Identification of Factors Affecting Branding in Commercial Insurance Companies of Iran

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ABSTRACT

During the past decade, increase in awareness of managers regarding brands as the most valuable intangible assets of the companies has led to the rise of significance of brands more than ever. In the service organization, branding has a significant role because strong brands enhance the trust of customers in intangible services (i.e. services the evaluation of which before purchase is difficult). Due to the fact that insurance, as a significant part of financial services, demands branding, the objective of present study is to investigate and identify the factors which affect branding in trading insurance companies in Iran. The mythology of present study is data-derived theory (Grounded base Theory) and during 38 unstructured and semi-structured interviews, the most important factors that affect branding in insurance companies are extracted. In the first step, we extracted initial codes from the answers of each interviewee and in the next step, we converted these primary codes into 153 final codes. Following final codification, the researcher tried to introduce concepts and categories. Five technical, structural, human resources, marketing and management were identified as the main factors in this regard each of which include diverse implications in this field. Findings show that the technical category was associated with consideration of standards during provision of primary services of insurance companies. These factors included issuing insurance, paying for losses, risk management and reinsurance management. Technical based procedure in Issuing policy, clarifying and informing insurance terms and conditions in issuing time is the most important mentioned codes by interviewed in issuing management under technical category. In loss management section some items such as paying fairly, Quality of payment and having standards in paying are recognized. Risk management is including some points like having insurer knowledge about insured activity, having good reinsurer and also good reinsurance treaties and advertisement for acceptance of reinsurance department. The second category also consists of concepts such as financial issues, information technology, logistics, legal affairs, R&D (Research & Development) and investment of insurance companies. Having good financial supporter in group like banks (with same name of insurance company), suitable investment special in life insurance premiums, reducing outstanding losses (hidden losses) and clarifying of financial statements are codes which mentioned in financial and investment parts. Strong information technology system, comprehensive internet site and good intranet system are accounted for information technology. Employees’ issues and sales networks are among concepts of human resources or the third category of these factors. Items such as personnel’s training, educated, professional and committed personnel with friendly behavior, giving authority and related certificates for paying loss by agents and brokers, training of agents and special attention to brokers are important factors in internal branding or human resource section. In regard to the fourth category, items such as marketing, public relations, customer relationship management are concerned. Finally, the fifth category is associated with leadership concepts, codification of strategy and their enforcement. Having well-known managers in insurance company and Technical chief executive officers of insurance companies are important items in this section.
INTRODUCTION

Nowadays, development and technology are so rapid and number of advertisement messages distributed from different media to attract consumers to brand is so confusing that we need a tool which helps us to distinguish between their good and bad types and enable us to find a shortcut to our objectives [7].

Currently, brand is one of the most important concepts related to the marketing science. Brand is a concept that belongs to an enterprise, a football team, a political party, or even an individual person; and it adds value to those it belongs, it integrates and associates with them [4].

Brands are shortcuts. In other words, they are like street panels which rate valuable and distinctive characteristics of a product in a crowded and busy market and show them to the buyer. In this manner, buyers can shop their necessary products with sufficient confidence and trust [3].

Although research associated with branding's influence on consumer behavior has increased in recent years, the vast majority of this work has focused on tangible goods rather than intangible services. Focuses on branding and brand name strategies for intangible services is important issue nowadays. Develops a classification system for service brand names and describes a study which explores the degree to which these diverse strategies are used by different types of service [10].

1.1 Brand and Branding:

Brand is a name, term, pattern, symbol or any other feature which distinguishes products and services of a seller from others. At the moment, brand is one of the most important concepts of marketing. Brand is a concept which adds economic value to the institutes, football teams, political parties and even individuals that own them. A brand which generates a proper and positive mental image in the mind of customer is critical for product management and marketing communications [3]. Branding is an act through which the emotional level associated with a product or a service increases so that its value for customers and other shareholders rises. Some researchers of branding limit branding to creating brand value. The objective of corporate branding is establishing a proper condition for brand of an organization through its different shareholders [13] regard corporate branding as similar to product branding in the sense that the objective of both of them is to create distinction and advantage compared with other existing brands. These writers believe that corporate branding is highly complicated because it demands proper management of interactions among all shareholders which are different in characteristics.

1.2 Significance and Necessity of Branding in Service Section:

Branding has a significant role in service organizations because strong brands increase the trust of customers in buying intangible products. Strong brands enable customers to better consider intangible products, help them to obtain a good conception of them and reduce perceived financial, social or safety risks of customers in buying services the evaluation of which is difficult [2].

One could say that strong brand guarantees the success of organizations in competitive market. Customers who seek diversity aren’t only looking for high-quality products but also willing to obtain their favorite values and show others their style of living and thinking. By selecting their favorite brands, they attempt to create an image of themselves for others. As most of the people believe, brands imply quality and reliability of a product. In fact, in the present chaotic situation, a trustworthy guide is a valuable asset. Trust in distinction and advantage is the guide which enables individuals to dominate over market chaos. A top brand is one of the proper guides in competitive and full-of-similar-items markets which guarantee the success of a business and its distinction from other competitors (Kim, 2009) On the other hand, brand is one of the most important concepts in business approach because its success permits marketers to create competitive advantage through flexibility against pressures of foreign competitors and ability to create barriers for domestic competitors. Different studies show that survival of companies is secured through their competency in creating higher values in the market. Performance of organizations is determined by intangible assets such as quality, experience of personnel, participation culture, and knowledge and brand value. In private sector, the significance of branding is so that it forms a fundamental part of strategy in the whole organization. This issue has attributed brand strategy a distinctive position in general strategy of an organization [15].

1.3 Insurance in Iran:

Article 1 of insurance law states that: “Insurance is a contract in which one of its parties is committed to compensate damages to the other in exchange for regular payment(s) and in a case of incidents. The party who commits compensation is insurer and the other party is called “the insured”. The costs which are paid are called “premium” and the insured item is “subject of insurance”.

In 1992, activity of Iran in insurance field initiated. In this year, the laws and registration code of procedure of companies were passed in Iran as a result of which many foreign insurance companies such as Alias, Eagle Star, Yorkshire, Royal, Victoria, National Swiss, etc. founded a branch or representative in Iran. Development
of activities of foreign insurance companies made national authorities to understand the necessity of an Iranian insurance company. In 1935, Iran Insurance Company was founded by the government with initial capital of 20 million Rial. In 1937, insurance law was passed in 36 articles by the parliament. Iran Insurance Company continued its activities with governmental support and this support led to reinforcement of its role in insurance market of Iran and gradual cessation of activity of foreign insurance branches and representatives. After complete cessation of activity of foreign insurance companies in Iran, private insurance companies were gradually founded in Iran. In 1971, Central Insurance of Islamic Republic of Iran was founded to reinforce governmental surveillance on this industry and codify standardized principles and codes of practice for insurance activities so as to protect the rights of parties of insurance contracts. After victory of Islamic revolution in Iran, some insurance companies merged the reasons of which were conditions of the revolution and lack of profitability. Of course, all national industries were announced as “national” after Islamic revolution and this issue led to expulsion of foreigners from insurances of Iran. This process of liquidation and merger among companies continued until 1988 in which a law was passed that clearly stated that insurance companies of Alborz, Iran, Asia and Dana should distribute stocks but they should be under governmental management. In the same law, there was a waiver which obligated merger of eleven insurance companies with Dana Insurance company because the majority of such companies were either bankrupt or weren’t profitable enough. During changes in 1999, passing the law of free trade zones permitted insurance industry to initiate its activities in such regions as a result of which three companies were registered in these zones and started their activities in the following years [6]. In 2001, the law of management of insurance companies and establishment of private insurance companies was passed.

In this regard, private insurance companies were registered and they initiated their activities along with four governmental insurance companies exist in Iran. These companies are: Iran Insurance Companies, Asia, Iran, Alborz, Parsian, Dana, Mellat, Saman, Pasargad, Day, Miolem, Tosee, Razi, Sina, Sarmad, Omid, Iran, Iran Moein, Karafarin, Asmar, Kowsar, Mihan, Novin, Hafez, Sarmad, Arman, Ma, Etekai Amin, Etekai Iranian, Motaghabel Kish and Etminan e Motahed e Qeshm.

Among these companies, only Iran Insurance Company was governmental while others were private. It should be noted that companies of Etekai Amin, Iranian, Motaghabel Kish and Etminan e Motahed Kish are commercial due to their nature and type of activities.

1.4 Branding and its Significance in Insurance Industry of Iran:

One of the service fields which significantly needs branding is insurance service sector. Due to elimination of tariffs and rates of insurance companies by Central Insurance of Islamic Republic of Iran, insurers of different areas of activity faced confusion in selection of insurance companies. Although in some insurance services, the insured are highly sensitive to price changes, but they will be obsessed with quality in services of high complexity in which high premium is paid. Most of international insurance companies are those which have ranking and insurance clients have criteria of selection and necessary guidelines. In our country, no ranking has been done yet but Central Insurance of Islamic Republic of Iran endeavors to rank insurance companies based on their financial status. Therefore, there is no criterion which assures the insured of the level of insurer and type of services especially when usage of insurance services/products depends on probable future occurrence of loss and there are a lot of uncertainties regarding reception of proper services. Therefore, as individuals are ready to pay more for products of superior brands, the insurance clients are ready to pay more to receive necessary insurance services and have more trust and confidence in their choices.

In recent years and after liberalization of tariffs by Central Insurance of Islamic Republic of Iran, the insured parties will face different premium rates to receive identical services. This question might raise to mind that what is the reason for this difference of prices? And in spite of price sensitivities in some insurance products/services, does lower insurance rates can be the main criterion in selection of the insurer?

On the other hand, insurance companies endeavor to improve their services based on their significance, existing facilities and competencies but they don’t know they how much their activities might increase the reliability and validity of their brands.

Most of the companies believe that clients should understand the high value of their services and majority of them seeks means to distinguish their services from others and become a reliable entity in this industry.

Up to now, there is no domestic study in this area and it seems that lack of rating and increasing significance of brand among the insured parties shows the necessity of such a research in domestic insurance industry. The statistics also show significant development of insurance portfolio and increasing number of insurance companies.
Therefore, as stated above, insurance rate and amounts of premiums in insurance market of Iran were based on a definite tariff in past few years and Central Insurance of Islamic Republic of Iran determined the premium for different types of insurance services/products. So, before establishment of private insurance companies and liberalization of tariffs by Central Insurance of Islamic Republic of Iran, there wasn’t a diverse range of products/services and one could say that all companies provided their services with identical prices but relatively insufficient quality. In recent years which private companies entered the market, insurance business witnessed a radical change and now, private companies have won the competition with governmental insurances and provide better services by employing young insurance graduates and using the ideas of experienced and retired managers without undergoing huge costs of bureaucracy of traditional offices. There are still individuals who prefer governmental insurance companies due to their long background and trust in reception of services in future. However, there are still competition in this market and lack of definite tariffs provides a situation in which any company can provide services with desired rates and characteristics. In such a situation, the insured parties face doubt and seek ways to have higher confidence in their purchase. Therefore, existence of guide panels or famous brands can significantly help this industry. At the moment, provision of proper services by some insurance companies isn’t accompanied by famous brands for existing and potential insurance applicants. So, it is necessary to determine the criteria which help the insured to select and the insurance companies to create distinction.

2. Material & Methodology:
To better understand the factors which affect branding in commercial insurance companies, the present study was done based on the data-derived theory.

Grounded theory is a general method of research for introducing a theory. This theory is derived from data which is systematically collected and analyzed during research procedure. In this regard, collection and analysis of data and the theory derived from existing data are closely associated. The researcher initiates his/her study with a pre-defined theory and permits derivation of theory from existing data. Data-derived theory can predict reality more probably compare with the one which is a summary of a set of concepts based on mere experience or thinking. Because these theories are inferred of collected data, they can provide better solutions through deeper understanding [12]. In data-derived theory, analysis of data is done in two primary levels: textual level and conceptual level. Textual level consists of segmentation and organization of data files, codification of data and writing memos while conceptual level emphasizes generation of a model, including association of codes and formation of networks.

In this regard and due to the fact interviews can better inform the researcher of experiences of participants [1], deep interview is used as the main tool of data collection. The researcher directed all interviews.

This means of data collection provides a situation for direct contact with the interviewee which helps in deeper evaluation of perceptions, ideas, wills and demands of the subjects. On the other hand, interview can contribute to analysis of complicated subjects, following the answers to define their causes and assurance of understanding the questions by the subject. Undoubtedly, interview is the most applied technique for doing a socially organized study which provides a comprehensive perspective for the future. So a semi-structured deep interview permits the interviewee to explain what he/she has experiences, associated perceptions and reactions without any limitations. Interviews are categorized into three types of structured, semi-structured and unstructured ones (Sarmad et al, 2005). In the present study, unstructured and semi-structured interviews were used to collect necessary data.

In addition to differences of products, services and essence of insurance services from other services, two groups of experts were interviewed. The first group consisted of technical assistants of commercial insurance companies who are generally familiar with insurance issues and sale of insurance contracts. Most of these experts have a long background of working in an insurance company. The second group consisted of marketing/sale managers and if there are not sufficient number of such experts, public relations managers were included. 38 interviews were done in 22 insurance companies (active companies during present research) during which significant factors of branding in insurance companies were identified. It should be noted that during present study, 22 commercial insurance companies existed and other companies were not include due to their non-commercial essence, recent establishment and short background of activity in insurance market.

3. Results:
After reviewing the interviews and noting down complete memos, the researcher codified the mentioned items during interviews. In the first step, initial codes were extracted from the answers of each interviewee and in the next step, these primary codes were converted into 153 final codes. Following final codification, the researcher tried to introduce concepts and categories. The next step was identification of 17 concepts and 5 main categories. These five categories included technical, structural, human resources, and marketing and management factors.
The technical category was associated with consideration of standards during provision of primary services of insurance companies. These factors included issuing insurance, paying for losses, risk management and reinsurance management.

The second category consists of concepts such as financial issues, information technology, logistics, legal affairs, R&D and investment of insurance companies.

Employees’ issues and sales networks are among concepts of human resources or the third category. In regard to the fourth category, items such as marketing, public relations, customer relationship management are concerned. Finally, the fifth category is associated with leadership concepts, codification of strategy and their enforcement. The model derived from the interviews is shown in table (1).

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<th>Table 1: Main Categories &amp; Concepts of Insurance Companies Branding</th>
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<td>2. Paying for Losses</td>
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<td>3. Risk Management</td>
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<td>1. Financial Issues</td>
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<td>2. Information Technology</td>
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<td>3. Logistic</td>
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<td>6. Investment of Insurance Company</td>
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<td>1. Employee’s Issues</td>
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<td>2. Sales Network</td>
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<td>1. Marketing</td>
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<td>2. Public Relations</td>
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<td>3. Customer Relationship Management</td>
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<td>1. Leadership</td>
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<td>2. Codification of Strategy</td>
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4. Discussion:

Creation of brands is widely regarded as one of the principles of marketing [5] so that branding as the primary strategy of business and marketing. For example, the most specialized skill of professional marketing is the ability to create, maintain, support, reinforce and enhance brands. In majority of businesses, brands are regarded as primary assets of companies. From the viewpoint of financial experts, brands have distinctive values which is beyond their normal value [14]. In service sector, intangibility attributes more significance to branding because insurance is more intangible than other services. Lack of delivery on the moment of purchase, deferring time of service provision to the time of loss and sometimes, lack of loss and consequently lack of any services are the reasons of such intangibility.

Insurance services are not received at the time of purchase and it is during occurrence of losses that the insured party can perceive them. Sometimes, loss mightn’t occur and an insurance contract and mental comfort are obtained in exchange for paid premium bills. Therefore, lack of successful branding leads to inability of insurance seekers to understand the differences among companies and buy their desired insurances. Due to need of insurance companies to branding and lack of sufficient studies in this area, the present study aimed to identify factors which affect branding through a qualitative research methodology. Unstructured and semi-structured interviews were done during which the most important factors, from the viewpoints of experts of insurance industry, were identified.

Since there is not any scientific research in respect of insurance branding and also due to need insurance customers to recognize their insurance companies especially in Iran doing this research is necessary. This research presents unique model for first time for commercial insurance company in respect of branding which has not been presented before.

REFERENCE