Word of mouth as a marketing strategy in Motor Insurance sector in Sri Lanka: Accomplishing marketing needs

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Abstract

Word of mouth is the transfer of information between people through oral communication, as simple as telling someone the time of day. Storytelling is a common form of word-of-mouth communication, in which one person tells other people stories about real events or fictional content. Oral traditions are cultural materials and traditions that are passed on orally to future generations. A good word-of-mouth marketing strategy can bring the business to a hike with a minimum cost, but it can bring benefits to new customers. This is a marketing method that any company can benefit from, and this strategy is relatively easy to implement. Word of mouth marketing (WOM or WOMM) is the information that customers tell people that they understand a product or service. Basically free ads, inspired by rich experience. Traditionally, this was done in person, but now many recommendations are done online. It can also have a great influence on purchasing decisions. Studies have found that customers trust recommendations from people they know far more than other forms of advertising. Improving WOM marketing may be simple, such as joining the community, building relationships with customers, or even requesting recommendations. The most powerful and credible form of advertising is also the most cost-effective. Word-of-Mouth marketing is being used by several major players in the motor insurance sector as a form of free and paid sales promotions, where satisfied customers tell others how satisfied they are with company and its motor insurance policy . Some insurance companies have identified that nothing better than a personal recommendation or recommendation from a trusted colleague or friend of a buyer. Therefore in this article it has explored most significant factors you need to know about the topic.

Keywords: *Word Of Mouth (WOM), motor insurance, social media marketing, EWOM*

Background of the study

Word of mouth is one of the advanced concept which has been using for centuries to promote the products while some companies spend a millions of rupees for the conventional advertising. They look at things the traditional way and measure marketing success by increasing sales through advertising campaigns on television, radio, and print media. This is how they have always been sold and will continue to do so. Some companies have gone one step further, acknowledging the existence of the Internet and ultimately incorporating social media as a marketing method. However, these methods are by no means the only way that companies can bring them to market. In fact, these are probably not the most effective means for most companies. Actually, the best type of marketing for many businesses is no large cost or no cost at all. Word of mouth marketing has produced the best marketing results for many companies. This is the most natural and organic form of marketing. Word of mouth marketing (WOMM) Instead of using paid ads, it includes multiple players promoting features of their favorite products on multiple channels. Therefore, word of mouth is widespread and where it includes referral marketing, influencer marketing, employee advocacy, and customer advocacy. Some subtypes of word of mouth marketing focus on targeting a small number of people, such as referral marketing. Others, like influencer marketing, can target a much wider audience, depending on your niche. No matter what type of word of mouth you want to use, you must first create something worth talking about.

Why WOM so important

It's a matter of trust, nothing else.

Human inherently trust other human who are like them and who aren't trying to sell them anything. Motivations are important among the communities. It doesn't take much to trust the personal stories and experiences of consumers. It takes a lot to trust a brand, even on a good day. At the end of the day, consumers always consume. How companies bridge the gap between lack of confidence in brands and consumers desire for certain products or services. They turn to trusted sources for information friends, family, colleagues and industry peers. Consumers are twice as likely to trust family and friends as any other influencer providing recommendations

(AMA, 2020). Consumers' recommendation feels genuine, and consumers' colleague's story will stand out in his memory where consumer experiences on a daily basis. Marketers lose a strong network of trust if they don't approach word of mouth marketing with a clear strategy. Buyers are getting smarter and smarter, which can make it even harder for marketers to find a niche in their chosen niche. By building a reputation with customers, then getting people to recommend your business to other consumers, company can dramatically increase their visibility, audience size, and sales revenue. Nowadays discussion are happening how effectively Social Media Drive Word of Mouth. According to the Kimberly A.Whitler (2019) form her article in the Forbes mentioned that Marketers were focusing on the 4 P where companies probably hit them over the head while studying marketing, further article emphasize that marketers need to focus on three Es: Engage, Equip, Empower. If the companies can master them it can be the most loved and talk about the product in your category, which will ultimately lead to increased sales. It can be seen a great WOMM campaign generate thousands of conversations, referrals, and triple sales in just one year and additionally researcher mentioned that fueling conversations and igniting passion will make a big difference to the brands. Now it has started new era with digitalization concept though 4 P are still existence. As per the As John Moore (2020), marketer for Starbucks and Whole Foods says being talked about requires a strategy and a plan that goes beyond "likes". It requires deeper insight about your customers, further emphasized if the consumers are not talking about products that make sense they are forgetting it immediately, thus social media is the best platform to make engage activities and create profiles. While WOM word of mouth exists everywhere, there is a clear link between social media and word of mouth. The question is, to what extent is social media is engaging. People have always interesting to talk about their experiences with brands, services and products. These discussions now take place via social media, which contributes more to WOM as social media has a greater reach, is faster and in real time compared to traditional offline WOMs.With social media, a customer's opinion or experience with a product or service is no longer just one-to-one conversations. Thousands of people can start a conversation about a brand at the same time. According to the research of Jay Kang (2019) before making a purchase consumers tend to ask for recommendations from friends or communities on social media. A good example here is E-word of mouth (EWOM) where they look for recommendations" feature. If a user posts that what they are looking for recommendations. Social media influencers contribute even more to EWOM while sharing and communicating with their followers. If they give a positive opinion or experience with a brand, they will spark more conversations about the brand. It's not easy to measure the impact of social

media on WOM, but can categorize the types of WOM about brands attraction and see how social media contributes to each type. There are three type of experiences, firstly WOM Experimental, where a customer shares a positive or negative experience with a brand, product, or service. Secondly Consequential WOM, where customers are exposed to traditional marketing and then share information about the brand or campaign on social media finally, Intentional WOM, in which two influences are used to activate even more WOM. (Kang 2019)

Motor insurance as a competitive field – How Effectively Does Word of Mouth Drive in motor insurance.

Insurance companies, regardless of size, need to continually build customer base if the companies want to remain competitive and profitable; motor insurance sector no exceptional. There are many different ways that an insurance agency can reach new clients, so it is important to choose the methods that will have the most impact and focus on marketing and advertising efforts on those specific areas. Whether the company has well established or just starting out, insurance companies can always increase their marketing by looking in a new area. It is very important to understand the strengths of motor insurance companies and what makes them different from competitors. Certainly, insurance companies can look at the plans and pricing methods, but also rate the customer service aspect. For some clients, it is different aspects such as ability to provide friendly and helpful technical support and answer most of the questions about insurance plans, might be just as important as the cost of the plan itself. The world today is moving faster than ever, having a systems that ensures that current and potential customers can obtain information quickly is huge advantages to be different organization from another. Most new clients generally find an insurance through agent via WOM based on recommendations from existing clients. This is an important way to find new clients, but interventions are completely dependent on existing clients (Jayasooriya, 2019). To take advantage of this, make it as easy as possible to introduce existing customers. What is interesting here is how it effect WOM as a marketing strategy to promote each and every motor insurance policy in the motor insurance industry.

Literature review

Communities have been reported to expand in size, numbers and characters, and advertisers have come to understand the growing value of Word of Mouth. However, it is not easy to define and manage, but we believe that word of mouth can be dissected to understand precisely what makes it effective and that its impact can be determined using what we call word-of-mouth equity and an index of a brand's power. (Bughin, Doogan, & Jørgen Vetvik, 2019), this researches further

discussed the significance factors which are currently engaging in the market where it can be used to the any industry. Word of mouth impacts for sales, so why certain goods are more debated than others, both right after consumers first meet them. The research paper from Berger Jonah (2019) discussed the psychological drivers of immediate and persistent WOM and more than 300 items, the authors examine a specific data set of regular conversations and perform both a wide field experiment across different cities and a regulated laboratory experiment with real conversations. The finding indicate that, contrary to intuition, more interesting things get more immediate WOM, but does not get more continuous WOM over many months or years. On the other hand, more eco-friendly or more socially recognizable items receive more WOM immediately and over time. It shows that in WOM marketing campaigns, promotional giveaways are linked to improving WOM whereas the results shed light on WOM's psychological drivers and provide insight into the creation of more successful campaigns for WOM. Another research article discussed the factors about sharing opinion with their social ties, the article claims that word of mouth is goal-driven and has five main functions i.e., impression management, emotion regulation, information acquisition, social bonding, and persuasion. Importantly, this researcher presume that these motives are primarily self-serving and driving what individuals speak about even without their knowledge (rather than others). In addition, these drivers make assumptions about the kinds of new knowledge that individuals are most likely to address. (Jonah, 2014). The research article from Jui Chang and Chen Yin Lee (2020) explore the influence of service innovation on consumer behavioral intention and to investigate the role of WOM and cooperate social responsibility where they mentioned service innovation has been one of the core components of fulfilling the expectations of consumers, however it further discussed the few studies which had already examined service innovation in the insurance industry about behavioral intention. The article of "Using Online Conversations to Study Word-of-Mouth Communication" with reference to the general insurance has mentioned that Managers are really involved in word-of-mouth contact because they think that the success of a product is connected to the word of mouth and it produces. There are at least three major difficulties associated with determining word of mouth, however. Firstly, data collection method is questionable since data is shared in private conversations, direct observation has factually been challenging. Secondly what feature it has to be assessed of those conversations. The problem finally emerges from the fact that it is not an exogenous word of mouth (Godes and Mayzilin, 2014). The study of Word-of-mouth reputations in motor insurance markets by Lawrence A. Berger (2014) under the assumptions of highly imperfect market awareness, a model of dissemination of information

concerning stochastic quality levels of enterprises is created. Further analysis shows that an improvement in the knowledge quantity rate leads to a decrease in the demand pattern in terms of quality. However, a dynamic study reveals that short-term tendency increases under some conditions, with an increased rate of knowledge diffusion. It is believed that significance of dynamic analysis is emphasized by the length of time that convergence to the steady state frequently takes for the context of WOM. Further another researcher was created a model of the motor insurance industry demand structure is built in which customers learn about companies through friends and neighbors. Which further elaborate when the price gap crosses a certain threshold, customers tend to switch companies (Kleindorefer, 2017). However, in the context of Sri Lanka, this researcher has found very few papers on the impact of WOM as a marketing technique in the field of motor insurance, therefore it is emphasized that it very important to fill the gap.

Case discussion

In the Sri Lankan context there are many companies sell motor insurance product whereas annual report of Insurance regulatory commission (2019) stated there are 15 active players in motor insurance industry in Sri Lanka. Motor insurance has undoubtedly benefited greatly in various aspect. But situation in Sri Lanka especially for motor insurance was different until the current decade. Conventional motor insurance product had created the attitude that spending money on motor insurance wasting.   Before 2003 there were few companies who vend motor insurance policies however introducing with innovative idea from one of the major player at that time (herein after call the insurance company as X insurance company) was able to capture the market within the few years not even that it created massive competition and motor insurance has become the most marketable product in insurance. Initially X insurance company was struggling to cater the service due to government own insurance company partaking larger portfolio and act as a monopoly (herein after government own insurance company call as Y insurance company). However With the strategy introduce by the X insurance company make easer process the customer to claim where they inspect the damage vehicles at accident site and they paid fair amount same time X insurance company provide value added services even other major player not even think of. This competition directed all the other major players to think about their services and they imitated the strategy. (Jayasooriya, 2019). How the WOM came in to the action in motor insurance sector is interesting to discuss. A research article from JKSP jayasooriya(2019) discussed the practical application of and how it effectively used by the X insurance company to become the market leader. Target audience of this onsite inspection

process was low end where there were high potentiality to market the product since there was high tendency to penetrate the message what they have created. Therefore initially X insurance company made platform within the society to discuss about the motor insurance product which was highly efficient method and low end market caught the message and they promoted the product themselves (Jayasooriya, 2019). As per the research article from the researcher Prasad Rathnayake (2017) stated that after launching the product by the X insurance company as a solution for the conventional method they not even touch the low end but also as a second phase make penetrate the marketing message among the professionals such as Doctors, lawyers and Engineers with a different value added services. This concept leads to take X insurance company into the number one position in the market and they manage to keep the position for last decade. (IRC, 2019)Y insurance company also try to imitate and launch alternative solution and try to use same marketing strategy however it was not succeed. Anyhow Y insurance company is managed to survive in the market however loose the potential customer portfolios. Few years back another major player in the motor insurance industry (herein after call as Z motor insurance company) came up with a concept call "call and go" it also widely spread among the vehicles user due to heavy marketing campaign of E-word of mouth. And they did some impact where they managed to capture the considerable market share. WOM is associated with theory of reason action which was introduced by the Icek Ajzen(1967). It is used primarily to predict how people will act on the basis of their pre-existing behaviors and behavioral intentions. The decision of an individual to participate in a particular activity is based on the results that the person expects to come as a result of performing the behavior. Further it is elaborated via theory of plan behavior (Ajzen and Fishbein 1985). Further it is suggested that make sure that current content should be rich where the customers are happy with the quality and coverage of the service. Make sure all agents make a good impression on clients. Create business cards and magnets with agency information, such as phone numbers and website addresses that connect directly with people. It is further proposed that clients should be allowed to take it and sell it to others. Consider offering a small benefit for each referral, such as a one-time discount or a small gift card. It tells individuals that you appreciate the job you bring in and increases their chances of realizing that when the opportunity arises, your customer recommended you (Smyth, 2019). Word of mouth marketing relies on the natural tendency of people to talk about their business experience and promote it organically in the process (Mercer, 2020). Conversion rates from word of mouth traffic are significantly better compared with other channels (AMA, 2019). Identifying possible influencers is very critical for the Sri Lankan motor insurance industries for WOM. If

the company successfully establishes a professional status, some influencers may find it themselves. Companies are working to expand their network however, don't let this happen naturally. Motor insurance companies should spend time researching influencers, talk to their target audience via social media and look for people with high reach. Connect with these people and let them see you as an important voice. If motor insurance companies allow these influencers to share their content with their networks, the companies will see massive profits emerge, and some of their audiences even on their social networks. However, blog posts and social media content find people who have a large audience, including ideal customers, and end them product or offer service.

Some of the critical areas listed in Danielle Smith's (2020) research are currently relevant for promoting motor insurance through WOM can be classified as follows. There are many features of WOM marketing that can be easily lost. Note that the first challenge of the business plan of motor insurance is to increase awareness and interest in products. Using tools for the type of marketing that best describes the brand and easily convey the message. Depending on location, size, and discipline, some methods are more effective than others, but it doesn't need to do anything. As stated previously, the secret to getting online is a quick, professional website that is easy to navigate and contains useful data. Consider hiring a stylist to make it look attractive and easy to update from the inside and keep the information up-to-date. To build, watch, and read more interesting discussions, one way to get readers to web site is to regularly post interesting material. In order to do this, it is important to provide meaningful information to help readers understand why they need products for motor insurance and what agents can do for them. Consider recruiting writers for this content who are experienced or technical. Companies have to be perfectly written and polished to stand out from the millions of websites. Photos of satisfied customers will help personalize brand, and short videos will remind consumers that qualified professionals are waiting to help them. Social media has become ubiquitous and has become an integral part of many people's lives, therefore this may seem like an obvious starting point. It is recommended that to consider whether this is relevant to the type of social network what the company has chosen to create, for example, a Twitter account might not benefit much from an insurance company that offers long-term client relationships and secure packages, but it might work for Facebook. Advertising is everywhere using social media or data sites and even Google-advertising and can offer advantages to motor insurance companies and is deeply associated with EWOM media. Placing promotional messages and advertisements on Facebook can increase the number of visits to companies' page; and make ignite to talk the motor insurance product.

Similarly, Google ads or sponsored links can also increase traffic. Many advertising agencies will adjust it as needed to suit the known demographics, thereby reducing costs. Word of mouth is a powerful concept that has been used to promote the products for many centuries, question arises here whether all insurance firms use this term to promote their products, especially in the field of motor insurance. WOM is commonly used in the insurance industry as there is no physical product to be promote, but guarantees and conditions are sold.

Conclusion

Nowadays, many types of research are being discussed as main goals of marketing concepts to promote various products in various situations. WOM seems to be a powerful tool for promoting the products since it associates with different kinds of aspects as well as with prominent theoretical backgrounds. People like recommendations and tend to trust their friends when making purchase decisions. WOM advertising is essentially seeking to start an exponential recommendation chain to drive the motor insurance brand's continuous traffic, potential customers and sales. In essence, it boils down to trust where people believe what others say, which means that when they learn something from a friend or former consumer, they are more likely to buy. Therefore, a simple way to encourage WOM discussions is to use social currency factors and provide marketing strategies that provide internal enigmas or branded information. User-generated content is created and shared voluntarily by everyday consumers, although word of mouth is the organic sharing from one customer to another of data or opinions about goods, industries, or brands. Companies should come up with something unique and different and provide it to your customers. This will make consumers amazed and they will share their experience with others. This does not mean that companies need to redo everything again, just deal with some old ideas and present them in a different way. Or companies should follow some different marketing strategies. Establishing an emotional connection with customers is a very powerful tool that enables customers to talk about the company's motor insurance products. People usually think that the company's motor insurance products and customers have something in common. Motor insurance companies should keep in touch with people who have a significant impact on the public and also have a large following. This means that the business network is well developed, and it will have a huge effect if they do WOM marketing for their products.

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