

ETHICAL BRANDING AND CUSTOMER LOYALTY: INSURANCE

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Abstract:

In an intensely competitive environment, it becomes very crucial for any organization to maintain and enhance professional relations with its customers. This will help the organization in retaining and generating loyalty amongst its customer. However, considering the number of competitors and the huge product assortment, it is very difficult to create loyal customers in today's' time. One good strategy to gain a set of loyal customers is by building a brand that is perceived ethical by the customers. An ethical brand can assist an organization to gain the trust, love and confidence of the customers which in turn will make the latter more loyal towards the brand and will also help the organization in earning higher profits.

The reputation of the organization is maintained by the activities of the organization, past experiences, corporate communications, word of mouth, etc.

Researchers have noted that it is imperative to take a closer look at how consumers develop relationship or interaction with brands and be able to form communities of brand in their own personal lives.

Key words:

Brand loyalty, brand ethics, satisfied customer.

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Introduction:

The notion of ethical branding emerged in Europe in the 1980s. It accompanied the emergence of ethical consumerism, which represented a segment of less than 5 percent of consumers in western markets. In 1998 the Ethical trading initiative was formed in the UK as an alliance of mainstream corporations, trade unions and NGOs, with the intent of improving transparency and the protection of human rights in company supply chains through the “Base Code”. The early fair-trade brands campaigned for social justice, animal welfares and the promotion of natural substances in the production of groceries, beverages, chocolate and ice cream, textiles and handicrafts and cosmetics.

Current Scenario:

Ethical consumption is perhaps the biggest movement in branding today. Over the past couple of years, media exposure of this phenomenon has been substantial. Many major brands are using the ethical dimension as a key platform for advertising and marketing.

The surge in popularity of ethical brands has resulted from a general disillusionment with corporate business practices. In recent years, consumers have witnessed a number of corporate scandals – increasing their sensitivity to how businesses behave. At the same time, media interest has led to huge exposure of the issue, creating expectations in the marketplace, to which businesses need to respond. Whilst still relatively small, ethical brands are growing at twice the rate of their non-ethical counterparts and show no signs of letting up.

Ethical aspects of brands:

Until recently such ethical brands were regarded as niche brands with limited consumer appeal and were explicitly developed with an ethical campaign at their heart and dependent upon the ethical convictions of their entrepreneurial founders. More recently, however, such brands have been regarded by marketing professionals as “challenger brands” to mainstream brands in the same category.

An ethical brand should not harm the public good; instead it should contribute to, or help promote, the public good. In this sense, ethical branding applies to the practice of ethical brand management by all brand owners. The ethical brand has been formulated around specific and additional commitments made by a brand to society and its environment in a more proactive way than has historically been the case for mainstream brands.

According to Harvard Business Review, “an exceptionally satisfied customer is six times more likely to buy again as one who is more satisfied and only 5% increase in customer loyalty can boost profit from 25% to 85%”. One of the big brands in the insurance sector, ICICI Lombard bagged the Customer and Brand loyalty award in the insurance sector at the Loyalty Summit-2010 for the second consecutive year. The company recognizes the importance of providing superior quality to differentiate from competitors and to retain the customers. Looking at the significance of making loyal customer in business, it becomes absolutely imperative for any organization to generate loyalty amongst its customers to sustain, survive and be profitable in the future.

One way to make the customers loyal is to inculcate, implement, promote and position your brand as an ethical brand. A majority of customers prefer a brand that does not over promises and delivers whatever it commits in its corporate communications. Therefore, it becomes vital for an organization to live up to this expectation of its customers.

Ethical Activities:

- Product Attributes: non toxic substances, pure ingredients, fair pricing, environmental friendliness and intrinsic worth to society.
- Supply chain and manufacture: care for all those involved in the supply chain, employee welfare, discrimination, human rights and fair pay.
- Corporate citizenship: community action, societal engagement and charitable donations.
- Communications: truthful claims.

Does Ethical branding actually affect the customer’s decisions?

It has to be noted that a profitable and popular brand might not be perceived as ethical from the viewpoint of the customer. On the other hand, ethics can not guarantee success or huge profits to a business as well. The survey in the USA finds that ethical behavior is an important consideration during the purchase decision and consumers are willing to pay higher prices for that firm’s product (Creyer and Ross, 1997). Despite the conflicting studies, it seems that the customers today are more concerned about the ethical issues than the customer 10 years ago. This is mainly because of the large number of fraudulent and illegal activities by the organizations in the past one decade in

India. The better renowned and bigger a brand is higher is the customer's expectation in terms of ethics from the organization.

To prepare Ethical Brand Image, a company must have strong internal marketing, strong external marketing, servicing the customer adequately, staying inside legal boundaries and building credibility.

Insurance Sector:

The Confederation of Indian Industry states that the insurance sector of the country has been witnessing a consistent growth rate of late and its present worth is 41 billion US dollars.

The industry has of late achieved a yearly growth rate within 32 and 34 percent and this makes it the 5th best among emerging economies around the world. The various entities of the industry are also bringing out newer products on a regular basis to attract their customers. At present there are 22 life insurers in India. The insurance industry has also become more competitive as a result. The life insurance companies have performed the best when it comes to growth with an increase of almost 70% in new premium that has been collected in the initial 5 months of 2012. As per IRDA data, in April-August 2010 the insurance companies earned \$11.73 billion in new premium - in the corresponding period in the previous year the amount stood at 6.9 billion dollars. LIC, a state held insurer, had been the biggest profit maker at that time with an addition of 88% to their existing business. The privately owned insurers together had seen a leap of 34% to their policy sales. The approximate market share of LIC has been the highest of 50%.

Objective of the study:

1. To study on brand loyalty of various insurance brands.
2. To study does the ethical brand play a role in the purchase behavior of customers

Scope of the study:

A humble attempt was made to study the purchasing behavior of insurance brand in the market.

Description Methodology:

To study the brand loyalty of consumers of insurance, the primary data was collected with the help of structured questionnaire. Questionnaire was filled up by 150 respondents of the Jamnagar city. It was found that there is a huge difference in the brand loyalty due to illiteracy, ineffective sales communication which results to no trust factor, etc.

Research Design

The research design used was exploratory research design, because was made on convenient random sample.

Questionnaire

The questionnaire was prepared keeping in view the objectives of study. Questionnaire consists of Closed ended and Open ended questions.

Sample Design

Jamnagar district of Gujarat state represents average literacy rate, average per capita income and average standard of living of people.

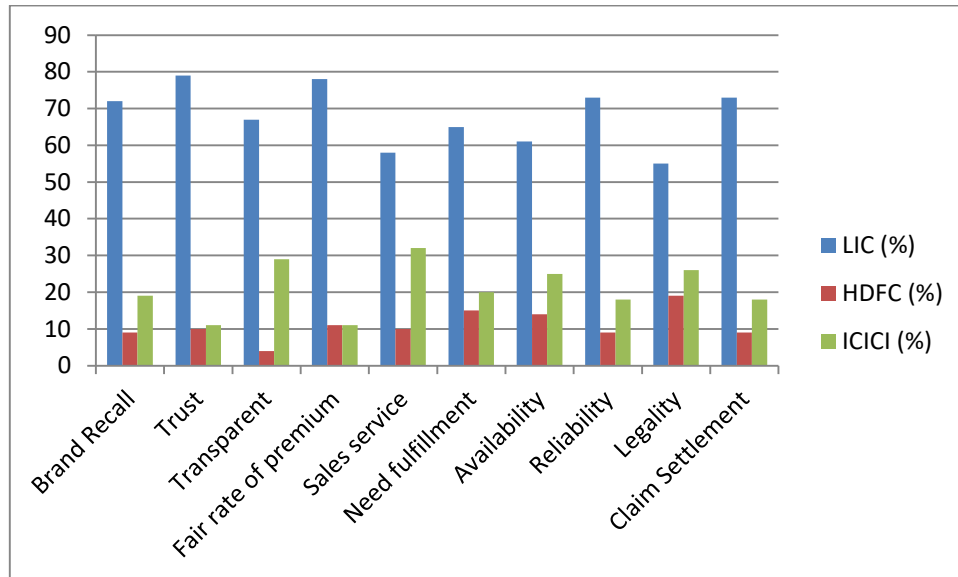
Field Study:

The Source of Data: The study is based on Primary data. The primary data was collected with the help of structured questionnaire. The survey was conducted in the Jamnagar city.

Determination of sample: The size of sample was 150.

Table 1: Ethical Brand loyalty of consumers toward insurance companies.

Factors	LIC (%)	HDFC (%)	ICICI (%)
Brand Recall	72	9	19
Trust	79	10	11
Transparent	67	4	29
Fair rate of premium	78	11	11
Sales service	58	10	32
Need fulfillment	65	15	20
Availability	61	14	25
Reliability	73	9	18
Legality	55	19	26
Claim Settlement	73	9	18



Graph: 1

Data Analysis:

Based on the collected data in the city, brand loyalty of customer is shown in the table and the graph.

Graph clearly indicates that the brand loyalty for all the ethical factors like trust, legality, availability, etc. is seen more in LIC brand than those of ICICI and HDFC.

For each category, first preference is given to the LIC brand, second to the ICICI and third to the HDFC brand.

Problems:

- People are subject to habits, preferences and socio-cultural pressures.
- Local markets are premium price sensitive.
- Local people hesitate to pay the premium in the private brands.
- The brand image is maintained on the number of years the brand entered their area.
- Companies lack to explain the local people due to low marketing skills.
- Local people are teased with the continuing calls from the private brands.

Findings:

- LIC is the most trusted company among the respondents.
- LIC is the company which is recalled faster among the respondents.
- Claim settlement is considered good among the respondents of LIC in comparison to privates sectors.

Suggestions and Conclusion:

As per the analysis and information carried out the following suggestions and conclusions are arrived at:-

- In the study majority of the respondents are male categories.
- Male members are the family heads.
- Women are afraid to take the decision due to illiteracy.
- Family income is average.
- Non-Availability of brands is another reason which affects purchasing decision.
- Marketing skills are needed to improve.

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***RENAISSANCE - ISSN Number: 2582-8495, Bi-Annual: Multidisciplinary
PeerReviewed and Refereed EJournal, Vol: 4, December 2022.***