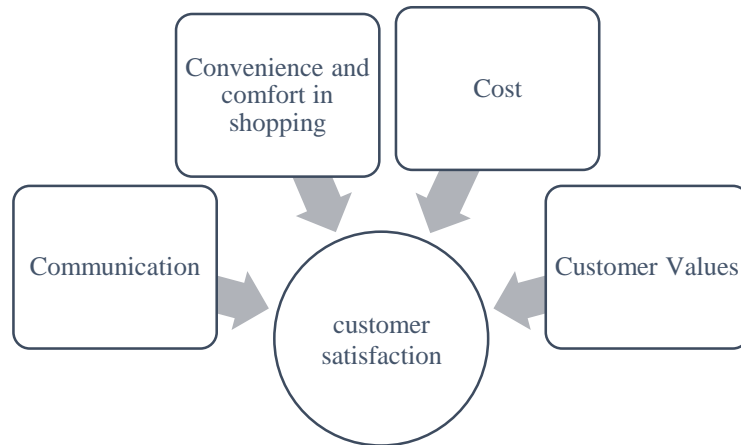


Figure 1. The conceptual model of the research

Table 1. Main variables of research (Cronbach's alpha)

Variable	Alpha calculated
Customer Values	97
Cost	91
Convenience and comfort in shopping	92
Communication	81
Customer Satisfaction	82
Total questionnaire	92

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 sizes from the following formula is obtained.

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

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

The population of this research is 391 that is selected through a stratified sampling. Independent variables are 4C marketing components include customer values, customer costs, customer convenience in purchasing and customer communication that have been measured. Statistical analysis was carried by SPSS by 21, Amos 21 software. The research finding show that the average age of clients (life insurance buyers) is 36.6 years with

standard deviation 8.13. The level of respondents education shows that their education range varies from diploma to doctoral degree. According to the results, 56.8 % of respondents are men and 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 fallows (Table 3). The result obtained in Table 3 can be deduced that since the significance level of this test is less than 0.05, the assumption of H<sub>0</sub> based on the normal condition of the components examined is not confirmed. Verifying the fitness of confirmatory factor analysis modelvarious fitness indicators including the relative Chi-square (x<sup>2</sup>/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 examined variables (Table 4).

**Table 2.** 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 Maximum: 57 Median: 34 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: Bachelor's Degree
Associate Diploma	53	13.6	
Bachelor's Degree	143	36.6	
Master of Science / Art	102	26.1	

**Table 3.** 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	x <sup>2</sup> /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 ( $x^2/df < 3$ ) 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. so its fitness is appropriate. GFI (goodness of fit index) evaluates the relative value of variances and covariance through the model. The range of GFI changes is between zero and one and it 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 be changed between zero and one. 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 components of 4C marketing mix on life insurance customer satisfaction. The result

is 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 is given in Table 5.

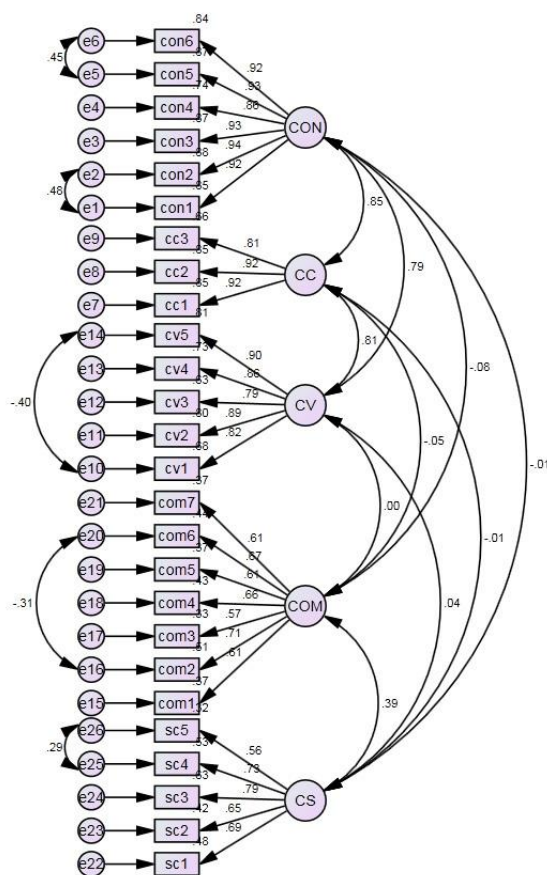


Figure 2. Conformity Factor Analysis

Table 5. Fit Indicators of research model

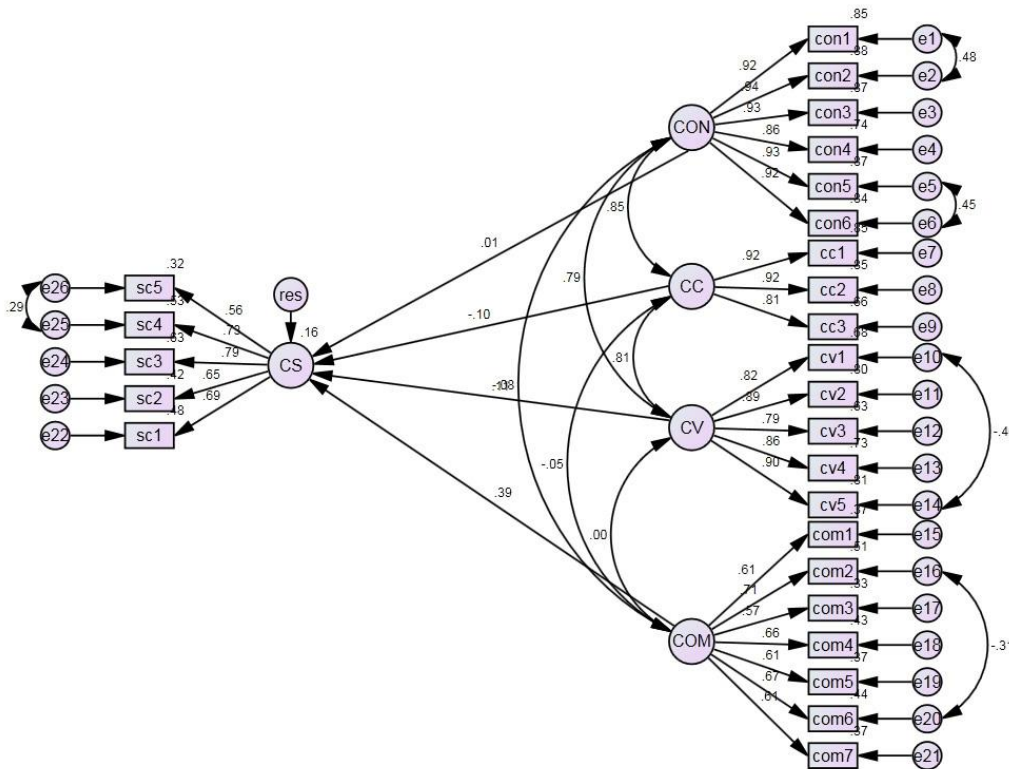
Index name	Scale	Result	interpretation
Chi-Square	>0.05	<0.05	undesirable Fit
GFI	>0.9	0.921	desirable Fit
RMSEA	>0.08	0.040	desirable Fit
CFI	>0.9	0.978	desirable Fit
NFI	>0.9	0.945	desirable Fit
IFI	>0.9	0.978	desirable Fit
AGFI	>0.50	0.902	desirable Fit
PGFI	>0.50	0.745	desirable Fit
Chi-Square/df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



**Figure 3.** Conceptual model test in the mode of standardized coefficients

**Table 6.** 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-valued 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) doesn't confirm the result.

**The second hypothesis test:** customer cost affect the life insurance customer satisfaction. The structural model test showed that customer cost doesn't 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-valued 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, 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 4C's on customers satisfaction of life insurance. According to the research finding of marketing mix 4C's there is a positive and significant relationship between the customer communication with customer satisfaction. This variable is capable of explaining 39 % of the variation of the dependent variable. Today, it seems that attention and action to marketing principles and customer communication can play an important role in retaining 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 their success in business goals depend on the customer satisfaction and it become possible through customer communication which can make the organization more effective in satisfying customers. Based on the research findings, the following suggestions are made.





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

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