# Surveying the relationship between internet with competitiveness and customer loyalty in insurance industry base on Porter competitive forces

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## Abstract

This study was conducted to evaluate the competitiveness and loyalty between the Internets and has been in the insurance industry. The questionnaire was used to collect data. The questionnaires were distributed among 93 Iranian insurance company clients. In order to analyze the data and present the results of SPSS software and structural equation is utilized. The results of this study indicate that the Internet and the Competitiveness and loyalty based on statistical correlation have been made accordingly, all the assumptions in the research that indicates a significant relationship between the Internet and the loyalty and competitiveness component is approved.

## Keywords

Surveying, internet, competitiveness, customer loyalty

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## 1. Introduction

In today's world the Internet has attracted the attention of many researchers, exhibitors in the trade, Governments and media commentators in recent years to focus on. In fact, in most parts of the Internet community we help cease growth rate. In the present period, committed a special place to find customers and effective relationship with the growing customer and he makes that customers of a partner organization within and outside the Organization and sponsor Pro it. So just because of customers who find a sense of belonging and regarding profitability and a long life, we have to make the investment process. (Assel, H., 2001)

E-wave spread to almost all industries affected by the service. One of the potential areas for the application of the Internet and other information technology insurance services. Activities related to the Internet, the insurance industry can change from day to day and the use of it by a set of challenges to insurance companies (Caruana A., Money A.H., Berthon P.R., 2000) Some of the causes of these challenges may be possible, on the following basis:

- Tools to Internet virtual world that is in a particular geographical area frontier does not;
- Internet access customers of investment and insurance services to wisdom in the industry were increased to the level of the eyes;
- The power of information technology to the Internet under its control in the major results and increased speed of service, including access to information and wider size relying on the technology issue.
- The Internet is re-engineering business processes that cause new players including pictures
- Non-financial companies to the market and the investors in options increases on (porter, M.E, 2001)

The impacts of the Internet as all human institutions, has taken on the insurance industry also have a profound impact. Progress of technology on products, services, markets, supplier of raw materials, the rival companies, distributors, customers, production processes and methods of marketing have been impressive (Kim, Chan and Renee Mauborgne, 1997). By virtue of a change in something like this changes the values, expectations and behaviors of employees, managers and customers. Also, these developments led to the emergence of new markets to be sure it is of quite a lot of new and improved products and products and services available are old or obsolete. Changes in technology could lead to the Elimination of obstacles that has existed in the past, that this is a new competitive position in the insurance industry are causing (Cassiman, b. et al, 2002).

The forces of environmental technologies including the macro forces are the forces of the insurance industry and effect on it.

Macro forces include the legal, political, natural forces, economic, social and technology. to describe the forces of Porter model of insurance industry used What we're looking at the research, reviews the impact of the Internet as a major power or environmental variables on competitive forces forming the insurance industry (Majuca, R P, Yurcik, W, J P & Kesan, 2006). Of course, should be noted that the influence of the Internet in different industries, different intensity and speed. this technology on all of the positive or negative impact competitive forces. But if the overall phenomenon of the Internet and the competitive effect that we notice, on the other hand today and search information in the marketing are up for the loyalty of customers Because this is causing the reduction of operational and marketing costs will be increased regarding profitability (Assel, h., 2001). Today, insurance companies are required to have the client see themselves in the mirror. Or try a highly competitive environment, needs and desires of your customers perceive and act in a manner that customer satisfaction is the company or organization. The market today is the cost of losing a customer to lose interest in his lifetime service to the customer needs. What is important for insurance companies, unity and collective action in the form of the customer and customer satisfaction is one of the challenges faced by service firms (Williamson, Oliver; 1975).

Today, enterprises are well aware of the fact that keeping a customer is much less expensive than attracting new customers. Research shows that adding ٪۵to the costs of keeping your current customers, institutions and organizations can add up to ۲۵percent of profits. Meanwhile, as part of the Internet infrastructure, information technology plays an important role and have a profound effect on the functioning of organizations.

Wonderful spread of personal computers and the Internet for learning, easy access to low-cost, from this phenomenon provides a unique opportunity for companies to enter global markets and compete through the complex world of international instruments and customer loyalty has increased the importance of this mechanism has been studied in organizations (Milgrom, Paul and John, Roberts;1992).

It is expressed, it is of interest to the researcher and the research ability, creative, consistent with research capabilities and resources, and its material are provided. The problem, according to the Internet in all aspects of our lives and the importance of loyalty and competition in the insurance industry, is a research priority. So we can say that the efforts of many experts are to meet the desired features.

## 2. Literature review
- The Five Competitive Forces That Shape Strategy

In 1979, *Harvard Business Review* published "How Competitive Forces Shape Strategy" by a young economist and associate professor, Michael E. Porter. It was his first HBR article, and it started a revolution in the strategy field. In subsequent decades, Porter has brought his signature economic rigor to the study of competitive strategy for corporations, regions, nations, and, more recently, health care and philanthropy. "Porter's five forces" have shaped a generation of academic research and business practice. With prodding and assistance from Harvard Business School Professor Jan Rivkin and longtime colleague Joan Magretta, Porter here reaffirms, updates, and extends the classic work. He also addresses common misunderstandings, provides practical guidance for users of the framework, and offers a deeper view of its implications for strategy today.

In essence, the job of the strategist is to understand and cope with competition. Often, however, managers define competition too narrowly, as if it occurred only among today's direct competitors. Yet competition for profits goes beyond established industry rivals to include four other competitive forces as well: customers, suppliers, potential entrants, and substitute products. The extended rivalry that results from all five forces defines an industry's structure and shapes the nature of competitive interaction within an industry.

As different from one another as industries might appear on the surface, the underlying drivers of profitability are the same. The global auto industry, for instance, appears to have nothing in common with the worldwide market for art masterpieces or the heavily regulated health-care delivery industry in Europe. But to understand industry competition and profitability in each of those three cases, one must analyze the industry's underlying structure in terms of the five forces. (See the exhibit "The Five Forces That Shape Industry Competition.")

## The Five Forces That Shape Industry Competition
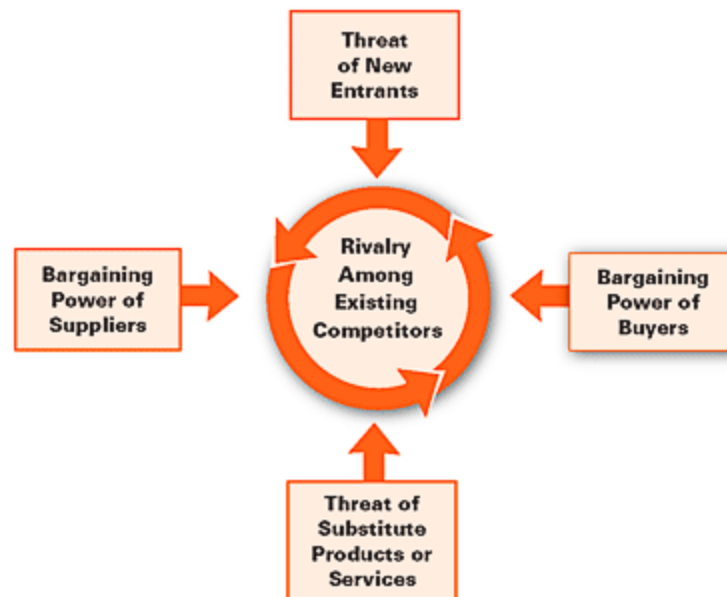


- **Importance of customer loyalty**

Loyalty is behaviorally expressed by retention (Bansal and Taylor, 1999). Retention of current customers or loyalty is of interest to many researchers (for example, Dowling and Uncle, 1997; Ganesh *et al.,* 2000; Mittal and Lassar, 1998; Zeithaml, 2000). Furthermore, it drives the notion of relationship marketing (Marshall and Javalgi, 1995). The emphasis on customer retention is justified by the lesser cost of retaining a customer than obtaining a new one (Fornell, 1992; Fornell and Wernerfelt, 1987; Keaveney, 1995; Reichheld and Kenny, 1990; Reichheld and Sasser, 1990).

In contrast, an offensive marketing strategy aims to attract new customers (Fornell and Wernerfelt, 1987). Traditionally, offensive marketing seeks to attract new customers through advertising, sales promotion, pricing and product (Danaher and Rust, 1996). However, high quality can attract new customers, either by communicating high quality through advertising or by having the firm's customers communicate through word-of-mouth (Boulding *et al.,* 1993; Danaher and Rust, 1996; Heskett *et al.,* 1994; Levesque and McDougall, 1996; Zeithaml *et al.,* 1996). For example, research has consistently found a relationship between service quality and likeliness or willingness to recommend by saying positive things about the organization.

Furthermore, a company can presumably increase its revenues and profits by inducing its existing customers to increase their usage (Danaher and Rust, 1996). In other words, the company can do more business with its existing customers and thus make its customer more profitable. This profitability is assumed to result from quality because higher quality leads to satisfied customers (Anderson *et al.,* 1994; Cronin and Taylor, 1992; Danaher

and Rust, 1996; Parasuraman *et al.,* 1988). Moreover, satisfied customers tend to use more of a service or product (Danaher and Rust, 1996). Thus, building relationships is a form of cross-selling in the traditional sense where many companies focus on selling additional products and services to their existing customers. Nurturing the relationships pertains to the use of products and services by existing customers. Up-selling involves marketing of higher value products or services to existing customers. According to Anderson and Kerr (2002) one of the three rules for success on the road of e-commerce is to make it personal.

## 3. Research methodology

The questionnaire in this study consist 48 multi choice questions. Also, we gathered some demography information from respondents in this questionnaire. The configuration of the questions was in this way:

First of all independent variables of Competition among providers in 8 first questions was analyzed. (Question 1 to 8). Actually, these questions were analyzing the first hypothesis: " There is a significant relation between the Competition among providers and use of internet in insurance industry."

In the next questions (Question 9 to 11) of the questionnaire we analyzed the second hypothesis of this study: " There is a significant relation between the Bargaining power of customers and use of internet in insurance industry. ". These questions are identifying the parameters of the Bargaining power of customers. In table 1 as shown other relation of Research hypothesis and Questioner number.

**Table 1**: Research hypothesis and Questioner number

| Questions | Hypothesis |
|-----------|------------|
| ۱-۸ | First hypothesis |
| ۹-۱۱ | Second hypothesis |
| ۱۲-۱۵ | Third hypothesis |
| ۱۶-۲۰ | Forth hypothesis |
| ۲۱-۲۶ | Fifth hypothesis |
| ۲۷-۳۴ | Sixth hypothesis |
| ۳۵-۴۰ | Seventh hypothesis |
| ۴۱-۴۸ | Eighth hypothesis |

We should mention about the measures that we have used a spectrum in which according to the aim of the study, questions have the choices (from the very little importance to very important) below (Hosseini Mirza Hasan, Nemati Babak and Sadeghi Nazli,2013):

| Very little Important | Little important | Normal importance | Important | Very important |
|------------------------|------------------|-------------------|-----------|----------------|

Reliability and accuracy are from the scales and measurements of the scientific studies and are from the most important characteristics in an effective and accurate information gathering. Regarding this subject, in this study we have tried to evaluate two above mentioned subjects (Nemati Babak, Gazor Hossein, MirAshrafi Seyed Norollah and Nazari Ameleh Kianoush, 2012).

The measured α from research parameters is calculated as shown in table 2.

**Table 2:** Questioner Alfa Cronbach

| alpha | Variables |
|---|---|
| ۰,۷۸۴ | Competition among providers |
| ۰,۸۱۳ | Bargaining power of customers |
| ۰,۸۰۱ | Bargaining power of suppliers, threat of |
| ۰,۷۹۸ | Starting a business |
| ۰,۷۶۱ | The threat of substitutes |
| ۰,۸۲۴ | Customer Satisfaction |
| ۰,۷۰۹ | Perceived image |
| ۰,۷۹۲ | Perceived quality |

As it is obvious from the above table, in all approaches Cronbach α is accepted.

Primarily in all researches, there are some time, place and subject frames which should be defined carefully. Obviously all researchers encounter some obstacles and limitations which prevent them from doing more extensive researches in all studies, some limitations such as time required for the study, research costs and so on.

Because of this, we cannot evaluate a good or bad research without above mentioned parameters, so being good or bad for a study is defined by these 8 parameters and the level that research is done in that. Or in the other words, every research is defined with time, place and subject parameters. We will explain these 3 parameters below completely:

- **Time Domain (Zone):**

This research started in 31 July 2012 as a primary study and finished in the last of January 2013.

- **Place Domain (Zone):**

The place we have done this research as it is obvious from its subject is IRAN Insurance Industry. and its sale agents in GONBAD KAWOOS province.

- **Subject Domain:**

The subject domain of this research primarily is competitiveness and specially is effective loyalty and internet which its focus is on the IRAN Insurance Co. in GONBAD KAWOOS province.

According to the statistical population in this research, (High level management, middle managers and executive managers of IRAN INSURANCE Co. in GONBAD KAWOOS Province) and also broad population studied, defining the exact number of required specimens is necessary. So with having indefinite number of samples in mind, we use the below formulae for sampling method:

The general formula of sampling (Cochran formulae) is as below:

$$n_0 = \frac{Z_{\alpha/2}^2 \, \text{var}(\theta)}{d^2}$$

Where $Z_{\alpha/2}$ is normal standard value for confidence percent equals to $100(1-\alpha)$. Var $(\theta)$ is parameter variance and d is measured error.

If we have a given population volume equals to N, the above mentioned formula will be normalized as below:

$$n = \frac{n_0}{1 + \frac{n_0}{N}}$$

Surely the value for var($\theta$) is unknown. But if our measured population (one of the studied parameters) has 2 conditions, then we can have var $(\theta) = pq$. What is good with this, is that we can consider the maximum value for var($\theta$). (The maximum value which will occurred). This condition is true when we have:

$$p = q = \frac{1}{2}$$

$$n_0 = \frac{(1.96)^2 (0.5)(0.5)}{(0.1)^2} = 96$$

So with d=0.1 we have $n_0$=96. And with having a population with N=10000, the number of the population volume will be calculated as below:

$$n = \frac{96}{1 + \frac{96}{10000}} = 92.23 \approx 93$$

The number of population volume calculated 96 which were distributed between the populations.

Analyzing the Data:

Generally we can say that in analyzing data there is a quantitative dimension which is that special statistical calculation, and also there is a qualitative dimension which is analyzing, reasoning and concluding according to the results from statistical data.

In order to analyze and conclude the obtained results and data in this study, except using statistical methodologies, question and interview with managers and agents, we have used Delphi method to define the accuracy of the dimensions and parameters of research variables the desired subject.

## 4. The Study Findings

This study contains 8 hypotheses, which is defined by conceptual model of the study. In this study the required information obtained from library resources, conceptual model of the study and attitudes from consultants and professors, and then in order to evaluate the data we have used a questionnaire in this study.

Analyzing and evaluating the obtained information have been done by questionnaires in two levels: descriptive analyze and perceptional analyze.

The descriptive analyze includes descriptive analyzing and evaluating of demography (sex, age, level of education, job) information and also evaluating special parameters of the study (amplitude, percent of amplitude, average and standard deviation).

- **Results from Descriptive Data:**

Between the distributed questionnaires, 95 percent of the respondents were man and 5 percent of them were woman. Also in this population, 61.3 percent were married and 68.7 percent were single. In terms of level of education, 4 percent have associate, 52 percent have B.S., 34 percent have M.S. and 6 percent have education level higher than M.S. It should be mentioned that average age of the respondents is 42 years.

The level of the perceptional analyze using statistical test, is defined in order to approval or refusal of the hypothesis mentioned in this study.

- **Results from Perceptional Data:**

In this part of the study, we have tried to define the research of variables and dimensions and parameters of them by analyzing and evaluating obtained from questionnaires given to the respondents. In order to analyze and evaluate the questionnaire data, we have used the amplitude percent method and binomial test and also we have used Friedman test to rank the approaches.

- **Statistical theories**

$$H_0 : \mu \leq 3$$
$$\left\{ \begin{array}{c} \\ H_1 : \mu \succ 3 \end{array} \right.$$

- **Test statistics**

**Table 3:** Statistical measures to test the hypotheses binomial

| Theories (Hypothesis) | Error | Level of being meaningful | Test Possibility | Measured Possibility | Result of the test |
|---|---|---|---|---|---|
| There is a significant relation between Competition among providers and internet in insurance industry | 0.05 | 0.000 | 0.5 | 0.82 | accepted $H_1$ |
| There is a significant relation between Bargaining power of customers and internet in insurance industry | 0.05 | 0.000 | 0.5 | 0.73 | accepted $H_1$ |
| There is a significant relation between Bargaining power of suppliers, threat and internet in insurance industry | 0.05 | 0.000 | 0.5 | 0.87 | accepted $H_1$ |
| There is a significant relation between Starting a business and internet in insurance industry | 0.05 | 0.000 | 0.5 | 0.87 | accepted $H_1$ |
| There is a significant relation between The threat of substitutes and internet in insurance industry | 0.05 | 0.000 | 0.5 | 0.77 | accepted $H_1$ |
| There is a significant relation between Customer Satisfaction and internet in insurance industry | 0.05 | 0.000 | 0.5 | 0.82 | accepted $H_1$ |
| There is a significant relation between Perceived image and internet in insurance industry | 0.05 | 0.000 | 0.5 | 0.79 | accepted $H_1$ |
| There is a significant relation between Perceived quality and internet in insurance industry | 0.05 | 0.000 | 0.5 | 0.86 | accepted $H_1$ |

Because that the level of the being meaningful is less than 5 percent, we can conclude H1. Therefore we can say with more than 95 percent accuracy that H1 is accepted, and

also they are accepted that in all of hypothesis. This conclusion can be more detailed evaluated by average test.

**Table 4**: Statistical measures to test the hypotheses

| (Hypothesis) | Average | 95% Estimation | | Teat Value | Level Of being Meaningful | Measured t | Average Standard Error | Standard Deviation |
|---|---|---|---|---|---|---|---|---|
| | | Upper Limit | Lower limit | | | | | |
| There is a significant relation between Competition among providers and internet in insurance industry | ۳/۵۲ | ۰/۶۱۴۴ | ۰/۴۴۳۷ | ۳ | ۰/۰۰۰ | ۱۲/۳۰۶ | ۴/۲۹ | ۰/۴۱۴۶ |
| There is a significant relation between Bargaining power of customers and internet in insurance industry | ۳/۵۲ | ۰/۶۱۴۴ | ۰/۴۴۳۷ | ۳ | ۰/۰۰۰ | ۱۲/۳۰۶ | ۴/۲۹ | ۰/۴۱۴۶ |
| There is a significant relation between Bargaining power of suppliers, threat and internet in insurance industry | ۳/۳۸۷۱ | ۰/۴۶۶۹ | ۰/۳۰۷۳ | ۳ | ۰/۰۰۰ | ۹/۶۳۰ | ۴/۰۲ | ۰/۳۸۷۶ |
| There is a significant relation between Starting a business | ۳/۴۲۵۹ | ۰/۴۵۷۹ | ۰/۳۳۲۴ | ۳ | ۰/۰۰۰ | ۱۱/۵۰۸ | ۳/۳۶۵ | ۰/۴۰۲۵ |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| and internet in insurance industry | | | | | | | |
| There is a significant relation between The threat of substitutes and internet in insurance industry | ۳/۵۹۸۴ | ۰/۴۵۷۹ | ۰/۳۳۲۴ | ۳ | ۰/۰۰۰ | ۱۲/۴۲۱ | ۳/۴۵۸۷ | ۰/۳۰۲۵ |
| There is a significant relation between Customer Satisfaction and internet in insurance industry | ۳/۶۳۵۹ | ۰/۴۵۷۹ | ۰/۳۳۲۴ | ۳ | ۰/۰۰۰ | ۱۰/۵۲۱ | ۳/۱۲۵۴۷ | ۰/۳۷۸۹ |
| There is a significant relation between Perceived image and internet in insurance industry | ۳/۳۶۹۱ | ۰/۴۵۷۹ | ۰/۳۳۲۴ | ۳ | ۰/۰۰۰ | ۱۰/۳۶۹ | ۳/۴۱۲۵۸ | ۰/۵۲۵۸ |
| There is a significant relation between Perceived quality and internet in insurance industry | ۳/۵۶۲۴ | ۰/۴۵۷۹ | ۰/۳۳۲۴ | ۳ | ۰/۰۰۰ | ۱۰/۳۶۹ | ۳/۶۳۹۸ | ۰/۴۷۱۸ |

## 5. Conclusion

Insurance customers in the city of domes and subsidiaries of the sampling points were selected sample of 93 people, they have responded to the questionnaire. In this study, the

relationship between variables (Internet, competitiveness and loyalty) has been studied. And their analyses are described in the following hypotheses:

-    First hypothesis

The first hypothesis of this study deals with the issue of whether competition among Internet providers, the insurance industry has an effect or not. According to Table 4, the binomial test with an average value of 3.52 was measured. In general, the Internet has a significant effect on competition among providers and is said to be the agent of the insurance industry will be pivotal.

-    Second hypothesis

The second hypothesis of this study, titled "The Internet and the bargaining power of customers in the insurance industry, there is a significant relationship" to the issue of whether the Internet is the bargaining power of customers and the insurance industry or not.

According to Table 4, the binomial test with an average value of 3871/3 was measured. In general, the Internet is a significant effect on the bargaining power of customers is said to be the agent of the insurance industry will be play a key role.

-    Third hypothesis

The third hypothesis of the study, titled "The Internet and the bargaining power of suppliers, the threat of a significant relationship exists in the insurance industry." This study examines whether the threat posed by the Internet is the bargaining power of suppliers or not.

According to Table 4, the binomial test with an average value of 3992/3 was measured. Thus, in general, the Internet is the bargaining power of suppliers, the threat of a significant effect is said to be the agent of the insurance industry will be play a key role.

-    Fourth hypothesis

The fourth hypothesis of the study, titled "The Internet and commercial activities in the insurance industry, there is a significant relationship." This study examines whether or not the Internet has an effect on business activities.

According to Table 4, the binomial test with an average value of 4259/3 was measured. As a result, the overall impact of the Internet on business activities and is said to be a significant factor in the insurance industry will be play a key role.

-    Fifth hypothesis

The fifth hypothesis of the study, titled "The Internet and the threat of substitutes in the insurance industry, there is a significant relationship." This study examines the issue of whether the Internet is the threat of substitute services or not.

According to Table 4, was seen by the binomial test with an average of 5984/3 was measured. As a result, the overall impact of the Internet on the threat of substitute service is said to be a significant factor in the insurance industry will be play a key role.

- Sixth hypothesis

The sixth hypothesis of this study, titled "The Internet and customer satisfaction in the insurance industry, there is a significant relationship." This study examines whether or not the Internet has an effect on customer satisfaction.

According to Table 4, the binomial test with an average value of 6359/3 was measured. Thus, in general, the Internet has a significant effect on customer satisfaction and is said to be the agent of the insurance industry will be play a key role.

- Seventh hypothesis

The seventh hypothesis of the study, titled "The Internet and the perceived image of the insurance company, there is a significant relationship." This study examines whether or not the Internet has an effect on the perceived image.

According to Table 4, the binomial test with an average value of 3691/3 was measured. As a result, the Internet is generally perceived to have significant effect on the image is said to be the agent of the insurance industry will be play a key role.

- Eight hypotheses

Eight hypotheses of the study titled "The Internet and the perceived quality of the insurance company, there is a significant relationship." This study examines whether or not the Internet has an effect on the perceived quality.

According to Table 4, the binomial test with an average value of 5624/3 was measured. As a result, the overall impact of the Internet on the perceived quality is said to be a significant factor in the insurance industry will be play a key role.

- **Recommendations based on the hypothesis**

1- Based on the results of the hypotheses of the study, the following recommendations aimed at creating loyal customers are offered:

2- Group meetings with employees and managers participating insurance company customers to better identify the needs and aspirations of both sides and solve problems and barriers

3- Communication and interaction between multiple customers, employees and management through web sites and communications with stakeholders

4- Providing facilities and special rates for the use of electronic or cyber insurance by insurance and other central actors in these markets, such as insurance companies, brokers and insurance sales agents

5- Procurement agencies and branches of the company to pay damages to equipment and facilities for clients

6- And participation in various programs sponsored by the insurance company's social, cultural and charitable

7- Name of owner managers, experienced, active, capable and familiar with the insurance industry

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