Characterizing Life Insurance Marketing: Clients' Perspectives

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CHARACTERIZING LIFE INSURANCE MARKETING: CLIENTS' PERSPECTIVES

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ABSTRACT

This study was conducted to develop a model characterizing life insurance marketing as perceived by prospective clients. Survey method was used involving 200 professionals working in Digos City, Davao del Sur. Exploratory factor analysis was the primary statistical tool used to extract the latent constructs of life insurance, following a principal components analysis to assess the number of components. Results revealed that life insurance marketing is multidimensional and is a function of five dimensions, namely security and integrity, tangibles, credibility, customer service, and value-for-money. These five dimensions are the areas that typify a model that would define the type or quality of life insurance marketing that clients need from insurance companies. The study recommends that the model would be considered in their strategic marketing action plans to effectively capture their prospects. Moreover, testing the items of the developed framework is encouraged to establish its psychometric properties.

Keywords: *life insurance, marketing, service marketing, factor analysis, principal components analysis*

INTRODUCTION

A life insurance is a protection against the loss of income that would receive the proceeds and is thereby safeguarded from the financial impact of the insured clients. It is a contract with an insurance company wherein exchange for premiums payment. Not only known as a death benefit (Chan, 2012), but also a protection against uncertainties and a financial planning (Fjeldstad & Ketels, 2006). It is significant to study the life insurance, because it is part of our life that protects us from harm, risks, unexpected incidence, and of course, to secure and provide the needs of clients in ensuring the life of prospective clients and their beneficiaries. It is also important to understand how marketing factors or elements impact on each other and how a change in one will affect the rest, and understand the fiber between the relationships to clients with the insurance industries (Horton, 2015).

In the 20 years, life insurance industry grew rapidly particularly on rising economies (Haiss & Sümegi, 2008). Apart providing protection, insurer can affect the economic growth in the form of developing financial intermediaries (Curaki, 2009). Nowadays, as an important part of financial planning, people should have a life insurance in order to help and secure the families financial needs. In America, 85% of consumers agree that people need assurance for life, and that practically, all people must have a life insurance as designed to protect life and families against financial uncertainties

(Brown & Finkelstein, 2009). Insurance today is the commodity of every individual. In fact, the perception of security has changed earliest and emerged in order to protect from harmfulness and risk arising from many problems happens in every life (Curaki, 2009).

In the Philippines, the most common problem faced by many people, is that they do not have any assurance in life because they believed that paying for it is another burden and that it is a misconception that having life insurance doesn't provide any benefits at all as long as they live (Madrid, 2014). Aside from the fact that it is difficult for most Filipinos to bear the cost of life insurances, people are reluctant to join a plan like this because they think that there is no immediate benefit (Cowley & Cummins, 2005). It is likely that many people are turned off by the ideas that they will not personally benefit from having a life insurance policy (Ericson, Doyle & Barry, 2003). Determining appropriate marketing strategies is therefore a necessary consideration to plan for an effective implementation of the target insurance industries.

The need to revisit and contextualize marketing strategies for firms like insurance companies would be essential to gain better dominance in this service industry. More importantly, developing a model of marketing strategies that delineates the needs of the prospect clients in the area would be a recent feat in the field of service marketing. As of this time, there are virtually no studies that tried to explore the marketing strategies of life insurance firms in Digos City in Digos City. Additionally, marketing strategies employed by existing life insurance corporations across the country have been designed on a macro-perspective, failing to account the nature of clients in each region or province. Being so, the concept of life insurance marketing is still vague until the conduct of this paper.

With the above pronouncements, life insurance marketing as a concept needs exploration. A common approach is to do need assessment or construct a grounded theory to discuss the possible presumptions of how life insurance marketing should be promoted to the people. Hence, statistically, the concept is considered *latent*, which means that multidimensionality is yet to be established. With the use of the statistical tool known as exploratory factor analysis, the study intends to extract the dimensions or components of life insurance marketing, and ultimately, develop a life insurance marketing model in the context of prospect clients in Digos City.

METHOD

In this study, the researchers used the descriptive and exploratory factor analysis methods. A descriptive research examines phenomena, group of people, idea or theory with a particular focus on facts and conditions of the subject. A descriptive research should be unbiased (Knupfer & McLellan, 1996). The goal is to collect factual evidence and information that give the reader a comprehensive perception of a subject. On the other hand, exploratory research is research conducted for a problem that has not been clearly defined. It often occurs before we know enough to make conceptual distinctions or posit an explanatory relationship (Cooper, Schindler & Sun, 2003).

In this study, descriptive method was used by collecting factual evidence on the level of the situations that may characterize the life insurance marketing model in Digos City, while exploratory factor analysis research design was used to determine its model. In multivariate statistics, exploratory factor analysis (EFA) is a statistical method used to uncover the underlying structure of a relatively large set of variables. EFA is a technique within factor analysis whose

overarching goal is to identify the underlying relationships between measured variables (Wang, Le & Tran, 2015).

Primary data were gathered from the respondents, within the Digos City clients. The method was used was convenience sampling. The respondents of the study were 200 residents taken randomly from five *barangays* (villages) in Digos City (see Figure 1). This study chose Digos City because this spot is one of the most interesting spots when it comes choosing and wiser in buying life insurance products and their benefits to them.

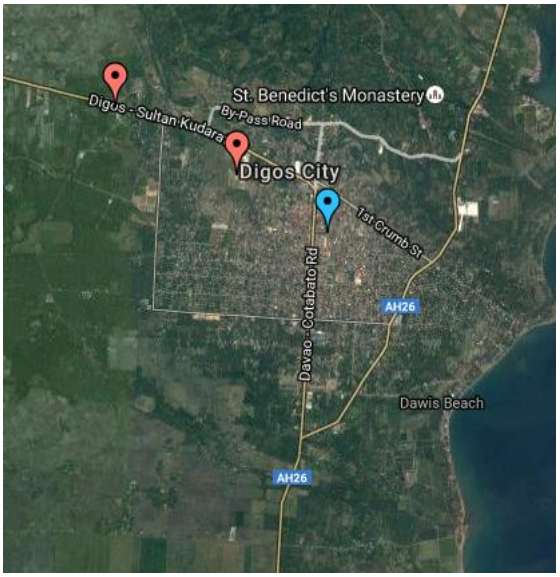

Figure 1. Map of Digos City

The researchers formally sought approval from the Office of the Assistant Vice-President of UM Digos College in the conduct of the study. Upon her approval, the researchers have formally endorsed to the Local Government within Digos City.

The researchers conducted key informant interviews to different personalities in the Digos City asking them to described or characterize how life insurance marketing model should be implemented, what are its component needed, and what are its necessary implications in the community. Analysts directed key source meetings to distinctive identities in life insurance organization in Digos City, requesting that they show how life insurance advertising model ought to be actualized, what their promoting models are, and what its essential ramifications in the group are. The researchers distributed the instruments to the respondents with the permission from the respective *barangay* chairpersons in Digos City to ensure 100% response for data gathering.

In the interpretation and analysis of the data gathered, exploratory factor analysis was used to ascertain the factor structures of life insurance marketing model in Digos City.

RESULTS

Analysis of the results based in data gathered from the respondents which include: (1) the factor structures of life insurance marketing and (2) the model that can be developed based on the findings.

To test if life insurance marketing is multidimensional, the following tests that include the KMO measure and Bartlett's test, latent roots criterion and principal component analysis illustrated in the rotated component matrix are used.

The Kaiser-Meyer-Olkin (KMO) Index is a measure used for assessing sampling adequacy. It is also used as an index in comparing the magnitudes of the observed correlation coefficients and partial correlation coefficients to determine if the data are likely to coalesce on components (Hair et al., 1998). This measure ranges from the values 0 to 1; a value of 0.6 is suggested minimum for a satisfactory factor analysis to proceed but values closer to 1 are better.

In this research, the test result in Table 1 is 0.745. The result suggested that the sample size is adequate based on the criterion of Kaiser and Rice (1974) as it surpassed the acceptable value of 0.6. This result is telling that the data support the

use of EFA and that the data may be grouped into smaller sets of underlying factors. The result therefore confirms that the data set is appropriate for factor analysis.

Table 1. KMO and Bartlett's Tests Results

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.745
Barttlet's Test of Sphericity	Approx. χ^2	678.394
	df	105
	Sig.	0.000

Extraction Method: Principal Component Analysis.

In this study, Table 1 illustrates the test value is 678.394 under the degree of freedom (df) of 105 and the level of significance is 0.000. Therefore, the null hypothesis is rejected and the data set is deemed appropriate for factor analysis (Stewart, 1981). The significance value of Bartlett's test of sphericity should be less than 0.05 in order to be small enough to reject the hypothesis (Williams, Onsman & Brown, 2010).

The standard result of exploratory factor analysis can be identified using the latent roots criterion through getting the total value of the variances explained. Total variance explained shows the result by identifying the value of the eigenvalues of the factors and the variance of each factor. Results of the latent root criterion in Table 2 reveal that five factors can be extracted from the set of items submitted for factor analysis. These five dimensions or factor structures explain 61.245 percent of the variations in the data.

The first factor was most important because it explains 26.069 percent of the total variance of life insurance marketing and has the highest eigenvalue of 3.910. It consists of four items. The second factor comes next, which explains 10.116 percent of the total variance of life insurance marketing and has an eigenvalue of 1.517. It contains three items. The third factor explains 9.127 percent of the total variance of life insurance marketing and has an eigenvalue of 1.369. It consists of four items, with one item to have previously loaded with the first factor. The fourth factor explains 8.055 percent of the total variance of life insurance marketing and has an eigenvalue of 1.208. It consists of three items. Lastly, the fifth and final factor explains 7.877 percent of the total variance of life insurance marketing and has an eigenvalue of 1.182. It consists of three items, with one item to have previously loaded with the second factor. All in all, the 35 items were reduced to a 15-item, five-factor scale. These 15 items explain a cumulative 61.245 percent of the variance of life insurance marketing in the context of Digos City clients, while the remaining 38.755 percent can be explained by other items that were not accounted in this study.

Table 2. *Rotated Component Matrix*

	Indicators	Component				
		1	2	3	4	5
1	innovative and offers comprehensive life insurance products the sales of the company		.762			
2	gives convenient office location		.863			
4	infrastructure of the insurance company		.508			.601
5	fast and efficient counter services					.650
9	secured internet banking	.720				
10	professionalism and credibility of staff	.738				
11	proper guidance and immediate complain handling	.670				
15	clear communication				.777	
16	majority lower interest rates				.702	
18	life insurance is not only for the rich but for all					.683
22	the idea that life insurance gives me peace of mind	.550		.511		
24	influential marketing campaign			.674		
25	excellent past record of performance			.768		
27	should have economic independence and dignity in old age			.622		
29	lower service charge				.666	
	Initial Eigenvalues	3.91	1.52	1.37	1.21	1.18
	% of Variance Explained	26.069	10.116	9.127	8.055	7.877

The data were subjected to principal component analysis in order to determine the factor structure. Principal component analysis (PCA) is employed to determine whether certain items measure common factors. In addition, factor rotation simplifies the rows and columns of the factor matrix and maximizes a variable's loading on a single factor in order to facilitate interpretation (Hair, et al., 2006). An orthogonal rotation (VARIMAX) and an oblique rotation (OBLIMIN) are normally used to explain the computed factor matrix. In this study, VARIMAX rotation technique was used and has produced a clearer structure in terms of the content validity of the factors. Coefficient of the factor analysis is set at $\pm$0.50.

Table 2 reveals the results of the rotation, showing that all of the five factors have significant loadings above ±0.50, which is the standard coefficient value, using the VARIMAX method. Of the 35 items subjected for factor analysis, only 15 were retained and loaded into the five factor structures or attributes. The 20 items that were suppressed upon rotation did not pass the coefficient values set; thus eliminated from the analysis. Looking on the commonality of the items loaded into their respective factors, the factors are then labelled accordingly to the nature of each of the items in one structure, namely: security and integrity, tangibles, credibility, customer service and value-for-money.

Exploratory factor analysis revealed that the first component extracted four items. The pattern coefficient of the 16 items ranged from 0.550 to 0.738, with "The idea that life insurance gives me peace of mind" had the lowest value of pattern coefficient while "Professionalism and credibility of staff" had the highest value of pattern coefficient that is 0.738. The items' coefficient value surpasses the minimum requirement of +0.50. Looking on the commonality of the 4 items, all of them speak on the security of the transactions, proper guidance and immediate complaint handling, peace of mind that life insurance can provide, and the professionalism and credibility of the staff; hence, the attribute or factor structure is labelled as "Security and Integrity" (Hong & Ríos-Rull, 2007).

In addition, the table shows that Factor 2 extracted three items. The pattern coefficient of the items ranged from 0.508 to 0.863, with "Having convenient office location" as the highest value of pattern coefficient and "Has a tangible and evident infrastructure" to have the lowest value of pattern coefficient. The items' coefficient value surpasses the minimum requirement of +0.50. The three items speak of about the existence of an office, the accessibility of its location, and the evidence of an infrastructure which hosts possible clients and prospects. With the nature of the items, the attribute or factor structure is labelled as "Tangibles" (Ahmed, Ahmed & Ahmed, 2010).

In the same way, the table shows that Factor 3 extracted four items. The pattern coefficient of the items ranged from 0.511 to 0.768, with "Having an excellent record of its past performance" as the highest value of pattern coefficient and "The idea that life insurance gives me peace of mind" to have the lowest value of pattern coefficient. The items' coefficient value surpasses the minimum requirement of +0.50. The four items speak of the influence of the marketing campaigns of the company to the decision-making of the clients, basing on the past performance of the company, having peace of mind with how the company markets or promotes its insurance products, and regular issuance of statement of accounts. With the nature of the items, the attribute or factor structure is labelled as "Credibility (Ghorban, 2012).

More so, the table shows that Factor 4 extracted three items. The pattern coefficient of the items ranged from 0.666 to 0.777, with "Clearly communicates the message to their clients" as the highest value of pattern coefficient and "Has lower

service charge" to have the lowest value of pattern coefficient. The items' coefficient value surpasses the minimum requirement of +0.50. The three items speak of the clear communication of the company and its representatives to the clients, low service charge, and low interest rates. With the nature of the items, the attribute or factor structure is labelled as "Customer Service (Singh & Chaudhary, 2014).

Lastly, the table shows that Factor 5 extracted three items. The pattern coefficient of the items ranged from 0.601 to 0.683, with "Marketing life insurance as not only for the rich but for all" as the highest value of pattern coefficient and "Has a tangible and evident infrastructure" to have the lowest value of pattern coefficient. The items' coefficient value surpasses the minimum requirement of +0.50. The three items speak of making life insurance available for all, has fast and efficient counter services, and evident infrastructure. With the nature of the items, the attribute or factor structure is labelled as "Value-for-Money" (Durvasula, 2004).

DISCUSSION

Exploratory factor analysis yielded five (5) valid dimensions of life insurance marketing intended for the target market in Digos city. These five factors are labelled as (a) security and integrity, (b) tangibles, (c) credibility, (d) customer service and (e) value-for-money. These five dimensions are the components that typify a contextualized model that would describe or characterize the type or quality of market of life insurance marketing companies whenever they want penetrate the Digos City market. Due to the findings, it is highly suggested that insurance companies consider there dimensions according to importance.

First, life insurance companies must focus on security and integrity. Security and integrity can be understood as

Figure 2. Life Insurance Marketing Model in the Perspective of Clients

a domain part of the company because it involves the consistency, accuracy and trustworthiness of a agents to maintain the relationship of clients and its entire life insurance companies (Zietz, 2003; Hwang & Greenford, 2005; Omar, 2007). Second is the tangibility factor. Tangibles aspects of a life insurance include the visible internal and external design within the company, the equipment and the ambient conditions in the company. However, the benefits of a life insurance policy about a great personal property will include to their policy holders which include to their shares, and if the time comes by the beneficiaries' will have the probate to receive their shares (Prakas, Mohanty & Kallurkar, 2011; Sonwaney & Oswal, 2015). Third is credibility. Credibility may be seen as trust on the company, its people and their services. Clients feel that whatever benefits the company is offering to them in the future is scientifically-sound, realistic and reliable. Credibility is what the clients need from the company as manifested in its processes and procedures of insurance products, insurance policy and the capacity to give peace of mind not

only for the clients but also to the company itself (Bala, 2011; Das, Mohanty & Shil, 2009; Cummins, Smith, Vance & Vanderhel, 2013). Fourth is customer service. Customer service and service quality has been viewed as a significant issue in the life insurance banking industry (Knights, Sturdy & Morgan, 1994; Tam & Wong, 2001; Siddiqui & Sharma, 2010). Positive relationship between customer expectations of a service quality and improve financial performance that shall look on maintaining excellent customer service (Crosby, 1991; Dawes, Mundt & Sharp, 2009; Entero, 2015). Last is value-for-money. Life insurance must have this by providing the right services and making the clients feel safe and comfortable in their investments. Value-for-money is also manifested in the predisposition of the clients of thinking that their money is not put to waste. It is also seen as a value or worth of the clients' investment and that they feel that they are getting something in the future (Brown et al., 2002; Devlin, 2013).

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